



# HOUSE BILL 948: The P.A.V.E. Act.

2025-2026 General Assembly

Committee:  
Introduced by:  
Analysis of: S.L. 2025-39

Date: August 27, 2025  
Prepared by: Howard Marsilio  
Staff Attorney

## OVERVIEW: S.L. 2025-39:

- *Amends laws that relate to Mecklenburg County sales tax for public transportation.*
- *Amends laws that relate to Mecklenburg County U-Drive-It Tax.*
- *Authorizes Mecklenburg County to levy an additional sales and use tax, and outlines use criteria, for roadway systems and public transportation systems.*
- *Authorizes the creation of a Metropolitan Public Transportation Authority, in areas meeting certain criteria.*
- *Imposes additional requirements for establishment of a Metropolitan Public Transportation Authority by Mecklenburg County.*
- *Authorizes the utilization of sales and use tax and other taxes received by a municipality in connection with revenue bond projects, and to finance and refinance public transportation facilities with bonds or notes, in cities meeting certain criteria or metropolitan public transportation authorities.*
- *Specifies that the intent of a tax authorized by this act should not be construed to affect transportation funding allocations for any municipality within Mecklenburg County or Mecklenburg County and prohibits NCDOT revisions to highway project selection ratings as provided in North Carolina Strategic Transportation Investments law based on local funding participation by the City of Charlotte, the Town of Cornelius, the Town of Davidson, the Town of Huntersville, the Town of Matthews, the Town of Mint Hill, or the Town of Pineville.*
- *Authorizes the State Auditor to conduct audits of a local government or metropolitan public transportation authority in its utilization of net proceeds.*
- *Makes various conforming changes.*

## CURRENT LAW/BILL ANALYSIS:

**Part II:** Article 43 of Chapter 105 outlines the laws that relate to local government sales and use taxes for the purposes of public transportation funding, which include definitions, adoption procedures, distribution requirements, etc.

This Part would: (i) amend the definition of public transportation system for the purposes of that article and include metropolitan public transportation authorities (as authorized by this act); (ii) limit the ability of Mecklenburg county to repeal a tax while bonds or negotiable instruments supported by the tax remain outstanding, and authorize a municipality or a transportation authority to refinance debt; and (iii) amend

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distribution of tax proceeds based on the establishment of a transportation authority (as authorized by this act) within a county.

**Part III:** Under current law, municipalities and counties may levy a tax on the short-term rental of motor vehicles, *and Mecklenburg County has been given specific authority to levy an additional tax on rental vehicles, usually referred to as the U-drive-it tax, of up to 5%, the proceeds of which must be given to the largest city in the County operating a public transportation system.*

This Part would amend this to shift the distribution of these tax proceeds (for public transportation purposes) from the largest city within Mecklenburg County to the Metropolitan Public Transportation Authority when the new sales tax becomes effective.

**Part IV:** This Part would enact the Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax Act to authorize an additional sales and use tax by Mecklenburg County to generate revenue to finance roadway systems and public transportation systems, and includes definitions, referendum requirements, administration and distribution use requirements (40% roadway/60% Authority), repeal procedures, and a study requirement if a referendum held pursuant to the part fails. This Part also includes a maintenance of effort (MOE) requirement for the City of Charlotte and the six Mecklenburg towns with respect to roads funding. The MOE would apply to local funds that are not derived from the proceeds of indebtedness issued by or received by the municipality. The MOE amount for each municipality would be calculated at the time the tax becomes effective and would be equal to the average amount spent by the municipality from these funds for these purposes over the 10-year period beginning with the 2014-15 fiscal year and ending with the 2023-24 fiscal year.

**Part V:** This Part would authorize the establishment of Metropolitan Public Transportation Authorities in area of the State that meets certain criteria, which would have jurisdiction over certain public transportation, which may have service areas extending outside of the county with agreements from other local governments.

**Part VI:** This part imposes additional requirements for a Metropolitan Public Transportation Authority established by Mecklenburg County, if Mecklenburg County establishes a Metropolitan Public Transportation Authority.

**Part VII:** This Part would clarify that a municipality may use the proceeds of this new tax to support revenue bonds in cities meeting certain criteria or Metropolitan Public Transportation Authorities.

**Part VIII:** This Part would make various conforming changes to include Metropolitan Public Transportation Authorities in various statutes to provide them with similar powers to other public transportation authorities under current laws.

**Part IX:** This Part prohibits the North Carolina Department of Transportation from:

- Reducing funding for any transportation projects as a result of this act without authorization from the General Assembly.
- Revising highway project selection ratings as provided in North Carolina Strategic Transportation Investments law based on local funding participation by the City of Charlotte, the Town of Cornelius, the Town of Davidson, the Town of Huntersville, the Town of Matthews, the Town of Mint Hill, or the Town of Pineville.

This Part also authorizes the State Auditor to conduct audits of a local government or Metropolitan Public Transportation Authority in its utilization of net proceeds distributed by the Secretary of Revenue pursuant to the Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax Act to the extent that a local government or Metropolitan Public Transportation Authority uses those net proceeds

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for local funding shares or local funding contributions for any individual projects which are subject to prioritization pursuant to North Carolina Strategic Transportation Investments law.

**EFFECTIVE DATE:** Modifications to distribution of tax proceeds and U-Drive-It taxes become effective if Mecklenburg County levies a roadway systems and public transportation systems sales tax as authorized by this act on the date the tax becomes effective. The remainder of this act became effective July 1, 2025.

*Trina Griffin, Staff Attorney, substantially contributed to this summary.*