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# State of North Carolina



**MICHAEL F. EASLEY**  
GOVERNOR

**EXECUTIVE ORDER NUMBER NO. 19**  
**CLASSROOM PROTECTION AND ORDERLY BUDGET ADMINISTRATION**  
**GIVEN STATE OF FISCAL EMERGENCY**

WHEREAS, Article III, Sec. 5(3) of the Constitution of North Carolina provides that the State may not operate at a deficit during the fiscal period covered by a budget. For these purposes, a "deficit" is defined as having been incurred when total expenditures for the fiscal period of the budget exceed the total of receipts during the period, plus the surplus remaining in the State Treasury at the beginning of the period. The fiscal period for the current budget began July 1, 2001; and,

WHEREAS, to insure that the State does not incur a deficit for the fiscal year covered by a budget, Article III, Sec. 5(3) of the Constitution requires the Governor to continually survey the collection of revenue. If, as a result of his surveys, he determines that actual receipts for the fiscal period, when added to the surplus remaining in the Treasury at the beginning of the fiscal period, will not be sufficient to pay budgeted expenditures, the Governor, after first making adequate provisions for the prompt payment of the principal and interest on the State's outstanding bonds and notes, must effect the necessary economies in State expenditures to keep the deficit from occurring; and,

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WHEREAS, continually surveying the collection of the State's revenues pursuant to Article III, Sec. 5 (3) of the Constitution is a normal function of the Office of State Budget and Management (OSBM) and reports on its surveys are received routinely by the Governor; and,

WHEREAS, OSBM has provided the Governor with detailed briefings on the growing fiscal period deficit and, along with the Office of the Governor, has also advised members of the General Assembly of the situation, including the President Pro-Tempore of the Senate and the Speaker of the House of Representatives; and,

WHEREAS, on October 31, 2001, OSBM, at the direction of the Governor, reduced state agency expenditures for the remainder of the fiscal year; and,

WHEREAS, as detailed in a memorandum to the Governor from OSBM dated February 4, 2002, OSBM estimates, in light of January 2002 collections and new economic forecasts, a growing substantial deficit for fiscal year 2001-02 that will not be covered by the reduction in expenditure measures adopted on October 31, 2001; and,

WHEREAS, in light of OSBM estimates, the budget enacted by the General Assembly for fiscal year 2001-02 cannot be administered as enacted without the State incurring a deficit in its administration; and,

WHEREAS, it is found as a fact that based on General Fund revenue collections through January 31, 2002, and projections for these revenues through June 30, 2002, actual receipts for the current fiscal year will not meet the expenditures anticipated and budgeted by the 2001 General Assembly; and,

WHEREAS, from this fact it is determined and concluded that unless further economies in State expenditures are made, the State's General Fund expenditures will exceed General Fund receipts, for the current fiscal year.



NOW THEREFORE, by the authority vested in me as Governor by Article III, Sec. 5(3) of the Constitution of North Carolina to insure that a deficit is not incurred in the administration of the budget for fiscal year 2002, IT IS ORDERED:

Section 1. OSBM will continue to reduce, as necessary, State expenditures from Funds appropriated to operate State departments and institutions, and continue monthly allotment expenditure and review measures.

Section 2. OSBM will halt, as necessary, expenditures for capital improvement projects for which State funds have been appropriated but not placed under State contract and, as necessary, transfer any unused capital improvement funds to the General Fund.

Section 3. OSBM will transfer, as necessary, non-General Fund and non-Highway Fund receipts into the General Fund to support appropriation expenditures in order to avoid a deficit in the General Fund.

Section 4. OSBM may borrow, as necessary, receipts from non-General Fund State receipts and non-Highway Fund State receipts for support of General Fund appropriation expenditures.

Section 5. OSBM may transfer, as necessary, funds from the Highway Trust Fund Account for support of General Fund appropriation expenditures.

Section 6. OSBM may, as necessary, order the delay or cancellation of purchase orders in State General Fund-supported departments and institutions.

Section 7. OSBM may, as necessary, take other steps as directed by the Governor to insure that a deficit is not incurred for the fiscal period, including re-allocation of certain funds shared with localities.

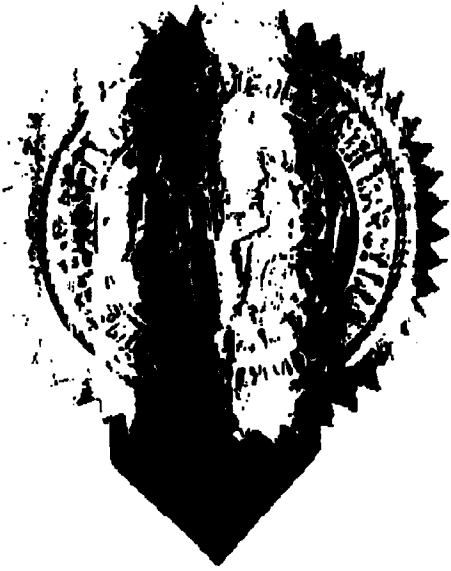
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Section 8. The Office of the State Controller, as advised by the State Budget Officer, is directed to monitor disbursements as presented on requisitions for CASH.

Section 9. The Office of the State Controller, as advised by the State Budget Officer, is directed to receive the local government reimbursement funds and to escrow such funds in a special reserve as established by OSBM. Return of all such receipts shall be made to the local government reimbursement funds, if possible, after determination that such funds are not necessary to address the deficit.

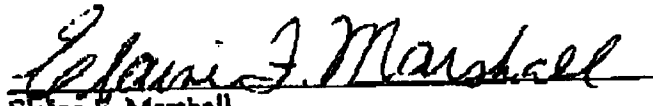
This Executive Order rescinds Executive Order No. 3 and is effective immediately and shall remain in effect, as written, until terminated or amended at the Governor's direction.

Done in the Capital City of Raleigh, North Carolina, this 5<sup>th</sup> day of February, 2002.



  
Michael F. Easley  
Governor

ATTEST:

  
Elaine F. Marshall  
Secretary of State