

The Economic and Fiscal Impacts of Constructing the Lewis and Clark Rural Water System

2004 Study and 2006 Update

HDR | Sioux Falls, SD

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Executive Summary



HDR has been asked to provide the Lewis and Clark Rural Water System, Inc., with an impacts analysis for the construction of a 14-county water supply system covering areas in three states. Construction of the \$385.8¹ million system is expected take 14 years and will be jointly funded by federal, state, and local entities.

The impacts considered in this analysis are those attributable to the federal component of project funding only. Federal spending will account for approximately 76 percent of total project expenditures and represents “new money” coming into the region that would not otherwise be spent in the area.²

This impacts analysis was completed in January of 2004; in 2006, an update was generated for the impacts to the State of South Dakota due to the Sioux Falls Expansion. To maintain the integrity of the analysis the findings from the update were included in the body of report and in Appendix A. All figures and tables were kept in original form and additional tables are provided for summary of the analysis on the Sioux Falls Expansion .

Regional Impacts

There are three impacts included in this section:

1. Economic impacts associated with design, construction, and land acquisition including the direct, indirect, and induced impacts to economic output, earnings, and employment at the regional and state levels³
2. Fiscal impacts of tax revenue in all three states
3. Economic development impact to the regional economies

Construction

Economic Impacts

It is estimated that the total economic impact to the region from construction of the project will total \$374 million, which includes the creation of 266 construction jobs on average per year or 3,730 jobs

¹ This number is the total cost of the system in 2003 dollars. This report presents figures that have been adjusted for inflation over the life of the project.

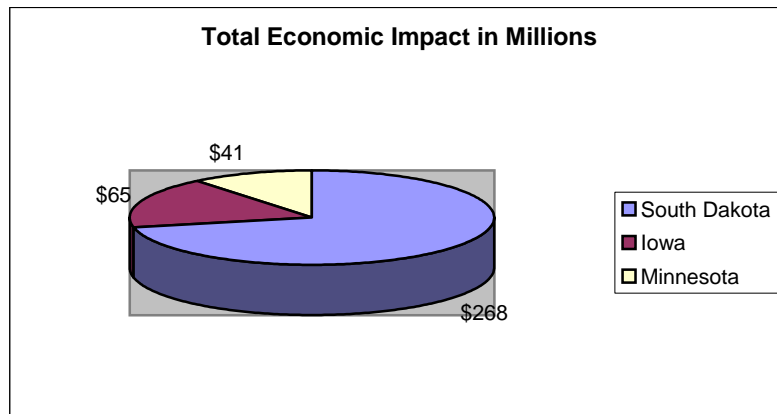
² The 76% federal contribution is the average contribution across the system.

³ Direct impacts are equal to project expenditures. Indirect impacts are the second round expenditures on goods and services made by the project’s support industries. Induced impacts reflect the changes that occur to household spending as incomes are affected by a project’s direct and indirect impacts.

over the lifetime of the project. As the **Summary Figure 1** shows, approximately 72% of the economic impact will be realized in SD, with 17% in IA and 11% in MN.

The Sioux Falls Expansion will add an additional \$41.8 million dollars to the total construction cost of the project, adding 29 jobs per year to the total employment of the project. It is important to note that the Sioux Falls Expansion does not represent any new job creation or economic impact because it will not receive any Federal funding and will instead be funded by dollars that were already in the state of South Dakota. As such, the impacts described in this report for the Expansion are not actually new job/dollar creation; instead they represent the jobs/dollars that will be reallocated from one sector of the economy to the other creating a net positive impact of \$0 on the Regional and State of South Dakota economies.

Summary Figure 1: Total Economic Impact



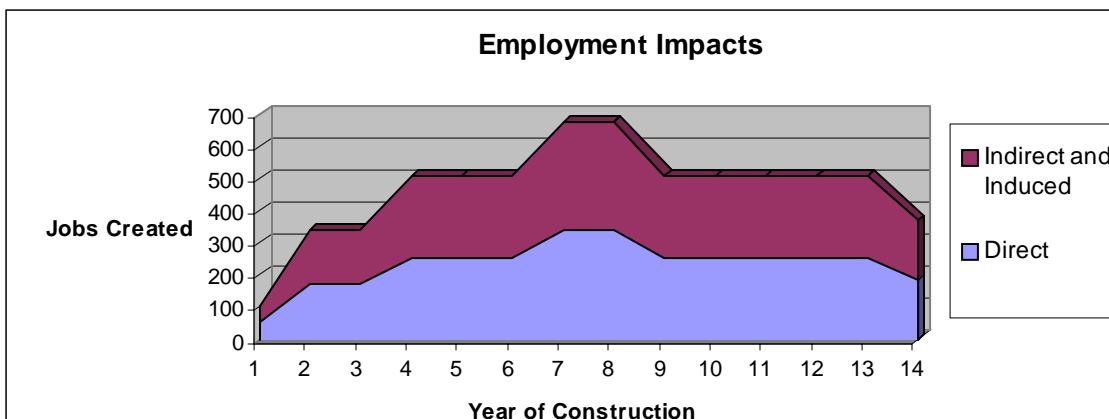
The three industry sectors, as classified by the North American Industry Classification System (NAICS), receiving the greatest benefit from construction costs include:⁴

- Construction
- Retail Trade
- Professional, Scientific, and Technical Services

Summary Figure 2 shows the direct and indirect job creation in the region over the duration of the project. The seventh and eighth year of project construction represent the highest rate of job creation.

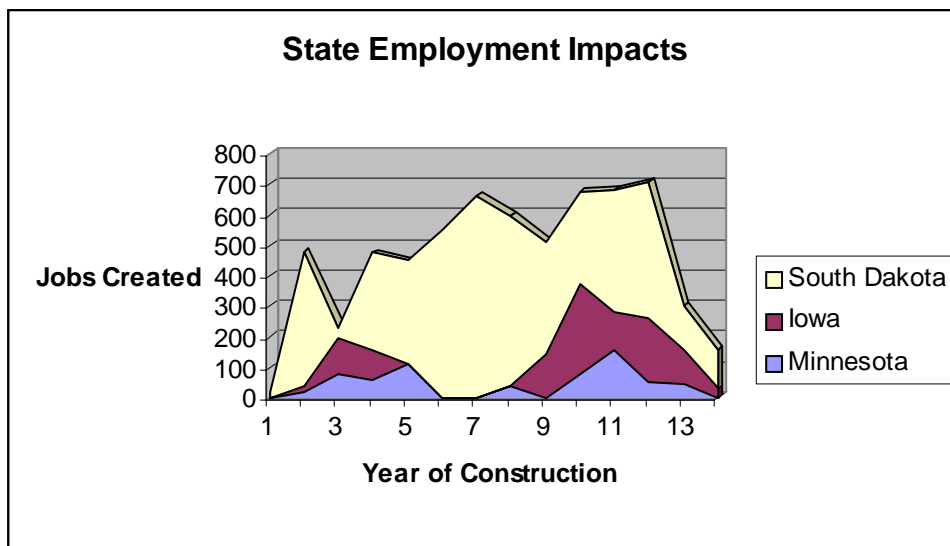
⁴ The North American Industry Classification System (NAICS) has replaced the Standard Industrial Classification System (SIC). [http://and and www.census.gov](http://and.and.www.census.gov) and [epcd and www and naics.html](http://epcd.and.www.and.naics.html). The sectors mentioned in this report are further detailed in Appendix A.

Summary Figure 2: Employment Impacts by Construction Year



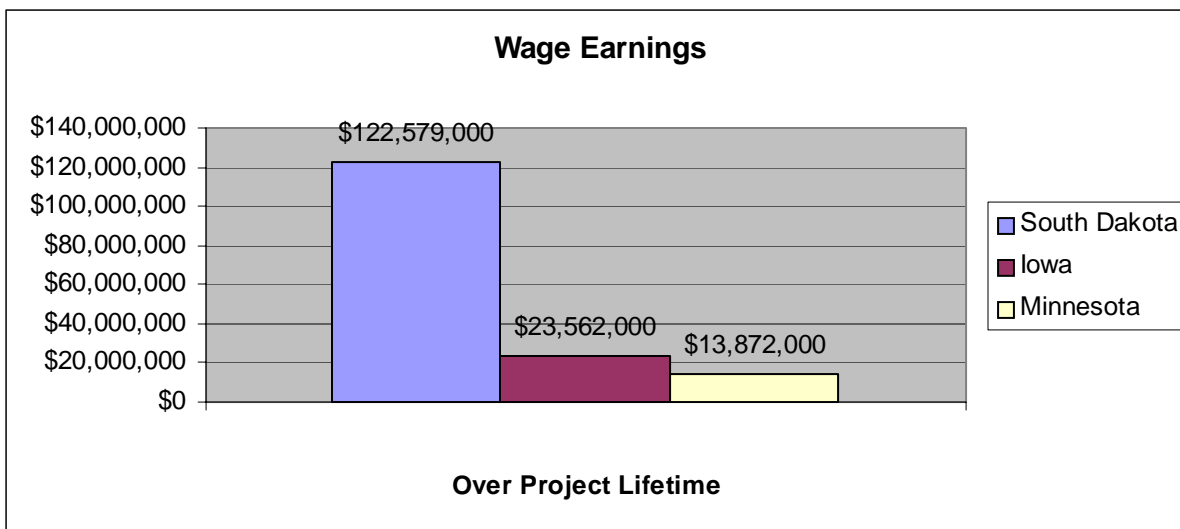
Summary Figure 3 shows the breakout the total employment impacts by state – the numbers shown represent indirect, induced, and direct employment. Throughout the project, South Dakota will experience the largest employment impact of each of the three states.

Summary Figure 3: State Employment Impacts



Summary Figure 4 shows the breakout of dollars earned over the lifetime of the project. Corresponding with the type of new jobs, South Dakota has the highest wage earnings from the project.

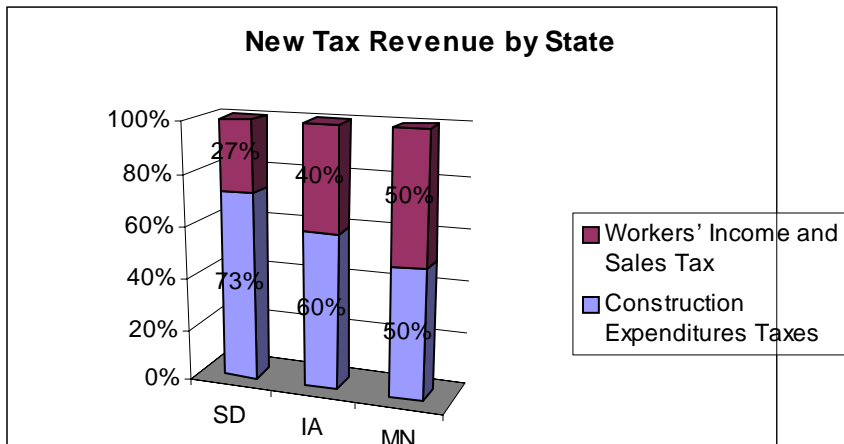
Summary Figure 4: Wage Earnings by State



Fiscal Impacts

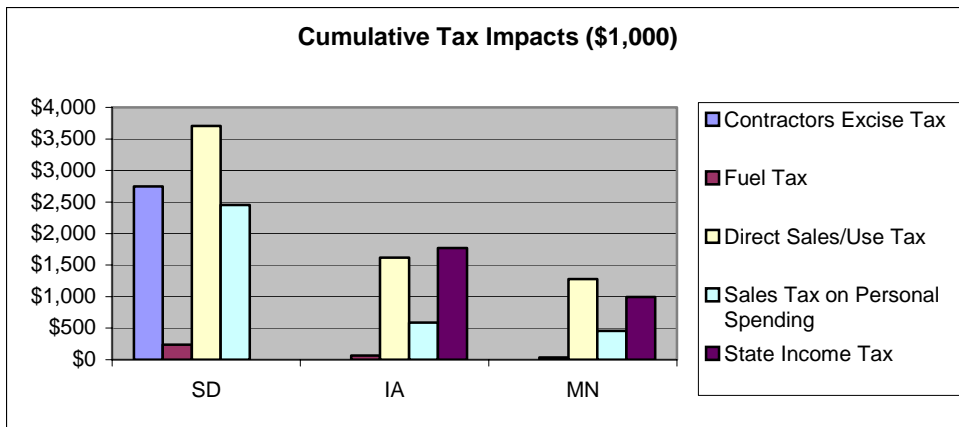
The fiscal impacts can be ranked by the level of project spending in each state: South Dakota receives the greatest dollar impact, followed by Iowa and Minnesota respectively. However, when the level of spending in each state is considered, it appears that South Dakota’s revenue increases are relatively lower than those of other states. There appears to be two explanations for this: (1) South Dakota does not impose a personal income tax; and (2) the sales and use tax rates are lower in South Dakota and are not imposed on labor services. Although South Dakota imposes a contractors excise tax, this revenue apparently does not offset the lack of income tax. Sources and percentages of new tax revenues by state are broken out in **Summary Figure 5**.

Summary Figure 5: State Employment Impacts



Summary Figure 6 shows the breakout of tax revenue by state for each category of applicable tax. The greatest overall impact will come from Direct Sales/Use Tax.

Summary Figure 6: State Employment Impacts



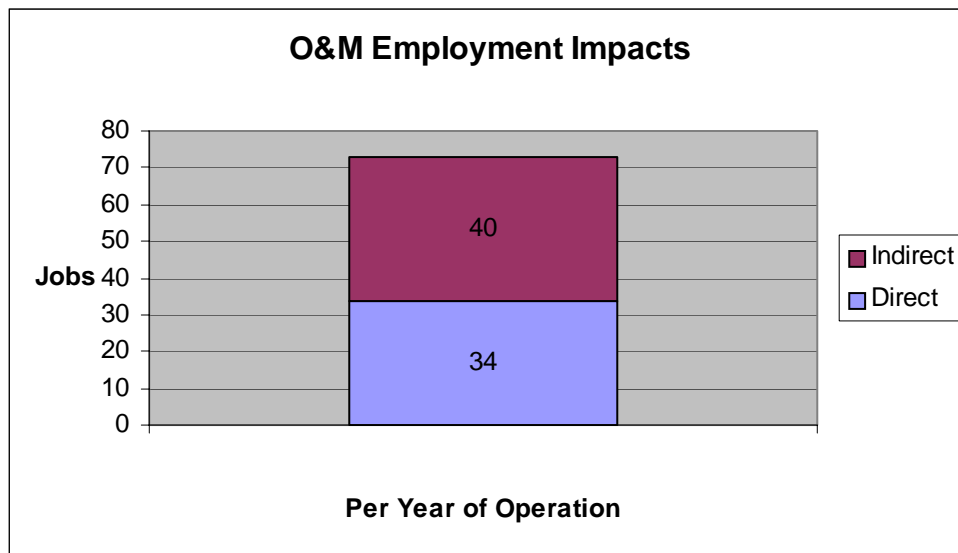
Operation & Maintenance (O&M)

Economic Impacts

The direct impacts of on-going O&M will significantly affect the construction industry in the tri-state region. It is projected that the majority of these impacts will occur in South Dakota where the wellfields and water treatment facilities are located, and both the engineer of record for the system and the office for the Lewis and Clark Rural Water System, Inc. are located in South Dakota.

Summary Figure 7 shows this impact in terms of employment needed per year of operation.

Summary Figure 7: State Employment Impacts



Direct output for one year of O&M will total \$4.4 million, and direct labor income will be approximately \$1.2 million. 34 jobs will be created during the first year of operation that will continue throughout the lifetime of the system.⁵ The three NAICS Sectors receiving the greatest benefit from O&M costs include:

- Utilities
- Construction
- Professional, Scientific, and Technical Services

⁵ This is slightly higher than the findings of the Final Engineering Report written by Banner and Associates in 2002 for the system that projected a total of 29 FTE's for direct employment for operation and maintenance of the system.

Economic Impacts

The United States General Accounting Office (GAO) completed a Rural Water Projects study in 1999 that looked at the federal assistance criteria and potential benefits of the proposed Lewis and Clark project.⁶ The projected benefits of the Lewis and Clark Rural Water Project are the result of increases in both the quantity and quality of water. The GAO found that the local water users, such as households and businesses, would receive most of the benefits from the project. Specific societal benefits could include:

- Reduction in nitrate and sulfate concentrations resulting in health benefits
- Improved safety by making more water available for fighting fires
- A better quality of water for drinking, bathing, and washing clothing
- More water for landscaping

Economic benefits identified by the GAO include:

- Increased swine and dairy yields
- Economic development of industries like ethanol and food processing
- Increased longevity of water heaters, water softeners, and other appliances, thereby saving residents repair and replacement costs.

A direct benefit not specifically addressed by the GAO report is the enhanced ability to attract and retain homes and businesses in the area. Based on population projections and average daily water consumption, the daily need for water in the City of Sioux Falls will exceed the existing supply in the year 2012. At that time, without an additional source of water in place, the City will not be able to permit new industry or residential growth.

State Impacts

The following sections highlight the impacts to the individual states and their counties located in the study area. Each state section has been written as a stand-alone document and can be distributed independently of the entire report.

⁶ Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project. United States General Accounting Office. 1999. GAO and T-RCED-99-252

South Dakota



HDR has been asked to provide the Lewis and Clark Rural Water System, Inc., with an impacts analysis for the construction of a 14-county water supply system covering areas in three states.

This impacts analysis was completed in January of 2004; in 2006, an update was generated for the impacts to the State of South Dakota due to the Sioux Falls Expansion. To maintain the integrity of the analysis the findings from the update are included in the end of this summary. All figures and tables were kept in original form and additional tables are provided for summary of the analysis on the Sioux Falls Expansion .

Design and construction of the \$385.8⁷ million system is expected take 14 years and will be jointly funded by federal, state, and local entities. The Sioux Falls Expansion will add an additional \$41.8 million dollars to the total construction cost of the project.

The impacts considered in this analysis are those attributable to the federal component of project funding only. Federal spending will account for approximately 76 percent of total project expenditures and represents “new money” coming into the region that would not otherwise be spent in the area.⁸

The State of South Dakota, will receive the largest benefit from the construction and on-going operation of the Lewis and Clark Rural Water System for the following reasons

- The largest percentage of construction will occur within the state
- The system wells, raw water pipeline, and water treatment plant will be located in South Dakota
- The majority of operation and maintenance benefits are expected to be received by the state

Six South Dakota Counties are included in the study area: Lake, Minnehaha, Turner, Lincoln, Clay, and Union. Of those counties, Clay will experience the greatest increases in jobs and tax revenues.

Construction Impacts

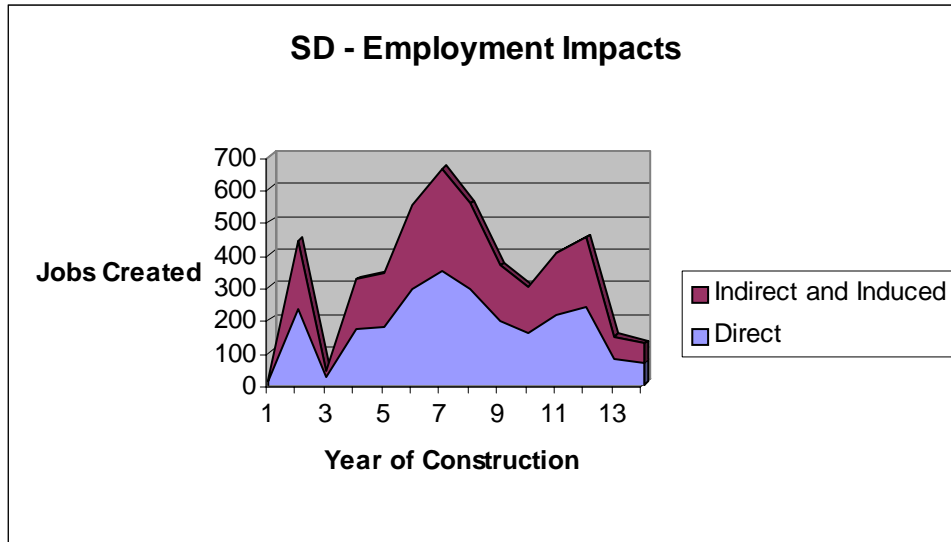
Economic Impacts

A total of 2,618 jobs will be created in South Dakota over the lifetime of the project, or an average of 187 per year of the project. These jobs are those that are directly related to the design, construction, and real estate acquisition of the project. **South Dakota Figure 1** shows this direct employment, as well as indirect job creation, in the state of South Dakota over the duration of the project.

⁷ This number is the total cost of the system in 2003 dollars. This report presents figures that have been adjusted for inflation over the life of the project.

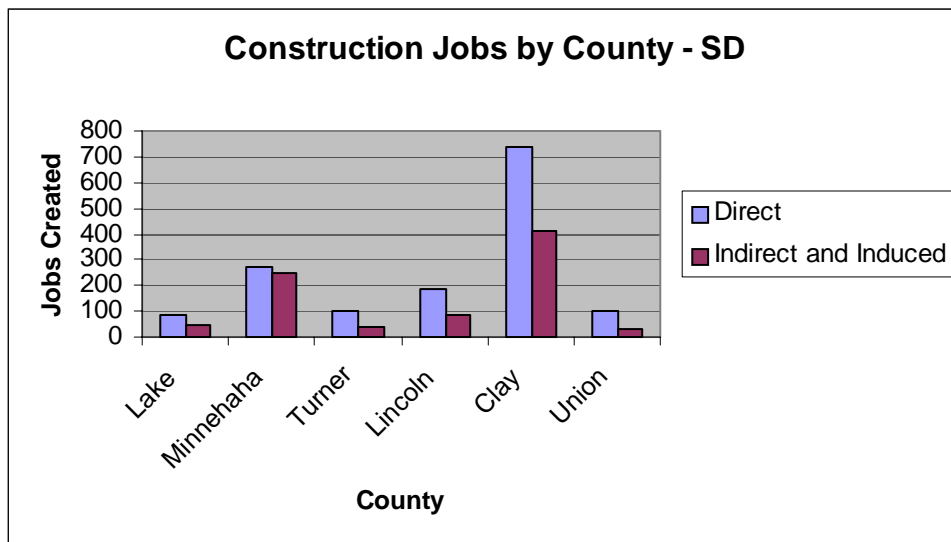
⁸ The 76% federal contribution is the average contribution across the system.

South Dakota Figure 1: Employment Impacts



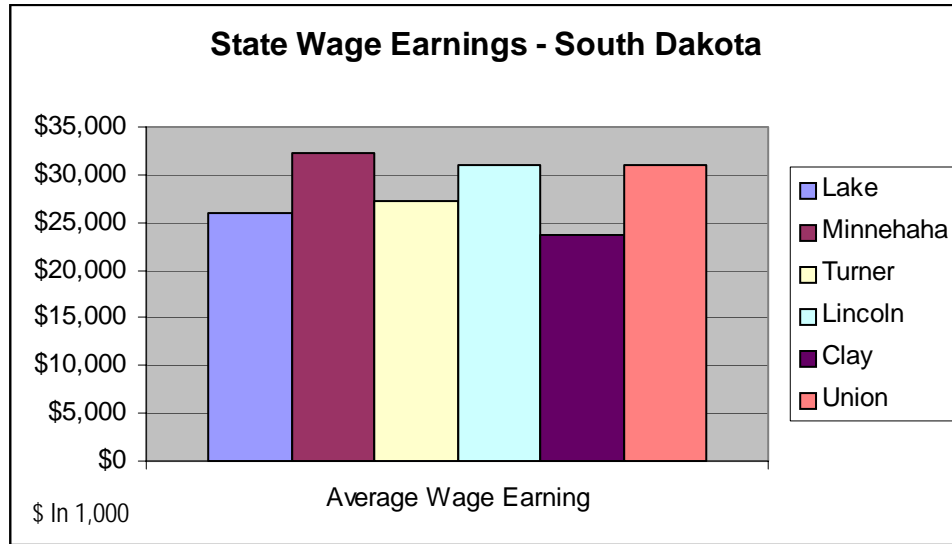
South Dakota Figure 2 shows total construction jobs created by county throughout the lifetime of the project. Clay County is expected to experience the largest increase of jobs with the implementation of this project.

South Dakota Figure 2: Construction Jobs by County



South Dakota Figure 3 shows the breakout of dollars earned over the lifetime of the project. Minnehaha County will experience the highest average wage earning.

South Dakota Figure 3: State Wage Earnings



Sioux Falls Expansion

Table 2.3 - Economic Impacts: 2004 Findings Versus 2005

	Impacts from 2004 Study		Additional Cost Due to Sioux Falls Expansion	New Total Impacts	
	Regional	South Dakota		Regional	South Dakota
Total Project Cost	\$385.8 Million	\$258.4 Million	\$41.8 Million	\$428 Million	\$300.2 Million
Total Economic Impact	\$374 Million	\$250 Million	\$40.4 Million	\$414.4	\$290.4 Million
Average Yearly Employment	266 Jobs	178 Jobs	29 Jobs	295 Jobs	207 Jobs
Average Yearly Indirect Employment	211 Jobs	160 Jobs	26 Jobs	237 Jobs	186 Jobs
Fiscal Impacts	\$15,950,485	\$9,145,588	\$1,324,343	\$17,284,828	\$10,469,931

Table 2.3 summarizes the impacts of the Sioux Falls expanded services on the Region and South Dakota. The table shows that a total of 406 jobs in South Dakota over the lifetime of the project, or an average of 29 per year of the project can be attributed to the Sioux Fall expansion project.

It is important to note that the Sioux Falls Expansion will not receive any Federal funding and therefore does not represent any new job creation or economic impact because it will be funded by dollars that were already in the state of South Dakota. As such, the impacts described in the table above are not actually new job/dollar creation; instead they represent the jobs/dollars that will be reallocated from one sector of the economy to the other creating a net positive impact of \$0 on the Regional and South Dakota economies.

Fiscal Impacts

South Dakota Tables 1a,b,c summarize the fiscal impacts to the state with and without the Sioux Falls expansion. Due to uncertainties regarding the location of personal spending within South Dakota, local option personal sales tax revenues are not assigned to specific counties, however Clay County will receive the greatest benefit from the sales and use tax revenues from the project.

South Dakota Table 1a: Summary of Fiscal Impacts on South Dakota

State	County	Impacts Resulting from Construction Spending				Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures		
SD		\$ 3,707,700	\$ 2,748,229	\$ 237,600	\$	\$ 2,452,059	\$ 9,145,588	
	Lake	\$ 108,410				\$ 1,226,029		
	Minnehaha	\$ 243,910						
	Turner	\$ 124,660						
	Lincoln	\$ 373,980						
	Clay	\$ 867,430						
	Union	\$ 135,520						

South Dakota Table 1b: Additional Fiscal Impacts Due to Sioux Falls Expansion

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
SD		\$552,649	\$574,455	\$42,125		\$155,114	\$1,324,343
	Lake					\$77,557	
	Minnehaha	\$165,803					
	Turner						
	Lincoln	\$55,256					
	Clay	\$55,256					
	Union						

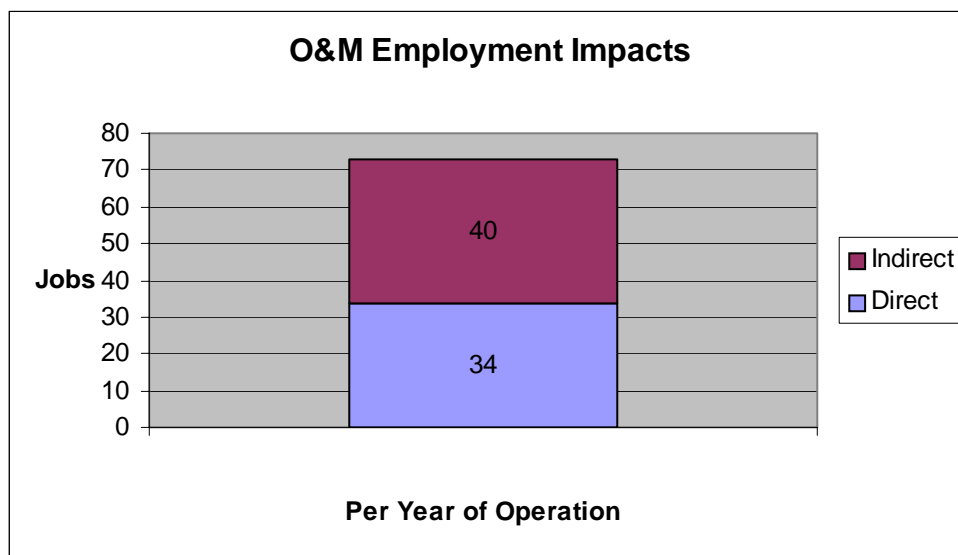
South Dakota Table 1c: Summary of Fiscal Impacts with Sioux Falls Expansion

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
SD		\$4,260,349	\$3,322,684	\$279,725		\$2,607,173	\$10,469,931
	Lake					\$1,303,586	
	Minnehaha	\$409,713					
	Turner						
	Lincoln	\$429,236					
	Clay	\$922,659					
	Union						

Operation & Maintenance (O&M) Impacts

The direct impacts of on-going O&M will significantly affect the construction industry in the tri-state region. It is projected that the majority of these impacts will occur in South Dakota as both the engineer of record for the system and the office for the Lewis and Clark Rural Water System, Inc. are located in South Dakota. **South Dakota Figure 4** shows this impact in terms of employment needed per year of operation.

South Dakota Figure 4: O&M Employment Impacts



Direct output for one year of O&M will total \$4.4 million dollars, and direct labor income will be approximately \$1.2 million. 34 jobs will be created during the first year of operation that will continue throughout the lifetime of the system.⁹ The three NAICS Sectors receiving the greatest benefit from O&M costs include:

- Utilities
- Construction
- Professional, Scientific, and Technical Services

Economic Development Impacts

The United States General Accounting Office (GAO) completed a Rural Water Projects study in 1999 that looked at the federal assistance criteria and potential benefits of the proposed Lewis and Clark project.¹⁰ The projected benefits of the Lewis and Clark Rural Water Project are the result of increases in both the quantity and quality of water. The GAO found that the local water users, such as households and businesses, would receive most of the benefits from the project. Specific societal benefits could include:

- Reduction in nitrate and sulfate concentrations resulting in health benefits
- Improved safety by making more water available for fighting fires
- A better quality of water for drinking, bathing, and washing clothing
- More water for landscaping

Economic benefits identified by the GAO include:

- Increased swine and dairy yields
- Economic development of industries like ethanol and food processing
- Increased longevity of water heaters, water softeners, and other appliances, thereby saving residents repair and replacement costs.

A direct benefit not specifically addressed by the GAO report is the enhanced ability to retain existing businesses in the area. Based on population projections and average daily water consumption, the daily need for water in the City of Sioux Falls will exceed the existing supply in the year 2012. At that time, without an additional source of water in place, the City will not be able to permit new industry or residential growth.

⁹ This is slightly higher than the findings of the Final Engineering Report written by Banner and Associates in 2002 for the system that projected a total of 29 FTE's for direct employment for operation and maintenance of the system.

¹⁰ Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project. United States General Accounting Office. 1999. GAO and T-RCED-99-252

Iowa



HDR has been asked to provide the Lewis and Clark Rural Water System, Inc., with an impacts analysis for the construction of a 14-county water supply system covering areas in three states. Construction of the \$385.8¹¹ million system is expected take 14 years and will be jointly funded by federal, state, and local entities.

The impacts considered in this analysis are those attributable to the federal component of project funding only. Federal spending will account for approximately 76 percent of total project expenditures and represents “new money” coming into the region that would not otherwise be spent in the area.¹²

The economy of the State of Iowa will benefit from the construction of the Lewis and Clark Rural Water System, particularly in the later half of the construction period when the majority of construction in Iowa will occur. The six counties included in the project are: Lyon, Osceola, Sioux, O’Brien, Clay, and Dickinson. Of those six counties, Sioux and O’Brien will benefit the most from the project.

Construction Impacts

Economic Impacts

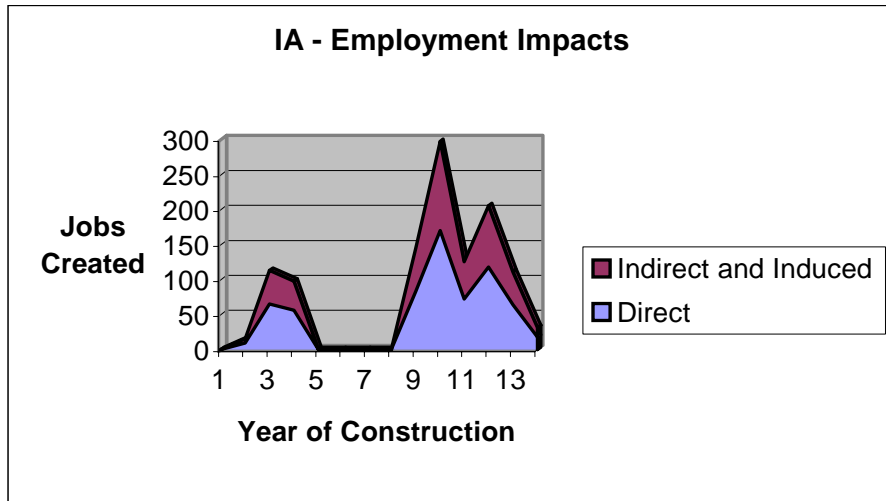
A total of 691 jobs will be created in Iowa or an average of 63 jobs per year of construction in Iowa.¹³ These jobs are directly related to the construction and land acquisition of the entire portion of the project that takes place within the state of Iowa. **Iowa Figure 1** shows the direct and indirect job creation in the state over the duration of the project. The greatest job creation occurs in year 10 of the project.

¹¹ This number is the total cost of the system in 2003 dollars. This report presents figures that have been adjusted for inflation over the life of the project.

¹² The 76% federal contribution is the average contribution across the system.

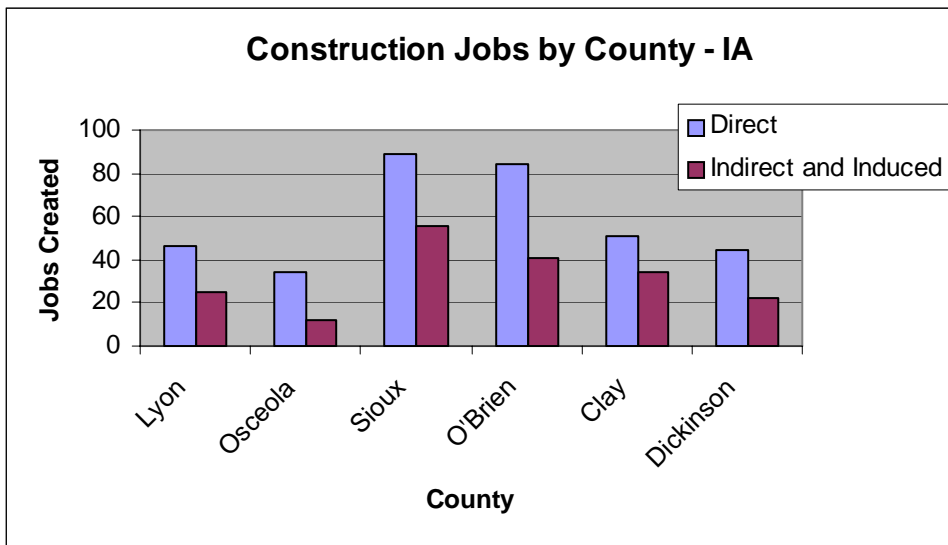
¹³ Construction in Iowa will occur during eleven of the fourteen years of project construction.

Iowa Figure 1: Employment Impacts



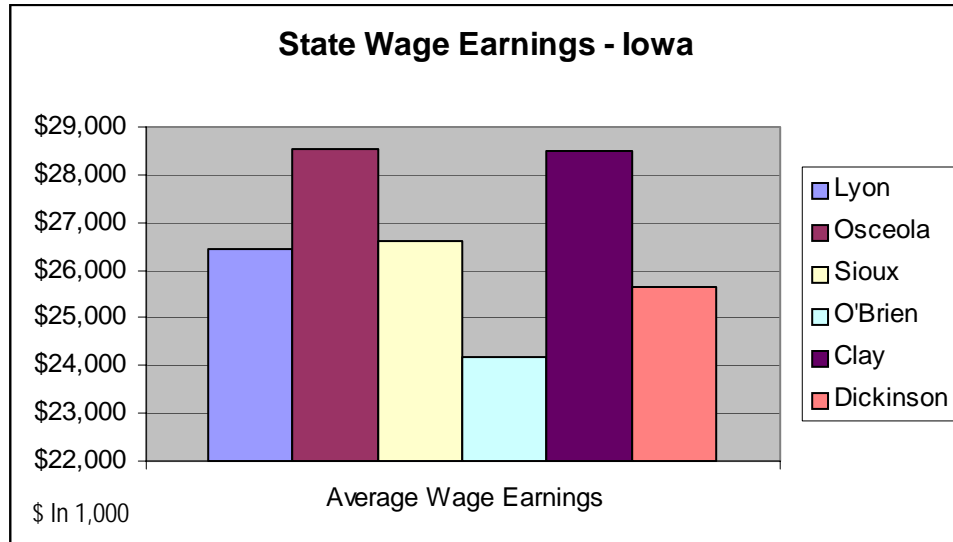
Iowa Figure 2 shows total construction jobs created by county throughout the lifetime of the project. Sioux and O’Brien counties have the greatest number of direct and indirect new jobs created from the project.

Iowa Figure 2: Construction Jobs by County



Iowa Figure 3 shows the breakout of dollars earned over the lifetime of the project by county. Osceola and Clay counties show the highest average wage earnings.

Iowa Figure 3: State Wage Earnings



Fiscal Impacts

Iowa Table 1 summarizes the fiscal impacts to the State of Iowa. Due to uncertainties regarding the location of personal spending within Iowa, local option personal sales tax revenues are not assigned to specific counties, however Sioux and O’Brien counties will receive the greatest revenues from sales and use taxes on construction expenditures.

Iowa Table 1: Summary of Fiscal Impacts

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
Iowa		\$ 1,619,300	\$	\$ 64,800	\$ 1,768,217	\$ 589,406	\$ 4,041,723
	Lyon	\$ 42,680				\$ 235,762	
	Osceola	\$ 32,630					
	Sioux	\$ 82,840					
	O'Brien	\$ 75,320					
	Clay	\$ 50,210					
	Dickinson	\$ 40,170					

Economic Development Impacts

The United States General Accounting Office (GAO) completed a Rural Water Projects study in 1999 that looked at the federal assistance criteria and potential benefits of the proposed Lewis and

Clark project.¹⁴ The projected benefits of the Lewis and Clark Rural Water Project are the result of increases in both the quantity and quality of water. The GAO found that the local water users, such as households and businesses, would receive most of the benefits from the project. Specific societal benefits could include:

- Reduction in nitrate and sulfate concentrations resulting in health benefits
- Improved safety by making more water available for fighting fires
- A better quality of water for drinking, bathing, and washing clothing
- More water for landscaping

Economic benefits identified by the GAO include:

- Increased swine and dairy yields
- Economic development of industries like ethanol and food processing
- Increased longevity of water heaters, water softeners, and other appliances, thereby saving residents repair and replacement costs.

A direct benefit not specifically addressed by the GAO report is the enhanced ability to retain existing businesses in the area.

¹⁴ Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project. United States General Accounting Office. 1999. GAO and T-RCED-99-252

Minnesota



HDR has been asked to provide the Lewis and Clark Rural Water System, Inc., with an impacts analysis for the construction of a 14-county water supply system covering areas in three states. Construction of the \$385.8¹⁵ million system is expected take 14 years and will be jointly funded by federal, state, and local entities.

The impacts considered in this analysis are those attributable to the federal component of project funding only. Federal spending will account for approximately 76 percent of total project expenditures and represents “new money” coming into the region that would not otherwise be spent in the area.¹⁶

The economy of Minnesota will benefit from the construction of the Lewis and Clark Rural Water System. Two Minnesota counties, Nobles and Rock, are included in the project area. These counties do not have local option taxes, nor does the state have a contractors' excise tax, so the fiscal impacts to the participating counties will be minimal. Though both counties will experience an economic gain during construction years, a greater percentage of construction occurs in Nobles County, and it, therefore, will experience a greater economic benefit than Rock County.

Construction Impacts

Economic Impacts

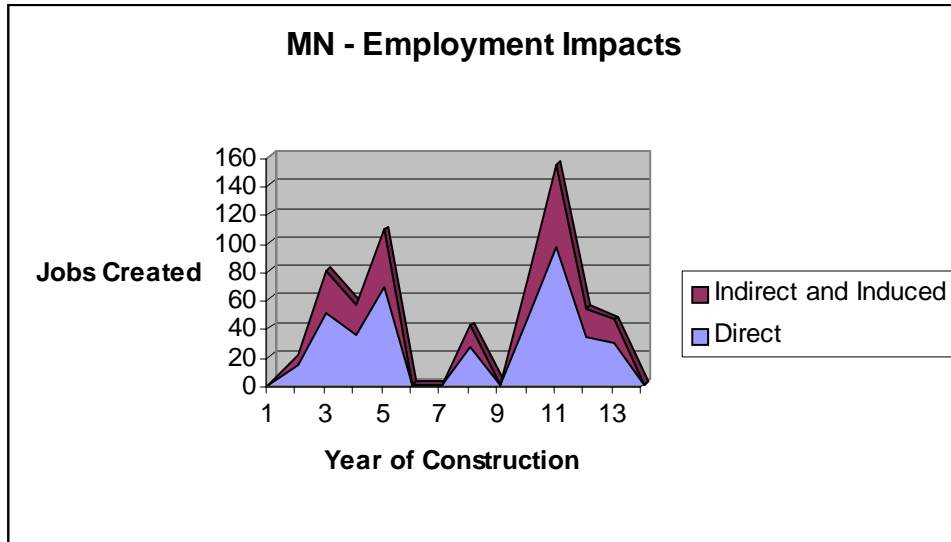
A total of 421 new jobs directly related to the construction and land acquisition of the project will be created, or an average of 42 jobs per year of construction in Minnesota.¹⁷ **Minnesota Figure 1** shows the direct and indirect job creation in the state over the duration of the project. The greatest number of jobs is created in year 11 of project construction.

¹⁵ This number is the total cost of the system in 2003 dollars. The report presents figures that have been adjusted for inflation over the life of the project.

¹⁶ The 76% federal contribution is the average contribution across the system.

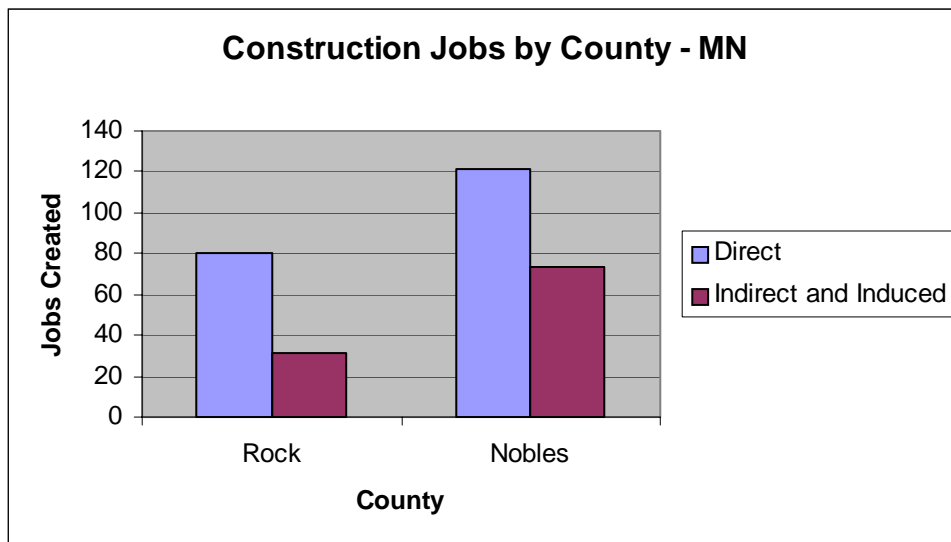
¹⁷ Construction in Minnesota will occur in ten out of the fourteen years of project construction.

Minnesota Figure 1: Employment Impacts



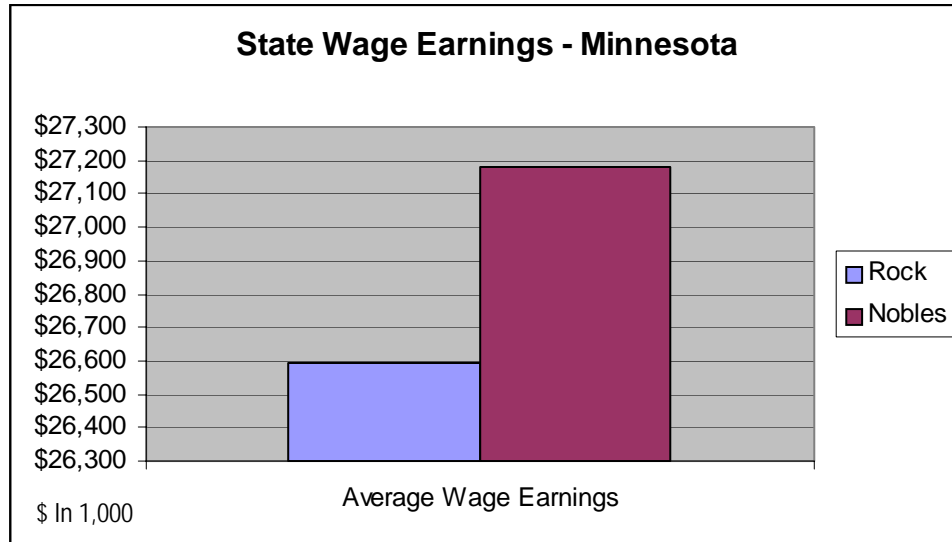
Minnesota Figure 2 shows total construction jobs created by county throughout the lifetime of the project. Nobles County will experience the greatest increase in new jobs, both directly and indirectly related to the project.

Minnesota Figure 2: Construction Jobs by County



Minnesota Figure 3 shows the breakout of dollars earned over the lifetime of the project. Nobles County is projected to see wage earnings of \$27,100.

Minnesota Figure 3: State Wage Earnings



Fiscal Impacts

Minnesota Table 1 summarizes the fiscal impacts to the State of Minnesota. Minnesota counties in the study area do not impose a local option tax, so no county data is presented in this section.

Minnesota Table 1: Summary of Fiscal Impacts

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
Minnesota		\$ 1,275,700	\$	\$ 34,500	\$ 994,512	\$ 458,463	\$ 2,763,174

Economic Development Impacts

The United States General Accounting Office (GAO) completed a Rural Water Projects study in 1999 that looked at the federal assistance criteria and potential benefits of the proposed Lewis and Clark project.¹⁸ The projected benefits of the Lewis and Clark Rural Water Project are the result of increases in both the quantity and quality of water. The GAO found that the local water users, such as households and businesses, would receive most of the benefits from the project. Specific societal benefits could include:

¹⁸ Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project. United States General Accounting Office. 1999. GAO and T-RCED-99-252

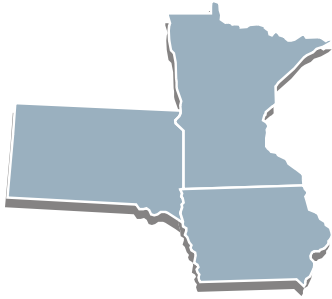
- Reduction in nitrate and sulfate concentrations resulting in health benefits
- Improved safety by making more water available for fighting fires
- A better quality of water for drinking, bathing, and washing clothing
- More water for landscaping

Economic benefits identified by the GAO include:

- Increased swine and dairy yields
- Economic development of industries like ethanol and food processing
- Increased longevity of water heaters, water softeners, and other appliances, thereby saving residents repair and replacement costs.

A direct benefit not specifically addressed by the GAO report is the enhanced ability to retain existing businesses in the area.

Project Description



Lewis and Clark Rural Water System, Inc. (System), a nonprofit corporation composed of 22 municipalities and rural water systems, has proposed to construct a water supply pipeline and associated well field, pump stations, treatment plant, and storage reservoirs throughout southeastern South Dakota, southwestern Minnesota, and northwestern Iowa. The project pipeline would run from a newly developed well field beside the Missouri River in southeastern South Dakota to various existing water system connection points located throughout the region. The Project would provide a high-quality, reliable water supply to residents of 14 counties in southeastern South Dakota, northwestern Iowa, and southwestern Minnesota. The area represented by these 14 counties is

the defined study area of this analysis.

Table 1.1: Counties Included in the Regional System

South Dakota	Minnesota	Iowa
Lake	Rock	Lyon
Minnehaha	Nobles	Osceola
Turner		Dickinson
Lincoln		Clay
Clay		O'Brien
Union		Sioux

Regional Characteristics¹⁹

The table below provides an overview of the economy in the study area in terms of unemployment rates and median income levels. This information can be used to gauge the relative impact new jobs and spending will have on the region. With the exception of Union County, all counties in the study area have unemployment rates below the state average.

¹⁹ Data in this table was taken from the United States Census 2000: <http://and.quickfacts.census.gov> and and.qfd and the United States Bureau of Labor Statistics: <http://and.www.bls.gov> and

Table 1.2: Regional Unemployment and Income Statistics

	Unemployment	Median Income
Minnesota	4.6%	
Nobles County	3.2%	\$35,684
Rock County	2.8%	\$38,102
Iowa	4.5%	
Clay County	3.6%	\$35,799
Dickinson	3.2%	\$39,020
Lyon County	3.3%	\$36,878
O'Brien County	2.5%	\$35,756
Osceola	2.9%	\$34,274
Sioux County	2.7%	\$40,536
South Dakota	3.1%	
Clay County	1.2%	\$27,535
Lake County	2.3%	\$34,087
Lincoln County	1.7%	\$48,338
Minnehaha County	2.5%	\$42,566
Turner County	2.2%	\$36,059
Union County	4.5%	\$44,790
*Region	2.8%	\$37,814

*Regional numbers reflect an average of the individual county data.

Purpose

The purpose of this study is twofold: (1) to quantify the economic impacts to participating counties and states resulting from construction of the Lewis and Clark Rural Water System and (2), to determine what subsequent impacts this construction spending will have on the revenues of state and local governments.

The economic impacts include the direct, indirect, and induced impacts to economic output, earnings, and employment at the regional and state levels. Direct impacts are equal to project expenditures. Indirect impacts are the second round expenditures on goods and services made by the project's support industries. Induced impacts reflect the changes that occur to household spending as incomes are affected by a project's direct and indirect impacts.²⁰ Direct and multiplier

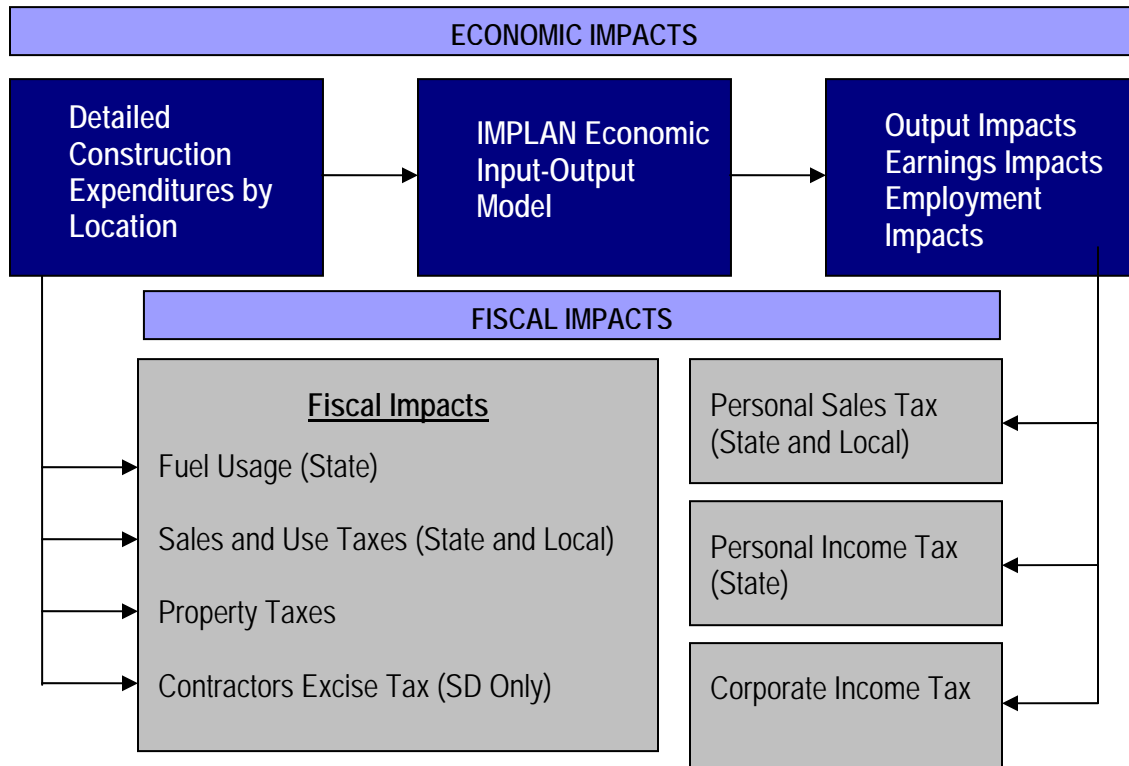
²⁰ The project may make direct expenditures for aggregate materials for concrete. The aggregate supplier subsequently purchases more materials and possibly hires an additional employee, which constitute the indirect impact. The new employee, in turn, makes purchases within the region, which subsequently constitutes the induced impact.

effects of the project’s capital and Operations and Maintenance (O&M) expenditures are also presented in this report.

The fiscal impacts examined here are the revenues that accrue to the state and local governments resulting from taxes on construction expenditures, and subsequent revenues stemming from the increased employment and economic activity.

Figure 1.1 summarizes the relationship between the economic impact component of this analysis and the fiscal impact component. Both components depend upon the construction expenditures, but a major portion of the fiscal impacts depend upon the economic impacts. As a result, the economic impacts to the region are estimated first, with the fiscal impact analysis following. Descriptions of the specific taxes identified in Figure 1.1 are provided in following sections.

Figure 1.1: Fiscal Impacts Addressed in this Study



Major Assumptions

Estimated project expenditures and timeline, \$385.8 million in 2003 dollars and 14 years respectively, were provided by the engineer of record for this project, Banner and Associates, and are based on information collected in 2001. The analysis presented here has been adjusted, by year, for inflation. It is anticipated that adjustments will continually be made to these estimates as the project gets underway; minimal changes in either the expected duration of construction or the project cost will result in minor changes to the impacts presented in this report. It is important to note, however, that the ratios and magnitude of the overall impacts will remain the same.

It should also be noted that the impacts considered in this analysis are those attributable to the federal component of project funding. Federal spending will account for approximately 76 percent of total project expenditures.²¹ Federal dollars represents “new money” in the region that would not otherwise be spent here. State and local funding generally represents a reallocation of existing funds and does not necessarily increase the region’s economic welfare. For instance, if the Lewis and Clark system was not constructed, the local funds currently targeted for the regional system would likely be spent on alternative local water supply projects. Therefore, net positive economic impacts should consider only the portion representing new money to the region. As a result, project expenditures are multiplied by 0.76 to determine the portion from which net benefits will be based.²²

Annual project operations and maintenance (O&M) costs are assumed to be paid by the local water users through user charges. As such, they represent a reallocation of existing funds within the region, rather than new funds. Therefore, any earnings and employment benefits attributable to O&M expenditures will likely come at the expense of some other sector of the local economy. Consistent with this study’s Scope of Work, the economic impacts attributable to O&M expenditures will be estimated. However, since these expenditures are reallocations of existing local funds, the corresponding fiscal impacts will not be considered on the basis that, in total, they will be approximately the same with or without the project.

The preceding paragraphs highlight that this analysis is focused upon the construction benefits associated with developing the project. The primary benefits of the project are economic development and improved health of the 14-county region. These benefits are potentially large but are not considered in this analysis. The GAO Report, cited below, discusses the benefits and costs of the project.

It should also be recognized that there are uncertainties in determining the location of many fiscal benefits. Although there is certainty regarding where expenditures for the project will occur, there is less certainty regarding the location of spending resulting from indirect project impacts. For

²¹ The 76% federal contribution is an average across the system. The federal component accounts for slightly more in Iowa and Minnesota (80%) and slightly less in South Dakota due to the participation of Sioux Falls in the project. An urban area as large as Sioux Falls is eligible for less federal assistance than the more rural areas. However, assuming an overall 76% federal cost share across the project adequately estimates the regional impacts.

²² To determine the total impacts of the project, inclusive of all funding sources, the results shown in subsequent sections can be divided by 0.76. This linearity between expenditures and economic impacts is a characteristic of the economic input-output model used to estimate impacts (IMPLAN).

instance, labor is a major component of project costs, but it is currently unknown where many of the construction crews will live and where they will choose to spend their money. Although it appears safe to assume that they will spend most of income within the 14-county study area, there is no certainty in assuming that it will be in any specific location. For purposes of this analysis, it is assumed that impacts occur in each state in proportion to the project expenditures in each state. In addition, direct impacts will occur in each county within each state in proportion to project spending in that county. However, for those impacts in which the location of the spending may be speculative, fiscal revenues are reported at the regional level rather than at county levels.

Previous Studies

Bureau of Reclamation

This study partially updates a 10-year old study conducted by the Bureau of Reclamation.²³ A similar project is considered for this update, as well as similar types of economic impacts and fiscal impacts. However, there are differences in the study area and the details of the impacts to be examined. The previous study examined impacts at the state level, rather than the regional level considered here. Further, there have been changes in project cost estimates and tax law during this intervening period. Finally, for simplicity, the Bureau of Reclamation's study assumed that all project funding would be federal. Other differences in the studies will be identified in a comparison of the results of each study, contained in the final section.

GAO Report

The United States General Accounting Office (GAO) completed a Rural Water Projects study in 1999 that looked at the federal assistance criteria and potential benefits of the proposed Lewis and Clark project.²⁴ They found that the project characteristics do not meet some criteria for participation in selected federal programs in the following ways:

- ◆ The project does not meet some of USDA's criteria in that Sioux Falls, South Dakota, exceeds the population definition of a rural area. Only the rural area of the project would meet the criteria.
- ◆ The maximum grant limitation set by the USDA is 75 percent; the Lewis and Clark project expectation of 80 percent of the design and construction costs exceeds this limit.
- ◆ The project does not meet the EPA economic feasibility requirement for the state loan program in that the project seeks 80 percent of the funding through grants. In addition, the inclusion of a population center greater than 10,000 may deem this project ineligible for grant money that states are to use for projects with populations under 10,000.

²³ U.S. Department of Interior, Bureau of Reclamation, "Analysis of Tax Revenues and Employment Generated by Construction of a Missouri River Regional Water Supply for South Dakota, Iowa, and Minnesota". 1992.

²⁴ Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project. United States General Accounting Office. 1999. GAO and T-RCED-99-252

The projected benefits of the Lewis and Clark Rural Water Project are the result of increases in both the quantity and quality of water. The GAO found that the local water users, such as households and businesses, would receive most of the benefits from the project. Specific societal benefits could include:

- ◆ Reduction in nitrate and sulfate concentrations resulting in health benefits
- ◆ Improved safety by making more water available for fighting fires
- ◆ A better quality of water for drinking, bathing, and washing clothing
- ◆ More water for landscaping

Economic benefits identified by the GAO include:

- ◆ Increased swine and dairy yields
- ◆ Economic development of industries like ethanol and food processing plants
- ◆ Increased longevity of water heaters, water softeners, and other appliances, thereby saving residents repair and replacement costs

A direct benefit not specifically addressed by the GAO report is the enhanced ability to retain existing businesses in the area. Based on population projections and average daily water consumption, the daily need for water in the City of Sioux Falls will exceed the existing supply in the year 2012. At that time, without an additional source of water in place, the City will not be able to permit new industry or residential growth.

Estimated Project Costs

Estimates of economic and fiscal impacts originate with estimates of project expenditures. At the time of this study, the project is anticipated to be completed over a 14 year time period at a total cost of \$362,894,000.²⁵ These costs, allocated by state, are outlined in Table 1.3. More detailed annual costs by state and by project phase were provided by Banner and Associates. The costs in Table 1.3 are expressed in 2001 dollars and represent total costs, inclusive of the federal, state, and local components.

²⁵ Banner Associates, Inc.

Table 1.3: Total Construction Costs

	Total Cost (2001\$)			
	Total	South Dakota	Iowa	Minnesota
Construction Costs	\$ 273,842,000	\$196,106,000	\$ 48,407,000	\$ 29,329,000
Construction Contingencies	\$ 32,861,000	\$ 23,533,000	\$ 5,809,000	\$ 3,519,000
Engineering	\$ 34,504,000	\$ 24,710,000	\$ 6,099,000	\$ 3,695,000
Legal and Administration	\$ 9,584,000	\$ 6,864,000	\$ 1,694,000	\$ 1,026,000
Land	\$ 9,518,000	\$ 5,308,000	\$ 2,723,000	\$ 1,487,000
Environmental Mitigation	\$ 2,585,000	\$ 1,851,000	\$ 457,000	\$ 277,000
Project Total (2001)	\$ 362,894,000	\$258,372,000	\$ 65,189,000	\$ 39,333,000

The analysis described in this report accounts for inflation over the 14-year lifecycle of the project. All construction estimates and timelines were provided by Banner and Associates.

Economic Impact

The economic benefits of the Lewis and Clark Rural Water System Economic Impact Study are estimated using IMPLAN Professional 2.0, an economic input-output modeling system.²⁶ This model uses economic impact multipliers to estimate the secondary benefits to the economy resulting from direct benefits to specific industries. For studies similar to this, IMPLAN represents an industry standard tool for gauging economic output, earnings, and employment impacts.

One of the advantages of using IMPLAN is an ability to tailor a specific regional economic model. In this instance, the model is customized to represent the 14-county study area comprising the project. The current mix of industries in the region is explicitly considered using county-level employment and earnings data, as reported through the Department of Commerce, Bureau of Labor Statistics. Approximately 520 sectors of the regional economy are considered separately in IMPLAN model. However, for convenience of reporting, many of these sectors are aggregated.

For modeling purposes, three major sectors in the model represent the actual construction activities occurring for this project:

- ◆ New Utility Structures. This sector was used to analyze the impact construction costs would have, by year, in the 14-county area.
- ◆ Real Estate. The Real Estate sector was used to identify the impact easements and land acquisition would have on the regional economy.
- ◆ Engineering and Architectural Services. This sector was used to quantify the impact design costs would have on the study area. This analysis was limited to South Dakota as the engineer of record for the project is located there.
- ◆ Water Supply and Sewerage System. This sector was used to quantify the impact of operation and maintenance costs.

In order to determine the economic impact of construction, some assumptions have been made. All design costs have been allocated to the State of South Dakota because the engineer of record is Banner and Associates located in South Dakota. Land acquisition costs have been divided equally among the years of actual construction in each state. 76 percent of the total construction estimates have been used in this analysis, as that best represents new dollars (percent federally funded) coming into the region. All results presented in this report are in 2001 dollars. Operations and maintenance (O&M) impacts have been allocated to South Dakota because the Lewis and Clark Rural Water System office is in Sioux Falls. It is assumed that the management of the system will take place in that office.

²⁶ IMPLAN was originally developed by the Forest Service of the U.S. Department of Agriculture in cooperation with the Federal Emergency Management Agency and the Bureau of Land Management. Subsequent development and distribution of the model has been managed by the Minnesota IMPLAN Group, Inc (MIG). This model is widely accepted by resource agencies for economic impact assessment.

Construction Impacts

Banner and Associates provided construction costs, by location, for each year of construction. The 14-county study area was further disaggregated by state, and the costs incurred in each state were explicitly considered. Table 2.1 shows the average impact of construction in each region.

Table 2.1: Average Construction Impacts per Year in Each Region

Portion of Study Area	Output		Labor Income		Employment	
	Direct	Indirect and Induced	Direct	Indirect and Induced	Direct	Indirect and Induced
South Dakota	\$18,201,008	\$13,289,998	\$6,655,779	\$4,279,829	178	160
Minnesota	\$4,291,818	\$1,648,490	\$1,349,190	\$577,633	45	107
Iowa	\$6,895,343	\$4,187,774	\$2,238,657	\$1,202,594	73	54
Total	\$29,388,169	\$19,126,262	\$10,243,626	\$6,060,056	296	321

The direct impacts indicated in Table 2.1 have a substantial effect on the construction industry in the tri-state region. Figure 2.1 shows the cumulative economic impact broken out by state. Figure 2.2 quantifies the impact construction has on specific sectors of the economy, as defined by the NAICS. The two sectors most heavily impacted by indirect and induced effects are Retail Trade and Professional, Scientific, and Technical Services. Health Care and Wholesale Trade will also experience a slight increase. For complete definitions of these sectors, please see Appendix A.

Figure 2.1: Total Economic Impact

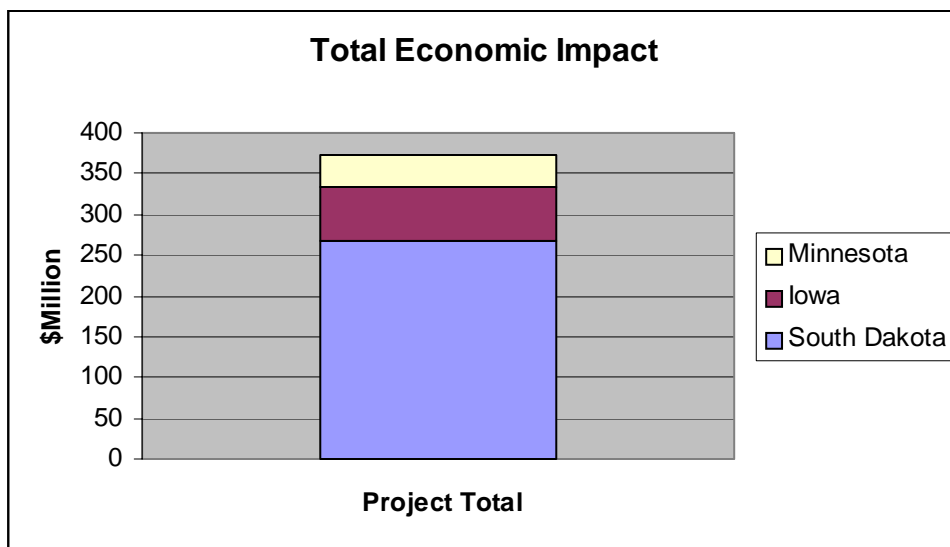
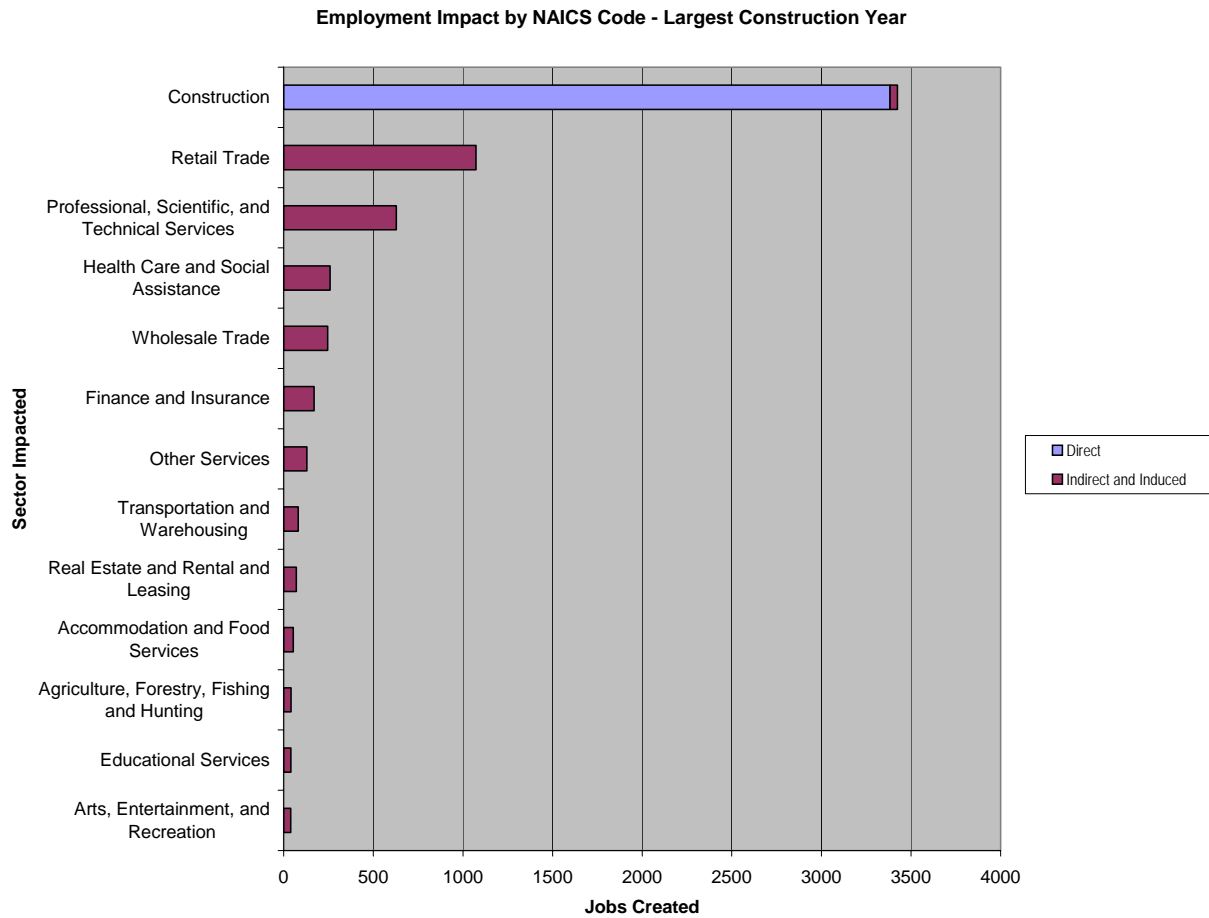


Figure 2.2 Employment Impact by NAICS Code – Largest Construction Year



Construction dollars per state vary by year. The table below indicates the largest year of construction for each state and shows the number of construction-related jobs and the average wage per job, associated with construction for that year.

Table 2.2: Job Creation and Average Wage for Largest Construction Year by Region

Portion of Study Area	Largest Year of Construction	Job Creation (#)	Average Wage per Job
South Dakota	Year 7	350	\$37,892
Minnesota	Year 10	92	\$32,488
Iowa	Year 9	180	\$30,864

Figure 2.3 shows the combined impact of direct, indirect, and induced effects for the entire 14-county region during all years of construction. The directly generated jobs in industries such as

construction will be relatively high paying and may draw from the labor pool already in existence in the area. Since the unemployment rate in the study area is relatively small, it is possible that many workers will move-up from current low-paying jobs to these more skilled opportunities. This will, in turn, open up jobs currently filled. Wages for the jobs created through indirect and induced impacts vary but are overall significantly less than wages for the directly generated jobs.

Figure 2.3: Employment Impacts by Construction Year



Figure 2.4 shows the breakout the total employment impacts by state – the numbers shown represent indirect, induced, and direct employment. Throughout the project, South Dakota will experience the largest employment impact of each of the three states.

Figure 2.4: State Employment Impacts

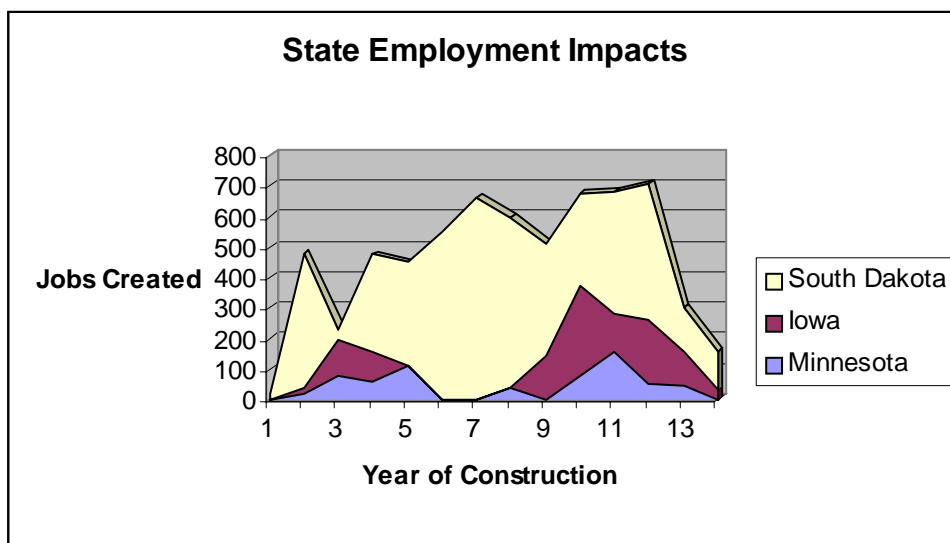
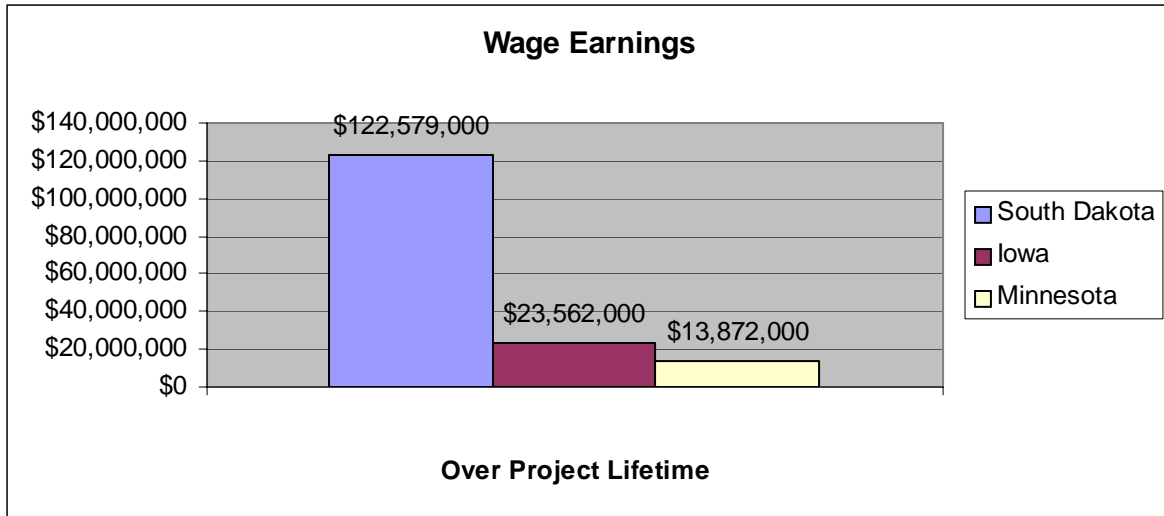


Figure 2.5 shows the breakout of dollars earned over the lifetime of the project. Corresponding with the type of new jobs, South Dakota has the highest wage earnings from the project.

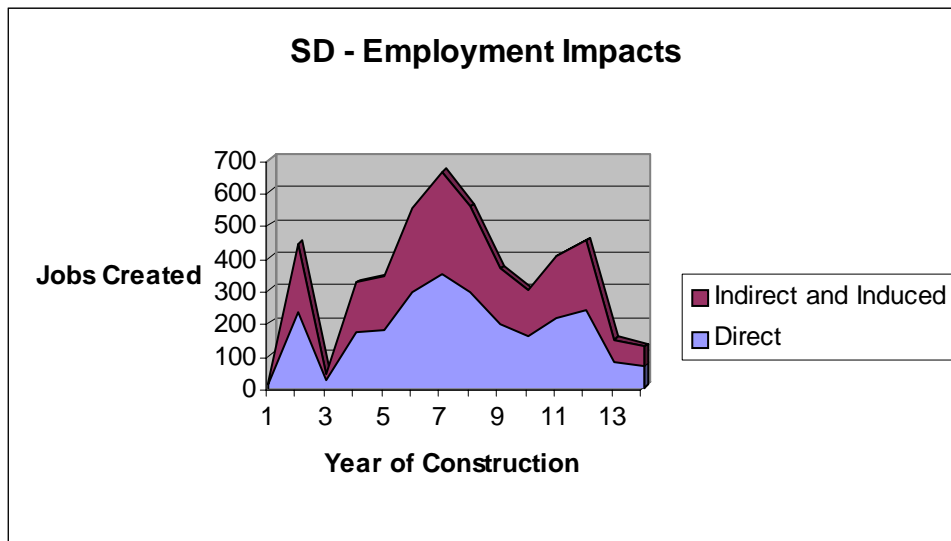
Figure 2.5: Wage Earnings by State



South Dakota

A total of 2,618 jobs will be created in South Dakota over the lifetime of the project, or an average of 187 per year of the project. These jobs are those that are directly related to the design, construction, and real estate acquisition of the project. Figure 2.6 shows this direct employment, as well as indirect job creation, in the state of South Dakota over the duration of the project.

Figure 2.6: South Dakota Employment Impacts



The Sioux Falls Expansion will add an additional \$41.8 million dollars to the total construction cost of the project, adding 29 jobs per year to the total employment of the project. It is important to note that the Sioux Falls Expansion does not represent any new job creation or economic impact because it will not receive any Federal funding and will instead be funded by dollars that were already in the state of South Dakota. As such, the impacts described in this report for the Expansion are not actually new job/dollar creation; instead they represent the jobs/dollars that will be reallocated from one sector of the economy to the other creating a net positive impact of \$0 on the Regional and State of South Dakota economies.

Figure 2.7 shows total construction jobs created by county throughout the lifetime of the project. Clay County is expected to experience the largest increase of jobs with the implementation of this project.

Figure 2.7: South Dakota Construction Jobs by County

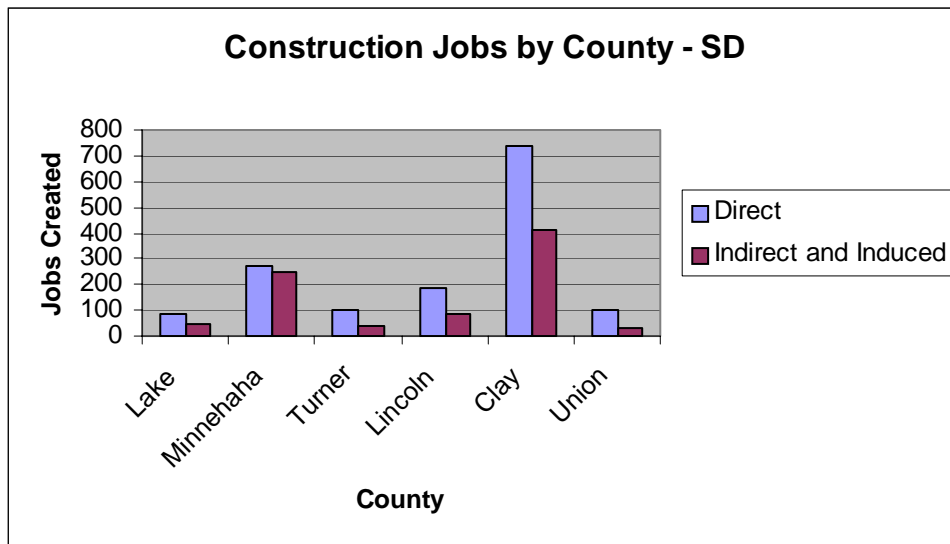
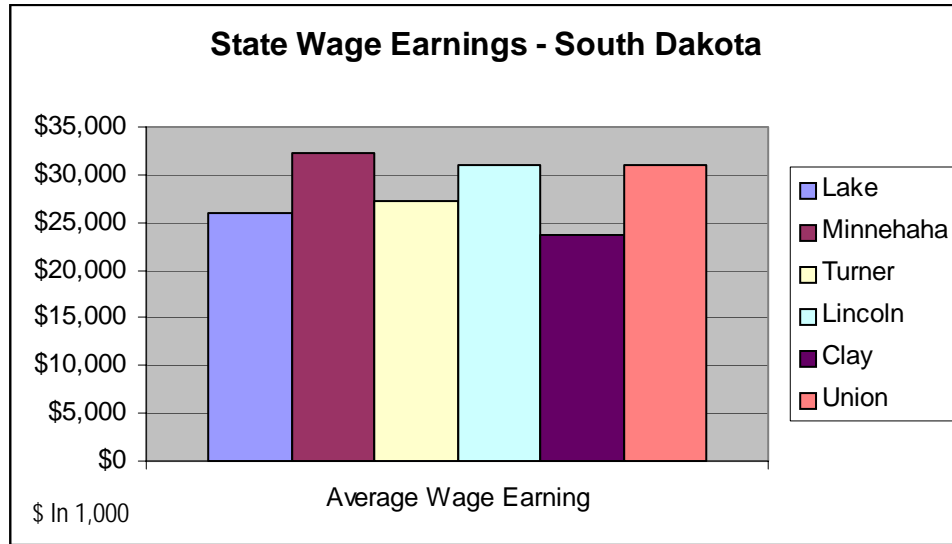


Figure 2.8 shows the breakout of dollars earned over the lifetime of the project. Minnehaha County will experience the highest average wage earning.

Figure 2.8: South Dakota State Wage Earnings



Sioux Falls Expansion

Table 2.3 - Economic Impacts: 2004 Findings Versus 2006

	Impacts from 2004 Study		Additional Cost Due to Sioux Falls Expansion	New Total Impacts	
	Regional	South Dakota		Regional	South Dakota
Total Project Cost	\$385.8 Million	\$258.4 Million	\$41.8 Million	\$428 Million	\$300.2 Million
Total Economic Impact	\$374 Million	\$250 Million	\$40.4 Million	\$414.4	\$290.4 Million
Average Yearly Employment	266 Jobs	178 Jobs	29 Jobs	295 Jobs	207 Jobs
Average Yearly Indirect Employment	211 Jobs	160 Jobs	26 Jobs	237 Jobs	186 Jobs
Fiscal Impacts	\$15,950,485	\$9,145,588	\$1,324,343	\$17,284,828	\$10,469,931

Table 2.3 summarizes the impacts of the Sioux Falls Expansion to the Region and South Dakota. The table shows that a total of 406 jobs in South Dakota over the lifetime of the project, or an average of 29 per year of the project can be attributed to the Sioux Fall Expansion project.

It is important to note that the Sioux Falls Expansion will not receive any Federal funding and therefore does not represent any new job creation or economic impact because it will be funded by dollars that were already in the state of South Dakota. As such, the impacts described in the table above are not actually new job/dollar creation; instead they represent the jobs/dollars that will be reallocated from one sector of the economy to the other creating a net positive impact of \$0 on the Regional and South Dakota economies.

The greatest benefit of the Sioux Falls Expansion is this: based on population projections and average daily water consumption, the daily need for water in the City of Sioux Falls will exceed the existing supply in the year 2012. At that time, without an additional source of water in place, the City will not be able to permit new industry or residential growth. The Sioux Falls Expansion will enable Sioux Falls to attract and retain new industry beyond 2012 which will translate into new job creation and other overall economic benefits.

Iowa

A total of 691 jobs will be created in Iowa or an average of 63 jobs per year of construction in Iowa.²⁷ These jobs are directly related to the construction and land acquisition of the entire portion of the project that takes place within the state of Iowa. Figure 2.9 shows the direct and indirect job creation in the state over the duration of the project. The greatest job creation occurs in year 10 of the project.

Figure 2.9: Iowa Employment Impacts

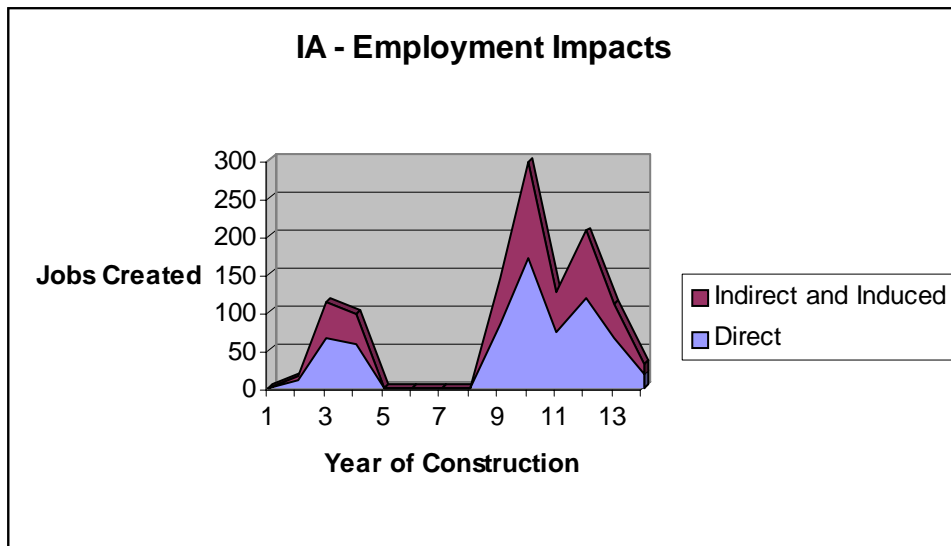


Figure 2.10 shows total construction jobs created by county throughout the lifetime of the project. Sioux and O'Brien counties have the greatest number of direct and indirect new jobs created from the project.

²⁷ Construction in Iowa will occur during eleven of the fourteen years of project construction.

Figure 2.10: Iowa Construction Jobs by County

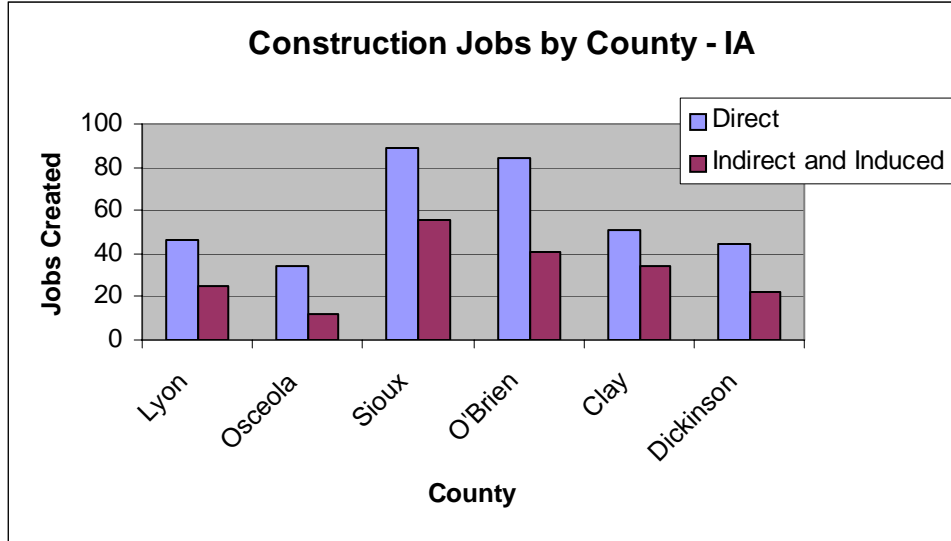
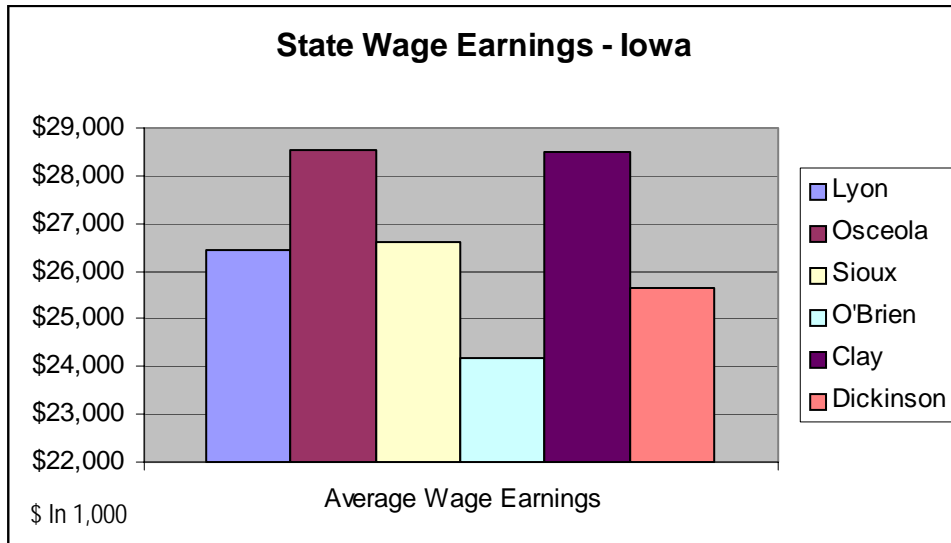


Figure 2.11 shows the breakout of dollars earned over the lifetime of the project by county. Osceola and Clay counties show the highest average wage earnings.

Figure 2.11: Iowa State Wage Earnings



Minnesota

A total of 421 new jobs directly related to the construction and land acquisition of the project will be created, or an average of 42 jobs per year of construction in Minnesota.²⁸ Figure 2.12 shows the direct and indirect job creation in the state over the duration of the project. The greatest number of jobs is created in year 11 of project construction.

Figure 2.12: Minnesota Employment Impacts

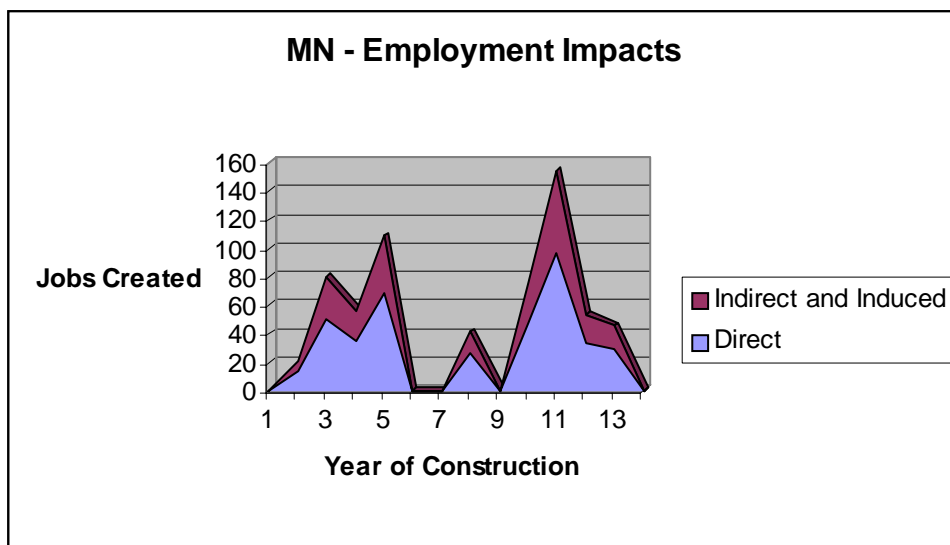


Figure 2.13 shows total construction jobs created by county throughout the lifetime of the project. Nobles County will experience the greatest increase in new jobs, both directly and indirectly related to the project.

²⁸ Construction in Minnesota will occur in ten out of the fourteen years of project construction.

Figure 2.13: Minnesota Construction Jobs by County

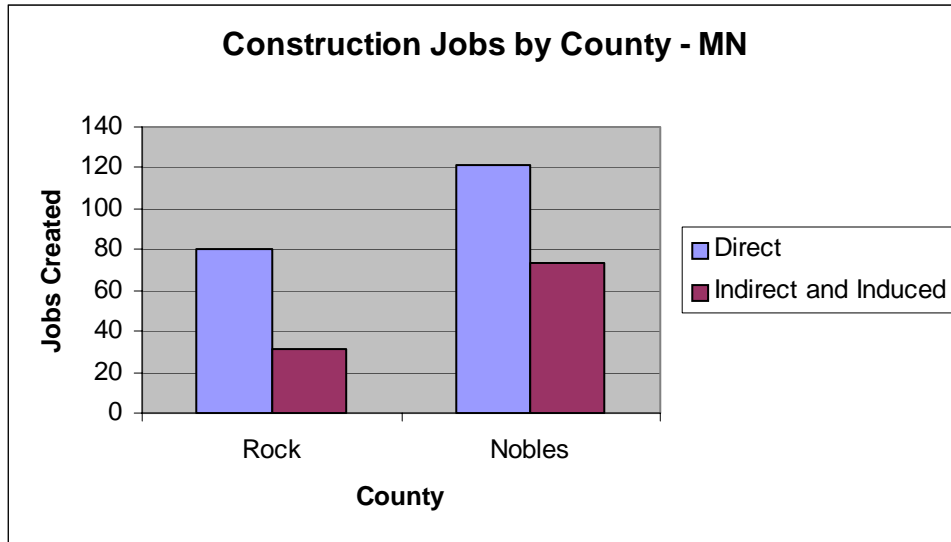
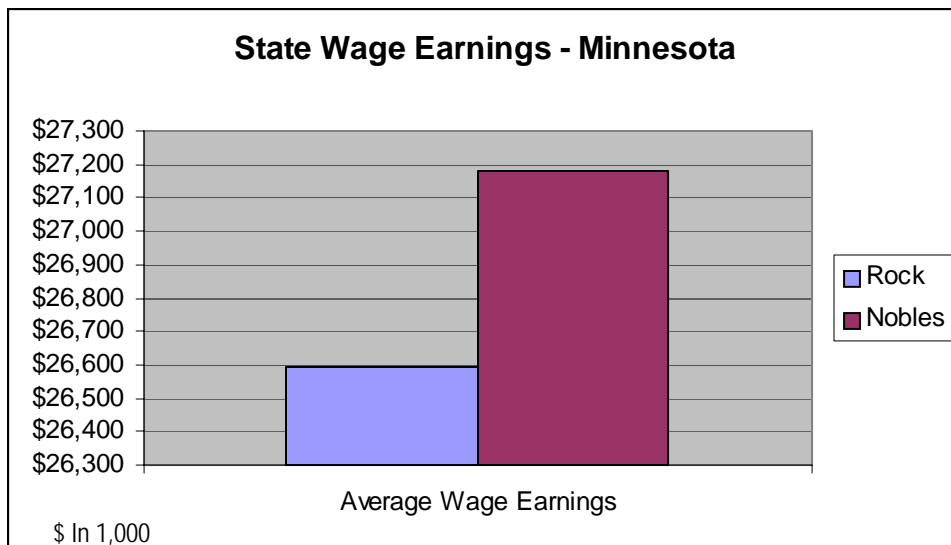


Figure 2.14 shows the breakout of dollars earned over the lifetime of the project. Nobles County is projected to see wage earnings of \$27,100.

Figure 2.14: Minnesota State Wage Earnings



Operational Impact

Once fully operational, the Lewis and Clark Regional Water System is expected to generate \$7.3 million in operational and maintenance expenses per year. Operational costs will remain relatively constant throughout the life of the system, but maintenance costs will gradually increase over time as

the system begins to age. The impacts presented in Table 2.3 below can be used to project the effect O&M spending will have in the region for the first few years of operation. These impacts will gradually increase over time as maintenance costs increase. It is projected that 34 jobs will be directly created from O&M spending – this figure is slightly higher than the 29 FTEs projected by the Final Engineering Report drafted by Banner and Associates in 2002.

Table 2.3: Impacts of Average O&M Cost per Year²⁹

	Output		Labor Income		Employment	
	Direct	Indirect and Induced	Direct	Indirect and Induced	Direct	Indirect and Induced
O&M	\$4,402,073	\$2,667,408	\$1,194,042	\$1,174,467	34	40

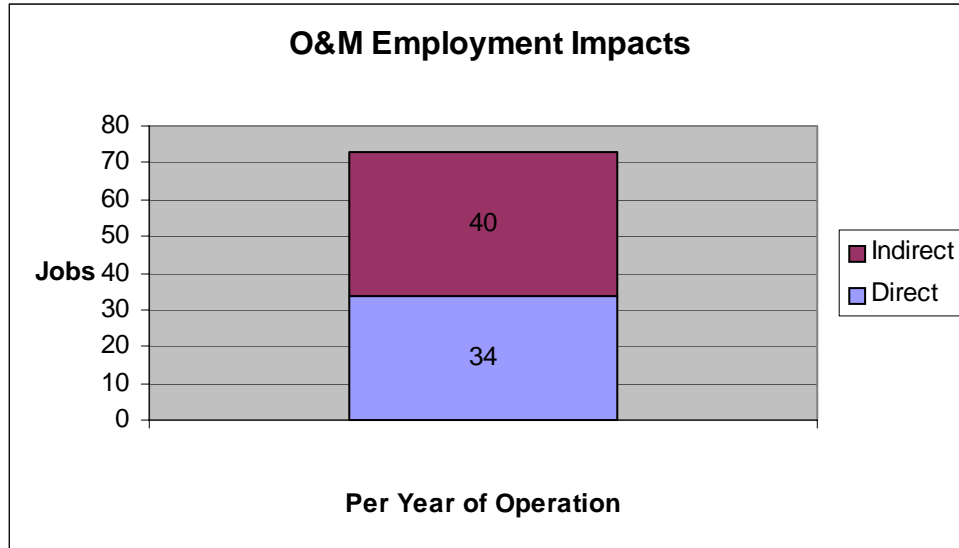
As Table 2.4 and Figure 2.15 show, O&M spending from the Lewis and Clark Regional Water System is projected to create a total of 73 jobs (direct, indirect, and induced labor) in the first year of operation. These jobs will be relatively constant through to perpetuity, but, as mentioned above, maintenance costs will increase over time therefore increasing the number of jobs necessary to run the system.

Table 2.4: Total Job Creation and Average Wage for O&M Expenditures per Year

	Job Creation	Average Wage per Job
Operations & Maintenance	74	\$27,676

²⁹ O&M impacts were calculated for the South Dakota region only because the majority of administrative activity is expected to occur there.

Figure 2.15: Employment Impacts by Year of Operation

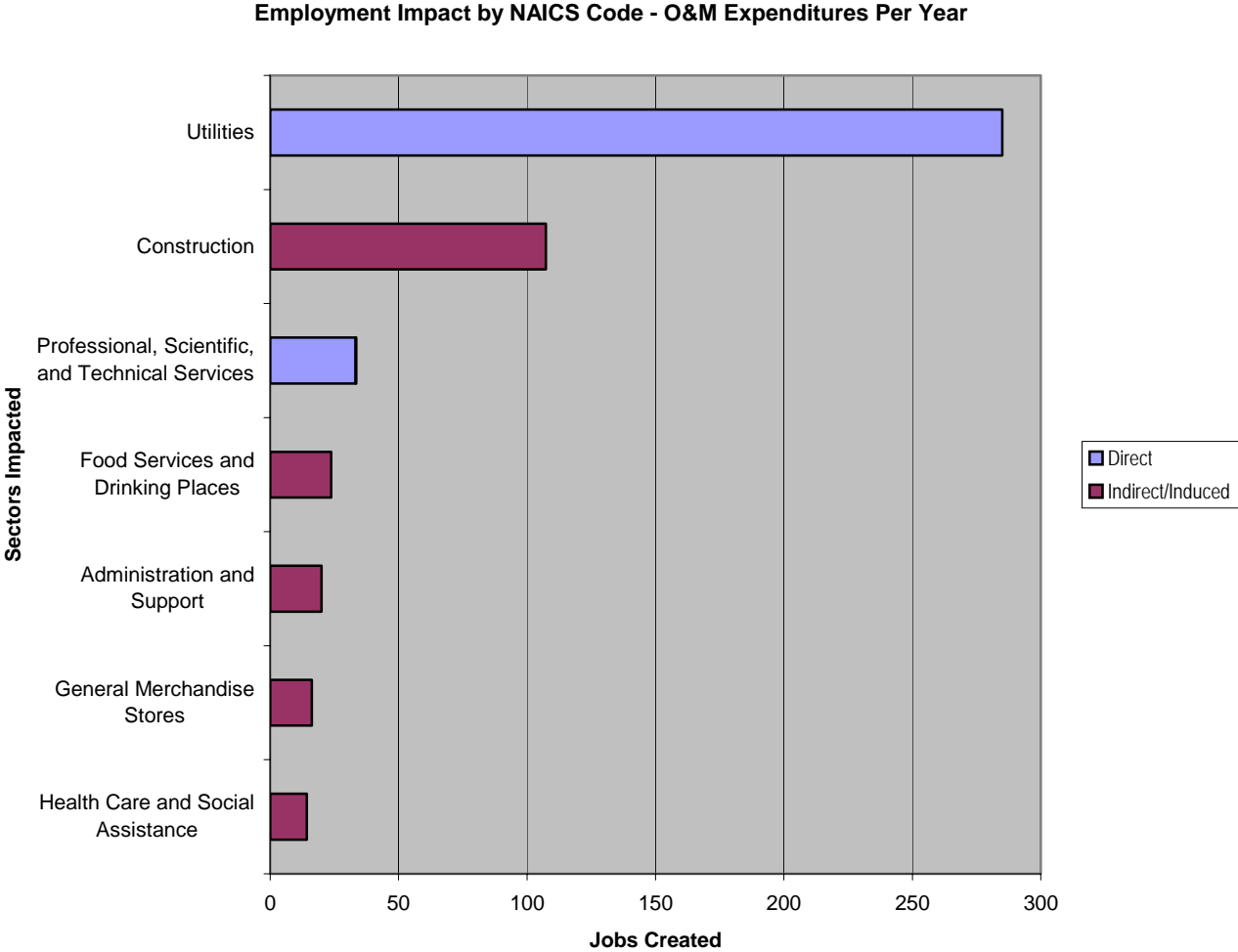


The direct impacts indicated in Figure 2.15 significantly affect the construction industry in the tri-state region. It is projected, however, that the majority of these impacts will occur in South Dakota as both the engineer of record for the system and the office for the Lewis and Clark Rural Water System, Inc. are located in South Dakota.

Figure 2.16 quantifies the impact O&M has on specific sectors of the economy, as defined by the NAICS. The Utilities sector will receive the greatest benefit through direct impacts, with the Professional, Scientific, and Technical Services sector receiving a direct impact as well. Construction is most heavily impacted by indirect and induced effect. For complete definitions of these sectors, please see Appendix A.

O&M costs are expected to remain relatively constant over time. Similarly, the direct, indirect, and induced impacts of O&M spending will be constant. Again, maintenance costs will gradually increase over time, which would increase direct labor, as well as indirect and induced impacts.

Figure 2.16: Employment Impacts by NAICS Code – O&M Expenditures per Year



Fiscal Impacts

The fiscal impact analysis considers the range of taxes and tax revenues most significantly impacted by construction expenditures for the Lewis and Clark Rural Water System. Categories of taxes include:

- ◆ Fuel tax
- ◆ Contractors excise tax
- ◆ Sales and use taxes on project expenditures
- ◆ Personal sales tax
- ◆ State income tax

These categories are consistent with categories examined in the Bureau of Reclamation's previous study and account for the majority of potential fiscal tax impacts. A major category of tax discussed, but not quantitatively examined, is local property tax.

Appendix B summarizes the major types of construction-related taxes, how they are applied, and to whom these revenues accrue.

Similar to the economic impact analysis, only the 76 percent Federal share of project expenditures is considered. It should also be noted that estimates of specific cost components, such as fuel, materials, and labor, include a 15 percent contingency. This is consistent with the cost estimates used in the economic impact analysis.

As previously noted, there are some uncertainties regarding where the fiscal impacts will accrue. This is due to a relatively large geographic area considered and its generally rural nature, and the uncertainty of where much of the labor force will originate. The locations of project expenditures and material usage are somewhat certain and will be used in the fiscal impact analysis. However, the locations of the indirect spending impacts are less certain. Although it is reasonable to assume that most of the labor will originate within the study area, the locations of where their wages will be spent across the jurisdictions of the study are highly uncertain.

Fuel Tax

Fuel tax is collected by the states on a per gallon basis for fuels used in motorized vehicles. These funds are dispersed through the state Roadway or Highway funds, depending on the specific state, and are typically used for roadway construction and maintenance. The following tax rates are associated with each state:

- ◆ South Dakota assesses a \$0.22 tax on each gallon of fuel.

- ◆ Iowa assesses \$0.225 tax on each gallon of diesel fuel and a slightly smaller tax on gasoline and ethanol blends. This analysis assumes \$0.225 per gallon on all taxable uses.
- ◆ Minnesota assesses a \$0.20 tax on all fuels except ethanol blends, which have a slightly lower tax rate. This analysis assumes the \$0.20 tax rate.

The exception to fuels tax is fuel used for industrial or agricultural purposes, or those using what is sometimes called dyed diesel fuel. This fuel is designated for non-roadway uses and is not taxed under the fuel tax. However, this tax-exempt fuel is still eligible for sales or use tax, as applicable in each state and locality.

Detailed cost estimates developed for this rural water project did not specifically address the number of gallons of fuel required for each activity. Instead, fuel costs were directly estimated. Therefore, in order to estimate the number of gallons of fuel demanded by the project, the estimated fuel cost was divided by the cost of diesel fuel. For this analysis, the long-term cost of diesel fuel is assumed to be \$1.50 per gallon.

Furthermore, the detailed cost estimates do not specify whether the fuel will be used in motorized vehicles or specialized construction machinery. In response, this analysis assumes that 50 percent of the estimated fuel use is taxable under the fuel tax and the remaining 50 percent is subject to sales and use taxes. This assumption is consistent with the 1992 Bureau of Reclamation analysis.

Table 3.1 summarizes the fuel tax calculations. For each state, fuel costs are shown for major project components for each year of construction. This includes a 15 percent cost contingency common to the cost estimates of major project components. The sum of fuel costs by state and by year are then divided by \$1.50 to estimate the gallons of fuel implied by the cost. This product is then multiplied by the proportion of fuel eligible for the fuel tax and then multiplied by the states' respective tax rates. Resulting fuel tax revenues are in proportion to the overall project costs allocated to each state.

Contractors Excise Tax

South Dakota is the only state collecting a contractors excise tax. This tax is a percentage of the gross receipts of contractors and subcontractors engaged in realty improvements. These revenues accrue to South Dakota's General Fund. Prior to 2001, qualifying utilities, including the Lewis and Clark Rural Water System, could have this tax rate reduced to 1.5 percent. However, 2001 legislation indicates that qualifying utilities will pay the two percent excise tax, but can gain tax exemption on owner-purchased materials.

Table 3.2 summarize the calculations used to estimate contractors excise tax for South Dakota expenditures, assuming the contractors will pay all material costs.

Sales and Use Taxes on Project Expenditures

Each state imposes sales tax on purchased materials, supplies, and services. They similarly impose a use tax on materials, supplies, and services purchased tax-free from other states for use in their state. The sales and use tax rates for South Dakota, Iowa, and Minnesota are four percent, five percent, and 6.5 percent, respectively. These revenues accrue to the states' General Fund. Expenditures for labor services are not subject to sales and use tax in South Dakota, but are subject to these taxes in Iowa and Minnesota. Since project costs have been developed at the state level, calculation of state sales and use taxes are straightforward.

In addition to state sales and use taxes, South Dakota can impose a local option sales and use tax on goods and services purchased or used within the state. These voter-approved taxes are approximately one to two percentage points above the existing state tax rates. Most of the South Dakota municipalities along the project alignment currently have a two percent local option. As a result, the analysis assumes that all South Dakota expenditures (except for labor services) are subject to local sales and use taxes of two percent. These results are reported at the county level.

The Iowa counties in the project service area all impose a two percent sales tax, with one-half of the revenues accruing to the local government and the remainder accruing to the local school district. In most cases, the additional one percent option for schools is considered temporary. These Iowa counties do not impose use taxes to complement the sales tax component. As a result, only the project expenditures for goods and services originating in these Iowa counties are eligible for sales tax. Consequently, taxable expenditures in Iowa need to be adjusted to include only the portion of expenditures for goods originating in these counties. Since this portion is highly uncertain, only 50 percent of the expenditures are assumed to originate in the respective study area counties.

Table 3.3 shows the taxable expenditures with respect to each states' sales and use tax. These expenditures are shown for total materials, labor, fuel, and equipment costs. It is noted that South Dakota does not include labor in the sales and use tax calculations, and that fuel costs are reduced by 50 percent to account for the portion of fuel paying a fuel tax.

Table 3.4 shows the sales and use tax calculations by state. Total revenues for local option taxes are shown but not broken-down by county. Overall, state tax revenues are generally proportional to expenditures for each state. Since South Dakota does not tax labor services and has a lower state tax rate, their revenues are relatively less than they would be if the Iowa or Minnesota tax policies and rates were applied.

Table 3.3: Construction Expenditures Subject to Sales/Use Taxes

	Materials	Labor /1	Fuel /2	Equipment	Totals
South Dakota					
Raw water pipeline	\$ 5,685,904	\$ -	\$ 150,116	\$ 658,683	\$ 6,494,703
Distribution system	\$ 42,486,672	\$ -	\$ 1,087,658	\$ 7,210,702	\$ 50,785,032
Well and collection system	\$ 3,063,135	\$ -	\$ 33,151	\$ 1,458,636	\$ 4,554,921
Water treatment plant	\$ 15,143,759	\$ -	\$ 137,671	\$ 3,854,775	\$ 19,136,205
Subtotal	\$ 66,379,470	\$ -	\$ 1,073,349	\$ 13,182,797	\$ 80,635,616
Contingency (15%)	\$ 9,956,920	\$ -	\$ 122,684	\$ 1,977,419	\$ 12,057,024
Total taxable expenditures	\$ 76,336,390	\$ -	\$ 1,196,033	\$ 15,160,216	\$ 92,692,640
Iowa					
Distribution system	\$ 14,153,847	\$ 9,124,124	\$ 375,709	\$ 4,507,739	\$ 28,161,419
Contingency (15%)	\$ 2,123,077	\$ 1,368,619	\$ 56,356	\$ 676,161	\$ 4,224,213
Total taxable expenditures	\$ 16,276,924	\$ 10,492,743	\$ 432,065	\$ 5,183,900	\$ 32,385,632
Minnesota					
Distribution system	\$ 9,088,524	\$ 5,412,468	\$ 224,800	\$ 2,339,798	\$ 17,065,590
Contingency (15%)	\$ 1,363,279	\$ 811,870	\$ 33,720	\$ 350,970	\$ 2,559,838
Total taxable expenditures	\$ 10,451,803	\$ 6,224,338	\$ 258,520	\$ 2,690,768	\$ 19,625,428

/1 Labor services are not included in sale/use taxes in South Dakota.

/2 Fuel costs are 50 percent of total estimated fuel costs. It is assumed that 50% of fuel usage will be taxed through the fuel tax and that 50% of fuel usage will be taxed through sales/use tax.

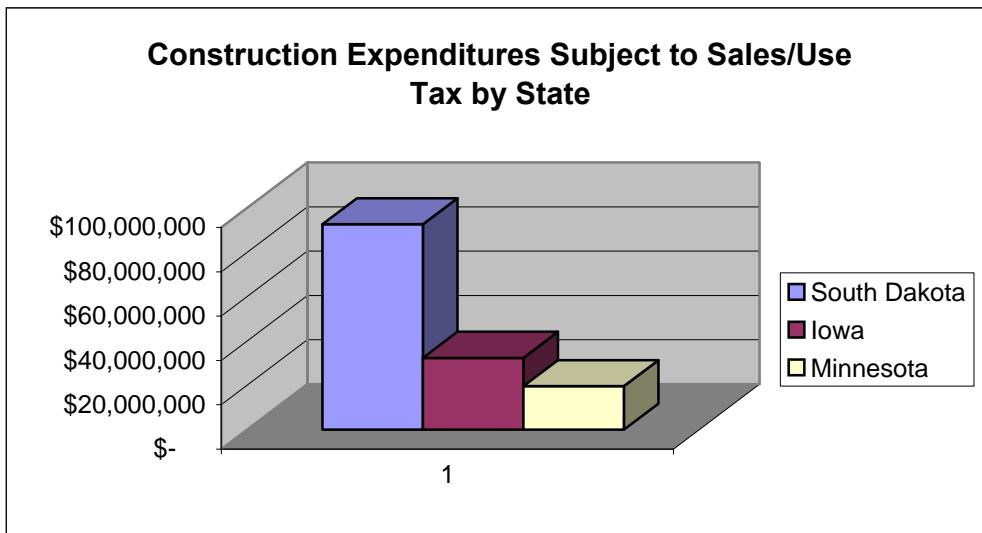


Table 3.4: Sales and Use Taxes on Construction Expenditures, by State

	Project Year														Totals
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
South Dakota															
Construction expenditures subject to sales/use tax	\$ 48,719	\$ 8,542,867	\$ 10,719,450	\$ 6,260,383	\$ 6,447,642	\$ 11,401,154	\$ 13,927,665	\$ 12,866,013	\$ 4,602,340	\$ 3,274,890	\$ 6,847,861	\$ 4,266,233	\$ 3,034,534	\$ 452,888	\$ 92,692,640
State tax rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
State tax revenues	\$ 1,949	\$ 341,715	\$ 428,778	\$ 250,415	\$ 257,906	\$ 456,046	\$ 557,107	\$ 514,641	\$ 184,094	\$ 130,996	\$ 273,914	\$ 170,649	\$ 121,381	\$ 18,116	\$ 3,707,706
Local option tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Local option revenues	\$ 974	\$ 170,857	\$ 214,389	\$ 125,208	\$ 128,953	\$ 228,023	\$ 278,553	\$ 257,320	\$ 92,047	\$ 65,498	\$ 136,957	\$ 85,325	\$ 60,691	\$ 9,058	\$ 1,853,853
															264836.1131
															0
															0
															0
Iowa															
Construction expenditures subject to sales/use tax	\$ -	\$ 349,765	\$ 3,225,609	\$ 2,768,972	\$ -	\$ -	\$ -	\$ -	\$ 1,191,791	\$ 9,003,206	\$ 6,182,417	\$ 5,923,332	\$ 3,134,929	\$ 605,611	\$ 32,385,632
State tax rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
State tax revenues	\$ -	\$ 17,488	\$ 161,280	\$ 138,449	\$ -	\$ -	\$ -	\$ -	\$ 59,590	\$ 450,160	\$ 309,121	\$ 296,167	\$ 156,746	\$ 30,281	\$ 1,619,282
Local option tax rate (sales tax only) /1	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Local option revenues	\$ -	\$ 3,498	\$ 32,256	\$ 27,690	\$ -	\$ -	\$ -	\$ -	\$ 11,918	\$ 90,032	\$ 61,824	\$ 59,233	\$ 31,349	\$ 6,056	\$ 323,856
															23132.594
															0
															0
															0
Minnesota															
Construction expenditures subject to sales/use tax	\$ -	\$ 955,758	\$ 3,946,674	\$ 1,024,447	\$ 5,758,101	\$ -	\$ -	\$ 1,993,943	\$ -	\$ -	\$ -	\$ 2,698,496	\$ 2,296,175	\$ 951,833	\$ 19,625,428
State tax rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
State tax revenues	\$ -	\$ 62,124	\$ 256,534	\$ 66,589	\$ 374,277	\$ -	\$ -	\$ 129,606	\$ -	\$ -	\$ -	\$ 175,402	\$ 149,251	\$ 61,869	\$ 1,275,653
Local option tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Local option revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
															0
															0
															0
Tax revenues accruing to States	\$ 1,949	\$ 421,327	\$ 846,592	\$ 455,453	\$ 632,182	\$ 456,046	\$ 557,107	\$ 644,247	\$ 243,683	\$ 581,156	\$ 583,035	\$ 642,218	\$ 427,379	\$ 110,265	\$ 6,602,640
Tax revenues accruing to local counties	\$ 974	\$ 174,355	\$ 246,645	\$ 152,897	\$ 128,953	\$ 228,023	\$ 278,553	\$ 257,320	\$ 103,965	\$ 155,530	\$ 198,781	\$ 144,558	\$ 92,040	\$ 15,114	\$ 2,177,709
															471617.1424
															155550.6506

/1 Iowa counties only impose a local option sales tax, rather than a sales/use tax. As a result, potential county revenues in Iowa are reduced 50% to approximate the foregone use tax revenue.

/2 Minnesota counties in the study area do not impose a local option tax.

Table 3.5 develops weights for allocating the local sales and use tax revenues to the county level. The level of spending in Clay County, South Dakota is fairly certain. The water production, raw water transmission, and water treatment facilities will be constructed in Clay County. The remaining project facilities are for treated water distribution and include pump stations, storage, and water lines. It is assumed that the expenditures for these facilities in each county are based on the approximate length of transmission lines in each county.

Table 3.6 applies the weights developed in Table 3.5 to estimate sale and use revenues accruing to South Dakota and Iowa. Minnesota does not apply sales or use taxes at the local level.

State Income Taxes

The economic impact analysis established that sizable increases in employment for construction and support industries would occur as a result of project construction. This increase in employment will generate income taxes at the federal level and for the states of Iowa and Minnesota. South Dakota does not impose a state income tax. Income taxes are not applied at the local level in any of the states.

Table 3.7 derives state income tax revenues for Iowa and Minnesota. For each state, the total employment impact by year is shown. This includes both direct jobs, consisting of the relatively skilled construction jobs, plus secondary jobs created through indirect and induced effects. For each year in which there is an employment impact, there is an earnings impact. The average annual wage rate shows the estimated average wage across all the jobs created. The applicable state sales tax rate is then applied to this estimated wage income to determine the overall state income tax revenues.

The sum of the undiscounted revenues total approximately \$1.8 million and \$1.0 million for Iowa and Minnesota, respectively, over the construction period.

Sales Tax on Personal Expenditures

In addition to paying state income tax, those working in newly created jobs will make personal expenditures that are subject to sales tax. Table 3.8 derives the potential sales tax revenues to the states resulting from this personal spending. The total number of jobs created is multiplied by the average annual wage for each. This product is multiplied by the portion of the wage spent on taxable items. For this analysis, the portion of the wage spent on taxable items is assumed to be 50 percent³⁰. In turn, this product is multiplied by the applicable state sales tax rate.

Table 3.8 also calculates local option sales tax revenues, but does not assign them to specific counties. This is because of the uncertain nature of how the employment increase will be distributed within the study area and where the local option revenues will accrue.

³⁰ U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Spending Patterns in Minneapolis-St. Paul, 1998-99*. Document No. 9278. 2001.

Table 3.5: Allocation of Construction Expenditures by State and Counties

	Proportions of water lines within each county	Collection and diversion system	Raw water pipeline	Water treatment plant	Distribution system (based on water line proportions)	Total	Adjusted weights
South Dakota							
Lake	9.1%	\$ -	\$ -	\$ -	\$ 8,293,911	\$ 8,293,911	5.8%
Minnehaha	31.5%	\$ -	\$ -	\$ -	\$ 28,613,994	\$ 28,613,994	20.2%
Turner	10.5%	\$ -	\$ -	\$ -	\$ 9,537,998	\$ 9,537,998	6.7%
Lincoln	20.5%	\$ -	\$ -	\$ -	\$ 18,661,301	\$ 18,661,301	13.2%
Clay	16.9%	\$ 7,624,686	\$ 11,736,680	\$ 31,664,224	\$ 15,343,736	\$ 66,369,327	46.8%
Union	11.4%	\$ -	\$ -	\$ -	\$ 10,367,389	\$ 10,367,389	7.3%
	100.0%	\$ 7,624,686	\$ 11,736,680	\$ 31,664,224	\$ 90,818,330	\$ 141,843,921	100.0%
Iowa							
Lyon	13.2%				\$ 4,324,813	\$ 4,324,813	13.2%
Osceola	10.1%				\$ 3,307,210	\$ 3,307,210	10.1%
Sioux	25.6%				\$ 8,395,225	\$ 8,395,225	25.6%
O'Brien	23.3%				\$ 7,632,023	\$ 7,632,023	23.3%
Clay	15.5%				\$ 5,088,015	\$ 5,088,015	15.5%
Dickinson	12.4%				\$ 4,070,412	\$ 4,070,412	12.4%
	100.0%				\$ 32,817,698	\$ 32,817,698	100.0%
Minnesota							
Rock	37.3%				\$ 7,414,354	\$ 7,414,354	37.3%
Nobles	62.7%				\$ 12,469,595	\$ 12,469,595	62.7%
	100.0%				\$ 19,883,948	\$ 19,883,948	100.0%

Table 3.6: Sales and Use Taxes on Construction Expenditures, by County (South Dakota and Iowa)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals	
South Dakota																
Local option tax revenues	\$ 974	\$ 170,857	\$ 214,389	\$ 125,208	\$ 128,953	\$ 228,023	\$ 278,553	\$ 257,320	\$ 92,047	\$ 65,498	\$ 136,957	\$ 85,325	\$ 60,691	\$ 9,058	\$ 1,853,853	\$132,418
County																\$0
County weight																\$0
Lake	5.8%	\$ 60	\$ 9,990	\$ 12,540	\$ 7,320	\$ 7,540	\$ 13,330	\$ 16,290	\$ 15,050	\$ 5,380	\$ 3,830	\$ 8,010	\$ 4,990	\$ 3,550	\$ 108,410	\$7,744
Minnehaha	75.0%	\$ 14	(\$ 484)	(\$ 3,550)	(\$ 1,919)	(\$ 62)	\$ 1,354	(\$ 11,925)	(\$ 7,320)							

Table 3.7: Personal State Income Tax

	Project Year														Totals	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
South Dakota	<i>No personal income tax</i>															
Iowa																
Employment impact (jobs)	-	16	119	103	-	-	-	-	153	313	133	217	117	33		
Average annual wage	\$	\$ 17,323	\$ 19,513	\$ 19,445					\$ 19,585	\$ 19,723	\$ 19,540	\$ 19,666	\$ 19,509	\$ 19,863		
Applicable State tax rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		
State tax revenues	\$	\$ 20,788	\$ 174,154	\$ 150,213	\$ -	\$ -	\$ -	\$ -	\$ 224,738	\$ 462,997	\$ 194,912	\$ 320,064	\$ 171,191	\$ 49,161	\$ 1,768,217	126301.22
Minnesota																
Employment impact (jobs)	-	22	84	59	115	-	-	44	-	80	163	56	48	-		
Average annual wage	\$	\$ 19,863	\$ 20,671	\$ 20,568	\$ 20,754			\$ 20,428		\$ 20,659	\$ 20,816	\$ 24,664	\$ 20,984	\$ -		
Applicable State tax rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%		
State tax revenues	\$	\$ 30,808	\$ 122,414	\$ 85,553	\$ 168,263	\$ -	\$ -	\$ 63,368	\$ -	\$ 116,517	\$ 239,207	\$ 97,373	\$ 71,010	\$ -	\$ 994,512	71,036.55

Table 3.8: Personal Services Tax Impacts

	Project Year														Totals	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
South Dakota																
Employment impact (jobs)	17	465	41	339	358	581	700	586	384	315	425	475	155	132		
Average annual wage (2001 dollars)	\$ 20,661	\$ 24,625	\$ 21,930	\$ 24,596	\$ 24,564	\$ 24,758	\$ 24,798	\$ 24,777	\$ 24,617	\$ 24,611	\$ 24,692	\$ 24,767	\$ 24,549	\$ 24,536		
Proportion of wage spent on taxable goods and services	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
State tax rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%		
State tax revenues	\$ 7,025	\$ 229,013	\$ 17,983	\$ 166,761	\$ 175,878	\$ 287,688	\$ 347,172	\$ 290,386	\$ 189,059	\$ 155,049	\$ 209,882	\$ 235,287	\$ 76,102	\$ 64,775	\$ 2,452,059	\$175,147
Local option tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		
Local option revenues	\$ 3,512	\$ 114,506	\$ 8,991	\$ 83,380	\$ 87,939	\$ 143,844	\$ 173,586	\$ 145,193	\$ 94,529	\$ 77,525	\$ 104,941	\$ 117,643	\$ 38,051	\$ 32,388	\$ 1,226,029	\$87,574
																\$0
Iowa																
Employment impact (jobs)	-	16	119	103	-	-	-	-	153	313	133	217	117	33		
Average annual wage	\$ -	\$ 17,323	\$ 19,513	\$ 19,445					\$ 19,585	\$ 19,723	\$ 19,540	\$ 19,666	\$ 19,509	\$ 19,863		
Proportion of wage spent on taxable goods and services	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
State tax rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
State tax revenues	\$ -	\$ 6,929	\$ 58,051	\$ 50,071	\$ -	\$ -	\$ -	\$ -	\$ 74,913	\$ 154,332	\$ 64,971	\$ 106,688	\$ 57,064	\$ 16,387	\$ 589,406	\$42,100
Local option tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		
Local option revenues	\$ -	\$ 2,772	\$ 23,220	\$ 20,028	\$ -	\$ -	\$ -	\$ -	\$ 29,965	\$ 61,733	\$ 25,988	\$ 42,675	\$ 22,826	\$ 6,555	\$ 235,762	\$16,840
																\$0
Minnesota																
Employment impact (jobs)	-	22	84	59	115	-	-	44	-	80	163	56	48	-		
Average annual wage	\$ -	\$ 19,863	\$ 20,671	\$ 20,568	\$ 20,754			\$ 20,428		\$ 20,659	\$ 20,816	\$ 24,664	\$ 20,984	\$ -		
Proportion of wage spent on taxable goods and services	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
State tax rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%		
State tax revenues	\$ -	\$ 14,202	\$ 56,432	\$ 39,439	\$ 77,568	\$ -	\$ -	\$ 29,212	\$ -	\$ 53,713	\$ 110,273	\$ 44,888	\$ 32,735	\$ -	\$ 458,463	\$32,747
Local option tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Local option revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
																\$0
Tax revenues accruing to States	\$ 7,025	\$ 250,144	\$ 132,466	\$ 256,271	\$ 253,446	\$ 287,688	\$ 347,172	\$ 319,598	\$ 263,971	\$ 363,095	\$ 385,125	\$ 386,863	\$ 165,901	\$ 81,162	\$ 3,499,927	\$249,995
Tax revenues accruing to local counties	\$ 3,512	\$ 117,278	\$ 32,212	\$ 103,409	\$ 87,939	\$ 143,844	\$ 173,586	\$ 145,193	\$ 124,494	\$ 139,258	\$ 130,929	\$ 160,318	\$ 60,876	\$ 38,942	\$ 1,461,792	\$104,414

/1 Minnesota counties in the study area do not impose a local option tax.

Local Real Estate Taxes

The majority of the project's right of way will be acquired through easements. As a result, the existing landowner will continue to pay local real estate taxes throughout the life of the pipeline. However, there will be some land purchased on a fee sample basis for major project facilities, including property for the well field, the treatment plant, and major pumping and storage facilities along the pipeline route. Since the Lewis and Clark Rural Water System is a tax-exempt non-profit corporation, this land will drop from the respective counties' tax base when acquired.

The total cost of land purchases was estimated to be approximately \$615,000 in 2001 dollars. About 75 percent of this cost is estimated to be for land for the treatment plant and water production facilities, both located in southern Clay County, South Dakota. Based on average property tax rates in this area of about 16.0 mils per 1,000 of valuation, the annual property tax loss to Clay County would be approximately \$7,380 ($\$615,000 * 0.75 * 0.0160$). This loss would be spread among the county itself, the local drainage district, the local fire district, and the local school district. Actual property tax loss would depend on the specific township and school district of the final facilities' locations.

The remaining land purchases will be spread throughout the project service area. Although tangible, these remaining property tax impacts will be very small compared to the respective county budgets.

Tab e 3.9a: Summary of Potential Fiscal Impacts (Total for a 5-Year Period)

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures /1	
South Dakota		\$ 3,707,700	\$ 2,748,229	\$ 237,600	\$ -	\$ 2,452,059	\$ 9,145,588
	Lake	\$ 108,410					
	Minnehaha	\$ 373,980					
	Turner	\$ 124,660				\$ 1,226,029	
	Lincoln	\$ 243,910					
	Clay	\$ 867,430					
	Union	\$ 135,520					
Iowa		\$ 1,619,300	\$ -	\$ 64,800	\$ 1,768,217	\$ 589,406	\$ 4,041,723
	Lyon	\$ 42,680					
	Osceola	\$ 32,630					
	Sioux	\$ 82,840				\$ 235,762	
	O'Brien	\$ 75,320					
	Clay	\$ 50,210					
	Dickinson	\$ 40,170					
Minnesota		\$ 1,275,700	\$ -	\$ 34,500	\$ 994,512	\$ 458,463	\$ 2,763,174

1/ Due to uncertainties regarding the location of personal spending within each State, local option personal sales tax revenues are not assigned to specific counties.

2/ Minnesota counties in the study area do not impose a local option tax.

South Dakota Table 3.9b: Additional Fiscal Impacts Due to Sioux Falls Expansion

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
SD		\$552,649	\$574,455	\$42,125		\$155,114	\$1,324,343
	Lake					\$77,557	
	Minnehaha	\$165,803					
	Turner						
	Lincoln	\$55,256					
	Clay	\$55,256					
	Union						

South Dakota Table 3.9c: Summary of Fiscal Impacts in South Dakota with Sioux Falls Expansion

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
SD		\$4,260,349	\$3,322,684	\$279,725		\$2,607,173	\$10,469,931
	Lake					\$1,303,586	
	Minnehaha	\$409,713					
	Turner						
	Lincoln	\$429,236					
	Clay	\$922,659					
	Union						

Summary of Fiscal Impacts

Tables 3.9a,b,c summarize the fiscal impacts by category and location with additional breakout for the Sioux Falls expansion. The impacts can be ranked by the level of project spending in each state: South Dakota receives the greatest dollar impact, followed by Iowa and Minnesota. However, it appears that South Dakota’s revenue increase is relatively lower than the other states’ when one considers the level of spending in each state. There appear to be two explanations for this: (1) South Dakota does not impose a personal income tax; (2) the sales and use tax rates are lower in South Dakota and are not imposed on labor services. Although South Dakota imposes a contractors excise

tax, this revenue apparently does not offset the lack of income tax revenues. Sources and percentages of new tax revenues by state are broken out in Figure 3.0.

Figure 3.0: State Employment Impacts

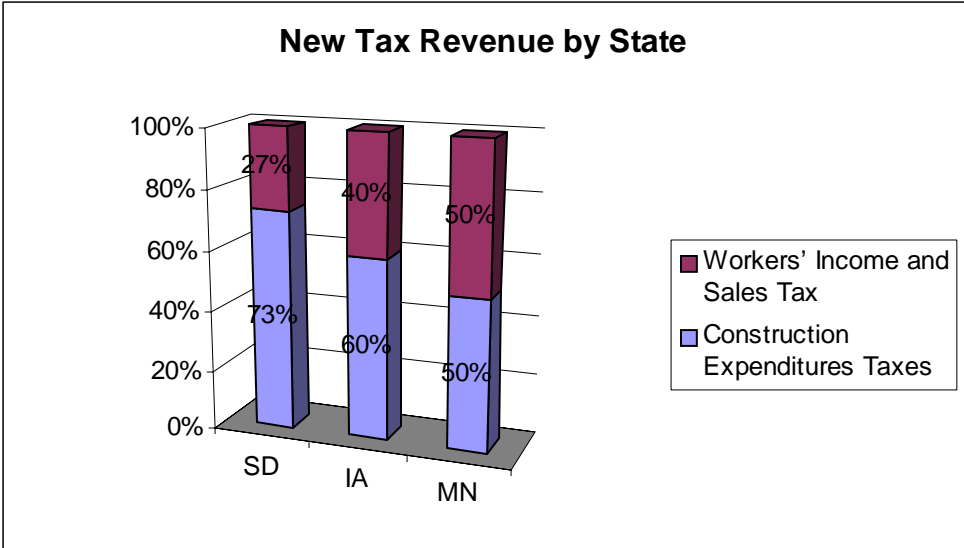
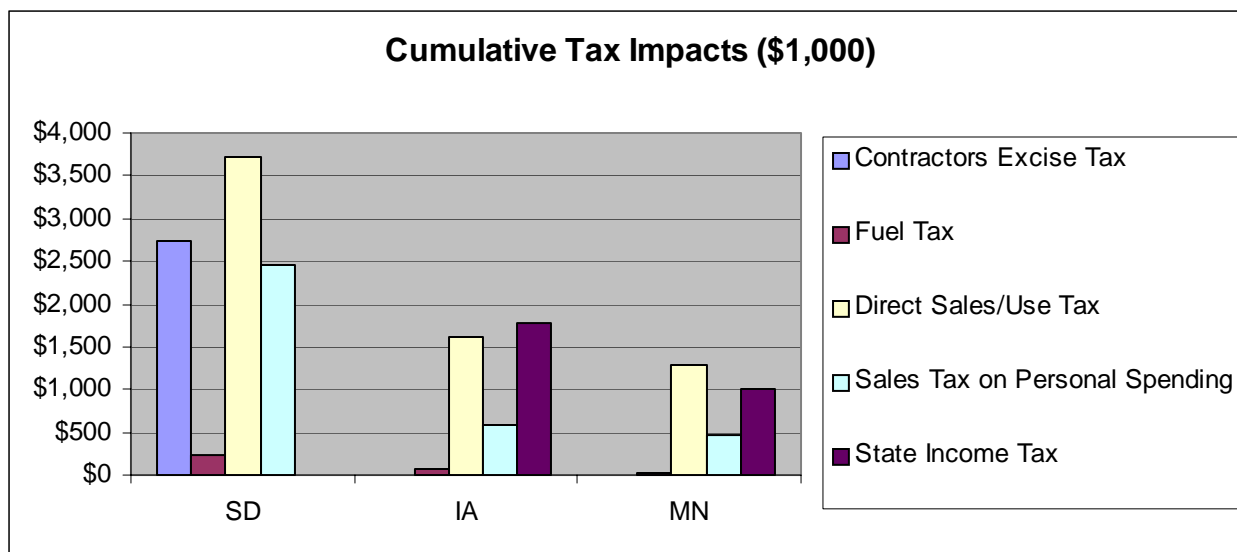


Figure 3.1 shows the breakout of tax revenue by state for each category of applicable tax. The greatest overall impact will come from Direct Sales/Use Tax.

Figure 3.1: State Employment Impacts



In contrast to the relatively lower fiscal impacts to the State of South Dakota there are relatively higher beneficial impacts to South Dakota local governments. Through the use tax component of sales and use tax and the relatively high level of spending in South Dakota, the local governments appear to have better potential to realize higher monetary gains.

Table 3.10 compares these impacts to those developed by the Bureau of Reclamation in 1992. It is apparent that the Bureau of Reclamation estimates of fiscal and economic impacts are higher in nearly all cases. There are several explanations for these discrepancies:

- ◆ Primarily, the Bureau of Reclamation examined a much more expensive project. In 1992, the total project was estimated to cost approximately \$502 million. After adjusting for inflation the 2001 cost of this project would have been approximately \$639 million, or over 75 percent higher than the total cost for the current project. This reduction in cost was relatively highest in South Dakota, so comparatively high changes between 1992 and 2001 can be expected.
- ◆ The Bureau of Reclamation study included sales and use tax on all South Dakota expenditures, including those involving labor services. Labor services, which can account for 35 percent to 45 percent of construction costs, were not included in this study per South Dakota regulation.
- ◆ There have been several changes in tax regulation over the past 12 years: Iowa has raised their state sales tax rate to 5 percent and South Dakota contractors excise tax calculations for qualified municipal utilities have changed.

Average wages appear to have declined from 1992, especially for Iowa and Minnesota. The explanation for this is unknown, although it is possible that the different input-output models used in these separate studies may be responsible. The Bureau of Reclamation used the RIMS II modeling input-output modeling system, sponsored by the Department of Commerce, Bureau of Economic

Analysis. This model was an industry standard prior to about 1995, when the IMPLAN model used in this analysis was commercially distributed. However, it bears noting that despite the differences in projects costs and the different economic models, the results of this study and the previous Bureau of Reclamation study are qualitatively consistent.

Table 3.10: Comparison of Tax Revenue, Earnings, and Employment Impacts

	Current study			Bureau of Reclamation, Alternative A /2		
	South Dakota	Iowa	Minnesota	South Dakota	Iowa	Minnesota
Contractors excise tax (\$1,000)	\$ 2,748	\$ -	\$ -	\$ 6,533	\$ -	\$ -
Fuel tax (\$1,000)	\$ 238	\$ 65	\$ 35	\$ 1,534	\$ 256	\$ 110
Direct sales/use tax (\$1,000)	\$ 3,708	\$ 1,619	\$ 1,276	\$ 14,416	\$ 2,409	\$ 1,711
Sales tax on personal spending (\$1,000)	\$ 2,452	\$ 589	\$ 458	\$ 5,621	\$ 1,022	\$ 717
State income tax (\$1,000)	\$ -	\$ 1,768	\$ 995	\$ -	\$ 2,501	\$ 1,559
Total tax revenues (\$1,000)	\$ 9,146	\$ 4,042	\$ 2,763	\$ 28,105	\$ 6,188	\$ 4,098
Construction employment (job years)	4,972	1,204	670	10,266	1,763	699
Wage earnings (\$1,000)	\$ 122,579	\$ 23,562	\$ 133,872	\$ 256,468	\$ 48,670	\$ 22,470
Average annual wage per job (\$/year)	\$ 24,654	\$ 19,570	\$ 20,705	\$ 24,982	\$ 27,606	\$ 32,145

/1 For comparison purposes, local option sales/use tax revenues are not considered here.

/2 Previous Bureau of Reclamation estimates examined two alternatives: A and B. Since they are similar from a cost and impact standpoint, only Alternative A is considered for comparison purposes. In addition, the estimates have been adjusted for inflation from 1992 to 2001 using the ENR Construction Cost Index (CCI)

Appendix A

2006 Update – Impacts to South Dakota

Introduction



In 2004, HDR was asked to provide the Lewis and Clark Rural Water System, Inc., with an impacts analysis for the construction of a 14-county water supply system covering areas in three states.³¹ Since the time of that study, the project has expanded to include additional services in Sioux Falls. This report is intended to supplement the original study and will provide an updated overall impact to the project area as a whole, as well as an update to the state where the most significant change in project has occurred – South Dakota. The distribution of impact to the participating counties in Minnesota and Iowa will remain the same and are not discussed here.

Design and construction of the \$484.6 million system is expected take 14 year and will be jointly funded by federal, state, and local entities. \$47.4 million of the total amount is earmarked for a Sioux Falls Expansion which represents the most significant change from the last study. To be consistent with the original study, all analyses in this update is presented in 2003 dollars.

Construction Impacts of the Entire Project

Economic Impacts

Project Area

A total of 4,116 jobs will be created within the three-state project area over the lifetime of the project, or an average of 295 jobs per year at an average annual salary of \$33,462. These jobs are those that are directly related to the design, construction, administration, and real estate acquisition of the project. Table 1a below compares the findings of the original study to those with the update.

³¹ The Economic and Fiscal Impacts of Constructing the Lewis and Clark Rural Water System, 2004, HDR

Table 1a - Economic Impacts: 2004 Findings Versus 2005

	Impacts from 2004 Study		Additional Cost Due to Sioux Falls Expansion	New Total Impacts	
	Regional	South Dakota		Regional	South Dakota
Total Project Cost	\$385.8 Million	\$258.4 Million	\$41.8 Million	\$428 Million	\$300.2 Million
Total Economic Impact	\$374 Million	\$250 Million	\$40.4 Million	\$414.4	\$290.4 Million
Average Yearly Employment	266 Jobs	178 Jobs	29 Jobs	295 Jobs	207 Jobs
Average Yearly Indirect Employment	211 Jobs	160 Jobs	26 Jobs	237 Jobs	186 Jobs
Fiscal Impacts	\$15,950,485	\$9,145,588	\$1,324,343	\$17,284,828	\$10,469,931

There will be a significant indirect impact on labor demand as well by the creation of 3,325 indirect jobs, or 238 new indirect jobs per year of project construction at an average annual salary of \$25,591. The average annual increase in employment in the highest indirect employment categories include:

- Wholesale Trade
- Automotive Dealers & Service Stations
- Eating & Drinking Establishments
- Miscellaneous Retail
- Engineering and Architectural Services
- Accounting & Bookkeeping

South Dakota

The State of South Dakota, will receive the largest benefit from the construction and on-going operation of the Lewis and Clark Rural Water System for the following reasons

- The largest percentage of construction will occur within the state
- The system wells, raw water pipeline, and water treatment plant will be located in South Dakota
- The majority of operation and maintenance benefits are expected to be received by the state

Six South Dakota Counties are included in the study area: Lake, Minnehaha, Turner, Lincoln, Clay, and Union. Of those counties, Minnehaha and Clay will experience the greatest increase in jobs and tax revenues.

As shown in Table 1a on the previous page a total of 2,898 jobs will be created in South Dakota over the lifetime of the project, or an average of 207 per year of the project at an average annual salary of \$37,471. These jobs are those that are directly related to the design, construction, administration, and real estate acquisition of the project.

There will be a significant indirect impact on labor demand as well by the creation of 2,341 indirect jobs, or 167 new jobs per year of project construction at an average annual salary of \$26,791. The average annual increase in employment in the highest indirect employment categories include:

- Wholesale Trade
- Eating & Drinking Establishments
- Miscellaneous Retail
- Hospitals
- Engineering and Architectural Services

The impacts considered in the original analysis were those attributable to the federal component of project funding only as it represents “new money” coming into the region that would not otherwise be spent in the area; at that time, Federal spending accounted for approximately 76 percent of total project expenditures. It is important to note that the Sioux Falls Expansion will not receive any Federal funding and therefore does not represent any new job creation or economic impact because it will be funded by dollars that were already in the state of South Dakota. As such, the impacts described in the table above are not actually new job/dollar creation; instead they represent the jobs/dollars that will be reallocated from one sector of the economy to the other creating a net positive impact of \$0 on the Regional and South Dakota economies.

The greatest benefit of the Sioux Falls Expansion is this: based on population projections and average daily water consumption, the daily need for water in the City of Sioux Falls will exceed the existing supply in the year 2012. At that time, without an additional source of water in place, the City will not be able to permit new industry or residential growth. The Sioux Falls Expansion will enable Sioux Falls to attract and retain new industry beyond 2012 which will translate into new job creation and other overall economic benefits.

Fiscal Impacts of the Sioux Falls Expansion

Tables 1b-d compare the fiscal impacts of the original study to an updated projection including the Sioux Falls Expansion. Due to uncertainties regarding the location of personal spending within South Dakota, local option personal sales tax revenues were not assigned to specific counties in the original study and are not here; however, Minnehaha and Clay County will receive the greatest benefit from the sales and use tax revenues from the project.

South Dakota Table 1a: Original Summary of South Dakota Fiscal Impacts³²

State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
SD							



South Dakota Table 1d: New South Dakota Total Fiscal Impacts

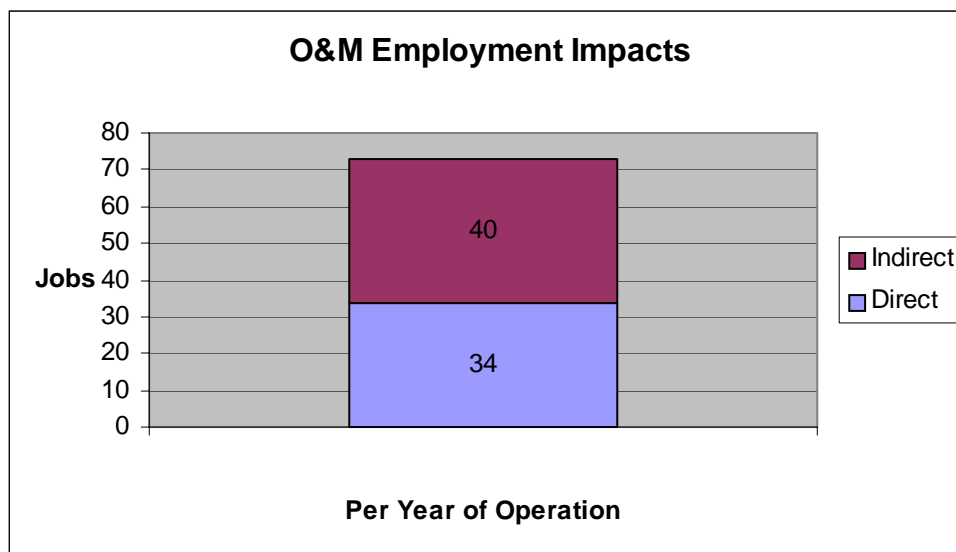
State	County	Impacts Resulting from Construction Spending			Indirect impacts		Total Revenues
		Sales/Use Tax on Construction Expenditures	Contractors Excise Tax	Fuel Tax	State Income Tax	Sales Tax on Personal Expenditures	
SD		\$4,260,349	\$3,322,684	\$279,725		\$2,607,173	\$10,469,931
	Lake					\$1,303,586	
	Minnehaha	\$409,713					
	Turner						
	Lincoln	\$429,236					
	Clay	\$922,659					
	Union						

Operation & Maintenance (O&M) Impacts

There is no anticipated change in the O&M impacts stated in the original study. The section below has been taken directly from the 2004 report.

The direct impacts of on-going O&M will significantly affect the construction industry in the tri-state region. It is projected that the majority of these impacts will occur in South Dakota as both the engineer of record for the system and the office for the Lewis and Clark Rural Water System, Inc. are located in South Dakota. Figure 2a shows this impact in terms of employment needed per year of operation.

Figure 2a: O&M Employment Impacts



Direct output for one year of O&M will total \$4.4 million dollars, and direct labor income will be approximately \$1.2 million. 34 jobs will be created during the first year of operation that will continue throughout the lifetime of the system.³³ The three NAICS Sectors receiving the greatest benefit from O&M costs include:

- Utilities
- Construction
- Professional, Scientific, and Technical Services

Economic Development Impacts

The section below has been taken directly from the original report.

The United States General Accounting Office (GAO) completed a Rural Water Projects study in 1999 that looked at the federal assistance criteria and potential benefits of the proposed Lewis and Clark project.³⁴ The projected benefits of the Lewis and Clark Rural Water Project are the result of increases in both the quantity and quality of water. The GAO found that the local water users, such as households and businesses, would receive most of the benefits from the project. Specific societal benefits could include:

- Reduction in nitrate and sulfate concentrations resulting in health benefits
- Improved safety by making more water available for fighting fires
- A better quality of water for drinking, bathing, and washing clothing

³³ This is slightly higher than the findings of the Final Engineering Report written by Banner and Associates in 2002 for the system that projected a total of 29 FTE's for direct employment for operation and maintenance of the system.

³⁴ Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project. United States General Accounting Office. 1999. GAO and T-RCED-99-252

- More water for landscaping

Economic benefits identified by the GAO include:

- Increased swine and dairy yields
- Economic development of industries like ethanol and food processing
- Increased longevity of water heaters, water softeners, and other appliances, thereby saving residents repair and replacement costs.

A direct benefit not specifically addressed by the GAO report is the enhanced ability to retain existing businesses in the area. Based on population projections and average daily water consumption, the daily need for water in the City of Sioux Falls will exceed the existing supply in the year 2012. At that time, without an additional source of water in place, the City will not be able to permit new industry or residential growth.

Appendix B

2002 NAICS Definitions of the Most Affected Sectors

The definitions in this section represent the five sectors of the economy most affected by construction and O&M.³⁵

Construction

The construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector.

Construction activities may include new work, additions, alterations, or maintenance and repairs. Activities of these establishments generally are managed at a fixed place of business but are performed at multiple project sites. Production responsibilities for establishments in this sector are usually specified in (1) contracts with the owners of construction projects (prime contracts) or (2) contracts with other construction establishments (subcontracts).

Health Care and Social Assistance

The Health Care and Social Assistance sector comprises establishments providing health care and social assistance to individuals. The sector includes both health care and social assistance because it can be difficult to distinguish between the boundaries of these two activities. The industries in this sector are arranged on a continuum starting with those establishments providing medical care exclusively, continuing with those providing health care and social assistance, and finishing with those providing only social assistance. All industries in this sector share labor inputs of health practitioners or social workers with the requisite expertise. Many of the industries in this sector are defined based on the educational degree held by the practitioners included in the industry.

Professional, Scientific, and Technical Services

The Professional, Scientific, and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise, and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting

³⁵ Adapted from the United States Census Bureau 2002 NAICS Codes and Titles: <http://and.ftp.census.gov/naics/naics02/naics02.htm>

services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services.

Retail Trade

The Retail Trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.

The retailing process is the final step in the distribution of merchandise. Retailers are, therefore, organized to sell merchandise in small quantities to the general public. This sector comprises two main types of retailers: store and non-store retailers.

Store retailers operate fixed point-of-sale locations, located and designed to attract a high volume of walk-in customers. These include establishments such as office supply stores, computer and software stores, building materials dealers, plumbing supply stores, and electrical supply stores. Catalog showrooms, gasoline services stations, automotive dealers, and mobile home dealers are treated as store retailers.

Non-store retailers offer after-sales services such as repair and installation. For example, new automobile dealers, electronic and appliance stores, and musical instrument and supply stores often provide repair services. As a general rule, establishments engaged in retailing merchandise and providing after-sales services are classified in this sector.

Utilities

The Utilities sector comprises establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. Within this sector, the specific activities associated with the utility services provided vary by utility: electric power includes generation, transmission, and distribution; natural gas includes distribution; steam supply includes provision and and or distribution; water supply includes treatment and distribution; and sewage removal includes collection, treatment, and disposal of waste through sewer systems and sewage treatment facilities.

Wholesale Trade

The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing.

The wholesaling process is an intermediate step in the distribution of merchandise. Wholesalers are organized to sell or to arrange the purchase or sale of (a) goods for resale (i.e., goods sold to other wholesalers or retailers), (b) capital or durable nonconsumer goods, and (c) raw and intermediate materials and supplies used in production.

Wholesalers sell merchandise to other businesses and normally operate from a warehouse or office. These warehouses and offices are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic. Wholesalers do not normally use advertising directed to the general public. Customers are generally reached initially via telephone, in-person marketing, or by specialized advertising that may include the Internet and other electronic means. Follow-up orders are either vendor-initiated or client-initiated, generally based on previous sales, and typically exhibit strong ties between sellers and buyers. In fact, transactions are often conducted between wholesalers and clients that have long-standing business relationships.

Appendix C

Major Construction-Related Tax Categories

S. Dakota Taxes

		CONTRACTORS' EXCISE TAX			FUEL TAX		
		Rate	Application	Allocation	Rate	Application	Allocation
S.Dakota State Tax		2.00%	Imposed on gross receipts of prime & subcontractors on realty improvement contracts for qualifying utility projects - Lewis and Clark - (value of owner furnished materials are not subject to excise tax).	General Fund	\$.22/gal. - motor fuel/special fuel; \$.20 - Ethanol blends	All fuel except dyed diesel fuel (exempt of tax depending on use)	State Highway Fund
Local	Alcester						
	Baltic						
	Beresford						
	Brandon						
	Canton						
	Centerville						
	Chancellor						
	Colton						
	Crooks						
	Davis						
	Dell Rapids						
	Elk Point						
	Harrisburg						
	Hartford						
	Humboldt						
	Hurley						
	Lennox						
	Madison						
	Marion						
	Monroe						
	North Sioux City						
	Parker						
	Ramona						
	Sioux Falls						
	Tea						
	Valley Springs						
	Vermillion						
	Viborg						
	Wakonda						
	Wentworth						
	Worthing						

South Dakota Tax Revenue Summary

	Project Year		1	2	3	4	5	6	7	8							
Fue Usage and Fue Tax Revenue																	
Estimated fuel cost during construction:																	
Diversion and collection system	\$	40	\$	7,027	\$	8,818	\$	5,150	\$	5,304	\$	9,378	\$	11,457	\$	10,583	
Raw water pipeline	\$	181	\$	31,821	\$	39,928	\$	23,319	\$	24,016	\$	42,468	\$	51,878	\$	47,924	
Water treatment plant	\$	166	\$	29,183	\$	36,618	\$	21,386	\$	22,025	\$	38,947	\$	47,578	\$	43,951	
Distribution system (inc. lines, pump stations, and storage)	\$	1,315	\$	230,557	\$	289,299	\$	168,957	\$	174,011	\$	307,697	\$	375,884	\$	347,231	
Implied fuel usage @ \$1.50/gal		1,135		199,059		249,776		145,874		150,238		265,660		324,531		299,793	
Percentage subject to fuel tax		50%		50%		50%		50%		50%		50%		50%		50%	
Fuel tax rate (\$ per gallon)	\$	0.22	\$	0.22	\$	0.22	\$	0.22	\$	0.22	\$	0.22	\$	0.22	\$	0.22	
Fue tax revenue	\$	125	\$	21,896	\$	27,475	\$	16,046	\$	16,526	\$	29,223	\$	35,698	\$	32,977	
Contractors' Excise Tax																	
Construction expenditures in SD	\$	72,223	\$	12,664,304	\$	15,890,963	\$	9,280,654	\$	9,558,255	\$	16,901,550	\$	20,646,955	\$	19,073,118	
Less Owner contributed materials	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Subtotal taxable expenditures	\$	72,223	\$	12,664,304	\$	15,890,963	\$	9,280,654	\$	9,558,255	\$	16,901,550	\$	20,646,955	\$	19,073,118	
Excise tax rate		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%	
Subtotal tax revenues	\$	1,444	\$	253,286	\$	317,819	\$	185,613	\$	191,165	\$	338,031	\$	412,939	\$	381,462	
Sa es and Use Taxes on Construction Expenditures (state)																	
Construction expenditures subject to sales/use tax																	
State tax rate		4.0%		4.0%		4.0%		4.0%		4.0%		4.0%		4.0%		4.0%	
State tax revenues	\$	1,949	\$	341,715	\$	428,778	\$	250,415	\$	257,906	\$	456,046	\$	557,107	\$	514,641	
Local option tax rate		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%	
Loca option revenues	\$	974	\$	170,857	\$	214,389	\$	125,208	\$	128,953	\$	228,023	\$	278,553	\$	257,320	
Sa es and Use Taxes on Construction Expenditures, by County																	
County	Local option tax revenues	\$	974	\$	170,857	\$	214,389	\$	125,208	\$	128,953	\$	228,023	\$	278,553	\$	257,320
Lake	5.8%	\$	60	\$	9,990	\$	12,540	\$	7,320	\$	7,540	\$	13,330	\$	16,290	\$	15,050
Minnehaha	20.2%	\$	200	\$	34,470	\$	43,250	\$	25,260	\$	26,010	\$	46,000	\$	56,190	\$	51,910
Turner	6.7%	\$	70	\$	11,490	\$	14,420	\$	8,420	\$	8,670	\$	15,330	\$	18,730	\$	17,300
Lincoln	13.2%	\$	130	\$	22,480	\$	28,210	\$	16,470	\$	16,970	\$	30,000	\$	36,650	\$	33,850
Clay	46.8%	\$	460	\$	79,940	\$	100,310	\$	58,590	\$	60,340	\$	106,690	\$	130,340	\$	120,400
Union	7.3%	\$	70	\$	12,490	\$	15,670	\$	9,150	\$	9,430	\$	16,670	\$	20,360	\$	18,810
	100.0%	\$	990	\$	170,860	\$	214,400	\$	125,210	\$	128,960	\$	228,020	\$	278,560	\$	257,320
Persona State Income Tax																	
<i>No personal income tax</i>																	
Persona Sa es Tax Impacts																	
Employment impact (jobs)		17		465		41		339		358		581		700		586	
Average annual wage (2001 dollars)	\$	20,661	\$	24,625	\$	21,930	\$	24,596	\$	24,564	\$	24,758	\$	24,798	\$	24,777	
Proportion of wage spent on taxable goods and services		50%		50%		50%		50%		50%		50%		50%		50%	
State tax rate		4.0%		4.0%		4.0%		4.0%		4.0%		4.0%		4.0%		4.0%	
State tax revenues	\$	7,025	\$	229,013	\$	17,983	\$	166,761	\$	175,878	\$	287,688	\$	347,172	\$	290,386	
Local option tax rate		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%		2.0%	
Loca option revenues	\$	3,512	\$	114,506	\$	8,991	\$	83,380	\$	87,939	\$	143,844	\$	173,586	\$	145,193	

South Dakota Tax Revenue Summary

	Project Year	9	10	11	12	13	14	Totals
Fue Usage and Fue Tax Revenue								
Estimated fuel cost during construction:								
Diversions and collection system	\$	3,786	\$ 2,694	\$ 5,633	\$ 3,509	\$ 2,496	\$ 373	\$ 76,247
Raw water pipeline	\$	17,143	\$ 12,198	\$ 25,507	\$ 15,891	\$ 11,303	\$ 1,687	\$ 345,266
Water treatment plant	\$	15,722	\$ 11,187	\$ 23,393	\$ 14,574	\$ 10,366	\$ 1,547	\$ 316,642
Distribution system (inc. lines, pump stations, and storage)	\$	124,209	\$ 88,384	\$ 184,812	\$ 115,138	\$ 81,897	\$ 12,223	\$ 2,501,614
Implied fuel usage @ \$1.50/gal		107,240	76,309	159,563	99,408	70,708	10,553	2,159,846
Percentage subject to fuel tax		50%	50%	50%	50%	50%	50%	
Fuel tax rate (\$ per gallon)	\$	0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	
Fue tax revenue	\$	11,796	\$ 8,394	\$ 17,552	\$ 10,935	\$ 7,778	\$ 1,161	\$ 237,583
Contractors' Excise Tax								
Construction expenditures in SD	\$	6,822,703	\$ 4,854,835	\$ 10,151,556	\$ 6,324,443	\$ 4,498,520	\$ 671,381	\$ 137,411,460
Less Owner contributed materials	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal taxable expenditures	\$	6,822,703	\$ 4,854,835	\$ 10,151,556	\$ 6,324,443	\$ 4,498,520	\$ 671,381	\$ 137,411,460
Excise tax rate		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Subtotal tax revenues	\$	136,454	\$ 97,097	\$ 203,031	\$ 126,489	\$ 89,970	\$ 13,428	\$ 2,748,229
Sales and Use Taxes on Construction Expenditures								
Construction expenditures subject to sales/use tax	\$	4,602,340	\$ 3,274,890	\$ 6,847,861	\$ 4,266,233	\$ 3,034,534	\$ 452,888	\$ 92,692,640
State tax rate		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
State tax revenues	\$	184,094	\$ 130,996	\$ 273,914	\$ 170,649	\$ 121,381	\$ 18,116	\$ 3,707,706
Local option tax rate		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Local option revenues	\$	92,047	\$ 65,498	\$ 136,957	\$ 85,325	\$ 60,691	\$ 9,058	\$ 1,853,853
Sales and Use Taxes on Construction Expenditures								
Local option tax revenues	\$	92,047	\$ 65,498	\$ 136,957	\$ 85,325	\$ 60,691	\$ 9,058	\$ 1,853,853
County	County weight							
Lake	5.8%	\$ 5,380	\$ 3,830	\$ 8,010	\$ 4,990	\$ 3,550	\$ 530	\$ 108,410
Minnehaha	20.2%	\$ 18,570	\$ 13,210	\$ 27,630	\$ 17,210	\$ 12,240	\$ 1,830	\$ 373,980
Turner	6.7%	\$ 6,190	\$ 4,400	\$ 9,210	\$ 5,740	\$ 4,080	\$ 610	\$ 124,660
Lincoln	13.2%	\$ 12,110	\$ 8,620	\$ 18,020	\$ 11,230	\$ 7,980	\$ 1,190	\$ 243,910
Clay	46.8%	\$ 43,070	\$ 30,650	\$ 64,080	\$ 39,920	\$ 28,400	\$ 4,240	\$ 867,430
Union	7.3%	\$ 6,730	\$ 4,790	\$ 10,010	\$ 6,240	\$ 4,440	\$ 660	\$ 135,520
	100.0%	\$ 92,050	\$ 65,500	\$ 136,960	\$ 85,330	\$ 60,690	\$ 9,060	\$ 1,853,910
Personal State Income Tax								
Personal Sales Tax Impacts								
Employment impact (jobs)		384	315	425	475	155	132	
Average annual wage (2001 dollars)	\$	24,617	\$ 24,611	\$ 24,692	\$ 24,767	\$ 24,549	\$ 24,536	
Proportion of wage spent on taxable goods and services		50%	50%	50%	50%	50%	50%	
State tax rate		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
State tax revenues	\$	189,059	\$ 155,049	\$ 209,882	\$ 235,287	\$ 76,102	\$ 64,775	\$ 2,452,059
Local option tax rate		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Local option revenues	\$	94,529	\$ 77,525	\$ 104,941	\$ 117,643	\$ 38,051	\$ 32,388	\$ 1,226,029

Iowa Taxes	PERSONAL INCOME TAX			CORPORATE INCOME TAX			FUEL TAX		
	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation
Iowa State Tax	Imposed on IA net income of individuals and estates and trusts (taxpayers with a combined income of \$13,500 or less or \$9,000 or less for singles are not required to pay IA income tax)			Imposed on the IA net income of corporations doing business within this state or receiving income from property in the state			\$.203/gal gasoline	Imposed on each gallon of fuel sold in IA for use in motor vehicles	Road Use Tax Fund
	0.36%	on first \$1,148	General Fund	6.00%	on first \$25,000	General Fund	\$.19/gal ethanol blended gasoline		
	0.72%	on second \$1,148		8.00%	on next \$75,000		\$.225 diesel		
	2.43%	on next \$2,296		10.00%	on next \$150,000				
	4.50%	on next \$5,740		12.00%	on all over \$250,000				
	6.12%	on next \$6,888							
	6.48%	on next \$5,740							
	6.80%	on next \$11,480							
	7.92%	on next \$17,220							
	8.98%	on all over \$51,660							
Local									
Clay County									
Dickinson County									
Lyon County									
O'Brien County									
Osceola County									
Sioux County									

Iowa does not impose a corporate excise tax.

Iowa Taxes	SALES/USE TAX		
	Rate	Application	Allocation
Iowa State Tax	5.00%	<p>Sales: Imposed on gross receipts from all sales of tangible personal property & enumerated services Exempt: certain foods, prescription drugs, medical devices, & farm & industrial machinery, equipment & computers; Use: Out-of-state firms making sales of personal property or services purchased for use in IA, goods or services purchased tax free by consumers & used in IA</p> <p>If construction is in an "Enterprise Zone" designated by the Dept. of Economic Development, the contractor will pay sales tax on the materials purchased, but is entitled to a refund. If construction is in a "Non-Enterprise Zone" contractor will pay sales tax on materials.</p> <p>Sales to water utility and communications departments of Cities and Counties are exempt from tax.</p> <p>Cities and counties must collect sales tax on selling or furnishing water to commercial & residential operations/homes (water sales exempt from tax only when the water is part of a manufacturing process or ingredient in which case it is considered a chemical.)</p> <p>The gross receipts from the sales, furnishing or service of water by a County or City or other are subject to sales tax.</p>	General Fund
Local	No local option use taxes for the following local taxes:		
Clay County	1.00%	"Regular" local option sales tax (LOST)	Local Sales & Service Fund
	1.00%	School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13	Monthly payout to Schools
Dickinson County	1.00%	"Regular" local option sales tax (LOST)	Local Sales & Service Fund
	1.00%	School Local Option Sales Tax (SILO) Effective 1/1/01 thru 12/31/11	Monthly payout to Schools
Lyon County	1.00%	"Regular" local option sales tax (LOST)	Local Sales & Service Fund
	1.00%	School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13	Monthly payout to Schools
O'Brien County	1.00%	"Regular" local option sales tax (LOST)	Local Sales & Service Fund
	1.00%	School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13	Monthly payout to Schools
Osceola County	1.00%	School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13	Monthly payout to Schools
Sioux County	1.00%	"Regular" local option sales tax (LOST)	Local Sales & Service Fund
	1.00%	School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13	Monthly payout to Schools

Iowa Tax Revenue Summary

Project Year	10	11	12	13	14	Tota s
Fue Usage and Fue Tax Revenue						
Estimated fuel cost during construction:						
Distribution system (inc. lines, pump stations, and storage)	\$ 240,228	\$ 164,963	\$ 158,050	\$ 83,648	\$ 16,159	\$ 864,131
Implied fuel usage @ \$1.50/gal	160,152	109,975	105,366	55,765	10,773	\$ 576,087
Percentage subject to fuel tax	50%	50%	50%	50%	50%	
Fuel tax rate (\$ per gallon)	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	
Fue tax revenue	\$ 18,017	\$ 12,372	\$ 11,854	\$ 6,274	\$ 1,212	\$ 64,810

Sa es and Use Taxes on Construction Expenditures (

Construction expenditures subject to sales/use tax	\$ 9,003,206	\$ 6,182,417	\$ 5,923,332	\$ 3,134,929	\$ 605,611	\$ 32,385,632
State tax rate	5.0%	5.0%	5.0%	5.0%	5.0%	
State tax revenues	\$ 450,160	\$ 309,121	\$ 296,167	\$ 156,746	\$ 30,281	\$ 1,619,282
Local option tax rate (sales tax only) /1	2.0%	2.0%	2.0%	2.0%	2.0%	
Loca option revenues	\$ 90,032	\$ 61,824	\$ 59,233	\$ 31,349	\$ 6,056	\$ 323,856

/1 Iowa counties only impose a local option sales tax, rather th

Sa es and Use Taxes on Construction Expenditures,

Local option tax revenues	\$ 90,032	\$ 61,824	\$ 59,233	\$ 31,349	\$ 6,056	\$ 323,856	
County	County weight						
Lyon	13.2%	\$ 11,860	\$ 8,150	\$ 7,810	\$ 4,130	\$ 800	\$ 42,680
Osceola	10.1%	\$ 9,070	\$ 6,230	\$ 5,970	\$ 3,160	\$ 610	\$ 32,630
Sioux	25.6%	\$ 23,030	\$ 15,820	\$ 15,150	\$ 8,020	\$ 1,550	\$ 82,840
O'Brien	23.3%	\$ 20,940	\$ 14,380	\$ 13,780	\$ 7,290	\$ 1,410	\$ 75,320
Clay	15.5%	\$ 13,960	\$ 9,590	\$ 9,180	\$ 4,860	\$ 940	\$ 50,210
Dickinson	12.4%	\$ 11,170	\$ 7,670	\$ 7,350	\$ 3,890	\$ 750	\$ 40,170
	100.0%	\$ 90,030	\$ 61,840	\$ 59,240	\$ 31,350	\$ 6,060	\$ 323,850

Persona State Income Tax

Employment impact (jobs)	313	133	217	117	33	
Average annual wage	\$ 19,723	\$ 19,540	\$ 19,666	\$ 19,509	\$ 19,863	
Applicable State tax rate	7.5%	7.5%	7.5%	7.5%	7.5%	
State tax revenues	\$ 462,997	\$ 194,912	\$ 320,064	\$ 171,191	\$ 49,161	\$ 1,768,217

Persona Sa es Tax Impacts

Employment impact (jobs)	313	133	217	117	33	
Average annual wage	\$ 19,723	\$ 19,540	\$ 19,666	\$ 19,509	\$ 19,863	
Proportion of wage spent on taxable goods and services	50%	50%	50%	50%	50%	
State tax rate	5.0%	5.0%	5.0%	5.0%	5.0%	
State tax revenues	\$ 154,332	\$ 64,971	\$ 106,688	\$ 57,064	\$ 16,387	\$ 589,406
Local option tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	
Loca option revenues	\$ 61,733	\$ 25,988	\$ 42,675	\$ 22,826	\$ 6,555	\$ 235,762

Iowa Tax Revenue Summary

Project Year	1	2	3	4	5	6	7	8	9
Fue Usage and Fue Tax Revenue									
Estimated fuel cost during construction:									
Distribution system (inc. lines, pump stations, and storage)	\$ -	\$ 9,333	\$ 86,067	\$ 73,883	\$ -	\$ -	\$ -	\$ -	\$ 31,800
Implied fuel usage @ \$1.50/gal	-	6,222	57,378	49,255	-	-	-	-	21,200
Percentage subject to fuel tax	50%	50%	50%	50%	50%	50%	50%	50%	50%
Fuel tax rate (\$ per gallon)	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.225
Fue tax revenue	\$ -	\$ 700	\$ 6,455	\$ 5,541	\$ -	\$ -	\$ -	\$ -	\$ 2,385

Sa es and Use Taxes on Construction Expenditures (state)

Construction expenditures subject to sales/use tax									
	\$ -	\$ 349,765	\$ 3,225,609	\$ 2,768,972	\$ -	\$ -	\$ -	\$ -	\$ 1,191,791
State tax rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
State tax revenues	\$ -	\$ 17,488	\$ 161,280	\$ 138,449	\$ -	\$ -	\$ -	\$ -	\$ 59,590
Local option tax rate (sales tax only) /1									
	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Loca option revenues	\$ -	\$ 3,498	\$ 32,256	\$ 27,690	\$ -	\$ -	\$ -	\$ -	\$ 11,918

/1 Iowa counties only impose a local option sales tax, rather than a sales/use tax. As a result, potential county revenues in Iowa are reduced 50% to approximate the foregone use tax revenue.

Sa es and Use Taxes on Construction Expenditures, by County

Local option tax revenues		\$ -	\$ 3,498	\$ 32,256	\$ 27,690	\$ -	\$ -	\$ -	\$ -	\$ 11,918
County	County weight									
Lyon	13.2%	\$ -	\$ 460	\$ 4,250	\$ 3,650	\$ -	\$ -	\$ -	\$ -	\$ 1,570
Osceola	10.1%	\$ -	\$ 350	\$ 3,250	\$ 2,790	\$ -	\$ -	\$ -	\$ -	\$ 1,200
Sioux	25.6%	\$ -	\$ 890	\$ 8,250	\$ 7,080	\$ -	\$ -	\$ -	\$ -	\$ 3,050
O'Brien	23.3%	\$ -	\$ 810	\$ 7,500	\$ 6,440	\$ -	\$ -	\$ -	\$ -	\$ 2,770
Clay	15.5%	\$ -	\$ 540	\$ 5,000	\$ 4,290	\$ -	\$ -	\$ -	\$ -	\$ 1,850
Dickinson	12.4%	\$ -	\$ 430	\$ 4,000	\$ 3,430	\$ -	\$ -	\$ -	\$ -	\$ 1,480
	100.0%	\$ -	\$ 3,480	\$ 32,250	\$ 27,680	\$ -	\$ -	\$ -	\$ -	\$ 11,920

Persona State Income Tax

Employment impact (jobs)	-	16	119	103	-	-	-	-	153
Average annual wage		\$ 17,323	\$ 19,513	\$ 19,445					\$ 19,585
Applicable State tax rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
State tax revenues	\$ -	\$ 20,788	\$ 174,154	\$ 150,213	\$ -	\$ -	\$ -	\$ -	\$ 224,738

Persona Sa es Tax Impacts

Employment impact (jobs)	-	16	119	103	-	-	-	-	153
Average annual wage		\$ 17,323	\$ 19,513	\$ 19,445					\$ 19,585
Proportion of wage spent on taxable goods and services									
	50%	50%	50%	50%	50%	50%	50%	50%	50%
State tax rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
State tax revenues	\$ -	\$ 6,929	\$ 58,051	\$ 50,071	\$ -	\$ -	\$ -	\$ -	\$ 74,913
Local option tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Loca option revenues	\$ -	\$ 2,772	\$ 23,220	\$ 20,028	\$ -	\$ -	\$ -	\$ -	\$ 29,965

Minnesota Taxes

PERSONAL INCOME TAX		
Rate	Application	Allocation
5.35%	Married Joint Married Sep. Single Head of Household \$0 - \$27,780 \$0 - \$13,890 \$0 - \$19,010 \$0 - 23,400	General Fund
7.05%	\$27,781 - \$110,390 \$13,891 - \$55,200 \$19,011 - \$62,440 \$23,401 - \$94,030	General Fund
7.85%	\$110,391 & more \$55,201 & more \$62,441 & more \$94,031 & more	General Fund
CORPORATE INCOME TAX		
Rate	Application	Allocation
9.80%	Minnesota taxable net income of the corporation (called Corporate Franchise Tax), Domestic & foreign corporations & financial institutions	General Fund
SALES/USE TAX		
Rate	Application	Allocation
6.50%	Sales: Tangible personal property & specified taxable services; Use: all taxable items brought into Minnesota or bought from sellers who didn't collect Minnesota sales tax Exempt: clothing or food for home consumption Water for residential use or industrial production (thru exemption form) is exempt from sales tax, but water for commercial use is taxable. Materials used in the construction of water supply system are subject to sales tax.	General Fund
FUEL TAX		
Rate	Application	Allocation
\$.142/gal blend of gas & 85% ethanol \$.20/gal all other gasoline and	Fuels used in highway vehicles, aircraft, boats, snowmobiles, & all terrain vehicles	Hwy fuels into Hwy User Tax Distribution Fund (97.2135%), Special Revenue Fund (1.5605%), Natural Resources

Minnesota does not have local option taxes in the counties of the study area, nor does the state have a contractors' excise tax.

Minnesota Tax Revenue Summary

Project Year	1	2	3	4	5	6	7	8	9	10
Fue Usage and Fue Tax Revenue										
Estimated fuel cost during construction:										
Distribution system (inc. lines, pump stations, and storage)	\$ -	\$ 25,180	\$ 103,977	\$ 26,989	\$ 151,699	\$ -	\$ -	\$ 52,531	\$ -	\$ -
Implied fuel usage @ \$1.50/gal	-	16,787	69,318	17,993	101,133	-	-	35,021	-	-
Percentage subject to fuel tax	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Fuel tax rate (\$ per gallon)	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
Fue tax revenue	\$ -	\$ 1,679	\$ 6,932	\$ 1,799	\$ 10,113	\$ -	\$ -	\$ 3,502	\$ -	\$ -

Sa es and Use Taxes on Construction Expenditures

Construction expenditures subject to

sales/use tax	\$ -	\$ 955,758	\$ 3,946,674	\$ 1,024,447	\$ 5,758,101	\$ -	\$ -	\$ 1,993,943	\$ -	\$ -
State tax rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
State tax revenues	\$ -	\$ 62,124	\$ 256,534	\$ 66,589	\$ 374,277	\$ -	\$ -	\$ 129,606	\$ -	\$ -

/1 Minnesota counties in the study area do not have local option sales taxes

Persona State Income Tax

Employment impact (jobs)	-	22	84	59	115	-	-	44	-	80
Average annual wage	\$ -	\$ 19,863	\$ 20,671	\$ 20,568	\$ 20,754			\$ 20,428		\$ 20,659
Applicable State tax rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
State tax revenues	\$ -	\$ 30,808	\$ 122,414	\$ 85,553	\$ 168,263	\$ -	\$ -	\$ 63,368	\$ -	\$ 116,517

Persona Sa es Tax Impacts

Employment impact (jobs)	-	22	84	59	115	-	-	44	-	80
Average annual wage	\$ -	\$ 19,863	\$ 20,671	\$ 20,568	\$ 20,754			\$ 20,428		\$ 20,659
Proportion of wage spent on taxable goods and services	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
State tax rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
State tax revenues	\$ -	\$ 14,202	\$ 56,432	\$ 39,439	\$ 77,568	\$ -	\$ -	\$ 29,212	\$ -	\$ 53,713

Minnesota Tax Revenue Summary

<u>Project Year</u>	11	12	13	14	Totals
Fuel Usage and Fuel Tax Revenue					
Estimated fuel cost during construction:					
Distribution system (inc. lines, pump stations, and storage)	\$ -	\$ 71,093	\$ 60,494	\$ 25,076	\$ 517,040
Implied fuel usage @ \$1.50/gal	-	47,395	40,329	16,718	344,693
Percentage subject to fuel tax	50%	50%	50%	50%	
Fuel tax rate (\$ per gallon)	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	
Fuel tax revenue	\$ -	\$ 4,740	\$ 4,033	\$ 1,672	\$ 34,469

Sales and Use Taxes on Construction Expenditures

Construction expenditures subject to 6.5% sales/use tax	\$ -	\$ 2,698,496	\$ 2,296,175	\$ 951,042	\$ 5,986,303
State tax rate					
State tax revenues					

/1 Minnesota counties in the study area do not

Personal State Income Tax

Employment impact (jobs)
 Average annual wage
 Applicable State tax rate
 State tax revenues

Personal Sales Tax Impacts

Employment impact (jobs)
 Average annual wage
 Proportion of wage spent on taxable goods and services
 State tax rate
State tax revenues

Iowa Taxes		PERSONAL INCOME TAX			CORPORATE INCOME TAX			SALES/USE TAX			CONTRACTORS' EXCISE TAX			FUEL TAX		
	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	
Iowa State Tax	0.36% on first \$1,148 0.72% on second \$1,148 2.43% on next \$2,296 4.50% on next \$5,740 6.12% on next \$6,888 6.48% on next \$5,740 6.80% on next \$11,480 7.92% on next \$17,220 8.98% on all over \$51,660	Imposed on IA net income of individuals and estates and trusts (taxpayers with a combined income of \$13,500 or less or \$9,000 or less for singles are not required to pay IA income tax)	General Fund	6% on first \$25,000 8% on next \$75,000 10% on next \$150,000 12% on all over \$250,000	Imposed on the IA net income of corporations doing business within this state or receiving income from property in the state	General Fund	5.00% Sales: Imposed on gross receipts from all sales of tangible personal property & enumerated services Exemp General Fund certain foods, prescription drugs, medical devices, & farm & industrial machinery, equipment & computers Use: Out-of-state firms making sales of personal property or services purchased for use in IA, goods or services purchased tax free by consumers & used in IA If construction is in an "Enterprise Zone" designated by the Dept. of Economic Development, the contractor will pay sales tax on the materials purchased, but is entitled to a refund. If construction is in a "Non-Enterprise Zone" contractor will pay sales tax on materials. Sales to water utility and communications departments of Cities and Counties are exempt from tax. Cities and counties must collect sales tax on selling or furnishing water to commercial & residential operations/homes (water sales exempt from tax only when the water is part of a manufacturing process or ingredient in which case it is considered a chemical.) The gross receipts from the sales, furnishing or service of water by a County or City or other are subject to sales tax. No local option use taxes for the following local taxes: 1.00% "Regular" local option sales tax (LOST) Local Sales & Service Fund 1.00% School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13 Monthly payout to Schools 1.00% "Regular" local option sales tax (LOST) Local Sales & Service Fund 1.00% School Local Option Sales Tax (SILO) Effective 1/1/01 thru 12/31/11 Monthly payout to Schools 1.00% "Regular" local option sales tax (LOST) Local Sales & Service Fund 1.00% School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13 Monthly payout to Schools 1.00% "Regular" local option sales tax (LOST) Local Sales & Service Fund 1.00% School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13 Monthly payout to Schools 1.00% School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13 Monthly payout to Schools 1.00% "Regular" local option sales tax (LOST) Local Sales & Service Fund 1.00% School Local Option Sales Tax (SILO) Effective 1/1/04 thru 12/31/13 Monthly payout to Schools						\$ 203/gal gasoline Imposed on each gallon of fuel sold Road Use Tax Fund \$ 19/gal ethanol blended gasoline in IA for use in motor vehicles \$.225 diesel			
Local	Clay County Dickinson County Lyon County O'Brien County Osceola County Sioux County															
Minnesota Taxes		PERSONAL INCOME TAX			CORPORATE INCOME TAX			SALES/USE TAX			CONTRACTORS' EXCISE TAX			FUEL TAX		
	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	
Minnesota State Tax	5.35% Married Joint Married Sep. Single Head of Household \$0 - \$27,780 \$0 - \$13,890 \$0 - \$19,010 \$0 - \$23,400 7.05% \$27,781 - \$110,390 \$13,891 - \$55,200 \$19,011 - \$62,440 \$23,401 - \$94,030 7.85% \$110,391 & more \$55,201 & more \$62,441 & more \$94,031 & more	General Fund	9.80% Minnesota taxable net income of the corporation (called Corporate Franchise Tax), Domestic & foreign corporations & financial institutions	General Fund	6.50% Sales: Tangible personal property & specified taxable services all taxable items brought into Minnesota or bought from sellers who didn't collect Minnesota sales tax Exempt: clothing or food for home consumption Water for residential use or industrial production (thru exemption form) is exempt from sales tax, but water for commercial use is taxable. Materials used in the construction of water supply system are subject to sales tax.	General Fund	n/a	n/a	n/a	n/a	n/a	n/a	\$ 1.42/gal blend of gas & 85% ethanol \$.20/gal all other gasoline and diesel Fuels used in highway vehicles, aircraft, boats, snowmobiles, & all terrain vehicles Hwy fuels into Hwy User Tax Distribution Fund (97.2135%), Special Revenue Fund (1.5605%), Natural Resources Fund(1.2260%)			
Local																
South Dakota Taxes		PERSONAL INCOME TAX			CORPORATE INCOME TAX			SALES/USE TAX			CONTRACTORS' EXCISE TAX			FUEL TAX		
	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	Rate	Application	Allocation	
S.Dakota State Tax	n/a	n/a	n/a	n/a	n/a	n/a	4.00% Contractors: tangible personal property used in the performance of realty improvement contracts (materials for construction would be taxed); If County/City buys the materials for the project, there would be no sales tax assessed, but the Contractor would have to pay a use tax on the materials used. Sales: retailers' gross receipts from all sales of personal property & services; Use: privilege of the use, storage, & consumption of personal property or services	General Fund	2.00% Imposed on gross receipts of prime & subcontractors on realty improvement contracts for qualifying utility projects - Lewis and Clark - (value of owner furnished materials are not subject to excise tax).	General Fund	\$.22/gal. - motor fuel/special fuel; \$.20 - Ethanol blends	All fuel except dyed diesel fuel (except of tax depending on use)	State Highway Fund			
Local	Alcester Baltic Beresford Brandon Canton Centerville Chancellor Colton Crooks Davis Dell Rapids Elk Point Harrisburg Hartford Humboldt Hurley Lennox Madison Marion Monroe North Sioux City Parker Ramona Sioux Falls Tea Valley Springs Vermillion Viborg Wakonda Wentworth Worthing						1.00% Exempt: construction materials delivered to a truck of a construction company for use outside city limits. Local Gov't 2.00% (1% food as defined by the Food Stamp Act.) Local Gov't 2.00% Exempt: construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act.) 2.00% Exempt: long distance toll calls, construction materials delivered to a truck of a construction company for use outside city limits. (1% food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 2.00% Exempt: construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act.) 2.00% Exempt: construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act.) 2.00% (1% food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 2.00% Exempt: Construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act; 3% alcoholic beverages) Local Gov't 2.00% (1% food as defined by the Food Stamp Act.) Local Gov't 2.00% (1% food as defined by the Food Stamp Act.) Local Gov't 2.00% Exempt: Construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 2.00% Exempt: Construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 2.00% Exempt: Construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 1.00% Local Gov't 2.00% (1% food as defined by the Food Stamp Act.) Local Gov't 2.00% (1% food as defined by the Food Stamp Act.) Local Gov't 1.00% Local Gov't 2.00% Exempt: Construction materials delivered to a truck of a construction company for use outside city limits. (1%) Local Gov't food as defined by the Food Stamp Act & Sioux Falls Lodging; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 2.00% (1% food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 1.00% Local Gov't 2.00% (1% food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't 2.00% (1% food as defined by the Food Stamp Act.) Local Gov't 1.00% Exempt: Construction materials delivered to a truck of a construction company for use outside city limits & Food as defined by the Food Stamp Act Local Gov't 2.00% (1% food as defined by the Food Stamp Act; 3% alcoholic beverages, eating establishments, lodging accommodations, ticket sales or admissions to places of amusement, athletic, & cultural events) Local Gov't									