NORTH DAKOTA TRANSPORTATION FUNDING SYMPOSIUM

March 14, 2018

SOUTH DAKOTA’S

REVENUE INITIATIVES JOURNEY

Mike Vehle
Former South Dakota State Senator
## South Dakota Road & Bridge Funding
- Constitution- All funds raised from Roads – goes to Roads
- Tradition-No General Funds are used for Roads & Bridges
- Gas Tax & Vehicle Excise Tax fund State Roads
- Registration Fees and Wheel Tax fund County & Township Roads + part of Property taxes
- Last prior increase 1999, Interim Study 2008 & 2009
- Interim Proposed increase failed 2009, 2010, & 2011

## Why Study Highway Needs and Financing?
- **$55 Billion** worth of goods shipped to and from SD sites each year
- Provide vital support to SD’s economy and top industries – *Ag and Tourism*
- Deteriorating current and future road conditions
- Rapid increases in road infrastructure **costs**
- Federal Highway **Trust Fund solvency** issues and uncertainty surrounding future funding
- Chosen as the **number one priority topic** for an interim study by the Legislature

## Road to Success
- Bipartisan Roads and Funding Task Force
- Alliance of interest groups – “Roads are Vital” Coalition (over 25 interest groups)
- Governor and SD Dept. of Transportation
- Determine **Need & set Goals** with credible evidence **before** discussing increasing **Taxes**
- Take it on the road – Rotary, Lions, state conventions of interest groups, media outlets, etc.
- Be flexible – Work compromises that don’t adversely affect end goal

## 2014 Highway Needs and Financing Interim Committee

### Subgroups:
- Yankton
- Sioux Falls
- Watertown
- Aberdeen
- Belle Fourche
- Rapid City
ROADS & BRIDGES

“Everyone wants good roads --- No one wants to pay for them”

Problems/Solutions

Don’t just come with Problems- Give potential Solutions you feel are fair to all

South Dakota’s 83,650 miles of roads is equivalent to 3.5 times around the world

8,850 miles of state roads equals 3.6 trips between Los Angeles and New York

CY 2013 Miles of Travel By Jurisdiction

Total VMT = 9.114 billion

State Highway System, 80.5% 1.058 billion VMT

State, 67.2% 6.117 billion VMT

County, 14.4% 1.314 billion VMT

Township, 2.7% 246 million VMT

Other, 1.6% 150 million VMT

Municipal, 14.1% 1.287 billion VMT

Heavy Truck VMT = 1.315 billion

Other Roads and Streets, 19.5% 257 million VMT
Comparison of State and Local Bridges

Number of Bridges

- State, 28%: 1,263 Bridges
- Local, 72%: 3,173 Bridges

Deck Area

- State, 60%: 10.5 million sq. ft.
- Local, 40%: 6.9 million sq. ft.

Registration per Year by Vehicle Type 2008-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger</th>
<th>Pickup/ SUV/ Van</th>
<th>Trailer</th>
<th>Motorcycle</th>
<th>Moped, ATV</th>
<th>Rec Vehicle (Motorhome)</th>
<th>Commercial Non-Commercial Gross Weight Trucks</th>
<th>Total Registrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>346,690</td>
<td>475,998</td>
<td>210,503</td>
<td>75,669</td>
<td>10,528</td>
<td>40,996</td>
<td>33,372</td>
<td>1,193,756</td>
</tr>
<tr>
<td>2012</td>
<td>349,567</td>
<td>462,108</td>
<td>205,166</td>
<td>73,310</td>
<td>10,485</td>
<td>40,229</td>
<td>32,903</td>
<td>1,173,768</td>
</tr>
<tr>
<td>2011</td>
<td>354,514</td>
<td>448,434</td>
<td>200,053</td>
<td>69,660</td>
<td>10,590</td>
<td>39,375</td>
<td>33,455</td>
<td>1,156,081</td>
</tr>
<tr>
<td>2010</td>
<td>421,342</td>
<td>370,615</td>
<td>194,841</td>
<td>65,686</td>
<td>10,767</td>
<td>38,774</td>
<td>32,696</td>
<td>1,134,721</td>
</tr>
<tr>
<td>2009</td>
<td>383,120</td>
<td>402,199</td>
<td>187,658</td>
<td>62,735</td>
<td>10,603</td>
<td>38,468</td>
<td>33,163</td>
<td>1,117,946</td>
</tr>
<tr>
<td>2008</td>
<td>415,821</td>
<td>357,800</td>
<td>180,108</td>
<td>58,508</td>
<td>10,459</td>
<td>40,268</td>
<td>31,148</td>
<td>1,094,112</td>
</tr>
</tbody>
</table>

Notes:
- Passenger column includes cars only
- Trailer column includes all trailers and pull campers
- Rec Vehicle is a recreational vehicle with an engine
- Non-commercial gross weight trucks is ag vehicles

Revenue: The 6 Legged Stool

- Federal Funding: (18.4 cpg – gasoline & 24.4 cpg – diesel) $275.5 million
- Vehicle Excise Tax (3%): $73.6 million
- County Wheel Tax: (46 of 66 counties) $11.9 million
- Vehicle License Fees: $96.5 million
- County & Township Property Taxes: Est. $81.6 million
- State Motor Fuel Tax: (22 cpg) $131.2 million


- Actual
- Projected

Source: FHWA
SD Gas Tax Purchasing Power

Motor Gasoline & Diesel Fuel Consumption

Size of State Highway System Compared to Number of DOT Personnel

Average Construction Investment Per Mile

Source: US Energy Information Administration, Annual Energy Outlook 2014 Reference case


Source: 2012 Highway Statistics FHWA
Roadway Maintenance Cost Per Mile

Current and Future State Pavement Condition

(Poor indicates it needs to be dug up and rebuilt at $1.4 million a two-lane mile)

History of Federal Highway Funding

GOAL – Dashboard Indicator

Pavement Distribution
State Highway Funding Needs

- Additional Funds Needed ($143.2 M)
- Funds Forecasted ($240.6 M)

Pavement Maintenance Costs

- Excellent
- Good
- Fair
- Poor

Future Pavement Condition

<table>
<thead>
<tr>
<th>Year</th>
<th>Poor</th>
<th>Fair</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

57 County Self-Assessed Surveys

Overall Condition of Paved Roads: 4.86 of 10
- Failing, 20%
- Good, 21%
- Excellent, 9%

Overall Condition of Gravel Roads: 6.2 of 10
- Failing, 9%
- Good, 36%
- Poor, 19%
- Fair, 32%

In addition, federally mandated bridge inspections show 28% of county structures are structurally deficient.
Structurally Deficient

- Term is an indicator of when certain elements of a bridge need replacement or repair
- Classification does not necessarily mean bridge is unsafe
- 4.7% of state structures are structurally deficient
- 28% of county structures are structurally deficient

Functionally Obsolete

- Term refers to a substandard feature within a structure relative to its design
- Example: inadequate vertical or horizontal clearances
- 5.1% of state structures are functionally obsolete
- 3% of county structures are functionally obsolete

Total Number of Structures* vs. Structurally Deficient or Functionally Obsolete

1,448 = 25%

*Structure = 20 feet or longer
County Bridge Needs

- 1045 Structures to be replaced
- Average cost of $230,000
- $240,350,000 to replace
- Current bridge construction money for 2014 is $5.9 million
- 26 bridges could be replaced yearly
- Equates to 2.5% of deficient bridges

Current Township Road Condition Assessment

<table>
<thead>
<tr>
<th>Condition</th>
<th>%</th>
<th>Miles</th>
<th>Cost to Maintain</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>7%</td>
<td>2,105</td>
<td>$2,000.00</td>
<td>$6,212,000.00</td>
</tr>
<tr>
<td>Good</td>
<td>25%</td>
<td>1,249</td>
<td>$1,000.00</td>
<td>$6,248,000.00</td>
</tr>
<tr>
<td>Fair</td>
<td>20%</td>
<td>702</td>
<td>$1,000.00</td>
<td>$5,920,000.00</td>
</tr>
<tr>
<td>Poor</td>
<td>17%</td>
<td>1,143</td>
<td>$1,000.00</td>
<td>$6,437,000.00</td>
</tr>
<tr>
<td>Closed</td>
<td>15%</td>
<td>2,489</td>
<td>$1,000.00</td>
<td>$2,489,000.00</td>
</tr>
</tbody>
</table>

TOTALS: 32,230 $19,517,180.00

Township Funding Needs

<table>
<thead>
<tr>
<th>Condition</th>
<th>%</th>
<th>Miles</th>
<th>Cost to Maintain</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>7%</td>
<td>2,105</td>
<td>$2,000.00</td>
<td>$21,844,000.00</td>
</tr>
<tr>
<td>Good</td>
<td>25%</td>
<td>1,249</td>
<td>$1,000.00</td>
<td>$20,674,000.00</td>
</tr>
<tr>
<td>Fair</td>
<td>20%</td>
<td>702</td>
<td>$1,000.00</td>
<td>$14,247,000.00</td>
</tr>
<tr>
<td>Poor</td>
<td>17%</td>
<td>1,143</td>
<td>$1,000.00</td>
<td>$11,423,000.00</td>
</tr>
<tr>
<td>Closed</td>
<td>15%</td>
<td>2,489</td>
<td>$1,000.00</td>
<td>$2,489,000.00</td>
</tr>
</tbody>
</table>

TOTALS: 32,230 $54,627,900.00

Annual Increase Needed: $14,800,000.00

<table>
<thead>
<tr>
<th>Condition</th>
<th>%</th>
<th>Miles</th>
<th>Cost to Upgrade/Mile</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>7%</td>
<td>2,105</td>
<td>$2,000.00 per mile</td>
<td>$82,000,000.00</td>
</tr>
<tr>
<td>Good</td>
<td>25%</td>
<td>1,249</td>
<td>$1,000.00 per mile</td>
<td>$12,490,000.00</td>
</tr>
<tr>
<td>Fair</td>
<td>20%</td>
<td>702</td>
<td>$1,000.00 per mile</td>
<td>$702,000.00</td>
</tr>
<tr>
<td>Poor</td>
<td>17%</td>
<td>1,143</td>
<td>$1,000.00 per mile</td>
<td>$1,143,000.00</td>
</tr>
<tr>
<td>Closed</td>
<td>15%</td>
<td>2,489</td>
<td>$1,000.00 per mile</td>
<td>$2,489,000.00</td>
</tr>
</tbody>
</table>

TOTAL: $116,000,000.00

Total Funding Increase Needed to Update & Maintain Current and Target Conditions: $130,500,000.00 Per Year
What does it mean to you

• 3% of $2.50 = 7.5 cents
• 15,000 miles/year
  • Divided by 23 mpg =
  • 652 gallons times
  • 7.5 cents = $48.91
  • Divided by 52 weeks/yr
  • Equals 94 cents a week

• 7 cents on Dyed Diesel
• Corn uses 5 gallons of fuel per acre to produce corn.
  • $.07 X 5gallons =
  • $.35 per acre divided by
  • 135 Bu/A yield =
  • $.0026 or ¼ cent /Bu.
• On 3 sections 1920 A x 135=270 semi truckloads

Non-Funding Options

• Other Options
  – Vacate or close roads and bridges
  – Grind oil roads to gravel
**SB1: Comprehensive Solution**

<table>
<thead>
<tr>
<th>Sections</th>
<th>Revenue Source and Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>Local Bridge Improvement Grant Fund</td>
</tr>
<tr>
<td>3</td>
<td>County Highway and Bridge Improvement Plan (Annually Updated)</td>
</tr>
<tr>
<td>4</td>
<td>Annually Allocates $7 million of Motor Vehicle Registration Fees to the Bridge Grant Fund</td>
</tr>
<tr>
<td>5-6</td>
<td>Motor Vehicle <strong>Excise Tax</strong> (1% increase, from 3% to 4%)</td>
</tr>
<tr>
<td>7-8</td>
<td>Motor <strong>Fuel Tax</strong> (6 cents per gallon increase)</td>
</tr>
<tr>
<td>9</td>
<td>Ethyl Alcohol and Methyl Alcohol (6 cents per gallon increase)</td>
</tr>
<tr>
<td>10-11</td>
<td>Biodiesel and Biodiesel Blends (move incentive from Session Laws to Codified Laws)</td>
</tr>
<tr>
<td>12-19</td>
<td>Motor Vehicle <strong>Registration Fees</strong> (20% increase)</td>
</tr>
<tr>
<td>16</td>
<td>Noncommercial Motor Vehicle Registration Fees (over 10 Ton - Assessed 70%/80% of Commercial Rate)</td>
</tr>
<tr>
<td>20-21</td>
<td><strong>Property Taxation</strong> - amend SDCL 10-12-13 (graduated levies $1.20, $.90, &amp; $.60 per thousand dollars of taxable valuation)</td>
</tr>
<tr>
<td>22-23</td>
<td>Township Capital Outlay Levy ($0.50 per thousand dollars of taxable valuation)</td>
</tr>
<tr>
<td>24</td>
<td>Wheel Tax ($1.00 increase per wheel)</td>
</tr>
<tr>
<td>24</td>
<td><strong>Wheel Tax</strong> (provides additional wheels to be taxed - maximum of 12 wheels)</td>
</tr>
<tr>
<td>25</td>
<td>Move speed limit on interstate from 75 mph to <strong>80 mph</strong></td>
</tr>
<tr>
<td>26-29</td>
<td>Repeal the Provisions regarding an <strong>Inventory Tax</strong> on Motor Fuel when the Rate is Adjusted</td>
</tr>
<tr>
<td>30</td>
<td>Emergency Clause</td>
</tr>
</tbody>
</table>
If you got it, a road brought it. Not much is parachuted in!