

MINUTES

Workforce Housing Study



Representative David Lust, Chair
Senator Ryan Maher, Vice Chair

Fourth Meeting, 2017 Interim
Thursday, November 09, 2017

Room 412 – State Capitol
Pierre, South Dakota

The fourth meeting of the Workforce Housing Study Committee was called to order by Representative Lust at 10:00 a.m. (CST) on November 9, 2017, in Room 412 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Terri Haverly (via telephone) and Jeff Monroe (via telephone); Representatives Roger Chase (via telephone), Sue Peterson (via telephone), Kyle Schoenfish (via telephone), and Charles Turbiville (via telephone); Senator Ryan Maher, Vice Chair (via telephone); and Representative David Lust, Chair (via telephone). Members excused: Senator Kevin Killer; Representatives Jason Kettwig, Sean McPherson, Jamie Smith, and Susan Wismer.

Staff members present include Emily Kerr, Legislative Attorney; Jeff Mehlhaff, Fiscal Analyst; and Paul Giovanetti, Senior Legislative Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at sdlegislature.gov.

Approval of the Minutes

A MOTION WAS MADE BY REPRESENTATIVE TURBIVILLE AND SECONDED BY SENATOR HAVERLY TO APPROVE THE MINUTES OF THE OCTOBER 26, 2017, WORKFORCE HOUSING STUDY COMMITTEE MEETING. The motion prevailed on a roll call vote with 7 members voting AYE, 6 members EXCUSED. Those voting AYE: Haverly, Chase, Peterson, Schoenfish, Turbiville, Maher, and Lust. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

Committee Discussion and Action on Draft Legislation

[\(Document #1\)](#)

Representative David Lust provided a brief explanation of the draft legislation and each draft was considered individually for committee discussion and final action.

Draft #1- *An Act to provide additional funding for the housing opportunity fund by redistributing certain building South Dakota funds.*

Representative Charles Turbiville asked if this funding change would negatively impact the Revolving Economic Development Initiative (REDI) Fund. **Senator Terri Haverly** replied that this change would not cause a large impact on the REDI fund.

Mr. Jeff Mehlhaff, Fiscal Analyst, LRC, reviewed the activity of the REDI Fund for the last two fiscal years. The Jobs Grant Program is funded through the REDI Fund. In FY16, there were no grants awarded, and, in FY17, there were two grants awarded for a total of \$129,801.29.

A MOTION WAS MADE BY REPRESENTATIVE TURBIVILLE AND SECONDED BY SENATOR MAHER TO ADOPT DRAFT #1. The motion passed on a roll call vote with 7 members voting AYE, 6 members EXCUSED. Those voting AYE: Haverly, Chase, Peterson, Schoenfish, Turbiville, Maher, and Lust. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

Representative Lust asked Senator Haverly to carry the bill as the prime sponsor during session.

Draft #2- An Act to increase the amount of unobligated cash that may be transferred to the building South Dakota fund after the end of a fiscal year.

Draft #5- An Act to require that the unobligated cash balance of the building South Dakota fund be used in determining the allocation of unobligated general funds.

Representative Lust stated that both drafts would increase funding for the building South Dakota fund, and asked Mr. Mehlhaff to explain the fiscal differences between the two drafts.

Senator Ryan Maher stated that he would like to see both drafts move forward in the process as part of a larger conversation during session. The Governor wants funding for Building South Dakota to be part of the Governor's budget each year.

Representative Roger Chase asked if the committee proceeded with both drafts, and both make it through the legislative process, which bill would become the funding method. Mr. Mehlhaff replied that whichever bill is passed last would prevail.

Representative Susan Peterson asked if it was possible to refund the money to the tax source. The committee discussed the fact that refunding the money to the source would be difficult because the funds can come from a variety of sources.

A MOTION WAS MADE BY SENATOR MAHER AND SECONDED BY REPRESENTATIVE CHASE TO ADOPT DRAFT #2. The motion passed on a roll call vote with 6 members voting AYE, 1 voting NAY, and 6 members EXCUSED. Those voting AYE: Haverly, Chase, Schoenfish, Turbiville, Maher, and Lust. Those voting NAY: Peterson. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

A MOTION WAS MADE BY SENATOR MAHER AND SECONDED BY REPRESENTATIVE SCHOENFISH TO ADOPT DRAFT #5. The motion passed on a roll call vote with 6 members voting AYE, 1 voting NAY, and 6 members EXCUSED. Those voting AYE: Haverly, Chase, Schoenfish, Turbiville, Maher, and Lust. Those voting NAY: Peterson. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

Representative Lust asked Senator Maher to carry both bills as the prime sponsor during session.

Draft #3- An Act to revise certain provisions relating to the contractor's excise tax revenues that are deposited into the building South Dakota fund.

Representative Lust stated that the draft provides for the transfer of two percent of the collected contractor's excise tax to the building South Dakota fund.

Representative Chase asked how much revenue the state receives from the contractor's excise tax. Mr. Mehlhaff stated that in FY17, the state collected \$106.8 million. He stated that, if passed, this legislation will have a negative effect on the state's general fund, but the funding would go to directly to the building South Dakota fund.

Representative Peterson stated that she preferred to appropriate one-time money for the fund instead of taking money away from the general fund. Senator Haverly replied that this bill is not tying the hands of appropriators but providing a constant funding source for the building South Dakota fund.

A MOTION WAS MADE BY REPRESENTATIVE CHASE AND SECONDED BY SENATOR MAHER TO ADOPT DRAFT #3. The motion passed on a roll call vote with 6 members voting AYE, 1 voting NAY, and 6 members EXCUSED. Those voting AYE: Haverly, Chase, Schoenfish, Turbiville, Maher, and Lust. Those voting NAY: Peterson. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

Representative Lust will carry the bill as the prime sponsor during session.

Draft #4- *An Act to establish a tax refund program for certain workforce housing projects.*

Representative Lust stated that this draft creates a new term and a new concept on how the state addresses the workforce housing shortage.

Representative Turbiville stated this draft is concerning because it changes how the state deals with workforce housing and goes against previous drafts since it is providing refunds of sales and excise taxes, which is a significant departure in how the state has dealt with workforce housing. This draft, if approved, would have ramifications on the general fund.

A MOTION WAS MADE BY REPRESENTATIVE TURBIVILLE AND SECONDED BY REPRESENTATIVE PETERSON TO NOT ADOPT DRAFT #4. The motion failed on a roll call vote with 3 members voting AYE, 4 voting NAY, and 6 members EXCUSED. Those voting AYE: Chase, Peterson, and Turbiville. Those voting NAY: Haverly, Schoenfish, Maher, and Lust. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

A MOTION WAS MADE BY SENATOR MAHER AND SECONDED BY SENATOR HAVERLY TO ADOPT DRAFT #4. The motion passed on a roll call vote with 4 members voting AYE, 3 voting NAY, and 6 members EXCUSED. Those voting AYE: Haverly, Schoenfish, Maher, and Lust. Those voting NAY: Chase, Peterson, and Turbiville. Those EXCUSED: Killer, Monroe, Kettwig, McPherson, Smith, and Wismer.

Representative Lust asked Representative Schoenfish to carry the bill as the prime sponsor during session.

Draft #6- *An Act to revise certain provisions regarding tax deed procurement.*

Representative Lust stated that the length of time to transfer ownership of an unpaid tax deed would be reduced from six years to three years.

Senator Maher stated this is important because there are properties that are falling apart. It would be better to get new owners into these properties when the current owners have failed to pay their property taxes rather than let owners remain delinquent while properties fall into despair.

Representative Chase asked if the counties support this change. Representative Lust stated he has talked with the county treasurers. They are working on legislation to update these statutes, but their proposal does not include any changes in the timing of tax deed procurement.

A MOTION WAS MADE BY SENATOR MAHER AND SECONDED BY REPRESENTATIVE CHASE TO ADOPT DRAFT #6. The motion passed on a roll call vote with 7 members voting AYE, 1 voting NAY, and 5 members EXCUSED. Those voting AYE: Haverly, Monroe, Chase, Schoenfish, Turbiville, Maher, and Lust. Those voting NAY: Peterson. Those EXCUSED: Killer, Kettwig, McPherson, Smith, and Wismer.

Representative Lust asked Senator Maher to carry the bill as the prime sponsor during session.

Public Testimony

Mr. Mark Lauseng, Executive Director, SD Housing Development Authority, updated the committee on the upcoming program, Grants for Graduates. The program was going to be funded with housing bonds, but, a bill introduced recently in the U.S. House of Representatives seeks to eliminate housing bonds completely. Therefore, the program might not be possible if housing bonds are eliminated.

Committee Discussion

The committee had a discussion on tax increment financing (TIF) and if there should be a new, separate TIF category for workforce housing development. The Department of Revenue is working on proposed changes to the TIFs process. The Executive Board has requested an issue memorandum on the topic.

Adjourn

A MOTION WAS MADE BY REPRESENTATIVE TURBIVILLE AND SECONDED BY SENATOR MAHER THAT THE WORKFORCE HOUSING STUDY COMMITTEE MEETING BE ADJOURNED. The motion prevailed on a voice vote.

The committee adjourned at 11:05 am.