

**SENATE COMMITTEE ON FINANCE AND
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**JOINT SUBCOMMITTEE ON PUBLIC SAFETY, NATURAL RESOURCES
AND TRANSPORTATION CLOSING REPORT**

NEVADA DEPARTMENT OF TRANSPORTATION

The Joint Subcommittee on Public Safety, Natural Resources, and Transportation has completed its review of the Nevada Department of Transportation budgets. The closing actions taken by the members of the Subcommittee have resulted in a decrease in Highway Fund authorizations of \$470,578 in FY 2016 and \$3.4 million in FY 2017 when compared to the Governor's recommended budget.

NDOT – Bond Construction (201-4663) NDOT-15: The Subcommittee recommended approval of the Governor's recommendation for the sale of highway revenue bonds of \$100 million in FY 2016 and \$150 million in FY 2017 for the construction of Project NEON in Las Vegas to improve traffic flow in the spaghetti bowl area.

NDOT – Transportation Administration (201-4660) NDOT-17: The department targets an unrestricted Highway Fund balance of \$115.6 million to provide sufficient cash to cover operating and capital expenses. Based upon the Governor's recommended expenditures and revenue projected by the Department of Motor Vehicles as of April 17, 2015, the department estimated an unrestricted Highway Fund balance of \$124.4 million at the end of the 2015-17 biennium. Based on the recommendations of the Subcommittee, Fiscal staff estimates an unrestricted Highway Fund balance of \$144 million at the end of the 2015-17 biennium.

The Subcommittee recommended approval of Budget Amendment A150744660 and Budget Amendment A150814660 to establish a new Environmental Division for NDOT, pursuant to negotiations with the federal Environmental Protection Agency. The Subcommittee recommended approving all equipment proposed for the new division; however, the Subcommittee only recommended approval of 42 of the 59 positions proposed for this division. In doing so, the Subcommittee recommended reclassifying 17 existing, but vacant, positions and reassigning them to the new division. The Subcommittee also recommended the issuance of a letter of intent requiring NDOT to submit biannual reports to the Interim Finance Committee regarding the new division's activities in support of complying with federal Environmental Protection Agency requirements.

The Subcommittee recommended approval of the Governor's recommendation for Highway Fund authorizations of \$6.5 million over the 2015-17 biennium to begin upgrading the department's fueling system, as well as Highway Fund authorizations of \$10.9 million for building maintenance and \$3.0 million for the stormwater management program over the 2015-17 biennium. However, the Subcommittee did not recommend approval of the Governor's recommendation for Highway Fund authorizations of \$9.0 million over the 2015-17 biennium to replace two rest stops near Beowawe on Interstate 80 and construction of a new full-service welcome station at Trinity on Interstate 80 and U.S. Highway 95.

Finally, the Subcommittee recommended approval of all Other Closing Items as recommended by the Governor, and revised by Budget Amendment A150654660, with technical adjustments, and authority for Fiscal staff to make additional technical adjustments as necessary.

Nevada Department of Transportation
Highway Fund Impacts of Subcommittee Closing

Page	Budget	Title	FY 2016	FY 2017
AS CLOSED BY SUBCOMMITTEE:				
NDOT-15	201-4663	* Bond Construction	-	-
NDOT-17	201-4660	* Transportation Administration	(470,578)	(3,446,072)
		Total	(470,578)	(3,446,072)

* No General Fund impact.

Nevada Legislative Counsel Bureau
 Budget Closing Action Report
 Public Safety, Natural Resources and Transportation Joint
 Subcommittee
 W01 - GOVERNOR RECOMMENDS

Title: NDOT - BOND CONSTRUCTION
Account: 201 - 4663

Budget Page: NDOT-15, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(94,090,812)	94,090,812	(200.00)				
OTHER FUND	100,018,664			100,000,000		150,000,000	50.00
Total Revenues	5,927,852	94,090,812	1487.27	100,000,000	6.28	150,000,000	50.00

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total

Grand Total General Fund Impact of Closing Changes

0 0

Overview

The Nevada Department of Transportation (NDOT) established the Bond Construction account to provide a separate accounting of expenditures associated with bond construction.

Major Closing Issues

Bond Funding for Project NEON Construction

Discussion of Major Closing Issues

Bond Funding for Project NEON Construction (E-225, NDOT-15): The Governor recommends the sale of highway revenue bonds (pledged for repayment with gasoline and special fuel tax proceeds) of \$100 million in FY 2016 and \$150 million in FY 2017 for the construction of Project NEON in Las Vegas. According to the department, Project NEON would improve traffic flow in the spaghetti bowl area by connecting the high occupancy vehicle (HOV) lanes on U.S. Highway 95 with the express lanes on Interstate 15, adding general purpose lanes on Interstate 15, and reconstructing various interchanges along Interstate 15 in the 3.7 mile corridor south of U.S. Highway 95. The Governor has identified the proposed Project NEON bond funding as a Major Budget Initiative (MAJOR BUDGET INITIATIVES – 34 & 35).

Fiscal staff would note that in December 2013, the Interim Finance Committee (IFC) authorized the sale of highway revenue bonds of \$100 million, which would be used to complete the right-of-way purchases needed for Project NEON.

In a February 18, 2015, memo to LCB Fiscal staff, the department projected an additional \$500 million would be needed to construct Project NEON, which NDOT indicated would be generated through bond sales of \$250 million in the 2015-17 biennium and bond sales of \$250 million in the 2017-19 biennium. The department also projected that 95 percent of the cost of Project NEON would be eligible for federal reimbursement. At the Transportation Board of Directors meeting on March 9, 2015, the department provided an updated construction cost for Project NEON of \$570 million. During the department's budget hearing on March 17, 2015, the department indicated that it would fund the additional \$70 million using capital construction funding in its operating budget. Fiscal staff would note NDOT projects its annual bond service payment will be \$68 million in FY 2015, which includes debt service expenses for the \$100 million bond sale approved by the IFC in December 2013, and is projected to increase to \$73.1 million in FY 2016 and \$80 million in FY 2017 with the additional debt proposed by the Governor financed over a 20-year period.

Until recently, NDOT's bond issuance policy stated the department would not issue bonds unless the pledged motor vehicle taxes were at least twice the combined annual debt service, for both existing and proposed bonds. Based on actual total gasoline and special fuels tax revenue of \$267 million in FY 2014, NDOT's official bond policy would limit its annual bond payments to no more than \$133.5 million (\$133.5 million x 2 = \$267 million). In addition to this formal policy, the department indicates that its informal policy further restricted annual bond debt service payments to no more than \$100 million.

In February 2014, Standards & Poor's Rating Services raised its rating for Nevada's highway revenue bonds from AA+ to AAA, the highest possible credit rating for that agency. Nevada's highway revenue bond rating is rated high by the other two major rating agencies (Fitch Ratings and Moody's), but not at the highest level for those two rating agencies. NDOT, in consultation with the Treasurer's Office, indicated it is possible these two rating agencies would raise their rating of the state's highway revenue bonds if the department bond policy was revised to reflect a lower annual bond debt service limit. Accordingly, NDOT recently proposed to the state Transportation Board that the department's bond policy be revised to indicate that NDOT will not issue bonds unless the pledged motor vehicle taxes are at least three times the combined annual debt service, for both existing and proposed bonds. Based on actual total gasoline and special fuels tax revenue of \$267 million in FY 2014, NDOT's annual bond payments may not currently exceed \$89 million (\$89 million x 3 = \$267 million). This revised bond policy was approved by the state Transportation Board in February 2015. During the department's budget hearing on March 17, 2015, the department indicated this bond policy revision may result in its bond interest rates being reduced by 0.50 percent. The department projects if the reduced interest rate is realized, it may provide interest savings of \$4.5 million for the \$500 million in proposed Project NEON bond issuances.

Does the Subcommittee wish to approve the Governor's recommendation for the sale of highway revenue bonds of \$100 million in FY 2016 and \$150 million in FY 2017 for the construction of Project NEON in Las Vegas?

The Subcommittee recommended approving the Governor's recommendation for the sale of highway revenue bonds of \$100 million in FY 2016 and \$150 million in FY 2017 for the construction of Project NEON in Las Vegas.

Information Only – No Action Required

Assembly Bill 21: Currently, *Nevada Revised Statutes* 408.273 limits the issuance of state highway revenue bonds to no more than 20 years. Assembly Bill (A.B.) 21, requested by NDOT, proposes to extend the issuance period of these bonds to no more than 30 years. A.B. 21 was heard by the Assembly Committee on Ways and Means on March 31, 2015.

Nevada Legislative Counsel Bureau
 Budget Closing Action Report
 Public Safety, Natural Resources and Transportation Joint
 Subcommittee
 W02 - WORKING VERSION 2

Title: NDOT - TRANSPORTATION ADMINISTRATION
 Account: 201 - 4660

Budget Page: NDOT-17, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	78,322	625,867	699.09				
FEDERAL FUND	330,696,055	326,007,645	(1.42)	320,000,000	(1.84)	320,000,000	
HIGHWAY FUND	274,517,967	283,544,258	3.29	323,047,739	13.93	325,053,834	0.62
INTERAGENCY TRANSFER	12,726,594	5,199,817	(59.14)	4,855,025	(6.63)	4,906,334	1.06
OTHER FUND	207,702	920,595	343.23	775,395	(15.77)	775,395	
REVERSIONS	(120,183,115)						
Total Revenues	498,043,525	616,298,182	23.74	648,678,159	5.25	650,735,563	0.32
Total FTE		1,780.53		1,782.53		1,782.53	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
M100	00	2507	Reduce Highway Fund authorizations to reflect elimination of materials cost included in Decision Unit M-100.	(4,000,000)	(4,000,000)
E244	00	2507	Increase Highway Fund authorizations for the 42 positions approved by the Subcommittee to establish a new Environmental Division.	8,028,974	5,053,446
E504	00	2507	Reduce Highway Fund authorizations associated with the position transfers from EITS.	(4,479)	(4,452)
E504	00	3816	Increase Application Support Services revenue associated with the position transfers from EITS.	4,479	4,452
E730	00	2507	Reduce Highway Funds due to the Subcommittee's decision to not approve the construction of new rest stops and a welcome station.	(4,500,000)	(4,500,000)
E806	00	2507	Increase Highway Fund authorizations to reflect change to retirement code for positions recommended to be reclassified.	4,927	4,934
E904	00	3816	Reduce Application Support Services revenue due to changes in expenditures.	(4,479)	(4,452)
Sub-total				(470,578)	(3,446,072)
Line Item Changes to Revenues				(470,578)	(3,446,072)

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	06	8000	Technical Adjustment - Revision to the fund transfer to DCNR and DPS.	(207,022)	(331,638)
B000	06	9000	Technical Adjustment - Revision to the fund transfer to DCNR.	(183,988)	(58,538)
B000	06	9000	Technical Adjustment - Revision to the fund transfer to DPS.	391,010	390,176
M100	04	7000	Technical Adjustment - Elimination of materials cost included in Decision Unit M-100.	(4,000,000)	(4,000,000)
E243	06	8000	Budget Amendment A150654660 - Transfer to the Office of the Attorney General for Project NEON legal support.	(391,398)	(516,197)
E243	06	9000	Budget Amendment A150654660 - Transfer to the Office of the Attorney General for Project NEON legal support.	391,398	516,197
E244	01	5000	Equipment expenditures for the new Environmental Division approved by the Subcommittee.	(129,187)	(132,262)
E244	01	5000	Expenditures for the 42 positions approved by the Subcommittee to establish a new Environmental Division.	2,797,621	2,864,194

E244	03	6000	Travel expenditures for the new Environmental Division approved by the Subcommittee.	21,500	21,500
E244	04	7000	Expenditures for the 42 positions approved by the Subcommittee to establish a new Environmental Division.	4,908	4,905
E244	05	8000	Equipment expenditures for the new Environmental Division approved by the Subcommittee.	5,324,222	2,285,000
E244	26	7000	Expenditures for the 42 positions approved by the Subcommittee to establish a new Environmental Division.	9,910	10,109
E730	06	8000	Reduce Land and Building expenditures due to the Subcommittee's decision to not approve the construction of new rest stops and a welcome station.	(4,500,000)	(4,500,000)
E806	01	5000	Technical Adjustment - Correct retirement code for positions recommended to be reclassified.	4,927	4,934
E904	01	5000	Establish vacancy savings for enhancement decision units.	(4,479)	(4,452)
E904	01	5000	Expenditures for the 42 positions approved by the Subcommittee to establish a new Environmental Division.	966	973
E904	01	5000	Technical adjustments associated with the position transfers from EITS.	(966)	(973)
Sub-total				(470,578)	(3,446,072)
Line Item Changes to Expenditures				(470,578)	(3,446,072)
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Nevada Department of Transportation (NDOT) is administered by a seven-member board of directors consisting of the Governor (who serves as chairman), the Lieutenant Governor, the State Controller, and four members appointed by the Governor. The appointees reside in the three different highway districts, with two members representing District I that encompasses Clark County. The Director of NDOT is appointed by the board of directors and is required by state law to develop and maintain a general transportation plan, collect information, and compile statistics and maps relative to the mileage, traffic, character and condition of all transportation modes. The Director is also required to provide general supervision over construction, improvement, and maintenance of transportation facilities and services authorized under the provisions of Nevada Highways, Roads, and Transportation Facilities law.

Major Closing Issues

1. Highway Fund Balance and Capital Expenditures
2. New Environmental Division
3. Major Budget Initiative: Fueling System Upgrade
4. New Welcome Station, New Rest Stops, and Stormwater Program Enhancements

Discussion of Major Closing Issues

1. Highway Fund Balance and Capital Expenditures: Major sources of revenue generated for the State Highway Fund consist of vehicle registration and driver's license fees, special fuel tax, and gasoline tax. The following table displays actual revenue collections in FY 2014 and projected revenue for FY 2015 through FY 2017 as projected by the Department of Motor Vehicles (DMV), with updated projections as of April 17, 2015. The DMV projects Highway Fund revenue increasing by 1.8 percent in FY 2016 from FY 2015 (projected) and 1.6 percent in FY 2017 from FY 2016 (projected).

HIGHWAY FUND REVENUE FY 2014 THROUGH FY 2017							
HIGHWAY FUND REVENUE	ACTUAL			PROJECTED			
	FY 2014	FY 2015	% Chg	FY 2016	% Chg	FY 2017	% Chg
Registration, Titles, Plates	\$ 104,516,928	\$ 107,870,314	3.2%	\$ 111,352,195	3.2%	\$ 114,966,760	3.2%
Licenses	\$ 23,132,010	\$ 25,849,685	11.7%	\$ 25,936,788	0.3%	\$ 26,061,917	0.5%
Special Fuel (Diesel)	\$ 79,094,281	\$ 79,742,854	0.8%	\$ 81,055,998	1.6%	\$ 81,055,998	0.0%
Gasoline Tax	\$ 187,784,586	\$ 190,094,336	1.2%	\$ 192,432,496	1.2%	\$ 194,799,416	1.2%
Other Revenue	\$ 39,030,987	\$ 39,925,940	2.3%	\$ 40,847,742	2.3%	\$ 41,797,198	2.3%
TOTAL	\$ 433,558,792	\$ 443,483,129	2.3%	\$ 451,625,219	1.8%	\$ 458,681,289	1.6%

Significant users of Highway Funds include NDOT, the DMV, and the Department of Public Safety (DPS). Combined Highway Fund appropriations and authorizations to support these and other operating areas, excluding supplemental appropriations, Capital Improvement Projects, and one-shots, are recommended to increase from the level approved by the 2013 Legislature in FY 2015 of \$408.6 million to \$494.7 million in FY 2016 and \$498.7 million in FY 2017.

HIGHWAY FUND APPROPRIATIONS/AUTHORIZATIONS					
AGENCY	LEG APP	GOVERNOR RECOMMENDED			
	FY 2015	FY 2016	% Increase or Decrease	FY 2017	% Increase or Decrease
Department of Transportation	\$ 265,457,986	\$ 323,047,739	21.7%	\$ 325,053,834	0.6%
Department of Motor Vehicles	\$ 71,362,536	\$ 99,720,533	39.7%	\$ 96,786,078	-2.9%
Department of Public Safety	\$ 67,068,916	\$ 68,787,276	2.6%	\$ 70,003,488	1.8%
Transportation Authority	\$ 2,379,382	\$ 2,805,362	17.9%	\$ 2,967,460	5.8%
Department of Administration	\$ 2,367,294	\$ 325,072	-86.3%	\$ 3,900,000	1099.7%
Legislative Counsel Bureau	\$ 5,000	\$ 5,000	0.0%	\$ 5,000	0.0%
TOTAL	\$ 408,641,114	\$ 494,690,982	21.1%	\$ 498,715,860	0.8%

The 2011 Legislature approved the redirection of Governmental Services Tax (GST) Commissions and GST Penalties revenue from the Department of Motor Vehicles (DMV) to the General Fund in the 2011-13 biennium. The 2013 Legislature approved the redirection of GST Commissions and GST Penalties revenue from the DMV to the General Fund in FY 2015 only. The Governor recommends transferring the GST Commissions and GST Penalties revenue to the General Fund in both years of the 2015-17 biennium. In order to account for this, the Governor recommends increasing Highway Fund appropriations for the DMV in an amount equal to the GST Commissions and GST Penalties revenue. Based on updated DMV revenue projections provided on April 17, 2015, GST Commissions and GST Penalties revenue is projected to total \$29.6 million in FY 2016 and \$31.2 million in FY 2017.

Highway Fund Balance

In recent biennia, NDOT identified an unrestricted Highway Fund balance of \$90.0 million as the minimum level necessary to maintain cash flow for operating and capital construction purposes. This minimum amount was based upon the projected cash flow necessary to sustain one month of operating and one and one-half months of capital construction program expenditures. Due to the recommended increased expenditure activity from the Highway Fund, the department recommends increasing the unrestricted minimum balance for the 2015-17 biennium to \$115.6 million. Based upon the Governor's recommendations and the updated DMV revenue projections provided on April 17, 2015, NDOT projects the Highway Fund will end the 2015-17 biennium with a remaining unrestricted balance of \$124.4 million, which is a decrease of approximately \$92.4 million from the unrestricted Highway Fund balance of \$216.8 million as of June 30, 2014. NDOT's projected Highway Fund balance assumes all budget amendments submitted by the Executive Budget Office recommending additional Highway Fund appropriations for the DMV or additional Highway Fund

authorizations for NDOT are approved by the 2015 Legislature. The department's estimated fund balance calculations appear reasonable to staff.

Capital Expenditures

The Governor recommends funding for highway construction totaling \$418.4 million in each year of the 2015-17 biennium with a combination of federal funds and State Highway Fund authorizations. By way of comparison, NDOT expended \$291.0 million in FY 2014 for highway construction. The Governor also recommends the sale of highway revenue bonds (pledged for repayment with gasoline and special fuel tax proceeds) of \$100.0 million in FY 2016 and \$150.0 million in FY 2017 to begin construction of Project NEON in Las Vegas. According to the department, Project NEON would improve traffic flow in the spaghetti bowl area by connecting the high-occupancy vehicle (HOV) lanes on U.S. Highway 95 with the express lanes on Interstate 15, adding general-purpose lanes on Interstate 15, and reconstructing various interchanges along Interstate 15 in the 3.7 mile corridor south of U.S. Highway 95. The Governor's recommendation for the sale of highway revenue bonds is discussed in detail in the closing document for the NDOT Bond Construction budget.

Some of the other major projects the department would be working on during the 2015-17 biennium include:

- The Boulder City Bypass would alleviate traffic congestion on U.S. Highway 93 near Boulder City by creating a four-lane, divided highway that bypasses the city. The Boulder City Bypass, which eventually would become part of the future Interstate 11 linking Las Vegas and Phoenix, would be built in partnership with the Regional Transportation Commission of Southern Nevada. Based on its latest projections, NDOT estimates its portion of this project (Phase I) would cost \$101.0 million to construct.
- The USA Parkway extension would complete construction of a four-lane highway linking U.S. Highway 50 to the existing USA Parkway. NDOT estimates this project would cost \$70.0 million to construct and would provide additional access to the Tahoe-Reno Industrial Center.
- The Carson City Bypass would extend Interstate 580 from Fairview Drive to South Carson Street. NDOT estimates the cost to construct this final section of roadway would be \$50.0 million.

The Executive Budget projects federal fund receipts of \$320.0 million in each year of the 2015-17 biennium through the federal Moving Ahead for Progress in the 21st Century (MAP-21) Act, which provides authorizations from the federal highway trust fund. MAP-21 became law in July 2012, and was scheduled to expire in September 2014; however, the federal government extended MAP-21 through May 2015. At this time, it is unclear whether future federal transportation legislation would adversely affect NDOT's ability to secure federal funding. During the department's budget hearing on March 17, 2015, the Director stated his belief that a short-term federal solution would likely be implemented in May 2015, which would provide for continued federal transportation funding.

Does the Subcommittee wish to approve the capital expenditures for each year of the 2015-17 biennium as recommended by the Governor?

The Subcommittee recommended approving the capital expenditures for each year of the 2015-17 biennium as recommended by the Governor.

2. New Environmental Division: On April 10, 2015, the Executive Budget Office submitted Budget Amendment A150744660, that was later revised on April 21, 2015, with the submission of Budget Amendment A150814660, which recommends Highway Fund authorizations of \$9.3 million in FY 2016 and \$6.4 million in FY 2017 for 59 new positions and various equipment to establish a new NDOT Environmental Division. The department indicates this budget amendment was submitted after

negotiating with the federal Environmental Protection Agency (EPA) and developing a consent decree, which is a settlement to resolve a dispute between two parties without admission of liability. The department indicates the new Environmental Division would allow the state to avoid potential multi-million dollar fines from the EPA.

The department indicates the federal Clean Water Act of 1972 requires state departments of transportation, as well as other governmental agencies, to obtain a National Pollutant Discharge Elimination System, Municipal Separate Storm Sewer System (MS4) discharge permit. These permits are intended to prevent and limit pollutants from entering bodies of water and the EPA has delegated oversight authority for NDOT's permit to the Nevada Division of Environmental Protection. The department's current MS4 permit expires in July 2015. In 2011, the EPA conducted an audit of the NDOT stormwater management program to assess the department's compliance with the permitting requirements. This audit report was released in 2012 and recommended increasing the number of NDOT employees receiving stormwater training, updating existing stormwater manuals, developing new stormwater manuals, and developing an illicit discharge detection and elimination (IDDE) program. In response to this audit, NDOT reclassified six vacant positions as stormwater staff positions over the 2013-15 biennium. Fiscal staff would also note The Executive Budget recommends funding of \$3.0 million over the 2015-17 biennium to provide stormwater upgrades at approximately 15 highway maintenance facilities, provide for additional stormwater training for NDOT staff, and fund a consultant to assist with developing new stormwater manuals and training materials for NDOT staff (E-730, NDOT-22).

NDOT indicates the EPA reviewed the department's stormwater efforts in late 2014. Based on the EPA review, a draft consent decree was provided to the department on February 25, 2015. The Nevada Division of Environmental Protection, which issues NDOT's MS4 discharge permit, negotiated the terms of this decree with the EPA. NDOT indicates these negotiations included organizational changes, which are reflected in the proposed budget amendment. NDOT indicates these changes address the requirements of the currently confidential consent decree.

NDOT's Environmental Division would be managed by a new Deputy Director position that would provide environmental and water quality program administration. Senate Bill (S.B.) 324, as amended, would provide authority for this third Deputy Director in *Nevada Revised Statutes* 408.175. In addition, S.B. 324, as amended, would authorize NDOT to impose certain civil penalties and compliance orders against any person who is responsible for illicit discharge of any substance onto a state highway, other than stormwater, in NDOT's right-of-way that could result in the pollution of the state's waterbodies. The proposed enforcement authority includes the ability to investigate the source of any discharge, even if the source is not on NDOT property. Senate Bill 324 was heard by the Senate Committee on Transportation on April 7, 2015. During the hearing, the department indicated that NDOT's proposed enforcement authority is patterned after the Nevada Department of Environmental Protection enforcement authority, which currently provides discharge enforcement on NDOT's behalf. During NDOT's budget hearing on April 28, 2015, the department indicated the EPA would look favorably on the MS4 permit renewal if NDOT had illicit discharge enforcement authority.

NDOT's Environmental Division would consist of 68 positions, including the 6 positions reclassified as stormwater staff positions over the 2013-15 biennium. Three positions, including a Deputy Director, Division Chief and Administrative Assistant would provide executive management and support, with the remaining 65 positions assigned to the following sections within the division:

- Administrative Services (9 FTE): Implement the stormwater training program for NDOT employees, develop and implement social media campaigns to inform the public about actions that affect water quality, and provide updates for the department's Planning and Design Guide, which provides

regulatory, policy, and technical requirements to incorporate permanent stormwater best management practices into the planning and design of applicable NDOT projects.

- Program Development (10 FTE): Prepare an annual report indicating if NDOT's discharges are contributing to water quality impairments, report on updates to the Planning and Design Guide, provide post-construction control measures and technical specification for contractors, and perform water quality monitoring activities.
- Field Support (30 FTE): Inspect, maintain, and record conditions of NDOT's storm sewer system infrastructure, including roadways used for stormwater conveyance, catch basins, storm drain inlets, open channels, washes, culverts, and retention/detention basins. Develop a Storm Sewer System Operations and Maintenance Manual as required by NDOT's MS4 permit.
- Enforcement (10 FTE): Enforce compliance with NDOT's illicit discharge and elimination program and ensure contractors and third parties granted encroachment permits are following the best management practices associated with stormwater. When necessary, enforcement staff will notify contractors and third parties of non-compliance, issue cease and desist orders, issue citations, and pursue legal action if necessary.
- Information Technology Management (6 FTE): Track and report all required data associated with NDOT's MS4 permit, including stormwater related infrastructure, maintenance of that infrastructure, construction site inspections, illicit discharge of contaminants, and right-of-way permit inspections. Design, implement, and administer a geographic information system for NDOT's stormwater program. Provide IT support for the members of the Environmental Division.

During NDOT's budget hearing on April 28, 2015, the Subcommittee expressed interest in contracting out some of the services that are recommended to be performed by the new positions. The department indicated that it currently contracts for some sweeper and vactor truck services and the recommended positions and equipment would supplement that activity; however, NDOT indicates its staff must monitor the work performed by contractors. In addition, the department indicates these contract services are not available throughout the state. NDOT also indicates the EPA holds the department responsible for the maintenance performed at the various stormwater facilities, as well as the collection of data regarding the condition and frequency of maintenance at those facilities. Since the department is held responsible by the EPA for the maintenance and collection of data associated with these facilities, NDOT requests to utilize the recommended staff and equipment to perform the required activities as opposed to the utilization of contractors.

NDOT indicates these positions would continue in perpetuity to remain in compliance with the requirements of the federal Clean Water Act. Fiscal staff would note that only 9 existing positions are proposed to be reassigned to the Environmental Division, with the remaining 59 positions being new FTE for the department. Fiscal staff would note that as of April 10, 2015, NDOT had 35 positions vacant for a period longer than six months, 17 of which have been vacant for longer than a year. When asked by Fiscal staff if any of these positions could be reclassified and transferred to the new Environmental Division rather than seeking additional positions, NDOT indicated that none of its vacant positions could be reclassified as they were all necessary in fulfilling the department's mission and goals. With respect to many of these vacant positions, the agency noted that the positions were critical; however, the department indicated there have been no qualified applicants to fill these positions.

All 59 new positions are recommended to have a July 1, 2015, start date rather than an October 1, 2015, start date, which is typically used by agencies when budgeting for new positions. The department indicates the aggressive start date would convey to the EPA NDOT's commitment to these efforts, which may reduce the likelihood of retroactive fines. In addition, the department indicates the

renewal of its MS4 permit would be assisted if the organizational structure and positions are established in July 2015, when the permit is slated to be renewed.

In addition to the 59 new positions, the budget amendments also recommend the following equipment and travel costs for the division:

Equipment and Travel Costs for the new Environmental Division	
	2015-17 Biennium Cost
Equipment	
9 Sweepers (3 for each district): Collects particulate matter, including salt and debris, and prevents this material from entering bodies of water.	\$2,700,000
6 Culvert Flusher Vactor Trucks (2 for each district): Cleans sediment from culverts and ensures water is able to flow and collect as designed.	\$2,580,000
32 Crew Vehicles (30 trucks and 2 cars): Transports division staff and equipment.	\$1,534,222
3 Radio Control Track Loader (1 for each district): Removes debris from small, confined stormwater collection boxes.	\$300,000
3 Camera Trucks (1 for each district): Allows maintenance staff to visually inspect stormwater infrastructure that may not be otherwise accessible.	\$495,000
Total Equipment:	\$7,609,222
Travel	
In-State Travel for Field Support Section maintenance crews, division management, and support staff.	\$43,000
Total Equipment and Travel:	\$7,652,222

The department indicates the recommended equipment would provide the tools necessary to perform the activities required by the consent decree.

Options for Consideration:

1. **Approve Budget Amendments A150744660 and A150814660, which recommend Highway Fund authorizations of \$9.3 million in FY 2016 and \$6.4 million in FY 2017 for 59 new positions and various equipment to establish a new NDOT Environmental Division.**
2. **Approve Budget Amendments A150744660 and A150814660 to establish a new NDOT Environmental Division and provide the recommended equipment; however, only approve 42 new positions and direct the agency to reclassify or reassign 17 existing, vacant positions to the new division. Fiscal staff estimates this option would reduce Highway Fund authorizations by approximately \$1.2 million in each year of the 2015-17 biennium.**
3. **Do not approve Budget Amendments A150744660 and A150814660, which recommend Highway Fund authorizations of \$9.3 million in FY 2016 and \$6.4 million in FY 2017 for 59 new positions and various equipment to establish a new NDOT Environmental Division.**

If the Subcommittee approves the new division, Fiscal staff requests authority to enter any necessary technical adjustments. The Subcommittee may also wish to issue a letter of intent requiring biannual reports be submitted to the Interim Finance Committee regarding the department's activities in compliance with the EPA consent decree.

The Subcommittee recommended approving Option 2, which would establish a new NDOT Environmental Division, provide the recommended equipment, and add 42 new positions. In addition, the Subcommittee recommended approval to reclassify and reassign 17 existing, vacant positions to the new division. The Subcommittee also recommended the issuance of a letter of intent requiring NDOT to submit biannual reports to the Interim Finance Committee regarding the new division's activities in compliance with the EPA consent decree.

3. Major Budget Initiative: Fueling System Upgrade (E-225, NDOT-19): The Governor recommends Highway Fund authorizations of \$1.6 million in FY 2016 and \$4.9 million in FY 2017 to upgrade the department's fueling system. The Executive Budget identifies the recommended fueling system upgrade as a Major Budget Initiative for the 2015-17 biennium (MAJOR BUDGET INITIATIVES-36 & 37). The system upgrade would consist of replacing most underground fuel tanks with above-ground tanks, incorporating modern fire safety enhancements to prevent fuel leakage and fires, and updating current key-based systems with more secure card-based systems. NDOT indicates this project would take four years to complete. NDOT estimates it will request approximately \$9.7 million in additional Highway Fund authorizations from the 2017 Legislature to complete this project for a combined total of \$16.2 million, with projected expenditures in the following areas:

NDOT Fuel System Upgrade: Projected Expenditures	
Storage Tank Replacement	\$6,000,000
Site Work and Materials Contingency	\$3,249,300
Fuel Pump Dispenser Replacement	\$2,256,000
System Replacement Plans, Specifications, and Construction Administration	\$2,166,200
New Monitoring Systems for Leaks or System Failures	\$1,400,000
Canopy Replacement Over Fuel Dispensers	\$480,000
Card Reader Replacement or Update	\$430,000
On-Site Document Storage Required by NV Dept. of Environmental Protection	\$265,000
Total:	\$16,246,500

NDOT indicates there are 53 fueling sites throughout the state, which are used by 86 state and local governmental agencies. The department indicates these locations are convenient for users, provide emergency preparedness since these locations would provide fuel for ongoing transportation and public safety operations, and are economical since fuel is sold to users at wholesale prices. NDOT indicates that most of its fuel dispensing sites were constructed in the 1990s with underground fuel tanks and estimates the average age of the fuel tanks to be 25 to 30 years old.

The department has cited the following issues in its existing fuel systems:

- Aging tanks that present environmental concerns since the underground fuel tanks could leak into the soil. NDOT indicates that none of these tanks are currently leaking fuel.
- Older pumps and monitoring systems that are difficult to maintain and pose a fire hazard.
- Frequent failure of electronic card readers used to obtain fuel.
- Dated technology used by the monitoring system, with limited staff available to make repairs.
- Antiquated key-lock mechanisms, which are failing and requiring replacement by modern card readers.
- Routine vapor lock by fuel systems during hot weather, which requires maintenance staff to visit the fueling station and make necessary repairs.

To address the noted concerns, the Governor recommends replacing 28 underground tanks, with most of these tanks being replaced with above ground fuel tanks that are easier to monitor for leaks. The Governor also recommends installing 49 modern gasoline dispensers, 20 key-card reader systems, and 28 monitoring systems. Since many users depend on this statewide system, NDOT indicates it would upgrade the fuel sites using a phased approach where NDOT would replace 10 percent in FY 2016, 30 percent in FY 2017, 40 percent in FY 2018 and 20 percent in FY 2019. NDOT would prioritize the replacement of its fueling systems by identifying sites with older fuel tanks, inoperable pumps, numerous false alarms, and operational problems in warm or cold weather.

Does the Subcommittee wish to approve the Governor’s recommendation for Highway Fund authorizations of \$1.6 million in FY 2016 and \$4.9 million in FY 2017 to upgrade NDOT’s fueling system?

The Subcommittee recommended approving the Governor’s recommendation for Highway Fund authorizations of \$1.6 million in FY 2016 and \$4.9 million in FY 2017 to upgrade NDOT’s fueling system.

4. New Welcome Station, New Rest Stops, and Stormwater Program Enhancements (E-730, NDOT-22): The Governor recommends Highway Fund authorizations of \$11.5 million in FY 2016 and \$11.4 million in FY 2017 to fund routine maintenance, new construction, and alterations of department-owned facilities (e.g. rest areas, maintenance stations) including:

NDOT 2015-17 Biennium Maintenance of Buildings and Grounds		
Description	FY 2016	FY 2017
Routine Items		
Carson City Headquarters: Renovate 3 rd floor HVAC system, and replace chiller and demolish water tower at the department’s material and testing laboratory.	\$900,000	\$0
District I (Southern Nevada): Extend 4-bay vehicle storage facilities at Montgomery Pass; construct an addition to the Tonopah administrative office, as well as remodel the existing offices; design and construct an addition at the Las Vegas yard (Washington Avenue); demolish and replace two buildings at Mountain Springs; conduct a study on the possibility of purchasing property for a new administration building; and install four generators at maintenance stations.	\$1,420,000	\$700,000
District II (Northwest Nevada): Install generators for all maintenance stations; construct new vehicle storage building and crew offices in Fernley; construct vehicle storage bay extension in Fernley; and install new elevator, fire sprinkler, and alarms at the Reno district office.	\$1,080,000	\$1,350,000
District III (Northeast Nevada): Install Americans with Disabilities Act (ADA) improvements (ramps, hand rails and parking), repair HVAC, and implement energy saving improvements at Elko office; design new equipment shop and paint booth in Elko; make improvements to comply with ADA and repair HVAC, roof, asphalt, and lighting at West Wendover welcome station; conduct a study on the possibility of building a new maintenance facility in Eureka; make improvements to comply with the ADA at the Ely office; replace siding at six staff residences in Orovada and Quinn River; and conduct a study on the possibility of building a new maintenance station in Winnemucca.	\$720,000	\$950,000
Statewide: Employ the State Public Works Division to provide planning and review services, as well as inspect state buildings; statewide improvements such as painting, electrical, and building maintenance; and statewide building enhancements installed by NDOT personnel.	\$1,900,000	\$1,900,000
One-Time Items		
NDOT Stormwater Management Program	\$1,000,000	2,000,000
New rest stops and welcome station	\$4,500,000	\$4,500,000
TOTAL	\$11,520,000	\$11,400,000

Fiscal staff does not have any issues with the routine items listed above as the department traditionally includes similar expenditures in its budget; however, the Governor's recommendation also includes one-time expenditures of \$3.0 million for the NDOT stormwater management program and \$9.0 million for the construction of two new rest stops and a welcome station over the 2015-17 biennium.

- NDOT Stormwater Management Program: NDOT indicates the funding of \$3.0 million recommended by the Governor for its stormwater management program over the 2015-17 biennium would provide stormwater upgrades at approximately 15 highway maintenance facilities, provide for additional stormwater training for NDOT staff, and fund a consultant to assist with developing new stormwater manuals and training materials for NDOT staff. The department indicates the stormwater upgrades at its highway maintenance facilities include enhancements to the existing vehicle wash stations, re-grading maintenance yards to prevent stormwater from flowing outside NDOT's right-of-way, and installing underground storm drainage systems as necessary. NDOT indicates this funding would supplement the stormwater efforts of the new Environmental Division that was previously discussed.
- New Rest Stops and Welcome Station: Currently, NDOT has 36 rest facilities across the state and the Governor recommends \$4.5 million for the construction of two new limited service rest stops that would replace two existing rest stops near Beowawe on Interstate 80 and \$4.5 million for a new full-service welcome station at Trinity (Interstate 80 and U.S. Highway 95) over the 2015-17 biennium. The department indicates new rest stops would be constructed on each side of Interstate 80 near Beowawe and would be open by summer 2017. The rest stop amenities would include restrooms, exterior interpretative displays, and possibly Wi-Fi. The Trinity welcome station would be open by fall 2016 and would provide an indoor visitor center, restrooms, outdoor interpretative features, Wi-Fi, and possibly electric vehicle charging stations.

The department indicates additional NDOT staff would not be needed to operate the rest stops; however, the Trinity welcome station would be staffed by Department of Tourism and Cultural Affairs (DTCA) positions during regularly scheduled hours. The DTCA projects two full-time Museum Attendant positions and two volunteer positions would be needed for this location. These positions would maintain the welcome station, assist visitors by providing information and direction, and prepare interpretative presentations. The Governor does not recommend new DTCA positions to staff the Trinity welcome station in the 2015-17 biennium; however, the DTCA indicates that it will request positions in the future. The DTCA also indicates that if these positions were not approved, only self-guided, interpretative exhibits would be available at the Trinity welcome station.

Does the Subcommittee wish to approve the Governor's recommendation for Highway Fund authorizations of \$11.5 million in FY 2016 and \$11.4 million in FY 2017 to fund routine maintenance, new construction, and alterations of department-owned facilities, including the stormwater management program enhancements and three additional rest facilities?

The Subcommittee recommended approving the Governor's recommendation to fund routine maintenance, new construction, and alterations of department owned facilities, including the stormwater management program enhancements; however, the Subcommittee did not recommend approving Highway Fund authorizations of \$9.0 million over the 2015-17 biennium to replace two rest stops near Beowawe and construction of a new full-service welcome station at Trinity.

Other Closing Items

1. New Risk Management Information System (E-230, NDOT-20): The Governor recommends a Highway Fund authorization of \$10,000 in FY 2016 for NDOT's share of a new web-based statewide Risk Management Information System (RMIS). The RMIS would be managed by the state's Risk Management Division and would provide a unified platform for the division and NDOT to better

track and manage risk exposures related to assets, state-owned or leased locations, and employees. The RMIS would include incident management, which includes auto and property claims, liability claims, and workplace violence reporting. Fiscal staff would note that on April 23, 2015, the Joint Subcommittee on General Government recommended approval of the RMIS that would be managed by the state's Risk Management Division. **This recommendation appears reasonable.**

2. Transfer to the Office of Attorney General (E-243, Budget Amendment): On April 10, 2015, the Executive Budget Office submitted Budget Amendment A150654660 which creates Decision Unit E-243 that would transfer \$391,398 in FY 2016 and \$516,197 in FY 2017 to the Office of the Attorney General (OAG) to provide funding for a Project NEON legal team within the OAG. To fund this transfer, this budget amendment recommends equal expenditure reductions in the Land and Building category for the use of outside legal consultants. The OAG indicates the Project NEON legal team would consist of five new positions dedicated to Project NEON: two unclassified Special Counsel positions, two unclassified Legal Researcher positions, and one classified Supervising Legal Secretary position. The agency anticipates that each Special Counsel position would lead a "trial team" consisting of a Legal Researcher position and existing OAG staff for Project NEON litigation, which includes eminent domain and property rights issues. Fiscal staff would note the Project NEON team for the OAG was approved by the Senate Committee on Finance on April 27, 2015, and the Assembly Committee on Ways and Means on April 29, 2015. **This recommendation appears reasonable.**

The Subcommittee recommended approving Budget Amendment A150654660 that would transfer \$391,398 in FY 2016 and \$516,197 in FY 2017 to the Office of the Attorney General to provide funding for a Project NEON legal team within the Office of the Attorney General.

3. Nevada Shared Radio System Enhancements (E-375, NDOT-20): The Governor recommends Highway Fund authorizations of \$270,270 in FY 2016 and \$141,891 in FY 2017 to purchase radio equipment to enhance the Nevada Shared Radio System (NSRS). The NSRS is a statewide 800 MHz trunked radio system operated through a public-private partnership between NDOT; the Washoe County Regional Communications System; and NV Energy in accordance with the regulations of the Federal Communications Commission. The recommended radio equipment would establish three new radio sites in Jackpot, Carlin, and Eureka, which would improve radio system coverage in those areas. **This recommendation appears reasonable.**
4. Transfer of Positions from the Division of Enterprise Information Technology Services (E-504 & E-904, NDOT-20, 21 & 23): The Governor recommends transferring two Information Technology (IT) Professional positions from the Division of Enterprise IT Services (EITS) to NDOT (E-904) and funding these positions with reductions in the EITS Programmer/Developer charges for NDOT of \$335,416 in FY 2016 and \$335,358 in FY 2017 and Highway Fund authorization reductions of \$116,503 in FY 2016 and \$117,750 in FY 2017 (E-504). These positions support NDOT's Integrated Financial System and were transferred to EITS during the 2009-11 biennium with the goal of creating efficiencies, cost savings, and better customer service. NDOT indicates improvements in these areas were not realized. The department indicates the supervision and cross training of these positions would be improved if they were housed within NDOT. Fiscal staff would note that on April 30, 2015, the Joint Subcommittee on General Government recommended approval of the transfer of these positions from EITS. **This recommendation appears reasonable.**
5. Equipment Replacement (E-710, NDOT-21): The Governor recommends Highway Fund authorizations of \$5.4 million in each year of the 2015-17 biennium to replace vehicles and radios. The department indicates 37 pickups, 31 dump trucks, 16 passenger vehicles, 9 utility/service trucks, 3 survey trucks, 2 vans, and 2 water trucks would be replaced. Two hundred of the department's 800 MHz radios would also be replaced over the 2015-17 biennium. NDOT indicates that the

replacements are based upon the equipment's age, mileage, condition, cost of repairs, and district equipment need. The equipment recommended for replacement is 15 years old, on average, and all of the vehicles recommended for replacement have odometer readings greater than 100,000 miles.

Fiscal staff would note that at its February 6, 2014, meeting, the Interim Finance Committee (IFC) approved an NDOT work program that transferred \$1.5 million from the Equipment category to the Operating category. This work program allowed NDOT to rebuild 15 dump trucks, rather than purchase replacement trucks for approximately \$325,088 each. The department indicated it would rebuild existing trucks for an estimated cost of \$100,000 for each truck and be able to operate these trucks for an additional 12 years or 195,000 miles. NDOT's base budget includes \$1.5 million in each year of the 2015-17 biennium to rebuild approximately 15 dump trucks or similar vehicles each year. **This recommendation appears reasonable.**

6. New Equipment (E-720, NDOT-22): The Governor recommends Highway Fund authorizations of \$3.6 million in FY 2016 and \$2.7 million in FY 2017 to purchase office furniture and operational equipment. This includes specialized equipment such as generators, air compressors, welders, and snow blowers for \$3.5 million; 6 sweepers for \$1.7 million; 1 culvert cleaner truck for \$250,000; 2 snow tow-plows for \$230,000; 200 Electronic Construction Documentation System (EDOC) tablet devices for \$160,000; and 1 high-speed profiling system to measure roadway smoothness for \$80,000.

Decision Unit E-720 also includes funding of \$386,758 over the 2015-17 biennium to establish a temporary Project NEON office near the construction site, including \$196,800 for office furniture, \$135,658 for computers and hardware, and \$54,300 for computer software. NDOT indicates it traditionally establishes temporary offices at construction sites to house engineers, consultants, and attorneys supporting the project. The department indicates the Project NEON leased office space would house 30 positions, provide office and meeting space, and be within walking distance of the construction site. Fiscal staff would note that NDOT's base budget includes \$227,347 in each year of the 2015-17 biennium to lease space for this temporary Project NEON office. **This recommendation appears reasonable.**

7. Position Reclassifications (E-806, NDOT-22 & 23): The Governor recommends Highway Fund authorizations of \$22,560 in FY 2016 and \$16,116 in FY 2017 to reclassify a classified Communications Director (Grade 40) to an unclassified Communications Director (net increase in salary and benefits of \$8,586 in FY 2016 and \$3,179 in FY 2017) and reclassify an unclassified Administrative Coordinator to an unclassified Administrator of External Civil Rights (net increase in salary and benefits of \$15,072 in FY 2016 and \$13,723 in FY 2017). The department indicates the Communications Director currently serves as the administrator of NDOT's Public Information Division and is ultimately responsible for NDOT's communication with the public, the business community, and government officials. The department indicates the Administrative Coordinator position has evolved and currently serves as the Division Administrator of External Civil Rights and is responsible for Civil Rights, Disadvantaged Business Enterprise, Americans with Disabilities Act, and Limited English Proficiency Programs. Fiscal staff entered a technical adjustment to correct a discrepancy in the retirement assignments for the existing positions and the proposed reclassified positions, which is reflected in this closing document. This recommendation will be more thoroughly discussed by the money committees during the Unclassified Pay Bill hearing.

The Subcommittee recommended providing Fiscal staff with authority to make a technical adjustment to correct the discrepancy in the retirement assignments for the existing positions.

8. Base Budget Technical Adjustments (BASE & M-100, NDOT-17, 18 & 19): Fiscal staff entered technical adjustments reflecting updates in the fund transfers to the Department of Public Safety and

Department of Conservation and Natural Resources, which reflect the fund transfers approved by the Public Safety, Natural Resources, and Transportation Joint Subcommittee's closing recommendations or the amounts reflected in The Executive Budget (BASE). Fiscal staff also entered technical adjustments reflecting the elimination of \$4.0 million in materials costs in each year of the 2015-17 biennium that were incorrectly entered in Decision Unit M-100. These technical adjustments are reflected in this closing document. **These technical adjustments appear reasonable.**

The Subcommittee recommended providing Fiscal staff with authority to make the noted technical adjustments to the base budget and Decision Unit M-100.

Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor, including Budget Amendment A150654660 and the technical adjustments noted in Other Closing Items 7 & 8, and provide Fiscal staff with authority to make other technical adjustments as necessary?

The Subcommittee recommended approving Other Closing Items 1, 3, 4, 5 and 6 as recommended by the Governor, and authorized Fiscal staff to make necessary technical adjustments.