

Regional Transportation Commission

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John R. Mayer, Commissioner
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David Aiazzi, Vice Chairman
Gregory H. Krause, Executive Director

February 7, 2002

Guy Hobbs, Chairman
Governor's Task Force on Tax Policy in Nevada
Legislative Counsel Bureau
401 South Carson Street
Carson City, NV 89701-4747

Dear Mr. Hobbs:

The Regional Transportation Commission of Washoe County appreciates the opportunity to provide input to you and the other members of the Governor's Task Force on Tax Policy in Nevada.

As we all know, Nevada continues to be one of the fastest growing states in the nation. This growth has placed unprecedented demands on our transportation infrastructure at the state and local levels. We have more roads that need to be built and more that need to be maintained.

Nevada's current fuel tax policy is comprised of a number of cents-per-gallon charges on gasoline earmarked for use by state and local governments for specific road building or road maintenance purposes. The cents-per-gallon motor-vehicle fuel tax can be lumped into 3 major components:

State of Nevada Dept. of Transportation	-	17.65 cents,
local govt. - counties and cities	-	6.35 cents,
county option/Regional Transportation C.	-	<u>9.00 cents.</u>
Total		33.00 cents per gallon

The fact that the fuel tax on gasoline is a direct user fee, paid by individuals using the roads to cover the cost of building and maintaining the roads, is a great and equitable concept. However, there are a number of flaws in the current fuel tax structure. The RTC asks that the Task Force become aware of these inherent problems and consider options for solving them.

1. Not all users of the roads pay the fuel tax. If you own a car that relies on fuels other than gasoline, you pay a lesser tax (diesel – 27 cents) or no tax at all (electricity) to build and maintain the roads that you drive on. Although the current exemptions do not amount to significant sums of lost revenue, the impact will continue to grow as the movement toward alternative fuels grows. While this increased use of clean fuels will improve air quality in the near term, we would be shortsighted to not consider the long-term, detrimental effects that inadequate funding for roads and road maintenance will have on air quality as a result of increased congestion and poor-quality pavements.
2. Cars have become much more fuel-efficient over time. Although this is a wonderful reality for numerous reasons, it does have a negative impact on the ability of government to build and maintain roads. More miles driven on fewer gallons of fuel equals more wear and tear on the roads and decreased revenues to address the problem.
3. As a flat tax (33 cents per gallon), the value or buying power of the fuel tax is not protected from inflationary factors. Over time, even moderate inflation in construction and maintenance costs significantly erodes the purchasing power of these revenues. The Index for State Highway Construction Costs produced by the Federal Highway Administration has increased 37% from 1994 to 2000.

According to an analysis conducted by NDOT a few years ago (attached), the impact of inflation has been addressed over time by an ongoing series of jumps in fuel tax rates, some as high as 5 cents in a single year. As indicated in the NDOT analysis, these jumps have loosely mirrored the national inflation rate. Unfortunately, these increases have been erratic, highly politicized, and inefficient for both the public and private industry.

In Washoe County, the gas tax rate has not increased since 1994. Since 1994, the value of these tax dollars has decreased by 37% due to inflation so that the purchasing power of each dollar is only 63 cents in 2001 dollars. This has created a serious problem for our community as well as the entire State that will only worsen with time unless a solution is developed and implemented soon. The current backlog of unfunded road repairs is \$300 million on the State system. The backlog in Washoe County, excluding the State system is \$260 million for local and regional roads.

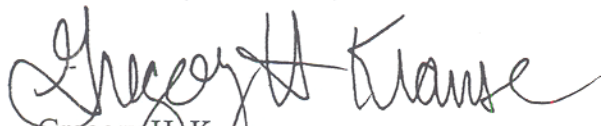
Current Washoe County Efforts

The Regional Transportation Commission of Washoe County has recently adopted a 2030 Regional Transportation Plan (RTP). The 2030 RTP was developed over a 20-month period by the RTP Citizens Steering Committee. This Committee was comprised of concerned members of our community who also serve on the various Reno, Sparks, and Washoe County Citizens' Advisory Committees and Neighborhood Advisory Boards. An extensive and lengthy public comment period was part of the 2030 RTP development process.

The resulting 2030 RTP, which has been adopted by the Regional Transportation Commission, includes an approximate \$717 million street and highway shortfall in needed revenues to accomplish all of the proposed infrastructure needs through 2030. In addition to developing the proposed infrastructure needs, the Citizens Steering Committee also developed a recommendation for new funding mechanisms to cover the shortfall. The most substantial of the new funding mechanisms proposed was to index the current cents-per-gallon fuel tax to the annual CPI inflation rate. This mechanism would result in relatively modest increases (or decreases) to the existing tax that would provide a stable, reliable funding stream that would be more efficient and less disruptive to our citizens and our economy. The projected increase to revenues from indexing the fuel tax is estimated at approximately \$720 million through 2030 in Washoe County.

The RTC respectfully requests that the Governor's Task Force on Tax Policy consider this and other mechanisms to create more reliable, more equitable funding mechanisms for Nevada's street and highway transportation network needs. I would also request that time be scheduled at a future meeting of the Governor's Task Force on Tax Policy for the RTC of Washoe County to provide a presentation of this information and answer questions.

Respectfully submitted,



Gregory H. Krause
Executive Director

GHK:ctb

Attachment

cc: Regional Transportation Commission

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION

MEMORANDUM

May 14, 1998

To: Ad Hoc Transportation Committee Members



From: Russell Law, Operations Analysis

PSD 5.02

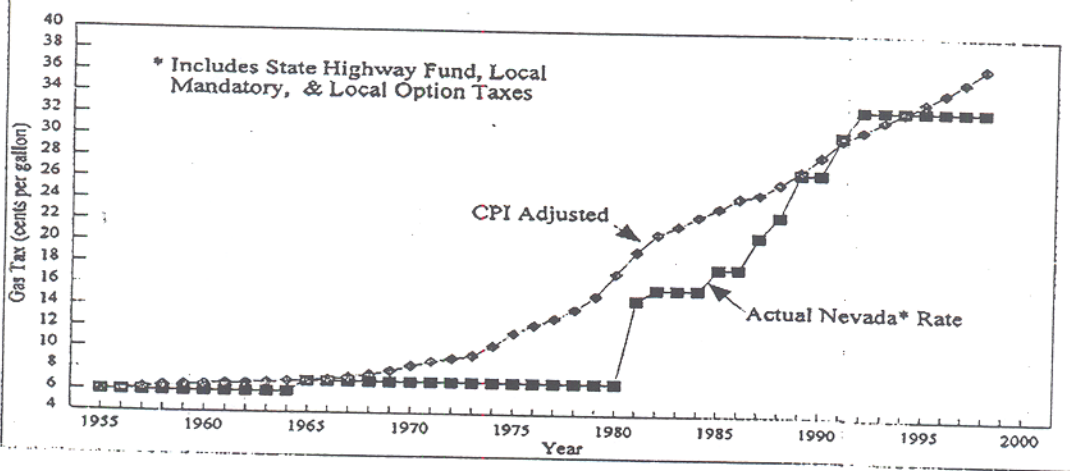
Subject: Inflation Indexing of Fuel Taxes

Attached is a graphical comparison of actual gas tax rates at the state and federal level versus the rates that would have been in effect if they had been indexed to the consumer price index. The graphs show that, like Nevada, other states and the federal government are increasing fuel taxes in proportion to inflation.

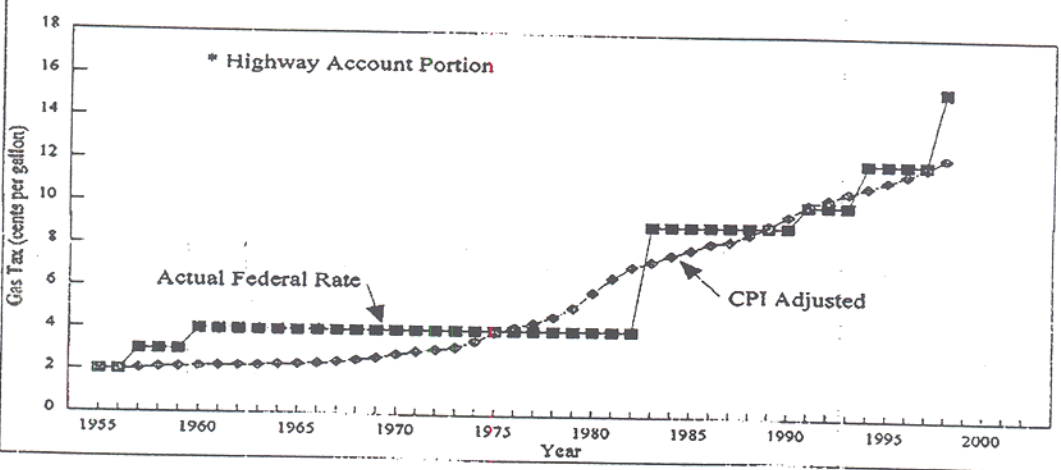
If you have any questions or comments, please call me at 888-7192.

RL/rl

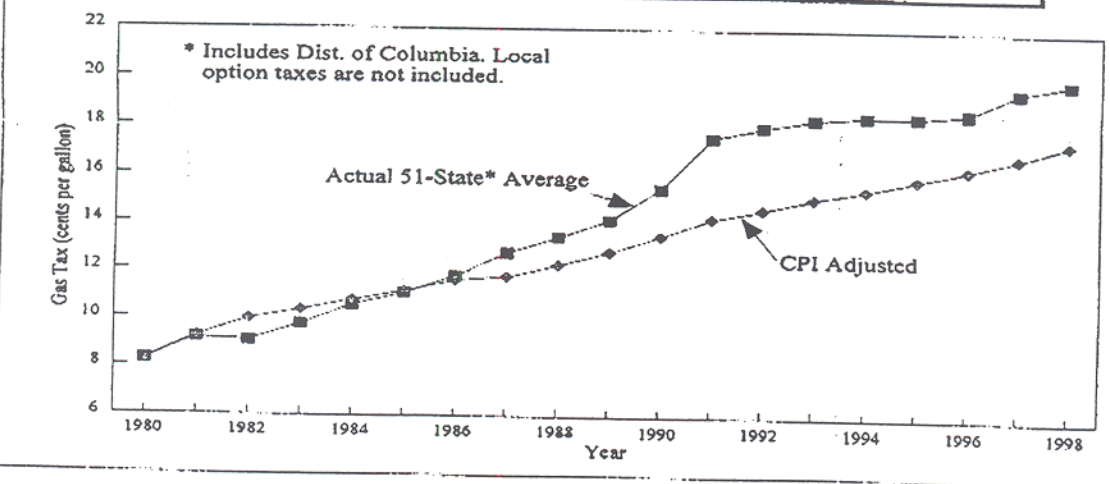
Nevada* Gas Tax vs. CPI Adjusted Gas Tax 1955 - 1998



Federal* Gas Tax vs. CPI Adjusted Gas Tax 1955 - 1998



51-State* Average Gas Tax vs. CPI Adjusted Gas Tax 1980 - 1998



Nevada Department of Transportation
 Operations Analysis
 Russ Law
 May 14, 1998