

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

H

D

HOUSE DRH50509-LH-75 (01/30)

Short Title: Taxpayer Bill of Rights.

(Public)

Sponsors: Representatives Blust and Holloway (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE GOVERNMENTAL ACCOUNTABILITY AND PROTECTION TO THE TAXPAYERS BY LIMITING INCREASES IN THE GENERAL FUND BUDGET, REFORMING THE BUDGET PROCESS, ESTABLISHING AN EMERGENCY RESERVE TRUST FUND, AND TO AMEND THE NORTH CAROLINA CONSTITUTION TO ESTABLISH A GENERAL FUND EXPENDITURE LIMIT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143C-1-1(d) is amended by adding the following new subdivisions:

"(12a) Fiscal growth factor. – The average of the sum of inflation and population change for each of the preceding three calendar years. If either inflation or the population change for the preceding three calendar years is negative, then that change shall be counted as zero.

(16a) Inflation. – The percentage change in the consumer price index for the United States for each calendar year as published by the Federal Bureau of Labor Statistics.

(21a) Population change. – The percentage change in State population for each calendar year as reported by the Office of State Budget and Management."

SECTION 2. Article 4 of Chapter 143C of the General Statutes is amended by adding the following new sections to read:

"§ 143C-4-8. Determination of General Fund expenditure limit.

(a) General Fund Expenditure Limit. – The General Fund expenditure limit for each fiscal year shall be the previous fiscal year's General Fund expenditure limit increased by a percentage rate that equals the fiscal growth factor.

1 (b) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized
2 General Fund for the fiscal year beginning July 1, 2007, increased by the fiscal growth
3 factor shall be used to determine the General Fund expenditure limit for the fiscal year
4 beginning July 1, 2008, which will then be used to determine the General Fund
5 expenditure limit for succeeding fiscal years.

6 (c) Decreases in General Fund Expenditure Limit. – If, on or after December 31,
7 2007, the cost of any State program or function is shifted from the General Fund to
8 another source of funding, including, but not limited to, counties or other units of local
9 government, or if moneys are transferred from the General Fund to another fund or
10 account, the General Fund expenditure limit shall be reduced by a like amount.

11 (d) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research
12 Division and the Office of State Budget and Management shall issue a determination of
13 the General Fund expenditure limit for the fiscal year beginning July 1 of that year and a
14 projection of the General Fund expenditure limit for the next fiscal year. If the Fiscal
15 Research Division and the Office of State Budget and Management do not agree on the
16 General Fund expenditure limit, the lowest determination and projection shall be used.

17 **"§ 143C-4-9. Increase in General Fund expenditure limited.**

18 (a) Governor Bound by General Fund Expenditure Limit. – In preparing the
19 budget for a fiscal year, the Governor shall not propose expenditures from the General
20 Fund for the ensuing fiscal period in excess of the projected General Fund expenditure
21 limit established under G.S. 143C-4-8.

22 (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting
23 the budget for the fiscal year, the General Assembly shall not make appropriations from
24 the General Fund in excess of the General Fund expenditure limit established under
25 G.S. 143C-4-8.

26 (c) No State Moneys to Be Paid in Excess of General Fund Expenditure Limit. –
27 Except as provided in G.S. 143C-4-10, no money shall be drawn from the State treasury
28 if the withdrawal will result in a State expenditure for any fiscal year in excess of the
29 General Fund expenditure limit established under G.S. 143C-4-8. Except as provided in
30 G.S. 143C-4-10, the Governor, the State Treasurer, and the State Controller shall not
31 issue or redeem any draft, check, warrant, or voucher that will result in a State
32 expenditure for any fiscal year in excess of the General Fund expenditure limit
33 established under G.S. 143C-4-8.

34 (d) Revenue in Excess of General Fund Expenditure Limit Credited to
35 Emergency Reserve Trust Fund. – All General Fund revenue collected in excess of the
36 General Fund expenditure limit shall be credited to the Emergency Reserve Trust Fund
37 at the end of each fiscal year.

38 **"§ 143C-4-10. Two-thirds vote of General Assembly required to exceed General**
39 **Fund expenditure limit.**

40 The General Assembly may, by an affirmative vote of two-thirds of the members of
41 each house, make General Fund appropriations for nonrecurring expenses in excess of
42 the General Fund expenditure limit for a period not to exceed 12 months beginning on
43 the effective date of the appropriations.

44 **SECTION 3.** G.S. 143C-4-2 reads as rewritten:

1 "§ 143C-4-2. Savings Reserve Account Emergency Reserve Trust Fund and
2 appropriation of General Fund unreserved fund balance.

3 (a) Creation and Source of Funds. – The Savings Reserve Account Emergency
4 Reserve Trust Fund is established as a reserve in the General Fund. The Controller shall
5 reserve to the Savings Reserve Account Emergency Reserve Trust Fund one-fourth of
6 any unreserved fund balance, as determined on a cash basis, remaining in the General
7 Fund at the end of each fiscal year. The Emergency Reserve Trust Fund shall also
8 include revenue in excess of the General Fund expenditure limit credited in accordance
9 with G.S. 143C-4-9(c).

10 (b) Use of Funds. Two-Thirds Vote Required to appropriate Funds From the
11 Emergency Reserve Trust Fund. – The Savings Reserve Account Emergency Reserve
12 Trust Fund is a component of the unappropriated General Fund balance. Funds reserved
13 to the Savings Reserve Account Emergency Reserve Trust Fund shall be available for
14 expenditure only upon an act of appropriation by the General Assembly. Assembly that
15 passes by an affirmative vote of two-thirds of the members of each house.

16 (c) Goal for Savings Reserve Account Balance. – The General Assembly
17 recognizes the need to establish and maintain sufficient reserves to address
18 unanticipated events and circumstances such as natural disasters, economic downturns,
19 threats to public safety, health, and welfare, and other emergencies. It is a goal of the
20 General Assembly and the State to accumulate and maintain a balance in the Savings
21 Reserve Account equal to or greater than eight percent (8%) of the prior year's General
22 Fund operating budget.

23 (d) Transfers From Emergency Reserve Trust Fund Permissible to Pay
24 Appropriations When Budgeted Funds Are Insufficient. – If the Director of the Budget
25 determines that: (i) pursuant to the provisions of G.S. 143C-6-2 the aggregate revenues
26 collected and available during a fiscal year are not sufficient to pay all of the
27 appropriations for that fiscal year in full; or (ii) pursuant to the provisions of Section
28 5(3) of Article III of the North Carolina Constitution, receipts during a fiscal year when
29 added to the surplus remaining in the State treasury at the beginning of the fiscal year
30 will not be sufficient to meet budgeted expenditures, the Director may, in the Director's
31 discretion, transfer funds from the Emergency Reserve Trust Fund to pay the
32 appropriations for the fiscal year to the extent funds are available. If the Director of the
33 Budget decides not to transfer the funds from the Emergency Reserve Trust Fund as
34 provided in this section, the Director shall proceed as provided in G.S. 143C-6-2 or
35 Section 5(3) of Article III of the North Carolina Constitution to administer the budget so
36 as to prevent any overdraft or deficit.

37 (e) Excess Funds to Be Returned to Taxpayers. – If the total funds in the
38 Emergency Reserve Trust Fund at the end of the fiscal year exceeds an amount equal to
39 five percent (5%) of the total General Fund appropriation for the prior fiscal year, the
40 excess over five percent (5%) shall be reserved to provide tax relief to the citizens of
41 North Carolina."

42 **SECTION 4.** The funds in the Savings Reserve Account are transferred to
43 the Emergency Reserve Trust Fund established by G.S. 143C-4-2.

1 **SECTION 5.** Article V of the North Carolina Constitution is amended by
2 adding a new section to read:

3 **"Sec. 15. General Fund expenditure limit.**

4 (1) Definitions. The following definitions apply in this section:

5 (a) Fiscal growth factor. The average of the sum of inflation and
6 population change for each of the preceding three calendar years. If
7 either inflation or the population change for the preceding three
8 calendar years is negative, then that change shall be counted as zero.

9 (b) Inflation. The percentage change in the consumer price index for the
10 United States for each calendar year as published by the Federal
11 Bureau of Labor Statistics.

12 (c) Population change. The percentage change in State population for each
13 calendar year as reported by the Office of State Budget and
14 Management.

15 (2) General Fund expenditure limit. The General Fund expenditure limit for each
16 fiscal year shall be the previous year's General Fund expenditure limit increased by a
17 percentage rate that equals the fiscal growth factor. The Governor shall not propose
18 expenditures from the General Fund for the ensuing fiscal period in excess of the
19 projected General Fund expenditure limit. In enacting the budget for the fiscal year, the
20 General Assembly shall not make appropriations from the General Fund in excess of the
21 General Fund limit.

22 (3) Base fiscal year for General Fund expenditure limit. The total authorized
23 General Fund budget for the fiscal year beginning July 1, 2007, increased by the fiscal
24 growth factor, shall be used to determine the General Fund expenditure limit for the
25 fiscal year beginning July 1, 2008, which will then be used to determine the General
26 Fund expenditure limit for succeeding fiscal years.

27 (4) Decreases in General Fund expenditure limit. If, on or after December 31,
28 2007, the cost of any State program or function is shifted from the General Fund to
29 another source of funding, including, but not limited to, counties or other units of local
30 government, or if moneys are transferred from the General Fund to another fund or
31 account, the General Fund expenditure limit shall be reduced by a like amount.

32 (5) Two-thirds vote of General Assembly required to exceed General Fund
33 expenditure limit. The General Assembly may, by an affirmative vote of two-thirds of
34 the members of each house, make General Fund appropriations for nonrecurring
35 expenses in excess of the General Fund expenditure limit for a period not to exceed 12
36 months beginning on the effective date of the appropriations.

37 (6) Any funds that are unexpended as a result of this provision that exceed five
38 percent (5%) of the General Fund appropriation for the prior fiscal year shall be
39 returned to the taxpayers."

40 **SECTION 6.** The amendment set out in Section 5 of this act shall be
41 submitted to the qualified voters of the State at the next general election, which election
42 shall be conducted under the laws then governing elections in the State. Ballots, voting
43 systems, or both may be used in accordance with Chapter 163 of the General Statutes.
44 The question to be used in the voting systems and ballots shall be:

1 " FOR AGAINST

2 Constitutional amendment to limit the General Fund expenditures for each
3 fiscal year to an amount that does not exceed the previous year's General Fund
4 expenditure limit increased by a percentage rate that equals the fiscal growth factor and
5 to provide that the base fiscal year for the General Fund expenditure limit shall be the
6 total authorized General Fund budget for the fiscal year beginning July 1, 2007,
7 increased by the fiscal growth factor. That baseline shall be used to determine the
8 General Fund expenditure limit for the fiscal year beginning July 1, 2008, which will
9 then be used to determine the General Fund expenditure limit for succeeding fiscal
10 years."

11 **SECTION 7.** If a majority of the votes cast on the question is in favor of the
12 amendment set out in Section 5 of this act, the State Board of Elections shall certify the
13 amendment to the Secretary of State. The amendment becomes effective upon this
14 certification. The Secretary of State shall enroll the amendment so certified among the
15 permanent records of that office.

16 **SECTION 8.** Sections 1, 2, 3, and 4 of this act become effective only if the
17 constitutional amendment set out in Section 5 of this act is approved by the qualified
18 voters of the State, as provided in Section 6 of this act.

19 **SECTION 9.** This act is effective when it becomes law.