

July 1997

TRANSPORTATION FUNDING STUDY - BACKGROUND MEMORANDUM

Senate Concurrent Resolution No. 4019 (attached as an appendix) directs the Legislative Council to study the adequacy of transportation funding in North Dakota. Reasons cited for the study include the recent reduction of federal funds for state highway programs; increased vehicle and truck traffic on North Dakota highways which has resulted in additional demands on the North Dakota transportation system; and existing funding mechanisms were established many years ago and have not kept pace with inflation, increases in usage, and increased costs of maintaining a transportation infrastructure.

PREVIOUS STUDIES 1985-86 Interim

The 1985-86 interim Transportation Committee, pursuant to House Concurrent Resolution No. 3069, studied the transportation system of the state and the ability of the system to provide for the efficient transportation of people, services, and goods.

The study reviewed the highway system, the air system, and the railroad system in North Dakota. Committee recommendations relating to the highway system include:

1. Allow local jurisdictions to designate minimum maintenance roads and then be immune from liability for failure to maintain the roads to a higher standard.
2. Allow boards of county commissioners to change the listing of priorities in roads in older county farm-to-market road programs and remove the requirement of existence of federal funding for the program.

3. Require notice to be given to the Highway Department of proposed construction of a building that would attract a high number of heavy vehicles.

All three recommendations were approved by the 1987 Legislative Assembly.

1997 LEGISLATION

Senate Bill No. 2012, approved by the 1997 Legislative Assembly, provides the appropriation for the Department of Transportation. The bill also includes sections that:

1. Provide for the deposit of \$282,200 of motor vehicle excess tax revenue in the highway fund rather than the general fund. This funding is intended to reimburse the department for expenses incurred in the collection of motor vehicle excise taxes.
2. Authorize the director to cooperate with other states to establish, maintain, and operate a multistate infrastructure bank for highway project funding. The director may transfer up to 10 percent of eligible federal highway construction funds and the required state match to the bank and the funding may be used as determined by the members of the multistate infrastructure bank as authorized by law.
3. Establish minimum special permit fees for oversize and overweight vehicles in statute. The fees are currently set by administrative rule. The schedule below presents the current fee set by the department and the minimum fees established in statute.

Type of Permit	Current Fee Set by Department	Minimum Fee Established in Statute
Seasonal permit	\$25 per month	\$50 per month
Non-self-issuing interstate permit	\$5 per trip	\$10 per trip
Special mobile equipment fee	\$15 per trip	\$25 per trip
Engineering fee	\$15 per trip	\$25 per trip
Permit filing fee	\$5 per trip	\$5 per trip
Single trip permit	\$10 per trip	\$20 per trip

4. Discontinue, on July 1, 1997, the deposit of interest earned on the highway fund into the special road fund. The earnings will be retained in the highway fund and be available for all highway purposes. This change will result in an additional \$2.2 million of estimated revenue to the highway fund for the

1997-99 biennium. Moneys in the special road fund are designated for the construction and maintenance of access roads to and roads within recreational, tourist, and historic areas as designated by the Department of Transportation director with the advice of the Special Road Advisory Committee. The special road

fund and the Special Road Advisory Committee will continue, until June 30, 1999, to distribute any moneys remaining in the fund on June 30, 1997, estimated at \$1 million. Any moneys remaining in the fund on June 30, 1999, will be transferred to the highway fund.

House Bill No. 1163 continues the current motor vehicle and special fuels tax rate of 20 cents per gallon through December 31, 1999. Under current law, the tax would have decreased to 17 cents per gallon on January 1, 1998. If the Legislative Assembly would not have approved House Bill No. 1163, an estimated \$13.3 million of highway fund revenue would not have been projected to be collected during the 1997-99 biennium nor would cities and counties receive an estimated \$7.9 million of highway revenue during the 1997-99 biennium.

A one-cent motor vehicle and special fuels tax increase is estimated to generate \$8.6 million per biennium, \$5.4 million of which is deposited in the highway fund and \$3.2 million of which is distributed to counties and cities.

FUNDING SOURCES FOR HIGHWAY PURPOSES

Sources of funds for highway purposes come from a number of vehicle and road-related funding sources. The major sources of funds are derived from motor

vehicle fuel taxes and motor vehicle registration fees. These funds are deposited in the highway tax distribution fund and distributed in the following proportions to the state, counties, and cities:

State	63 percent
Counties	23 percent
Cities	14 percent
Total	100 percent

The following chart illustrates the sources, transfers, and uses of state funds relating to highway purposes for the 1997-99 biennium.

FEDERAL HIGHWAY FUNDS

Estimates of federal funds available for highway purposes during the 1997-99 biennium total \$234 million, \$19 million less than the \$253 million estimated to be received for the 1995-97 biennium. The schedule below presents the various federal funding sources available to the Department of Transportation for the 1997-99 biennium and the amounts received in fiscal years 1995 and 1996.

Federal Funds	Amounts Shown in Millions		
	Estimated 1997-99	Fiscal Year 1996	Fiscal Year 1995
Highway planning and construction	\$222.6	\$122.3	\$131.2
Local rail freight assistance	5.6	0.2	0.5
Federal transit technical studies grants	0.5		
Federal transit capital and operating assistance formula grants	1.2	0.7	0.8
Public transportation for nonurbanized areas	3.8	0.6	0.4
State and community highway safety	0.5	1.3	1.3
Total	\$234.2	\$125.1	\$134.2

USES OF FUNDS

The 1997 Legislative Assembly appropriated \$465.6 million to the Department of Transportation for the 1997-99 biennium. The appropriation provides for the following programs of the department:

	Amount	Percentage
Administration	\$22.4 million	4.8%
Motor vehicle	6.6 million	1.4%
Drivers license	9.0 million	1.9%
Highways	396.9 million	85.3%
Fleet services	30.7 million	6.6%
Total	\$465.6 million	100.0%

Detail by object-code line item includes:

	Amount	Percentage
Salaries and wages (1,042 FTE positions)	\$83.0 million	17.8%
Operating expenses	77.7 million	16.7%
Equipment	21.6 million	4.6%
Capital improvements	257.8 million	55.4%
Grants	25.5 million	5.5%
Total	\$465.6 million	100.0%

Sources of funds for the appropriation are:

	Amount	Percentage
Highway fund	\$199.2 million	42.8%
Federal funds	234.2 million	50.3%
Public transportation fund	1.5 million	0.3%
Fleet services fund	30.7 million	6.6%
Total	\$465.6 million	100.0%

Funding in the capital improvements line item provides for the following:

Highway construction and related projects	\$250,833,531
District salt buildings	250,000
District section buildings	460,000
Beach scale house improvements	250,000
Extraordinary repairs	6,010,306
Total	\$257,803,837
Less federal funds	191,568,025
Total	\$66,235,812

PROPOSED STUDY PLAN

The committee may wish to proceed with this study as follows:

1. Receive testimony from representatives of the Department of Transportation regarding transportation funding and programs.
2. Receive information from the Department of Transportation, cities, and counties regarding present and future transportation infrastructure needs and projected funding requirements to meet these needs.
3. Receive information from the Department of Transportation, cities, and counties regarding projected funding available for future transportation infrastructure needs.
4. Review surrounding states' methods of financing highway-related programs.
5. Consider alternative funding methods for financing North Dakota's transportation infrastructure.
6. Develop recommendations and prepare legislation necessary to implement the recommendations.
7. Prepare the committee's final report for submission to the Legislative Council.

ATTACH:1