



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: The P.A.V.E. Act.
Bill Number: House Bill 948 (Second Edition)
Sponsor(s): Rep. Cotham

SUMMARY TABLE

FISCAL IMPACT OF H.B. 948, V.2 (\$ in millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	-	-	-	-	-
NET STATE IMPACT	No Estimate Available-See Fiscal Analysis Section				
Local Impact					
Local Revenue	-	175.0	360.0	380.0	395.0
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	-	\$175.0	\$360.0	\$380.0	\$395.0

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

H.B. 948 has a potential fiscal impact because it authorizes the Mecklenburg County Board of Commissioners to hold a referendum to levy an additional 1% sales tax for roadways systems and public transportation systems. It also has an additional unknown fiscal impact because the Metropolitan Public Transportation Authority created in the bill would be exempt from sales tax.

FISCAL ANALYSIS

The bill authorizes the Mecklenburg Board of Commissions to hold a referendum to levy a 1% (or 1 cent) sales tax. To determine the fiscal impact, FRD used historical collections from the County's current Article 43 transportation sales tax. Currently, the tax generates about \$160 million per year at its 0.5% (or 1/2 cent) rate. FRD doubled this to determine total estimated collections with the new 1% sales tax since it will apply to the same purchases. FRD estimates the new tax would have generated about \$320 million in FY 2023-24. The Department of Revenue reports the earliest



collections could begin is October 1, 2026 due to form and information technology updates needed to implement the new tax. After adjusting for the date collections are estimated to begin, the distribution schedule of sales tax revenues, and estimated changes in retail sales, FRD estimates the tax will generate approximately \$175 million in FY 2026-27, and about \$360 million in the first full year of implementation in FY 2027-28. Estimates for future years are also adjusted using anticipated changes in retail sales.

The bill requires that the net proceeds of the bill be distributed as follows:

- 40% to the County's eligible municipalities, which can only be spent on costs associated with financing, constructing, operating, or maintaining roadways systems.¹
- 60% to the metropolitan public transit authority to be used only for costs associated with financing, acquiring, constructing, operating, and maintaining any combination of real and personal property for a public transportation system, specifically including micro transit services.

The bill also creates a sales tax exemption for purchases made by the Authority. FRD is unable to estimate the corresponding revenue reductions due to this exemption because future purchases are unknown. The bill also changes the distribution of proceeds from the county's U-drive-it tax. These revenues are currently provided to the city of Charlotte and will be redirected to the newly created Authority. This change does not have an overall fiscal impact as it shifts funds between local government units.

TECHNICAL CONSIDERATIONS

The fiscal analysis presented herein assumes the requisite referendum will occur and pass, which would authorize the new 1 cent sales tax.

DATA SOURCES

N.C. Department of Revenue, Moody's Analytics.

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.

¹ The bill defines an eligible municipality as any of the following in Mecklenburg County: the city of Charlotte, and the Towns of Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville.



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Signed copy located in the NCGA Principal Clerk's Offices