

Overview of Transportation Funding Options for North Dakota

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Overview

Taxes	Fees	Other
Fuel Tax	Registration Fees	<i>Tolls</i>
General Sales Tax	Driver's license fees	<i>PPP</i>
Vehicle Sales Excise Tax	<i>VMT Fee</i>	Transit Fares
Property Taxes	Utility Fees	
Special Assessments	Overweight Permits	
<i>Wheelage Tax</i>		
Oil tax		

Legend:
Existing source, most or all revenue allocated to transportation
 Existing source, allocated to various funds
Potential source, currently non-existent in North Dakota

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Presentation Format

Description

Brief overview of the funding option.

Viability

Assessment of the additional revenue that could be generated by the discussed option. Also, reflects on the implementation complexity from the administrative perspective.

ND and peer states

Current use in ND and seven peer states:
MN, WI, SD, NE, IA, MT, ID

Sustainability

Responsiveness to higher fuel efficiency, changes in the global oil price, and alternative vehicle propel technologies (hybrid, electric).

Fuel Tax (state)

Description

Fixed per-gallon rate tax collected at fuel racks. Not adjusted for inflation. Collected independently from the fixed federal tax (\$0.184/gal).

Viability

High, currently generates \$170 M in annual revenue. Current management and administration in place.

ND and peer states

ND	\$	0.230	NE	\$	0.293
MN	\$	0.286	IA	\$	0.305
SD	\$	0.329	MT	\$	0.315
WI	\$	0.300	ID	\$	0.330

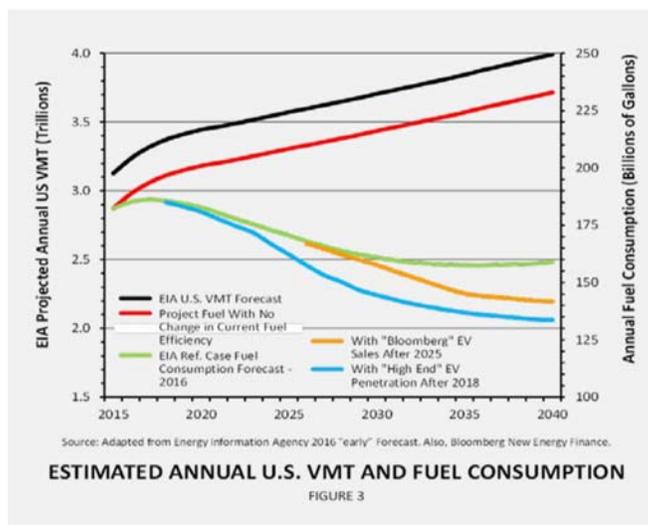
Sustainability

Vulnerable to higher fuel efficiency and emergence of alternative technologies.

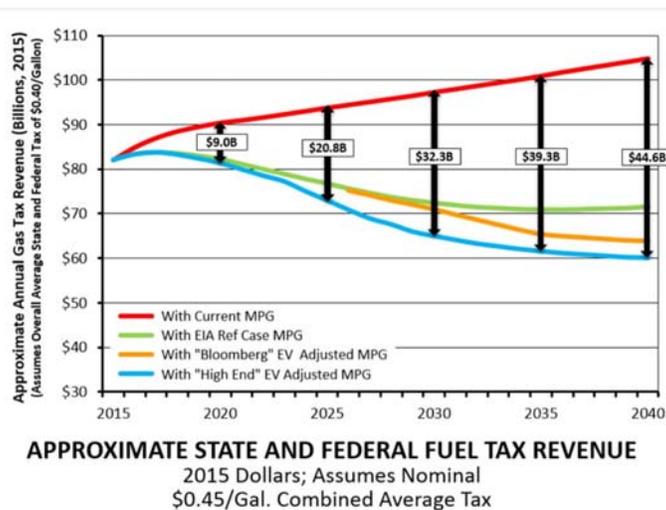
Fuel Tax (state)

- Additional projections of future decline
 - Many studies and papers have been advanced in recent years.
 - Vehicle MPG projections will impact revenue
 - Texas DOT study projects auto MPG to increase to as high as 80 MPG by 2030 – current is 20 MPG
 - Connecticut sanctioned 2017 study conducted by CDM Smith
 - Projection – Decline in fuel sales by 2040 ranging from 34% to 45% decrease
 - Projections – Decline in fuel tax revenue of \$20.8 billion/year by 2025 (combined state & Federal)

Fuel Tax (state)



Fuel Tax (state)



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Fuel Tax (state)

- Additional projections of future decline
 - If governments want to still generate equivalent revenue to keep up with future travel levels, gas tax rates will need to be increased to as much as \$1.16 per gallon to overcome the effect of increasing fuel efficiency. (current combined federal and state average rate is \$.45/gal.)

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Fuel sales tax

Description

Sales tax collected on fuel sales. Based on a percentage of the pre-tax fuel price.

Viability

High revenue potential. Depending on the adopted collection method, might require additional administrative resources.

ND and peer states

Not collected in ND and any of the peer states. Collected in several states across the U.S.

Sustainability

Positively correlated with fuel prices. Higher fuel efficiency would reduce the revenue.

General sales tax

Description

General tax collected on sales of various goods and services, collected by the state and local jurisdictions. A portion of sales tax revenue could be allocated to transportation funds.

Viability

Reliable, strong revenue source. N.D. currently collects approx. \$1.5 billion from sales tax.

ND and peer states

State	State Sales Tax	Combined State and Local Tax (Average)
ND	5.0%	6.78%
MN	6.875%	7.3%
WI	5.0%	5.42%
SD	4.5%	6.39%
NE	5.5%	6.89%
IA	6.0%	6.8%
MT	None	None
ID	6.0%	6.03%

Sustainability

Higher fuel prices could have some negative impact on consumer activity, reducing sales tax revenue.

Vehicle sales excise tax

Description

Sales tax collected on vehicle transactions.

Viability

Existing, well-established revenue source. The car sales market in N.D. exceeds \$2 billion per year.

ND and peer states

State	Tax Rate	Transportation fund allocation
ND	5.0%	No – Not since 1970's & 10% in 2007
MN	6.5%	Yes, min. 40% goes to transit, rest to the highway fund
WI	5.0%	No
SD	4.0%	Yes
NE	5.5%	Yes
IA	5.0%	Yes
MT	No tax	No tax
ID	6.0%	No

Sustainability

Long term higher fuel prices could result in reduced vehicle ownership, though the impact may be minimal.

Property Taxes (mill levies)

Description

Collected by all types of jurisdictions as a certain percent of the property's taxable value.

Viability

High revenue potential, but use is limited primarily to local projects. Also, residents are sensitive to any tax increase.

ND and peer states

Varies on a jurisdictional level on a case-by-case basis. State mills are insignificant (as in the case of ND) or do not exist at all. States typically do not collect property tax dedicated to infrastructure at the state level.

Sustainability

No relationship with fuel economy and fuel prices.

Special Assessments

Description	Viability
Additional taxes levied to fund a specific investment at the local level.	Local use only, limited revenue potential.
ND and peer states	Sustainability
Authorized to use by all jurisdictions in ND and peer-states. Specific formulas vary on a case-by-case basis.	No relationship with fuel economy and fuel prices.

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Utility Fees

Description	Viability
Fixed rate utility prices based upon number of residents, property type or property size.	Local use only, limited revenue potential. Easy to administer, but could raise significant opposition (flat fee collected independently of actual highway use and income).
ND and peer states	Sustainability
Many cities in ND and peer states charge utility fees for streetlights and other minor maintenance expenses. No utility fees are collected for transportation infrastructure investments anywhere in the region.	No relationship with fuel economy and fuel prices.

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Wheelage Tax

Description

Per-vehicle fee levied by local jurisdiction, similar to the state registration fee.

Viability

Moderate to high revenue potential, depends on vehicle ownership levels. Would require new administrative resources to implement and collect.

ND and peer states

Not in use anywhere in ND
Used by selected jurisdictions across the peer states; e.g. in MN a \$10-20 tax is collected by 53 out of 87 counties.

Sustainability

No relationship with fuel economy and fuel prices.

Oil Tax

Description

Tax charged on fossil fuels and other minerals extracted and/or processed within the state.

Viability

High revenue potential (currently N.D. collects approx. \$1.5 billion/yr from oil tax). Existing revenue source, easy to administer.

ND and peer states

	Tax rates
ND	5% tax for oil, \$.04/1,000 cu. ft. for gas, \$.04/ton for coal.
MN	\$2.56 per ton for iron. No oil tax.
WI	7% tax for oil, 3-15% tax for metals
SD	4.5% + 2.4 mills on all minerals
NE	2-3% tax for oil, 2% tax for uranium
IA	none
MT	0.3% tax on oil, 3-15% tax on coal
ID	5 mills/bbl. of oil and 5 mills/50,000 cu. ft. of gas, additionally 2.5% oil production tax.

Sustainability

Revenue is positively correlated with fuel price, opposite to many other sources.

Vehicle Registration Fees

Description

Per-vehicle fee assessed annually on all vehicle. Currently based upon vehicle age and weight.

ND and peer states

Car	4-door sedan	Open-box 2-door pickup	4-door SUV
Year	2017	2012	2007
Weight	3199 lb.	5500 lb.	6100 lb.
\$ initial	\$24,000	\$29,000	\$38,000
\$ current	\$20,000	\$12,000	\$10,000
ND	\$73	\$65	\$117
MN	\$236	\$71	\$35
WI	\$75	\$75	\$75
SD	\$72	\$108	\$100
NE	\$342	\$234	\$99
IA	\$252	\$312	\$215
MT	\$217	\$87	\$28
ID	\$69	\$57	\$45

Viability

Well-established funding source with high revenue (\$85 million/yr).

Sustainability

Generally independent from fuel price changes and technology advancements (under current formula).

Hybrid/Electric Registration Fees

Description

Additional surcharge for hybrid/electric cars, assessed to recoup lower fuel tax revenues, reduced due to higher efficiency

ND and peer states

State	Hybrid or Electric Surcharge
ND	None
MN	\$75
WI	\$75 hybrid, \$100 electric
SD	None
NE	\$75
IA	None, electric vehicles pay a discounted \$25 fee
MT	None
ID	\$75 hybrid, \$140 electric

Viability

Easy to implement, but has limited revenue potential. Only 1,200 hybrid/electric cars are currently registered in N.D.

Sustainability

Revenue would increase along with higher hybrid/electric vehicle ownership. Higher fuel prices might stimulate that ownership.

Driver's license fees

Description

Periodic fee imposed on all licensed drivers when obtaining/renewing license.

ND and peer states

State	License Fee	Duration of License	Annual Average Fee
ND	\$15	4-6 years	\$2.50-\$3.75
MIN	\$25.25	4 years	\$6.31
WI	\$34.00	8 years	\$4.25
SD	\$28.00	5 years	\$5.60
NE	\$21.50	4 years	\$5.38
IA	\$4/year	5-8 years	\$4.00
MT	\$40.50	8 years	\$5.06
ID	\$30.00	4 years	\$7.50

Viability

Moderate: 550,000 drivers currently licensed in N.D., but the fee is low and collected only once every 4-6 years. Approx. annual revenue equal to \$4 million.

Sustainability

No relationship with fuel prices and vehicle technology.

VMT (Vehicle-miles-travelled) fee

Description

Fee based on actual mileage travelled. Could be collected via periodical odometer readings or in-vehicle monitoring devices. Could vary based on road type, vehicle type, and other factors.

ND and peer states

VMT fee is widely discussed across the U.S. but so far has not been implemented anywhere. Several western states have been running pilot programs to examine VMT fee viability.

Viability

High, could exceed current fuel tax revenue and establish a more fair user fee collection scheme. However, implementation would be complex and could raise strong resistance due to privacy concerns.

Sustainability

Independent of fuel efficiency advancements and fuel prices.

Tolls

Description

User fees collected directly from drivers at toll booths and/or electronically. Could include portions of the highway system or specific facilities, e.g. bridges. Currently prohibited on interstates, but federal govt. leans towards removing that rule.

ND and peer states

No major tolled facility exists in N.D. and any of the peer states.

Viability

Variable revenue potential, depends on traffic volume, geographic range, availability of alternative routes. Would require significant resources to implement & enforce (up to 20% of revenue).

Sustainability

Mostly independent from fuel prices and vehicle technology advancements.

Public-Private Partnerships (PPP)

Description

Infrastructure investment is paid for by a private entity in exchange for a guaranteed revenue (paid over time by the government and/or with fees collected from users) or services

ND and peer states

In North Dakota, PPPs such as installation of traffic signals, construction of interchange ramps, pullout and acceleration lanes, and highway overlays have occurred in the recent past. Similar small scale projects have been implemented in surrounding states.

Viability

PPPs could provide infrastructure on a local basis between private and government entities where a mutually beneficial transportation improvement could be implemented.

Sustainability

Mostly independent from fuel prices and increases in fuel efficiency.

Transit Fares

Description

Paid by transit riders when using the service. Could be paid per trip or by purchasing passes.

Viability

Fare revenues cover 10-15% of operating expense for urban agencies and 8-10% for rural. Potential for significant increases is limited.

ND and peer states

Fare levels in North Dakota are similar to those charged by peer agencies in neighboring states. Average fare is \$1.50 per ride for in-town trips.

Sustainability

Increased fuel prices could positively impact transit ridership and fare revenue.

Comparison of funding options: revenue potential and geographic scope

