

MEMBERS PRESENT:

CHAIRMAN PRICE
VICE CHAIRMAN CRADDOCK
ASSEMBLYMAN CHANEY
ASSEMBLYMAN COULTER

ASSEMBLYMAN BERGEVIN
ASSEMBLYMAN MARVEL
ASSEMBLYMAN RUSK
ASSEMBLYMAN TANNER
ASSEMBLYMAN WEISE

MEMBERS ABSENT:

ASSEMBLYMAN DINI
ASSEMBLYMAN MANN

GUESTS PRESENT:

See attached List

A quorum being present, Chairman Price called the meeting to order. He stated that the purpose of the meeting was to hear testimony on SB 562 and also SB 419 which had just been referred to the committee.

SB 419

Senator Kosinski spoke in support of this bill. He presented an exhibit for the committee's information, which is attached to these minutes as Exhibit A through Exhibit I. He explained that this information was compiled by the Senate Taxation Committee with the help of the State Highway Department.

The Senator shared some of the concerns that the Senate Taxation Committee had had before they passed this bill out of committee. This bill would have a 2¢ increase on both gasoline and special fuels. Senate Taxation had discussed alternatives to this bill such as using surplus state funds for this. However, this would be a one shot solution and would not answer the long term needs.

Senate Finance has budgeted \$5,000,000 for a DMV building and that 5 years ago this money would have come from the Highway Fund. They also have put \$5,000,000 aside for equipment for the highway department which a few years ago would not have used general funds for. It is felt by many that the needs of the Highway Department should be provided by highway users. Those funds should not come from revenue received from ad valorem, gaming etc. taxes.

Senator Kosinski acknowledged that increasing this tax is politically unpopular but that it should be the concern of the legislature to provide a method to take care of the highways of the state. The Senator continued by stating that it was during the first term of Governor O'Callaghan that the highway fund began operating at a deficit. The Governor had taken a position that he was not going to increase taxes during his term and he managed to do that. Senator Kosinski stated that the Senate Taxation Committee did not believe that it would be responsible on the legislature's part

Date: May 15, 1979

Page: Two

if they did not direct their attention to the needs of the highway fund. They do not think that it will get any better in two years and feel that this is the proper time to act.

Mr. Rusk inquired what the Senator felt was going to be accomplished by pushing this responsible piece of legislation through to the Governor's desk, when the ground rules have been laid, and the Governor has stated that he will veto any increase in taxes that does not include a vote of the people.

Senator Kosinski stated that this was something that they discussed in committee and when they first discussed the issue they assumed that it would be with a referendum provision. This, however, was declared to be unconstitutional by Legislative Counsel, Frank Daykin. They also felt that even if they did go with the referendum and it failed in 1980, the 1981 legislature would not touch the issue at all. They also discussed the possibility of the Governor vetoing the bill without a referendum attached but felt that it would be irresponsible on their part not to respond to what they saw as a clear need in the highway system and it would be up to the Governor to make that final decision.

Mr. Rusk went on to ask if they felt this was in conflict with AB 750 to which Senator Kosinski replied that they did not feel there was any conflict and felt that both bills should go to the Governor at the same time.

Mr. Tanner inquired what the projected timetable would be to cover the 640 miles that need to be repaired. The Senator replied that the need would not be addressed with the immediate dollars and that it would be over many years before the 640 miles would be taken care of. Bob Guinn added that it would probably take at least 4 years to clean this up and that of course other highways would be deteriorating in that same period.

Senator Kosinski stated that the information that they had in committee was that by 1985 the dollar amount that would be needed would be somewhere near \$175,000,000 to catch up on highways that are in critical need of repair and resurfacing. There is no federal money in maintenance of highways.

Mr. Marvel stated that Lander County hadn't used the 2¢ additional allowed as yet and that the County Commission has tried to put it on and that there was real opposition to it from the people.

Mr. Craddock moved for a "do pass" recommendation on SB 419 and Mr. Rusk seconded the motion. The motion passed with Mr. Chaney, Mr. Coulter and Mr. Marvel voting against the motion and Mr. Mann and Mr. Dini absent.

Mr. Weise asked to make a statement for the record regarding his vote on SB 419. He stated that he had voted for the bill mainly because one of their bills was being held hostage in the Senate. There is no question that there is a major problem and that the photographs are legitimate. Mr. Weise stated that he thinks that

one of the major problems is the highway department itself and its administration and management of it and the allocations of some of these monies. There is going to be a study on that. He stated that he would support this bill to put it on the floor but that it might be a very brief interim solution and might be reversed in a short period if they analyze the whole situation. The highway fund has been in trouble financially for a long time and finally this year it went from black to red. They have been working on a very precarious profit margin. He stated that he would have no reservations about repealing this if they find that there are alternatives but at this time there is no time to search them out.

SB 562

Jeanne Hannifin, Department of Taxation, stated that this was drafted as a result of a meeting of the Multi-state Tax Compact Advisory Commission on April 19. There was discussion at that time that Nevada was to enter an audit program conducted by the Compact dealing with sales tax. The cost of that audit program would be \$35,000 a year to the state. The money has been appropriated by the Ways & Means Committee and is in their budget. The committee was not convinced that there would be substantial benefits in joining the audit program. Since no one knows exactly what the benefit will be they felt that perhaps it should be evaluated in one year. This is basically what this bill does; it allows the Legislative Commission to withdraw Nevada from the Multi-state Tax Compact at the end of one year if the audit program is not successful.

Mrs. Hannifin continued that the audit program that has been conducted in the western states in the past has returned approximately \$23 for each \$1 of cost to the state. Nevada would be looking at approximately an \$600,000 return on the \$35,000 cost of the program.

Mr. Price stated that after the first year if they have not recouped the amount of the cost, the cost for the second year would be lowered. Mrs. Hannifin stated that there was a guarantee on the cost of the audit program.

In answer to Mr. Tanner's question regarding a contractual agreement, Mrs. Hannifin stated that it is by statute passed in 1967. There are 19 member states which are mostly in the west. It was set up in 1967 to provide a contractual arrangement between states to avoid double taxation of businesses. At that time there was federal legislation pending which would have federal government take over the entire sales tax administration. States wanted to take care of this themselves and this was the basic reason for this Compact. Since then they have been conducting inter-state audits of income tax returns and things like that. The audit program for sales tax is new and it is the first time that Nevada has been in this program.

Mrs. Hannifin continued by stating that they do not provide audit service for anyone but that the Multi-state Tax Compact has staff auditors that do the audits out of state. They audit businesses and if in the course of that audit find that the business is doing

business in the State of Nevada and has not paid the Nevada Use Tax or Sales Tax; the auditor would report this information to Nevada - the amount. If Nevada has jurisdiction on that corporation, then they would be assessed the defficiency and collect the same.

AJR 32

Mr. Price presented copies of handwritten comparisons of AJR 32 and SB 204. This is attached to these minutes as Exhibit J.

Mr. Dan Miles, Fiscal Analyst went over the information for the committee and pointed out the differences between AJR 32 cap on state spending and that found in SB 204.

Mr. Miles stated that in AJR 32 the base year is a fiscal year and the state makes a number of 2-year appropriations. DSF is an example of this where they make appropriation for each year of the biennium; but those appropriations are available both years, because the amount of money that is spent out of that fund is depended upon a formula. Therefore, they do not know 100% in which fiscal year it will be spent. He suggested that perhaps the committee may want to amend the bill to make the base year the biennium instead of fiscal year.

Mr. Rusk stated that Frank Daykin had told him that would be a problem breaking out the school but that it can be done. The overall bill spells out what the committee had originally intended and it speaks to what they were trying to accomplish.

Mr. Rusk moved for a "do pass" recommendation and Mr. Weise seconded the motion. The motion passed with Mr. Craddock opposed, Mr. Price abstaining and Mr. Dini and Mr. Mann absent.

Attached to these minutes as Exhibit K is a copy of the comments made on the floor of the Senate regarding SB 419 as requested by the committee.

As there was no further business to conduct, Chairman Price adjourned the meeting.

Respectfully submitted,

Sandra Gagnier
Sandra Gagnier,
Assembly Attache

ASSEMBLY TAXATION COMMITTEE

GUEST LIST

Date:

NAME

REPRESENTING

WISH TO SPEAK
YES NO

NAME	REPRESENTING		WISH TO SPEAK YES	NO
Grant Bastian	Summit Engr'g	58419	<input checked="checked" type="checkbox"/>	
John Bowden	Self	58419	<input checked="checked" type="checkbox"/>	
James Hanrahan	DOT			
Bill Andrews	Dept of Treasur.			X

SB 419

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\$41.1 million backlog of Resurfacing Projects	Exhibit E
Photographs	Exhibit F
Chart of Maintenance Costs per Maintained Mile	Exhibit G
Letter to Senator Kozinski	Exhibit H
Department of Highways Budget Summary	Exhibit I

NARATIVE

Erosion of the Department of Highways' traditional funding sources has been taking place during the past decade. As indicated in Exhibits B & C "Highway Fund Expenditures v. Revenues" both revenues and expenditures have increased over the years, but neither has kept pace with the increases in construction and maintenance costs. Nor have they matched the demand for maintaining the increased lane miles of roadway and other facilities progressively constructed to serve the motoring public.

The Department has taken advantage of new techniques, new controls, and more efficient equipment to compensate for the relative diminishing support. With Federal assistance, the Department has engaged in experimental projects to further the efficiency of our effort.

The Department of Motor Vehicles too, has experienced the problems associated with inflation and expansion. Exhibit D provides a Comparison of Non-Highway Department Expenditures to DMV and Gas Tax Revenues. Being a major source of user funding for the Highway Department, the percent of DMV expenditures to total revenues is of great concern to the Highway Department. It may be noted that the percent available for Highway purposes has decreased from 80.5% in 72-73 to 74.6% in 82-83. Any relative loss to the Highway Fund has a direct adverse affect on the Highway Departments' capability to construct and maintain highways.

Exhibit E lists a backlog of some 640 miles requiring an estimated 41.1 million in current dollars for resurfacing that has developed. Under recent revenue levels, less than 7 million annually has been dedicated to this effort. At current rates of inflation, the 41.1 million will grow to over 50 million in 1981. The potholes and eroding pavement edges of which the public is so aware, has given way to desintegration of the entire surfacing in areas where remedial funding cannot be provided. Exhibits F are photographs of an area where a fatal accident occurred and are indicative of this steadily growing dangerous condition. The Department is being sued, and it is asserted the road conditions contributed to the accident. It should be noted that

EXHIBIT A

1066

A

the General Fund pays for this type of judgment against the State. Approximately 12 miles of road in this area has experienced pavement and base failure and will require reconstruction. Had funds been available when needed, the cost per mile to re-pave would have been \$48,700 per mile. Reconstruction will cost \$88,700 per mile exclusive of widening and safety work. A contract will be let this summer to correct this particular section. There are a number of other areas in the State, however, where conditions are approaching those depicted in the photographs.

Exhibit G shows the Maintenance Costs per Maintained Lane Mile.

A full assessment of the impact of the gasoline shortage has not been made, however, the preliminary data reveals a sizeable drop in the expected sales of gasoline. Not only is this potential loss of anticipated revenue a detriment to the overall program, in the short term, the reduction in use of gasoline does not materially affect the demands for maintenance of the roadways.

Under current conditions, maintenance must be further curtailed commensurate with the revenues available to the Highway Fund. The fund no longer has a surplus cushion. Having already reduced the maintenance forces, the remaining options are to retard the replacement of maintenance equipment or reduce the resurfacing program. Federal funds cannot be used for maintenance.

In our letter to Senator Kosinski (Exhibit H), we estimated that a 2¢ per gallon tax increase would produce approximately 11.5 million this year in additional revenue. If approved, these funds would be used for maintenance, resurfacing and Federal-Aid matching as a first priority.

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EXHIBIT A

1067

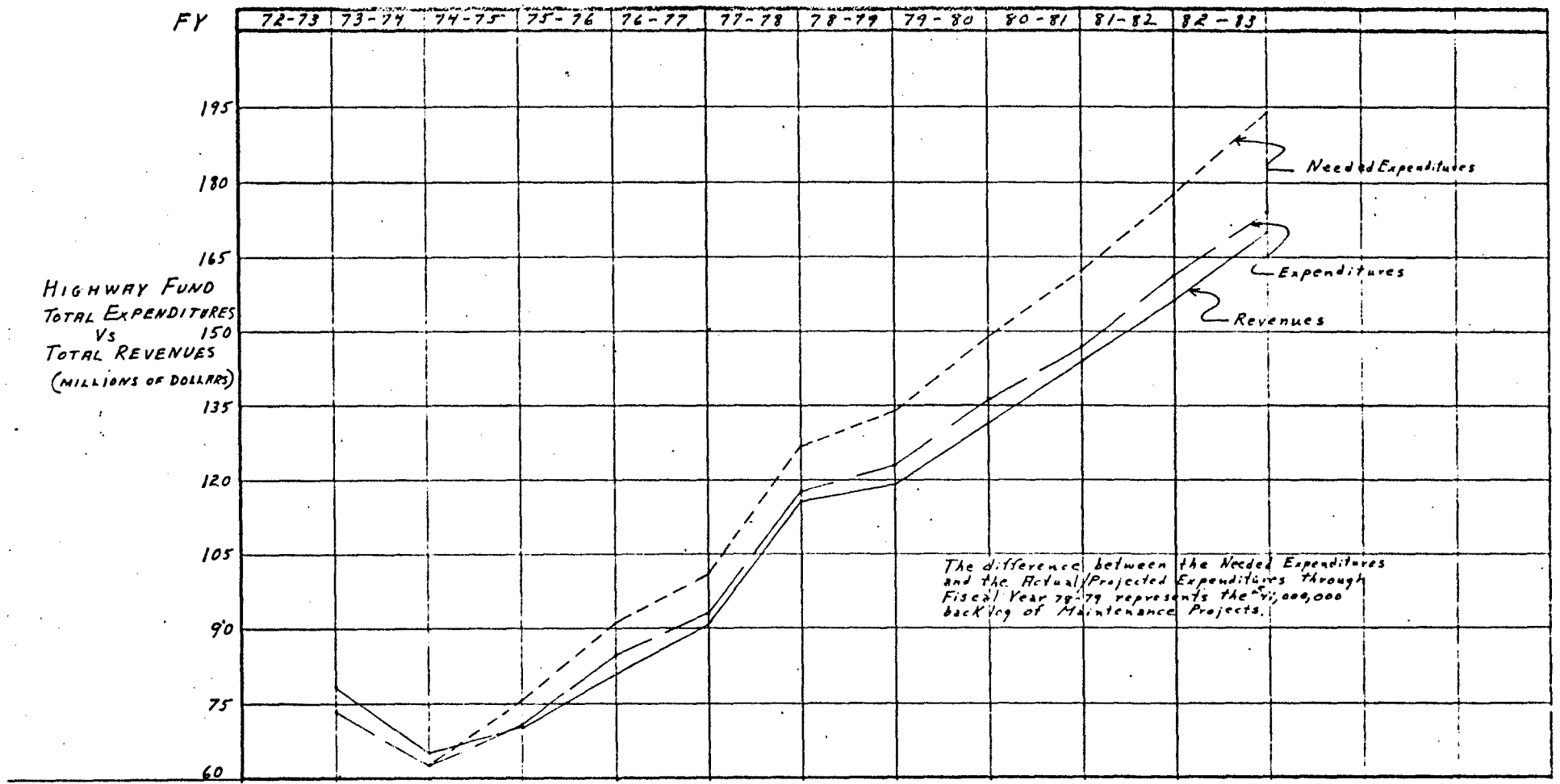
DEPARTMENT OF HIGHWAYS
COMPARISON OF ACTUAL AND NEEDED EXPENDITURES
TO REVENUES FY72-73 thru FY82-83

1	2	3	4	5	6
FISCAL YEAR	HWY DEPART REVENUES	HWY DEPT. ACTUAL/ PROJECTED EXPENDITURES	DIFFERENCE (Col 2-Col 3)	NEEDED EXPENDITURES	DIFFERENCE* (Col 2-Col 5)
72-73	\$ 78,428,032	\$ 73,255,541	\$ 5,172,491	\$ 73,255,541	\$ 5,172,491
73-74	65,336,057	62,505,106	2,830,951	62,505,106	2,830,951
74-75	69,977,674	70,998,599	(1,020,925)	75,498,599	(5,520,925)
75-76	81,519,007	84,904,747	(3,385,740)	91,404,747	(9,885,740)
76-77	91,323,524	92,782,093	(1,458,569)	100,782,093	(9,458,569)
77-78	115,717,674	117,347,158	(1,629,484)	126,847,158	(11,129,484)
78-79	119,253,924	122,785,123	(3,531,199)	134,285,123	(15,031,199)
79-80	131,933,000	135,816,444	(3,883,444)	149,316,444	(17,383,444)
80-81	143,334,800	146,879,161	(3,544,361)	162,379,161	(19,044,361)
81-82	156,234,032	160,787,533	(4,553,501)	177,787,533	(21,553,501)
82-83	170,296,076	174,472,668	(4,176,592)	193,972,668	(23,676,592)

*A 2¢ per gallon gas tax and special fuel increase will increase estimated revenues for the next four years as follows:

79-80	\$12,160,980
80-81	13,027,637
81-82	14,058,642
82-83	15,177,295

The difference between the needed expenditures and the actual expenditures through fiscal year 78-79 represents the \$41,000,000 backlog of maintenance projects



DEPARTMENT OF HIGHWAYS
 COMPARISON OF NON HIGHWAY DEPARTMENT EXPENDITURES
 TO DMV AND GAS TAX REVENUES

<u>FISCAL YEAR</u>	<u>DMV AND OTHER EXPENDITURES</u>	<u>HIGHWAY FUND REVENUE*</u>	<u>PERCENT AVAILABLE FOR HIGHWAY PURPOSES</u>
72-73	\$6,091,896	\$31,233,596	80.5
73-74	8,076,954	32,843,691	75.4
74-75	7,700,255	33,867,792	77.3
75-76	9,857,293	36,316,217	72.9
76-77	9,675,820	39,384,626	75.4
77-78	11,144,142	43,457,809	74.4
78-79	11,678,923	47,189,300	75.2
79-80	13,345,244	50,497,800	73.6
80-81	13,784,961	54,475,100	74.7
81-82	15,714,855	59,177,197	75.4
82-83	16,343,449	64,297,325	74.6

*Includes DMV Revenues and Fuel Tax
 After Distributions to Cities and Counties

9

DETERMINATION OF RESURFACE (RS) BACKLOG

<u>FEDERAL AID INTERSTATE</u>	<u>MILES</u>	<u>COST</u> Millions
I-15 8.5 mi to 16.4 mi NE Cal Line	7.84	1.4
I-15 Henderson Int. to Flamingo Rd. (incl. Safety)	10.65	3.3
I-80 Sparks to McCarran Hill (incl. Safety)	9.17	6.2
I-80 Mill City to HU Co. Line	12.63	1.6
I-80 6.5 Mi E. of Elko to Halleck	<u>11.95</u>	<u>3.4</u>
	52.24	\$15.9

FEDERAL AID SECONDARY

FAS 431 (Mt. Rose Rd.) 3.5 mi NE N Shore Rd to Slide Mt. Road	8.03	<u>4.1</u>
		\$4.1

STATE AID ROADS

These roads must be resurfaced from State funds because they were dropped from the Federal Aid Secondary System. Since we built these roads with Federal Money, we must maintain them. The backlog is statewide and approximately 18.3% of total State Aid System.

	353.31	\$6.7
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MAINTENANCE CONTRACTS

Resurfacing backlog needs throughout the system beyond the capability of local maintenance personnel. These contracts are smaller, but more numerous than the itemized list above.

	230.77	\$14.4
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GRAND TOTAL	644.35 miles	\$41.1
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EXHIBIT E

1071

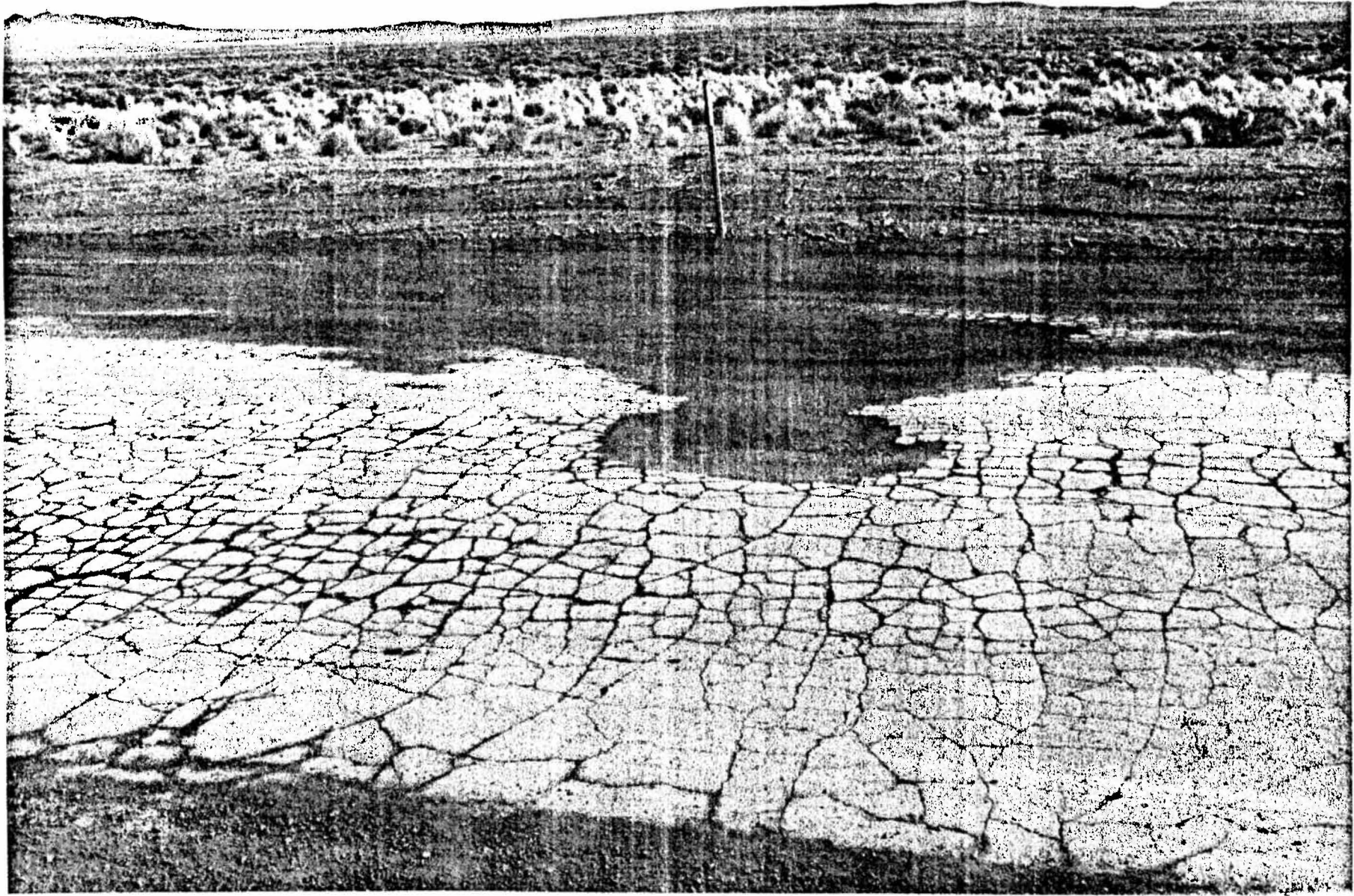


EXHIBIT E

1072

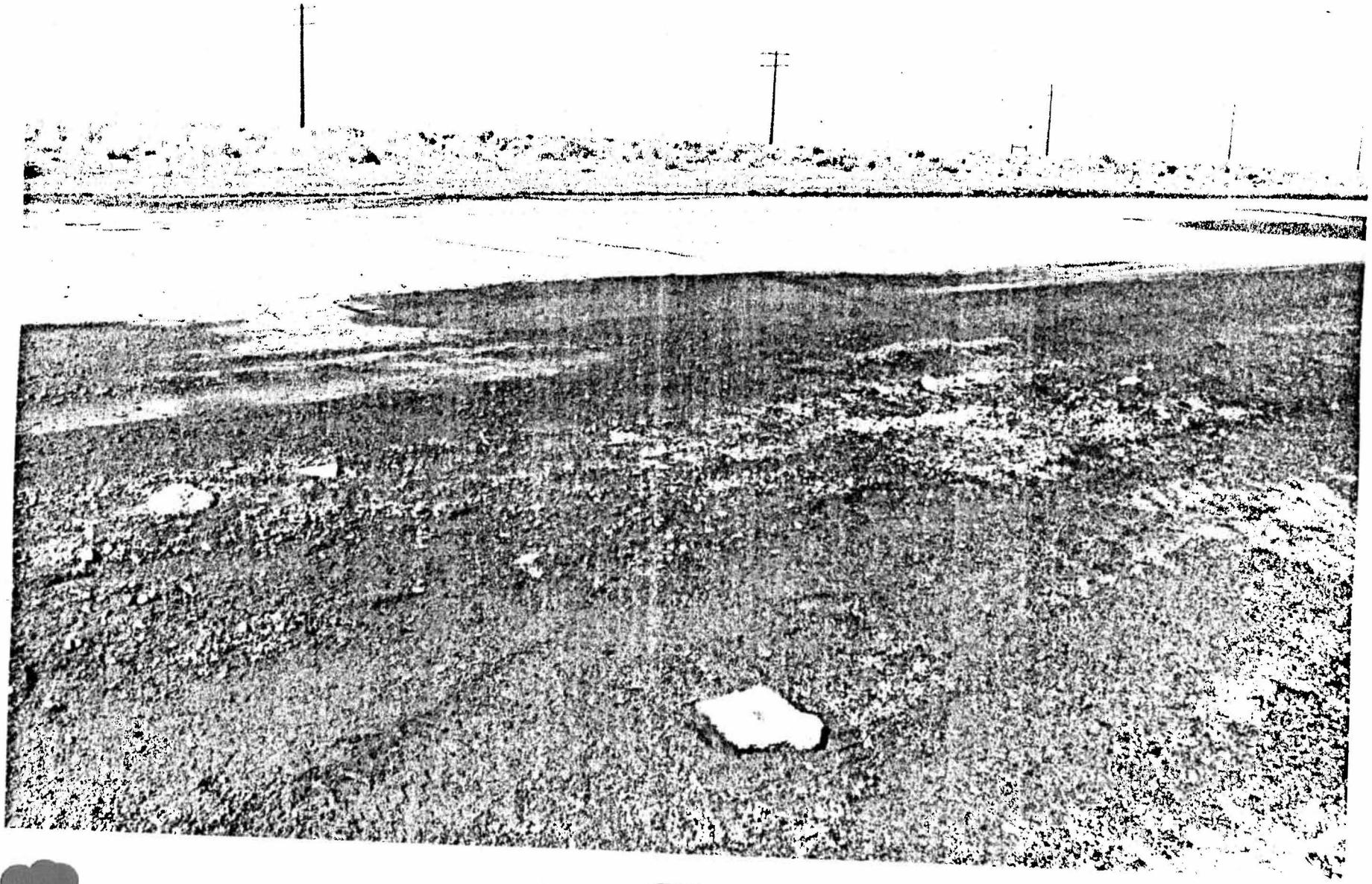
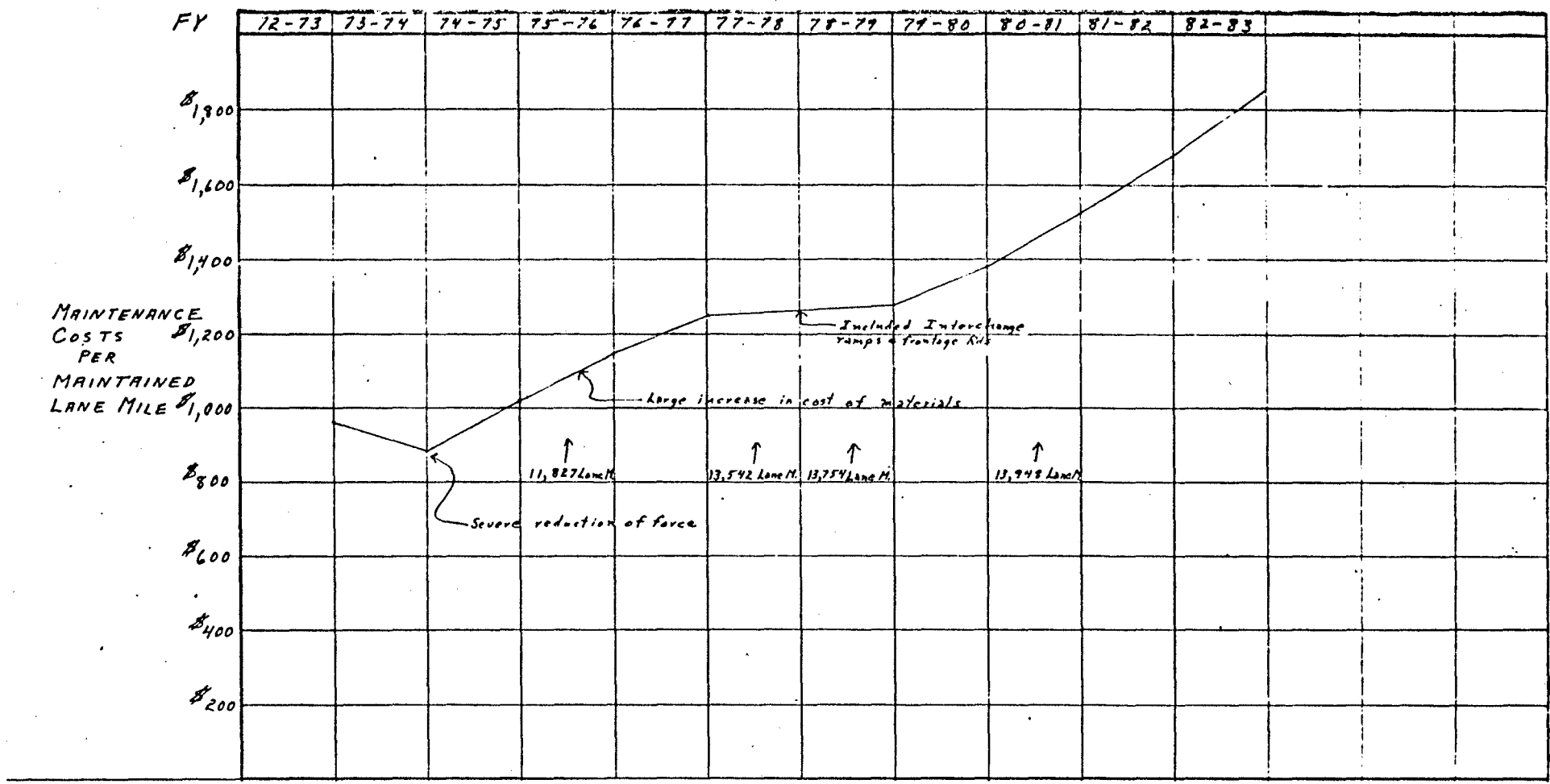
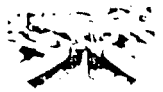


EXHIBIT E

1073







STATE OF NEVADA

DEPARTMENT OF HIGHWAYS

CARSON CITY, NEVADA 89712

May 10, 1979

HOBERT LIST, GOVERNOR, CHAIRMAN
RICHARD H. BRYAN, ATTORNEY GENERAL
WILSON MCGOWAN, STATE CONTROLLER

JOSEPH A. SOUZA
STATE HIGHWAY ENGINEER

IN REPLY REFER TO

Honorable James N. Kosinski
Nevada State Senate
Room 371, Legislative Building
Carson City, Nevada 89701

Re: S. B. 419

Dear Senator Kosinski:

If approved, Senate Bill 419, which increases fuel tax and special fuel taxes by 2¢ a gallon, will produce approximately 11.5 million per year in additional revenue for the Highway Fund. The most pressing need, and the first priority for the use of such funds, is to substantially increase the Department's program of contract resurfacing and overlays on the State Highway system. At the present time, we have identified specific project needs involving 640 miles of highways at an estimated cost of 41 million dollars. These are back-log projects that have been deferred because of lack of funds. Our present program has involved from 5 to 8 million per year over the last five years. With additional funding, we would be able to address the most critical of the back-log projects and avoid more costly reconstruction later.

Our second priority for use of additional funding would be for use as matching for Federal Aid. We anticipate having some serious difficulty in the next biennium in matching the available Federal funds. The Federal Highway Act of 1978 changed the lapsing provisions for Interstate funds. As a result of that change, we have been able to pick up an additional 54 million this year in Interstate funds that other states have not been able to obligate. We can expect to capitalize on additional lapses in subsequent years. Nevada's matching formula is 95% Federal and 5% State.

Finally, there is substantial need for construction and reconstruction in the urban areas of the State caused by rapid growth and resulting traffic increases. The increased revenue proposed in Senate Bill 419 will not significantly impact those needs because of the above priorities, but may provide some funds for the most urgent needs.

EXHIBIT H -]

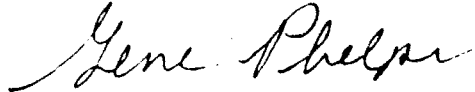
1076

0-202

Honorable James N. Kosinski
Re: S. B. 419
Page 2

Attached is some comparative data showing Nevada's ranking with other States in various categories.

Sincerely,



GENE PHELPS
Business Manager

GP/lmw
Attachment

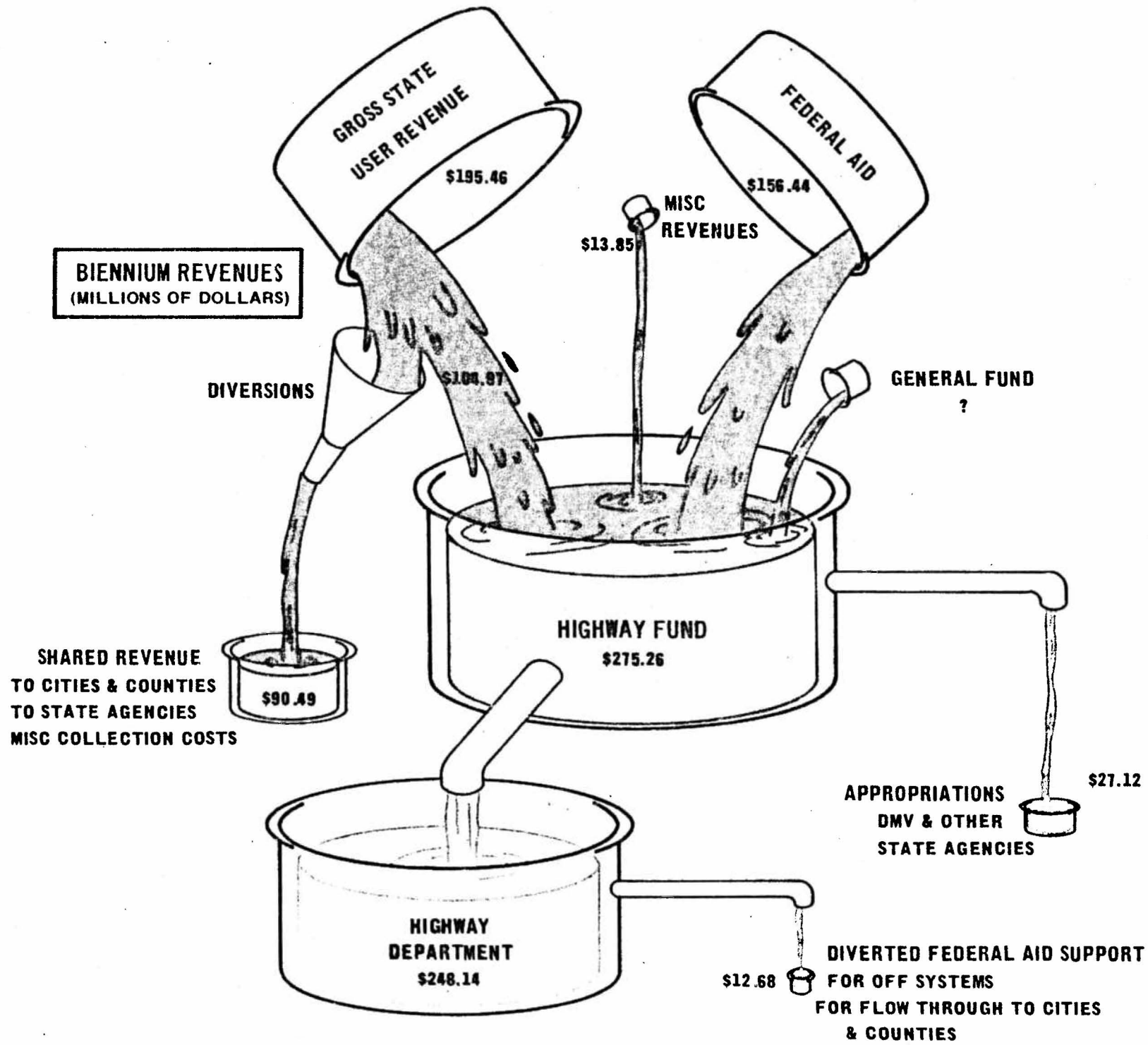
EXHIBIT H

1077

DEPARTMENT
OF HIGHWAYS

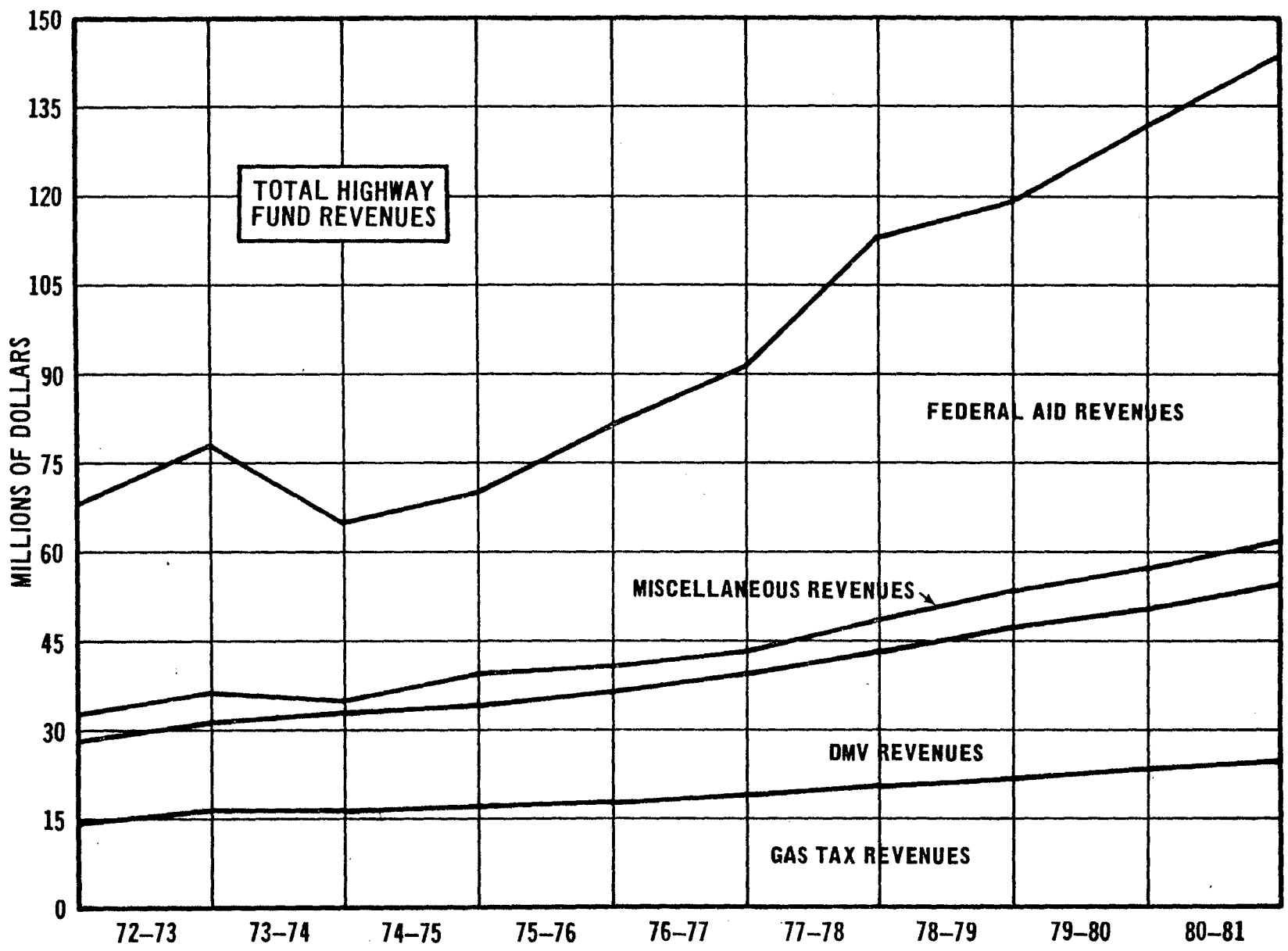
Budget Summary

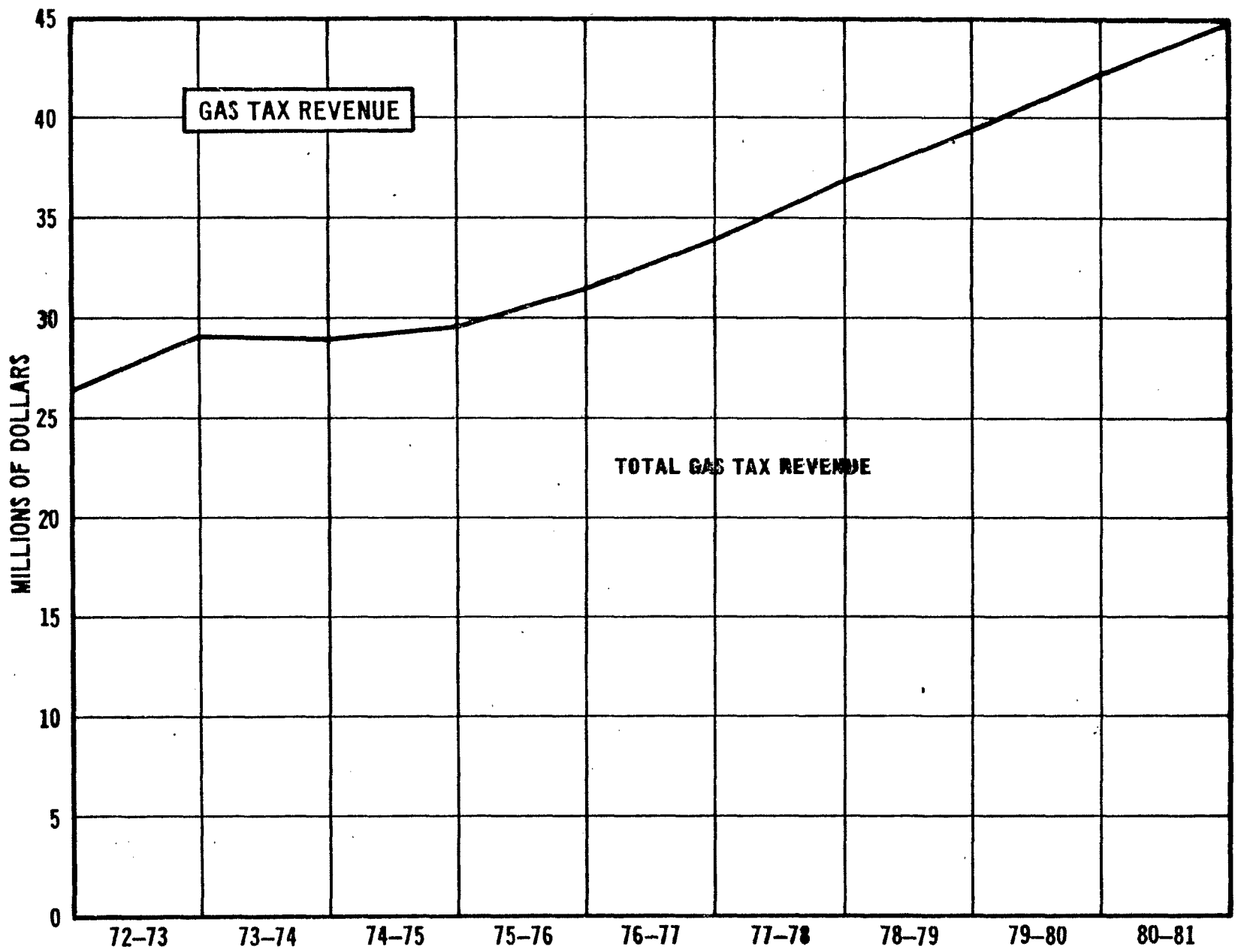
1979-1981 Biennium

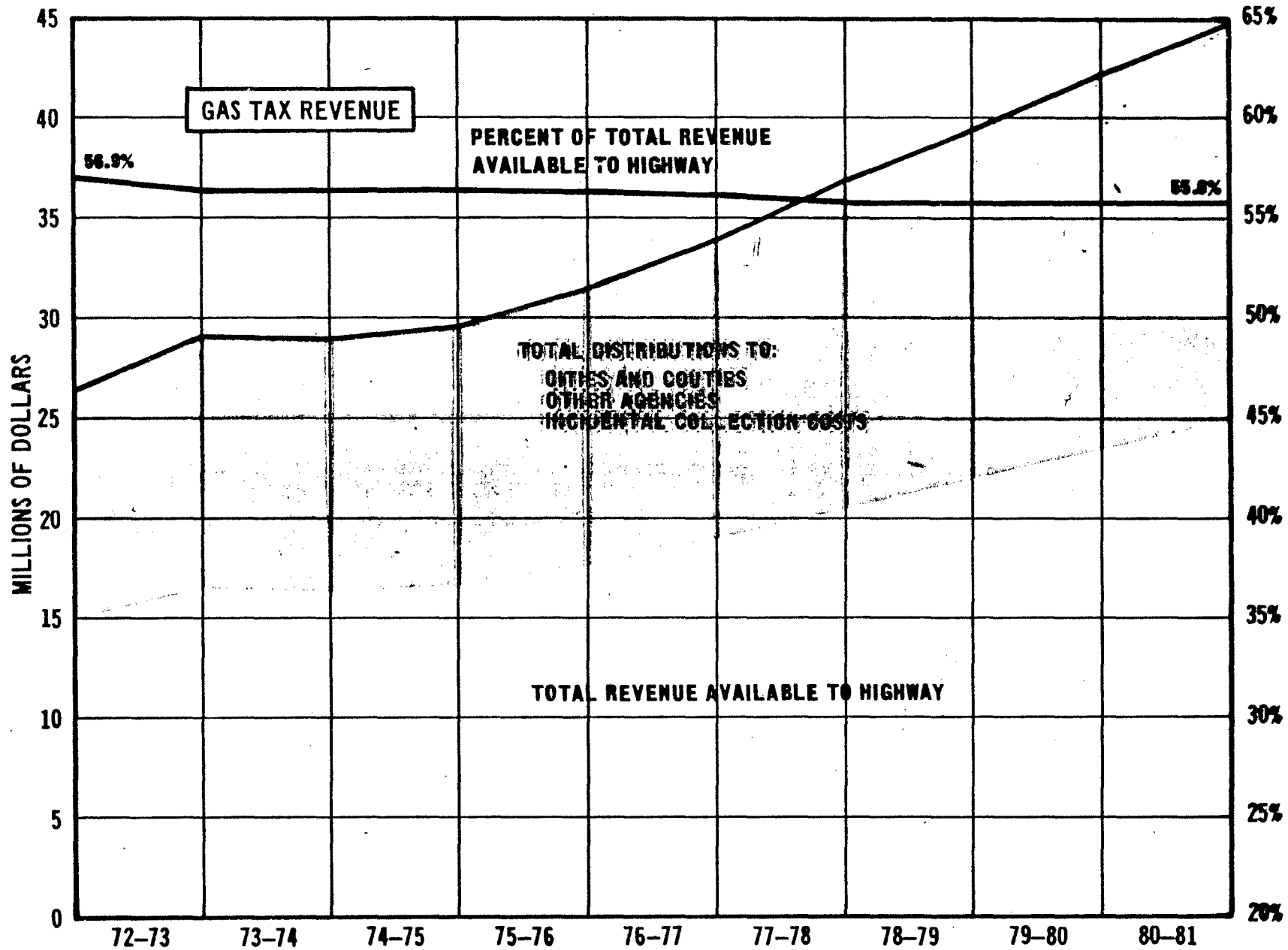


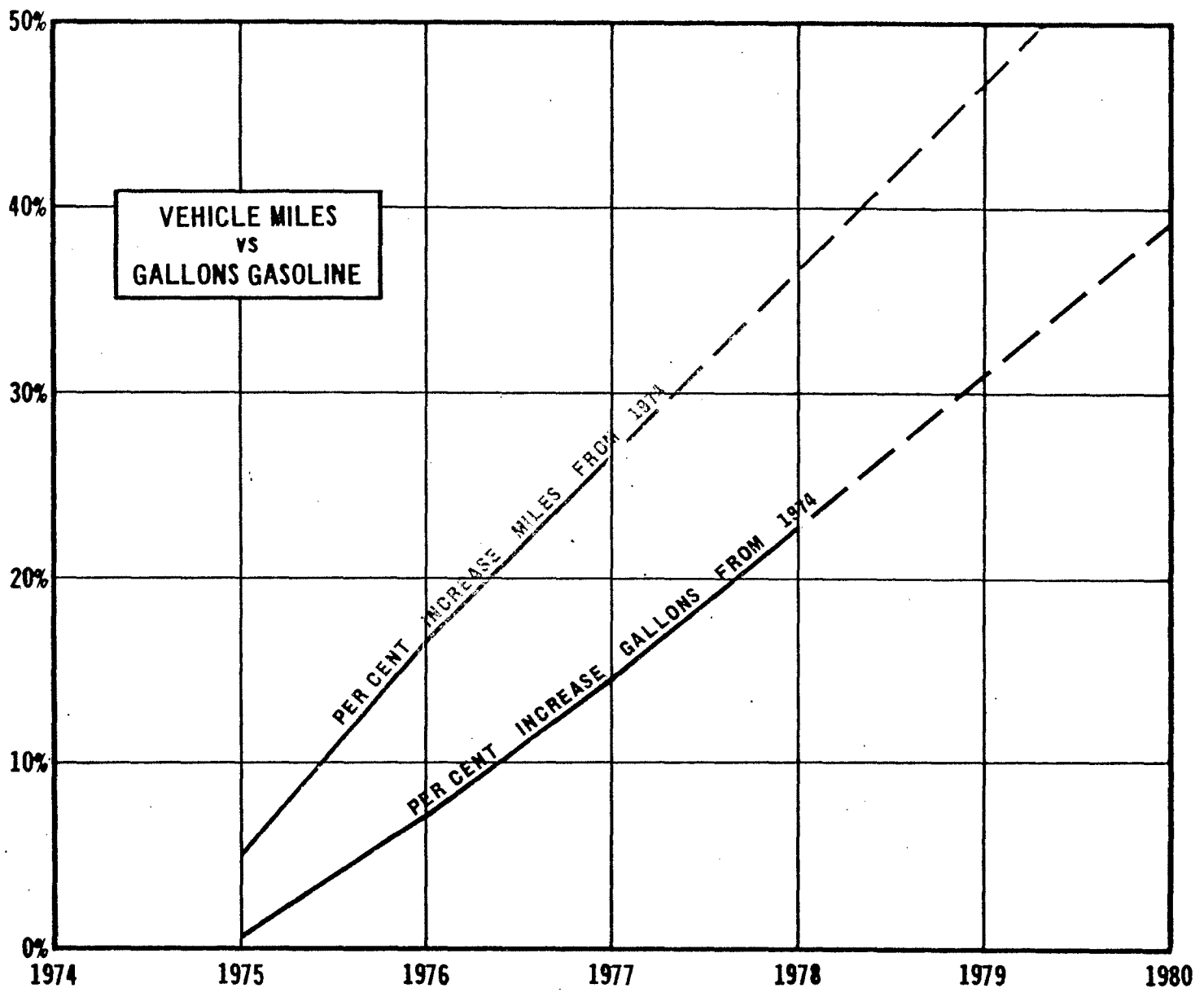
SOURCE OF REVENUES (MILLIONS OF DOLLARS)
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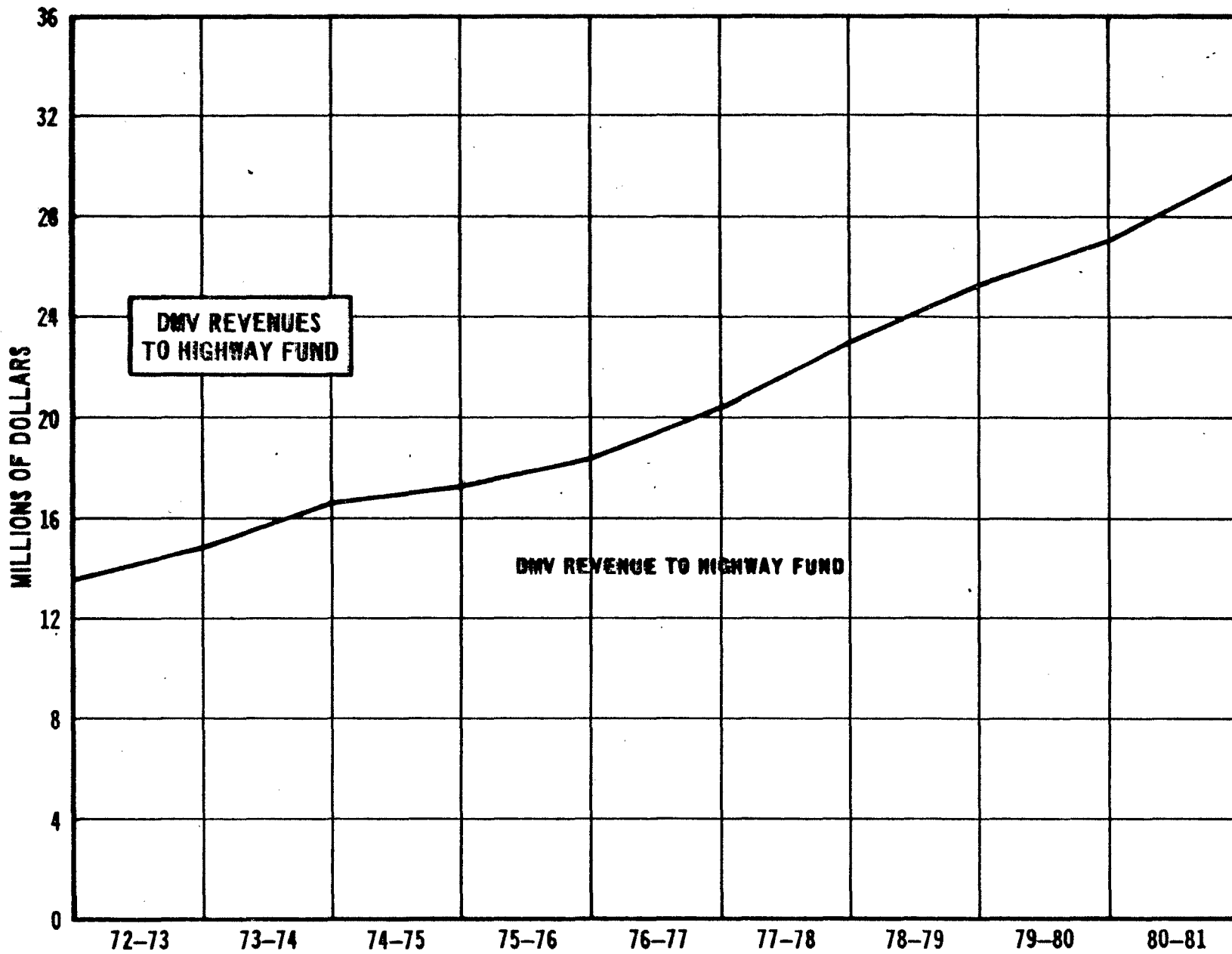
	<u>77-78</u>	<u>78-79</u>	<u>79-80</u>	<u>80-81</u>
GROSS HIGHWAY USER REVENUE	\$78.30	\$85.02	\$93.64	\$101.82
LESS: SHARED REVENUE TO CITIES & COUNTIES	31.08	33.73	38.76	42.61
SHARED REVENUES TO OTHER AGENCIES	2.79	3.05	3.26	3.54
MISC COLLECTION COSTS	.97	1.05	1.13	1.19
TOTAL SHARED REV & COLL COSTS	34.84	37.83	43.15	47.34
LESS: APPROPRIATIONS TO DMV	9.81	10.14	11.82	11.98
APPROPRIATIONS TO OTHER STATE AGENCIES	1.34	1.54	1.52	1.80
TOTAL APPROPRIATIONS	11.15	11.68	13.34	13.78
REMAINING HIGHWAY USER REVENUE (AVAILABLE TO HIGHWAY DEPT)	\$32.31	\$35.51	\$37.15	\$40.70
HIGHWAY USER REVENUE AVAILABLE TO HIGHWAY DEPT	\$32.31	\$35.51	\$37.15	\$40.70
GENERAL FUND APPROPRIATION	0.00	0.00	0.00	0.00
FEDERAL AID REVENUE	66.96	65.99	74.81	81.63
MISCELLANEOUS REVENUE	5.30	6.07	6.62	7.23
TOTAL REVENUE AVAILABLE TO HIGHWAY DEPT	\$104.57	\$107.57	\$118.58	\$129.56

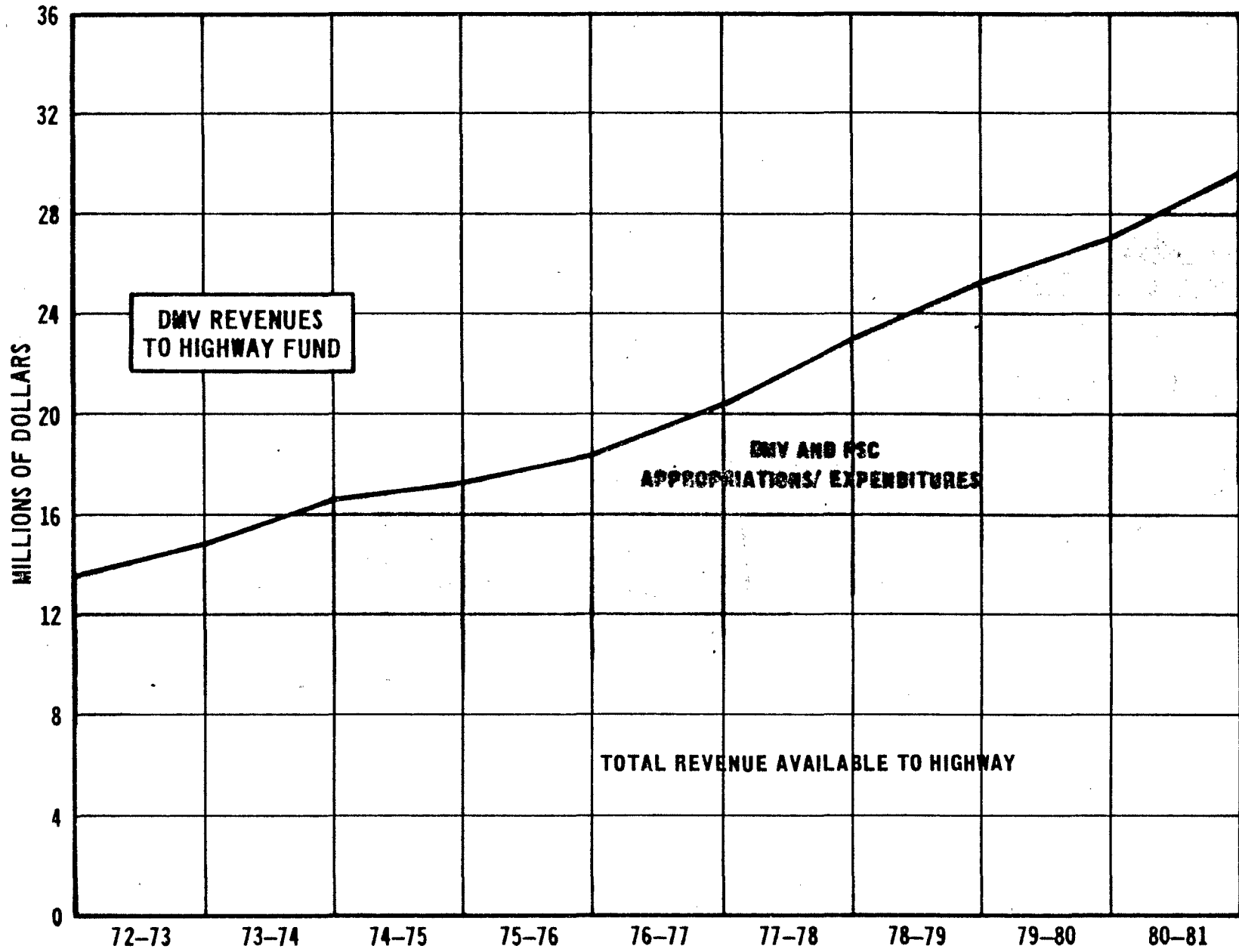


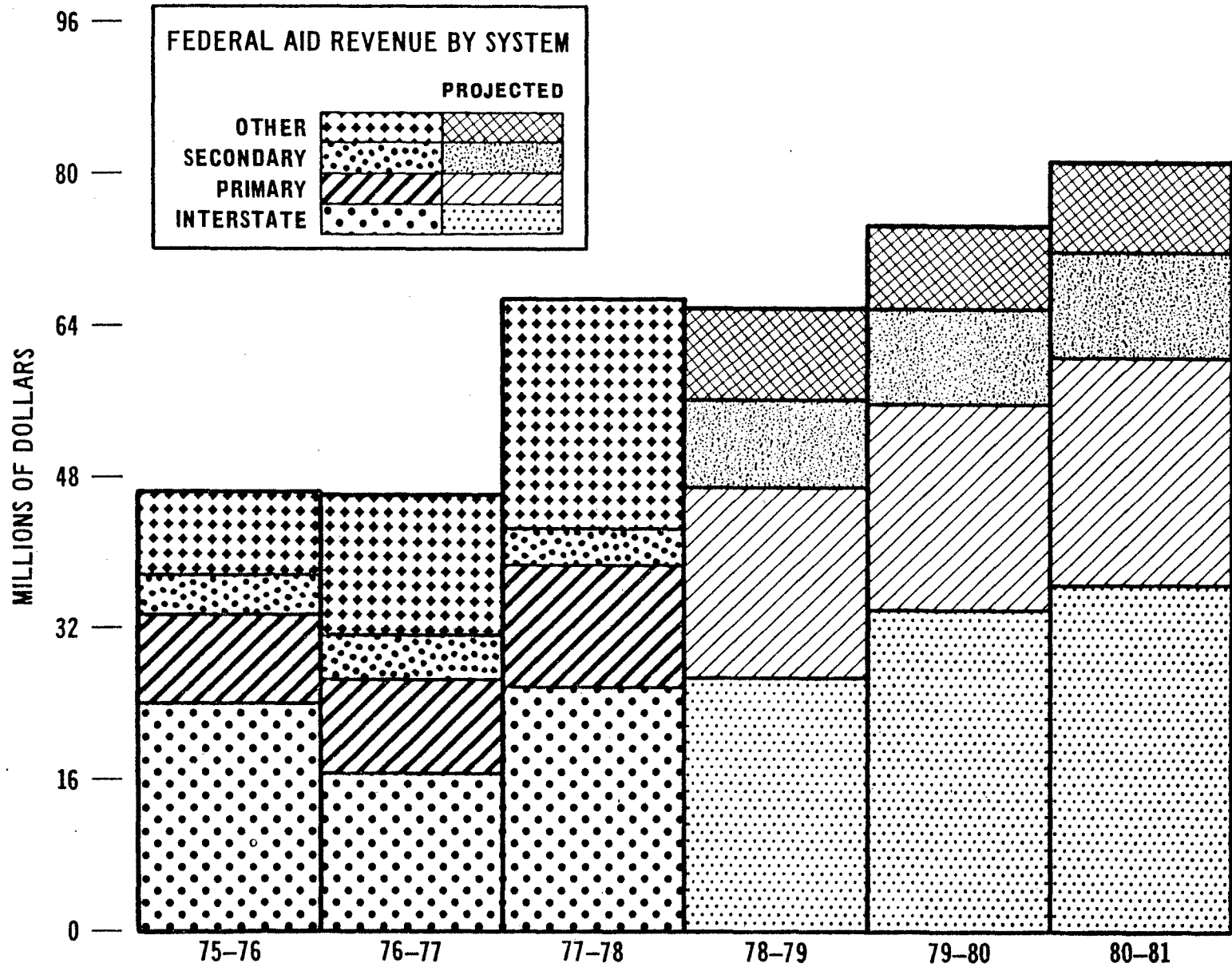


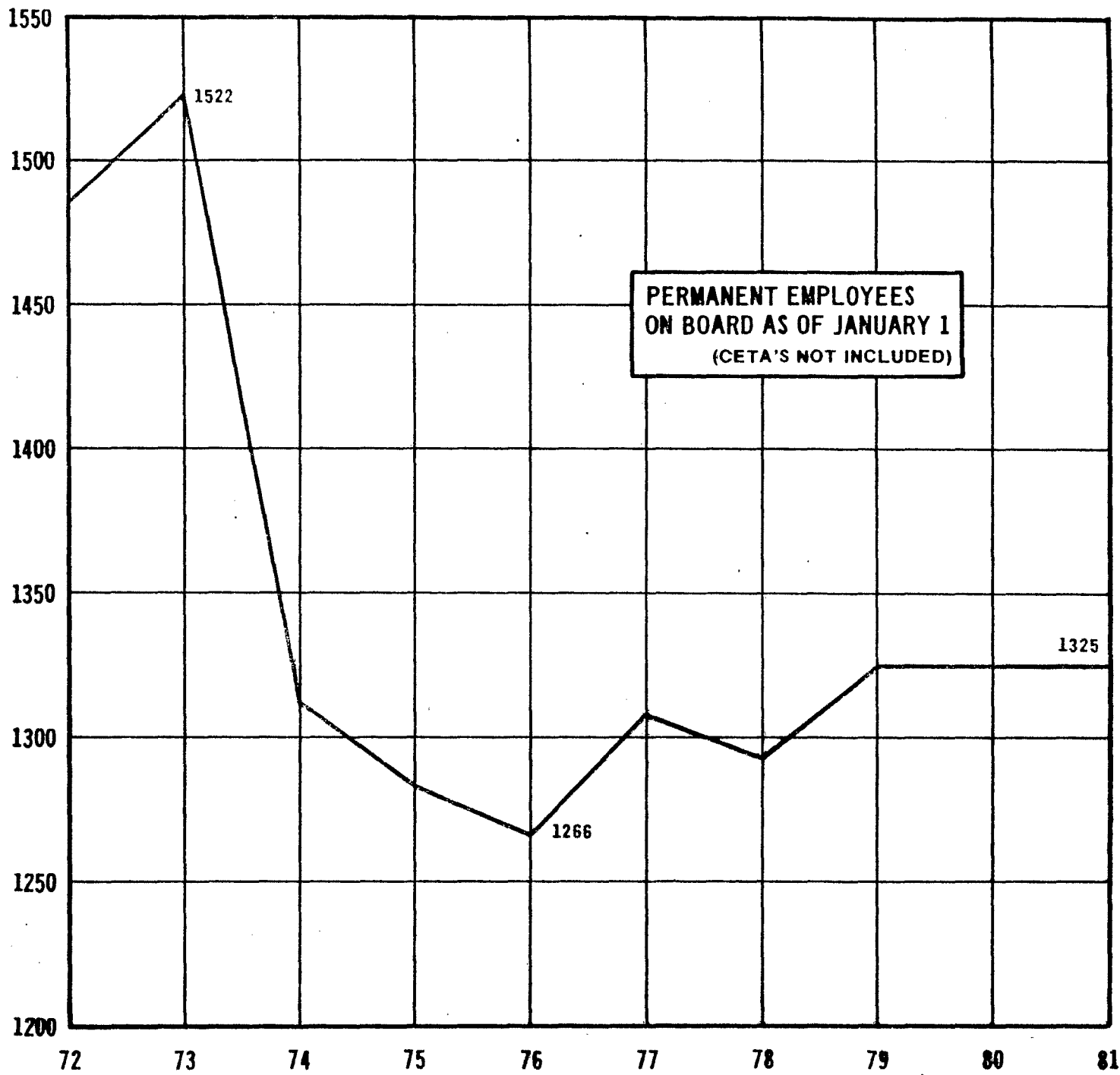




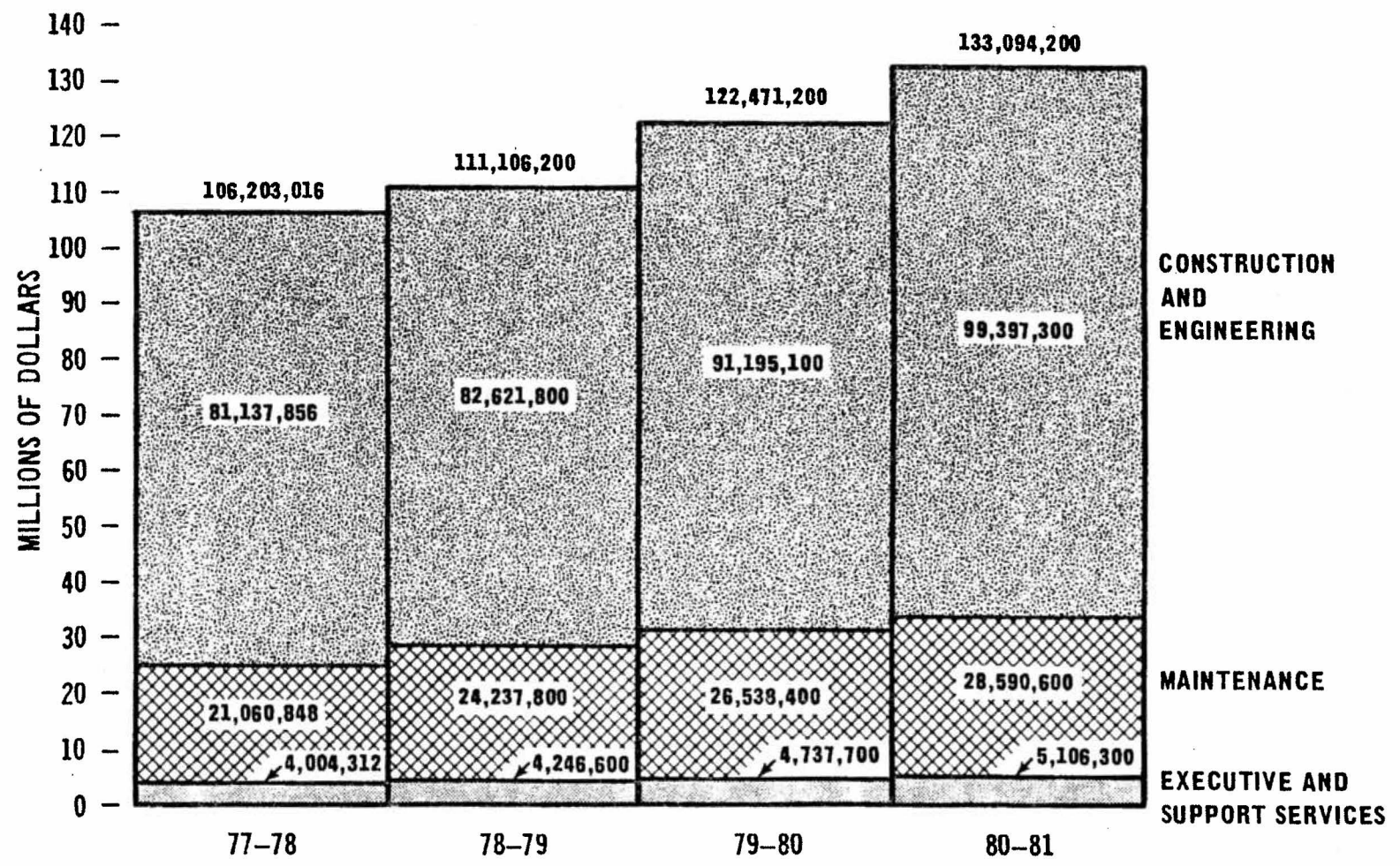








EXPENDITURES BY PROGRAM



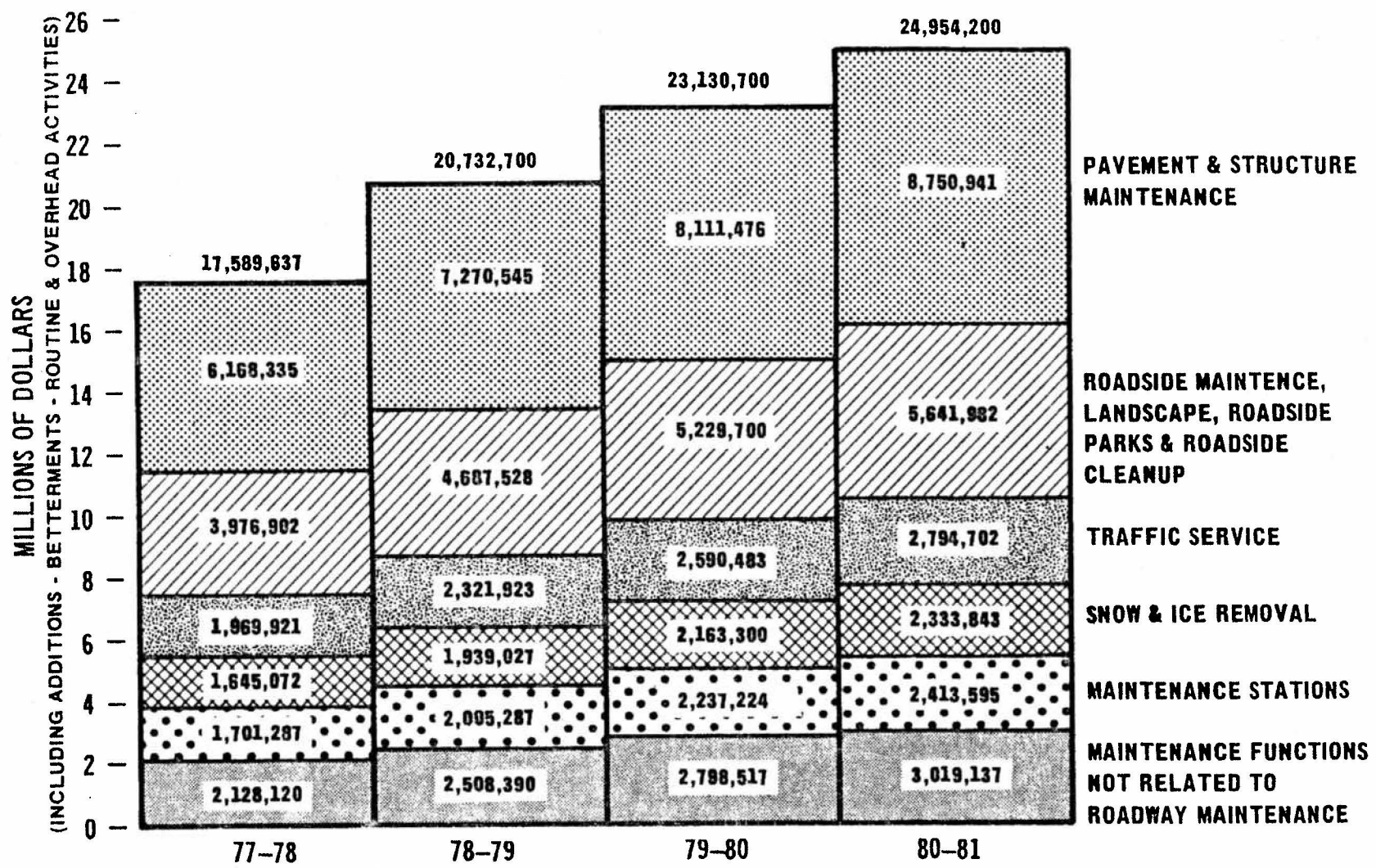
INVENTORY OF MAJOR MAINTENANCE UNITS

	CURRENT INVENTORY 1978	ADDITIONS DURING BIENNIUM
LANE MILES	14,621	194
ROADSIDE MOWING (SHOULDER MILES)	3672	53
ROADSIDE REST AREAS	80	2
INTERCHANGES	120	10
STRUCTURES	587	28
LANDSCAPE AREAS (ACRES)	140	10
RIGHT OF WAY FENCE (MILES)	2713	287
LANE STRIPING (MILES)	16,231	215
TRAFFIC PAVEMENT MARKING (SQ FT)	156,150	2575
GUARD RAIL (LIN FT)	1,726,560	22,940
MAINTENANCE STATIONS	58	0
TUNNELS	4	0
DITCHES (MILES)	7853	104
SIGNS	22,324	326
CULVERTS	24,788	337

INCREASE OF MAINTAINED FACILITIES

	JULY 1, 1973	JUNE 30, 1981	PER CENT INCREASE
LANE MILES	11,825	14,815 est	25.3
STRUCTURES	575	615 est	7.0
INTERCHANGES	110	130 est	18.2
REST AREAS	78	82 est	5.1
LANDSCAPE ACREAGE	45	150 est	233.3

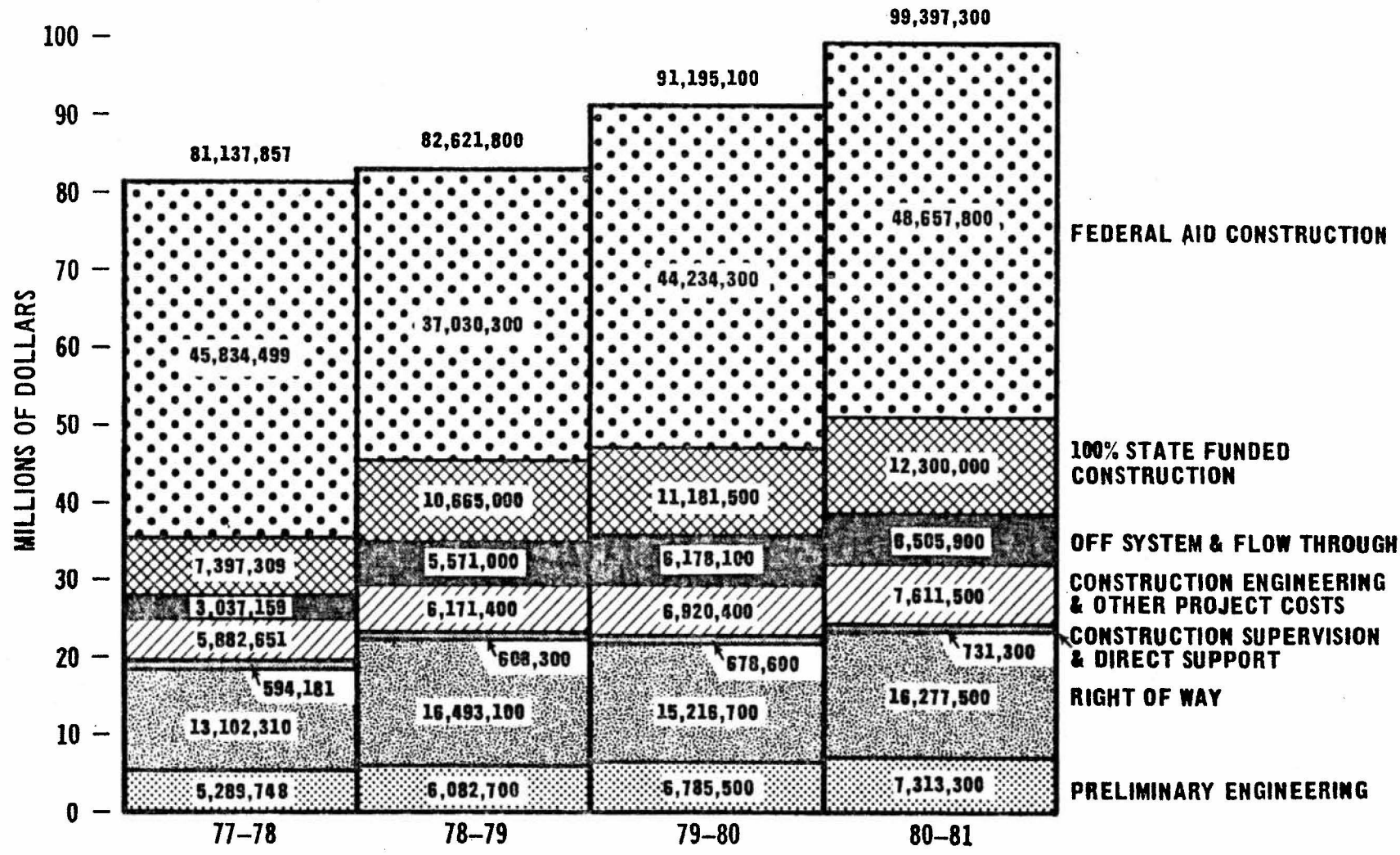
MAINTENANCE BY FUNCTION



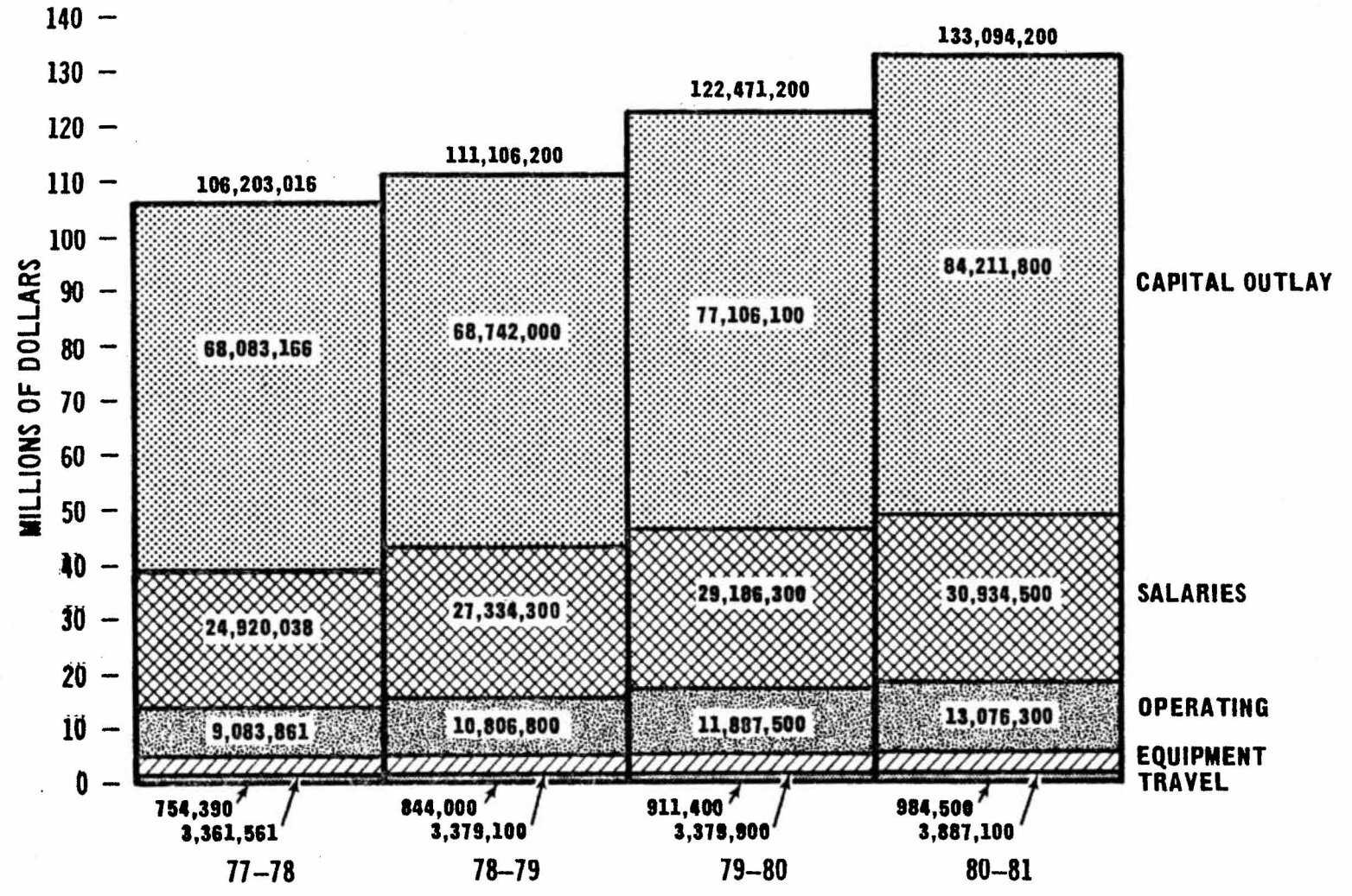
EXECUTIVE & SUPPORT SERVICES

- EXECUTIVE
 - STATE HIGHWAY BOARD
 - HIGHWAY DEPARTMENT ADMINISTRATION
- FINANCIAL SERVICE & D.P.
 - INTERNAL AUDIT
 - ACCOUNTING & FINANCE
 - DATA PROCESSING
- PUBLIC INFORMATION
- INDUSTRIAL RELATIONS
 - PERSONNEL
 - TRAINING
 - INDUSTRIAL SAFETY
- INDIRECT SUPPORT SERVICES
 - CIVIL RIGHTS
 - LEGAL SERVICES
 - FLIGHT OPERATIONS
 - REPRODUCTION
 - OFFICE SERVICES
 - BUILDINGS & GROUNDS
 - PURCHASING & STORES

**CONSTRUCTION AND ENGINEERING
TOTALS BY YEAR**

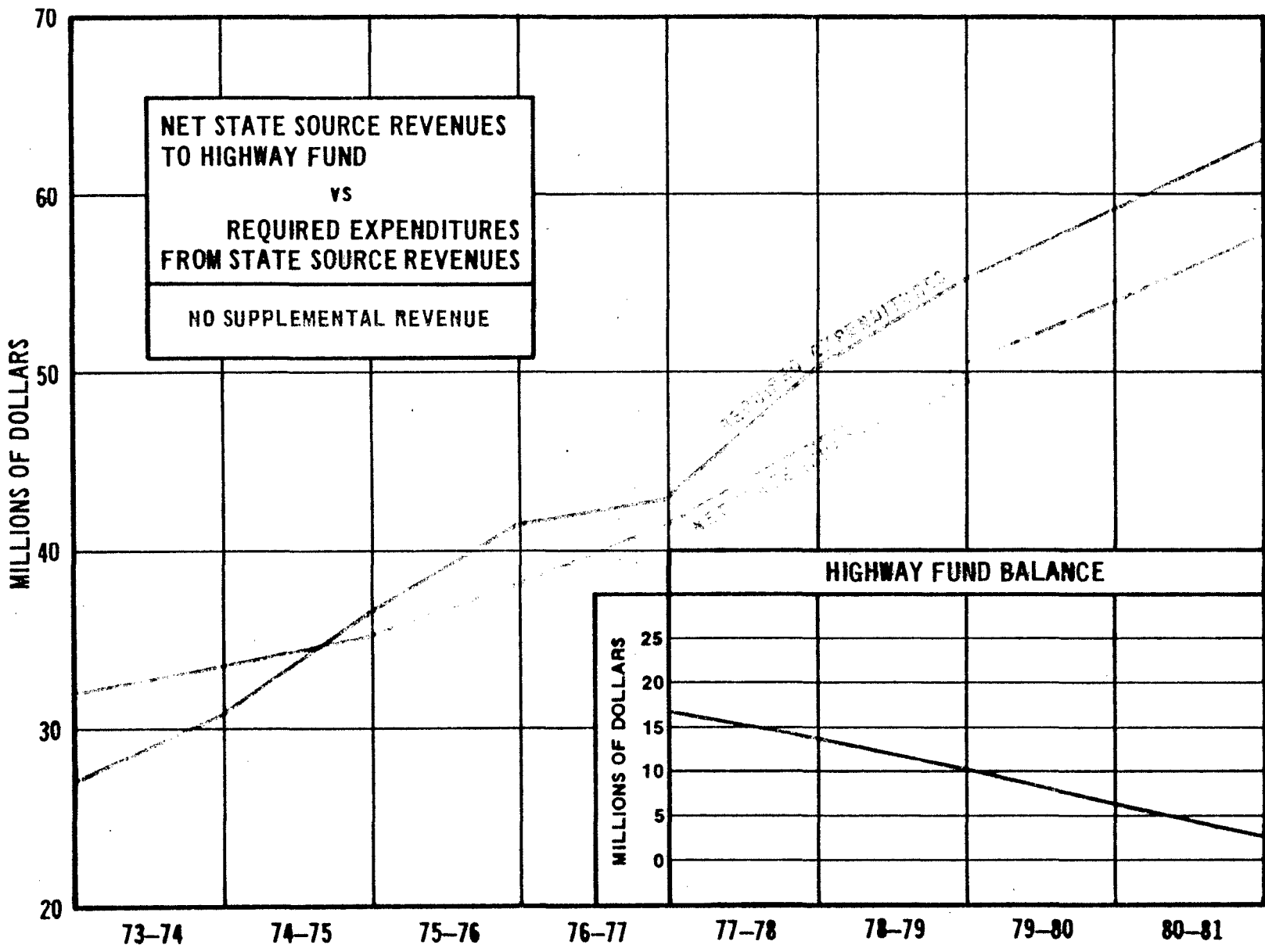


EXPENDITURE BY OBJECT



**PROJECTION OF
HIGHWAY FUND BALANCE**

HIGHWAY FUND BALANCE 7/1/78		ESTIMATED REVENUES		ESTIMATED EXPENDITURES & APPROPRIATIONS		ESTIMATED HIGHWAY FUND BALANCE 6/30/81
		119,253,924 (FY 79)		122,785,123 (FY 79)		
		131,933,000 (FY 80)		135,799,503 (FY 80)		
		143,334,800 (FY 81)		146,862,220 (FY 81)		
\$13,595,154	+	394,521,724	-	405,446,846	=	\$2,670,032



Differences from STATE cap in SB204

	<u>AJR-32</u>	<u>SB204</u>
I. Type of cap	Constitutional	Statutory
II. Cap on	Legislature	state budget request
III. FUNDS to be capped	General Fund plus others not constitutionally established	General Fund
IV. Base	Fiscal year (7/1/82 - 6/30/83)	Biennium (7/1/75 - 6/30/77)
V. Population	Base to current (probably would result in no index in first biennium)	7/1/74 to current
VI. Override	Threat to life & property (must be repaid in 3 years)	Threat to life & property

I Cap on - State Appropriations and Authorizations
Exception - Appropriations for construction

II Funds Under Cap - State general fund and all funds not required by the Constitution to be placed in a separate fund
Exceptions: NEVADA Industrial Insurance Fund
Public Employees Retirement Fund
Permanent school fund

III Expenditures to be limited - those appropriated or authorized by the Legislature for the funds limited above.

Exceptions - Expenditures for construction
- overrides for threat to life or property

IV Permissible Expenditures - Aggregate of all expenditures that fall within the limitation after adjustment for population and inflation.

V Base - fiscal year in which AJR-32 becomes effective

VI Population - Base is increased or decreased by change in population from the base year. Requires specific population indices - that will cause problems. Since appropriations are made biennially it would be necessary to establish a base population prior to the effective date of AJR-32 or to use estimated populations for the two years being budgeted.

VII Inflation - Base is increased or decreased by change in inflation using CPI. No base is specifically stated IF CPI is discontinued Legislature would determine inflation or deflation.

VIII override - where there is a threat to life or property, if limitation exceeded expenditures for next 3 years must be reduced in a like amount.

(e) Curriculum and program;
 (f) Pupil discipline; and
 (g) Personnel, except as provided in chapter 391 of NRS."'
 Senator Gibson moved the adoption of the amendment.
 Remarks by Senator Gibson.
 Amendment adopted.
 Bill ordered reprinted, re-engrossed and to third reading.

Senate Bill No. 419.

Bill read third time.

Remarks by Senators Kosinski, Raggio, Neal, Hernstadt, Wilson, Young, McCorkle, Lamb and Glaser.

Senator Raggio requested that the following remarks be entered in the Journal:

Mr. President, Regrettably I cannot support the measure. I served on the Taxation Committee and I voted against the measure in Committee.

The need is clear. The display in the exhibits which have been referenced by Senator Kosinski certainly does prove the point: that there is a need for highway maintenance that is not being met; that it is becoming a grave and serious matter; and that funds will have to be provided from some source for adequate maintenance of our roadways.

The difficulty with this measure is that it imposes a new tax. For whatever reason, and however it is termed, it is a new tax. I, for one, made a pledge in my campaigns that I would not vote for any new taxes. I intend to keep that pledge.

I would support a measure which allowed a new tax, especially for a purpose of this kind, if it could be endorsed by a vote of the people. The Committee was informed by Mr. Frank Daykin, Legislative Counsel, that on this type of a measure, a provision could not be included which would allow a vote of the people since it was tantamount to a referendum, which procedure is reserved solely to the people. If that provision could be included, I could support the measure.

The Committee is considering a companion bill which would allow an increase in gasoline tax to be imposed by counties for this type of maintenance. That measure does have attached to it a requirement that it be approved by a vote of the people.

I submit that it is difficult, in this particular time and in this particular situation, where we are now in the middle of a severe energy crisis, where we are facing a serious gasoline shortage, where the price of gasoline is nearing, and exceeding in some areas, a dollar a gallon, to convince the public of the need to increase gas taxes, for whatever reason, by an additional two cents.

I say this more emphatically since we are now, this week, considering a new and novel approach to solving our problem in this State involving a shortage of fuel. We are now going to be asked to consider a new measure for the State to utilize its credit and purchasing power to purchase gasoline on the spot market. We are told that, if that is accomplished, the cost of gasoline would be at a much higher price per gallon and that the result would be to additionally raise the cost of gasoline at the pump.

Additionally I find it difficult, no matter how meritorious the reason, to explain to our constituents that we have raised the cost of vehicle fuel at the same time that we are sitting with a surplus in excess of one hundred million dollars. We are offering tax relief, true, but I think the constituency is going to ask us why are we only offering tax relief in a prospective manner and not utilizing some of this surplus, general revenue funds or otherwise, for this purpose. The public is aware of the need for road maintenance. I am sure that they travel the highways as well as the rest of us. The truckers are not the only users; every one of us is a user and must bear our share of the burden. I just can't, in good conscience, support a new tax without voter approval. In this situation where the need is great, whether it is a departure or not, there ought to be adequate surplus available to meet the present emergency and to immediately address the exigencies and the needs of the situation.

Senator Neal requested that the following remarks be entered in the Journal:

Mr. President, On Sunday of this week, I drove into a Chevron station to get some gas. That gas cost me ninety-four and nine-tenths cents. I am sure that every other person who now has to purchase fuel for the operation of his automobile, or whatever, is experiencing these increases.

I cannot, in good conscience, vote for a measure that will place an additional two cents per gallon on gas, given the cost of the fuel today. I could very well support a measure that would tax the profit of the gas companies or the service stations. I could very well support a measure that would put a tax on big trucks, which contribute to the destruction of our highways throughout this state.

I cannot, in good conscience, support this particular tax.

I understand what Senator Kosinski has said. I think he made a pretty good argument. He gave us the appropriate documentation to indicate how bad the roads are, but even with that, I think that this measure is very ill-timed.

For that reason, Mr. President, I am going to have to vote against Senate Bill No. 419.

Senator Hernstadt requested that the following remarks be entered in the Journal:

Mr. President, I drove down to Las Vegas on Saturday. I observed the condition of the highway and the traffic flow which was negligible. In fact there was more gas in Tonopah than there was in Las Vegas! Automobile traffic, according to gas station attendants, and people who run restaurants, which may not be a perfect judge of these facts, claim traffic is down to half.

We have a serious situation which has occurred in the last month, as everyone is well aware. That situation has rendered a good part of the proponent's exhibit inaccurate. That is *revenues*. There is going to be less gallonage sold in the State of Nevada. Increasing the tax two cents may help a little but it certainly will not do what the proponents of this bill think it will do.

It appears also there is a strong trend to small cars. There is a twelve week waiting period to purchase small cars. Large cars have depreciated up to two thousand dollars wholesale. It means that people will be buying and operating small cars and if they have two cars, a large one and a small one, they will use the small one. That will contribute to decreased gallonage.

Finally, I would guess, unless we have a special session before then, that by the time this body reconvenes in January of 1981, gas will be \$1.25 a gallon. That also will reduce its usage.

So, whether we raise the gas tax two cents or four cents or six cents, is really not going to affect people's use. Our real estate taxes, the ad valorem taxes, which we want to cut through the tax reduction measures, are paid one hundred percent by Nevada residents and businesses. Gas taxes are paid in good part by non-Nevada residents. If you are going to raise something, this is the kind of thing we should raise.

I am pledged not to vote for any tax increase. The proponent's argument that this is biting the bullet is specious. I think it is sucking the bullet just a little bit. It is not going to do the job the proponents expect it to do. The roads will be in worse condition two years from now.

If you are going to pass it, it should be a big enough tax increase to do the job. Otherwise, I don't see why we should ruin our voting records by voting in favor of a tax increase; getting people mad at us for voting for a tax increase, although it is plausible and understandable, but a tax increase that isn't enough to do the job.

Thank you, Mr. President.

Senator Wilson requested that the following remarks and Exhibits A, B, C, D, E, G and H relative to Senate Bill No. 419 be entered in the Journal:

Mr. President, I would like some guidance from my colleagues. I suppose that as long as we are addressing the subject we should make a part of the record, Exhibits A, B, C, D, E, G and H of the material which Senator Kosinski has just discussed.

If we really are to address this question, we should talk in terms of alternatives, because, indeed, this bill and today's vote really are statements on alternatives. The suggestion of spending from the surplus for a "one-shot", maintenance appropriation, is not feasible. The issue is whether we shall, as a matter of fiscal policy,

Exhibit K

fund the differential from the state general fund every two years rather than by a user fee, the gas tax.

If that is to be our alternative, then I think we ought to address it directly. This is not a one-shot. This is a biennial problem. If we are going to develop tax policy for making up the difference in the budget for deferred maintenance, then we ought to say so and consider the alternatives.

There is no such thing as a one-shot to solve this problem. We are kidding ourselves if we say there is. We are either going to impose a user fee or we are going to look to the general fund, which is funded in large part by the ad valorem tax. It is "either" or it is "or". It is not in between and it is not a one-shot appropriation. If there is an alternative to a gas tax increase, I would like to hear about it, because the vote we take today will determine a fiscal policy for this matter! It is one which will be precedent for the next session and sessions thereafter.

Perhaps there is a better way to fund deferred highway maintenance. If there is, I would like to be able to consider that in reaching a decision on my vote today. I assume, from the tenor of the discussion, that the facts and figures given to us in the Exhibits in support of this bill, are true and accurate and indeed are the facts of the matter. If they indeed are the facts of the matter, and if the highway maintenance deficit is a fact, it will be recurring every biennium and that is a fact. The question really isn't that of the campaign promise or the one-shot. The question really is, how are we to fund the difference this year and in the bienniums to come.

I would like to hear some alternatives if there are any.

EXHIBIT A

NARRATIVE

Erosion of the Department of Highways' traditional funding sources has been taking place during the past decade. As indicated in Exhibits B & C "Highway Fund Expenditures v. Revenues" both revenues and expenditures have increased over the years, but neither has kept pace with the increases in construction and maintenance costs. Nor have they matched the demand for maintaining the increased lane miles of roadway and other facilities progressively constructed to serve the motoring public.

The Department has taken advantage of new techniques, new controls, and more efficient equipment to compensate for the relative diminishing support. With Federal assistance, The Department has engaged in experimental projects to further the efficiency of our effort.

The Department of Motor Vehicles too, has experienced the problems associated with inflation and expansion. Exhibit D provides a Comparison of Non-Highway Department Expenditures to DMV and Gas Tax Revenues. Being a major source of user funding for the Highway Department, the percent of DMV expenditures to total revenues is of great concern to the Highway Department. It may be noted that the percent available for Highway purposes has decreased from 80.5% in 72-73 to 74.6% in 82-83. Any relative loss to the Highway fund has a direct adverse effect on the Highway Departments' capability to construct and maintain highways.

Exhibit E lists a backlog of some 640 miles requiring an estimated 41.1 million in current dollars for resurfacing that has developed. Under recent revenue levels, less than 7 million annually has been dedicated to this effort. At current rates of inflation, the 41.1 million will grow to over 50 million in 1981. The potholes and eroding pavement edges of which the public is so aware, has given way to desintegration of the entire surfacing in areas where remedial funding cannot be provided. Exhibits F are photographs of an area where a fatal accident occurred and are indicative of this steadily growing dangerous condition. The department is being sued, and it is asserted the road conditions contributed to the accident. It should be noted that the General Fund pays for this type of judgment against the State. Approximately 12 miles of road in this area has experienced pavement and base failure and will require reconstruction. Had funds been available when needed, the cost per mile to re-pave would have been \$48,700 per mile. Reconstruction will cost \$88,700 per mile exclusive of widening and safety work. A contract will be let this summer to correct this particular section. There are a number of other areas in the State, however, where conditions are approaching those depicted in the photographs.

EXHIBIT H

STATE OF NEVADA
DEPARTMENT OF HIGHWAYS
CARSON CITY, NEVADA

May 10, 1979

HONORABLE JAMES N. KOSINSKI
Nevada State Senate
Room 371, Legislative Building
Carson City, Nevada

Re: S. B. 419

DEAR SENATOR KOSINSKI:

If approved, Senate Bill 419, which increases fuel tax and special fuel taxes by 2¢ a gallon, will produce approximately 11.5 million per year in additional revenue for the Highway Fund. The most pressing need, and the first priority for the use of such funds, is to substantially increase the Department's program of contract resurfacing and overlays on the State Highway system. At the present time, we have identified specific project needs involving 640 miles of highways at an estimated cost of 41 million dollars. These are back-log projects that have been deferred because of lack of funds. Our present program has involved from 5 to 8 million per year over the last five years. With additional funding, we would be able to address the most critical of the back-log projects and avoid more costly reconstruction later.

Our second priority for use of additional funding would be for use as matching for Federal aid. We anticipate having some serious difficulty in the next biennium in matching the available Federal funds. The Federal Highway Act of 1978 changed the lapsing provisions for Interstate funds. As a result of that change, we have been able to pick up an additional 54 million this year in Interstate funds that other states have not been able to obligate. We can expect to capitalize on additional lapses in subsequent years. Nevada's matching formula is 95% Federal and 5% State.

Finally, there is substantial need for construction and reconstruction in the urban areas of the State caused by rapid growth and resulting traffic increases. The increased revenue proposed in Senate Bill 419 will not significantly impact those needs because of the above priorities, but may provide some funds for the most urgent needs.

Attached is some comparative data showing Nevada's ranking with other States in various categories.

Sincerely,

GENE PHELPS
Business Manager

Senator Gibson requested that the following remarks be entered in the Journal:

SENATOR YOUNG: Mr. President, I do not care to have my remarks entered in the Journal. I don't think the omission will create any serious gaps in history.

Nobody wants to impose taxes. Everybody wants a good voting record. I am sure that if there is any pain caused by a one percent increase in taxes, that the imminent passage of the over-the-counter Gerovital bill will provide some means of assuaging the discomfort.

But far more important than our voting records is the condition of the highways in this State. Our population is now at about seven hundred thousand in this State. The Governor's Budget indicates that by 1990 we will be around about one million one hundred thousand. We have, as I recall, close to seven hundred thousand registered vehicles in this State. This number is going to increase. According to Senator Kosinski's exhibits, there are in excess of six hundred miles of road that are now badly in need of repair. They are going to deteriorate at a geometric rate as time goes by. I have thought for the last several sessions that our Chief Executive was derelict in not facing this problem but rather standing upon a proud boast that he was not going to impose any new taxes. Sometimes we have to bite the bullet. We have to face responsibility. We are not here merely to get re-elected next time. We have a job to look after the welfare of our constituents.

Exhibit H

There is no doubt about what the most important industry in our State is. It is tourism. It produces gross taxes sixty times as great as we get from mining, one of our major industries. I don't see how we can sit here and talk about voting records, about not increasing taxes when we are reducing taxes by several hundred million dollars in the next biennium and then quibble about two cents on the gas tax, about one percent of the present price.

If anybody thinks that gas is going to remain at one dollar during the next year, please see me after the session. I have some old uranium stock I would like to talk to you about.

We have a serious responsibility. I don't want to see us pass by this opportunity to do something about the roads. They are the life blood of our State. We would be derelict in our duty if we didn't address this opportunity to do something definite to preserve the integrity of our highway system.

Senator Gibson requested that the following remarks be entered in the Journal:

MR. PRESIDENT, I think one of the things I have learned over the years is that crises don't wait until the opportune time to present themselves.

In my opinion, with the condition of the State highway system, we are in a real crisis. If we go two more years on it without doing anything as far as the cost of recovering is concerned, some of it is going to be beyond our estimation.

The stretch of road just north of Goldfield, which I understand is not unusual, compared to some of the other roads across the State, I hit one of the chuckholes there that was at least a foot and a half deep, which was through the sub-grade.

It seems to me that we are elected by the people to try to face and correct the problems that present themselves to us. Sometimes these decisions aren't popular. If they were voted on they probably wouldn't be voted on that way.

Today we have a real crisis in the highway system that is deepening with each day. The facts that Senator Neal presented only pose an aggravation of the crisis because the conservation that will go on because of the higher price of fuel will further lessen the amount of money that the Highway Department has available to face this crisis. I don't think that we have enough money in the surplus of the general fund, which we are now in the process of disposing of, and which with the approach on the tax reduction will never again present itself, to overcome the problem.

I think this step that is suggested in Senate Bill No. 419 is only a partial step but at least it is an acknowledgement of the crisis and an effort by the legislature to try to do something towards correcting it.

Roll call on Senate Bill No. 419:

YEAS—15.

NAYS—Dodge, Hernstadt, Neal, Raggio—4.

Absent—Keith Ashworth.

Senate Bill No. 419 having received a constitutional majority, Mr. President declared it passed.

Senator Gibson moved that Senate Bill No. 419 be transmitted immediately to the Assembly.

Motion carried.

Bill ordered transmitted to the Assembly, immediately.

Assembly Bill No. 150.

Bill read third time.

The following amendment was proposed by the Committee on Commerce and Labor:

Amendment No. 1114.

Amend section 1, page 1, by deleting lines 3 and 4 and inserting:

"1. Except as provided in subsections 2 and 3, a televised broadcast of a sporting event or other special".

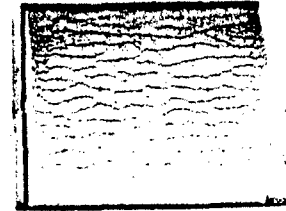


Exhibit K