



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Toll Exemption for Disabled Veterans.
Bill Number: Senate Bill 334 (First Edition)
Sponsor(s): Sen. Dan Blue

SUMMARY TABLE

FISCAL IMPACT OF S.B.334, V.1

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
Special Fund Revenues	(180,522)	(180,522)	(180,522)	(180,522)	(180,522)
Less Expenditures	150,000	-	-	-	-
Special Fund Impact	(330,522)	(180,522)	(180,522)	(180,522)	(180,522)
NET STATE IMPACT	(330,522)	(180,522)	(180,522)	(180,522)	(180,522)

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

Section 1 exempts disabled veterans from the payment of tolls on tolled roads. This section has a fiscal impact, reducing revenue in the North Carolina Turnpike Authority (NCTA) special fund.

Additionally, exempting existing revenue may negatively influence the bond rating of NCTA, creating a fiscal impact by increasing future borrowing costs. For more information, please see the Fiscal Analysis section.

Section 2 requires the Department of Transportation (DOT) to establish procedures to verify disabled veteran status and issue a placard or transponder to facilitate the use of the exemption. This section has a fiscal impact as it requires information technology (IT) development.

Additionally, this section may cause an increase in expenditures to develop a verification process. However, DOT's Division of Motor Vehicles (DMV) already has developed a process in conjunction with the Department of Military and Veterans Affairs (DMVA) for verification of disabled veterans for disabled veteran special registration plates. For more information, please see the Technical Considerations section.

Section 3 makes the act effective when it becomes law. IT development requirements could make this act difficult to implement upon becoming law. For more information, please see the Technical Considerations section.

FISCAL ANALYSIS

Section 1 reduces the revenue available to NCTA by exempting disabled veterans from paying tolls. Using information from DMV, NCTA was able to identify the number of disabled veteran plates, NCTA customers, and tolls paid in FY 2021-22, shown in Table 1 below.

Table 1: FY 2021-22 Relevant Statistics

Disabled Veteran Plates, Total	Disabled Veteran Plates, NCTA Customers	Disabled Veteran Plates NCTA Revenue,
53,415	9,000 (17% of total)	<u>\$180,522</u>

Per G.S. 20-79.4.(a2), DMV has implemented a process by which disabled veterans can apply for special registration plates after verification by DMVA. Disabled veterans are incentivized to participate in the program, as per G.S. 20-79.7, owners of these plates do not pay an annual registration fee. Revenue for this group is assumed to be the same in future years as FY 2021-22.

In FY 2021-22, a reduction in revenue of \$180,522 would represent a 0.3% reduction in total NCTA toll revenue of \$63 million. While unlikely, it is possible that a decrease in revenue of this size could impact future bond ratings by creating an exemption for a current NCTA revenue stream. NCTA issues revenue bonds based on anticipated future toll collection estimated for new projects and uses these bond sales to fund construction. By exempting certain revenue, bond rating agencies may downgrade NCTA’s creditworthiness. In its December 2021 NCTA ratings commentary document, Fitch Ratings Inc. cites, “(c)ontinued NCDOT support and maintenance of the gross revenue pledge for any future financings,” as a rating sensitivity.

Any downgrade in creditworthiness would increase borrowing costs, increasing the cost of financing future NCTA projects. No estimate is available of these costs. Any ratings adjustment would likely be related to concerns about future exemption expansions, not the particular cost of this act.

Section 2 creates additional expenditures for NCTA by requiring IT development to automatically capture and exempt disabled veteran plates. Currently, NCTA is able to manually identify plates and transponders of disabled veterans using the high-resolution gantry-mounted cameras in place at each NCTA facility. However, additional IT costs would be necessary to begin the program, including technology and related professional services to modify the toll collection software to automatically capture plate type and filter exempt plate types. Additional costs include testing and staff training. NCTA estimates these costs at \$150,000.

SB 334 is assumed to be effective July 1, 2023, for the purposes of this estimate.

TECHNICAL CONSIDERATIONS

1. G.S. 20-79.4.(a2) outlines the process for determining veteran eligibility for specific plates. Clarifying language to conform with this section, using the disabled veteran special registration plate as the identifier would allow SB 334 to be implemented more efficiently and effectively.
2. Due to IT development, testing, and implementation, additional time is likely needed to allow NCTA to exempt disabled veterans and prevent improper billing. A later effective date would allow SB 334 to be implemented more efficiently and effectively.

DATA SOURCES

NORTH CAROLINA TURNPIKE AUTHORITY, FITCH RATINGS INC.

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

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