

Sales Tax for Transportation Public Hearing

September 30th, 2019

Kanabec County Boardroom

Outline

- What is Sales Tax for Transportation?
- Why does Kanabec County need it?
- How much is generated?
- What will it be used for?

Sales Tax for Transportation

- 2013 Law Change allows all counties to enact
- Up to 0.5% - on taxable sales
- To be used for capital costs of transportation projects
- Operating costs of a transit project
- Capital Costs of a Safe Routes to School Program

Sales Tax for Transportation

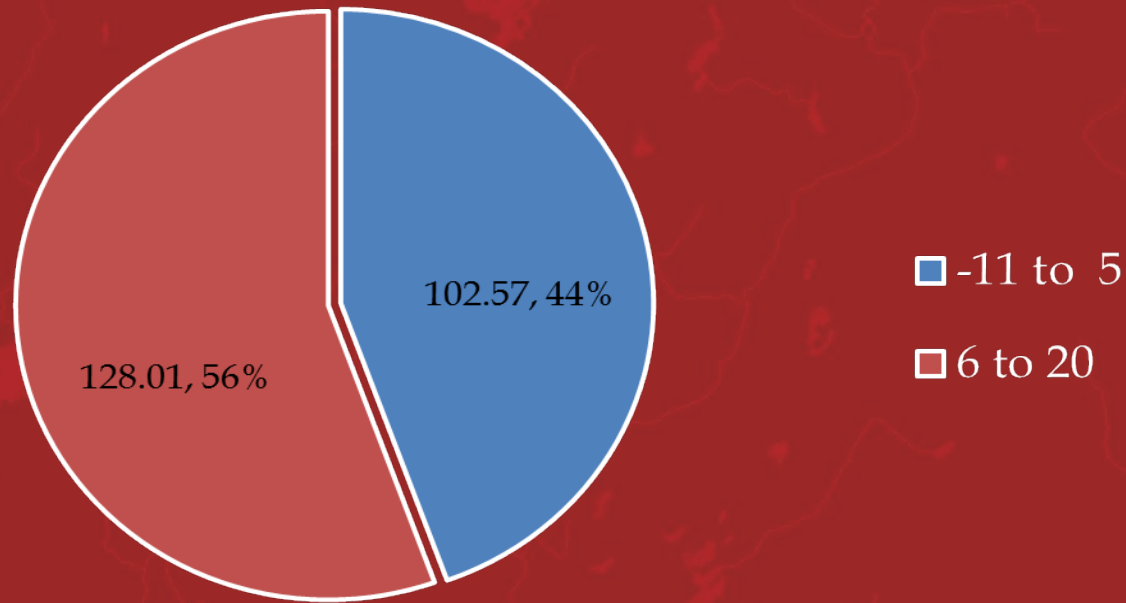
- § 297A.99 and 297A.993
 - Counties must conduct a public hearing
 - Must identify the projects
 - Must adopt a resolution
- Tax sunsets on date resolved by County Board or when the transportation projects are funded – which ever is sooner

Why Does Kanabec County Need it?

- 429 miles of roads
 - Only 212 miles are eligible for State Aid (gas tax)
 - About 121 miles are eligible for Federal Aid
- 217 miles rely on local taxes (property levy, wheelage tax, gravel tax)

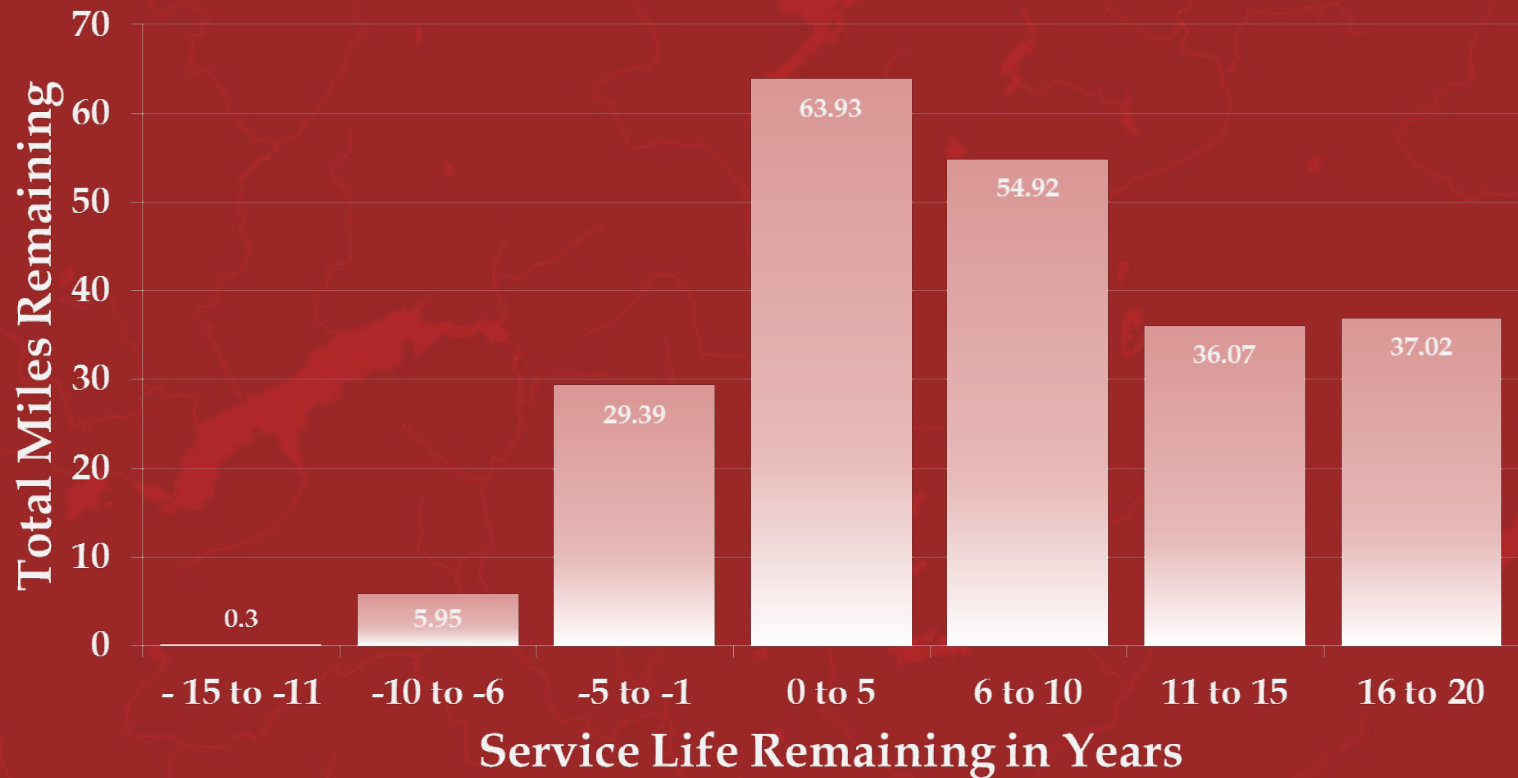
Why Does Kanabec County Need it?

2020 Remaining Service Life Distribution
(CSAH & CR Paved Roads) Miles

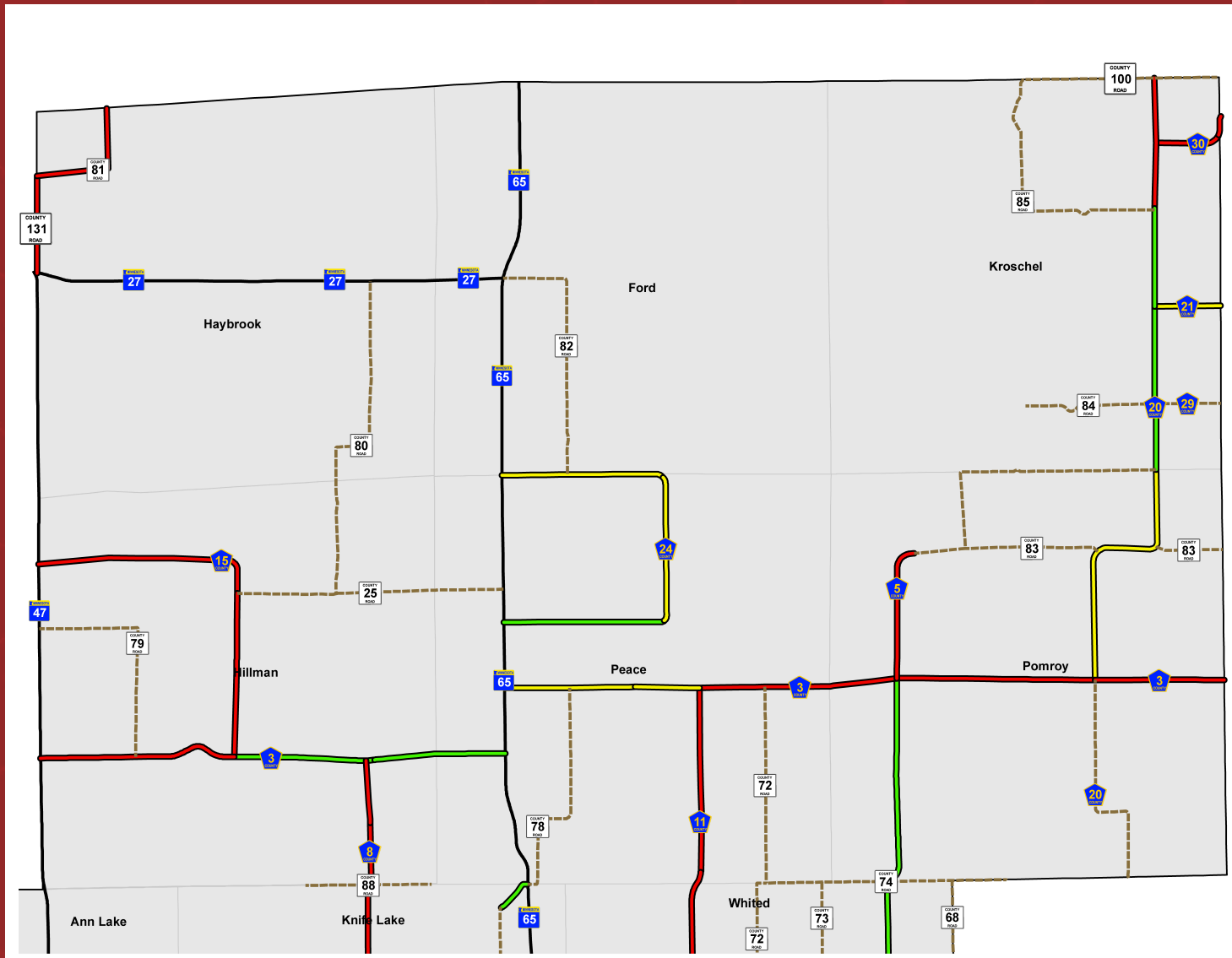


Why Does Kanabec County Need it?

2020 Remaining Service Life Distribution
(Total Miles of CSAH & CR Paved Roads)



Why Does Kanabec County Need it?



Legend

Service Life Remaining

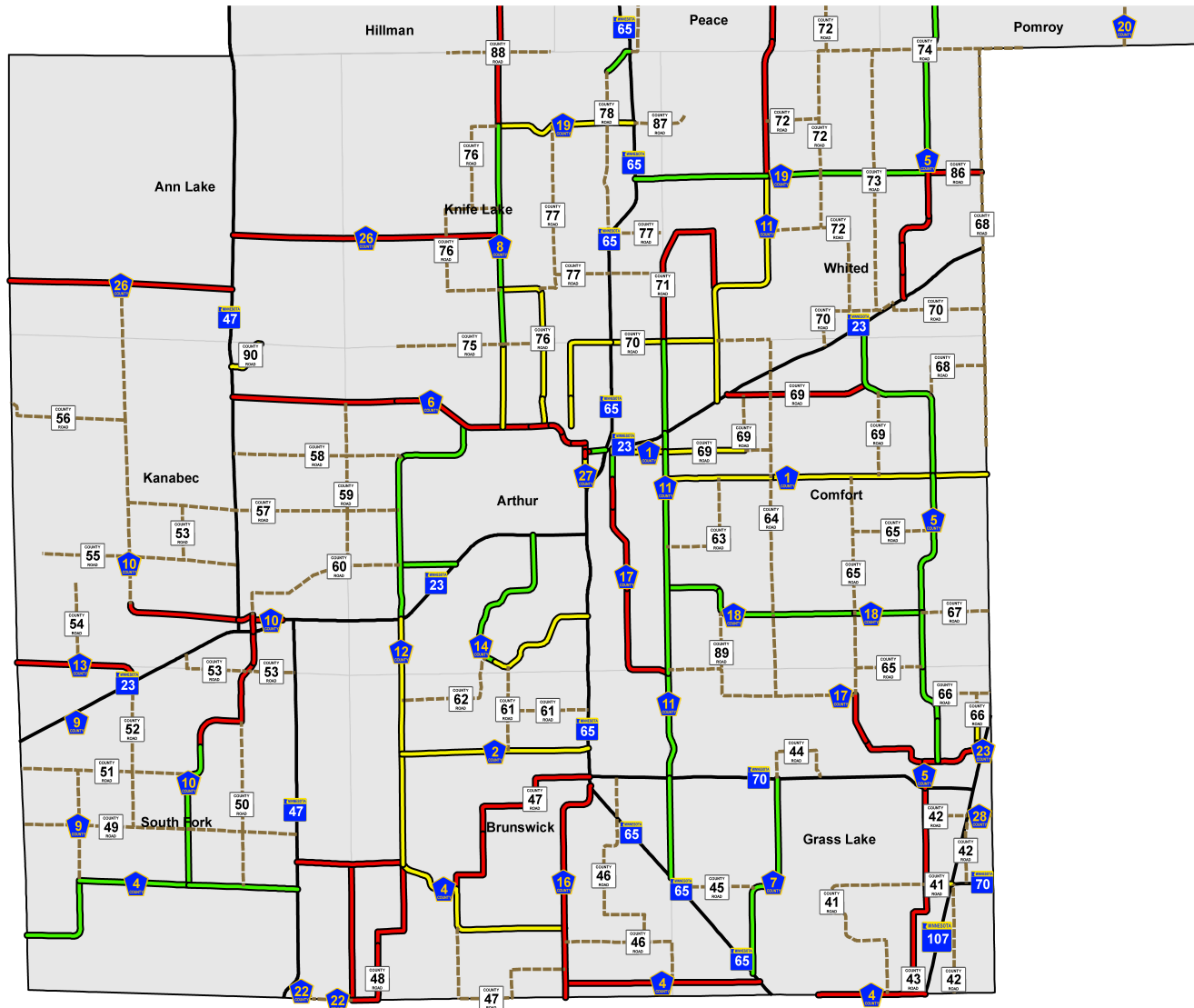
- 15 to 5 years
- 6 to 10 years
- 11 to 20 years
- Unpaved Road
- State Highway



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Why Does Kanabec County Need it?



Legend

Service Life Remaining

- 15 to 5 years
- 6 to 10 years
- 11 to 20 years
- Unpaved Road
- State Highway



Why Does Kanabec County Need it?

Life Cycle Cost Analysis of a County Highway			Life Cycle Cost Analysis of a County Gravel Road		
Year	Description	Cost/Mile	Year	Description	Cost/Mile
0	Grading, Base, Bituminous	\$600,000	0	Grading, Base, Aggregate Surfacing	\$160,000
20	Bituminous Overlay	\$150,000	Every 5	Aggregate Surfacing (\$19,000/mi)	\$228,000
40	Mill/Bituminous Overlay	\$165,000	60	Reonstrucion	
60	Reonstrucion			Total 60-yr Cost per Mile	\$388,000
	Total 60-yr Cost per Mile	\$915,000		Total Cost per Year per Mile	\$6,467
	Total Cost per Year per Mile	\$15,250		Total Miles	200
	Total Paved Miles	39		Total Annual Cost (Gravel)	\$1,293,333
	Total Annual Cost (Paved)	\$594,750			

Total Annual Cost (Paved + Gravel) = \$1,888,083

Typical Non-State Aid Funding = \$820,000

Total Annual Shortfall (CR Paved & Gravel) = **\$1,068,083**

Why Does Kanabec County Need It?

Life Cycle Cost Analysis of a County State-Aid Highway

<u>Year</u>	<u>Description</u>	<u>Cost/Mile</u>
0	Grading, Base, Bituminous	\$600,000
20	Bituminous Overlay	\$150,000
40	Mill/Bituminous Overlay	\$165,000
60	Reconstrucion	
	Total 60-yr Cost per Mile	\$915,000
	Total Cost per Year per Mile	\$15,250
	Total Miles	191
	Total Annual Cost	\$2,912,750
	Annual State Aid Construction Allotment	\$2,125,212
	Total Annual Shortfall of Funds	\$787,538

Assumptions

1. Analysis only includes paved state aid highways. Does not include gravel or non-state aid routes.
2. Does not include maintenance costs, e.g. crack sealing
3. Calculated in present value.
4. End of pavement life assumed to be 20 yrs (2.5 Ride Quality Index)
5. Does not consider any federal funding.

How much will it generate?

- The latest MN Dept of Revenue Statistics include the following taxable sales in Kanabec County:

Kanabec County Taxable Sales		
Year	Total Taxable Sales	Past Potential Revenue (calculated)
2017	\$66,169,560	\$330,848
2016	\$63,816,141	\$319,081
2015	\$58,936,588	\$294,683
2014	\$57,867,573	\$289,338
2013	\$57,440,140	\$287,201

- It is expected that a 0.5% sales tax will generate \$300,000 - \$330,000 annually

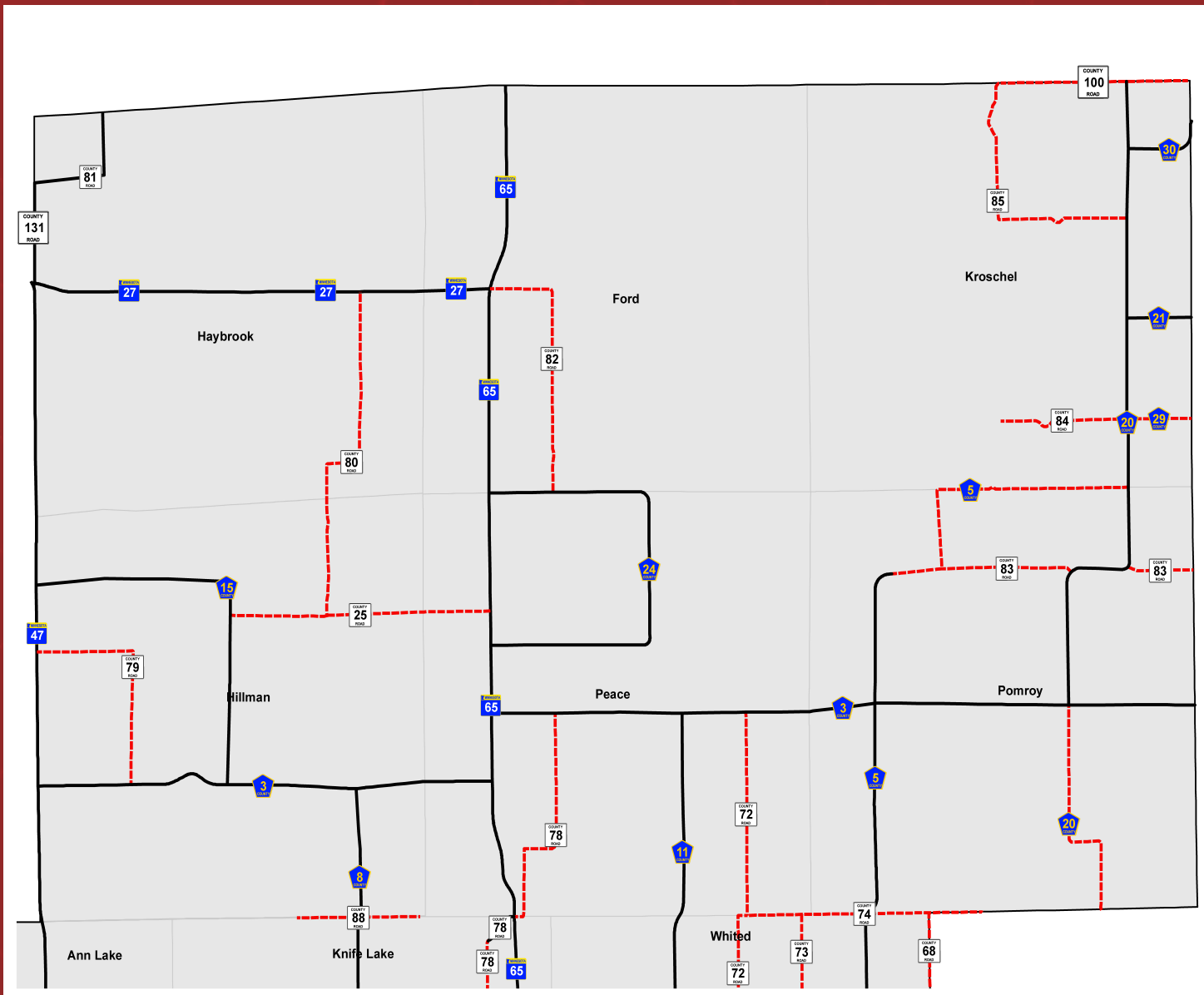
How much will it generate?

- Remember that this only applies to items subject to sales tax
 - Sales tax does not apply to unprepared food, clothing, or drugs(presc. & non presc)
- Modest revenue from sales tax will likely be supplemented with other funding mechanisms to complete projects.

What will it to be used for?

- Statute states:
 - (1) *payment of the capital cost of a specific transportation project or improvement;*
 - (2) *payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement;*
 - (3) *payment of the capital costs of a safe routes to school program under section 174.40; or*
 - (4) *payment of transit operating costs.*

What will it be used for?



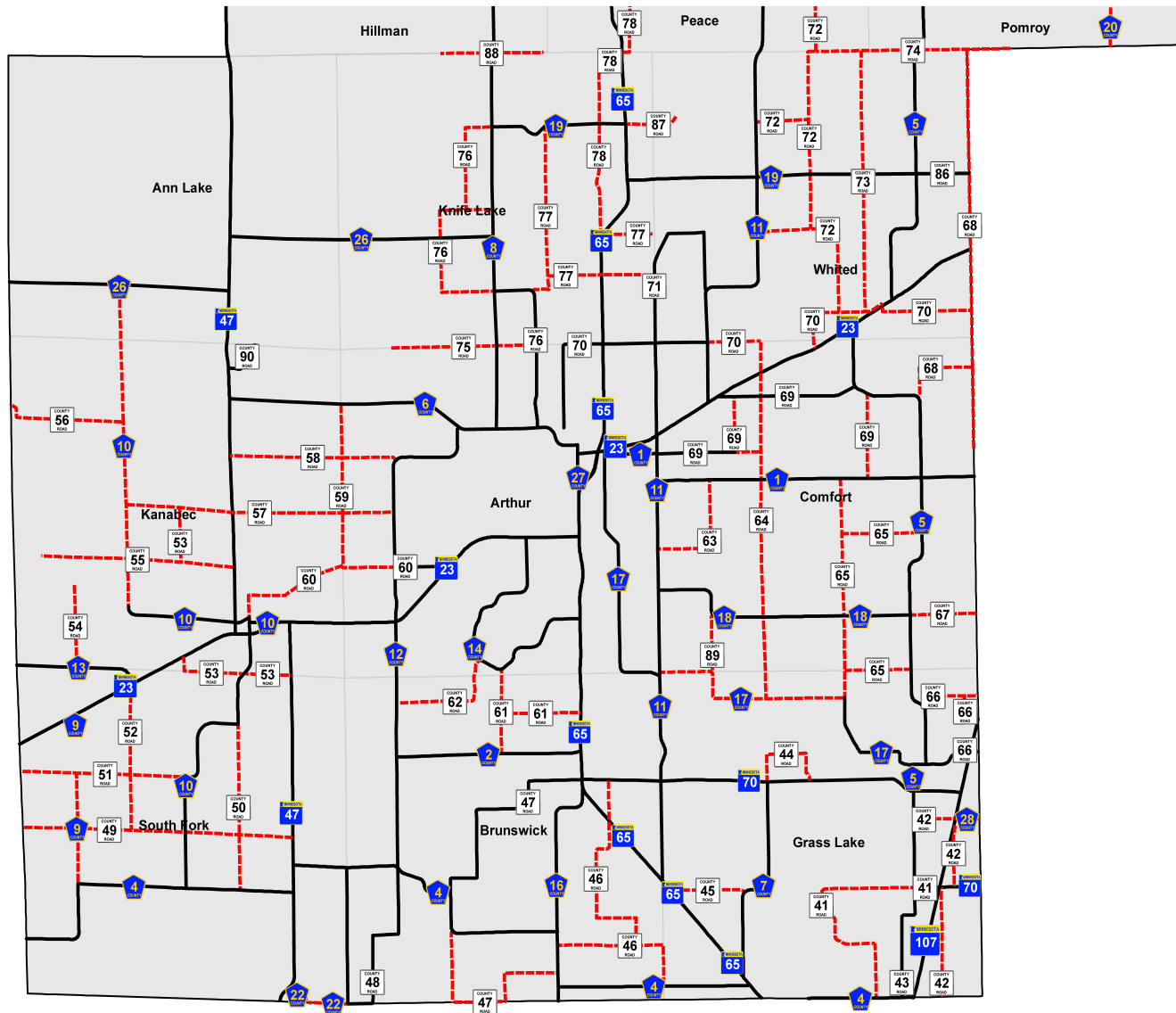
Legend

- Proposed Gravel
- Paved Road



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What will it be used for?

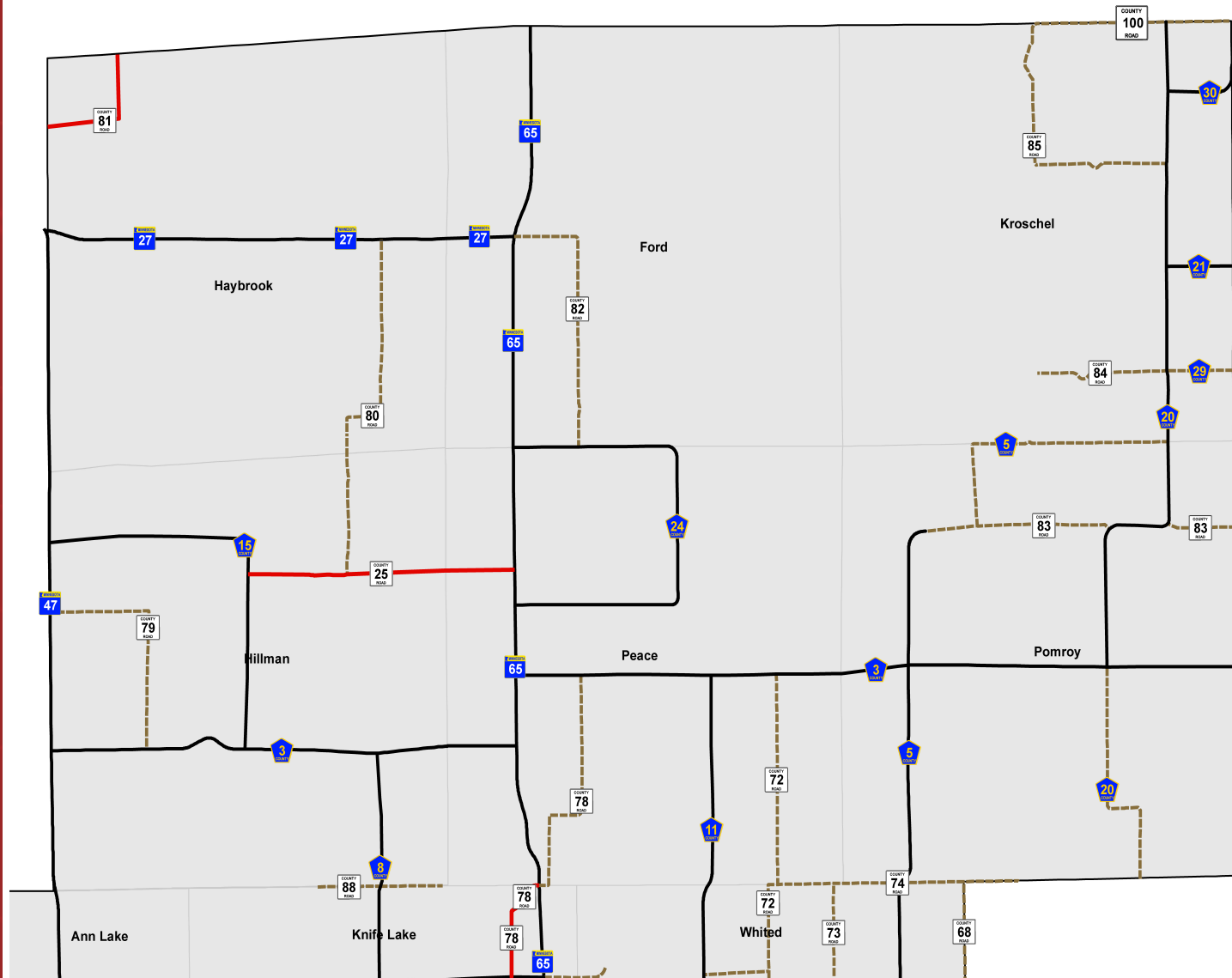


Legend

- Proposed Gravel
- Paved Road



What will it be used for?



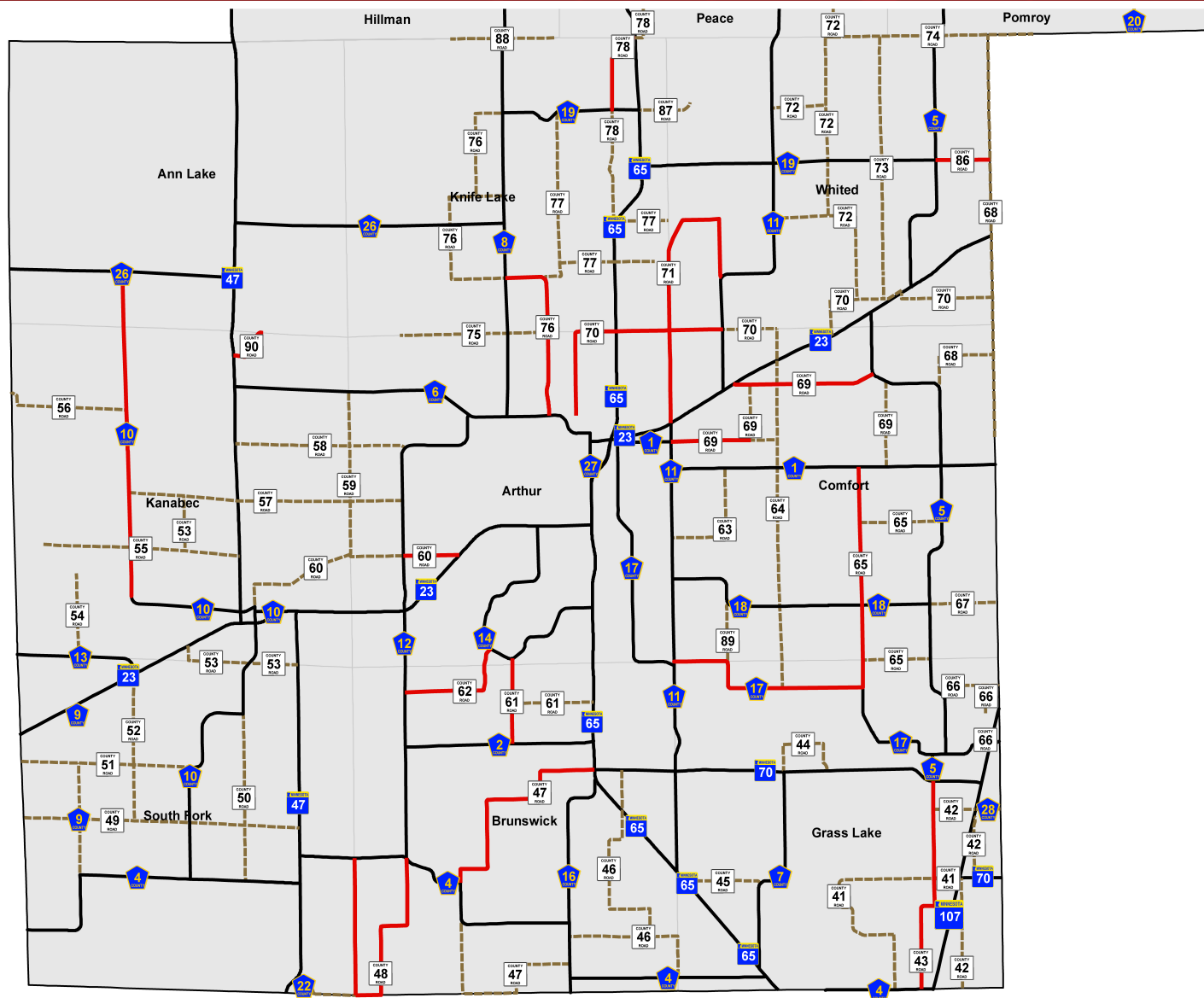
Legend

- Proposed Road Project
- Unpaved Road
- Paved Road



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What will it be used for?



Legend

- Proposed Road Project
- Unpaved Road
- Paved Road



Next Steps

- Consider adoption of a resolution to enact
 - Resolution will list projects
 - Certified to the State

Recap Sales Tax For Transportation

- Road construction needs are greater than current available funds
- Raise revenue while minimizing property levy impact
- Approximately \$330k/Year at 0.5% sales on taxable goods

Recap Sales Tax For Transportation

- Must be used on specific road projects
- Generated here
- Used here

Questions?



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