

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-ninth Session
March 7, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:40 p.m. on Tuesday, March 7, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Julia Ratti, Chair
Senator Aaron D. Ford, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Heidi S. Gansert
Senator Patricia Farley

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Tina Nguyen, Committee Manager
Lex Thompson, Committee Secretary
Colleen Lennox, Committee Secretary

OTHERS PRESENT:

Dawn Lietz, CPM, Administrator, Motor Carrier Division, Department of Motor Vehicles
Carmen Shipman, Tax Program Supervisor, Motor Carrier Division, Department of Motor Vehicles
Kurt Haukohl, State Aviation Manager, Planning Division, Nevada Department of Transportation

CHAIR RATTI:

I call the meeting to order at 3:40 p.m. We will hear Senate Bill (S.B.) 64 today.

SENATE BILL 64: Revises provisions relating to the distribution of the proceeds of taxes on aviation fuel and fuel for jet or turbine-powered aircraft. (BDR 32-222)

DAWN LIETZ, CPM (Administrator, Motor Carrier Division, Department of Motor Vehicles):

I will read my written testimony ([Exhibit C](#)) presenting Senate Bill 64 regarding compliance with federal jet fuel tax revenue distribution requirements.

SENATOR KIECKHEFER:

Does federal law require the tax revenue be distributed to the airport that generates the revenue?

MS. LIETZ:

Under our current distribution, the Department of Motor Vehicles (DMV) distributes the money to the county where the airport is located. We provide a list to the county that outlines revenue distribution to the city level but not to the private airports.

SENATOR KIECKHEFER:

Federal law requires that this fuel tax revenue goes to the airport?

MS. LIETZ:

Federal law requires the DMV to provide the Federal Aviation Administration (FAA) a list of how those funds were distributed to the airport receiving the funds. The receiving airport is supposed to do a report. When the funds go to the county level, the airport that is supposed to be receiving the funds cannot comply with that requirement.

SENATOR KIECKHEFER:

Are the airports receiving the funds? How much money is involved?

MS. LIETZ:

Small amounts. The DMV ran statistics that showed six airports were locally owned or owned by an entity other than the local government or city. In written testimony, provided by Kurt Haukohl ([Exhibit D](#)), is a list of nine qualifying

airports in the State. Six of them are receiving fuel tax revenue. This revenue is small because they are small, private airports.

SENATOR KIECKHEFER:

The fiscal note indicates no impact. Why is there no impact?

MS. LIETZ:

There is no fiscal impact because the funds are already distributed by us to the counties. Senate Bill 64 will change that distribution breakdown to include a separate line which shows the individual private airport has received those same funds from the DMV directly.

CHAIR RATTI:

Does the DMV's job end the moment the revenue is distributed to the county?

MS. LIETZ:

Yes.

CHAIR RATTI:

Do you believe the county is giving it to the airport?

MS. LIETZ:

Yes. The letter states the FAA wants confirmation of the distribution to the airport that sold the fuel from the State. When we distribute revenue directly to the airport that sold the fuel, it will bring us into compliance with federal law.

CHAIR RATTI:

Is there any other revenue stream where the State distributes directly to a private entity?

CARMEN SHIPMAN (Tax Program Supervisor, Motor Carrier Division, Department of Motor Vehicles):

The DMV does not distribute anything to a private entity. Everything goes to a State, county or city government.

CHAIR RATTI:

Did the FAA approach the State and say we are out of compliance and if you do not change something there would be consequences?

MS. LIETZ:

The FAA sent a letter to the Department, received through the Governor's Office, on November 24, 2015. It was also sent to the Department of Motor Vehicles and the Nevada Department of Transportation (NDOT). The letter provided us with the FAA policy and requirements to meet the policy. Each State was given until December 2017 to show compliance with the distribution laws. I contacted the letter sender, Jim Brown, and spoke with him to determine what was needed to bring Nevada into compliance. I provided him with a letter that outlined our current process. I spoke with him to confirm if the State were to send the fuel tax revenue directly to the private airports, the State would be in compliance. He did not provide this in writing but gave his assurance that the State would be in compliance if the process were changed to pay private airports directly. Nevada Department of Transportation reached out to me, and together we worked on the language necessary for S.B. 64.

CHAIR RATTI:

It is my understanding you were required to have a written plan. Does the process you described meet the requirement for a written plan?

MS. LIETZ:

Yes. By providing the legislation in S.B. 64, we are showing we have corrected Nevada's law to comply with federal law.

CHAIR RATTI:

What is the consequence if we do not comply?

MS. LIETZ:

I cannot answer that question because the FAA's letter does not include that information.

KURT HAUKOHL (State Aviation Manager, Planning Division, Nevada Department of Transportation):

The best way to achieve compliance is for the FAA is to have simpler cash flow that can be traced such that everybody could verify that each individual facility has received its revenue. Several cities and counties submitted their own plans for compliance. We are not the only recipients of this letter. The consensus of these cities and counties is that they would either change the law or simplify the flow of funds so they could be traced.

CHAIR RATTI:

When you allude to counties, are those the counties that are actually running airports?

MR. HAUKOHL:

Yes. An example is the case of Elko County. The City of Elko was not receiving tax revenue for fuel sales at the Elko County Regional Airport as well as that of several other Elko County airports. The only other case we found where revenue came through the county to the airport and was regularly paid is Mesquite.

Potentially, the Owyhee Tribe is installing fuel at the Tribe's airport near the Oregon border, which will be run by the Duck Valley Tribe. The Tribe would need to receive the revenue from Elko County. This simplification ensures the airport charging the tax receives the tax revenue.

SENATOR KIECKHEFER:

Did you indicate the City of Elko was not receiving its revenue after the State distributed the money to the County?

MR. HAUKOHL:

Yes. I received a statement from the Airport Manager that the Regional Airport was not receiving the revenue from the County.

SENATOR KIECKHEFER:

Does this bill relate specifically to the private airports? Does this address that issue?

MR. HAUKOHL:

It does address that issue and it relates to them as well. The nine airports I cited in my testimony, [Exhibit D](#), are all city-owned airports or, in one case, owned by the Owyhee Tribe. For example, Boulder Municipal Airport is not a Clark County facility and the airport, in this case, receives the revenues directly from NDOT.

SENATOR KIECKHEFER:

Counties are cut out of distribution entirely. Will the DMV Tax Division distribute the money directly to every airport that generates it?

MR. HAUKOHL:

In some cases, yes. In many cases the counties are the owners and operators of the airports.

SENATOR KIECKHEFER:

If it is a municipal airport, then DMV will distribute directly to the municipality?

MS. LIETZ:

Yes. We provide the counties with the list of funds collected and how to distribute them. There will be a line item for the city or municipality where that airport is located designating the recipient for those funds.

SENATOR PARKS:

I have a two-part question. First, could we get a listing of those nine airports? Second, the bill references the Civil Air Patrol (CAP). How is its account handled relative to the others? Does the CAP get an allocation? How is that calculated?

MS. SHIPMAN:

For the aviation fuel tax, there are two components. First is a 2-cent tax that goes entirely to the Civil Air Patrol. Counties have the option to enact a county option tax of up to 8 cents per gallon. Four counties choose to collect a county option tax. Those Counties are Douglas, Elko, Humboldt and White Pine. The distribution to the CAP will remain the same.

CHAIR RATTI:

Federal law states that revenue generated at an airport, whether it is held by a county, municipality or privately, must be returned to that airport for its use. If it is a county or municipal airport, the revenue will go to the county. Is it the county's responsibility to distribute the funds to the appropriate county or municipal airport? If the revenues are generated by a privately held airport, will the funds go to the private airport directly?

MS. LIETZ:

Yes.

CHAIR RATTI:

What is the airport's accountability to report, and to whom, what it has received and how it handled the money? Is there any accountability?

MR. HAUKOHL:

Individual facilities are not required to run compliance audits or to provide proof they received their revenues. When it comes time for federal matching grants and they do not have adequate funds on hand to meet those matching grants, this issue comes into question and they are typically audited at that time by the FAA.

CHAIR RATTI:

Does federal law designate how those funds need to be spent?

MR. HAUKOHL:

Yes. The money must be spent inside the airport fence on airport business.

CHAIR RATTI:

Is there any accounting for that if they do not apply for federal grants?

MR. HAUKOHL:

Potentially, yes.

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CHAIR RATTI:

I close the hearing on S.B. 64. The meeting is adjourned at 3:57 p.m.

RESPECTFULLY SUBMITTED:

Colleen Lennox,
Committee Secretary

APPROVED BY:

Senator Julia Ratti, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	2		Attendance Roster
S.B. 64	C	1	Dawn Lietz / Department of Motor Vehicles	Written Testimony
S.B. 64	D	2	Dawn Lietz / Nevada Department of Transportation	Written Testimony