

**Issue:**

South Dakota highway officials estimate that local roads and bridges (county, township, and municipal) need \$81 million each year in additional funding.

**Background:**

Under state law, the three main sources of funding for local roads and bridges are vehicle registration fees, the wheel tax, and property taxes.

*Vehicle Registration fees* - License plate fees are based on the weight and year of the vehicle, ranging from \$30 to \$65 per year for a new vehicle. When the vehicle is five years old, the license plate fee is reduced by 30 percent.

South Dakota's first license fee was \$6, implemented in 1913. In 1931, fees ranged from \$13 to \$75 for cars; trucks ranged from \$15 to \$400. Vehicles 5 years of age or older were granted a 50% reduction. Two years later, the age reduction changed to 30% instead of 50%.

The last license fee increase was in 1999, when cars, pickups and vans increased on the average of \$12, and non-commercial gross vehicle fees increased \$5.50

Last year, license fees generated \$49,868,645.

Each \$1 increase in the vehicle registration fee would generate an estimated \$1 million for local roads and bridges.

The average age of the vehicle fleet on South Dakota's highways is slightly over 10 years old. Eliminating the age discount for non-commercial vehicles would generate an extra \$13 million per year.

*Wheel Tax* - Counties may levy a wheel tax, up to \$4 per wheel, and a maximum of 4 wheels per vehicle. Currently 40 of the state's 66 counties assess the wheel tax.

Expanding a \$4 wheel tax to all counties would generate an estimated \$4.5 million.

Increasing the per-wheel tax would generate an estimated \$2 million for each \$1 increase.

*Property Taxes* - Slightly over \$5 million of county general property tax revenue is dedicated annually to highways. Because of tax limits and the demands on county budgets, any additional property tax revenues for local roads and bridges would most likely necessitate counties opting out of current tax limits.

**SD Farm Bureau Policy:**

*Taxation – fuel*

Farm-to-market roads are important to South Dakota agriculture. We support an increase in the S.D. road use fuel tax with a portion of the increase being allocated to county and township highway needs. (*Note: under current state law, any increase in the fuel tax would go for state - not local - highway needs.*)

**Questions:**

1. Is the current system of local roads and bridges appropriate?
2. Are there some local roads or bridges that could be abandoned?
3. What is the best way to finance local road and bridge needs?