MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION

Seventy-Seventh Session
March 21, 2013

The Committee on Taxation was called to order by Chairwoman Irene Bustamante Adams at 1:01 p.m. on Thursday, March 21, 2013, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to 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 Cresent 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
Maysha Watson, Committee Secretary

OTHERS PRESENT:

Bryan Gresh, representing the Regional Transportation Commission of Southern Nevada
Tina Quigley, General Manager, Regional Transportation Commission of Southern Nevada
Marc Traasdahl, C.P.A., Director of Finance, Regional Transportation Commission of Southern Nevada
Russell M. Rowe, representing the Nevada Economic Development Coalition and the American Council of Engineering Companies, Nevada Chapter
John O. Swendseid, representing Clark County and the Regional Transportation Commission of Southern Nevada
Brian Gordon, C.P.A., Principal, Applied Analysis
Paul M. (Mike) Hand, P.E., Director of Engineering Services, Streets and Highways, Regional Transportation Commission of Southern Nevada
Debra March, Councilwoman, Ward II, City of Henderson, and Commissioner, Regional Transportation Commission of Southern Nevada
Brian McAnallen, representing the Las Vegas Metro Chamber of Commerce
Tom R. Skancke, President/CEO, Las Vegas Global Economic Alliance
Larry V. Carroll, P.E., representing the Nevada Economic Development Coalition
Bill Wellman, representing Las Vegas Paving Corp. and Associated General Contractors, Las Vegas Chapter
Liane Lee, representing the City of Las Vegas
Chris Ferrari, representing the Associated General Contractors, Las Vegas Chapter, and the Nevada Contractors Association
Yolanda T. King, Director, Budget and Financial Planning, Department of Finance, Clark County
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities
Dan Musgrove, representing the City of North Las Vegas

Warren B. Hardy II, representing the Associated Builders & Contractors of Nevada and HDR Engineering
Mark H. Fiorentino, representing the Focus Property Group
Tom Collins, Board of Commissioners, Clark County
Paul J. Enos, representing the Nevada Trucking Association
Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles
Jeff Fontaine, Executive Director, Nevada Association of Counties
Rudy Malfabon, P.E., Director, Department of Transportation

Chairwoman Bustamante Adams:
Good afternoon everyone. I will now open the hearing on Assembly Bill 413. I would like the presenters of A.B. 413 to come to the table. On Tuesday we had an overview by the Department of Motor Vehicles (DMV) on how they collect motor vehicle fuel taxes. Today we are going to hear a different portion.

Assembly Bill 413: Revises provisions relating to taxation. (BDR 32-1010)

Bryan Gresh, representing the Regional Transportation Commission of Southern Nevada:
I appreciate the introduction, in terms of what we are going to be exploring today. On Tuesday you heard from the Department of Motor Vehicle (DMV) on how it collects motor vehicle fuel taxes in the State of Nevada, and how it distributes those dollars to the various agencies. Today we are here to discuss how the Regional Transportation Commission (RTC) of Southern Nevada takes the dollars it receives from the DMV and puts those dollars to use in southern Nevada. I would like to make introductions. To my right is the RTC's General Manager, Tina Quigley; to her right is Marc Traasdahl, Director of Finance, and to his right Mike Hand, Director of Engineering. Tina Quigley will now begin her presentation.

Tina Quigley, General Manager, Regional Transportation Commission of Southern Nevada:
This is a presentation (Exhibit C) as a prelude to the hearing on A.B. 413. First we will start off with an overview of what the RTC is. Each regional transportation entity in a metropolitan area is a little bit different. We are very different. We are the only transportation agency in United States that has all three major transportation components under one umbrella. We are the transit authority, so we operate the bus service. We are the traffic management systems agency, so that means anything having to do with technology and the management of traffic is through our agency. We are the metropolitan planning

organization, so we are responsible for working with all of the different cities and jurisdictions in southern Nevada to come up with a comprehensive and prioritized system of roadways.

We will review our funding. This pie chart [(Exhibit C), page 2] shows where our funding comes from. You can see the majority of our revenues come from sales tax. We get about $150 million in sales tax revenue annually. Our second most significant source of revenue, at 20 percent of our pie, is passenger fares, at about $70 million per year. Motor vehicle fuel tax and grants are both approximately $60 million, which is 17 percent of our pie. This is a switch as historically it has always been that motor vehicle fuel tax and grants were either our second or third source of revenue and passenger fares were fourth. It has only been in the past couple of years that we have seen a decline in grants and in motor vehicle fuel tax, and our passenger fares have increased.

So, where do we spend that revenue? Services and supplies is where 40 percent goes. That is mainly the cost to operate our bus system. Our secondary area is capital outlay. That is mostly for street and highway projects, and for the vehicles themselves, the capital associated with transit. Debt service is 16 percent. That is related to streets and roadway debt. Salaries and benefits is 6 percent.

I will walk through in more detail regarding our sources of revenue and expenditures related specifically to motor vehicle fuel tax. The numbers we are looking at on page 3 relate only to 2013. You can see that revenue from motor vehicle fuel tax comes in at about $61.4 million, along with some interest income, making the total from motor vehicle fuel tax about $61.5 million per year. For the most part, our expenditures go to debt service, principal and interest, and miscellaneous expenses. I would like to note the payoff of medium-term notes of $8 million is related to only 2013. I actually wanted to take that line out so it would not confuse you, but my director of finance indicated that accountants sometimes go to jail for that, so we kept it in. With expenses subtracted out, we come to a total available for projects of a little over $8 million in fiscal year (FY) 2013.

Projecting what our available funds are going to be over the next ten years we came up with $145.5 million. If you divide that by ten, for the next ten years we will have $14.6 million per year coming from motor vehicle fuel tax that we will be able to use for streets and highways.

From our sales tax revenues we have $36 million coming into the streets and highways program. We have some other miscellaneous revenues from jet aviation fuel tax, interest, et cetera, for a grand total of $40 million. Again this is in FY 2013. Our expenditures, for the most part, are related to debt service, principal and interest, and some other miscellaneous expenses, totaling $37.6 million of expenses, allowing us a grand total for projects in FY 2013 of only $3 million.

If you project the next ten years of revenue from this source, we come up with $78 million, divided by ten years is $7.8 million. If you add the $14.6 million we talked about previously to the available annual revenue moving forward of $7.8 million, our total is only going to be $22.4 million. Moving forward we will have an average of $22.4 million per year available for streets and highways investment.

To give you an idea of where we have been spending the money that is bonded, or that we are paying principal and interest on, here are some of the capital outlay projects that we have undertaken over the past few years. In particular we have spent $339 million on beltway projects, and that does not include the county's allocation of funds of over $500 million to the project as well. We have invested $43 million in Martin Luther King Boulevard. That is a recently completed project of 2.5 miles. Another project is the North 5th Street project, with $103 million of RTC funds going into that. This is a very important corridor. Ideally, once completed, this alignment will give relief to Interstate 15 along that north-south corridor.

In the past we have had $136 million per year to allocate to streets and highway projects. As I have shown you in these past few slides, moving forward we will have $22.4 million. So in the years from 2002 to 2012, each year we had $136 million to allocate to streets and highways and to invest in southern Nevada's transportation infrastructure. At this point, moving forward, we will have $22.4 million per year for the next ten years.

With that I am going to end my presentation. I will later explain why we have seen an 83 percent decrease in the funds available for projects.

Chairwoman Bustamante Adams:
I have a question on page 3 regarding the $36 million in sales tax. That is not the total that you received from sales tax. That is only the portion that goes to streets and highways. What is the total amount?

Tina Quigley:
About $150 million per year.

Chairwoman Bustamante Adams:
Where do the other revenue streams from sales tax go?

Tina Quigley:
They would be assigned to transit operations, clean air, and the freeway and arterial system of transportation (FAST) operations. Anything having to do with technology and the management of traffic gets some funds from the sales tax revenue as well.

Chairwoman Bustamante Adams:
How much is that?

Marc Traasdahl, C.P.A., Director of Finance, Regional Transportation Commission of Southern Nevada:
About $3.8 million goes to FAST.

Chairwoman Bustamante Adams:
So it is pollution, FAST, and RTC transit operations.

Assemblyman Hardy:
I just wanted to make sure the slide on page 6 is not intended to say $1.36 billion over the past ten years. Could you interpret that?

Tina Quigley:
It is each year, for the past ten years.

Assemblyman Hardy:
So you have $22 million per year.

Tina Quigley:
Going forward we have $22 million per year. So everyone understands, on average for the past 11 fiscal years, 2002 to 2012, each year the RTC had $136 million to allocate to spending on streets and highways. Moving forward we will have $22.4 million per year. We will talk more about that as part of the hearing.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee? [There were none.] We will transition to the actual bill portion of A.B. 413.

Russell M. Rowe, representing the Nevada Economic Development Coalition and the American Council of Engineering Companies, Nevada Chapter:
These are the two major organizations that have been involved in moving forward with what has become A.B. 413, and ultimately asking this Committee to consider what this Legislature has already approved on three separate occasions for the other counties in Nevada.

After me we will hear from John Swendseid who will present the bill itself as an overview of the language. We will then have Brian Gordon of Applied Analysis give you some idea of the type of revenues we are talking about and how the index is applied. Following Brian, Tina Quigley and her team from the RTC will walk through what indexing means for southern Nevada. We have folks from the coalition who wish to speak in support, along with others. Debra March has graciously flown up to speak on this matter, in her roles as councilwoman for the City of Henderson and as a commissioner for the RTC of Southern Nevada. We have testimony from the Las Vegas Metro Chamber of Commerce and from Las Vegas Global Economic Alliance, formerly the NDA [Nevada Development Authority].

I want to begin my remarks by noting that what we are talking about here today is enabling legislation. We are not asking you to increase a tax. We are not asking you to vote on a tax. I want to make it very clear that this is not a tax bill, it is a policy bill. This is the same thing this Legislature has considered on three separate occasions, to give southern Nevada the ability for some self-determination, to figure out for itself how to resolve the problems and the challenges we have in southern Nevada when it comes to the transportation infrastructure.

You heard the very same problems two days ago, with respect to some of our sister counties that have similar challenges. We are asking for the same ability to consider whether or not indexing is appropriate for Clark County. We need your blessing to even have the ability to consider it, so this is why we are here today.

Just for some overview, you heard on Tuesday there are some bigger problems when it comes to funding transportation. Historically it has been funded by fuel taxes. It is a good system. The users of the roads are paying for the cost of the roads. There have been some problems with that structure. Inherently the value and the revenue generated by the fuel tax has declined because it is not tied to inflation. It is a flat tax, and as inflation erodes purchasing power, the ability to fund our infrastructure projects likewise declines. Of course, there are other issues related to the rising minimum mileage requirements the federal government imposes. This obviously reduces fuel consumption, thereby the revenues generated by fuel taxes. And alternative-fuel vehicles are becoming more popular. Those are some of the challenges that not only Nevada but every state is facing, and, frankly, the federal government as well in terms of funding federal transportation projects. It is not a new problem and it has been recognized for quite some time.

There have been a number of studies on this. I have some with me today that go back to 2005, from the National Chamber Foundation of the United States Chamber of Commerce. This is called "Future Highway and Public Transportation Finance," and it examined federal highway funding models and recommended indexing (Exhibit D). In addition to raising the fuel tax itself, it definitely recommended indexing as a solution, or at least a part or midterm solution, to funding and sustaining our transportation model. A year after that was Nevada's own Blue Ribbon Task Force, "Roads to the Future," a statewide taskforce of folks from a variety of different industries led by the Department of Transportation (NDOT), that examined our infrastructure needs and how to fund them (Exhibit E). One of the recommendations coming out of that was indexing our fuel tax. I have one from 2011 from the Institute on Taxation and Economic Policy in Washington, D.C., a nonpartisan, nonprofit organization that focuses on state and federal tax policies, examining the fuel tax. It is titled "Building a Better Gas Tax: How to Fix One of State Government's Least Sustainable Revenue Sources" (Exhibit F).

I have one from the University of Nevada, Las Vegas (UNLV). This is recent and I do not even know if this has been released. I apologize to UNLV if it has not. The Center for Business and Economic Research at UNLV, just two days ago, released a study entitled "The Shortfall in Funding Nevada's Roads and Highways," again recommending indexing, in fact, recommending a wholesale increase to fuel taxes and indexing (Exhibit G).

The cost of building roads and infrastructure, whether you look at it at a state level or a local level, the recommendation from a policy standpoint has been to, at a minimum, tie the fuel tax to the cost of inflation, the cost of building roads and infrastructure. Nevada, in fact, has been on the forefront of this issue nationally. There are now at least 14 states that index in some fashion. This Legislature granted Washoe County the ability to index back in 2003, so Nevada was actually well ahead of the game, in terms of other states in moving forward on the ability to index and giving that authority to local governments.

In 2005, at the request of the Nevada Association of Counties (NACO), this Legislature expanded that authority to all of the rural counties in Nevada. In 2009 the indexing provisions for Washoe County were revised and expanded to include special fuels, and the indexing method was changed.

The policy of indexing in Nevada is nothing new. This Legislature has endorsed it on three separate occasions. We are here on behalf of southern Nevada asking you to give us the same ability as you have given every other county in the state to control our own destiny with respect to funding infrastructure.

I will pass the presentation over to Mr. Swendseid and he will walk you through the bill.

John O. Swendseid, representing Clark County and the Regional Transportation Commission of Southern Nevada:
I serve as bond counsel to Clark County and the Regional Transportation Commission of Southern Nevada and I am speaking here on their behalf.

As Russell mentioned, Assembly Bill 413 is enabling legislation. It would allow Clark County to impose an additional tax on fuels that are used in cars, trucks, and other motor vehicles that use streets, highways, and public roads. The amount of the additional tax that the county would be able to impose under this bill is measured by inflation and the cost of street and highway construction. Specifically, the maximum amount of additional tax that the county can impose would be measured to the ten-year average annual increase in the cost of street and highway construction as measured by indices published by the United States Department of Labor.

I would like to go through the bill section by section.

The bill is modeled and the language is almost identical to what was in a similar bill that was adopted by the Legislature for Washoe County four years ago [Senate Bill No. 201 of the 75th Session]. I think the two most important sections for you today are section 1, which allows the indexing, and section 8, which allows the county to put some limitations on promises about the indexing.

Section 1 imposes indexing. Indexing means we allow the county to increase the amount of particular taxes by an amount equal to the annual average increase of street and high construction costs. The taxes are all outlined in this section.

Subsection 1 of section 1 deals with the taxes that are indexed. Paragraph (a) is the tax currently on what the statute calls "motor vehicle fuel" and you might think of that as gasoline. Motor vehicle fuel is the fuel we put in cars. The first three taxes in subsection 1, paragraphs (a), (b), and (c), are all taxes on motor vehicle fuel that are imposed by the state and distributed to local governments pursuant to different formulae.

The third tax, in paragraph (d), is imposed at the local level. It is the local motor vehicle fuel tax. It is the one imposed by Clark County at 9 cents per gallon. The tax in paragraph (e) is the state motor vehicle fuel, or gasoline, tax. Paragraph (f) allows indexing on an amount equal to the federal gasoline tax.

Beginning with paragraph (g) (page 4, line 19), we deal with what our statutes call "special fuels" rather than "motor vehicle fuels." You might think of motor vehicle fuel as gasoline. Special fuels, the way statutes work, are pretty much everything else other than gasoline that is used to move automobiles and trucks across our roads.

Paragraph (g) deals with water-phased hydrocarbon fuel. The state currently has a tax of 19 cents per gallon that. This would allow Clark County to impose a tax equal to that 19 cents, again times the index, which is at most the amount of the annual increase in street and highway construction costs. Paragraph (h) does the same indexing based on the state's tax on liquefied petroleum gas (LPG). Paragraph (i) is the same indexing based on the state's tax on compressed natural gas (CNG). Paragraph (j) is the same indexing on the state's tax on all other special fuels, which is primarily diesel.

Paragraph (k) is indexing on the current federal tax on LPG. Paragraph (l) is the current federal tax on CNG. Paragraph (m) is the current federal tax on other fuels, again primarily diesel. We do not increase or change the federal tax. All this does is allow the county to impose a county tax based on multiplying these different taxes by an inflationary factor.

Subsection 2, of section 1, on page 7, allows the county to adopt one ordinance, if it so desires, to impose all of the taxes that we just talked about, which again is the indexing. Subsection 3 provides a delayed effective date for the ordinance, to give people time to program their gasoline pumps and whatever else they use to collect the tax. Subsection 4 is the maximum amount by which a tax can go up—an amount equal to that inflationary index, or 7.8 percent, whichever is less. This is one thing that is different from Washoe County. Subsection 4 would let the county provide a maximum of less than 7.8 percent. If the county chose to when they adopted this ordinance, they could say that the maximum amount any tax can go up under our indexing is maybe 4 percent, meaning that if you apply that cost index and it is 5 percent, if it chose to, the county could say we are only going to allow the inflation index to go up by 4 percent. This legislation, though, says the maximum the county can allow it to go up by is 7.8 percent. The indexing factor is the street and highway cost inflation index, but never more than either the lesser of 7.8 percent or a lower percent specified by the board of county commissioners. If the commission does provide a rate different than

7.8 percent they have to provide the same maximum rate for all of the taxes that we just talked about.

Subsection 5 defines the way we come up with the adjusted street and highway inflation index. Again this is the same as Washoe County. It defines the applicable percentage, which is the lesser of 7.8 percent or a lower percent specified by the board of county commissioners.

Paragraphs (c) and (d) (page 8, lines 13 through 25) provide more detail about the indexes we use to determine the average street and highway construction inflation.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee?

Assemblyman Hardy:
I think you clarified it in that last section, but I just wanted to get it on the record. When I look at section 1 of these two, it says that we can increase 3.6 cents annually. In that last part you were talking about the maximum of 7.8 percent overall.

John Swendseid:
The 3.6 cents is a tax that exists currently. It is currently a state tax on gasoline. The 3.6 cents is delivered by the state to local governments to use for construction of streets, roads, and highways. We are not allowed to levy a tax of 3.6 cents, but we are allowed to look at what the inflation rate is for street and highway construction for this year. For instance, if the inflation rate is 4 percent, we can add an additional tax to this 3.6 cents, equal to 4 percent of the 3.6 cents. You would not be allowing the county another 3.6 cents. It would be 3.6 times whatever the inflation factor is, with a maximum of 7.8 percent per year.

Assemblywoman Neal:
I have a question regarding subsection 5, page 7, lines 29 through 41. Help me visualize how the two calculations in this section work. The first one says when you have your adjusted average of the highway it means taking the preceding year, if it is greater than the applicable percentage, and then taking the remainder of that. What does that look like? The second part, where you have the "or" statement on line 38, you have a second type of calculation which is conjunctive, because you have an "and," so you then are going to take the average highway and street construction inflation index, if it is equal to or zero, and then you take the percentage obtained by adding the average highway and street construction inflation index for that fiscal year.

John Swendseid:
This is a complicated subsection and I appreciate the question. The purpose of this subsection is if we hit the cap. So let us just suppose the county adopts this inflationary index and the first year out the inflationary index is 10 percent. Now I have said the maximum we can go up to is 7.8 percent. We are then behind because we only allow an increase of 7.8 percent and the inflationary index was 10 percent. The effect of subsection 5 is to allow us to build that loss of the difference between 10 percent and 7.8 percent, into what we look at in the next year. In the next year, if the inflationary index ends up being based on inflation, and instead of 10 percent, inflation has come down and the inflationary index is only 5 percent, we get to increase the 5 percent by the amount we did not get in the previous year, because of the 7.8 percent cap. The part we did not get in the previous year, the difference between 7.8 percent and 10 percent, 2.2 percent, we could add to the 5 percent inflationary index in year two, and that gets us to 7.2 percent. It is still lower than our 7.8 percent cap, so we could use 7.2 percent as the inflationary index in the second year. What subsection 5 does is allows us to catch up to inflation if we have lost out to inflation due to the 7.8 percent cap, or whatever lower cap the county imposes. If we have lost out due to that cap, but in later years inflation is lower than the cap, it lets us catch up in those later years to the amount of inflation.

Assemblywoman Neal:
So being that this could be passed upon approval, the then stable number is 7.8 percent because it has that language "the preceding year," so taking this year because 2012 would be the preceding year, 7.8 percent is going to then be the percentage.

John Swendseid:
Since Washoe adopted it, the index has never been as high as 7.8 percent, so we have never had to apply the provisions of subsection 5. The inflationary index just has not been that high.

Assemblywoman Neal:
That is why I was curious. I was wondering what is the percentage and what is reflective of the preceding year if it has never actually been applied.

John Swendseid:
Brian Gordon could probably tell us what the percentage has been.

Brian Gordon, C.P.A., Principal, Applied Analysis:
The index rate is actually a computation of the ten-year average. Currently the average rate is 5.81 percent, the ten-year producer price index (PPI) average.

Assemblywoman Neal:
In terms of time for subsection 5, when I was reading about how PPI is recalculated, and there is a period of four months where it is recalculated after it is published, how does that time piece fit into this?

John Swendseid:
Typically I think the inflationary index numbers are done on a calendar year basis, and then those are used for the fiscal year. The ordinance the county adopts would apply the increases for starting a fiscal year, which is July 1.

Assemblywoman Kirkpatrick:
I want to clarify how the account increase is done on Clark County. Who gives whom the number? I understand that it is a ten-year rolling average. I just want to understand how the accountability comes on where it stays, so there is some stability, and people know for a year that this is the portion that they get.

John Swendseid:
Under the legislation, in a section we will get to later, the county will need to have a contract with the state with respect to calculating the index for each year. I think as a practical matter in Washoe County it has worked that they have done the calculation for the state to review. How the mechanics of that work has to be in a contract between the county and the state.

Assemblywoman Kirkpatrick:
Assemblywoman Neal was thinking along the same lines I was, on the definitions of adjusted and how that works. It looks rather complicated when you try to add up all those different cents and what it could be. Is there any point at which any one of those could be calculated differently based on the formula?

John Swendseid:
I do not think so. As I mentioned before, this is the same language that we used in Washoe County, and we have had four years of experience with this language. It seems to have worked. I guess that is all you can say. Whenever you draft language you hope it works the way you intended. Thus far this language has worked in Washoe County.

Assemblywoman Kirkpatrick:
I want to understand the mechanics of what the county would be expected to do. They would draft an ordinance very similar to this, and then they would put it in place?

John Swendseid:
That is correct. If you authorize the county to do this it would need to adopt an amendment to the county code to implement this. It, among other things, would say whether 7.8 percent or some lower percent is the applicable percent. It would say which of these taxes would be indexed, which could be all of them or some of them. Their ordinance may end up being quite a bit longer than this bill, as was the case in the Washoe code amendment. It was quite lengthy.

Assemblywoman Kirkpatrick:
You are saying that typically you do not put it in place until the following fiscal year, which would be July this year or July next year?

John Swendseid:
The ordinance cannot be effective under the provision of this statute until 90 days after it has been adopted, so if you were to adopt this tomorrow and they were to adopt the ordinance before April 1 I suppose they could have it effective on July 1, but this is very unlikely. It would probably be effective sometime in the fall. Again, in the first year they would look at the inflationary numbers that were generated for the last calendar year, so it would be based on the ten-year average for the period ending December 31, 2012. That would apply for the first three quarters of a year, or whatever would get us to July 1, 2014.

Assemblywoman Benitez-Thompson:
Circling back to the presentation on the amount of funds that are in place for road work, I am also looking in Nevada Electronic Legislative Information System (NELIS) at the unfunded project list in southern Nevada. What type of revenue do you imagine capturing for this? I am looking specifically at the list of unfunded projects. Does this mean "x" amount of millions, so we are going to get six of these projects done? I am sure you have probably run those numbers to project what the income would be.

Chairwoman Bustamante Adams:
We are going to hit revenue projections after John finishes going through the bill. Keep Assemblywoman Benitez-Thompson's question in mind, but I want to finish going through the bill first. Could you do sections 2 through 4, and then we will pause.

John Swendseid:
Section 2 directs the county, when they adopt an ordinance imposing the tax, as to the disposition of the additional taxes that are collected. Not all of it goes to the RTC. The additional indexing done for the first three taxes talked about in subsection 1; the 3.6 cents, 1.75 cents, and 1 cent taxes; the indexing on

those taxes will go to local government, just as those three taxes currently go to local government. There are different formulas for those three taxes, but basically they all go to counties, cities, and towns in the state, based on three different formula methods. The indexing on those three taxes will go to counties, cities, and towns, not to the RTC. The indexing on all of the other taxes that we talked about: the county motor vehicle fuel tax, the state and federal motor vehicle fuel tax, and special fuel taxes, all do go to the RTC. That is in subparagraph (d), subsection 1, section 2, at the top of page 9 (line 3).

Almost all the rest of the changes are done to conform this tax to the other taxes in Washoe. Section 2, subsection 2, paragraph (a) (page 9, lines 13 through 19), indicates that we cannot have a penalty for failure to pay this tax for six months after the ordinance is effected. That is so as not to penalize people if they do not get up to speed on it quickly. As in Washoe County, section 2, subsection 2, paragraph (b), subparagraph (1) (page 9, lines 21 through 23), requires that the commission annually have a public hearing on how this taxing system has worked and how it is used, and submit a report to the board of county commissioners on the results of that public hearing.

Section 3, which starts on line 36 of page 9, initially provides some exceptions to the indexing. The first exception, in subsection 1, to *Nevada Revised Statutes* (NRS) 373.068, is an exception that is currently in the law for motor vehicle taxes, which again is gasoline taxes and some motor vehicle fuels sold that are not subject to the tax. It applies to motor vehicle fuel tax sold between two dealers. Things of that nature. They are exempt from the existing taxes on motor vehicle fuel and continue to be exempt from the indexing.

Similarly, on page 9, lines 42 through 45, and page 10, lines 1 through 7, provide that the existing exceptions to the tax on special fuel, such as on diesel used on farms that is dyed so it cannot be used to propel a vehicle on state highways and roads but can be used in a farm vehicle are exempt. We do not currently tax those kinds of special fuels, and, likewise, the indexing would not apply to that type of special fuel.

Subsection 2 of section 3 (page 10, lines 8 through 12) is an amendment to NRS 373.068 just to make it clear that the indexing we are imposing is in addition to any other motor vehicle fuel taxes. The balance of subsection 2 has no application to Clark County. It is repeated here just because it is already in the statute, and, as you know, whenever an amendment is made to a section of NRS we have to set forth the whole of the NRS section being amended.

The new language in section 4 is on page 11 (lines 31 and 32). It requires the contract that I mentioned earlier between the county and the Department of Motor Vehicles for the calculation of the annual increase.

Chairwoman Bustamante Adams:
I have a question on section 2, regarding the cities and the counties. Would that only be in Clark County?

John Swendseid:
It would be just in the county where the indexing is imposed. According to the formula that is in the statute, the 3.6 cent tax, the 1.75 cent tax, and the 1 cent tax are already distributed to all of the counties in Nevada. All this says is that any indexing on those taxes would just be distributed to cities and towns in Clark County.

Chairwoman Bustamante Adams:
Are there any further questions from the members of the Committee on sections 2 through 4? Seeing none, go ahead and do sections 5 through 7.

John Swendseid:
Sections 5 through 7 are conforming amendments to provide the tax imposed in Clark County be handled the same way as the similar inflation indexes that were allowed by the Legislature in Washoe County and other counties.

In section 5 we added the tax in section 1 to the other two indexing statutes, which are NRS 373.065 and NRS 373.066, line 5 on page 12.

Section 6 indicates the portion of the taxes that goes to the RTC, which is the portion of the indexing taxes imposed pursuant to paragraphs (d) to (m) of subsection 1, section 1. The taxes under paragraphs (a), (b), and (c) of subsection 1, section 1 are distributed to the county and the cities and towns in the county.

Section 7 is another conforming amendment to treat this inflation index like the other inflation indexes that you allowed before. This particularly deals with the portion of the motor vehicle fuel tax or other taxes that might represent collections from marinas that dispense fuels subject to the motor vehicle fuel tax and other taxes, and directs that indexing we get on those be used for certain purposes related to boating.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee? [There were none.] We will take section 8 by itself.

John Swendseid:
Section 8 is different and was not in the Washoe County legislation. It gives Clark County a little bit more flexibility with respect to this tax. It would, in effect, prohibit the Clark County from committing to continue the inflation-tied increases in these taxes for more than five years at a time. Normally when you issue bonds you are committing yourself to continuing the source of payment for the bonds for whatever period of time the bonds are outstanding. What section 8 does is commit to the bondholders that Clark County will continue the inflation-tied increases, but just for five years. Clark County could also tell the bondholders that any increases that have taken place during those five years will continue, but cannot commit to bondholders that they will continue these inflation index increases for a period of more than five years. If the inflation indexes get to a point where the commissioners feel it is too big a burden on the taxpayers in Clark County, it gives them the opportunity to stop them after five years. They could determine that they have done it for five years and that is enough, or they could slow them down. They could change the cap percentage of 7.8 percent, or such lower percent as the county may specify. The county could decide to go with a lower percent. If the county never issues bonds they could make these changes at any time. Once they issue bonds they are committed to continuing the tax for the bondholders. What the new provisions in section 8 do is limit the county's ability to commit those future increases to bondholders for a period of more than five years. That does not mean the increases stop after five years. The county could in fact continue the increases. They could issue a new bond issue in five years and commit the increases for another five years, but they cannot commit increases for more than five years at a time, just to give them an opportunity to think about if this is achieving what they needed it to achieve. Provisions like this one are not in Washoe County. It is a new provision just for Clark County.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee?

Assemblywoman Kirkpatrick:
You just said if the county decided to not go further than five years, they could pull it back. Earlier I thought you said they had to go off of the indexing of a certain amount based on the ten-year rolling average. I need you to clear this up for me. What would happen in an instance where the economy went real bad, real fast? I may be talking apples and oranges, but I need to know how those apples and oranges make salad.

John Swendseid:
This has something to do with bonding so I am going to bring that into it. Normally, if the county adopts an ordinance and there are no bonds issued that

involve the ordinance at all, the county can change the ordinance. Counties frequently do this, including ordinances that deal with taxes. In an annual budget, each year they may determine what property tax rate they have to have. If they have bonds payable from property tax they are obligated to levy enough property tax to pay the bonds, but the rest of the tax is up to the county. This ordinance is no different.

The county can change the ordinance within the limits that the Legislature has allowed any time until they have issued bonds. Once they have issued bonds, though, they are then committed because they have told a third party, the bondholder, that they are committing to a way to pay them back. If they commit these inflation-tied increases, they would be telling the bondholder they are going to pay them back with these inflation indexes in fuel taxes. We commit to continue the inflation-index increase in fuel taxes for a period of time. What the Legislature is saying to Clark County in this section is it is not going to let the county commit to continue the inflation-tied indexing to the bondholders for as long as the county or the bondholders want. It is only going to let the county make that commitment to the bondholders to continue the inflation indexing for five years at a time. The county can tell the bondholders it will pay them back with what it collects from this indexing, and whatever tax rate in effect after five years will continue. The county can say, we are not going to go backwards, but we are not going to commit to you, bondholder, that we will continue the inflationary indexing after five years. You can only count on the inflation indexing being in effect up to five years. The county can continue the inflation indexing, and unless they do something to repeal or amend the ordinance, the indexing will continue. This means the county cannot promise to a third party, in a way that ties its hands, to continue this indexing for more than five years at a time.

Assemblywoman Kirkpatrick:
Can I offer an example and you tell me if I am on the right page, or can you give me an example?

John Swendseid:
I will be glad to give you an example. Let us suppose that the inflation indexing is 5 percent per year. After five years, 5 percent per year, compounded after five years, that increase would be over a 25 percent increase after five years.

Assemblywoman Kirkpatrick:
Could we do it a little more simply? Let us just throw some arbitrary numbers out there. So, if it was 20 cents the first year and it increased up to 3 percent, then it was 23 cents. After five years you would stop at about 29 cents. Then you are saying that stays flat as far as that bond is concerned, right?

John Swendseid:
It does not necessarily have to.

Assemblywoman Kirkpatrick:
But it could?

John Swendseid:
Yes, the county could cut it off then if it wanted to, and it could stay flat. It could go up to that level and then stop. That is exactly right, if the county wants. The county could decide to continue it too, but they cannot promise the bondholder that they will continue it.

Assemblywoman Kirkpatrick:
If that were to happen, if they went out to a bond and typically bonds are 10, 15, or 20 years, the county would say to its bondholders that for these five years it can guarantee them this much on the index increase, and after that it would be this much. They could accelerate their payment if maybe the county kept it going, or something along those lines.

John Swendseid:
Yes, the county would just have to tell the bondholders they would get whatever the inflation index is for the five years, up to the 29 cents from your example, but the county is not committing to anything after that. Maybe the county will continue it, maybe it will not.

Assemblywoman Kirkpatrick:
I am feeling more comfortable. I need it a little simpler. I did not read where that process goes back to the county. I know you talked about it earlier, that they had to work with the state, so at five years what can we expect from the local government? Do they hold a public hearing? Do they put it on the consent agenda? You may not be the right one to know, maybe the county is?

John Swendseid:
The ordinance is there unless they take action to change it, so it is like any other county ordinance. The inflation-index increases will just continue unless the county does something to change the ordinance, repeal it or amend it to lower the maximum percentage. If they do not do any of that, the inflation-index increases just continue automatically. It would just be up to the board of county commissioners to make a decision.

We do have an annual public hearing before the RTC on how the increases are working and how the projects are working. That is advertised and the RTC is required to provide a report of that hearing to the board of county commissioners. They would probably take that into account in deciding whether they want to repeal or amend the ordinance.

Assemblywoman Neal:
My question relates to section 8, and I think Assemblywoman Kirkpatrick was getting there. On page 13, lines 42 through 44, where the language is there that "the process set forth in this paragraph may be repeated until all bonds or other obligations secured by the taxes." I understand what is supposed to be a five-year limitation, but if you have this language, that it can be repeated until all bonds are secured, then it really is not a five-year language.

John Swendseid:
The five years is only a limit on how long the county can commit to bondholders. It could just leave the tax in place. Maybe there is a new bond issue every five years, and each time it does a bond issue it tells the holders of the new bonds, as well as the holders of the old bonds, that now you can count on five years of continued inflation increases. Maybe in the second five years the county might say this is working very well and the taxpayers like the projects we are doing, so we are going to continue it and continue the pledge to bondholders for another five years, so we can issue more bonds. They can, if they want to, just continue each five years with the pledge to bondholders, but they cannot promise in this year that they are going to do anything past five years from this year. Five years from this year they can go ahead and commit for another five years though.

Assemblywoman Neal:
We are doing this because we are in a recessive period, right? When do we decide that our financial goals have been met? When do we move out of this? There has to be some kind of trigger in place. I heard you say there is a yearly review, that it is a short-term tool for our current situation. When we get out of the situation and we are making money, or more revenue is coming in, how do you then deal with this legislation?

John Swendseid:
Like any county ordinance, the county can always consider whether they should repeal or amend an ordinance. If the board of county commissioners, for whatever reason (such as taxpayers think their taxes are too high or that they have all the road projects that they need, but I doubt that is ever going happen), decides to amend or repeal the ordinance, they can do that as long as it does not hurt bondholders. As far as hurting bondholders, we have told them is there is this five-year window. All the bondholders can count on is five years. The board of county commissioners, using whatever criteria they want to, can decide what to do with the ordinance, but enabling legislation leaves the

decision you are speaking of up to the county commissioners, as far as when they are going to decide their goals have been achieved, or that kind of thing.

Assemblywoman Neal:
Which could be endless.

John Swendseid:
Absolutely.

Assemblyman Hardy:
I think I had my question answered, but back to those simple people who have simple questions. I believe John is the intellect when it comes to bonding around the state, so section 8, to me, is to protect the bondholders against an unstable market. That is the way I look at this. Is that correct?

John Swendseid:
Not quite. This actually is more to protect the county from committing too much to the bondholders, from promising to bondholders that you will get this inflation index say for 30 years. They may just decide that when the tax gets up to 30 cents, or some figure, it is too much. You can only commit to bondholders for five years.

Assemblywoman Benitez-Thompson:
I am not seeing any language that would limit it or make it so that the bonding of these dollars would be used specifically for road projects.

John Swendseid:
That is in the provisions of NRS Chapter 373, and the bonding that can be done under NRS Chapter 373 is only bonding for street and highway construction and road projects. Even our constitution requires that we use motor vehicle fuel tax revenues and bond based on motor vehicle fuel tax revenues just for street and highway construction and repair. *Nevada Revised Statutes* Chapter 373 follows that, and the bonding that RTC is allowed to do under this statute is just bonding for street and road projects.

Assemblywoman Benitez-Thompson:
That is for RTC. For the cities, the three revenue sources going back to the county and city, that is true as well.

John Swendseid:
Those are not used for bonding. Those are just used for direct projects. That money also can only be used for street and highway construction and repair. That is correct.

Assemblywoman Benitez-Thompson:
You will get that. I do not have the whole chapter but you will get that.

John Swendseid:
Yes.

Assemblywoman Kirkpatrick:
This is piggybacking on what Assemblywoman Benitez-Thompson was saying. I guess what I am looking to hear the answer to is, when these projects are picked, the priority list, what I would want to see is it all be done in redevelopment areas, so we are taking the dollars and putting them back into redevelopment areas or putting them back into tax increment finance district areas. I want to understand how the RTC picks their projects, because our constituents are going to ask. You probably do not have the answers. Maybe when the RTC comes back up they may be able to answer this. How is this done and how do we ensure that it is really our highest commuter areas? Do not get me wrong, those other types of taxing districts are important to our state, but our constituents want to see those roads that they are paying for get done.

John Swendseid:
I think the RTC would be much better at answering this.

Chairwoman Bustamante Adams:
Finish off sections 9 through 11.

John Swendseid:
Sections 9 through 11 are all conforming changes to, again, insert into NRS provisions that repeat what happens with the taxes that are newly allowed by this, which are the taxes in (d) through (m), and are treated the same way as the other indexing taxes that you have allowed.

Section 9 allows these to go to bonds. If the RTC and the county decide to do bonds, that is a way to get money faster. This act does not require bonds. Whether bonds are done or not is a decision that the county and the RTC make, and they may or may not do it. This allows this money to be used and be pledged to bonds subject to the limits in section 9, subsection 8 (page 16, starting on line 37).

All the changes to the bonding section, which is NRS 373.131, are just conforming, to make it clear that the money in this tax can be used for the bonds.

Section 10 again is a conforming change. It requires that the projects that are funded with this tax or bonds conform to the regional street and highway plan. The representatives from the RTC can describe that in further detail. This allows the proceeds to be used for bonds, as other motor vehicle fuel tax and index tax are allowed to be used for bonds.

Section 11 again is a conforming change to the bonding statutes. It makes it clear that the taxes described in this act are treated like the other taxes that are pledged to bonds.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee on sections 9 through 11? [There were none.] We will transition to Assemblywoman Benitez-Thompson's question regarding revenue projections. I would like Brian Gordon to stay at the table. I would like Tina Quigley and her finance team to come back up. Brian you can start on your presentation.

Brian Gordon:
We have prepared a handful of slides (Exhibit H) that we thought might be useful as we talk about a lot of the detail Mr. Swendseid just walked through. I know there is a lot of technical language there. Walking through what the producer price index (PPI) is may be helpful, as well as walking through an example of what type of revenue this potential tax would generate and what it might mean in terms of bonding capacity.

The first slide is intended to depict the ten-year trend in the PPI, which is essentially a basket of goods and some services that is the baseline for measuring the overall index. We have already talked about how that is a ten-year rolling average, so you can see year-by-year it may change. On a ten-year rolling basis you can see where it stands today at 5.81 percent, the same rate that is currently being applied in Washoe County indexing their fuel taxes.

The next slide gives you a sense in year one, assuming implementation and that the index rate was up to this maximum rate of 5.81 percent that exists today, if the county commissioners were to go ahead and fully implement that on all fuel taxes. These would be the rates for the various components; gasoline, diesel, LPG, and CNG. You can see the current rates are about 52 cents for gasoline and diesel. You add that 5.81 percent, that would add about 3 cents per gallon in that first year, for a total rate of about 55 cents. That gives you a feel for what the impact would be on a per gallon basis.

The next slide is an example of what it would mean for a typical household, so you have a sense of the financial implications. Taking one of the most popular cars driven, a Toyota Camry in this example, we apply the typical annual, per vehicle mileage in Nevada of about 13,000 miles and the estimated miles per gallon of this particular vehicle of 25, excluding any highway driving, and we get about 539 gallons in total fuel consumption per vehicle per year. You assume the incremental cost per vehicle works out to about $16 per year, that is the indexing component of about 3 cents in this example. Each household in Clark County has on average two vehicles, so it would be about a $33 impact on a typical household in Clark County.

Going directly to the question in terms of revenue yield, the next slide is a breakdown by the various components. Gasoline fuel taxes represent about 84 percent of the total you are seeing here. Total impact would be almost $27 million annually in Clark County. Sixteen percent of that would be sourced to diesel fuels. Liquefied petroleum gas and CNG are relatively modest, at less than 1 percent of the total, but again this gives you a sense of the total yield for year one in this example.

As to the question of what the potential bonding capacity would be based on those revenues in this first year example, again at the maximum threshold of 5.81 percent today, you are talking about $230 million in potential bonding capacity. As Mr. Swendseid said, not all of the revenue that is being indexed is necessarily going to inure to Clark County or to the benefit of the RTC, so we have stripped some of that out. This would be the net potential bonding capacity as a result of that revenue. This assumes a 6.5 percent interest rate, 30 year bonds, and some other financing assumptions, but overall that gives you a feel for the potential fiscal implications in year one of this type of tax.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee?

Assemblywoman Neal:
Since all fuel types are being combined together to be indexed, what does each one look like separately? In the bill each fuel has a different mathematical provision associated with it, so is this what that reflects?

Brian Gordon:
Correct. The mathematical formula would essentially be the same. Its application could be to all of the different types of fuels, or it could be just to some of them, but the mathematical formula would be essentially the same. In the example I walked through, the current rate is 5.81 percent. If you apply that to the different rates that exist today, in the gasoline and diesel scenario, it

works out to about 3 cents. Liquefied petroleum gas and CNG have a lower overall tax rate today, so that indexing component is slightly less because it is on a smaller basis, so those would get an additional just over 2 cents in those particular examples. Does that clarify?

Assemblywoman Neal:
I know we have passed section 1, but since we are getting into revenue, my question is to page 6, lines 28 through 32, where it says you are going to have an excise tax on special fuels sold, which is taxed by the federal government at a rate per gallon of 24.4 cents. I was reading this PPI report [United States Department of Labor, Bureau of Labor Statistics, BLS Handbook of Methods <http://www.bls.gov/opub/hom/homch14.htm>] and how it works to educate myself. I will read it to you so you understand where my thoughts are going. "Because the PPI is meant to measure changes in net revenues received by producers, changes in excise taxes—revenues collected on behalf of the Federal, State, and local governments—are not reflected in the index." So what does it mean in the context of that language? If it is saying that the PPI is not a reflection of the revenue collected by the federal government, yet there is the language in line 31, "which is taxed by the Federal Government," I do not understand how that works.

John Swendseid:
The 24.4 cents was just a reference point. It is the current federal tax rate on diesel. We wanted to say that with respect to other fuels that the federal government taxes at 24.4 cents. That would be treated as special fuels under Nevada law. Remember that in Nevada law everything that is not gasoline is a special fuel. We are saying that anything that the federal government treats the same as diesel and taxes it at 24.4 cents, will be subject to our indexing. If the federal government has some things that they tax at a lower rate than 24.4 cents, we do not get to index them at all, except the LPG and CNG. One thing that the federal government does not tax is the hydrocarbon emulsion fuel, which is taxed by the State of Nevada. That is not taxed at this rate by the federal government. It is a very small component of motor vehicle propulsion, but we do not get it because it is not taxed at 24.4 cents or more by the federal government. This just says we are not going to tax things that the federal government is not taxing at at least that rate, other than CNG and LPG.

Assemblywoman Kirkpatrick:
My question is for Brian Gordon. What has the PPI been over time? It seems to have been consistently 2 to 3. It looks like when the economy changed it went up. What are we expecting for that number to be in the future?

Brian Gordon:
You can see the trend here on the chart I have pulled up. This is the year-by-year PPI up through 2010. It is the PPI for streets and highway construction. That index went away. They replaced it with another one titled "other nonresidential construction," but year-by-year it can change depending on factors in the economy. Any number of factors could impact the overall index. Forecasting what that index would be on a go-forward basis is a little bit difficult, just because there are so many nuances and implications that could drive the index up or down one way or the other. All I can say here is that we have seen the ten-year trend line has been in that 4 to 6 percent range on average. Again having that longer run average probably provides a little bit more stability to the index, as opposed to selecting it year by year. Imagine in 2008, when that rate was almost 14 percent, it would have had a materially different impact, so the ten-year average takes out some of the volatility. Where it will be going forward, I do not know that answer for you here today.

Assemblywoman Kirkpatrick:
Is there any time throughout this process, based on what you have said, we go out to a bond, that the county coffers would have to pick up the difference if we did not get the estimated revenue?

John Swendseid:
Could you repeat the question?

Assemblywoman Kirkpatrick:
I am trying to understand, because I know it is probably hard to have an estimate of what it would be over time, looking forward, but when you go to a bond, is there any point when the revenue that we would have expected to pay back, based on the indexing, could fall short and the county would have to pick up the difference?

John Swendseid:
No, the county would not have to pick up the difference. These bonds are only payable from the index taxes and the other motor vehicle fuel taxes that the Legislature allows the county to pledge. If those taxes are not enough to pay the bonds, for whatever reason, the bondholders have no legal right to go after other county resources. They have bought what they call a revenue bond, and they are only supposed to get paid back from the revenues that have been promised to them. Because of that, when you sell these kinds of bonds, the bondholders do not want there to be just enough revenue to pay them. They want to know in the revenue picture that it looks like you have more than enough revenue to pay the bonds. They require coverage, so typically for a bond like this to get a good rating, you would not sell it unless the revenues

that you expect to get are at least 1.5 times what you think you will need to pay the bonds.

If you issue bonds at the full 1.5 times, you would use what you earned to pay the bonds and you would use anything above that for pay-as-you-go projects, which is the way the RTC works with their current motor vehicle fuel tax.

Assemblywoman Kirkpatrick:
The reason I ask that question is because when the economy went way down, that was the one big issue that all local governments had. Their bond revenues were not making their projections, so it was tightening up their belts. I am not looking for a particular answer; I just want it on the record what the expectation is for future county commissioners, future RTC people, and future residents. I want to make sure it is clear what is supposed to happen if that comes about.

John Swendseid:
These are revenue bonds and the promise to the bondholders is only that you pay them with the revenue. If everybody goes with electric cars and the revenue all goes away that is the risk the bondholders take.

Assemblyman Hardy:
This question is probably for Ms. Quigley. I presume other states are having these same challenges. If they are, what are they doing? Are they doing anything like this?

Tina Quigley:
Several states across the nation are having these same discussions. Some of the things that we are hearing being considered are using general funds to help supplement the programs. We hear a lot about the vehicle miles traveled tax as well. Although the nation as a whole has not found the exact correct technology or way to implement something like that, so everybody is pretty much coming back to motor vehicle fuel tax indexing as a temporary 20-year fix for continuing the roads program.

Chairwoman Bustamante Adams:
We will transition now. Tina you are up next, but my question is for Brian Gordon.

Your presentation was year one. What happens in the years after that? Do you have a ten-year picture?

Brian Gordon:
Yes, we have run a number of scenarios and have trended this out for a number of years. Again, there are a number of assumptions that would go into it. Clark County could certainly opt to implement this up to the full maximum the statute allows. There could be some alternative scenarios where it could be much less, or there could be none. Under these scenarios where we run these out at the maximum threshold, the numbers start to increase year by year, through the first five years.

For example, the annual average revenue within the first five years could be as much as $86 million. Again it would depend on the number of assumptions and scenarios, and the will of the Clark County commissioners as to how much indexing would take place.

Chairwoman Bustamante Adams:
Is that something that was provided to the Committee members?

Brian Gordon:
I do not believe copies have been shared, just the contents of this one year example that I have walked through has been shared.

Chairwoman Bustamante Adams:
Is that information that you can share, or is that just privy to you and your client?

Brian Gordon:
That would be up to my client, I suppose.

Chairwoman Bustamante Adams:
Tina, you are next. You are still on the revenue projection portion of it, right?

Tina Quigley:
Yes. We will move on to the fuel tax indexing discussion. We will give you a review, one more time, of where we are at from a fiscal perspective for our streets and highways program. We will talk about our challenges in motor vehicle fuel tax, the critical needs that we have in southern Nevada, and a reminder of where we are and where we need to go.

We talked earlier in the presentation about the two primary sources of revenue for our streets and highways program coming from motor vehicle fuel tax and sales tax. I showed you these slides (Exhibit C), wherein we learned that we have over the next ten years $145 million coming from motor vehicle fuel tax that is available for projects, and we have $78 million over the next ten years available to us from sales tax revenues, which brings us to just $22.4 million per year over the next ten years to take care of all the transportation infrastructure needs in southern Nevada. In comparison to the past we had $136 million per year to address the transportation infrastructure needs in southern Nevada.

This is our motor vehicle fuel tax decline [(Exhibit I), page 3]. In 2009 we had a high-water mark of $34.9 million available to us from motor vehicle fuel tax for our streets and highways projects. In fiscal year 2013 we are seeing only $8.1 million available to us. Why this 83 percent decline? For one thing, vehicles are becoming more efficient. We are seeing fewer gallons purchased. As we move towards electrification of vehicles, we will see even fewer gallons purchased. People are also driving less. As prices for gas increase, people are learning to change behaviors. We also saw a significant decrease in our sales tax revenues back in 2009. That sales tax revenue was what we needed as a very key component to continuing to invest in infrastructure. We took our motor vehicle fuel tax and we bonded against it. In doing so we have committed a significant portion of motor vehicle fuel tax to those bonds. Like Mr. Swendseid mentioned, you have to have about 150 percent of available funds dedicated to revenue bonds. If you bond for 100 percent of your revenue bonds, another 50 percent needs to be available in a special fund in case those guaranteed revenues do not come in. This is money that is available to us to spend that we cannot bond against. In conjunction we had a double whammy. If you compare our flat 9 cents to the CPI we have seen a 36 percent loss in purchasing power, and if you were to use the PPI we have seen a 58 percent loss in purchasing power. Where this really starts to be a concern to us is when we start to face the possibility of no longer being able to come up with the local matching funds for federal grants.

The Brookings Institute recently came out with a report showing that Nevada ranks 49th out of 50 states when it comes to getting competitive grant money. We are one of the poorest performers since 1996. In 2009, the other mountain west states—Arizona, Colorado, and Utah—averaged $215 per person in competitive grant money, whereas Nevada only had $130 per person in competitive grant money. One of the reasons is that a lot of times we are not able to find a local match to get those local funds. A great example for us, that was hard for us at the RTC and for the City of Las Vegas, was when we went out for a competitive grant for some Complete Streets improvements to a small project at Main and Commerce Streets. It was a very competitive project from a usability perspective and from a functional perspective. It ranked high. We did not get the money, because we could only put up a 20 percent match. There are other communities that are getting smart and are starting to offer up to a 50 percent match in order to get those federal funds. We will not be able to compete if that trend continues.

It has been interesting, internally and with our jurisdictions. It has forced us to have some really serious discussions about what we have and what we can do moving forward.

We have sat down with the different entities: the City of Las Vegas, Clark County, City of Henderson, City of Boulder City, and City of Mesquite, to start talking about our unfunded needs over the next ten years. We asked what does our region really need, and what are we not going to be able to fund at this point? In doing so we have come up with this map [(Exhibit I), page 5] that has some project priorities throughout the Valley. In putting a dollar sign to it, it comes to $4.5 billion. That is a lot of projects. That is a lot of money.

We had to go back and ask what was really critical, because $4.5 billion is not realistic. What are the critical projects for growing and investing in southern Nevada? We all know that when it comes to really wanting to develop a vision for economic diversification and growth, transportation and education are the two infrastructures you have to pay attention to. We came up with the critical needs projects list of about $800 million over the next ten years.

One of the biggest projects we need to continue to push and move forward in order to grow southern Nevada is phases one and two of the I-11 Boulder City Bypass. We have done a study recently and learned that during peak hours we see congestion of up to 24 minutes, and during certain peak hours it is a lot more than that. We recently had one of our own staff members trying to get through Boulder City sit at a light for 42 minutes.

Finishing the beltway and bringing the beltway up to freeway standards is also on the list. We have a lot of at-grade crossings right now and that leads to congestion. We need to finish the beltway and do the grade separations associated with it.

Exit 118 in Mesquite, the more we can help grow and diversify Mesquite, the more we help Las Vegas, Henderson, et cetera, and we recognize that.

Widening US-95 from Ann Road to Kyle Canyon. This is just for the local match associated with this project, widening it to six lanes.

Another critical need is more investment in our technology traffic improvements, which means investments in ramp meters, signals, dynamic message signs, and installing the fiber associated with being able to connect and communicate with our drivers.

If ever there was a corridor that is ready and needs some redevelopment it is Maryland Parkway. It is the entrance to UNLV. It has a lot of safety and pedestrian challenges associated with it. In talking with the community in that corridor, we hear repeatedly, we need more transit, we need slower lanes, and we need more pedestrian amenities.

Rossi Ralenkotter, the chief executive officer of the Las Vegas Convention and Visitors Authority recently announced that there is going to be a very big reinvestment in the convention district. Associated with that, one of his top priorities is making sure that we can move our visitors in and out of the convention center, in and out of the airport, and in and out of the resort corridor. Associated with that is going to be significant transportation investment needs.

Complete Streets projects. We recognize pedestrian, bicycle, and automotive safety is something we need to be paying attention to and investing in.

Over three years, with those critical projects, we estimate that if we are able to move forward we would immediately be able to create over 11,000 jobs, direct, indirect, and induced. We have some history in creating jobs. When we got our American Recovery and Reinvestment Act money we invested in projects and created 944 jobs. Again those were direct, indirect, and induced. This was just one shot of money, unlike if we were to index and have longer-term programs, those jobs would not necessarily just be one-shot jobs.

Senate Bill No. 5 of the 26th Special Session was passed in 2010. That allowed us to unsunset a portion of our sales tax, and in doing so we were able to bond $169 million, creating 2,000 jobs; direct, indirect, and induced.

Again I want to reiterate the fact that we only have $22.4 million available to us annually to continue to invest in southern Nevada. To put that into perspective, what does that mean? It means that from here on out, in southern Nevada, all we can build each year is one interchange, or one mile of roadway in each one of the jurisdictions, or one beltway segment without bridges, and of course each one of those options, that à la carte menu, does not include any right-of-way associated with the projects.

In closing I will just tell you a little anecdote. I was flying home from here and was sitting next to a small business owner. It was very dark as we were coming into Las Vegas. I had been talking to him about this indexing bill. He was a small business owner who had a fleet of vehicles, so certainly there would be an impact to him with this bill. He was very cordial in listening to me go on about why this is so important for southern Nevada. As we came in and started to see the lights of southern Nevada and how big the city is, we were both silent as we were looking out the window. He turned to me and he said, "You know, that image down there right now, that is the strongest argument that you have had all night regarding motor vehicle fuel tax indexing." As you looked down you could see how big that valley is, and all those roads, and $22 million per year is not enough.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee?

Assemblywoman Benitez-Thompson:
In reference to the unfunded project liabilities, since I am from northern Nevada and not southern Nevada, I am not very familiar with the area. Is this representative of all your areas in the RTC?

Tina Quigley:
The projects that I talked about were the higher profile regional projects associated with moving people and goods, but this is the ten-year needs graphic we came up with. It is important to note the way the RTC prioritizes projects is we work with each one of the jurisdictions, such as the City of North Las Vegas, the City of Las Vegas, the City of Henderson, et cetera, to get a better understanding from their public works directors and their elected officials as to what their priorities are. We then sit down as a group, lay out our cards, and walk through what are the most important projects for the region.

With that I am going to introduce Mr. Mike Hand. He is our director of engineering services. He coordinates and facilitates those meetings with the jurisdictions to come up with the priority list.

Paul M. (Mike) Hand, P.E., Director of Engineering Services, Streets and Highways, Regional Transportation Commission of Southern Nevada:
Pursuant to *Nevada Revised Statutes* (NRS) 373.140, evaluation and approval by the Commission of a project for construction, surfacing or resurfacing of a street or highway, stipulates that we create a plan. We work with all of the six member entities, and when a project gets on the list we review priorities established by the plan. We review the relation of the proposed project to other projects. We review the relative need for the project with respect to other projects. We look at the dollar amounts available. That is the whole process.

What we start with is just a list of projects that are unfunded from all the entities (Exhibit J).

Assemblywoman Benitez-Thompson:
So looking at this project right now, with what you project revenue to be with your ability to bond, would you be able to complete this list 100 percent, or would it be 50 percent?

Mike Hand:
The $808 million list she looked at comprises about 20 projects that rose to the top of this 210-unfunded-projects list. We looked at $808 million because in discussions with Applied Analysis we looked at what kind of money we were looking at for three to six years, and that was around $800 million. First we asked the public works directors what were the most important projects, and secondly which ones they could complete quickly. Readiness was a consideration in the development of that urgent project list.

Assemblywoman Benitez-Thompson:
So this list represents what could be? I am looking at the unfunded project list (Exhibit J).

Mike Hand:
I think you are looking at the southern Nevada unfunded projects list. It is like an Excel spreadsheet and it has orange at the top of it.

Assemblywoman Benitez-Thompson:
Yes.

Mike Hand:
The whole five pages represent the $5.4 billion ten-year list. The orange projects are the ones that our public works directors think they can deliver in the first three years. In other words they are in an advanced state of readiness. Tina mentioned the Las Vegas beltway completion for freeway standards for example. If I am looking at the front page, with just Clark County, Las Vegas Boulevard, Saint Rose to Silverado, that one has been under design for a year or two. The right of way has been acquired. They are ready to pull the trigger on that one; however, they have an unfunded need of $10 million. That is how it goes on down the line. The orange ones are the ones that are ready to rock and roll. The bigger list may take some time. You can see that as the numbers payout over years one through ten.

Assemblywoman Neal:
I think it was two or three slides above this; I had a clarifying question on that slide. You have the highest mark at the peak of when we were starting our recession. There was serious inflation in the market, so I am questioning the number. I know the dollars that were going into that are not necessarily really a true reflection of what our economy should have been. Can you help me understand why you picked that number to show the drop?

My second question, when you talked about the federal dollars or the match dollars that you wished you could get, what was the ability before 2009, particularly if you know in 2006 that you have an idea. What was the match that you could have received or that they were giving?

Tina Quigley:
The local match traditionally is 20 percent and the federal government funds the 80 percent.

Assemblywoman Neal:
You cited the inability to have the local match. What was your ability in 2006 to match?

Tina Quigley:
You have two questions. One is as we have created this chart; you want to know what the situation was like in 2006 and 2005?

Assemblywoman Neal:
Yes. Clearly that number, the $34 million, you were getting money from different sources and they were at their peak. To me there was inflation in the market. We are using that as our peak, but what was the real peak?

Tina Quigley:
This is not property value or sales tax, this is that 9 cents.

Assemblywoman Neal:
Was there not an increase in that? I remember there was a fluctuation in price during that time period.

Tina Quigley:
Our share is a flat 9 cents. This is solely based on number of gallons purchased, and also the fact that we bonded against money that we did have. That decreased the available money that was available to the RTC now, to that $8 million.

Assemblywoman Neal:
Good. That clarifies it for me.

Tina Quigley:
With that I am also going to introduce our Director of Finance, Marc Traasdahl, to answer the other portion of your question.

Marc Traasdahl:
What was the other portion, to clarify?

Assemblywoman Neal:
The local match before 2009. What were you able to match when you were getting significant revenue?

Marc Traasdahl:
The local match is kind of variable depending on the project that is going to come up and what entity needs to build that project. Before 2009 we did have more motor vehicle fuel tax available. The thing that caused that decline was the increase in our debt. We took out more bonds against the motor vehicle fuel tax to create more jobs and build these projects. It was the same with sales tax. We took bonds out during that time, for the first time, against our sales tax. That is committed to building streets and highways, to create more jobs and fill the demand for those projects that were not built.

Assemblyman Hardy:
In short I would like to know how much can this raise in a one-year period, and can it exponentiate over each year that same amount?

Tina Quigley:
I will turn that question over to Brian Gordon of Applied Analysis, who has done some spreadsheets to answer that exact question.

Brian Gordon:
The current rate of indexing at 5.81 percent equates to about 3 cents per gallon. At any point in time if it were to reach the maximum 7.8 percent threshold in the proposed legislation, I suppose that number could be in the high 3 cent range, approaching 4 cents per gallon, if I am doing the math right in my head. Is that what you are looking for?

Assemblyman Hardy:
Yes. Can that raise every year an extra 3.6 or 3.8 cents a gallon?

Brian Gordon:
Yes. That would be the potential maximum.

Assemblyman Hardy:
So we could be up around 38 cents by the end of ten years?

Brian Gordon:
Yes.

Assemblyman Hardy:
This is going to be a little hard for me to explain. You indicated that we have lost gallons of fuel used in the past. With Washoe County implementing this bill has there been a loss of diesel fuel revenue in our state potentially from this bill being enacted? I know trucks can go 800 to 1,000 miles in a day, and cross this state without ever fueling up here. Will this impact possible revenues from many gallons of diesel sold in the south, because you indicated we are selling close to 145 million gallons of diesel fuel per year presently? Is that correct?

Tina Quigley:
You are asking if there is an opportunity cost? Is there any economic loss associated with applying indexed money on the diesel?

Assemblyman Hardy:
Yes, on our other taxes received.

Tina Quigley:
Without knowing what Washoe County's numbers are, I would not be able to address that.

Brian Gordon:
I understand there is an interstate trade agreement that would require truckers in this example to submit records that would allow for an exchange of information and the taxes to be allocated based on miles traveled between states as opposed to filling up in one state and traveling to another state without fueling up. I do not know all the ins and outs of it, but I think there is generally something in place that addresses at least to some extent that issue.

Chairwoman Bustamante Adams:
Mr. Enos is in the audience shaking his head up and down.

Assemblyman Hardy:
I guess this question is not for Mr. Enos. There is a good friend of mine in the back from Washoe County RTC. At some time in the future he might come up

and answer that question on if we have lost fuel gallons sold. I will leave that for a future time.

John Swendseid:
For the record I do want to correct him. The interstate agreement, and it in fact also involves some Canadian provinces, that Brian mentioned does not apply to the indexing that this bill does. There would not be any exchanges as a result of road miles driven for this diesel tax. I just need to correct that, so that you know that. It does not happen with this tax. This tax is exempt from the international agreement. The international agreement just applies to state taxes, not to local taxes.

Assemblyman Hardy:
I understand that and that is my concern. If I am a truck driver, and I can buy fuel in California for $2, and I would have to buy it here for $2.30, I am going to skip over the state and buy it in Utah. Do I lose those revenues because we have a higher rate?

Tina Quigley:
To some extent it is about the elasticity of demand associated with the price. Maybe we can have Mr. Lee Gibson from Washoe RTC come and talk to that.

John Swendseid:
The state does not lose the diesel fuel revenue. That is what the international and interstate compact does deal with, so the state special fuel tax depends on miles driven. So if the trucker does drive from California to Utah without filling up in Nevada, the state still gets whatever revenue it would have gotten from the special fuel tax. Somebody might decide to drive to Carson City instead of filling up in Washoe County if the fuel costs more in Washoe. When you have a local tax, people can go elsewhere to shop.

Assemblyman Stewart:
The $800 million that you are putting in on these special projects, would that include matching funds, or do you need $800 million to get the matching funds?

Tina Quigley:
The $800 million is a comprehensive cost for both local contributions to federal fund matches, wholesale purchase of the project, as well as us funding the entire project without federal funds. It is a combination. Some projects will have a federal match associated with them, but some of them will not.

Assemblyman Stewart:
On the amount of money that we will actually receive, if and hopefully when it passes, do you have figures of how much it will generate in various years? Do you have a chart on that, or did I miss it?

Brian Gordon:
We did. Year one total bonding capacity on that revenue would be about $230 million. By year three we are talking potentially over $730 million in potential bonding capacity, assuming consumption levels remain relatively consistent over that timeframe.

Chairwoman Bustamante Adams:
That is the information you have for your client. We do not have that information in front of us, correct?

Brian Gordon:
I do not believe it is in front of you. I am happy to share any information. I am assuming it is not an issue, but I certainly would need to check with my client.

Assemblywoman Kirkpatrick:
Since there are two of us on this Committee from North Las Vegas, I want to understand your Excel sheet (Exhibit J) and how it works. For Mesquite, under the first year there is nothing under current funding, yet you show that as one of the highlighted projects. Does that mean that project would not come online the first year until they had matching dollars? I have to explain to North Las Vegas folks, along with Assemblywoman Neal, what the deal is.

Mike Hand:
You are looking at the Southern Nevada unfunded projects list. How that works, left to right, is it shows current funding. That is what is available through all sources from the note.

Assemblywoman Kirkpatrick:
Current funding from who? Current funding from what? Unfunded from who? Unfunded to whom?

Mike Hand:
The asterisk says current funding can include any combination of entity funds. There are some local monies available. As you heard before, part of the gas tax is available to the locals; RTC is current programmed available money. Federal is federal grant money. And other is whatever other sources of revenue the entities have identified. That is the current funding column. That is available through the anticipated ten-year project timeframe.

To the right of that is unfunded. Cost minus current funding is the unfunded need. That total is $5.3 billion. Next is the anticipated year of expenditure to complete the project. If there are blanks in those years they anticipate looking at their workload and/or the project schedule, right away requirements, and design timeframes. That is when they could start delivering it and spending money.

Assemblywoman Kirkpatrick:
Not to speak for my colleague from Mesquite, but I want to pick through this a little bit. In Mesquite it shows that in the first year they are going to get some maintenance money, right? In the second year, what do they get? Sometimes too much information is bad, right? Because unless we understand how this works we cannot explain it to our constituents. I just want to be clear on what all these numbers mean, because you know the truth of the way it works here is that people have no problem saying the Legislature made me do it. So if the Legislature makes you do something, I want to be able to understand it.

Mike Hand:
The Mesquite project list is submitted by the City of Mesquite. What they have is $1.3 million in year one, and so on through year ten, with a total project value of $66.76 million. What I would point out is that under the current fuel tax legislation, the way it works is the money comes in and Mesquite and the other outlying entities get a cut right off the top. It is called direct distribution. That is a function of taking all of their population divided by the total Clark County population, or about 3 percent right now. They get that right off the top, and then the bigger entities get the money. I think when Mesquite looked at their project list, they looked at their anticipated direct distribution revenues and their capacity to deliver, and that is what they came up with.

Assemblywoman Kirkpatrick:
So local government, public works folks, give you guys these numbers?

Mike Hand:
Yes.

Chairwoman Bustamante Adams:
We are ready to transition. We are short on time but there are some guests that we have who flew in from Las Vegas. I am going to take those individuals first. If the folks in Las Vegas, Brian or Tom, could come back to the table.

If you have written testimony I ask that you not read it. I ask that you submit it to my committee secretary, so she can enter it as part of the record and Committee members can have access to it.

Debra March, Councilwoman, Ward II, City of Henderson, and Commissioner, Regional Transportation Commission of Southern Nevada:
I have testimony I will submit (Exhibit K), so I will not read it to you. Suffice it to say that local governments really do benefit from these resources coming to our communities to build our roads, and as you saw with the numbers that Tina reflected on the screen, we are looking at a ten-year average of about $22 million per year to address many concerns. As you saw in the list of unfunded concerns in our communities, there are many different road projects across southern Nevada. Seventy percent of the state's population resides in southern Nevada. There are growing needs. We are dealing with a population of tourism, as the entertainment capital of the world. We have many folks coming into our community and if we are not providing them with the resources they need, if we are not providing businesses with the resources that they need to move around our community, I am afraid that will have a significant impact on the economic development and diversification in our community.

I know in the City of Henderson there are a couple of projects that are very important. One is the Starr Road completion and interchange. This would take a lot of pressure off of Eastern Avenue, one of the heaviest traffic roads in Henderson and in southern Nevada during rush hours. Also, the downtown Water Street Complete Streets project. There are areas where we can really make a difference. We can make industry move better, create job opportunities along these corridors, and improve the quality of life for the residents who live there as well.

Chairwoman Bustamante Adams:
We will go to Las Vegas now.

Brian McAnallen, representing the Las Vegas Metro Chamber of Commerce:
I will be very brief. We are very supportive of A.B. 413. The Chamber of Commerce sees this as a great opportunity for improving the infrastructure in southern Nevada. We would encourage the support of this enabling legislation. We do believe that there are some good protections in here, with the five-year window allowing the Clark County commissioners to look at this, if they end up implementing this once it is passed by the Legislature.

We think there is not enough funding right now and the future of that funding looks bleak. This is critically important and the element that is equally important is that we all have a stake in this game. Those of us that use the roads and purchase motor vehicle fuel are all a part of this. We are the ones driving on the streets and the roadways. It is our ability and it is incumbent upon all of us to keep that infrastructure investment going. We would ask that you please support this. There are some great projects out there that need funding. The Chamber of Commerce has been infinitely supportive of I-11 and the Boulder City Bypass, finishing the beltway, the rural part of our area, Mesquite exit 118, and of course, in future, areas that need a lot of infrastructure investment—the Maryland Parkway corridor. We would strongly encourage you to support A.B. 413.

Tom R. Skancke, President/CEO, Las Vegas Global Economic Alliance:
We are the regional development authority here in southern Nevada. I am just going to say "me too" for the most part. I hope the Committee supports this bill.

Prior to me taking this position at the Las Vegas Global Economic Alliance in November I spent the better part of 24 years of my career in the transportation industry. I cannot think of a better time and a better place for the State of Nevada, and particularly here in southern Nevada, to have indexing opportunities on our fuel.

Other parts of the country have been very successful with this mechanism. It has been very successful throughout our state. That Clark County does not have this authority is a competitive disadvantage for us and how we compete in a global economy, and how we have sustainable infrastructure as we move forward in trying to attract industries, not just businesses to our state.

There are three things that businesses look at when they consider relocating to a new state or new location. Infrastructure viability, a long-term water resource, and an educated workforce. We must provide our traveling public, our employees, our businesses, our manufacturers, and our logistics industry a safe, secure, and productive infrastructure. We are at a competitive disadvantage with the rest of the region.

So that everyone has an understanding of the 18.4 cent federal fuel tax, the buying power of that 18.4 federal cents today is about 7.5 cents with inflation. The United States fuel tax has not been raised since 1994. The last time it was raised before that was in 1982 by President Reagan. The fuel tax initially was 4 cents in 1954 when Congress considered the fee. In 60 years the national fuel tax has been raised only 14.4 cents. Our region, here in southern Nevada, must have the opportunity in order for us to compete in our infrastructure and to provide the infrastructure the driving public needs; we have to have this ability in order for us to have a long-term, sustainable infrastructure.

I would hope your Committee and the Legislature as a whole would allow Clark County to compete with the rest of the country and have this opportunity for us to index this user fee.

Chairwoman Bustamante Adams:
We will come back to Carson City.

Larry V. Carroll, P.E., representing the Nevada Economic Development Coalition:
Larry Carroll, with Poggemeyer Design Group, and a steering committee member of the Nevada Economic Development Coalition. Of course Mr. Wellman, to my right here, will be speaking later on. Bill is also a steering committee member, and we would like to acknowledge Mr. Jim Caviola in the audience, who flew up here today too. He is on our steering committee.

Most of our testimony you have in our handout (Exhibit L), but I would like to give you a brief overview of who we are.

The Nevada Economic Development Coalition is a group that represents over 50 companies that have come together to promote issues supporting economic development issues in Nevada. Our first cause, if you will, is addressing transportation issues in southern Nevada. Our coalition members have not only given their good names, but they have also provided substantial financial support. [Continues to read from prepared testimony (Exhibit M).]

One thing I would like to point out, in your handout (Exhibit L), is even the United States Chamber of Commerce came out in support of indexing recently.

As you have heard, Clark County is the only county in Nevada that does not have the ability to index fuel tax. We respectfully ask that you support this and this measure to move forward, as our state's economic vitality is the key to our continued success.

Bill Wellman, representing Las Vegas Paving Corp. and Associated General Contractors, Las Vegas Chapter:
Both of the companies I represent are members of the Nevada Economic Development Coalition. As Nevada's largest transportation contractor, Las Vegas Paving is also the largest purchaser of on-highway taxable fuels in Nevada, and more importantly in Clark County, averaging more than 2 million gallons per year for the last three years. I feel this is fairly significant, as I am here testifying in support of this, yet also will affect us.

As is obvious, the economic recession has significantly impacted the construction industry, including Las Vegas Paving. Annual revenues are down 60 percent and labor needs are down 46 percent. That is about 600 employees currently out of work. This is why the need is now. With indexing, here is something that can be moved forward very quickly and put some of these people back to work.

Enabling Clark County to index its fuel can generate an estimated $800 million in bondable capacity in the next three or four years, which translates to job creation of approximately 6,400 person years of employment, or more simply 2,135 full-time construction positions for three-plus years. That is very important. That in itself is a great benefit. An ancillary benefit is creating new, and improving existing, infrastructures. Those are things that are tangible. You can see them. You can touch them. Most importantly you all will utilize them and get the benefit of them. All of that will help sustain growth and help our economy here in Nevada. More importantly, it does not shoot any holes in the state budget.

Chairwoman Bustamante Adams:
I am not sure if you gentlemen are aware we have a southern Nevada caucus and welcoming input from businesses is certainly something that I know Assemblywoman Kirkpatrick wants. She wants to make sure we include you.

Liane Lee, representing the City of Las Vegas:
The City of Las Vegas strongly supports A.B. 413 for many of the reasons given today. This bill will allow this existing funding source to keep pace with the cost of maintaining and improving the infrastructure in southern Nevada. Additionally, by funding preventative maintenance to existing roads, it will help maximize the lifespan of that road, which is far less costly than repair or completely replacing that road.

The City of Las Vegas strongly supports this and asks you to help us maintain over 1,000 miles of local roadways and 297 miles of arterial roadways located in the City of Las Vegas.

Chris Ferrari, representing the Associated General Contractors, Las Vegas Chapter, and the Nevada Contractors Association:
I am here today in support of A.B. 413. According to the Department of Employment, Training and Rehabilitation, the state has lost 77,500 construction jobs over the last five years. The need for infrastructure and the loss of jobs brings us to the reason for supporting this legislation. We are in strong support and thank you for your consideration of this measure.

Yolanda T. King, Director, Budget and Financial Planning, Department of Finance, Clark County:
I just wanted to note for the record that the Board of County Commissioners had first heard of this BDR at their last meeting this past Tuesday. There are a couple of representatives on the RTC board. Those representatives have informed the Board of County Commissioners that the RTC had passed a resolution in support of this bill. The county commissioners anticipate

discussing this bill at their next meeting on April 2, and the thought is that they would like to approve a resolution similar to the RTC resolution in support of this bill.

Chairwoman Bustamante Adams:
I want to acknowledge that Commissioner Tom Collins is in the audience. Thank you for coming down.

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:
I would simply like to put the League's support for A.B. 413 on record.

Dan Musgrove, representing the City of North Las Vegas:
I just want to give you a perfect example of one of the projects that are so critical to North Las Vegas. This project is a part of this whole framework of projects that are needed and it is the 5th Street corridor. If we do not receive additional funding it is essentially going to be a corridor to nowhere. I think it is such a collaborative process that we go through in southern Nevada, working with the RTC. I just made a request, based on Assemblywoman Kirkpatrick's question, of our projects that we have on the list. I am not sure if that was a part of your material, but just so you know the things that North Las Vegas has requested. Again, this is so crucial and important for southern Nevada. I absolutely support the bill.

Warren B. Hardy II, representing the Associated Builders & Contractors of Nevada and HDR Engineering:
We want to add our voice to those in support of this legislation.

Mark H. Fiorentino, representing the Focus Property Group:
I represent the Focus Property Group, which is a developer whose assets are primarily in Clark County. We also support the bill and offer whatever assistance we can in helping you work out the issues in getting it done.

Tom Collins, Board of Commissioners, Clark County:
I am Clark County Commissioner of District B. I am also the Chairman of the Las Vegas Convention and Visitors Authority (LVCVA). We have been briefed on this. I would encourage you to go forward with this. As Larry mentioned, LVCVA stayed neutral until all the entities could approve this or pass resolutions supporting this. I am sure by the time it gets there we will be, but in a timely fashion I would just like to express support, just like Tom Skancke and many others have done here. Yolanda is right up-to-date on what we have been doing at the county. I just want to express full support of this. It would definitely be used wisely in all the areas it is needed.

Chairwoman Bustamante Adams:
We will now transition to the opposition for A.B. 413.

Paul J. Enos, representing the Nevada Trucking Association:
I am happy to be here today talking about road funding because it is something that we as the Nevada Trucking Association, representing the people who do their business on the highways and roads, do appreciate. We have been supportive of increasing the fuel tax ever since I have been with the Nevada Trucking Association, starting back in 2005. We look at indexing as the best worst option. There are some other options on the table that we have heard about today. The vehicle miles traveled tax and toll roads. Those are things that we do not necessarily like. What we do appreciate about indexing is that it is on fuel. We think that is where the tax should be. It is an easy tax for my members to pay. It is an easy tax to administer.

Assemblyman Hardy had some questions about how this would affect the International Fuel Tax Agreement (IFTA). The state has not lost any money to IFTA. An interstate trucking company is going to pay the State of Nevada whether he fuels up or not, depending on the amount of miles that he drives here. What we do have, and what we have created in Washoe County, is an inequity for the carriers who are based in Washoe County, who have fueling facilities in Washoe County, because if they are doing the lion's share of their miles in another state, as most of the interstate trucking companies in Washoe and Las Vegas are, they are going into either California, northern Nevada, Arizona, Utah, California, or southern Nevada and they do not get credit for that local tax. I have shared my testimony, or an example, with the Committee (Exhibit N), showing how that works.

We are lucky to see what the effects have been in Washoe County, so we have some real-world examples, that are not necessarily dependent on theories or studies, from what has happened in Washoe County.

If you have a Washoe County-based carrier that does 80 percent of its miles in California, where it is paying a rate of 40.5 cents, but does all its fueling in Washoe County, it ends up owing the State of California. In Washoe County, where the effective tax rate is 39.5 cents, it only gets credit for 27 cents, because IFTA does not apply to local taxes, only to statewide taxes. There was a question about that. The International Fuel Tax Agreement (IFTA) will collect a local government tax only if it is applied statewide. It has to be the same tax applied across the entire state for IFTA to collect it, and for the trucking companies to get credit for it. The inequity it has created, based on a truck 10,000 gallons, is that they have to pay the State of California an additional $1,080. If they do all their filling in Washoe County and they do 80 percent of the traveling in the State of California, they have to pay California an additional $1,080. Conversely, if you have a carrier based in California, that is traveling into Nevada, they get that money back. They get an additional $1,080 back in the coffers through the IFTA. So we have created an inequity, not just with carriers located in Washoe County or in the State of Nevada, but with carriers located outside of Washoe County.

One of the things we do talk about is economic development, and how this tax has affected economic development. I have a gentleman here today who owns one of the larger trucking companies in the state, which is located in Washoe County. He has actually expanded outside of Washoe County, into Storey County, partially because of the additional 12.5 cents tax on fuel that he does not get credit for through IFTA.

I would ask if we do move forward with indexing to look at a couple of things. It could be applying the index on a statewide basis. Barring that, setting up a refund mechanism for those carriers located in those counties where they are paying that additional effective rate, but not getting credit for the entire rate when they are participating in interstate commerce.

This is something that is fully auditable through the Department of Motor Vehicles (DMV). We do not need to create an entire new bureaucracy. The DMV already has all those records through IFTA. The International Fuel Tax Agreement did not contemplate a county by county tax, it was statewide. That is why these county taxes are problematic. When you have a patchwork, which is what we are talking about today, we have a patchwork in Washoe and we are going to add another patch in Clark County. Not only are we adding another patch as far as a fuel tax, we are adding another patch with a completely different formula. I think this bill is a lot better than what we did in Washoe County. I applaud the Committee for putting in the five-year protection. In Washoe County it is 30 years for the bonds. I think you have done a much better job than we did in 2009, when we passed, I think it was Senate Bill No. 201 of the 75th Session, in getting some of those protections for the taxpayer. Looking at indexing in general there is an issue you run into with tax indexing, and Mr. Wellman, as one of the largest users of on-highway diesel fuel pays that tax, made this point. What happens, especially when the PPI or any type of road construction index is applied, it tends to drive up the index itself, because now you have the folks who are building the roads, buying that fuel at the increased price, and so that index does tend to drive itself up.

What we have seen in Washoe County is about 3 cents per year. We are now at an additional 12.5 or 12.556; I cannot go out to all the decimals, in Washoe County on diesel fuel. When you look at the amount of revenue it generated in 2010, I think it generated around $3.2 million. In 2012 it generated $4.7 million in revenue, over a 46 percent increase in revenue. That is just on the diesel portion, and on that diesel portion, that was with 500,000 fewer gallons of fuel sold in Washoe County. You can have fewer gallons sold, that does result in additional revenue.

Another issue that I have, and why I would like to talk about doing this on a statewide basis, is that in 2007 we had a long talk about highway funding and how to pay for roads. This was after the Blue Ribbon Task Force, which I served on with Mr. Skancke in 2006, when we talked about how to fill, what was at the time, a 3.8 million hole in the State Highway Fund. We had lots of conversations about not just how to generate revenue, but about some reforms that we could build into NDOT. I am not going to complain too much about the road between Carson City and Reno. I like driving on it, but $600 million for that project, with all the bridges, you had to look at it at the time and ask if we were really spending our money in the best place. Were we really spending those limited resources in the best way that we could? I know a lot of people from southern Nevada have had that same criticism. They say, look what you guys are doing between Carson City and Reno, to save you five minutes on a commute.

So we said, okay NDOT for any project over $25 million, and I would love to see that threshold lower, you are going to do a benefit cost analysis. You are going to justify the cost of that road and what the benefit is. What is the benefit in commute time? What is the benefit in safety? What is the benefit of fewer emissions and less noise, and all those environmental impacts that roads can help mitigate?

I understand now in Boulder City, the Boulder City Bypass is one of the priorities that we are looking at, that RTC is looking at. The RTC is not subject to the same benefit cost analysis requirement that NDOT is. Now I am not going to tell you that the numbers have not changed and that the Boulder City Bypass may not be a better idea today, but back in 2007 when they did take a look at the benefit cost ratio on the Boulder City Bypass, phase two of the Boulder City Bypass was the worst project the state had, that small 14.5 mile bubble. That was the worst project the state had in its queue as far as a negative benefit cost ratio. In fact the Boulder City Bypass would never be paid back, and that is from NDOT. It may have changed today, but what I would like to do if we do allow the RTC to start indexing, and I would like to see it in Washoe County as well, is a requirement that they do benefit cost analyses on these projects, as a protection for the taxpayer, just as you would put that protection on bonds to make sure the entity could not go out and bond for more than five years at a time. Let us add some other protections for the taxpayers, to ensure that we are not getting the $4.5 billion wish list, but we actually have some quantitative substantial facts on how we spend those limited highway funds.

Chairwoman Bustamante Adams:
You have two suggestions on the bill: either to apply it statewide or set up a refund mechanism somehow. Are there any other suggestions on the bill that you would like to make?

Paul Enos:
I would like to see our local governments, if this bill does move forward, be subject to the same benefit cost analysis that NDOT is subjected to on these projects. I think instead of just doing a local patchwork we should look at highway funding on a statewide level, and how we make that state system work. Yes, there are some projects the RTC has on here that are very noble and they need to do. I think it is important for everybody in giving the ability to the RTC to do this, to know that money generated off of these taxes is going to be spent in a way that you can justify a project through a benefit cost analysis.

We are supportive of another bill, Senate Bill 377, which is a 2 cent increase over the next ten years. I have not seen it scheduled yet. People say that we are not in support of any tax and we just do not want to be taxed. That is not true. We like the idea of a flat tax rate, even if it grows, even if it is a phase-in of 20 cents over the next ten years. The leadership of my members has said that is something they are willing to do. Unfortunately not just the Legislature, but Congress and a number of other states, have not had the political will to increase the fuel tax in Nevada since 1992. I do not think it is so much a problem with the fuel tax that we have, as it is that we have not done anything with it. We have just left it alone since 1992. Mr. Skancke was absolutely right. We need to look at increasing the fuel tax, and that is what we are supportive of.

Chairwoman Bustamante Adams:
I do have your suggestions written down and I appreciate it. Thank you for representing your members. As there is nobody left in opposition I will transition to neutral. Is there anybody in the neutral position?

Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles:
The DMV is currently neutral to the bill as written. We do like in the bill where the RTC will contract with the DMV for the programming and the functionality that would be needed to upgrade our fuel industry software, along with the 1 percent administrative fee that would be collected as part of the indexing.

The other thing that happened with Washoe County after the bill was passed in 2009 was that it took about nine months to develop the software. I believe we turned the switch on in the spring of 2010. That would be the other piece of the legislation, the timing and working with the RTC of Southern Nevada to implement the logic and the programming to do the collection on the indexing.

Chairwoman Bustamante Adams:
Mr. Seidel, the comments that Mr. Enos made about if we were to set up a refund mechanism for the carriers, would that be a cost to you?

Wayne Seidel:
Mr. Enos is correct. We are currently doing refunds on the IFTA fuel, but we are not doing any indexing at that county level, so it would complicate building that logic and that refund mechanism. It would take time to develop that program.

Chairwoman Bustamante Adams:
It would take time and money to be able to do so?

Wayne Seidel:
Yes.

Jeff Fontaine, Executive Director, Nevada Association of Counties:
This past Tuesday there was a hearing on Assembly Bill 6. You heard about the challenges our counties are having in maintaining their existing infrastructure, as well as trying to construct new roads. We would just ask that as you consider A.B. 413, you consider the needs of the other 15 counties, and also consider whether it makes sense to extend the authority of all counties so you would have a statewide policy on indexing motor vehicle fuels.

Rudy Malfabon, P.E., Director, Department of Transportation:
The Department of Transportation is neutral on A.B. 413. I just wanted to make a couple of points. As stated fuel tax indexing has been implemented in Washoe County by the Regional Transportation Commission (RTC) of Washoe County. I wanted to make a point that they invest some of that additional revenue on projects that are on state highways. Recently there was a public meeting about the Pyramid-McCarran intersection improvements. I wanted to point out that Lee Gibson, his leadership at the RTC of Washoe County, and their board have been supportive of spending some of that additional revenue on projects that are on the state system. I would hope to see that same type of cooperation with Clark County and the RTC of Southern Nevada on delivering successful projects that have common mutual goals for safety, and for providing capacity, economic development, and

regional mobility. In closing, we are neutral, but typically work on projects that have mutual benefits.

Chairwoman Bustamante Adams:
Are there any questions from the members of the Committee? [There were none.] I will have Tina Quigley and Russell Rowe close this out with closing comments.

Russell Rowe:
This is such an important issue for southern Nevada and you certainly gave us a tremendous amount of time. It is a complex issue. Fuel taxes are complex. Indexing, in my mind, is relatively simple. Pick a rate, apply it, and that is how it works.

I will leave you with one anecdote that surprised me. On Sunday, when I flew in, I needed to fill up my gas tank. I stopped at the 76 Station on Mt. Rose Highway and paid around $3.87 per gallon. When I drove into Carson City I drove by a Chevron station and it was $3.86 per gallon. It shocked me that after the representation that you saw on Tuesday, where Washoe County's tax rate was 12 cents higher than the others, I would have thought I could have come into Carson City and paid 12 cents less. That is not true. Washoe County got it right. When I filled up in Washoe County they kept the 12 cents and they are putting it into their roads and their infrastructure. If I filled up in Carson City the petroleum company would have kept that 12 cents. That is the difference. This proposal does not necessarily raise what you ultimately pay at the pump. That is market driven.

Tina Quigley:
In closing I will reiterate something Russell said. If you use your iPad applications and download "Gasbuddy" you can have a lot of fun checking the different average rates of fuel in the different regions. You will see, especially between Carson City and Reno, exactly what he mentioned. Sometimes gas is more expensive in Carson City than it is in Reno.

I would like to close with a couple of points. One is that in southern Nevada we are truly committed. We are at the tipping point where southern Nevada is really understanding the fact that to grow our Valley in a healthy way we need to be diversifying our economic base. We need to not only invest in travel and tourism, but also be attracting new industries. One of the only ways that we know we can do this is by investing in our infrastructure, including transportation, education, and water. The $22 million a year that we have available to do that is probably not enough. One intersection a year, one mile of roadways in each one of the jurisdictions, or one interchange along the beltway is probably not enough to truly attract and secure new industries and diversify our economy.

Chairwoman Bustamante Adams:
I will close the hearing on A.B. 413. We will now take public comment. Is there anyone in Las Vegas for public comment? [There was no one.] Is there anyone in Carson City for public comment? [There was no one.] The meeting is adjourned [at 3:39 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall
Committee Secretary

APPROVED BY:

____
Assemblywoman Irene Bustamante Adams
Chairwoman

DATE: ____________________________

EXHIBITS

Committee Name: Committee on Taxation

Date: March 21, 2013 **Time of Meeting: 1:01 p.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 413	C	Tina Quigley	RTC Funding Overview
A.B. 413	D	Russell M. Rowe	Future Highway and Public Transportation Finance
A.B. 413	E	Russell M. Rowe	Blue Ribbon Task Force to evaluate Nevada Department of Transportation Long-Range Projects
A.B. 413	F	Russell M. Rowe	Building a Better Gas Tax
A.B. 413	G	Russell M. Rowe	The Shortfall in Funding Nevada's Roads and Highways
A.B. 413	H	Brian Gordon	Impacts of Fuel Tax Indexing, a Fiscal Review
A.B. 413	I	Tina Quigley	Fuel Tax Indexing
A.B. 413	J	Mike Hand	Southern Nevada Unfunded Project List
A.B. 413	K	Debra March	Prepared testimony
A.B. 413	L	Larry Carroll	Improving Clark County's Economic Future
A.B. 413	M	Larry Carroll	Prepared testimony
A.B. 413	N	Paul Enos	Indexing issues relating to the International Fuel Tax Agreement