



STATE HIGHWAY FUND LOAN GUIDANCE

State highway fund loans are a means for municipalities, townships, and counties to receive loans to construct, reconstruct, repair, maintain and mark roads and bridges. This guidance document is intended to aid local governments in understanding the application process for state highway fund loans. The South Dakota Transportation Commission (the “Commission”) may, in its discretion, change or deviate from these guidelines.

Who Awards the Loans?

The Commission decides whether to award State Highway Fund Loans.

What Does the Commission Consider When Awarding Loans?

The Commission considers four factors when deciding whether to award a loan:

1. The availability of other funding for the proposed project.

- The Commission views State Highway Fund Loans as funding of last resort. Applicants should show they have pursued and exhausted other feasible funding avenues, while demonstrating their loan request is still a good risk.
- Local funding commitments, in addition to the requested loan, increase the likelihood of a loan award.
- Applicants should be prepared to pay for any project expenses that are not eligible for loan funding. Eligible project costs are limited to preliminary engineering, design, utility relocations of utilities outside of the right-of-way, right-of-way acquisition, environmental coordination and permitting, bid-letting, materials, construction and construction engineering.

2. The likelihood the proposed project will foster and support economic development.

- Applicants should refrain from applying for funding for routine highway projects.
- The Commission is more likely to grant a loan request for highway or bridge improvements that are needed for an imminent and impactful economic development project.

3. Whether a highway emergency exists.

- Projects tied to a highway emergency will be given greater weight than non-emergency projects.

4. The ability of the local government to repay the loan on terms satisfactory to the Commission.

- Counties and Class 1 municipalities will be asked to pledge their STP funding allocation to secure repayment of the loan.
- Applicants that don't receive STP funding allocations, such as towns and townships, should be prepared to explain how repayment will be secured. One option is to enter into a joint powers agreement with a county or Class 1 municipality that supports the project, to ensure STP allocations are available for repayment.
- For projects tied to an imminent economic development project, applicants may be required to secure a loan guarantee from the developer.
- Applicants should consider creative methods for securing repayment, such as tax increment financing (tif).

What Are Likely Terms and Conditions of the Loan?

- Total loans from the State Highway Fund are limited to \$25 million, and loans may not exceed \$7 million for a single project.
- The annual interest rate is 1.5%, amortized over a period to be determined by the Commission.
- Annual payments will be required, with final payment due seven years after the initial loan issuance.
- The applicant will be responsible for securing all project approvals (environmental, utility, right of way, etc.), preparing plans and contract documents, letting the project to bids, and awarding and administering the contract.

Where Can I Get More Information?

- The application is available on the Department of Transportation website at: <https://dot.sd.gov/doing-business/local-governments/forms-documents>
- For general questions or assistance in filling out the application, contact the Department of Transportation's Office of Administration Program Manager at (605) 773-8149.
- Applications should be submitted to the attention of the Department of Transportation's Director of Planning & Engineering.