

Mr. Chairman, and members of the committee. I am Ron Henke, Director of the North Dakota Department of Transportation (DOT). I'm here to introduce and testify in support of Senate Bill 2113.

Historically, funding for transportation in North Dakota has been provided by fuel tax revenues and motor vehicle registration fees allocated to the State Highway Fund from the Highway Tax Distribution Fund. This state funding is constitutionally protected and must be used on the state highway system for construction, operation, and administration costs. These funds are also used to match federal funds given to the Department. As fuel tax revenues have been steadily decreasing, the DOT has prioritized construction over operations, allocating more and more state funding to construction and less funds to operational needs. This has resulted in a decrease in funding available to support staffing, facilities, and other operational expenditures. The inflexibility and decreasing availability of state funding is beginning to impact the DOT's ability to meet the transportation needs of North Dakotans.

In recent years the concept of transportation and an interconnected transportation system has been evolving at the state, city, and local levels. The DOT is facing increased demands at the state level to respond to unanticipated local government needs, economic development opportunities, and federal grant availability. The DOT currently has over \$2 billion in unfunded project requests from local governments and others. The Infrastructure Investment and Jobs Act (IIJA) recently passed by Congress included a historic amount of funding for transportation including the largest ever federal investment for public transit, rail, bridges, and roads. This included increases in both federal formula funding and federal discretionary funding. Transportation funding in North Dakota must evolve to meet these changing needs with an increased focus on creating a robust state funded transportation program.

Senate Bill 2113 establishes a new, more flexible transportation fund to complement the State Highway Fund. This new Flexible Transportation Fund will:

- Improve transportation infrastructure on and off the state highway system.
- Provide match for federal funds.
- Provide for support costs including staffing, facilities, and operational expenditures.
- Provide sustainable flexibility to augment traditional funding and deliver projects of significance in a timely manner.

The Flexible Transportation Fund increases the flexibility and availability of state funding for transportation in North Dakota which supports the building and repairing of a statewide interconnected infrastructure system for all users, on and off the state highway system.

At this time, I would also like to request the Committees' consideration of a minor change to Senate Bill 2113. This minor change ensures that federal, state, and private funding can be deposited into the Flexible Transportation Fund. Revised bill language has been included along with this testimony.

This concludes my testimony. Thank You.

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Sixty-eighth  
Legislative Assembly  
of North Dakota

SENATE BILL NO. 2113

Introduced by

Transportation Committee

(At the request of the Department of Transportation)

1 A BILL for an Act to create and enact section 24-02-37.3 of the North Dakota Century  
Code,  
2 relating to the creation of a flexible transportation fund.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1.** Section 24-02-37.3 of the North Dakota Century Code is created and  
enacted

5 as follows:

6 **24-02-37.3 Flexible transportation fund**

7 There is created in the state treasury the flexible transportation fund. The fund  
consists of

8 eligible federal **or state** funding and any contributed private funds.

9 1. The flexible transportation fund must be administered and expended by the  
director of the department of transportation

10 and may be used for the following:

11 a. Providing match for federal funding obtained by the North Dakota department  
of  
12 transportation.

13 b. State funded road and bridge construction and maintenance, and  
transportation

14 support costs including staffing, facilities, and operational expenditures on the  
15 state highway system.

16                    c. State funded road and bridge construction and maintenance activities within  
17                    the  
18                    state of North Dakota but off of the state highway system. The director shall  
19                    establish the terms  
20                    and provisions of the program.  
21                    2. All money derived from the investment of the flexible transportation fund or any  
22                    portion  
                      of the fund, must be credited to the flexible transportation fund. The director shall  
                      monthly transmit all moneys collected and received under this chapter to the state  
                      treasurer to be transferred and credited to the flexible transportation fund.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2113

Page 1, line 8, after "federal" insert "or state"

Renumber accordingly.