

Nevada Sustainable Transportation Funding Strategies Project

Advisory Working Group Meeting

September 13, 2022

Welcome and Roll Call

Public comment period

Preview of today's meeting

Meeting objective: *provide final informational items and solicit AWG positions on draft Recommendations*

- **Updates:**
 - GST and Delivery Fee options
 - Transportation funding needs on NDOT system
 - MPO and Counties updates
 - Recent developments regarding electric vehicles
- **AWG positions on DRAFT Recommendations**
- **Review outline of Final Report**

Update: issues related to Governmental Services Tax (GST)

Newly-identified constraints on Governmental Services Tax (GST) option

Implementation issues with GST increase:

- **GST rate is constitutionally capped at 5%.** The statewide rate is 4%. Clark and Churchill Counties have levied optional county rates of 1%, eating up available “space” under the cap. Other counties reserve the right to levy up to an addition 1%. **Result:** a statewide rate increase is not possible.
- **Possible work-around #1:** Change the statutory depreciation schedule so that the taxable vehicle value is higher. The Legislature did this in 2009. **Result:** further changes in vehicle depreciation schedule as a means of increasing revenue would be required.
- **Possible work-around #2:** By statute, vehicle valuation is equal to 35 percent of the manufacturer’s suggested retail price in Nevada (NRS 371.050). This is parallel to NRS 361.225, which prescribes that all property subject to taxation “must be assessed at 35 percent of its taxable value.” The Nevada Constitution, Article 10 Section 1, prescribes that the Legislature shall “provide by law for a uniform and equal rate of assessment and taxation.” But it allows the Legislature to exempt motor vehicles from that provision, provided it “shall provide for a uniform and equal rate of assessment and taxation of motor vehicles.” **Result:** LCB has analyzed this issue and concluded that the Legislature has the legal ability to adjust (up or down) the current 35 percent assessment for vehicles.

A small fee charged to shippers of tangible goods (“Delivery fee”) is a flexible funding option, but may conflict with the Streamlined Sales & Use Tax Agreement

Delivery fee:

- Uncertainty whether an additional fee collected coincident with sales tax would conflict with the Streamlined Sales & Use Tax Agreement (of which Colorado is not a member, but Nevada is)
- Other states and local governments are now actively considering similar delivery fees, and this question and other implementation-related issues are being raised. **Result: since it appears feasible for Nevada’s GST to be raised and dedicated as a multimodal funding source for transportation, further consideration of a Delivery fee can be tabled.**

Update: transportation funding needs on NDOT statewide system

Transportation Funding Needs for NDOT/Statewide System

Overview

- Purpose of the Transportation Funding Needs Analysis
- Categories of Needs Included
- What this Transportation Funding Needs Analysis is Not
- Transportation Funding Needs Summary
- Revenue Forecast and Inflation
- Unfunded Backlog
- Questions and Discussion

Purpose of the Transportation Funding Needs Analysis

- Independent, planning level assessment of the transportation needs
- Needs are described across high-level categories over a ten-year period.
- Reviewed and classified needs in existing plans and interviewed transportation planning stakeholders
- Completed a revenue forecast for the next 10-years based on existing sources
- Identified low and high scenarios for unfunded backlog

Categories of Needs Included

- Transportation needs have been grouped into the following categories:
 - Roadway and bridge preservation
 - Transportation system management and operations program (TSMO)
 - Roadway capacity
 - Rural transit
 - Bicycle/pedestrian
 - Facilities
 - Administration
- Low and high scenarios really depend on how fast NDOT and its partners want to deliver their programs

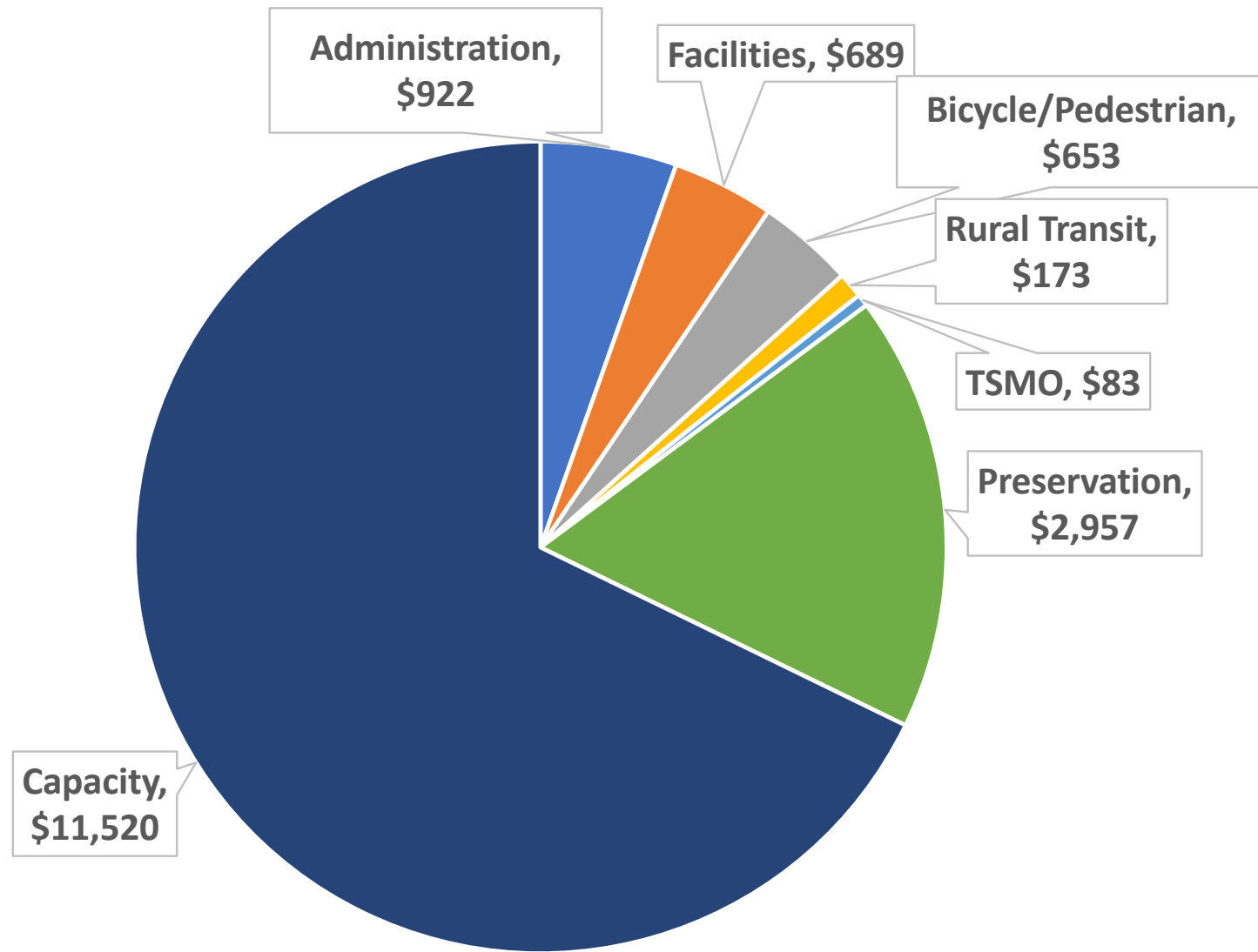
What this Transportation Funding Needs Analysis is Not

- NOT a compilation of engineering level cost estimates for projects
- NOT a comprehensive inclusion of all ideas/projects being discussed
- NOT a travel model driven exercise on forecast needs from growth of population, development and VMT
- Categories NOT estimated in this analysis:
 - Local roadway operations and expansion,
 - Aviation,
 - Railroads,
 - Other Transportation Technologies.
- Urban transit needs were studied but NOT included in the final assessment.

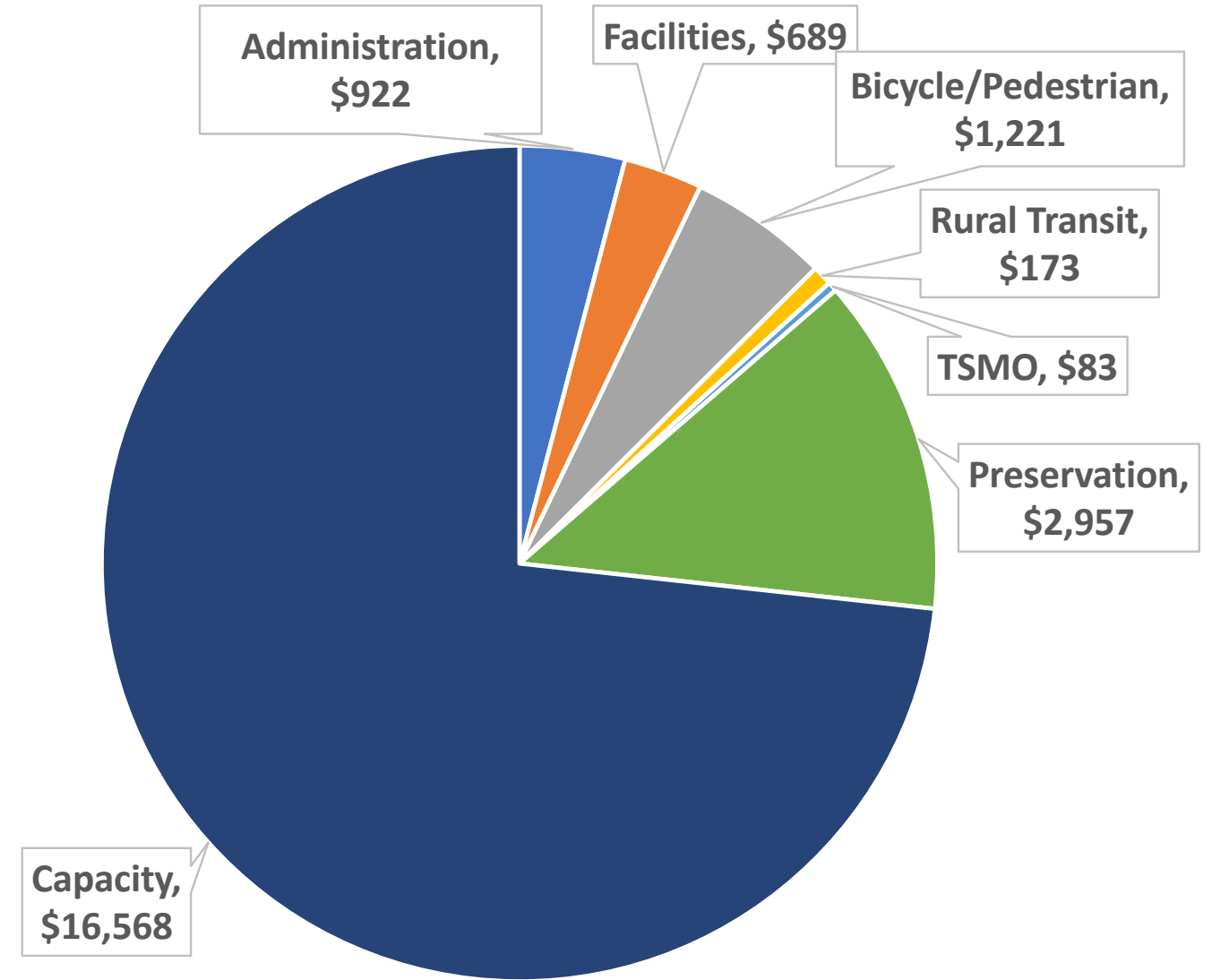
Transportation Funding Needs Summary

Category	Low Estimate	High Estimate
Preservation	\$2,957MM	\$2,957MM
TSMO	\$83MM	\$83MM
Capacity	\$11,520MM	\$16,568MM
Rural Transit	\$173MM	\$173MM
Bicycle/Pedestrian	\$653MM	\$1,221MM
Facilities	\$689MM	\$689MM
Administration	\$922MM	\$922MM
Total	\$16,997MM	\$22,613MM
One-year Average	\$1,700MM	\$2,261MM

Transportation Funding Needs Summary



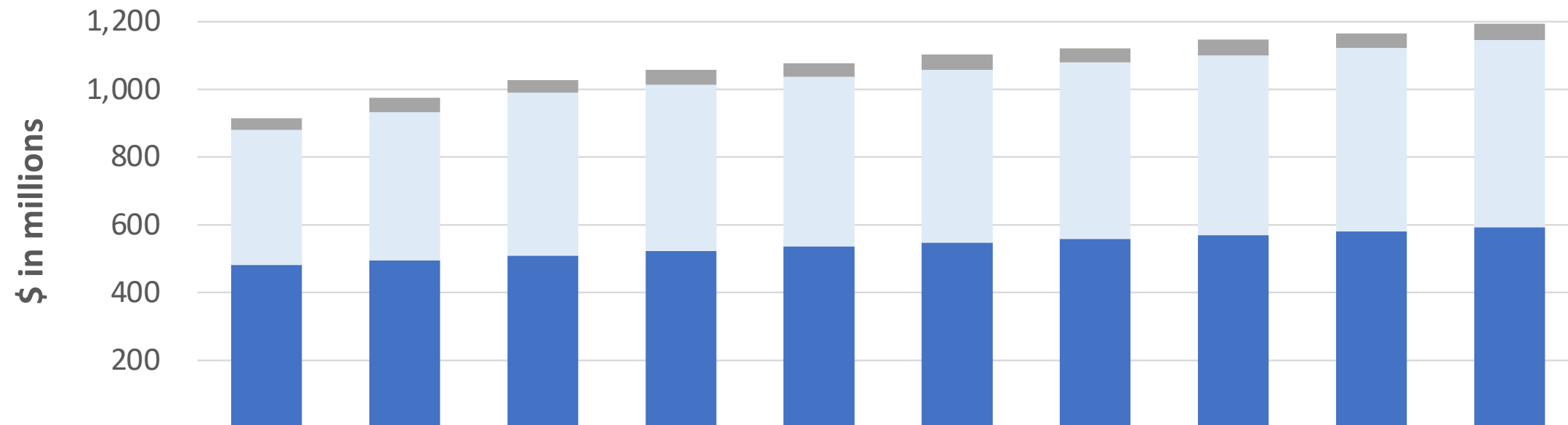
Low Estimate (MM)



High Estimate (MM)

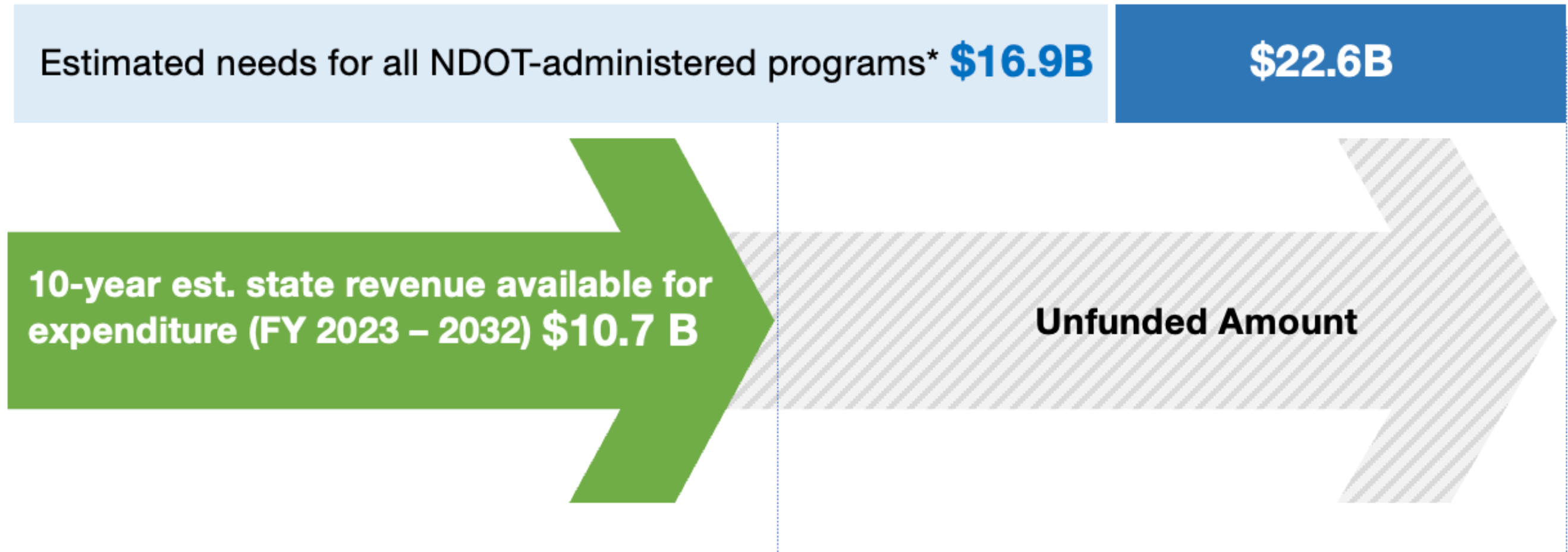
Revenue Forecast and Inflation

- Revenue projection provides a baseline to compare with transportation needs in NDOT’s sphere.
- Estimate is based on an analysis of all relevant revenue sources that NDOT expects to receive.
- Ten-year revenue estimate is \$10.7B.
- Inflation: used the Federal Highway Administration’s National Highway Construction Cost Index (NHCCI)



	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Other Revenue Sources	35	42	38	44	39	45	41	47	43	48
Federal Aid Reimbursement	398	438	482	491	501	511	521	532	542	553
NDOT State Highway Funds	482	495	509	523	537	547	558	569	581	592
Total	915	975	1,028	1,058	1,077	1,103	1,120	1,148	1,166	1,194

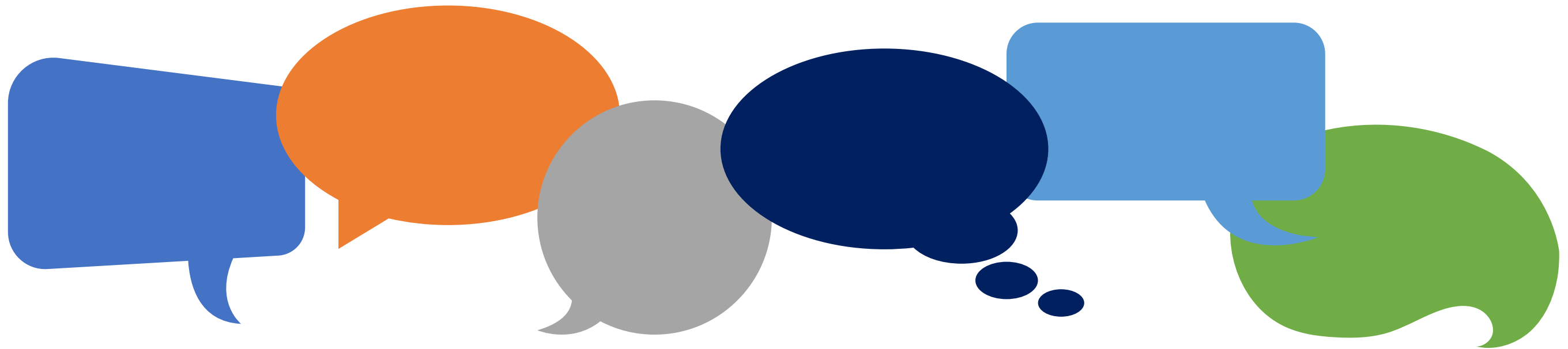
Unfunded Backlog: Estimated 10-year needs compared to forecasted revenues



**Includes all state-funded transportation projects and programs, including NDOT operations, bicycle/pedestrian, and rural transit*

Low Estimate
High Estimate

Questions and Discussion



Updates: transportation funding and related activities at local level

Update: emerging trends related to Zero-Emission Vehicles (ZEVs)

Inflation Reduction Act: what does it do for EVs? (page 1 of 2)

Signed into law on August 16, 2022:

- Provides up to \$7,500 in tax credits for new electric vehicles and \$4,000 for used electric vehicles.
 - Material sourcing requirements
 - Income caps
 - MSRP caps
- EV Charging Equipment Tax Credits
 - Individual/Residential tax credit of 30% or up to \$1,000
 - Commercial tax credit of 6% up to \$100,000
 - Extended through 2032
- Funding for states, municipalities, Indian tribes, or non-profit school transportation associations to replace class 6 or 7 heavy-duty vehicles with EVs.
 - Used for up to 100% of the costs for the vehicles, charging infrastructure, training, planning and technical activities to prepare for and support electrification.



Inflation Reduction Act: what does it do for EVs? (page 2 of 2)



- Tax credits for the purchase of commercial EVs
 - Caps for certain vehicles above certain gross vehicle weight ratings
- Funding also available for:
 - Zero-emission technology at ports
 - State training programs for installation of home energy and electrification improvements
 - Grants to states, local, and tribal governments to support accelerated siting of interstate electricity transmission lines.
 - Grants for disadvantaged communities for development of water supply projects.
 - Competitive GHG grants for state, local, and tribal governments and other entities to support low-income and disadvantaged communities in benefiting from zero-emission tech.
 - Technical assistance to states, local, and tribal governments related to GHG reduction and domestic electricity generation.

California Air Resources Board (CARB)

What is the California Air Resources Board?

- California state agency tasked with protecting the public from the harmful effects of air pollution and developing programs and actions to fight climate change.

What does CARB do?

- Identify, measure and monitor pollutants that pose the greatest health risks
- Research the causes and effects of air pollution problems, and the costs and benefits of pollution controls
- Set the state's air quality standards through the Low-Emission Vehicle (LEV) and Zero-Emission Vehicle (ZEV) programs

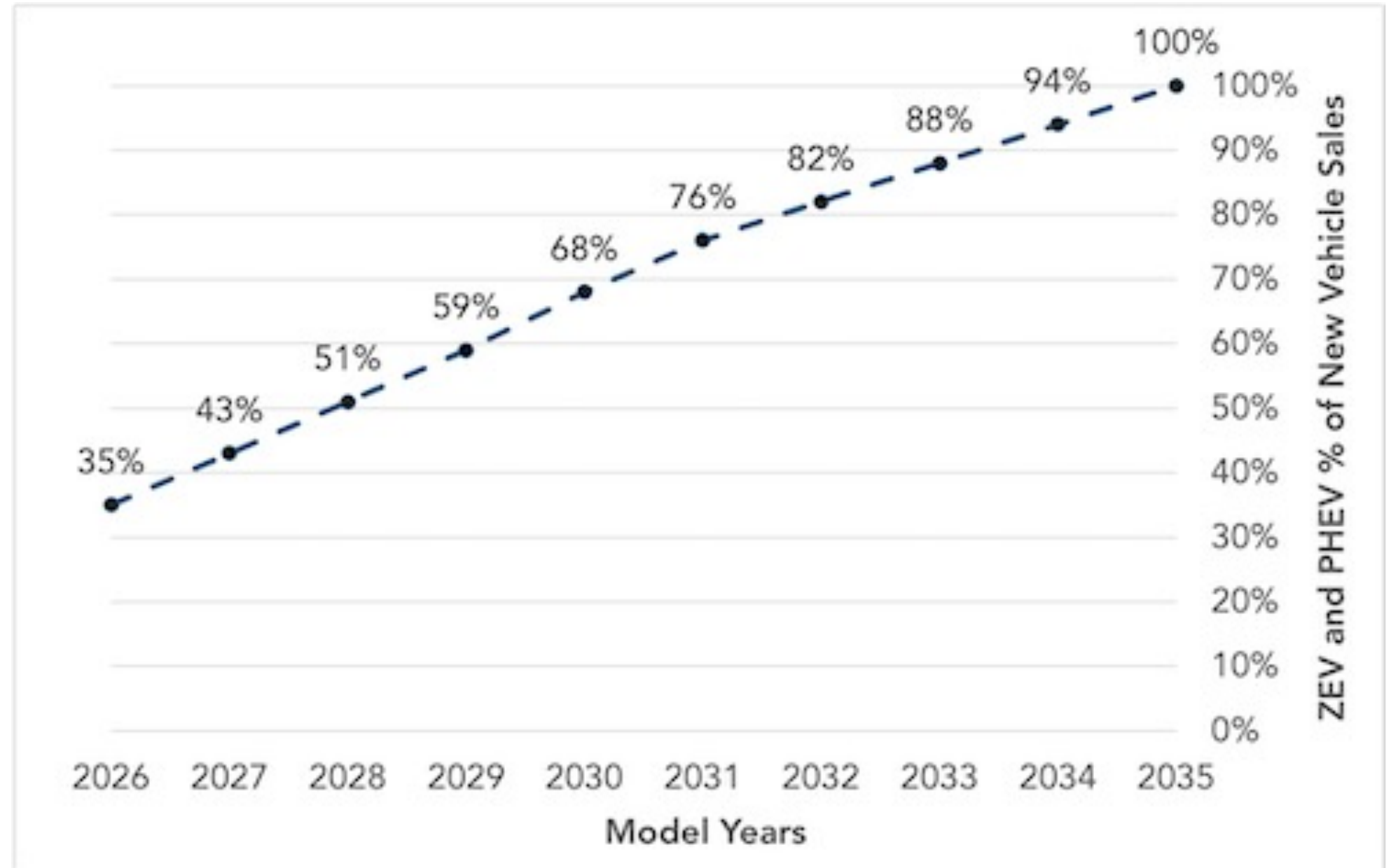
Zero-Emissions Vehicle Program

- Series of rules proposed and adopted by CARB to reduce and eventually eliminate emissions from vehicles
 - Began with LEV program, which developed criteria for emissions reduction
 - Evolved to ZEV program, setting the stage to transition to all-electric vehicles

The New ZEV Mandate

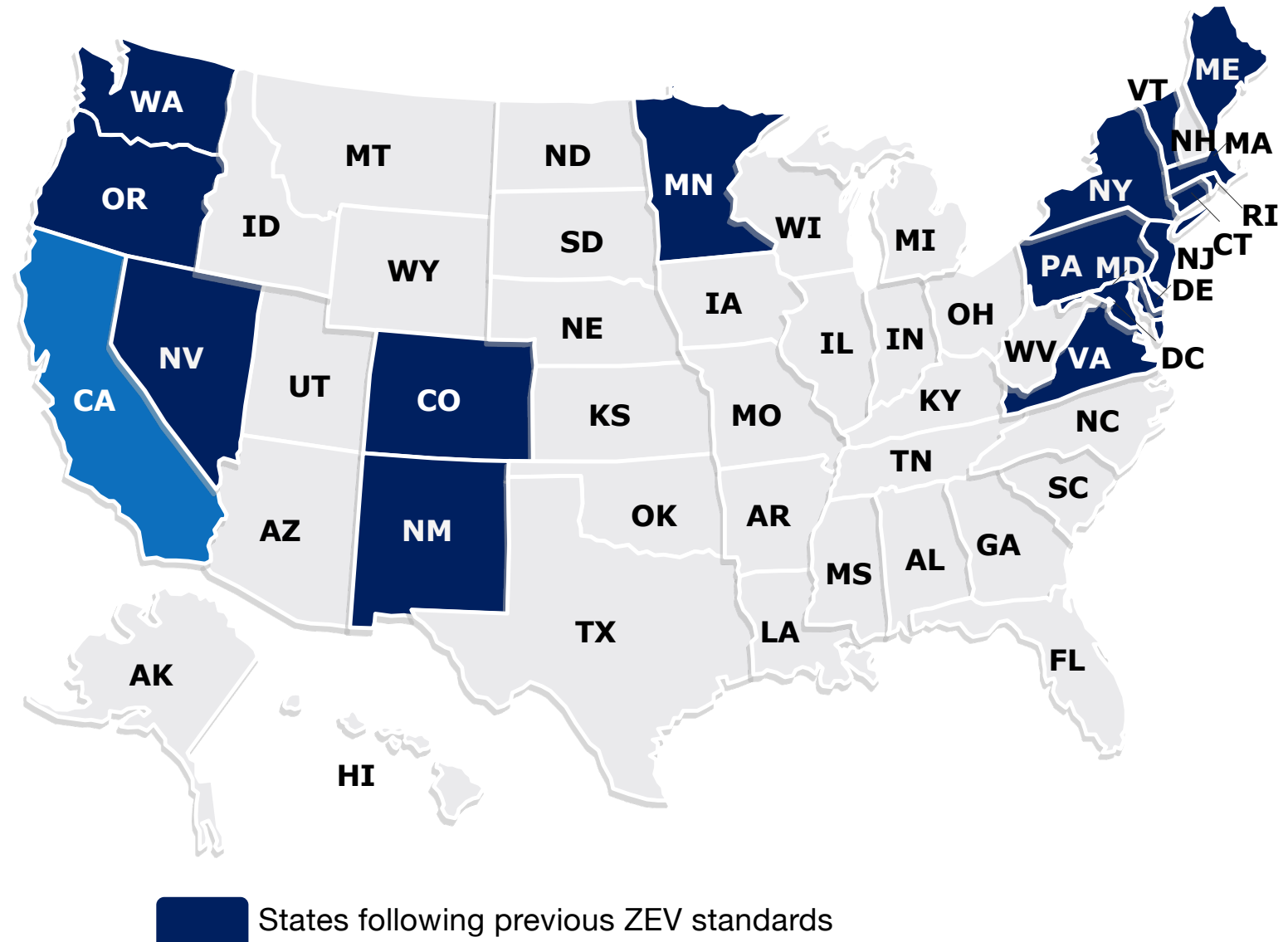
The new ZEV mandate (Advanced Clean Cars II):

- Requires by 2035 all **new** passenger cars, trucks and SUVs sold in California must be zero-emissions.
- Places further stringent requirements on combustion vehicles
- Requires by 2045 all new medium- and heavy-duty sales be zero-emissions.



Existing ZEV standards are followed by 17 states, including Nevada

- Some states are automatically subject to the new CARB rules (e.g., Virginia)
- Other states must adopt new CARB rules (e.g., Maine)
- Massachusetts and Washington have committed to adopting these new rules



The impact in Nevada

- Nevada follows the existing ZEV standard adopted by CARB beginning with model year 2025. See Nev. Admin. Code, ch. 445B.
- Nevada would likely need to amend the Administrative Code to adopt the new CARB rules.
- Even without amendments to NAC, ACC II will dramatically increase the number of ZEV (and LEV) cars on the road in California and, because of market impact, in Nevada.
- Nevada will likely see significant decrease in fuel consumption (and fuel tax), especially among communities with a significant share of traffic from California.
- Automotive industry trends are significantly impacted by California. Even if ACC II is not adopted in other states, the new rules will have nationwide impact, leading to further increased sales of EVs in Nevada and across the country, and furthering decline of fuel tax.

AWG September 13 Meeting

Break

Break

Revised DRAFT Recommendations for AWG consideration and possible action

Summary of main adjustments since June AWG meeting:

1. Transportation system needs in Nevada
2. Current and projected funding levels and revenue sources
3. Revenue mechanisms for more sustainable transportation funding
4. Land use and transportation

Summary of main adjustments since June AWG meeting:

1. Transportation system needs in Nevada
 - Urging more transparency from government:
 - In estimating transportation funding requirements (“needs”) from both state and local governments
 - In sharing information with legislators, stakeholders, and the public
 - Around how taxes and fees are calculated and collected
2. Current and projected funding levels and revenue sources
3. Revenue mechanisms for more sustainable transportation funding
4. Land use and transportation

Summary of main adjustments since June AWG meeting:

1. Transportation system needs in Nevada
2. Current and projected funding levels and revenue sources
 - Acknowledging challenges of raising existing taxes and/or imposing new taxes during a time of changing economic conditions; recommending deferral of near-term action until the price of gas returns to previous levels
 - Adding provisions calling for greater latitude to allow local authorities (elected councils and commissions) to extend (FRI) or enact new transportation revenue measures.
3. Revenue mechanisms for more sustainable transportation funding
4. Land use and transportation

Summary of main adjustments since June AWG meeting:

1. Transportation system needs in Nevada
2. Current and projected funding levels and revenue sources
3. Revenue mechanisms for more sustainable transportation funding:
 - Taxes on EVs in lieu of gas taxes, but remaining issues must be addressed
 - Acknowledgment that government agencies need time, staff capacity, and resources to implement any new taxes and fees
 - For Road Usage Charging (RUC), top issues that must be addressed before RUC can be implemented more broadly – i.e., per-mile rates, by vehicle type; technical and operational issues, etc.
 - Removing indexing of vehicle license fees
4. Land use and transportation

Summary of main adjustments since June AWG meeting:

1. Transportation system needs in Nevada
2. Current and projected funding levels and revenue sources
3. Revenue mechanisms for more sustainable transportation funding
4. Land use and transportation
 - Adding additional emphasis on the importance of land use, its broad-ranging implications, and the need to recognize local government's current role and authority to regulate land uses in their jurisdictions

As we review each recommendation, be prepared to weigh in:

Given what you've learned throughout the 14-month AWG process, and what you know about your organization's disposition as of today, do you:

- Support
- Support, with reservations*
- Not support

...making these Recommendations for sustainable transportation funding mechanisms for the Legislature's further consideration?

*Members choosing "with reservations" will be asked to verbally share their specific reservations during today's meeting

Recommendations: 1. Transportation System Needs in Nevada

1A. NDOT should regularly update and detail the funding gap between available revenue (state and federal) and identified projects, programs, and priorities in coordination with local partners. NDOT should regularly share its findings with state and local decisionmakers and stakeholders.

1B. MPOs and local governments should conduct assessments of their current and projected funding gaps and broadly share that information with decision-makers.

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Recommendations: 1. Transportation System Needs in Nevada

1B. MPOs and local governments should conduct assessments of their current and projected funding gaps and broadly share that information with decision-makers.

Recommendations: 2. Current and Projected Transportation Funding Levels and Revenue Sources

2A. In developing transportation revenue sources to meet future needs, a revenue mechanism flexible enough to support targeted state investments across all transportation modes – highways, transit, pedestrians, etc. – should be included.

2B. A funding mechanism must be developed that allows electric vehicle owners to financially contribute to the cost of maintaining and operating Nevada's roadways.

2C. Local governments need additional transportation revenue mechanisms that they can tailor to best meet their local needs and priorities.

2D. State and local agencies should thoroughly investigate and pursue new federal funding opportunities, including grant programs that have recently been created through the new federal Bipartisan Infrastructure Law.

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2D. State and local agencies should thoroughly investigate and pursue new federal funding opportunities, including grant programs that have recently been created through the new federal Bipartisan Infrastructure Law.

Lunch Break

Continued:
**Revised DRAFT Recommendations for
AWG consideration and possible action**

Recommendations: 3. Near-term revenue mechanisms for more sustainable funding

To address the growing backlog of transportation projects and services in the near term, but only after current inflationary conditions abate and the price of gas returns to previous levels:

3A. Should the legislature aim to address near-term revenue needs, it should rely on statewide fuel taxes (gasoline and diesel) and indexing the portion of state fuel taxes not already indexed (outside of Clark and Washoe Counties) to keep pace with construction cost increases over time.

3B. The legislature should enable greater authority for local elected representatives to enact inflation adjustments to the county's portion of the gas tax.

3C. As with FRI in Clark and Washoe Counties, fuel tax indexing provisions should be limited to a 10-year rolling average of the construction cost index and should include a maximum annual cap on inflationary adjustments to avoid sudden spikes in gas taxes alongside periods of high inflation.

Recommendations: 3. Near-term revenue mechanisms for more sustainable funding

To address the growing backlog of transportation projects and services in the near term, but only after current inflationary conditions abate and the price of gas returns to previous levels:

***3D.** Should the legislature aim to address near-term revenue needs, increasing vehicle registration fees to help bolster the State Highway Fund offers an important albeit more modest revenue-generating alternative to fuel taxes.*

***3E.** Increase the Governmental Services Tax (GST) to provide funding for highway purposes and other transportation-related programs at the state level.*

Recommendations: 3. Near-term revenue mechanisms for more sustainable funding

To address the growing backlog of transportation projects and services in the near term, but only after current inflationary conditions abate and the price of gas returns to previous levels:

3F. Nevada should act now to prepare a new mechanism to capture road usage of electric and other highly fuel-efficient vehicles and set the stage for a future transition away from the gas tax:

- Offer a choice between a per-mile charge based on actual miles traveled by the subject electric vehicle, or a higher fixed annual fee allowing unlimited driving miles during the year.*
- Start “simple” by utilizing miles captured via odometer readings reported to the Nevada Department of Motor Vehicles (DMV).*
- Coordinate possible effective dates with DMV, especially with respect to the agency’s ongoing information technology system modernization effort.*
- Apply for federal funding that NDOT can deploy to work with DMV to develop and test systems and conduct public education about changes.*

Recommendations: 3. Near-term revenue mechanisms for more sustainable funding

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Recommendations: 3. Near-term revenue mechanisms for more sustainable funding

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- Start “simple” by utilizing miles captured via odometer readings reported to the Nevada Department of Motor Vehicles (DMV).*
- Coordinate possible effective dates with DMV, especially with respect to the agency’s ongoing information technology system modernization effort.*
- Apply for federal funding that NDOT can deploy to work with DMV to develop and test systems and conduct public education about changes.*

Recommendations: **3. Mid and Longer-term revenue mechanisms for more sustainable funding**

To address the longer-term need to transition to sustainable funding sources for transportation:

3G. *The legislature should extend the per-mile road usage charge developed for electric and highly fuel-efficient vehicles to apply to new vehicles.*

- The timing for this transition should consider new federal CAFE standards and the effect those standards will have on transportation revenue.*
- Keep the state gas tax in place for vehicles with below-average fuel economy and ensure those vehicles do not owe an additional road usage charge.*
- For ease of initial implementation, charge a flat rate per mile for all vehicles subject to the road usage charge that is no greater than what the average vehicle pays in state gas taxes. This ensures vehicles with above average fuel economy will not pay more than vehicles continuing on the gas tax. Further research should be conducted to determine rate setting methodologies as the program expands, including whether rates should vary by type of vehicle.*
- The state should leverage odometer readings to determine miles driven as a starting point for developing a future road usage charge system*
- Additional privacy provisions should be enacted to protect personal information from being collected*

Recommendations: 4. Land Use and Transportation

4A. Nevada should form a Land Use Policy Commission or Smart Growth Task Force to evaluate the need for potential changes to state law to help state and local governments more effectively manage and utilize land and resources. The scope of a Commission or Task Force should be limited to evaluating existing land use or related laws, their efficacy, and any needed changes. However, the Committee or Task Force should have the authority to recommend any needed changes to state law to more effectively manage land and resources. Finally, because numerous areas of public policy impact land use, this Commission or Task Force should include representatives from a broad cross-section of the Nevada economy.

Break

Outline of AWG Final Report

Final report-drafting process:

- Outline provides the broad structure for the report. AWG to share feedback on this outline now or in follow-up email.
- Project team will spend next 3-4 weeks drafting text for the Final Report.
- Chair and Vice Chair will review to ensure AWG's collective opinions and direction is followed.
- October 17: draft Final Report sent to AWG for review and comment.
- October 31: target for draft Final Report to be distributed to AWG and made available for public comment.
- **Wednesday, November 9:** AWG Meeting to review, revise (if needed), and adopt Final Report

Next Steps

Public comment period

Adjourn.

Final Meeting: Wednesday, November 9, (location TBD)