

# CARSON CITY BALLOT QUESTION NO. CC 1

## CONDENSATION (Ballot Question)

Shall Carson City continue to collect an existing excise tax of five cents (\$0.05) per gallon on diesel fuel sold in Carson City, with the revenue generated from the excise tax to be used for the sole purpose of constructing, maintaining and repairing public highways, roads, streets and alleys located in Carson City?

Yes  No

### EXPLANATION

**EXPLANATION**— NRS 373.062, codified after the passage and approval of Senate Bill 48 during the 2019 session of the Nevada Legislature, and sponsored by the Nevada Association of Counties (“NACO”), was enacted to help bridge the road maintenance funding gap by enabling rural boards of county commissioners to vote to impose a tax on diesel fuel up to five cents per gallon or, alternatively, to ask voters to approve such a tax. Prior to enactment of this law, counties with populations below 100,000, including Carson City, were not allowed to impose any county taxes on diesel fuel. On June 4, 2020, the Carson City Board of Supervisors enacted Ordinance 2020-7, now codified at section 21.05.020 of the Carson City Municipal Code (“CCMC”), to impose a five cent per gallon diesel fuel tax for a period of approximately two years before submitting the issue directly to Carson City voters in the 2022 General Election. That tax became effective on August 1, 2020, but the tax will automatically expire and no longer be collected after December 31, 2022, unless Carson City voters approve a ballot question allowing the diesel fuel tax to continue.

Through the end of November 2021, a collection period of 16 months, Carson City has received a total of approximately \$685,000 from the five-cent diesel fuel tax, or an annualized amount of approximately \$500,000. This money is used to fund the design and construction of pavement rehabilitation and preservation projects on roads maintained by Carson City. The funding is being used for pavement preservation projects scheduled for the 2021/2022 cycle as part of the City’s Pavement Management Plan, including, but not limited to, roadway projects planned for Saliman Road, Curry Street and Silver Sage Drive.

**A “YES” vote would allow Carson City to continue imposing and collecting the five cent per gallon tax on diesel fuel sold in Carson City, with the revenue from the tax to be used solely for repairs and improvements to public highways, roads, streets and alleys located in Carson City.**

**A “NO” vote would allow the current five cent per gallon tax on diesel fuel to expire and Carson City would no longer collect the tax after December 31, 2022, which would reduce available funding for repairs and improvements to public highways, roads, streets and alleys located in Carson City.**

## DIGEST

If passed, this measure would continue to 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, the Carson City Board of Supervisors would adopt an ordinance amending CCMC 21.05.020 to remove the language regarding expiration of the diesel fuel tax. Therefore, passage of this ballot measure would require revisions to CCMC 21.05.020.

### DESCRIPTION OF ANTICIPATED FINANCIAL EFFECT

If passed, this measure would authorize the continued collection of a diesel fuel tax previously adopted by the Board of Supervisors. In 2019, NACO estimated the annual net proceeds for Carson City if a five-cent diesel fuel tax was implemented based on fiscal year 2017-2018 diesel gallons sold at approximately \$400,000. In practice, Carson City has collected an annualized amount of approximately \$500,000 since August 1, 2020.

### ARGUMENTS FOR PASSAGE

A “Yes” vote will allow the continuance of a five cent (\$0.05) per gallon tax on diesel fuel purchased in Carson City to be used for the sole purpose of construction, maintenance or repair of public roads maintained by Carson City. This tax was added in 2020 by the Board of Supervisors but will expire on December 31, 2022, unless the majority of Carson City’s voters approve its continuation.<sup>1</sup> Carson City’s annual budget for roads is approximately \$4.5 million including the diesel fuel tax. The annual estimated road funding deficit is \$15 million.<sup>2</sup> Without a “Yes” vote, the funding gap will widen and the condition of Carson City roads will further deteriorate and the cost of keeping them in serviceable and safe condition will increase.

Most of Carson City’s road funding comes from gasoline fuel taxes collected in Carson City. Without passage of the question, owners of gasoline-fueled vehicles will bear the full road user burden for local road construction and maintenance. While the proceeds from the diesel tax do not fill the full funding gap, it has represented a roughly 10% increase in the City’s funding for roads.<sup>2</sup> The diesel tax helped fund recent pavement preservation projects on Saliman Road, Curry Street, and Silver Sage Drive.<sup>3</sup> Without it, one of these projects could not have proceeded. Funding for local neighborhood streets, which comprise two-thirds of Carson City’s road system,<sup>4</sup> is particularly limited. These roads are not eligible for nearly all of the federal-aid funding programs that Carson City aggressively pursues. Federal aid is restricted for use only on the more heavily travelled collector and arterial roads in the local system, which comprises the other one-third of the City’s road network.<sup>5</sup>

Diesel-fueled vehicle owners should help fund road and street maintenance and repair. Most larger and heavier vehicles use diesel fuel. They accelerate deterioration on roads and streets compared to lighter vehicles. Diesel exhaust emissions will continue with or without the tax.

Carson City enjoys favorable total diesel fuel cost comparisons to surrounding counties.<sup>6</sup> All but one of the surrounding counties have imposed some form of diesel tax.<sup>7</sup> Whether or not a county collects the five cent tax appears to have negligible effect on the total diesel fuel price. Carson City will benefit from revenue collected from non-local users fueling here because of lower cost. There are significantly higher diesel fuel prices in some surrounding areas.<sup>8</sup>

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<sup>1</sup> - The Carson City Board of Supervisors enacted Ordinance 2020-7, now codified at section 21.05.020 of the Carson City Municipal Code, to impose a five-cent per gallon diesel fuel tax. That tax became effective August 1, 2020. The receipts of the excise tax imposed by subsection 1, as apportioned to Carson City, must be deposited in the Carson City Regional Transportation Fund, or an equivalent successor fund, for the sole purpose of construction, maintenance, or repair of public highways, roads, streets and alleys, other than those maintained by the federal government and State of Nevada.

<sup>2</sup> - From information provided by Carson City RTC staff: The annual budget for roads is approximately \$4.0 to \$4.5M including the diesel fuel tax. The diesel tax accounts for approximately \$500k of the \$4-\$4.5M budget, so roughly 10% of the funds used to repair and maintain Carson City roads. The annual estimated funding deficit is \$15 million.

<sup>3</sup> - Contracts were approved at the May 2022 RTC meeting for these three projects. Without the diesel tax revenue, there would have been insufficient funding to award all three contracts.

<sup>4</sup> - Carson City Pavement Condition Analysis Final Report, February 26, 2021, pg. 2, Table 1. Pavement area by roadway functional classification.

<sup>5</sup> - From information provided by Carson City RTC staff: Regarding use of federal dollars on local/neighborhood roads, Surface Transportation Block Grant program (STBG) and other federal surface transportation grants (RAISE, TIGER) are only eligible on Collector and Arterial roadway classifications, never for locally classified roads.

<sup>6</sup> - Gas Buddy: <https://www.gasbuddy.com/gasprices/nevada>

AAA: AAA Gas Prices

<sup>7</sup> - <https://dmv.nv.gov/fuel.htm>

<sup>8</sup> - Gas Buddy: <https://www.gasbuddy.com/gasprices/nevada>

AAA: AAA Gas Prices

*The above argument was submitted by the Ballot Question Committee composed of a citizen in favor of this question as provided for in NRS 295.121.*

## **ARGUMENT AGAINST PASSAGE**

With high fuel prices and a forty-year high inflation rate, now is not the time to extend diesel fuel taxes. Diesel prices impact more than just the one consumer filling his or her tank. It effects the local "do it yourself" warehouse type stores for cost of materials and appliance delivery. Same with the delivery prices for the local big box stores for their goods. The tax will be passed onto you, as a consumer, whether or not you own a diesel vehicle. In other words, this will increase the likelihood that you will pay more for goods and services that are delivered by vehicles that use diesel fuel.

The anticipated financial effect of the question is that the cost of goods will increase to all consumers. There isn't an environmental, public health or public safety impact due to the tax; however, the public welfare impact could be substantial due to the increased costs of goods.

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### **REBUTTAL TO ARGUMENT AGAINST PASSAGE**

The high cost of diesel fuel cannot be attributed to the five cent (\$0.05) diesel tax. It represents less than 1% of the cost of a gallon of diesel. Prices are just as high or higher in Nevada counties that have not enacted this tax. The average diesel price in Carson City has remained one of the lowest in the state since the diesel tax was initiated in August 2020.<sup>1</sup> The argument against it ignores the benefits this small tax provides in helping fund much needed local street improvements.

The diesel tax has minimal, if any, effect on the cost of goods and services since transportation is only a minor part of their cost and this tax is less than 1% of the transportation fuel cost. Further, most of the diesel fuel used for transporting goods and services is not purchased directly in Carson City. This tax **only** applies to diesel fuel **purchased** in Carson City.

The tax helps create more equity amongst users of Carson City roads and streets. Without it, only gasoline-fueled vehicle users contribute to the road and street budget. Taxing electric vehicles will be discussed at the 2023 Legislature, with more and more electric vehicles expected to be on the road. The diesel tax is needed now, and for the foreseeable future, as part of a comprehensive funding approach to meet our needs.

The fiscal impact of the tax is positive. Proceeds must be used to help fund local road and street construction and maintenance projects in Carson City. The tax collected here will stay here.

There is positive impact to the health, safety, and welfare of Carson City residents by helping to fund road safety improvements. The money will be put to good use.

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<sup>1</sup> – Gas Buddy: <https://www.gasbuddy.com/gasprices/nevada>  
AAA: AAA Gas Prices

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## **REBUTTAL TO ARGUMENT FOR PASSAGE**

The big question here is not the pros and cons of this tax, but why are we being asked to continue a diesel fuel tax when voters made clear in 2016 that we did not want additional fuel taxes. Period. Carson City voters previously rejected a tax increase on regular (non-diesel) motor vehicle fuel in 2016. The vote was 65.93% NO to 34.07% YES.

Although this current question only applies to diesel fuel, the message from 2016 should have been loud and clear that Carson City residents do not want additional fuel taxes, diesel or otherwise. But it seems the voice of the people was not heard. The five-cent diesel tax was adopted with a sunset date of December 31, 2022. It is now up to the voters to decide whether to keep the tax. If Carson City voters who are against this tax want to be heard, vote NO.

*The above rebuttal was submitted by the Ballot Question Committee composed of a citizen in opposition of this question as provided for in NRS 295.121.*