

Agenda Item 6

# Transportation Finance



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Blue Ribbon Task Force  
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## Transportation Finance Typical Annual Funding through NDOT

- **Highways - \$900 million**
- **Transit - \$3 million**
- **Pedestrian/Bicycle - \$2 million**
- **Railroads - \$300,000**
- **Airports - \$200,000**



## Financing Highways



- **Three common methods:**
  - **Direct User Taxes**
  - **Indirect Taxes**
  - **Debt**
- **How do we finance Nevada's highways?**
- **Alternative financing**
- **Criteria for evaluating taxes**



## Direct User Taxes



**Concept: system users pay the tax**

- **Fixed fees**
- **Variable fees**



## Direct User Taxes



**Fixed Fees (*costs do not vary with travel*):**

- **Vehicle registration fees**
- **Vehicle sales tax**
- **Vehicle property tax**



## Direct User Taxes



### **Variable Fees (*costs vary with travel*):**

- **Fuel and oil excise taxes**
- **Fuel and oil sales tax**
- **Distance taxes**
- **Weight-distance taxes**
- **Rental-car tax**
- **Transport business tax**
- **Tire taxes**
- **Tolls**



## Financing Highways



### Indirect Taxes

*Theoretic relationship between tax source and system use:*

- **Sales tax**
- **Property tax**
- **Income tax**
- **Business tax**
- **Impact & development fees**
- **Resource severance taxes**
- **Vehicle insurance surcharges**
- **Lodging tax**
- **Right-of-way use permits**



# Financing Highways



## Debt Financing

- **Bonds**
- **Bank loans**



How do we currently finance Nevada's streets and highways?



# Highway Taxes in Nevada



## **Primary Taxes by Level of Government & Importance**

- **Federal**
- **State**
- **Local**



# Highway Taxes in Nevada



## Federal

- **Fuel tax**
- **Truck & trailer sales tax**
- **Heavy-vehicle use tax**
- **Tire tax**



# Highway Taxes in Nevada



## State

- **Fuel excise tax**
- **Registration fees**
- **Driver's license fees**
- **Oversize/overweight permits**



# Highway Taxes in Nevada



## Local

- **Fuel excise tax**
- **Impact/development fees**
- **Vehicle property tax**
- **Room tax**
- **Jet fuel tax**
- **Sales tax**



# Highway Taxes in Nevada



## Alternative Financing

- **Tolls**
  - Value pricing
- **Government Loans/Guarantees**
- **Public/Private Partnerships**



# Alternative Financing



## Tolls

- **Electronic**
  - Transponders (e.g., EZ-Pass)
  - License-plate readers
- **Value pricing**
  - Rate varies with congestion
    - higher congestion = higher cost
  - High-occupancy-toll (HOT) lanes
    - carpools or other high-occupancy vehicles = free
    - single-occupancy vehicles = toll



## Alternative Financing



### Government Loans/Guarantees

*Concept: spur investment by reducing risk; reduce interest rate through government assurance.*

- **Instruments**
  - Secured loans
  - Loan guarantees
  - Lines or letters of credit
- **Full faith and credit transfer:**
  - Federal to state
  - Federal & state to private sector
  - State to private sector



## Alternative Financing



### Public/Private Partnerships

*Concept: spur private-sector investment in highways; provide public with the best value, not the lowest bid.*

- **Government loans**
- **Government guarantees**
  - **Loan or investment payback**
    - tolls
    - traditional sources (e.g., gas tax or federal-aid)
  - **Return on investment**
  - **Level of service (operations and maintenance)**
  - **Real-estate options**
- **No reasonable offer refused**



## What Makes a Good Tax?



- 1. It's paid by someone else.**
- 2. It provides enormous utility for the guy who didn't pay it.**



## What Makes a Good Tax?



### **Criteria for Evaluating Taxes** *Typical Concerns*

- **Adequacy**
- **Administrative Efficiency**
- **Equity**
- **Economic Efficiency**
- **Evasion and Avoidance**
- **Feasibility**