

The Highway Needs and Finance Subcommittee met in Watertown on July 2, 2014, from 11:00 a.m., at the Lake Area Technical Institute.

(Attendance was estimated at 60.)

The meeting was hosted by the following committee members: Senator Vehle, Chair; Senator Welke; Senator White; Representative Duvall, Vice Chair; Representative Peterson; and Representative Werner.

Senator Vehle presented an overview of the scope of the Highway Needs and Finance Committee and reviewed the tables and charts in a PowerPoint presentation (document 1) with the audience. The presentation provided a description of the basic state and local highway, road, and bridge infrastructure; federal, state, and local financing revenues; efficiency measures for the SD DOT; construction and maintenance costs; current and projected road and bridge conditions; and the importance of maintaining the transportation infrastructure.

Public Testimony:

Leon Pesall – Self – Brookings: Suggested several revenue enhancement alternatives including an increase to the motor vehicle excise tax from 3% to 6% for with 1% to the state and 2% to local governments; dedicating a portion of the sales tax revenue spent on parts and repairs of motor vehicles; venue tax on certain large scale facilities (venue tax) that draw substantial traffic; and finance tax or fee charged on loans made for motor vehicles.

Dennis Drake – Beadle County Commissioner: He was the last person to cross a bridge in Beadle County that collapsed shortly after being crossed by a school bus. He expressed concern on the ability of certain counties to enact the wheel tax and consideration should be given to making the tax mandatory. The Federal government should provide financial resources with less strings and compliance issues, so that money may be spent more efficiently and effectively. The wheel tax revenue is minimal compared to the damage being caused by trucks.

Roger George – Roberts County Commissioner: He recommended that the wheel tax be reevaluated as the fee is the same for semis and pickups, with vehicles that have more wheels paying more. The cost of road construction has doubled over the last 10 years. Also, Roberts County, when the property tax limitation program was implemented had just lowered its property tax levy from its norm to expend its reserves. He supported the principles found in HB 1230 from the 2014 session which would have provided a tax levy only for roads and the property tax limitations would not have applied to such levy. He suggested removing the current property tax limitations as many counties had a tax levy that was less than the normal levy when the tax limitation was originally established.

Norris Patrick – Oak Lake Township: He submitted that townships should be allowed to have the authority to levy a sales tax. Also, suggested that a 1% real estate transfer fee could be enacted on the transfer of agricultural property to be dedicated for township roads. He also commented that South Dakota State University does not contribute to maintain roads for agricultural land owned by the university. Townships should be able to levy property taxes based on their needs.

Dave Sorenson – Kingsbury County Highway Superintendent: Noted that over the past 10 years, the price for batch mix has increased by 3.5 times. He expressed appreciation for the additional revenue from registration fees, but more revenue is needed to address the needs. He responded to a question that counties do cooperate with each other, especially in times of need, such as natural disasters. Removing the levy cap would be a good tool, but it likely wouldn't receive support in every county. The motor fuel tax of 22 cents adopted in 1999 is worth about 10 cents today. He is in favor of increasing the motor fuel tax. For safety reasons, it is important to have an adequately maintained road system.

Mark Leddy – Valley Queen Cheese, Milbank: He indicated that motor fuel tax increase may be necessary which would be a large expense for their company. Also, indicated that consideration be given to have the tax tied to the price of fuel. However, for their business to remain successful they need to be able get product in and out.

Jeff Harms – Harms Oil Company, Brookings and Aberdeen: He commented that some alternatives to increase revenue were the vehicle excise tax, registration fees, and motor fuel tax. He also reminded the subgroup that the tank inspection fee tax is two cents per gallon in South Dakota which is higher than the surrounding states. One alternative would be to dedicate a portion of that revenue to the highway fund. He recommended that the legislature be cognizant of the motor fuel tax rates established in the surrounding states. Consideration should also be made for hybrid and electric vehicles which consume less or no motor fuel. A BTU measurement does not necessary reflect mileage. All types of fuels need to pay their fair share.

Thomas Bisek – Lien Township in Roberts County: He stated that agricultural land valuations are increasing, but the ability to levy taxes are not. He supported the provisions of the HB 1140 which would have allowed townships to levy a property tax for roads outside of the parameters for property tax limitation program. Townships are faced with the decision on whether to vacate roads or not. He proposed an additional fee on hunting licenses and to dedicate the additional revenues to townships.

Gary Jaeger – Deuel County Commissioners: Replacing culverts can be a major expense in addition to the costs of reconstructing bridges. Several roads are closed due to failing bridges, and the county is evaluating low-water crossings. Deuel County only has \$2 wheel tax, but licensing fees for ag equipment may need to be considered. It is difficult for counties to pass a property tax opt-out.

Leo Reiffenberger – Labolt Farmers Grain, Grant County: He asked whether the railroads are paying their share. He also commented that railroad service has not been consistently provided and additional rail transports relieve some stress on the road infrastructure system. He believes people don't mind paying more fees and taxes if money is dedicated only for roads and bridges.

Merle Hansen – Beadle County Highway Superintendent: Beadle County has 51 bridges programmed for reconstruction, approximately one a year until 2068. He advocated that their needs to less strings attached to federal funds as these strings substantially increase construction costs when such funds are used. The Legislature may need to consider charging trucks and semis more as they do damage to the roads.

Natasha Noethlich – Richfield Township, Doland: She recommended increasing the tax on motor fuel. Tourists, hunters, and fishermen coming into the state would contribute more if the tax is increased. Consideration should be given to tax tourists and hunters. Local farmers and residents know when not to drive on roads due to road conditions, but many hunters don't necessary consider such conditions. The township has closed 4 miles of roads this year.

Myron Johnson – Codington County Commissioner: Recommended a motor fuel tax increase, but consideration needs to be given on how to treat electric cars. He stated that he lives in an area with two large gravel pits and approximately 50 to 75 trucks per hour travel on the roads from these two pits. Consideration should be given to taxing the mining of these natural resources.

Karen Layher – Grant County Auditor: Grant County will spend about \$3.2 million on roads next year, with about \$1.7 million from the general fund. The county has about 200 bridges to maintain. An evaluation of the property tax limitation program imposed on counties needs to be made. The property tax limitation provisions limit needed revenue and that decision should be put back in the hands of local government officials.

Larry Bakke – First Planning District At-Large Member, Hamlin County: He expressed concern on large grain wagons and gravity boxes, and whether weight limits are properly enforced. He suggested changes in the wheel tax, motor fuel tax, and property transfer fees. He also suggested better maintenance on the railroad system and enforcement of weight limits on the road transportation system.

Jerry Doyle – Moody County Commissioner: He suggested that legislation be enacted to authorize employees of weights and measures program to enter elevators and pull tickets to ensure that vehicles were complying with weight restrictions. This authority is provided in the state of Minnesota.

Calvin Musch – Portland Township, Revillo: The township had lowered its property tax levy, just before the property tax limitation program was enacted and revenues were limited accordingly. The townships strongly supported the registration fee increases that were applied in 2011 and 2013.

The Highway Needs and Finance Subcommittee met in Aberdeen on July 2, 2014, from 4:00 p.m. to 6:00 p.m. at the Ramada Conference Center.
(Attendance was estimated at 85.)

The meeting was hosted by the following committee members: Senator Vehle, Chair; Senator Welke; Senator White; and Representative Werner.

Senator Vehle presented an overview of the scope of the Highway Needs and Finance Committee and reviewed the tables and charts in a PowerPoint presentation (document 1) with the audience. The presentation provided a description of the basic state and local highway, road, and bridge infrastructure; federal, state, and local financing revenues; efficiency measures for the SD DOT; construction and maintenance costs; current and projected road and bridge conditions; and the importance of maintaining the transportation infrastructure.

Public Testimony:

Mike Wiese – Brown County Commissioner – He does not believe that the increase in licensing fees is new money. Since the State implemented the property tax limitation program, the licensing fees are really money the State took away from counties. Local governments need more options to respond to the increased demands placed on the transportation system from larger ag equipment, greater distances to commodity collection points, increased crop productivity, and commercial and residential development.

Pat Kramp – Spink County Commissioner: Counties could use more resources to address road needs. The State DOT needs to improve a bridge approach on Highway 20.

Dirk Roders – Brown County Highway Superintendent: Brown County is the second largest corn producing county in the state and the movement of commodities depends on the roads and highway system. The county is facing lots of weather issues and 22 percent of the county's bridges are structurally deficient. Something needs to replace the federal bridge program. Bridges are programmed out to 2025 through this program. While there are good grant programs for transportation projects, you must meet state or federal requirements, which uses most of the grant money. He believes the standards need to be adjusted to reduce costs. The county tries to communicate with surrounding counties with regards to planning projects, but must focus on its own needs and priorities. The state gifted roughly 100 miles to the county. In 2006 the county chip sealed approximately 132 miles and in 2007 roughly 98 miles were chip sealed. From 2008 to the present year, very few miles were sealed, varying from 0 to 50 miles, due to flooding. The county should be sealing around 100 miles a year.

Paul Symens – Marshall County Commissioner: Nearly two-thirds of the bridges in Marshall County are structurally deficient, which he attributed to the property tax limitation program and flooding. He suggested a use tax is the fairest solution to finance

highways. With vehicles becoming more fuel efficient, less gas is being consumed and a system needs to be devised to make sure all vehicles pay their fair share.

Duane Sutton – Brown County Commission: The cost of needs continues to rise faster than the revenue that is allowed to be generated by counties. The majority of county and township roads were not built to accommodate the growing agriculture machinery and production. Brown County has tried to pass a property tax opt-out, but it has failed. The federal highway funding mechanism is clearly broken. South Dakota relies too heavily on this and needs to be in control of its own funding. The legislature needs to allow more local options for counties and let the commissioners take the heat. He suggested raising the sales tax half of a cent to be solely dedicated to highway funding. This would be a way for non-residents to help keep roads and bridges safe.

Mike Elsen – Liberty Township Board – Hecla: Townships receive little federal and state funds. Their township is dealing with flooding and water issues. The best solution is to remove the water from the sides of the roads in order to have a good foundation. Many tools are available to farmers today that help keep loads within the legal weight limits. Local governments need to be able to use more local solutions.

Greg Vavra – SD Association of County Commissioners: There is currently \$499 million worth of needs for local bridges. Roughly \$7.9 million is given to the local bridge fund, \$2 million of which is spent on bridge inspection. Federal aid projects cost 35 percent more due to compliance costs. Counties are losing staff in the highway departments, which will increase costs. Only 10 to 15 percent of the county roads are built to handle current loads. The fines for overweight vehicles do not go towards highways.

Darwin Bettman – Warner Township – Aberdeen: When counties have to put load limits on bridges, farmers are forced to go further distances or take township roads. Warner Township is in its last year of a three year opt-out, and voted to opt-out for the next 5 years. He suggested allowing counties to tax every wheel and increase the amount permitted.

Joel Durham – Elm Lake Association: He did a study comparing truck loads in Brown County versus Dickey County in North Dakota. He found that South Dakota does not have as many overloaded trucks as North Dakota. Overweight trucks may not be as big of an issue as we assume it is.

Mike Jung – Elm Lake Association: He suggested that the solution needs to be a combination of revenues to even out the burden. South Dakota's licensing fees are much cheaper than surrounding states.

Randy Schuring – SD Dairy Producers: He suggested taking part of the contractors excise tax and directing it to financing infrastructure.

Dick Howard – SD Association of Towns and Townships: There are 911 organized townships in SD with an average of 35 miles per township. They receive no federal

funding with the exception of FEMA funding. He suggested raising levies for townships, similar to HB 1140 from the 2014 Legislative Session. He suggested placing a low tax on dyed diesel fuel, modifying the wheel tax, increasing the motor vehicle excise tax, increasing the motor fuel tax, and commodity check-offs. Townships use a large portion of their budgets for snow removal and to repair water damage. Culverts and gravel are major expenses.

Anita Lowary – Finance Officer for City of Groton: Groton is spending about \$1.5 million on roads. They still get funding from the city sales tax because Groton still has a business district. Smaller cities without sales tax revenue are much worse off. The cities and counties held a joint committee on financing roads a few years ago. One suggestion was to require all farm vehicles to pay commercial licensing fees. A combination of revenues will be the best solution.

Bryan Hisel – Mitchell Area Development Corp: The South Dakota economy is tied to the quality of our transportation system. We need to stop looking at the cost and remember that the investment in our infrastructure pays off. While South Dakota was ranked the number one state to do business in, the quality of our infrastructure has fallen from 19th to 31st due to lack of investment. We must balance the tax burden with investment.

Julie Johnson – Absolutely Aberdeen: We need to ensure that the federal highway trust fund does not go over the cliff. All of our funding mechanisms need to work as a package. Many of the transportation issues in northeastern South Dakota are exacerbated by the wetlands and water issues. The more we can drive the interim committee to make solid recommendations to the Legislature, the better off the transportation system conditions will be. She urged support for the access grants program. We need to look for a long-term solution for local governments affected by water issues that are not covered by FEMA.

John Graham – Northfield Township – Mansfield: He stated that many agricultural producers are complying with weight limitations as they recognize the need for quality roads. Today's equipment aid the producers in deterring the size of their loads, plus the fines for overweight vehicles are substantial.

Bob Anderson – Union Township – Pierpont: Rather than increasing licensing fees, he suggested that a fee should be imposed based on the amount of grain that is hauled. This may be fairer and help the smaller farmers that have trucks but do not receive as much use.