

Fuel Tax Indexing

**2016 Nevada Economic
Development Conference**



NACO has not taken a position to support or oppose county fuel tax indexing ballot questions in the 2016 General Election.



What is fuel tax indexing?

- Fuel tax indexing is the practice of tying motor vehicle fuel taxes to the rate of inflation.
- Unlike the sales tax, which is a percentage of the total price of an item, the fuel tax is currently a fixed amount per gallon.
- The Federal gas tax has not been increased since 1993 and the State fuel tax has not been increased since 1992, however, the cost of building and maintaining streets and highways has increased significantly just like the prices of other goods and services.
- The intent of fuel revenue indexing is to enable the taxes paid at the pump to better support the current costs of maintaining and improving transportation infrastructure.

What is Assembly Bill 191?

- AB191 was enacted during the 78th (2015) Session of the Nevada Legislature.
- It requires all counties, except Washoe and Clark, to place on the ballot at the 2016 General Election, a question which asks all voters in the county whether to authorize their Board of County Commissioners to impose, for the period beginning January 1, 2017 and ending December 31, 2026, annual increases to taxes on certain motor vehicle fuels.
- If the question is approved by the voters, the BCC is required to impose an ordinance to index motor vehicle fuels which must stay in place until 2026.
- In 2026 another ballot question will be required that will ask county voters whether they would like the annual increases to continue.
- The fuel tax indexing question will be a county by county question (it can pass in one county but not another).

How does AB 191 work?

- If the fuel tax indexing ballot question passes in a county, then, each year, the tax will increase by a percentage equal to the lesser of the “applicable percentage” or the “adjusted average highway and street construction inflation index.”
- The “adjusted average highway and street construction inflation index” is defined in the bill - it starts with the Producer Price Index (PPI) for Highway and Street Construction, averages that over 10 years, then adjusts that number if it was higher than the “applicable percentage” in the previous year.
- The “applicable percentage” is determined by the County as part of the ordinance and is one of the few items over which the BCC will have discretion.
- The “applicable percentage” cannot exceed 7.8%, but the BCC could establish a lower rate in the ordinance.

What about Clark and Washoe?

- Clark County must have a ballot question if it wants to continue motor vehicle fuel indexing approved in 2013.
- Washoe County approved fuel tax indexing effective 2003 using CPI and again in 2010 changing to PPI and added federal, state, diesel and alternative fuels.
- Both Clark and Washoe Counties indexing are based on passage of advisory questions and subsequent legislation.

Other states with fuel tax indexing

Florida	State only
Georgia	Based on CPI and vehicle fuel efficiency
Maryland	Based on CPI capped at 8%
New Hampshire	State only for 20 years or until bonds are paid
Rhode Island	CPI every other year
Utah	12% of statewide wholesale price indexed to CPI-U

Federal Taxes

	CURRENT			AUTHORIZED USES	
MOTOR VEHICLE FUEL TAX	RATE (Amount/ Gallon)	DISTRIBUTION OF CURRENT REVENUE	DISTRIBUTION OF INDEXING REVENUE	OF INDEXING REVENUE	WHO DECIDES USES OF INDEXING REVENUE
Federal Gasoline	\$0.184	Federal Highway Trust Fund	County where fuel is purchased	Street and highway maintenance and construction projects in County of origin	County Commission or Regional Transportation Commission in coordination and cooperation with NDOT
Federal Diesel	\$0.244	Federal Highway Trust Fund	County where fuel is purchased	Street and highway maintenance and construction projects in County of origin	County Commission or Regional Transportation Commission in coordination and cooperation with NDOT

State Taxes

MOTOR VEHICLE FUEL TAX	CURRENT RATE (Amount/ Gallon)	DISTRIBUTION OF CURRENT REVENUE	DISTRIBUTION OF INDEXING REVENUE	AUTHORIZED USES OF INDEXING REVENUE	WHO DECIDES USES OF INDEXING REVENUE
State Gasoline	\$0.18455	State Highway Trust Fund	State Highway Trust Fund	Street & highway maintenance and construction projects in County of origin	NDOT in coordination and cooperation with the County Commission or RTC
State Diesel	\$0.2775	State Highway Trust Fund	State Highway Trust Fund	Street & highway maintenance and construction projects in County of origin	NDOT in coordination and cooperation with the County Commission or RTC

County Taxes

MOTOR VEHICLE FUEL TAX	CURRENT RATE (Amount/Gallon)	DISTRIBUTION OF CURRENT REVENUE	DISTRIBUTION OF INDEXING REVENUE	AUTHORIZED USES OF INDEXING REVENUE	WHO DECIDES USES OF INDEXING REVENUE
County Mandatory	\$0.0635 Total				
	\$0.0125	Apportioned to Counties based on population and locally maintained road miles	Apportioned to Counties based on population and locally maintained road miles	Bond service, road construction, repair and maintenance but not for administration	County Commission in coordination and cooperation with NDOT
	\$0.0235	Apportioned to Counties based on population and locally maintained road miles	Apportioned to Counties based on population and locally maintained road miles	Bond service, road construction, repair and maintenance but not for administration	Counties, but if there are incorporated cities the county and cities split the tax based on area, population, road miles and vehicle miles travelled.
	\$0.0175	County where fuel is purchased	County where fuel is purchased (County of origin)	Bond service (counties), road construction, repair and maintenance but not for administration	Apportioned between the County, town boards and cities according to property valuation
	\$0.01	County where fuel is purchased by retailers	County where fuel is purchased	Repair and restore existing roads and streets	Apportioned between the County and cities according to population
County Optional	\$0.09*	County where fuel is purchased	County where fuel is purchased	Street and highway maintenance and construction projects in County of origin	County Commission or Regional Transportation Commission in coordination and cooperation with NDOT

How much revenue will fuel tax indexing generate?

Clark County Question 5 is projected to generate **\$2– 3 Billion**

15 Rural Counties are projected to generate **\$617 Million**

10-year gasoline revenue projections

	Totals	County Portion	State Portion
CARSON CITY	62,382,941	40,330,571	22,052,369
CHURCHILL	15,733,700	10,171,837	5,561,863
DOUGLAS	36,694,876	23,723,237	12,971,638
ELKO	54,675,308	35,347,586	19,327,721
ESMERALDA	403,773	261,039	142,733
EUREKA	3,127,804	2,022,125	1,105,678
HUMBOLDT	24,703,998	15,971,135	8,732,863
LANDER	8,039,312	5,197,415	2,841,897
LINCOLN	4,692,024	3,033,394	1,658,630
LYON	46,408,994	30,003,414	16,405,579
MINERAL	3,994,128	2,582,203	1,411,924
NYE	40,870,793	26,422,968	14,447,825
PERSHING	7,006,910	4,529,967	2,476,942
STOREY	2,903,838	1,877,331	1,026,506
WHITE PINE	12,954,723	8,375,228	4,579,494
TOTALS	\$ 324,593,128	\$ 209,849,457	\$ 114,743,671

10-year diesel revenue projections

	Totals	County Portion	State Portion
CARSON CITY	7,305,188	3,418,097	3,887,090
CHURCHILL	7,188,210	3,363,363	3,824,846
DOUGLAS	28,703,189	13,430,222	15,272,967
ELKO	71,281,908	33,352,805	37,929,103
ESMERALDA	6,362,809	2,977,158	3,385,650
EUREKA	1,249,926	584,840	665,085
HUMBOLDT	31,223,118	14,609,297	16,613,821
LANDER	8,766,175	4,101,693	4,664,481
LINCOLN	2,579,650	1,207,018	1,372,631
LYON	71,317,865	33,369,629	37,948,236
MINERAL	9,068,702	4,243,245	4,825,456
NYE	11,677,045	5,463,689	6,213,355
PERSHING	15,375,432	7,194,165	8,181,267
STOREY	7,203,290	3,370,419	3,832,871
WHITE PINE	13,023,233	6,093,570	6,929,662
TOTALS	\$292,325,747	\$136,779,217	\$155,546,530

Diesel as a percentage of new County fuel tax revenue

CARSON CITY	8%
CHURCHILL	25%
DOUGLAS	36%
ELKO	49%
ESMERALDA	92%
EUREKA	22%
HUMBOLDT	48%
LANDER	44%
LINCOLN	28%
LYON	53%
MINERAL	62%
NYE	17%
PERSHING	61%
STOREY	64%
WHITE PINE	42%
TOTAL	39%

Arguments for Passage

- Erosion of purchasing power due to inflation in the cost of highway construction. The gas tax has lost 38 percent of its value since Congress last increased it in 1993.
- The county does not have enough money to operate, maintain, renew, and expand the existing road system to the standards that the community desires. (Does the county have a list of new projects and/or backlog of maintenance needs?)
- Deferring routine maintenance often results in higher costs for major repairs.
- All indexed taxes (county, state and federal) will be spent in your county.

Arguments for Passage

- Counties currently do not receive a share of the diesel tax despite the fact that 32% of all heavy truck traffic in Nevada is on local roads. Indexing would return a portion of the federal diesel tax to the county where the fuel was purchased.
- The *Nevada Constitution* requires that the proceeds from any excise tax on gasoline or other motor vehicle fuel, except costs of administration, be used exclusively for the construction, maintenance, and repair of the public highways of this State.
- The community will benefit with increased road funding. (Jobs, lower cost for operating and maintaining vehicles; improved safety, quality of life and economic competitiveness)
- There is very little chance that a long term plan for increasing funding will be enacted in the near future. Fuel tax indexing is the quickest alternative with the least amount of impact that will help address short-term budget shortfalls.

Arguments Against Passage

- Each of the automatic increases represents a separate tax hike — a form of taxation without representation because the Legislature won't vote each time.
- Inflation never reverse itself and this tax burden will only increase over time .
- Nevadans currently pay over 50 cents /gallon fuel tax. Volatile fuel prices have already driven up the cost of food, medicine, clothing, utilities, etc.
- The county road department is inefficient and/or wasteful.
- Options are available other than this tax plan.
- This question does not assure specific projects will be undertaken or completed.
- The gas tax isn't an adequate long-term response to the state's transportation needs, and the state needs a longer-term plan to shift to a new model. What about electric cars which pay no gas tax at all?

Questions?

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