

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 833

Short Title: General Fund Budget Reform.

(Public)

Sponsors: Senator Sands.

Referred to: Economic Development.

April 25, 1991

A BILL TO BE ENTITLED

AN ACT TO CHANGE THE BUDGET PROCESS BY LIMITING THE INCREASE
IN GENERAL FUND APPROPRIATIONS TO THE ESTIMATED GROWTH IN
PERSONAL INCOME, PLACING HALF OF CREDIT BALANCES IN A RAINY-
DAY FUND, SUNSETTING PROGRAMS, REQUIRING MAINTENANCE
RESERVES, PROVIDING FOR ANNUAL BUDGETS, AND REQUIRING
REVENUE ESTIMATES AND FISCAL NOTES TO COVER A FOUR-YEAR
PERIOD.

The General Assembly of North Carolina enacts:

PART 1. STATUTORY CHANGES

—REVENUE ESTIMATES/ANNUAL BUDGET

Section 1. The Executive Budget Act, Article 1 of Chapter 143 of the
General Statutes, is amended by adding the following new sections:

"§ 143-2.1. Growth in General Fund expenditures limited.

(a) The General Fund revenue amount used in the recommended budget of the
Governor and the budget enacted by the General Assembly shall not exceed an amount
determined by multiplying General Fund revenue for the year immediately preceding
the budget year by the average annual growth rate in North Carolina personal income,
as calculated by the United States Department of Commerce, for the most recent 10-
year period for which data is available from the United States Department of
Commerce, with the following changes only:

- (1) If any revenue decreases were effective for only part of that calendar
year, an annualized total of the impact of such decreases;

- 1 (2) If there are any revenue reductions to be effective during the fiscal
2 year, the total estimated amount of such reductions during the fiscal
3 year;
4 (3) Any one-time revenues in the prior calendar year shall not be included
5 in the estimates; and
6 (4) If the budget proposes or assumes any revenue increases due to
7 increases in taxes or fees to be enacted, or new taxes or fees to be
8 enacted, an estimate of collections of such increased or new taxes or
9 fees may be made.

10 (b) If the budget estimates any reversions at the end of the fiscal year ending
11 immediately prior to the beginning of the fiscal year covered by the budget, those
12 reversions not proposed for appropriation to the Permanent Rainy-Day Fund may be
13 proposed only for capital projects, or other projects with a fiscal impact only in that
14 fiscal year. The remainder shall be expended only as provided in G.S. 143-2.2.

15 (c) Revenue from borrowings in the prior calendar year shall not be included in
16 the estimates, unless expenditure of the funds is proposed during the fiscal year covered
17 by the proposed budget. Proposed revenue from borrowing in the proposed budget shall
18 only be included to the extent that appropriations against such borrowings are budgeted.

19 (d) If the General Assembly appropriates any credit balance in the State treasury
20 due to reversions at the end of the fiscal year ending immediately prior to the beginning
21 of the fiscal year covered by the budget, those reversions not appropriated to the
22 Permanent Rainy-Day Fund may be appropriated only for capital projects, or other
23 projects with a fiscal impact only in that fiscal year. The remainder shall be expended
24 only as provided in G.S. 143-2.2.

25 (e) The recommended and enacted budget shall fully fund all positions.

26 **"§ 143-2.2. Reserve Fund.**

27 (a) There is established in the State treasury a Permanent Rainy-Day Fund.

28 (b) Effective with the credit balance at the end of the 1991-92 fiscal year, the
29 General Assembly hereby appropriates to the Permanent Rainy-Day Fund one-half of
30 any General Fund credit balance in the State treasury at the end of the fiscal year ending
31 immediately prior to the fiscal year covered by the budget, provided that when the
32 amount in the fund equals seven per cent (7%) of the General Fund budget, no new
33 funds shall be added until the amount drops below that level.

34 (c) If the Director of the Budget determines:

35 (1) Pursuant to the provisions of G.S. 143-25 that the aggregate revenues
36 collected and available during a fiscal year are not sufficient to pay all
37 of the appropriations for that fiscal year in full; or

38 (2) Pursuant to the provisions of Article III, Section 5(3) of the
39 Constitution of North Carolina that receipts during a fiscal year, when
40 added to the surplus remaining in the State treasury at the beginning of
41 the fiscal year will not be sufficient to meet budgeted expenditures

42 he may, in his discretion, transfer funds from the Permanent Rainy-Day Fund to pay the
43 appropriations for the fiscal year in full. If the Director of the Budget decides not to
44 transfer the funds from the Permanent Rainy-Day Fund as provided in this section, he

1 shall proceed as provided in G.S. 143-25 or Article III, Section 5(3) of the Constitution
2 to administer the budget so as to prevent any overdraft or deficit.

3 (d) The General Assembly may make appropriations out of the Permanent Rainy-
4 Day Fund.

5 "**§ 143-2.3. Annual budget.**

6 The Governor shall propose and the General Assembly shall enact a budget
7 covering one fiscal year only, that being the fiscal year commencing on July 1 of the
8 year of enactment of the bill."

9 —SUNSET OF PROGRAMS

10 Sec. 2. Effective June 30, 1998, statutory authority for all programs operated
11 by the State, other than payment of debt service, expires and all authority for
12 appropriating and expending funds by the State lapses, provided that any new programs
13 established after July 1, 1991, expire five years after their effective date.

14 —FISCAL NOTES

15 Sec. 3. All overall revenue estimates prepared by the Office of State Budget
16 and Management, the Governor, or the Fiscal Research Division shall project expenses
17 for a period of at least four fiscal years. The recommended annual budget and the
18 budget as enacted shall contain for information purposes projected revenues and
19 expenditures for at least four fiscal years.

20 —MAINTENANCE RESERVE

21 Sec. 4. Article 1 of Chapter 143 of the General Statutes is amended by
22 adding a new section to read:

23 "**§ 143-10.3. Budget to include item for repair and renovation.**

24 The Office of State Budget and Management shall require each department, bureau,
25 board, commission, institution, and agency to include in its budget an amount for each
26 square foot of building space it occupies to be placed in a reserve for repairs and
27 renovations. The amount per square foot shall be established by the General Assembly
28 for the next fiscal period in the Capital Improvements Appropriations Act. The reserve
29 shall be administered by the Office of State Budget and Management, and allocated
30 based on repair and renovation priorities derived from the Facility Condition
31 Assessment Program of the Office of State Construction."

32 Sec. 5. This act becomes effective for budgets beginning with the budget for
33 fiscal year 1992-93, except that G.S. 143-2.2 becomes effective beginning with the
34 credit balance at the end of fiscal year 1991-92.