South Dakota Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

Counties have authority to:

• Levy taxes on the assessed value of real property at a rate not exceeding 12 mills for general purposes. A county may raise this limit by as much as 6 mills with approval from three-fourths of participating qualified voters. The rate of a county’s total levy may exceed 12 mills without a referendum if the excess millage comes from additional taxes with rates prescribed by state law that are levied for any of the following purposes: county buildings and structures, highways and bridges, snow removal and disaster funds, a railroad authority, regional airport authorities, secondary roads, or fire protection.

• Acquire funds for capital outlay purposes to fund public improvements. To that end, the county may create a depreciation reserve within a proprietary fund which may only be used for capital acquisitions.

• Fund highway or street projects with revenue bonds or out of the general fund, as well as enter contracts in order to carry out the construction.

• State statute authorizes counties to impose a wheel tax capped at a maximum of $4 per wheel and 4 wheels per vehicle.

• Counties are authorized to establish tax incremental district to finance public improvements with anticipated tax resulting from increased property evaluations. The county may initially finance the cost of the improvement by bonds, general revenues or other funds.

Mandated/Authorized Transportation Services:

• South Dakota’s counties have the authority to construct, layout, and maintain roads.

• State statute allows any area outside the boundary of any municipality to be incorporated by its landowners as a road district. Road districts assume responsibility for only the roads administered by the district not those administered by counties or townships.

• The board of county commissioners may levy an annual tax not to exceed $1.2 per thousand dollars of taxable valuation in order to establish the special fund, in addition to all other authorized levies for road and bridge purposes.

## **Funding Sources for County Transportation Projects:**

• Funding for local roads and streets derives mainly from vehicle registration fees, county wheel taxes and property taxes. Counties reported $5 million of general property taxes used to fund highways in 2007. Over 96 percent of vehicle registration fees are distributed to counties, cities and townships.

• Half of the revenues from a state tax on the severance of energy minerals from its land and it must use the revenues for school and road purposes in order to offset the impact of energy development in the county.

• Money from the Local Government Highway and Bridge Fund with respective proportion for the County highway and bridge reserve fund. Funding is allocated to counties for highways, roads and bridges by a statutory formula based on population, road mileage and area.

• Of total motor vehicle registration fee revenues, 41.5 percent are distributed by counties and 58.5 percent are distributed by the state. The county portion is distributed within the county where the revenue was collected, the state portion is pooled in the Local Road and Bridge Fund and then distributed to individual counties, cities, and county township systems according to formulas fixed in statute since 1987.

• Counties collect Motor Vehicle License fees, with the revenues distributed as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Local Government Highway and Bridge Fund | County Road and Bridge Fund (in county where collected) | Retained by County in Special Highway fund. |
| Shares | 54% | 22.5% | 14% |

• Thirty-eight counties have imposed a wheel tax, most imposed either a $2 or $4 per wheel tax. Approximately 90 percent of wheel tax revenue is retained by counties while the remainder is distributed to cities and townships.

• Federal Aid State Funds generated from motor fuel and vehicle excise taxes were transferred to local governments for match to federal grants.

• Highway gift funds

• Annual allocation of federal Surface Transportation Plan funds based on highway miles, geographic size, and population. The state also shares the bridge replacement funds 50/50 with local government entities.

## **Challenges in Funding and Financing Transportation Projects:**

• Counties are concerned that they will be asked to take responsibility for maintenance of roads under jurisdiction of road districts as use of the roads expands to users from outside the district, traffic levels increase and maintenance costs rise.

• Revenues from Overweight vehicle penalties flow to the school district in which the violation occurred and do not offset the cost of infrastructure damage due to overweight loads.

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## **Innovative Solutions to Funding and Financing Challenges:**

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