

# Revised Findings, Conclusions, and AWG Recommendations

## Orientation to this document

There are four main sections to this document:

1. Transportation System Needs in Nevada
2. Current and Projected Transportation Funding Levels and Revenue Sources
3. Revenue Mechanisms for More Sustainable Transportation Funding
4. Land Use and Transportation

Collectively, these sections cover the scope of the Advisory Working Group's (AWG's) examination of sustainable transportation funding for Nevada.

Each section contains: **Findings**, which are factual statements based on information or data collected that the AWG decides is relevant and important; **Conclusions**, which are the AWG's collective interpretation and judgment related to the findings; and most importantly, **Recommendations**, which represent the AWG's consensus on a proposed response or course of action that should be taken, including any important conditions or limitations.

The Final Report will be more comprehensive and include additional background information, graphics, and analysis, and will continue to be shaped in the coming weeks. However, the Recommendations will not be expanded beyond what is approved by the AWG members.

### ***A note about the writing style contained in this document:***

*The Findings and Conclusions are presented as short statements to reflect the reasoning leading to the AWG's Recommendations. In the forthcoming Final Report draft, additional supporting information will be added, and the statements refined to reflect a consistent writing style. Draft versions of the Final Report will be shared with AWG members and specific edits and improvements will be solicited throughout the drafting process and prior to expected adoption by the AWG at its final meeting on November 9, 2022.*

# 1. Transportation System Needs in Nevada

(DRAFT Recommendations begin on bottom of page 1)

## Findings:

- ▶ Nevada's population boom continues at historic levels<sup>1</sup>, placing great demand for transportation services on the entire system.
- ▶ Construction cost escalation of 16% in just 12 months between Q4 2020 and Q1 2021<sup>4</sup> is making it more difficult for NDOT, regional, and local agencies to strategically add capacity to the system and maintain transportation facilities in a state of good repair.
- ▶ Statewide transportation projects, programs, and operations for the NDOT-managed system will require at least \$14 billion<sup>5</sup> over the next 10 years. Current funding levels from state and federal sources are only expected to cover approximately 8 billion<sup>6</sup> of this amount, leaving a likely funding gap in the range of at least 6 billion over this 10-year period<sup>7</sup>.
- ▶ In addition to state needs, local authorities face growing needs that outstrip available revenues. Collectively, MPOs in the state and county governments have annual transportation funding needs of over \$500 million per year, in the aggregate.<sup>8</sup>

## Conclusions:

- ▶ *The statewide transportation system is currently significantly under-funded. As population and travel demand continue to grow, placing increased demands on the system, state and local governments require additional funding to meet these demands to maintain a safe, reliable transportation system.*
- ▶ *Regional and local transportation systems are also significantly under-funded. Nevada's transportation system operates as an interconnected network to move people and goods, regardless of mode and ownership.*

## Recommendations:

- 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.

<sup>1</sup> U.S. Census data shows that Nevada was the fifth fastest-growing state, adding 15% population between 2010 and 2020: <https://www.usnews.com/news/best-states/slideshows/these-are-the-10-fastest-growing-states-in-america>

<sup>4</sup> Federal Highway Administration, National Highway Construction Cost Index: [https://explore.dot.gov/views/NHInflationDashboard/NHCCI?%3Aiid=1&%3Aembed=y&%3AisGuestRedirectFromVizportal=y&%3Adisplay\\_count=n&%3AshowVizHome=n&%3Aorigin=viz\\_share\\_link](https://explore.dot.gov/views/NHInflationDashboard/NHCCI?%3Aiid=1&%3Aembed=y&%3AisGuestRedirectFromVizportal=y&%3Adisplay_count=n&%3AshowVizHome=n&%3Aorigin=viz_share_link)

<sup>5</sup> NDOT System Needs Assessment memo prepared for the AWG

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> August 2021 AWG Briefing Book,

[https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book\\_v5\\_082521.pdf](https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book_v5_082521.pdf)

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

## 2. Current and Projected Transportation Funding Levels and Revenue Sources

*(DRAFT Recommendations on page 5)*

### Findings:

- ▶ User fees compose the vast majority of existing funding for Nevada’s transportation system, including:
  - Nevada’s transportation system remains heavily reliant on raising revenue from gasoline and diesel taxes; on a statewide basis, these remain the largest single source of funding for roadways<sup>9</sup>.
  - Fuel revenue indexing (FRI) has proven a valuable transportation funding mechanism. Over 75% of fuel gallons purchased in Nevada are currently subject to periodic adjustments in tax rates. These voter-approved mechanisms provide dedicated funding for state and local projects within the approving county’s boundaries.
  - Taxes and fees on vehicles and drivers comprise more than a third of all transportation funding in Nevada and remain an important component for system funding. For county governments, vehicle taxes – especially the Governmental Services Tax (GST) – represents the single largest transportation revenue source<sup>10</sup>.
- ▶ The Nevada state constitution restricts the expenditure of gas taxes and fees from motor vehicle usage to highway-related projects and purposes<sup>11</sup>. The only current statewide source of funding flexible enough to be used for all transportation modes and purposes is a portion of the GST<sup>12</sup>. The majority of GST revenues at the state and local levels are currently allocated to purposes other than transportation.
- ▶ Nevada is one of only four states in the U.S. that does not provide some form of dedicated state funding to help support local transit.
- ▶ As the only usage-based fee, fuel taxes provide sustainable revenue only if fuel (gasoline and diesel) consumption continues to grow. However, recent trends and near-term forecasts suggest the opposite will occur. Continued improvements in the fuel economy of Nevada’s fleet of over 2 million light duty internal combustion engine (passenger) vehicles is expected to reach an average of over 32 MPG by 2040 – representing a 50% increase in less than 20 years<sup>13</sup>. Another contributor to declining fuel consumption is consumer adoption of electric vehicles. Although the number of EVs in Nevada’s fleet is

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<sup>9</sup> August 2021 AWG Briefing Book, [https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book\\_v5\\_082521.pdf](https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book_v5_082521.pdf)

<sup>10</sup> August 2021 AWG Briefing Book, [https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book\\_v5\\_082521.pdf](https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book_v5_082521.pdf)

<sup>11</sup> NV Const. Art. IV, Sec. 5.

<sup>12</sup> As a result, receipts from GST are subject to legislative discretion and used primarily for non-transportation purposes at the state and local levels.

<sup>13</sup> Based on AWG consultant team calculations.

currently around 20,000 (representing 1% of the total passenger vehicle fleet), as of Q1 2022, EVs now represent nearly 8% of new vehicle sales in the state (ranking fifth in the nation).<sup>14</sup> Under regulations adopted by California’s Air Resources Board in August 2022, 100% of new sales are required to be zero-emission vehicles by 2035 in that state and several others. Models developed for the AWG suggest up to 25% of passenger miles driven by the end of next decade will be all-electric. These developments have already led to a decline in gas tax revenue per mile driven of 20% since 2010 and are expected to lead to a further decline of 50% by 2040.

- ▶ All vehicles are subject to the GST and registration fees. Gasoline-powered vehicles contribute gas taxes, with the average vehicle paying about \$320 per year in federal, state, and county fuel taxes. EVs<sup>17</sup> are not subject to federal, state, or county gas taxes.
- ▶ The State Highway Fund (SHF) is the primary recipient of all statewide taxes and fees related to motor vehicle usage. Based on current revenue sources and projections, the SHF will continue to fall short of historical funding levels on a per mile basis. As vehicle fleet fuel efficiency and consumer adoption of electric vehicles grows, per-mile revenue will continue to erode.
- ▶ The Bipartisan Infrastructure Law<sup>18</sup> recently enacted by Congress will result in a modest increase in federal funding for the State Highway Fund. However, the amount of new funding available is insufficient to backfill the state’s funding gap between identified needs and projected revenues.

### **Conclusions:**

- ▶ Currently, electric vehicles are not contributing federal, state or local gas taxes. Although this currently represents a relatively small loss of revenue to the State Highway Fund and counties, the fiscal impact will increase in severity, representing a significant funding problem for Nevada’s transportation system in the coming years as the state transitions the light duty vehicle fleet toward zero-emission vehicles.
- ▶ Furthermore, the fact that some vehicles are paying little or no gas tax undermines the fairness of the historical user-pay model of Nevada’s transportation system.
- ▶ Counties and regions that significantly rely on fuel tax revenue are also at risk from eroding fuel tax revenue and the resulting equity challenges of this erosion in the future.
- ▶ Fuel taxes and fees related to motor vehicle usage must be spent on roadway purposes and, therefore, are an inflexible source of funding. Motor fuel taxes cannot be used for other important transportation system elements, such as bicycle and pedestrian pathways protected from traffic, transit and paratransit services, etc.

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<sup>14</sup> Auto Innovators EV Sales Dashboard, <https://www.autosinnovate.org/resources/electric-vehicle-sales-dashboard>

<sup>17</sup> For this report, “EVs” refer to both battery electric vehicles and plug-in hybrid electric vehicles. While battery electric vehicles pay no gas tax, plug-in hybrid electric vehicles (PHEVs) pay gas taxes to the extent they operate in extended range mode, where the gas motor is activated to generate additional electricity to power the electric motor. It is estimated that PHEVs rely on gas power for only about 10-20% of miles driven. Therefore, PHEVs do pay a small amount of gas tax for a small number of their miles driven.

<sup>18</sup> January 11, 2022, presentation to AWG by Kristina Swallow, Director, Nevada Department of Transportation.

- ▶ While Fuel Revenue Indexing has proven valuable as a local and regional transportation funding source, it is not available throughout the entire state, thereby depriving less-populated counties of a viable source of funding for local transportation projects.
- ▶ More information is needed on the opportunities and impacts the new federal Bipartisan Infrastructure Law presents for NDOT, regional, and local governments.

### **Recommendations:**

- 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.

### 3. Revenue Mechanisms for More Sustainable Transportation Funding

*(DRAFT Recommendations begin on top of page 11)*

#### Findings:

##### Current and Near-Term Revenue Mechanisms

- ▶ Nevada faces transportation funding shortfalls at both the state and local levels<sup>19</sup>. Current revenue mechanisms (i.e., existing taxes and fees) at their current rates are not sufficient to meet the identified transportation funding needs.
- ▶ Nevada’s statewide gas tax is currently 23.8 cents per gallon and has not been increased in 30 years<sup>20</sup>. The lack of periodic adjustments to the per-gallon tax either by the legislature, or through smaller automatic increases tied to construction costs, has impaired the ability of this statewide revenue source to fund a growing backlog of projects.
- ▶ State law allowing counties to enact an inflation-adjusted fuel tax (Fuel Revenue Indexing, or FRI) has proven effective in providing Washoe and Clark counties with an additional source of revenue for roadway projects located in their jurisdictions.
- ▶ Vehicle registration fees (exclusive of GST) are an important contributor to the State Highway Fund, providing approximately 37% of its funding over the past decade. Like the state gas tax, these fees are not indexed to inflation and have lost purchasing power over time.
- ▶ The Governmental Services Tax (GST) revenue is tied to the value of vehicles, so as the price of new vehicles increases, the GST generates proportionately more revenue. One advantage of the GST is that it tends to keep pace with inflation and therefore is a more sustainable revenue source for the longer term.
- ▶ As a transportation funding source, the GST is flexible – the state constitution does not restrict GST expenditures solely to highways. However, due to this flexibility, the GST is heavily relied upon by other state and local agencies to fund a wide range of programs -- not just transportation.
- ▶ While the GST currently provides significant funding for state transportation programs, these funding levels can vary greatly from year to year based on legislative priorities, making the revenue source inherently less reliable for longer-term financial planning.
- ▶ While GST and fuel taxes can generate substantial transportation revenue for state and local governments, these mechanisms can be confusing for the public to understand. The amount a vehicle owner pays in GST is determined by three different factors and calculations, including a statutorily enacted vehicle depreciation schedule. The per-gallon fuel tax also has several components that can be confusing, including county-option excise taxes and Fuel Revenue Indexing provisions that vary by county.

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<sup>19</sup> August 2021 AWG Briefing Book, [https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book\\_v5\\_082521.pdf](https://static1.squarespace.com/static/60e73380ba9a11168e828e95/t/61400f55d717e80f2d2eefb1/1631588194039/NDOT+Meeting+2+Briefing+Book_v5_082521.pdf)

<sup>20</sup> Last increased in 1992, per FHWA Highway Statistics, <https://www.fhwa.dot.gov/ohim/summary95/mf205.pdf>

- ▶ Current economic conditions (i.e., inflation) have resulted in significant increases in commodities and the costs of goods. In June 2022, gas prices reached over \$5.00 per gallon in the U.S.<sup>21</sup> It is unknown how long these inflationary conditions will persist, but as long as gas prices remain the highest since the Great Recession of 2008-09, *increasing the state gas tax will further strain budgets, especially for low-income households.*
- ▶ The scope and scale of transportation services needed in more urbanized areas, particularly in Clark and Washoe counties, requires revenue mechanisms that are robust, sustainable, and can be customized to best match the transportation needs of these metropolitan areas. Due to their natural attractions and proximity to California, some local communities must contend with unique demands placed on their transportation system by visitors. In both instances, customizable local funding options are needed.
- ▶ As of July 2022, 30 states<sup>22</sup> impose some form of an annual vehicle registration surcharge on electric vehicles since EVs do not pay federal, state, or local gas taxes. The amount of these fees range from a low of \$50 to a high of \$225.<sup>23</sup> As an alternative to flat-rate, annual registration surcharges, three states have enacted mileage-based fees for electric vehicles. The advantage of mileage-based fees is that the amount vehicles pay varies based on actual roadway usage.

#### **Mid- and Longer-Term Potential Sustainable Revenue Mechanisms**

- ▶ The Advisory Working Group reviewed its directive from the Nevada legislature as detailed in AB 413 (2021) and unanimously adopted both a charter<sup>24</sup> to ensure its investigation remains rooted in the legislative directive, and a series of Guiding Principles<sup>25</sup> for use in selecting the most promising sustainable funding approaches for Nevada.
- ▶ A total of 24 potential transportation revenue mechanisms were analyzed against the Guiding Principles<sup>26</sup>. The analysis measured both quantitative and qualitative performance of each revenue mechanism. The results of this analysis were used as a starting point for AWG deliberations on the suitability of each to serve as a financially sustainable, statewide transportation system funding method.
- ▶ In addition to each revenue mechanism’s potential to provide sufficient and sustainable funding, other factors (also reflected in the Guiding Principles) were considered and given weight, including but not limited to: the extent to which the tax or fee is related to system usage; whether the tax or fee is capable of aligning with Nevada’s climate and

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<sup>21</sup> Weekly average retail price of regular gasoline in the U.S. (per gallon, including taxes). Source: EIA, June 13, 2022.

<sup>22</sup> <https://www.ncsl.org/research/energy/new-fees-on-hybrid-and-electric-vehicles.aspx> .

Louisiana enacted legislation in May 2022 and starting in January 2023, it will become the 31<sup>st</sup> state to impose a registration surcharge on electric and certain hybrid vehicles.

<sup>23</sup> Ibid.

<sup>24</sup> AWG Charter, adopted August 10, 2021. See page 51 of AWG Briefing Book, September 14, 2021.

<sup>25</sup> Guiding Principles for More Sustainable Transportation Revenue Mechanisms adopted by the AWG November 9, 2021.

<sup>26</sup> Briefing Information for AWG Meeting #5, Section 3, Revenue Options Analysis, January 11, 2022.



environmental goals and policies; and whether the tax or fee disproportionately impacts lower-income households irrespective of transportation system usage.

- ▶ No single revenue mechanism proved capable of providing financially sufficient, long-term sustainable and flexible revenue for Nevada’s transportation needs at reasonable rates. Therefore, the AWG finds that a few or several different sources will be required to meet Nevada’s future transportation system funding needs.
- ▶ As required by AB 413 (2021), the AWG examined different variations of per-mile fees (road usage charges), including Utah’s recently implemented road usage charge for electric and hybrid vehicles, and an alternative approach proposed by the Natural Resources Defense Council (NRDC). The AWG found important policy differences between these two variations of road usage charging. The NRDC approach relies on the Environmental Protection Agency’s MPGe ratings to calculate a per-mile rate that declines as energy efficiency of electric vehicles increases. For example, a 2013 Tesla Model S (rated at 89 MPGe) would pay 35% more per mile than a 2022 Tesla Model (rated at 120 MPGe). By contrast, the Utah model considers only road usage as the basis for capturing road usage costs, not energy efficiency of electricity consumption. Under the Utah model, both vehicles would pay the same per mile driven, with rates set to reflect the cost of road usage.
- ▶ Three states (Oklahoma, Iowa, and Kentucky) have enacted per-kWh taxes on electricity consumption by EVs at public charging stations (aimed at nonresidents) simultaneously with enactment of EV annual registration surcharges for resident vehicles. Those three states aim to implement their per-kWh taxes in 2023 or 2024, with Oklahoma extending the implementation date to 2041 for existing charging stations. One state (Vermont) discarded the concept after consultation with the state public utility commission and deeper study.
- ▶ Thirty-nine states have studied or pilot tested road usage charging as a way to fund transportation in the future, while three states (Oregon, Utah, and Virginia) have enacted and implemented such programs.
- ▶ The GST’s unique attributes – flexible source of transportation funding, revenue tends to track with construction cost increases, and those purchasing newer more expensive cars pay incrementally more than people who drive older, less-expensive cars – makes the GST a viable form of transportation funding for both near and longer-term system funding.
- ▶ The AWG examined other potential sources of flexible, sustainable transportation funding. A fixed fee to be paid by sellers of goods delivered to consumers was specifically examined as a new transportation funding mechanism. To date, only one state has imposed such a fee,<sup>27</sup> and several questions and unresolved issues remain as to whether this revenue mechanism is a viable option for Nevada.
- ▶ Options for increasing private sector involvement in funding transportation improvements were also discussed and considered by the AWG. Due to the magnitude of transportation funding needs across the state, partnerships with private businesses

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<sup>27</sup> Colo. Rev. Stat. § 43-4-218. See generally <https://tax.colorado.gov/retail-delivery-fee>

are unlikely to provide significant financial contributions to the State Highway Fund. However, transportation agencies may be able to capture emerging opportunities to partner with the private sector and leverage new technologies to improve system performance or to provide more limited matching funds on a project-by-project basis.

### **Conclusions:**

- ▶ Nevada faces both a **near-term**<sup>28</sup> and a **long-term**<sup>29</sup> transportation funding problem. The recommendations to the legislature should differentiate between the two, as the causes, potential approaches, and timing to address each differ.
- ▶ Certain transportation revenue mechanisms appear viable but are better suited as regional or local funding options. These options include:
  - Street utility fees
  - Cordon charges in urbanized areas
  - Ride-share surcharges
  - Land use impact fees
- ▶ A direct tax on carbon emissions may, in the longer run, be the most effective tool for capturing the externalities caused from gas-powered vehicles. However, such an approach requires further research and consideration of how to allocate cost responsibility across all carbon emitters – not just gas-powered passenger vehicles.
- ▶ A revenue mechanism capable of reflecting *direct usage* of the roadways – a road usage charge – is the most promising longer-term, sustainable approach for eventually replacing the gas tax. However, some operational details require further consideration before a road usage charge can be implemented as a broad scale future replacement to the gas tax, and the Legislature would need to make policy choices regarding rate-setting by vehicle type over time.

### **To address the *more immediate, near-term need for funding*:**

- ▶ Nevada should rely on established tax and fee mechanisms to generate more revenue, primarily by raising rates of existing taxes and fees. Adjustments to or extensions of existing revenue mechanisms require less systems development time and staff training for agencies that must administer transportation taxes and fees (Nevada Department of Motor Vehicles).

### **To address the *mid- and longer-term need for sustainable, reliable funding*:**

- ▶ While Clark and Washoe have benefited from inflation indexing, the remaining areas of the state have not been able to capture these benefits. Granting local elected representatives with clear authority to index at least the local component of the gas tax, while indexing the state component of the fuel tax statewide would provide all communities the same revenue benefits that Clark and Washoe currently receive.

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<sup>28</sup> Findings related to near term shortfalls are also found on page 4.

<sup>29</sup> Findings related to erosion of gas taxes are found on page 4.

- ▶ Indexing transportation taxes and fees to inflation can help agencies generate revenue that partially mitigates the challenge of rising construction costs. Unless regulated, episodes of sharp inflation can result in sudden increases in these taxes and fees. Using a multi-year rolling inflation average and/or placing caps on the maximum allowable annual inflation adjustment can mitigate sudden, sharp increases.
- ▶ Vehicle and driver license fees are fixed rate, annual fees paid by all drivers, regardless of household income, type of vehicle, value of the vehicle, or how many miles driven. Raising these fees may be appropriate to generate some level of funding for the state highway fund, but the level of increases must take into account the disproportionate impact they have on fixed-income and lower-income households.
- ▶ Instituting annual registration surcharges on electric vehicles as a substitute for gas taxes those vehicles do not contribute results in overcharging some EV drivers for their usage of roadways and undercharging others. Allowing EV drivers to choose a mileage-based fee as an alternative allows them to calibrate their payments to more closely reflect their actual usage. Three states have enacted programs to allow this option in lieu of registration surcharges.
- ▶ Increases in the following transportation taxes and fees are capable of generating meaningful levels of revenue to help address the growing backlog of transportation projects, programs, and services:

### Revenue generated by six illustrative revenue sources

Year	Increase state gasoline & diesel tax 15c/gal	Index state fuel tax (outside Clark & Washoe)	Index county fuel taxes (outside Clark & Washoe)	Increase vehicle registration fee by \$40	Increase GST 10% & dedicate to transport	Enact fee on electric vehicles of 1.2c/mi
<b>2024</b>	\$209,704,750	\$1,568,155	\$588,058	\$98,932,175	\$62,789,838	\$5,362,003
<b>2025</b>	\$209,692,019	\$3,154,129	\$1,182,799	\$101,504,411	\$66,032,933	\$6,889,348
<b>2026</b>	\$209,688,420	\$4,756,602	\$1,783,726	\$104,143,526	\$69,443,534	\$8,716,564
<b>2027</b>	\$209,847,098	\$6,377,820	\$2,391,682	\$106,851,258	\$73,030,293	\$10,902,076
<b>2028</b>	\$210,175,994	\$8,022,510	\$3,008,441	\$109,629,390	\$76,802,308	\$13,515,689
<b>2029</b>	\$210,647,310	\$9,691,567	\$3,634,338	\$112,479,755	\$80,769,147	\$16,640,807
<b>2030</b>	\$211,318,751	\$11,390,631	\$4,271,487	\$115,404,228	\$84,940,873	\$20,377,080
<b>2031</b>	\$212,124,422	\$13,121,749	\$4,920,656	\$118,404,738	\$89,328,069	\$24,843,568
<b>2032</b>	\$213,000,609	\$14,887,202	\$5,582,701	\$121,483,261	\$93,941,864	\$30,182,526
<b>2033</b>	\$214,072,767	\$16,699,580	\$6,262,342	\$124,641,826	\$98,793,961	\$36,563,917

## Recommendations:

### Near-term revenue mechanisms

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*<sup>32</sup>:

- 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.
- 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.
- 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.

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<sup>32</sup> Recent statistics suggest US average gas prices peaked at over \$5 per gallon in June 2022, with September 5, 2022, prices in the U.S. West (outside of California) at \$4.74 per gallon. The U.S. West average price has not been below \$4 per gallon since October 11, 2021. See: Gasoline and Diesel Fuel Update, U.S. Energy Information Administration (September 2022).

**Mid- and longer-term revenue mechanisms:**

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

## 4. Land Use and Transportation

*(DRAFT Recommendations on page 14)*

### Findings:

- ▶ Nevada comprises more than 110,000 square miles and is the seventh largest state in total land mass. More than 80% of land in Nevada is owned or managed by the federal government.<sup>33</sup>
- ▶ As of 2020, Nevada's total population was approximately 3.1 million people,<sup>34</sup> with much of the state's population located in two metropolitan areas: Las Vegas and Reno/Carson City. The state projects continued population growth with rates exceeding 1% growth each year for the next five years.<sup>35</sup>
- ▶ Transportation has an outsized effect on the way land is utilized in the state. However, land use is also impacted by decisions in many other areas of public policy and other sectors of the economy, including the demand for more affordable housing, business recruitment and retention, economic growth, and more.
- ▶ State law generally reserves land use planning and decision-making for local or regional governments, as they are best attuned to the unique needs of their communities.

### Conclusions:

- ▶ Due to Nevada's fast population growth, rapid economic development, and concerns about natural resource depletion, there is an increasing strain on the level of public resources needed to maintain this growth. Therefore, the way land is used and how to sustainably manage it has become an important challenge as the state grows.
- ▶ The federal government owning or managing more than 80% of the land in Nevada preserves much of the open space, but also hampers the state's ability to effectively design and plan for sustainable land use and development.
- ▶ There is an intrinsic relationship between the local, regional, and statewide transportation systems and the way that Nevadans utilize the land in the state. In addition to transportation policy, land use is also impacted by decisions made in other areas of public policy such as economic development, agriculture, energy, tourism, water and more. Therefore, any deliberations and decisions about the role of land use in the state should be conducted by a broad group of stakeholders, representing a comprehensive range of Nevada interests.

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<sup>33</sup> "[Federal Land Acres in Nevada](#)" (PDF). U.S. Dept. of the Interior, Bureau of Land Management. Archived from [the original](#) (PDF) on September 30, 2006. Retrieved May 7, 2009.

<sup>34</sup> <https://www.census.gov/quickfacts/NV>

<sup>35</sup> <https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/March%202021%20Five%20Year%20Projections.pdf>

- ▶ Land use planning and decision-making has historically been conducted at the local or regional level. Therefore, any changes to the laws governing land use must recognize this historical responsibility and how local governments are uniquely positioned to conduct planning and decision-making at the community or regional level.

### **Recommendations:**

- 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.