



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: DOT Omnibus.
Bill Number: Senate Bill 391 (Second Edition)
Sponsor(s):

SUMMARY TABLE

This summary table only reflects finance provisions in SB 391 that impact Highway Fund revenue.

FISCAL IMPACT OF S.B. 391, 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>
Highway Fund Revenue	(14.6) to (58.7)	(12.2) to (48.6)	9.0 to 35.8	12.2 to 48.8	5.8 to 23.0
Less Expenditures	- to -	- to -	- to -	- to -	- to -
Highway Fund Impact	(14.6) to (58.7)	(12.2) to (48.6)	9.0 to 35.8	12.2 to 48.8	5.8 to 23.0

FISCAL IMPACT SUMMARY

The following Fiscal Note only presents information regarding the finance-related portions of S.B. 391 – DOT Omnibus.

Section 11 authorizes the NC Department of Transportation’s (NCDOT) Ferry Division to charge an electronic payment transaction fee of up to 2%, to offset electronic payment service charges.

The proposed additional fee on electronic transactions would increase Highway Fund revenue by almost \$37,000 in the first year of implementation. The expected increase in revenue would be \$185,000 over the next five fiscal years, with most of the revenue being remitted to the entities processing the electronic payments.

Section 18 would extend the validity of all Class C regular Driver Licenses for individuals with credentials that expire from when the proposal becomes law, to December 31, 2027, for a period of up to two years.

The proposed Driver License validity extension could reduce Highway Fund revenue anywhere from \$14.7 million to \$58.7 million in the first year of implementation, depending on the number of individuals that opt-in to the extension. The overall shift in revenue means that the proposal is expected to be net-neutral over the FY 2025-26 to FY 2029-30 period.

FISCAL ANALYSIS

Section 11 Background



For State agencies to accept online and in-person electronic payment, multiple service charges are imposed by the entities involved with processing the transaction, including:

- Interchange fees: Charged by the bank issuer of a customer's credit or debit card
- Assessment fees: Charged by the credit card network
- Service fees: Charged by the company responsible for processing the payment
- Point-of-sale fees: Charged for the usage of a payment website or hardware needed to process the transaction

Electronic service charges are paid by either the State agency or customer, depending on the method of transaction. G.S. 66-58.12(b) allows State agencies to impose an additional fee for remote electronic transactions, to cover the service charges, but not for in-person credit card transactions.

Section 11 would permit the Ferry Division to add an electronic transaction fee of up to 2% for all electronic transactions, regardless of method. Table 1 shows the value of electronic payments processed by the Ferry Division over the last three fiscal years (FY 2021-22 to FY 2023-24)

Table 1. Electronic Payments Received FY 2021-22 through FY 2023-24

	FY 2021-22	FY 2022-23	FY 2023-24
Electronic Receipts	\$1,842,591	\$1,813,151	\$1,879,764

Revenue Estimate

FRD used data from the Ferry Division to estimate the expected revenue changes due to the proposed fee being imposed on electronic transactions. Using the data in table 1, FRD multiplied expected electronic collections by the maximum 2% rate that could be charged by the Division. A 3-year moving average was used to project future electronic payment receipts. Table 3 shows the revenue expected from the additional fee for the period of FY 2025-26 to FY 2029-30.

Table 2. Expected Receipts and Transaction Fee Revenue FY 2025-26 through FY 2029-30

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expected Receipts	\$1,846,028	\$1,856,987	\$1,849,394	\$1,850,803	\$1,852,395
Fee Revenue	\$36,921	\$37,140	\$36,988	\$37,016	\$37,048

The electronic transaction fees would first be deposited into the Highway Fund, then some portion would be remitted to cover the service charges imposed by the entities processing the payments, the remainder under G.S. 136-82(d) would accrue to the Ferry Capital Fund.

Section 18

Background

The Division of Motor Vehicles (DMV) issues non-commercial Class C Driver Licenses in accordance with requirements detailed in G.S. 20-7. For individuals between the ages of 18-66,

Class C Driver Licenses are issued for a period of 8 years; individuals older than 66 must have their license renewed every 5 years. The bill would extend the validity of all Class C Driver Licenses by two years for licenses set to expire between the proposed bill's effective date and December 31, 2027. Driver Licenses that have been canceled, revoked, or suspended would not qualify under the proposed validity extension.

Individuals with a non-commercial Driver License (Classes A-C) are required to pay an issuance/renewal fee equal to \$6.50 multiplied by the number of years for which the license is issued. Funds collected from Driver License renewal fees are deposited in the Highway Fund, which supports operations at the NCDOT. Table 3 provides the current fee structure for Class C Driver Licenses.

Table 3. Current Driver License Fee Structure¹

Age	Driver License Fee	Years Issued	Issuance/Renewal Cost
18-66	\$6.50	8	\$52
66 +	\$6.50	5	\$32.50

Revenue Estimate

FRD used data from the DMV and the U.S. Census Bureau to estimate the expected revenue changes due to the proposed extended Driver License validity period. Since the renewal fee for drivers above the age of 66 is different than the fee for younger drivers, FRD used data from the U.S. Census Bureau to estimate the proportion of drivers to pay each fee amount. Table 4 shows the number of expected Class C Driver License renewals for the individuals aged 18-64 and 65 and above for FY 2025-26 through FY 2027-28. FRD assumed half the expected population for FY 2027-28 since the proposed extension ends halfway through the Fiscal Year.

Table 4. Expected Driver License Renewals

Population	FY 2025-26	FY 2026-27	FY 2027-28
18-64	993,248	824,553	388,481
65+	218,030	180,999	85,276
Total	1,211,278	1,005,552	473,758

Using the data in Table 4, FRD estimated the change in revenue to the Highway Fund from the proposed Driver License validity extension. FRD used the age groups in Table 3 as proxies to estimate expected revenue change for the under age 66 and above age 66 groups, which pay \$52 and \$32.50 renewal fees, respectively.

Since the proposal is an extension and not a waiver, the revenue collected from fees from Driver License renewals will be shifted into future fiscal years. Tables 5 and 6 show this shift of revenue decreasing in the first 2 fiscal years and increasing in the next 3 fiscal years. Because there may be

¹ These registration fee amounts above do not match those currently listed in statute, as annual registration fees are subject to a quadrennial inflation adjustment (G.S. 20-4.02). The most recent adjustment occurred on July 1, 2024.



individuals that chose to renew their license instead of taking advantage of the extension, FRD provided a range for its revenue estimate, based on a 25% or 100% of eligible individuals opting in to the extension.

Table 5. Revenue Estimate Under 25% Opt-In

Projection	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenue Loss	-\$14,683,734	-\$12,189,801	-\$5,743,108	\$-	\$-
Revenue Gain	\$-	\$-	\$14,683,734	\$12,189,801	\$5,743,108
Net Change	-\$14,683,734	-\$12,189,801	\$8,940,627	\$12,189,801	\$5,743,108

Table 6. Revenue Estimate under 100% Opt-In

Projection	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenue Loss	-\$58,734,871	-\$48,759,224	-\$22,972,482	\$-	\$-
Revenue Gain	\$-	\$-	\$58,734,871	\$48,759,224	\$22,972,482
Net Change	-\$58,734,871	-\$48,759,224	\$35,762,389	\$48,759,224	\$22,972,482

FRD estimates that the proposal could reduce Highway Fund revenue anywhere from \$14.7 million to \$58.7 million in the first year of implementation, depending on the level of uptake. In FY 2026-27, renewal fees originally scheduled to be paid in the first year will resume.² The overall shift in revenue means that the proposal is expected to be net-neutral over the FY 2025-26 to FY 2029-30 period.

TECHNICAL CONSIDERATIONS

Ferry Division Electronic Transaction Fee

FRD's revenue projection assumes a transaction fee of 2%, even though the proposal allows flexibility to the Division to charge up to the maximum rate. Electronic service charges can vary depending on the bank, credit card network, and payment processing entities involved in each transaction. Typically, NCDOT pays service charges between 1.2% up to 1.85%. The Ferry Division may realize additional revenue to Ferry Capital Fund if the maximum rate is used, but FRD did not assume what the actual implemented rate would be beyond assuming the maximum.

Driver License Validity Extension

FRD projected the revenue rebound to be net-neutral by assuming all individuals will eventually pay their renewal fee in future years. There is likely to be a slight decrease in the delayed renewal population for a myriad of reasons, including out-of-state migration, death, and license revocation. FRD opted not to project this potential population loss due to a lack of available data.

The bill does not indicate whether individuals will need to pay for the additional years their Driver License will become valid, if they opt-in to the extension. FRD assumes the amount paid after the

² In FY 2027-28, the proposal will lead to an overlap of revenue loss from the renewal extension and gain from the "rebound" of renewal fees being paid in subsequent years. The rebound is best illustrated in FYs 2026-27 and 2028-29, where the loss of revenue in the first year is the same as the increase in revenue in the corresponding year.

extension will remain the same as the fee that would have been expected at the end of the original validity period. If the fee due after the extension period includes the additional years, the revenue estimate, and possibly the expected uptake, would be significantly altered.

FRD's revenue projection assumes the yearly base Driver License renewal fee of \$6.50 remains constant over the next five Fiscal Years. FRD did not estimate any fee changes from the next expected quadrennial fee adjustment for its revenue projection, as the adjustment is based on historic inflation for upcoming years. The next scheduled quadrennial increase to DMV fees will occur in FY 2028-29.

DATA SOURCES

North Carolina Department of Transportation, North Carolina Division of Motor Vehicles, North Carolina Ferry Division, U.S. Census Bureau

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

Aaron Cornell

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
June 17, 2025



Signed copy located in the NCGA Principal Clerk's Offices