

March 2010

SOURCES AND DISTRIBUTIONS OF HIGHWAY FUNDING

This memorandum provides information regarding the sources and distributions of highway-related funding.

HIGHWAY FUNDING REVENUES Gasoline/Gasohol and Special Fuels Taxes

The state tax on motor vehicle fuels has varied from less than 1 cent per gallon in 1919 to the current rate of 23 cents per gallon. Recent changes in motor vehicle fuel tax rates include an increase from 20 cents to 21 cents per gallon in 1999 and an increase from 21 cents to 23 cents per gallon in 2005.

From 1983 to 2009, one cent per gallon of the motor fuels tax was deposited in the township highway aid fund for distribution to townships. The requirement to deposit one cent of the motor fuels tax in the township highway aid fund was removed in 2009 Senate Bill No. 2012. The township highway aid fund now receives an allocation from the highway tax distribution fund.

The table below details revenues from motor fuels taxes since 1999:

Gasoline/Gasohol and Special Fuels Tax Collections (Amounts Shown in Millions)						
	1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11 Estimate
Gasoline/gasohol tax	\$141.7	\$142.6	\$145.9	\$155.2	\$158.6	\$161.6
Special fuels tax	\$65.7	\$67.6	\$75.0	\$87.1	\$95.5	\$96.6

Based on February 2010 estimates, a one-cent increase in the gas tax is estimated to generate an additional \$3.4 million per year or \$6.8 million for a biennium. A one-cent increase in the special fuels tax is estimated to generate an additional \$1.9 million per year or \$3.8 million per biennium. The federal tax rate per gallon is 18.4 cents for gasoline and 24.4 cents for diesel fuel.

Special Fuels Excise Taxes

Special fuels excise taxes apply to dyed diesel fuel, kerosene, compressed natural gas, and liquid petroleum gas that is not sold for use in automobiles. Recent changes made to the special fuels excise tax rates and uses include:

- 2007 - The special fuels excise tax rate for all special fuels, except liquid petroleum gas, was changed from 2 percent of the value of the fuel to four cents per gallon. The special fuels excise tax rate for heating fuel was reduced to 1 percent of the value for liquid petroleum gas and two cents per gallon for all other special fuels through June 30, 2009. Beginning July 1, 2009, heating fuels were exempt from special fuels excise taxes.
- 2009 - The Legislative Assembly in Senate Bill No. 2338 established a highway-rail grade crossing safety projects fund. The bill provides that up to \$1.6 million of special fuels excise tax collections from sales of diesel fuel to railroads be deposited in the highway-rail grade crossing safety projects fund.

The table below details special fuels excise tax collections since 1999:

Special Fuels Excise Tax Collections (Amounts Shown in Millions)					
1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11 Estimate
\$11.2	\$11.1	\$15.5	\$25.9	\$26.9	\$15.0 ¹

¹Does not include \$1.6 million of special fuels excise tax collections deposited in the highway-rail grade crossing safety projects fund.

Motor Vehicle Registration Fees

Motor vehicle registration fees are assessed based on North Dakota Century Code Chapter 39-04 and vary by vehicle type and vehicle weight. Recent changes made to the collection and allocation of motor vehicle registration fees include:

- 1999 - Most motor vehicle registration fees, except for farm trucks, were increased by \$1 per vehicle and the additional fee for the public transportation fund was raised from \$1 per vehicle to \$2 per vehicle.
- 2001 - Most motor vehicle registration fees were increased by \$7 per vehicle.
- 2003 - Most motor vehicle registration fees were increased by \$3 per vehicle.

- 2005 - Most motor vehicle registration fees were increased by \$10 per vehicle and registration rates for pickup trucks were modified to align with the fees for passenger vehicles. The additional fee for the public safety transportation fund was increased from \$2 per vehicle to \$3 per vehicle. A change was also made to provide that \$13 of each vehicle registration fee be deposited in the state highway fund rather than the highway tax distribution fund.
- 2009 - Senate Bill No. 2012 removed the provision that \$13 from each registration fee be deposited in the state highway fund, provided that the \$3 public transportation fund fee be deposited in the highway tax distribution fund, and adjusted distributions from the highway tax distribution fund to provide the public transportation fund with a distribution.

The table below details motor vehicle registration fee collections since 1999:

Motor Vehicle Registration Fee Collections (Amounts Shown in Millions)					
1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11 Estimate
\$77.1	\$82.5	\$80.7	\$108.9	\$132.7	\$122.6

Motor Vehicle Excise Tax

The 2007 and 2009 Legislative Assemblies provided that a portion of motor vehicle excise tax collections after distributions to the state aid distribution fund be deposited in the state highway fund rather than the general fund. House Bill No. 1012 (2007) allocated 10 percent of motor vehicle excise taxes to the state highway fund only during the 2007-09 biennium while 2009 Senate Bill No. 2012 allocates 25 percent of motor vehicle excise taxes to the state highway fund only during the 2009-11 biennium.

The table below provides information regarding motor vehicle excise tax collections:

Motor Vehicle Excise Tax Revenue (Amounts Shown in Millions)		
	2007-09	2009-11 Estimate
Estimated deposits in state highway fund	\$14.1	\$30.5
Estimated deposits in general fund	126.9	87.0
Total motor vehicle excise tax revenue ¹	\$141.0	\$117.5

¹After distributions to the state aid distribution fund.

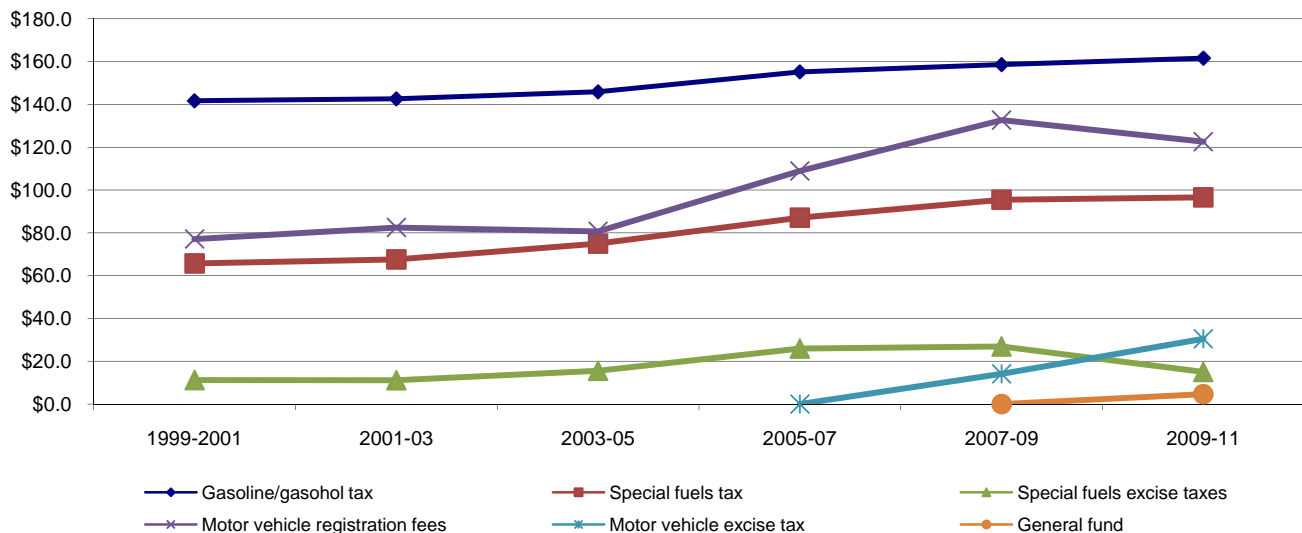
General Fund Transfers

The 2009 Legislative Assembly provided for a transfer of \$4.6 million from the general fund to the state highway fund in Senate Bill No. 2012. The funding is to be used to match federal funding for roadway projects in the Devils Lake area.

Total Revenues

The graph below provides details regarding total highway funding revenues from the 1999-2001 biennium to the 2009-11 biennium:

Total Revenue for Highway Purposes
(Amounts Shown in Millions)



Total Highway Funding Revenues (Amounts Shown in Millions)						
	1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11 Estimate
Gasoline/gasohol tax ¹	\$141.7	\$142.6	\$145.9	\$155.2	\$158.6	\$161.6
Special fuels tax ¹	65.7	67.6	75.0	87.1	95.5	96.6
Special fuels excise taxes	11.2	11.1	15.5	25.9	26.9	15.0 ¹
Motor vehicle registration fees	77.1 ²	82.5 ²	80.7 ²	108.9 ²	132.7 ²	122.6
Motor vehicle excise tax					14.1 ³	30.5 ³
General fund						4.6 ³
Total	\$295.7	\$303.8	\$317.1	\$377.1	\$427.8	\$430.9

¹Does not include \$1.6 million of funding allocated to the highway-rail grade safety projects fund.

²Includes motor vehicle registration fees deposited directly into the state highway fund and public transportation fund.

³Funding deposited directly into the state highway fund.

HIGHWAY FUNDING DISTRIBUTIONS

Highway Tax Distribution Fund, Township Highway Aid Fund, and Public Transportation Fund

The majority of funds received from motor fuels taxes and motor vehicle registration fees are deposited in the highway tax distribution fund for allocation to the state highway fund and political subdivisions. Prior to the 2009-11 biennium, one cent per gallon of motor fuels taxes was deposited in the township highway aid fund and \$3 of each motor vehicle registration fee was deposited in the public transportation fund. The 2009 Legislative Assembly approved changes that provide for the funds to be deposited in the highway tax distribution fund and that the township highway aid fund and public transportation fund receive a distribution from the highway tax distribution fund.

The following table details the changes in the distribution rates:

Highway Tax Distribution Fund - Distribution Rates		
	2007-09 Biennium	2009-11 Biennium
State highway fund	63.0%	61.3%
Counties	23.0%	21.5%
Cities	14.0%	13.0%
Township highway aid fund	0.0%	2.7%
Public transportation fund	0.0%	1.5%
Total	100.0%	100.0%

The highway tax distribution fund also provides funding for other state agencies and programs. This funding is allocated prior to any distributions being made using the distribution funding formula.

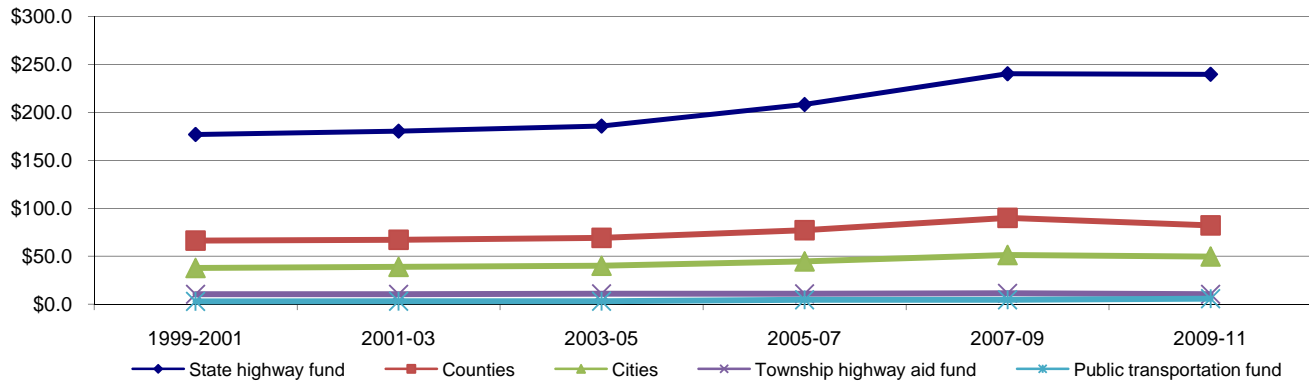
The table below summarizes the other state agencies and programs that receive funding from the highway tax distribution fund:

	2007-09 Biennium Estimate	2009-11 Biennium Estimate
Highway Patrol	\$4,200,000	\$4,500,000
Ethanol production incentive fund	3,200,000	3,400,000
Tribal fuel agreements	1,000,000	0
Motorboat program and safety account	200,000	200,000
State snowmobile fund	200,000	200,000
Total	\$8,800,000	\$8,300,000

Distributions From the Highway Tax Distribution Fund, Township Highway Aid Fund, and Public Transportation Fund

The graph below details funding provided to the state highway fund and political subdivisions from the highway tax distribution fund, township highway aid fund, and public transportation fund:

Highway Funding Distributions (Amounts Shown in Millions)



Distributions From the Highway Tax Distribution Fund, Township Highway Aid Fund, and Public Transportation Fund (Amounts Shown in Millions)

	1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11 Estimate
State highway fund	\$176.9	\$180.4	\$185.7	\$208.2	\$240.3	\$239.7 ¹
Counties	66.2	67.0	69.0	77.0	89.9	82.1
Cities	37.7	38.9	40.0	44.6	51.3	49.7
Township highway aid fund ²	10.3	10.3	10.8	10.8	11.3	10.3
Public transportation fund ³	2.9	3.0	3.1	4.6	4.6	5.7
Total	\$294.0	\$299.6	\$308.6	\$345.2	\$397.4	\$387.5

¹Includes \$5.5 million allocated from the highway tax distribution fund to the state highway fund for administrative costs.

²Prior to the 2009-11 biennium, the township highway aid fund received one cent per gallon from motor fuels taxes. For the 2009-11 biennium, the township highway aid fund receives an allocation from the highway tax distribution fund.

³Prior to the 2009-11 biennium, the public transportation fund received an additional fee from motor vehicle registration fees. For the 2009-11 biennium, the public transportation fund receives an allocation from the highway tax distribution fund.

Attached as an [appendix](#) is additional information regarding the distribution of funds from the highway tax distribution fund.

Total Highway Funding Distributed From State Sources

In addition to funding provided from the highway tax distribution fund, township highway aid fund, and public transportation fund, highway funding is also received from other state sources.

Section 3 of 2009 Senate Bill No. 2012 provided a 2007-09 appropriation of \$59.9 million from the general fund to the State Treasurer for weather-related cost-sharing distributions. Of the total appropriation, \$7.5 million was to be distributed to the state highway fund, \$41.4 million to counties and cities in accordance with the formula used to distribute funds to counties and cities under Section 54-27-19(2), \$10 million to townships in accordance with provisions used to distribute funds to townships under Section 54-27-19.1, and \$1 million to the public transportation fund to be distributed to public transit programs in accordance with Section 39-04.2-04.

Section 4 of 2009 Senate Bill No. 2012 establishes a state disaster relief fund to provide funding for defraying the expenses of state disasters, including funds required to match federal funds for expenses associated with presidential-declared disasters in the state. Sections 5 through 8 of Senate Bill No. 2012 provide for a transfer of \$43 million from the general fund to the state disaster relief fund and the appropriation of the funding to the Adjutant General for emergency snow removal grants and emergency disaster relief grants.

The table below details total highway funding provided to the state and political subdivisions from all state funding sources for the 2007-09 and 2009-11 bienniums:

Summary of State Highway Funding Provided to State and Political Subdivisions (Amounts Shown in Millions)			
	2007-09 Statutory Funding¹	Weather-Related Cost-Sharing and Disaster Funding	2009-11 Statutory Funding (Estimated)
State highway fund	\$274.3 ^{1,2}	\$7.5 ³	\$274.8 ^{1,4}
Counties	89.9 ¹	26.4 ³	82.1 ¹
Cities	51.3 ¹	15.0 ³	49.7 ¹
Townships	11.3	10.0 ³	10.3 ¹
Public transportation fund	4.6	1.0 ³	5.7 ¹
Disaster relief funding		43.0 ⁵	
Total	\$431.4	\$102.9	\$422.6

¹Funding provided from the highway tax distribution fund.

²Includes \$19.9 million of motor vehicle registration fees deposited in the state highway fund and \$14.1 million of motor vehicle excise taxes deposited in the state highway fund.

³Funding of \$59.9 million from the general fund was appropriated by the 2009 Legislative Assembly to the State Treasurer for distribution to the state highway fund and political subdivisions for weather-related cost-sharing before June 30, 2009.

⁴Includes a \$4.6 million transfer from the general fund to the state highway fund for Devils Lake area highway projects, \$30.5 million of motor vehicle excise taxes deposited in the state highway fund, and \$5.5 million from the highway tax distribution fund for administrative costs.

⁵Senate Bill No. 2012 (2009) provided a \$43 million transfer from the general fund to the state disaster relief fund before June 30, 2009, and appropriated the funds to the Adjutant General for disaster relief funding during the 2007-09 and 2009-11 bienniums.

Federal Highway Funding

The state receives federal funding for the construction and maintenance of highways, emergency road repairs, safety projects, and other programs. For the 2009-11 biennium, the state is estimated to receive \$603.5 million of federal funding for transportation-related projects.

In addition to regular federal highway funding, the state is also anticipated to receive transportation funding through the American Recovery and Reinvestment Act of 2009. The 2009-11 legislative appropriation for the Department of Transportation includes \$176,082,671 of federal fiscal stimulus funds for highway infrastructure projects (\$170,126,497) and grants to rural transit programs (\$5,956,174).

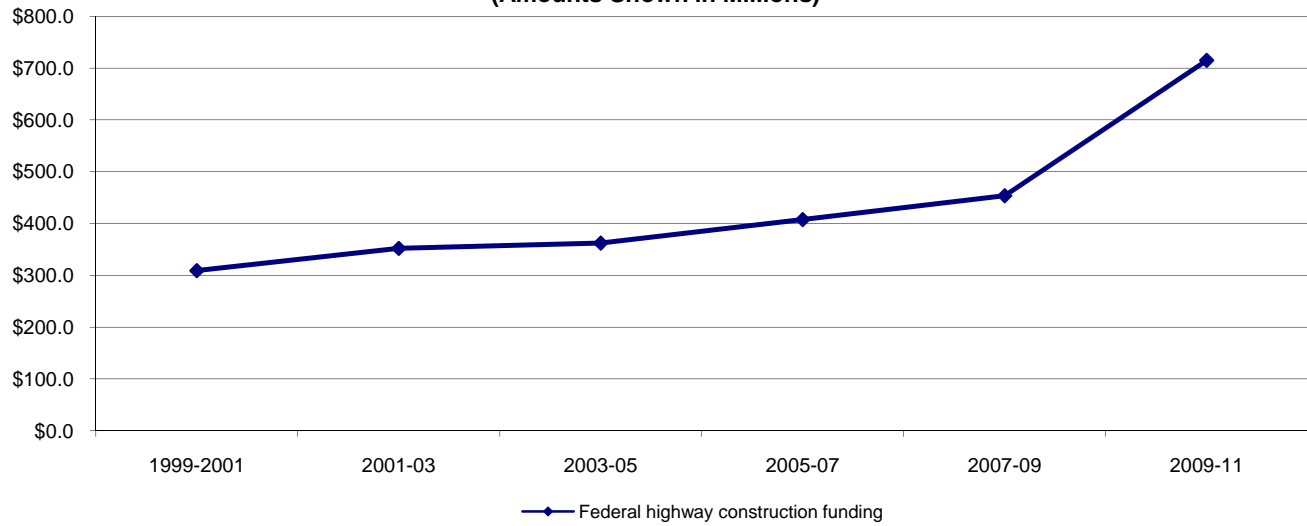
The schedule below details the amount of federal funding estimated to be received by the state for the 2007-09 and 2009-11 bienniums:

Estimated Federal Highway Funding (Amounts Shown in Millions)				
	2007-09 Biennium	2009-11 Biennium Regular Highway Funding	2009-11 Biennium Federal Fiscal Stimulus Funding	Total 2009-11 Funding
Federal Highway Administration funding	\$453.7	\$500.9	\$0	\$500.9
Emergency relief funds	2.5	33.7	0	33.7
Federal rail funds	8.6	2.3	0	2.3
National Highway Traffic Safety Administration	5.6	10.0	0	10.0
Federal transit funds	11.2	12.8	0	12.8
Funding for Devils Lake area projects	0	43.8	0	43.8
Federal fiscal stimulus funding - Highway infrastructure	0	0	170.1	170.1
Federal fiscal stimulus funding - Transit programs	0	0	6.0 ¹	6.0
Total	\$481.6	\$603.5	\$176.1	\$779.6

¹Does not include \$5,041,000 of federal fiscal stimulus funding distributed directly to transit programs in metropolitan planning areas.

The graph below provides information regarding federal highway construction funding received since the 1999-2001 biennium:

Federal Highway Construction Funding (Amounts Shown in Millions)

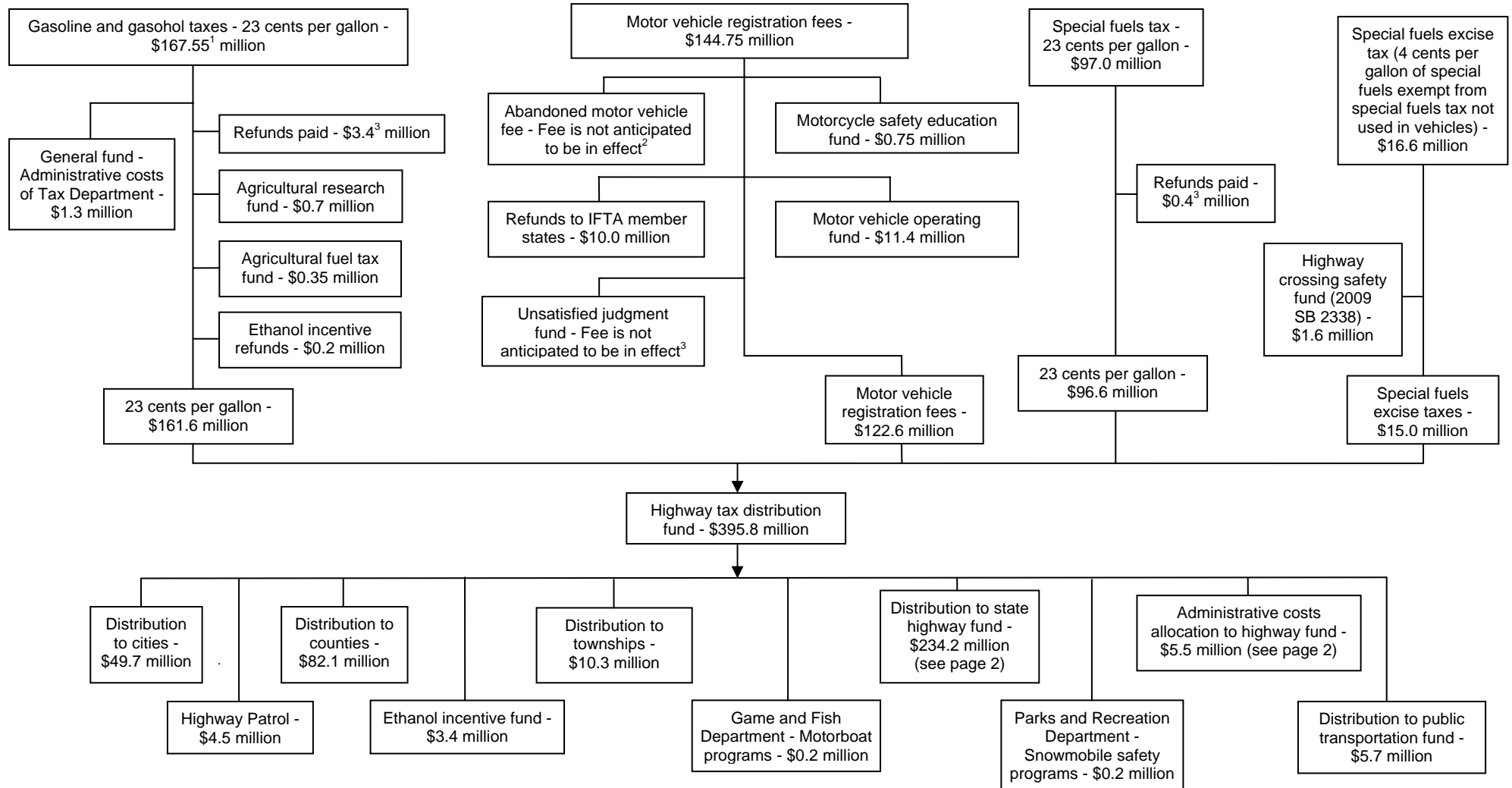


1999-2001	2001-03	2003-05	2005-07	2007-09 Estimate	2009-11 Estimate
\$309.1	\$352.0	\$362.3	\$407.6	\$453.7	\$714.8 ¹

¹Includes \$170.1 million of federal stimulus funding.

ATTACH:1

HIGHWAY TAX DISTRIBUTION FUND Sources and Uses of Funds 2009-11 Biennium

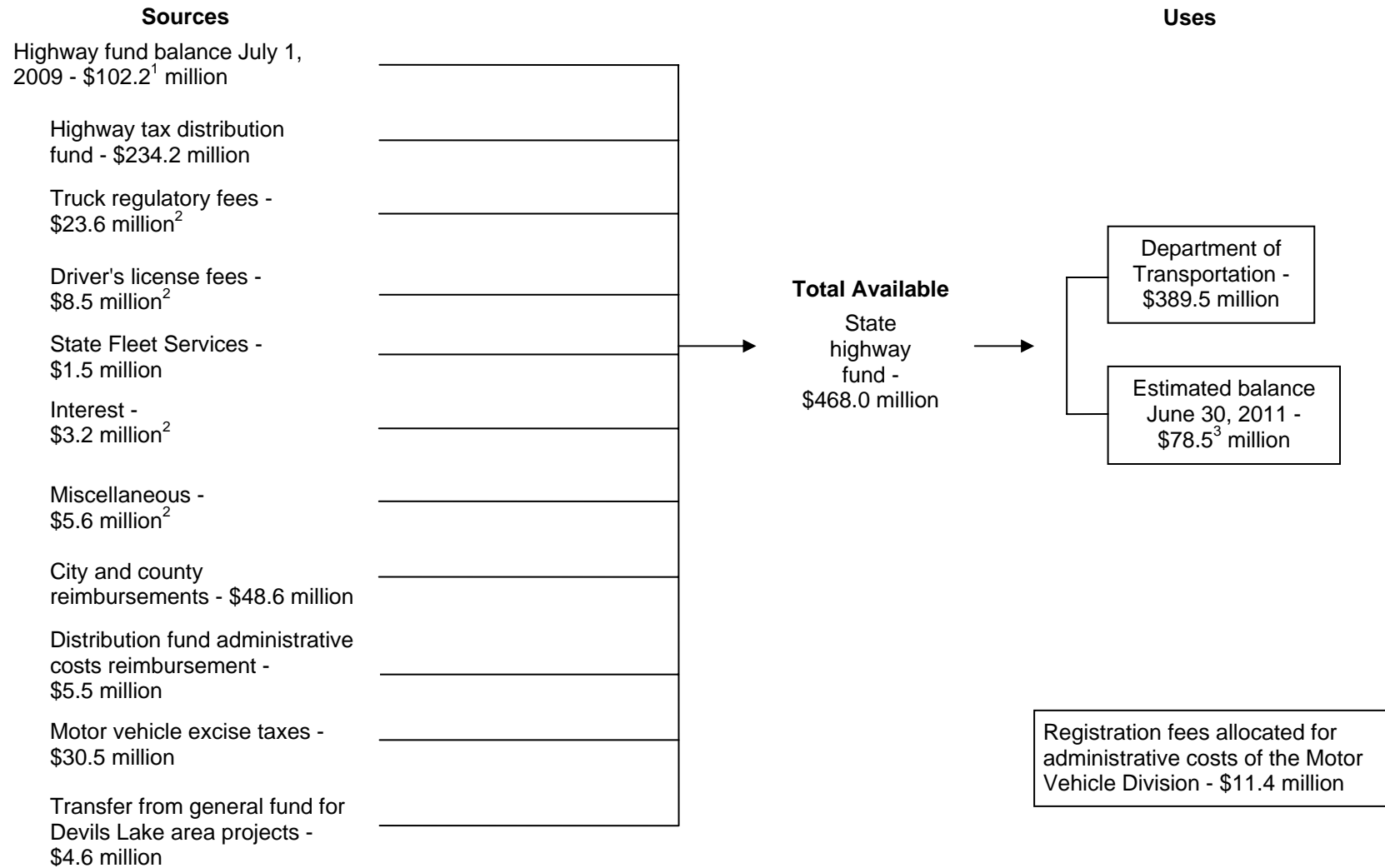


¹Senate Bill No. 2012 (2009) amends North Dakota Century Code Section 54-27-19.1 to remove the provision that precludes fuel tax refunds from amounts deposited in the township highway aid fund. Therefore, net collections from gasoline, gasohol, and special fuels taxes are anticipated to be reduced by approximately \$600,000.

²The abandoned motor vehicle fee of \$2 on each initial North Dakota vehicle title is imposed only if the balance in the abandoned motor vehicle fund is \$100,000 or less. The fee is suspended when the fund balance is \$250,000 or more.

³An additional \$1 fee is imposed on motor vehicle registrations for a period of one year if the balance in the unsatisfied judgment fund is less than \$150,000. The fee is suspended for the following year if the balance in the fund is \$150,000 or more on July 1.

**STATE HIGHWAY FUND
Sources and Uses of Funds
2009-11 Biennium Estimates**



¹The July 1, 2009, balance does not reflect amounts to be paid from the fund for 2009 construction season project commitments.

²"Nondedicated" highway revenues total \$40.9 million.

³Although the June 30, 2011, balance is estimated to be \$78.5 million, highway project commitments for the 2011 construction season will be paid from this amount.