



Local Option Sales Tax for Transportation

Andrew J. Witter, P.E.
August 7, 2018

Current Legislation

- Passed in 2014
- Up to ½%
- \$100 purchase = 50 cents
- 100% of revenue locally controlled
- Governed by MN Statute 297A.99
- The tax may only be used for the following purposes:
 - Payment of the capital cost of a specific transportation project or improvement;
 - Payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement;
 - Payment of the capital costs of a safe routes to school program under section 174.40; or
 - Payment of transit operating costs.
- The taxes must terminate when revenues raised are sufficient to finance the project, except for taxes for operating costs of a transit project or improvement, or for transit operations.



Current Legislation

Effective dates; notification defined by MN Statute 297A.99, subd. 12

- A. ...may impose a tax under this section starting only on the first day of a calendar quarter. ...may repeal a tax under this section stopping only on the last day of a calendar quarter.
- B. ...shall notify the commissioner of revenue at least 90 days before imposing, changing the rate of, or repealing a tax under this section.
- C. ...shall change the rate of tax imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.
- D. ...shall apply the rate change for sales tax imposed under this section to purchases from printed catalogs, wherein the purchaser computed the tax based upon local tax rates published in the catalog, starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 120 days prior to the change.
- E. ...shall apply local jurisdiction boundary changes to taxes imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change



Current Legislation

In general terms:

- Continued County Board Discussions
- Public Hearing
- County Board Resolution
- Notification letter to the Commissioner of Revenue
 - Must be received 90 days prior to local tax start date
 - Local taxes can only start on first day of the quarter (Ex: Notification on 10/01 for start on 01/01)
- Agreement with MN Department of Revenue
- Notification to Local Businesses (60 days prior to local tax start date)
- Web Notification (60 days prior to local tax start date)



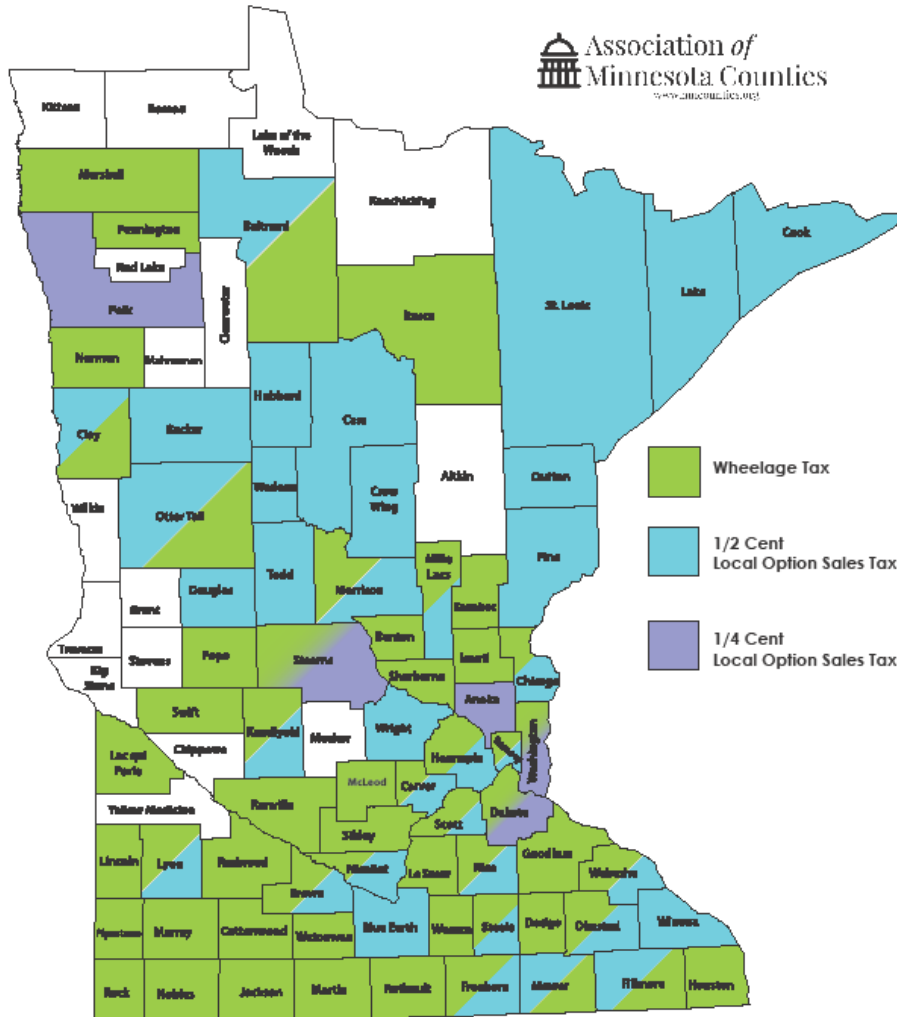
What can the LOST be used for....

- Seed Money for Sherburne Co. Trans. Priorities w/ Twps/Cities
- CIP Road Projects, which inc. Fiber Broadband on strategic corridors
- Systemic Transportation Safety Projects
- TH 25 Area Projects
- Pedestrian Safety and Pedestrian Transportation
- Ancillary Projects and/or Local Match for TH 169 thru Elk River



Local Option Taxes for Transportation

February 2018



Other MN Counties?

- LOST – 17 (20%)
- Wheelage – 30 (34%)
- LOST & Wheelage – 24 (28%)
- Nothing – 16 (18%)



2016 County Population Growth

County	% Increase	Ranking
Sherburne County	2.1	1
Carver County	1.7	2
Cook County	1.5	3
Isanti County	1.5	4
Scott County	1.5	5
Grant County	1.3	6
Olmsted County	1.2	7
Clay County	1.2	8
Cass County	1.1	9
Douglas County	1.1	10

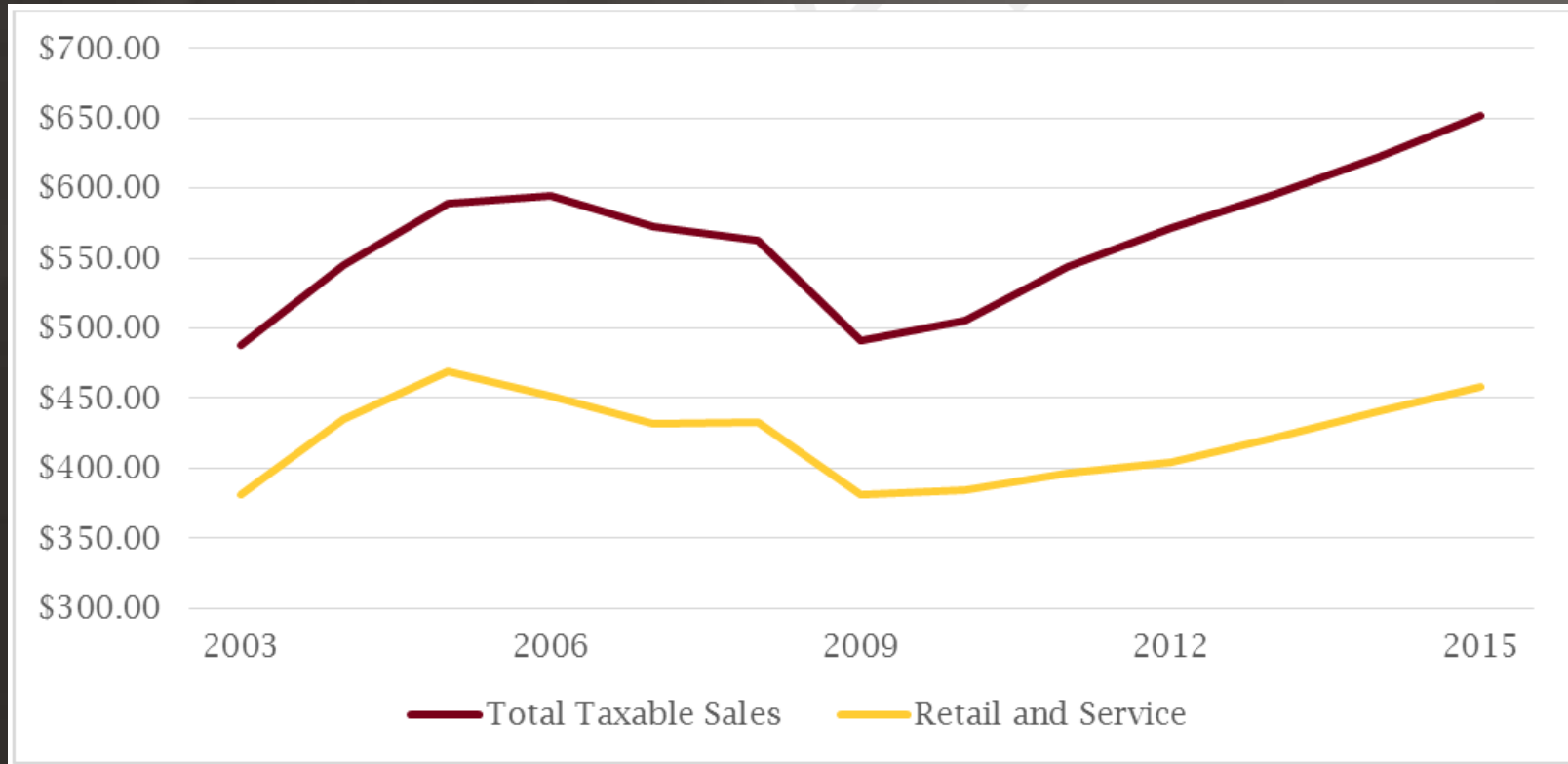
+1,905

Wright #12 Benton #23 Anoka #25 Stearns #36

Minnesota as a whole increased 0.7%



Trending Sales Tax Growth



Total Taxable and Total Retail/Service Sales (in millions)

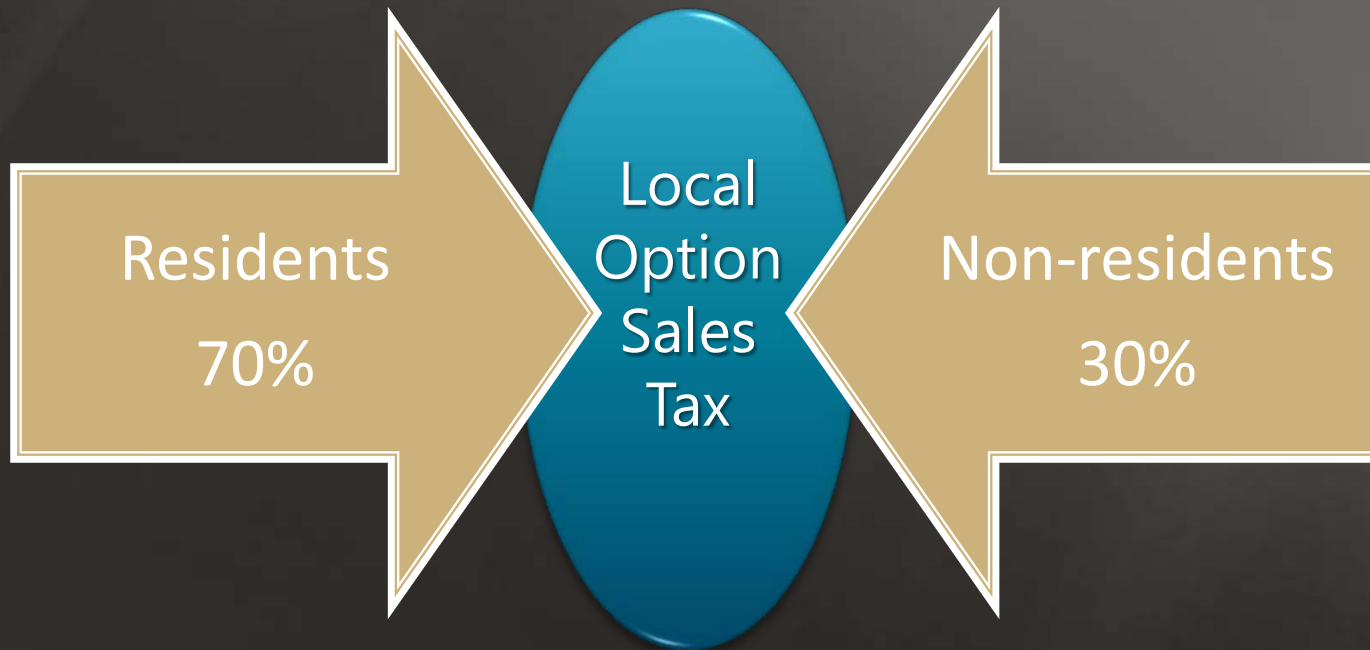
What Does this mean for Sherburne County?

- University of Minnesota Extension Study
- Estimated revenue – Est. \$3.26M/year

		Dollars	Dollars
	Total	Paid By	Paid By
ESTIMATED	Tax	Sherburne	Non-
TAX PROCEEDS	Proceeds	Residents	Residents
@ 1/8th of a Percent	\$815,510	\$584,406	\$231,104
@ 1/4th of a Percent	\$1,631,020	\$1,168,811	\$462,208
@ 3/8ths of a Percent	\$2,446,530	\$1,753,217	\$693,313
@ 1/2 of a Percent	\$3,262,039	\$2,337,622	\$924,417
Total Taxable Sales:			
\$652,407,874			



What Does this mean for Sherburne County?



The Issue

Increasing Traffic Volumes around TH 10, TH 25 and TH 169

Overrepresentation of Sherburne County Taxes allocated to Northstar operation and maintenance

Heavier truck and farm implementery using our roads and bridges

Rising construction costs

Infrastructure needed to support local growth/dev.

Project complexity increasing as we develop

Increasing highway safety concerns as volumes grow



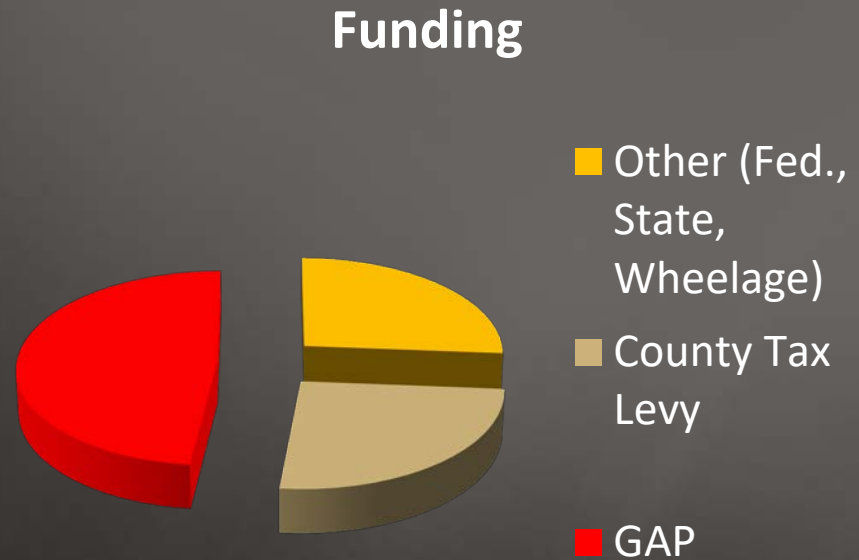
The Issue (cont.)

Funding Shortfall / Funding Gap ^{1,2}

- 2023 Thru 2040 = \$472M
- Est. Revenue = \$244M
- **Gap \$228M** (2018 dollars); Or \$13.4M/yr (2023 – 2040)

Limited and Uncertain State and Federal Funds

Metro Trans. Needs with Greater MN funding sources



¹ If inflation included, Gap grows to \$407M (nearly \$24M/Yr)

² No funds included for TH 25 Area Improvements, nor new River Xing



2040 Needs Breakdown

(By Project Type)

\$107.9M – Pavement Preservation

\$ 5.9M – Freight

\$ 83.4M – Capacity

\$136.7M – New Connections

\$ 10.3M – Intersection Control

\$ 7.3M – Safety

\$ 40.5M – Jurisdictional Transfers

\$392.0M – SUBTOTAL ROAD PROJECTS

\$ 10.0M – Bridge Replacement

\$ 7.4M – Regional/Commuter Trails

\$ 62.6M – Pedestrian Safety Projects

TOTAL \$472M



2040 Needs Breakdown

(By Need)

\$168M – Higher Priority Projects

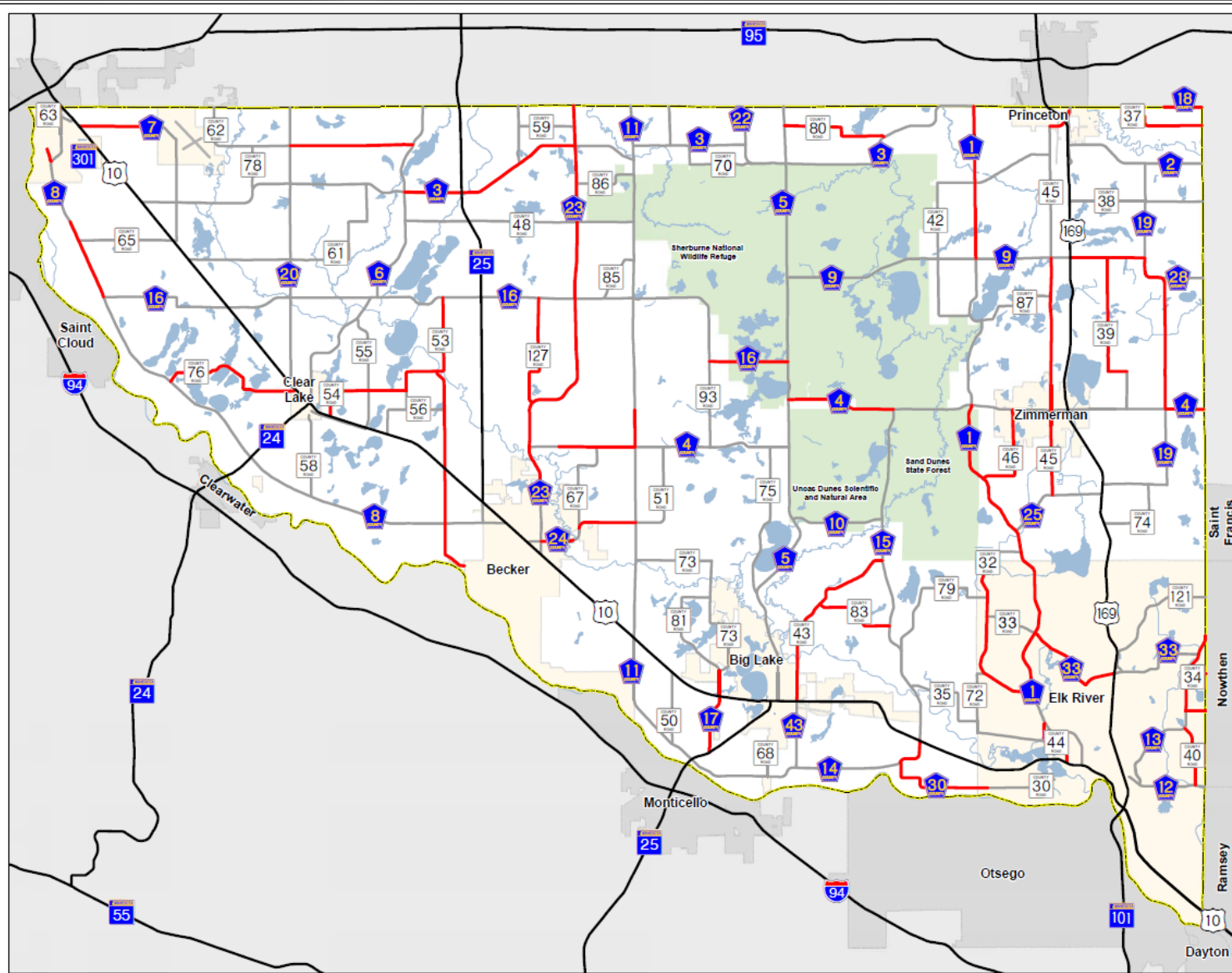
\$304M – Priority Projects within the next 20 years

\$472M – TOTAL





Figure X: Pavement Projects
Sherburne County Transportation Plan
Sherburne County, MN



- Future Pavement Projects
- County Highways
- County Boundary

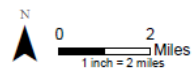
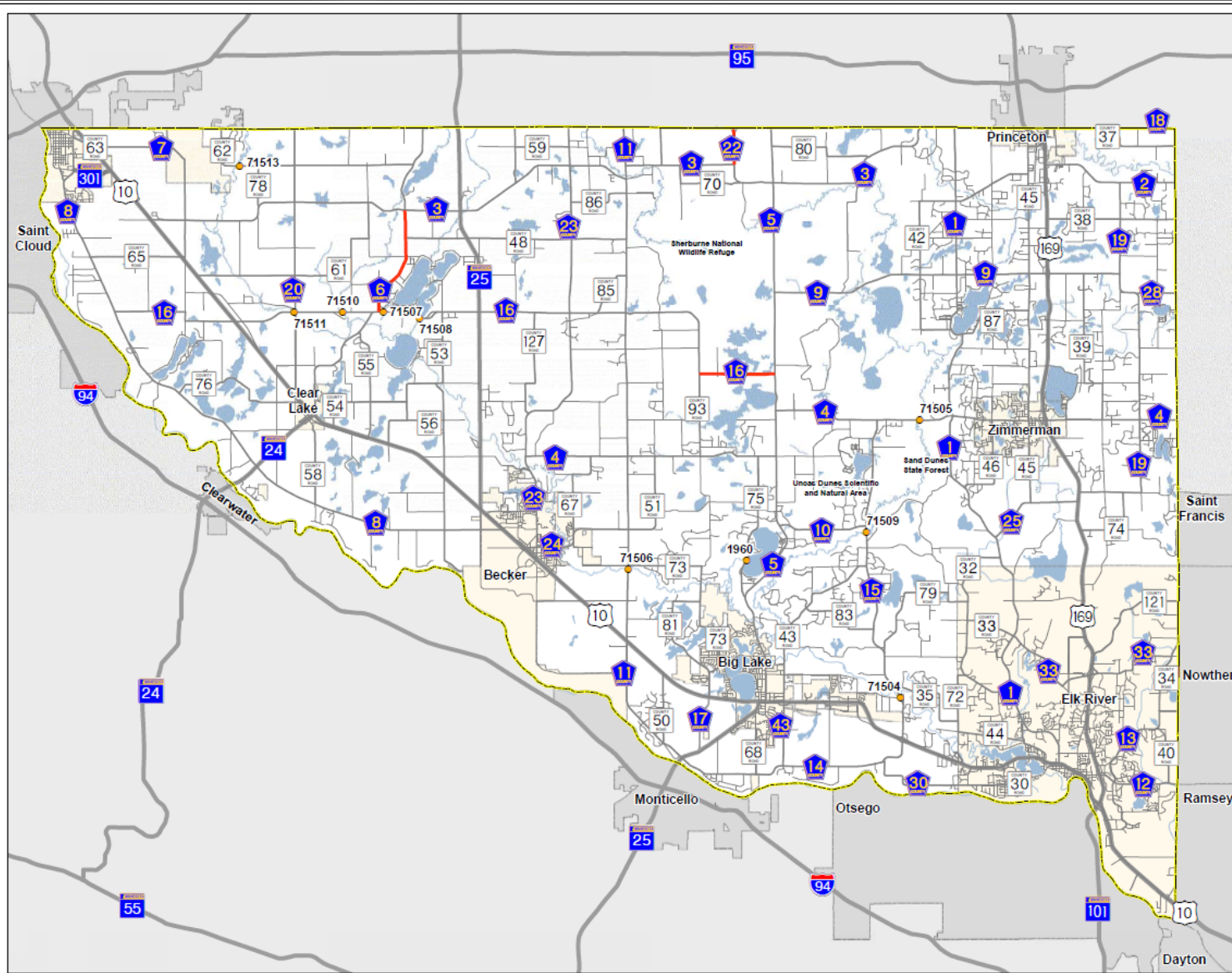




Figure X: Bridge and Freight Projects
Sherburne County Transportation Plan
Sherburne County, MN



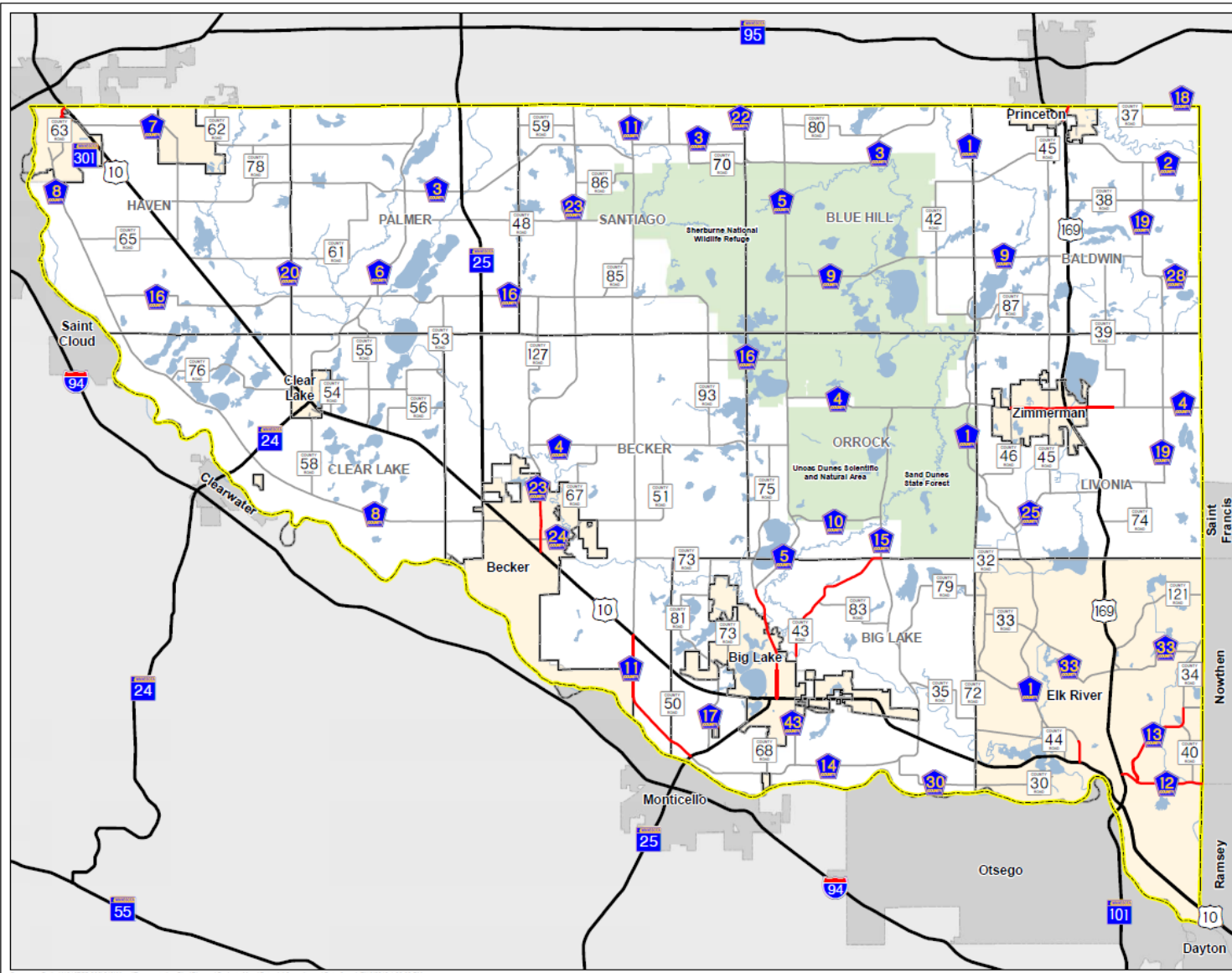
- Future Freight Projects
- Future Bridge Projects
- County Boundary

0 2 Miles
1 inch = 3 miles





Figure X: Potential Capacity Projects
Sherburne County Transportation Plan
Sherburne County, MN



- Potential Capacity Projects
- Township Boundary
- County Boundary

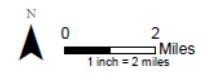
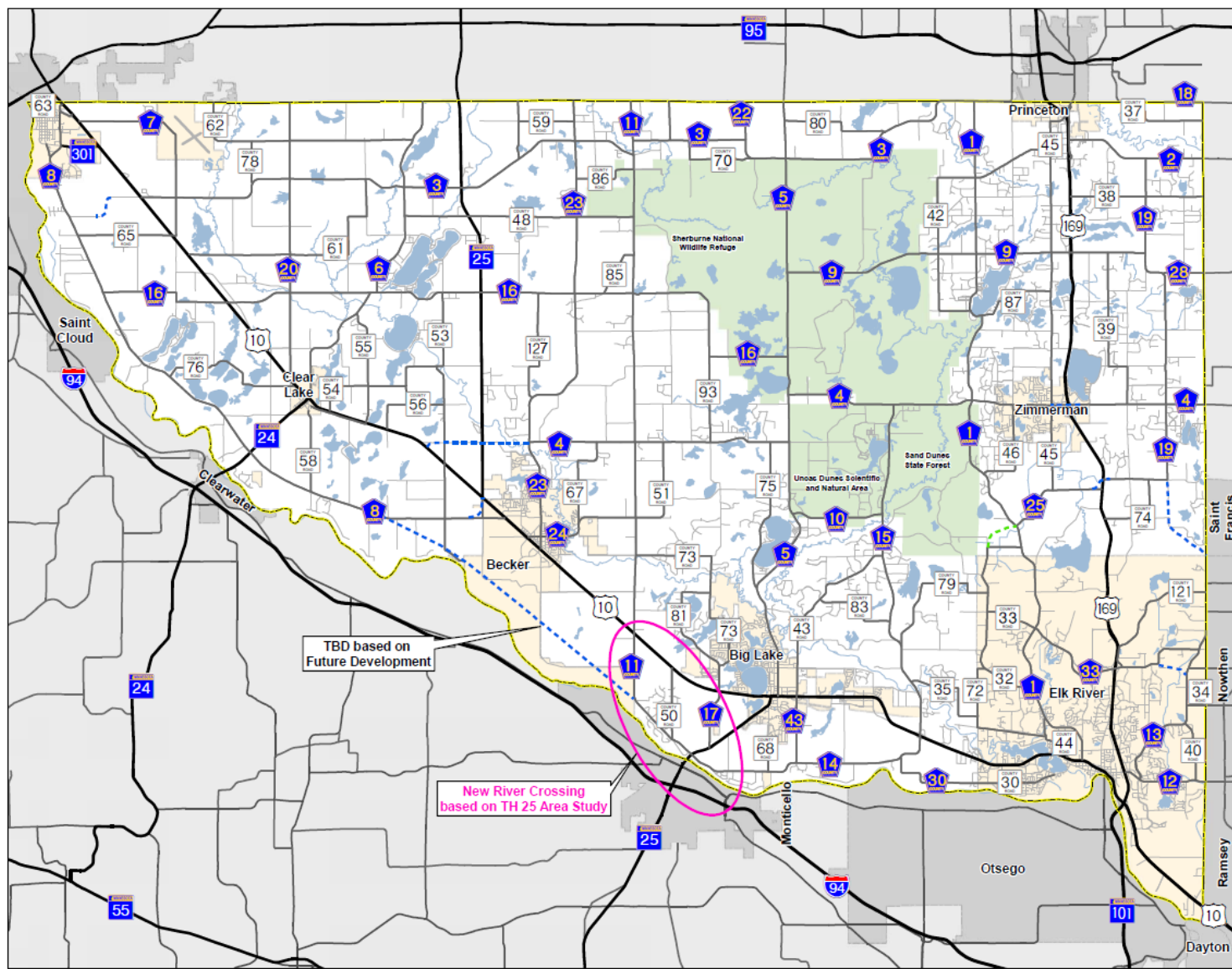




Figure X: New County Connections Projects
 Sherburne County Transportation Plan
 Sherburne County, MN



	County Highways
	Future County State Aid Highways
	Future County Roads
	City and Township Roads
	County Boundary

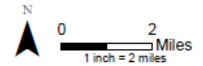
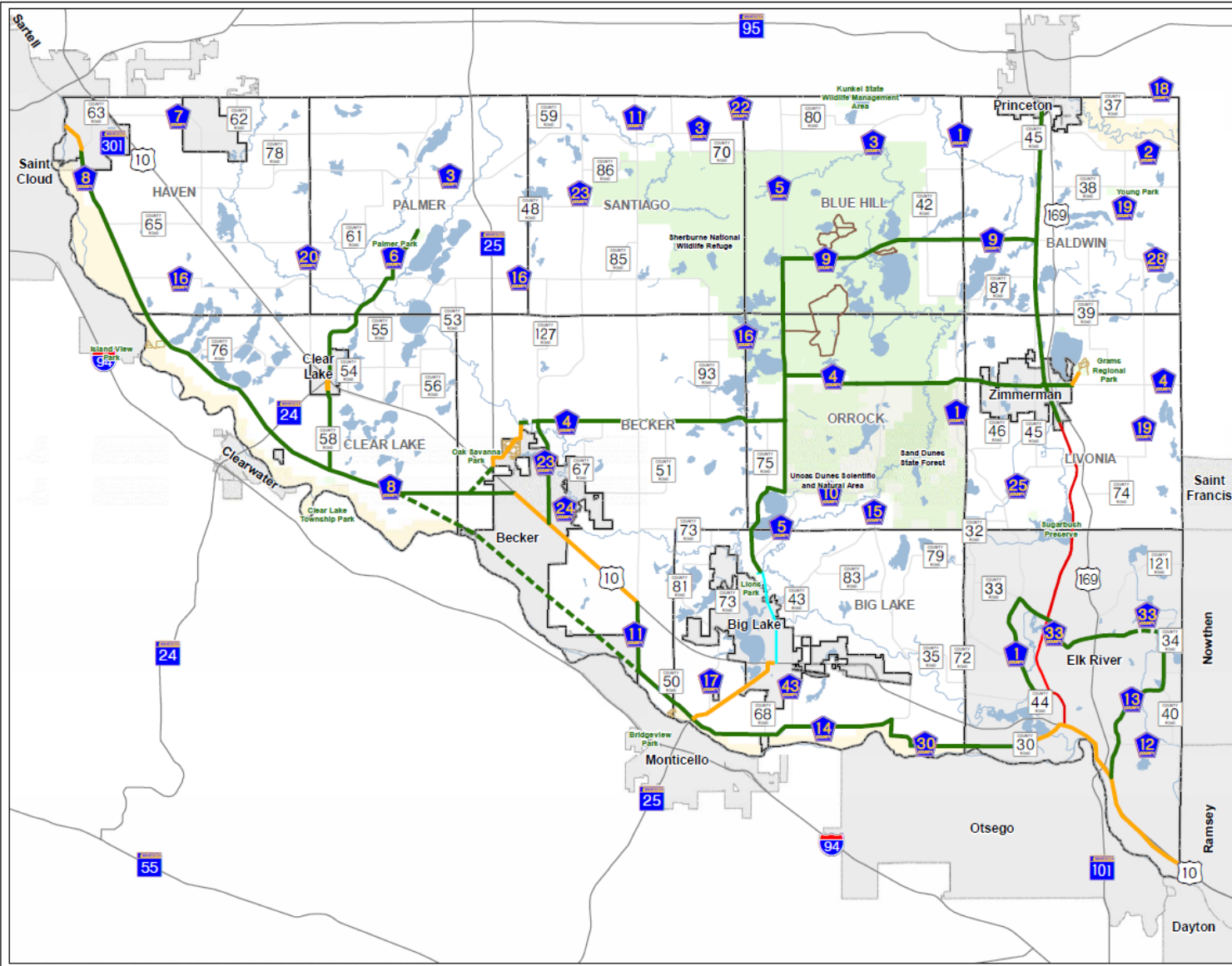
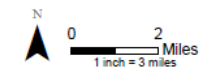




Figure X: County Parks and Trails
 Sherburne County Transportation Plan
 Sherburne County, MN

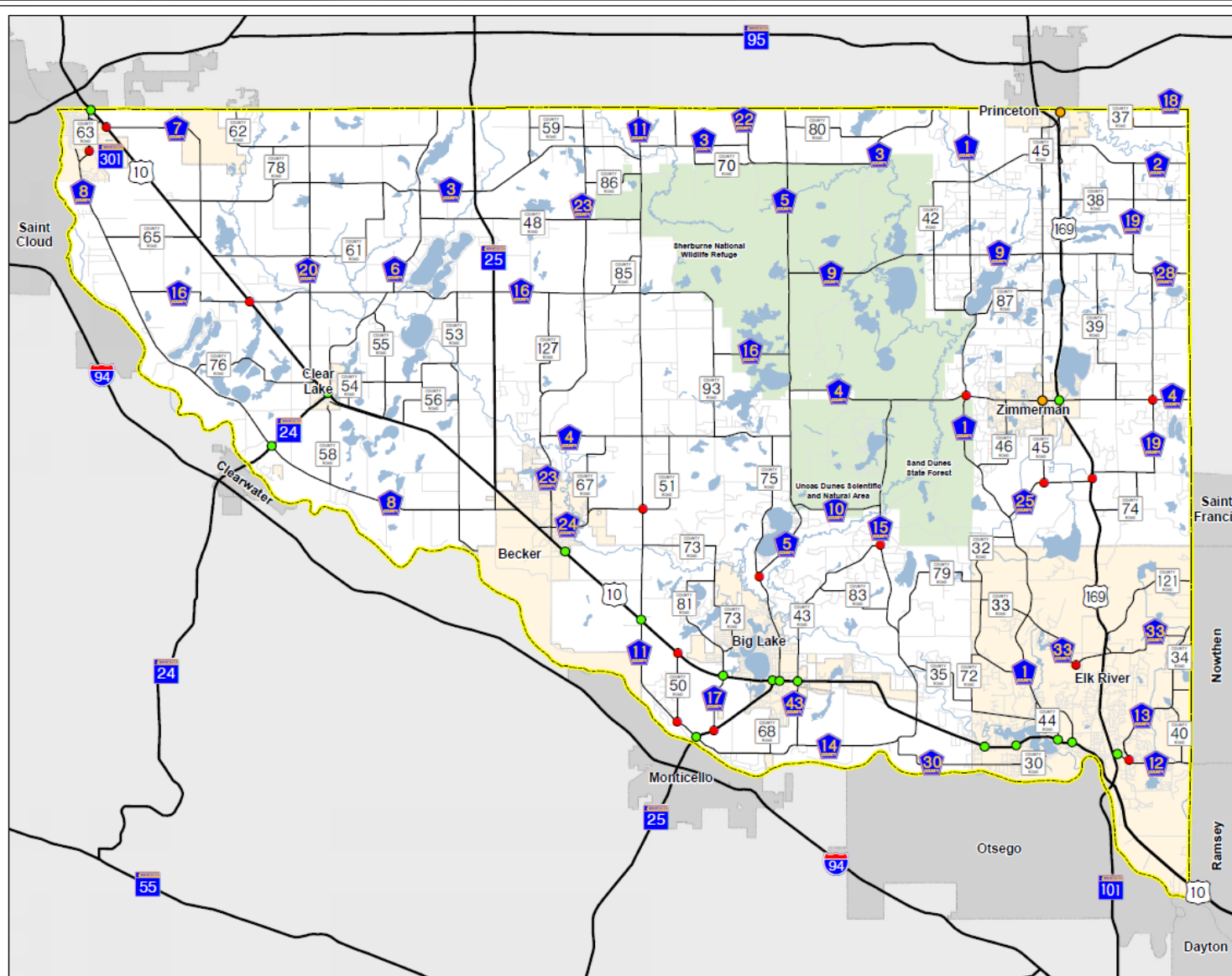


- Proposed County Trail
- - - Proposed County Trail (Future County ROW)
- Proposed County Trail (Non-County ROW)
- Great Northern Trail
- National Wildlife Refuge Trail
- County Trail
- CSAH 5 Trail
- Parks & Open Space
- Wild, Scenic & Recreational Riverway
- Major Highways
- County Roads
- Township Boundary
- County Boundary

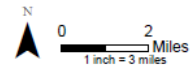


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Figure X: Potential Future Traffic Control Modifications
 Sherburne County Transportation Plan
 Sherburne County, MN



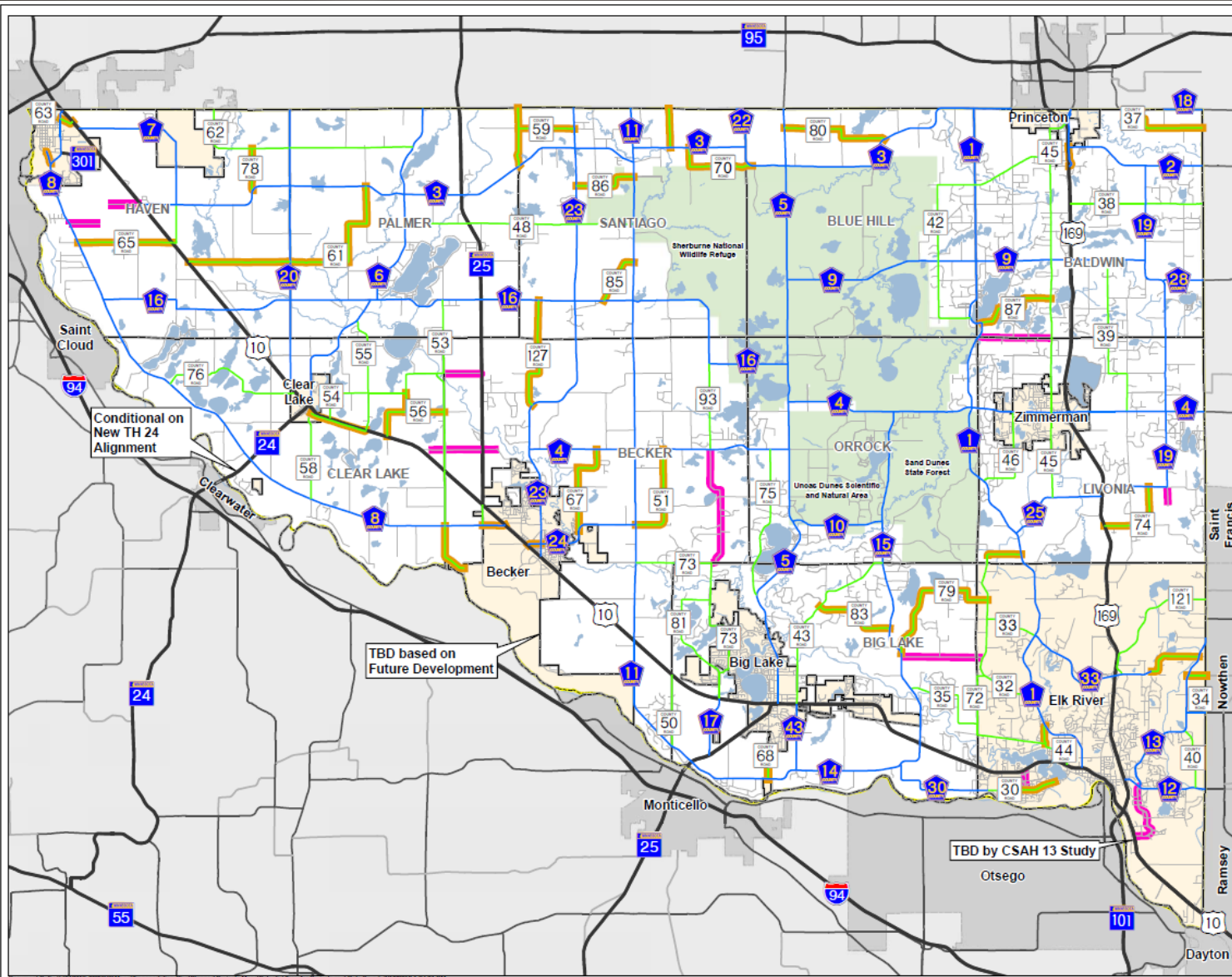
- Potential Traffic Control Modification
- Signal Replacement Projects
- Existing Signalized Intersections
- City and Township Roads
- County Roads
- Major Highways
- ▭ Township Boundary
- ▭ County Boundary



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Figure X: Potential Jurisdictional Transfer Projects
Sherburne County Transportation Plan
Sherburne County, MN



- County to City/Township
- City/Township to County
- Major Highways
- County State Aid Highways
- County Roads
- City and Township Roads
- County Boundary

0 2 Miles
1 inch = 2 miles



Annual SCRRA Breakdown

\$1.37M – Northstar Operations

\$ 37k – Link Bus Service

\$ 400k – Capital Repayment

\$1.8M – TOTAL

Currently Paid for with 100% County Tax Levy

If paid with LOST, \$550,000 paid for by non-county residents.



What Does this mean for Sherburne County? (Cont.)

- Assuming \$1.4M for SCRRA (Northstar/Link O&M)
- \$1.86M Remaining for County Transportation Needs
- Total \$33.5M 2023 – 2040 (in 2018 dollars)
- Assuming a 3% Sales Tax Growth due to development and 2% Annual Inflation = \$86M 2023 – 2040
- Compared to \$186M in Higher Priority Transportation Needs



How does this interact with other fund sources?

- Equivalency \$3.26M in LOST =
 - 32% increase to PW County Tax Levy Share
 - 50% - 82% increase to County Tax Levy allocated specifically to Public Works CIP
 - 3.5 miles of 2 Lane Road Reconstruction per Year
 - Currently 400+ miles on County Highway System
- Correlative Impacts
 - Residential Values
 - \$200k = \$62/yr Levy Increase
 - \$250k = \$81/yr
 - \$300k = \$99/yr
 - \$350k = \$117/yr
 - \$400k = \$136/yr
 - Commercial Values
 - \$500k = \$321/yr Levy Increase
 - \$1.0M = \$669/yr
 - \$1.5M = \$1,015/yr
 - \$2.0M = \$1,362/yr



Next Steps (should County Board opt to proceed forward)...

- May – Determine Funding Gap
- May/June – Present Options to County Board Re: LOST/Wheelage/Levy
- June/July – Public Meetings
- August – County Board Pass a Resolution identifying the amount of the Local Option Sales Tax, Projects, and Term
- By Sept. 31 - Notification letter to the Commissioner of Revenue
- By Oct 31 – Officially Notify Businesses and Community
- Jan. 1, 2019 – Begin collecting Local Option Sales Tax





Questions?

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August 7, 2018