

MINUTES

Joint House & Senate Commerce & Energy Committees



Representative Tim Rounds, Chair
Senator Phil Jensen, Chair

**2017 Interim Joint Committee Meeting
September 27-28, 2017**

**Room 362 – State Capitol
Pierre, South Dakota**

The Joint House and Senate Commerce and Energy Committees meeting was called to order by Representative Tim Rounds on Wednesday, September 27, at 10:00 AM in room 362 of the State Capitol. A quorum was determined with the following members answering roll call: Representatives Arch Beal, Lana Greenfield, David Johnson, Elizabeth May (via phone), John Mills, Tom Pischke, Wayne Steinhauer, Mark Willadsen, Larry Zikmund, and Tim Rounds; Senators Craig Kennedy, Jack Kolbeck, Jenna Netherton, and Phil Jensen. Excused: Representatives Spencer Gosch, Spencer Hawley, Steven McCleerey; Senators Stace Nelson, Al Novstrup, Neal Tapio.

Staff members present include Doug Decker, Code Counsel; Jeff Mehlhaff, Fiscal Analyst; and Pam Kean, Committee Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC website at: sdlegislature.gov.

Chairs' Opening Remarks

Representative Tim Rounds, House Chair, extended a welcome to the first Interim Joint Commerce and Energy Meeting, acknowledging committee members, people present to testify, those here to listen, and those listening via the internet. He shared that the purpose of the meeting is to listen to the agencies and learn about the topics to expand the committee members' knowledge of what is being debated when considering proposed legislation. He indicated that this effort is a pilot program and he hopes it will prove to be successful, encouraging other standing committees to do the same during the interim.

Senator Phil Jensen, Senate Chair, stated he appreciates Representative Rounds effort to bring members up to speed on these issues. He extended his appreciation to those who would be testifying, stating he was looking forward to an informative day.

Representative Rounds reminded members that this is an information only meeting with no debate, encouraging members to listen, learn and ask questions throughout the presentations.

Department of Revenue Briefing

Mr. Andy Gerlach, Secretary, Department of Revenue, said the Commerce and Energy Committees deal with a lot of different subjects including taxes, but more big policy issues that affect business, industry, and commerce in South Dakota. Mr. Gerlach distributed a document regarding the role of the Department of Revenue to provide information to stimulate questions, understanding as well as to point out some potential issues that may be addressed this legislative session. Mr. Gerlach introduced staff members who would be covering topics including

SDCL Title 35 - Alcohol, Tobacco Taxes, Severance Taxes and Tax Increment Financing which is important to economic development, Gaming, Motor Vehicle Taxes and Licensing, and ending with E-Commerce at the national level ([Document #1](#)).

Representative Rounds requested a motion to amend the agenda to include the additional topics outlined by Mr. Gerlach.

A MOTION WAS MADE BY SENATOR NETHERTON, SECONDED BY SENATOR JENSEN, TO AMEND THE AGENDA BY ADDING SEVERANCE TAXES AND TAX INCREMENT FINANCING UNDER THE DEPARTMENT OF REVENUE BRIEFING ITEM. The motion prevailed by voice vote.

Mr. Jason Evans, Property and Special Taxes, Department of Revenue, provided a brief on SDCL Title 35 - Alcohol to include a historical perspective, overview and benefits of the 3-tiered system, exceptions, tax types and revenue distribution, and focus of an alcoholic beverage laws workgroup established in summer of 2017 ([Document #2](#)).

Mr. Mike Houdyshell, Property and Special Taxes, Department of Revenue, presented an overview on Tobacco including licensing, taxes, tax distribution and statistics ([Document #3](#)).

Mr. Houdyshell reported on Severance Taxes including types and distribution, and average annual revenue. In addition, he presented information regarding Tax Increment Financing (TIF), defining what it is, how it works, and classification types ([Document #4](#)).

Mr. Larry Eliason, Commission on Gaming, Department of Revenue, provided an overview on Gaming including Deadwood numbers and statistics, outlook, national trends towards an integrated resort experience, and where the money goes ([Document #5](#)).

Mr. Norm Lingle, Lottery, Department of Revenue, reviewed information regarding SD Lottery including instant tickets, lotto games, video lottery and revenue distribution ([Document #6](#)).

Ms. Lisa Weyer, Motor Vehicles, Department of Revenue, presented information on Motor Vehicles including South Dakota dealers, electronic services, efforts to strengthen relationships and partnering with county treasurers, an outline on where the money goes, and the next evolution - autonomous vehicles or self-driving vehicles and legislative movements in this regard ([Document #7](#)).

Mr. Gerlach concluded the report by presenting information on E-commerce, including addressing statistics, legal action, SD legislation SB 106 in action, outlining applicants and economic impact, national efforts, and the next evolution-marketplace facilitators, online marketplaces, and Amazon third party sales ([Document #8](#)).

Throughout the presentation, Department of Revenue staff entertained questions of the joint committee members, invited commentary, provided further clarification on topics covered, as well as made note of information and data requested by committee members to be made available at a future date.

Public Utilities Commission Briefing

Commissioner Kristie Fiegen, made introductions of honorable fellow Commissioners, **Commissioner Gary Hanson, and Commissioner Chris Nelson.** She outlined the role of the Public Utilities Commission, consisting of

Grain Warehouse, Telecommunications, Energy Utilities and Pipeline Safety. In addition, the PUC serves as a consumer advocate for citizens of South Dakota. She informed members that the PUC has 30-31 staff members who can answer questions and address concerns, including two staff attorneys, seven utility analysts, four grain warehouse staff, two pipeline safety inspectors and three consumer affairs staff. The Commissioners provided a PowerPoint presentation to further clarify their role, as well as invited questions and commentary.

SD Electric Utilities Companies Briefing

Mr. Steve Willard, Executive Director, South Dakota Electric Utility Companies, encouraged committee members to explore the U.S. Energy Information Administration (EIA), an unbiased Federal site that provides thorough, objective information on a variety of energy subjects ([Document #9](#)). Mr. Willard further encouraged the members to become serious consumers of their local providers and ask questions. He offered to explore the provision of a textbook as a resource for committee members if they are interested, passing around an example. He provided additional handouts to depict and define what's inside a power plant in preparation of tomorrow's field trip ([Document #10](#)). He reviewed the field trip agenda which will include a comprehensive tour of Big Stone Power Plant focusing on power generation, travel to a nearby electric substation to review functions and energy transmission. The group will then fly to Huron and tour the Northwestern Energy Operations Center to address topics regarding generation dispatch, cyber security, and disaster recovery. Mr. Willard entertained questions of committee members and took note of additional information requested.

Representative Rounds announced that the next interim Joint Commerce and Energy Meeting is scheduled for the day following the Governor's budget address. At that time, the committee will hear from the Department of Labor, the Bureau of Administration, and the Governor's Office of Economic Development. Representative Rounds indicated that, based on positive feedback, he will approach the Executive Board about using the interim to have meetings like this in the future, and that he appreciated the support of Commerce and Energy members.

Adjourn

A MOTION WAS MADE BY REPRESENTATIVE BEAL, SECONDED BY REPRESENTATIVE PISCHKE, THAT THE JOINT COMMERCE AND ENERGY COMMITTEE BY ADJOURNED. The motion prevailed on a voice vote.

The committee adjourned at 4:45PM.