

Local Option Sales Tax – Questions and Answers

What is the problem?

- Revenues in the Street Department have not kept up with expenses.
- Total Revenue for the Street Department in Fiscal Year 2001 equaled \$2.2M.
- Total Revenue for the Street Department in Fiscal Year 2014 are estimated to be \$2.0M.
- Road construction cost have increased approximately 65.8% since July 2002.

Where does the Street Department Revenue come from?

- For Fiscal Year 2014 approximately 62% of the total revenue for the Street Department comes from Highway Allocation Funds, 28% comes from current local sales tax, and 2.5% from a Maintenance Contract with Nebraska Department of Roads for Highways 77 and 136.
- The Street Department is not funded by property taxes.

What is the Impact of the Revenue Shortfalls?

Every year the City Council approves a One and Six Year Road Plan. This plan is designed to identify which roads are in need of improvement each year for the next six (6) years. However, the ongoing budget shortfalls have caused the City to be unable to complete the projects identified on the One and Six Year Road Plan. Some projects have been listed on the plan since 2000. [Click here to see where proposed projects have been listed on the One and Six Year Street Plan since 2000.](#)

What Options are Available to Address the Street Department Budget Issue?

Beginning in November 2013, the City Council examined seven (7) options to address the ongoing issue with the Street Department's Budget:

- Do Nothing
- Wait for State Funding
- Wheel Tax
- Property Tax
- Issue Bonds
- Sales Tax
- Mix and Match Various Options

The City Council did not think that Do Nothing or waiting to see if the Nebraska Legislature would begin to provide funding were good options. Those options were quickly dismissed.

The City Council did not like the option of a wheel tax, as it only impacted people who registered a vehicle in Beatrice. A wheel tax may encourage citizens to find a way to register their vehicle outside of Beatrice. In order to generate the same amount of revenue as the proposed sales tax, a wheel tax would be approximately \$44.00 per vehicle.

The City Council discussed raising property taxes to generate additional revenue for the Street Department, but thought that this was not the best option. The property tax would only

impact property owners in Beatrice. In order to generate the same amount of revenue as the proposed sales tax, the property tax would have had to increase 11.5 cents per \$100.00 of valuation.

The option of issuing bonds was discussed by the City Council. While bonds would provide immediate cash for street improvements, without an additional revenue source the City would not be able to make the bond payments in future years.

The City Council explored the idea of mixing and matching various options, such as a property tax while issuing bonds. The City Council did not find a combination of options that they thought was a good fix to address the funding issue.

Why a Sales Tax?

After reviewing the various options, the City Council thought that the sales tax was the best alternative. First, it enables the citizens of Beatrice to vote on whether to impose a Local Option Sales Tax in order to generate revenue for street improvement projects. Second, it does not impact just one group of people such as property owners or owners of motor vehicles.

Proposed Local Option Sales Tax

- ½ of 1% which equates to ½ of 1 penny for every dollar spent
- Ten (10) Years
- Proceeds to be used for public improvements roads and streets
- [Click here](#) to see the entire ballot question.

The City has identified some street improvement projects to address if the Local Option Sales Tax is passed. These proposed projects are subject to change and will be evaluated by the City Council each year during the budget process.