

1999 HOUSE FINANCE AND TAXATION
HB 1130

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1130

House Finance and Taxation Committee

Conference Committee

Hearing Date January 13, 1999

Tape Number	Side A	Side B	Meter #
1	x		0.4 - 17
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

MARSHALL MOORE, DIRECTOR OF THE NORTH DAKOTA DEPARTMENT OF TRANSPORTATION, Testified in support of the bill. See attached written testimony.

REP. BELTER Asked in relation to the federal money which we have to match, how much money are we looking at?

MARSHALL MOORE In total, in appropriations, we short twenty two million to make the match.

REP. BELTER What is one cent?

MARSHALL MOORE One cent brings in about five million dollars of which the D.O.T. gets three million, cities get seven hundred thousand and the counties and townships get about seven hundred thousand per year.

REP. MICKELSON What is the total amount we need to trigger that money from D.C.?

MARSHALL MOORE I can get you those figures, I don't have them with me. We are basing our estimate on what the federal dollars are based on, in the area of between one hundred fifty to one hundred sixty million.

REP. GRANDE Are the federal monies expended over a five year period?

MARSHALL MOORE The bill that was passed was for the funding years of 1998 - 2003, it was a six year bill. What we are doing here is showing the match we would need in our appropriation for this biennium, without any changes.

REP. WARNER Will the transition with the highway patrol be completed by the next biennium

MARSHALL MOORE We don't have a definitive plan in place as to how we will do that. It is about twenty three million per biennium.

REP. RENNERFELDT Will we still need a three cent gas tax in addition to the match for the next six years?

MARSHALL MOORE It would be somewhere between, if you didn't do anything with the streets and didn't do anything with the highway patrol, it would be somewhere three to four cents. To bring in gas tax above twenty cents, that gas tax won't get in for the full biennium, unless there is an emergency clause. The normal bill would go into effect August 1, we wouldn't have a full two years of any gas tax.

REP. FROELICH Has this three cent gas tax been factored in the last three weeks with the gas bill with the tribe?

MARSHALL MOORE No, we didn't have that agreement at the time we calculated our revenues for the next biennium. That will affect our revenues, as we understand it, about \$400,000.

REP. FROELICH My understanding is that the governor could sign more agreements with other tribes which could impact what we are talking about.

MARSHALL MOORE That could be true, if it happened on the reservations, that we weren't collecting some revenue off the fuel sold on the reservations.

REP. FROELICH Is there anything in place in the governor's plan, where the tribes can work with the state on certain projects?

MARSHALL MOORE As I understand it, the agreement is that the tribe intends to use it on their roads, but it wouldn't be on the same roads that we use ours on.

REP. SCHMIDT In the executive budget, is that three cents per gallon budgeted in?

MARSHALL MOORE This three cents we are talking about now is budgeted in. We are asking for about ten million from the general fund to be moved to the highway patrol and we are asking for a change in the motor vehicle license fee.

REP. SCHMIDT If this bill doesn't pass, would the fiscal note then show a minus?

MARSHALL MOORE If this bill doesn't pass, it means we will be about fifteen million dollars less of being able to provide maintenance to our systems.

REP. KROEBER What criteria did you use when you decided you wanted to fund the highway patrol out of the general fund?

MARSHALL MOORE In the last decade of funding the highway patrol, it has about doubled in the last decade. All those dollars come out of our share of the highway fund. Each time we come back, we have to ask for more dollars.

JACK KAVANEY, STATE CHAIRMAN FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESSES, Testified in support of the bill. See attached special poll relating to additional highway funds, regarding the three cent gas tax, increase to motor vehicle registration fees, and shifting 40 percent of highway patrol costs from the highway trust fund to the state's general fund.

REP. WINRICH Asked how many members belong to this federation.

JACK KAVANEY He said the membership fluctuates between 2600 - 3200.

REP. WINRICH Did you poll all of your membership?

JACK KAVANEY Stated this was mailed to the whole membership.

CONNIE SPRYNCZYNATYK, NORTH DAKOTA LEAQUE OF CITIES, Testified in support of the bill. See attached written testimony.

DENNIS JOHNSON, NORTH DAKOTA FARMERS UNION, Testified in support of the bill. He stated in previous sessions they have gone with the sunset clause, but this is a tax that is here to stay and this is where we are going to put our support to the highway fund. As far as the farming industry is concerned, roads are very important.

With no further testimony, the hearing was closed.

COMMITTEE ACTION Tape #2, Side A, Meter #37.4

REP. SCHMIDT Made a motion for a DO PASS.

REP. FROELICH Second the motion. MOTION CARRIED.

15 Yes 0 No 0 Absent

REP. HERBEL Was given the floor assignment.

FISCAL NOTE

Return original and 14 copies)

Bill/Resolution No.: HB 1130

Amendment to: _____

Requested by Legislative Council

Date of Request: 12/29/98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: The passage of this bill would remove the 12/31/99 sunset on three (3) cents of motor fuel tax. Removing this sunset would provide for the continuation of approximately \$14.8 million of revenue for the state in the 1999-2001 biennium.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$14,789,409		\$21,829,838
Expenditures						

3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: _____

4. County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$5,399,308	\$3,286,535		\$7,969,624	\$4,851,075	

If additional space is needed
attach a supplemental sheet.

Signed: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 12, 1999

Phone Number: 328-3402

Please type or use black pen to complete

Date 1-13-99

Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1130

House HOUSE FINANCE & TAX Committee

Subcommittee on _____

Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Schmidt Seconded By Rep. Froelich

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH	✓	
RENNERFELDT	✓				
CLARK	✓				
FROELICH	✓				
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER	✓				
MICKELSON	✓				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT	✓				
WARNER	✓				
WIKENHEISER	✓				

Total 15 0
(Yes) (No)

Absent 0

Floor Assignment Rep Herbel

If the vote is on an amendment, briefly indicate intent:

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)
January 14, 1999 9:14 a.m.

Module No: HR-08-0591
Carrier: Herbel
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1130: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1130 was placed on the Eleventh order on the calendar.

1999 SENATE FINANCE AND TAXATION

HB 1130

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1130

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2-10-99

Tape Number	Side A	Side B	Meter #
HB 1130	X		4255 - END
		X	0-640
Committee Clerk Signature <i>Shirley Wald</i>			

Minutes:

Sen Urlacher opened the hearing on bill 1130, A BILL RELATING TO THE TAX IMPOSED ON MOTOR VEHICLE FUELS AND SPECIAL FUELS.

Marshall Moore - Dept. of Transportation. Submitted testimony and it is attached.

He submitted amendments.

Sen Christmann - Would we continue what we have but take out the sunset language?

Marshall Moore -Correct.

Sen Urlacher - Comm. recognize the fiscal note.

Sen Wardner - How much revenue does 1 cent fuel tax generate

Marshall Moore - 1 cent generates over 5 million a year. 63% to DOT and 37% goes to city and counties. It cuts the license fee ½ and that would raise about additional 7 million for biennium. If by July 1st this year.

Sen Wardner - Schedule of roads?

Marshall Moore - 200 miles a year. Before new legislation, we think will move that to 300 miles a year. Depending on the work being done.

Sen Wardner - The Devils Lake area, what are the expenditures?

Marshall Moore - We do have to watch and see what the forecast is and we hope that this year we won't have serious expenditures up there. We have things left to finish.

Sen Kroeplin - Where do the county maintenance roads fall in?

Marshall Moore - The minimum maintenance are county or township roads, and that doesn't affect. Some roads we do put road restrictions on and that causes problems in cost.

Bill Butcher - Urge support on this bill. State Director of National Federation of Independent Business.

Curt Peterson - Association of General Contractors. In favor of bill.

Connie Sprynczynatyk - Testimony submitted and attached.

Dennis Johnson - Farmers Union - In support of the bill.

Page 3
Senate Finance and Taxation Committee
Bill/Resolution Number Hb 1130
Hearing Date 2-10-99

Sen Christmann- I believe we should hold and see where HB 1183 is going.

Sen Uarlacher closed the hearing on HB 1130.

DISCUSSION 3-10-99 A MOTION MADE TO DO PASS BY SEN WARDNER AND
SECONDED BY SEN KINNOIN VOTE 7-0-0. CARRIER WILL BE SEN WARDNER.

Date: 3/10/99
Roll Call Vote #: ①

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~HR~~ HB 1130

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Wardner Seconded By Sen. Kinnoin

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 10, 1999 11:22 a.m.

Module No: SR-43-4437
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1130: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1130 was placed on the Fourteenth order on the calendar.

**1999 TESTIMONY
HB 1130**

HOUSE FINANCE TRANSPORTATION COMMITTEE
January 13, 1999

North Dakota Department of Transportation
Marshall W. Moore, Director

HB 1130

House Bill 1130 amends and reenacts Sections 57-43.1-02 and 57-43.2-02 of the North Dakota Century Code.

Section 1 of the bill amends and reenacts Section 57-43.1-02 of the 1997 supplement to the Century Code, which sets the motor fuel tax at 20¢.

Section two of the bill amends and reenacts Section 57-43.2-02 of the 1997 supplement to the Century Code, which sets the special fuel tax at 20¢.

The legislation removes the "sunset" language, which would have allowed the tax on motor fuels and special fuels to return to 17¢ on December 31, 1999. The revenues that will be generated by making these taxes permanent are needed, along with other revenue enhancements outlined in the Governor's budget message, to balance the NDDOT budget.



SUBMITTED BY: JACK KAVANEY
NFIB-ND. LEADERSHIP CHAIRMAN
1/13/99-HB 1130

TO: NFIB/North Dakota Members
RE: North Dakota Special Ballot
DATE: January 5, 1999

The following special state ballot covers emerging issues that were not contained on the earlier State Ballot. These issues are scheduled for introduction in the 1999 session of the North Dakota legislature.

Please take a moment to vote your preference and return the completed ballot to NFIB/North Dakota, 311 East Thayer Avenue, Suite 119, Bismarck, ND 58501 or fax it to 701-224-1097. Thank you for your quick response.

HIGHWAY FUNDS

1. Should any of the following actions be taken in order for North Dakota to receive additional federal highway funds? (*Circle your answer.*)

Make the temporary three-cent gas tax permanent.

60% Yes No 33% Undecided 6%

Increase motor vehicle registration fees.

59 Yes No 32 Undecided 9

Shift 40 percent of Highway Patrol costs from the Highway Trust Fund to the state's General Fund.

66 Yes No 14 Undecided 21

Background: North Dakota can receive, on average, an additional \$43 million a year for the next five years if it can raise \$11 million a year in matching funds. The additional federal money will be used for highway construction and maintenance.

In order to raise the \$11 million, it is proposed that the existing three-cent gas tax be made permanent; a portion of the cost for the Highway Patrol be shifted from gas tax dollars to the state's general fund; motor vehicle registration fees be raised; and the point of taxation on diesel and petroleum sales be revised.

The three-cent tack-on to the state's 20-cent tax on a gallon of gasoline was scheduled to end December 31, 1999.

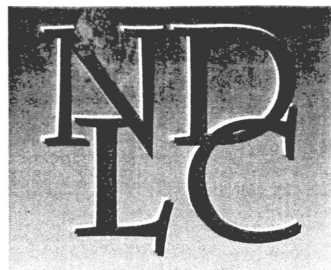
Registration fees for motor vehicles would increase \$15 for passenger cars and \$20 for pickup trucks, with farm and commercial vehicles increasing ten percent. It is estimated that the average increase for farm vehicles would be \$7. The increase for commercial vehicles would be \$33. These changes in registration fees would bring in about \$5 million a year.

Also proposed is the shift of 40 percent of the Highway Patrol cost to the state's general fund. This would free up about \$5 million a year in the Highway Trust Fund.

Changing the point of taxation for diesel and petroleum fuels would generate the remaining dollars needed for the match.

Proponents say that due to the rural nature of North Dakota, its highway system is an economic lifeline that is in disrepair. The extra federal dollars are needed no matter what the cost is in taxes and fees. They contend that 90 percent of the dollars spent on state highways goes into the private sector and every dollar invested in the highway system generates \$1.78 in economic benefits to the state. Proponents point out that the state's gas taxes are in line with those of surrounding states and registration fees are still lower than those in surrounding states.

Opponents argue that the state's highway system is not that bad. There are sufficient funds in the Highway Trust Fund for highway construction and maintenance, especially if 40 percent of the State Patrol costs are shifted to where they should be: the general fund. The proposed increase in registration fees will hurt many small businesses in the state, especially those that have a fleet of vehicles.



North Dakota League of Cities

House Bill 1130

Finance and Taxation Committee

January 13, 1999

North Dakota League of Cities - Connie Sprynczynatyk, Executive Director

The North Dakota League of Cities appreciates the opportunity to testify in support of this bill to retain the current 20 cents per gallon motor vehicle fuel tax. We believe this fuel tax is essential to provide match for federal dollars that are crucial to maintaining our transportation infrastructure.

Although the state's cities enjoy the minority share (14%) of dollars distributed to local government from the highway distribution fund, this is an important revenue source. In fact, the \$40 per capita payment (statewide average) makes up the largest of any state payment made to cities. Since expenditures for street construction and maintenance are a substantial item in every city budget, this is an important issue among the state's 361 incorporated cities.

To offer an idea of how important this funding is to local government, the League staff surveyed cities over 3,000 population to determine the current funding needs. Cities over 3,000 are Beulah, Bismarck, Devils Lake, Dickinson, Fargo, Grafton, Grand Forks, Jamestown, Mandan, Minot, Valley City, Wahpeton, West Fargo and Williston. These fourteen cities account for one-half of the state's population.

Our survey requested information about the 1998 funds from state/federal and local sources for construction and maintenance (repair, snow removal, etc.). Not surprisingly, the answers document millions of dollars.

Beulah - \$105,000 from local sources.

Bismarck - \$3.6 million from state/federal sources and \$4.2 from local funds.

Devils Lake - \$1.6 million from state/federal funds and \$4.2 million from local sources.

Dickinson - \$865,000 from state/federal sources and \$1million from local funds.

Fargo - \$2.9 million from state/federal funds and \$15.9 million from local sources.

Grafton - \$172,000 from state/federal funds and \$551,430 from local funds.

Grand Forks - Flood recovery efforts make 1998 atypical. In 1997, \$6 million from state/federal funds was allocated for south Washington Street and \$750,000 was spent from local sources.

Jamestown - \$2.2 million from state/federal sources and \$1.2 million from local funds.

Mandan - \$1.8 million from state/federal funds and \$3.8 million from local sources.

Minot - \$131,200 from state/federal funds and \$1.2 million in 1998 from local sources.

Valley City - \$220,000 from state/federal funds and \$1.5 million from local funds.

West Fargo - \$1.7 million in state/federal funds and \$4.2 million in local funds.

Wahpeton - \$615,000 from local sources. Allocation through NDDOT is \$330,000 per year so the city is able to do a project every three years (\$1.2 million project in 1997).

Williston - \$730,000 from state/federal sources and \$497,00 from local funds.

Perhaps more significant is the answer to "What is your best estimate of the annual shortfall in your community?"

Bismarck - \$47 million in needs over the next five years (31 projects). With \$1.5 million from city sales tax and \$0.8 million from DOT annually, the shortfall is growing significantly.

Devils Lake - Estimated \$2 million annual shortfall.

Dickinson - Estimated \$1million annual shortfall.

Fargo - Has \$94 million in projects scheduled in the next five years. An additional \$260 million in needs have been identified, \$50 million of which is considered state/federal responsibility. An additional \$2 million annually would allow the city to begin addressing needs.

Grafton - Estimates the needs are twice the annual funding that is now available.

Grand Forks - \$5 to 6 million per year for the classified street network and the local street system needs \$1 to 2 million more annually.

Jamestown - Estimates a need for \$6 million over the next 3 years for the regional program (state responsibility).

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In the survey responses, several **issues** were identified and common themes were noted:

Replacement of expensive equipment is becoming beyond the reach of many cities.

Special assessments for street improvements are at a maximum, yet there is local inability to keep up with the needs. City sales tax is being used but is also strapped.

Recent flexibility in FTA funds has eased some operation funding concerns; however this may be at the expense of capital improvements.

The current distribution formula for state highway tax, in place for twenty years, does not reflect the subsequent transportation trends. The shift from rural to urban has included intensified traffic concentrations, but the funding does not reflect this major shift.

Financial constraints prevent pavement from being replaced on the typical 20-year cycle. The structural aspects of roadway design should go out to 25 or 30 years, with pavement selection based on life cycle costs.

The state must have sufficient matching dollars in order to receive federal funds. If federal funds must be refused due to lack of matching dollars, cities and the state will fall further behind.

State needs to place priority on truck routes around cities to minimize local wear and tear and address safety issues (e.g., hazardous materials through the middle of town).

State should not require a city to sign a waiver of liability as a condition of federal funding.

When asked about possible **strategies** to address this funding dilemma, the answers were consistent:

Revisit the distribution formula and reflect the rural-to-urban shift in population. (This suggestion was made on every survey.)

Eliminate diversion of highway tax funding and dedicate the total to construction and repair. (This suggestion was mentioned on nearly every survey.)

Institute block grant funding for roads and streets.

Examine closely the practice of placing all maintenance on the local government as a condition of receiving federal funds. Increased maintenance costs to local government without additional funding creates too much burden.

The state needs to replace streets after they reach the end of design life. If state funds are not available for reconstruction and the local government is maintaining the road, the state continues to move the project back on the list of state priorities.

Relaxing the state design standards and allowing more input from local government may help curb the high costs.

Additional funding must be identified before the needs eclipse the available funding.

Raise the state's gas tax to bring in more than just enough to match federal funds.

The state should retain only enough gas tax and vehicle registration revenue to meet federal match requirements; additional funding must be made available to prevent further deterioration of the transportation system. Most urban centers invest significantly greater local funds than state/federal funds in projects.

Stage road construction, with the ultimate section built only when traffic volumes warrant.

Continue NDDOT's restructuring and decentralization of central office decision-making to the district and regional offices. Work with local government to prioritize and redesign the hierarchy of the transportation system in each district.

The state and local governments need to stop agreeing that there are issues and get on with solutions. Neither can afford to wait.

Clearly, these are issues critical to the state and to local government. The League and its member cities will be happy to provide additional information at any time. These are problems that must be solved.

Thank you for the opportunity to comment on this issue.

SENATE FINANCE AND TAXATION COMMITTEE

February 10, 1999

**North Dakota Department of Transportation
Marshall W. Moore, Director**

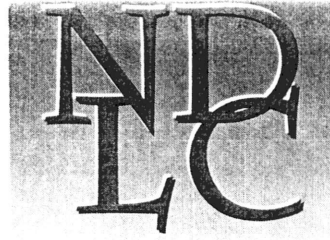
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The state should retain only enough gas tax and vehicle registration revenue to meet federal match requirements; additional funding must be made available to prevent further deterioration of the transportation system. Most urban centers invest significantly greater local funds than state/federal funds in projects.

Stage road construction, with the ultimate section built only when traffic volumes warrant.

Continue NDDOT's restructuring and decentralization of central office decision-making to the district and regional offices. Work with local government to prioritize and redesign the hierarchy of the transportation system in each district.

The state and local governments need to stop agreeing that there are issues and get on with solutions. Neither can afford to wait.

Clearly, these are issues critical to the state and to local government. The League and its member cities will be happy to provide additional information at any time. These are problems that must be solved.

Thank you for the opportunity to comment on this issue.