

### **General Information for All Loans**

There are three categories of loans administered by the South Dakota Department of Transportation (SDDOT):

- (1) State Infrastructure Bank (SIB) Loan/Federal Loan Program;
- (2) Surface Transportation Block Grant Program (STBGP) Advance; and
- (3) State Highway Fund Loan.

Applications are available at <https://dot.sd.gov/doing-business/local-governments/forms-documents>.

Loans are subject to approval by the South Dakota Transportation Commission. Applicants are required to demonstrate their ability and commitment to repay the loan. The Commission may impose such terms and conditions as the Commission, in its discretion, determines are appropriate. The Commission regards loans as funding of **last resort** and may reject any application. This informational sheet is intended to give applicants guidance on how loans have been administered in the past, but applicants are cautioned that the Commission is not bound by this guidance and has ultimate authority over the approval, terms, and conditions relating to any loan. Applicants who are approved for a loan will be required to execute a loan agreement with SDDOT. Sample loan agreements are available upon request.

### **State Infrastructure Bank (SIB) / Federal Loan Program**

- Federal money is available to loan to tribes and political subdivisions for public road and bridge construction projects on federal-aid routes and federal-aid eligible activities.
- Applicants perform all right-of-way acquisitions, wetland mitigation, and utility relocations for federal loan projects.
- SDDOT performs project bid-lettings and manages project construction.
- Federal loan projects must receive approval from the Commission for inclusion in SDDOT's Statewide Transportation Improvement Program.
- Interest rates on recent loans have been set at 1.5% per year.
- Typically, full repayment of the loan is due within 7 years after project completion.
- Applicants that receive annual STBGP funding allocations will be required to pledge those allocations toward repayment of the loan. However, a loan recipient is responsible for making timely repayment of the loan, regardless of whether STBGP allocations stop or are inadequate to cover the full repayment obligation.
- Applicants may be required to submit audited financial statements, annual financial reports, and proof of taxing or bonding authority.
- Federal loan funding is limited to the available balance at the time of application.

### **Surface Transportation Block Grant Program (STBGP) Advance**

- STBGP advances are only available to counties and Class I cities that receive an annual STBGP allocation.
- Advances may be used for construction of public roads and bridges under the jurisdiction of counties and Class I cities.
- Advances are issued in a lump sum directly to the recipient.

- The loan recipient is responsible for all aspects of the project, including but not limited to right-of-way acquisition, wetland mitigation, environmental clearances, utility relocation, design, bid letting, construction, and construction management for the project.
- Interest rates are anticipated to be 1.5% per year.
- Typically, full repayment of the loan is received within three years after loan issuance.
- The maximum loan amount is usually limited to two times the applicant's estimated annual STBGP allocation.
- Applicants will be required to pledge STBGP allocations toward repayment of the loan. However, a loan recipient is responsible for making timely repayment of the loan, regardless of whether STBGP allocations stop or are inadequate to cover the full repayment obligation.
- Applicants may be required to submit audited financial statements, annual financial reports, and proof of taxing or bonding authority.

## **State Highway Fund Loan**

- State highway fund loans are available to municipalities, townships, and counties to construct, reconstruct, repair, maintain and mark public roads and bridges.
- The Commission considers four factors when deciding whether to award a state highway fund loan:
  - The availability of other funding for the proposed project;
  - The likelihood the proposed project will foster and support economic development;
  - Whether a highway emergency exists; and
  - The ability of the local government to repay the loan on terms satisfactory to the Commission.
- Applicants should show they have pursued and exhausted other feasible funding avenues, while demonstrating their requests are still a reasonable risk.
- Local funding commitments, in addition to the requested loan, increase the likelihood of a loan award.
- Eligible project costs are limited to preliminary engineering, design, utility relocation, right-of-way acquisition, environmental coordination and permitting, bid-letting, materials, construction, and construction engineering.
- Applicants should refrain from applying for funding for routine highway projects.
- Applicants that receive annual STBGP funding allocations will be required to pledge those allocations toward repayment of the loan. However, a loan recipient is responsible for making timely repayment of the loan, regardless of whether STBGP allocations stop or are inadequate to cover the full repayment obligation.
- Applicants that don't receive STBGP 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 city that supports the project, to ensure STBGP 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).
- Total loans from the state highway fund are limited to \$25 million, and loans typically do not exceed \$7 million for a single project.
- Interest rates on recent loans have been set at 1.5% per year, amortized over a period determined by the Commission.
- Annual payments will be required, with final payment due seven years after the initial loan issuance.
- The loan recipient is responsible for all aspects of the project, including but not limited to right-of-way acquisition, wetland mitigation, environmental clearances, utility relocation, design, bid letting, and construction management.