

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION**

**Seventy-Seventh Session
March 19, 2013**

The Committee on Taxation was called to order by Chairwoman Irene Bustamante Adams at 1:06 p.m. on Tuesday, March 19, 2013, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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 nelis.leg.state.nv.us/77th2013. 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).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Irene Bustamante Adams, Chairwoman
Assemblywoman Peggy Pierce, Vice Chairwoman
Assemblywoman Teresa Benitez-Thompson
Assemblyman Jason Frierson
Assemblyman Tom Grady
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman William C. Horne
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblywoman Dina Neal
Assemblyman Lynn D. Stewart

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None



STAFF MEMBERS PRESENT:

Russell J. Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Gina Hall, Committee Secretary
Gariety Pruitt, Committee Assistant

OTHERS PRESENT:

Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles
Carmen Shipman, Tax Program Supervisor, Motor Carrier Division, Department of Motor Vehicles
Jeff Fontaine, Executive Director, Nevada Association of Counties
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities
Dan Schinhofen, Vice Chair, Board of Commissioners, Nye County
Joni Eastley, Assistant County Manager, Nye County
Lee Bonner, Vice Chair, Legislative Committee, Nevada Association of Counties; Member, Board of Commissioners, Douglas County
Yolanda T. King, Director, Budget and Financial Planning, Department of Finance, Clark County
Mary C. Walker, representing Carson City and Lyon County
Paul J. Enos, representing the Nevada Trucking Association
Bill Hoffman, P.E., Deputy Director, Department of Transportation
Scott K. Sisco, Assistant Director, Administration, Department of Transportation
Bryan Wachter, representing the Retail Association of Nevada
Jeanette K. Belz, representing the Association of General Contractors, Nevada Chapter
Steve G. George, Chief of Staff, Office of the State Treasurer

Chairwoman Bustamante Adams:

Today on our agenda we have an overview on fuel tax, followed by a hearing on Assembly Bill 6. Mr. Seidel, Ms. Shipman, if you would come forward and begin your presentation.

Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles:

I have with me our Tax Program Supervisor for the fuel industry, Carmen Shipman, who will begin the presentation.

Carmen Shipman, Tax Program Supervisor, Motor Carrier Division, Department of Motor Vehicles:

I am pleased to be here this afternoon to conduct this presentation on motor fuels and special fuels. The Motor Carrier Division of the Department of Motor Vehicle (DMV) concentrates on the collection and distribution of both fuel types.

My team is responsible for collecting and distributing motor fuel and special fuel taxes in accordance with *Nevada Revised Statutes* (NRS) 360A, 356, 366, 373, and 590 and *Nevada Administrative Code* (NAC) 360A, 365, 366, and 590. As a part of what my team does, we are responsible for licensing and regulating the fuel suppliers, transporters, exporters, and dealers in the State of Nevada ([Exhibit C](#)). We also track all movement of fuel that comes into and goes out of the state. This is accomplished by tax returns that the fuel transporters submit on a monthly basis. In addition, we process the gas tax refunds for farmers, ranchers, and other users that consume fuel in an off-road manner. In Nevada, farmers and ranchers are able to claim 80 percent of their fuel without maintaining any records. General users are able to claim 100 percent of the fuel that is used in an off-road manner provided they are able to document all of the fuel purchases and uses. [Read from prepared text ([Exhibit C](#)).]

Nevada Revised Statutes Chapter 373, which is the county taxes on fuel, allows for the counties to enact or raise the county option taxes and covers the Consumer Price Index (CPI) and Producer Price Index (PPI) taxes for Washoe County. [Read from prepared text ([Exhibit C](#)).]

Licensed suppliers must sell tax-exempt fuel to other licensed suppliers and licensed exporters. Our exporters are those companies that take possession of the fuel in the State of Nevada and immediately export the fuel out of the state. [Read from prepared text ([Exhibit C](#)).]

Fuel suppliers and dealers are required to use our online fuel reporting system to file and pay their monthly taxes. We have an in-house, online filing system that these suppliers have been using since 2005 and it is working quite well. It allows us to collect our fuel taxes in a much more timely manner. [Read from prepared text ([Exhibit C](#)).]

The chart on slide 8 ([Exhibit C](#)) shows the state and federal fuel tax rates for all of the taxes that are collected under Chapters 365 and 366. [Read from prepared text ([Exhibit C](#)).]

Slides 9 and 10 ([Exhibit C](#)) show the county option fuel taxes for all of our fuels that we collect taxes on. The first column shows our gasoline and gasohol county option taxes. You will notice that they range from a low of 4 cents per gallon to a high of 9 cents per gallon. You will see that there are six counties at the 4 cent tax rate. Clark County also has a county option tax on jet fuel of 3 cents per gallon which they recently increased from 2 cents per gallon on July 1, 2012. Each of the counties in the state can enact a county option tax on aviation fuel that can range anywhere from 1 cent to 8 cents per gallon. At this time there are only three counties that have enacted this tax to its maximum of 8 cents per gallon: Douglas, Elko, and Humboldt.

Slide 10 also shows the county mandatory tax of 1 cent that all of the counties receive. It also shows the current tax rates for the Washoe County index taxes, which are the CPI and PPI ([Exhibit C](#)). As a part of the index tax legislation, Washoe County does the calculations to show to us at the beginning of the new fiscal year, then we go in and convert everything over for our system so we can notify the various suppliers of the new tax rates. [Read from prepared text ([Exhibit C](#)).]

The next slide shows the taxable gasoline and gasohol sales and collections that were received in fiscal year (FY) 2012. Gasohol is actually a mixture of gasoline and ethanol. We have to meet the federal Clean Air Act requirements in Washoe and Clark Counties, and to do that we have blends of gasoline with ethanol to a certain percentage, usually 9.5 to 10 percent per gallon. Total taxable gasoline gallons in 2012 were slightly more than 53 million gallons and total gasohol exceeded 1 billion gallons. The difference between the two is attributed to changes in the federal mandates of the Clean Air Act, which now require ethanol to be used throughout the year.

Total collections in 2012 for state and county motor fuels were slightly over \$368 million. Of that amount, the state retained just over \$185 million and the counties received slightly more than \$183 million, which included the special fuels and motor fuels CPI and PPI for Washoe County. The jet fuel collections in 2012 amounted to \$11.5 million and include the Clark County option tax increase of \$0.02 per gallon last July. Aviation tax, which currently goes to the Civil Air Patrol, totaled \$36,700 and the county option tax on aviation fuel for FY 2012 was slightly more than \$21,000. [Read from prepared text ([Exhibit C](#)).]

Slide 18 addresses the distribution of motor fuel and special fuel excise taxes. The state tax rate for gasoline is 23 cents per gallon, and 12.65 cents of that goes to the State Highway Fund, which is regulated by NRS 365.175 and must be used for construction, maintenance, and repair. An additional 5 cents also

goes to the State Highway Fund, but this portion must be used for construction of new highways. The county's portion is 5.35 cents and is regulated by NRS 365.180 and NRS 365.190. These revenues must be used for construction, maintenance, repair, and purchase of equipment. The county portion is distributed to the counties, incorporated cities, and towns with town boards, following provisions as outlined in NRS. The 4 cents to 9 cents county portion is regulated by NRS 373.030, with the revenues to be used for the service and redemption of revenue bonds, construction, maintenance, and repair of public highways, and the purchase of equipment. The 1 cent tax is a county mandatory tax covered under NRS 365.192 and those revenues must be used solely to repair or restore existing paved roads, streets, and alleys. The index tax, which is regulated by NRS 373.065 and 373.066, is distributed back to the county and to the regional transportation commission (RTC).

All the revenues under the diesel excise tax, which is regulated under NRS 366.190, revert to the State Highway Fund. Jet fuel collections, which are covered by NRS 365.170 and NRS 365.203, revert back to either the governmental entity that operates the airport, the governmental entity that owns the airport, or the county in which the airport is located.

Aviation fuel tax collections are covered by the same statutes as the jet fuel, and, again, the revenues that are received go back either to the governmental entity that owns the airport, the governmental entity that operates the airport, or the county in which the airport is located. [Read from prepared text ([Exhibit C](#)).]

Slides 27 through 31 detail the history of the Washoe County index tax for all of the various fuel types, and slide 38, the last slide, shows our total fuel imports and exports for FY 2012.

Chairwoman Bustamante Adams:

Are there any questions from the Committee?

Assemblyman Hardy:

What is the current cap in Washoe County on the indexing or is there a cap?

Carmen Shipman:

There is no cap for the indexing for PPI. That will continue to go on indefinitely.

Chairwoman Bustamante Adams:

Are there any other questions?

Assemblywoman Neal:

On slide 7 where you explain how the taxes are collected, you have noted that fuel suppliers and dealers may retain a 2 percent collection allowance. How much money is that?

Carmen Shipman:

I do not have that figure but I would be more than glad to get that information for you.

Assemblywoman Neal:

Thank you. In terms of biodiesel, how much biodiesel or biodiesel blend are we actually using?

Carmen Shipman:

The majority of the biodiesel that is used within the State of Nevada is produced locally by one of our suppliers in Minden. I do not have the exact figure with biodiesel but I will gladly get that information to you.

Chairwoman Bustamante Adams:

Are there any other questions for Ms. Shipman?

Assemblywoman Kirkpatrick:

Would you go through the county option fuel tax rates on slides 9 and 10 ([Exhibit C](#)). I want to understand why it is so different across the counties. If you could explain that it would be helpful.

Carmen Shipman:

The first column on the chart shows the gasoline and gasohol tax rate, which varies from 4 cents to the maximum of 9 cents per gallon. The counties have the capability of increasing the option tax up to the maximum, but some of the counties have chosen not to. For example, Elko County just increased their taxes from 6.5 cents to 9 cents as of March 1 of this year.

Under special fuels, only Washoe County has the index taxes and therefore they are the only county with an amount noted in that column. On jet fuel, the statutes allow for an option tax of between 1 cent to 4 cents per gallon. At this time, Clark County is the only county that has enacted an option tax on jet fuel and they recently increased it from 2 cents to 3 cents per gallon. All of the counties have the ability to enact a county option tax on aviation fuel, which can range from 1 cent to 8 cents per gallon. The only counties at this

time that have enacted that option tax are Douglas, Elko, and Humboldt and each has taken it to the maximum amount that is allowable under statute.

Assemblywoman Kirkpatrick:

What is the difference between jet fuel and aviation fuel and what is the process for the counties to enact those taxes?

Carmen Shipman:

Jet fuel is used in the large commercial airlines and cargo planes, while aviation fuel is used in the small, privately owned planes. Jet fuel is a higher grade of diesel, and aviation fuel can actually be used in a car, it would just be more costly. As far as the option taxes, by statute the counties are not required to go to a vote of the people as the board of commissioners has the power to increase the tax. Both taxes are distributed in the same manner as far as going to either the county or the airport.

Assemblywoman Kirkpatrick:

Are there any stipulations on how the money can be spent?

Carmen Shipman:

The counties must use the revenues from the jet and aviation fuel taxes for the maintenance of runways at the airports and have certain parameters they must follow. We did not include that information in this presentation.

Assemblywoman Kirkpatrick:

Can you get that information to me?

Carmen Shipman:

Yes.

Chairwoman Bustamante Adams:

Are there any other questions?

Assemblywoman Neal:

On slide 8, you have the Washoe County index taxes broken down for motor fuels and you listed out the CPI and I wanted to know what was the effect of fluctuations from year to year. Additionally, you listed the PPI and my understanding is that PPI is the capture of price movements, correct? Since you had a dip in FY 2012, what was the effect in relationship to that drop on the fuel indexing? What was the aggregate effect, how did it change the landscape of what you were going to receive or not receive?

Carmen Shipman:

When the PPI for Washoe County was enacted on January 1, 2010, the CPI that was in effect as of June 30, 2009, is the amount that will remain in effect forever. It is capped at slightly over 2.5 cents per gallon. With the addition of the PPI, which is just over 13 cents per gallon, added to the CPI, Washoe County has an additional amount of 16 cents per gallon. The sales in Washoe County have declined, but I cannot say it is because of this, as sales statewide have declined. So, I am not able to definitively say that the sales in Washoe County declined as a result of these additional taxes.

Chairwoman Bustamante Adams:

Are there any more questions?

Assemblyman Stewart:

Taking into consideration the economy cars and more conservative driving habits, can you give us an idea what percentage the fuel taxes have dropped in the last ten years?

Carmen Shipman:

Up through approximately 2007, we were having growth rate of anywhere from 5 to 8 percent on an annual basis in motor and special fuels. After the recession hit, we started seeing declines of an average of 2 to 2.5 percent per year. We are still showing somewhat of a decline. We have done some research as to the effects of the new vehicles that are more fuel-efficient, but I do not have that information with me. I would be glad to furnish it to you.

Assemblyman Stewart:

I would like to see a dollar amount from 2000 to 2013, whatever the latest figures are.

Chairwoman Bustamante Adams:

Does anyone else have a question for Ms. Shipman?

Assemblyman Hardy:

Regarding the aviation fuels, we have to keep up with the federal standards for air quality. Does any of the money collected for the jet or aviation fuel go towards that?

Carmen Shipman:

I am not able to answer that question. I would have to contact the airports to see if they do have any of the revenues that they received used in that manner. But we would be glad to furnish that information to you.

Assemblyman Hardy:

When this formula was created did anyone look at the impact from aviation fuels on our highway systems?

Wayne Seidel:

The DMV has not done any studies relative to commerce and how the airports relate to trucking and the state economy. The Department of Transportation (NDOT) may have some statistics on that.

Chairwoman Bustamante Adams:

Any other questions for the presenters?

Assemblywoman Kirkpatrick:

I want to dig a little deeper into Mr. Stewart's question on the loss of revenue that we have experienced based on lifestyle changes. Does the DMV know specifically how many of the green or hybrid vehicles we are seeing or is it a combination of fuel-efficient vehicles and less driving? There seems to be some options out there that the counties may not have explored and I want to understand everything that we have seen. In 2007 when Senate Bill No. 437 of the 74th Session was passed, we started to see a drop then and we are seeing more fuel-efficient vehicles on the roads. Is there a way to calculate that?

Wayne Seidel:

We have done a quick sketch of vehicles over the last three years and it is staying flat at about 1.86 million trucks and vehicles in the state. In 2012 we saw approximately 1 percent hybrid and efficiency type vehicles, which had been 0.9 percent in FY 2011. That translates to approximately a tenth of a percent per year increase. We have not looked into the long term, but we are working with NDOT as a partner and we do see fuel tending to be flat.

Assemblywoman Kirkpatrick:

How many miles do you think were traveled based on the dollars that were received? The data I am looking for is how many of those miles could have been more fuel-efficient cars that are on the road that might cost us some revenue. I am more curious about the miles and I know that NDOT and the DMV are looking at some different options for the long term, but we probably should get a handle on it sooner rather than later. I know the studies are ongoing but that does not help us address it today. If you do not have the answer I will get it from you later.

Chairwoman Bustamante Adams:

I would like to go back to Assemblywoman Neal's question on the 2 percent collection allowance. How is that tax collected and what is meant by a "timely manner"?

Carmen Shipman:

The taxes are collected on a monthly basis. For example, the March taxes the suppliers are currently receiving need to be remitted to the state by the last day of April. If we receive the revenues by the due date, then that is considered to be timely and they are allowed the 2 percent collection allowance.

Chairwoman Bustamante Adams:

What percentage remit taxes in a timely manner?

Carmen Shipman:

One hundred percent. It is very rare that we have a late return. These are big companies and they have to post large bonds with us and they do not want to jeopardize their license by being late.

Chairwoman Bustamante Adams:

When you give the breakout on cost per gallon of gasoline, you list marketing at 7 percent. What is meant by marketing?

Carmen Shipman:

We pulled that information from a petroleum industry website so I am not certain what it refers to. However, I believe it refers to advertisements on television, in magazines, et cetera.

Chairwoman Bustamante Adams:

On the pipeline reports, what state do the fuels from Kinder Morgan come from?

Carmen Shipman:

Kinder Morgan and CALNEV Pipe Line LLC both bring their fuel in from California. The HollyFrontier Corporation pipeline brings fuel in from Utah.

Chairwoman Bustamante Adams:

Are there any more questions?

Assemblywoman Neal:

I had a similar question and follow-up on the pipeline reports and PPI. My understanding of PPI is that it is based on the revenue received by the item produced, which in this case is fuel. What is the revenue created from fuel imported through the pipelines by Kinder Morgan, CALNEV, and HollyFrontier?

Carmen Shipman:

We do not receive any revenue from the pipelines. The pipelines act as transporters of fuel.

Assemblywoman Neal

I meant the company itself. We are taxing their activity since they are delivering fuel to us, correct? At the other end of the pipeline who is the company that is sending the fuel our way that we are taxing?

Carmen Shipman:

We have companies that have time on the pipelines. Not just anyone can bring fuel in through the pipeline. Most of the time it is companies like Chevron, Texaco, the large companies that are on the California end of the pipeline, who are sending the fuel through the pipeline for delivery to their facility. The large suppliers have storage facilities at the various tank farms, such as the one in Sparks, and when the fuel is imported into the state, those large suppliers are then responsible for remitting the import fees, the inspection fee, and the cleanup fee on imported fuel. Those companies then resell that fuel or use it themselves, such as when Chevron provides fuel to its branded stations throughout the northern part of the state. All of these large companies sell to other suppliers in the state who are the ones delivering it to various retail locations. It is when the fuel is delivered to the end user that the fuel tax is due and remitted to the state.

Chairwoman Bustamante Adams:

We have time for one more question from the Committee.

Assemblywoman Pierce:

Do the pipelines transport natural gas as well?

Carmen Shipman:

These pipelines are strictly motor fuels and special fuels. There are other pipelines that do transport the natural gas.

Chairwoman Bustamante Adams:

Thank you so much for your presentation. I know there were a lot of unanswered questions and requests for data, and we look forward to getting that information from you. With that we are going to open up the hearing on A.B. 6. If the sponsors of that bill would please come forward?

Assembly Bill 6: Requires the State Treasurer to return a certain percentage of the revenue from the taxation of special fuel to the county in which the revenue was generated. (BDR 32-256)

Jeff Fontaine, Executive Director, Nevada Association of Counties:

To begin, I would like to thank you, Madam Chair, for scheduling the Department of Motor Vehicles, Motor Carrier Division this afternoon. They did an outstanding job of explaining how the special fuels tax system works, which, of course, is fundamental to our bill this afternoon. Assembly Bill 6 would return 20 percent of the revenue generated on the tax imposed on the sale of special fuels to the county in which that sale occurred, for use in the construction and maintenance of roads. As you now know, special fuels include diesel, biodiesel, propane, and methane.

We are asking for an allocation of special fuels revenue because we believe it is the best solution to help local governments keep up with the maintenance and preservation of their streets and highways. When streets and highways are not properly maintained they can become costly to repair and rehabilitate, so local governments want to manage these public assets in the most cost effective manner but need additional funding to do so. Heavy trucks, the various tractor-trailer combinations you see traveling across our streets and highways, are fueled by diesel and it is those heavy trucks that contribute the greatest wear and tear to highway pavement, which is why taxes and fees for trucks are higher than those for cars. Local roads carry 30 percent of all truck traffic and 20 percent of all heavy truck traffic in our state, yet local governments receive no diesel tax revenues. The only exception to this is in Washoe County as you just heard, which receives an incremental portion of a special fuel tax that is tied to inflation.

According to the Department of Transportation's most recent cost allocation study, there is practically no equity when it comes to heavy truck revenue for local roads versus the local responsibility for those costs. In this case, equity means the ratio of shared revenues paid by a particular highway user group, which, again, in this case is heavy trucks, to the share of costs imposed by that group. This is due to the fact that local governments do not receive any diesel tax revenue or other fees paid by the trucking industry. And so, looking at the larger picture, local governments maintained over 21,000 miles or over

80 percent of all improved roads in Nevada, yet they have much less funding than the state. It is also important to note that the state's funding includes a 3 cents property tax revenue from Clark and Washoe counties that was diverted starting in 2007 for highway projects in those two counties.

The Department of Transportation estimated that 20 percent of the special fuel tax revenue is roughly \$16 million. We recognize that this is a substantial sum of money, but, in comparison, it represents 3 percent of NDOT's annual budget. We also understand that there is concern about a possible \$3 million impact to the trucking industry in terms of refunds through the International Fuel Tax Agreement (IFTA). The Nevada Association of Counties believes there is a mechanism available to assist with that issue and we would like to work with the trucking industry and DMV to try and address that.

We would like to note that two amendments to this bill have been submitted. The first, which we agree with, is by Clark County and simply changes the term "county roads" to "public roads" so as to be consistent with existing language in the *Nevada Revised Statutes* (NRS). The second amendment by the Nevada League of Cities and Municipalities would allow for a suballocation of the special fuels tax revenues to cities within each county. We agree with the concept of suballocating these revenues to the cities but feel the language in that amendment may require additional revision.

I would like to thank this Committee for hearing A.B. 6, and would ask for your consideration of this bill as a solution to help local governments address their infrastructure needs.

Chairwoman Bustamante Adams:

Are there any questions for Mr. Fontaine?

Assemblywoman Kirkpatrick:

What do you envision to be the fiscal impact to the state highway budget?

Jeff Fontaine:

I believe the fiscal note prepared by NDOT notes \$16 million per year.

Assemblywoman Kirkpatrick:

How would you propose the state make that money up? We are trying to work with the local governments, but we must think about where we are going to make this up from.

Jeff Fontaine:

This represents about 3 percent of NDOT's budget, the majority of which is for capital construction. If you are asking me which project would need to be cut, I do not have the department's annual work program in front of me to see which projects they have planned for this coming year. However, I think that is what you would have to do, reduce expenditures by either eliminating a project or reducing the scope of the project or projects.

Assemblywoman Kirkpatrick:

That may be easy enough to do, limit a project. My greatest concern is that we are losing our leverage altogether if the state and the local governments do not work together to get more federal dollars to make up the difference. In this amendment from the Nevada League of Cities and Municipalities, how is this formula derived? "One-fourth in proportion to the vehicle miles of travel on improved roads and streets" ([Exhibit D](#)). How do you determine that?

Jeff Fontaine:

Assembly Bill 6, as written, would take 20 percent of all diesel tax revenues and allocate them back out to the counties based upon where that diesel was sold. The intent of the amendment proposed by the League of Cities is to suballocate some of those funds based upon existing statute that allocates county tax revenues to cities based upon a formula that already exists in statute.

Assemblywoman Kirkpatrick:

I understand that we are all looking for additional dollars for infrastructure but we need to look at all possible methods to do this. Has each county gone to voter overrides? Have they all maximized the taxes on gasoline and gasohol, aviation and jet fuels? Based on the DMV's presentation it does not look like everybody has. It does not make sense to me to blow a hole in the state's budget when there are still some options out there.

Jeff Fontaine:

The short answer is probably not. There are at least six counties that have not exercised; although, outside of Washoe County, the other counties cannot tie inflation indexing to the diesel fuel. There also have been voter-approved tax increases and fee increases in Washoe County and Clark County to build local infrastructure projects. There are opportunities for some of the rural counties to raise additional revenues. But my response must also include that this is an equity issue as well. We are trying to tie the use of the roads to the revenue, and in the case of diesel, there is no connection.

Assemblywoman Kirkpatrick:

I just want to make clear that all the county commissioners must participate in the process as well.

Chairwoman Bustamante Adams:

Are there any other questions for Mr. Fontaine?

Assemblyman Hardy:

Mr. Fontaine, how would you feel about this same tax and the fairness in it, if you were still the director of NDOT? And I know that is hard for you to answer, as you work for somebody else now.

Jeff Fontaine:

I would not like it, but I represent counties now, and when I looked at this issue very closely it just became apparent to me that there is something not quite right about the system. I do not know what else to say besides that, and again, it is an equity issue for us because the counties do not receive any special fuel tax, and yet those roads are being used by the same vehicles that use that special fuel.

Assemblyman Hardy:

When you say an equity position, I have to look at it a little differently, knowing that the two major counties in our state probably pay for the majority of the roads getting to and from the rural communities. Is that not an equity issue as well?

Jeff Fontaine:

There are roads that serve statewide purposes and that is what the NDOT system is all about. I cannot tell you today what the program looks like, but I can tell you when I was there, we strove to put the available money for new capacity projects in the areas that were growing, and that was Clark County and southern Nevada. So, it is really a balancing act. I cannot answer whether or not Clark County motorists are subsidizing motorists in other parts of the state. I would have to look at what the work program is today, but you have to balance the needs of the entire system with the growth in the state.

Chairwoman Bustamante Adams:

Are there any other questions? [There were none.] I would like to hear the two amendments. Can the individuals that have the two amendments to the bill come forth now.

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:

We support A.B. 6, and the amendment ([Exhibit D](#)) we brought forward is to suballocate some of the 20 percent that would be diverted to the counties to the incorporated cities to help them pay for maintenance on the roads that they are responsible for. To answer Assemblywoman Kirkpatrick's question, the formula that we used came from NRS 365.550. We understand that we may have to work on that language a little bit to make it more agreeable, and we are certainly willing to do that.

Chairwoman Bustamante Adams:

Are there any questions for Mr. Henderson?

Assemblywoman Kirkpatrick:

Mr. Henderson, what do the cities receive now from all of the state and governmental agencies on fuel tax?

Wes Henderson:

I do not know the answer to that. I will have to find out and get back to you.

Chairwoman Bustamante Adams:

Are there any other questions for Mr. Henderson? Since Clark County is not here to present their amendment at this time, we will move to hear from those in support of A.B. 6, if you could come to the table now.

Dan Schinhofen, Vice Chair, Board of Commissioners, Nye County:

Not only am I the Vice Chair of the Nye County Board of Commissioners, but I am also the Chairman of the Nye County Board of Road Commissioners, and the Chairman of the Nye County Regional Transportation Commission. We are in favor of this bill. I understand it is 3 percent of NDOT's budget, and yes, everybody is scrambling for money. Right now Nye County is at 4 cents per gallon excise tax. Two years ago we went to the ballot to raise the tax by 3 cents. It was voted down by almost 87 percent of the voters. I was not on the commission and I voted against it at that time. Last year I had a chance to get a good look at the condition of our roads. We again went to the ballot to increase the excise tax and this time it was voted down by 75 percent of the voters. I do not believe there is the political will on the board to go ahead and raise the tax without voter approval. Nye County has 2,731.3 miles of road that need to be maintained. The trucks do not stay on NDOT roads, so we are asking for you to please consider this.

Chairwoman Bustamante Adams:

Thank you. I appreciate your honesty and letting us know what efforts you have undertaken to try to address the problem at the local level.

Joni Eastley, Assistant County Manager, Nye County:

I want to echo the sentiments of Jeff Fontaine and my colleague in Nye County, Commissioner Schinhofen, concerning this bill. The problem for me, when I was on the board of commissioners, was not one of overriding the will of the voters, it was simply one of economics. I am sure that it is not lost on you that Nye County is one of the most hard hit counties in the United States after the economic downturn. And to me, as I said, it was a matter of simple economics; I could not ask people who have no more to give, to give more. They do not have it and we are well aware of that. It is reflected in our unemployment rate and it is reflected in the number of business that are closing around the county. To me this is less an issue of taxation for the counties and more an issue of equity. We are asking people who use gas to subsidize those who use diesel.

Chairwoman Bustamante Adams:

Assemblywoman Kirkpatrick you wanted to make a comment.

Assemblywoman Kirkpatrick:

We have been working hard in a bipartisan spirit, across the aisles, north and south, Democrat and Republican, to try and make sure that the State of Nevada as a whole gets back on track. I do not believe "equity" is a term we want to use in this discussion. I can tell you that Assemblyman Hardy and I represent different people, yet his constituents will talk about equity, and mine in North Las Vegas will talk about equity, and so will the people in Assemblyman Kirner's district and each of those groups will swear that the scale of equity is tipping in favor of some other district.

What if you had the ability as county commissioners to go back and without going to a vote of the people, raise the excise tax by the additional 3 cents? Do you think the county commissioners would do that, knowing that there is no entity in the state that is flush with dollars that can pay any more? Generally, people are not as opposed to paying more if it means that they are able to drive down their roads without tearing up their truck because there are two potholes that cannot be fixed. I am asking everybody to come to the table this time, local governments, state folks, everyone. Would that help the process? I cannot in good conscience pull \$16 million from the state budget when I believe that the counties still have a little more room to play with.

Joni Eastley:

Assemblywoman Kirkpatrick, are you talking about giving the counties the ability on the gas side or on the diesel side?

Assemblywoman Kirkpatrick:

As long as you make the decision and I do not have to, I will give you whatever you want. I am saying the counties have to step up to the plate and make some hard calls. We have had to do that for a long time. I do not care which one you want, we will figure out how to make it work. But I want your county commissioners to make that decision.

Joni Eastley:

I am sure that they would appreciate the increased delegation of authority; however, I cannot speak for them, and do not know how they would vote on this issue.

Chairwoman Bustamante Adams:

Mr. Schinhofen, do you want to comment on Assemblywoman Kirkpatrick's offer?

Dan Schinhofen:

If we had the ability to also raise diesel and keep it, we would take it. And, we might have the votes on this current board to vote against the 75 percent of the people and be voted out next election. I would probably be one of them. I did not take this as a career, I took it to do what is best for my community. It seems it is always state versus counties and towns versus states, we are all part of this same mix here. The state is not anything by itself, it is made up of the counties and our county is not anything but a bunch of towns. I understand that you have your budgets to look at, and I appreciate that. But again, we are talking about 3 percent of NDOT's budget. With all due respect, it did not shut down the federal government, and I do not think it will shut down the state.

Assemblywoman Pierce:

So the fact is you took this to a vote of the people because you did not want to make the decision yourself.

Dan Schinhofen:

Yes, we took it to a vote of the people.

Assemblywoman Pierce:

So how do I go back to my constituents, who are paying the maximum of 9 cents in fuel excise tax, and say we are supposed to now shoot a hole

in the budget because Nye County does not want to go to 9 cents. My constituents are paying the 9 cents and have been for I do not know how long. How do I say that to my constituents?

Dan Schinhofen:

I do not see how giving a percentage of the diesel fuel from the 7.5 million gallons of diesel sold in Nye County is taking anything from your constituents. My constituents told me they did not want to pay any more in gasoline tax. They are already paying for the diesel and we get no piece of it. Again, with all due respect, I do not see 3 percent shooting a hole in the budget.

Assemblywoman Pierce:

When there is a hole in the state budget everybody has to fill it, everybody has to subsidize.

Dan Schinhofen:

I am not seeing it the same way you are. A few years ago when there were gaps in the state budget the Legislature pulled money out of our budget and we had to figure out how to put it back and we did. Every county had to do that. There was money taken and services we had to provide and we had to find a way to do that.

Assemblywoman Pierce:

I have been here since 2003 and have been ready at any time to enact a broad-based business tax. The fact is I did not want to take your money, not any year, not any time.

Chairwoman Bustamante Adams:

Mr. Schinhofen, I appreciate your coming to the table and helping us learn the process you have taken, so thank you for your testimony.

Assemblyman Hardy:

How many miles did you say you had in Nye County that you are maintaining?

Dan Schinhofen:

2,731.3 miles.

Assemblyman Hardy:

And none of those are NDOT miles?

Dan Schinhofen:

No, those are our roads.

Assemblyman Hardy:

Just your roads alone, all paved?

Joni Eastley:

They are a combination of dirt roads, gravel roads, chip sealed roads, and paved roads. They go from the extreme southern part of the county, which is in Pahrump, up north to the White Pine County line through the Nevada frontier. To put things in some perspective, when we maintain roads in a place like Current Creek, or if we have to go up into Stone Cabin Valley, the equipment is in Tonopah. What that entails is loading the equipment on a flatbed trailer and driving for four hours to get to where the road is that needs to be maintained. There are no hotels in those areas, there are no restrooms in those areas. We have to give our employees an opportunity for a meal break, so if they are working a ten-hour day, and it is four hours of work plus the four-hour drive back because you cannot leave the equipment out there, you can understand why this issue is so important to us.

We have more than 2,700 miles of roads to maintain, all the way from dirt roads to paved roads over an 18,000-square-mile area through some of Nevada's wildest frontier. It is difficult to get to those areas, but we accept that responsibility. It is important to us to keep those roads open.

They are not only used by tourists, but there are ranchers and farmers and others who live in those areas. We have to ensure that those roads are accessible, not only for the residents and tourists, but in the event that there is a situation that requires emergency services management to drive into those areas; the roads have to be maintained. Some roads only see a blade one time a year.

Chairwoman Bustamante Adams:

Are there any other questions?

Assemblywoman Neal:

What is the definition of an improved road? In the formula that was presented in NRS 365.550, it talks about a percentage of the total mileage of improved roads or streets maintained by the county. So is a dirt road an improved road?

Joni Eastley:

Yes, it is. If it is maintained. If the county maintains it, it is an improved road regardless of whether it is dirt or paved.

Assemblywoman Neal:

What would be your actual percentage that you would get from this formula for your roads?

Joni Eastley:

I have not calculated that. I did not know until I saw the presentation by Ms. Shipman how much diesel fuel was being sold in Nye County.

Assemblywoman Neal:

To be clear, you do not know how much you would get, but you want it anyway.

Chairwoman Bustamante Adams:

Are there any more questions for Ms. Eastley or Mr. Schinhofen?

Assemblywoman Kirkpatrick:

You have a great Assemblyman in Mr. Oscarson and he is willing to work with us and work across the aisle, so you should be very proud of him. He is part of the discussions for the long term. Please do not walk away thinking we do not want to work together, but we have been filling holes for a long time and local governments have it a little bit easier—not much, but a little. I believe that we have to look at all of the areas that are affected, and I do not think that there is one person on this Committee who does not support infrastructure. Many of us are struggling since the State Highway Fund is already being redirected in the budget today. What I would say is please, work with your Assemblyman, who works very well with the rest of us, to try and address some of these issues.

I wanted to end on a positive note because I think that we had a good discussion, heated, but good. You are on your side and we are on our side and we all have to try and come together to do what is right.

Chairwoman Bustamante Adams:

Thank you. I appreciate Ms. Eastley and Mr. Schinhofen for representing Nye County and having the courage to come forward to have the discussion.

**Lee Bonner, Vice Chair, Legislative Committee, Nevada Association of Counties;
Member, Board of Commissioners, Douglas County:**

I would like to add some numbers to the discussion. When we talk about the impact on counties, I think it is important to see the numbers. The largest fixed asset in Douglas County is our roads at \$165 million. We do not have the funds to take care of all of our roads. Right now we have a backlog of \$30 million in road maintenance. That is not sustainable. Our county did

enact the full 9 cent gas tax ten years ago and the voters overturned it, so we are now at 4 cents. We have exercised our full jet fuel maximum. So we have done everything that we could do as a commission. We have three major highways in our county. One is up at Lake Tahoe, Highway 50, that goes around the lake through the casino corridor and over into California. We have Highway 395 that comes from Carson City all the way down to California, and then Highway 88 that also goes into California. All three are heavily traveled truck routes. For us not to be able to have a piece of the diesel pie does not really work. We have it on our agenda for our [Douglas County Board of Commissioners] April meeting to again look at how we can increase the amount of gasoline tax. Let us say we do exercise the extra 5 cents. That is \$700,000 to cover a \$30 million backlog. In the 76th Legislative Session, you took \$2 million away from our General Fund. What we want is a seat at the table. We want to be able to work with you and with NDOT, and if part of the money from the diesel comes to the counties, that gives us something to work with NDOT on.

I will give you another example of how this has impacted our county. Highway 207, Kingsbury Grade, comes off of Highway 88 and goes up to Lake Tahoe. NDOT put a traffic light there. It is a safety issue. But the other side of Highway 207 is Waterloo Lane, which is about two miles long and has two 90-degree turns. The road has failed. It is a great place to cross Highway 88, but because of that traffic light, which we had no control over, there is now more traffic on this road. We do not have the funds to fix it but it is a failed road. We evaluate our roads in Douglas County on a pavement condition index. You want to maintain a 70 or 72 pavement condition index. Ours has fallen below that and is now in the 60s. We need help to get that back. We are doing our best to recruit businesses to come to Nevada and to Douglas County. We are doing a great job, but we need some help. This diesel tax would help us.

Chairwoman Bustamante Adams:

Any questions from the Committee?

Assemblywoman Neal:

Why did the voters repeal the initial 9 cents?

Lee Bonner:

It was raised to 9 cents but they repealed the additional 5 cents.

Assemblywoman Neal:

So why did they repeal the 5 cents?

Lee Bonner:

They do not like taxes.

Assemblywoman Neal:

But does it beg a larger question that maybe financially they did not feel they could afford it?

Lee Bonner:

I cannot speak for them or to why they did it. I was not living there at the time and I do not want to presuppose. We are having that discussion again and it is possible that we will add the 5 cent gas tax again, but it is also probable that it will be turned over to the voters again for a ballot issue.

Chairwoman Bustamante Adams:

Mr. Bonner, do you have any suggestions on how we could fill the \$16 million hole in the state budget if this bill were to pass?

Lee Bonner:

Absolutely. I think we have to look at prioritizing road situations and I think we all need to sit down at the table. Giving us a part of the diesel tax gives us a seat at the table and gets us into the discussion to help set those priorities. This is not about setting the priorities for Douglas County. We want to do what is best for the State of Nevada.

Chairwoman Bustamante Adams:

Thank you. I appreciate your testimony. Mrs. King is here to represent Clark County and present their amendment for A.B. 6.

Yolanda T. King, Director, Budget and Financial Planning, Department of Finance, Clark County:

The amendment that we are making to A.B. 6 is to simply change from county roads to road highways. I believe road highway is defined in NRS 366 whereas county road is not defined ([Exhibit E](#)).

Chairwoman Bustamante Adams:

Are there any questions? [There were none.]

Mary C. Walker, representing Carson City and Lyon County:

Carson City and Lyon County are both at the full 9 cents. They levied those many years ago. I would like to thank Assemblywoman Kirkpatrick for bringing up the possibility of some further local options. I would be very happy to take these back to my counties and return back to you with their comments.

Chairwoman Bustamante Adams:

We will move to opposition.

Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles:

I have some written comments ([Exhibit F](#)) which I will briefly review. The first item is the International Fuel Tax Agreement (IFTA), which Paul Enos will review. It is an international agreement between the Canadian Provinces and the United States. Fuel tax is distributed under the agreement based on miles traveled within each state with each carrier having a base state. [Read from prepared text ([Exhibit F](#)).]

Chairwoman Bustamante Adams:

Thank you Mr. Seidel. Mr. Enos, would you now come forward to explain to the Committee what IFTA is.

Paul J. Enos, representing the Nevada Trucking Association:

I do want to talk about IFTA, Madam Chair, and I appreciate your indulgence with this, but I also have some additional comments on the bill that I would like to make as well.

When we talk about local taxes on diesel fuel, IFTA can make those problematic, especially if they are not applied on a statewide level, because it does create inequities between carriers buying fuel in counties that have that fuel tax index, currently only Washoe County, and those that do not. Since it is not collected by IFTA, it actually puts the folks located in the counties with the index at a competitive disadvantage on their fuel, because they do not get those refunds back through IFTA.

So, how does IFTA work? It is not a point-of-purchase tax, it is a point-of-use tax. It is based on where you drive, not on where you buy the fuel. So you can see in the example ([Exhibit G](#)), we have this little truck that starts in California. He fills up with fuel in California, and on his 1,000-mile trip he is going to do 10 percent of his miles in California, 80 percent in Nevada, and the other 10 percent in Utah. He continues to its destination in Utah, unloads his cargo, and fills up again, having driven 10 percent of his total trip miles in the state of Utah. Along this entire trip he never buys fuel in Nevada, but because this is a point-of-use tax, even though he does not buy fuel in the state, he will pay 80 percent of the taxes to Nevada at the Nevada tax rate.

Now, these three states have different tax rates, so how do you true up those tax rates based on the number of miles the trucker traveled in each state? That is where IFTA comes in. It is a compact that the 48-contiguous states and the

Canadian provinces are part of. If you are going to collect diesel taxes, you need to be a member of IFTA. Based on IFTA, they are going to look at the taxes the trucker paid on the fuel he bought in California and on the fuel he bought in Utah, and they are going to allot the tax money to the states. If the trucker has paid more taxes than he actually owes, he, or his carrier, will receive a credit. If he has paid less taxes than he owes to a state, an additional payment needs to go to that state, and this happens on a quarterly basis.

Going back to our example ([Exhibit G](#), [Exhibit K](#)), let us say he drove a total of 1,000 miles on his trip and purchased a total of 1,000 gallons of fuel. The tax rate per gallon of fuel in California is 40.5 cents, in Nevada it is 27 cents, and in Utah it is 24.5 cents. The trucker drove 10 percent of his miles in California, so he owes \$40.50 in taxes to the state of California—10% x 1,000 gallons x \$0.405. He drove another 10 percent of his miles in Utah and owes them \$24.50 in taxes. Even though he did not purchase any fuel in Nevada and therefore paid no taxes, he drove 80 percent of his miles in Nevada and owes the state \$216 in taxes. Through his two fuel purchases he paid a total of \$650 in taxes. After allotment of \$40.50 to California, \$24.50 to Utah, and \$216 to Nevada, the \$369 surplus will be remitted back to the carrier or to the trucker's employer through IFTA.

Now I know this is complicated and I apologize. I tried to make it as simple as I could, but I think the crux of this tax is that it is a point-of-use tax, not a point-of-purchase tax. The International Fuel Tax Agreement never envisioned counties and local governments doing things on their own and having a patchwork of different tax rates across the country. Mr. Fontaine said the trucking industry would face a loss of \$3 million through A.B. 6. That is not the case. Actually, Nevada would lose the \$3 million, because when they are giving these refunds back to the carriers who travel miles outside of the jurisdiction of the State of Nevada, it would have to happen after that tax has been tried up with the other states.

Chairwoman Bustamante Adams:

Are there any questions for Mr. Enos?

Assemblywoman Neal:

When you say that the state would lose \$3 million, that would be because there would be a delay in terms of the credit, correct?

Paul Enos:

That would be correct. Our carriers submit their forms on a monthly basis, apportioning the miles that they traveled. They can then apply for refunds on a monthly basis. So, depending on where a carrier buys their fuel, it would

depend on when that 20 percent of the state's special fuel tax is being remitted. I think it is a timing issue. It is important to note that if you give local governments the ability to tax diesel fuel, and you do not apply it on a statewide basis, you will run into a number of issues with IFTA, how you collect them and whether or not there is a refund mechanism built in for those carriers who may buy fuel in a particular county, but use it, not just outside of that county, but outside of Nevada.

Assemblywoman Neal:

What is the typical time that it takes to receive the refund or the credit?

Paul Enos:

I do not have an answer for that question, but I will find that out for you.

Assemblyman Grady:

Can you tell me who is losing money off of the local diesel tax that goes into automobiles and trucks that are local? Who collects that tax and where does it go?

Paul Enos:

I am sorry Mr. Grady, I am having a hard time understanding that question. Would you mind just reiterating it for me again.

Assemblyman Grady:

We have a lot of people that have diesel pickups and cars. Who collects that tax and how is it distributed?

Paul Enos:

That tax actually stays with the State of Nevada, unless it is an apportioned vehicle. The International Fuel Tax Agreement only deals with commercial vehicles. So your private vehicle, if you have a pickup that you are driving around, or you have a turbo diesel Mercedes or a VW, that tax is going to be collected by the state and it is going to stay with the state.

Assemblyman Grady:

Thank you.

Chairwoman Bustamante Adams:

Are there any other questions?

Assemblyman Hardy:

You said something that struck my interest. Only apportioned trucks, so those trucks that are staying within the State of Nevada that are construction trucks and delivery trucks, that fuel stays within the state?

Paul Enos:

That is correct. If you are intrastate in nature, you used to have to fill out an IFTA report, but that was changed in 2007 because many of the intrastate guys would fill out a quarterly report and it would just be zeros for the amount of miles traveled outside the State of Nevada. So we streamlined that a bit.

Chairwoman Bustamante Adams:

Mr. Enos, I know you stated you had some comments to make on A.B. 6, but I would like to hear from NDOT first, if you do not mind.

Bill Hoffman, P.E., Deputy Director, Department of Transportation:

With me today is Scott Sisco, he is the Assistant Director over our Administration and handles most of our financial issues. We are here testifying today in opposition to A.B. 6. This bill proposes to divert critical highway funding away from NDOT. It is very alarming that with all of our transportation needs, this bill proposes to divert millions of dollars away from our state highway system. [Read from prepared text ([Exhibit H](#)).]

Chairwoman Bustamante Adams:

Are there any questions for Mr. Hoffman?

Assemblywoman Kirkpatrick:

Can you get me a list of all the projects that are up for the next biennium? And I would like to see a list of the projects that we have done over the past five years where we have worked with local governments on projects that otherwise might not have been done. Can you get that information to me?

Bill Hoffman:

We have already started working on that for you and we will get that information to you as soon as we can.

Scott K. Sisco, Assistant Director, Administration, Department of Transportation:

I wanted to show this official bond statement ([Exhibit I](#)). This is our sales pitch, if you will, when we go to sell bonds, and right now we have approximately \$500 million worth of bonds out with investors. Mr. Hoffman read the statement that the bond resolution provides that all "Nevada laws concerning fuel taxes or gross pledged revenues may not be repealed or amended

or otherwise directly or indirectly modified in such a manner as to impair adversely bonds or any other outside state securities until all such securities have been discharged in full or provisions for their payment redemption have been fully made." This particular bill just happened to come up at a very unfortunate time for us. The day after tomorrow we have a ratings call, which is where the State Treasurer's Office, my office, and our bond counsel do a sales pitch on the state's credibility and everything else. Unfortunately, we have to report that there is an attempt to take some of these funds and that is going to go against what we are trying to do, which is get the best possible credit rating to get the best interest rating on those bonds. Last year we saved \$5.7 million and we were hoping for somewhere in the neighborhood of \$7-\$14 million on this round of refunding. But, unless the decision is made by the time we go in on Thursday morning, we do have to report that this bill is out there and may ultimately have a negative effect on our ability to pay. One of the things that we sell ourselves on is that our debt to revenue ratio is so good, and that is obviously going to drop with this. Again, my pitch to you is to not only kill this bill but to kill it quickly so that on Thursday we can get you the best possible deal for the State of Nevada.

Chairwoman Bustamante Adams:

Are there any questions?

Assemblywoman Neal:

Have you calculated what the effect of the \$16 million would be to your bond or I guess, the money that you expect to have or receive? What would be the effect of the \$16 million?

Scott Sisco:

The \$16 million or \$18.1 million, I know there are a couple of different numbers floating around. We will still be able to pay our bonds. The issue I have talked about here is getting the best possible rate by showing how creditworthy we are. Ultimately, what is going to happen if this money is diverted, is, instead of us spending the money in those counties, because there is no money that we spend on roads that is not spent in the counties, the only issue might be whether we are in a better position to leverage the federal funds or they are.

Assemblywoman Neal:

How is your leverage reduced?

Scott Sisco:

Well, most of our highway projects, on the larger roads, we get a 95 percent federal match, because of the amount of federal land in this state. So when

we spend that \$16 million, it can be \$95 for every one of those \$16 million that we get. Now in a lot of those categories, the local governments will come across possibly as well too, if they are spending them on federally funded, approved roads, but if they spend it on local roads, such as dirt or gravel roads, there is going to be no federal matching.

Chairwoman Bustamante Adams:

Are there any more questions for Mr. Sisco or Mr. Hoffman? [There were none.] Mr. Enos, we will gladly hear your comments on A.B. 6 now.

Paul Enos:

I received a text message that I made an error in my previous presentation which I would like to correct for the record. The \$2.9 million is not a refund issue; it is the difference in the tax paid at the pump and the amount that the state remits back to the Highway Fund. I think they may keep a portion of that. I think that Mr. Seidel, or someone on his staff could probably explain that much better than I. Apparently the Highway Fund will receive just over 21 cents per gallon sold but then have to refund it back at 27 cents, and that is the \$2.9 million difference. In remitting the 20 percent to the state, that is where there is an issue. Now that I have corrected myself, I would like to correct something that Mr. Fontaine said in his testimony that the trucking industry does not pay any other fees to the local governments or the counties.

Back in 2006 I sat on the NDOT 2006 Blue Ribbon Task Force, and one of the taxes that trucks do pay, just like any other person who owns a vehicle, is the governmental services tax. And when you are looking at a truck, it costs anywhere from \$100,000 to as much as \$200,000. When you look at trailers, you are looking at a large amount of money that does go to the local government from the trucking industry. If the fee is \$200,000 and I believe in Clark and Churchill Counties there is a 5 percent tax, that is \$10,000 going to the local governments. In 2006, it was about 53 percent that went to locals and 47 percent that went to the schools and that is from the trucking industry.

I know this word is taboo but I would like to talk about equity. We talk about not getting enough money from the trucking industry from diesel tax for our local government roads. But one of my biggest frustrations, in my tenure at the Nevada Trucking Association, is the decisions that are made at a local government level and how they impact our state assets. Pyramid Highway is a great example. It was a great two-lane road until we put tens of thousands of homes out there. And now it is a \$600 million project to get traffic moving out there. The State of Nevada does not get money from that. We do not get money from all those houses. Most of that goes to property taxes. The impact fees all stay in the local government, however, the local governments get

to keep that revenue. The state now has to spend \$600 million to fix a road that was perfectly fine before all those houses were put there by the local government. I do not know how we get around this issue.

In the trucking industry we have to think of it as a whole system and how that system works. We understand in our industry that no community is an island. You do need those roads to deliver our medicine, our food, all our goods. Just for illustration purposes, there is really nothing too scientific about this, we put sensors on 2,000 trucks in Las Vegas in December just to see where they go and we followed them for a week ([Exhibit J](#)). You can see how these trucks go all over the country, all over the State of Nevada. This is both delivering and picking up goods. So, are they using local roads? Absolutely. But trucks live on the state and the federal highway system.

I want to make it clear that we agree we need more money for this system, for the entire system, but we do not think this is the right way to do it, by raiding the highway fund that we have today. I know we are going to be talking about a number of other options, whether it is toll roads or a vehicle miles travel tax, or indexing, or just a straight across-the-board fuel tax. I would ask, that when we have these discussions, we think about how we can have better communication between our local and state governments, so when our local governments are making decisions that impact state assets, there is a way to mitigate those decisions because right now there is not.

Chairwoman Bustamante Adams:

Are there any questions for Mr. Enos?

Assemblyman Hardy:

Mr. Enos, what portion of the revenue increases were on the indexing in Washoe County, or do you know?

Paul Enos:

At 12.5 cents I believe they collected around \$3.9 million in fuel tax last year. If you look at the previous year, with 500,000 more gallons of fuel sold in that year, they actually collected 46 percent more revenue off of that index. Now it has created a problem for those carriers in Washoe County due to IFTA, because they go into California and drive 80 percent of their miles in California, but buy all their fuel in Washoe County. They are only getting credit for 27 cents per gallon, when in reality, they paid 39 cents per gallon, when you factor in the local government index and the state tax.

Chairwoman Bustamante Adams:

Are there any other questions for Mr. Enos? [There were none.] After the next two witnesses, we will close testimony in opposition, unless there is someone in Las Vegas.

Bryan Wachter, representing the Retail Association of Nevada:

There were many issues I wanted to bring up, but as they have all been touched on, I will not repeat them. This bill would create an additional hole in the state budget. It is going to affect the state's bond capacity. Trucks provide a lot of support for the retail industry. One out of every three jobs created by the trucking industry is in the retail and wholesale trade, so there is an economic incentive to the counties to keep the trucks. I will keep it very short and brief, but we do oppose A.B. 6.

Chairwoman Bustamante Adams:

Are there any questions from the Committee?

Jeanette K. Belz, representing the Association of General Contractors, Nevada Chapter:

We are opposed to A.B. 6. We understand that this bill is cast as a distribution problem, but we see it more as an overall funding problem. It is like rearranging the deck chairs on an infrastructure Titanic that is sinking.

Chairwoman Bustamante Adams:

We will move to hear from anyone who is neutral on A.B. 6. Is there anyone who would like to be heard?

Steve G. George, Chief of Staff, Office of the State Treasurer:

We are here as neutral on A.B. 6 just to clarify that as the DMV testified, the language in the bill as written is incorrect. The Office of the State Treasurer does not collect these taxes. It is the DMV that does that and disburses it back out. So it is just a clerical change.

Chairwoman Bustamante Adams:

Thank you. Are there any others who are neutral on A.B. 6 and want to testify? [There was no one.] Mr. Fontaine you may come up for closing remarks.

Jeff Fontaine:

I am not sure what else I can add. You have heard a lot of testimony, both pro and con, for this bill. There were many issues about infrastructure and a lot of discussion about the impacts of reallocation of the diesel fuel tax and what that would cause. It certainly was not our intent to do harm to NDOT or to their bonding capacity or anything else. If nothing else, I think personally

I have learned a lot about some of these issues, hopefully this Committee did as well. You gave us some suggestions regarding options that we might want to take a look at, and we will do that. We will go back to our membership and talk about some other possibilities for how to address this problem.

Chairwoman Bustamante Adams:

Thank you, Mr. Fontaine. With that we will go ahead and close the hearing on A.B. 6. I want to remind the Committee members that on Thursday we will be starting our meeting at 1 p.m. as well. Is there anyone who would like to come before the Committee for public comment? [There was no one.] With that we will close the hearing and the meeting is adjourned [at 3:11 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Recording Secretary

RESPECTFULLY SUBMITTED:

Karen Pugh
Transcribing Secretary

APPROVED BY:

Assemblywoman Irene Bustamante Adams
Chairwoman

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: March 19, 2013

Time of Meeting: 1:06 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Carmen Shipman	Motor Fuel and Special Fuel Taxes PowerPoint Presentation
A.B. 6	D	Wes Henderson	Nevada League of Cities and Municipalities proposed amendment to A.B. 6
A.B. 6	E	Yolanda King	Clark County proposed amendment to A.B. 6
A.B. 6	F	Wayne Seidel	Testimony in opposition to A.B. 6
	G	Paul Enos	International Fuel Tax Agreement PowerPoint Presentation
A.B. 6	H	Bill Hoffman	Testimony in opposition to A.B. 6
A.B. 6	I	Scott Sisco	Highway Improvement Revenue Bonds Official Statement
A.B. 6	J	Paul Enos	Las Vegas 2,000 Truck Tracking Sample
A.B. 6	K	Paul Enos	Example of carrier which used 1,000 gallons