

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H.B. 329
Mar 18, 2013
HOUSE PRINCIPAL CLERK

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HOUSE DRH80108-LH-1C (08/06)

Short Title: 2013 Budget Act.

(Public)

Sponsors: Representatives Stam, Collins, S. Ross, and Wells (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO RESTRUCTURE THE GENERAL FUND BUDGET PROCESS SO AS TO
3 ASSURE MORE STABLE BUDGETING BY REQUIRING THAT THE PRIOR FISCAL
4 YEAR'S COLLECTIONS BE USED AS THE AVAILABILITY ESTIMATE OF THE
5 GENERAL FUND.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** Article 3 of Chapter 143C of the General Statutes is amended by
8 adding a new section to read:

9 "**§ 143C-3-6. Calculation of General Fund availability estimate for recommended**
10 **continuation budget; recommended supplemental budget.**

11 (a) For purposes of this section, the term "Recommended Continuation Budget" shall
12 refer to the part of the Recommended State Budget prepared by the Governor that is balanced
13 using the General Fund availability calculated pursuant to subsections (b), (c), and (d) or
14 subsection (e) of this section.

15 (b) In odd-numbered years, when preparing the Recommended Continuation Budget for
16 the first year of the upcoming fiscal biennium, the Governor shall use as the availability
17 estimate for the General Fund the amount of the total State funds actually received by the
18 General Fund in the immediate prior fiscal year ending June 30, with the changes listed in
19 subdivisions (1) and (2) of this subsection, and then adjusted by either the Consumer Price
20 Index (CPI) or the Gross Domestic Price deflator (GDP) based on the prior fiscal year's
21 inflation, whichever is lower. The changes that may be made to the amount of the total State
22 funds actually received by the General Fund in the prior fiscal year ending June 30 are as
23 follows:

24 (1) If any revenue increases or decreases were effective for only part of that
25 fiscal year, the General Fund availability estimate shall be adjusted by an
26 annualized total of the impact accordingly.

27 (2) Any one-time revenues in the prior fiscal year shall not be included in the
28 General Fund availability estimate.

29 (c) In odd-numbered years, when preparing the Recommended Continuation Budget for
30 the second year of the upcoming fiscal biennium, the Governor shall calculate the availability
31 estimate for the General Fund as follows: take the amount of the availability estimate for the
32 General Fund calculated for the first year of the upcoming fiscal biennium, make any changes
33 listed in subdivisions (1) and (2) of subsection (b) of this section that are required in the second
34 fiscal year, and then adjust the amount by either the Consumer Price Index (CPI) or the Gross
35 Domestic Price deflator (GDP), whichever is lower.



1 (d) In even-numbered years, when preparing recommended changes to the enacted
2 budget for the second year of the fiscal biennium, the Governor shall calculate the General
3 Fund availability for the budget year in the same manner as set out in subsection (b) of this
4 section.

5 (e) In the event of a revenue shortfall in the prior fiscal year ending June 30, the
6 General Fund availability for the Recommended Continuation Budget shall not be determined
7 pursuant to subsections (b), (c), and (d) of this section but instead shall be determined pursuant
8 to a consensus revenue estimate as authorized by G.S. 143C-3-5(e1).

9 (f) When preparing the Recommended Continuation Budget, the Governor shall not
10 adjust the General Fund availability for the items listed in subdivisions (1) and (2) of this
11 subsection; however, the Governor may prepare a Recommended Supplemental Budget and
12 may include these items in the Recommended Supplemental Budget:

13 (1) An estimate of General Fund availability that is the differential between the
14 amounts determined pursuant to subsections (b), (c), and (d) of this section
15 and the estimate of collections as determined in a consensus revenue
16 estimate as authorized by G.S. 143C-3-5(e1).

17 (2) If the Governor recommends a change that will result in collections in the
18 budget year that differ from prior year actuals due to proposed increases or
19 decreases in taxes or fees or proposed new taxes or fees, the estimate of the
20 collections resulting from the proposed increases or decreases in taxes or
21 fees or proposed new taxes or fees.

22 (g) A Recommended Supplemental Budget is part of the Recommended State Budget as
23 described in G.S. 143C-3-5(b)(1). The Governor may present the Recommended Supplemental
24 Budget to the General Assembly for consideration but only after presenting to the General
25 Assembly a Recommended Continuation Budget as defined in subsection (a) of this section and
26 further described in G.S. 143C-3-5(b)(2)."

27 **SECTION 2.** G.S. 143C-3-5 reads as rewritten:

28 **"§ 143C-3-5. Budget recommendations and budget message.**

29 (a) Budget Proposals. – The Governor shall present budget recommendations,
30 consistent with G.S. 143C-3-1, 143C-3-2, and 143C-3-3 to each regular session of the General
31 Assembly at a mutually agreeable time to be fixed by joint resolution.

32 (b) Odd-Numbered Fiscal Years. – In odd-numbered years the budget recommendations
33 shall include the following components:

34 (1) A Recommended State Budget setting forth goals for improving the State
35 with recommended expenditure requirements, funding sources, and
36 performance information for each State government program and for each
37 proposed capital improvement. The Recommended State Budget may be
38 presented in a format chosen by the Director, except that the Recommended
39 State Budget shall clearly distinguish program continuation requirements,
40 program reductions, program eliminations, program expansions, and new
41 programs, and shall explain all proposed capital improvements in the context
42 of the Six-Year Capital Improvements Plan and as required by
43 G.S. 143C-8-6. ~~The Director shall include as continuation requirements the~~
44 ~~amounts the Director proposes to fund for the enrollment increases in public~~
45 ~~schools, community colleges, and the university system.~~

46 a. The Governor's budget recommendations shall include a continuation
47 budget as that part of the Recommended State Budget necessary to
48 continue the current level of services, including mandated rate
49 increases such as social security, annualization of programs, and
50 operation of new facilities, and if deemed necessary by the Director,

- 1 other increases such as inflation. These requirements shall be
2 presented pursuant to subdivision (2) of this subsection.
- 3 b. The Governor may also prepare a supplemental budget, in a format
4 chosen by the Governor, that clearly delineates proposed new
5 expenditures for each new or expanded State government program or
6 service and any other expansion and shall clearly delineate the
7 corresponding funding sources in proposed availability.
- 8 (2) A Budget Support Document showing, for each budget code and purpose or
9 program in State government, accounting detail corresponding to the
10 Recommended State Budget Continuation Budget as defined in
11 G.S. 143C-3-6(a).
- 12 a. The Budget Support Document shall employ the North Carolina
13 Accounting System Uniform Chart of Accounts adopted by the State
14 Controller to show both uses and sources of funds and shall display
15 in separate parallel columns all of the following: (i) actual
16 expenditures and receipts for the most recent fiscal year for which
17 actual information is available, (ii) the certified budget for the
18 preceding fiscal year, (iii) the currently authorized budget for the
19 preceding fiscal year, (iv) program continuation requirements for
20 each fiscal year of the biennium, (v) proposed expenditures and
21 receipts for each fiscal year of the biennium, and (vi) proposed
22 increases and decreases.
- 23 b. The Budget Support Document shall include detailed information on
24 recommended expenditures for capital improvements as required by
25 G.S. 143C-8-6.
- 26 c. The Budget Support Document shall include accurate projections of
27 receipts, expenditures, and fund balances. Estimated receipts,
28 including tuition collected by university or community college
29 institutions, shall be adjusted to reflect actual collections from the
30 previous fiscal year, unless the Director recommends a change that
31 will result in collections in the budget year that differ from prior year
32 actuals, or the Director otherwise determines there is a more
33 reasonable basis upon which to accurately project receipts. Revenue
34 and expenditure detail provided in the Budget Support Document
35 shall be no less detailed than the two-digit level in the North Carolina
36 Accounting System Uniform Chart of Accounts as prescribed by the
37 State Controller.
- 38 d. The Budget Support Document shall clearly identify all proposed
39 expenditures supported by existing or proposed appropriations,
40 including and shall include as continuation requirements the amounts
41 the Director proposes to fund for the enrollment increases in public
42 schools, community colleges, and all statutory appropriations.
- 43 (3) A Current Operations Appropriations Act that makes appropriations for each
44 fiscal year of the upcoming biennium for the operating expenses of all State
45 agencies as contained in the Recommended State Budget, together with a
46 Capital Improvements Appropriations Act that authorizes any capital
47 improvements projects.
- 48 (4) The biennial State Information Technology Plan as outlined in
49 G.S. 147-33.72B to be consistent in facilitating the goals outlined in the
50 Recommended State Budget.

1 (c) Even-Numbered Fiscal Years. – In even-numbered years, the Governor may
2 recommend changes in the enacted budget for the second year of the biennium. These
3 recommendations shall be presented as amendments to the enacted budget and shall be
4 incorporated in a recommended Current Operations Appropriation Act and a recommended
5 Capital Improvements Appropriations Act as necessary. Any recommended changes shall
6 clearly distinguish program reductions, program eliminations, program expansions, and new
7 programs, and shall explain all proposed capital improvements in the context of the Six-Year
8 Capital Improvements Plan and as required by G.S. 143C-8-6. The Governor shall provide
9 sufficient supporting documentation and accounting detail, consistent with that required by
10 G.S. 143C-3-5(b), corresponding to the recommended amendments to the enacted budget.

11 (d) Funds Included in Budget. – Consistent with requirements of the North Carolina
12 Constitution, Article 5, Section 7(1), the Governor's Recommended State Budget, together with
13 the Budget Support Document, shall include recommended expenditures of State funds from all
14 Governmental and Proprietary Funds, as those funds are described in G.S. 143C-1-3. Except
15 where provided otherwise by federal law, funds received from the federal government become
16 State funds when deposited in the State treasury and shall be classified and accounted for in the
17 Governor's budget recommendations no differently than funds from other sources.

18 (e) ~~Revenue~~ Availability Estimates. – The recommended Current Operations
19 Appropriations Act shall contain a statement showing the estimates of General Fund
20 availability, Highway Fund availability, and Highway Trust Fund availability upon which the
21 Recommended State Budget is based.

22 (e1) Consensus Revenue Estimate. – The Governor and the General Assembly may
23 request an independent consensus revenue estimate.

24 (f) Budget Message. – The Governor's budget recommendations shall be accompanied
25 by a written budget message that does all of the following:

- 26 (1) Explains the goals embodied in the recommended budget.
- 27 (2) Explains important features of the activities anticipated in the budget.
- 28 (3) Explains the assumptions underlying the statement of revenue availability.
- 29 (4) Sets forth the reasons for changes from the previous biennium or fiscal year,
30 as appropriate, in terms of programs, program goals, appropriation levels,
31 and revenue yields.
- 32 (5) Identifies anticipated sources of funding for major spending initiatives.
- 33 (6) Prepares a fiscal analysis that addresses the State's budget outlook for the
34 upcoming five-year period. This fiscal analysis shall include detailed
35 estimates for five years for any proposals to create new or significantly
36 expand programs and for proposals to create new or change existing law.

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

41 **SECTION 3.** G.S. 143C-5-2 reads as rewritten:

42 "**§ 143C-5-2. Order of appropriations bills.**

43 ~~(a) Each house of the General Assembly shall first pass its version of the Current~~
44 ~~Operations Appropriations Act on third reading and order it sent to the other chamber before~~
45 ~~placing any other appropriations bill on the calendar for second reading.~~ The General Assembly
46 shall first enact a Current Operations Appropriations Act that has a continuation budget in
47 which the General Fund appropriations do not exceed the General Fund availability estimate
48 calculated pursuant to G.S. 143C-3-6(b), (c), and (d) or (e), as appropriate, before placing any
49 other appropriations bill on the calendar for second reading.

50 (b) This section does not apply to the following bills:

- 51 (1) An appropriations bill to respond to a disaster as defined by G.S. 166A-4(1).

- 1 (2) An appropriations bill making adjustments to the current year budget.
2 (3) An appropriations bill authorizing continued operations at current funding
3 levels.

4 (c) This section shall be considered and treated as a rule of procedure in the Senate and
5 House of Representatives, unless provided otherwise by a rule of either chamber of the General
6 Assembly."

7 **SECTION 4.** This act is effective when it becomes law and applies to the
8 2015-2016 fiscal year, the Recommended State Budget for the 2015-2016 fiscal year, and to
9 each subsequent Recommended State Budget and fiscal year.