

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 330

Short Title: GPAC-Planning, Budgeting, Evaluation.

(Public)

Sponsors: (by request) Representatives Diamont, Blue, Barnes, Hackney, Hensley, H. Hunter, G. Miller, Nesbitt, and Robinson.

Referred to: Appropriations.

February 25, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT THE RECOMMENDATIONS OF THE GOVERNMENT
PERFORMANCE AUDIT COMMITTEE REGARDING PLANNING,
BUDGETING AND PROGRAM EVALUATION.

The General Assembly of North Carolina enacts:

—STATE STRATEGIC PLANNING PROCESS.

Section 1. (a) G.S. 143A-17 is repealed.

(b) G.S. 143-3.5 reads as rewritten:

"§ 143-3.5. Coordination of statistics.

It shall be the duty of the ~~Director~~Director, through the Office of State Budget and Management and the Office of State Planning, to coordinate the efforts of governmental agencies in the collection, development, dissemination and analysis of official economic, demographic and social statistics pertinent to State budgeting. The ~~Office~~Director shall:

- (1) Prepare and release the official demographic and economic estimates and projections for the State;
- (2) Conduct special economic and demographic analyses and studies to support statewide budgeting;
- (3) Develop and coordinate cooperative arrangements with federal, State and local governmental agencies to facilitate the exchange of data to support State budgeting;

- 1 (4) Compile, maintain, and disseminate information about State programs
2 which involve the distribution of State aid funds to local governments
3 including those variables used in their allocation; and,
4 (5) Develop and maintain in cooperation with other State and local
5 governmental agencies, an information system providing comparative
6 data on resources and expenditures of local governments.

7 Every fiscal analysis prepared by the Director or the Office of State Budget and
8 Management addressing the State budget outlook shall encompass the upcoming five-
9 year period. Every fiscal analysis prepared by the Director or the Office of State Budget
10 and Management addressing the impact of proposed legislation on the State budget shall
11 estimate the impact for the first five fiscal years the legislation would be in effect. To
12 minimize duplication of effort in collecting or developing new statistical series pertinent
13 to State planning and budgeting, including contractual arrangements, State agencies
14 must submit to the Director proposed procedures and funding requirements.

15 This section shall not apply to the General Assembly, any of its committees and
16 subcommittees, the Legislative Research Commission, the Legislative Services
17 Commission, or any other committee or commission in the legislative branch."

18 (c) Article 1 of Chapter 143 of the General Statutes is amended by adding a new
19 section to read:

20 "**§ 143-10.3. Strategic planning process.**

21 The Director, through the Office of State Budget and Management and the Office of
22 State Planning, shall establish and implement a strategic planning process for the State.
23 The strategic planning process shall address the following elements:

- 24 (1) Vision. – The State shall consider alternative futures as they pertain to
25 quality of life, safety, health, and the environment.
26 (2) Statewide Goals. – The State shall establish concrete goals for the
27 entire State in those areas that matter most to citizens.
28 (3) External Assessment. – The State shall solicit ideas, opinions, and
29 concerns from citizens, both as recipients of government services and
30 as taxpayers, regarding how well the State is meeting its goals.
31 (4) Internal Assessment. – The process shall involve legislators, top
32 executive branch management, and selected personnel at all levels of
33 State government.
34 (5) Agency Goals. – State agencies shall develop clearly defined goals that
35 are consistent with statewide goals.
36 (6) Objectives and Measurable Results. – The State shall develop
37 performance measures and indicators of program results or outcome
38 indicators to track the State's progress toward achieving statewide and
39 agency goals.
40 (7) Planning/Budget Document. – The State's long-range plans shall be
41 reflected in the budget proposed by the Governor, as provided in G.S.
42 143-10.4(b).
43 (8) Performance Measuring and Monitoring. – The State shall review the
44 performance of State programs periodically."

1 (d) Article 1 of Chapter 143 of the General Statutes is amended by adding a new
2 section to read:

3 **"§ 143-10.4. Departmental plans.**

4 (a) The Director, through the Office of State Budget and Management and the
5 Office of State Planning, shall have prepared biennially in the even-numbered years, a
6 comprehensive plan for each department, agency, and institution, for which the Director
7 may recommend an appropriation of State funds in the next biennial period. The plans
8 shall implement the statewide and agency goals contained in the strategic plans
9 developed in accordance with G.S. 143-10.3. The plans shall provide the objectives,
10 activities, strategies, and supporting statistics, for each department, agency, and
11 institution for the current biennium and for the following three biennial periods. The
12 plans shall also provide the performance measures and outcome indicators for each
13 department, agency, and institution. These same performance measures and outcome
14 indicators shall be used for ongoing program monitoring and reported in the Governor's
15 biennial budget submission.

16 All organizational levels of each department, agency, and institution shall be
17 involved in preparing the department, agency, or institution's plan. The Office of State
18 Planning shall provide guidance to the departments, agencies, and institutions in the
19 planning process, and shall provide on-site technical assistance and process leadership
20 to the departments, agencies, and institutions, as needed in the course of the planning
21 process.

22 (b) The Director shall provide unified planning and budgeting instructions to the
23 departments, agencies, and institutions for use in developing long-range plans and
24 biennial budgets. The plans shall serve as the basis for the development of biennial
25 budgets for each department, agency, and institution of State government that the
26 Director submits to the General Assembly. Departments, agencies, and institutions shall
27 cooperate in the development of these plans and shall provide the necessary information
28 and data required to prepare these plans, in the format prescribed by the Director."

29 (e) G.S. 143-11 reads as rewritten:

30 **"§ 143-11. Survey of departments.**

31 On or before the fifteenth day of December, biennially in the even-numbered years,
32 the Director shall make a complete, careful survey of the operation and management of
33 all the departments, bureaus, divisions, officers, boards, commissions, institutions, and
34 agencies and undertakings of the State and all persons or corporations who use or
35 expend State funds, in the interest of economy and efficiency, and of obtaining a
36 working knowledge upon which to base recommendations to the General Assembly as
37 to appropriations for maintenance and special funds and capital expenditures for the
38 succeeding biennium. If the Director and the Commission shall agree in their
39 recommendations for the budget for the next biennial period, he shall prepare their
40 report in the form of a proposed budget, together with such comment and
41 recommendations as they may deem proper to make. If the Director and Commission
42 shall not agree in substantial particulars, the Director shall prepare the proposed budget
43 based on his own conclusions and judgment, and the Commission or any of its members
44 retain the right to submit separately to the General Assembly such statement of

1 disagreement and the particulars thereof as representing their views. The budget report
2 shall reflect the State's long-range plans, developed in accordance with G.S. 143-10.4.
3 The budget report shall contain a complete and itemized plan of all proposed
4 expenditures for each State department, bureau, board, division, institution,
5 commission, State agency or undertaking, person or corporation who receives or may
6 receive for use and expenditure any State funds, in accordance with the classification
7 adopted by the State Controller, and of the estimated revenues and borrowings for each
8 year in the ensuing biennial period beginning with the first day of July thereafter.
9 Opposite each item of the proposed expenditures, the budget shall show in separate
10 parallel columns the amount expended for the last preceding appropriation year, for the
11 current appropriation year, and the increase or decrease. The budget shall clearly
12 differentiate between general fund expenditures for operating and maintenance, special
13 fund expenditures for any purpose, and proposed capital outlays.

14 The Director shall accompany the budget with:

- 15 (1) A budget message supporting his recommendations and outlining a
16 financial policy and program for the ensuing biennium. The message
17 will include an explanation of increase or decrease over past
18 expenditures, a discussion of proposed changes in existing revenue
19 laws and proposed bond issues, their purpose, the amount, rate of
20 interest, term, the requirements to be attached to their issuance and the
21 effect such issues will have upon the redemption and annual interest
22 charges of the State debt.
- 23 (2) State Controller reports including:
 - 24 a. An itemized and complete financial statement for the State at
25 the close of the last preceding fiscal year ending June 30.
 - 26 b. A statement of special funds.
- 27 (2a) A statement showing the itemized estimates of the condition of the
28 State treasury as of the beginning and end of each of the next two
29 appropriation years.
- 30 (3) A report on the fees charged by each State department, bureau,
31 division, board, commission, institution, and agency during the
32 previous fiscal year, the statutory or regulatory authority for each fee,
33 the amount of the fee, when the amount of the fee was last changed,
34 the number of times the fee was collected during the prior fiscal year,
35 and the total receipts from the fee during the prior fiscal year.
- 36 (4) A statement showing the State Board of Education's request, in
37 accordance with G.S. 115C-96, for sufficient funds to provide
38 textbooks to public school students.

39 It shall be a compliance with this section by each incoming Governor, at the first
40 session of the General Assembly in his term, to submit the budget report with the
41 message of the outgoing Governor, if he shall deem it proper to prepare such message,
42 together with any comments or recommendations thereon that he may see fit to make,
43 either at the time of the submission of the said report to the General Assembly, or at
44 such other time, or times, as he may elect and fix.

1 The function of the Advisory Budget Commission under this section applies only if
2 the Director of the Budget consults with the Commission in preparation of the budget."

3 (f) This section becomes effective July 1, 1993.

4 ---PROGRAM BUDGETING IMPLEMENTED.

5 Sec. 2. (a) The Director of the Budget shall develop a plan for preparing the budget
6 for the 1995-97 fiscal biennium in a performance budget format. The plan shall define
7 the major programs for which funding shall be provided. The Director of the Budget
8 shall present the plan to the General Assembly prior to June 1, 1993.

9 (b) Effective for budgets developed for fiscal bienniums beginning with the
10 1995-97 fiscal biennium, G.S. 143-11 reads as rewritten:

11 "**§ 143-11. Survey of departments.**

12 (a) On or before the fifteenth day of December, biennially in the even-numbered
13 years, the Director shall make a complete, careful survey of the operation and
14 management of all the departments, bureaus, divisions, officers, boards, commissions,
15 institutions, and agencies and undertakings of the State and all persons or corporations
16 who use or expend State funds, in the interest of economy and efficiency, and of
17 obtaining a working knowledge upon which to base recommendations to the General
18 Assembly as to appropriations for maintenance and special funds and capital
19 expenditures for the succeeding biennium. If the Director and the Commission shall
20 agree in their recommendations for the budget for the next biennial period, he shall
21 prepare their report in the form of a proposed budget, together with such comment and
22 recommendations as they may deem proper to make. If the Director and Commission
23 shall not agree in substantial particulars, the Director shall prepare the proposed budget
24 based on his own conclusions and judgment, and the Commission or any of its members
25 retain the right to submit separately to the General Assembly such statement of
26 disagreement and the particulars thereof as representing their views. The budget report
27 shall contain a complete and itemized plan of all proposed expenditures for each State
28 department, bureau, board, division, institution, commission, State agency or
29 undertaking, person or corporation who receives or may receive for use and expenditure
30 any State funds, ~~in accordance with the classification adopted by the State Controller, in a~~
31 format to identify and evaluate each principal program within and among each
32 department, bureau, board, division, institution, commission, State agency or
33 undertaking, person or corporation, and of the estimated revenues and borrowings for
34 each year in the ensuing biennial period beginning with the first day of July thereafter.
35 ~~Opposite each item of the proposed expenditures, the budget shall show in separate parallel~~
36 ~~columns the amount expended for the last preceding appropriation year, for the current~~
37 ~~appropriation year, and the increase or decrease.~~—The budget shall clearly differentiate
38 between general fund expenditures for operating and maintenance, special fund
39 expenditures for any purpose, and proposed capital outlays. Except as provided in G.S.
40 143-10.1A, the budget document shall not include any distinction between continuation
41 and expansion items; it shall include only the total amount proposed.

42 The classifications of expenditures adopted by the State Controller shall be for
43 reporting purposes only.

44 (b) The Director shall accompany the budget with:

- 1 (1) A budget message supporting his recommendations and outlining a
2 financial policy and program for the ensuing biennium. The message
3 will include an explanation of increase or decrease over past
4 expenditures, a discussion of proposed changes in existing revenue
5 laws and proposed bond issues, their purpose, the amount, rate of
6 interest, term, the requirements to be attached to their issuance and the
7 effect such issues will have upon the redemption and annual interest
8 charges of the State debt.
- 9 (2) State Controller reports including:
10 a. An itemized and complete financial statement for the State at
11 the close of the last preceding fiscal year ending June 30.
12 b. A statement of special funds.
- 13 (2a) A statement showing the itemized estimates of the condition of the
14 State treasury as of the beginning and end of each of the next two
15 appropriation years.
- 16 (3) A report on the fees charged by each State department, bureau,
17 division, board, commission, institution, and agency during the
18 previous fiscal year, the statutory or regulatory authority for each fee,
19 the amount of the fee, when the amount of the fee was last changed,
20 the number of times the fee was collected during the prior fiscal year,
21 and the total receipts from the fee during the prior fiscal year.
- 22 (4) A statement showing the State Board of Education's request, in
23 accordance with G.S. 115C-96, for sufficient funds to provide
24 textbooks to public school students.

25 It shall be a compliance with this section by each incoming Governor, at the first
26 session of the General Assembly in his term, to submit the budget report with the
27 message of the outgoing Governor, if he shall deem it proper to prepare such message,
28 together with any comments or recommendations thereon that he may see fit to make,
29 either at the time of the submission of the said report to the General Assembly, or at
30 such other time, or times, as he may elect and fix.

31 The function of the Advisory Budget Commission under this section applies only if
32 the Director of the Budget consults with the Commission in preparation of the budget."

33 (c) Effective for programs for which the General Assembly enacted program
34 budgets, G.S. 143-16.3 reads as rewritten:

35 "**§ 143-16.3. No expenditures for purposes for which the General Assembly has**
36 **considered but not enacted an appropriation.**

37 ~~Notwithstanding any other provision of law, no funds from any source, except for~~
38 ~~gifts, grants, and funds allocated from the Contingency and Emergency Fund by the~~
39 ~~Council of State, may be expended for any purpose, position, or other expenditure for~~
40 ~~which the General Assembly has considered but not enacted an appropriation of funds~~
41 ~~for the current fiscal period. For the purpose of this section, the General Assembly has~~
42 ~~considered a purpose, position, or other expenditure when that purpose is included in a~~
43 ~~bill or petition or when any committee of the Senate or the House of Representatives~~
44 ~~deliberates on that purpose. If any State department, institution, or agency plans to~~

1 spend funds for any purpose for which the General Assembly has considered but not
2 enacted an appropriation of funds for the current fiscal period, the agency shall report its
3 intent with supporting documentation of changes in program performance to the Joint
4 Legislative Commission on Governmental Operations one month prior to the planned
5 change. The changed expenditure shall not be continued for subsequent fiscal years
6 without the approval of the General Assembly."

7 (d) Effective for programs for which the General Assembly enacted program
8 budgets, G.S. 143-23 reads as rewritten:

9 "**§ 143-23. All maintenance funds for ~~itemized budgeted~~ purposes; transfers between**
10 **~~objects or line items.~~ movement of funds.**

11 (a) All appropriations now or hereafter made for the maintenance of the various
12 departments, institutions and other spending agencies of the State, are for the ~~(i) purposes~~
13 ~~or programs and (ii) objects or line items enumerated in the itemized requirements of such~~
14 ~~departments, institutions and other spending agencies~~ budget purposes within the
15 subprograms of the performance budget submitted to the General Assembly by the
16 Director of the Budget and the Advisory Budget Commission, as amended by the
17 General Assembly. The function of the Advisory Budget Commission under this
18 subsection applies only if the Director of the Budget consults with the Commission in
19 preparation of the budget.

20 (a1) ~~No transfers may be made between objects or line items in the budget of any~~
21 ~~department, institution, or other spending agency; however, with the approval of the~~
22 ~~Director of the Budget, a department, institution, or other spending agency may spend~~
23 ~~more than was appropriated for an object or line item if the overexpenditure is:~~

- 24 (1) ~~In a purpose or program for which funds were appropriated for that~~
25 ~~fiscal period and the total amount spent for the purpose or program is~~
26 ~~no more than was appropriated for the purpose or program for the~~
27 ~~fiscal period;~~
- 28 (2) ~~Required to continue a purpose or program because of unforeseen~~
29 ~~events, so long as the scope of the purpose or program is not increased;~~
- 30 (3) ~~Required by a court, Industrial Commission, or administrative hearing~~
31 ~~officer's order or award or to match unanticipated federal funds;~~
- 32 (4) ~~Required to respond to an unanticipated disaster such as a fire,~~
33 ~~hurricane, or tornado; or~~
- 34 (5) ~~Required to call out the National Guard.~~

35 ~~The Director of the Budget shall report on a quarterly basis to the Joint Legislative~~
36 ~~Commission on Governmental Operations and to the Fiscal Research Division of the~~
37 ~~Legislative Services Office the reason if the amount expended for a purpose or program~~
38 ~~is more than the amount appropriated for it from all sources. If the overexpenditure was~~
39 ~~authorized under subdivision (2) of this subsection, the Director of the Budget shall~~
40 ~~identify in the report the unforeseen event that required the overexpenditure.~~

41 ~~Funds appropriated for salaries and wages are also subject to the limitation that they~~
42 ~~may only be used for (i) salaries and wages or for premium pay, overtime pay,~~
43 ~~longevity, unemployment compensation, workers' compensation, temporary wages,~~
44 ~~contracted personal services, moving expenses, payment of accumulated annual leave,~~

1 certain awards to employees, tort claims, and employer's social security, retirement, and
2 hospitalization payments; or (ii) uses for which over expenditures are permitted by
3 subdivisions (3), (4), and (5) of this subsection but the Director of the Budget shall
4 include such use and the reason for it in his quarterly report to the Joint Legislative
5 Commission on Governmental Operations and to the Fiscal Research Division of the
6 Legislative Services Office.

7 Lapsed salary funds that become available from vacant positions are also subject to
8 the limitation that they may not be used for new permanent employee positions or to
9 raise the salary of existing employees.

10 The requirements in this section that the Director of the Budget report to the Joint
11 Legislative Commission on Governmental Operations shall not apply to expenditures of
12 receipts by entities that are wholly receipt supported, except for entities supported by
13 the Wildlife Resources Fund. The Director of the Budget may authorize the movement
14 of funds from one budget purpose to another if both budget purposes are within the
15 same subprogram of the performance budget and are within the same department. The
16 Director of the Budget may also authorize the movement of funds from one program to
17 another of up to five percent (5%) of the total appropriation for a program.

18 (b) Repealed by Session Laws 1985, c. 290, s. 8, effective July 1, 1985.

19 (c) Transfers or changes as between objects or line items in the budget of the
20 Senate may be made by the President Pro Tempore of the Senate;

21 (d) Transfers or changes as between objects or line items in the budget of the House
22 of Representatives may be made by the Speaker of the House of Representatives;

23 (e) Transfers or changes as between objects or line items in the budget of the
24 General Assembly other than of the Senate and House of Representatives may be made
25 jointly by the President Pro Tempore of the Senate and the Speaker of the House of
26 Representatives.

27 (f) ~~As used in this section:~~

28 (1) ~~" Object or line item" means a budgeted expenditure or receipt in the~~
29 ~~budget enacted by the General Assembly that is designated by (i) a~~
30 ~~thirteen digit code in the 1000 object code series or (ii) an eleven digit~~
31 ~~code in all other object code series, in accordance with the Budget~~
32 ~~Code Structure and the State Accounting System Uniform Chart of~~
33 ~~Accounts set out in the Administrative Policies and Procedures Manual~~
34 ~~of the Office of the State Controller.~~

35 (2) ~~" Purpose or program" means a group of objects or line items for~~
36 ~~support of a specific activity outlined in the budget adopted by the~~
37 ~~General Assembly that is designated by a nine digit fund code in~~
38 ~~accordance with the Budget Code Structure and the State Accounting~~
39 ~~System Uniform Chart of Accounts set out in the Administrative~~
40 ~~Policies and Procedures Manual of the Office of the State Controller."~~

41 (e) Effective for programs for which the General Assembly enacted program
42 budgets, G.S. 143-6 reads as rewritten:

43 **"§ 143-6. Information from departments and agencies asking State aid.**

1 (a) On or before the first day of September in the even-numbered years, each of
2 the departments, bureaus, divisions, officers, boards, commissions, institutions, and
3 other State agencies and undertakings receiving or asking financial aid from the State,
4 or receiving or collecting funds under the authority of any general law of the State, shall
5 furnish the Director all the information, data and estimates which he may request with
6 reference to past, present and future appropriations and expenditures, receipts, revenue,
7 and income.

8 The Director may require any department, bureau, division, officer, board,
9 commission, institution, or other State agency or undertaking receiving or asking
10 financial aid from the State, to submit its request for future appropriations within target
11 levels established by the Director to reflect anticipated revenues and proposed
12 expenditure priorities.

13 (b) Any department, bureau, division, officer, board, commission, institution, or
14 other State agency or undertaking desiring to request financial aid from the State for the
15 purpose of constructing or renovating any State building, utility, or other property
16 development (except a railroad, highway, or bridge structure) shall, before making any
17 such request for State financial aid, submit to the Department of Administration a
18 statement of its needs in terms of space and other physical requirements, and shall
19 furnish the Department with such additional information as it may request. The
20 Department of Administration shall then prepare preliminary studies and cost estimates
21 for the use of the requesting department, bureau, division, officer, board, commission,
22 institution, or other State agency or undertaking in presenting its request to the Director
23 of the Budget.

24 (c) On or before the first day of September in the even-numbered years, each of
25 the departments, bureaus, divisions, officers, boards, commissions, institutions, and
26 other State agencies receiving or asking financial aid or support from the State, under
27 the authority of any general law of the State, shall furnish the Director with the
28 following information:

29 (1) The amount of State funds disbursed in the immediately preceding two
30 fiscal years and the purpose for which the funds were disbursed and
31 used, the amount being requested ~~as continuation funds~~ for the
32 upcoming fiscal year, and the justification for continued State support;
33 and

34 (2) Justification for continued State support shall include information on
35 the extent of the public benefit being derived from State support.

36 (d) The Office of State Budget and Management and the Director of the Budget
37 shall provide to the General Assembly, on or before January 15 of each odd-numbered
38 year, a report that adequately and fairly presents the information required in this
39 section."

40 (f) Effective for programs for which the General Assembly enacted program
41 budgets, G.S. 143-12.1(e) reads as rewritten:

42 "(e) Budgets for vending facilities prepared under subsection (d) of this section
43 shall reflect total receipts from the facilities, and the total costs to staff, stock, and
44 operate the vending facilities, shall set out the total net proceeds, and shall ~~contain, in~~

1 ~~line item detail,~~ contain requests the departments and institutions have submitted to
2 expend the net proceeds. If a State agency or institution receives payments on account
3 of vending facilities but does not actually operate the facilities, the budget shall contain
4 a statement of the payments and shall ~~contain, in line item detail,~~ contain requests the
5 departments and institutions have submitted to expend the net proceeds."

6 (g) This section is effective upon ratification.

7 ~~—CHANGE CAPITAL BUDGET PROCESS.~~

8 Sec. 3. (a) G.S. 143-11 reads as rewritten:

9 **"§ 143-11. Survey of departments.**

10 On or before the fifteenth day of December, biennially in the even-numbered years,
11 the Director shall make a complete, careful survey of the operation and management of
12 all the departments, bureaus, divisions, officers, boards, commissions, institutions, and
13 agencies and undertakings of the State and all persons or corporations who use or
14 expend State funds, in the interest of economy and efficiency, and of obtaining a
15 working knowledge upon which to base recommendations to the General Assembly as
16 to appropriations for maintenance and special funds and capital expenditures for the
17 succeeding biennium. If the Director and the Commission shall agree in their
18 recommendations for the budget for the next biennial period, he shall prepare their
19 report in the form of a proposed budget, together with such comment and
20 recommendations as they may deem proper to make. If the Director and Commission
21 shall not agree in substantial particulars, the Director shall prepare the proposed budget
22 based on his own conclusions and judgment, and the Commission or any of its members
23 retain the right to submit separately to the General Assembly such statement of
24 disagreement and the particulars thereof as representing their views. The budget report
25 shall contain a complete and itemized plan of all proposed expenditures for each State
26 department, bureau, board, division, institution, commission, State agency or
27 undertaking, person or corporation who receives or may receive for use and expenditure
28 any State funds, in accordance with the classification adopted by the State Controller,
29 and of the estimated revenues and borrowings for each year in the ensuing biennial
30 period beginning with the first day of July thereafter. Opposite each item of the
31 proposed expenditures, the budget shall show in separate parallel columns the amount
32 expended for the last preceding appropriation year, for the current appropriation year,
33 and the increase or decrease. The General Assembly urges the Director and the
34 Commission to include in the budget a proposed appropriation for repairs and
35 renovations equal to from one and one-half percent (1 1/2%) to three percent (3%) of
36 the value of State-owned buildings. The budget shall clearly differentiate between
37 general fund expenditures for operating and maintenance, special fund expenditures for
38 any purpose, and proposed capital outlays.

39 The Director shall accompany the budget with:

- 40 (1) A budget message supporting his recommendations and outlining a
41 financial policy and program for the ensuing biennium. The message
42 will include an explanation of increase or decrease over past
43 expenditures, a discussion of proposed changes in existing revenue
44 laws and proposed bond issues, their purpose, the amount, rate of

1 interest, term, the requirements to be attached to their issuance and the
2 effect such issues will have upon the redemption and annual interest
3 charges of the State debt.

4 (2) State Controller reports including:

5 a. An itemized and complete financial statement for the State at
6 the close of the last preceding fiscal year ending June 30.

7 b. A statement of special funds.

8 (2a) A statement showing the itemized estimates of the condition of the
9 State treasury as of the beginning and end of each of the next two
10 appropriation years.

11 (3) A report on the fees charged by each State department, bureau,
12 division, board, commission, institution, and agency during the
13 previous fiscal year, the statutory or regulatory authority for each fee,
14 the amount of the fee, when the amount of the fee was last changed,
15 the number of times the fee was collected during the prior fiscal year,
16 and the total receipts from the fee during the prior fiscal year.

17 (4) A statement showing the State Board of Education's request, in
18 accordance with G.S. 115C-96, for sufficient funds to provide
19 textbooks to public school students.

20 It shall be a compliance with this section by each incoming Governor, at the first
21 session of the General Assembly in his term, to submit the budget report with the
22 message of the outgoing Governor, if he shall deem it proper to prepare such message,
23 together with any comments or recommendations thereon that he may see fit to make,
24 either at the time of the submission of the said report to the General Assembly, or at
25 such other time, or times, as he may elect and fix.

26 The function of the Advisory Budget Commission under this section applies only if
27 the Director of the Budget consults with the Commission in preparation of the budget."

28 (b) G.S. 143-15 reads as rewritten:

29 **"§ 143-15. Reduction and increase of items by General Assembly.**

30 The provisions of this Article shall continue to be the legislative policy with
31 reference to the making of appropriations and shall be treated as rules of both branches
32 of the General Assembly until and unless the same may be changed by the General
33 Assembly either by express enactment or by rules adopted by either branch of the
34 General Assembly.

35 The General Assembly may reduce or strike out such item in the Current Operations
36 Appropriations Bill and the Capital Improvement Appropriations Bill as it may deem to
37 be the interest of the public service, but neither House shall consider further or special
38 appropriations until the Current Operations Appropriations Bill shall have been enacted
39 in whole or part or rejected, unless the Governor shall submit and recommend an
40 emergency appropriation bill or emergency appropriation bills, which may be amended
41 in the manner set out herein, and such emergency appropriation bill, or bills, when
42 enacted, shall continue in force only until the Current Operations Appropriations Bill
43 and the Capital Improvement Appropriations Bill shall become effective, unless
44 otherwise provided by the General Assembly. Provided that the Capital Improvement

1 Appropriations Bill may be considered before the Current Operations Appropriations
2 Bill has been adopted in whole or part or rejected. The General Assembly shall not
3 decrease the amount appropriated for repairs and renovations to less than one and one-
4 half percent (1 1/2%) of the value of State-owned buildings.

5 The General Assembly may also increase any appropriation set out in the Current
6 Operations Appropriations Bill and the Capital Improvement Appropriations Bill and
7 may provide additional appropriations for other purposes if additional revenue or
8 revenues, equal to the amount of such additional appropriations and increases, are
9 provided for by corresponding amendment to the Budget Revenue Bill. No bill carrying
10 an appropriation shall thereafter be enacted by the General Assembly, unless it be for an
11 object or objects therein described and shall provide an adequate source of revenue for
12 defraying such appropriation, or unless it appears from the budget report or the Budget
13 Revenue Bill that there is sufficient revenue available therefor. The appropriation, or
14 appropriations, in such bills shall be in accordance with the classification used in the
15 budget.

16 Reports to or of the appropriations committees or their subcommittees indicate
17 action by the General Assembly when they are used in preparation of or amendment to
18 appropriations acts."

19 (c) G.S. 143-15.4(a) reads as rewritten:

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

27 (d) G.S. 143-341 is amended by adding a new subdivision to read:

28 "(4a) Capital Needs Assessment. –

29 To conduct a 10-year capital needs assessment for the State and to
30 report the results of the assessment, before May 1, 1994, to the
31 Governor and the General Assembly. The ten year capital needs
32 assessment shall be updated and included in the Governor's biennial
33 budget submission."

34 (e) The Capital Improvement Subcommittees of the Appropriations
35 Committees of the House and the Senate shall develop a debt policy for funding State
36 capital needs.

37 (f) Subsections (a), (b), and (c) of this section are effective upon ratification
38 and apply to budgets for all fiscal years beginning with the 1995-96 fiscal year.
39 Subsections (d) and (f) of this section are effective upon ratification. Subsection (e) of
40 this section becomes effective upon the creation of Capital Improvements
41 Subcommittees of the Appropriations Committees of the House and the Senate.

42 —EXPAND FUNDING FLEXIBILITY.

43 Sec. 4. (a) The Director of the Budget shall develop a plan for expanding the single
44 sum appropriation pilot program, described in Part 2A of Article 1 of Chapter 116 of the

1 General Statutes to other State agencies. The Director of the Budget shall report on the
2 plan to the General Assembly prior to March 1, 1994.

3 (b) This section is effective upon ratification.

4 ---DEVELOP OUTCOME MEASURES.

5 Sec. 5. (a) Article 1 of Chapter 143 of the General Statutes is amended by
6 adding a new section to read:

7 "**§ 143-10.5. Development of performance measures for major programs.**

8 (a) The Director of the Budget, through the Office of State Budget, the Office of
9 State Policy and Planning and State agencies, departments, and institutions, shall
10 develop performance measures for the major programs for each State agency,
11 department, and institution. These performance measures shall be developed as part of
12 the biennial comprehensive plan and serve as the basis for the development of the
13 biennial budget, beginning with the 1995-97 fiscal biennium.

14 (b) The Director shall institute a standard process for developing program
15 performance measures and for monitoring performance results, uniform performance
16 measurement terms, and a standardized format for presentation.

17 (c) The program performance measurement system shall include:

18 (1) Description of the key performance measures for the program.
19 Performance measures should include: program efficiency or unit cost,
20 outputs or program activity, and outcomes or performance results, with
21 emphasis on the use of program outcome measures.

22 (2) Identification of the current level of performance.

23 (3) Targets for the desired level of performance.

24 (4) Identification of future performance measures that should be
25 developed and a time frame for development.

26 (5) A methodology for regular monitoring of department, agency, and
27 institution performance in relation to the measure.

28 (6) A methodology for assessing programs that have achieved desired
29 performance targets through innovative management actions.

30 (d) The Director of the Budget shall prepare a comprehensive plan for
31 implementation of a performance measurement system and present the plan to the
32 General Assembly by October 1, 1993.

33 (e) The Director of the Budget shall report annually to the General Assembly on:

34 (1) The status of the development of the program performance
35 measurement system.

36 (2) The programs that have not achieved the desired level of performance
37 and the reasons performance targets were not achieved.

38 (3) The programs that have achieved performance targets through
39 management innovation."

40 (b) This section is effective upon ratification.

41 ---ANNUAL FINANCIAL MODEL REQUIRED.

42 Sec. 6. (a) G.S. 143-15.1 reads as rewritten:

43 "**§ 143-15.1. Current Operations Appropriations Act.**

1 The General Assembly shall enact the Current Operations Appropriations Act by
2 June 15 of odd-numbered years and by June 30 of even-numbered years in which a
3 Current Operations Appropriations Act is enacted. The Current Operations
4 Appropriations Act shall state the amount of General Fund appropriations availability
5 upon which the General Fund budget is based. The statement of availability shall list
6 separately the beginning General Fund credit balance, General Fund revenues, and any
7 other components of the availability amount.

8 The Current Operations Appropriations Act shall incorporate by reference the
9 General Fund Financial Model. The General Assembly shall set out with the financial
10 model the assumptions of the model and the impact over five years on the budget that is
11 anticipated by the model.

12 The General Fund operating budget appropriations, including appropriations for
13 local tax reimbursements and local tax sharing, for the second year in a Current
14 Operations Appropriations Act that contains a biennial budget shall not be more than
15 two percent (2%) greater than the General Fund operating budget appropriations for the
16 first year of the biennial budget."

17 (b) This section is effective upon ratification.

18 —EVALUATION OF PROGRAM RESULTS.

19 Sec. 7. (a)G.S. 120-76(1) reads as rewritten:

20 "(1) To conduct program evaluation studies of the various components of
21 State agency activity as they relate to:

- 22 a. Service benefits of each program relative to expenditures;
- 23 b. Achievement of program goals;
- 24 c. Use of indicators by which the success or failure of a program
25 may be gauged; and
- 26 d. Conformity with legislative intent.

27 The Commission shall develop a schedule for systematic program
28 evaluation studies of State agencies. In setting its priorities for
29 program review and evaluation, the Commission shall consider reports
30 from the Director of the Budget on programs that have not achieved
31 the desired level of performance.

32 The Commission shall develop strategies for carrying out these
33 program evaluation studies, after consultation with the State Auditor.

34 The Director of the Budget shall ensure that the results of these
35 program evaluations are used by State agencies in the State's policy,
36 planning, and budgeting processes."

37 (b) This section is effective upon ratification.