



North Dakota Legislative Council

Prepared for the Government Finance Committee
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STUDY OF FIXED ROUTE CITY TRANSPORTATION SERVICES - BACKGROUND MEMORANDUM

Senate Bill No. 2254 (2025) ([appendix](#)) provides for a Legislative Management study regarding fixed route city transportation services funding. The study is assigned to the interim Government Finance Committee and includes:

- A review of how the fixed route transportation networks can address population growth, economic development, workforce needs, and health care needs; and
- Development of a proposed funding formula within the Department of Transportation (DOT) budget for fixed route city transportation systems.

STATUTORY PROVISIONS

North Dakota Century Code Chapter 39-04.2 provides the following related to public transportation:

- **Definition** - Public transportation is the vehicular transportation of persons from place to place within the state but does not include the provision of transportation facilities otherwise provided by public funds, such as roads, streets, highways, bridges, lighting equipment, or signs.
- **Public transportation fund** - DOT administers the public transportation fund and has continuing appropriation authority to distribute funding to counties for public transportation services. Pursuant to Section 54-27-19, the fund receives 1.6 percent of revenue deposited in the highway tax distribution fund, which is derived from motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes. Each county receives a base amount of 0.4 percent of the appropriation for the program plus \$1.50 per capita of population in the county. Distributions from the fund must be used by transportation providers to establish and maintain public transportation, especially for the elderly and handicapped, and may be used to contract for public transportation, as matching funds to procure money from other sources for public transportation, and for other expenditures authorized by the DOT director. The Legislative Assembly estimated the public transportation fund would receive \$9.7 million of revenue during the 2025-27 biennium.

Pursuant to Section 57-15-55, a city may levy an annual tax of up to five mills to provide funds for a public transportation system within the city if approved by a majority vote of the qualified electors at any citywide election. The public transportation services may be operated by the city or by a private entity under a contract approved by the governing body.

TRANSIT FUNDING Federal Funding

The Department of Transportation administers federal transit grant funds to rural, nonurbanized areas with populations less than 50,000 and state aid funding for the entire state. The department also ensures that transit projects meet federal and state regulations and requirements. The Federal Transit Administration distributes funding by formula to urbanized areas with populations between 50,000 and 199,999 based on population, low-income population, and population density. For urbanized areas with populations of 200,000 or more, the Federal Transit Administration distributes funding by formula based on bus revenue miles, bus passenger miles, operating expenses, population, low-income population, and population density.

During the 2023-25 biennium, DOT administered approximately \$13.1 million of federal transit funding each year for the nonurbanized areas with populations of less than 50,000, including \$7.6 million for statewide rural transportation operations, \$1 million for services to support the elderly and individuals with disabilities, and \$4.5 million for buses and bus facilities. Transit agencies are required to apply for these funds on an annual basis.

State Funding

State aid for public transit funding is distributed by DOT pursuant to continuing appropriation authority based on a formula under Section 39-04.2-04 with a base amount for each county and an adjustment for population. For the 2025-27 biennium, approximately \$4.8 million is anticipated to be available each year to the urban and rural transit providers in the state. Portions of this grant may be used for operating expenses and capital improvements such as the purchase of new transit buses.

In Senate Bill No. 2254, the Legislative Assembly appropriated one-time funding of \$2 million from the general fund to DOT for the 2025-27 biennium for grants to fixed route city transportation providers for paratransit services. The Legislative Assembly also appropriated \$2 million from the general fund to DOT to provide grants to nonfixed route public transportation providers during the 2025-27 biennium in House Bill No. 1106 (2025).

Local Funding

Local funding sources for public transit may include user fees, local option sales and use tax revenue collections, and property tax revenue collections. Pursuant to Sections 57-15-10 and 57-15-15, cities may levy up to five mills specifically dedicated to support public transportation.

TRANSIT PROGRAMS

Small Urban and Rural Center on Mobility

The Small Urban and Rural Center on Mobility is part of the Upper Great Plains Transportation Institute. The president and administration of North Dakota State University are responsible for the selection of personnel for and the administration of the institute. The Small Urban and Rural Center on Mobility exists to increase the mobility of small urban and rural residents through innovative research, education, and outreach. The Upper Great Plains Transportation Institute provides transportation research, education, and outreach to the state of North Dakota as well as regionally, nationally, and internationally.

Transit Services

Based on information from DOT, there are 31 transit providers operating in the state providing services in all 53 counties. Of the 31 transit providers, 27 serve rural areas with a population of less than 50,000, 3 serve small urban areas with populations between 50,000 and 199,999, and 1 serves a large urban area with a population of at least 200,000.

PRIOR LEGISLATIVE STUDIES AND REPORTS

2015-16 Interim

Section 12 of House Bill No. 1012 (2015) required DOT to study state funding distributions and allocations to public transportation providers. The study included a review of distributions and allocations; a review of distribution and allocation formulas; and the public transportation providers use of the funds received from the distributions, allocations, and contingent funding, including uses for operating costs and capital asset purchases. The department reported 34 public transportation providers were operating statewide, including rural, urban, tribal, and intercity services. The department reported during the 2011-13 and 2013-15 bienniums, approximately \$40.3 million was distributed to transportation providers (\$19.5 million of state funding and \$20.8 million of federal funding). The department reported \$34.7 million of the funding provided was used for operating costs and the remaining \$5.6 million was used for capital purchases.

2017-18 Interim

Section 12 of Senate Bill No. 2012 (2017) directed the Legislative Management to study the funding mechanisms and options available to DOT, political subdivisions, and public transportation providers for road construction, maintenance, other transportation infrastructure needs, and transit services. The study was assigned to the interim Government Finance Committee, which made no recommendation regarding the study of transportation-related funding.

2023-24 Interim

The interim Government Services Committee studied accessible transportation for older adults and individuals with disabilities pursuant to Senate Concurrent Resolution No. 4004 (2023). The study included consideration of statewide challenges to services, barriers to expanding accessible transportation infrastructure, the fiscal impact of providing accessible services, effective long-term funding formulas to support accessible services, and compliance with the federal Americans with Disabilities Act of 1990. Challenges for users of public transportation services included limited operating hours and scheduling complexity. The committee made no recommendation but expressed concerns regarding services that compete with private ride-sharing services and the potential inefficiency of large buses that may have excess capacity.

PROPOSED STUDY PLAN

The following is a proposed study plan for the committee's consideration:

1. Receive information from DOT regarding funding available for city fixed route transportation services, including best practices for service operations and funding mechanisms from other states.
2. Receive information from the Upper Great Plains Transportation Institute regarding city fixed route transportation services, including route planning and scheduling to address population growth, economic development, workforce needs, and health care needs.
3. Receive information from representatives of cities with fixed route transportation services regarding fixed route transportation services, including user statistics, local funding, and challenges with system services.
4. Receive comments from interested persons regarding the study of city fixed route transportation services.
5. Develop recommendations and any bill drafts necessary to implement the recommendations.
6. Prepare a final report for submission to the Legislative Management.

ATTACH:1