



HOUSE BILL 1094: Ferry Div. Audit/DOT Omnibus.

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2025-2026 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	Date:	June 18, 2026
Introduced by:	Reps. Iler, Shepard	Prepared by:	Wendy Ray
Analysis of:	Third Edition		Staff Attorney

OVERVIEW: *House Bill 1094 would make the following changes to laws related to transportation and motor vehicles:*

- *Direct the State Auditor to conduct a performance audit of the Ferry Division of the Department of Transportation.*
- *Direct the Division of Motor Vehicles to study the feasibility of a percentage-of-revenue-based model of funding.*
- *Authorize renewals of regular drivers licenses at any time prior to expiration.*
- *Authorize the Division of Motor Vehicles to provide electronic copies of unredacted crash reports to those directly involved in a crash.*
- *Increase the amount of time given to respond to a notification of insurance lapse.*
- *Eliminate the requirement that dealer plates be replaced every four years.*
- *Eliminate the requirement that license plates be replaced every seven years.*
- *Clarify recodification of one-day-title fee and commission contractor provisions.*
- *Amend eligibility requirements for the International Association of Fire Fighters plate.*
- *Eliminate driving eligibility certificate requirement for graduated licensing.*
- *Amend statutes related to commercial drivers licensing to conform with federal regulations.*
- *Adjust timing for submission of the Division of Motor Vehicles administrative hearing report.*
- *Repeal a report on Division of Motor Vehicles modernization projects funded in 2014-2015.*
- *Expand the authorization for prepaid toll discounts to include new payment technologies.*
- *Amend the title of the Executive Director of the North Carolina Turnpike Authority.*
- *Provide for logo sign program revenue to be deposited into the General Maintenance Reserve.*
- *Clarify a recently enacted prohibition on trucks in the left lane of six-lane highways.*
- *Set a default speed limit of 25 mph on roadways that are unpaved or not marked with a centerline.*
- *Authorize the City of Durham to set a 25 mph speed limit on streets within a designated area.*
- *Increase the project cap for the CMGC project delivery method pilot program authorized in 2018.*

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Legislative Analysis
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- *Amend the definition of electric assisted bicycles to align with the federal definition and regulate their use.*
- *Amend statutes applicable to personal delivery devices.*
- *Expand county authority to levy special assessments to finance improvements to streets.*
- *Privatize the Department of Transportation's tourist-oriented directional sign program.*
- *Provide additional insurance requirements for taxis operating at international airports.*
- *Require use of a specific population growth factor as part of the criteria for the scope of a traffic impact analysis.*
- *Require the Department of Transportation to reimburse electric membership corporation utility relocation costs when equipment is located outside of Department right-of-way.*
- *Provide flexibility for applicants to use acceptable forms of performance guarantee other than a bond when required for a driveway or other encroachment permit.*
- *Prohibit the planting of invasive species in highway right-of-way and State parks.*
- *Direct the Division of Motor Vehicles to amend rules for commercial truck driver training schools.*
- *Authorize new special registration plates.*

CURRENT LAW AND BILL ANALYSIS: House Bill 1094 would do the following:

Ferry Division audit. As recommended by the Joint Legislative Transportation Oversight Committee, **Section 1** would require the Office of the State Auditor to conduct a performance audit of the Ferry Division of the Department of Transportation. The audit would include evaluation of the Division's spending and budget practices, its operations and long-term strategies to maximize revenue and reduce costs, potential route and schedule adjustments, and options to diversify revenue. The State Auditor would be required to provide a report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than January 15, 2027.

Percentage-based funding model study. **Section 2** would direct the Division of Motor Vehicles to study the feasibility of transitioning from its current fixed-budget appropriation model of funding to a percentage-of-revenue-based model, including an evaluation of advantages and disadvantages of the current model, feasibility of implementing a percentage-of-revenue-based model, other state models, legal and budgetary constraints, potential fiscal impacts, and potential impacts on customer service, staffing, modernization efforts, and accountability. The Division would be required to submit a report of its findings to the Joint Legislative Transportation Oversight Committee, House and Senate Appropriations Committees on Transportation, Fiscal Research, and OSBM no later than January 1, 2027.

Allow early drivers license renewals. The Division of Motor Vehicles currently issues regular Class C drivers licenses in accordance with statutory requirements set out in G.S. 20-7. The duration of licenses issued to persons aged 18-66 is generally eight years. Under G.S. 20-7(f)(3a), a person with a regular drivers license may not apply for renewal earlier than the 180-day period immediately prior to the expiration date of the license. If a person requires a change to the license, such as a name change or upgrading to a REAL ID, during the period of validity but earlier than the 180-day window prior to expiration, the person is issued a duplicate license for a duplicate fee and remains on the same renewal cycle.

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Section 3 would amend the law to delete the 180-day window for renewal and allow a person to renew a license at any time during the period of validity, resetting the renewal cycle. For renewals occurring more than 180 days prior to expiration, the person would pay the fee for a duplicate license in addition to the prorated license fee.

This section would become effective October 1, 2026.

Authorize electronic unredacted crash reports for individuals involved in a crash. State and federal law restrict how and when the Division of Motor Vehicles may disclose personal information in motor vehicle records. Because of those restrictions, a person involved in a motor vehicle accident may currently only get an unredacted copy of the crash report for a permissible use in person at one of two State-run Division offices or by mail.

Section 4 would specifically authorize the Division to provide an unredacted copy of a crash report, by secure electronic means, to a person directly involved in the crash.

Additional time to respond to insurance lapse notice. Current law (G.S. 20-311) requires the Division of Motor Vehicles to notify the owner of a registered motor vehicle for which the Division has received evidence that the owner's insurance has lapsed. The owner must respond with an explanation within 10 days of the date the notice was sent. Failure to respond within the required time results in assessment of a penalty and revocation of the vehicle's registration.

Section 5 would increase the amount of time a vehicle owner has to respond to the notice from the Division of an insurance lapse from 10 days to 30 days.

This section would become effective October 1, 2026.

Eliminate mandatory replacement of dealer plates. Under G.S. 20-79, the Division of Motor Vehicles issues license plates to dealers for use on vehicles in a dealer's inventory subject to restrictions set out in statute. G.S. 20-79(c1) requires the Division of Motor Vehicles to replace dealer license plates every four years. **Section 6** would eliminate the replacement requirement for dealer plates.

Eliminate mandatory replacement of license plates. Current law (G.S. 20-63.1) requires the Division of Motor Vehicles to replace license plates every seven years. **Section 6.5** would eliminate this requirement.

One-day title fee and commission contractor clarifications. Legislation enacted in 2024 recodified the authorized fee for one-day title service and amended provisions related to commission contractor contracts. G.S. 20-63 directs the Division of Motor Vehicles to enter into commission contracts for the issuance of registration plates, registration certificates, and certificates of title in localities throughout the State, and sets out requirements for those contracts.

Section 7(a)-(c) would clarify that the repeal of the one-day title fee and its recodification were effective simultaneously on July 1, 2024, and it was the intent of the General Assembly that it would continue to be subject to the quadrennial adjustment for inflation that occurred on the same date. **Section 7(c)** directs the Division of Motor Vehicles to adjust the fee accordingly.

Section 7(d) would further clarify that the Division may not require a business entity applying for a commission contract to contract as an individual, and if a commission contractor has been required by the Division to apply for or renew a contract as an individual, the contractor must be provided an opportunity to amend the application or contract. It would also clarify that upon sale of a commission contractor's business operation, all contractual rights transfer to the new commission contractor.

Amend requirements for International Association of Fire Fighters plate. The Division of Motor Vehicles is currently authorized to produce an International Association of Fire Fighters special registration plate. The plate may be issued to an active member of the International Association of Fire

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Fighters or the surviving spouse of a member for as long as the plate is continually renewed and the spouse does not remarry. The authorization for the plate includes a requirement that a person present proof of active membership to be eligible for the plate.

Section 8 would remove the requirement that a person present documentation to prove active membership to be eligible for an International Association of Fire Fighters special registration plate.

Eliminate driving eligibility certificates. Current law requires a driving eligibility certificate or a high school diploma or its equivalent to obtain and maintain a limited learner's permit or provisional license under the graduated licensing program. A driving eligibility certificate must be signed by an appropriate school official and indicate that the student is making appropriate academic progress and is not subject to disciplinary action for certain conduct. An applicant for a permit or license under graduated licensing is required to have a driving eligibility certificate for issuance of a permit or license, and the Division of Motor Vehicles must revoke the permit or license when it receives notification from the proper school authority that a person no longer meets requirements for a driving eligibility certificate. School authorities are required to implement rules and follow statutory requirements for issuing driving eligibility certificates and for informing the Division when conditions for driving eligibility certificates are not met.

Section 9 would amend the law to eliminate the requirement that drivers subject to graduated drivers licensing obtain and maintain driving eligibility certificates. Statutes related to school authorities issuing certificates and notifying the Division when a student becomes ineligible would be repealed. This section would also repeal provisions related to the Division revoking permits and licenses for ineligibility for a driving eligibility certificate and would direct the Division to restore licenses revoked due to ineligibility.

This section would become effective October 1, 2026.

Conform commercial drivers license statutes to federal law. This section would make several changes to statutes related to commercial drivers licensing to comply with federal regulations. Federal regulations provide processes related to the Federal Motor Carrier Safety Administration Commercial Driver's License Drug and Alcohol Clearinghouse, which was established by 49 U.S.C. § 31306. The Clearinghouse contains information pertaining to violations of the controlled substances and alcohol testing program for holders of commercial drivers licenses. It provides information to states to identify drivers who are prohibited from operating a commercial motor vehicle based on violations and ensures that drivers receive the required evaluation and treatment before returning to service. Federal regulations require states to check the Clearinghouse prior to issuing a commercial drivers license and not issue a driving privilege to a person with prohibited status.

Section 10 would amend North Carolina commercial drivers license statutes to align with processes and regulations related to the Federal Motor Carrier Safety Administration Commercial Driver's License Drug and Alcohol Clearinghouse.

This section would become effective July 1, 2026.

Change timing of administrative hearing report. Under current law, the Division of Motor Vehicles is required to submit a quarterly report to the General Assembly detailing the number of administrative hearings in each month of the applicable quarter, revenue collected, fee waivers granted, counties where hearings were held, and average time required to conduct hearings. The statute directed the Division to submit reports beginning October 1, 2018, and quarterly thereafter.

Section 11 would amend the reporting requirement to allow the Division to submit the quarterly report within 30 days after the end of an applicable quarter.

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Repeal modernization report requirement. Legislation enacted in 2014 provided funding for specific Division of Motor Vehicles information technology modernization projects and required the Division to submit quarterly reports on the status of those projects.

Section 12 would repeal the quarterly reporting requirement for Division modernization projects authorized in 2014. The Division would continue to submit a comprehensive quarterly report on its modernization efforts required by later legislation.

Expand prepaid toll discount authorization. In setting tolls for Turnpike projects, the Turnpike Authority is authorized under current law to allow discounts for vehicles equipped with electronic toll collection transponders or that have prepaid tolls.

Section 13 would amend the law to give the Turnpike Authority additional flexibility to apply the prepaid discount for vehicles paying tolls using newer payment technologies, such as connected vehicle platforms and digital payment systems.

Rename Turnpike Authority Executive Director. The North Carolina Turnpike Authority is a statutorily created public agency located within the Department of Transportation and governed by a nine-member Board. The Board is directed to appoint an Executive Director to operate as the Authority's chief administrative officer.

Section 14 would amend the position's title from the Executive Director to the the Executive Director and Chief Executive Officer.

Direct logo sign program revenue. G.S. 136-89.56 establishes the Department of Transportation's logo sign program, which provides for placement of logo signs within fully- and partially-controlled access highways to direct motorists to fuel, gas, food, lodging, camping, and attraction facilities along those highways. Legislation enacted in 2024 directed the Department to contract with a private vendor to administer the program and implement market-based fees for logo signs.

Section 15 would provide that the revenue generated by the logo sign program is to be deposited into the Reserve for General Maintenance in the Highway Fund.

Amend truck lane restriction. G.S. 20-146(f), enacted in 2025, prohibits vehicles with a gross vehicle weight rating of 26,001 pounds or more from operating in the leftmost lane of any controlled-access highway with six or more lanes, except when entering or exiting the highway or avoiding a hazard or to pass. Violation is an infraction.

Section 16 would amend the recently enacted prohibition on trucks in the left lane to eliminate the passing exception and to provide that the restriction would not apply if the Department of Transportation imposes different restrictions by ordinance.

This section would become effective December 1, 2026, and would apply to offenses committed on or after that date.

Default speed limit for unpaved and unmarked roadways. G.S. 20-141(b) sets general default speed limits applicable to public highways Statewide. Pursuant to that statute, it is unlawful to operate a vehicle in excess of 35 mph inside municipal limits or in excess of 55 mph outside municipal limits. Higher or lower speeds may be set by the Department of Transportation and/or local authorities within their jurisdictions under certain circumstances.

Section 17 would set a lower default speed limit of 25 mph Statewide for roadways that are unpaved or that are not marked with a centerline.

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This section would become effective December 1, 2026, and would apply to offenses committed on or after that date.

Authorize Durham to set 25 mph speed limit in designated areas. G.S. 20-141(b) sets a general default speed limit of 35 mph on streets inside municipal limits. Under G.S. 20-141(e), a municipality may set a lower speed limit on streets that are not part of the State highway system. Under G.S. 20-141(f), a municipality may set a lower speed limit on streets that are part of the State highway system only if it determines, based on an engineering and traffic investigation, that 35 mph is greater than is reasonable and safe, and the Department of Transportation passes a concurring ordinance. Signs must be erected before a new speed limit is effective.

Section 17.5 would authorize the City of Durham to designate the boundaries of an area inside its municipal limits and set a speed limit of 25 mph on all streets inside the designated area, except Interstates and controlled-access highways, when its transportation department determines that traffic, safety, pedestrian activity, roadway design, or similar conditions inside the area warrant. The speed limit would be effective when appropriate signs are erected at the boundaries of the designated area.

Increase project cap for project delivery method pilot. Legislation enacted in 2018 authorized the Department of Transportation to establish a pilot project to award contracts for transportation projects meeting certain criteria utilizing a construction manager-general contractor delivery method. After amendments to expand the pilot in 2022 and 2024, the Department is authorized to award contracts for up to ten transportation projects with a project cost limit of \$750 million.

Section 18 would increase the number of projects allowed under this pilot from ten to fifteen projects.

Update definition and regulate electric assisted bicycles. Current law provides a definition for electric assisted bicycle, which differs from the federal definition. Electric assisted bicycles are included in the definition of vehicles that may be operated on the highway, subject to applicable traffic laws. They are not required to be registered, and operators do not have to be licensed. Some electric bicycles, capable of faster speeds, may be included under the federal definition but would fall under other vehicle category definitions under State law, creating confusion about which requirements apply. State law largely does not address the operation of electric assisted bicycles and does not specifically address local government regulation.

Section 19 would:

- Amend the definition of electric assisted bicycle to align with the federal definition, delineating 3 classes based on when the motor assists the rider and the speed at which the motor ceases to assist.
- Authorize the operation of electric assisted bicycles on roadways and bicycle lanes Statewide, except as regulated by cities under their general authority to regulate traffic on city streets and by the Department of Natural and Cultural Resources on properties within its jurisdiction.
- Authorize the operation of electric assisted bicycles on multiuse paths Statewide, except as otherwise regulated by local governments and by the Department of Natural and Cultural Resources on properties within its jurisdiction.
- Require helmets for operators and passengers under age 18 on Class 3 electric assisted bicycles Statewide.
- Authorize local governments to regulate the use of electric assisted bicycles within their jurisdictions on multiuse paths and sidewalks.

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- Authorize local governments to require helmets for operators and passengers under age 18 on Class 1 and Class 2 electric assisted bicycles.

This section would become effective December 1, 2026, and would apply to offenses committed on or after that date.

Personal delivery device amendments. Personal delivery devices are electrically powered, autonomous devices designed to travel at moderate speeds on sidewalks and along roadsides to deliver small shipments to customers at their homes and businesses. Legislation enacted in 2020 authorizes the operation of personal delivery devices by businesses in pedestrian areas and on portions of highways in North Carolina. A device is required to operate as a pedestrian, with all rights and duties of a pedestrian, subject to additional statutory requirements and restrictions. Operating a device in violation of those requirements and restrictions is an infraction.

Section 20 would amend provisions applicable to personal delivery devices by:

- Increasing their allowable size from 40 to 55 inches long and from 30 to 36 inches wide.
- Allowing their use on highways (currently only allowed as necessary to cross or when a sidewalk is not accessible.)
- Allowing their use on highways with speed limits up to 55 mph (currently 35mph.)
- Applying rights and duties of a pedestrian in pedestrian areas and the operator of a bicycle in other areas (e.g. highways, bicycle lanes, shoulders, parking lots.)

This section would become effective December 1, 2026, and would apply to offenses on or after that date.

Expand county authority to levy special assessments for street improvements. Counties are currently authorized to finance improvements to subdivision and residential streets in the county but outside of a city and then levy special assessments against the benefited property to recoup the costs. The streets must either be part of the State highway system or streets that are being improved to bring them up to standards to be added to the State highway system. Before a county can finance street improvements, it must first receive a petition signed by at least 75% of the owners of property to be assessed, who represent at least 75% of the lineal feet of frontage of the lands abutting the street or portion of the street to be improved. The project is required to be approved by the Department of Transportation before an assessment can be made.

Section 21 would authorize counties to levy special assessments to finance the cost of improvements to streets other than residential and subdivision streets, under the same conditions and subject to the procedures currently applicable to subdivision and residential streets. This financing method would be authorized for all State-maintained secondary streets and for streets that may be added to the State system as a result of improvements if they are subdivision or residential or industrial access or commercial complex streets located in a census designated place boundary.

Privatize tourist-oriented directional signs program. Article 15 of Chapter 136 establishes the Department of Transportation's tourist-oriented directional signs (TODS) program, which provides for placement of highway guide signs that display the business identification of and directional information for tourist-oriented businesses and facilities. The Department currently administers the program, and the Board of Transportation sets the fees to cover the costs of signs and the costs of administering the program.

Section 22 would direct the Department to contract with a private vendor to administer the TODS program and implement market-based fees for signs in the same manner as was done for the logo sign program.

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Additional insurance requirements for taxis operating at international airports. Taxis are generally licensed and regulated by local authorities in the jurisdictions in which they operate. However, G.S. 20-280 prohibits any business from operating taxis unless it files proof of financial responsibility with the local government in which it operates at limits set by statute. Applicable limits for liability insurance are \$100,000 for injury or death to one person, \$300,000 for injury or death to two or more persons, and \$50,000 for destruction of property. Local authorities may provide for additional requirements.

Section 23 would provide for the following additional insurance requirements for taxis permitted to operate at international airports:

- Liability insurance in the amount of \$1 million per occurrence.
- Proof of financial responsibility provided to the airport at which the taxi business is permitted.
- Airport must be designated on the policy for purposes of receiving notices concerning the policy.

This section would become effective July 1, 2027.

Traffic impact analysis scope criteria. G.S. 136-93.1A provides processes and time frames for traffic impact analyses. It directs the Department of Transportation to develop and use criteria for determining the scope and completeness of a traffic impact analysis and whether to accept or reject it.

Section 24 would require the Department's criteria for scope of a traffic impact analysis to include use of a population growth factor equal to or greater than the average of the highest three of the previous five years in the county in which a development is located.

This section would become effective October 1, 2026.

Reimbursement for electric membership corporation utility relocation. Pursuant to current law, rule, and Department of Transportation policy, when the Department of Transportation requires a utility to relocate, the general rule is that the utility must cover the cost when the utility is located in Department right-of-way, but the Department will cover the cost if the utility is located outside of Department right-of-way and the utility can evidence a compensable interest. However, in cases where the utility is outside of Department right-of-way but cannot provide documentation of a valid easement or other compensable interest, the utility is responsible for relocation costs.

Section 25 would require the Department to reimburse an electric membership corporation for relocation costs when the equipment or facilities to be relocated are located outside of an existing Department right-of-way without requiring documentation to prove a valid easement or property right.

Form of performance guarantee flexibility for applicant. Under current law, before granting a permit for a driveway or other highway encroachment, the Department of Transportation may require the applicant to file a bond, payable to the State, in an amount deemed sufficient by the Department.

Section 26 would allow the applicant to provide another form of performance guarantee, including an irrevocable letter of credit or other instrument that provides equivalent security to a surety bond or irrevocable letter of credit.

This section would be effective when it becomes law and would apply to permit applications filed on or after that date.

Prohibit planting of invasive species. G.S. 136-18(9) and G.S. 143B-135.59 require use of native seeds and plants for planting in highway right-of-way and on lands in State parks, respectively.

Section 27 would amend those statutes to prohibit the planting of invasive species in highway right-of-way and on lands in State parks.

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This section would become effective October 1, 2026.

Amend rules for truck driver training schools. The Division of Motor Vehicles licenses and regulates commercial truck driver training schools pursuant to rules it has adopted in Subpart J of Title 19A of the North Carolina Administrative Code. 19A NCAC 03J.0605 provides for cancellation and refund procedures for students contracting for enrollment in driver training courses. The rule provides that a student may get a 100% refund if cancelling within a 5-day cooling off period after entering the contract. Thereafter, the student would be refunded the pro rata portion of the contract price, minus a \$150 registration fee, based on the number of hours the student attended.

Section 28 would require the Division of Motor Vehicles to amend its rules on enrollment contract refunds to provide for a 100% refund if the student withdraws at any time before the first instruction hour, a 75 % refund, minus nonrefundable fees, after receiving 10% of the scheduled instruction hours, and no refund thereafter. For purposes of determining the number of hours received, home study or digital course materials would be counted but would not preclude a 100% refund if the student withdraws within 5 days of having access to the materials and before in-person instruction begins.

19A NCAC 03J.0306 sets out requirements for the course of instruction offered by commercial truck driver training schools. The course required for all prospective commercial drivers license applicants is 160 hours of instruction to be completed in no less than four calendar weeks.

Section 29 would require the Division of Motor Vehicles to amend its rules to provide for an additional course of instruction for prospective Class B commercial drivers license applicants. The course would be an 80-hour course to be completed in a two-week period and would be required to cover all topics mandated by federal law.

Sections 28 and 29 would be effective when they become law and would expire on the date the required rules become effective. The Division would be required to amend the rules within 180 days of the effective date.

Authorize new special registration plates. North Carolina offers a number of special registration plates. Upon application and payment of the required registration fees, a person can obtain from the Division of Motor Vehicles a special registration plate for a motor vehicle registered in that person's name if the person qualifies for the plate. The issuance of most authorized plates is contingent upon the receipt by the Division of at least 300 applications for a standard background plate. The fee for a special registration plate is \$10 in addition to the regular registration fee. Some plates have an additional fee that is transferred to a designated beneficiary. In 2014, the General Assembly enacted legislation creating a statutory development process for special registration plates, which requires the organization desiring the plate to submit the required number of paid applications to the Division before legislation is introduced to authorize the plate.

Section 30 would amend the existing authorization for collegiate insignia special registration plates to include community colleges. The additional \$15 fee for an in-state collegiate insignia plate for a community college would be transferred to the State Board of Community Colleges to be used for academic enhancement.

Section 31 would authorize a new America's Semiquincentennial special registration plate, which would bear the phrase "America 250" and include imagery commemorating the semiquincentennial. This plate would be exempted from the statutory plate development process, but the Division would have to receive at least 300 applications before the plate could be developed.

Section 32 would authorize a new Guy Harvey Foundation special registration plate, which would bear the phrase "Protect Our Oceans." The plate would have an additional \$20 fee that would be transferred

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equally to the University of North Carolina Wilmington, North Carolina State University, the University of North Carolina, and East Carolina University, to be used to support their marine biology programs. This plate would be exempted from the statutory plate development process, but the Division would have to receive at least 300 applications before the plate could be developed.

Sections 31 and 32 would be effective when they become law, but the Division would not be required to issue an authorized plate earlier than 180 days after it receives the required number of paid applications and the artwork for the plate is approved.

EFFECTIVE DATE: Except where specified otherwise above, the act would be effective when it becomes law.