

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**HOUSE BILL 1773**

Short Title: Taxpayer Bill of Rights. (Public)

Sponsors: Representatives Blust, Holloway (Primary Sponsors); Brown, Dockham, Hilton, Moore, Samuelson, and Starnes.

Referred to: Rules, Calendar, and Operations of the House.

April 19, 2007

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.

(b) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized General Fund for the fiscal year beginning July 1, 2007, increased by the fiscal growth

1 factor shall be used to determine the General Fund expenditure limit for the fiscal year  
2 beginning July 1, 2008, which will then be used to determine the General Fund  
3 expenditure limit for succeeding fiscal years.

4 (c) Decreases in General Fund Expenditure Limit. – If, on or after December 31,  
5 2007, the cost of any State program or function is shifted from the General Fund to  
6 another source of funding, including, but not limited to, counties or other units of local  
7 government, or if moneys are transferred from the General Fund to another fund or  
8 account, the General Fund expenditure limit shall be reduced by a like amount.

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

15 **"§ 143C-4-9. Increase in General Fund expenditure limited.**

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

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

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

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

36 **"§ 143C-4-10. Two-thirds vote of General Assembly required to exceed General**  
37 **Fund expenditure limit.**

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

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

43 **"§ 143C-4-2. Savings Reserve Account Emergency Reserve Trust Fund and**  
44 **appropriation of General Fund unreserved fund balance.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24       (4) Decreases in General Fund expenditure limit. If, on or after December 31,  
25       2007, the cost of any State program or function is shifted from the General Fund to  
26       another source of funding, including, but not limited to, counties or other units of local  
27       government, or if moneys are transferred from the General Fund to another fund or  
28       account, the General Fund expenditure limit shall be reduced by a like amount.

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

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

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

42                               "[ ] FOR       [ ] AGAINST

43       Constitutional amendment to limit the General Fund expenditures for each  
44 fiscal year to an amount that does not exceed the previous year's General Fund

1 expenditure limit increased by a percentage rate that equals the fiscal growth factor and  
2 to provide that the base fiscal year for the General Fund expenditure limit shall be the  
3 total authorized General Fund budget for the fiscal year beginning July 1, 2007,  
4 increased by the fiscal growth factor. That baseline shall be used to determine the  
5 General Fund expenditure limit for the fiscal year beginning July 1, 2008, which will  
6 then be used to determine the General Fund expenditure limit for succeeding fiscal  
7 years."

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

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

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