

FISCAL NOTE
Requested by Legislative Council
04/15/2009

REVISION

Amendment to: Reengrossed
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			(\$2,700,000)	\$2,090,064	\$0	(\$600,000)
Expenditures						
Appropriations						

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
			\$900,000	\$300,000		\$900,000	\$300,000	

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, with the Senate amendments (third engrossment), changes 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 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, provides a direct allocation to the State Highway Fund from the Highway Tax Distribution Fund, and provides additional funding from the Motor Vehicle Excise tax for townships during the 2009-2011 biennium. The significant fiscal impacts are:

SECTION 1 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 7 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 2 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 61.3 percent of HTDF allocations, the counties and cities receive 34.5 percent (counties 21.5%, cities 13%), the Township Highway Aid Fund would receive 2.7 percent, and the Public Transportation Fund would receive 1.5 percent.
- Section 2 of the bill also provides for the State Highway Fund to receive the first \$5.5 million of revenues generated

for the Highway Tax Distribution Fund each biennium.

SECTION 3 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 3, 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 3 of the bill will also 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 4 of the bill provides that the first \$2.7 million collected from the motor vehicle excise tax be deposited into the Township Highway Aid Fund. Section 8 of the bill will cause this provision to expire on June 30, 2011.

SECTIONS 5 and 6 remove the references to the one cent fuel tax designated for the Township Highway Aid Fund.

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 1 of the bill.

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 reduction in the revenues distributed and available to both the State Highway Fund and the State General Fund. The bill will result in increased revenue distributions to the counties, cities, public transportation, and the Township Highway Aid Fund.

GENERAL FUND

The general fund will experience decreased revenues of \$2,700,000 during the 2009-2011 biennium as a result of Section 4 of the bill.

OTHER FUNDS

This bill results in a net increase of approximately \$2.1 million to other funds during the 2009-2011 biennium, including the positive \$2.7 million impact on the Township Highway Aid Fund. Additionally, approximately \$600,000 of fuel taxes that will be available for refund to taxpayers but will no longer be available to fund transportation. The "Other Funds" impact is a composite of the bill's impact on four separate special funds. Following is a discussion of those impacts:

Township Highway Aid Fund - Section 3 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 2 as well as the other revenue changes prescribed in this bill. While the fund sees a reduction for the direct allocation of 1 cent of fuel tax (\$10.6 million), it will receive 2.7 percent (\$10.4 million) of the revenues available for distribution from the Highway Tax Distribution fund. In addition, Section 4 provides that the first \$2.7 million collected from the motor vehicle excise tax be deposited into the Township Highway Aid Fund. As a result of these provisions, the Township Highway Aid Fund will realize a net increase of approximately \$2.5 million.

Public Transportation Fund - Section 7 repeals the \$3 Public Transportation Fee (\$4.7 million) on each motor vehicle registration. This fund is also impacted by the formula percentage changes in section 2 as well as the other revenue changes prescribed in this bill. While the fund sees a reduction for the \$3 Public Transportation fee (\$4.7 million), it will receive 1.5 percent (\$5.8 million) 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 \$5.8 million. As a result of these provisions, the Public Transportation Fund will realize a net increase of approximately \$1.1 million.

State Highway Fund - Section 1 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 2 as well as the other revenue changes prescribed in this bill. In addition to the reduction of the \$13 dedicated motor vehicle registration fee, the State Highway Fund will receive a smaller percentage distribution from the Highway Tax Distribution Fund than previously received (61.3% versus 63%). Section 2 of the bill provides for the State Highway Fund to receive the first \$5.5 million of revenue generated for the Highway Tax Distribution Fund. It is estimated that the State Highway Fund will experience an net decrease in revenue amounting to \$2.7 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 1 places the \$13 of each motor vehicle registration (\$20 million) into the fund. Section 1 also increase motor vehicle registration fees by \$3; this motor vehicle registration fee increase is offset by section 7 which repeals the \$3 public transportation fee (\$4.7 million).
 * Section 3 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.

COUNTIES AND CITIES

The counties and cities will also experience increased revenues because of this bill. Due to the additional revenues to the Highway Tax Distribution Fund as previously explained, the counties will receive \$900,000 in increased revenues during each of the 2009-2011 and 2011-2013 bienniums. The increased revenues for the cities will be \$300,000 for each of the same time periods.

The \$2.7 million diversion of motor vehicle excise tax to the Township Highway Aid fund impacts only the 2009-2011 biennium.

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 contains no appropriation provisions. The NDDOT appropriation is contained in SB2012. The funding provisions of this bill (HB1407) will leave the NDDOT approximately \$60 million short of the revenues necessary to fund the appropriation contained in engrossed SB2012.

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