

# STATE SUMMARY OF COUNTY TRANSPORTATION FUNDING AND FINANCE

## NORTH DAKOTA COUNTIES

### FUNDING SOURCES FOR COUNTY TRANSPORTATION PROJECTS

#### From State funds:

- Counties receive a portion of the State Highway Distribution Fund. In 2011, counties received \$64.9 million from this fund.
- Some counties receive oil, gas and coal impact funds, which amounted to \$18.3 million in 2011.
- In 2011, counties received one-time state appropriations of \$26.1 million for transportation.

#### From Federal funds:

- Counties receive funds for the Federal-aid Highway system, which includes major collectors. These funds amounted to \$4.8 million in 2011.
- Counties receive approximately \$37.5 million in FEMA funding for transportation in 2011.

#### From County Funds:

- Counties fund transportation through local taxes, special assessments and bonds. These funds amounted to approximately \$64.5 million in 2011.
- In North Dakota the county road system is funded with a mix of local ad valorem\* taxes (21 percent), state fuel & motor vehicle taxes (26 percent), one-time state appropriations (11 percent), federal highway funds that are derived from federal fuel taxes (2 percent) and oil and coal production taxes (7 percent) and a mix of other federal sources, bonding and local fees (31 percent). These percentages represent an approximate statewide average as the mix in any given county, and for any given year, can vary quite significantly - only about 1/3 of the counties receive oil and coal production taxes.
- One of the eight home rule counties in North Dakota, which are authorized to levy a sales tax, currently levies a sales tax with revenues used for county roads.

### COUNTIES FACE THE FOLLOWING CHALLENGES IN FUNDING AND FINANCING TRANSPORTATION PROJECTS

- The greatest challenge facing counties in North Dakota is the dramatic increase in volume of semi-truck traffic on local roadways and bridges. This is especially significant in oil producing counties. Many local roads and bridges were designed and built in the 1950's and 1960's for much smaller loads. The road deterioration is happening at a rate that local, state and federal funding has not been able to match. This

Share of County Owned <b>Road Miles</b> Out of Public Roads Statewide	<b>12%</b>
Share of County Owned <b>Bridges</b> Out of Public Bridges Statewide	<b>71%</b>
Share of <b>Structurally Deficient Bridges</b> Out of County Owned Bridges	<b>22%</b>

### COUNTY FINANCIAL AUTHORITY

	County Authority	Limitations
Levy Property Taxes	X	The maximum tax rate is 23 mills, but counties may levy ad valorem taxes for roads beyond this limit.
Levy Personal Property Taxes		
Levy Local Option Sales Taxes	X	Home rule counties may levy a sales tax, using the revenue for transportation or other purposes.
Levy a Local Gas Tax	X	Only available to home rule counties. No counties currently levy this tax.*
Charge a Motor Vehicle License or Registration Fee	X	Only available to home rule counties. No counties currently levy this tax.*
Form Special Districts for Transportation	X	Counties have authority to levy special assessments on areas to which they provide capital improvement to offset the cost of the improvements.

\* Must make arrangements with the state tax commissioner for administration of the taxes by the state.

problem is exacerbated by the increasing cost of road construction and maintenance, which outpaces the rate of growth of county revenues.

## NEW FUNDING AND FINANCING SOLUTIONS FOR COUNTIES

- The biennial session of the North Dakota Legislature in 2013 addressed county transportation funding in a very significant manner. Recognizing that substantial impacts of the oil and gas production in western counties, the legislature appropriated \$160 million in one-time funding to address the highest priority road needs in the next two years. Additionally, the distribution of the state's oil and gas gross production tax revenue was realigned, significantly increasing the share that is returned to local governments for a variety of purposes, however much of which is dedicated to local road improvements and maintenance.
- The state legislature also recognized that counties outside of the oil and gas production area were facing problems in addressing conditions that have deteriorated due to a combination of increasing maintenance costs, increased agricultural production, increased agricultural equipment size, a period of significantly increased precipitation and a reluctance to raise property taxes. This prompted the state to issue one-time appropriations totaling \$159 million for non-oil producing county roads for the next two years.
- The legislature in 2013, allowed counties to retain the “extraordinary road use fees” that are levied as damage payments on semi-truck operators that exceed legal weight limits on county roads without receiving appropriate permits. This allows local law enforcement to force truck operators to seek permits, allowing counties to properly route heavier vehicles, and collect additional road-dedicated revenues to offset damages caused by overweight trucks illegally traveling on county roads.

## BREAKDOWN OF COUNTY TRANSPORTATION FUNDING<sup>1</sup>

County Share	<b>39%</b>
State Share	<b>44%</b>
Federal Share	<b>17%</b>

<sup>1</sup> This is an estimated based on information from the North Dakota Association of Counties for FY 2011. State share includes oil and coal production tax revenues and one-time state appropriation for county roads. Individual county shares will vary - only about 1/3 of counties receive oil and coal production taxes. Federal share includes Federal-aid highway money and FEMA funds.