



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: July 7, 2016

Staff Contact: Darren Schulz, Public Works Director

Agenda Title: For Possible Action: To approve the language of the ballot question on motor vehicle fuel tax indexing which will be placed on the November 2016 general election ballot as required by Assembly Bill No. 191 of 2015. (Darren Schulz, dschulz@carson.org)

Staff Summary: Carson City is required to approve the ballot language which will be used in November 2016 regarding motor vehicle fuel tax indexing. Draft ballot language has been developed which includes the question, explanation, digest, and description of anticipated financial effect. Arguments for and against passage will be presented separately to the Board.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

Move to approve the language of the ballot question on motor vehicle fuel tax indexing which will be placed on the November 2016 general election ballot as required by Assembly Bill No. 191 of 2015.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

N/A

Background/Issues & Analysis

Carson City is required to place on the ballot at the 2016 general election a question which asks the voters in Carson City whether to authorize the Carson City Board of Supervisors to impose, for the period beginning on January 1, 2017, and ending on December 31, 2026, annual increases to taxes on certain motor vehicle fuels. Assembly Bill 191 of 2015 provided for a county-by-county vote on motor vehicle fuel tax indexing for each county in the state with the exception of Washoe County, which already has motor vehicle fuel tax indexing approved by the voters of that county. This action by the Board would approve, as required, the ballot language which will be utilized for the November 2016 general election.

The proposed language was developed by staff with significant input from the District Attorney's Office. Additionally, the draft text was presented to the Carson City Regional Transportation Commission (RTC) at the RTC's April 13, 2016, meeting. The draft was modified after receiving RTC input primarily related to the length of the draft language.

The draft language complies with statutory requirements and includes the establishment of policy regarding this measure which is an option available to the City. The draft language indicates that the annual increase will not exceed three cents (\$0.03). Without this provision, the increases could range higher than that figure annually and the results of the vote would be less known to the individual voter. Additionally, the three cents is

consistent with the forecast of revenues provided to Carson City by the Nevada Association of Counties (NACO) who provided the figures after receiving input from the State Department of Motor Vehicles and Transportation.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: N/A

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

Modify proposed language.

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

PROPOSED NOVEMBER, 2016 CARSON CITY BALLOT LANGUAGE

(Required by Assembly Bill No. 191 (2015), relating to motor vehicle fuel tax indexing)

Question

Shall the Carson City Board of Supervisors enact an ordinance to impose, for the period beginning on January 1, 2017 and ending on December 31, 2026, annual increases to the taxes on motor vehicle fuel and various special fuels used in motor vehicles in an amount not to exceed in each year a total of three cents (\$0.03) for every gallon sold in Carson City, with the revenue generated from the increase to be used for the sole purpose of building, maintaining and repairing roads and highways located only in Carson City?

Explanation

Currently, counties in Nevada may impose certain taxes on motor vehicle fuel and special fuels used in motor vehicles (collectively, "Fuels"), and the board of county commissioners in all counties, other than in Clark and Washoe County, are required to impose additional county taxes on those Fuels if approved by a majority of the voters in those counties at the general election in November 2016. After voter approval, the board of county commissioners of those counties may also impose annual increases in the taxes for the period beginning on January 1, 2017, and ending on December 31, 2026. Before the 78th (2015) Session of the Nevada Legislature, state law required a statewide measure to be placed on the November 2016 ballot for Nevada voters to decide whether to authorize the State to impose additional state taxes to the Fuels. After the enactment of Assembly Bill No. 191, the requirements for the statewide ballot measure were repealed and instead, upon approval by a majority of the voters in the county at the general election in November 2016, the board of county commissioners of a county other than Clark or Washoe County is required to impose the *state* taxes in the same manner as the board is required to impose the additional *county* taxes on the Fuels. If this ballot question is approved, the Carson City Board of Supervisors would be required to impose these state taxes.

These additional county and state taxes are required to be calculated by applying a formula factoring a certain percentage based on certain construction inflation, and the percentage cannot exceed 7.8 percent. This practice of tying the fuel tax rate to the rate of certain construction inflation is known as fuel indexing. However, because a board of county commissioners is also authorized to use a percentage that is lower than 7.8 percent, the Carson City Board of Supervisors will apply a percentage which will result in annual increases to the motor vehicle fuel tax in an amount not to exceed in each year a total of three cents (\$0.03) for every gallon sold in Carson City if this ballot question is approved. If this ballot question is approved, the Carson City Board of Supervisors will be required to adopt an ordinance to impose the annual tax increases and the revenue collected from the annual increases in these taxes will be required to be used in accordance with state law and for purposes related to the construction, maintenance and repair of roads and highways located only in Carson City.

A "YES" vote would allow Carson City to enact an ordinance to impose, for the period beginning on January 1, 2017 and ending on December 31, 2026, annual

increases to the taxes on certain motor vehicle fuels sold in Carson City, with the revenue from those increases to be used solely for improvements to roads, streets and highways located in Carson City.

A “NO” vote would prohibit Carson City from enacting an ordinance to impose, for the period beginning on January 1, 2017 and ending on December 31, 2026, annual increases to the taxes on certain motor vehicle fuels sold in Carson City, and also prevent improvements to roads, streets and highways located in Carson City that would have been funded by the increases.

Digest

If passed, this measure would create, generate or increase public revenue. Passage or defeat of this measure by the voters of Carson City would not add to, change or repeal Nevada state laws which govern county taxes on fuel (NRS chapter 373) and how such taxes must be spent (NRS chapter 365). If passed, this measure would require the Carson City Board of Supervisors to enact an ordinance before imposing the additional taxes authorized by Assembly Bill No. 191. Ordinances adopted by the Carson City Board of Supervisors that concern motor vehicle fuel taxes are codified in Chapter 11.20 of the Carson City Municipal Code. Therefore, passage of this ballot measure would require additions or amendments to Chapter 11.20 of the Carson City Municipal Code.

Description of Anticipated Financial Effect

If passed, this measure would authorize taxes that are cumulative where subsequent increases are added to prior years' taxes. The Nevada Department of Motor Vehicles has prepared a document titled the “County Index Tax Revenue Projections FY17-FY26” which estimates that the additional taxes could potentially generate approximately \$40 Million of additional revenue for Carson City by the end of 2026.

Arguments for Passage

To be included pursuant to NRS 295.121.

Arguments Against Passage

To be included pursuant to NRS 295.121.

Rebuttal

To be included pursuant to NRS 295.121.

PROPOSED NOVEMBER, 2016 CARSON CITY BALLOT LANGUAGE

(Required by Assembly Bill No. 191 (2015), relating to motor vehicle fuel tax indexing)

ARGUMENTS FOR PASSAGE:

Carson City owns 274 miles of paved roads. Around 32 percent are in poor condition or worse. There is just not enough money to fix those roads and the percentage of roads that will continue to crumble will just increase over the years as Carson City experiences population growth.

While nonresident drivers benefit from the use of our roads and contribute to the wear and tear, it is the people living here who suffer the consequences. If this ballot question passes, any person who buys fuel here will contribute money to help maintain the roads for the use of everyone. Those contributions would be only 3 cents for each gallon of fuel that is purchased.

Inflation in the cost of street and highway construction has eroded the purchasing power of money from motor vehicle fuel taxes. This measure simply indexes the current rates to inflation so that the purchasing power of money collected from the tax will keep up with the rate of inflation for road repairs. If there is no inflation, there is no annual increase.

100 percent of the indexed revenue from the county and federal fuel taxes will be spent in Carson City and not sent elsewhere. This measure provides local control over money to fix roads and increase safety, instead of putting the money in the hands of the state or federal government.

The financial impact of this measure is nominal on taxpayers who buy gas, there is no environmental impact and by its passage, there will be more money to fix dangerous roads to promote public health, safety and welfare.

ARGUMENTS AGAINST PASSAGE:

This ballot measure is just a series of separate tax hikes, one for each year of increase. Even worse, these tax hikes are a form of taxation without representation because neither the Legislature nor the citizens of Carson City vote for each year's tax increase separately. If the Legislature wants to increase taxes, they should have to vote for each increase one at a time.

Burdening the citizens of this city with these tax increases is just passing the failures of government onto the people. The annual increases are also cumulative, which means every year's increase rolls into the next year and so the tax becomes higher and higher in what is a snowballing effect.

Nevadans already pay over 50 cents per gallon in fuel tax. Fuel prices are volatile and fluctuate all the time, helping to drive up the cost of food, medicine, clothing, utilities and other necessities. An automatic fuel tax index would just add to high energy costs that Nevadans have to pay.

This tax is not an adequate response to our transportation needs. Nevada needs a real plan to repair roads. What happens after the tax increases go away and our roads are still in bad shape? Does that mean the government will simply impose a new tax? This cycle of taxation does not fix long-term problems because it is not a long-term solution.

The financial impact of this measure is a burden on taxpayers who buy gas. There is no environmental impact but there is no guarantee that this measure will ensure public health, safety and welfare because no one knows if our government will use the tax money wisely.