

**MINUTES OF THE MEETING OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON FINANCE
SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND
TRANSPORTATION**

**Eighty-Second Session
March 24, 2023**

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on Public Safety, Natural Resources, and Transportation was called to order by Chair Howard Watts at 8:03 a.m. on Friday, March 24, 2023, in Room 2135 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda [[Exhibit A](#)], the Attendance Roster [[Exhibit B](#)], and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/82nd2023.

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Howard Watts, Chair
Assemblywoman Natha C. Anderson, Vice Chair
Assemblywoman Tracy Brown-May
Assemblywoman Jill Dickman
Assemblywoman Michelle Gorelow
Assemblyman Gregory T. Hafen II

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Dallas Harris, Chair
Senator Pete Goicoechea
Senator Rochelle T. Nguyen

SUBCOMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None



STAFF MEMBERS PRESENT:

Cathy Crocket, Senate Chief Principal Deputy Fiscal Analyst
Karen Hoppe, Assembly Principal Deputy Fiscal Analyst
Nancy Morris, Program Analyst
Janet Osalvo, Committee Assistant
Janice Wright, Committee Secretary

OTHERS PRESENT:

Tracy Larkin Thomason, Director, Department of Transportation
Zach Conine, State Treasurer, Office of the State Treasurer
Jeffery W. Landerfelt, Deputy of Operations, Office of the State Treasurer
Felicia Denney, Assistant Director, Administration, Department of Transportation
Darin Tedford, Deputy Director, Project Delivery, Department of Transportation

Chair Watts:

[Roll was taken, and Subcommittee rules and protocol were discussed.] We will start today's meeting with the Statewide Infrastructure Bank presentation.

**INFRASTRUCTURE
DEPARTMENT OF TRANSPORTATION
NDOT - STATEWIDE INFRASTRUCTURE BANK (201-4672)
BUDGET PAGE NDOT-14**

Tracy Larkin Thomason, Director, Department of Transportation:

We will start with the Statewide Infrastructure Bank (SIB) budget, and then move on to the Bond Construction account and the Transportation Administration account. Zach Conine, State Treasurer, Office of the State Treasurer, will be presenting the Statewide Infrastructure Bank account, 201-4672.

Zach Conine, State Treasurer, Office of the State Treasurer:

I have the pleasure of serving as your Nevada State Treasurer and I will present Budget Account 201-4672 for the SIB. In fiscal year (FY) 2021, ex-Governor Steve Sisolak and I worked to expand the SIB that was first approved by the Legislature through Assembly Bill 399 of the 79th Session but not funded. As initially intended, the Bank was designed to serve as a financing mechanism for transportation and large-scale utility infrastructure projects. With the passage of Senate Bill 430 of the 81st Session, we expanded the function of the SIB to allow it to fund a wide variety of projects including water and wastewater infrastructure, renewable energy infrastructure, recycling and sustainability infrastructure, digital infrastructure, social infrastructure, and other projects related to economic development infrastructure.

Additionally, through the 2021 Capital Improvement Program set forth in Assembly Bill 492 of the 81st Session, the Legislature authorized \$75 million in general obligation bonds to be used to capitalize the Bank to provide loans and other financial assistance to qualified borrowers. We have worked to get the Bank up and running over the last year and a half. Before I go into specifics for the Bank's budget, I would like to discuss what we have accomplished to date.

On July 1, 2021, the SIB formally commenced operations pursuant to Senate Bill 430 of the 81st Session. On August 16, 2021, the board of directors for the Bank held its first meeting where I was elected to serve as chair since an executive director had not yet been appointed by ex-Governor Sisolak. The Bank's work continued through the Office of the State Treasurer. Since the first SIB meeting, the board of directors have met five additional times to conduct its business. After the first meeting of the board of directors, the Attorney General's Office recommended that the SIB proceed through the regulatory process to establish policies for the Bank to process, evaluate, and prioritize loans and other financial assistance.

As a result of this guidance, and to incorporate the greatest level of feedback from stakeholders as possible, the board approved an initial 30-day public comment period in compliance with *Nevada Revised Statutes* Chapter 233B, for the following three areas:

- The establishment of criteria, policies, and guidelines for qualified borrowers from the Bank.
- The financing application for qualified borrowers as set forth in statute.
- The proposed capital allocation for the \$75 million afforded to the Bank through the 2021 Capital Improvement Program.

Once this public comment period concluded, the acting Bank staff from the Treasurer's Office worked with the Legislative Counsel Bureau (LCB) to draft LCB file number R027-22 and continue with the formal regulation process. On March 28, 2022, staff held the first regulation workshop and on April 4, 2022, staff held a second regulation workshop to present a revised version of the regulation feedback received during the first workshop. In anticipation of the board adopting the proposed regulation on April 11, 2022, the Legislative Commission conducted an early review of the proposed regulation to ensure statutory compliance at its meeting on April 8, 2022. The Legislative Commission then approved the regulation, and the board subsequently approved the regulation at the hearing on April 11, 2022.

As this regulatory process was underway, our staff was concurrently working on the process for bond issuance to capitalize the Bank as set forth in the 2021 Capital Improvement Program. On March 8, 2022, the State Board of Finance approved the 2022 State Infrastructure Bank bond resolution which authorized the issuance and sale of two series of

taxable general obligation bonds for \$75 million. Upon receiving approval from the State Board of Finance, and once the regulation for the Bank was fully promulgated, the State Treasurer's Office completed the sale of these general obligation bonds on April 27, 2022.

The bond sale closed on May 10, 2022. As part of this bond sale, Nevada received its highest credit rating in history at the time from Fitch Ratings Inc., Moody's Investors Services, and S&P Global. All major rating agencies have reaffirmed Nevada's stable outlook which is a direct result of the responsible fiscal management during the COVID-19 pandemic coupled with Nevada's strong economic recovery. These high credit ratings assigned by major rating agencies allow Nevada to finance priority infrastructure projects through the SIB with low market rates in a rising interest rate and high inflation environment. The bond sale also marked the first time Nevada has issued social bonds as the SIB seeks to make historic investments in affordable housing and public charter schools using responsible labor and environmental practices.

Once this bond sale was completed, the Bank began accepting applications for financing on July 7, 2022, in the following categories:

- Up to \$40 million to support projects through an infrastructure matching fund to leverage hundreds of millions of dollars into Nevada from the Infrastructure Investment and Jobs Act.
- Up to \$20 million to support affordable housing projects in partnership with the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Housing Investment Trust.
- Up to \$15 million to support the development of charter schools in low-income communities.

With the Federal Reserve's efforts to raise interest rates over the last year to combat inflation, we knew we needed to issue these bonds quickly to ensure the state could borrow money at the lowest rates possible. For the Bank's bond issuance, we were able to borrow at a true interest cost of about 3 percent. Since that time in April 2022, interest rates are about 1.23 percent or 123 basis points higher than last year when we priced the bonds. If we had waited to issue the bonds today versus issuing the bonds when we did, the total debt service cost would be about \$2.87 million higher. Additionally, the SIB has accrued \$681,854 in investment interest since we first issued those general obligation bonds which has helped to recoup the cost of issuance over the last year.

On September 7, 2022, ex-Governor Sisolak appointed an initial executive director, but with the change of administration, the Treasurer's Office is performing the administrative functions for the SIB until Governor Lombardo can appoint a new executive director.

In the Governor's recommended budget, there is a recommendation for allocating \$261,006 for the first year of the 2023-2025 biennium and \$264,457 for the second year of the

2023-2025 biennium for the State Infrastructure Bank. The funds will be paid for, as they were in the 2021-2023 biennium, from the Bond Interest and Redemption Fund. This will allow us to continue searching for candidates for two staff positions, an executive director position, and an administrative assistant position. Given that the SIB is relatively new, and the Lombardo administration still needs to hire employees for these two positions, we are not proposing any additional budget enhancements outside of what is included in the Governor's recommended budget—we will continue to build internally in the Treasurer's Office. I am happy to answer any questions you may have.

Chair Watts:

Are there any questions from Subcommittee members?

Assemblywoman Gorelow:

I was wondering what the agency's long-term plan is for funding the Statewide Infrastructure Bank budget.

Treasurer Conine:

During the first bond issuance, legislation was passed that did not allow for the funding of staff through bond proceeds. Going forward, as the Bank starts to make loans and advances, and begins to get paid back, the goal is to self-fund the Bank through interest and other earnings from the Bank, so it becomes a self-sustaining, budget-neutral operating environment.

Assemblywoman Brown-May:

Can you talk about the timeline for the agency's plan to allocate general obligation bond proceeds from the \$75 million?

Treasurer Conine:

There are three sections. There is the \$15 million for public charter schools in low-income communities, and that is moving through a process now. We had a preliminary award during a board meeting at the end of last year and hope to finalize that in the next few weeks. The \$20 million for affordable housing is in partnership with the AFL-CIO's Housing Investment Trust. The Housing Investment Trust, for anyone who has not heard of it, is a mutual fund that uses pension dollars to build affordable and workforce housing around the country. The Trust has been doing this for more than 20 years. The Trust has funded billions of dollars' worth of projects, and the \$20 million that Nevada will contribute will be matched at a ratio of about 9 to 1 with \$180 million worth of pension capital. As the Bank was intended to bring outside money into the state, we have several projects in the pipeline including some that are working through local regulatory processes. We expect that those projects will go out in the next year.

For the \$40 million of infrastructure projects that are made for matching, we are working with Bob Lucey, Infrastructure Coordinator, Office of the Governor, who is working on

infrastructure and other matters to ensure we are using those dollars as effectively as possible. One of the historical issues for Nevada infrastructure is that sometimes when the opportunity comes for us to get matching dollars from the federal government, the Legislature is not in session. We do not have the budget wherewithal to get a thing done. The goal of the SIB is to fill those gaps, and we think it will. We look forward to those projects coming out over the timeline of the Infrastructure Investment and Jobs Act; some over the next year, some over the next six months, some over the next couple of years.

Assemblywoman Brown-May:

I appreciate that sense of clarity. I believe I heard you say how bond proceeds or interest earnings from the Bank can be used. Can we use the general obligation bond proceeds to support the Bank's administrative expenses?

Treasurer Conine:

We cannot use the proceeds—money we received for issuing bonds—to support the Bank's administrative expenses because statutory construction of the original bond authority did not allow that use. There are strict rules for tax exempt bonds that we do not want to violate, so we issued taxable bonds, and those interest earnings are able to be used for administration or to cover the cost of issuance.

The money taken out of the proceeds to pay for the issuance—including lawyers, financial advisors, and other professionals who helped us with bond issuances—have been paid off by the interest earnings that we made over time. We are effectively making more money on the interest earnings than we are paying in debt service.

Chair Watts:

You discussed the long-term plan to fund the Bank when loans are moving out and we are receiving interest payments. What do you see as the timeline for us to be able to transition to that as a funding source? Do you have any indication when we can look to a transition to self-sufficiency for the Bank's administrative and staffing expenses?

Treasurer Conine:

Our hope is that by the 2025-2027 biennium when we come back for budget authority, we will have reached a level of self-sufficiency. Of course, there is another bill moving its way through the Senate now, Senate Bill 10, that would put an additional \$50 million in State General Fund into the State Infrastructure Bank, which would not have the same restrictions against using proceeds for administrative expenses. I think it is important to note that the state and the Bank's primary goal is not to make money from these loans—the Bank is not a profit center. We are trying to make enough money that the Bank continues to be self-sufficient and can make other loans and help other organizations reach their goals. As we look at these original deals, we must measure and weigh two factors: we will look for the highest return to the state, and we will recognize that the highest return to Nevada might not necessarily be the highest return to the Bank.

Chair Watts:

My other question is for bonds that have been issued so far. Is there any sort of timeline or deadline for us to get those funds out the door?

Treasurer Conine:

I will ask Jeffery Landerfelt, Deputy of Operations, Office of the State Treasurer, to correct me if I am wrong. I believe because proceeds are taxable and not tax exempt, we are not subject to any three-year rule for proceeds being spent.

Jeffery W. Landerfelt, Deputy of Operations, Office of the State Treasurer:

That is correct because the proceeds are taxable, there are no arbitrage concerns.

Chair Watts:

Are there any other questions from Subcommittee members?

Assemblywoman Anderson:

I notice there are loans going to charter schools for their buildings. Is that funding also available for traditional public schools or is it only available for charter schools?

Treasurer Conine:

Currently, Bank proceeds could be used to support public schools. The \$15 million amount that was specifically set aside for construction of charter schools in low-income communities serves two purposes. The first purpose is to fill a funding gap that exists in primarily Title I-focused charter schools. It is difficult for schools that are serving an underserved community to get funding for capital improvement projects that might include bus purchases, lease refinancing, or tenant improvements. The only way that charter schools can get funding for those projects is to go to the private market for a loan. For private market loans, the borrower pays more in debt service, and if more is paid in debt service, less is available for the students. For this specific population of charter school students, we felt it was important for us to lean in.

This has also created a potential funding opportunity with private philanthropy. Private philanthropy will be able to match the state money and have the funds stretch further because others are contributing. In Senate Bill 10, which is making its way through the legislative process, there is another section specifically for rural school construction. The Bank is intending to fill holes in our capital program that exist through no fault of the individuals involved. It is simply harder to raise money from the bond issuance perspective in smaller school districts. It is almost impossible to raise money from a bond issuance perspective if you are a one-off or two-off charter school in an underserved community trying to make it work in a strip mall setting, for instance. Our intention is to fill those gaps, and that was the basis for the original \$15 million.

Assemblywoman Anderson:

To be certain, is there an availability for both rural school and public school boards to apply for this funding? Again, regarding the bond issue, I have heard from other schools that they are also having problems in this area. Is there a plan to allow for some of our rural school boards to apply for this, or is it strictly for charter schools?

Treasurer Conine:

Yes, S.B. 10 would allow rural public schools to apply for this funding.

Assemblywoman Anderson:

I would love to have a further conversation about other needs of our school districts, including public and noncharter schools, and who approves these schools.

Chair Watts:

I have one more question. You mentioned staffing transitions, and it sounds like it has been quite a task to get the regulations and policies in place to set up this new lending entity. It sounds like we had one staff member at the Bank. Now, we are in transition, and we have a plan to hire two people. Will that be enough? I know we have \$15 million that will be moving out the door, but will we have the organizational capacity to get the Bank up and running in the timelines you laid out in your presentation?

Treasurer Conine:

I think within state government, we all find ourselves underresourced, but in the case of the Bank, given the statutory construction, we have effectively created it as a nexus between many departments. We can lean on the Department of Transportation staff who have been a big help. Staff from the Office of the Attorney General has helped with documentation, and we can also bring in outside folks. We work in partnership with federal agencies, with the Governor's Office of Finance, the Legislative Counsel Bureau Fiscal Analysis Division, and others to provide the resources we need. The Bank has the full support of the Treasurer's Office and our 46 staff members. So, while eventually the Bank will need other staff to be self-sustaining, for the interim, we think we have the fuel and the team we need, thanks to help from others.

Chair Watts:

Are there any additional questions from Subcommittee members on the State Infrastructure Bank? [There were none.]

Our next budget is the Bond Construction account. Director Larkin Thomason, whenever you are ready, you can begin.

INFRASTRUCTURE
DEPARTMENT OF TRANSPORTATION
NDOT - BOND CONSTRUCTION (201-4663)
BUDGET PAGE NDOT-17

Tracy Larkin Thomason, Director, Department of Transportation:

We will start with our Bond Construction presentation [[Exhibit C](#)]. We are requesting a \$50 million fuel revenue index bond and a \$100 million highway revenue bond. Anticipated projects for this funding will include the Henderson interchange, the I-15 wall replacement, Project Neon Phase 2, and the Las Vegas District 1 administration building. Assembly Bill 191 of the 78th Session allowed fuel taxes to be indexed with inflation annually for 10 years if passed by county voters. In November 2016, Clark County passed Question 5 that provided annual increases tied to the inflation index to Clark County fuels. The Department of Transportation (NDOT) receives the portion that is indexed to state taxes.

Collective revenue can only be used for construction, maintenance, transportation improvements, and repair of streets, roads, and highways in Clark County. Revenue will increase annually over the enacted period through 2026. The Department follows the same bond issuance policy three times rule for the fuel revenue indexing bonds. If voters do not approve an extension of fuel indexing in November 2026, the indexed amount cannot be reduced until the bonds are paid off.

The NDOT periodically issues special obligation highway revenue bonds to fund highway construction projects in accordance with *Nevada Revised Statutes* 408.273. The Department has the capability to refinance existing bonds when interest rates are favorable, reducing future interest payments. These are issued by the State Board of Finance upon approval of the Department of Transportation Board of Directors and in cooperation with the State Treasurer. All bond proceeds and expenditures must be posted to a special NDOT budget account which requires legislative authorization. The Department's bond issuance policy states that NDOT will not issue bonds until the pledged motor vehicle taxes are at least three times the combined annual debt service for both existing and proposed bonds. The Department could sell bonds in fiscal year (FY) 2024 and FY 2025 and remain compliant with the Department's bond policy with approximately \$490 million in unused bonding capacity projected for FY 2025.

As shown on page 3, [[Exhibit C](#)], the Henderson interchange is where we propose to use bond proceeds. We have completed 30 percent of the design plans, and I can explain the design-build procurement in more detail if needed. In short, the Governor has recommended \$350 million for the projects we show—\$150 million in bond proceeds, and \$200 million in state and other federal funds. Yesterday, we announced that we received a \$5 million earmark to be used toward the project, so that will be \$5 million less to find in other proceeds.

Past projects [page 4] that we have used bond funding to cover include Project Neon, the Carson Freeway project, the I-580 Winters Ranch to Mount Rose project, the U.S. 95 Grand Montecito to Tenaya project, the I-15 Tropicana project, and the I-80 Spaghetti Bowl project.

We do not allow total bond repayment to exceed 30 percent of anticipated revenue, and that is lean, compared to other states across the nation. Are there any questions?

Chair Watts:

The first question will be from Assemblyman Hafen.

Assemblyman Hafen:

Can you provide more information on the Henderson interchange project, and how the funding formula was developed for the mix of bonds, federal funds, Highway Funds, and property taxes?

Felicia Denney, Assistant Director, Administration, Department of Transportation:

We typically put a priority on utilizing federal funds first to maximize that funding source. We look at State Highway Funds that are available, our mix of projects, project readiness, and project phasing. To clarify, project readiness considers whether a project is ready to go to construction, and project phasing considers whether it will cost more to delay a project and what type of inflation we are facing. It may make more sense if we could utilize economies of scale and then issue bonds as filler to save money overall. With the inflation we have been experiencing, bonds are a cost-effective way to help us put out our project mix.

Assemblyman Hafen:

I think I speak for all of us when I say we appreciate using federal dollars first. That has been one of our concerns in other presentations, and we worry that we may be losing federal dollars.

Chair Watts:

I have a question related to the proposed gas tax holiday. Can you speak to any known or potential impacts to our bond rating based on the potential approval of the fuel tax holiday?

Tracy Larkin Thomason:

I would be lying if I said a gas tax holiday did not make me nervous since we are completely funded by gas tax. Working with Governor Lombardo, we have State General Funds in place to back up our bond repayments to ensure the gas tax holiday will not impact existing bonds. We are investigating whether there will be any long-term effect on bond ratings.

Chair Watts:

When will we know whether a 12-month gas tax holiday will have a negative effect on bond ratings?

Tracy Larkin Thomason:

I apologize, I do not have a timeline for that. We are working with other states who have taken a similar gas tax holiday. I will say that most gas tax holidays experienced by other states have been short; a couple of weeks, one month, or six weeks.

Chair Watts:

We are proud of our bond ratings, and any negative impact to that bond rating will cost Nevada in the long-term. Please keep us informed about this matter as we want to make the best decisions we can while we are in session, and I am concerned about risk and uncertainty.

Are there any questions from Subcommittee members about the Bond Construction account? [There were no questions.] We will now hear the Transportation Administration budget account, 201-4660.

**INFRASTRUCTURE
DEPARTMENT OF TRANSPORTATION
NDOT - TRANSPORTATION ADMINISTRATION (201-4660)
BUDGET PAGE NDOT-19**

Tracy Larkin Thomason, Director, Department of Transportation:

The Department of Transportation is more than just roads [page 6, [Exhibit C](#)]. As someone who has been with the Department for over three decades, I am proud of the people in the Department and what they have accomplished.

One of the efforts which impacts public safety is snow and ice removal, which has been especially obvious in the last few months. Workers are up early and are the first ones to arrive at project sites and road incidents. We need to ensure they have the support to accomplish what they are doing out there.

The Department contributes to Nevada's economy. Last year, we added over 14,000 job years. We have a robust program moving forward. We are at a point where most of the construction contractors are approaching capacity for handling our projects. We have an integrated transportation system. We cover all modes of transportation or support other modes if there is no direct impact. Other modes include transit, air, bike, and rail, and additionally, we oversee most of the federal funding for Nevada rural transit. The rural transit federal funding is a pass-through, but we do support rural transit in rural counties throughout the state.

The chart on the right of page 7, [Exhibit C](#) of our budget presentation shows State Highway Fund revenues and how much is collected in each area. This represents the total used by the Department of Transportation (NDOT), the Department of Motor Vehicles (DMV), and the Department of Public Safety (DPS). The chart on the left of that same page shows NDOT's portion of the Highway Fund along with the Federal Highway Administration's

(FHWA) federal aid, and smaller revenue sources like overdimensional permits, fuel taxes, and others. Please note the State General Fund authorization is what is being used for the gas tax replacement.

Due to the high percentage of federal land in our state, most of the FHWA programs only require a 5 percent match, as opposed to the 20 percent match required in most other states. For every \$5 that Nevada puts in, we get \$95 back. There are a few exceptions; there are some areas where we still have a 20 percent match requirement, but in general we get a good bang for our buck with federal dollars.

The federal aid revenue figures reflect an increased amount due to the passage of the federal Bipartisan Infrastructure Law, also known as the Infrastructure Investment and Jobs Act, [Public Law 117-58.] This legislation brought another approximately 22 percent of revenue to Nevada which was added to our budget last year and will be increased by 2 percent over the next few years. I do want to caution that while we were grateful for the funding, all it allowed us to do is maintain our program because there was a 20 to 22 percent increase in inflation. As shown on page 7, NDOT utilizes highway user fees, federal aid, and for fiscal year (FY) 2024 per Governor Lombardo's recommended budget, State General Funds to fund approximately 99 percent of the biennial budget. With the Governor's recommended budget, you will see that we replace \$256.9 million of State Highway Funds with State General Funds to cover the Governor's gas tax initiative.

As shown on the left side of page 8, we have 91.3 percent budgeted in capital improvement, personnel, and operating funding recommendations, and 5.4 percent in equipment funding recommendations, including the Nevada Shared Radio System.

The pie chart shows these funding recommendations broken into organizational categories. The capital outlay is approximately 73.3 percent while expenditures for operations are 14.4 percent. Administration and support is only 5 percent of our total budget. This percentage is lean for a state agency.

Moving to our Transportation Administration enhancement units [page 9], we have six enhancement units to cover, including replacement equipment, new equipment, maintenance of building and grounds, a rest area initiative, a fueling system initiative, and new positions.

The first unit is for replacement equipment, decision unit enhancement (E) 710. As mentioned before, inflation affects us. The cost of equipment has increased by an average of 30 percent. The Department has equipment that is decades old, and when there is a breakdown, this causes delays and inefficiencies, and at times, safety concerns. We often bring in backup equipment to cover equipment that is in operation in the field. Only 48 percent of our fleet meets minimum maintenance criteria. It is embarrassing to say that our fleet condition ranks almost 49th in the nation. This needs to be addressed. The Governor has recommended approximately \$20 million in each fiscal year; significantly

higher than in past years, and this will help us catch up on equipment replacements that have fallen behind.

The next decision unit is E-720. This unit includes new equipment over \$5,000 including testing equipment, large tools such as garage hoists, and computers. Also included is a Ride Van vehicle with instruments used for federal reporting. The vehicle is driven around the state collecting data on state assets, including road width, striping, and guardrails. Another item included in this decision unit is an underbridge inspection truck. We have two bridge inspection trucks in Nevada, and this funding will replace one of the trucks. According to federal law, NDOT is required to inspect all public bridges every two years. The other truck is scheduled for its 10-year factory rebuild, so we will replace one truck, and once we have that truck back in place, the other truck will go in for maintenance work.

As shown on page 12 [\[Exhibit C\]](#), NDOT needs five new freeway line strippers. Line strippers are critical because Nevada has so much rural area, and the vehicles have extra-large tanks installed to carry paint so trucks can cover long distances.

There is a recommendation for one new truck-mounted culvert cleaner. If you look around, this is a perfect time to understand how important culvert cleaners are in keeping water flowing, particularly during storms and the type of runoff from melting snow we are going to have.

Lastly, we have a Caterpillar dozer replacement and statewide survey equipment. Regarding the survey equipment, technology has outpaced the equipment we have. We need to update the equipment to run the software programs we have. Before we request new equipment, we compare the cost for new equipment, the cost of renting the equipment, and the cost of contracting for the equipment. If we do not rent loaders and culvert cleaners, we are saving \$720,699.

In FY 2024, the Governor recommends \$14.9 million and in FY 2025, the Governor recommends \$4.2 million for these decision units.

Decision unit E-730 is for maintenance stations and E-125 is for rest areas [page 13]. For maintenance stations, there are three main stations around the state, three major substations, and 55 other stations located geographically around the state to cover each of the areas. Many of these stations are more than 50 years old and need updating—our equipment no longer fits in many of the barns, the facilities need insulation, and some of the equipment cannot be stored onsite. As an example, in Lovelock, equipment must be parked on the street because we do not have room in the maintenance yard.

Continuing with E-125, most rest area facilities are over 33 years old. The Governor has recommended replacing three rest area facilities. The first is Millers rest area in District 1, which is near Tonopah, and the second is the Trinity rest area in District 2 where US 95

intersects with I-80—this site is used as a truck parking area. The third is the Beowawe rest area in District 3. We have been working on these replacements for some time, but we had some delays due to hiring freezes during the pandemic. We are now moving ahead with these rest area replacements.

For the rest areas, the Governor has recommended \$720,000 in FY 2024, and \$12.5 million in FY 2025. For maintenance stations, the Governor has recommended \$53 million in funding for FY 2024, and \$56 million for FY 2025.

Decision unit E-227 is for fueling system upgrades [page 14]. We are adding an additional site at the District 1 yard in Las Vegas off Washington Street, and that upgrade will make the site compliant with environmental air quality requirements. We have been working on fueling upgrade systems and replacements for approximately 10 years. As fuel systems around the state reached the end of their lifecycles, they stopped working. These fuel stations are used not only by NDOT, but by about 53 other agencies and all first responders and law enforcement for refueling. Additionally, when there is an emergency, these sites become staging centers. It is important that we keep these sites functional.

When the Las Vegas site is compliant, we will start the next round by looking at what kind of alternate fuels we use in different areas. Specifically, we have requirements in Clark and Washoe counties, both of which are nonattainment areas. For each fiscal year, the Governor has recommended \$400,000.

Decision unit E-225 is for new positions [page 15]. We are asking for 50 new positions for new functions that will require specialized skills. Information technology, for example, is an area that is changing the way we do business. We are not asking for positions in areas where we have had problems filling positions. Another example where we need additional help is in external civil rights so we can fulfill federal reporting requirements and handle increased workloads. The Governor has recommended \$4.3 million for FY 2024 and for \$5.4 million for FY 2025.

Page 16 [[Exhibit C](#)] shows the breakdown of various positions. Traffic Operations, for example, needs a different skill set as we start to get more into dynamic message signs and ramp metering. This is different from our transportation assets of yesterday. Other areas that need additional positions include external civil rights, roadway design, human resources, environmental services, and administrative services.

One notable change is an increase in Department outsourcing. Because of our high vacancy rate, we are looking at pilot programs for sweeping contracts and culvert cleaning contracts. Regarding other notable changes, we already talked about our equipment budget based on the lack of compliance with maintenance criteria in our existing fleet. The third notable change is crew augmentation. We augment our crews for oversight of our construction contracts, which has more than doubled in the past year.

For maintenance contracts [page 18], the Governor recommends \$8.5 million for each fiscal year of the 2023-2025 biennium—an additional \$4.7 million more than in each year of the 2021-2023 biennium. The increase is directly tied to maintenance contracts that will be outsourced and includes \$3 million per year for street sweeping and \$2.5 million per year for culvert cleaning.

Inflation is another crucial factor [page 19]. The National Highway Construction Cost Index measures the highway construction inflation at 32 percent from the third quarter of calendar year 2021 to the third quarter of calendar year 2022. There is a typo on this page—the 11.6 percent was from the third quarter of 2020 to the third quarter of 2021. Please note that these are state calendar years.

Inflation is increasing [page 20]. Since 2020, it has become apparent where inflation has hit Nevada. Examples include glass for striping. We use glass beads for line striping because they add reflectivity to the lines. The cost for glass beads has risen 75 percent from the last biennium. Equipment has risen 30 percent, and cement and concrete have risen 14.3 percent. Regarding cement, production has not increased, but the demand for cement is growing. Diesel fuel prices have risen by 33 percent.

Labor shortages are forecasted to continue. As with every area, I recognize that NDOT is not unique in its inability to fill vacant positions, but the workforce shortage is affecting our project delivery. As you look at the cost of outsourcing [page 21], you can see our typical outsourcing for design service activities in FY 2021 and FY 2022. The design amounts for FY 2023 and FY 2024 are estimates, but those estimates are based on executed contracts. You can see that in FY 2022, our augmentation costs were approximately \$38.6 million, and we project that cost to be approximately \$65 million in FY 2023 and close to \$80 million in FY 2024.

I am proud of what our Transportation crews have delivered in unusual weather situations. Our crews are up at 1:00 a.m. and on the roads by 2:00 a.m. They do this so they can report back to me by 4:00 a.m. to let me know about conditions and delays, and we can report out to others on what is needed. The pictures on page 22 show both southern and northeastern parts of Nevada, including Las Vegas. We did have snow at Primm with a road closed on I-15, and throughout the eastern part of the state, including rural areas in Elko and Eureka.

I like showing this picture of a rockslide on U.S. 95 between Hawthorne and Schurz [page 23] because the truck in the background provides perspective on the size of the rocks. We have had three rockfalls between Hawthorne and Schurz, and we will have a geotechnical contract going out soon. We have put out close to \$20 million in emergency contracts in the last few weeks. The other rockslide is on State Route (S.R.) 208 between Smith Valley and Yerington. This is nearby, but not at the same place, where we have a \$7 million contract repairing S.R. 208 from the previous rockslide.

Now that we have moved into what hopefully might be the end of winter, you can see the effects of winter [page 24]. It has not been just one storm event; it has been multiple events all over the state that are undermining the sides of roadways. The weather is bringing up the fine soil and undercutting the edges of roadways. This will require multiple repairs. It has pulled out some pavement in areas, and there have been a lot of intermittent road closures throughout the state. We have pilot car operations on some roads, including S.R. 338, which leads into the Bridgeport area in California. We have worked with our California transportation partners who have closed U.S. 395 and who have had their share of problems from storms.

After this winter, we will be focusing on flood abatement, and we will be watching the snowmelt. There is a lot of snow in the mountains, so we will watch how the temperature rises because if it rises fast, culvert cleaning will be critical.

That ends my presentation, and we will be happy to answer any questions.

Chair Watts:

Are there any questions from Subcommittee members?

Assemblyman Hafen:

I found some of the inflation details alarming. I know most prices have gone up between 20 to 30 percent, but glass beads are up 75 percent. Also, you said that we are not seeing any new cement production even though the demand is growing. Could you elaborate on why that is and when we anticipate that will change?

Tracy Larkin Thomason:

I cannot say why there is not more cement production because we do not produce it. I am afraid that is outside of my area, but I do know we are having a harder time getting the material. I would like Darin Tedford to comment further on this.

Darin Tedford, Deputy Director, Project Delivery, Department of Transportation:

The environment is a challenge for any existing cement production plant that wishes to increase their capacity. Obtaining necessary approvals needed for plants to increase their capacity beyond what they already have is a hindrance. As Director Larkin Thomason said, the raw materials that go into the process are a challenge to obtain, and utility prices are another hurdle.

Assemblyman Hafen:

It is alarming to see costs increasing 75 percent and then to realize that we do not know which materials will not be in production.

Tracy Larkin Thomason:

It is 75 percent. Glass is not something we use a lot of, but it is used in our line striping paint. We did have trouble getting line striping on several contracts last year, but it seems to have evened out. We are looking at glass, but it does increase the cost of striping across the state.

Senator Harris:

Can you explain what impact the projected Highway Fund balance of \$64.1 million in fiscal year (FY) 2024 will have on NDOT's cash flow needs and the state's bond rating?

Felicia Denney, Assistant Director, Administration, Department of Transportation:

We show the whole one-shot occurring in one year so the expected cash flow would be smoothed out over the two years. The balance in the second year is expected to be above our minimum balance. This is the way the cash flow is displayed due to the one-shot in FY 2024.

Senator Harris:

Could you talk more about how the decision to show the one-shot in one year and then smooth it out will affect your operation and your cash flow needs, or can you anticipate the effect of the bond rating because of the drop?

Felicia Denney:

The actual cash should not drop that low. The budget authority is depicted in that year and when you look at the actual cash, it is more smoothed out and should not impact our bond rating or ability to pay any of our debts or expenditures.

Senator Harris:

Have any issues materialized that may alter NDOT's projected unrestricted State Highway Fund balance of \$64.1 million at the end of FY 2024? If the answer is no, you can say no.

Tracy Larkin Thomason:

The answer is no.

Chair Watts:

You are saying you will manage the funding for these projects so the unrestricted balance will not drop below the level that could potentially have a negative impact. We see that the balance dips below that level in one fiscal year and then comes back above that level in the next fiscal year. You are saying that is more of an accounting issue and the actual administration of the funding will ensure we are not in danger of dropping below that level. Is that correct?

Felicia Denney:

Yes, that is correct. It is accounting for a one-shot in 2024 that will be expended over the biennium.

Chair Watts:

Are there any other questions from Subcommittee members?

Assemblywoman Dickman:

Can you discuss the factors you considered in determining the projects that you anticipate funding and completing in the 2023-2025 biennium with the recommendations included in The Executive Budget?

Darin Tedford:

We have an extensive process we follow for prioritizing our projects of all sizes. We have many projects that we call "major projects" that are up and above \$25 million and can reach into the billions of dollars. These projects can also be smaller projects, such as safety projects and Americans with Disability Act projects. We also have midrange preservation projects like passing lane projects.

Our process, the One Nevada Transportation Plan, requires us to look at our statewide needs and the needs of all communities. We then can address the most important needs in the most important locations based on safety and preservation. This process allows us to take care of what we have with limited funding.

Assemblywoman Gorelow:

I have been in touch with your office several times over the past years regarding Highway 160, Blue Diamond Road, going west from Rainbow Boulevard toward Pahrump. Assemblyman Hafen and I have been concerned for some time about the traffic flow in this area and the need to widen this section of road. I am disappointed this project is not included for completion in the 2023-2025 biennium, but I am looking further out. Could you provide an update on that project?

Darin Tedford:

The section you refer to has been recognized as an area of the corridor that needs attention. The Department and the stakeholders—Clark County, the Regional Transportation Commission of Southern Nevada, the City of Las Vegas, the City of Henderson, and whichever municipality might be in an area—have held discussions about the need for improvements, and we have started to look at specifics.

Regarding the corridor study that is underway now for highways 159 and 160, for the past year we have been talking to constituents and stakeholders and looking at outreach efforts, surveys, traffic studies, and safety studies, that result in a conclusion of a corridor study that could be for this route, could be for Mount Rose, or could be for U.S. 50 in Dayton. We look

at that section and all the needs that are there. The corridor study concludes with recommendations. For these two state routes you are referring to, we are at this point, and the next step is to turn those recommendations into projects.

Along with the earlier question about the Department's prioritizations, you can imagine that a project from one end of highway 160 over Mountain Springs, for example, could be between \$600 million and \$800 million. Our budget is approximately \$900 million per year, so we take a corridor study like that, divide the project into pieces that are ranked based on needs, safety, preservation, and widening capacity, and then combined with all our other needs around the state, we prioritize them so we can start to pick off those projects as quickly as we can within our funding.

Assemblywoman Gorelow:

As you know, that area is growing so fast your studies are already outdated. We have a new business complex at Rainbow Boulevard and Blue Diamond Road on the southeast corner. There is El Capitan and new houses that are just north on Buffalo Drive. You cannot keep up with that kind of change from day-to-day, and I want to put that on the record. That part of the state is rapidly growing, and what you looked at six months ago is not adequate anymore. I know residents complain a lot about traffic at that location, so I appreciate that you continue to look at this project.

On another note, I was looking at funding for registrations, titles, plates, and license fees and it looks like there is about \$135 million from those sources. Is there any estimate on lost revenue from unregistered cars? I notice a lot of out-of-state plates when I am dropping my kids off at school. I am curious if you have any idea what that amount might be.

Tracy Larkin Thomason:

I do not know. The Department of Motor Vehicles could answer that question.

Chair Watts:

Regarding funding, I know there was an interim working group and a report that came out about highway and transportation funding. You mentioned the need to prioritize projects based on resources. I heard you speak during the previous budget discussion about bonding, and it sounds like we still have bonding capacity. Can you explain what kind of funding is needed to address projects including damage from rockslides and flooding, and why we have unfunded projects if we have unused bond capacity on the table?

Tracy Larkin Thomason:

There is additional funding that will be used for emergency contracts going out with the Governor's declaration of emergency for the state. We will be looking at potential reimbursement from the Federal Emergency Management Agency. We were already working with our federal partners in Nevada to identify federal funding before the incidents rose to the declaration threshold.

Felicia Denney:

For bonding, as you have seen, we anticipated selling two bonds in fiscal year (FY) 2024, but that budget was put together some time ago. That is still our plan. We do have additional bonding capacity but given some of the emergencies and other situations we are seeing, we could determine that it would be advantageous to issue bonds in FY 2025, and we could certainly approach the Interim Finance Committee to do so.

Tracy Larkin Thomason:

I would like to answer some questions about the Advisory Working Group. Obviously, there were many potential solutions put forward. We are concerned about long-term sustainability of the State Highway Fund. One factor we are closely watching is the number of electric vehicles and alternative vehicles on the road. We strongly support electric vehicles, but these vehicles do not support the State Highway Fund. We are looking for opportunities that could potentially be used and to propose a framework for those scenarios. Please note that this is a working group study for Nevada, and there is no solution or determination identified yet.

Chair Watts:

I know gains in fleet efficiency have had a significant impact overall, including internal combustion engine vehicles, as well as inflation, and that fuel revenue indexing at the state and county levels is a bit of a mixed bag. Going back to revenue, I did see that we have the Government Services Tax (GST) at 25 percent. I think the GST is being directed to the State General Fund so that would be approximately \$20 million plus per fiscal year. It looks like at one point that amount was intended for the State Highway Fund, but it is going to the State General Fund. Is that correct?

Tracy Larkin Thomason:

That is correct.

Chair Watts:

We will need to keep an eye on some of these issues because we need to ensure we have resources to take care of the project needs that have been brought up by my colleagues. Are there any other questions from Subcommittee members?

Assemblywoman Anderson:

How would a new unclassified pilot position improve the agency's flight operations, and how many openings do you currently have? Do you believe that you will be able to fill that position?

Darin Tedford:

Our flight operations include four pilot positions; one Chief Pilot position, two Pilot 3 positions, and one Pilot 2 position. The addition of another Pilot 2 position would enable us to fly planes more reliably. We are required to have both a pilot and a copilot on each flight.

Two planes and two pilots should be enough, but we would like to avoid having to cancel any flights with the extra position.

Currently, the Chief Pilot position is filled, and one Pilot 2 position is filled. Additionally, one Pilot 3 position was hired, and that pilot will start work on April 17, 2023. Technically, we have two vacancies out of what would be five if the new position was approved.

Assemblywoman Anderson:

I see that there is a new product management approach related to managing the Department of Transportation's (NDOT) information technology (IT) system. There will be nine new IT positions. Can you discuss this further, and do you believe you will be able to fill nine new positions?

Darin Tedford:

The face of NDOT is changing. We have many databases and many systems. If you have visited or seen the freeway and surface transportation system in Las Vegas, known as the FAST [Freeway and Arterial System of Transportation] Center, it is a war room. It is a central command for everything traffic that happens in Las Vegas. Everybody sits at a computer, referencing databases. The system of automated traffic management gantries that are over U.S. 95 and over I-15 are programmed to respond to traffic incidents. This system is reliant on data and on our IT positions. That is important because we have moved to an electronic asset management system where we are looking at statewide pavement conditions, statewide bridge conditions, and all our hydraulics, slopes, and culverts. Everything is in a database that can be tracked, can be analyzed, and can be anticipated to need repair or replacement. All that information is in our database and on the back of our IT team that we would like to expand.

Regarding the second part of your question, we hope to be as competitive as possible in hiring those team members. Salaries are a big part of hiring, and we offer an excellent pension plan. We will also try to offer flexibility for those team members. The number of hours that we need is not flexible, but we can be flexible on when and where staff work. We do hope to be competitive in filling those positions, and we have been relatively successful.

Assemblywoman Anderson:

It sounds like these are essential workers. What is your current vacancy rate?

Tracy Larkin Thomason:

I am going to speak generally about the vacancy rate in the Department. For the new positions we have put forward, we hope to be competitive and for most areas, we have been competitive. We have a 26 percent vacancy rate across the Department. In our field areas, especially those locations where we have been hit hard by weather, we have a vacancy rate between 40 percent and 75 percent. Most of our plow drivers have not had three days off since Thanksgiving. They are working on shifts, and while we monitor closely for safety,

plow drivers are working extraordinary amounts of overtime simply to cover the workload. We do have some plows that we do not have drivers for, so drivers work long shifts. We are concerned about that. We are also concerned about support functions. In accounting, we have one accountant, and in payroll we have one person. Often, we can bring people in, but we cannot retain them. I am getting more concerned about reaching a point where we have to stop because we do not have people to perform support functions.

Assemblywoman Anderson:

You have one person for payroll across the Department? Did I understand that correctly?

Tracy Larkin Thomason:

That is correct. We have other vacant payroll positions, and we are looking to fill those positions and then train those who are hired. But we have one active person working now.

Senator Goicoechea:

First and foremost, please tell your people, thank you. I live in northeastern Nevada. It has been a long nearly five months with snow on the ground. I know people complain that they did not see a plow, but the bottom line is, plow drivers have done a yeoman's job throughout Nevada.

For decision unit enhancement (E) 730—the more than \$100 million for upgrading your maintenance stations over the 2023-2025 biennium—I assume you are reaching out to rural communities and meeting with county commissioners. We have some maintenance stations, especially the ones you mentioned in Lovelock and Elko, that are downtown. The land values downtown may be enough to justify building a new station if the station was relocated on the west end interchange. I want to ensure that you are working with local governments and counties as you do your short-term and long-term planning. Have you asked local communities about relocating a maintenance station or about buying a downtown facility from the state?

Tracy Larkin Thomason:

These discussions with local officials have been happening for several years. We want to work with our partners to determine what is best, not only for our operations but for their operations. In cases like Lovelock, there have been discussions over the past year about the possibility that if we move out, there may be room for other operations in town to take over the facilities where it might be more appropriate or adequate for them.

Senator Goicoechea:

Elko would love to see that facility imploded. It is located on I-40 downtown in the middle of malls, but the facility has a convention center on one side and a school on the other side. There is value in that location. I know there has been a lot of debate about whether we will go east or west to move that facility.

Please discuss the factors that contributed to the delay in, and the design and improvements for, your rest area facilities, especially Trinity. I am familiar with Beowawe, and I know Millers has a need. What factors contributed to the delay? We thought we had funded that three years ago.

Darin Tedford:

The first challenge is personnel. We have an architecture division that works under a delegation from the State Public Works Division, and they are working on repairs, fixes, additions, or replacements for over 1,000 buildings that NDOT owns and maintains. Those buildings range from huts for fiber, conduit, power, and fiber optics throughout the state to our biggest rest areas and maintenance stations. We have the responsibility for those 1,000 buildings.

We also have the responsibility to budget for the staff, and to come to the Legislature for approval of both the project design in the first biennium and then to have the money for construction for any facility we are working on in the next biennium. This is all in our budget. You heard the numbers of what we are asking for in the 2023-2025 biennium. Our budget reflects the challenge of addressing the needs of so many buildings that are so old. When Director Larkin Thomason said the age of some of our buildings, it may have sounded like she said 15 years, but she said 50 years old or more. Those challenges are enormous, and we are trying to pick them off one at a time. Additionally, when we are looking at replacing rest areas, I spoke about our challenges with environmental clearance. This also applies to anything that we want to do with buildings, and we end up with rest areas in more remote areas where they should be, not in a town where there are local utilities. Having wells, water, power and being able to upgrade to the needs of the new facility is a challenge but it is the responsibility of our team to solve these matters.

In the last year, we have also added consultant help. You saw a slide about augmentation and the extra expense to accomplish things we need. We have augmented our architecture group with additional consultant architects so we can pick off more projects. That is why you see larger numbers than you have seen in the past for rest areas, because we have increased our capacity to chase after those needs.

Senator Goicoechea:

I know Millers was not a water issue. Trinity had a big issue about how to get potable water. I am surprised to see \$16 million for Beowawe, although I know we have not done any work on that facility in a long time. We are looking at a significant investment—do you think you are going to bring Millers, Trinity, and Beowawe projects to completion in the 2023-2025 biennium?

Tracy Larkin Thomason:

That is our goal. Trinity is long overdue and is one of the busiest rest areas across I-80 and in the state. One rest area project is in design. We are looking at probably getting these three projects complete by fiscal year (FY) 2026.

Senator Goicoechea:

Trinity to Beowawe is a couple hundred miles, and it lets those truckers get off the road. This is a big safety concern.

Chair Watts:

Are there any other questions from Subcommittee members?

Assemblywoman Brown-May:

Regarding the upgrade for the fueling system, the 2015 Legislature approved upgrades to the fueling system. Now we are projecting additional increases for fueling system upgrades. I understand there have been several changes, but can you talk to the factors that contributed to the project costing more than what was originally projected?

Darin Tedford:

Yes, the upgrade of the fueling stations was always intended to be a multiyear process because of the lack of availability of contractors to do the work. We must have an alternative for when fuel stations are down. We never want to replace all stations at the same time. Our estimate and budget was from FY 2015. Even with our attempt to estimate inflation, the cost of anything to do with fuel, and the labor force that requires a specialized contractor to complete the repairs and upgrades, is compounding what we have experienced. The budget has increased because of those reasons.

Tracy Larkin Thomason:

Once we are on site, other issues can arise. We may have to replace different tanks, and the project scope can expand. We found that many tanks started to fail at the same time. Our hope is to phase in the replacement projects so the replacements will be sequential and not hit all at once.

Assemblywoman Brown-May:

I like the plan for the life cycle. Can you talk a little bit about how the agency will address potential additional increases in the cost of fueling system upgrades? After the 2023-2025 biennium, I imagine we will have additional inflation increases or other expenses. Do you have a plan to address the potential additional increases?

Tracy Larkin Thomason:

The inflation we have seen recently is over and above what we anticipated. As I mentioned before, we are fortunate in having the Infrastructure Investment and Jobs Act passed because that act maintained it, and we will have increases over the next few years. We do look at our

projects and adjust as necessary. Our requests are based on the anticipated revenue funding coming in, and we know if that revenue does not come in, some projects will be dropped.

Assemblyman Watts:

Regarding fueling system upgrades, are staffing issues affecting both the timelines and the costs for this project as they are with the rest stations? In both cases, there are similar difficulties in hitting timelines and significant increases in cost. I understand that inflation is part of the problem, but you also mentioned workload staffing issues.

You had mentioned this was always going to be a multiyear project, but it looks like in FY 2015, we talked about project completion in FY 2019; in FY 2019, we talked about project completion in FY 2022; in FY 2021 we talked about project completion in FY 2024. Now, we are in FY 2023, and we are talking about project completion in FY 2027. This project has gone from a four-year project proposed in FY 2015 to a 12-year project. Could you speak to impacts staffing had on cost and timeline overruns?

Tracy Larkin Thomason:

Looking back, two of the lead people working in architecture moved on to other opportunities. Those were significant impacts. We are looking to augment the staff to finish designs and move forward. I was not with the Department but during COVID-19; there was a hiring freeze. The Department was not able to fill those positions. We have already spent about \$1.6 million to have people help us put out projects across the state, and we are now looking at augmenting staff further.

Senator Nguyen:

Do you anticipate any further information technology enhancements beyond the 2023-2025 biennium? I am assuming that these upgrades are a constant issue, but could you confirm this?

Tracy Larkin Thomason:

Yes. As technology advances, especially for our asset management data and the freeway and surface transportation system (FAST Center) in Las Vegas, we need to have people to address the technology.

Chair Watts:

Regarding decision unit enhancement (E) 710, the replacement equipment; 48 percent, or less than half of NDOT's fleet complies with maintenance criteria. We rank about 49th in the nation. You mentioned that these investments will help us start to catch up, but where will these investments leave us? How much of our fleet will be compliant with maintenance criteria after we make the investments in E-710?

Tracy Larkin Thomason:

I cannot give you an actual percentage on that, although I can get more information back to you. Looking back several years to the last recession, there were six or seven years where we did not purchase any new equipment. Prior to the recession, we had been getting \$10 million a year for new equipment. At that point, we were limited to \$5 million a year. This amount recently increased a little bit higher, and that is why 20 percent is a big shot in the arm. Some of the larger equipment has not been replaced since 1972. I cannot provide the exact percentage, but it will bring a good portion of our equipment up to speed. About four years ago, it was another bad winter, and we did a special thing—we spent about \$1.2 million per snowplow to get the plows up to speed so that you have clear roads this year. And again, I guess I am fumbling on that one. I do not know the answer.

Chair Watts:

That would be something that I, and other Subcommittee members, would be interested in seeing. There are significant investments in deferred maintenance across many agencies; I want to make sure we are trying to clear the backlog of capital improvements and upgrades for facilities. I understand that this would be a big boost, but I want to know whether this will get us where we need to be. Please follow up with information that shows where we will be at the end of the 2023-2025 biennium with this investment.

Darin Tedford:

With that \$20.4 million each year, there is specific equipment that we have an estimate for and that we would intend to purchase upon approval. It is a list we can get for you. Regarding the 48 percent compliance, you can imagine that a loader or snowplow has different maintenance criteria than our utility trucks driven by our crews. Each piece of equipment has maintenance criteria where we can say it is either meeting or not meeting criteria. I will get you that number, and I want to add that for those two pots of \$20.4 million, that funding will cover a lot of equipment, but it is a specific list that we put together based on priorities and based on what equipment is not meeting minimum maintenance criteria. We will follow up.

Chair Watts:

I appreciate that; we want to make sure that everyone is safe and that our equipment is efficient and effective. I want to thank everybody in the Department from the Director to the field crews. You all are collectively shouldering the work for 400 plus people who are not there because of vacancies.

You have repeatedly mentioned the struggles with staffing and the higher cost of outsourcing. How can we fix this? How do reduce the number of vacancies? I know there are some proposals that may help, but we have seen the cost of living go up. I think the proposed cost of living adjustments help us stay steady, but where we are now does not sound sustainable. Have you done any salary studies to see how NDOT compares to other employers who may draw NDOT employees away from us? It sounds like we are going to

have to invest these funds and spend extra money because of where we are right now. There is no way around it now. I want to know how we make the investments to avoid having to pay even more money for the same thing down the road.

Tracy Larkin Thomason:

Some studies have been done, including the 2022 Division of Human Resources Management (DHRM) salary study that was just released a week or two ago. This study shows state workers, depending on the area they are in, earn 30 to 52 percent less than other public agency salaries. We did an NDOT analysis last year that showed salaries were 42 percent lower. This is consistent with what we found, and to be blunt, it is compensation that is driving employees away. As an example, we train new employees for six months to obtain their commercial driver licenses (CDL). Many are gone in nine months because although we are a good training ground, there are better opportunities out there once they have their CDL licenses. I give a lot of credit to our trainers but the problem is clearly a compensation issue.

Chair Watts:

I know there are also difficulties in the revenue source for the State Highway Fund from issues discussed previously. I would like to get additional information, and I would love to see the 2022 DHRM salary study. I would also like to see more information on the causes of timeline delays and cost overruns. We need to ensure we get more than one person in accounting so we can get bills paid and invoices handled, and we need to address our maintenance workers and field staff who are working hard to ensure our roads are operational. In my mind, those are priorities that we need to make investments in, not only because it is the right thing to do, but also because it is going to save us from having to invest millions of dollars in the next biennium to pull in contract workers to get the work done. Please provide that information for us to consider.

Are there any other questions from Subcommittee members? [There were none.]

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That brings us to the last item on our agenda for today, which is public comment. Is there anyone who wishes to make public comment? [There was no one.]

That concludes our business for today. We are adjourned [at 9:42 a.m.].

RESPECTFULLY SUBMITTED:

Janice Wright
Recording Secretary

Carmen M. Neveau
Transcribing Secretary

APPROVED BY:

Assemblyman Howard Watts, Chair

DATE: _____

Senator Dallas Harris, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "2023-2025 Budget Presentation" for the Nevada Department of Transportation, presented by Tracy Larkin Thomason, Director, Department of Transportation.