

Gov. Wants To Bring Stability To State Revenue From Card Banks

BY BOB MERCER
State Capitol Bureau

PIERRE — The governor's budget director told legislators Wednesday that reforms will be offered to stabilize South Dakota's tax collections from credit card banks.

Jason Dilges said a few will pay more in taxes, while a few will pay less, and state government overall will receive less, but the revenue stream will be much steadier.

A group of state officials, legislators and banking officials worked together during the past year on the proposed changes. The legislation will be introduced on behalf of Gov. Dennis Daugaard.

"It's very volatile," said Dilges, who is commissioner for the state Bureau of Finance and Management. "And it's near impossible to build a budget estimate on that."

He advised members of the Legislature's Joint Committee on Appropriations they should track the legislation because of its importance in determining state government's revenue.

The forecast for the current fiscal year from bank-card taxes was \$16.6 million originally. That's been revised by BFM to \$9.5 million. BFM's estimated for the coming year is \$17.5 million.

Dilges recalled the \$27 million refund that was necessary a few years ago.

"I'm glad we're trying to get our arms around this," Rep. Dick Werner, R-Huron, said.

Dilges described the current tax formula as "anti-quoted" and said accurate estimates are difficult to make with it.

Rep. Susan Wismer, D-Britton, said she feels "like we're in the same place as a year ago" when legislation was attempted on the topic. "You brought bills and the problem wasn't solved."

Dilges said South Dakota officials have conferred with counterparts in Delaware, Ohio and Nebraska who faced similar problems and made various changes. "They shared with us some things that went well and some that went not so well," he said.

Sen. Jim White, R-Huron, participated in the work group. He cautioned against blaming the banks for the volatility in tax revenues.

"To get the consistency we want, we have to look at a different formula," White said. "It's not that they don't want to pay. It's the consistency we need to make it fair."

Banks are taxed at a rate of 6 percent of net income in South Dakota. The tax revenue from credit-card banks is split 95 percent to the state treasury and 5 percent to the county where the bank is located.

Traditional banks' tax revenue is designated 73.33 percent to the counties where they're located and 26.67 percent to the state.

The state's share from those traditional banks' taxes was estimated to be \$6.6 million for the current year. That's been revised to \$7.5 million. The estimate for next fiscal year is \$8 million.

The governor said nine card banks would be affected by the changes he's proposing.

"I don't want it to be made into an 'us verses them'," Dilges said.

South Dakota

Official: No Need To Boost Highway Taxes

BY CHET BROKAW
Associated Press

PIERRE — South Dakota's highways are in good shape and there's no need to boost state highway taxes, Transportation Secretary Darin Bergquist said Wednesday.

However, the situation could change if Congress cuts the federal funding that helps states maintain and construct roads and bridges, Bergquist told state lawmakers.

Bergquist met with the Senate Transportation Committee to present an update on highway funding, and another session is planned later to discuss details about the condition of South Dakota's roads and bridges.

A state Transportation Department study done six years ago indicated the state needed an extra \$160 million a year for highway and bridge work. Bergquist said highway financing is in much better shape now because revenue from existing tax rates has increased and the state got \$183 million in extra federal highway money in 2009 under the stimulus program.

The stimulus money financed a lot of projects in a three-year period, Bergquist said.

"We did a lot of good pavement work



Bergquist

at that time that helped drive the overall condition of our roads," Bergquist said.

Senate Transportation Chairman Mike Vehle, of Mitchell, is holding a series of hearings early in the legislative session to gather information on South Dakota's state and local roads and whether additional funding might be needed in the future. Any bill to increase general state highway taxes would not be introduced until at least next year, he said.

"Do we have a problem? When does that manifest itself? How do we fix it? If that requires revenue to fix it, what do we have to do?" Vehle said.

The state's 22-cent-a-gallon motor fuels tax raised nearly \$133 million last year, and the 3 percent excise tax on vehicle sales collected about \$73 million. Total state tax revenue for highways is about \$25 million more a year than was anticipated six years ago, Bergquist said.

The state gets about \$275 million a year as its share of federal highway funding.

"There is not a need today for additional state revenues," Bergquist said after the legislative hearing. "Obviously

what happens at the federal level has the potential to skew that substantially."

Bergquist told state lawmakers he hopes Congress provides highway funding for the rest of the federal fiscal year as part of an overall budget bill expected to be approved in the next few days. Federal taxes are providing about \$35 billion a year to the federal highway trust fund, but Congress has been adding other money to spend about \$50 billion a year on highways.

One proposal would cut federal highway spending to \$35 billion a year to match revenue receipts, which could cost South Dakota \$80 million to \$90 million a year, Bergquist said. That would have a devastating impact on South Dakota's ability to maintain roads and bridges, he said.

South Dakota's motor fuels tax was last raised in 1999, but officials have said the cost of building and maintaining roads and bridges has risen substantially since then.

The 2011 Legislature passed a bill to increase annual vehicle registration fees, commonly called license plate fees, to give counties, cities and townships more money for their roads and bridges. Gov. Dennis Daugaard vetoed the bill, but the House and Senate overrode the veto to pass the measure.

NU's Milliken Chosen As CUNY Chancellor

LINCOLN, Neb. (AP) — University of Nebraska President J.B. Milliken has been named chancellor of the City University of New York.

The CUNY Board of Trustees approved Milliken's appointment unanimously at a special meeting on Wednesday. He will begin no later than June 1.

CUNY is the third-largest university system in the United States, with 24 campuses across New York City and 270,000 degree-credit students.

Milliken, a Fremont native, began his career at the University of Nebraska as an assistant to the president in 1988. He later became a vice president of external affairs before leaving in 1998 for a similar role at the University of North Carolina. He became NU's president in 2004.

In a statement, Milliken says his service at Nebraska "has been one of the greatest privileges of my career."

Gilbertson Says Courts Working On Reform

PIERRE (AP) — South Dakota Supreme Court Chief Justice David Gilbertson says the state court system is making progress in carrying out its role in an extensive overhaul of the state's criminal justice system.

In his annual State of the Judiciary speech to the South Dakota Legislature, Gilbertson on Wednesday said the court system is expanding courts for offenders with drug and alcohol systems.

It also is starting new pilot programs for a different kind of probation for drug offenders and a new program for helping military veterans charged with misdemeanors.

The court system also is making big changes in the way it handles offenders placed on probation.

The overhaul passed last year aims to handle more offenders through intervention and community programs instead of putting them in prison.

Bill Would Help Build New Museum

LINCOLN, Neb. (AP) — The Great Plains Black History Museum in Omaha would receive help from the state to build a new building under a proposal in the Nebraska Legislature.

Sen. Rick Kolowski of Omaha introduced the bill on Wednesday. The bill would create the Great Plains Black History Endowment Fund, which would receive \$8 million on July 1. The Nebraska State Historical Society will offer up to \$8 million for the project, contingent on private fundraising.

Organizers say the bill would mark the first step in creating a new, \$25 million, 36,000-square-foot building. The grants would be available for two years.

The bill is LB904

State Board Cancels \$5M Beef Loan

SIoux FALLS (AP) — The South Dakota Board of Economic Development has canceled a \$5 million loan commitment to an idled South Dakota beef plant.

The move was expected, as the loan was contingent upon the completion of construction of Northern Beef Packers and the meeting of certain financial and operational milestones. The Aberdeen company filed for Chapter 11 bankruptcy protection in July and never met those milestones.

The commitment was originally made in January 2010 and was extended through March 2014 at the board's Feb. 12, 2013, meeting.

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