

## **Local Option Sales Tax for County Highway Projects**

*The citizens of Northwest Wisconsin request: Enabling legislation to provide counties with the option of a one-half-percent (0.5%) local sales tax to fund county highway projects.*

### **Background**

One of the most important roles of county government is the maintenance of a safe, reliable and efficient transportation system. County highways are the backbone of the rural transportation infrastructure in Northwest Wisconsin. County highway systems link both passenger and commercial vehicles to the federal and state highway systems. County roads are used by people commuting to and from work and school, by the logging and timber industry to haul raw materials to market, and by tourists and vacationers who enjoy the natural resources that Northwest Wisconsin has to offer. County roads are crucial to economic development and a high quality of life.

In Northwest Wisconsin, our counties are large in size and thus have many miles of county highways that must be maintained and improved. Severe climate, challenging soil types and the reliance of industry on county highway systems, create a need for a creative solution to funding county highway projects. Douglas County provides one example of the funding challenges counties face when attempting to address transportation infrastructure needs.

Douglas County has over 337 miles of county highways. Many of Douglas County's highways and bridges are in need of significant repair and/or reconstruction. According to the Douglas County Highway Department, the total cost to significantly improve the average PASER (Pavement Surface Evaluation Ratings) of Douglas County Highways exceeds \$100 million. Two projects alone, the reconstruction of a 1.6 mile segment of County Highway Z and a 10 mile segment of County Highway C (both highways are heavily used by the timber and logging industry) have an estimated total cost in excess of \$22 million. This need far outstrips the resources the County has at its disposal.

Douglas County is diligent in pursuing all potential sources of funding for highway projects. In the past, the County had been successful in obtaining federal and state dollars to undertake major highway reconstruction projects. However, the likelihood of significant state and federal funds for current and future County highway projects is limited due to budget issues at the federal and state level.

Douglas County has budgeted approximately \$2.0 million in each of the past several years for highway projects as part of the County's annual operating budget. This funding has allowed the County to pulverize and pave approximately 6.5 miles of highway per year. At this pace, it will take over 50 years to complete the highway projects identified as necessary while segments of the County's highway system will continue to deteriorate at an ever increasing rate

To try to close the funding gap for highway projects, the Executive Committee of the Douglas County Board of Supervisors approved, in concept, a long term highway bonding schedule that would provide \$2.0 million to \$4.0 million per year in additional funding for county highway projects starting in 2015. With anticipated inflation, and assuming that this bonding approach is

continued beyond 2019, it will still take the County over 30 years to adequately address its highway needs.

Douglas County has considered imposing a county vehicle registration fee or “wheels tax” as a means of funding highway projects. If applied in Douglas County, a wheels tax (of between \$10 and \$20) could raise between \$360,000 and \$730,000 of revenue per year. The amount raised would fall far short of the amount necessary to adequately address county highway funding needs and would place an additional tax burden solely on Douglas County residents who own vehicles. The counties of Ashland, Bayfield and Iron face the same dilemma.

### **The Solution**

A financing mechanism that would significantly help the counties of Northwest Wisconsin address their highway funding needs was posited in a report entitled, “Keep Wisconsin Moving –Smart Investments, Measurable Results,” that was released in January 2013 by the Wisconsin Transportation Finance and Policy Commission. The Commission was chaired by Wisconsin Department of Transportation Secretary Mark Gottlieb. Among the recommendations of the Commission was the support of legislation to authorize a maximum one-half-percent (0.5%) local option sales tax, for transportation purposes, in counties with population less than 100,000.

The counties of Northwestern Wisconsin would like to pursue this dedicated, sales tax. Increasing the sales tax by 0.5% would raise approximately \$3.0 million per year for Douglas County, approximately \$1.0 million per year each for Ashland and Bayfield Counties and approximately \$400,000 per year for Iron County. A county highway dedicated sales tax would help spread part of the burden of paying for county highway projects to county residents, visitors and tourists alike. The total sales tax in the counties would increase to 6.0% which would still be less than the sales tax in nearby Duluth, Minnesota (currently 7.875%).

If enacted into state law, the counties would use the revenue raised by the 0.5% local option sales tax exclusively for reconstruction and/or major repair projects to county highways and bridges and would maintain their current level of highway project levy funding. A local option dedicated sales tax has garnered support. A recent survey of Superior-Douglas County Chamber of Commerce members found that 83% of those responding to the survey support the concept.

We respectfully ask the Wisconsin Legislature and Governor Walker to include in the 2015-2017 Wisconsin Budget language providing the counties of Northwest Wisconsin the option of a 0.5% local sales tax to fund county highway projects.