

**MINUTES OF THE  
SENATE COMMITTEE ON TAXATION**

**Seventy-fourth Session  
June 2, 2007**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 9:04 a.m. on Saturday, June 2, 2007, in Room 2135 of the Legislative Building, Carson City, 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.

**COMMITTEE 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

**GUEST LEGISLATORS PRESENT:**

Senator Maggie Carlton, Clark County Senatorial District No. 2

**STAFF MEMBERS PRESENT:**

Ricka Benum, Committee Manager  
Tina Calilung, Deputy Fiscal Analyst  
Brenda J. Erdoes, Legislative Counsel  
Russell J. Guindon, Senior Deputy Fiscal Analyst  
Marjorie Paslov Thomas, Senior Research Analyst  
Lynette M. Johnson, Committee Secretary

**OTHERS PRESENT:**

Jim Gibbons, Governor, Office of the Governor  
Susan Martinovich, P.E., Director, Director's Office, Nevada Department of Transportation  
Raymond J. Flynn, Assistant Sheriff, Las Vegas Metropolitan Police Department  
Veronica Meter, Las Vegas Chamber of Commerce

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John D. Madole, Associated General Contractors Nevada Chapter;  
Nevada Highway Users Coalition  
Michael R. Alastuey, Clark County  
Robin V. Reedy, Deputy of Debt Management, Office of the State Treasurer

CHAIR MCGINNESS:

We are going to reopen the hearing on Assembly Bill (A.B.) 595.

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

JIM GIBBONS (Governor, Office of the Governor):

Transportation is a crisis within Nevada which needs to be addressed. By addressing this issue through A.B. 595, we have done several things for the people of Nevada. We have started to solve this problem without increasing taxes. This is the first step in the direction we need to take over the next two years.

With the revenues being addressed in A.B. 595, we will be able to bond up to \$1 billion of new transportation projects. Even if we had the necessary funds, it will take time to accomplish these projects. The projects must be spread out in a time line.

I add my support for A.B. 595.

SENATOR SCHNEIDER:

We had a joint hearing on this issue. There was testimony concerning the 31-percent inflation rate on materials for building these roads. We should front-end load this project and if necessary, go outside the state and hire private contractors. The roads in Las Vegas are a disaster. Should we move faster?

GOVERNOR GIBBONS:

Logistic issues occur with this type of project. If all the money was available, I am not certain with the logistic challenges we face they could be started quickly. There are challenges with acquiring the materials, manpower and companies to accomplish these projects. There are intangible issues such as right-of-way rules which cannot be accomplished automatically. The eminent domain law is another challenge we face.

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

The Nevada Department of Transportation is looking at creative ways for project and delivery. We are looking into the I-15 Design-Build Project. Other projects are not ready because they are in various stages of the National Environmental Policy Act (NEPA) of 1969 document. As the projects come online, our goal is when the money becomes available, we will be able to get those projects delivered in the timeliest manner.

SENATOR SCHNEIDER:

Has mass transit been considered to transport employees through the Las Vegas Resort Corridor?

GOVERNOR GIBBONS:

We need to address the shuttling of employees through that area to alleviate the vehicular traffic. These are the types of planning processes that counties, not the state, should undertake. The Metro system in Washington, D.C., moves millions of people every day and alleviates the congestion on surface transportation. This type of system needs to be designed by each municipality to address their own individual needs.

SENATOR SCHNEIDER:

What would be the cost to expedite all the transportation projects necessary?

MS. MARTINOVICH:

The Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects identified the high-priority projects. We developed the strategy that if we had the money and—depending on NEPA, right-of-way and construction status—they were ready to start construction, this could put gridlock on a location; therefore, construction would need to be phased in and distributed. We have identified approximately \$1 billion in projects that would be ready within the next two years.

SENATOR COFFIN:

We heard conflicting testimony yesterday that more money could be used for transportation. Because of your position of no new taxes, we have been handicapped in this project fulfillment. We need the ability to do a user tax. A user tax is one where results can be seen. We are approaching crisis point. If we do not move forward with sufficient funds, we will be gridlocked. This will

affect permits for home building, planned unit developments and subdivisions because roads cannot be built to get to those areas.

The trucking industry was involved in the discussion to find the money for our roads, but they backed away. According to your staff's testimony, this caused a loss of \$3 million or \$4 million in bonding capacity which could pay for the roads from Las Vegas to the state line.

Could you change your position concerning taxes?

GOVERNOR GIBBONS:

We have different points of view. You insist on raising taxes and I believe in using existing revenues. We have sufficient revenues in this state based on the current tax levels to meet these obligations and the ability to construct these roads. As the Director has stated, it would not be wise to start all these projects at once. In doing the projects by redirecting existing revenues, we are meeting those obligations.

SENATOR COFFIN:

Are you aware that people pay 6 cents or 7 cents more for a gallon of gasoline than those who drive commercial trucks? They are the ones doing the most damage to our highways.

GOVERNOR GIBBONS:

Are you referring to taxes?

SENATOR COFFIN:

Yes.

GOVERNOR GIBBONS:

Their registration fees are greater also. You pay less at the grocery store to which they deliver goods and pay less for the gasoline that is delivered in those trucks. The savings goes directly to the people. When you raise taxes on a faceless industry such as transportation, you raise taxes on yourself.

SENATOR COFFIN:

The studies of your own agencies show that the trucking industry does not pay their fair share. The trucking industry makes a profit; interstate trucking has influenced the outcome of legislation in this state and other states as well. It is

not fair to the people to pay more in gasoline taxes than these large interstate trucking companies.

GOVERNOR GIBBONS:

My policy is and will continue to be to do these projects without raising taxes and the cost of goods for the individual in the end.

SENATOR AMODEI:

Can you put a cap on the issue? If this measure is enacted with the funds existing in your budget, have you identified the projects needed and the use of those funds to minimize our exposure to inflation?

MS. MARTINOVICH:

Yes. The projects that are moving forward already have the NEPA done. We have been moving forward with design on all of the projects. To spearhead some of the inflation challenges, one of the items we are looking at doing is advance acquisition of rights-of-way. As we acquire more money, we will have projects ready to go.

SENATOR AMODEI:

Can you describe the bonding process? If \$4 billion were authorized for use by the Legislature, would you sell \$4 billion in bonds in the next 24 months before NEPA and designs were done and rights-of-way acquired?

MS. MARTINOVICH:

We would work closely with the Office of the State Treasurer in the financing. Our policy is not to sell bonds prior to when we can actually spend the money. During the design phase and the right-of-way acquisition phase, the Department does not want to be in a position to pay arbitrage and not have the money in use. We try to sell the bonds at the last minute. We work with the Office of the Treasurer to evaluate types of bonds and the length of bonding because it is our practice to maximize our bonding capability with our federal funding.

SENATOR SCHNEIDER:

The Blue Ribbon Task Force recommended \$400 million for preservation. There was testimony verifying these projects save money. Could you give us the status on that recommendation?

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MS. MARTINOVICH:

Yes. The Blue Ribbon Task Force identified preservation projects. There is a preservation project already in place. The Blue Ribbon Task Force identified the additional \$400 million because of the aging of our program and inflationary costs. Due to inflation, that figure may be low. The Department has identified preservation projects where some are in progress and others are waiting for funding to proceed.

SENATOR SCHNEIDER:

Has the Legislature appropriated the money for the preservation or is it included in the \$1 billion request?

MS. MARTINOVICH:

It is part of the \$1 billion, but we do have preservation funding within our two-year budget.

SENATOR MAGGIE CARLTON (Clark County Senatorial District No. 2):

Everyone needs to be involved in this issue. Gaming, trucking, construction and the constituents all need to join in the discussion. It concerns me when one entity leaves the process.

GOVERNOR GIBBONS:

I do not disagree. I do have a position on tax increases. We should find a solution to this problem without raising taxes. I am open to any and every suggestion that would allow us to reach the objective of solving this problem in the short term. If we can bring the people to the table and keep them there without a tax increase, I have accomplished my goal. I urge the Committee's support of A.B. 595.

RAYMOND J. FLYNN (Assistant Sheriff, Las Vegas Metropolitan Police Department):

We are concerned the way A.B. 595 is written and the impact it will have on a future facility for low-level offenders. We are currently involved in negotiations with the county. We had anticipated a 1,000-bed facility would be built, but it may only be a 250-bed facility.

SENATOR SCHNEIDER:

Are we taking the money from building jails and using it to build roads?

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CHAIR MCGINNESS:

There is a provision that some of the property taxes from the counties will go into the road project.

MR. FLYNN:

You are correct.

SENATOR SCHNEIDER:

We are taking money designated for one purpose and using it for another purpose.

SENATOR MCGINNESS:

It is called diverted money.

VERONICA METER (Las Vegas Chamber of Commerce):

The Las Vegas Chamber of Commerce supports A.B. 595 as currently written. This is a vital piece of legislation that needs to be passed in order for some of these key projects to move forward. This is a modest step towards progress. At this late time in the Legislative Session, any amendments that add additional funding would seriously jeopardize this bill. We oppose those amendments.

JOHN D. MADOLE (Associated General Contractors Nevada Chapter; Nevada Highway Users Coalition):

We support A.B. 595 but share the concerns already expressed. In 1992, the state was spending \$120 million a year to preserve existing roads. With the inflation factor, the figure would be \$200 million a year just to keep pace. I will present to the Committee a letter from Sohila Bemanian ([Exhibit C](#)), who was an employee of the Nevada Department of Transportation for 25 years. As a private citizen, she points out that the state will begin to lose the investment it has made.

The Legislators received maps that indicate the projects that are being delayed in their area. The projects being delayed at \$1 million in today's market will cost \$4 million in the future. This problem should be addressed and put into motion.

SENATOR AMODEI:

Has your organization researched funding? Have the proposed savings been quantified?

MR. MADOLE:

There are substantial savings. It is a complicated issue. Using a pay-as-you-go basis and less of the long-term bonding, the taxpayers would be better served.

SENATOR AMODEI:

It would be helpful in making our decision concerning A.B. 595 to have those numbers. This would allay fears about the ultimate price tag based on money management principles.

MR. MADOLE:

There is a report, and I will obtain the information to answer your question.

SENATOR SCHNEIDER:

Could the roads be built faster? Could more projects be done?

MR. MADOLE:

Yes. This can be accomplished under the right set of circumstances. A recent example is a section of freeway in California destroyed by fire and reconstructed in record time.

SENATOR SCHNEIDER:

Is the private sector ready, able and willing to respond to the road projects?

MR. MADOLE:

Yes.

MICHAEL R. ALASTUEY (Clark County):

This diversion of revenue does have consequences. There are projects that could have been done sooner but will be done later. We will try to find other ways of getting the projects completed.

For the record:

In terms of the general policy of diversion or redirection or reprioritization of the funds, it all has a consequence somewhere. Unlike either industries or the state, local government cannot be in the same position or not statutorily in the same position to pass the consequence of loss of revenue or increase of expense to others.



Transportation is of critical importance. Other projects are also critical. We have offered our financial participation. We support the concept of "the money that is generated here stays here." In section 47 of A.B. 595, there is separate accounting. I have proposed an amendment ([Exhibit D](#)) to supplement the language in the bill. The language in the bill provides the money will be transferred to the State Highway Fund and applied only to projects located within the county where the money originated. We are proposing to add that the money must not be used to reduce or supplant the amount or percentage of money which would otherwise be made available to the State Highway Fund for projects in that county.

This amendment has been presented to the Nevada Taxpayers Association, the Las Vegas Convention and Visitors Authority, financial analysts and local governments that are the major participants in this bill.

The possibility of redirection, reprioritization or diversion of money for state responsibilities for local government is at an end. After this Legislative Session, local governments will be experiencing some significant effects of actions taken in good faith but with consequences. We give our support to A.B. 595 with additional information and conditions.

CHAIR MCGINNESS:

On page 31, lines 24 and 25 address maintaining a separate account for money deposited in the State Highway Fund. Is the language not sufficient?

MR. ALASTUEY:

The language in the bill provides for a separate account and the money be allocated for projects within the county. Substantial other monies within the State Highway Fund are allocated within the county. The supporters of this bill support the concept that in order to exercise the full incremental benefit in the county of origin, this language would supplement the language in A.B. 595.

CHAIR MCGINNESS:

I want it stated for the record that "the money that comes out of Clark County stays in Clark County" and vice versa.

MS. MARTINOVICH:

We do not intend to take away any of the money currently going toward projects in Clark County. Clark County receives an allocation of federal money. We are working on other capacity projects where funding is utilized in conjunction with the southern Nevada Reserve Officers Training Corps. We would continue with the program. The money addressed in this bill would go toward the projects we have already identified.

CHAIR MCGINNESS:

Are you comfortable that the existing language in A.B. 595 is strong enough to direct your agency to accomplish that?

MS. MARTINOVICH:

Yes.

SENATOR COFFIN:

There were two people in the Assembly who voted against A.B. 595. One person voted against the bill because it did not do enough to solve the road funding problem. The other person opposed tapping county property taxes for roads. These funds are supposed to be used for parks, soccer, baseball and football fields, swimming pools and other projects that make communities a better place to live.

CHAIR MCGINNESS:

Are you asking the representative of the county to dissect what the members of the Assembly meant by their votes?

SENATOR COFFIN:

My question is could the money be taken from parks?

MR. ALASTUEY:

Yes. These dollars are available under statute for capital projects at the discretion of the local government.

SENATOR COFFIN:

If the concept of "what comes out of Clark County stays in Clark County" becomes the process as to how the state is run, then everyone will follow suit. When revenues are dissected and earmarked for a specific purpose in a specific county, it is dangerous.

SENATOR TOWNSEND:

There are questions about A.B. 595 that need answers. This problem has been in existence for 20 to 30 years and was not created by the current administration. Projects have been held up for various reasons not due to the Governor or the Legislators. We should focus on what is available to address this problem

ROBIN V. REEDY (Deputy of Debt Management, Office of the State Treasurer):

We have provided reports to Legislators showing the 10-, 20- and 30-year dynamics in the interest rate. It is very comparable to buying a house. A 20-year bond is going to double the price of the principal. A 30-year bond is 1.5 times the principal amount. Therefore, a decision needs to be made as to what a person wants and can afford. We have looked at the inflation rate which is 31 percent. The cost of borrowing money is approximately 5 percent or 6 percent. By putting projects in motion, you are looking to save approximately 25 percent.

I can provide the report to the Committee. Under the current legislation, we can only do a 20-year bond. The ability to do a 30-year bond would not be rebuffed by the Office of the Treasurer.

I have mentioned to the Chair the need for the Office of the Treasurer to be inserted in A.B. 595.

CHAIR MCGINNESS:

Your concerns have been expressed to the Director of the Nevada Department of Transportation and can be addressed.

We will close the hearing on A.B. 595. The Chair will entertain a motion on A.B. 595.

SENATOR TOWNSEND MOVED TO DO PASS A.B. 595.

SENATOR AMODEI SECONDED THE MOTION.

SENATOR COFFIN:

I am contemplating proposing an amendment. I offer that amendment to the original motion.

SENATOR COFFIN MOVED TO AMEND A.B. 595 BY INCREASING THE DIESEL FUEL TAX IN INCREMENTS OF 3 CENTS IN THE FIRST FISCAL YEAR OF THE BIENNIUM AND 4 CENTS IN THE SECOND YEAR OF THE BIENNIUM.

CHAIR MCGINNESS:  
Is there a second on the motion?

THE MOTION FAILED FOR LACK OF A SECOND.

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SENATOR CARE:

The word "crisis" is being abused concerning this problem. I agree there is a problem and it needs to be addressed. There have been many varied proposals to this problem and all have disappeared.

I do not have the solution to this problem. In a past session, a colleague and I introduced a tax bill. As Legislators, we felt it was the duty of the Legislature to determine the policy.

I believe this bill needs discussion on the Senate Floor. I am going to support A.B. 595, but that is provisional.

SENATOR SCHNEIDER:

There have been several bills passed that the outcome cannot be determined at this time. We will be losing various amounts of taxes. What we are doing with this bill is taking taxes from someone else. I am not prepared to send an "open-ended hole" to Clark County.

CHAIR MCGINNESS:  
The motion before us is to do pass A.B. 595.

THE MOTION CARRIED. (SENATORS COFFIN AND SCHNEIDER VOTED NO.)

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CHAIR MCGINNESS:

There being no other business before us today, I will adjourn the Senate Committee on Taxation at 10:11 a.m.

RESPECTFULLY SUBMITTED:

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Patricia Vardakis,  
Committee Secretary

APPROVED BY:

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Senator Mike McGinness, Chair

DATE: \_\_\_\_\_