



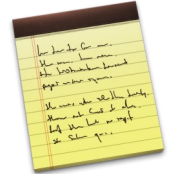
LEGISLATIVE UPDATE

February 26, 2016

Spring #6



2016 LEGISLATIVE NOTES



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The 91st Legislative Session has passed the three quarter's mark with 28 of the 37 Legislative Days completed as of February 25th. This past week had a critical deadline with all bills required to be passed by the House of Origin. Members of both chambers put in long days to complete their required work.

Notable among bills approved by the House were the Governor's proposed one-half cent sales tax increase for education funding and a bill that would

give municipalities the option to increase sales tax by 1% for infrastructure projects. The Senate passed the Governor's package of bills for establishing target teacher salary and teacher ratios, and to revise other provisions regarding education funding and improving effectiveness and efficiency in delivering education. The next deadline is for bills to pass the second House by March 8th.

STATUS OF SDATAT LEGISLATION

Of great importance to SDATAT was passage of HB 1137 – An Act to revise the distribution of registration fees from non-commercial gross weight vehicles - in the House by a vote of 49-17 (a 2/3 majority or 47 votes was required for passage). Rep. Dick Werner of Huron did an outstanding job in leading the support for the bill. The bill has been assigned to the Senate Taxation Committee and it is expected that a Committee hearing will be scheduled for next Wednesday, March 2nd.

As reported in last week's Legislative Update, the bill as passed by the House will provide an increase in revenue from registration fees on non-commercial gross weight vehicles (primarily farm and ranch

trucks) of \$430,000 per year to the County Road and Bridge Fund and \$1.02 million to the Special Highway Fund for township and county secondary roads (township roads in unorganized townships). The revenue to municipalities would be reduced by \$1.45 million.

The concept for the bill is based on the fact that the registration fees for this category of vehicles have been increased dramatically (by a factor of 3 to 5) since 2011. The justification for the increases has been the severe damage to local roads and bridges caused by larger farm equipment and heavier trucks. Therefore it is proposed that the increased revenues should be used to repair those roads and

bridges. An explanation of the fiscal impact of HB 1137 and a list of “talking points” for the bill are included on the following pages.

As we approach the end of the Session, there are some important actions that can be taken by the Board and SDATAT members to help with the passage of HB 1137:

1. **Contact your local Senators this weekend – this includes not only Taxation Committee members (Senators Monroe, Greenfield, Ewing, Fiegen, Haggar [Jenna], Frerichs and Peterson), but all Senators, as 24 votes will be needed to pass the Senate.**
2. **Contact the leaders of any Ag Group to which you belong, ie. Farm Bureau, Farmers Union, Stockgrowers, Corn Growers, Soybean Growers, Dairy Producers, Wheat Growers, Pork Producers, Cooperatives, etc, and ask them**

to support HB 1137. It is extremely important to get their support as agricultural producers are the individuals who are paying the high registration fees – which add considerably to their on-going operating costs – and who would benefit from having improved roads and bridges.

3. **Plan to attend the Senate Taxation Committee Hearing at 10 a.m., Wednesday, March 3rd in Room 423 of the Capital and be present on Thursday morning to talk to your Senators and to attend the Senate floor action Thursday afternoon (it will be on Thursday’s calendar if it is not amended in Committee – which would require it to lay over for a day).**

I appreciate all of your help during the Session and ask for your assistance again as we move toward the end of the Session.

NEW TAX LEVY FOR SECONDARY ROAD CAPITAL IMPROVEMENT FUND

- Allows for up to \$.50/thousand levy for road and bridge improvement
 - In addition to current levies
- Must be approved each year (Does not carry over from year to year. Does not get growth + cpi.)
- Can only be passed at the Annual Meeting
- Any resident, registered voter in attendance of the meeting may vote on the issue. (Is not referable to a vote. If taxpayers want to vote against it, they must attend the meeting.)
- Clerk must inform County Auditor if levy is passed and provide meeting minutes showing vote outcome

10-12-28.2. Authorization of tax levy for secondary road capital improvement fund. The voters of an organized civil township at the annual township meeting may authorize an annual property tax levy not to exceed fifty cents per thousand dollars of the taxable valuation of the township for the secondary road capital improvement fund for projects and purposes as defined in § 31-13-3.1. The secondary road capital improvement tax levy authorized by this section is in addition to the levies authorized in §§ 10-12-28 and 31-13-22. Any tax levy imposed pursuant to this section is exempt from the tax limitations imposed on a township pursuant to chapter 10-13.

HB 1137 Talking Points

HB 1137 – An act to revise the distribution of registration fees from noncommercial gross weight vehicles. (as amended)

1. Registration Fees for Non-Commercial Gross Weight Vehicles (farm trucks) have increased dramatically over the past 5 years.
2. Prior to 2011, the fees had not been increased since 1999 and were admittedly low with the rates for some weight classes as low as 17% of commercial rates and several lower than 35% of commercial rates.
3. The first increase in 2011 raised the rates up to 45% of commercial rates and in 2013 they increased to 60% of commercial rates.
4. SB1, that was approved last year, increased the rates to 70% of commercial in 2015 and up to 80% in 2016. Some of the rates have increased by a factor of more than 4.0 since 2011.
5. As examples: a) the rate for a vehicle registered at a weight of 40,000 pounds has increased from \$115 prior to July 1, 2011 to \$520 effective July 1 2016 (an increase of \$405 or a factor of 4.5).
6. The rate for a vehicle registered at a weight of 80,000 pounds has increased from \$391 prior to July 1, 2011 to \$1166 effective July 1, 2016(an increase of \$775 or a factor of 3.0).
7. The increases have been justified on the basis that the larger farm equipment and heavier trucks are causing damage to local roads and bridges.
8. As a comparison, the registration fees for automobiles, pickups and vans during the same time period have increased only 20% for vehicles under 2,000 pounds; up to double for those over 6,000 pounds.
9. The total registration fees for non-commercial gross weight vehicles have increased from a total of \$5.78 million in 2011 up to \$15.27 million in 2016 (a factor of almost 3).
10. HB 1137 proposes to revise the distribution of registration fees on Non-Commercial Gross Weight Vehicles (farm trucks) by retaining all of those fees in the county in which they are collected.
11. The fees would then be distributed: 67% to the County Road and Bridge Fund, 23% to the Special Highway Fund and be distributed for Township and County Secondary roads (township roads in unorganized townships), 5.5% to cities within the county and 4.5% to the Division of Motor Vehicles (for administration and producing new license plates).
12. In FY 2015, 30,747 vehicles registered for over 20,000 pounds (3.3% of total registered vehicles) paid \$12.94 million in fees (\$420/vehicle) (1,025,331 vehicles were registered in FY 2015).
13. The concept of the bill is a fairness issue - that since the large increases have been justified based on damage to local roads and bridges caused by larger farm equipment and heavier trucks, the funds should be distributed and used to improve those local roads and bridges. The redistribution proposed in HB 1137 would provide that 90% of the registration fees collected for this category of vehicles would be distributed to counties and townships for repair of local roads and bridges.

**PROPOSED REVISIONS TO DISTRIBUTION OF
NON-COMMERCIAL GROSS WEIGHT VEHICLE FEES**

Current Distribution 2009-2016

(Millions of Dollars)

	Counties	Town- ships	Cities	Total Dis- tributed	Admin	Total Col- lected
%*	(64.2)	(16.3)	(15.0)		(4.5)	
2009	2.86	0.73	0.67	4.25	0.20	4.45
2010	3.07	0.78	0.72 **	4.57	0.22	4.79
2011	3.71	0.94	0.87	5.52	0.26	5.78
2012	5.39	1.37	1.26	8.02	0.38	8.40
2013	6.90	1.76	1.61	10.27	0.48	10.75
2014	7.80	1.98	1.82	11.60	0.56	12.15
2015	8.75	2.23	2.04	13.02	0.61	13.63
2016	9.80	2.49	2.29	14.58**	0.69	15.27*

* Distribution factors in % to be applied to total fees collected before administrative fees are deducted

Proposed Distribution of HB 1137 (As Amended)

Based on 2016 Fees (\$15.27 million)

	Counties	Town- ships	Cities	Total Dis- tributed	Admin	Total Col- lected
2016 %*	(67.0)	(23.0)	(5.5)	95.5	(4.5)	100.0
Dollars	10.23	3.51	0.84**	14.58	0.69	15.27

**The Cities' proposed distribution of \$0.84 million for FY 2016 was developed by taking the Cities' distribution of \$0.72 million for FY 2010 (before the large increases were started) and increasing it by the annual CPI for the years 2010 through 2016.

(This represents normal growth in fees for this category of vehicles not including the large increases in annual registration fees)

IMPACTS OF HB 1137 (As Amended)

Based on 2016 Fees

(Millions of Dollars)

	Counties	Town- ships	Cities	Total Dis- tributed	Admin	Total Col- lected
Proposed	10.23	3.51	0.84	14.58	0.69	15.27
Current	9.8	2.49	2.29	14.58	0.69	15.27
Difference	+ 0.43	+ 1.02	-1.45	0	0	0

TOWNSHIP CALENDAR

March 1 - Required Township Annual Meeting (SDCL 8-3-1)

March 15 - Regular Twp Mtg for equalizing the assessment of property in your township

March 29– Regular township meeting of the “newly” elected township officials.

Reminder - any required meeting may be rescheduled for the following Tuesday at the same time and place, due to inclement weather, without additional publication. Be sure that you have the reschedule date in the initial agenda and publications. (SDCL 8-3-1)

More information and detailed sample agendas available at: www.sdtownships.com

IMPORTANT CONTACT INFORMATION

To Track Legislation

<http://legis.sd.gov/>

To Listen To Committees Live:

http://legis.sd.gov/Legislative_Session/Committees/default.aspx?Session=2014

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