



**Third Report
of the**

Nevada Spending and Government Efficiency Commission

**to
Governor Jim Gibbons**

March 31, 2009



Nevada SAGE Commission

Spending and Government Efficiency

Post Office Box 2700 • Reno NV 89505

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Governor

Jim Gibbons

March 31, 2009

Chairman

Bruce R. James

Honorable Jim Gibbons
Office of the Governor
101 North Carson Street
Carson City, NV 89701

Commissioners

Don Ahern

Dear Governor Gibbons,

Barbara S. Campbell

We submit to you our third quarterly report outlining four more recommendations for streamlining our state government for your consideration.

Robert B. Feldman

Robert Forbuss

Because the 19 previously submitted recommendations are now being considered by both your office and the State Legislature we have elected to minimize this submittal so as not to divert attention from what we consider critical issues such as PERS and PEBP and the proposed Nevada Sunset Commission.

Randy A. Garcia

David Goldwater

Stephen Greathouse

Please know, however, that our key Task Forces remain at work analyzing important areas such as:

Steven D. Hill

Information Technology

Health and Human Services:

Jan Jones

--Regulatory and Standardization Issues

--Health Care Systems

Howard Putnam

--Mental Health Services

Jerome Snyder

Personnel

Department of Corrections/Prison and Parole Program

Jim Thornton

Real Estate/Public Works Board/Public Private Partnerships

Nevada Department of Transportation

Carole Vilardo

Budget Process

Department of Motor Vehicles

We expect to offer several more important recommendations in our June report and in subsequent reports over the following year.

To date, we have recommended changes to our state government that could reduce the costs of government by more than a billion dollars over the next five years while maintaining, and in some cases improving, citizen services.

Staff

Executive Director

Frank A. Partlow

Deputy Director

J. Perry Comeaux

General Manager

Suzanne Kilgore

Sincerely,

Handwritten signature of Bruce R. James in black ink.

Bruce R. James
Chairman

Recommendations

To Governor Jim Gibbons
from the
Spending and Government Efficiency (SAGE) Commission
March 31, 2009

As approved at the March 26, 2009 SAGE Commission Meeting.

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Note: Recommendations #1 through #11 (First Report) and #12 through #19 (Second Report) are available on the SAGE Commission website: www.sagenevada.org.

Recommendation #20

Design of a distance-based user fee pilot program by Nevada Department of Transportation (NDOT) and the Regional Transportation Commission (RTC) of Washoe County should be supported and funded now. A volunteer pilot program should be initiated in 2011, if feasible.

Issue:

Construction and maintenance of highways and local roads in Nevada are financed mainly by federal and state fuel taxes, which currently total 53 cents per gallon and have not been raised since 1992. Meanwhile, users are travelling more per capita on Nevada's highways, while they are paying for less fuel per capita due to increased fuel efficiency. As the future of Nevada and the nation move towards alternative energy sources for oil independence and the fight against global warming, the fuel tax model will eventually need to be replaced if the highway system is to remain viable.

Start-Up Cost Estimate:

\$250,000

Savings/Enhanced Revenue Estimates:

1-Year:

Unknown

5-Year:

Unknown

Explanation:

Whether by reduction in supply, increased fuel efficiency or excessive cost of gasoline and diesel, the fuel tax will become a less reliable source of highway revenue in the future. Consequently, NDOT and the Washoe RTC have collaborated to begin a process to change Nevada's highway revenue transportation model. The development of a pilot project to test this model will take about 16 months and will be funded jointly by NDOT and the RTC, using transportation funding available to each. Issues which the study will need to address include available technologies, fee structure, potential partners, funding sources, public support and potential privacy concerns. The project is supported by the University of Nevada which will develop a pilot program protocol which could be implemented over a twelve-month period beginning as soon as the fall of 2011 at a currently estimated cost of \$5 million, the funding of which is to be determined.

There are two primary variables which affect construction, maintenance and operational costs of highways: travel demand and structural demand. Travel demand consists of the number and type of vehicles on the roads. When demand exceeds capacity, congestion results. To avoid new road construction, demand can be spread throughout the day, avoiding peak travel periods. Structural demand is based on the number and weight of vehicles. This distance-based user fee program will seek to address both of these variables. In addition, a major consideration that will be addressed are the privacy concerns and development of privacy protocols necessary to protect the public's interests.

Europeans and some US states have experimented successfully with these new user fees. Oregon DOT's 2006, 12-month pilot program concluded that a mileage fee program is viable using on-vehicle devices and existing technologies, with 91 percent of participants supporting the program and privacy protection possible using certain technologies.

Recommendation #21

Provide State financial support to create a Nevada-oriented marketing and outreach program to supplement the national census advertising campaign.

Issue:

According to the Census Bureau, over \$3 trillion in funding is allocated nationwide based on Census figures. In 2000, the Legislative Counsel Bureau estimated that the state lost \$670 per person per year for every Nevadan missed by the 2000 Census. Recently, the Legislative Counsel Bureau, Nevada State Data Center, and Nevada State Demographer came together to update that figure for 2010. Due to the combined effects of inflation and expanded federal investment returning to Nevada, their collective estimate is that Nevada will now lose \$917 per person per year for every Nevadan missed in the 2010 Census. It is crucial to Nevada's allocation of federal funding from 2010-2020 that its response rate to the 2010 Census be maximized.

Start-Up Cost Estimate:

\$961,055

Enhanced Savings/Revenue Estimates:

1-Year: \$15,928,290

5-Year: \$79,641,450

Explanation:

The 1990 Census was widely acknowledged to be unsuccessful in the State of Nevada. A limited national partnership program, combined with poor coordination with state and local governments, created antipathy toward the Census and precipitated a substantial undercount of the population. Nevada had the fifth-worst response rate in the nation in 1990 and the manner in which the Census was conducted was viewed as being out of touch with the state's political climate.

In 2000, the Interim Finance Committee of the Nevada State Legislature allocated \$788,400 for a Nevada-oriented marketing and outreach program to supplement the national outreach campaign. The result of this investment was profound: Nevada had the best improvement in census response of any state in the nation. The undercount of Nevada's population, measured by the Census Bureau in 1990 to be 2.30% (sixth-worst in the country) was reduced significantly through this investment. An independent study by Price Waterhouse Coopers measured Nevada's 2000 undercount to be 1.68%, a substantial improvement. The start-up cost estimate, \$961,055, is a comparable investment to the 2000 allocation, adjusted for inflation at 2%.

The 2000 state-specific marketing and outreach campaign, funded by the Interim Finance Committee, included advertising, mailed messaging to explain the benefits of participation, and Spanish-language outreach to select zip codes. The campaign repositioned the Census as being less of a federal mandate and more of a grassroots neighborhood campaign. This approach resonated with the public and substantially reduced the undercount.

The enhanced revenue estimates outlined above are based on the State Demographer's most recent estimate of Nevada's 2010 population: 2,801,551. Adopting a marketing and outreach strategy to keep the undercount at its 2000 level (1.68%) and avoiding a reversion to the 1990 level (2.30%) will result in the inclusion of 17,370 Nevadans in the official Census count. Given the \$917 per person per year figure, the five year benefit to the state's economy amounts to over \$79 million.

Recommendation #22

Reinstate the requirement that Proof of Insurance from a licensed Nevada insurance company be presented to the Nevada Department of Motor Vehicles (DMV) for new vehicle registrations. Pursue programming on the DMV website to facilitate issuance of all temporary Proof of Insurance cards through the DMV website secure server.

Issue:

Nevada's uninsured driver rate is approximately 17-19%. Under previous leadership, DMV eliminated the requirement that proof of insurance cards must be presented for vehicle registrations. Reinstating the proof of insurance card requirement will help reduce the uninsured driver population by half, resulting in increased insurance premium tax revenues. DMV's current project of design and development of a web-based insurance verification program should include creating links with Nevada insurance companies and licensed agents to print proof of insurance cards from a secured DMV website.

Start-Up Cost Estimate:

unknown

Savings/Enhanced Revenue Estimates:

1 Year:

\$4.3 million

5-Year:

\$21.5 million

Explanation:

Nevada currently has 17-19% of its motorists driving uninsured motor vehicles. It is estimated that by cutting the uninsured population by half, the approximately 180,000 additional insured vehicles would generate \$3.8 million annually in additional 3.5% insurance premium tax revenues and further protect Nevada citizens from the uninsured driver problem. The state will also realize savings from reduced uninsured damage to state property and personal injuries paid out to innocent victims of uninsured accidents.

DMV is currently working with the insurance commissioner and industry representatives on design and development of a new web-based insurance verification program. This will replace the existing outdated and problematic system. As part of this effort, provisions could be made to incorporate issuance of all temporary "proof of insurance" cards from the DMV website, similar to what is now being done with smog checks and auto dealer reports of sale. This would give DMV and law enforcement immediate "proof of insurance," even if a registrant forgets to carry the "proof card" in the vehicle or bring it to DMV for registration. It would also eliminate the major part of fraudulent cards and phony insurance policies being sold by unauthorized agents and criminals, a problem experienced in Nevada for years. Although stronger criminal statutory language for this type of fraud was enacted, neither DMV, the Insurance Division nor the Attorney General has had the staff to pursue these crimes.

AB21, currently before the Legislature, addresses reinstatement of the proof of insurance card policy.

Recommendation # 23

Bulk copies of Driver Instruction booklets should be provided at a cost of \$2 per booklet. License applicants who return for additional drive tests beyond the second try should be charged a duplicate fee in recognition of the additional personnel and administrative time and costs.

Issue:

Demand for printed copies of the Nevada Driver Education booklet has decreased significantly since the material was made available on the DMV website. However, of the approximately 200,000 copies still being printed each year, an estimated 92,000 are being supplied to schools in the state. These schools charge a fee for the instruction and should pay for the cost of the printed booklets. The incidence of repeat attempts to pass the drive test for licensing is significant, particularly for young drivers. Instituting a duplicate charge for this repeated use of the DMV personnel and time is appropriate.

Start-Up Cost Estimate:

None

Savings/Enhanced Revenue Estimates:

1 Year:

\$850,000

5-Year:

\$4.25 million

Explanation:

Although demand for printed Driver Instruction booklets has decreased, the state is still printing and distributing about 200,000 printed copies per year. Bulk quantities – an estimated 92,000 -- of these books are used by driver education schools that charge tuition for this instruction. Bulk copies (more than two) distributed to schools should be provided at a cost of \$2 per booklet. DMV estimates the cost of printing the booklets is \$1 per copy.

A drive test is required of all young driver applicants and some adult applicants. DMV charges \$21.25 for Instruction Permits for drivers under 65 and \$16.25 for 65 and older Instruction Permits. No separate fee is charged for the drive test with a DMV technician. However, a meaningful number of drivers – some estimates run as high as 70% -- fail the drive test and must return for one or more additional drive tests. Instituting a duplicate fee for additional drive tests beyond the second try would help defray the personnel and operating costs. Assuming an incidence of 50% on the retry rate for the drive test, this is, at minimum, over 33,000 repeat uses of DMV personnel on under-65 applicants alone. In checking some other states around the country, it is more common than not to charge for each test, including the first, and driver permit fees are 25% to 55% higher.