

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 268\*

Short Title: State Budget and Fiscal Control Act.

(Public)

Sponsors: Representatives Diamont; and Stamey.

Referred to: Appropriations.

February 25, 1993

A BILL TO BE ENTITLED

AN ACT TO RECODIFY MANY OF THE PROVISIONS OF THE EXECUTIVE BUDGET ACT INTO A STATE BUDGET AND FISCAL CONTROL ACT THAT REVISES AND CLARIFIES THE PROCEDURES FOR ADOPTING A STATE BUDGET, FOR ACCOUNTING FOR STATE RESOURCES, AND FOR REPORTING STATE FINANCIAL INFORMATION AND TO ALLOW THE TRANSFER OF FUNDS FROM THE HIGHWAY TRUST FUND TO THE GENERAL FUND TO BE DONE ANNUALLY.

The General Assembly of North Carolina enacts:

Section 1. Article 1 of Chapter 143 of the General Statutes is repealed.

Sec. 2. The General Statutes are amended by adding a new Chapter to read:

**"CHAPTER 143C.**

**"STATE BUDGET AND FISCAL CONTROL ACT.**

**"ARTICLE 1.**

**"GENERAL PROVISIONS.**

**"§ 143C-1-1. Purpose and definitions.**

(a) Purpose. – This Chapter is the 'State Budget and Fiscal Control Act' and may be cited by that name. It establishes procedures for the following:

- (1) Adopting a State budget.
- (2) Accounting for State resources.
- (3) Reporting State financial information.

(b) Definitions. – The following definitions apply in this Chapter:

- (1) Biennium. – The two fiscal years beginning on July 1 of each odd-numbered year and ending on June 30 of the next odd-numbered year.

- 1           (2)   Budget. – The proposed plan for raising and spending money for  
2           specified programs, functions, activities, or objectives during a fiscal  
3           year.
- 4           (3)   Budget year. – The fiscal year for which a budget is proposed and  
5           enacted.
- 6           (4)   Capital Improvements Appropriations Act. – One or more acts of the  
7           General Assembly estimating revenue availability for and  
8           appropriating money for one or more capital improvement projects.
- 9           (5)   Controller. – The Office of the State Controller.
- 10          (6)   Current Operations Appropriations Act. – One or more acts of the  
11          General Assembly estimating revenue availability for and  
12          appropriating money for the current operations of State agencies  
13          during one or more budget years. One of these acts may be a base  
14          budget that provides money to maintain programs at their current level  
15          and another may be an expansion budget that provides money to  
16          expand programs beyond their current level.
- 17          (7)   Departmental receipt. – Fees and other credits received by a State  
18          agency that are applied to the cost of a program administered by the  
19          State agency, thereby reducing the amount of appropriations needed by  
20          the State agency for the program.
- 21          (8)   Director. – The Director of the Budget, who is the Governor.
- 22          (9)   Encumbered. – Obligated to be paid because of a purchase order, a  
23          contract, a salary commitment, or another binding agreement.
- 24          (10)   Fiscal year. – The annual period for compilation of fiscal operations.  
25          The State operates on a fiscal year beginning July 1 and ending on the  
26          following June 30.
- 27          (11)   Fund. – A fiscal and accounting entity with a self-balancing set of  
28          accounts recording cash and other resources, together with all related  
29          liabilities and residual equities or balances, and changes therein, for  
30          the purpose of carrying on stated programs, activities, and objectives  
31          of State government.
- 32          (12)   Non-State entity. – A person who is not a State agency.
- 33          (13)   Nontax revenue. – Money credited to the State that is neither tax  
34          proceeds nor departmental receipts.
- 35          (14)   Object. – A budgeted expenditure or receipt that is designated by an  
36          object code specified in the chart of accounts established by the  
37          Controller.
- 38          (15)   Person. – An individual, a firm, a partnership, an association, a  
39          corporation, or any other organization or group acting as a unit.
- 40          (16)   Purpose. – When used in reference to the State budget, the term means  
41          a program, a part of a program, an activity, a function, a cost center, or  
42          other grouping of budgeted dollars within a State agency's budget.

- 1           (17) State agency. – An entity consisting of or administratively assigned to  
2           one of the following coordinate branches or principal departments of  
3           State government:
- 4           a.     General Assembly.
  - 5           b.     Judiciary.
  - 6           c.     Office of the Governor.
  - 7           d.     Office of the Lieutenant Governor.
  - 8           e.     Department of Administration.
  - 9           f.     Department of Agriculture.
  - 10          g.     Department of Commerce.
  - 11          h.     Department of Community Colleges.
  - 12          i.     Department of Correction.
  - 13          j.     Department of Crime Control and Public Safety.
  - 14          k.     Department of Cultural Resources.
  - 15          l.     Department of Environment, Health, and Natural Resources.
  - 16          m.     Department of Human Resources.
  - 17          n.     Department of Insurance.
  - 18          o.     Department of Justice.
  - 19          p.     Department of Labor.
  - 20          q.     Department of Public Education.
  - 21          r.     Department of the Secretary of State.
  - 22          s.     Department of the State Auditor.
  - 23          t.     Department of State Treasurer.
  - 24          u.     Department of Revenue.
  - 25          v.     Department of Transportation.
  - 26          w.     Office of Administrative Hearings.
  - 27          x.     Office of State Controller.
  - 28          y.     Rules Review Commission.
  - 29          z.     State Board of Elections.
  - 30          aa.    The University of North Carolina System.
- 31           (18) State resources. – State revenue plus all other revenue and assets of the  
32           State.
- 33           (19) State revenue. – Any of the following that is not allocable to a trust or  
34           agency fund:
- 35           a.     The net proceeds of taxes imposed by the General Assembly.
  - 36           b.     Fees and other charges that are imposed by or authorized by the  
37           General Assembly for the necessary uses and purposes of the  
38           State, including fees and costs assessed by the judicial branch  
39           for support of the General Court of Justice.
  - 40           c.     Departmental receipts.
  - 41           d.     Civil penalties imposed by a State agency.
  - 42           e.     Vending receipts or vending payments.
  - 43           f.     Investment earnings on the cash balance of a fund of the State.
  - 44           g.     Federal block grants.

- 1            h. Federal funds.  
2            i. The proceeds of bonds and notes of the State.  
3            j. With respect to any particular fiscal year, any other revenue  
4            identified by the General Assembly as a source of revenue  
5            availability for balancing the State budget for that fiscal year.

- 6            (20) Vending facilities. – Defined in G.S. 111-42(d). It also includes any  
7            mechanical or electronic device dispensing items or something of  
8            value or entertainment or services for a fee, regardless of the method  
9            of activation and regardless of the means of payment.

10 **§ 143C-1-2. Fund types.**

11            (a) Types. – The Controller must account for State resources through use of the  
12 fund types listed in this subsection. The Controller may not establish a fund type that  
13 differs from the listed fund types unless the Governmental Accounting Standards Board  
14 has approved the use of the different fund type. The fund types are:

- 15            (1) General Fund. – The General Fund is the principal fund of the State.  
16            The Controller must credit to the General Fund all revenue that is not  
17            required by law to be credited to another fund type.  
18            (2) Special Revenue Fund. – A special revenue fund accounts for the  
19            proceeds of a specific revenue source that is restricted by law to a  
20            specified purpose, other than deposit in a nonexpendable trust fund or  
21            use for a major capital facility.  
22            (3) Capital Projects Fund. – The Capital Projects Fund accounts for  
23            financial resources to be used to acquire or construct major capital  
24            facilities that are not financed either by enterprise funds or trust funds.  
25            The State has only one capital projects fund; each project is a separate  
26            account within the fund.  
27            (4) Debt Service Fund. – The Debt Service Fund accounts for the  
28            accumulation of resources to pay, and the payment of, the principal  
29            and interest on long-term debt. The State has only one debt service  
30            fund; the accumulation of resources for each long-term debt is a  
31            separate account within the fund.  
32            (5) Enterprise Funds. – An enterprise fund accounts for self-supporting  
33            activities that are conducted in a manner similar to a private business  
34            and for other activities that are required by law to be accounted for  
35            separately.  
36            (6) Internal Service Funds. – An internal service fund accounts for the  
37            financing of goods and services provided by one State agency to  
38            another State agency.  
39            (7) Trust and Agency Funds. – A trust or agency fund accounts for assets  
40            held by a State agency as a trustee or an agent.  
41            a. A trust fund may be an expendable trust fund, a nonexpendable  
42            trust fund, or a pension trust fund. An expendable and a  
43            nonexpendable trust fund are created by a trust agreement. The  
44            principal of an expendable trust fund may be spent for the

1 specified purpose, but the principal of a nonexpendable trust  
2 fund may not be spent for the specified purpose.

3 b. An agency fund accounts for assets held for another fund,  
4 governmental unit, or person.

5 (b) Designation. – When a law designates a pool of State resources as a fund or  
6 an account within a fund, the nature of the pool of State resources and not the name  
7 given the pool of State resources shall determine whether a State resource is a fund or  
8 an account within a fund and, if the pool of resources is a fund, its fund type. The  
9 Controller must determine the fund type of all separate funds and account for them  
10 accordingly. The Controller must keep the total number of funds to the minimum  
11 number practical.

12 **"§ 143C-1-3. Fixed assets and long-term liabilities account groups.**

13 (a) Fixed Assets. – The Controller must report the fixed assets of the State that  
14 are not included in a proprietary fund or a nonexpendable trust fund in a fixed asset  
15 account group. The Controller must include the fixed assets of a proprietary fund or a  
16 nonexpendable trust fund with the report of that fund. Within the fixed asset account  
17 group, the Controller must report fixed assets by class of asset and must include all  
18 fixed assets, regardless of whether the assets are immovable and have value only to the  
19 State.

20 (b) Long-Term Liabilities. – The Controller must report the unmatured general  
21 long-term obligations of the State that are not included in a proprietary fund or a  
22 nonexpendable trust fund in a general long-term debt account group. The Controller  
23 must report all debt instruments and other long-term liabilities directly related to and  
24 expected to be paid from a proprietary fund or a nonexpendable trust fund with that  
25 fund.

26 **"§ 143C-1-4. Fees and civil penalties.**

27 (a) Fees. – The following principles apply to fees payable to a State agency:

28 (1) A fee is a departmental receipt unless a law states that it is nontax  
29 revenue.

30 (2) A fee reverts at the end of a fiscal year to the fund that provides the  
31 agency's operating budget unless a law states that the fee does not  
32 revert.

33 (3) A statement that a fee must be used for a certain purpose is not a  
34 statement that the fee does not revert.

35 (4) Interest and other investment income earned by a nonreverting fee  
36 account is credited to the appropriate principal fund, such as the  
37 General Fund or the Highway Fund, unless a law states that the income  
38 is to be credited to the nonreverting fee account.

39 (b) Civil Penalties. – The following principals apply to civil penalties imposed by  
40 a State agency:

41 (1) A civil penalty is nontax revenue unless a law states otherwise.

42 (2) A civil penalty is credited to the General Fund unless a law states  
43 otherwise.

44 **"§ 143C-1-5. Compliance with acts and Chapter.**

1 Except as otherwise provided by law, all expenditures by a State agency or a non-  
2 State entity must be made in compliance with the State budget as enacted by the  
3 General Assembly and certified by the Director. If the Director finds that a State  
4 agency or non-State entity has spent or encumbered appropriated funds for an  
5 unauthorized purpose, the Director must take appropriate administrative action to ensure  
6 that no further irregularities occur and must report to the Attorney General any facts that  
7 pertain to an apparent violation of a penal statute or an apparent instance of  
8 malfesance, misfesance, or nonfesance by a person.

9 **"§ 143C-1-6. When an appropriation reverts.**

10 An appropriation for current operations that is not encumbered at the end of the  
11 fiscal year reverts to the fund from which the appropriation was made. A current  
12 operations appropriation to the General Assembly, however, does not revert at the end  
13 of the fiscal year, unless otherwise provided by the Legislative Services Commission.  
14 The reversion of an appropriation for a capital improvement project is governed by G.S.  
15 143C-6-16.

16 **"§ 143C-1-7. Vending facilities operated by a State agency.**

17 (a) How Revenue Treated. – Vending receipts of and vending payments to a  
18 State agency are departmental receipts unless a law states otherwise.

19 (b) University of North Carolina Hospitals at Chapel Hill. – The net proceeds of  
20 the vending operations at the University of North Carolina Hospitals at Chapel Hill  
21 must be used at the beginning of each fiscal year to cover any deficits incurred by the  
22 Hospital's cafeteria operation during the prior fiscal year. The amount transferred from  
23 the net proceeds of the vending operations may not be available for expenditure but  
24 shall revert to the General Fund at the end of the fiscal year.

25 (c) Exemptions. – The provisions of this Chapter do not supersede the provisions  
26 under which the following vending facilities are operated:

27 (1) Article 3 of Chapter 111 of the General Statutes.

28 (2) G.S. 127A-138(b).

29 (3) G.S. 116-36.1 through G.S. 116-36.2.

30 (4) Vending facilities operated by a community college or local school  
31 administrative unit.

32 **"ARTICLE 2.**

33 **"DIRECTOR OF THE BUDGET.**

34 **"§ 143C-2-1. Governor is Director of the Budget.**

35 The Governor is the Director of the Budget. In that capacity, the Governor has the  
36 duties conferred by Article III, Section 5(3), of the North Carolina Constitution, and has  
37 the following powers necessary to the performance of those duties:

38 (1) To subpoena and compel a person to give testimony or to produce  
39 documents concerning a State agency.

40 (2) To take sworn testimony.

41 (3) To audit the budget accounts of a State agency. The Director may  
42 require that the cost of the audit be paid from the current operations  
43 appropriations of the agency.

1           (4)    To delegate to one or more persons the authority to perform a power or  
2           duty of the Director.

3           (5)    To authorize the State Treasurer to borrow money in the name of the  
4           State, subject to the limitations of Article V, Section 3(1)(c), of the  
5           North Carolina Constitution.

6           (6)    To adopt rules to implement this Chapter.

7    **"§ 143C-2-2. Budget consultants.**

8           The Director may engage consultants and other experts needed to carry out the  
9           Director's duties under this Chapter. The Director determines the compensation of an  
10          expert engaged under this section. The compensation must be paid from appropriations  
11          to the Office of the Governor. The Director must report payments made under this  
12          section to the General Assembly.

13   **"§ 143C-2-3. Official State statistics.**

14          The Director must prepare the official demographic, economic, and social statistics  
15          for the State as they relate to State budgeting. In analyzing the statistics, the Director  
16          must do all of the following:

17           (1)    Prepare and release the official demographic and economic estimates  
18           and projections for the State.

19           (2)    Conduct special economic and demographic analyses and studies to  
20           support statewide budgeting.

21           (3)    Develop and coordinate cooperative arrangements with federal, State,  
22           and local governmental agencies to facilitate the exchange of data to  
23           support State budgeting.

24           (4)    Compile, maintain, and disseminate information about State programs  
25           that involve the distribution of State-aid funds to local governments,  
26           including the variables used in allocating the funds.

27           (5)    Develop and maintain, in cooperation with other State and local  
28           governmental agencies, an information system providing comparative  
29           data on resources and expenditures of local governments.

30          To minimize duplication of effort in collecting or developing new statistical series  
31          pertinent to State planning and budgeting, including contractual arrangements, State  
32          agencies required to submit budget requests under G.S. 143C-4-2 and G.S. 143C-4-3  
33          must submit to the Director proposed procedures and funding requirements.

34   **"§ 143C-2-4. Advisory Budget Commission.**

35           (a)    Members. – The Advisory Budget Commission is composed of 15 members:  
36           five Senators appointed by the President Pro Tempore of the Senate, five representatives  
37           appointed by the Speaker of the House of Representatives, and five persons appointed  
38           by the Governor. If the Governor appoints any member of the General Assembly to the  
39           Commission, the Governor must appoint an equal number from the Senate and the  
40           House of Representatives. A member serves at the pleasure of the appointing authority.  
41           A vacancy is filled by the appointing authority originally filling that position.

42           (b)    Term of Office. – All terms begin 30 days after the General Assembly  
43           convenes in each odd-numbered year. Each member serves a two-year term and  
44           continues to serve until a successor is appointed. A legislative appointee is not

1 disqualified from completing a term of service on the Advisory Budget Commission  
2 because the member chooses not to run for reelection or is defeated for reelection.  
3 Resignation or removal from the General Assembly of a legislative appointee  
4 constitutes resignation or removal from membership on the Commission. Failure of a  
5 member to attend three successive meetings of the Commission for any reason other  
6 than ill health or service in the interest of the State or nation constitutes resignation or  
7 removal from membership on the Commission. For the purposes of this subsection, a  
8 meeting or tour held over a period of two or more days constitutes a single meeting.

9 (c) Dual Office-Holding. – Membership on the Advisory Budget Commission is  
10 not considered an office for purposes of the prohibition against dual office holding in  
11 Article VI, Section 9, of the North Carolina Constitution.

12 (d) Officers. – The members of the Advisory Budget Commission shall elect a  
13 Chair from its membership at its first meeting after new appointments are made.

14 (e) Powers and Duties. – When requested to do so by the Director, the Advisory  
15 Budget Commission advises the Director on matters relating to the State budget. The  
16 Commission may inspect any physical facilities of the State it considers necessary and  
17 may attend public hearings and meetings pertaining to the preparation of the budget. If  
18 the Director and the Commission do not agree on the proposed budget the Governor  
19 plans to submit to the General Assembly, the Commission or any of its members may  
20 submit a statement of disagreement with the Director's proposed budget to the General  
21 Assembly.

22 The Advisory Budget Commission must contract with a certified public accountant  
23 who is not affiliated with the State to conduct an audit of the receipts and expenditures  
24 of the State Auditor's office during the preceding fiscal year. The audit must be  
25 completed and a report must be made to the Commission not later than the following  
26 October 1. A copy of the audit must be provided to the Director and to the Joint  
27 Legislative Commission on Governmental Operations and two copies must be filed with  
28 the Secretary of State.

29 (f) Expenses. – The members of the Advisory Budget Commission may not  
30 receive per diem compensation for their services. The members shall receive the same  
31 subsistence and travel allowances that are provided for members of the General  
32 Assembly. The Chair of the Commission shall also receive an additional annual  
33 expense allowance of two thousand five hundred dollars (\$2,500), payable in quarterly  
34 installments. The Office of the Governor must supply the clerical and other services  
35 required by the Commission.

36 (g) Meetings. – Meetings of the Advisory Budget Commission may be called by  
37 either the Governor, the Chair, or a quorum of the members. The Governor has the  
38 right to preside over meetings that the Governor calls; otherwise, the Chair or some  
39 member chosen for that purpose has the right to preside. After the agenda for a meeting  
40 has been delivered to the members of the Commission, no other item may be considered  
41 at that meeting except upon the approval of a majority of the members present and  
42 voting. Except for the Governor, persons who are not members of the Commission may  
43 address the Commission only at the invitation of the Governor, the Chair, or a majority  
44 of the members present and voting. The Speaker and Speaker Pro Tempore of the



1 House of Representatives, the President Pro Tempore and the Deputy President Pro  
2 Tempore of the Senate, the Lieutenant Governor, and the Majority Leaders of the  
3 Senate and the House of Representatives may attend all meetings of the Commission.

4 (h) Quorum. – Ten members of the Advisory Budget Commission constitute a  
5 quorum.

6 **"ARTICLE 3.**

7 **"BUDGET REQUIREMENTS.**

8 **"§ 143C-3-1. Annual balanced budget.**

9 The State must operate under a balanced budget. The State must operate under a  
10 balanced budget that covers two fiscal years beginning on July 1 of each odd-numbered  
11 year. The budget must estimate revenue availability and make appropriations by fund  
12 and by fiscal year. Each fiscal year and each fund must be balanced separately. The  
13 budget for a fund is balanced when the estimated total of appropriated State revenue and  
14 appropriated fund balance credited to that fund for the budget year is equal to or greater  
15 than the sum of appropriations from that fund for the budget year.

16 **"§ 143C-3-2. General Fund operating budget size limited.**

17 (a) Size Limitation. – Except as otherwise provided in this section, the General  
18 Fund operating budget each fiscal year may not be greater than seven percent (7%) of  
19 the projected total State personal income for that fiscal year. For the purpose of this  
20 section, the General Fund operating budget includes any appropriations for local tax-  
21 sharing, but does not include appropriations for (i) capital expenditures or (ii) one-time  
22 expenditures due to natural disasters, federal mandates, or other emergencies.

23 (b) Increase in Size Limitation. – To the extent that any percentage increase in  
24 appropriations for a fiscal year for (i) Medicaid, (ii) operation of prisons, or (iii) the  
25 costs of providing health insurance for teachers and State employees, exceeds the  
26 percentage increase in State personal income growth for the same period, the limitation  
27 on the size of the General Fund operating budget provided in subsection (a) of this  
28 section for that fiscal year shall be increased by the dollar amount represented by the  
29 excess percentage. For all subsequent fiscal years, the percentage limitation contained  
30 in subsection (a) shall then be increased to reflect that dollar adjustment.

31 (c) Fiscal Reports. – The Director and the Fiscal Research Division of the  
32 Legislative Services Commission shall each submit a tentative estimate of total State  
33 personal income for the upcoming fiscal year to the General Assembly no later than  
34 February 1 of each year. The Director and the Fiscal Research Division shall each  
35 submit a final projection of total State personal income for the upcoming fiscal year to  
36 the General Assembly no later than May 1 of each year. The General Assembly shall  
37 use the lower of the two final projections to calculate the limitation on the size of the  
38 General Fund operating budget provided in this section.

39 **"§ 143C-3-3. General Fund operating budget size limit on second year of biennial**  
40 **budget.**

41 The General Fund operating budget appropriations for the second year in a Current  
42 Operations Appropriations Act that contains a biennial budget shall not be more than  
43 the General Fund operating budget appropriations for the first year of the biennial

1 budget, adjusted to account for annualization of positions and programs funded for a  
2 portion of the year only in the first year of the biennium.

3 **"§ 143C-3-4. Limit on number of State employees.**

4 The total number of permanent State-funded employees, excluding employees in the  
5 State's public school system funded by way of State aid to local public school units,  
6 may not be increased by the end of any State fiscal year by a greater percentage than the  
7 percentage rate of the residential population growth for the State. The Director must  
8 compute the percentage rates. The Director must compute the population growth by  
9 averaging the rate of residential population growth in each of the preceding 10 fiscal  
10 years, as stated in the annual estimates of residential population in North Carolina made  
11 by the United States Census Bureau. The Director must compute the growth rate of the  
12 number of employees by averaging the rate of growth of State employees in each of the  
13 preceding 10 fiscal years as of July 1 of each fiscal year, as stated in the State budget.

14 **"§ 143C-3-5. Savings Reserve Account and appropriation of General Fund credit**  
15 **balance.**

16 (a) Creation and Source of Funds. – The Savings Reserve Account is established  
17 as a restricted reserve in the General Fund. The Controller must reserve to the Savings  
18 Reserve Account up to one-fourth of any unreserved credit balance, as determined on a  
19 cash basis, remaining in the General Fund at the end of each fiscal year unless that  
20 would result in the Savings Reserve Account having funds in excess of five percent  
21 (5%) of the amount appropriated the preceding year for the General Fund operating  
22 budget, including local government tax-sharing funds; in that case, only funds sufficient  
23 to reach the five percent (5%) level must be reserved. If the balance in the Savings  
24 Reserve Account falls below this level during a fiscal year, the Controller must reserve  
25 to the Savings Reserve Account for the following fiscal years up to one-fourth of any  
26 unreserved credit balance remaining in the General Fund at the end of each fiscal year  
27 until the account again equals five percent (5%) of the amount appropriated the  
28 preceding year for the General Fund operating budget, including local government tax-  
29 sharing funds.

30 (b) Use of Funds. – The Director may not use funds in the Savings Reserve  
31 Account unless the use has been approved by an act of the General Assembly. The  
32 General Assembly may appropriate that part of the anticipated General Fund credit  
33 balance not expected to be reserved to the Savings Reserve Account only for capital  
34 improvements or other one-time expenditures.

35 (c) Definition. – As used in this section, the term 'unreserved credit balance'  
36 means that part of the credit balance, as determined on a cash basis, not already reserved  
37 to the Savings Reserve Account.

38 **"§ 143C-3-6. Contingency and Emergency Account.**

39 (a) Creation. – The Contingency and Emergency Account is established within  
40 the General Fund. The Current Operations Appropriations Act shall appropriate a  
41 specific amount to this account for contingencies and emergencies. A specific portion  
42 of that sum may be allocated solely for the purposes outlined in G.S. 143C-6-8(a)(3),  
43 (4), (5), and (6).

1 (b) Request for Allocation. – A State agency or non-State entity may request an  
2 allocation from the Contingency and Emergency Account by submitting a request in  
3 writing to the Director along with any information required by the Director. The  
4 Director must present the request, together with a recommendation, to the Council of  
5 State for its review. If the Council of State approves the request, it shall order the  
6 Controller to allocate the funds requested.

7 **"ARTICLE 4.**

8 **"DEVELOPMENT OF THE GOVERNOR'S RECOMMENDED BUDGET.**

9 **"§ 143C-4-1. Budget estimate for the General Assembly.**

10 On or before September 1 in each even-numbered year, the Legislative  
11 Administrative Officer must give the Director a detailed estimate for the current fiscal  
12 period of the State revenue to be expended by the General Assembly and an estimate of  
13 the financial needs of the General Assembly for the upcoming fiscal period. The  
14 estimates for the General Assembly must be approved and certified by the President Pro  
15 Tempore of the Senate and the Speaker of the House of Representatives. The estimates  
16 must be itemized in accordance with the budget classifications adopted by the  
17 Controller. The Director must include the estimates in the budget the Director submits  
18 to the General Assembly. The Director may recommend changes to these estimates in  
19 the budget submitted to the General Assembly.

20 **"§ 143C-4-2. Budget estimate for the judicial branch.**

21 On or before September 1 in each even-numbered year, the Administrative Officer  
22 of the Courts must give the Director a detailed estimate for the current fiscal period of  
23 the State revenue to be expended by the judicial branch and an estimate of the financial  
24 needs of the judicial branch for the upcoming fiscal period. The estimates for the  
25 judiciary must be approved and certified by the Chief Justice. The estimates must be  
26 itemized in accordance with the budget classifications adopted by the Controller. The  
27 Director must include these estimates in the budget the Director submits to the General  
28 Assembly. The Director may recommend changes to these estimates in the budget  
29 submitted to the General Assembly.

30 **"§ 143C-4-3. Budget requests from State agencies in the executive branch.**

31 (a) General Provisions. – A State agency that is not in the legislative or judicial  
32 branch of government must submit its budget requests for the upcoming fiscal period to  
33 the Director as set forth in this section. The Director must give each State agency  
34 subject to this section instructions to be used in making the estimates required to  
35 continue current programs, to expand its current programs, and to construct or renovate  
36 State facilities. The estimates must be itemized in accordance with the budget  
37 classifications adopted by the Controller and must be approved and certified by the  
38 respective head or responsible officer of the agency submitting them.

39 (b) Current Operating Funds Request. – On or before September 1 in each even-  
40 numbered year, each State agency must submit its request to the Director for funds  
41 needed to continue its current programs and to expand its current programs. Requests  
42 shall be submitted in accordance with official instructions provided by the Director.

43 (c) Justification. – On or before September 1 in each even-numbered year, each  
44 State agency must give the Director justification for continued and expanded State

1 support of the programs for which the agency requests operating funds. The  
2 justification must include information on the benefits the public derives from the State  
3 support of the programs. The Director must provide the information to the General  
4 Assembly on or before January 15 in each odd-numbered year as part of the information  
5 provided in the Governor's recommended budget for the upcoming fiscal period.

6 (d) Capital Funds Request. – On or before September 1 in each even-numbered  
7 year, if a State agency plans to request State revenue for the purpose of constructing or  
8 renovating a State facility, it must first submit an estimate of its needs, in terms of space  
9 and other physical requirements, to the Department of Administration. The Department  
10 must prepare preliminary studies and cost estimates to be used by the agency in  
11 presenting its request to the Director. The Department must estimate the projected  
12 maintenance and operating costs of the facility over its projected useful life or 20 years,  
13 whichever is less. The Department may request the agency to furnish it with any  
14 additional information it needs to prepare the preliminary studies and cost estimates.  
15 The Department must provide these cost estimates to the Fiscal Research Division of  
16 the Legislative Services Commission when requested to do so under G.S. 120-36.7.  
17 This subsection does not apply to requests for State revenue for railroad, highway, or  
18 bridge construction or renovation.

19 **"§ 143C-4-4. Budget requests from non-State entities.**

20 (a) General. – A non-State entity that wants to be included in the Governor's  
21 recommended budget to the General Assembly must submit its appropriation request to  
22 the Director, unless a law states otherwise or the Director designates a State agency to  
23 receive these requests. A State agency designated to receive an appropriation request  
24 from a non-State entity must evaluate the request and forward it to the Director in  
25 accordance with the procedures set by the Director.

26 (b) Non-State Health and Welfare Agencies. – A non-State entity that is a health  
27 or welfare agency must submit its appropriation request to the Secretary of the  
28 Department of Human Resources.

29 **"§ 143C-4-5. Budget recommendations and budget message.**

30 (a) Budget Proposals. – The Governor must present budget recommendations to  
31 each regular session of the General Assembly at a mutually agreeable time to be fixed  
32 by joint resolution. In odd-numbered years, the budget recommendations must be in the  
33 form of a proposed Current Operations Appropriations Act that makes appropriations  
34 for each fiscal year of the upcoming biennium for the current operating expenses for all  
35 State agencies, a proposed Capital Improvements Appropriations Act that specifies  
36 capital improvements projects, and, if necessary, a proposed act for levying, increasing,  
37 repealing, or reducing taxes and fees. In even-numbered years, the budget  
38 recommendations must be in the form of proposed acts that make changes to the enacted  
39 budget and in taxes and fees for the second year of the biennium only. The Governor  
40 must include the following with the budget proposals submitted to the General  
41 Assembly:

42 (1) Information concerning federal expenditures by a State agency.

43 (2) The continuation costs for the State's share of locally operated State-  
44 funded programs.

1           (3) The expansion costs for the State's share of locally operated State-  
2           funded programs.

3           (b) Funds Included in Budget. – The Governor must present recommendations in  
4 at least three funds: the General Fund, the Highway Fund, and the Highway Trust Fund.  
5 The General Fund recommendations must include all appropriated State revenue and  
6 objects of expenditure not included in the Highway Fund or the Highway Trust Fund,  
7 other than the proceeds of bonds and notes of the State. The Highway Fund and the  
8 Highway Trust Fund recommendations must each include all appropriated State revenue  
9 specially dedicated by law to these funds. Objects of expenditure in the Highway Fund  
10 must include those related to the State highway system and other modes of public  
11 transportation. Objects of expenditure in the Highway Trust Fund must include those  
12 related to the programs identified in G.S. 136-176.

13          (c) Revenue Estimates. – The recommended budget bills must include a  
14 statement estimating for each fund from which appropriations are recommended the  
15 availability of appropriated fund balance and appropriated State revenue by source and  
16 by fiscal year. Estimated revenue availability from appropriated fund balance must be  
17 determined on a cash basis.

18          (d) Budget Message. – The Governor's budget recommendations should be  
19 accompanied by a budget message that does all of the following:

20           (1) Contains a concise explanation of the governmental goals embodied in  
21 the recommended budget.

22           (2) Explains important features of the activities anticipated in the budget.

23           (3) Explains the assumptions underlying the statement of revenue  
24 availability.

25           (4) Sets forth the reasons for changes from the previous biennium or fiscal  
26 year, as appropriate, in terms of programs, program goals,  
27 appropriation levels, and revenue yields.

28           (5) Identifies anticipated sources of funding for major spending initiatives.

29           (6) Explains all major changes in fiscal policy.

30          (e) Fiscal Analyses. – A fiscal analysis prepared by the Director addressing the  
31 State budget outlook must encompass the upcoming five-year period. A fiscal analysis  
32 prepared by the Director addressing the impact of proposed legislation on the State  
33 budget must estimate the impact of the first five fiscal years the legislation would be in  
34 effect.

35          (f) Different Gubernatorial Administrations. – For years in which there will be a  
36 change in gubernatorial administrations, the incumbent Governor must complete the  
37 budget recommendations and budget message by December 15 and deliver them to the  
38 Governor-elect.

### **"ARTICLE 5.**

### **"ENACTMENT OF THE BUDGET.**

#### **"§ 143C-5-1. Current Operations Appropriations Act.**

42          The General Assembly must enact the Current Operations Appropriations Act by  
43 June 15 of each odd-numbered year and by June 30 of each even-numbered year in  
44 which a Current Operations Appropriations Act is enacted. The Current Operations

1 Appropriations Act must state the amount of General Fund appropriations availability  
2 upon which the General Fund budget is based. The statement of availability must list  
3 separately the beginning General Fund credit balance, the anticipated General Fund  
4 revenues, and any other components of the availability amount.

5 **"§ 143C-5-2. Order of appropriations bills.**

6 Each house of the General Assembly must first pass the base budget portion of the  
7 Current Operations Appropriations Act on third reading and order it sent to the other  
8 chamber before placing any other appropriation bill on the calendar for second reading.  
9 This section does not apply to an emergency appropriation bill recommended by the  
10 Governor. Unless the act states otherwise, an emergency appropriation bill enacted by  
11 the General Assembly remains in effect only until the Current Operations  
12 Appropriations Act and, if there is one, the Capital Improvements Appropriations Act,  
13 are enacted.

14 **"§ 143C-5-3. Committee report used to construe intent of budget acts.**

15 A committee report incorporated by reference in the Current Operations  
16 Appropriations Act or the Capital Improvements Appropriations Act and distributed on  
17 the floor of the House of Representatives and of the Senate as part of the explanation of  
18 the act is to be construed with the appropriate act in interpreting its intent. If a report  
19 conflicts with the act, the act prevails. The Director of the Fiscal Research Division of  
20 the Legislative Services Commission must send a copy of the reports to the Director.

21 **"ARTICLE 6.**

22 **"ADMINISTRATION OF THE BUDGET.**

23 **"PART 1. BUDGET CERTIFICATION.**

24 **"§ 143C-6-1. Certified budgets of State agencies.**

25 After the appropriations bills are enacted, the Director must certify to each State  
26 agency the amount appropriated to it. The certified budget for each State agency must  
27 follow the format of the recommended budget as modified by the General Assembly.  
28 The certified budget, as modified by the General Assembly, is binding on the State  
29 agency, subject to the provisions of G.S. 143C-6-8.

30 **"§ 143C-6-2. No revenue for purposes not adopted by General Assembly or**  
31 **legislative committee.**

32 Notwithstanding any other provision of law, no funds from any source, except for  
33 gifts, grants, and funds allocated from the Contingency and Emergency Account by the  
34 Council of State, may be expended for any purpose, position, or other expenditure for  
35 which the General Assembly has considered but not enacted an appropriation of funds  
36 for the current fiscal period. For the purpose of this section, the General Assembly has  
37 considered a purpose, position, or other expenditure when that purpose is included in a  
38 bill or petition or when any committee of the Senate or the House of Representatives  
39 deliberates on that purpose.

40 **"§ 143C-6-3. Methods to avoid deficit.**

41 (a) Appropriations. – Each appropriation is maximum, conditional, and  
42 proportionate. The expenditures authorized by an appropriation shall be made only if  
43 necessary and only if the aggregate revenues available during each fiscal year of the  
44 biennium, when added to any appropriated fund balance from the previous fiscal year,

1 are sufficient to support the expenditures. If revenue availability in a fiscal year is  
2 insufficient to support all expenditures authorized by appropriations in that fiscal year,  
3 the Director may reduce all appropriations pro rata to ensure that the total expenditures  
4 of the State for the fiscal year do not exceed the total revenue availability during that  
5 fiscal year and any appropriated fund balance. This subsection does not apply to  
6 appropriations for the prompt payment of the principal of and interest on bonds and  
7 notes of the State according to their terms.

8 (b) Survey of Collections. – The Director, with the assistance of the Secretary of  
9 Revenue and other officials collecting or receiving appropriated State revenue, must  
10 continuously survey the collection of the revenue and may determine the amount that  
11 can be, during each quarter of each fiscal year, properly made available for expenditure.

12 **"§ 143C-6-4. Appropriations are in addition to departmental receipts.**

13 (a) Spend Departmental Receipts First. – Except as provided in subsection (b) of  
14 this section, a State agency or non-State entity that has departmental receipts in addition  
15 to an appropriation must first spend its departmental receipts to cover its operating  
16 costs. The appropriation is available only to the extent that the departmental receipts  
17 are insufficient to meet the operating costs of the State agency or non-State entity  
18 anticipated in the budget authorized by the General Assembly.

19 If the departmental receipts collected in a fiscal year by a State agency exceed the  
20 receipts certified for it, the Director must decrease the amount the Director allots to the  
21 State agency from the appropriation to that agency by the amount of the excess, unless  
22 the Director finds that the appropriation is needed to maintain the function generating  
23 the departmental receipts at the level anticipated in the certified budget.

24 (b) University of North Carolina. – Departmental receipts within The University  
25 of North Carolina realized in excess of certified budgeted levels shall be available, up to  
26 a maximum of ten percent (10%) above those levels, for each object code, in addition to  
27 appropriations, to support the operations generating the departmental receipts, as  
28 approved by the Director.

29 (c) Reports. – The Director must report to the Joint Legislative Commission on  
30 Governmental Operations and to the Fiscal Research Division of the Legislative  
31 Services Commission within 30 days after the end of each quarter on expenditures of  
32 departmental receipts in excess of the amounts certified that did not result in a  
33 corresponding reduced allotment from appropriations.

34 **"§ 143C-6-5. Matching requirements for non-State entities.**

35 When a non-State entity is required to match an appropriation made for a specific  
36 purpose, the non-State entity must have on hand the required matching amount in the  
37 form of cash or an asset that can be used as collateral in any prudent loan transaction.  
38 The non-State entity may apply to the Director for the appropriation as it raises the  
39 required matching amount. The non-State entity must spend one dollar of its matching  
40 funds for each dollar of State revenue that it spends.

41 **"PART 2. PAYMENT OF APPROPRIATIONS.**

42 **"§ 143C-6-6. Quarterly allotments.**

43 To receive the operating funds appropriated to it, a State agency must submit to the  
44 Director, not less than 20 days before the beginning of each quarter of each fiscal year, a

1 request for an allotment of the amount estimated to be required for the agency's  
2 operating costs during the following quarter. The request must contain any details of  
3 proposed expenditures the Director requires. The Director must approve or modify the  
4 allotments, and must submit the approved allotment to the Controller. The Controller  
5 must check for compliance with the allotments. None of the following actions may be  
6 taken without the written request of the respective head or responsible officer of the  
7 State agency and the written approval of the Director:

8 (1) A change in an allotment.

9 (2) A transfer of an allotment.

10 **"§ 143C-6-7. Expenditure of funds for historic and archaeological property.**

11 State revenue may not be spent for an historic or archaeological property until all of  
12 the following conditions have been met:

13 (1) The property is approved for the purpose for which the funds are  
14 requested by the Department of Cultural Resources according to  
15 criteria adopted by the North Carolina Historical Commission.

16 (2) A report and recommendation of the North Carolina Historical  
17 Commission on the purpose for which the funds are requested is  
18 received and considered by the Department of Cultural Resources.

19 (3) The Department of Cultural Resources finds that there is a feasible and  
20 practical method of providing funds for the acquisition, restoration,  
21 and operation of the property.

22 **"§ 143C-6-8. Restrictions on transferring current operations appropriations.**

23 (a) Transfers Between Line Items. – No transfers may be made between objects  
24 in the budget of a State agency except as allowed by this section. With the approval of  
25 the Director, a State agency may spend more than was appropriated for an object if the  
26 overexpenditure is not prohibited by subsections (b) or (c) of this section and is made  
27 for one or more of the following reasons:

28 (1) For a purpose for which funds were appropriated for that fiscal period  
29 and the total amount spent for the purpose is no more than was  
30 appropriated for the purpose for the fiscal period.

31 (2) Required to continue a purpose because of unforeseen events, so long  
32 as the scope of the purpose is not increased.

33 (3) Required by a judicial order or award or by a quasi-judicial order or  
34 award established by an administrative law judge, an administrative  
35 hearing officer, or the Industrial Commission.

36 (4) Required to match unanticipated federal funds.

37 (5) Required to respond to an unanticipated disaster such as a fire, a  
38 hurricane, or a tornado.

39 (6) Required to call out the National Guard.

40 (b) Salaries and Wages. – Funds appropriated for salaries and wages may only be  
41 used for one or more of the following purposes:

42 (1) Salaries and wages, premium pay, overtime pay, longevity,  
43 unemployment compensation, workers' compensation, temporary  
44 wages, contracted personal services, moving expenses, payment of



1 accumulated annual leave, certain awards to employees, tort claims, or  
2 employer's social security, retirement, and hospitalization payments.

3 (2) Uses for which overexpenditures are permitted by subdivisions (3),  
4 (4), (5), and (6) of subsection (a) of this section.

5 (c) Lapsed Salaries. – Lapsed salary funds that become available from vacant  
6 positions may not be used for new permanent employee positions or to raise the salary  
7 of existing employees.

8 (d) Report. – The Director must report the following information on a quarterly  
9 basis to the Joint Legislative Commission on Governmental Operations and to the Fiscal  
10 Research Division of the Legislative Services Commission:

11 (1) The reason for an overexpenditure if the amount expended for a  
12 purpose is more than the amount appropriated for it from all sources.

13 (2) The unforeseen event that required the overexpenditure if the  
14 overexpenditure was authorized under subdivision (a)(2) of this  
15 section.

16 (3) The use of the funds and the reason for the transfer or overexpenditure  
17 if the transfer or overexpenditure involved funds appropriated for  
18 salaries or wages.

19 The requirements in this subsection that the Director report to the Joint Legislative  
20 Commission on Governmental Operations does not apply to expenditures by State  
21 agencies that are wholly receipt-supported, except for entities supported by the Wildlife  
22 Resources Fund.

23 (e) Transfer Between Line Items of the General Assembly. – Transfers or  
24 changes between objects in the budget of the Senate may be made by the President Pro  
25 Tempore of the Senate. Transfers or changes between objects in the budget of the  
26 House of Representatives may be made by the Speaker of the House of Representatives.  
27 Transfers or changes between objects in the budget of the General Assembly other than  
28 of the Senate and House of Representatives may be made jointly by the President Pro  
29 Tempore of the Senate and the Speaker of the House of Representatives.

30 **"§ 143C-6-9. Transfers to Department of Human Resources.**

31 (a) Medicaid. – Political subdivisions may appropriate funds directly to the  
32 Department of Human Resources for Medicaid programs. Other public agencies and  
33 private sources may transfer funds to the Department for Medicaid programs. The  
34 Department may accept unconditional and unrestricted donations of the funds.  
35 Notwithstanding the provisions of this Chapter that might forbid the transfer or donation  
36 of funds, the University of North Carolina Hospitals at Chapel Hill may transfer funds  
37 as provided by the previous sentence of this section.

38 (b) Use of Funds. – Contributed funds for Medicaid are subject to the  
39 Department of Human Resources administrative control and must be allocated as  
40 provided in the Current Operations Appropriations Act, except the contributions shall  
41 not reduce State general revenue funding. At the end of any fiscal year, the  
42 unencumbered balance of any of the funds shall not revert to the General Fund, but shall  
43 be reappropriated for these purposes in the next fiscal year.

44 **"§ 143C-6-10. Payrolls.**

1       (a) Changes. – Before a State agency establishes a new position or changes the  
2 funding of an existing position, the agency must submit the proposed action to the  
3 Director for approval. The Director must review the proposed action to ensure that  
4 funds for the action are included in the amount appropriated to the agency. If the  
5 Director approves the action, the Director must notify the agency and the Controller of  
6 the approval. The Controller may not honor a voucher in payment of a payroll that  
7 includes a new position or a change in an existing position that has not been approved  
8 by the Director.

9       (b) Employer Contributions. – Employer-related salary contributions must be  
10 paid proportionately from each source of the salary for which the contributions are  
11 made. Employer-related salary contributions include the following: retirement benefits,  
12 death benefits, disability salary continuation, social security, hospital-medical insurance,  
13 longevity payments, salary increments, and legislative salary increases.

14       The Controller must approve the method of payment by State agencies for employer  
15 salary-related requirements of this section, and determine the applicability of the section  
16 to an employer's salary-related contribution or payment in behalf of an employee.

### 17       **"PART 3. CAPITAL IMPROVEMENT PROJECTS.**

#### 18       **"§ 143C-6-11. When a State agency may begin a capital improvement project.**

19       (a) Advance Planning. – A State agency may use funds available from eligible  
20 revenue sources, other than self-liquidating indebtedness, for advance planning through  
21 the working drawing phase of a capital improvement project if the Director authorizes  
22 the advance planning. To obtain the Director's authorization for advance planning, a  
23 State agency must submit its request to the Director in writing and must describe the  
24 capital improvement project to be planned.

25       (b) Planning and Construction. – A State agency may begin a capital  
26 improvement project if the General Assembly authorizes the project or the Director  
27 authorizes the project. The Director may authorize a capital improvement project if the  
28 project is to be funded from eligible revenue sources. To obtain the Director's  
29 authorization for a capital improvement project, a State agency must submit its request  
30 to the Director in writing and must identify in the request the source of funding for the  
31 project. If the Director approves the request, the Director must specify the funds that  
32 are to be used to pay for the project.

33       (c) Definition. – 'Eligible revenue sources' means funds available to a State  
34 agency through a gift, a federal or private grant, a special revenue fund, or self-  
35 liquidating indebtedness.

#### 36       **"§ 143C-6-12. When a State agency may increase the cost of a capital** 37 **improvement project.**

38       A State agency may increase the cost of a capital improvement project if the General  
39 Assembly authorizes the increase or if the Director authorizes the increase. The  
40 Director may authorize an increase in the cost of a capital improvement project if the  
41 increase is to be funded from an eligible revenue source, as defined in G.S. 143C-6-11,  
42 or from revenues in the Project Reserve Account. To obtain the Director's authorization  
43 for an increase in the cost of a capital improvement project, a State agency must submit  
44 its request to the Director in writing and must identify in the request the source of

1 funding for the increase. If the Director approves the request, the Director must specify  
2 the funds that are to be used to pay for the increase.

3 **"§ 143C-6-13. When a State agency may change the scope of a capital**  
4 **improvement project.**

5 A State agency may increase the scope of a capital improvement project only if the  
6 General Assembly authorizes the increase. A State agency may decrease the scope of a  
7 capital improvement project if the Director authorizes the decrease. To obtain the  
8 Director's authorization for a decrease in the scope of a capital improvement project, a  
9 State agency must submit its request to the Director in writing and must state the reason  
10 for the request.

11 **"§ 143C-6-14. Project Reserve Account.**

12 The Project Reserve Account is created as a restricted reserve account within the  
13 Capital Project Fund. When a construction contract is entered for a capital  
14 improvement project for which the General Assembly has appropriated revenue, the  
15 appropriation is encumbered for the project's costs of investigation, design,  
16 construction, administration, and movable equipment, and for a reasonable contingency.  
17 If the amount appropriated for the project exceeds the amount encumbered, the excess  
18 must be credited to the Project Reserve Account. The Director may authorize funds in  
19 the Account to be used for any of the following:

- 20 (1) An emergency repair and renovation project at a State facility.
- 21 (2) The award of a project contract when bids for the contract exceed the  
22 amount appropriated for it if the project was designed within the scope  
23 intended by the appropriation and if the Director finds that all means to  
24 award the contract within the appropriation were reasonably attempted.
- 25 (3) A reversion to the principal fund from which revenue was appropriated  
26 for a project when the amount encumbered for the project is less than  
27 the amount appropriated.

28 **"§ 143C-6-15. Reports on Director's actions on capital improvement projects.**

29 When the Director authorizes any of the following, the Director must report the  
30 action to the Joint Legislative Commission on Governmental Operations at its next  
31 meeting that occurs at least 30 days after the action is taken:

- 32 (1) The commencement of a capital improvement project under G.S.  
33 143C-6-11.
- 34 (2) An increase in the cost of a capital improvement project under G.S.  
35 143C-6-12.
- 36 (3) A proposed allocation from the Project Reserve Account under G.S.  
37 143C-6-14.

38 **"§ 143C-6-16. Reversion of appropriation and lapse of project authorization.**

39 A State agency must begin construction of an appropriated capital improvement  
40 project during the fiscal year in which the funds become available. If it does not, the  
41 Director may credit the appropriation to the Project Reserve Account. If the Director  
42 does not credit the appropriation to the Project Reserve Account, the appropriation  
43 reverts to the principal fund from which it was appropriated. A State agency must incur  
44 self-liquidating indebtedness for a capital improvement project that the General

1 Assembly authorizes but for which it makes no appropriation during the fiscal year the  
2 authorization is effective. If it does not, the authorization lapses. The Director may, for  
3 good cause, allow a State agency to take up to an additional 12 months to take the  
4 actions required by this section.

5 **"PART 4. HIGHWAY APPROPRIATIONS.**

6 **"§ 143C-6-17. Highway appropriation.**

7 (a) General Provisions. – Appropriations made for highway construction and  
8 maintenance are subject to the provisions in this section. If the provisions in this section  
9 conflict with the budget acts, the budget acts prevail.

10 (b) Cash Flow Funding for Highway Construction and Maintenance. – Highway  
11 maintenance and construction funds must be budgeted, expended, and accounted for on  
12 a 'cash flow' basis. Pursuant to this end, highway maintenance and construction  
13 contracts must be planned and limited so payments due at any time will not exceed the  
14 cash available to pay them.

15 (c) Appropriations Are for Payments and Contract Commitments To Be Made in  
16 the Appropriation Fiscal Year. – The appropriations for highway maintenance and  
17 construction are for maximum payments estimated to be made during the appropriation  
18 fiscal year and for maximum contracting authority for future years. Highway  
19 maintenance and construction contracts must be scheduled so that the total contract  
20 payments and other expenditures charged to projects in the fiscal year for each highway  
21 maintenance and construction appropriation item will not exceed the current  
22 appropriations provided by the General Assembly and unspent prior appropriations  
23 made by the General Assembly for the particular appropriation item.

24 (d) Payments Subject to Availability of Funds. – The annual appropriations for  
25 highway maintenance and construction must be expended only to the extent that  
26 sufficient funds are available. The Department of Transportation must fully fund  
27 retainage from maintenance and construction contracts in the year in which the work is  
28 performed, and in addition must maintain an available cash balance at the end of each  
29 month equal to at least five percent (5%) of the unpaid balance of the total maintenance  
30 and construction contract obligations. In the event this cash position is not maintained,  
31 no further construction and maintenance contract commitments may be entered into  
32 until the cash balance has been regained. For the purposes of awarding contracts  
33 involving federal aid, any amount due from the federal government as a result of  
34 unreimbursed expenditures may be considered as cash for the purposes of this  
35 provision.

36 (e) Anticipation of Revenues. – In awarding State highway construction and  
37 maintenance contracts requiring payments beyond a biennium, the Director may  
38 anticipate revenues as authorized and certified by the General Assembly to continue  
39 contract payments for up to seventy-five percent (75%) of the revenues which are  
40 estimated for the first fiscal year of the succeeding biennium and which are not required  
41 for other budget items. Up to fifty percent (50%) of the revenues not required for other  
42 budget items may be anticipated for the second and subsequent fiscal years' contract  
43 payments.

1       (f) Amounts Encumbered. – Highway maintenance and construction  
2 appropriations may be encumbered in the amount of allotments made to the Department  
3 of Transportation by the Director for the estimated payments for maintenance and  
4 construction contract work to be performed in the appropriation fiscal year. The  
5 allotments must be multiyear allotments and must be based on estimated revenues and  
6 must be subject to the maximum contract authority contained in subsection (c) above.  
7 Payment for highway maintenance and construction work performed pursuant to  
8 contract in any fiscal year other than the current fiscal year will be subject to  
9 appropriations by the General Assembly. Highway maintenance and construction  
10 contracts must contain a schedule of estimated completion progress and any  
11 acceleration of this progress must be subject to the approval of the Department of  
12 Transportation provided funds are available. The State reserves the right to terminate or  
13 suspend any highway maintenance or construction contract and any highway  
14 maintenance or construction contract shall be so terminated or suspended if funds will  
15 not be available for payment of the work to be performed during that fiscal year  
16 pursuant to the contract. In the event of termination of any contract, the contractor must  
17 be given a written notice of termination at least 60 days before completion of scheduled  
18 work for which funds are available. In the event of termination, the contractor must be  
19 paid for the work already performed in accordance with the contract specifications.

20       (g) Provision Incorporated in Contracts. – The provisions of subsection (f) of this  
21 section must be incorporated verbatim in all highway construction and maintenance  
22 contracts.

23       **"PART 5. NON-STATE ENTITIES RECEIVING STATE FUNDS.**

24       **"§ 143C-6-18. Report on use of State funds by non-State entities.**

25       (a) State Agency. – A State agency that receives State funds and then provides  
26 the State funds to a non-State entity must identify the non-State entity to the State  
27 Auditor, unless the funds were for the purchase of goods and services. The State  
28 agency must submit documents to the State Auditor in a prescribed format describing  
29 standards of compliance and suggested audit procedures sufficient to give adequate  
30 direction to independent auditors performing audits. When the State agency is the  
31 Department of Human Resources, the Secretary of that Department may request a non-  
32 State entity to whom the Department has made a grant to provide it with any financial  
33 information concerning the use of the grant.

34       (b) Non-State Entity. – A non-State entity that receives, uses, or expends State funds  
35 in the amount of twenty-five thousand dollars (\$25,000) or more annually, except when  
36 the funds are for the purchase of goods or services, must file annually with the State  
37 Auditor and with the Joint Legislative Commission on Governmental Operations  
38 financial statements in the form and on the schedule prescribed by the State Auditor,  
39 and must furnish to the State Auditor for audit all books, records, and other information  
40 necessary for the State Auditor to account fully for the use and expenditure of State  
41 funds. A non-State entity must furnish any additional financial or budgetary  
42 information requested by the State Auditor or by the Joint Legislative Commission on  
43 Governmental Operations. The State may not disburse State funds appropriated by the  
44 General Assembly or collected by the State for use by any non-State entity unless that

1 non-State entity has provided all the reports and financial information required by this  
2 section. All financial statements furnished to the State Auditor or to the Joint  
3 Legislative Commission on Governmental Operations pursuant to this section, and any  
4 audits or other reports prepared by the State Auditor, are public records. State funds  
5 expended pursuant to this section in excess of twenty-five thousand dollars (\$25,000)  
6 must be disbursed to the non-State entity on a schedule as close as practicable to the  
7 entity's disbursement date as required by G.S. 147-86.11.

8 **"ARTICLE 7.**

9 **"NON-STATE FUNDS.**

10 **"§ 143C-7-1. Non-State funds.**

11 (a) Report to Director. – A State agency that applies to the federal government or  
12 to another person for funds to be used for a program that may impose a substantial  
13 financial encumbrance on the State must submit to the Director the following  
14 information on the same date that the application is made:

15 (1) A copy of the application.

16 (2) A statement of the reasons the State agency needs or desires to have  
17 the program for which the funds are requested.

18 (3) The source and amount of the funds for which the State agency is  
19 applying.

20 (4) A statement of the conditions upon which the funds are to be provided.

21 If the application is approved, the State agency must give the Director a statement  
22 outlining how the funds will be spent, including a list of any person who will receive  
23 any of the funds.

24 (b) Contract Provision. – A State agency that receives funds required to be  
25 reported to the Director under subsection (a) must include in the contract or grant a  
26 clause that specifically states that continuation of the contract or grant program with  
27 State appropriations beyond the current State fiscal year is subject to State funds being  
28 appropriated by the General Assembly specifically for that purpose.

29 **"§ 143C-7-2. Federal Block Grant funds.**

30 On or before April 20 of each fiscal year, every State agency that receives and  
31 administers federal Block Grant funds must prepare and submit its Block Grant plans to  
32 the Director and to the Fiscal Research Division of the Legislative Services  
33 Commission. The agency must submit a separate Block Grant plan for each Block  
34 Grant received and administered by it. Each plan must include the following  
35 information:

36 (1) A delineation of the proposed dollar amount allocations by activity and  
37 by category, including dollar amounts to be used for administrative  
38 costs.

39 (2) A comparison of the proposed funding with two prior years' program  
40 budgets.

41 The Director must review the plans for accuracy, consistency, and uniformity prior to  
42 their submission to the General Assembly.

43 **"ARTICLE 8.**

44 **"PENALTIES.**

1 **"§ 143C-8-1. Offenses for violation of Chapter.**

2 (a) Misdemeanor. – It is a misdemeanor, punishable in the discretion of the court  
3 by fine, imprisonment, or both fine and imprisonment, for a person to knowingly and  
4 willfully do any one or more of the following:

5 (1) Spend, encumber, transfer, or divert appropriated State revenue for or  
6 to a purpose not authorized by the State budget.

7 (2) Approve any fraudulent, erroneous, or otherwise invalid claim or bill  
8 to be paid from an appropriation of one thousand dollars (\$1,000) or  
9 less in the State budget.

10 (3) Make a written statement, give a certificate, issue a report, or utter a  
11 document required by this Chapter, any portion of which is false.

12 (4) Fail or refuse to perform a duty imposed by this Chapter.

13 (b) Felony. – It is a Class H felony, punishable in the discretion of the court by  
14 fine, imprisonment, or both fine and imprisonment, for a person to knowingly and  
15 willfully approve any fraudulent, erroneous, or otherwise invalid claim or bill to be paid  
16 from an appropriation of more than one thousand dollars (\$1,000) in the State budget.

17 (c) Forfeiture of Office or Employment. – An appointed officer or employee of  
18 the State or an officer or employee of a political subdivision of the State, whether  
19 elected or appointed, forfeits his office or employment upon conviction of an offense  
20 under this section. An elected officer of the State is subject to impeachment for  
21 committing any of the offenses specified in this section.

22 **"§ 143C-8-2. Civil liability for violation of Chapter.**

23 A person convicted of an offense under G.S. 143C-11-1 is liable in a civil action for  
24 any damages suffered by the State in consequence of the offense.

25 **"§ 143C-8-3. Suspension from office or impeachment for refusal to comply with**  
26 **Chapter.**

27 (a) State Officer or Employee. – The Governor may suspend from the  
28 performance of his duties any State officer or employee, except an officer elected by the  
29 people, who persists, after notice and warning, in failing or refusing to comply with the  
30 provisions of this Chapter or any lawful administrative directive issued pursuant to this  
31 Chapter. Before acting to suspend, the Governor must give the accused notice and an  
32 opportunity to be heard in his own defense. The Governor must report the facts leading  
33 to suspension to the Attorney General who may initiate appropriate criminal or civil  
34 proceedings. The Governor may apply to the General Court of Justice for a restraining  
35 order and injunction if a suspended officer or employee persists in performing official  
36 acts.

37 (b) Elected Officers. – A State officer elected by the people who knowingly and  
38 willfully fails or refuses to comply with any provision of this Chapter or any lawful  
39 administrative directive issued under this Chapter is subject to impeachment."

40 Sec. 3. Chapter 126 of the General Statutes is amended by adding a new  
41 section to read:

42 **"§ 126-8.3. DCAP and flexible compensation.**

43 (a) Dependent Care Assistance Plans. – The Director of the Budget may provide  
44 eligible officers and employees of State agencies not covered by the provisions of G.S.

1 116-17.2 a program of dependent care assistance as available under section 129 and  
2 related sections of the Internal Revenue Code of 1986, as amended. The Director may  
3 authorize State agencies to enter into annual agreements with employees who elect to  
4 participate in the program to provide for a reduction in salary. With the approval of the  
5 Director, savings in the employer's share of contributions under the Federal Insurance  
6 Contributions Act on account of the reduction in salary may be used to pay some or all  
7 of the administrative expenses of the program. Should the Director decide to contract  
8 with a third party to administer the terms and conditions of a program of dependent care  
9 assistance, the Director may select a contractor only upon a thorough and completely  
10 competitive procurement process.

11 (b) Flexible Compensation. – Notwithstanding any other provisions of law  
12 relating to the salaries of officers and employees of State agencies, the Director of the  
13 Budget may provide a plan of flexible compensation to eligible officers and employees  
14 of State agencies not covered by the provisions of G.S. 116-17.2 for benefits available  
15 under section 125 and related sections of the Internal Revenue Code of 1986 as  
16 amended. This plan may not include those benefits provided to employees and officers  
17 under Article 1A of Chapter 120 of the General Statutes and Articles 1, 3, 4, and 6 of  
18 Chapter 135 of the General Statutes nor any vacation leave, sick leave, or any other  
19 leave that may be carried forward from year to year by employees as a form of deferred  
20 compensation. In providing a plan of flexible compensation, the Director may authorize  
21 State agencies to enter into agreements with their employees for reductions in the  
22 salaries of employees electing to participate in the plan of flexible compensation  
23 provided by this section. With the approval of the Director, savings in the employer's  
24 share of contributions under the Federal Insurance Contributions Act on account of the  
25 reduction in salary may be used to pay some or all of the administrative expenses of the  
26 program. Should the Director decide to contract with a third party to administer the  
27 terms and conditions of a plan of flexible compensation as provided by this section, it  
28 may select such a contractor only upon a thorough and completely advertised  
29 competitive procurement process."

30 Sec. 4. Chapter 126 of the General Statutes is amended by adding a new  
31 section to read:

32 **"§ 126-7.2. Discontinued service retirement allowance and severance wages for**  
33 **certain State employees.**

34 When the Director of the Budget determines that the closing of a State institution or  
35 a reduction in force will accomplish economies in the State Budget, he shall pay either a  
36 discontinued service retirement allowance or severance wages to any affected State  
37 employee, provided reemployment is not available. As used in this section, 'economies  
38 in the State Budget' means economies resulting from elimination of a job and its  
39 responsibilities or from a lack of funds to support the job. In determining whether to  
40 pay a discontinued service retirement allowance or severance wages, the Director of the  
41 Budget shall consider the recommendation of the department head involved and any  
42 recommendation of the State Personnel Director. Severance wages shall not be paid to  
43 an employee who chooses a discontinued service retirement. Severance wages shall not



1 be subject to employer or employee retirement contributions. Severance wages shall be  
2 paid according to the policies adopted by the State Personnel Commission.

3 Notwithstanding any other provisions of the State's retirement laws, any employee of  
4 the State who is a member of the Teachers' and State Employees' Retirement System or  
5 the Law Enforcement Officers' Retirement System and who has his job involuntarily  
6 terminated as a result of economies in the State Budget may be entitled to a  
7 discontinued service retirement allowance, subject to the approval of the employing  
8 agency and the availability of agency funds. An unreduced discontinued service  
9 retirement allowance, not otherwise allowed, may be approved for employees with 20 or  
10 more years of creditable retirement service who are at least 55 years of age; or a  
11 discontinued service retirement allowance, not otherwise allowed, may be approved for  
12 employees with 20 or more years of creditable retirement service who are at least 50  
13 years of age, reduced by one-fourth of one percent (1/4 of 1%) for each month that  
14 retirement precedes his fifty-fifth birthday. In cases where a discontinued service  
15 retirement allowance is approved, the employing agency shall make a lump-sum  
16 payment to the Administrator of the State Retirement Systems equal to the actuarial  
17 present value of the additional liabilities imposed upon the System, to be determined by  
18 the System's consulting actuary, as a result of the discontinued service retirement, plus  
19 an administrative fee to be determined by the Administrator."

20 Sec. 5. G.S. 126-5(c) reads as rewritten:

21 "(c) **(Effective July 1, 1993)** Except as to the policies, rules, and plans established  
22 by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5),  
23 126-4(6), ~~and 126-7, 126-7, 143-7.2, and 126-8.3,~~ and except as to the provisions of  
24 Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

25 (1) A State employee who:

- 26 a. Is in a primary level position and has not been continuously  
27 employed by the State of North Carolina for the immediate 12  
28 preceding months;
- 29 b. Is in a secondary level or professional position and has not been  
30 continuously employed by the State of North Carolina for the  
31 immediate 24 preceding months; [or]
- 32 c. Is in a management level or consultant position and has not  
33 been continuously employed by the State of North Carolina for  
34 the immediate 36 preceding months.
- 35 d. Repealed by Session Laws 1991, c. 354, s. 3, effective July 1,  
36 1993.

37 (2) One confidential assistant and two confidential secretaries for each  
38 elected or appointed department head and one confidential secretary  
39 for each chief deputy or chief administrative assistant.

40 (3) Employees in policymaking positions designated as exempt pursuant  
41 to G.S. 126-5(d).

42 (4) The chief deputy or chief administrative assistant to the head of each  
43 State department who is designated either by statute or by the

1 department head to act for and perform all of the duties of such  
2 department head during his absence or incapacity."

3 Sec. 6. Chapter 143B of the General Statutes is amended by adding the  
4 following new sections to read as follows:

5 **"PART 28B. ASSIGNMENT OF CLAIMS AGAINST THE STATE.**

6 **"§ 143B-426.41. Assignment of claims against the State.**

7 (a) Definitions. – The following definitions apply in this section:

8 (1) Assignment. – An assignment or transfer of a claim, or a power of  
9 attorney, an order, or another authority for receiving payment of a  
10 claim.

11 (2) Claim. – A claim, a part or a share of a claim, or an interest in a claim,  
12 whether absolute or conditional.

13 (3) Qualified charitable organization. – A charitable organization that is  
14 exempt from federal income tax pursuant to section 501(c)(3) of the  
15 Internal Revenue Code.

16 (4) State employee credit union. – A credit union organized under Chapter  
17 54 of the General Statutes whose membership is at least one-half  
18 employees of the State.

19 (5) State. – The State of North Carolina and any department, bureau, or  
20 institution of the State of North Carolina.

21 (b) Assignments Prohibited. – Except as otherwise provided in this section, any  
22 assignment of a claim against the State is void, regardless of the consideration given for  
23 the assignment, unless the claim has been duly audited and allowed by the State and the  
24 State has issued a warrant for payment of the claim. Except as otherwise provided in  
25 this section, the State shall not issue a warrant to an assignee of a claim against the  
26 State.

27 (c) Assignments in Favor of Certain Entities Allowed. – This section does not  
28 apply to an assignment in favor of:

29 (1) A hospital.

30 (2) A building and loan association.

31 (3) A uniform rental firm in order to allow an employee of the Department  
32 of Transportation to rent uniforms that include day-glo orange shirts or  
33 vests as required by federal and State law.

34 (4) An insurance company for medical, hospital, disability, or life  
35 insurance.

36 (d) Assignments to Meet Child Support Obligations Allowed. – This section does  
37 not apply to assignments made to meet child support obligations pursuant to G.S. 110-  
38 136.1.

39 (e) Assignments for Prepaid Legal Services Allowed. – This section does not  
40 apply to an assignment for payment for prepaid legal services.

41 (f) Payroll Deduction for State Employee Credit Union Accounts Allowed. – An  
42 employee of the State who is a member of a State employee credit union may authorize,  
43 in writing, the periodic deduction from the employee's salary or wages paid for  
44 employment by the State of a designated lump sum for deposit to any credit union

1 accounts, purchase of any credit union shares, or payment of any credit union  
2 obligations agreed to by the employee and the State employee credit union.

3 (g) Payroll Deduction for Payments to Certain Employees' Associations Allowed.  
4 – An employee of the State, a State agency, a local board of education, or a community  
5 college, who is a member of a domiciled employees' association that has at least 2,000  
6 members, the majority of whom are employees of the State or public school employees,  
7 may authorize, in writing, the periodic deduction from the employee's salary or wages a  
8 designated lump sum to be paid to the employees' association. A plan of payroll  
9 deductions pursuant to this subsection for employees of the State and other association  
10 members shall become void if the employees' association engages in collective  
11 bargaining with the State, any political subdivision of the State, or any local school  
12 administrative unit. This subsection does not apply to county or municipal governments  
13 or any local governmental unit, except for local boards of education.

14 (h) Payroll Deduction for State Employees Combined Campaign Allowed. –  
15 Subject to rules adopted by the State Controller, an employee of the State may  
16 authorize, in writing, the periodic deduction from the employee's salary or wages paid  
17 for employment by the State of a designated lump sum to be paid to satisfy the  
18 employee's pledge to the State Employees Combined Campaign.

19 (i) Payroll Deduction for Public School and Community College Employees'  
20 Contributions to Charitable Organizations Allowed. – Subject to rules adopted by the  
21 State Controller, an employee of a local board of education or community college may  
22 authorize, in writing, the periodic deduction from the employee's salary or wages paid  
23 for employment by the board of education or community college of a designated lump  
24 sum to be contributed to a qualified charitable organization that has first been approved  
25 by the employee's board of education or community college board.

26 (j) Payroll Deduction for University of North Carolina System Employees'  
27 Contributions to Certain Charitable Organizations Allowed. – Subject to rules adopted  
28 by the State Controller, if a constituent institution of The University of North Carolina  
29 that processes its own payroll approves a payroll deduction plan under this subsection,  
30 an employee of the constituent institution may authorize, in writing, the periodic  
31 deduction from the employee's salary or wages paid for employment by the constituent  
32 institution of a designated lump sum to be contributed to a qualified charitable  
33 organization that exists to support athletic or charitable programs of the constituent  
34 institution and that has first been approved by the President of The University of North  
35 Carolina as existing to support athletic or charitable programs. If a payroll deduction  
36 plan under this subsection results in additional costs to a constituent institution, these  
37 costs shall be paid by the qualified charitable organizations receiving contributions  
38 under the plan.

### 39 **"PART 28C. ACCOUNTING SYSTEMS.**

#### 40 **"§ 143B-426.42. Issuance of warrants upon State Treasurer.**

41 (a) The State Controller shall have the exclusive responsibility for the issuance of  
42 all warrants for the payment of money upon the State Treasurer. All warrants upon the  
43 State Treasurer shall be signed by the State Controller, who before issuing them shall  
44 determine the legality of payment and the correctness of the accounts.

1 When the State Controller finds it expedient to do so because of a State agency's size  
2 and location, the State Controller may authorize a State agency to make expenditures  
3 through a disbursing account with the State Treasurer. The State Controller shall  
4 authorize the Judicial Department and the General Assembly to make expenditures  
5 through disbursing accounts. All deposits in these disbursing accounts shall be by the  
6 State Controller's warrant. A copy of each voucher making withdrawals from these  
7 disbursing accounts and any supporting data required by the State Controller shall be  
8 forwarded to the State Controller monthly or as otherwise required by the State  
9 Controller. Supporting data for a voucher making a withdrawal from one of these  
10 disbursing accounts to meet a payroll shall include the amount of the payroll and the  
11 employees whose compensation is part of the payroll.

12 A central payroll unit operating under the Office of the State Controller may make  
13 deposits and withdrawals directly to and from a disbursing account. The disbursing  
14 account shall constitute a revolving fund for servicing payrolls passed through the  
15 central payroll unit.

16 The State Controller may use a facsimile signature in affixing the State Controller's  
17 signature to warrants.

18 (b) The State Treasurer may impose on a State agency a fee of fifteen dollars  
19 (\$15.00) for each check drawn against the agency's disbursing account that causes the  
20 balance in the account to be in overdraft or while the account is in overdraft. The  
21 financial officer shall pay the fee from non-State or personal funds to the General Fund  
22 to the credit of the miscellaneous nontax revenue account by the State agency.

23 **"§ 143B-426.43. Disbursing accounts.**

24 The State Controller shall adopt rules to prescribe the manner in which  
25 disbursements of State agencies shall be made. The State Controller may require that  
26 all warrants, vouchers, or checks, except those drawn by the State Auditor, State  
27 Treasurer, and Administrative Officer of the Courts shall bear two signatures of officers  
28 as will be designated by the State Controller.

29 **"§ 143B-426.44. Warrants for money paid into treasury by mistake.**

30 (a) If the Governor and Council of State are satisfied that funds were paid into  
31 the treasury by mistake, they may direct the State Controller to issue a warrant for the  
32 payment of the funds upon the State Treasurer in favor of the person who made the  
33 payment. This subsection shall not apply to payments made for taxes, bonds, or  
34 mortgages.

35 (b) Whenever any real property mortgaged to the State, or bought in for the  
36 benefit of the State, of which a certificate shall have been given to a former purchaser, is  
37 sold by the Attorney General on a foreclosure by notice, or under a judgment, for a  
38 greater sum than the amount due to the State, with costs and expenses, the surplus  
39 money received into the treasury, after a conveyance has been executed to the  
40 purchaser, shall be paid to the person legally entitled to such real property at the time of  
41 the foreclosure on the forfeiture of the original contract. A warrant shall not be drawn  
42 for such surplus money but upon satisfactory proof, by affidavit or otherwise, of the  
43 legal rights of such person.

44 **"§ 143B-426.45. Annual financial statements.**

1 Each State agency shall prepare an annual financial statement on all funds  
2 administered by it no later than 60 days subsequent to the close of the fiscal year then  
3 ended in accordance with generally accepted accounting principles. The financial  
4 statement shall be in the form required by the State Controller. The State Controller  
5 shall publish guidelines specifying the procedures to implement the necessary records,  
6 procedures, and accounting systems to reflect these statements on the proper basis of  
7 accounting.

8 The State Controller shall combine the financial statements for the various agencies  
9 into a Comprehensive Annual Financial Report for the State of North Carolina in  
10 accordance with generally accepted accounting principles. The general purpose  
11 financial statements included in the Comprehensive Annual Financial Report shall be  
12 audited in accordance with generally accepted auditing standards and an auditor's  
13 opinion shall be included as part of the report. The report shall be published on or  
14 before December 31 for the fiscal year ended June 30 as the official financial statements  
15 of the State and shall be distributed to the Director of the Budget, members of the  
16 General Assembly, heads of State agencies, and other interested parties. The State  
17 Controller shall notify the Director of the Budget of a State agency that has not  
18 complied fully with the requirements of this section within the specified time. The  
19 Director of the Budget shall employ whatever means necessary, including the  
20 withholding of allotments, to ensure immediate corrective action."

21 Sec. 7. Notwithstanding G.S. 58-31-31, the sum of nine hundred fifty  
22 thousand dollars (\$950,000) shall be transferred for the 1993-94 fiscal year from the  
23 General Fund to the Office of State Budget and Management for the purpose of  
24 compensating political subdivisions of the State for providing local fire protection to  
25 State-owned buildings and their contents. The Office of State Budget and Management  
26 shall develop an equitable and uniform statewide method for distributing these funds to  
27 the State's political subdivisions. If this section is amended by reducing the amount of  
28 funds transferred for a fiscal year, this section and Section 26 of Chapter 1069 of the  
29 1989 (Regular Session, 1990) Session Laws shall expire on the day after the General  
30 Assembly that enacted such amendment adjourns; and G.S. 58-31-30 shall read as it did  
31 immediately prior to the effective date of Chapter 1069 of the 1989 (Regular Session,  
32 1990) Session Laws. For the purposes of this section, fire districts shall be considered  
33 political subdivisions."

34 Sec. 8. Chapter 58 of the General Statutes is amended by adding a new  
35 section to read:

36 **"§ 58-31-31. Transfer from General Fund for local fire protection.**

37 The sum of one million four hundred fifty thousand dollars (\$1,450,000) shall be  
38 transferred annually from the General Fund to the Office of State Budget and  
39 Management for the purpose of compensating political subdivisions of the State for  
40 providing local fire protection to State-owned buildings and their contents. The Office  
41 of State Budget and Management shall develop an equitable and uniform statewide  
42 method for distributing these funds to the State's political subdivisions. If this section is  
43 amended by reducing the amount of funds transferred for a fiscal year, this section and  
44 Section 26 of Chapter 1069 of the 1989 (Regular Session, 1990) Session Laws shall

1 expire on the day after the General Assembly that enacted such amendment adjourns;  
2 and G.S. 58-31-30 shall read as it did immediately prior to the effective date of Chapter  
3 1069 of the 1989 (Regular Session, 1990) Session Laws.

4 For the purposes of this section, fire districts shall be considered political  
5 subdivisions."

6 Sec. 9. G.S. 143-135 reads as rewritten:

7 "**§ 143-135. Limitation of application of Article.**

8 (a) Limitation. – Except for the provisions of G.S. 143-129 requiring bids for the  
9 purchase of apparatus, supplies, materials or equipment, this Article shall not apply to  
10 construction or repair work undertaken by the State or by subdivisions of the State of  
11 North Carolina (i) when the work is performed by duly elected officers or agents using  
12 force account qualified labor on the permanent payroll of the agency concerned and (ii)  
13 when the total cost of the project, including without limitation all direct and indirect  
14 costs of labor, services, materials, supplies and equipment, does not exceed seventy-five  
15 thousand dollars (\$75,000). Such force account work shall be subject to the approval of  
16 the Director of the Budget in the case of State agencies, of the responsible commission,  
17 council, or board in the case of subdivisions of the State. Complete and accurate records  
18 of the entire cost of such work, including without limitation, all direct and indirect costs  
19 of labor, services, materials, supplies and equipment performed and furnished in the  
20 prosecution and completion thereof, shall be maintained by such agency, commission,  
21 council or board for the inspection by the general public. Construction or repair work  
22 undertaken pursuant to this section shall not be divided for the purposes of evading the  
23 provisions of this Article.

24 (b) Exception. – The Director of the Budget may authorize the Department of  
25 Human Resources and the Department of Correction to use funds necessary for projects  
26 that correct deficiencies, improve living conditions, or renovate unneeded patient space  
27 for State office space."

28 Sec. 10. G.S. 105-187.9 reads as rewritten:

29 "**§ 105-187.9. Disposition of tax proceeds.**

30 Taxes collected under this Article at the rate of eight percent (8%) shall be credited  
31 to the General Fund. Taxes collected under this Article at the rate of three percent (3%)  
32 shall be credited to the North Carolina Highway Trust Fund. In each fiscal year the  
33 State Treasurer shall transfer the sum of one hundred seventy million dollars  
34 (\$170,000,000) of the taxes deposited in the Trust Fund to the General Fund. ~~Fund by~~  
35 ~~transferring one-fourth of this amount at the end of each quarter in the fiscal year.~~ The  
36 transfer of funds authorized by this section may be made by transferring one-fourth of  
37 the amount at the end of each quarter in the fiscal year or by transferring the full amount  
38 annually on July 1 of each fiscal year, subject to the availability of revenue."

39 Sec. 11. Section 8 of this act becomes effective July 1, 1994. The remaining  
40 sections in this act become effective July 1, 1993.