

CLARK COUNTY, NEVADA

Business Impact Statement

(NRS 237.090)

Supplemental Fuel Tax Ordinance

Upon request, a copy of the Business Impact Statement can be obtained from the Clark County Department of Business License and such requests should be sent to:

Clark County Department of Business License
Fuel Tax Ordinance
500 S. Grand Central Pky., 3rd Flr
Box 551810
Las Vegas, NV 89155-1810

or a copy may be obtained from the following website:

www.clarkcountynv.gov/businesslicense.

Description of the proposed ordinance or rule:

Clark County is considering enacting an ordinance imposing additional taxes on vehicle fuels pursuant to Assembly Bill 413 (AB 413) approved by the 77th regular session of the Nevada State Legislature. The proposed ordinance will amend Title 4 of the Clark County Code, and is available at www.Clarkcountynv.gov/businesslicense.

AB 413 requires that if the Clark County Board of County Commissioners adopts an ordinance imposing the taxes authorized by AB 413, the ordinance must be adopted before October 1, 2013, and, if adopted, must become effective on January 1, 2014.

Intent of the proposed ordinance or rule including issues to be resolved or other factors to be considered:

The intent of the proposed ordinance is to recapture the purchasing power being lost on the existing motor vehicle fuel taxes being collected in Clark County due to inflation in the cost of street and highway construction through a process commonly referred to as Indexing. Indexing would allow the taxes on vehicle fuels to be tied to an inflation index based on the cost of constructing highways and roads, which has been allowed in each of the other 16 counties in Nevada for several years. The proposed ordinance will begin to recover the purchasing power lost to inflation by increasing the local taxes on gasoline, diesel and other vehicle fuels sold in Clark County based on the total rates on those fuels (as of FY 2014) multiplied by the 10-year rolling average of the applicable Producer Price Index (PPI) (the “adjusted average highway and street construction inflation index”). It provides for adjustments to the rates of these taxes in each

subsequent fiscal year based upon the rolling PPI with caps on the amount of the adjustment that can be made in any one year. The proposed ordinance specifies how the indexing revenues are to be distributed and upon what they can be spent. More specifically, the proposed ordinance will:

- Generate revenues to be able to build, maintain and enhance the transportation infrastructure that is critical to southern Nevada's economy by increasing taxes on vehicle fuels based on the PPI.
- Allow the Regional Transportation Commission of Southern Nevada (RTC) to be able to issue bonds for approximately \$700 million for which the proposed fuel tax increase will be pledged. The bond proceeds will be used to fund regional transportation projects in Southern Nevada.
- Provide for annual increases to the rates of these taxes through December 31, 2016, not to exceed 7.8% in any year.
- Prohibit the Board of County Commissioners (BCC) from imposing annual increases in these taxes after December 31, 2016, unless a majority of the voters in Clark County, in the election in November 2016, authorize the BCC to continue to provide the annual increases.

Description of the manner in which public comment, data or arguments was solicited from affected businesses and/or community stakeholders:

Clark County Department of Business License solicited comments by direct mail to several trade associations and a broad spectrum of businesses in Clark County. A listing of these groups is included in Attachment 1. A sample of the notification sent is included in Attachment 2. In order to reach out to the general public, notices were published in various newspapers and on the County's website. Copies of the notices published are included in Attachment 3.

Summary of public comment, data or arguments including the number of public comments received:

There were a total of 2,652 comments received, of which 2,134 indicated the proposed ordinance will not impose a direct and significant economic burden on their business, or directly restrict the formation, operation or expansion of business. Two of the businesses indicated that the proposed ordinance will have a significant negative impact on them. In addition, there were a total of 516 comments received from private individuals, of which 291 were in support, 218 in opposition, and 7 neutral or no opinion.

A complete set of all comments received is available for review at:

www.clarkcountynv.gov/businesslicense.

In addition, the Cities of Boulder City, Henderson, Las Vegas, Mesquite and North Las Vegas have all adopted resolutions in support of the County indexing fuel taxes.

An analysis team, comprised of representatives from Clark County's Department of Business License, Comptroller's Office and Administrative Services and from the Regional Transportation Commission of Southern Nevada, was formed to analyze the comments and to prepare and review this Business Impact Statement.

The estimated economic effect of the proposed ordinance or rule on businesses:

1. Adverse effects

This proposed ordinance will increase the cost of the tax on motor vehicle fuels (including gasoline) by approximately 10 cents per gallon over the next three years, which may impact the total cost of motor vehicle fuels purchased in Clark County. Individuals that have responded in opposition to this proposed ordinance have stated that an increase in vehicle fuel costs would be an economic hardship for them.

The two businesses that responded that the proposed ordinance would have a negative impact on their business expressed concern that additional taxes of any kind would be detrimental to their business and may force them out of business or to relocate out of state.

2. Beneficial effects

The proceeds from the increase in fuel taxes will fund more than 180 regional and local transportation projects, including completing portions of the 215 Beltway to Interstate standards and the design and construction of the new Interstate 11 freeway from I-515 to the Hoover Dam Interchange, as well as arterial roadway construction and maintenance, traffic signals, street lights, Intelligent Transportation System (ITS) infrastructure, and "Complete Street" improvements including wider sidewalks, bike lanes, and pedestrian safety enhancements. According to the RTC, these regional and local transportation projects work together to reduce travel times, increase network reliability, and enhance the safety of all modes of travel, facilitating the movement of people, goods, and services throughout the region's economy.

A common theme was expressed in several of the responses that have been received from the business community and individuals that in order to remain competitive globally and to help diversify our economy, we need to be able to build, enhance and maintain our transportation infrastructure and the ability to issue bonds will bolster southern Nevada's economy and create jobs. A significant number of responses stated that the proposed ordinance to implement fuel tax indexing will not impose a direct and significant economic burden upon their business nor directly restrict the formation, operation or expansion of business.

3. Direct effects

The total tax on motor vehicle fuel (including gasoline) will increase approximately 3.25 cents per gallon effective January 1, 2014; approximately another 3.45 cents on July 1, 2014; and approximately another 3.30 cents on July 1, 2015, for a total increase of approximately 10 cents per gallon by the end of 2016.

The issuance of bonds will generate funds that will be used to complete more than 180 transportation improvement projects throughout southern Nevada thereby generating employment opportunities in Clark County.

4. Indirect effects

To the extent that increases in the fuel tax contribute to the total price of fuels, consumers could see an increase in the price of goods due to increased transportation costs.

5. Other economic effects to be considered

To the extent that increases in the fuel tax contribute to the total price of fuels, the increase in vehicle fuel taxes could increase the price at the pump in Clark County relative to fuel stations in bordering states. If out-of-state fuel stations are in close proximity to those stations in the County, fuel sales at those stations in Clark County could be impacted.

The estimated cost to the local government for the enforcement of the proposed ordinance or rule:

No additional cost is required to enforce the proposed ordinance. The current processes and resources used to administer the current fuel taxes are sufficient to handle the new taxes. AB 413 requires the County to contract with the Nevada Department of Motor Vehicles (DMV) to perform all functions incident to the administration and operation of this proposed ordinance, which empowers the DMV to administer and enforce all of the provisions of this proposed ordinance pertaining to the collection of all taxes provided by this proposed ordinance.

The estimated cost to the local government for the administration of the proposed ordinance or rule:

It is expected that 1% of the tax collected will be used to administer the proposed ordinance. No other County funds are required for this purpose. This 1% and the current processes and resources used to administer the current fuel taxes are sufficient to handle the new taxes. AB 413

requires the County to contract with the Nevada Department of Motor Vehicles (DMV) to perform all functions incident to the administration and operation of this proposed ordinance. AB 413 limits the fee charged to the County by the DMV for the administration and operation of the ordinance to a maximum of 1% of the tax collected by the DMV.

If applicable, explanation of a new fee or increase to an existing fee including a projection of the annual revenue expected to be collected and the manner in which the revenue will be utilized:

The proposed ordinance will begin to recover the purchasing power lost to inflation by increasing the local taxes on gasoline, diesel and other vehicle fuels sold in Clark County based on the total rates on those fuels (as of FY 2014) multiplied by the adjusted average highway and street construction inflation index. It provides for adjustments to the rates of these taxes in each subsequent fiscal year based upon the rolling PPI (the “adjusted average highway and street construction inflation index”) with caps on the amount of the adjustment that can be made in any one year. Pursuant to AB 413, no increases are allowed under the proposed ordinance after December 31, 2016, unless the continued increases are approved by the voters at the November, 2016 general election.

The adjusted average highway and street construction inflation index for the first increase in fuels taxes is 6.22%, which represents, effective January 1, 2014, an increase in gasoline, diesel and other vehicle fuel taxes as follows:

Motor vehicle fuel (including gasoline)	3.25 cents per gallon
Special fuels:	
Emulsion of water-phased hydrocarbons	2.70 cents per gallon
Liquefied petroleum gas (LPG)	2.51 cents per gallon
Compressed natural gas (CNG)	2.44 cents per gallon
Other special fuels (including diesel)	3.24 cents per gallon

The estimated annual net revenues are:

	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Estimated Net Revenues (millions)	<u>\$13.1</u>	<u>\$54.2</u>	<u>\$80.9</u>

Assessment of provisions of the proposed ordinance or rule which may duplicate or are more stringent than Federal, State or local standards regulating the same activity:

The proposed ordinance does not duplicate nor is it more stringent than Federal, State or local standards regulating the same activity.

If applicable, explanation of why the duplicative or more stringent provisions are necessary:

The proposed ordinance does not duplicate nor is it more stringent than Federal, State or local standards regulating the same activity.

Description of the methods that local government considered to modify the proposed ordinance or rule; or otherwise reduce the impact of the proposed rule on businesses, the parties involved, and a statement of the methods used:

As AB 413 is written, the only options that could be considered by the Board would be to not adopt this proposed ordinance or to reduce the applicable percentage to an amount that would be less than the adjusted average highway and street construction inflation index. The proposed ordinance, as introduced, does limit the “applicable percentage” to an amount such that the total increase in gasoline, diesel and other vehicle fuel taxes under the proposed ordinance will not exceed approximately 10 cents per gallon prior to December 31, 2016.

The reasons for the conclusions regarding the impact of the proposed rule on businesses:

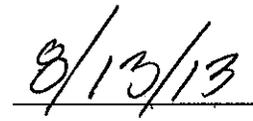
Notwithstanding the adverse effects noted by two businesses (see Page 3), considering the above factors and the responses from the business community and individuals, it has been concluded that adoption of the proposed ordinance is not likely to impose a direct and significant economic burden upon a business or directly restrict the formation, operation or expansion of a business.

Certification of Business Impact Statement

I certify that, to the best of my knowledge or belief, the information contained in this Business Impact Statement was prepared properly and is accurate.



Donald G. Burnette
County Manager



Date