

**MINUTES OF THE JOINT MEETING OF THE
SENATE COMMITTEE ON TAXATION
AND THE
SENATE COMMITTEE ON TRANSPORTATION AND HOMELAND SECURITY**

**Seventy-fourth Session
June 1, 2007**

The joint meeting of the Senate Committee on Taxation and the Senate Committee on Transportation and Homeland Security was called to order by Chair Mike McGinness at 2:12 p.m. on Friday, June 1, 2007, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE TAXATION MEMBERS PRESENT:

Senator Mike McGinness, Chair
Senator Randolph J. Townsend, Vice Chair
Senator Dean A. Rhoads
Senator Mark E. Amodei
Senator Bob Coffin
Senator Michael A. Schneider
Senator Terry Care

SENATE TRANSPORTATION AND HOMELAND SECURITY MEMBERS PRESENT:

Senator Dennis Nolan, Chair
Senator Joseph J. Heck, Vice Chair
Senator Maurice E. Washington
Senator Mark E. Amodei
Senator Maggie Carlton
Senator John J. Lee
Senator Joyce Woodhouse

GUEST LEGISLATORS PRESENT:

Assemblyman Kelvin D. Atkinson, Assembly District No. 17

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STAFF MEMBERS PRESENT:

Ricka Benum, Committee Manager
Brenda J. Erdoes, Legislative Counsel
Elana Graham, Assistant to Committee Manager
Russell J. Guindon, Senior Deputy Fiscal Analyst
Nicholas Marquart, Intern to Senator Nolan
Candice Nye, Assistant to Committee Manager
Marjorie Paslov Thomas, Senior Research Analyst
Matt Szudajski, Committee Policy Analyst
Lynette M. Johnson, Committee Secretary

OTHERS PRESENT:

Edgar Roberts, Administrator, Motor Carrier Division, Department of Motor Vehicles
Susan Martinovich, P.E., Director, Nevada Department of Transportation
Russell Law, P.E., Chief Location Engineer, Nevada Department of Transportation
Rossi Ralenkotter, Las Vegas Convention and Visitors Authority
William Bible, Nevada Resort Association
Monte L. Miller, Chief Executive Officer, KeyState Corporate Management

CHAIR MCGINNESS:

We are here to discuss Assembly Bill (A.B.) 595. This bill is under the authority of the Senate Committee on Taxation. However, there are issues that involve the Senate Committee on Transportation and Homeland Security.

ASSEMBLY BILL 595 (2nd Reprint): Makes various changes relating to taxes on fuels and the provision of funding for highway projects. (BDR 32-643)

SENATOR NOLAN:

Throughout this Legislative Session, transportation funding has been a major concern. A collaborative effort between both political parties has occurred behind the scenes to address this particular problem. It did not make sense to produce numerous bills on this matter. As we approach the end of this Session, ideas and concepts to develop a funding program became clear to all involved. I want to acknowledge Senator Lee and Assemblyman Kelvin D. Atkinson for all

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the work they have put into this legislation. Senator Lee has been working with me to develop a conceptual plan, which I believe has culminated in A.B. 595. I also want to thank the Assembly for their work on this legislation. We have a partial solution to a very big problem facing the State. This is a temporary fix, but it will help us to address our immediate transportation issues. The transportation funding concerns will not end with this Session, and we will need to address it again next Session.

CHAIR MCGINNESS:

The Department of Motor Vehicles (DMV) will be impacted by this bill.

EDGAR ROBERTS (Administrator, Motor Carrier Division, Department of Motor Vehicles):

This bill contains clean-up language relating to motor carrier programs. I will read from prepared testimony (Exhibit C). I have provided an outline and summary of the changes (Exhibit D, original is on file in the Research Library).

SENATOR LEE:

How will the DMV deal with a person who is delinquent but pays their interest and penalties? It is my understanding that the DMV will not revoke their license if they are attempting to make whole within a certain time period.

MR. ROBERTS:

That is correct, Senator Lee.

ASSEMBLYMAN KELVIN D. ATKINSON (Assembly District No. 17):

I am here today to present the amended version of A.B. 595. This measure makes various changes to taxes, fuels and provisions of funding for highway projects. I will read from prepared testimony (Exhibit E). As previously mentioned, Senator Nolan, Senator Lee and others have discussed various ways to fund transportation. Some industries have come to the table and have stayed at the table and we have developed this amended bill. This process has taken months to get to this point. I applaud the Senators who I have worked with in trying to bring a resolution to this problem. As Senator Nolan mentioned, this is not a perfect plan, but it does allow us to provide funding and helps to relieve some of the traffic concerns on our roadways.

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CHAIR MCGINNESS:

Assemblyman Atkinson, we appreciate your assistance with the amended bill.

SENATOR HECK:

Are there any provisions that keep the monies within the geographical area from where they were collected?

ASSEMBLYMAN ATKINSON:

Are you referring to the property taxes collected from Clark and Washoe Counties?

SENATOR HECK:

Correct. It would be from the property taxes, the money received from the Las Vegas Convention and Visitors Authority (LVCVA) or from where the car is rented. Is there any provision that requires the money generated in a particular county be spent on projects in that county?

BRENDA J. ERDOES (Legislative Counsel):

The bill currently provides for segregation in the State Highway Fund (Fund). The money contributed to the Fund from property taxes will be used for highway projects in the area where the money was collected. The rest of the money is not segregated.

SENATOR LEE:

We had discussions about the Treasurer and the interest that was earned in this Fund. I see it is included in the bill, but I want it on the record "that all the interest of this money will stay within the Fund."

MS. ERDOES:

For the record, we have put the language in as you indicated and we believe that we have an understanding now. I believe the fiscal analysts have worked out with the Treasurer and the Controller and we have done everything correctly in here so that the interest will actually be segregated—interest and income—and stay in this Fund, in the Highway Fund.

SENATOR LEE:

Thank you.

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SENATOR CARLTON:

Are we talking about the property tax money such as the 3 cents out of the \$100 for the assessed valuation? Would this start in 2009 and go through 2013, and could it possibly generate \$170 million?

ASSEMBLYMAN ATKINSON:

Correct.

SENATOR CARLTON:

Do we have a breakdown between Clark and Washoe Counties? These are 2 counties out of 17.

ASSEMBLYMAN ATKINSON:

I do not believe the funding model shows the breakdown. The majority will come from Clark County and that money will stay in Clark County. The money collected in Washoe County will stay in Washoe County.

SENATOR CARLTON:

Do we know how much this is going to impact Clark County and Washoe County?

ASSEMBLYMAN ATKINSON:

What do you mean by impact?

SENATOR CARLTON:

Is this money being diverted from Clark County and Washoe County?

ASSEMBLYMAN ATKINSON:

Yes.

SENATOR CARLTON:

That is what I wanted to know.

SENATOR COFFIN:

Do you like this bill? Assemblyman Atkinson, do you feel this bill is going to do what we need to do at this time? This handout shows gross revenues available to pay bonds of a certain amount of money. How much bonding capacity is that

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going to provide? I am referring to the handout dated May 31, 2007, 12:57 p.m. ([Exhibit F](#)).

ASSEMBLYMAN ATKINSON:

Senator Coffin, yes, that is the transportation funding model we used. What do you mean, "if I like the bill"?

SENATOR COFFIN:

I want to know if you are satisfied with this bill.

ASSEMBLYMAN ATKINSON:

I am satisfied to the point that this is addressing an important need in our State. I am satisfied that some industry representatives were at the table from beginning to end. They recognize the importance of this issue. I am satisfied because we are accomplishing the need to fund transportation. This bill does not get us to the \$3.8 billion that former Governor Kenny C. Guinn's Blue Ribbon Task Force (Task Force) identified; however, it gives us something. We can tell our constituents that we are addressing the problem.

SENATOR COFFIN:

You have essentially said that we have to start here. Does this bill raise \$1.8 billion for transportation funding?

ASSEMBLYMAN ATKINSON:

Yes, that is correct.

SENATOR COFFIN:

I originally heard we needed \$3.8 billion, which has actually turned into \$5 billion. Are we only one-third of the way there?

ASSEMBLYMAN ATKINSON:

I have heard the same thing throughout this Session and that number is constantly changing. Yes, your assessment is correct, this bill partially covers the total need.

SENATOR COFFIN:

You said there were industry representatives at the table. I have received various worksheets of scenarios based on bonding of 20 years or 30 years and

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on revenue sources. These sources have dropped from five or six down to three. Of the original sources, I see that the diesel fuel tax and the taxicab fees have disappeared from the table. Property tax appears to pay for about two-thirds. Who else did not remain at the table?

ASSEMBLYMAN ATKINSON:

I have seen those various models. In the beginning, we had approximately 40 revenue sources, then it dropped to 20 sources. Over the last few weeks, it has dropped from nine to six. Some of the original revenue sources dealt with an increase in fees and taxes, which caused discomfort among Senate and Assembly members. The Governor's Office expressed discomfort. In the end, industry representatives can choose to participate or not, while some lobby other sources and have been excluded. The final three representatives who remained at the table were there from the beginning.

SENATOR COFFIN:

Why is the Governor not here today? Was he with you last night?

ASSEMBLYMAN ATKINSON:

The Governor attended the Assembly Committee on Transportation last night.

SENATOR COFFIN:

Was he there to testify on this bill? Does he have a representative present today?

ASSEMBLYMAN ATKINSON:

I cannot speak for the Governor. I understand that the Governor is still endorsing this bill and would like to see it move forward. I believe he had prior commitments and could not be here today.

SENATOR COFFIN:

What worries me is the diminishing number of people at the table. It is like we are seeking their permission to join us in financing our roads. More often, it is the local taxpayer picking up the tab to finance our highways and they do not use them as much as others. For example, the trucking industry has disappeared from the table. They use the roads and cause the most damage on them. I do not think this is debatable. I am not comfortable with this and, in fact, it disappoints me. The Assembly had a bill that called for the trucking industry to

participate based on a weight-distance method. They were at the table at one time with a diesel tax. Why did we let them go? We should bring them back even if we have to drag them and tell them they need to pay their fair share. Would you accept that as an amendment to the bill? Would you say that would be fair?

ASSEMBLYMAN ATKINSON:

We do not have enough time in the Session for an amendment. I think where we are right now is acceptable. I, too, am concerned that the trucking industry is not participating. They have been floating in and out through this whole process. In future sessions, we need more industries at the table to make this a broader-based package. However, I do disagree with you when you say that the average citizen does not use the highways. I think they use them at some point.

SENATOR COFFIN:

We do not have to be nice to them. It would be nice if they were here, but we can make them pay their fair share. People in my district think this is going to solve their traffic problems, but it is not a solution. This just solves commerce problems. I cannot support this without including the industry that causes most of the damage. I know you have tried within the constraints of a Governor who refuses to authorize a tax increase. The Legislature should send him something because he can veto it if he does not like it. I would like to hear from him on this matter. I do not understand why we are capitulating on a problem that desperately needs fixing.

ASSEMBLYMAN ATKINSON:

You are correct; however, if the Governor vetoes the bill, then we have nothing.

SENATOR COFFIN:

Do you think we would have nothing? I think we should do the right thing. I am prepared to stay here as long as necessary to do the right thing.

ASSEMBLYMAN ATKINSON:

Senator Coffin, although you may want to stay here, some of us do not want to stay here.

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SENATOR COFFIN:

I am not going home and saying to my constituents that we did part of the job when we had the chance to do the whole job.

CHAIR MCGINNESS:

Assemblyman Atkinson, did the Governor attend your meeting last night?

ASSEMBLYMAN ATKINSON:

Yes, the Governor attended the Assembly Committee on Transportation meeting last night.

CHAIR MCGINNESS:

Did he support this bill?

ASSEMBLYMAN ATKINSON:

Yes, he was very supportive.

SENATOR NOLAN:

We kept both political parties abreast of the discussions on this matter. Assemblyman Atkinson is correct; in the end, it came down to the minimum that was needed to fund the transportation needs, which is \$1.8 billion. The need is closer to \$3.8 billion or \$4 billion. Those industries at the table that felt they were being imposed upon to contribute to the transportation funding needs and backed away will be visited again in a much bigger way in the future. We are funding \$1 billion out of \$1.8 billion and we actually need \$3 billion. When we factor in inflation, that \$3 billion becomes \$5 billion. We will hear from the Nevada Department of Transportation (NDOT) on how much that will really cost in two to four years. Those people thought they dodged a bullet; however, they will have a cannon leveled at them next time. I agree with Senator Coffin; however, this is the best we can do this Session.

SENATOR SCHNEIDER:

Assemblyman Atkinson, the *Las Vegas Review-Journal* said we have a deal on this matter. The *Las Vegas Sun* says, "Late deal on roads fails to connect." There are two conflicting opinions. The Governor says, "I hoped my plan would generate a dialogue, a discussion." It appears the discussion has started, but this is not the deal yet. This appears to be similar to the Washoe County school tax. Only one industry stayed at the table and that was the real estate industry.

They were going to absorb the taxes. Everybody else left. One industry was going to foot the whole bill. It was not broad-based; therefore, it died in the Senate. We thought it should be broad-based. This bill is not broad-based. Senator Nolan said this is a partial solution and we are not getting after the problem. I think that is how we fund schools in this State. We have reached the bottom of the list in school funding with a fiftieth ranking. We do partial fixes on everything. In my opinion, we need to step up and do something better. We are getting further and further behind. I drive Interstate 15 (I-15) all the time and the traffic is unbelievable. Interstate 80 (I-80) is getting congested in the northern part of the State. It appears no real thought has been given to this legislation. No thought was put into mass transit. Even if you could spend \$10 billion on roads, there would still be a mess down in Las Vegas. Assemblyman Atkinson, you did not generate this whole bill, and I do not mean to unload on you. I would like to broaden this bill. The cost of steel and concrete is incurring double-digit inflation. We are quickly falling behind. This is like the green energy saving bill. Here we are at the eleventh hour doing a quick fix on a big problem. The green energy bill turned out to be a disaster. I concur with Senator Coffin. We need to slow down and take a good look at this legislation. I suggest we sit down with the Governor and look at broadening this bill and not allow people to leave the table.

SENATOR CARLTON:

I want to thank Assemblyman Atkinson for tackling this controversial issue. We appreciate everyone's efforts. It is a good first step.

SENATOR AMODEI:

Section 46.5, subsection 5 of the bill says "All determinations of the county fair and recreation board under this section" What is the purpose of this language?

MS. ERDOES:

It is my belief that this language was required by bond counsel. Once bonds are issued, they are committed and bought on the market. I believe this language is necessary so it does not impair the bond contract. In other words, once they sell the bonds, they cannot go backwards or they run into impairment problems.

SENATOR AMODEI:

Can you tell me how you settled on \$1 billion? The NDOT information suggests we need more money. How did you settle on \$1 billion in bonding capacity?

ASSEMBLYMAN ATKINSON:

There were several projects that needed to be addressed. The individuals at the table determined the amount of money available. From that, we determined what projects could be completed with that money. This process has been long and arduous. Senator Schneider said it seemed like this was just thrown together. I am disappointed with that because that is not what occurred. This was anything but thrown together. This has been a work in progress for a long time and changed numerous times. The transportation model that you have before you, [Exhibit F](#), has been produced 20 times or 30 times. We have analyzed this problem, these numbers and the projects. We have been at this since the first day of Session. This is the final product.

SENATOR AMODEI:

I appreciate all the work involved in this legislation. I noticed the LVCVA portion is the lesser of the gross amount or \$20 million a year over a 30-year period. Does that adjust for inflation over the 30-year period? Is there a cap at \$20 million a year for that contribution?

ASSEMBLYMAN ATKINSON:

Yes, since it is an annual contribution.

SENATOR AMODEI:

Is this contribution not going to be indexed like the gasoline tax?

ASSEMBLYMAN ATKINSON:

No, that was not our thought.

SENATOR AMODEI:

Did you receive any information that indicated the growth in passenger cars versus trucks on the highways?

ASSEMBLYMAN ATKINSON:

We did look at those. I will have the NDOT address your question.

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SENATOR AMODEI:

I just wanted to know if that information went into your mix.

ASSEMBLYMAN ATKINSON:

It went into our mix as far as determining what projects would be completed.

SENATOR AMODEI:

Do you recall whether truck traffic was increasing faster than cars, at the same rate or where capacity was being used on the highways?

ASSEMBLYMAN ATKINSON:

Sorry, I do not have that information.

SENATOR AMODEI:

Do you have information on room tax? In 2003, we had extensive discussions about room tax. My recollection is that room tax was in the neighborhood of \$35 million to \$36 million a year. Did you have any information about 1-percentage point of room tax in 2006?

ASSEMBLYMAN ATKINSON:

I do not have that information.

SENATOR COFFIN:

I asked staff for information on revenue generated from gasoline and diesel fuel taxes. The average motorist is paying more taxes on gasoline than the trucking industry is paying on diesel fuel taxes. I think the average tax for a gallon of diesel is around 24 cents or 25 cents. The motorist is paying 32 cents or 33 cents a gallon. Mr. Guindon, what is the tax on gasoline for the State?

RUSSELL J. GUINDON (Senior Deputy Fiscal Analyst):

The state gasoline tax rate is around 27 cents. There are additional local taxes. I do not have those immediately available, but they are about 6 cents. Representatives from the NDOT could address your question.

SENATOR COFFIN:

Apparently, diesel users pay about 27 cents a gallon. Our constituents pay 33 cents a gallon. What would be wrong with people who use diesel fuel paying the same price as gasoline users? Did you discuss that in the Assembly?

ASSEMBLYMAN ATKINSON:

We did have that discussion and it was considered by the Task Force. Again, we wanted this legislation to pass. It had to conform to the Governor's pledge of no taxes and no fee increases. You are proposing a tax increase. That industry lobbied the right people and that was not a battle we could win.

SENATOR COFFIN:

That industry did lobby the right people. Not to infer any untoward actions by anybody, because this is a heavily lobbied Legislature and the Executive Branch is heavily lobbied. The three elements left include a sharing of the property tax that goes to local government, which means that something will not be paid for at the local level. In essence, this is an individual tax. If we could tax diesel fuel at the same rate as gasoline, I think that would provide enough money to finance the projects.

ASSEMBLYMAN ATKINSON:

Senator Coffin, obviously your mind is made up. The bill in front of you is not citizen-driven. Industry is paying for this package. The government portion of the 3 cents is not bonded, which means the NDOT has discretion on how it will be used. Some may want to see that money go towards parks or other items. This situation dictates that we do something about our transportation crisis so that our citizens can get to those parks. The money is not bonded and it is not dedicated and it is available. We decided to use it for roads.

CHAIR MCGINNESS:

I would like the NDOT to come forward. Assemblyman Atkinson, we appreciate your help with this bill and your attendance this afternoon.

SUSAN MARTINOVICH, P.E. (Director, Nevada Department of Transportation):

I will discuss the projects that will be funded. I am also representing the Governor. The Governor was at the Assembly Committee on Transportation meeting last night and was in support of this legislation. He also wanted me to reflect that he appreciated the work that has occurred, especially Senator Nolan in his hard work, and coordination efforts with Senator Lee and the Assembly. He does support this bill. This is consistent with his position on no new taxes.

There has been a lot of discussion about the roadway projects. As Assemblyman Atkinson indicated, the Task Force has identified several projects

that need to be constructed. This bill does not raise all the money needed; therefore, we had to select specific projects that can be completed with the available funding. We are here to assure you that the proper projects are moving forward. They are projects originally identified by the Task Force with a high cost-benefit analysis. The projects are along the I-15 corridor in Las Vegas, on U.S. 95 in the northwest of Las Vegas, along I-80 in Reno, the U.S. 395 north-south route in the Reno area and the Interstate 215 interchanges in Las Vegas. We have included a few preservation projects because we feel that it is important to maintain our current assets. All projects are in various stages of the National Environmental Policy Act (NEPA) and final design process. These projects will cost more than the money raised by this bill. Should a project be delayed for any reason, we will have another project ready. We are designing additional projects so they will be ready as funding becomes available.

SENATOR NOLAN:

We appreciate the NDOT's involvement in this process. We used the proposed construction schedule developed by the Task Force to prioritize the projects. Focus was put on projects involving I-15, U.S. 95 and I-80. I am looking at a list ([Exhibit G](#)) that shows the I-15 projects have been moved to 2017. Am I reading this correctly? Please explain how the \$1 billion generated by this bill has changed the priority of the projects.

MS. MARTINOVICH:

The priority was based on beginning in the core of the Las Vegas Valley and moving out. The projects listed in 2015 may not need capacity improvements as other projects with a higher priority. For example, the widening of I-15 between Sahara Avenue and Tropicana Avenue is in the core and we gave that a high priority. The short-term goal is to provide express lanes. The long-term goal is to widen I-15 to ten lanes. We tried to address the immediate needs based on available funding.

SENATOR NOLAN:

The list I am looking at pushes them to 2017, [Exhibit G](#). Am I reading this incorrectly?

MS. MARTINOVICH:

Senator Nolan, that list, [Exhibit G](#), outlines our pavement preservation program. Those projects are encompassed within the projects highlighted by the Task

Force. The Task Force identified a lump sum of pavement preservation projects and that is where those fall. Those are not the individual projects that have been identified. We are behind in our pavement preservation strategies and we are seeking additional funding to maintain that program. For every dollar we put into pavement preservation, we save \$4 in the long run. Again, the focus is on the high-volume interstate freeways.

SENATOR NOLAN:

I apologize for the confusion. Will the low-priority projects proceed as funding becomes available?

Ms. MARTINOVICH:

Yes.

SENATOR NOLAN:

What will those projects cost in 2011?

Ms. MARTINOVICH:

Senator Nolan, I cannot tell you specifically, but I can provide inflation information. The estimated numbers were calculated in 2005. We have seen a 31-percent increase in the cost of materials. Based on a 7-percent increase, in two years that \$1 billion figure will be \$1.14 billion.

SENATOR NOLAN:

Did you say that in a two-year period, \$1 billion becomes \$1.1 billion?

Ms. MARTINOVICH:

Yes, actually \$1.14 billion.

SENATOR NOLAN:

Are you saying that a two-year delay will cost the NDOT \$100 million?

Ms. MARTINOVICH:

Yes, and that is a conservative estimate. Inflation on material costs has been highly variable. We recently saw double-digit inflation in the range of 30 percent to 40 percent on construction materials.

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SENATOR NOLAN:

Therefore, the identified projects will cost approximately \$800 million in four years when you consider inflation. Is this correct?

MS. MARTINOVICH:

At least.

SENATOR NOLAN:

Will it be closer to \$1 billion for inflation?

MS. MARTINOVICH:

Yes.

CHAIR MCGINNESS:

I want to ask you about a couple of the tenets of the bill. On page 29, line 25, "The Board shall adopt a plan for measuring the performance of the Department," and on page 30, line 11 "prepare ... costs and benefits of the project." Do you have any problem with any part of the bill as it relates to the NDOT?

MS. MARTINOVICH:

Absolutely not. I want the NDOT to be more transparent. We want to construct the right projects. Our only concern is that we need to have flexibility in determining exactly what projects to construct. It should not be based only on a high cost-benefit analysis. We need the ability to obligate all of our federal funds. In many instances, federal funds have categories and we may need to construct a project that does not have a high cost-benefit, but it is a beneficial project. We are moving towards performance measures as defined in the bill, and we are ready to provide the information.

CHAIR MCGINNESS:

Will projects not be constructed in the rural areas?

MS. MARTINOVICH:

No, projects will proceed in the rural areas through the pavement preservation program. We have federal funds that we would apply towards projects in the rural counties as well as the projects in the urban counties. We are working with the Regional Transportation Commission of Southern Nevada and the Regional

Transportation Commission of Washoe County (RTCWC) to move forward with those projects.

CHAIR MCGINNESS:
How will this money be used?

MS. MARTINOVICH:
This money will fund the super projects as defined by the Task Force.

SENATOR HECK:
It was my understanding that a cost-benefit analysis was not done as part of the Task Force's report. Is my understanding incorrect?

MS. MARTINOVICH:
No, you are not incorrect. Subsequent to that report, we have been doing cost-benefit analyses on these projects.

SENATOR HECK:
Not to speak ill of the Task Force members who put a lot of work into the report, however, I think it was a grave disservice because the \$3.8 billion number was arrived at without doing a cost-benefit analysis based on the super projects. When we received the presentation in the Senate Committee on Transportation and Homeland Security, we identified \$5 million worth of projects that were added because it was thought the incremental costs of doing a project as part of another was added, but it was not justified based on level of service. That is the concern I have with this \$3.8 billion number. You have since done the cost-benefit analysis. I am glad you are looking at the cost-benefit analysis now and selecting the priority projects. No one will disagree that the projects identified are important. I did a constituent survey to see what their priorities were in my district. I asked them to pick their first priority. I sent out 10,000 surveys and received 1,000 back. Out of that 1,000, 5 percent said traffic was their first priority. The Task Force addressed some immediate needs. We will need more in the future. If you had \$3.8 billion today, could you start all the projects?

MS. MARTINOVICH:
No, Senator Heck.

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SENATOR HECK:

Therefore, the cost of inflation would still be there. The project cost is based on the start date, not when the NDOT receives the money.

MS. MARTINOVICH:

Yes, you are correct.

SENATOR HECK:

Would the problem be solved if you received \$3.8 billion today?

MS. MARTINOVICH:

No, because as you indicated, the projects could not be constructed tomorrow. For clarification, the Task Force identified projects and an independent consultant evaluated those projects. You are correct in that some of the outlying projects are not needed as much as the core projects. The evaluation showed that every road in and out of the Las Vegas Valley needed upgrades.

SENATOR HECK:

I understand that. Was that included in the cost-benefit analysis on those projects?

MS. MARTINOVICH:

No, it was not included in the cost-benefit analysis. They focused on the corridors.

SENATOR WASHINGTON:

Besides the cost-benefit analysis, was there any other criteria considered in selecting these projects?

MS. MARTINOVICH:

Yes, we considered the timing of project delivery due to NEPA requirements. In addition, we considered staging, the impact to the public and the right-of-way acquisitions.

SENATOR WASHINGTON:

Did you consider interlocal agreements? In my district, the Pyramid Highway is congested and it is not on the list. Where does that project rank within the list or criteria?

MS. MARTINOVICH:

After the projects were identified, we consulted with the local entities to see if they felt they were important projects. They supported all the projects identified. We took into consideration any funding contributions. The projects were based on their own merit. Three projects made the list in the Reno-Carson City area. We are working with the RTCWC regarding funding for upgrades to the Pyramid Highway corridor.

SENATOR WASHINGTON:

Is that federal funding or is it matched by state funding?

MS. MARTINOVICH:

It could be both. This money would be from State funds and it could be matched if we were able to get federal funding. We still get our federal allocation that we would apply toward other projects.

SENATOR WASHINGTON:

If those projects had matching funds, would they move up on the priority list?

MS. MARTINOVICH:

It always helps. It is a component of the cost-benefit analysis. The less cost to the NDOT helps in that analysis.

SENATOR WASHINGTON:

On the I-80 corridor, there is the Lance Gilman and Roger Norman interchange at the industrial complex. It has not been completed and those two individuals have put money into it to meet the U.S. Army Corps of Engineers' specifications. Where does that rank within the priority list? In the list of criteria, do you consider commerce, which will have an impact and a revenue stream for that small county?

MS. MARTINOVICH:

That project is moving forward. They received a \$1 million allocation from this body several years ago. They have also received almost \$5 million in state and federal money. They are administering the construction and we are on board. Congestion, traffic volumes and economic benefits to the local cities were included in the cost-benefit analysis.

SENATOR NOLAN:

Sometimes, projects are included because it makes sense to include them even though a cost-benefit analysis would rate them lower. Everything is there and the NDOT can realize a savings by doing that project now versus later. In my opinion, there needs to be some flexibility to allow you to construct some ancillary projects. I hope this funding stream allows you to do that along with the traditional way that we fund these projects to maximize your capital and equipment.

MS. MARTINOVICH:

Absolutely, Senator Nolan. You bring up an excellent point. The NDOT needs to have flexibility to maximize our federal funds and to take advantage of contributions by others. If a project was projected in the long range and a developer needs it and they step up with funding, that is a great opportunity to partnership. However, we do work closely with the local entities because we do not want to move forward with a project that they do not support.

SENATOR NOLAN:

Does a revenue stream need to be present in order to seek a bonding source? Is bonding based on the available funding source? In the future, we will need additional funding sources. I support this plan because this is the best we can do right now.

MS. MARTINOVICH:

Senator Nolan, you are correct. The Task Force identified projects and we have conducted a cost-benefit analysis on them. Some projects will be constructed in the future; however, all of the projects are needed at some point. That need has not been eliminated.

SENATOR COFFIN:

Ms. Martinovich, thank you for your testimony. I also want to thank your Department for getting me all the information I have requested. I first became aware of the imbalance between the funds paid by the trucking industry versus the motorist in 1983. You added a postscript in your answer to Senator Heck. He thought perhaps you could only spend what we would raise with this bill. You made sure to state that you could spend more and you could use more. There were projects that were on the side that needed to be completed. You have answered Senator Nolan with the fact that it helps to have a dedicated

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means of determining your funds so that you can bond. Senator Washington asked about some projects in his district which may or may not get completed based upon this plan. They probably will not be completed based on this plan. I think we could use more money. Was my figure correct regarding the diesel fuel tax at about 27 cents a gallon?

RUSSELL LAW, P.E. (Chief Location Engineer, Nevada Department of Transportation):

The state tax rate on diesel is 27.75 cents a gallon and 27 cents goes to the State Highway Fund.

SENATOR COFFIN:

What is the tax on gasoline?

MR. LAW:

The state and local tax combined is 33 cents for most of us. It is almost 35 cents in Washoe County. There are a few counties at 29 cents a gallon.

SENATOR COFFIN:

I will use a 6-cent difference. When the trucking industry was still at the table, a proposal was floated that indicated a 6-cent-a-gallon increase to be phased in over two years. By the second year, that funding source would yield \$23 million a year, which is more than the LVCVA contribution. How much could you bond if you had \$20 million to \$25 million of additional revenue?

MR. LAW:

A good rule of thumb is we can bond \$100 million for every \$8 million of constant revenue.

SENATOR COFFIN:

Is that about three times?

MR. LAW:

That is three times \$100 million or \$300 million a year.

SENATOR COFFIN:

Could you bond \$300 million a year with that additional 6 cents?

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MR. LAW:

I apologize, Senator Coffin, we could bond \$300 million one time.

SENATOR COFFIN:

That would fund some significant projects. Ms. Erdoes, this bill originally did not require a two-thirds majority vote. It now requires a two-thirds majority to pass. How did that happen? What is it in this bill that requires a two-thirds majority vote?

MS. ERDOES:

According to my information, sections 34 and 36 require it because those sections have new fees. By regulation, it did require it in the original bill. Section 49 has a 4-percent surcharge that is voluntary by the rental car companies. They currently receive all of that revenue. This bill takes 25 percent of that money and gives it to the State Highway Fund. The constitutional provision says any change in the formula that results in a revenue increase to the State must have a two-thirds majority.

SENATOR COFFIN:

What that means to me, that is the Governor's threshold for signing bills; therefore, why not go for the best possible bill? If it requires a two-thirds vote before he signs it, we have to produce two-thirds no matter how much we raise taxes. That might be too rhetorical for you to answer.

MS. MARTINOVICH:

I am assuming it is, since the Governor has indicated no new taxes.

SENATOR COFFIN:

On the other hand, that would mean he would not sign this bill. Are you indicating that he would not sign the bill if it requires a two-thirds majority?

MS. MARTINOVICH:

I do not know what the Governor will do. He has been very consistent that he would not support any new taxes or fees.

SENATOR COFFIN:

Thank you very much. Mr. Chair, do you understand the dilemma? Some people have said they want to support this bill. Are they willing to override the

Governor's veto to get this bill that does not contain enough money to do the job? Why take the risk if you are not going to have enough money here to do the job?

SENATOR NOLAN:

I appreciate my colleague's recognition of this particular problem on everything that was left on the table and the constructs of this bill. As the Governor indicated, he was not going to approve any new taxes. Early on, he stated that he would not approve any new fees, increases or changes in fees that were not industry-specific and approved by that industry. Since this is revenue the car rental agencies receive, it was an administrative offset. Their industry remained at the table and agreed that this was going to be a contribution to the State Highway Fund and their representatives acknowledged that they were in agreement. We ran this by the Governor's Office and it met his threshold.

SENATOR COFFIN:

I received an e-mail from at least one rental car company that is opposed to this; therefore, not all the members of that industry support it.

SENATOR NOLAN:

I also received e-mails early in the Session. They have since engaged representatives who have been at the table through this process and support this bill.

CHAIR MCGINNESS:

Ms. Martinovich and Mr. Law, we appreciate you being here. There are people in Las Vegas who wish to testify.

ROSSI RALENKOTTER (Las Vegas Convention and Visitors Authority):

We appreciate this opportunity to speak on this issue. For the last two weeks, the LVCVA Board of Directors (Board) have given me the authority to be involved with these discussions and negotiations pertaining to roadway projects within Clark County. Our participation is based upon our ability to commit LVCVA revenues to roadway projects as long as it does not impact our mission or our bond covenants. We have recognized the importance of roadway transportation since the early 1990s. We have been involved with the Nevada Resort Association (NRA) and McCarran International Airport (McCarran) for roadways leading into Las Vegas from California and Arizona and for federal

funds employing lobbyists in those areas. We have worked with McCarran to bring in more flights, both domestic and international. In 1992, the Legislature enacted a 1-percent room tax currently used for Las Vegas Resort Corridor roadways in Clark County. Since that inception, a little over \$382 million has been generated for roadway projects by the tourism convention delegates.

MR. RALENKOTTER:

As mentioned, I was a member of the Task Force so we were engaged with that as well as our current participation. It is critical for the LVCVA to remain flexible in our ability to bring visitors to Las Vegas and to promote the most desirable leisure and business destination in the world. It is a simple task. We need to fill hotel rooms. Right now, we have more rooms than any other city in the United States, approximately 133,000 rooms. That is going to grow to about 170,000 rooms in 5 years. We need to increase visitation. Currently, it is about 39 million and we need to increase it to about 44 million visitors in that 5-year period. We do this in a variety of ways. We have two convention facilities and we use them to bring conventions to Las Vegas. We also have a variety of marketing and sales programs, both domestically and internationally, that allow us to brand Las Vegas on the leisure side as well as the convention side. Our award-winning advertising campaigns also contribute to domestic and international markets. More importantly, we work with our stakeholders, the hotel industry, that join promotions and projects that bring visitors to Las Vegas.

Competition is fierce today. We are looking at competition from other cities and states as well as internationally. There are gaming locations, convention locations and leisure destinations all over the world. We compete with other convention cities and all of them would like to take business away from Las Vegas. The cities of Chicago, New York and Phoenix are planning expansions and Orlando, Florida, just completed an expansion. In the last two weeks, California has authorized a \$50 million advertising budget over five years to promote travel. That is targeted at our customers. We have to maintain that mission to fill those rooms for Las Vegas and southern Nevada.

The LVCVA is the No. 1 convention bureau in the country, but we are unique because we have two missions. We operate and sell convention facilities as well as being the destination marketers for all of Las Vegas. When you see our advertisements, it is about the brand of Las Vegas. Hotels market their individual hotel properties, but ours is directed at generating visitors to our

community. The other difference between Las Vegas and almost every other designation is that tourism is the No. 1 economic driver. It creates more jobs and revenue and we need to keep that healthy for us to maintain the type of lifestyle we have today. It will not get less expensive for us to maintain our market share into the future. We compete in three areas: special events such as the National Finals Rodeo, corporate meetings where we work closely with the hotels and the international component. We want to create more visitations from the Pacific Rim, Europe and Eastern Europe, and this is going to be expensive.

MR. RALENKOTTER:

When we looked at our participation in this, we had to look at both sides. Can we complete our mission to bring visitors to Las Vegas and does it comply with our bond covenants? We have an expansion program which has been approved by the Board. We did extensive financial analysis to determine what types of resources and commitments we needed to place on our organization to be able to accomplish that goal. Our convention buildings need upgrades to remain competitive in the marketplace. When we reported to the Board some of the proposals about our room tax flow, we indicated that we have over 300 convention groups booked to the year 2015 and beyond that would be in jeopardy if we did not complete our expansion programs. We did not take this lightly when we looked at the revenue stream the LVCVA was going to commit to this project. When we review our budget, we will fund these needs at a sacrifice. We have to look at staffing patterns over the next five years. We are going to take some of our capital improvement programs and move them out to 2015, 2016 and 2017.

We recognize that solving the transportation problem is critical to the destination as well as to all of us who live in Las Vegas. We need to be part of the solution and that is the reason we came to the table and why we are still here. It is important for us to position Las Vegas into the future and that is what we have done with our participation. We would like to have seen more stakeholders at the table and know that this problem is not going away. We anticipate more stakeholders will be part of the solution to the transportation needs in the future. In closing, we believe we can complete our mission. Bond counsel has indicated that this program will not violate our bond covenants, and we support this legislation.

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SENATOR CARLTON:

I thank you for the work you do. You alluded to the financial impact that this will generate. How will this affect your budget?

MR. RALENKOTTER:

We will have to be very prudent in how we allocate the dollars approved for our enhancement projects. As I indicated, some of our capital improvement projects will be extended out to 2017. We had an owner's contingency for our expansion program in addition to our contingencies in the campaign itself. We will have to reduce that somewhat in order to meet the transportation needs. Then, we will put a ceiling on additional staffing over the next seven to ten years. We identified staffing patterns that need to be incorporated into the expansion program and sales. We have always been very prudent with our funds. Transportation is a critical part of our destination, and we need to participate in the solution.

SENATOR AMODEI:

Mr. Ralenkotter, I have been informed that 1-percentage point of room tax is about \$41 million. Is this correct?

MR. RALENKOTTER:

It is about \$44 million for 1-percentage point.

SENATOR AMODEI:

Do you have any projections for the room tax at your projected 44-million visitor level?

MR. RALENKOTTER:

Yes, we have those projections.

SENATOR AMODEI:

If you continue to do the great job of filling those rooms, when you get to that 44-million visitor level, what is 1-percentage point of room tax going to generate a year?

MR. RALENKOTTER:

I would like to preface as to the value of that 1-percentage point. It is a volatile marketplace. Supply and demand determines occupancy percentages and the

average daily rates. All of that impacts the amount we will accrue on an annual basis. Marketplace conditions can determine some of those revenue flows.

SENATOR AMODEI:

I would like the occupancy levels for 2004, 2005 and 2006 in your market. What is the average room rate? Have those rates increased in the last 36 months?

MR. RALENKOTTER:

We have that information. In fiscal year 2004, we had an occupancy rate of 86.6 percent. In 2005, it was 88.1 percent and in 2006 it was 88.4 percent. This is the blended rate for the entire county because we receive room tax from Mesquite, Laughlin and Primm. The blended room rate went from \$68 in 2004 to \$75 in 2005, \$84 in 2006 and projected at \$89 for 2007. We are seeing an increase based on demand for the destination. It is an indication of how Las Vegas is fairing both on the convention side as well as the leisure side.

SENATOR AMODEI:

You are doing a great job. Those are wonderful numbers. What is the projection when you reach 44 million visitors?

MR. RALENKOTTER:

That will occur in 2010, and the room tax portion would be approximately \$268 million.

SENATOR AMODEI:

What is 1-percentage point of room tax at the 44-million visitor level? At the 39-million visitor level, it is around \$41 million a year.

MR. RALENKOTTER:

It would be worth approximately \$61 million for 1-percentage point.

SENATOR AMODEI:

Besides the LVCVA, what does the room tax fund?

MR. RALENKOTTER:

Money from the room tax goes to the communities, the cities, the county, the Commission on Tourism, road construction in the Resort Corridor, the

Clark County School District and the various chambers of commerce. The percentage that goes to the Clark County School District has to be used for construction of schools. The cities and counties receive allocations from both the room tax and the collection of fees. In addition, Las Vegas Events receives funding from us.

WILLIAM BIBLE (Nevada Resort Association):

I want to express the appreciation of the NRA to the LVCVA's Board for their involvement in helping to resolve this transportation issue. I would also like to extend our appreciation to those local governments, Washoe County and Clark County, that are stepping up to provide assistance with issues. As most of you are aware, the NRA has member companies throughout the State. From analyzing the list of proposed projects, it appears that a number of important transportation issues will be resolved in the I-15 corridor and in northern Nevada. As this Committee recognizes, the revenue stream that Mr. Ralenkotter just discussed is generated by the gaming industry. This revenue stream is a result of the success the gaming industry has enjoyed in Nevada, and we feel that a portion of this stream should be used to meet the transportation needs in the corridors used by tourists, residents and commercial traffic. However, I want you to understand, that my appearance here should not be misconstrued. The NRA had similar discussions that this Committee is having today and all members are of the same mind on the proposed resolution. Universally, all member companies are deeply concerned that the proposed diversion could jeopardize the mission of the LVCVA, and we will certainly rely on the professional judgment of management and the Board in that regard. These are the economic drivers of the State. Also reflective of the discussions that you have had, some member companies were equally concerned that there were not more people around the table. As this Committee is clearly aware, the traditional funding streams of the State Highway Fund are user fees such as gasoline taxes, diesel taxes, registration fees or license fees for individuals who own and operate motor vehicles. In the proposal before you today, the only element that has wheels is the contribution volunteered by the rental car companies. We are concerned that there is not a broad base in the approach being taken. However, we are clearly interested in getting the transportation needs resolved, and we recognize that this is not a total solution. We commend the LVCVA and the local governments for their willingness to participate.

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CHAIR MCGINNESS:

We are being called to the Senate Floor. Is there anyone who would like to testify who cannot testify tomorrow?

MONTE L. MILLER (Chief Executive Officer, KeyState Corporate Management):

I asked Senator Bob Beers for some information from the LVCVA, and he went through the Legislative Counsel Bureau (LCB). I wanted some information on room taxes and percentage growth rates prior to 2006 ([Exhibit H](#)). The information showed a growth rate of 8.8 percent for the period 1997 to 2006. This is out of the 43 percent that the LVCVA receives from the room tax. As Mr. Ralenkotter mentioned, 53 percent of the room tax is allocated elsewhere. Room tax collections reported by the LVCVA went from \$95 million in 1997 to \$200 million in 2006. That is over 100 percent at 8.8-percent growth. The LCB ran room tax scenarios at 5-percent, 6-percent, 7-percent, 8-percent and 9-percent growth rates. At the lowest rate, 5 percent, that \$200 million in 2006 grows to \$557 million in 2027. That is a total of \$7.5 billion from 2006 to 2027. This does not include the \$50 million the LVCVA collects every year from property leases and other income. The Governor supports this legislation. The LVCVA does a fabulous job; however, \$20 million a year is not going to hurt the tourism industry in Las Vegas.

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CHAIR MCGINNESS:

Thank you, Mr. Miller, we appreciate your testimony. We will hold another hearing on this since we are being called to the Senate Floor. I am adjourning this joint meeting at 4:11 p.m.

RESPECTFULLY SUBMITTED:

Lynette M. Johnson,
Committee Secretary

APPROVED BY:

Senator Mike McGinness, Chair

DATE: _____

Senator Dennis Nolan, Chair

DATE: _____