



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: DOT Legislative Changes.-AB
Bill Number: House Bill 198 (Fourth Edition)
Sponsor(s):

SUMMARY TABLE

Note: This fiscal note only addresses the the finance portions of the proposed bill.

Fiscal Impact of H.B. 198 (V.4) (Millions)

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
General Fund					
Revenue	-	-	-	-	-
Less <u>Expenditures</u>	-	-	-	-	-
General Fund Impact	-	-	-	-	-
Net General Fund Impact	No Estimate Available - Refer to Fiscal Analysis section				
Highway Fund					
Revenue	-	-	-	-	-
Less <u>Expenditures</u>	-	-	-	-	-
Highway Fund Impact	-	-	-	-	-
Net Highway Fund Impact	No Estimate Available - Refer to Fiscal Analysis section				
Highway Trust Fund					
Revenue	-	-	-	-	-
Less <u>Expenditures</u>	<u>\$ (28.9)</u>	<u>\$ (57.8)</u>	<u>\$ (86.7)</u>	<u>\$ (115.6)</u>	<u>\$ (144.5)</u>
Highway Trust Fund Impact	\$28.9	\$57.8	\$86.7	\$115.6	\$144.5
Net Highway Trust Fund Impact	Likely Significant Budget Cost - Refer to Fiscal Analysis section				
Special Fund					
Revenues	\$ 6.9	\$ 7.3	\$ 7.6	\$ 7.7	\$ 8.2
Less <u>Expenditures</u>	-	-	-	-	-
Special Fund Impact	\$ 6.9	\$ 7.3	\$ 7.6	\$ 7.7	\$ 8.2
Net Special Fund Impact	Likely Significant Budget Savings - Refer to Fiscal Analysis section				
NET STATE IMPACT	(\$22.0)	(\$50.5)	(\$79.1)	(\$107.9)	(\$136.4)

FISCAL IMPACT SUMMARY

The following sections provide a summary of the fiscal impact of each finance-related section of the proposed bill.

Section 9, Extend Expiration Date of Build NC Bond Act, would not have a fiscal impact within the five fiscal year timeframe of this fiscal note.

Section 10, Modify Build NC Bond Cash Balance and Consultation Requirements, would have a fiscal impact by increasing expenditures for debt service by an estimated \$433.7 million and the State's indebtedness by \$1.5 billion over the next 5 fiscal years.

Section 13, Increase Turnpike Processing Fee for Billing, would have a fiscal impact increasing annual revenue by an estimated \$37.7 million over 5 fiscal years.

Section 14, Ferry Priority Boarding, would likely have a fiscal impact, but the amount is unknown and likely de minimis.

Section 17, Revise Outdoor Advertising Law, would likely have a fiscal impact, but the amount is unknown.

Section 18, Increase Frequency of Tax Revenue Transfer to Highway Fund, would have no fiscal impact as it only changes the frequency by which sales tax revenues are transferred to the Highway Fund and Highway Trust Fund.

Section 23, Alcohol Sales on Trains, is likely to have a minimal fiscal impact.

FISCAL ANALYSIS

The following sections discuss the fiscal analysis for estimates of each finance-related section of the bill.

Section 9-Extend Expiration Date of Build NC Bond Act. The Build NC Bond Act of 2018 is a financing tool available to the Department of Transportation (DOT) that uses special indebtedness under certain conditions and is set to expire December 31, 2028. This section would extend the applicability of this act by amending its expiration date to December 31, 2031. This change is **expected to have no fiscal impact within the 5 fiscal year period of this fiscal note.**

Section 10-Modify Build NC Bond Cash Balance and Consultation Requirements. Under current law, the Build NC Bond Act of 2018, the DOT is authorized to finance up to \$3,000 million—\$300 million annually—with special indebtedness for regional and divisional transportation projects contained in the Statewide Transportation Improvement Program (STIP). Conditions for the financing authority include a cash balance threshold that requires DOT to carry

an average month-end combined cash balance in the Highway Fund and Highway Trust Fund, equal to or less than one \$1,000 million.

To date, there have been three issuances against the \$3 billion authorization that total \$1.3 billion. The remaining authorization is \$1.7 billion. Under the current debt affordability guidelines maximizing issuing the remaining \$1.7 billion over a six-year horizon would leave the Department \$545 million in additional debt capacity.

Debt issuances have not occurred since May 2022. This is due to DOT exceeding the maximum cash balance threshold. Between June 2022 and March 2024, the average monthly closing cash balance was \$2,300 million, more than two times the maximum cash balance threshold.

This section would also repeal the cash balance threshold issuance criteria of \$1 billion, which would have a significant fiscal impact increasing expenditures and State indebtedness over the next five fiscal years. The Department has indicated it would exercise its maximum annual issuance authority of \$300 million per year in each of the next five fiscal year. As a result, **the increase in State indebtedness would be \$1.5 billion within the 5 fiscal year timeframe of this fiscal note and could increase to \$1.7 billion with the extension of the expiration date in Section 9. The increase in the cumulative debt service expenditures from the Highway Trust Fund over the 5 fiscal year period is estimated at \$433.5 million.**

Section 13-Increase Turnpike Processing Fee for Billing. Under current law, a person that receives an unpaid toll bill from the Turnpike Authority (the Authority) must either pay the bill or submit a request for bill review. The Authority is authorized to levy an additional \$6 processing fee, capped at \$48 per year, against a person that fails to act in a timely manner. This section would increase this processing fee authorization to \$9, with a \$72 annual cap. Based on current fee forecasts provided by the Authority this change **is expected to increase fee revenue by an estimated \$37.7 million cumulatively over the 5 fiscal year period.** By law revenue from tolling fees must be used for debt service, operations, and maintenance for a tolled segment.

Section 17-Revise Outdoor Advertising Law. The Outdoor Advertising Control Act outlines State policies, requirements, procedures, and limitations that relate to outdoor advertising placement, relocation, removal, and related vegetation clearance and maintenance surrounding outdoor advertising. Current law authorizes the issuance of permits for selective vegetation removal by owners of outdoor advertising, sets limitations for cut or removal zones, and outlines other aspects of the permitting process for that purpose.

The section would expand the scope of the \$150 per caliper inch vegetative clearing fee, which is paid to DOT. It would allow advertising sign owners or their designee to clear additional vegetation around signage in certain Right of Way (ROW) areas. Because this fee is voluntary, the number of sign owners that would choose to pay the new fee is unknown. Furthermore, the DOT stated the number and size of the preexisting vegetation that would be included in the newly permitted cut area is unknown. **As a result, FRD cannot reliably estimate the additional revenue to the Highway Fund of this section.**

Section 18-Increase Frequency of Tax Revenue Transfer to Highway Fund. Under current law, a portion of sales tax proceeds collected at the State’s general rate of tax (4.75%) is transferred quarterly to the Highway Fund and Highway Trust Fund. ¹ This section would require the Department of Revenue (DOR) to transfer these funds monthly rather than quarterly. **This change is expected to have no fiscal impact** as DOR can absorb any minimal costs associated with more frequent transfers.

Section 23-Alcohol Sales on Trains. Under current state law, wholesalers and retailers may only sell and deliver beer and wine to rail lines that carries at least 60,000 passengers annually. This section would expand the scope of sales and delivery by allowing wholesalers and retailers to also sell and deliver beer and wine to a rail line at least 100 miles long which connects to the national rail network. **FRD and the ABC Commission cannot reliably quantify the revenue impact to the General Fund but expect any increase to be de minimis.**

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

N.C. Departments of Revenue, State Treasurer, and Transportation. N.C. ABC Commission.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Sean Hamel
Brent Lucas

¹ In FY 2022-23, 2% (or \$205.5 million) was transferred to the Highway Fund per this requirement. In the current fiscal year (FY 2023-24), the Highway Fund is receiving 1% and Highway Trust Fund is receiving 3%. In FY 2024-25 and thereafter, the Highway Fund will receive 1.5% and Highway Trust Fund will receive 4.5% of these sales tax collections. The bill does not change these statutory distributions.

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
May 14, 2024



Signed copy located in the NCGA Principal Clerk's Offices