New Mexico Legislative Interim Joint Committee

August 6, 2014

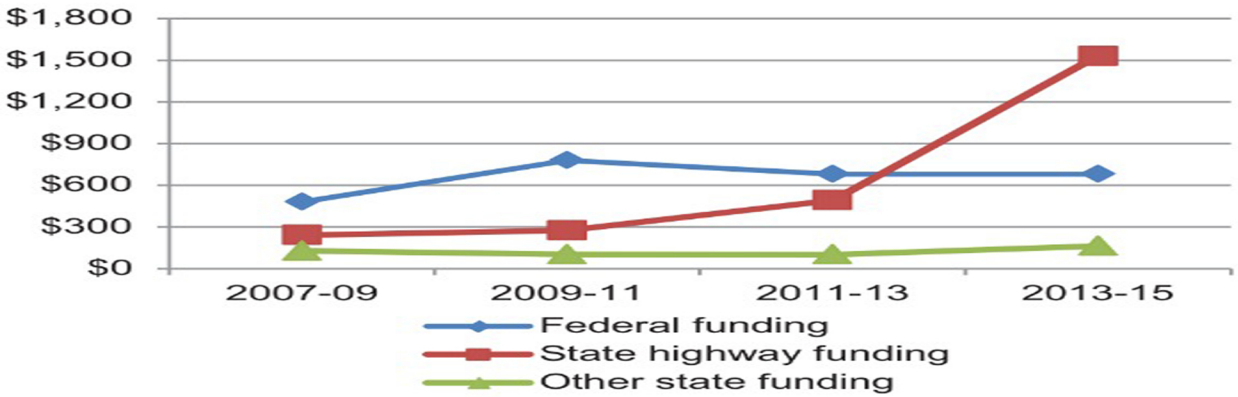
North Dakota State Senator Ray Holmberg

North Dakota Heritage Center

Completion November, 2014

TRANSPORTATION

STATE HIGHWAYS - FUNDING HISTORY
(Amounts Shown in Millions)



State Highways Funding History (Amounts Shown in Millions)				
	2007-09	2009-11	2011-13	2013-15
Federal funding	$481.6	$779.6[1]	$681.0[2]	$681.5
State highway funding	$241.8	$274.8	$492.9[3]	$1,530.5[4]
Other state funding	$127.5	$102.4	$102.0	$163.5
Total	$850.9	$1,3156.8	$1,275.9	$2,375.5

[1]Includes $176.1 million of federal fiscal stimulus funds.
[2]Includes $24.1 million of federal fiscal stimulus funds.
[3]Includes a $228.6 million transfer from the general fund to the highway fund for state highway projects in areas affected by oil and gas development.
[4]Includes $1,161.6 million from the general fund for state highway projects in areas affected by oil and gas development.

2013-15 BIENNIUM STATE TRANSPORTATION FUNDING DISTRIBUTIONS
(Amounts Shown in Millions)

	Statutory Funding[1]	Additional Funding for Oil-Impacted Areas	Additional Funding for Non-Oil-Impacted Areas	Total 2013-15 Biennium State Funding
State	$368.9	$1,161.6		$1,530.5
Counties	130.4		$41.1	171.5
Cities	74.1		22.4	96.5
Townships	16.0	8.8	36.9	61.7
Public transportation fund	8.9			8.9
County and township road projects		160.0	120.0	280.0
Total	$598.3	$1,330.4	$220.4	$2,149.1

[1]Funding provided from the highway tax distribution fund.

ESTIMATED FEDERAL HIGHWAY FUNDING[1]

	(Amounts Shown in Millions)		
	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Federal Highway Administration funding	$500.9	$569.5	$532.2
Emergency relief funds	33.7	56.2	116.8
Federal rail funds	2.3	6.1	8.4
National Highway Traffic Safety Administration	10.0	11.4	9.3
Federal transit funds	12.8	13.7	14.8
Funding for Devils Lake area projects	43.8	0	0
Federal fiscal stimulus funding - Highway infrastructure	170.1	19.3[3]	0
Federal fiscal stimulus funding - Transit programs	6.0[2]	4.8[3]	0
Total	$779.6	$681.0	$681.5

[1]Federal funding received for highway construction projects requires matching funds provided by the state. Interstate highway projects are funded 90 percent with federal funds and 10 percent with state funds, and most other state highway projects are funded with 80 percent federal funds and 20 percent state funds.

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

[3]Includes $10 million of unspent federal fiscal stimulus funding originally appropriated by the Legislative Assembly in 2009.

MOTOR FUELS TAXES

Both gasoline and special fuels (diesel) are taxed in North Dakota at a rate of 23 cents per gallon. A one-cent increase in the gas tax is estimated to generate an additional $3.8 million per year or $7.6 million for a biennium. A one-cent increase in the special fuels tax is estimated to generate an additional $2.6 million per year or $5.2 million per biennium. The federal tax rate per gallon is 18.4 cents for gasoline and 24.4 cents for diesel fuel.

MILES OF ROADWAYS IN NORTH DAKOTA - 2011

State highway system	7,375
County roads	18,813
Other rural roads	56,753
City streets	3,906
Total	86,847

ESTIMATED HIGHWAY CONSTRUCTION COSTS PER MILE

	2008	2010	2012
Interstate concrete paving (two lanes in one direction)	$1,700,000	$1,700,000	$2,400,000
Two-lane road reconstruction (includes grading and asphalt surfacing)	$985,000	$1,275,000	$2,000,000
Asphalt surface reconstruction (includes subgrade repair and resurfacing)	$780,000	$760,000	$1,050,000
Three-inch asphalt overlay	$350,000	$300,000	$300,000
Interstate seal coat	$31,000	$50,000	$55,000
Noninterstate seal coat	$28,000	$35,000	$35,000

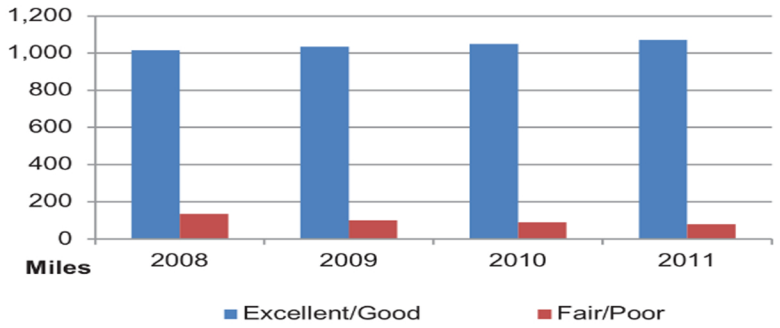
NORTH DAKOTA BRIDGE SYSTEM CONDITION

Number of Bridges in the State and Percentage of Structurally Deficient[1] or Functionally Obsolete[2] Bridges				
	State	Urban	County	Total
2008				
Bridges	1,714	104	3,160	4,978
Percentage deficient	4%	12%	27%	19%
2010				
Bridges	1,714	107	3,065	4,886
Percentage deficient	5%	11%	27%	19%
2012				
Bridges	1,706	108	3,044	4,858
Percentage deficient	5%	14%	25%	18%

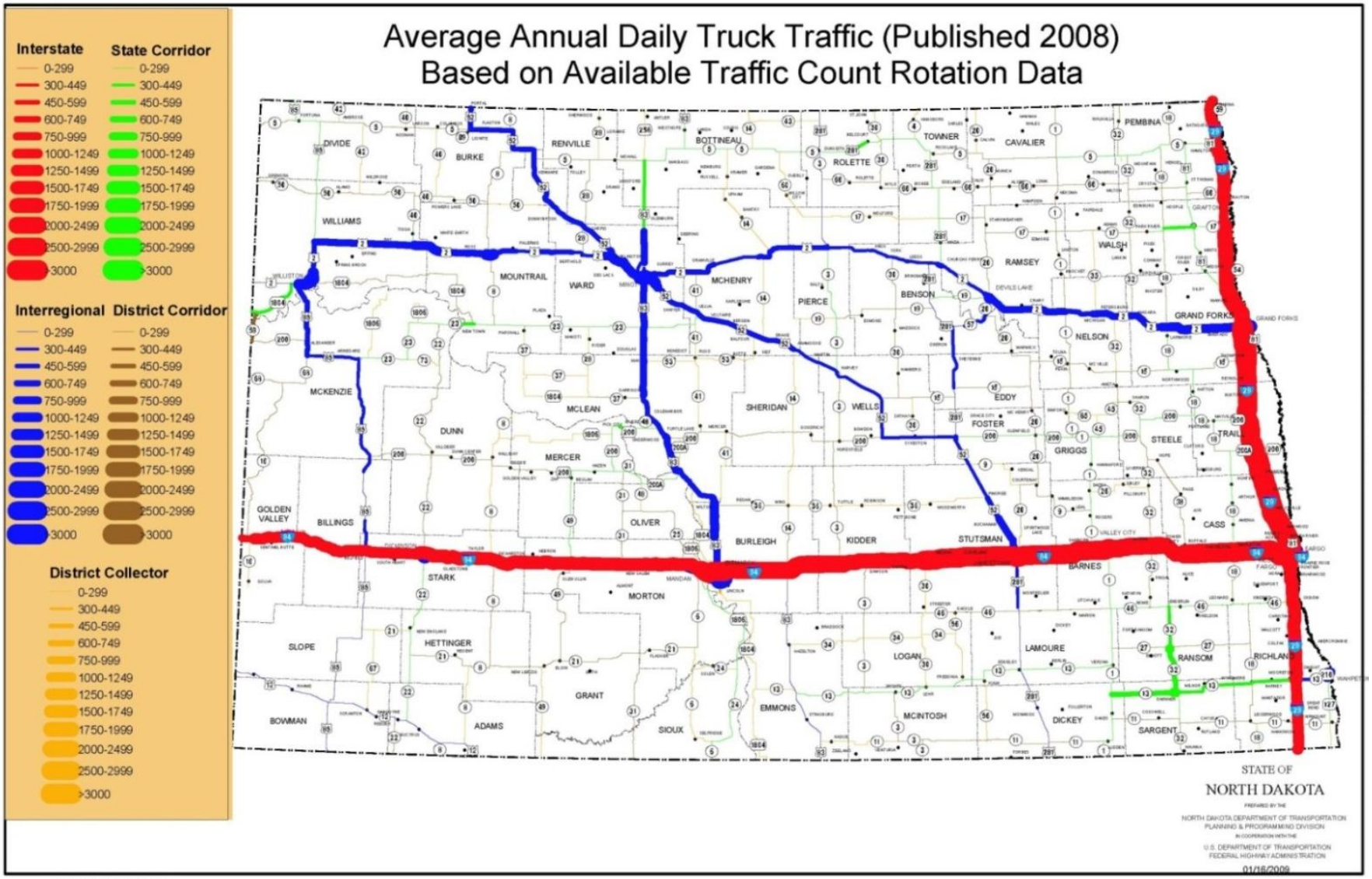
[1]Structurally deficient bridge means that the deck, the superstructure, or the substructure has a condition that warrants attention.

[2]A functionally obsolete bridge has some part of the bridge that does not meet a design standard, such as vertical clearance or deck width.

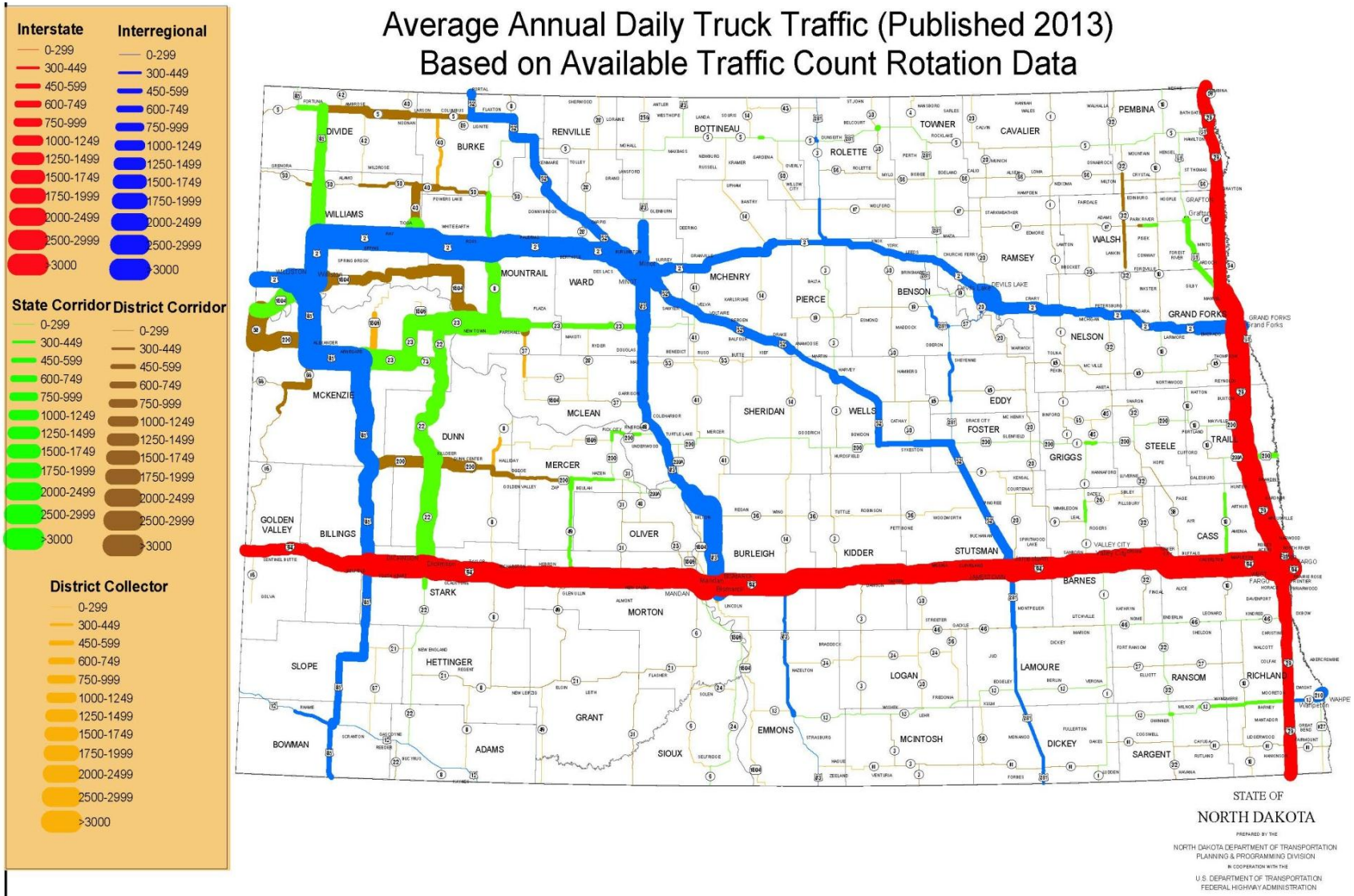
NORTH DAKOTA INTERSTATE SYSTEM RIDE TRENDS



Truck Traffic 2008



Truck Traffic 2012



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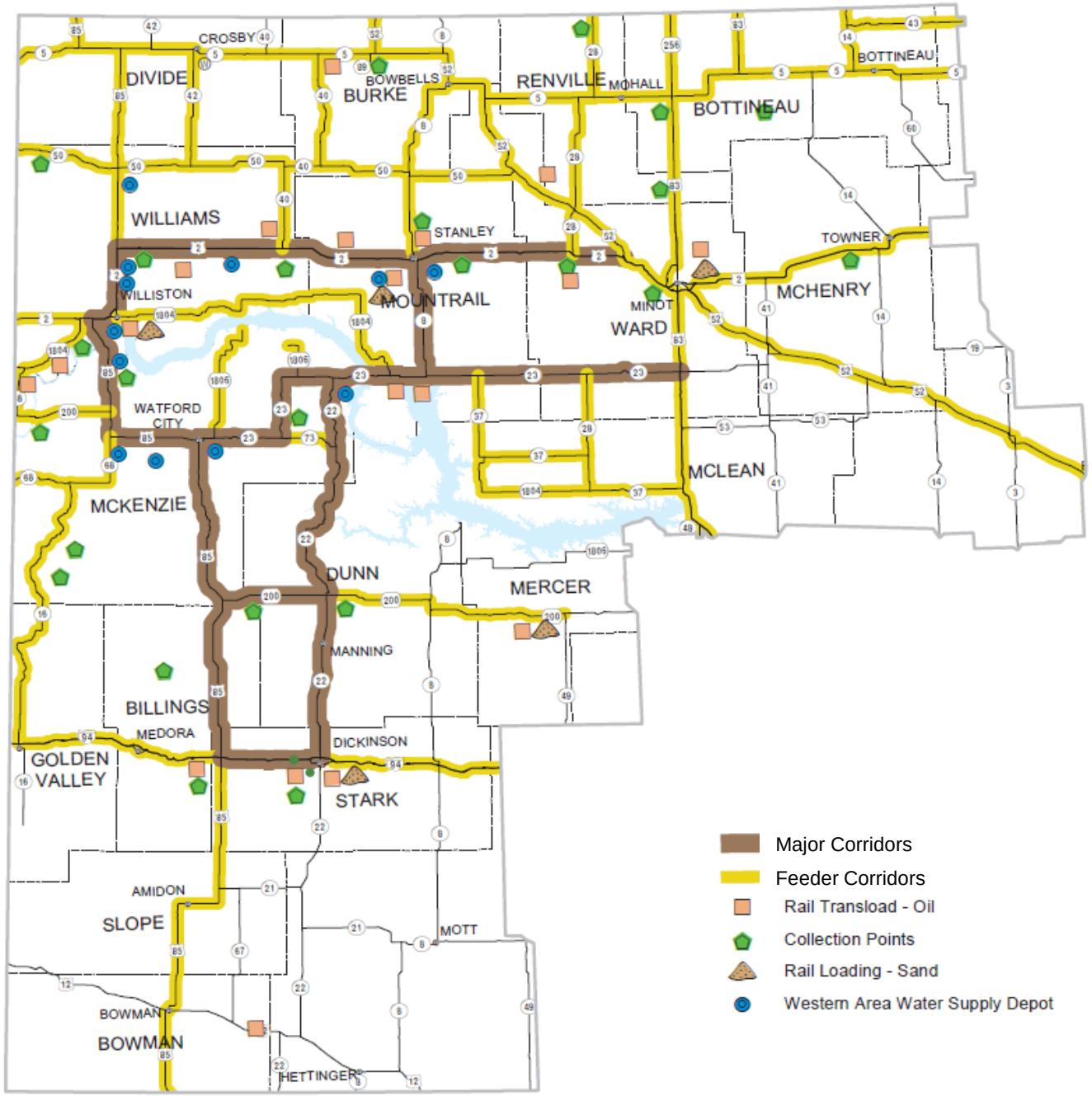
Western ND Highway Energy Corridors



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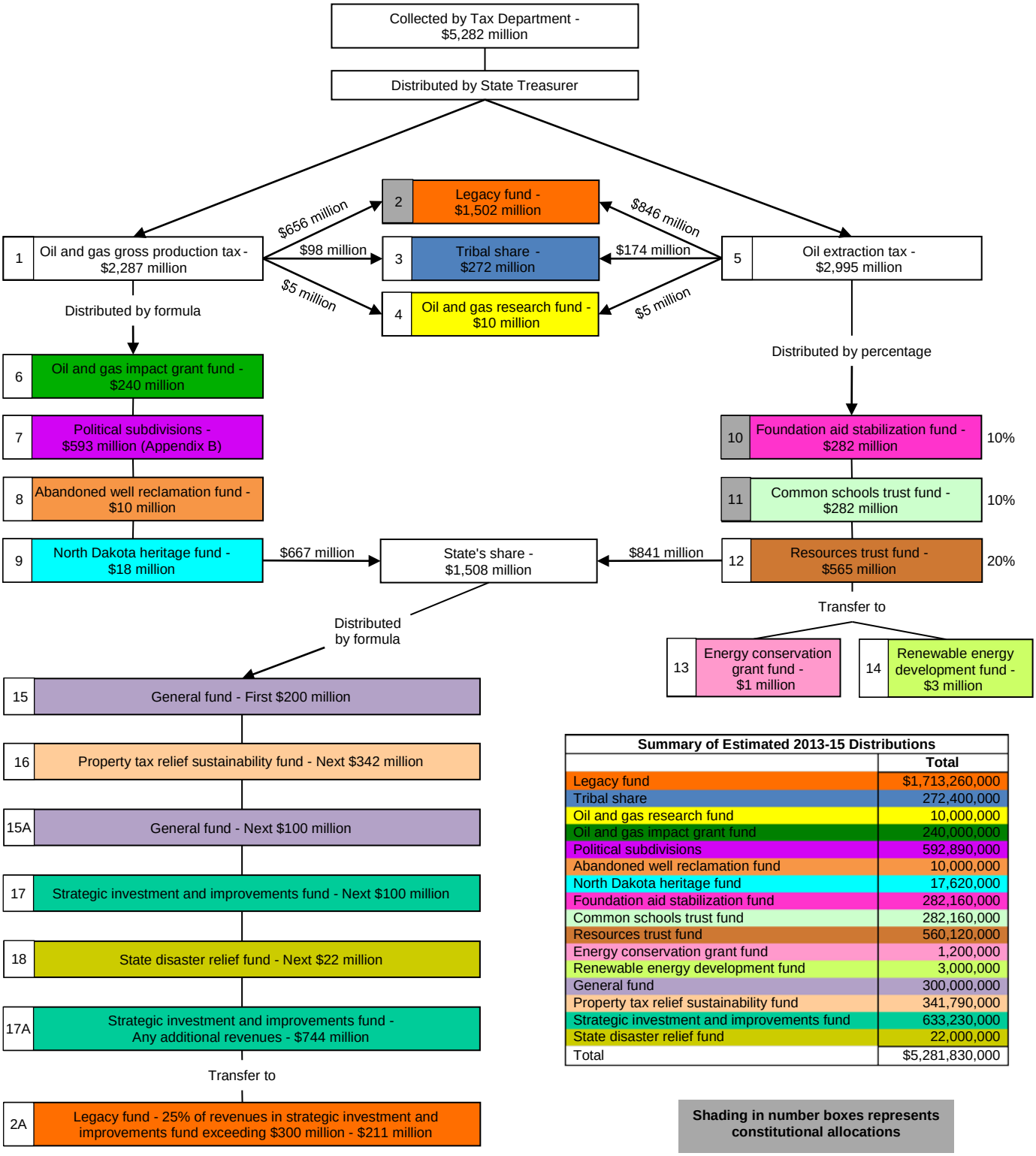
North Dakota Department of Transportation

2013-15 OIL AND GAS TAX REVENUE ALLOCATION FLOWCHART

This memorandum provides information on the estimated allocation of oil and gas tax collections for the 2013-15 biennium as approved by the 2013 Legislative Assembly. A summary of the funds is included in Appendix A, and a more detailed schedule of the distribution of oil and gas gross production tax collections is included in Appendix B.

2013-15 BIENNIUM
2013 Legislative Session Estimates



Summary of Estimated 2013-15 Distributions

	Total
Legacy fund	$1,713,260,000
Tribal share	272,400,000
Oil and gas research fund	10,000,000
Oil and gas impact grant fund	240,000,000
Political subdivisions	592,890,000
Abandoned well reclamation fund	10,000,000
North Dakota heritage fund	17,620,000
Foundation aid stabilization fund	282,160,000
Common schools trust fund	282,160,000
Resources trust fund	560,120,000
Energy conservation grant fund	1,200,000
Renewable energy development fund	3,000,000
General fund	300,000,000
Property tax relief sustainability fund	341,790,000
Strategic investment and improvements fund	633,230,000
State disaster relief fund	22,000,000
Total	$5,281,830,000

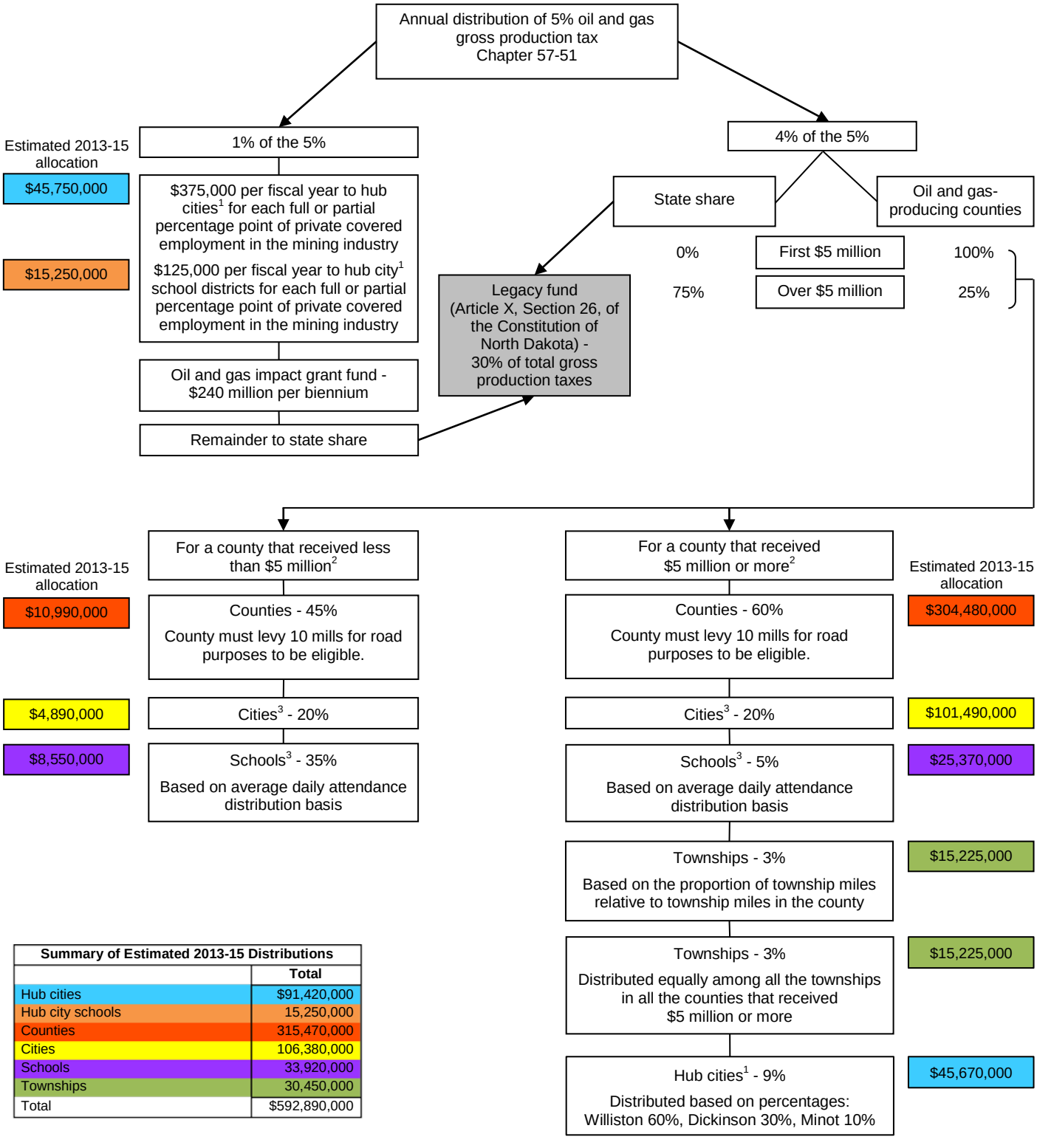
Shading in number boxes represents constitutional allocations

ATTACH: 2

The table below provides a brief description of the taxes and funds included in the flowchart on the previous page.

Box	Tax/Fund	Description
1	Oil and gas gross production tax	North Dakota Century Code Section 57-51-02 provides for a tax of 5 percent of the gross value at the well of oil produced in North Dakota unless exempted. The gross production tax on gas is four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2 and 2-A	Legacy fund	Article X, Section 26, of the Constitution of North Dakota provides for a deposit to the legacy fund of 30 percent of total revenue derived from taxes on oil and gas production or extraction. Section 15-08.1-08 provides that if the unobligated balance in the strategic investment and improvements fund exceeds $300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund must be deposited instead in the legacy fund.
3	Tribal share	Section 57-51.2 provides the requirements for allocating oil and gas tax revenues to the Three Affiliated Tribes within the Fort Berthold Reservation.
4	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund. 2013 Senate Bill No. 2014 amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues, up to $10 million per biennium, is to be deposited into the oil and gas research fund. All money deposited in the fund and all interest income are appropriated as a continuing appropriation to the Oil and Gas Research Council.
5	Oil extraction tax	Section 57-51.1-02 provides for a tax of 6.5 percent of the gross value at the well on the activity in North Dakota of extracting oil from the earth unless exempted.
6	Oil and gas impact grant fund	Section 57-51-15 (1989 House Bill No. 1302) establishes the oil and gas impact grant fund for deposit of revenue from oil and gas gross production taxes. 2013 House Bill No. 1358 amended Section 57-51-15 to provide that revenue from the tax equal to the first 1 percent of the gross value of oil at the well of oil production, up to $240 million per biennium, is to be deposited into the oil and gas impact grant fund. The fund is used to provide grants to political subdivisions impacted by oil development.
7	Political subdivisions	Oil and gas gross production taxes are apportioned to political subdivisions pursuant to Section 57-51-15 as amended by 2013 House Bill No. 1358. See Appendix B.
8	Abandoned oil and gas well plugging and site reclamation fund	2013 House Bill No. 1333 amended Section 57-51-15 to provide that 4 percent of the first 1 percent of oil and gas gross production tax to be allocated to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding $5 million per state fiscal year and not in an amount that would bring the balance of the fund to more than $75 million.
9	North Dakota heritage fund	2013 House Bill No. 1278 created a North Dakota outdoor heritage fund to preserve natural areas and public lands. House Bill No. 1278 amended Section 57-51-15 to provide 4 percent of revenues from the first 1 percent of the oil and gas gross production tax up to $15 million per state fiscal year.
10	Foundation aid stabilization fund	Article X, Section 24, of the Constitution of North Dakota, provides for a distribution of 10 percent of oil extraction taxes to the foundation aid stabilization fund. Section 24 also provides that the principal of the foundation aid stabilization fund may be expended only upon order of the Governor to offset foundation aid reductions that were made by executive action due to a revenue shortfall.
11	Common schools trust fund	Article IX, Section 1, of the Constitution of North Dakota, provides for a common schools trust fund to be used to support the common schools of the state. Article X, Section 24, of the Constitution of North Dakota, provides for a distribution of 10 percent of oil extraction taxes to the common schools trust fund to become part of the principal of the fund. Article IX also provides for the deposit of other revenue sources into the common schools trust fund. Only earnings of the common schools trust fund may be spent. The earnings are distributed to school districts as part of the state school aid formula.
12	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Article X, Section 22, of the Constitution of North Dakota, provides that the fund may be used, subject to legislative appropriation, for constructing water-related projects, including rural water systems, and funding of programs for energy conservation.
13	Energy conservation grant fund	2013 Senate Bill No. 2014 amended Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the amount credited to the resources trust fund from the resources trust fund into the energy conservation grant fund, up to $1.2 million per biennium.
14	Renewable energy development fund	2013 Senate Bill No. 2014 amended Section 57.51.1-07 to provide for a transfer of 5 percent of the amount credited to the resources trust fund from the resources trust fund into the renewable energy development fund, up to $3 million per biennium.
15 and 15-A	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5 provides for the distribution of the state's share of oil and gas taxes. The distribution formula provides for an initial deposit of $200 million to the general fund and an additional $100 million after a deposit of $341.79 million in the property tax relief sustainability fund.
16	Property tax relief sustainability fund	Section 57-64-05 provides for the property tax relief sustainability fund to provide for property tax relief programs pursuant to legislative appropriations. Section 57-51.1-07.5 provides for the distribution of up to $341.79 million of oil tax revenues to the property tax relief sustainability fund each biennium.
17 and 17-A	Strategic investment and improvements fund	Section 15-08.1-08 provides for the strategic investment and improvements fund. The fund is to be used for one-time expenditures to improve state infrastructure or initiatives to improve the efficiency and effectiveness of state government. Section 57-51.1-07.5 provides for the distribution of certain oil tax revenues to the strategic investment and improvements fund.
18	State disaster relief fund	Section 37-17.1-27 provides for the state disaster relief fund to be used only for the required state share of funding for expenses associated with presidential-declared disasters in the state upon Emergency Commission and Budget Section approval. Section 57-51.1-07.5 provides for the distribution of up to $22 million of oil tax revenues at certain levels to the state disaster relief fund each biennium.

2013 LEGISLATIVE SESSION ESTIMATES OF 2013-15 BIENNIUM
DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



Summary of Estimated 2013-15 Distributions	
	Total
Hub cities	$91,420,000
Hub city schools	15,250,000
Counties	315,470,000
Cities	106,380,000
Schools	33,920,000
Townships	30,450,000
Total	$592,890,000

[1]A "hub city" means a city with a population of 12,500 or more, according to the last official decennial federal census, which has more than 1 percent of its private covered employment engaged in the mining industry, according to data compiled by Job Service North Dakota.

[2]The estimated distribution amounts for state fiscal year 2014 for Bottineau County are included in the amounts for the counties that received less than $5 million, because Bottineau County is projected to receive less than $5 million for state fiscal year 2013. The estimated amounts for state fiscal year 2015 for Bottineau County are included in the amounts for counties that received $5 million or more, because Bottineau County is projected to receive $5 million or more for state fiscal year 2014.

[3]Hub cities and hub city school districts must be omitted from this apportionment.