

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H

1

HOUSE BILL 9

Short Title: Harlan Boyles Spending Control Act. (Public)

Sponsors: Representatives Blust; Barnhart, Capps, Frye, Gillespie, Gorman, Hilton, Howard, McGee, Moore, Rayfield, Rhodes, Sauls, Setzer, Stam, Stiller, Walend, West, G. Wilson, and Wood.

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

February 13, 2003

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, AND ESTABLISHING AN EMERGENCY RESERVE TRUST FUND.

The General Assembly of North Carolina enacts:

SECTION 1. This act is the Harlan E. Boyles Spending Control Act.

SECTION 2. Article 1 of Chapter 143 of the General Statutes is amended by adding the following new sections:

"§ 143-2.1. Definitions and determination of the General Fund expenditure limit.

(a) Definitions. – The following definitions apply in this section and in G.S. 143-2.3, 143-2.4, and 143-15.3A:

(1) Credit balance. – That part of the credit balance, as determined on a cash basis, not already reserved to the Emergency Reserve Trust Fund or the Repairs and Renovations Reserve Account, excluding excess revenue that is over the General Fund expenditure limit.

(2) 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.

(3) 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.

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

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

4 (c) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized
5 General Fund budget for the fiscal year beginning July 1, 2002, increased by the fiscal
6 growth factor shall be used to determine the General Fund expenditure limit for the
7 fiscal year beginning July 1, 2003, which will then be used to determine the General
8 Fund expenditure limit for succeeding fiscal years.

9 (d) Decreases in General Fund Expenditure Limit. – If, on or after December 31,
10 2002, the cost of any State program or function is shifted from the General Fund to
11 another source of funding, including, but not limited to, counties or other units of local
12 government, or if moneys are transferred from the General Fund to another fund or
13 account, the General Fund expenditure limit shall be reduced by a like amount.

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

20 **"§ 143-2.2. Increase in General Fund expenditure limited.**

21 (a) Governor Bound by General Fund Expenditure Limit. – In preparing the
22 budget for a fiscal year, the Governor shall not propose expenditures from the General
23 Fund for the ensuing fiscal period in excess of the projected General Fund expenditure
24 limit established under G.S. 143-2.1.

25 (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting
26 the budget for the fiscal year, the General Assembly shall not make appropriations from
27 the General Fund in excess of the General Fund expenditure limit established under
28 G.S. 143-2.1.

29 (c) No State Moneys to Be Paid in Excess of General Fund Expenditure Limit. –
30 Except as provided in G.S. 143-2.5, no money shall be drawn from the State treasury if
31 the withdrawal will result in a State expenditure for any fiscal year in excess of the
32 General Fund expenditure limit established under G.S. 143-2.1. Except as provided in
33 G.S. 143-2.5, the Governor, the State Treasurer, and the State Controller shall not issue
34 or redeem any draft, check, warrant, or voucher that will result in a State expenditure for
35 any fiscal year in excess of the General Fund expenditure limit established under G.S.
36 143-2.1.

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

41 **"§ 143-2.3. Use of General Fund credit balance.**

42 The State Controller shall reserve one-fourth of any credit balance remaining in the
43 General Fund at the end of each fiscal year to the Emergency Reserve Trust Fund. The
44 State Controller shall reserve three percent (3%) of the replacement value of all State

1 buildings supported from the General Fund at the end of each fiscal year to the Repairs
2 and Renovations Reserve Account as provided in G.S. 143-15.3A.

3 **"§ 143-2.4. Emergency Reserve Trust Fund.**

4 (a) Emergency Reserve Trust Fund Established. – There is established in the
5 Department of State Treasurer a noninterest-bearing fund known as the Emergency
6 Reserve Trust Fund. The Emergency Reserve Trust Fund shall include the funds
7 reserved by the State Controller in accordance with G.S. 143-2.3. The Emergency
8 Reserve Trust Fund shall also include revenue in excess of the General Fund
9 expenditure limit credited in accordance with G.S. 143-2.2.

10 (b) Transfers From Emergency Reserve Trust Fund Permissible to Pay
11 Appropriations When Budgeted Funds Are Insufficient. – If the Director of the Budget
12 determines that: (i) pursuant to the provisions of G.S. 143-25, the aggregate revenues
13 collected and available during a fiscal year are not sufficient to pay all of the
14 appropriations for that fiscal year in full; or (ii) pursuant to the provisions of Section
15 5(3) of Article III of the North Carolina Constitution, receipts during a fiscal year when
16 added to the surplus remaining in the State treasury at the beginning of the fiscal year
17 will not be sufficient to meet budgeted expenditures, the Director may, in the Director's
18 discretion, transfer funds from the Emergency Reserve Trust Fund to pay the
19 appropriations for the fiscal year to the extent funds are available. If the Director of the
20 Budget decides not to transfer the funds from the Emergency Reserve Trust Fund as
21 provided in this section, the Director shall proceed as provided in G.S. 143-25 or
22 Section 5(3) of Article III of the North Carolina Constitution to administer the budget so
23 as to prevent any overdraft or deficit.

24 (c) Two-Thirds Vote Required to Appropriate Funds From the Emergency
25 Reserve Trust Fund. – The General Assembly may make appropriations out of the
26 Emergency Reserve Trust Fund only by the affirmative vote of two-thirds of the
27 members of each house.

28 (d) Excess Funds to Be Returned to Taxpayers. – If the total funds in the
29 Emergency Reserve Trust Fund at the end of the fiscal year exceeds an amount equal to
30 five percent (5%) of the total General Fund appropriation for the prior fiscal year, the
31 excess over five percent (5%) shall be reserved to provide tax relief to the citizens of
32 North Carolina.

33 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**
34 **expenditure limit.**

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

39 **SECTION 3.** G.S. 143-15.2 and G.S. 143-15.3 are repealed. The funds in
40 the Savings Reserve Account are transferred to the Emergency Reserve Trust Fund
41 established by G.S. 143-2.4, as enacted by Section 1 of this act.

42 **SECTION 4.** This act is effective when it becomes law.