

**MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON TAXATION
AND THE
ASSEMBLY COMMITTEE ON TRANSPORTATION**

**Seventy-Fourth Session
February 8, 2007**

The Joint Assembly Committee on Taxation and the Assembly Committee on Transportation was called to order by Chair Kathy McClain at 1:37 p.m., on Thursday, February 8, 2007, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY TAXATION MEMBERS PRESENT:

Assemblywoman Kathy McClain, Chair
Assemblyman David R. Parks, Vice Chair
Assemblywoman Francis Allen
Assemblyman Morse Arberry Jr.
Assemblyman Mo Denis
Assemblyman Tom Grady
Assemblyman William Horne
Assemblyman John W. Marvel
Assemblyman Harry Mortenson
Assemblyman James Ohrenschall
Assemblywoman Peggy Pierce
Assemblywoman Valerie E. Weber

ASSEMBLY TRANSPORTATION MEMBERS PRESENT:

Assemblyman Kelvin Atkinson, Chair
Assemblyman Mark Manendo, Vice Chair
Assemblyman David Bobzien
Assemblyman John C. Carpenter
Assemblyman Jerry D. Claborn
Assemblyman Ty Cobb



Assemblywoman Susan Gerhardt
Assemblyman Ed Goedhart
Assemblyman Pete Goicoechea
Assemblyman Joseph Hogan
Assemblywoman RoseMary Womack

STAFF MEMBERS PRESENT:

Russell J. Guindon, Senior Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Marji Paslov-Thomas, Research Analyst
Mary Garcia, Taxation Committee Secretary
Kelly Troescher, Transportation and Taxation Committee Secretary
Christine Henriksen, Transportation Committee Secretary
Gillis Colgan, Taxation Committee Assistant
Matt Mowbray, Transportation Committee Assistant
Vicky Thompson, Transportation Committee Manager

OTHERS PRESENT:

Phillip Peckman, Chairman, Blue Ribbon Task Force to Evaluate Nevada
Department of Transportation Long-Range Projects
Jeff Fontaine, Former Director, Nevada Department of Transportation
Russell Law, Chief, Operational Analysis Division, Nevada Department of
Transportation
Ginny Lewis, Director, Nevada Department of Motor Vehicles
LeRoy Goodman, Vice Chairman, Blue Ribbon Task Force to Evaluate
Nevada Department of Transportation Long-Range Projects
Tom Skancke, Private Citizen, Las Vegas, Nevada, and Member, Blue
Ribbon Task Force to Evaluate Nevada Department of
Transportation Long-Range Projects
Carole Vilardo, President, Nevada Taxpayers Association, and Member,
Blue Ribbon Task Force to Evaluate Nevada Department of
Transportation Long-Range Projects

Chair McClain:

[Meeting was called to order at 1:37. Roll was called; all present.] Today we are going to have a presentation from the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation (NDOT) Long-Range Projects, which was commissioned by Governor Guinn more than a year ago. We have Phillip Peckman, Jeff Fontaine, and LeRoy Goodman. The reason we are having

a joint meeting is for both Committees to hear the same information at the same time and to look at all the options available for the transportation projects and how to fund them. We also want to give the public a general overview of the state highway system.

Phillip Peckman, Chairman, Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects:

[Took Committee members through PowerPoint presentation, ([Exhibit C](#)). Also distributed Task Force report, *Roads to the Future* ([Exhibit D](#)), and summary ([Exhibit E](#)).] I was fortunate to chair the Task Force with some wonderful people. The third slide contains a complete list of people who participated in this Task Force, which was created in June 2005 by Governor Guinn. This Task Force was originally slated to meet six times, but after we got into it, I went back to the Governor and the State Transportation Board and asked permission to extend this. We ended up having 12 meetings. As a group, we spent about 1,000 hours looking at transportation in the State. I personally went to about 50 other meetings, taking other members with me. I had six newspaper meetings, and I do not know how many meetings with lobbyists.

This is quite the topic in the country today. The Committee Assistant is handing out a newspaper article from *USA Today* ([Exhibit F](#)). As you can see from the article, the entire country has transportation issues. The federal gas tax has not been raised since 1993, and only three states have raised their gas taxes since 1992. Nevada has not raised its gas tax since 1991. The last time Nevada's gas tax was raised was when Kenny Guinn chaired a task force; then it was raised \$0.05.

Another handout ([Exhibit G](#)) is about what other states have been implementing to pay for roads. Some roads are paying by the mile, whether it is determined by a global positioning satellite (GPS) system or when a vehicle enters a particular freeway. Many states already use tolls or congestion pricing, where motorists pay depending on the time of day they drive.

Our next few handouts [([Exhibit H](#)), ([Exhibit I](#)), ([Exhibit J](#)), and ([Exhibit K](#))] deal with privatization—turning the operation of the roads over to private companies on long-term contracts. As you can see ([Exhibit H](#)), Indiana has done this. Chicago has done this. NDOT has been looking at this for more than two years. In public-private partnerships, people contribute land or contribute money for bridges, so, to some extent, it is happening on a small scale in this State right now. We had three expert presentations on this topic alone, and I was able to arrange one meeting with The Goldman Sachs Group, Inc. Dick Gephardt came out, and we met with him and talked about what Goldman Sachs had done in

Indiana and what they are doing all over the world. I am now going to turn the podium over to Jeff Fontaine, who at one time was the director of NDOT.

Jeff Fontaine, Former Director, Nevada Department of Transportation:

This slide [page 7 of ([Exhibit C](#))] points out a couple of key issues. Everyone knows about population growth in the State of Nevada. This is the national population growth over time, and this, of course, is Nevada's population growth [indicating lines on the graph, page 7 of ([Exhibit C](#))]. The number of vehicle miles traveled in Nevada is growing at a higher rate than the population.

Between 1990 and 2003, Nevada's population grew from 1.2 to 2.3 million, or about 92 percent. During the same time, the amount of vehicle traffic in this State more than doubled—the fastest growth in the nation. From 2006 to 2010, traffic is projected to grow by 12 percent, or up to 26 billion vehicle miles traveled. By 2020, it is expected to grow by over 58 percent to 35 billion vehicle miles traveled.

The increase in traffic is related to population growth, but there is another point about traffic growth in this State that is worth mentioning: the increase in truck traffic. They are doing a lot of work in California to expand the ports of Oakland, Long Beach, and Los Angeles. More than 45 percent of this country's imports come through those ports, and California is interested in getting that truck traffic out of California and to the rest of the country. That means a lot of truck traffic on Interstate 80 and Interstate 15. Today, 40 percent of vehicle traffic on Nevada's rural interstates is truck traffic, and 80 percent of that truck traffic has neither an origin nor a destination in Nevada.

From 1992 to the present, per capita fuel consumption has actually decreased by 8.3 percent. That is a good thing; we want to curb our usage of fossil fuels, but it means lower revenues to the State Highway Fund. The red line on the next chart [page 8 of ([Exhibit C](#))] shows the current gasoline tax rate in Nevada, including both state and local. You can see that the last time that tax was raised was in 1991. Traditionally, gas taxes in this country have been raised in steps. Sometimes they lead; sometimes they lag. We are obviously in a lag phase now.

If you compare that red line with the yellow line, which is the Consumer Price Index (CPI), you can see where Nevada's gas tax compares. The blue line is the important line because it represents what is going on in highway construction. It generally mirrors the CPI. However, in the last three years, we have had hyperinflation in highway construction. If you actually applied the CPI to the

Nevada gas tax, you would get the green line. So, if the CPI were applied to the gas tax rate, our gas tax would be about \$0.09 higher than it is today.

This next chart [page 9 of ([Exhibit C](#))] is a projection from FY 2006 of ten-year revenue and expenditures. On the revenue side, Nevada is authorized to receive about \$2.7 billion a year over time from the Federal Highway Program. The Federal Highway Trust Fund is not very healthy. In fact, based on current outlays, the fund is expected to go into deficit by 2010, so counting on an increase in federal highway funds is not realistic at this point.

The gas tax, represented by the blue segment, is the largest single revenue source for the State Highway Fund, projected at about \$2.2 billion a year. The dark blue section [page 9 of ([Exhibit C](#))] represents Department of Motor Vehicles (DMV) fees and taxes—including the diesel tax—which are projected at about \$3.5 billion. The blue-gray section on top represents bonds, which are projected to be about \$0.5 billion. Nevada's Department of Transportation is currently in a bonding program for \$1 billion, and that money is being used to construct six Super Projects [of the Nevada Highway Super Project Program] today. Some of those have been completed, such as the interchange in Henderson and I-515 in the Beltway, the current construction on US-95, the Hoover Dam Bypass, the Carson freeway and the Reno-Carson freeway. The six current Super Projects total about \$9.2 billion.

On the expenditure side of the bar chart, at the bottom in yellow are the DMV; the Department of Public Safety, principally the Highway Patrol; and other agencies that were appropriated money from the Highway Fund. Next is bond payments for the current bonding program. After that comes routine maintenance, NDOT expenses, administrative costs, salaries, equipment, and supplies for the 45 percent of the NDOT workforce who are out on the road plowing snow, filling potholes, repairing guard rails, et cetera.

Above that in the pink section are the \$2 billion in preservation projects. These are the contracts for resurfacing highways and repairing bridges. The next two categories are for capacity and other projects. These include a list of ten planned Super and Mega Projects for a total of about \$5 billion. They also include other NDOT projects such as building interchanges, installing signals, and intersection improvements.

The top section of the chart, representing \$0.4 billion in unfunded preservation projects, is really a request for enhancement of other existing preservation budgets so the Department can begin to make inroads in the backlog of preservation needs for pavements and bridges.

As I mentioned, we have experienced hyperinflation in the last three years, primarily in steel; concrete; asphalt; and energy, such as fuel costs for contractors. There are several reasons for that: worldwide demand, particularly in the Gulf States, as a result of Hurricane Katrina, and in China; impacts on the production of steel and other materials; and inflation over the last three years—about 44 percent—have had a major impact on the ability to build highway projects. The projected shortfall of \$3.8 billion is based on 2006 dollars and does not include adjustments for inflation.

These [on page 11 of ([Exhibit C](#))] are planned Super and Mega Projects and a few other projects I want to mention. A Super Project is one that is expected to cost over \$100 million. A Mega Project is one expected to cost over \$1 billion. Particularly in southern Nevada, where 80 percent of the funding for those projects would be, they include virtually every freeway segment that needs to be improved.

These are mostly highway widenings. For example, I-15 North Corridor would be widened from six to ten lanes out to Lake Mead, and then six lanes to the Apex Interchange. I-15 from Tropicana Avenue to the Spaghetti Bowl would be widened to as many as 14 lanes, including collector and distributor roads. These projects are in various stages of development. The costs are significant; we are talking about having to widen and improve urban, interstate, and national system routes. Rights-of-way costs are significant; estimates today are that a third of the cost [page 11 of ([Exhibit C](#))] is related to right-of-way.

In northern Nevada, there are three projects that are considered Super Projects. The other statewide projects—two-lane highway widenings—are projects to widen two-lane highways to four lanes or wider. These are places such as State Route (SR) 160 to Pahrump, Blue Diamond Road, US-50, and US-93 going out to the new Coyote Springs development.

As for preservation programs, I mentioned the \$400 million enhancement to start making inroads into the backlog. Intelligent transportation systems (ITS) are the overhead, dynamic message signs you see on the freeways giving information that is sent out over Internet radios concerning traffic conditions.

Chair McClain:

Is there any hope that the hyperinflation is going to even out or taper back?

Jeff Fontaine:

Historically, things have generally tended to do so. Much of it is related to energy costs, which we track for decades. We are optimistic that these costs will start to level off. I do not know that they will ever recede to the point where we can catch up, but I am hopeful that we will not see significant increases in cost like those we have seen in the last three years.

Chair McClain:

There is an international facet to this, too, with China building like crazy, putting demands on fuel and steel. Does anyone else have any questions?

Assemblyman Manendo:

I do not know how much traffic there is to Coyote Springs or how much of a pressing need that is right now. Right now, what are the three projects that need to be done as soon as possible?

Jeff Fontaine:

I-15 is a priority for Nevada for many reasons. It is the freeway that carries the most traffic; it is the economic lifeline of the State. The need is there today.

Assemblyman Manendo:

They are all important needs. Our constituents talk about transportation problems every day. But what we think is urgent may not be compared to other parts of the valley or the State. You have all the facts and figures, so I wanted to hear what you thought.

Phillip Peckman:

Of the Super and Mega Projects, 40 percent of those top dollars are for Interstate 15.

We had three main objectives. One [page 12 of [Exhibit C](#)] was to review what NDOT was recommending—what gets built, what time it gets built, and how that will relieve congestion. After many presentations, we support their findings on recommendations—construction, preservation projects, et cetera. We also found that all those Super and Mega Projects we just talked about are needed.

There are quite a few roads in this State that cater to local traffic, such as mining roads, portions of Carson City, Rainbow Boulevard, and Tropicana Avenue. Some of those roads are still maintained by NDOT. We understand there might be an issue with turning those over to local municipalities, but we think they should be. NDOT should not be dealing with issues such as road

maintenance and access on local roads. Those roads are no longer appropriate for inclusion in the state highway system.

The second objective [page 13 of ([Exhibit C](#))] was to review project costs and revenue projections. The conclusion we came to was that these long-term Super and Mega Projects are not going to be built without additional funding. There is no money for them. Without additional funding, by 2008 we will be forced to cut back on the other projects, whether preservation or other roads planned for development. The shortfall is \$3.8 billion without adjusting for inflation, and we will not meet these needs. We cannot project the future, but it seems the cost of acquisition of rights-of-way is going to increase.

The third goal [page 14 of ([Exhibit C](#))] was to evaluate the funding options. This next handout ([Exhibit L](#)), supplied by NDOT, shows every possible tax in the State. We are not going to build these long-term projects without additional funding. We will let you know how we arrived at our conclusions later in the presentation.

Assemblywoman Pierce:

Are the figures on this page [page 11 of ([Exhibit C](#))] what the total projects would cost, or what the State's portion would be, presuming we would get some federal money?

Jeff Fontaine:

Those are the preliminary estimates for the total cost of the projects, regardless of the source of funding.

Assemblywoman Pierce:

So the \$3.8 billion is what the shortfall would be if we never got another dime of federal money?

Jeff Fontaine:

The projection for federal funding from FY 2006 to FY 2015 is \$2.7 billion. That information is on the previous page with the bar charts [page 9 of ([Exhibit C](#))].

Assemblyman Denis:

In those projected costs, is there any projection of how long the projects would take and how much that might increase the costs? Or are those today's dollars?

Jeff Fontaine:

Those costs are in today's dollars.

Phillip Peckman:

These [on pages 15 and 16 of ([Exhibit C](#))] are estimates of how traffic is going to change over the years. I-15 south of Sloan Road should go up fourfold. Traffic on Blue Diamond Road should go from 67,000 vehicles in 2003 to 420,000 by 2030. I-15 from Tropicana Avenue to Sahara Avenue should go from 230,000 to 500,000. I-15 at Lamb Boulevard is expected to increase fivefold.

A foundation recently concluded that the tenth most congested city in the United States is Las Vegas. Reno driving time during peak travel times is expected to increase 680 percent in the next 25 years.

Going back to the current situation [page 17 of ([Exhibit C](#))], there is a shortfall in the current programs. Based on the current capital program, we will go into a deficit without additional revenue sources. We need to cut our programs if we do not find additional sources of funding.

Assemblyman Atkinson:

On the project summary [page 11 of ([Exhibit C](#))], are the projects in southern Nevada listed in order of their completion?

Jeff Fontaine:

No, they are not in any particular order by priority or projected completion.

Assemblyman Atkinson:

In that case, which one or two are coming up for completion the soonest?

Jeff Fontaine:

The Governor indicated in his State of the State Address that The I-15 north corridor project, from the Spaghetti Bowl to the Apex Interchange, would be ready for a design-build contract sometime in the next few months. He has proposed surplus funding for that particular project. The others are all in various stages.

Chair McClain:

Perhaps you could put together a list of the individual projects and what stage each one is in. I am sure all the members would be interested in seeing that.

Jeff Fontaine:

Within the report itself, there is a spreadsheet that shows the phasing of all the projects [beginning on page 41 of ([Exhibit D](#))].

Assemblyman Carpenter:

Does the \$170 million the Governor has designated to go toward a specific project reduce the \$3.8 billion?

Jeff Fontaine:

I believe it does because it is one of the projects listed here that contributes to the overall shortfall. So, that \$170 million would go toward reducing the shortfall.

I want to clarify that the specific project being proposed, and which is ready to go out for construction on a design-build contract, does not go all the way from the Spaghetti Bowl to the Apex Interchange, but only as far as Craig Road.

The Task Force asked that we have outside experts conduct an independent review of a couple of things, including the way the Department administers its Bridge and Highway Preservation Program, as well as its plans for the Super Projects. The state highway system, including the pavements and bridges, is a significant public asset. Over the past few years, the Department has invested an average of well over \$150 million a year to preserve that asset.

The firm of Tom Warne and Associates, in partnership with an engineering firm, H.W. Lochner, and especially Dwight Bowers of H.W. Lochner, did a review and came up with a number of findings [page 19 of ([Exhibit C](#))]. First, Nevada's highways have some of the best surface conditions in the United States. Nevada's interstate and national highways are the best in the nation. NDOT is committed to its proactive and innovative Pavement Preservation Program, which is a good program. In this program, NDOT resurfaces and maintains the roads before they fall into disrepair. Often, when I was with NDOT, we would get calls from constituents asking why we were resurfacing a road when there no obvious signs of distress or failure. Of course, when those conditions begin to show, it is too late and the road must be rehabilitated or reconstructed, which costs four times as much as more timely maintenance.

The other finding was that NDOT has a good bridge program in place. We are very fortunate in not having the kind of harsh climate that many Midwestern and Eastern states have. Also, our infrastructure is relatively new. Nevada has bridges in the best shape of any state in the nation.

Tom Warne and Associates also did a review of the ten proposed Super and Mega Projects. Tom Warne is a nationally recognized expert, having been the director of the Utah Department of Transportation, where he oversaw the nation's largest design-build contract to date, which was the reconstruction of Interstate 15 for the 2002 Winter Olympics. His findings were that the projects are clearly needed for the next 25 years, that NDOT is doing the appropriate planning, and that the current estimates for the project costs are general, but given the early stages of some of the projects, they are as good as they can be.

Mr. Warne recommended that the Department continue to work on the environmental processes—for those unfamiliar with that, that is a fairly lengthy process, particularly for the large Super and Mega Projects. It can take up to five years or even longer to work through the environmental statements and such. He also recommended that the Department do a comprehensive phasing of the projects. He was concerned about the Department undertaking all these construction projects in the Las Vegas Valley at the same time, basically shutting down the valley. The Department found there was a way to sequence and phase the various projects without them having the tremendous impact that they could have had otherwise. The other recommendation was to find out what the costs would be and how to bond for those. That was done, as well.

This [PowerPoint slide represented by page 23 of [Exhibit C](#)] is a series of quick videos. This is Interstate 15 looking north at 10:00 a.m. from Russell Road. The next is Tropicana Avenue at noon, then Sahara Avenue in the afternoon, then lastly, north of Sahara Avenue in the afternoon. This [on page 25 of [Exhibit C](#)] is Interstate 515 looking east from the Spaghetti Bowl in the afternoon. These are all recent videos. This next one is coming around the Charleston curve looking north at the morning commute. The last one is of Las Vegas Boulevard.

This [page 27 of [Exhibit C](#)] is a map of the 2005 freeway conditions in Las Vegas Valley. Blue is good, with relatively free-flow conditions. Green is acceptable, which is what NDOT generally tries to design for. In yellow, breakdown is starting to occur; the road is at capacity. Red is bad; that involves traffic jams. You can see where those occur today, primarily most of Interstate 15, which is the most heavily traveled highway in the State. On the section between Tropicana Avenue and Sahara Avenue, there are about 270,000 vehicles a day.

These [maps on pages 28 and 29 of [Exhibit C](#)] show the conditions projected in 2015 and 2030 without the projects. The 2015 projection has more red, while the 2030 projection is almost all red, which means traffic jams throughout

the whole valley. That section of highway that now has 270,000 vehicles a day would, in 2030, have more than 500,000 vehicles a day. Page 30 ([Exhibit C](#)) shows the projected traffic conditions in 2030 if the projects are built. The conditions are substantially improved.

Next [pages 31 and 32 of ([Exhibit C](#))] is a computer simulation of the Mega Project on I-15, Project Neon, to expand I-15 from Sahara Avenue north to the Spaghetti Bowl from 6 lanes to 14 lanes, which includes 5 through lanes in each direction, collector/distributor roads, reconstructing the Charleston Interchange, creating a new flyover connecting Industrial Road and MLK Boulevard, and other improvements.

Next [page 33 of ([Exhibit C](#))] shows projected 2030 no-build conditions on I-15 at rush hour. Heading north, you can see the conditions as we approach Sahara Avenue.

This [pages 35 and 36 of ([Exhibit C](#))] is a simulation of the other Mega Project planned for Las Vegas, which is reconstructing and improving the East Lake Freeway, or I-515, from downtown Las Vegas to Foothill Boulevard. It involves multiple sets of roadways to separate through traffic from local traffic; improved access at MLK Boulevard; improved access with the interchange, at the Spaghetti Bowl, of I-15; and access at F Street, 4th Street, and Las Vegas Boulevard.

Assemblywoman Weber:

Could you tell us about the use of reversible lanes versus high-occupancy lanes?

Jeff Fontaine:

Those were looked at, and while they provide short-term relief, in the long term, you still need the capacity to be able to accommodate future traffic.

Assemblywoman Weber:

I agree. We were looking at the models of conditions in 2030 with projects, and conditions from the Spaghetti Bowl to the Rainbow Boulevard curve did not change at all with any of the proposed models. Conditions did not change in the next 25 years.

Jeff Fontaine:

The Department of Transportation is currently reconstructing US-95. That is not reflected here ([Exhibit C](#)), but when that project is completed, there will be great improvements in that section of freeway over time. Unfortunately, just like everything else, there is a finite life for even a major reconstruction such as

US-95. Generally, the design life for a freeway project is 20 years, so at some point that is going to need to be widened even further.

This [page 37 and 38 of ([Exhibit C](#))] is I-80/US-395—US-395 in particular—heading north toward the northern Nevada Spaghetti Bowl. This section of freeway carries about 150,000 vehicles a day. The numbers and traffic volumes in the north are not comparable to those in the south, but you also have to look at the volume-to-capacity ratios—in other words, how much traffic per lane. There are fewer lanes on this freeway compared to some in southern Nevada. There is congestion in the north as well, and the traffic on many northern Nevada highways is also growing.

Jeff Fontaine:

This [page 39 of ([Exhibit C](#))] is a similar map of freeway conditions in northern Nevada. As you can see, they are better with the exception of the Pyramid Highway, which in some sections is two lanes, going out to major growth areas in Washoe County.

Conditions do deteriorate over time. Here [page 41 of ([Exhibit C](#))] is a projection for 2030 showing all highway conditions being red without improvements. However, projections with the projects completed show vastly improved conditions [page 42 of ([Exhibit C](#))].

Phillip Peckman:

We had some policy and funding recommendations [pages 43–50 of ([Exhibit C](#))]. We encourage NDOT to pursue advanced right-of-way acquisitions for the Super and Mega Projects, obviously contingent on funding because the price is going up. We also want them to continue transferring more local roads, which are no longer appropriate to carry on the state system, to the counties and cities.

The Task Force believes we should not “rob Peter to pay Paul,” even to temporarily reduce the maintenance or preservation of our existing highways to free up money for Super and Mega Projects. All this does is cost more money in the future—up to four times as much.

Highway investments should be based on prioritizing projects while recognizing the equity and providing service throughout the State. Of the Super and Mega Projects we have gone over, approximately 80 percent of the funding ends up in the south, with 20 percent in the north. We were comfortable with this distribution. We had fair representation on the Task Force from the north and

the south, both elected and private citizens, including people with a lot of knowledge about state funding and funding for highways.

We had a good debate on the issue of funding. We are one of 19 states that have constitutionally protected state transportation funds. That is how we have built all of our roads. Other states do not do it that way. They might have much lower gas taxes, but they fund their highways through their general funds. There are many ways to accomplish the funding. As a result, some states' gas taxes will be high and some will be low.

We also looked at the current tax philosophy and climate in this State. We did not want our proposal to be dead on arrival. We were hoping to find some palatable recommendations that we could possibly influence the Legislature to pass. There was quite a discussion on the nexus of different taxes and fees to the state highway system. Those taxes that affect roads or the deterioration of roads were the ones we ended up recommending.

We want to continue with the Super and Mega Projects. This will require a minimum of \$3.8 billion. If we had a stream of \$280 million to \$300 million a year, that would be enough to bond the \$3.8 billion, although that is not adjusted for inflation.

Our first recommendation was to redirect the entire 2 percent state sales tax on vehicles and vehicle repairs to the State Highway Fund. That would be approximately \$170 million a year.

Chair McClain:

Was this estimated before we passed the ballot question on the sales tax exemption for the trade-in value?

Russell Law, Chief, Operational Analysis Division, Nevada Department of Transportation:

Your fiscal analyst, Russell Guindon, let me know that that sales tax exemption would have an effect, but it would be minor.

Russell J. Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau:

Question 8, which was approved at the last election, provided an exemption for the trade-in value when purchasing a new car, so the trade-in value is now exempt from the state 2 percent sales tax and all local sales taxes. We estimated the loss from the vehicle trade-in allowance at about 1.9 percent of the State's 2 percent General Fund amount. Since this proposal would be to

take that amount that comes from taxable sales from vehicles, basically the whole 1.9 percent would be attributable to that amount. I have not completed an analysis, but I believe the full 1.9 percent projection would have to go against the projections in the table [page 20 of ([Exhibit D](#))] and would amount to about \$20 million.

Chair McClain:

So, \$20 million from \$170 million is actually pretty significant.

Phillip Peckman:

[Distributed handouts ([Exhibit M](#) and [Exhibit N](#)).] The next three recommendations were tax increases [page 47 and 48 of ([Exhibit C](#))]. If you enacted all three, they would amount to about \$1.30 a week per driver or per car in the State.

First, we wanted to adjust the depreciation schedules used on the Governmental Services Tax and vehicle registration. We were shooting for a total of about \$270 million to \$280 million a year. As redirecting the sales tax would be about \$170 million, this would be about \$100 million. On page 1 ([Exhibit M](#)), you can see how that would phase in. You will see [on page 20 of ([Exhibit D](#))] that it would be about \$96 million. There is a slight increase as time goes on.

Also, we had requested that approximately \$170 million from the General Fund in FY 2008 and FY 2009 go to highways. That has been recommended by the Governor.

There was quite a discussion about indexing the state gasoline and diesel taxes to inflation. You will also see that on the big sheet [page 1 of ([Exhibit M](#))], and you will see how that goes up between 2008 and 2015. By indexing the fuel taxes, the amount in the initial year would be about \$0.045 a week per driver [page 1 of ([Exhibit L](#))]. As you can see [on page 1 of ([Exhibit M](#))] that amount does increase over time. As I said before, the gas tax has not gone up since 1991.

The Task Force members voted unanimously to increase the driver's license fee by \$20 for a four-year fee. That comes to about \$0.10 a week. The increases we have recommended, if you add them together, come to about \$1.25 to \$1.30 a week per driver.

Some things we do not have in this State, but that there is a lot of publicity about, are toll roads, high occupancy vehicle (HOV) lanes, or congestion pricing. Other than having someone contribute a little property or money to build a

bridge, we do not have any public/private partnerships (PPPs). These are not authorized in this State yet. We unanimously recommended that the Legislature grant NDOT authorization for tolls; HOVs; and PPPs for design, maintenance, and building.

In order to have these partnerships, there has to be a stream of income, such as Goldman Sachs signing a 99-year lease in Indiana. However, the tolls go to pay that back. Absent tolls or some other form of money going to the investor, that type of transaction is not doable in this State.

We also asked to expand the use of tax increment financing (TIF) to allow local entities to contribute to improvements in the State.

Assemblyman Atkinson:

Going back to the adjusted depreciation schedule [page 19 of ([Exhibit D](#))], how do you propose that will work, and how much revenue is that supposed to generate?

Phillip Peckman:

We think it will generate \$96 to \$100 million a year. This would be additional revenue that would go to the State Transportation Fund. It would not take anything away from local government.

Assemblyman Atkinson:

That paragraph [second bullet on page 17 of ([Exhibit D](#))] mentions out-of-state vehicles. That is a huge issue in this State, but who is going to enforce that? Is there an estimate of how many people are violating that law?

Ginny Lewis, Director, Nevada Department of Motor Vehicles:

You passed a law during the 2005 Legislative Session that says that when individuals come to Nevada from out of state and obtain Nevada driver's licenses, we inform them that they have 60 days to register their vehicles. We, in turn, provide the Department of Public Safety a monthly report of those individuals who have not complied with the law. Those numbers are pretty high. In calendar year 2006, we sent over 36,000 violators. Who is going to enforce that law is certainly an issue.

Chair McClain:

Was there not something in that legislation, though, that said it was all right for local police to pull them over and check?

Assemblyman Atkinson:

I do not think there was. Some people had concerns with profiling issues, so we left that out.

Phillip Peckman:

After quite a bit of discussion on the People's Initiative to Stop the Taking of Our Lands (PISTOL), the Task Force believed that if PISTOL did pass, it would limit NDOT's ability to acquire advance right-of-way and potentially affect federal funding. It could perhaps discourage the settlement of eminent domain cases and increase the cost of the estimated \$1.2 billion for rights-of-way.

We recommend the Legislature and the Governor adopt our recommendations. It is urgent, and we urge you to accept these recommendations or, if not, find some funding for these highways. The highways are the lifeblood of our State. Unless we take action now, costs will just continue to escalate. The quality of life, safety, and the economy are going to suffer unless we figure how to build these roads in the state.

LeRoy Goodman, Vice Chairman, Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects:

The ball is now in the Legislature's court. We have heard comments from Governor Gibbons about no tax increases, fee increases, et cetera. No one likes to see tax or fee increases, but something as innocuous as driver's license fees, which would raise the fee for each of us to drive from \$0.015 a day to \$0.03 a day, is not much for the privilege of driving on good roads and the privilege of driving, period. I and the people I have talked to believe this is important to the entire State.

I have the opportunity to go down to Las Vegas virtually every month on business. Two weeks ago I looked out from my room and could not tell if the traffic on I-15 was moving or not in either direction. I could have been walking faster than the traffic was moving. We are experiencing some of the same things up in rural Nevada. People I talk to are willing to pay a little more for better highway conditions, safety, the quality of life, and the economy in the State of Nevada. I hope some of these recommendations are implemented, or at least given serious consideration.

Assemblyman Goicoechea:

I need a little clarification on the depreciation schedule and what impact that will have on local jurisdictions. Should it raise their revenues, too?

LeRoy Goodman:

No, it would not have any effect on local governments.

Assemblyman Goicoechea:

I do not see how you can change one depreciation schedule as it relates to governmental services and not change both sides. It is not all bad, but maybe we need to look to the local jurisdictions to kick in.

Phillip Peckman:

I guess you could. We did not feel we needed to delve into additional funds from local jurisdictions. We were advised that we could change the depreciation schedule for the amount of money that would go to the State, and it would go to the State Transportation Fund. None of this money in here [page 1 of ([Exhibit M](#))] would go to local governments.

Assemblyman Goicoechea:

I understand that, but once you change the depreciation schedule, that should change both sides. Or are you going to depreciate the piece the State has more slowly than the local government's piece? That would be cumbersome.

Russell Guindon:

It would seem that any changes made to the depreciation schedule would be applicable to any rate imposed against that schedule. Thus, if a county is implementing that supplemental rate, it would also generate additional revenue for that local government entity. I would have to go back and confirm that, but there are other rates that local governments can impose. In changing the depreciation schedule, any rate pushed against that schedule would then generate more revenue.

Assemblyman Goicoechea:

That is something we should look into.

Russell Guindon:

Is the Assemblyman asking Fiscal staff to look into what effect this would have on the local governments?

Chair McClain:

Yes. In the full report, did you not have a chart about different scenarios dealing with changing the depreciation schedules?

Russell Guindon:

I believe the Task Force did run different scenarios, but only one made it into their recommendations. That would be the one staff would look into. We could work with Mr. Law to ensure we understood the proposed changes correctly and how those may be applicable to any local rates that would be imposed against that change to the depreciation schedule.

Assemblyman Manendo:

Depending on what the Legislature does this session and what the Governor agrees to, has there been any discussion about putting any type of referendum on the ballot to see how the public feels about this? We are talking about long-range plans; I do not think we are going to solve it all in one session.

Phillip Peckman:

It was discussed, but we did not come up with a particular recommendation. Would the county commissions vote on something without it going to a vote of the people? Would they put it to a vote of the people? All those scenarios have been discussed, and it is all on the table. I had a discussion with Commissioner Woodbury about how the local counties could work together with the Legislature to get something on the ballot or even passed by a particular county. That is a perfect discussion.

Assemblyman Atkinson:

I was concerned whether there was any flexibility or any alternative discussed if one or two of the recommendations did not make it.

LeRoy Goodman:

Yes, we discussed everything, and we had some energetic discussions. We made recommendations we felt would have the least impact on the taxpayer, such as redirection of existing revenues, the change to the depreciation schedule, et cetera. We had 18 different tax scenarios, including taking some of the modified business tax or utilizing toll roads. There are some things we would not like to see happen, but everything is still on the table.

Assemblyman Marvel:

When you were talking about toll roads, did you specify any particular sites where tolls would be levied?

Jeff Fontaine:

Yes, there was some discussion about where toll roads could be utilized. For example, one project being studied for tolling is the proposed Boulder City

Bypass project. A revenue study is currently being done to see if that would be viable.

We also had a presentation on managed lanes, or high-occupancy toll (HOT) lanes on portions of I-15. Nevada's Transportation Board, last October or November, authorized NDOT to seek approval from the U.S. Department of Transportation to be one of four pilot states to put that kind of toll on a new lane, so there would be a new lane built on I-15, probably from Stateline to the Beltway. Those new lanes could possibly be toll lanes, as well as for high-occupancy vehicles. The Board recognized that it would take the Legislature to ensure that authority was actually there, but they wanted to make sure the placeholder was there in case that was authorized.

Assemblyman Marvel:

How many states have toll roads?

Jeff Fontaine:

They are pretty common back East, and even in the Midwest. California has had some toll roads for some time. Colorado recently opened a beltway-type toll road. Utah is now looking at them. As of this year, about half of the states have tolling authority. I do not know how many of those states actually have tolls.

Assemblyman Parks:

Have any studies or modeling been done as to the effectiveness of a toll lane in somewhere like the Las Vegas Valley? My concern is that most of the people who travel do not travel long distances. The toll road in Indiana is 153 miles long and goes through eight or ten cities. I can understand a long-distance use of it. However, it is difficult, in heavy traffic, to move from the center lane to the right lane so you can exit. If you are in the fourth lane from the left, and you want to make an exit off the toll lane, you are going to have to plan several miles in advance to be able to move over those lanes.

Also, what is the viability of a highway trust fund at the federal level, and how would that play into Nevada's needs?

Jeff Fontaine:

The issue of how toll roads might work in Las Vegas Valley was discussed extensively, and you are correct. Commuting patterns and how far people have to drive in Las Vegas are quite different from other areas of the country where commuting is between urban centers or for longer distances. However, NDOT's consultant, Carter & Burgess, Inc., will be looking at more specific possibilities,

but at least the Boulder City Bypass and sections of I-15 have been identified as potential candidates. There may be others as well.

With respect to the Federal Highway Trust Fund, when you look at the outlays under contract and authorized under the Federal Safe, Accountable, Flexible, Efficient Transportation Equity Act for the 21st Century: A Legacy for Users (SAFETEA-LU) bill versus the revenues coming in, the deficit is projected for 2010 or even earlier. At the national level, they are struggling with the issue of how to pay for not only highway improvements, but also highway maintenance infrastructure.

Highway needs in other states are perhaps different. Due to the growth in our State, our needs are for expansion. Other states in the East and Midwest, where weather and age have taken their toll, have failing infrastructure. Tom Skancke, a member of the Task Force, is on a national policy committee looking at the issue of whether the gasoline tax is going to sustain surface transportation in this nation for the future. There has been a lot of talk about distance tolling, open-road tolling, where instead of paying by the gallon of gasoline you pay by the number of miles you drive, the type of vehicle you drive, and maybe even the time of day you drive. Those are global policy issues that are being considered at the national level and in individual states.

Tom Skancke, Private Citizen, Las Vegas, Nevada, and Member, Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects:

[Read from prepared testimony ([Exhibit O](#)). He urged the Committee to follow the recommendations of the Task Force in the face of the transportation crisis, and to raise revenues now to save a lot more money in the future. He stressed that the crisis and the costs would only escalate over time.]

Assemblyman Parks:

Articles in the paper as well as a comment made within the past couple of weeks left the impression that we could extend the debt out additional years—that we could, in fact, borrow our way out of this dilemma of the \$3.8 billion shortfall. I would like your comments relative to that. It looks as though the longer we carry our debt, the more it costs us.

Tom Skancke:

The shortfall for the 13 Mega Projects is \$3.8 billion. The bond interest over 24 years is \$3.2 billion. The inflationary cost over those 24 years is about \$500 million. The total for the projects, if we start tomorrow, is \$7.4 billion.

One of the least popular motions I made was an increase in the gas tax and an increase in the indexing of the gas tax. An increase in the gas tax of \$0.03 the first year and another \$0.03 the second year would generate about \$1 billion. Over a seven-year period, we could have a pay-as-you-go program, funding the \$3.8 billion by increasing the gasoline and diesel tax by \$0.03 in both 2007 and 2008, indexing the gas to inflation, going to a bump 30 scenario on the depreciation tables, and including the sales tax provisions we passed and all the other components of the construct presented by Mr. Peckman and Mr. Fontaine. You could actually pay for the \$3.8 billion in a seven-year proposal.

Let us face it—gas tax increases are not very popular in today's economic environment, when people are looking at paying \$3.50 a gallon. We did look at other alternatives. I am not advocating for a gas tax increase. That was not the purpose of the discussion. The purpose was to debate the options.

Going back to the earlier question about the trust fund, the good news is that there is a trust fund. The bad news is the Federal Highway Trust Fund will be bankrupt by 2009. What that means for SAFETEA-LU funding is that many of those projects are not going to get funded. States can no longer count on the federal government to play a role in transportation funding. The reason for that is the increased use of transit, the increased use of hybrids, more fuel-efficient vehicles, and the fact that there are more needs and demands on the gas tax than what this country can supply.

Assemblyman Parks:

Having worked on the first Clark County Advisory Question 10 in 1990 and having supported the second Question 10 in 2002, we are probably looking for a third Question 10, taking to the voters a question of whether they would support spending greater amounts of money to fund transportation projects. The unreserved balance in the State Highway Fund last year was only \$9.3 million, so it was nearly exhausted.

Chair McClain:

We are talking about state highway funds. There are a lot of traffic problems and infrastructure projects done at the local level. We need to take this opportunity to look at the big picture to see what options are available to us as legislators. We want to look at everything possible and see if we can coordinate efforts and prioritize projects. I want people to start thinking and bringing ideas back to different committees. I would also like to have some more presentations.

Assemblyman Mortenson:

You seem to have done considerable research into what other states have done. Is it common for a state to tell the voters they need so much money and then give them a choice of different possible taxes? Is that ever done and, if so, is it ever successful?

Tom Skancke:

Yes. In California—and in many states—particularly in Proposition 1B, they put performance and accountability measures into the question. If the proposition passed, \$4 billion was to go into congestion management and \$6 billion into the movement of commerce and goods. From there it was broken down by region throughout the state. In Virginia recently, they took the toll roads away and passed a question on taxes and revenues where the accountability was actually in the question. We have seen time and again across the country that when the accountability and where the money was going were put before the people, the people did pass the measures.

Assemblyman Mortenson:

I did not state my question clearly enough. Do you ask the person, “Do you want to pay for this with an increase in sales tax, or do you want to pay for it with an increase in gasoline tax? Do you want to pay for it with an increase in this tax or that tax?” Do the states ever give the consumer the choice of what kind of tax they want to accomplish it with?

Tom Skancke:

No, they normally give the question to a focus group, which makes a recommendation for a ballot question. That ballot question is then put out with a construct of what the taxes would be, much like Question 10 in Clark County. In giving the voters a multiple-choice question, everyone fails. With Question 10, the focus group spent a year coming up with the ballot question, and then it went out to the voters.

Carole Vilardo, President, Nevada Taxpayers Association, and Member, Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects:

We do support the Task Force's recommendations, and that is not easy. I sit on many funding-type committees. This is one of the first ones where I was made to feel there was a preordained conclusion. I can tell you—and Assemblyman Parks and our new Controller know—that we had some very freewheeling discussions and disagreements about the best way to proceed and what to do. What you have before you is not only consensus; it was unanimous except for the gas tax indexing.

In 1991, we did a full story not only on Clark County's transportation question, but also on the \$3.2 billion shortfall that had faced NDOT. In that case, it was because of maintenance. The Legislature, as unpopular as it was, tackled it. It is not easy. On one hand, we are lucky because we do have the Highway Trust Fund, so we are not competing with other projects. However, as you heard from former director Fontaine of NDOT, we now rank very well because those hard decisions were made.

We talked about economic development. You have another concern—the safety factor. It is nothing to hear of three accidents on the I-215 and five accidents on I-15 every morning.

I want to go back to a question about the depreciation schedule. When you are at the end of the depreciation schedule after nine years, you are paying \$33 or \$36, depending on whether you have supplemental tax, yet your vehicle is using the road. We wanted to bump up that schedule. We discussed leaving it for the Legislature to work out, if they accepted the recommendation. By bumping it up, you would receive additional revenue, but by formula, that additional revenue would go to the State. The locals would get their basic level, but the extra would all go to the State Highway Trust Fund. We did not figure out the absolute formula.

You talk about toll roads, but you also talk about tolling. The absolute details have to be figured out and any bill drafts you wish to put through would be appreciated. We do not have any.

Assemblywoman Pierce:

Mr. Skancke, you made some remarks about how we got here. After hearing constantly for the past twenty years that government is bad and the ideal is the ever-shrinking government, it is no mystery to me how we got here.

Chair McClain:

If no one else has any questions, we can adjourn [at 3:32 p.m.]

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Kathy McClain, Chair

DATE: _____

Assemblyman Kelvin Atkinson, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Taxation/Assembly Committee on Transportation

Date: February 8, 2007

Time of Meeting: 1:37 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	PowerPoint presentation, <i>Roads to the Future</i>
	D	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Task Force Report, <i>Roads to the Future</i>
	E	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Task Force Summary, Findings, and Recommendations
	F	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Newspaper article, "States Struggle to Pay for Roads"
	G	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Newspaper article, "Motorists Face New Costs for Highways"
	H	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Article from <i>Mother Jones News</i> , "The Highwaymen"
	I	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Article, "Privatizing New Jersey's Toll Roads", by Anthony Cowell
	J	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Presentation, <i>Public Private Partnership Discussion</i>
	K	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Article from <i>USA Today</i> , "Toll Roads with a Cash-out Option"
	L	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Potential Highway Fund Revenue from Various Sources spreadsheet

	M	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Potential Highway Fund Revenue from Various Sources spreadsheet
	N	Phillip Peckman / Blue Ribbon Task Force on NDOT Long-Range Projects	Newspaper article, "Making Highways a Higher Priority"
	O	Tom Skancke / Private Citizen	Prepared testimony