

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 1439

Short Title: Lmt Line Item Transfers & State Spending.

(Public)

Sponsors: Senators Foxx; Ballantine and Webster.

Referred to: Appropriations/Base Budget.

June 18, 2002

A BILL TO BE ENTITLED

1
2 AN ACT TO LIMIT THE GOVERNOR'S AUTHORITY TO TRANSFER BETWEEN
3 LINE ITEMS AND OBJECTS TO TEN PERCENT OF THE LINE ITEM OR
4 OBJECT, TO PROVIDE THAT NO TRANSFER OF FUNDS MAY BE MADE
5 BETWEEN A PURPOSE OR PROGRAM EXCEPT IN LIMITED
6 CIRCUMSTANCES, AND TO LIMIT GENERAL FUND BUDGET
7 EXPENDITURES FOR A FISCAL YEAR TO THE AMOUNT OF GENERAL
8 FUND REVENUE COLLECTIONS FROM THE PRIOR FISCAL YEAR.

9 The General Assembly of North Carolina enacts:

10 **SECTION 1.** G.S. 143-23 reads as rewritten:

11 "**§ 143-23. All maintenance funds for itemized purposes; transfers between objects**
12 **or line ~~items.items~~; limit transfers by the Governor to ten percent (10%)**
13 **of the object or line item from which the transfer is made.**

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

22 (a1) Notwithstanding the provisions of subsection (a) of this section, a department,
23 institution, or other spending agency may, with approval of the Director of the Budget,
24 spend more than was appropriated for:

25 (1) An object or line item within a purpose or program so long ~~as-as~~: (i)
26 the total amount expended for the purpose or program is no more than
27 was appropriated from all sources for the purpose or program for the
28 fiscal period;period, and the transfer or change of funds does not

1 exceed ten percent (10%) of the object or line item from which the
2 transfer is made.

3 (2) A purpose or program, without consultation with the Joint Legislative
4 Commission on Governmental Operations, if the overexpenditure of
5 the purpose or program is:

6 a. Required by a court, Industrial Commission, or administrative
7 hearing officer's order;

8 b. Required to respond to an unanticipated disaster such as a fire,
9 hurricane, or tornado; or

10 c. Required to call out the National Guard.

11 The Director of the Budget shall report on a quarterly basis to the Joint
12 Legislative Commission on Governmental Operations on any
13 overexpenditures under this ~~subdivision~~; or subdivision.

14 ~~(3) A purpose or program, after consultation with the Joint Legislative~~
15 ~~Commission on Governmental Operations in accordance with G.S.~~
16 ~~120-76(8), and only if: (i) the overexpenditure is required to continue~~
17 ~~the purpose or programs due to complications or changes in~~
18 ~~circumstances that could not have been foreseen when the budget for~~
19 ~~the fiscal period was enacted and (ii) the scope of the purpose or~~
20 ~~program is not increased. The consultation is required as follows:~~

21 ~~a. For a purpose or program with a certified budget of up to five~~
22 ~~million dollars (\$5,000,000), consultation is required when the~~
23 ~~authorization for the overexpenditure exceeds ten percent (10%)~~
24 ~~of the certified budget;~~

25 ~~b. For a purpose or program with a certified budget of from five~~
26 ~~million dollars (\$5,000,000) up to twenty million dollars~~
27 ~~(\$20,000,000), consultation is required when the authorization~~
28 ~~for the overexpenditure exceeds five hundred thousand dollars~~
29 ~~(\$500,000) or seven and one half percent (7.5%) of the certified~~
30 ~~budget, whichever is greater;~~

31 ~~c. For a purpose or program with a certified budget of twenty~~
32 ~~million dollars (\$20,000,000) or more, consultation is required~~
33 ~~when the authorization for the overexpenditure exceeds one~~
34 ~~million five hundred thousand dollars (\$1,500,000) or five~~
35 ~~percent (5%) of the certified budget, whichever is greater;~~

36 ~~d. For a purpose or program supported by federal funds or when~~
37 ~~expenditures are required for the reasons set out in subdivision~~
38 ~~(2) of this subsection, no consultation is required.~~

39 If the Joint Legislative Commission on Governmental Operations does not meet for
40 more than 30 days, the Director of the Budget may satisfy the requirements of the
41 subsection to report to or consult with the Commission by reporting to or consulting
42 with a joint meeting of the Chairs of the Appropriations Committees of the Senate and
43 the House of Representatives.

1 (a2) Funds appropriated for salaries and wages are also subject to the limitation
2 that they may only be used for:

- 3 (1) Salaries and wages or for premium pay, overtime pay, longevity,
4 unemployment compensation, workers' compensation, temporary
5 wages, moving expenses of employees, payment of accumulated
6 annual leave, certain awards to employees, tort claims, and employer's
7 social security, retirement, and hospitalization payments;
- 8 (2) Contracted personal services if (i) the contract is for temporary
9 services or special project services, (ii) the term of the contract does
10 not extend beyond the fiscal year, (iii) the contract does not impose
11 obligations on the State after the end of the fiscal year; and (iv) the
12 total of all overexpenditures for contracted personal services approved
13 in a program for a fiscal year does not exceed the greater of five
14 hundred thousand dollars (\$500,000) or ten percent (10%) of the
15 lapsed salary funds in the program for the fiscal year; and
- 16 (3) Uses for which overexpenditures are permitted by subdivision (2) of
17 subsection (a1) of this section but the Director of the Budget shall
18 include such use and the reason for it in his quarterly report to the Joint
19 Legislative Commission on Governmental Operations.

20 Lapsed salary funds shall not be used for new permanent employee positions or to
21 raise the salary of existing employees.

22 (a3), (a4) Repealed by Session Laws 1996, Second Extra Session, c. 18, s. 7.4(f).

23 (b) Repealed by Session Laws 1985, c. 290, s. 8.

24 (c) Transfers or changes as between objects or line items in the budget of the
25 Senate may be made by the President Pro Tempore of the Senate.

26 (d) Transfers or changes as between objects or line items in the budget of the
27 House of Representatives may be made by the Speaker of the House of Representatives.

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

32 (e1) Transfers or changes as between objects or line items in the budget of the
33 Office of the Governor may be made by the Governor.

34 (e2) Transfers or changes as between objects or line items in the Office of the
35 Lieutenant Governor may be made by the Lieutenant Governor.

36 (f) As used in this section:

- 37 (1) "Object or line item" means a budgeted expenditure or receipt in the
38 budget enacted by the General Assembly that is designated by (i) a
39 thirteen-digit code in the 1000-object code series or (ii) an eleven-digit
40 code in all other object code series, in accordance with the Budget
41 Code Structure and the State Accounting System Uniform Chart of
42 Accounts set out in the Administrative Policies and Procedures Manual
43 of the Office of the State Controller.

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

7 **SECTION 2.** G.S. 143-15.1(a) reads as rewritten:

8 "(a) The General Assembly shall enact the Current Operations Appropriations Act
9 by June 15 of odd-numbered years and by June 30 of even-numbered years in which a
10 Current Operations Appropriations Act is enacted. The Current Operations
11 Appropriations Act shall state the amount of General Fund appropriations availability
12 upon which the General Fund budget is based. The statement of availability shall list
13 separately the beginning General Fund credit balance, anticipated General Fund
14 revenues, revenue collections for the prior fiscal year, and any other components of the
15 availability amount.

16 The General Fund operating budget appropriations, including appropriations for
17 local tax reimbursements and local tax sharing, for the second year in a Current
18 Operations Appropriations Act that contains a biennial budget shall not be more than
19 two percent (2%) greater than the General Fund operating budget appropriations total
20 revenue collections for the first year of the biennial budget."

21 **SECTION 3.** G.S. 143-15.4 reads as rewritten:

22 **"§ 143-15.4. General Fund operating budget size limited.**

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

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

38 (c) ~~Fiscal Reports. The Office of State Budget and Management and the Fiscal~~
39 ~~Research Division of the General Assembly shall each submit a tentative estimate of~~
40 ~~total State personal income for the upcoming fiscal year to the General Assembly no~~
41 ~~later than February 1 of each year. The Office and the Fiscal Research Division shall~~
42 ~~each submit a final projection of total State personal income for the upcoming fiscal~~
43 ~~year to the General Assembly no later than May 1 of each year. The General Assembly~~

1 ~~shall use the lower of the two final projections to calculate the limitation on the size of~~
2 ~~the General Fund operating budget provided in this section."~~

3 **SECTION 4.** This act becomes effective July 1, 2002.