

HB 1050 Written Testimony Submitted – Greg Neitzert, Sioux Falls, District 9 Resident

To: Honorable members of the House Taxation Committee

From: Greg Neitzert, Sioux Falls, SD (District 9 resident)

RE: HB 1050 (2025 legislative session)

Hello,

I am a citizen of District 9 in Sioux Falls. I am also a former City Councilor for the city of Sioux Falls having served from 2016-2024 until I was term limited after (2) 4-year terms. You are going to consider in the House Taxation committee bill HB1050 which is titled "authorize municipalities to impose a new tax to fund capital improvement projects."

This is not a new idea. This has come up in the legislature in the past and has been defeated. I urge you to **reject** it again.

I can speak to it from the perspective I am intimately familiar with, Sioux Falls city government. We do NOT have a revenue problem. If we have any problem, it simply comes down to priorities. I am a big supporter of quality of life, in general, but core infrastructure must always be the priority. And quality of life can mean a lot of things - in city government we have a lot of it - and we are proud of it. Parks, libraries, etc. But in a city like ours "quality of life" also includes some things that can be very controversial, and very expensive. Events centers, convention centers, baseball stadiums, etc. Each has their pros and cons, and I don't mean to imply that I am necessarily against any of those. They are highly dependent on several factors - cost, priorities, etc.

In Sioux Falls, we generate an enormous amount of sales tax revenue. The first penny pays for operations (which is matched by property tax that also contributes to operations). The second penny pays for our capital improvements. We have a 5-year capital improvement plan. We also obtain significant revenue from the 3rd penny entertainment tax (bed, booze, etc.) that helps to fund operations and some capital at our entertainment facilities. We have a lot of needs, and a lot of wants. We had to prioritize every year when we did the budget. We had to say no at times. But we certainly could figure it out. The city is in a very strong financial position. It has a reasonably low debt load on a per capita basis. We aren't even close to our statutory debt limit. We have a very large reserve fund. We are proud of all those things. At any given time, about 20-25% of our 2nd penny is obligated for debt service for large capital projects (pools, libraries, major city buildings, etc.). Notably, we also have a 9-million-dollar debt service payment for the events center obligated to our second penny as the 3rd penny didn't generate enough to pay that debt service on its own, even though it is an entertainment venue. So, operations and capital improvements come

from the entertainment tax, but the actual bond (the "mortgage") comes out of our second penny. We cash flow all our road projects. We don't bond unless we really must, and the project is something that would not be possible to do in one year. We know that getting in the business of bonding for infrastructure that deteriorates the day you complete it is a bad idea. If we ever get there we will be in trouble. The city is growing, "sprawling", and a lot of it is being allowed to be done in growth patterns that are too low of a density and property tax base to sustain itself. That is a problem of our own making and is not a problem that should be papered over by just getting more tax authority. We need to address our own structural issues. You will be told that we need the funds for critical infrastructure. Keep in mind, in Sioux Falls all the following are enterprise funds and are 100% paid from user fees - NO TAX DOLLARS: Sewer, Potable Water, Landfill, Electric Light and Power, and our Parking Ramps. None of those depend on sales tax revenues. It comes down to roads/bridges, parks, libraries, fire stations, and most notably for this discussion - entertainment venues.

Which leads me to the real reason behind this bill, at least from the Sioux Falls perspective. The current Mayor has proposed and set in motion what would be the largest spending spree in city history - by a factor of 3 to 5. That being the combination of a convention center - which his own proponents say could be in the 200 to 400 million-dollar range, and if that happens, they would then propose to remodel our current convention center into a large indoor recreation facility. It was well known and an open secret in city government, and those of us in the "know" are aware of this, but it isn't shared publicly that the only way to possibly pay for the new convention center idea is with a new tax. There is no other way. Conveniently, our mayor and the proponents of this plan have yet to disclose this proposed funding source to the citizens. They're hoping you pass this, and then they'll reveal it – not very transparent.

A new penny sales tax would be the first new tax imposed in the city in many, many years. The last time we had a new tax was probably 20 years ago when we as a city decided to round out our second penny from .92% to 1.00% - the state limit. That .08% is dedicated by our own Council/city policy for arterial road expansion.

At the end of the day, a major proponent of this bill is the city of Sioux Falls, and while the Municipal League and/or our mayor or city leaders may testify to you about "critical infrastructure" like roads and bridges, make no mistake - this is about a massively expensive dream, which no one asked for, that would be the largest expansion in our tax authority in probably my lifetime. At a time when people are groaning under the weight of property tax load, allowing another penny of sales tax on citizens is not the right choice, particularly when it is based on wants, at least in our case. If smaller towns with different

dynamics have a real need, consider how you could limit or revise this. Don't take comfort in public votes and 5-year sunsets. New "temporary" taxes eventually become permanent, whether by amendment or by it becoming what is just done every 5 years it becomes regular. Allowing another penny will allow for more growth of government, and more structural obligations such as capital that must be serviced and paid to operate. It will not end here.

I urge you to oppose this bill, and to encourage cities to do what we all do, prioritize based on the constraints we have, and to live within our means, and to say no to wants. No person's legacy is more important than the long-term health of a city.

Thanks.

Greg Neitzert

Former Sioux Falls City Councilor