

FISCAL NOTE
Requested by Legislative Council
02/16/2009

REVISION

Amendment to: Engrossed
 HB 1407

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$64,764,000)	\$84,764,000	(\$64,764,000)	\$64,764,000
Expenditures						
Appropriations			\$20,000,000	\$68,400,000		\$48,400,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$10,700,000	\$6,600,000		\$10,700,000	\$6,600,000	

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill as amended is intended to provide additional funding for transportation statewide and prescribe the distribution of transportation funding.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill creates an Economic Development Transportation Fund, changes the Highway Tax Distribution allocation formula, places some tax and fee revenues previously allocated directly to various entities into the Highway Tax Distribution fund for allocation by way of the formula, places part of the Motor Vehicle Excise Tax into the Highway Tax Distribution fund, and makes a one-time transfer of \$20 million from the General Fund to the Economic Development Transportation Fund.

The significant fiscal impacts are:

SECTION 1 creates an Economic Development Transportation Fund and provides a continuing appropriation.

SECTION 2 increases the Motor Vehicle Registration fees by \$3. Under current law, an additional motor vehicle registration fee of \$3 is assessed and credited to the Public Transportation Fund; section 8 of this bill removes that additional separate fee for public transportation. This revenue will now go into the Highway Tax Distribution Fund instead of the Public Transportation Fund. \$3 of Motor Vehicle Registration fees generates approximately \$4.7 million per biennium.

This section also provides that the \$13 of motor vehicle registrations (\$20 million) previously deposited directly into the State Highway Fund will now go to the Highway Tax Distribution Fund.

SECTION 3 removes the provision from NDCC that forty percent of all sums collected for the registration of farm vehicles be transferred from the highway tax distribution fund to the ethanol production incentive fund (\$3.4 million per biennium). As a result of section 3 of this bill, these funds will be distributed through the Highway Tax Distribution Fund.

SECTION 4 changes the distribution rates for the Highway Tax Distribution Fund (HTDF) and adds the Township

Highway Aid Fund and the Public Transportation Fund as recipients of the Highway Tax Distribution Fund through the new distribution rates.

- Under current law, the State Highway Fund receives 63 percent of HTDF allocations (plus the \$20 million of direct revenues from the \$13 of motor vehicle registration fees), and the counties and cities receive 37 percent (counties 23%, cities 14%). While the Public Transportation Fund and the Township Highway Aid Fund do not receive percentage allocations under current law, they do receive direct revenues of \$4.7 million and \$10.6 million respectively.
- Under the changes proposed in this bill, the State Highway Fund would receive 63.28 percent of HTDF allocations, the counties and cities receive 32.45 percent (counties 20.17%, cities 12.28%), the Township Highway Aid Fund would receive 2.74 percent, and the Public Transportation Fund would receive 1.53 percent.
- It is very important to note that the allocation formula prescribed in Section 4 of the bill closely matches the percentage of funds the recipients realized in the 2007-2009 biennium through the Highway Tax Distribution fund or direct allocations.

SECTION 5 of the bill discontinues a separate allocation of one cent of motor fuel taxes which, under current law is allocated directly to the Township Highway Aid Fund. As a result of section 5, this one cent of fuel tax would be deposited into the Highway Tax Distribution Fund. One cent of motor fuel tax generates approximately \$10.6 million per biennium. Section 5 of the bill will also will allow taxpayers to obtain a refund of that one cent of fuel tax if they otherwise qualify for the tax exemption. The estimated amount of the tax that will be refunded under this provision is \$600,000 per biennium.

SECTION 6 provides for a continuation of the deposit of a portion of the motor vehicle excise taxes into the State Aid Distribution Fund (approximately \$11.3 million) and provides for the remainder of motor vehicle excise tax revenues be credited equally to the State General Fund and the Highway Tax Distribution Fund (approximately \$64.8 million each).

SECTION 7 eliminates the \$3 motor vehicle registration fee that is currently credited directly to the Public Transportation Fund. The revenue lost under this section is replaced by the revenue generated under section 2 of the bill.

SECTION 8 of the bill provides for a one-time appropriation from the State General Fund of \$20 million and provides that these funds be placed into the Economic Development Transportation Fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

This bill will result in a net decrease to the revenues available to the State General Fund and net increases to the revenues available to a number of other funds as well as the cities and counties. These changes are as follows.

GENERAL FUND

The general fund will experience decreased revenues of \$84,764,000 for the 2009-2011 biennium and \$64,764,000 for the 2011-2013 biennium as a result of this bill.

During each of these bienniums, the general fund will forego \$64,763,998 which is fifty percent of the motor vehicle excise tax revenue it currently receives net of the portion credited to the State Aid Distribution Fund (Total MV Excise Tax revenues of \$140,791,300 less State Aid Distribution portion of \$11,263,304 equals \$129,527,996. Fifty percent of that amount is \$64,763,998).

In addition, the general fund will be reduced during the 2009-2011 biennium for the \$20 million transfer provided in Section 8 of the bill.

OTHER FUNDS

This bill results in a net increase of approximately \$84.2 million to other funds, plus approximately \$600,000 of fuel taxes that will be available for refund to taxpayers. The "Other Funds" impact is a composite of the bill's impact on six separate special funds. Following is a discussion of those impacts:

Economic Development Transportation Fund - Section 8 places \$20 million of general funds into this fund.

Ethanol Production Incentive Fund - Section 3 eliminates the \$3.4 million direct allocation to this fund (40 percent of farm truck registrations).

Township Highway Aid Fund - Section 5 eliminates the allocation of 1 cent of fuel tax (\$10.6 million) to this fund. It should be noted that this fund is also impacted by the formula percentage changes in section 4 as well as the other revenue changes prescribed in this bill. While the fund loses the direct allocation of 1 cent of fuel tax (\$10.6 million), it will receive 2.74 percent of the revenues available for distribution from the Highway Tax Distribution fund. It is estimated that this distribution from the Highway Tax Distribution fund will be \$13.9 million. As a result of these provisions, the Township Highway Aid Fund will realize a net increase of approximately \$3.3 million.

Public Transportation Fund - Section 7 repeals the \$3 Public Transportation Fee (\$4.7 million) on each motor vehicle registration. It should be noted that this fund is also impacted by the formula percentage changes in section 4 as well as the other revenue changes prescribed in this bill. While the fund loses the \$3 Public Transportation fee (\$4.7 million), it will receive 1.53 percent of the revenues available for distribution from the Highway Tax Distribution fund. It is estimated that this distribution from the Highway Tax Distribution Fund will be \$7.8 million. As a result of these provisions, the Public Transportation Fund will realize a net increase of approximately \$3.1 million.

State Highway Fund - Section 2 eliminates the \$13 direct allocation of each motor vehicle registration (\$20 million). These funds will be placed into the Highway Tax Distribution Fund. It should be noted that this fund is also impacted by the formula percentage changes in section 4 as well as the other revenue changes prescribed in this bill. While the fund loses the \$13 dedicated motor vehicle registration fee, it will receive 63.28 percent of the revenues available for distribution from the Highway Tax Distribution Fund. It is estimated that the State Highway Fund will receive an net increase of \$46.1 million as a result of this bill.

Highway Tax Distribution Fund - This bill has a number of provisions that impact the Highway Tax Distribution Fund.

* Section 2 places the \$13 of each motor vehicle registration (\$20 million) into the fund. This section also increase motor vehicle registration fees by \$3; this provision is offset by section 8 which repeals the \$3 public transportation fees (\$4.7 million).

* Section 3 places into the fund the \$3.4 million that was previously diverted to the Ethanol Production Incentive Fund.

* Section 5 places into the fund the 1 cent of fuel tax (\$10.6 million) previously dedicated to the Township Highway Aid Fund. It also provides for the 1 cent of fuel tax to be eligible for refund to the taxpayer; these refunds will result in a reduction to the fund of approximately \$600,000.

*Section 6 provides for a net amount of \$64.8 million of Motor Vehicle Excise Tax to be deposited into the fund.

COUNTIES AND CITIES

The counties and cities will also experience increased revenues because of this bill. Due to the increased revenues to the Highway Tax Distribution Fund as previously explained, the counties will receive \$10,700,000 in increased revenues during each of the 2009-2011 and 2011-2013 bienniums. The increased revenues for the cities will be \$6,600,000 for each of the same time periods.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

This bill will necessitate increased appropriation amounts for the NDDOT totalling \$68.4 million for the 2009-2011 biennium and \$48.4 million for the 2011-2013 biennium. For the 2009-2011 biennium, \$20 million of the \$68.4 million is covered under the continuing appropriation provided in section 1.

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