

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 261

Short Title: GPAC/ Program Budgeting Implemented.

(Public)

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Sponsors: Senator Martin of Guilford.

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Referred to: Government Performance Audit.

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February 19, 1993

A BILL TO BE ENTITLED

1 AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GOVERNMENT  
2 PERFORMANCE AUDIT COMMITTEE TO REQUIRE THAT THE GOVERNOR  
3 SUBMIT TO THE GENERAL ASSEMBLY AND THE GENERAL ASSEMBLY  
4 ENACT A BUDGET THAT FOCUSES ON PROGRAM RESULTS.  
5

6 The General Assembly of North Carolina enacts:

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

11 Sec. 2. Effective for budgets developed for fiscal bienniums beginning with  
12 the 1995-97 fiscal biennium, G.S. 143-11 reads as rewritten:

13 **"§ 143-11. Survey of departments.**

14 (a) On or before the fifteenth day of December, biennially in the even-numbered  
15 years, the Director shall make a complete, careful survey of the operation and  
16 management of all the departments, bureaus, divisions, officers, boards, commissions,  
17 institutions, and agencies and undertakings of the State and all persons or corporations  
18 who use or expend State funds, in the interest of economy and efficiency, and of  
19 obtaining a working knowledge upon which to base recommendations to the General  
20 Assembly as to appropriations for maintenance and special funds and capital  
21 expenditures for the succeeding biennium. If the Director and the Commission shall  
22 agree in their recommendations for the budget for the next biennial period, he shall  
23 prepare their report in the form of a proposed budget, together with such comment and  
24 recommendations as they may deem proper to make. If the Director and Commission

1 shall not agree in substantial particulars, the Director shall prepare the proposed budget  
2 based on his own conclusions and judgment, and the Commission or any of its members  
3 retain the right to submit separately to the General Assembly such statement of  
4 disagreement and the particulars thereof as representing their views. The budget report  
5 shall contain a complete and itemized plan of all proposed expenditures for each State  
6 department, bureau, board, division, institution, commission, State agency or  
7 undertaking, person or corporation who receives or may receive for use and expenditure  
8 any State funds, ~~in accordance with the classification adopted by the State Controller, in a~~  
9 format to identify and evaluate each principal program within and among each  
10 department, bureau, board, division, institution, commission, State agency or  
11 undertaking, person or corporation, and of the estimated revenues and borrowings for  
12 each year in the ensuing biennial period beginning with the first day of July thereafter.  
13 ~~Opposite each item of the proposed expenditures, the budget shall show in separate parallel~~  
14 ~~columns the amount expended for the last preceding appropriation year, for the current~~  
15 ~~appropriation year, and the increase or decrease.—The budget shall clearly differentiate~~  
16 ~~between general fund expenditures for operating and maintenance, special fund~~  
17 ~~expenditures for any purpose, and proposed capital outlays. Except as provided in G.S.~~  
18 ~~143-10.1A, the budget document shall not include any distinction between continuation~~  
19 ~~and expansion items; it shall include only the total amount proposed.~~

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

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

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

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

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

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

12 Sec. 3. Effective for programs for which the General Assembly enacted  
13 program budgets, G.S. 143-16.3 reads as rewritten:

14 **"§ 143-16.3. No expenditures for purposes for which the General Assembly has**  
15 **considered but not enacted an appropriation.**

16 ~~Notwithstanding any other provision of law, no funds from any source, except for~~  
17 ~~gifts, grants, and funds allocated from the Contingency and Emergency Fund by the~~  
18 ~~Council of State, may be expended for any purpose, position, or other expenditure for~~  
19 ~~which the General Assembly has considered but not enacted an appropriation of funds~~  
20 ~~for the current fiscal period. For the purpose of this section, the General Assembly has~~  
21 ~~considered a purpose, position, or other expenditure when that purpose is included in a~~  
22 ~~bill or petition or when any committee of the Senate or the House of Representatives~~  
23 ~~deliberates on that purpose. If any State department, institution, or agency plans to~~  
24 ~~spend funds for any purpose for which the General Assembly has considered but not~~  
25 ~~enacted an appropriation of funds for the current fiscal period, the agency shall report its~~  
26 ~~intent with supporting documentation of changes in program performance to the Joint~~  
27 ~~Legislative Commission on Governmental Operations one month prior to the planned~~  
28 ~~change. The changed expenditure shall not be continued for subsequent fiscal years~~  
29 ~~without the approval of the General Assembly.~~"

30 Sec. 4. Effective for programs for which the General Assembly enacted  
31 program budgets, G.S. 143-23 reads as rewritten:

32 **§ 143-23. All maintenance funds for itemized-budgeted purposes; transfers between**  
33 **objects or line items. movement of funds.**

34 (a) All appropriations now or hereafter made for the maintenance of the various  
35 departments, institutions and other spending agencies of the State, are for the ~~(i) purposes~~  
36 ~~or programs and (ii) objects or line items enumerated in the itemized requirements of such~~  
37 ~~departments, institutions and other spending agencies — budget purposes within the~~  
38 ~~subprograms of the performance budget submitted to the General Assembly by the~~  
39 ~~Director of the Budget and the Advisory Budget Commission, as amended by the~~  
40 General Assembly. The function of the Advisory Budget Commission under this  
41 subsection applies only if the Director of the Budget consults with the Commission in  
42 preparation of the budget.

43 ~~(a1) No transfers may be made between objects or line items in the budget of any~~  
44 ~~department, institution, or other spending agency; however, with the approval of the~~

1 Director of the Budget, a department, institution, or other spending agency may spend  
2 more than was appropriated for an object or line item if the overexpenditure is:

- 3 (1) In a purpose or program for which funds were appropriated for that  
4 fiscal period and the total amount spent for the purpose or program is  
5 no more than was appropriated for the purpose or program for the  
6 fiscal period;
- 7 (2) Required to continue a purpose or program because of unforeseen  
8 events, so long as the scope of the purpose or program is not increased;
- 9 (3) Required by a court, Industrial Commission, or administrative hearing  
10 officer's order or award or to match unanticipated federal funds;
- 11 (4) Required to respond to an unanticipated disaster such as a fire,  
12 hurricane, or tornado; or
- 13 (5) Required to call out the National Guard.

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

20 Funds appropriated for salaries and wages are also subject to the limitation that they  
21 may only be used for (i) salaries and wages or for premium pay, overtime pay,  
22 longevity, unemployment compensation, workers' compensation, temporary wages,  
23 contracted personal services, moving expenses, payment of accumulated annual leave,  
24 certain awards to employees, tort claims, and employer's social security, retirement, and  
25 hospitalization payments; or (ii) uses for which over expenditures are permitted by  
26 subdivisions (3), (4), and (5) of this subsection but the Director of the Budget shall  
27 include such use and the reason for it in his quarterly report to the Joint Legislative  
28 Commission on Governmental Operations and to the Fiscal Research Division of the  
29 Legislative Services Office.

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

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

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

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

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

3 (e) Transfers or changes ~~as between objects or line items~~ in the budget of the  
4 General Assembly other than of the Senate and House of Representatives may be made  
5 jointly by the President Pro Tempore of the Senate and the Speaker of the House of  
6 Representatives.

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

8 (1) ~~" Object or line item" means a budgeted expenditure or receipt in the~~  
9 ~~budget enacted by the General Assembly that is designated by (i) a~~  
10 ~~thirteen-digit code in the 1000 object code series or (ii) an eleven-digit~~  
11 ~~code in all other object code series, in accordance with the Budget~~  
12 ~~Code Structure and the State Accounting System Uniform Chart of~~  
13 ~~Accounts set out in the Administrative Policies and Procedures Manual~~  
14 ~~of the Office of the State Controller.~~

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

21 Sec. 5. Effective for programs for which the General Assembly enacted  
22 program budgets, G.S. 143-6 reads as rewritten:

23 **"§ 143-6. Information from departments and agencies asking State aid.**

24 (a) 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 and undertakings receiving or asking financial aid from the State,  
27 or receiving or collecting funds under the authority of any general law of the State, shall  
28 furnish the Director all the information, data and estimates which he may request with  
29 reference to past, present and future appropriations and expenditures, receipts, revenue,  
30 and income.

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

36 (b) Any department, bureau, division, officer, board, commission, institution, or  
37 other State agency or undertaking desiring to request financial aid from the State for the  
38 purpose of constructing or renovating any State building, utility, or other property  
39 development (except a railroad, highway, or bridge structure) shall, before making any  
40 such request for State financial aid, submit to the Department of Administration a  
41 statement of its needs in terms of space and other physical requirements, and shall  
42 furnish the Department with such additional information as it may request. The  
43 Department of Administration shall then prepare preliminary studies and cost estimates  
44 for the use of the requesting department, bureau, division, officer, board, commission,

1 institution, or other State agency or undertaking in presenting its request to the Director  
2 of the Budget.

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

8 (1) The amount of State funds disbursed in the immediately preceding two  
9 fiscal years and the purpose for which the funds were disbursed and  
10 used, the amount being requested ~~as continuation funds~~ for the  
11 upcoming fiscal year, and the justification for continued State support;  
12 and

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

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

19 Sec. 6. Effective for programs for which the General Assembly enacted  
20 program budgets, G.S. 143-12.1(e) reads as rewritten:

21 "(e) Budgets for vending facilities prepared under subsection (d) of this section  
22 shall reflect total receipts from the facilities, and the total costs to staff, stock, and  
23 operate the vending facilities, shall set out the total net proceeds, and shall ~~contain, in~~  
24 ~~line item detail,~~ contain requests the departments and institutions have submitted to  
25 expend the net proceeds. If a State agency or institution receives payments on account  
26 of vending facilities but does not actually operate the facilities, the budget shall contain  
27 a statement of the payments and shall ~~contain, in line item detail,~~ contain requests the  
28 departments and institutions have submitted to expend the net proceeds."

29 Sec. 7. This act is effective upon ratification.