

NDDOT Transportation Funding¹ Past, Present and Future

Presented by:

Shannon L. Sauer, CPA/CGMA

Chief Financial Officer

North Dakota Department of Transportation

March 14, 2018

The Past



Funding of ND Roadways



In the early years 1910-1920, there were approximately 50,000 miles of roads and trails, only about 200 miles were paved.

At that time state property taxes paid the bulk of roadway funding.

- In 1917 approximately \$2 million was provided through property taxes, plus \$112,000 from a state motor vehicle tax and \$76,000 from the federal government.

Funding was based on population, so counties that were sparsely populated didn't get very much funding for roads. This made it difficult to get one long stretch of roadway completed.

ND Motor Fuel Tax History



<u>Year</u>	<u>Cents per Gallon</u>
1919	¼
1926	2
1929	3
1939	5
1955	6
1970	7
1978	8
1983*	13
1987	17
1993	18
1996	20
1999	21
2005	23

* Beginning in 1983, the legislature dedicated 1 cent to townships for road purposes. This was repealed effective July, 2009. Townships now receive 2.7 percent of the Highway Tax Distribution Fund.

Recent ND Motor Vehicle⁵ Registration Fee History

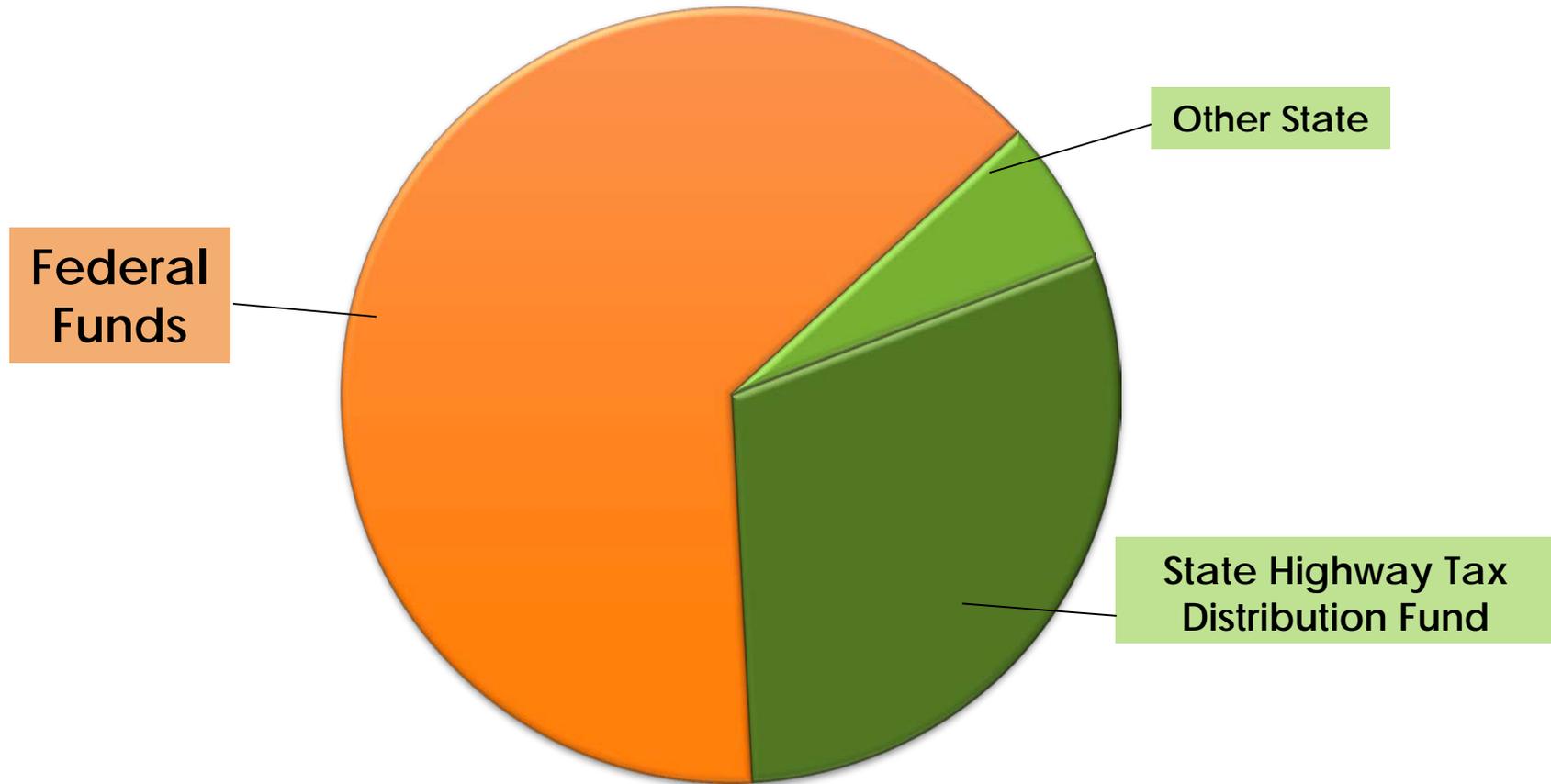
- **1977**-Passenger vehicle fees were increased \$5; pickups and small truck increases ranged from \$4-\$7; farm trucks were increased \$10; large non-farm truck increases ranged from \$14 to \$20.
- **1981**-Passenger vehicles and pickups were increased \$5; small trucks were increased \$10; farm and non-farm truck increases ranged from \$10 to \$25.
- **1983**-Passenger vehicle increases ranged from \$1 to \$20; pickup increases ranged from \$1 to \$11; small truck increases ranged from \$2 to \$5; farm truck fees were not changed; large truck fee reductions ranged from \$17 to \$258.
- **1987**-Most vehicle registrations were increased by \$6.
- **1999**-Most vehicle registrations, except farm trucks, were increased by \$1 per vehicle. In addition, a \$1 increase went into the Public Transportation Fund.
- **2001**-Most vehicle registrations were increased by \$7 per vehicle.
- **2003**-Most vehicle registrations were increased by \$3 per vehicle.
- **2005**-Most vehicle registrations were increased by \$10, plus a \$1 increase for the Public Transportation Fund. Pickup fees were aligned with passenger registrations. The first half of the fee increase for pickups occurred in July 2005. Implemented second half of increase in 2007.

The Present



NDDOT Transportation Revenue

The primary sources of revenue provided to NDDOT are Federal Funds, State Funds from the Highway Tax Distribution Fund and Other state sources primarily Drivers License Fees and oversize/overweight permits.



Current State Funded Sources of Transportation Revenue

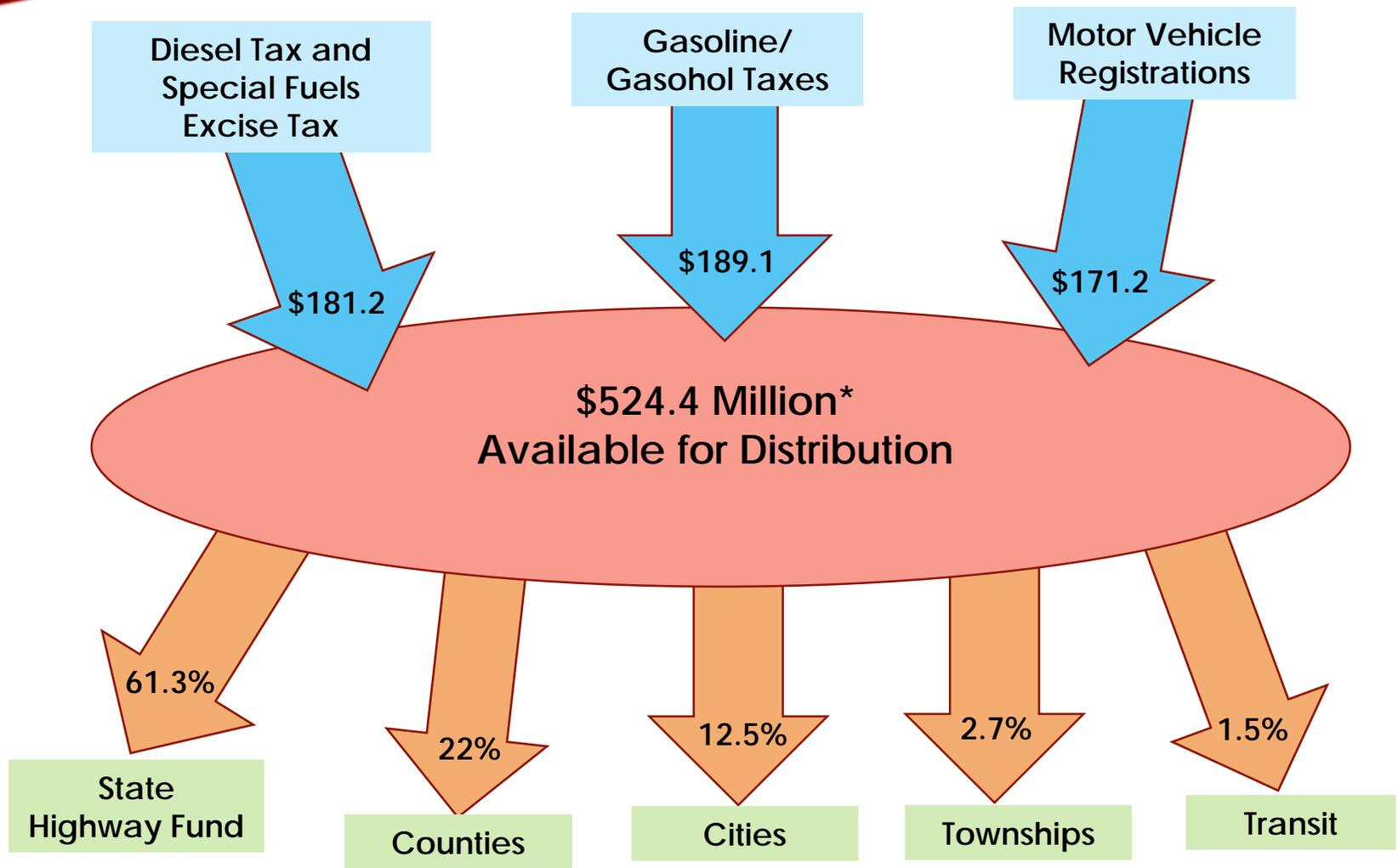
The largest source of state transportation revenue comes from Highway Tax Distribution Funds which are derived from state fuel taxes and motor vehicle registrations.

- **North Dakota Motor Fuel Tax**
 - 23 cents/gallon
 - Has not changed since 2005
- **Motor Vehicle Registration Fees**
 - Last change in 2005 when fees were increased by \$10, plus \$1 increase for the Public Transportation Fund.

It is important to note that 23 cents per gallon for state fuel tax is collected whether the price at the pump is \$1.99 or \$3.99.

ND Highway Tax Distribution Fund ⁹

2017-2019



*\$17.1 million was withheld prior to distribution for allocation to the Highway Patrol (\$6.9), to the Ethanol Subsidy Fund (\$4.7) and to the Highway Fund for administrative assistance to other transferees (\$5.5)

Structure Of Federal Highway Program

Roads eligible for federal assistance

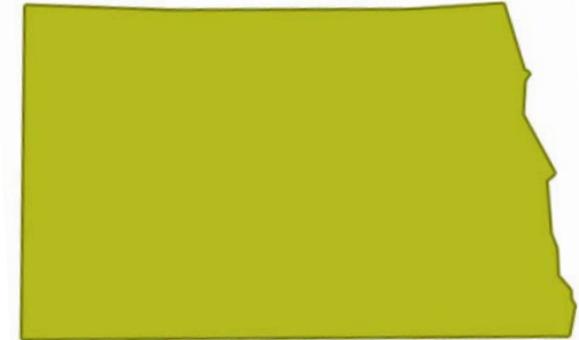
- Total of about 4 million miles of public roads
 - Approximately 24% are eligible for federal funding
 - Generally, about 76% of roads are not eligible for federal funding



ND Roads Eligible For Federal Assistance

- **Total ND Road Mileage – 106,966 total miles**
 - State Highway System – 7,407 miles
 - County System – 19,611 miles
 - Other Rural Roads – 56,008 miles
 - City Streets – 4,103 miles
 - Trails – 19,837 miles

- **ND Road Mileage Eligible for Federal Aid Funding – 18,884 miles (17.65% of total)**
 - State Highway System – 7,375
 - 12 Urban Areas – 646
 - County Major Collectors – 10,863 miles



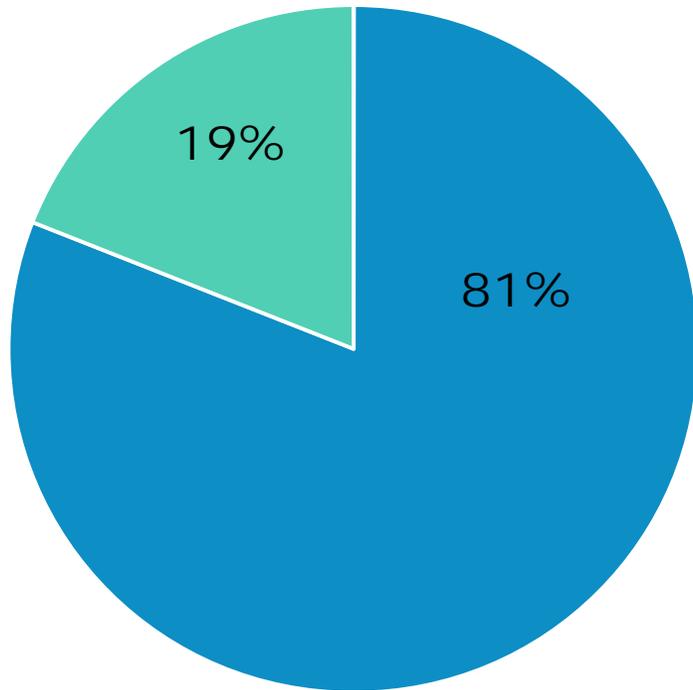
North Dakota Construction Program

The new construction program appropriated in the 2017-2019 NDDOT appropriation is based almost completely on federal funds plus state matching funds

- Currently there is no significant new state funded construction program provided in the current NDDOT budget.
 - National DOT average – Approximately 42.5% federally funded construction program
 - NDDOT average – Approximately 81% federally funded construction program

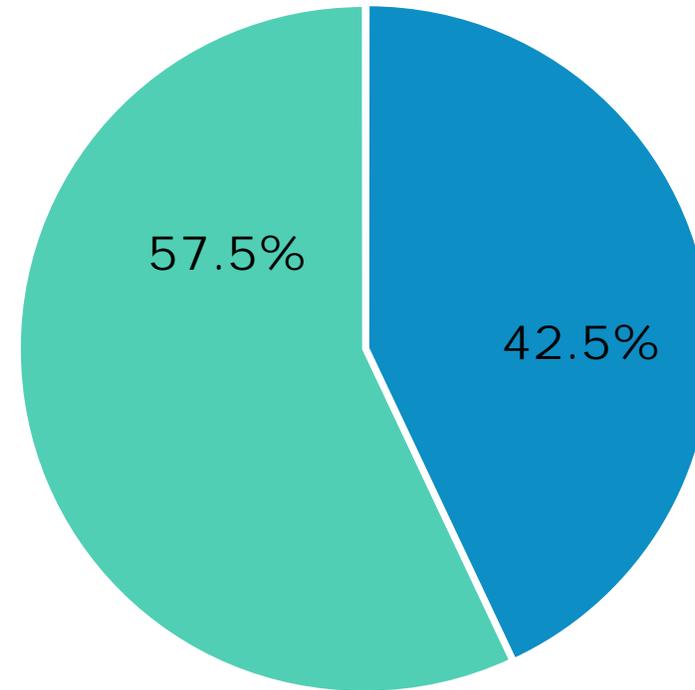
Federal funding average for road construction programs

North Dakota



■ Federal ■ Other

National Average



■ Federal ■ Other

State Programs based on federal funding face uncertainty

Having a state construction program based mainly on federal funds is not a desirable practice.

States that do this have less flexibility regarding federal rules and have little buffer against fluctuations in federal funding levels.

Transfers to Federal Highway Trust Fund

Fiscal Year	Highway Account (Billions)	Mass Transit Account (Billions)
2008	\$8.0	\$ -
2009	7.0	-
2010	14.7	4.8
2011	-	-
2012	2.4	-
2013	5.9	-
2014	18.4	4.0
2015	6.1	2
2016	52.0	18.1
2017	0.1	-
2018	0.1	-
Total	\$114.7	\$28.9

Due to funding shortages the U.S. Congress has transferred funding from other sources into the Federal Highway Trust Fund.

ND One-time Legislative Funding

Similar to the Congressional actions to keep the Federal Highway Trust Fund afloat, the ND Legislature has had to take similar action in the past to keep ND's Highway Fund afloat.

The yellow highlighted items are recent examples.

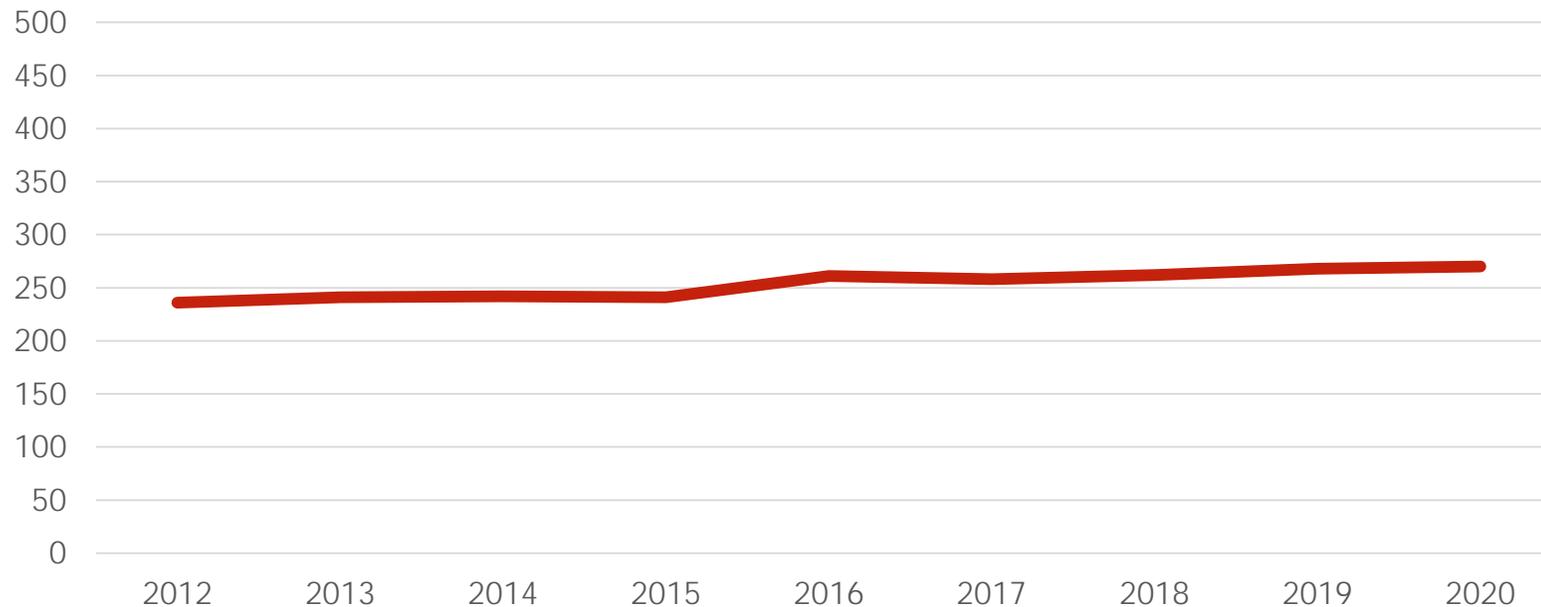
One-Time Legislative Funding	2007-2009	2009-2011	2011-2013	2013-2015	2015-2017	2017-2019
General Funds (Enhanced St. Hwy. Invest/Cnty. & Twnshp Rd Prog/Non-Oil Cnty)			370,600,000	1,448,420,000	636,160,000	
Strategic Investment and Improvement Fund (SIIF) Enhanced St. Hwy. Invest/Cnty. & Twnshp Rd Prog/Non-Oil Cnty					809,000,000	
Borrowing ER for State Hwys			120,000,000			
General Fund Transfer to Hwy. Fund		4,600,000	5,850,000	14,500,000		
25% of MV Excise Tax allocated to Hwy. Fund		30,500,000				
\$13 of each registration allocated to Hwy Fund	18,200,000					
10% of MV Excise Tax allocated to Hwy. Fund	12,600,000					
Repurposed Enhanced State Highway Funds						16,300,000
TOTAL	\$30,800,000	\$35,100,000	\$496,450,000	\$1,462,920,000	\$1,445,160,000	\$16,300,000

The Future

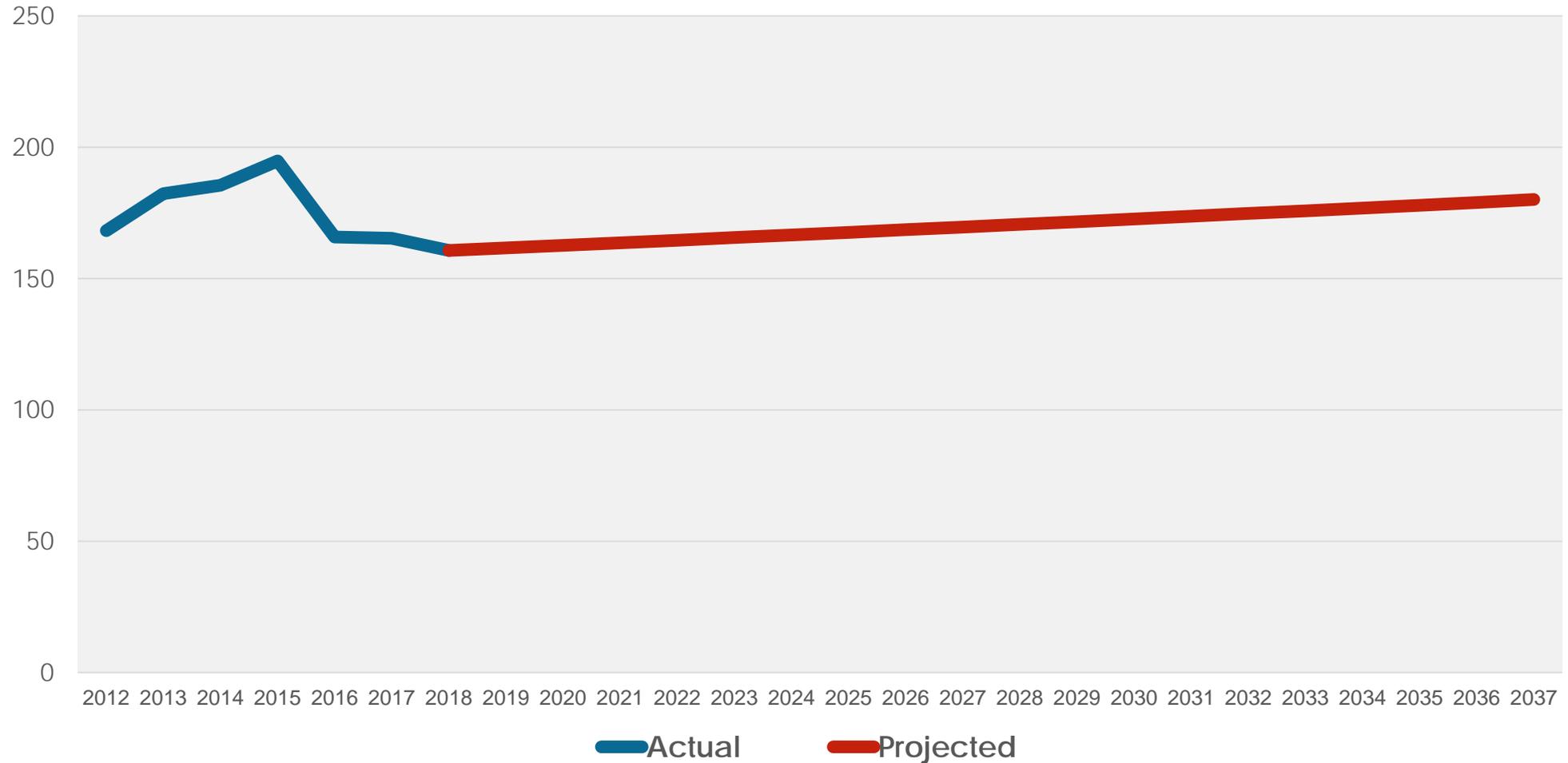


NDDOT Federal Funding

During the last decade, North Dakota's level of federal highway funding has remained relatively constant and we expect that our annual funding level will continue to remain flat with little or no growth through the end of the current authorization act (2020). The chart below shows funding NDDOT received from the Federal Highway Trust Fund over the past few years.



NDDOT Revenues from Fuel Taxes and Motor Vehicle Registrations



Projected NDDOT funding levels based on current funding structures

- Current NDDOT transportation revenues per year – all sources - \$474.3 million
- Projected NDDOT transportation revenues – all sources – 2027 - \$500.5 million
- Projected NDDOT transportation revenues – all sources – 2037 - \$531.4 million
- 20 year cumulative projected NDDOT transportation revenues – all sources - \$10 billion

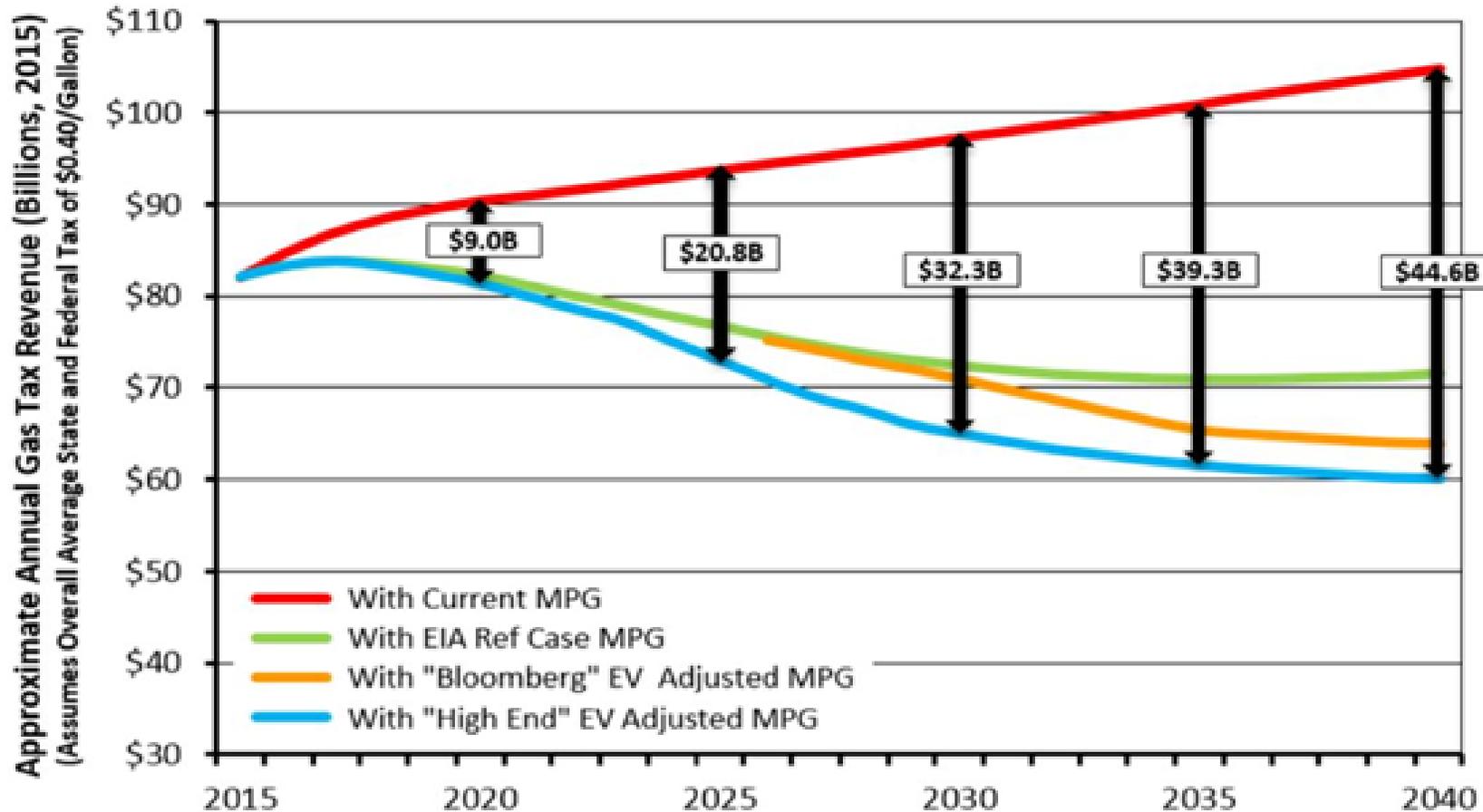
These projections are based on current funding mechanisms along with historic growth and transportation user trends.

Disruptive Technologies

As disruptive technologies such as ride sharing, fuel efficient vehicles, and electric vehicles become more and more prevalent, these projections will very likely prove to be optimistic.



Future Fuel Tax Revenue



APPROXIMATE STATE AND FEDERAL FUEL TAX REVENUE
 2015 Dollars; Assumes Nominal \$0.45/Gal. Combined Average Tax

Source: The Motor Fuel Tax:
 A Critical System at Risk
 Framing the Problem for America
 A Policy White Paper by CDM Smith

Summary

- North Dakota's state transportation revenues are heavily dependent on motor fuel taxes and vehicle registration fees. The last time these rates were raised was in 2005.
- ND's federal funding is projected to remain relatively flat through the duration of the current federal transportation act.
- ND's state transportation revenues will grow very slowly under current conditions. Disruptive technologies will likely result in a decrease in such revenues over the coming years.
- ND's construction program is primarily based on federal funding. As such, ND has little flexibility in dealing with federal rules and has little buffer against fluctuations in federal funding levels.