

FISCAL NOTE
Requested by Legislative Council
01/23/2009

REVISION

Bill/Resolution No.: SB 2177

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						
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

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 changes the Highway Tax Distribution allocation formula and 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.

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 is intended to modify the allocation formula and the related fee and tax revenues that are allocated through the Highway Tax Distribution Fund. The sections of the bill with significant fiscal changes are:

SECTION 1

- 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 6 of this bill removes that additional separate fee for public transportation. Section 1 of this bill replaces the revenue lost by the provisions of section 6 however; the 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.
- Section 1 also changes the fund into which \$13 of each motor vehicle registration fee is deposited. Current law provides that \$13 of each motor vehicle registration fee be deposited directly into the State Highway Fund. Section 1 of this bill provides that this \$13 be deposited into the Highway Tax Distribution Fund. \$13 of motor vehicle registration fees generates approximately \$20 million per biennium.

SECTION 2

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), the counties receive 23 percent, and the cities receive 14 percent. 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 63.28 percent of HTDF allocations (but lose the \$20 million of direct revenues from the \$13 of motor vehicle registration fees), the counties would receive 20.15 percent, the cities would receive 12.27 percent, the Township Highway Aid Fund would receive 2.76 percent (but would lose the \$10.6 million of revenue from the one cent of dedicated fuel tax), and the Public

Transportation Fund would receive 1.54 percent (but would lose the \$4.7 million from dedicated motor vehicle registration fees).

- It is very important to note that the allocation formula prescribed in Section 2 of the bill closely matches the percentage of funds the recipients realized in the 2007-2009 biennium through the Highway Tax Distribution fund or direct allocations. When coupled with the additional revenue provisions contained in SB2012, the provisions in SB2177 provide a transportation funding mechanism that provides all recipients with more transportation revenues than they currently receive.

SECTION 3

- 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. Section 3 of the bill provides that this one cent be deposited into the Highway Tax Distribution Fund. One cent of motor fuel tax generates approximately \$10.6 million per biennium.
- Section 3 provides that the one cent of fuel tax that is currently allocated directly to the Township Highway Aid Fund be eligible for refund to qualifying taxpayers. Under current law, some fuel purchases are eligible for tax exempt status; taxpayers are usually eligible to claim a refund of such taxes paid. However, current law also provides that the one cent of fuel taxes that is currently dedicated to the Township Highway Aid Fund is not eligible to be claimed for refund. Since Section 3 of the bill will remove the dedication of the one cent to the Township Highway Aid Fund, it also will 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 6

- Section 6 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.*

It is very difficult and somewhat misleading to present the revenue impacts of this bill without also including the impacts of SB2012. Therefore, we cannot accurately depict the revenue and expenditure impacts in Parts 1A and 1B of this fiscal note. However, the following revenue points are noted for consideration.

- The allocation formula prescribed in Section 2 of the bill closely matches the percentage of funds the recipients realized in the 2007-2009 biennium through the Highway Tax Distribution fund or direct allocations.
- As a result of the provisions of Sections 1 and 3 of this bill, the revenues to the highway tax distribution fund are increased by \$34.7 million (this is net of the \$600,000 of tax refunds discussed in part 2B of this fiscal note) while a like amount of direct allocations to the Public Transportation Fund (\$4.7 million), the Township Highway Aid Fund (\$10.6 million), and the State Highway Fund (\$20 million) are eliminated.
- Even without its companion bill (SB2012), this bill (SB2177) will result in increased revenue for the State Highway Fund, cities, counties, Public Transportation Fund, and the Township Highway Aid Fund as compared to the 2007-2009 biennium funding level. The growth in revenues from increased fuel consumption and motor vehicle registrations, coupled with the reallocations and formula changes provided for in this bill will result in increased revenues to the State Highway Fund of \$24.1 million, \$2.5 million for the cities, \$4.1 million for the counties, \$500,000 for the Township Highway Aid Fund, and \$200,000 for the Public Transportation Fund.
- As noted, this bill (SB2177) as written cannot be fully evaluated without also considering the impact of SB2012. Senate Bill 2012 injects \$120 million into the transportation funding mechanism by way of a one-time transfer from the state's General Fund.

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.*

SB2177 does not directly affect appropriations. It is designed to change the revenue allocation structure through the

Highway Tax Distribution Fund. However, it does impact the revenues that will be available for transportation funding for the NDDOT, cities, counties, townships, and transit.

The NDDOT appropriation is contained in SB2012 which is a "companion" bill to this bill. As previously mentioned, to fully reflect the transportation funding proposal, including the NDDOT appropriation, SB2177 must be considered in conjunction with SB2012.

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