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Transportation and Telecommunications and Appropriations
November 08, 2013

[NDOR NEEDS HEARING]

The Committee on Transportation and Telecommunications, and the Committee on Appropriations met at 1:30 p.m. on Friday, November 8, 2013, for the purpose of a briefing on the Nebraska Department of Roads Needs Study. Transportation and Telecommunications Committee senators present: Annette Dubas, Chairperson; Jim Smith, Vice Chairperson; Lydia Brasch; Charlie Janssen; Beau McCoy; and Dan Watermeier. Senators absent: Galen Hadley. Appropriations Committee senators present: Heath Mello, Chairperson; John Harms, Vice Chairperson; Kate Bolz; Danielle Conrad; Bill Kintner; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: Tyson Larson.

SENATOR DUBAS: Good afternoon. I'd like to call this briefing to order, I guess, and have all the senators find their seats. We've got plenty of people at the table this afternoon, so...we're still looking for a chair for Senator Nordquist. Oh, he found one, okay. All right. Well, welcome to the Transportation and Telecommunications Committee, and Appropriations Committee joint briefing from the Department of Transportation (sic). I'll just start out trying to catch everybody around the table for introductions. We have to my far right Senator Bill Kintner, welcome; Senator Kate Bolz; Senator John Nelson; Senator John Wightman; and Senator John Harms; the Chair of the Appropriations Committee, Senator Heath Mello. I am Senator Annette Dubas. To my immediate left is committee clerk Ann Hajek; the Vice Chair of the Transportation and Telecommunications Committee is Senator Jim Smith; and then we have Senator Danielle Conrad; Senator Beau McCoy; Senator Jeremy Nordquist; and Senator Lydia Brasch. Is your Vice Chair here?

SENATOR MELLO: Senator Harms.

SENATOR DUBAS: Senator Harms is the Vice Chair of the Appropriations Committee. So again, welcome to all the committee members. We will be assisted this afternoon by

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two pages. We have Phoebe...now I can't remember her last name again, and they're gone...Gydesen, Phoebe Gydesen there. She's from Lexington. She is a senior at UNL majoring in political science and history. And then we have Audie Aguilar, who is from Grand Island. She is a senior at UNL majoring in psychology. We were just joined by Senator Charlie Janssen, so welcome. I think we've got everybody here, just about, that...oh, sorry, Senator Dan Watermeier. You snuck in on me; I didn't see you. So thank you to our pages for help today. Today we will just have invited testimony from the Department of Transportation (sic) to give us a briefing, and then we will be able to open it up to questions from members of the committee. So I guess I don't have to go through all of my other housekeeping duties and we'll welcome Director Peterson (sic) to...Peters, excuse me, to come forward. Thank you.

RANDY PETERS: Thank you. Do we need to identify... [NDOR NEEDS HEARING]

SENATOR DUBAS: Yes, you can hand that in. [NDOR NEEDS HEARING]

RANDY PETERS: ...am I proponent or an opponent of my Needs testimony? [NDOR NEEDS HEARING]

SENATOR DUBAS: I don't think you have to worry about filling out all those details, and I'm hoping you're a proponent. Welcome, Director. [NDOR NEEDS HEARING]

RANDY PETERS: (Exhibits 1 and 2) Thank you. Well, good afternoon, Chairman Dubas, Chairman Mello, and members of the two committees. I am Randy Peters, R-a-n-d-y P-e-t-e-r-s, Director-State Engineer for the Nebraska Department of Roads. I'm honored to come before you today and I am proud to represent the Nebraska Department of Roads. Today I will present the state highway needs and do my best to address any questions you may have, with the assistance of my expert staff in the audience. Please take a look at one of the "2013 Needs Assessment" reports that you have in front of you. As you can see in the table, the 20-year needs are \$9.8 billion,

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compared to \$9.9 billion last year. The pie chart shows that pavement restoration comprises 62 percent of the 20-year needs; rural geometrics and bridges account for almost 31 percent--by far the two biggest wedges of that pie. The Department of Roads categorizes the needs of the state highway system into four categories, which I will discuss more in depth shortly. I believe it is important to first discuss how the Department of Roads prioritizes the state's needs. Simply stated, NDOR's highway construction program has three priorities in descending level. The first priority would be high-priority bridges; second, preservation of the existing highway system; and then third, the addition of any other capital improvements to the highway system throughout the state. These would be the expansion or geometric projects. The first two priorities currently consume the vast majority of our highway construction budget. Starting last July, this July, I would call it, the Build Nebraska Act provides a new source of revenue to address these capital improvement needs. The Department of Roads places the needs of the state highway system into the following four categories: number one, pavement restoration; number two, rural geometrics and bridges; number three, urban geometrics and bridges; and number four, railroad crossings. The "Needs Assessment" report does not include cost estimates for routine highway maintenance; administration; capital facilities, like buildings and yards; support services; carrier enforcement; transit; rail; and construction overhead. After identifying the needs in each of the four categories, they are reviewed and prioritized by NDOR staff, with input from the State Highway Commission and the public, and then placed into the highway construction program. I will briefly go over each category. These are listed, starting on page 3 of your "Needs" report. Pavement Restoration: Pavement restoration needs include the cost of maintaining the state highway system at a specified pavement condition level, and here "maintaining" includes removing and replacing existing pavements and shoulders as they wear out. The highway system is evaluated each year using factors such as the extent and severity of pavement deterioration and the ride quality. The data gathered from the pavement evaluations is used to calculate pavement condition indices. These indices, along with the predicted annual rate of pavement deterioration and a benefit/cost analysis, are used to compile the pavement restoration needs. Second

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category is the rural geometrics and bridges. The geometric needs are identified using the criteria shown on page 5 of the "Needs Assessment" report. These criteria are based on estimated future traffic volumes, and they're divided into six categories ranging from a low of less than 750 vehicles per day to a high of 36,000 vehicles per day and greater. These criteria include such items as the pavement width, the shoulder width, and the number of lanes. Once a segment of roadway is found not meeting these criteria, it is identified as deficient, and a cost is assigned to that segment for correcting its deficiencies. Bridge needs are also included in the rural geometrics category. The costs of major highway improvements, such as new lanes of traffic outside of urban areas, are also included in this category. The 2013 20-year needs includes the widening of Interstate 80 to six lanes from Lincoln to York, eventually reaching Grand Island. The urban geometrics and bridge category, a somewhat smaller wedge, and that's just indicative of the great distances in Nebraska between our towns is the rural geometrics needs, and the urban geometric needs, a somewhat smaller network. Urban needs include widening or reconstruction of state highways that extend through the corporate limits of cities with a population of 5,000 or greater. The fourth category is railroad crossings. Railroad crossing needs include the cost of building new viaducts, resulting in closing of at-grade crossings, and these needs also include the cost of upgrading or placing new railroad crossing signals on the state highway system. In closing, I would like to share two observations with regard to funding streams that affect Nebraska's highway construction program. First, approximately 45 percent of Nebraska's current construction funds are derived from federal sources. MAP-21, the federal transportation bill enacted in 2012, is set to expire next October, October 1, 2014. Nebraska's chance of success in addressing these 20-year needs is critically dependent on Congress' success in authorizing a new, stable, and adequately funded federal transportation bill. And on the state front, the Build Nebraska Act, beginning this past July, provides a new source of revenue to address capital improvement needs. Under the two-year lead period since the enactment of the Build Nebraska Act, the department has been diligently preparing projects for the first ten years of this vital new program. I am happy to report...I'm happy today to report to you that the first phase of the Blair to Omaha

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four-lane project is under construction, with phase two to follow next year. We've also commenced construction with the Wahoo bypass project around the north and west edges of the city, which will complete the Lincoln to Wahoo expressway corridor. At this point, I would be happy to take any questions that you might have. [NDOR NEEDS HEARING]

SENATOR DUBAS: Thank you very much, Director Peters. Are there questions?
Senator Nordquist. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Thank you. Thank you, Director. Out of the \$9.8 million or \$9.8 billion in needs or the \$14.1 billion when that's adjusted for inflation over the next 20 years, what's our dollar amount of resources available based right now on current funding levels? [NDOR NEEDS HEARING]

RANDY PETERS: Well, we just published our 2014 program, construction program, at \$431 million. So if you multiply that times 20 and... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...not inflate it, that's \$8.6... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Million. [NDOR NEEDS HEARING]

RANDY PETERS: ...billion. We're still short of the mark over 20 years, but we've closed the gap compared to last year,... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...before the Build Nebraska Act. [NDOR NEEDS HEARING]

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SENATOR NORDQUIST: Okay. And that does...the \$431 million does account for federal funds as well? [NDOR NEEDS HEARING]

RANDY PETERS: Yes. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: That's federal and state. Okay. Can you walk me through, I know maybe it was in the summer or fall where I know Omaha and Lincoln, I think, on influx of dollars, can you walk through where those dollars came from? [NDOR NEEDS HEARING]

RANDY PETERS: Yeah. Over the previous 12 months, those were the differential between the engineer's cost estimates and the actual bid "lettings," so they were savings... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...as a result of competitive bidding on the part of our contractors. So it resulted in \$22 million in the bank, if you will, and the department's objective was to get that money on the street as quickly as possible to address some of our pavement restoration needs. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Okay. And the decision was made just to move those out rather than to...could those dollars have just been applied forward to address the future projects, or there just weren't enough projects in the pipeline for the state to use those dollars? I mean I appreciate them coming to Omaha. [NDOR NEEDS HEARING]

RANDY PETERS: Sure. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Dodge Street is great right now, so. [NDOR NEEDS HEARING]

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RANDY PETERS: Well,... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: But I was just wondering why the state didn't use them for our needs. [NDOR NEEDS HEARING]

RANDY PETERS: It was basically a cash flow consideration. That was \$22 million in the bank. Programming a project and getting it ready to go through a bid letting and taking a more formal route for those could take up to two years. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: We wanted to put it on the street, if you will. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: And so the criteria we had was that it had to be a state highway that had a pavement condition that needed to be addressed and then a municipality who had the resources available to get... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: ...to get the work done. And those were the driving factors. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: And will this be...do you anticipate this will be one time or can we anticipate dollars like that to be available in future years? Or will it just depend on how contracts come back? [NDOR NEEDS HEARING]

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RANDY PETERS: It's hard to project. You know, it's a function of how competitive the contractors are. It's kind of a function of the economy. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: It's always a cash flow technique that... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: ...that you have when you've got a combination of maintenance by ourself or our local public agency partners versus... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Sure. [NDOR NEEDS HEARING]

RANDY PETERS: ...constructions that are let to bid. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Okay. Thank you. [NDOR NEEDS HEARING]

SENATOR DUBAS: Other questions? Senator Wightman. [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: Thank you, Senator Dubas. Thank you for the information you've given us, Director Peters. You indicate I think in your record that about 45 percent of the funding comes from federal, is that correct, and that's of the total funding of the entire department, and 55 percent from the state. Can you tell me, has that normally been about that percentages, say over the last five or ten years, or has that changed or...? [NDOR NEEDS HEARING]

RANDY PETERS: It's been fairly stable, that mix. It fluctuates within 5 percent, you know, 50/50, 45/55, in that range. [NDOR NEEDS HEARING]

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SENATOR WIGHTMAN: Can you tell me, I'm not sure, we passed the bill a couple years ago, but when do the sales tax take effect, the .5 percent sales tax that goes...I think it's as a sales tax that goes to the Department of Transportation (sic)? [NDOR NEEDS HEARING]

RANDY PETERS: It took effect... [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: We've already...you're getting that funding now. [NDOR NEEDS HEARING]

RANDY PETERS: ...this July. It was .25 percent, and it took effect this July. And at the current revenue projections of the state, it's projected to bring in \$60 million a year for capital improvement projects... [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: Out of a total budget of... [NDOR NEEDS HEARING]

RANDY PETERS: ...for the Department of Roads. Actually, there's 75 percent...or \$75 million per year, of which the \$15 million goes to cities and counties. [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: So that would be, what, 8 percent, 7 percent or 8 percent of your total budget that you intend to spend for the year. And I don't know whether that 9...where have you normally run, say in the last few years, with regard to your budget as far as your actual expenditures? Like 2012, it was \$9,880,000,000. Do you know that year how much you spent? [NDOR NEEDS HEARING]

RANDY PETERS: Well, every year we publish a state fiscal year program book and we have been...it's not always the projects that are programmed because some fall by the wayside with attrition if we run into permit issues or don't get the right of way or whatever. But we always have been able to put the money on the street by moving

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other projects up from the five-year program into the one-year program. And by the same token, we've always been able to obligate each year's federal money in time and not let any of it lapse. So a short answer would be we use 100 percent of the budget. [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: You use it all. [NDOR NEEDS HEARING]

RANDY PETERS: Yeah. [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: Will you be able to get any more federal funding as a result of the use of the state sales tax, the .25 percent? Will that allow you to get any more federal funding? [NDOR NEEDS HEARING]

RANDY PETERS: Not directly. It does open up some opportunities to get some efficiencies. If a project is easier to deliver using state funds, because the process has red tape, then it allows us greater flexibility in choosing those projects that will be federally funded, and it helps. But it doesn't necessarily bring in more...directly, more federal money. [NDOR NEEDS HEARING]

SENATOR WIGHTMAN: Okay. Thank you. [NDOR NEEDS HEARING]

SENATOR DUBAS: Senator Brasch. [NDOR NEEDS HEARING]

SENATOR BRASCH: Thank you, Madam Chairman, and thank you, Mr. Peters, for your ongoing work and that of the entire Department of Roads. We've all put a lot of miles on during the interim on various things, and we see a lot of progress being made. And the question that I have is seeing that there's a 20-year plan but there is a question of federal funding that supports that plan as well of being sustainable or something that the state can rely on. Is there a contingency plan? Should we be solely responsible for the funding? Does the 20-year plan change? Do we modify that? [NDOR NEEDS

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RANDY PETERS: The...it's part of the reason I wanted to make the observation in my testimony to you all today. It is a very real risk that if Congress does not fix the funding, beginning in federal fiscal year '15 we could have a substantial reduction. Our contingency plan, since we are a pay-as-you-go state, would be to defer projects...
[NDOR NEEDS HEARING]

SENATOR BRASCH: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...and keep you all and our stakeholders apprised of what's happening at the federal level. And then we'd need to make the necessary investments, if that unspeakable... [NDOR NEEDS HEARING]

SENATOR BRASCH: Sure. [NDOR NEEDS HEARING]

RANDY PETERS: ...scenario should play out. [NDOR NEEDS HEARING]

SENATOR BRASCH: If we face that, correct. [NDOR NEEDS HEARING]

RANDY PETERS: Yeah. [NDOR NEEDS HEARING]

SENATOR BRASCH: Yeah, very good. And the other question I would have is I realize today's meeting is focused on the roads construction, correct? [NDOR NEEDS HEARING]

RANDY PETERS: Uh-huh. [NDOR NEEDS HEARING]

SENATOR BRASCH: If the contingency plan changes and the 20-year plan changes, I've had the opportunity to have annual visits to my maintenance shops in my district

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and the equipment is getting older and older, and they're looking at 20-year-old equipment being out for snow removal and other. Would that also affect the equipment program or is this just on the start to finish of the 20-year plan? [NDOR NEEDS HEARING]

RANDY PETERS: Senator, the purpose of the needs study presentation is to apprise the two committees of our construction program. [NDOR NEEDS HEARING]

SENATOR BRASCH: Construction, very good. [NDOR NEEDS HEARING]

RANDY PETERS: And so what you're talking about would be part of the capital assets that I talked about that are not included in these costs. [NDOR NEEDS HEARING]

SENATOR BRASCH: So that would be another...that's solely Nebraska based. Okay. Very good. [NDOR NEEDS HEARING]

RANDY PETERS: That's strictly at the state front and the Appropriations...the province of the Appropriations Committee. And we come before you at biennial budget time and make our case for those things. [NDOR NEEDS HEARING]

SENATOR BRASCH: Very good. Thank you for your testimony. I have no other questions. [NDOR NEEDS HEARING]

SENATOR DUBAS: Other questions? Senator Nelson. [NDOR NEEDS HEARING]

SENATOR NELSON: Thank you, Director Peters. In page 2 of your testimony, toward the bottom there, you say the Needs Assessment doesn't include routine highway maintenance, administration, capital facilities, etcetera. Now is that over and above the \$9 billion? Is that an additional amount or is this kind of spread across the four categories? [NDOR NEEDS HEARING]

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RANDY PETERS: It's...if you look at the Department of Roads' financial reports, there's a cash flow of more than \$800 million into the Department of Roads. So what we're talking about are the need...the highway...the physical, tangible highway needs that we're reporting to you. The other, the administrative, mowing the weeds, plowing the snow, those kind of things are another 50 percent of the budget. That's... [NDOR NEEDS HEARING]

SENATOR NELSON: How much? Another percentage? [NDOR NEEDS HEARING]

RANDY PETERS: ...in round numbers, I'd say. [NDOR NEEDS HEARING]

SENATOR NELSON: Okay. Thank you. Thank you. [NDOR NEEDS HEARING]

RANDY PETERS: I said 50 percent but don't ask an accountant for that. That's a round number. (Laughter) That's a round number. [NDOR NEEDS HEARING]

SENATOR DUBAS: We know you're an engineer. (Laughter) Senator Kintner, did you have a question? [NDOR NEEDS HEARING]

SENATOR KINTNER: Yes, thank you, Madam Chairman. First, I want to thank you for coming here. I'm sure sitting on the hot seat in front of a bunch of senators is one of the more enjoyable aspects of your job. But you know, I probably deal with your department more than any other department. I'm in constant contact with my two district engineers and I want to thank you for the solid job that you guys do. And when you guys don't...sometimes you don't get it right, but you make it right. And you're very attentive to the needs of the people in my district and to me, and I couldn't imagine an agency doing any more than you're doing. So I appreciate all you do. I'm serious about that. I've dealt with a lot of agencies but I'm very pleased with what you've done in my district. It's a lot. There's always something (inaudible) my district. Roads, roads are huge in my district.

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A few questions:... [NDOR NEEDS HEARING]

RANDY PETERS: Thank you, Senator. [NDOR NEEDS HEARING]

SENATOR KINTNER: I want to follow up on what Senator Brasch has, status of your equipment right now, the equipment that you maintain, that you use for the things you have to do. What's the status of your equipment? Is it good, fair? And can you elaborate a little more on your plan to replace it as needed? [NDOR NEEDS HEARING]

RANDY PETERS: Well, we have a fleet. We have a vast and varied fleet. Now I'm going from memory from the testimony to the Appropriations Committee, but we do have a sophisticated, data-driven, asset management system with our fleet, so we know how many vehicles are past their expected service life, how many are having unscheduled maintenance. We have data to do that. And during the tougher budget times of the recession, we had a level of investment in new trucks and new plows of...was it \$15 million a year? [NDOR NEEDS HEARING]

MOE JAMSHIDI: It was \$10 million. [NDOR NEEDS HEARING]

RANDY PETERS: That had been our standing investment. Then for a few years we didn't invest. We went from \$15 million to \$10 million. And you're doing more maintenance. You're putting more money into lost time and maintenance there. This year we did fairly well in the appropriation. They restored us back to...halfway back to the \$15 million, to \$13 million. So the data would say we should be investing more but we are...we do the best we can with what's available to us. [NDOR NEEDS HEARING]

SENATOR KINTNER: All right. The gas tax, my adversity, LB84 money, I'm under kind of the impression that the gas tax money is mostly paying for all the upkeep and a little bit of that is going for new projects, and LB84 is really driving most of the new projects. Do I have...is that approximately right or do I have that right or...? [NDOR NEEDS

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RANDY PETERS: If you...there are three components to the gas tax. Some of it goes to cities and counties and some of it goes to dedicated funds. But in general, the revenues that came before the Build Nebraska Act were because of the Department of Roads. Because you all allowed the Department of Roads' professionals to select projects, our strategy was to take care of the existing road network before doing any capital expansions. And then with Build Nebraska Act, that enabled us, with an extra \$60 million a year, to address some of these deferred capital expansion projects. [NDOR NEEDS HEARING]

SENATOR KINTNER: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: A long answer to... [NDOR NEEDS HEARING]

SENATOR KINTNER: No, that's fine. I understand that if you raise the gas...or we raise the gas tax a penny, that would generate about \$11 million. Is that...? [NDOR NEEDS HEARING]

RANDY PETERS: That's approximately it, yes. [NDOR NEEDS HEARING]

SENATOR KINTNER: Okay. And finally, I want to talk about federal regulations. I know in my district, on Highway 75, they're building the bridge over the Platte River. And I'm told that you're only allowed to build at certain times during the year, that you've got to watch out for...there's three fish (laugh) that they're trying to protect and then we got possible otters and bald eagles flying around that might cause a few problems. What does the...so the federal government said you had to build a temporary bridge, as I understand it, and then that that's torn down at some point and you build the rest. It's two bridges going across. You build the second one. Is that what's going on? Explain to me what the federal government is requiring you to do. [NDOR NEEDS HEARING]

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RANDY PETERS: If a project is...has federal funds in it, it's a federal undertaking and there are quite a large body of environmental protection laws that apply there. And so what you're referring to on the bridges, the waters of the USA are under the jurisdiction of the U.S. Army Corps of Engineers. And for us to get permission, to get a permit to do construction, we must comply with the conditions of the permit. And beginning a couple of years ago, the Corps of Engineers determined that our longstanding practice of dredging up the sand bottom as a place to stage a construction crane was too environmentally disruptive to the rivers, and so we've had to build temporary bridges to stage the construction of our permanent bridges, and then remove the bridges as we get... [NDOR NEEDS HEARING]

SENATOR KINTNER: But it's my understanding is the sand is continually shifting. As the current comes down, sand goes all over the place, right? Isn't that...? [NDOR NEEDS HEARING]

RANDY PETERS: Yes, sir, the river bottom channel does reshape itself. [NDOR NEEDS HEARING]

SENATOR KINTNER: All right. Can you go back to the Corps and say, hey? Can you appeal that? I mean try...do you guys negotiate with them on that stuff? [NDOR NEEDS HEARING]

RANDY PETERS: It's...one of our eight strategic goals is to improve our project delivery. Project delivery does involved interaction with federal regulatory agencies, state regulatory agencies. And we have hundreds of projects in the pipeline. So, yes, very definitely we are negotiating all the time. But we are the regulated body; we are not the regulators. And so at the end of the day we need a permit to get our jobs out there. [NDOR NEEDS HEARING]

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SENATOR KINTNER: Just out of curiosity, I'm just wondering, if you told the government to go...federal government to go pound salt, so we're going to build a bridge, it's our state, what would they do? Do they go to a court and say you can't do it? Is that what they do? [NDOR NEEDS HEARING]

RANDY PETERS: Of course, the easiest sanction is the 45 percent of our funding that's federally derived, if we're not complying then that can be turned off. [NDOR NEEDS HEARING]

SENATOR KINTNER: Okay. All right. I was just wondering. Thank you very much for coming today. [NDOR NEEDS HEARING]

RANDY PETERS: Sure. [NDOR NEEDS HEARING]

SENATOR KINTNER: Appreciate it. [NDOR NEEDS HEARING]

SENATOR DUBAS: Other questions? Senator Brasch. [NDOR NEEDS HEARING]

SENATOR BRASCH: I do just have one more question. Thank you, Madam Chairman, and thank you again, Mr. Peters. Looking at this, this dollar amount is only for a short, you know, part of the 20-year plan, a short piece of the roads needs. What percentage will you be addressing? You know, what are the real needs of the entire state if it were a world where we could take care of all the roads from Bancroft to Benkelman and from, you know, one corner to the other corner? Has anyone ever put a pencil to that and what portion do we deal with? Instead of building a room at a time, what if we decided to build a house? Is that even possible to look at what that number is,... [NDOR NEEDS HEARING]

RANDY PETERS: I am... [NDOR NEEDS HEARING]

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SENATOR BRASCH: ...how many miles or just how many dollars? [NDOR NEEDS HEARING]

RANDY PETERS: Are you asking if... [NDOR NEEDS HEARING]

SENATOR BRASCH: Right now there's communities, a lot of the communities, on the waiting list. We're not on 20 years. We're on...we don't even know if we're year 21 or not. But if you were to say, okay, you know, we're just going to fix the roads and be done with it, what would that take? What does that involve? [NDOR NEEDS HEARING]

RANDY PETERS: Well,... [NDOR NEEDS HEARING]

SENATOR BRASCH: Or is that not your... [NDOR NEEDS HEARING]

RANDY PETERS: ...to go back to the pie there,... [NDOR NEEDS HEARING]

SENATOR BRASCH: Okay. All right. [NDOR NEEDS HEARING]

RANDY PETERS: ...the big wedge is pavement restoration. [NDOR NEEDS HEARING]

SENATOR BRASCH: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: If you had all \$6.3 billion in the bank right now, not all those roads need to be restored right now. So you wouldn't...that would not be wise. It would not help you. On the other hand, the geometric needs, those roads that need to be wider, have wider shoulders, wider lanes,... [NDOR NEEDS HEARING]

SENATOR BRASCH: Uh-huh. Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...or go from two lanes to four lanes, that, if you had that \$3 billion

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right now, it would be a good investment to do. People would... [NDOR NEEDS HEARING]

SENATOR BRASCH: Benefit from that... [NDOR NEEDS HEARING]

RANDY PETERS: ...benefit from it directly. [NDOR NEEDS HEARING]

SENATOR BRASCH: ...in safety and commerce and transportation and all of that. [NDOR NEEDS HEARING]

RANDY PETERS: It would improve...yes. Yes. [NDOR NEEDS HEARING]

SENATOR BRASCH: That would be interesting because I do know a lot of communities are anxiously waiting their turn in line and we do understand that roads are paid for with our dollars, whether it's our state dollars or our federal dollars. And you know, as Senator Kintner had said, that the work has been stellar, it's been ongoing. I don't know the...to equate you to the pony express, you're out there night, day, in the heat and the snow. And thank you and everyone who's vested themselves. But it would be good to know that, you know, what would it take to get things done and how do we get there. So thank you. [NDOR NEEDS HEARING]

SENATOR DUBAS: Senator Nordquist. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Thank you. Well, that line of questioning prompted this question. Does the Department of Roads have a position if we were to look at restoring a provision that was in the original Build Nebraska Act, and that is a bonding component to maybe address those geometric concerns that would economic development benefits to it by making those investments now? Do you guys have a position on that? [NDOR NEEDS HEARING]

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RANDY PETERS: The state statute does provide for the Highway Commission to do bonding now. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. Yeah, up to \$50 million? [NDOR NEEDS HEARING]

RANDY PETERS: And it's...but it's...it's a very limited amount. And it invokes an automatic change in the variable component of the gasoline tax... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...to address the principal and interest. So in effect, it just raises the gas tax rather than bonding. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: Our position on bonding is that it's a financing technique, so you have to...it's borrowing. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Yeah. [NDOR NEEDS HEARING]

RANDY PETERS: You have to have a revenue stream to pay it back. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: And I think our position is that of the current statutes,... [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Yeah. [NDOR NEEDS HEARING]

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RANDY PETERS: ...that Nebraska is a pay-as-you-go state. [NDOR NEEDS HEARING]

SENATOR NORDQUIST: Okay. Thank you. [NDOR NEEDS HEARING]

SENATOR DUBAS: Senator Brasch. [NDOR NEEDS HEARING]

SENATOR BRASCH: Just one more short...which along the same line here is I do understand, I believe, that most of the work for the majority part on our highway system, is it bid out and contracted, that your number of actual road employees is limited? And that would also, if we were to take on finishing out, that at this point we would not have the men and women available to help on the other roads needs, the shoulders, the...? [NDOR NEEDS HEARING]

RANDY PETERS: There's kind of a division of labor. The contracting community can do the higher scope, more intensive resurfacing, restoration projects, and that's the way we plan our business. Our maintenance forces seal cracks, do...seal the surface, do pavement patching. So they're holding things together until we can get a contractor out there, is kind of the way to look at that. [NDOR NEEDS HEARING]

SENATOR BRASCH: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: And really what drives our minimum maintenance needs is being prepared for winter operations. We have to have a snowplow and a snowplow driver ready to go to a critical segment of roadway there. If you fall below that, then people aren't getting the service that they need to get the roads open in the winter. [NDOR NEEDS HEARING]

SENATOR BRASCH: Good. Thank you. No other questions. [NDOR NEEDS HEARING]

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SENATOR DUBAS: Senator Mello. [NDOR NEEDS HEARING]

SENATOR MELLO: Thank you, Chairwoman Dubas. And thank you, Director Peters. I guess it's just more to a point of a clarification between the questions that you just got from Senator Brasch and Senator Nordquist. On page 2 of your report, the inflationary costs of our needs assessment, I just figured it out in shorthand math, is roughly about 43 percent of our total needs, based on inflation. Is that, give or take? I mean I'm not going to ask you to figure out the math right now but, ball parking, at \$14.1 million total...or billion over 20 years would be the total costs, including inflation. So not...I know we've heard the number \$9.8 billion, but really the cost is \$14.1 billion. [NDOR NEEDS HEARING]

RANDY PETERS: Yes, that's true. That's true. [NDOR NEEDS HEARING]

SENATOR MELLO: And I guess the question just is, and it derives a little bit off Senator Nordquist's question, which is does the department have any actuarial, I guess, any actuarial reports that could give us a little bit more insight in regard to that inflationary cost? Because I think the...if I took what Senator Nordquist was asking, is it more economically feasible for the state to... [NDOR NEEDS HEARING]

RANDY PETERS: Sure. Sure. [NDOR NEEDS HEARING]

SENATOR MELLO: ...consider a state infrastructure bank and/or consider a way to pay for the financing of that now in comparison to paying, I would say, that 43 percent additional cost over the next 20 years on infrastructure? Is that something the department could provide and maybe a little bit more background on, maybe not today but for future purposes of how we can maybe really find out those true inflationary costs to make the policy determinations maybe a little bit more clear for us on whether or not it's more economically feasible for us to consider a solution now instead of just waiting

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until the inflation continues to grow? [NDOR NEEDS HEARING]

RANDY PETERS: We could provide...we don't have a published report with that assessment... [NDOR NEEDS HEARING]

SENATOR MELLO: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: ...sitting on our Web site, but we could provide some analysis, because we have informally looked at the opportunity cost there if you compared... [NDOR NEEDS HEARING]

SENATOR MELLO: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...a short-term financing, now that Build Nebraska Act... [NDOR NEEDS HEARING]

SENATOR MELLO: Yeah. [NDOR NEEDS HEARING]

RANDY PETERS: ...is in place, does it makes sense to borrow against it, because that is a revenue stream. [NDOR NEEDS HEARING]

SENATOR MELLO: Yes, a revenue stream that's going to continue to grow... [NDOR NEEDS HEARING]

RANDY PETERS: Right. [NDOR NEEDS HEARING]

SENATOR MELLO: ...since it's based on the sales tax, which is also estimated to continue to grow over the next 20 years. [NDOR NEEDS HEARING]

RANDY PETERS: Right. Right, and recognizing that we would do that kind of

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back-of-the-envelope analysis in the current statutory environment that limits bonding.
[NDOR NEEDS HEARING]

SENATOR MELLO: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: It's only been kind of an informal analysis, but we could...we could share that with you. [NDOR NEEDS HEARING]

SENATOR MELLO: Okay. That would be great. One last question and it's just, I guess, more of a clarification. The media reports I read was the department said this \$22 million availability of funding this year that was given to city governments was kind of an unexpected amount of funding. It wasn't something that was planned by the department. The question I have is maybe more of a clarification. When the initial funding was given, I know, to the city of Omaha, it was reported by a media outlet that the Governor's Office said that they anticipated there would be \$6 million available next year for the city of Omaha for the same kind of projects. But they didn't clarify where that \$6 million was coming from. I mean reading the media reports,... [NDOR NEEDS HEARING]

RANDY PETERS: Yeah. Yeah. [NDOR NEEDS HEARING]

SENATOR MELLO: ...it alludes that it's coming from the same kind of savings that the department would get from these bid contracts. Could you give a little bit more clarification for us in regards to where that money... [NDOR NEEDS HEARING]

RANDY PETERS: Sure. Sure. [NDOR NEEDS HEARING]

SENATOR MELLO: ...may or may not come from? [NDOR NEEDS HEARING]

RANDY PETERS: We recognized we had \$22 million in savings that we're cash flowing now, and our objective was to get as many miles of road fixed as we could, as soon as

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we could. So we reached out, through our district engineers, to the communities in their district: There are state highways within... [NDOR NEEDS HEARING]

SENATOR MELLO: Yeah. [NDOR NEEDS HEARING]

RANDY PETERS: ...your community that have a condition rating that's below par; can you get a project to fix it this summer? [NDOR NEEDS HEARING]

SENATOR MELLO: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: If you could, we'll write an agreement with you... [NDOR NEEDS HEARING]

SENATOR MELLO: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...to fund it. Twenty-two million you start with. Omaha could do \$6.4 million this... [NDOR NEEDS HEARING]

SENATOR MELLO: This year. [NDOR NEEDS HEARING]

RANDY PETERS: ...this year... [NDOR NEEDS HEARING]

SENATOR MELLO: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...and \$6 million next year; Lincoln could do \$2.3 million this year and \$2.5 million next year--very proportionate to the miles of state highway and inside their city limits that had the need. And that's how, that's how that was determined. [NDOR NEEDS HEARING]

SENATOR MELLO: So that total amount then all came from the \$22 million then. So it's

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the one-time money that's going to kind of be spread out over a two-year period. [NDOR NEEDS HEARING]

RANDY PETERS: Yes. Yes. [NDOR NEEDS HEARING]

SENATOR MELLO: Okay. Thank you for that clarification. [NDOR NEEDS HEARING]

SENATOR DUBAS: Thank you, Director Peters. When you talked about the percentage of money that we get from the federal government, I think you said historically that's been pretty reliable. [NDOR NEEDS HEARING]

RANDY PETERS: Uh-huh. Uh-huh. [NDOR NEEDS HEARING]

SENATOR DUBAS: We know things are not quite following historical trends when it comes to the federal government right now. If for some reason they did not reauthorize MAP-21 next year, would we just continue to operate under the existing MAP-21? Would those funds still continue to come in under that structure? What...do you have any idea of what would happen? [NDOR NEEDS HEARING]

RANDY PETERS: The highway...federal highway acts have two pieces. There's the authorizing legislation that has typically been on a five- to six-year horizon. This last one was only on a two-and-a-half-year horizon. That's contract authority; that's not spending authority. So then every year at the appropriations level, the federal government, they appropriate the cash, turn loose the cash for you to use against your contract authority. That expires at the end of the fiscal year. And so Congress must act, and that's not unprecedented. At the end of every appropriations cycle and at the end of every contract authority, they must act again. What's different is that the cash flow, the 18.4 cents of gas tax that feeds the federal trust fund, has not been raised since 1993. And they've...Congress has borrowed over \$50 million from the General Fund since 2007. So it's not keeping pace with the outlays that we've become accustomed to. So

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Congress has to change something or we'll get a lot less revenue. [NDOR NEEDS HEARING]

SENATOR DUBAS: So it sounds...I mean, I'm not asking you to make a projection, but it sounds like there could be some real funding issues in the short term when it comes to federal funding. [NDOR NEEDS HEARING]

RANDY PETERS: We are in constant communication with our Congressional delegation there to make sure that they're aware of the implications to Nebraska's program if things don't succeed there in Congress. [NDOR NEEDS HEARING]

SENATOR DUBAS: Well, we thank you for that. My next question deals with the geometrics and when you're looking at the volume of traffic. Is that the only thing you look at, is just the volume of traffic? Do you look at the types of traffic? You know, like out in the rural areas, we might not hit those volume numbers, but we certainly would hit those numbers with heavy truck traffic, you know, when we're transporting our ag products and those types of things. So we don't have the numbers necessarily but we certainly do have the heavier types of traffic that require all of these types of improvements on our roads. So I guess just asking for a little more detail about what you're looking at within volume. [NDOR NEEDS HEARING]

RANDY PETERS: Yes, we do. The traffic engineers know not only the vehicles per day but the percent trucks, and they have equivalencies between how much capacity does a truck use compared to a passenger car. [NDOR NEEDS HEARING]

SENATOR DUBAS: So then that does come into play when you're making those decisions. [NDOR NEEDS HEARING]

RANDY PETERS: Yeah. [NDOR NEEDS HEARING]

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SENATOR DUBAS: Okay. Very good. Are there...Senator Janssen. [NDOR NEEDS HEARING]

SENATOR JANSSEN: And this really isn't even a question. I know you've got your capable staff behind you so I just wanted to inquire and have you get back to me and not bore everybody else with my local projects, but if you could give me an update, to my office, on the Hooper North bridge, the opening of it, the complete opening to four lanes for the Fremont, Platte, Saunders, Dodge County, Platte River bridge. I'd also like kind of an update on the Wahoo bypass and Highway 30. And if you get time, even though it's not in my district, I'd be interested to hear something about the expectation or eventuality of the Heartland Expressway, if that's ever something that's considered. So you can get that to my office, stop by. [NDOR NEEDS HEARING]

RANDY PETERS: Okay. We will, Senator. [NDOR NEEDS HEARING]

SENATOR JANSSEN: Thank you. [NDOR NEEDS HEARING]

SENATOR DUBAS: Senator Watermeier. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Yeah, thank you, Madam Chair and Director Peters. I guess kind of a twofold question, one coming back to Senator Mello...or Nordquist's question about the \$22 million and the estimated savings that you had. What was that a percentage of, of the \$500 million that your total projection would be for those kind of projects? Because I know, I'm not looking for a number that's really hard, but that \$22 million was a savings throughout the year, that was compounded...I mean that you saved throughout the whole year. And so then you could spend that \$22 million on the added projects that you went around to the metropolises. But I'm assuming over the years you...second question is that you've also had just as many overruns from the engineer's estimates. And I know very well how estimates go for construction of projects and different things. I'm assuming it usually it hatches out 50/50 over the life of years.

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[NDOR NEEDS HEARING]

RANDY PETERS: Yeah. The 12 months we realized the savings over... [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...was the 2013 fiscal year that our published program was \$372 million. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: \$370 million? Okay. [NDOR NEEDS HEARING]

RANDY PETERS: So it was \$22 million less than the engineer's estimates that we published in the programming book. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Of the \$370 million. [NDOR NEEDS HEARING]

RANDY PETERS: Yeah. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Okay. [NDOR NEEDS HEARING]

RANDY PETERS: And it is not uncommon for us to just, if we realize savings, advance some projects from the five-year program and let them through construction. This was also a cash flow. It takes...you have to have projects ready to go... [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Uh-huh. [NDOR NEEDS HEARING]

RANDY PETERS: ...or it takes two years or more to develop them. And we didn't want this money to just accumulate in an account. We wanted to put it to work. [NDOR

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NEEDS HEARING]

SENATOR WATERMEIER: And I appreciate that. I think that's wise management. Like you said, it's more of a cash flow issue. If it goes the other direction and you're gradually getting behind on the engineer's estimates, they're overexceeding it, you probably are at some point in time delaying, if you can do this somehow on a two-year project, you're delaying that thing in the 18th, 19th month, because you know you just may not have the funds to do it. I'm assuming that's how you manage that cash any other... [NDOR NEEDS HEARING]

RANDY PETERS: That's the main degree of flexibility we have. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Yeah. [NDOR NEEDS HEARING]

RANDY PETERS: Either we defer projects or we move them up. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Yeah, I assume that. [NDOR NEEDS HEARING]

RANDY PETERS: And we report that then in the next year's program book... [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Right, because... [NDOR NEEDS HEARING]

RANDY PETERS: ...to let you know. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: ...because of the pay-as-you-go, you're saying if you don't have it at the end of that two-year fiscal, you're not going to start that next project. You're going to wait. [NDOR NEEDS HEARING]

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RANDY PETERS: Right. [NDOR NEEDS HEARING]

SENATOR WATERMEIER: Yep. [NDOR NEEDS HEARING]

SENATOR DUBAS: Other questions? Seeing none, we thank you very much, Director, for coming forward and bringing this information to us today. It's very helpful. [NDOR NEEDS HEARING]

RANDY PETERS: My pleasure. Thank you. [NDOR NEEDS HEARING]

SENATOR DUBAS: All right. Thank you. And thank you to members of the Appropriations and Transportation Committee for your attention today, and that will conclude this briefing. [NDOR NEEDS HEARING]