

### Support for a Pilot Project that would allow a Local Option Sales Tax for Highway Projects in Douglas County

#### The Citizens of Northwest Wisconsin Request

The citizens of Northwest Wisconsin request passage and adoption of legislation that would allow Douglas County, as a pilot project, to enact an additional ½% sales and use tax for local highway and street maintenance projects.

#### Background

Our roads are the lifeblood for commerce in Northwest Wisconsin. The worsening conditions of these vital assets cannot be argued. Our businesses recognize it and our citizens recognize it. We need to stop talking around the problem. Our citizens want us to “Just Fix It.” It's that simple.

For the past three years, Douglas County has led the effort for the passage of legislation that would allow Wisconsin counties, after referendum, to adopt a ½% local option sales tax to be used for local highway and street maintenance projects. The local option sales tax idea was a recommendation posited in the “Keep Wisconsin Moving –Smart Investments, Measurable Results” report that was released in January 2013 by the Wisconsin Transportation Finance and Policy Commission. The Commission was chaired by former Wisconsin Department of Transportation Secretary Mark Gottlieb. In Douglas County, the Superior-Douglas County Chamber of Commerce has gone on record supporting a local option sales tax for highway and street projects. A 2013

#### *Issue Summary:*

Insert in the 2017-2019 Budget, language which would create a pilot project utilizing an innovative approach to funding local highway and road needs. The project would be limited to Douglas County. Douglas County, after citizen referendum, would be allowed to enact an additional ½% sales tax dedicated to local road maintenance, improvement and reconstruction projects.

Distribution of sales tax revenue between the County and the towns, villages and municipalities within it, would be according to a formula based on road miles and population. The local option sales tax would expire after four years unless reapproved by citizen referendum.

A local option sales tax would help spread the burden of paying for local road projects to county residents, visitors and tourists alike. Such an option would also decrease the need to utilize bonding and thus greatly assist in slowing the rate of growth in the local property tax levy.

In Douglas County, the Superior-Douglas County Chamber of Commerce has gone on record supporting a local option sales tax for highway and street projects. A 2013

survey of Chamber members found that approximately 80% of those responding to the survey support the concept. The Douglas County Unit of the Wisconsin Towns Association has also gone on record in support.

During the 2015-2016 legislative session, Assembly Bill 210, co-authored by Representative Knudson and Senator Tiffany and co-sponsored by Representatives Kitchens, Knodl, Krug, Kulp, T. Larson, Nygren, Quinn, Ripp, Spiros, Milroy, Kolste, Heaton, Weatherston, Sanfelippo and Petryk, was recommended for passage by the Assembly Committee on Transportation. AB 210 received support from the Wisconsin Counties Association, the Wisconsin League of Municipalities, the Wisconsin Towns Association, the Wisconsin County Highway Association, the Wisconsin Transportation Builders Association and the Wisconsin Department of Transportation.

AB210 would have allowed counties, after a voter referendum, to implement a ½% local option sales tax to be used for highway and street maintenance projects. The funds raised would be allocated to the sponsoring county and to the towns, villages and cities within it using an equitable formula based on road miles and population. The local option sales tax would expire after four years unless reapproved by referendum.

However due to concerns raised by those in the southern part of the state that under the funding formula contained in AB210 municipalities would receive additional revenue” regardless of need”, the Bill failed to reach the Assembly floor for a vote. Recognizing these concerns, we are requesting that a pilot project approach be taken limited to Douglas County.

### **The Need**

The need for additional sources of revenue to fund local highway and street maintenance projects has been well documented. Counties, towns, villages and municipalities simply do not have the resources at their disposal to address the daunting need of maintaining a safe, reliable



*County Highway Y, Douglas County. Photo: James Anderson*

and efficient transportation system - a system that is vital for economic development and a high quality of life.

Douglas County and the City of Superior provide two examples of the funding challenges local units of government face when attempting to address transportation infrastructure needs.

### ***Douglas County***

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 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.



*Douglas County Highway W, Nemadji Bridge Flood Damage.  
Photo: Ryan Haworth*

In 2015, the Douglas County Board established highway and infrastructure investment at its number one priority. The Board recognized that in order to adequately fund this priority and in order for our community to grow, sources of revenue not previously utilized were needed--relying on an inadequate, antiquated funding mechanism wasn't the answer and wasn't acceptable.

Therefore, the Board approved a bonding schedule that will provide a total of \$26.5 million in additional revenue for county highway projects between 2015 and 2023. Assuming this bonding approach is continued beyond 2022, it will still take the County over 30 years to



*Douglas County Highway A. Photo: Ryan Howorth*

adequately address its highway needs. However, the debt service associated with this bonding will fall solely on the shoulders of the property taxpayers within the county. 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 generate 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 on Douglas County residents who own vehicles.

### ***City of Superior***

Similar to Douglas County, the City of Superior is also experiencing street repair costs that exceed revenue sources. The City of Superior maintains approximately 190 miles of streets, most of which have not been reconstructed in over fifty years. The reconstruction costs for the oldest 70 percent of streets is estimated at \$100 million. The City bonds about \$1.5 million annually for year-round maintenance activities on its streets, with the most popular “fix” being a mill and overlay. Reconstruction of a roadway only occurs when entitlement funds, such as STP-Urban or LRIP funding are secured. On average, the City is able to reconstruct only 1/4 mile of street per year. At this pace, it would take literally hundreds of years to reconstruct all 190 miles of Streets. While the City pursues discretionary funding, these funding sources have gotten smaller and become much more competitive.