

Chapter V – FUNDING OUR TRANSPORTATION SYSTEM



From 1990 to 2006, Nevada experienced the fastest population growth rate in the nation. Along with that came the fastest growth in vehicle miles of travel in the nation. Our population is expected to grow to 2.8 million people by 2010, and vehicle travel is expected to increase to 35 billion miles annually – an increase of 80 percent by 2010. The state’s tourism industry continues to grow. Thirty-nine million people visit Las Vegas annually and 53% percent of them arrived by automobile or bus. Interstate-80 and Interstate-15 are among the busiest truck-freight corridors in the nation and that traffic is expected to increase significantly in the future.

Las Vegas is currently one of the most congested cities in the United States, and unless major steps are taken, driving times during peak travel hours will be far worse than even present-day Los Angeles by the year 2030. Reno’s driving times during peak travel hours are expected to increase by 680 percent in the next 25 years.

NDOT utilizes and supports congestion-relieving technologies and alternative modes of transportation to reduce the number of vehicles on our highways, such as transit, carpooling,

implementing high occupancy vehicle lanes and intelligent transportation systems. Unfortunately, these alternative forms of transportation make only incremental improvements in congestion and do not forestall the need for significant highway improvements. Almost every major road leading into and out of the Las Vegas Valley and the Reno area needs to increase capacity in order to keep up with growth.

The safe mobility of people and goods in and through Nevada is a top priority for NDOT and it is essential to ensure our continued economic growth and prosperity. But this mobility is going to require a significant investment and NDOT is facing a severe funding shortfall crisis. Our state highway system needs are expected to be \$11 billion by 2015 (in 2006 dollars), without accounting for inflation.

NDOT has been planning and designing new projects to help relieve the worst of our congested corridors. Preliminary costs for these projects are estimated at \$4.8 billion; two projects exceed \$1 billion each and eight “Super Projects” exceed \$100 million each. These figures do not include the costs of many of our smaller projects.

We estimate that we will need to spend at least \$1.5 billion through 2014 on maintenance and preservation projects just to avoid increasing the backlog of pavement and bridge maintenance needs. Reconstructing roads costs about 4 times more than resurfacing them.

We have more fuel efficient vehicles consuming less fuel and fewer revenues are being generated from gas taxes. Nevada’s gas tax is 18.4¢. State highway taxes and fees have not been raised since 1991. Compounding all of this, highway construction costs rose 99.7 percent nationally and highway construction

inflation has risen nearly 44 percent in the past few years, exceeding general inflation.

At the federal level, the Congressional Budget Office predicts the “Highway Trust Fund” will run a deficit of \$1.7 billion in 2009 and \$8.1 billion by 2010. The fund gets its money from 18.4¢ a gallon excise tax that drivers pay at the pump. The last time the federal gas taxes were increased was in 1993 and Congress is showing no signs that they intend to raise this tax.

Even if the fund does not go into deficit, there is speculation that there will be a huge drop in the amount of funding available for transportation. In the past we estimated \$43 billion would be distributed to the states, but that number may be cut to as little as \$20 billion. It is clear that reliance on federal funding to address Nevada’s shortfall in the future is unrealistic.

Nevada is not alone in this funding crisis, but our needs are unique because of the tremendous growth our state has experienced. And every agency that we work with, (cities, counties, tribes, etc.), are also facing this same funding shortfall crisis so we must coordinate and work as partners to innovatively and strategically invest in improvements that will make the system more efficient and more effective.

Our challenge is to ensure that adequate funding is available for the future long-term health of our transportation system. Multiple and varied funding sources must be identified and managed responsibly so that Nevada’s transportation needs and economic interests are met.

As another tool to address our anticipated funding shortfalls, NDOT initiated the Pioneer Program. This new program will help develop innovative road funding and

construction partnerships. We hope to provide faster project delivery and relieve congestion, while securing more funding amid a statewide transportation funding deficit.



Recognizing our impending funding shortfall, NDOT staffed and provided information to the Governor’s office, which went before the 2007 Legislature with Assembly Bill 595. This bill was passed and provided approximately \$1 billion dollars in bonding capacity for Super/Mega (Major) projects identified by NDOT as priority projects for our State. The funding plan earmarked existing room, car rental and property taxes to pay for highway construction. By providing funds to start vital road projects now, versus a pay-as-you-go strategy, this will save the taxpayers an estimated \$600 million in construction inflation costs.

NDOT continues to keep our administrative costs consistently low year after year. Through expeditious business practices, innovative contracting methods and the use of new technologies, we provide timely road projects for the traveling public and avoid inflationary costs.

To generate and preserve additional funds, we promote programs such as sponsor-a-highway and logo signs that provide freeway trash removal and service information.

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As part of the Pioneer Program, Governor Gibbons named a 12-member Public-Private Partnership Advisory Panel to explore the use of public-private partnerships. This is when a contractual agreement between a public agency, such as NDOT, and a private company is used to fund transportation improvements.

Toll roads and lanes are a primary example of public-private partnerships, but NDOT's Pioneer Program innovations could also take the form of design-build projects and developer-paid projects. Availability payment programs are another possibility that would allow NDOT to pay back road builders/operators based on the number of vehicles using the road, and asset management programs could allow outside companies to provide certain road services.

Whether through taxes, tolls or other fees, NDOT will continue to look to this new program to help provide quality transportation for Nevada. We are looking for programs and opportunities that work specifically for Nevada, while building upon lessons learned from other states. The Pioneer Program will join other NDOT initiatives to deliver quality transportation projects for the citizens and visitors of Nevada.