

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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PRINCIPAL CLERK

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SENATE BILL DRS35064-LUa-31A

Short Title: Zero-Based Budgeting.

(Public)

Sponsors: Senators Burgin and McInnis (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO REQUIRE THE USE OF ZERO-BASED BUDGETING FOR STATE AGENCIES
ON A ROTATING BASIS.

The General Assembly of North Carolina enacts:

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

"§ 143C-3-3.1. Zero-based budgeting estimates.

(a) Commencing with the fiscal year beginning July 1, 2025, in each even-numbered year each State agency of the executive branch designated in a scheduled year, as described in subsection (e) of this section, shall prepare and submit to the Office of State Budget and Management (OSBM) a zero-based budget plan for the fiscal biennium beginning July 1 of the following fiscal year. OSBM shall provide technical assistance to support each State agency in completing its zero-based budget plan. For purposes of this section, the term "zero-based budget" means a budget that reflects the amount of funding deemed necessary to achieve the most cost-effective performance of a State agency pursuant to an accompanying narrative delineating the tasks to be performed by the State agency together with the goals and objectives for the State agency for a period not to exceed two years. The budget shall have a zero dollar amount as its basis and shall not reflect any prior appropriation amount, adjusted or otherwise.

(b) At a minimum, a State agency's plan shall contain the following information:

- (1) A description of those discrete activities that comprise the agency, and a justification for the existence of each activity by reference to statute or other legal authority.
- (2) For each activity, a quantitative estimate of any adverse impacts that could reasonably be expected should the activity be discontinued, together with a full description of the methods by which the adverse impact is estimated.
- (3) A list of quantifiable program outcomes that measure the efficiency and effectiveness of each program.
- (4) For each activity, an itemized account of expenditures that would be required to maintain the activity at the minimum level of service required by the statutory authority, together with a concise statement of the quantity and quality of services required at that minimum level.
- (5) For each activity, an itemized account of expenditures required to maintain the activity at current levels of service, together with a concise statement of the quantity and quality of services being provided.
- (6) A ranking of all activities that shows the relative contribution of each activity to the overall goals and purposes of the agency at current service levels.



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(c) OSBM shall submit the zero-based budget plans for those State agencies required to prepare plans pursuant to the schedule set forth in subsection (e) of this section no later than when the Governor presents budget recommendations to the General Assembly under G.S. 143C-3-5.

(d) All statutory appropriations, as defined in G.S. 143C-1-1(d), shall be excluded from any zero-based budgeting plans.

(e) State agencies shall submit zero-based budget plans pursuant to the following schedule:

(1) In 2025, and every eight years thereafter, for the following Divisions within the Department of Health and Human Services:

- a. Aging and Adult Services.
- b. Child and Family Well-Being.
- c. Employment and Independence for People with Disabilities.
- d. Health Benefits.
- e. Health Service Regulation.
- f. Services for the Blind.
- g. Services for the Deaf and Hard of Hearing.

(2) In 2027, and every eight years thereafter, for the following agencies:

- a. Divisions within the Department of Health and Human Services as follows:
 1. Central Management and Support.
 2. Child Development and Early Education.
 3. Mental Health, Developmental Disabilities, and Substance Use Services.
 4. Public Health.
 5. Social Services.
- b. Department of Public Instruction.

(3) In 2029, and every eight years thereafter, for the following agencies:

- a. Office of Administrative Hearings.
- b. Department of Adult Correction.
- c. Department of Commerce.
- d. Office of the State Controller.
- e. State Board of Elections.
- f. Office of State Human Resources.
- g. Department of Information Technology.
- h. Department of Justice.
- i. Department of Natural and Cultural Resources.
- j. Department of Revenue.
- k. Department of the Secretary of State.
- l. Department of State Treasurer.
- m. Wildlife Resources Commission.

(4) In 2031, and every eight years thereafter, for the following agencies:

- a. Department of Administration.
- b. Department of Agriculture and Consumer Services.
- c. Office of State Auditor.
- d. Office of State Budget and Management.
- e. Department of Environmental Quality.
- f. Housing Finance Agency.
- g. Indigent Defense Services.
- h. Industrial Commission.
- i. Department of Insurance.

- 1 j. Department of Labor.
2 k. Department of Military and Veterans Affairs.
3 l. Department of Public Safety."
4 **SECTION 2.** This act is effective when it becomes law.