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Appropriations Committee
February 16, 2016

[LB960]

The Committee on Appropriations met at 1:30 p.m. on Monday, February 16, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB960. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Tanya Cook; Ken Haar; Bill Kintner; John Kuehn; and Dan Watermeier. Senators absent: John Stinner.

SENATOR MELLO: Anyone else wishing to testify on Agency 27? Seeing none, that will close today's public hearing on Agency 27, the Nebraska Department of Roads, and take us to our only legislative bill of the afternoon, LB960 from Senator Smith. [AGENCY 27]

SENATOR SMITH: (Exhibits 1 and 2) Good afternoon, Chairman Mello and members of the Appropriations Committee. For the record, my name is Jim Smith, J-i-m S-m-i-t-h, and I represent the 14th Legislative District in Sarpy County. And it is indeed an honor to be before the Appropriations Committee today. And actually, I don't think I've actually spoke in front of this committee before. So it's been a long time coming but it's good to be here. And thank you for your attention today and for your interest on this issue. I am here today to introduce LB960, the Transportation Innovation Act. I want to thank Governor Ricketts, the Department of Roads director Kyle Schneweis, and the Policy Research Office for working closely with me and the Transportation and Telecommunications Committee legal counsel in developing this comprehensive highway funding bill that will move our state into the future. I also want to thank Senator Lydia Brasch for recognizing the importance of LB960 and declaring it her personal priority. I will give you a brief overview of the bill and I'm going to let Director Schneweis come back up to the testifier table and he will be following me and he'll give you details of the bill. I do not want to overwhelm the committee with a lot of testimony. I know there's a lot of folks behind me today that are in support of this legislation. And I've done my best to work with industry and association members that will follow me, and asked them to try to be representative of their groups to where you don't hear repetitively the same information over and over. But I do want to just give you a quick overview of the folks that I've asked to follow me in testimony today: of course, Director Kyle Schneweis, Department of Roads; representing the Nebraska League of Municipalities will be Doug Leafgreen from District 5, he's a Nebraska State Highway Commissioner; and Rick Kuckkahn, city manager from Scottsbluff. We did have scheduled to have the mayor, Mayor Kaufman of Gering, and Mayor Meininger of Scottsbluff be with us today, but they had trouble getting the plane off the ground today because of some weather problems out west. I think it was mostly high winds. So, unfortunately, they can't be with us. Following the League of Municipalities will be a representative of NACO, a former state Senator Bill Avery, now Lancaster County Commissioner Bill Avery; representing AGC will be Brett Niebur. After Brett will be a representative from ACEC, the engineers, Matt Tondl will be representing ACEC. We'll hear from 4 Lanes 4 Nebraska, and the State Chamber of Commerce

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and Industry from one person who will be wearing two hats. That will be Dirk Petersen. And then finally we'll wrap up the invited testimony with Steve Riehle, a Hall County Commissioner, and he'll be representing NACO again. So those are the folks that I've asked to follow me in testimony and, again, I appreciate your interest and your patience with us and we'll try not to overdo the testimony. I'm going to give you kind of a 30-foot view of what the Transportation Innovation Act will do. And then, of course, Director Schneweis will get into the details. The Transportation Innovation Act will maximize funding opportunities through the establishment of a Transportation Infrastructure Bank. It will accelerate the completion of the Heartland Expressway. It will encourage state and county partnerships to bring dilapidated bridges up to standard. It will stimulate economic growth through the Economic Opportunity Program, and it will modernize contracting methods to stretch our dollars further. As you consider LB960, it's important to look at the big picture, to look at where we've been and where we need to go as a state, and the steps we have taken to this point and those that we will need to continue to take to move us forward. I think it's a really exciting time for Nebraska. If you look across the nation, infrastructure needs is not just a Nebraska issue. Every state is crippled, to some degree, by infrastructure needs in their jurisdictions. And Nebraska has taken some bold steps forward in the last few years to try to address the infrastructure needs we have in our state. So I think it's an exciting time, especially as Nebraska looks to solve problems within our borders with our infrastructure. LB960 is a result of interim hearings that the Transportation and Telecommunications Committee conducted through the summer and across the state. And I want to thank some of the committee members who sacrificed their time to go across the state with us. I know Senator Stinner is not here at this point but he did host us out in Scottsbluff. We appreciate his hospitality out in his district. And we heard not only from him but we heard from other senators that hosted us about the infrastructure needs in their districts. At those hearings we heard from families, businesses, engineers, builders, from local city and county officials. We heard that roads and bridges are critical to our state, critical to the lives of families, and critical to the movement of goods and commerce in our state. And we heard very directly that we need to accelerate the completion of our expressway systems and to repair the deficient bridges. LB960 is not an alternative to what we have done thus far in our state, and I want to repeat that. Some may think that this is an alternative to Build Nebraska Act or LB610. It builds on what we've done to date. It is not a substitute. It is in addition to those things and it's a necessary step if we want to pull our state out of the rut our critical transportation infrastructure has fallen into due to many, many years of neglect and inaction. In 1988, the Nebraska Legislature promised the citizens of this state we would build a Nebraska expressway system to connect our communities--that's the life blood of our communities--from east to west, and from north to south, to give every Nebraskan access to our highways and to our byways. Nearly 30 years later that promise is still unkept. We still have much work to do. With \$10.2 billion in 20-year maintenance needs alone, it was obvious our traditional funding system was not sufficient to support new construction. In 2011 the Legislature passed LB84, the Build Nebraska Act, which has resulted in an estimated \$60 million a year dedicated to expressway system, federally

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designated high-priority corridors, and other new high-priority construction projects for the state highway system. A quarter of 1 percent of sales tax dedicated to Roads projects for 20 years is what it provided, and that was estimated to be a total of \$1.2 billion over a 20-year period of time. The majority of funding, 85 percent, goes to State Highway Capital Improvement Fund; 15 percent goes to Highway Allocation Fund, that is cities and counties. Today, \$600 million in expressway projects remain undone and unfunded. Funding under the Build Nebraska Act has been dedicated to three tiers of projects over the next 20 years. Yet, after the three tiers are complete, over \$1.5 billion in capital improvement projects will remain unfunded, including almost 132 miles of the expressway system. The Infrastructure Bank will allow access to the Cash Reserve and to the state's portion of the fuel tax revenue to help complete some of these projects. The intent, as specified in LB960, is to see the completion of the designated expressway system by June 30 of 2033. The bill also requires NDOR to provide annual updates of the expressway progress. Other critical elements of our state's transportation infrastructure that have become dangerously dilapidated are our county bridges. As you heard during last year's debate, Nebraska has the seventh highest percentage of structurally deficient rural bridges in the nation. It's been estimated it would cost upwards of \$800 million to bring our bridges up to standards. So that's in addition to the expressway systems' about \$600 million remaining that's unfunded, that's designated, that's been promised, that's unfunded. About \$600 million there; about \$800 million in bridge repairs that are needed. Through the Infrastructure Bank, the Transportation Innovation Act will accelerate the repair of deficient county bridges by establishing a voluntary County Bridge Matching (sic--Match) Program. Funds from the Infrastructure Bank will also help finance transportation improvements that attract and support business development through the newly created Economic Opportunity Program. Our transportation infrastructure is critical to the survival of our smaller communities and the growth of our state's overall economy. Businesses and industries recognize a quality road infrastructure is absolutely necessary to move produce from farm to market, to transport freight and product, and to move passengers and employees, and to do so safely. Finally, LB960 will permit the Department of Roads to utilize the design-build and construction manager-general contractor methods of contracting state transportation projects. This alternative contracting method will allow for large-scale projects to be delivered faster and in a more cost-efficient manner. With respect to these alternative contracting methods, I do have an amendment to LB960 for the pages to distribute. I would like to offer this amendment. The amendment provides clarification and ensures greater transparency and accountability when NDOR employs these methods. And again, it's a great time for our state. I appreciate my colleagues for working with us to move our infrastructure forward in our state and to meet the needs of our citizens and our businesses. So thank you for your time. Appreciate it very much. [LB960]

SENATOR MELLO: Thank you, Senator Smith. Are there any questions from the committee?
Senator Kuehn. [LB960]

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SENATOR KUEHN: Thank you, Mr. Chairman. Thank you, Senator Smith, for joining us this afternoon. As the introducer of the bill, much has been made with regard to the Infrastructure Bank concept. [LB960]

SENATOR SMITH: Uh-huh. [LB960]

SENATOR KUEHN: Explain how it is a bank, especially given the sunset provisions that are contained within. Is there an expectation this money will be repaid or returned to the Cash Reserves? [LB960]

SENATOR SMITH: Sure. I will...I'll start with that explanation. And again, I want to invite Director Schneweis to pick up on anything I left off on. You know, the Infrastructure Bank concept is something that's been used around the country and different states, you know, design...they call it the same thing but it looks a little bit different in different states. It does have elements of a bank in that it does allow for the aggregation, gathering of monies, to be able to use as needed for projects, and so for those projects to be pulled out of this fund. I think one thing that it differs with is that it does not have a direct...it has replenishment through the ongoing motor fuel tax but it doesn't have a replenishment, if you would, to the Cash Reserve that it pulls from. So there are some elements that does resemble a bank, but I think, you know, in some regards it doesn't go all the way in being a bank, per se. [LB960]

SENATOR KUEHN: So essentially when we talk about it, we're just looking at a one-time infusion of increased spending as opposed to a self-loan, as it may have been characterized, or another self-lending alternative? [LB960]

SENATOR SMITH: It's from the...from the Cash Reserves it allows for up to \$150 million over a seven- to eight-year period of time, to be taken as needed, up to as needed. And then the portion that comes from the motor fuel tax from the state would be ongoing for that same duration of time. [LB960]

SENATOR KUEHN: And how then are those withdrawals from the Cash Reserve authorized? Is that at the discretion of Department of Roads? Is that at the discretion of the Legislature? [LB960]

SENATOR SMITH: That's going to be at the discretion of the Department of Roads. And again, I'm going to let Director Schneweis maybe follow-up on some of the details of the mechanics, how it's going to work. [LB960]

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SENATOR KUEHN: Thank you. [LB960]

SENATOR MELLO: Thank you, Senator Kuehn. Any other questions from the committee? Senator Hilke mann. [LB960]

SENATOR HILKEMANN: Senator Smith, you outline...I think you said a \$600 million and \$800 million for...so we're looking at a \$1.4 billion need. If we add this \$150 million into the bank, plus what was...what will be...what we anticipate will be raised by the increasing gas tax, plus the other investment, will that come close to that \$1.4 billion over this period of time? [LB960]

SENATOR SMITH: Well, there's a number of things to look at what's going to happen. First of all, we're going to have the efficiency gains that we will have from the changes in delivery methods of the engineering. So we're expecting that that's going to provide some gains in stretching those dollars farther. Some of the \$800 million in deficient bridges, some of that will be able to be handled by the individual counties, some of the smaller projects. But some of the larger projects that they may actually need some help with matching funds, that's where this Infrastructure Bank will come into play. So I think we do have some other funding methods at the local level. We do have some gains in delivery methods to go along with this increase in funds that we're looking for. And together, together our stretch goal is to complete all this by 2033. [LB960]

SENATOR HILKEMANN: Okay. And is this sort of the missing link that will help you get to that goal by '30-33? [LB960]

SENATOR SMITH: Yes. Yes, indeed, and thank you for...again, I want to reiterate that. We have, of the designated expressway systems, if I can just speak to expressway systems alone, the designated expressway systems, we have some that are funded that...some that have been completed, some that are not completed but are funded through the Build Nebraska Act, and then there's this additional amount, roughly about \$600 million that is designated, that was promised back in 1988 but, simply, there's no money there. This is going to satisfy that portion. [LB960]

SENATOR HILKEMANN: Okay. Thank you. [LB960]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Senator Smith. [LB960]

SENATOR SMITH: Thank you. [LB960]

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SENATOR MELLO: First proponent. [LB960]

KYLE SCHNEWEIS: (Exhibits 3-7) Okay. Thank you. Good afternoon again, Chairman Mello, members of the Appropriations Committee. I'm Kyle Schneweis, K-y-l-e S-c-h-n-e-w-e-i-s, director of the Nebraska Department of Roads. I'm here today to testify in support of LB960 on behalf of Governor Ricketts and the Department of Roads. I want to thank you for the opportunity to be here and present this important legislation. I want to thank Senator Smith for introducing the bill, Senator Brasch for prioritizing it. I'd also like to commend the members of the Transportation and Telecommunications Committee for bringing these issues into sharp focus as they held their hearings across the state over the interim period. This legislation was born from those hearings and through close collaboration with Governor Ricketts and the Transportation Committee. I'd also like to support...or to present a letter of support from Courtney Dentlinger, the director of the Department of Economic Development. I'll set that right over here. The objectives of the bill: Really, it's an investment opportunity to help us create a twenty-first century infrastructure that will create jobs and support economic growth. It's going to help deliver long-awaited projects faster and it's going to use innovative methods that are proven to work in other states. The Transportation Innovation Act takes the very best ideas from around the country and right-sizes them for Nebraska and where we are today. It honors our pay-as-you-go philosophy and tradition. It modernizes our business practices. And it allows us to pilot some strategic approaches. At its core, the proposal is to create a Transportation Infrastructure Bank. Like any bank, in order to establish it, you need capitalization. It takes capital to start the bank. Capitalization piece would consist of a \$150 million investment from the Cash Reserve Fund. The proposal calls for a series of judicious transfers over a period of up to seven years. As shown in the fiscal note, we anticipate needing \$16 million in FY '16-17, another \$28 (million) in FY '17-18. Our intention and our plan would be to obligate the full \$150 (million) by FY '19-20. I've got a handout here that shows how we anticipate the cash flow of the transfer to occur. I'll just...I'll note, as it comes to you, it's got the three programs that I'm going to talk about in a second. It shows the total and then the summary of each one. So hopefully that will help illustrate how it might go. In addition to the capitalization, any bank then needs to replenish those funds as they're spent down, and that's where the Infrastructure Bank concept continues, with replenishment of up to \$150 million in unprogrammed revenues from the Department of Roads beginning on July 1, 2016, and ending on June 30, 2023. You might ask why those dates. The intention here is to get us to the second ten years of the Build Nebraska Act where unprogrammed dollars are available to us in 2024. I'll talk a little bit more about that. So that's how the funding mechanism is designed. I'd like to talk a little bit about the programs in the bill. There are three of them. The first is the Accelerated State Highway Capital Improvement Program. This is the largest piece of the Infrastructure Bank. The intent here is to dedicate the bulk of the funds to this program. The Accelerated Highway Program will target investments that most impact our economy and allows to grow Nebraska and create jobs. We're talking about projects like upgrades to four lanes, building new interchanges, building railroad overpasses. I

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have a map here that I'd like to distribute next. Sorry I'm getting ahead of you. Here you are. This map shows a series of projects that we've been out talking to communities about. As we look towards 2024 and the selection of those Build Nebraska Act projects, we're trying to communicate with communities about what the needs are. And these are the projects that we've been presenting in those meetings. As you'll see, they are...the projects needs are all over the state, both rural and urban areas. As we think about an Infrastructure Bank proposal and how it works in concert with the Build Nebraska Act, those projects that we would do through the Infrastructure Bank in the capital improvement piece would be selected right along with those projects that you see on the map as a part of the Build Nebraska Act. We've partnered with the Department of Economic Development to try and better evaluate the economic impacts of our projects, and that's a piece that I think is new to Nebraska and has been very beneficial as we try to think about how to prioritize among that long list of projects you see in front of you. The second program is the County Bridge Matching (sic--Match) Program. As Senator Smith discussed, we have a lot of county bridges, over 11,000 of them in our state. Thirty-eight percent of these bridges are over 50 years old. One of the challenges we have in Nebraska is that we have 93 counties with jurisdiction over these bridges. And so it can be a challenge when you try to get strategic as a state to try and address that issue when you have so many jurisdictions. One of the goals of this proposal is to pilot some strategic approaches that look outside the county boundaries and help us get regional or statewide in our approach. A simple example is that...of some innovation would be to bundle some bridges. And so the idea is you bundle five or six bridges in a contract, save money through economies of scale, and so it makes it a more efficient way to approach the problem. The challenge, of course, is that many counties today are only doing two, three bridges a year and it's difficult to find like-minded bridges that can make good sense in a bundle. So by looking outside counties lines, we think we can see some savings. The Department of Roads would administer this program and work in collaboration with the bridge experts, local officials that are doing this work every day to develop the criteria. I guess I can't stress this enough, this importance of partnering at the state level with our locals. We don't have strict guidelines for the program yet. That's something we'd have to develop. We want to do it in concert with those people who are doing these projects already. A couple principles on how we would see the program going: Number one, participation in the program would be voluntary. Counties would...could bring dollars, bring bridge needs to the state. We would match them with some state dollars and try to then bundle some bridges into some contracts that make sense. We would use local consultants and contractors where possible. I think this is a critical piece, that we continue to use the experts that are building these bridges today. We need to make the program easy to use. It's got to be smooth and something that's low cost in terms of administration, and we're looking to build the same kinds of bridges that are out there today. We're not trying to create an overly burdensome program that puts a bunch of state requirements on locals. It's to build the same bridges they're building but to do it in more innovative ways and to try and scale it up to a little bit more of a regional or statewide level. We'll look for low-cost solutions were we can, whether that means transferring from a bridge to a box culvert or pipe or even low water

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crossings. And these things are happening across the state. Unlike the highway piece that I discussed earlier, which takes time to get projects developed, we think we can get started on the bridge piece right away. In fact, LB960 directs the department to complete the guidelines for the program in consultation with our partners by October 1 of this year. The goal here is to build on the county successes to pilot some strategic approaches and take the best of what works, measure what's working and what's not, and then scale it up if we can. So you know, I feel strongly that we have some opportunity. Also think that we have to be careful when we start allocating state resources to county bridges. I don't think we need to be in that business forever. That's why you see a sunset of June 30, 2019. This allows us to pilot some things, demonstrate some things, and then start using state resources on the state system. The third piece is an Economic Opportunity Program designed to attract and support business growth through targeted transportation investments. The intent is to aid these businesses to connect to our multimodal transportation system. This type of program is widely used across the country. I've personally been involved in the establishment of several as both my time at the Kansas DOT and as a consultant working for about a dozen states. I've seen these programs have success. I think it's something that we could make good use of here in Nebraska. The kind of projects we're talking about are generally those sort of last mile projects that help you make that connection from business to the network, things like a rail line into an industrial park, a turn lane on the state highway system. We could even envision a large terminal or an airport investment that helps with freight service. We will develop and work with, again, our partners, the cities, and in the economic development world to develop the principles of this program and the guidelines. It's important that we work with those experts. We don't have economic development experts at the Department of Roads but we can bring the infrastructure piece to the table. And so it's going to be important that we work with them and make sure that we're using state resources on projects that are worthy of state investment. Again, LB960 directs the department and our partners to complete the guidelines for this program by January 1, 2017. So those are the three programs that we're envisioning. The bill also includes some accelerated project delivery methods. All the money in the world will not help us deliver projects tomorrow. Projects take time to develop. And in the past in Nebraska they've taken too long to develop. And the Innovation Act before you will create the authority for NDOR to use some innovative approaches, including construction manager/general contractor and the design-build method of contracting. These will result in significant time savings, as much as two to four years per project. Let me give you an example. So if we don't do anything and we just wait for the Build Nebraska Act and program dollars to come, it's 2024 before we can turn dirt on a new project, and that's partly because we don't have the money and partly because it takes that long. If we just take the funding piece of the Infrastructure Bank and we start trying to develop projects, new four-lane expressways, for example, that project process can take 7 to 10 years, 7 to 12 years. That's where you see 2022 would be the earliest we could get to something. The design-build piece, the CM/GC piece here is critical if we want to advance the time piece of the equation. So there's a money piece and a time piece. This gets us the time piece. These tools are not controversial. They've been used in 46 states. They're really best suited for the most complex

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projects when time is what is critical. When you've got a complex challenge and you're trying to beat the clock, design-build is where we think we need to be able to go and have that tool in our box. We don't intend to use it on preservation projects. We don't intend to use it on the bulk of our program. It's, you know, when time and complexity warrant it. I mentioned the county bridge piece program earlier. We wouldn't intend to use design-build on county bridges--again, large, complicated, expressway, four-lane type projects. Senator Smith I believe handed out the amendment so I think...do I have that here, Andy? [LB960]

ANDY _____: You do. [LB960]

KYLE SCHNEWEIS: I do? But I don't need to...you guys have it? Okay. I want to just talk quickly how it works with the Build Nebraska Act. I think it's important that we understand that these two things do work in concert. So the Build Nebraska Act is that 20-year program. The first ten years of projects have been built. We're building them now. We're designing them now. And then we have ten more years starting in 2024. What this allows us to do is do more of those projects and deliver them sooner. And that's the key part of how it works with the Build Nebraska Act. In terms of finishing the expressway system, you know, the bill includes a stretch goal to complete the expressways by 2033. This conveniently coincides with the end of the Build Nebraska Act. We think that's a good stretch goal. We're committed to finishing the expressway as a part of that commitment. We will come before this committee and the Transportation Committee during our December hearings and present to you where we are in that goal and our plans and progress with the Infrastructure Bank. In closing, I just want to say again, you know, this bill will help us modernize and create a twenty-first century infrastructure system in our state. It's going to deliver these long-awaited projects that we hear so much about. It does so through innovative methods that are proven in other states. And with that,...oh, and I have a section summary I see--Andy, right--that I'd like to pass out as my last of many handouts. And with that, Senator, I'll take any questions you might have. [LB960]

SENATOR MELLO: Thank you for your testimony, Director. Are there any questions from the committee? Senator Bolz. [LB960]

SENATOR BOLZ: This may be a drafting issue and I can address that with Senator Smith. [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: But the section you're talking about program...or project performance criteria talks about performance requirements that may include, but are not limited to, capacity, durability, description of the site, etcetera. [LB960]

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KYLE SCHNEWEIS: Uh-huh. [LB960]

SENATOR BOLZ: Why "may" and not "shall"? Shouldn't those performance criteria be clear? [LB960]

KYLE SCHNEWEIS: Are you talking about in terms of the kinds of projects we do? Is that the section she's referring to? [LB960]

SENATOR BOLZ: The section is, "Project performance criteria means the performance requirements of the project suitable to allow the design-builder to make a proposal." [LB960]

KYLE SCHNEWEIS: Oh, okay. So it's a technical question in terms of the design-build. [LB960]

SENATOR BOLZ: I can address it with Senator Smith. [LB960]

KYLE SCHNEWEIS: Okay. [LB960]

SENATOR BOLZ: I just want to be clear in terms of the criteria that we're using for suitability. [LB960]

KYLE SCHNEWEIS: Well, let me just speak broadly to the design-build piece and the approach we're attempting to take. I think it's important that we have flexibility as a state in how we implement these things. You know, I described our approach and how it needs to be towards complex projects and projects that are time-sensitive. I don't think we want to, in statute, draw the line so strict that we have our hands tied if, per se, we have an emergency and we have to do a bridge replacement and we want to be able to get to it. So that could be... [LB960]

SENATOR BOLZ: Okay. [LB960]

KYLE SCHNEWEIS: ...part of the thinking (inaudible). [LB960]

SENATOR BOLZ: My other question for you is, I'm looking for the term here, the...your reference to the undedicated funds. [LB960]

KYLE SCHNEWEIS: Uh-huh. [LB960]

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SENATOR BOLZ: And you reference the federal FAST dollars... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...and the fuel tax dollars and program efficiencies. And those are the dollars that would flow back into the Infrastructure Bank. [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: Right? So will you walk me through each of those and... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...and talk to me about the assurances we can have that those dollars... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...will come in, the volume. Just help me understand. [LB960]

KYLE SCHNEWEIS: So I'll start with the federal piece. The FAST Act was passed just a couple months ago. It's a five-year commitment from the federal government to fund infrastructure. It's a longer commitment than we've had in decades. We've been living on two- and three-month extensions forever. So from our perspective, the number one thing it did was give us some certainty that we're going to have funding there. It did include a small increase in our obligation from the feds. We are working through those numbers still. Our early estimates are it's about \$100 million over five years. Most states when they talk about the increase are talking about it in terms of how it helps them keep up with inflation and that's about it. You know, from our perspective I think, we didn't have those resources committed two months ago and now there they are. So we're certainly happy to have them and we're looking for the best place to spend them and we think it's going to give us flexibility to offer some of that replenishment. I think there's a couple other points on the federal piece to keep in mind. Federal dollars usually come with strings. We're going to have to share some of that with locals, most likely, and we've got to be careful that we don't so-called federalize the Infrastructure Bank and then slow our projects down. So we'll be playing a bit of a shell game with the federal piece to try and get the state dollars as what we use to reimburse the bank. So really it gives us a little bit of flexibility. And \$100 million over the five years is where we think we are in terms of above and beyond what was expected previously. The LB610 piece, if I could speak to that, so that ramps up slowly over

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time, as you all are very well aware. By the time it is fully implemented, we expect to receive about \$24 million in additional revenue per year. I think the first year we get there is 2019 or '20. Is it 2019, Marilyn? Yeah, 2019 will be the first year we get up to that full amount. So it ramps up to that piece. The total through 2023, where we've kind of talked about that transition over to the Build Nebraska piece, is \$142 million over that time frame. And so that... [LB960]

SENATOR BOLZ: And the funds that you think will be freed up through program efficiency? [LB960]

KYLE SCHNEWEIS: So and that's probably the most challenging piece to try and quantify. I think there's a lot of opportunity as we look forward to try and find efficiencies, and as a department we're certainly committed to doing that. You know, I think when you start adding up numbers and you take a federal piece and you take a LB610 piece and you take an efficiency piece, you start thinking, okay, you got a healthy number there. And I certainly wouldn't disagree. But I think one important point to remember is that our first priority is to take care of our system and to maintain it. And if we're not doing that, then we're not doing ourselves justice. And it's even spelled out in statute that that's the number one thing we must do at Department of Roads. Today our annual preservation budget is about \$450 million. Traditionally, construction costs outpace our revenues at about three to one, so the growth is 3 percent generally in construction, on average, and generally our revenues raise at about...increase at about 1 percent. We're comfortable, we feel very comfortable that we can meet our preservation needs in the next two, three years with the allotment that we have, including LB610 and the federal piece. But we've got to find efficiencies if we're going to get to that \$150 million number. We can't do it just counting on those two pieces. When we look out at 2023 at a 3 percent inflation rate of \$450 million preservation need, we're up at \$550 (million). And so revenues won't be there. In order to meet it, we've got to get better at what we do. And it's going to be a challenge for us to do it, but, you know, I'm here to tell you that's what we're committed to doing. We're going to take these extra unprogrammed pieces. We're going to have to spend some of them on preservation, but we're going to find efficiencies and try and put every dollar we can into the Infrastructure Bank. [LB960]

SENATOR BOLZ: And I guess the purpose for asking the question is I think it's our responsibility as appropriators to balance those potential funding streams for the success of the project with... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...any need for the Cash Reserve. And I'm always very protective of the Cash Reserve... [LB960]

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KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...and think that needs to be a clear balance. So I need to balance your confidence in those funding streams with the demand on the Cash Reserve. [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: So I appreciate the details. [LB960]

SENATOR MELLO: Thank you, Senator Bolz. Any other questions from the committee? Senator Kuehn. [LB960]

SENATOR KUEHN: Thank you, Mr. Chairman. Thank you, Director Schneweis. A series of questions: We've had a conversation prior about this project and the Infrastructure Bank and some of its components. Just help walk us through the business case. So in terms of specifically what kind of economic return we are talking about with this investment of Cash Reserve dollars, what are we looking at in terms of the acceleration of these projects? [LB960]

KYLE SCHNEWEIS: Sure. Well, so we are evaluating the projects that you saw on that map today for their economic impacts. That's an analysis that we're undertaking currently. We think it's important that when we prioritize amongst those projects we pick the ones that will grow the economy, that will most impact it. Generally, when you talk about transportation and economic growth, you're talking about increasing access to markets for businesses. You're talking about reducing travel time costs and...or transportation costs through travel time savings for business that allows them to then invest in other areas of their business, hopefully in jobs. So for the economic piece, that's part of our job at the Department of Roads, is to analyze the projects from that perspective and make sure that we're getting the best bang we can for it. And that process is underway. Was there a second part of your question? [LB960]

SENATOR KUEHN: So with regard with the \$100 million, why that number? Senator Bolz walked through with you... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR KUEHN: ...several funding streams that you look at replenishing the bank. Why the \$100 million figure? What do you expect to be... [LB960]

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KYLE SCHNEWEIS: Sure. [LB960]

SENATOR KUEHN: ...that return on the investment of the people of Nebraska? [LB960]

KYLE SCHNEWEIS: So the number is \$150 million total for the Cash Reserves. We've talked about \$100 million perhaps for--and maybe that's what you're referring to--for the accelerated piece. So I would anticipate that...and again, we haven't done the analysis. It's underway. And we haven't picked the project. Until you know what projects you're going to do, it's hard to say exactly what your sort of cost-benefit return would be. But I do know that the longer we wait to do them the longer we put off those economic impacts. And so we ask why \$100 million, why \$150 (million). From my perspective, it really is that sort of sweet spot in terms of trying to do some innovative things. Trying a design-build contract, our first one in the state. It gets us down the road and closer to the Build Nebraska Act. When you combine these pieces together, you're talking about an investment that we think is really going to make a difference in our state. [LB960]

SENATOR KUEHN: So if we proceed forward with simply the design-build, nothing that has a fiscal impact or a cost, what are we looking at in terms of the bang for our buck... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR KUEHN: ...simply with those administrative changes? [LB960]

KYLE SCHNEWEIS: One of the challenges I think with the design-build, so just to paint a picture, so if we were going to not have capitalization of the Infrastructure Bank and then just give design-build authority, you know, I think it's an important tool in our box. But in terms of us trying to accomplish the goals we have and to say this year we...let's say, for example, this year we went out and signed a design-build contract for \$100 million to do a large, 20-mile, four-lane expressway. A hundred million might get you about 20 miles. The way that our program is structured today, even with the federal piece and the LB610 and the efficiencies, it would be hard for us to commit tomorrow to being able to, in three years, make payments to a contractor when he's out there turning dirt. And so that's where the capitalization and the need for the Cash Reserve transfer comes in. [LB960]

SENATOR KUEHN: So last year during the LB610, since it's been referenced multiple times throughout testimony today, last year during the LB610 debate we were essentially told as a body we had more than enough money for roads; that increase of the gas tax was not required to capitalize our structure. What's changed in 12 months? [LB960]

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KYLE SCHNEWEIS: Well, I'm not familiar with the arguments that took place, for or against it, with LB610 last year. I was living in Kansas at that time. You know, from my perspective I guess I would say one advantage that this has is it doesn't raise taxes. It takes our existing budget, much like you and I would balance our household budget, and helps us prioritize for what's important. And from my perspective, if you've had a chance to accumulate some savings and you have an opportunity to do something with it, there is not much...there aren't many choices better than investing in infrastructure. It gives...it provides that economic spark that you need. It supports our businesses. It supports our children as we try to get them to school. I mean there is just not a better way to spend it than infrastructure. [LB960]

SENATOR KUEHN: And here's my challenge. You refer to the economic spark. You refer to the benefit. But give me an idea of what we're talking about in terms of quantification for \$100 million investment in the accelerated piece and the expressway system by the people of Nebraska. This is their money. It's their savings. With that \$100 million investment are we looking at a two to one return, are we looking at a three to one return? Are we looking... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR KUEHN: ...at, you know, what kind of revenue projections? I understand you have not had an opportunity to do a full analysis of each and every one of these projects but if you're asking us to invest \$100 million of the people's money, I guess I do expect just a general...and this is something we've conversed about previously. You know, what are we looking at in terms of that ratio or that economic impact? [LB960]

KYLE SCHNEWEIS: Sure. Well, I'm not trying to dodge your question. It very much depends on the kind of project that we pick. And I'm not in the position to be able to tell you which projects we're picking. Now if you're looking for examples, I think that that's something that we can look to provide you, but I'm not prepared to do it today. And I think, you know, I would just say Department of Roads is not out looking to build projects that aren't needed. We're looking to build the projects that are going to really make a difference, and that's what we're out to do, so. [LB960]

SENATOR KUEHN: That's helpful. It just, again, following with Senator Bolz's comments, as an appropriator I'm trying to assess that cost value and that cost-benefit relationship with regard to the Cash Reserve. It is disconcerting to me that we're asking for a significant ask, a significant piece of that Cash Reserve, without a really clear picture about exactly what that payoff is in terms of a quantitative number. So as soon as you and those, your stakeholders, can give me an example of what kind of economic development we're looking at, it makes it a greater challenge for me to... [LB960]

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KYLE SCHNEWEIS: Sure. [LB960]

SENATOR KUEHN: ...justify that investment by the people of Nebraska. [LB960]

KYLE SCHNEWEIS: Well, and again, I'm not trying to dodge. I think there are some studies that have been done and I'll let those that follow me give their perspective on those. One thing that I think is important is that we aren't, at this stage, identifying what projects we're going to do and trying to account for that in this legislation. I think that that process needs time to take place. We're out doing that today. We had the first round of public meetings just a couple weeks ago, had tremendous support as we traveled the state in terms of how we're trying to analyze the projects and what we're trying to accomplish. And I think that that project selection process will take place over the spring and we would be able to announce projects in the summer. And again, it's very hard to quantify what an economic impact would be without knowing the specifics of the project detail. So with that said, we'll work to get you some examples of what we've seen other places and I'll be curious to see if those that follow can provide some perspective. [LB960]

SENATOR KUEHN: Thank you. [LB960]

SENATOR MELLO: Thank you, Senator Kuehn. Senator Cook. [LB960]

SENATOR COOK: Thank you, Senator. And thank you, Director. I have a question that is very general and related to your projections on return on investment, some things that both Senators Kuehn and Bolz have touched on. Does this whole thing presuppose there's such a thing as highway...federal highway funds forever and that these projects could leverage those dollars? [LB960]

KYLE SCHNEWEIS: Well, certainly a portion of our federal dollars or of our budget comes from the federal government. We have a committed bill passed by Congress for an additional five years. So at least for the foreseeable future, I don't see a disbandment of federal highway and the revenues that come through the federal gas tax to the states. [LB960]

SENATOR COOK: Okay. So you're counting on that for the...to...for this bill to pass, you're counting on those existing at least for five more years. And then you'll, if those dollars disappear, do something else? [LB960]

KYLE SCHNEWEIS: I guess if that, in a hypothetical scenario where federal dollars disappeared in 2020, we would have a problem on our hands. I don't anticipate that to occur. The federal gas tax is in place and is collecting revenue, so. [LB960]

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SENATOR COOK: Okay. So if the federal highway funds went away, this bill couldn't...you couldn't follow through with this proposal as it is presented today in the amendment. [LB960]

KYLE SCHNEWEIS: That is correct. Yeah. [LB960]

SENATOR COOK: Thank you. [LB960]

KYLE SCHNEWEIS: Yeah, it's a significant portion of our budget comes from the federal government. Marilyn, give me an annual number. [LB960]

MARILYN HAYES: About \$280 million. [LB960]

KYLE SCHNEWEIS: Two hundred and eighty million a year. [LB960]

SENATOR COOK: Of what total? [LB960]

KYLE SCHNEWEIS: What's our total? In terms of construction, we have...we let \$500 million in construction contracts last year. [LB960]

SENATOR COOK: Okay. So more than half of your budget comes from... [LB960]

KYLE SCHNEWEIS: Of our construction budget. We like to say it's about half of our construction budget. [LB960]

SENATOR COOK: ...federal dollars, federal highway funding. [LB960]

KYLE SCHNEWEIS: Yeah, that's correct. And that's pretty common across the states. [LB960]

SENATOR COOK: Okay. Thank you. [LB960]

SENATOR MELLO: Thank you, Senator Cook. Any other questions from the committee? Senator Hilkemann. [LB960]

SENATOR HILKEMANN: Director, I've just a couple questions I want. You said here that you're going to use up the last or draw down by 2020. But by 2023 you're going to have it paid back. Is that the plan? [LB960]

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KYLE SCHNEWEIS: Yeah. So the handout is an example of how we would anticipate the cash certifications from the Cash Reserve Fund taking place. And so I wanted to give you a sense of what that might look like. I think the way it's proposed is to allow some flexibility so this is just an illustration. As we would spend those dollars down, we would then be repopulating with our own revenues from the Department of Roads and we'd be looking to put those into use as soon as possible too. [LB960]

SENATOR HILKEMANN: Okay. One of the complaints I've heard about our NDOR is that they like to keep everything in-house. [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR HILKEMANN: Are we going to be assured that some of this is going to go out to the private community as far as for the design and engineering and so forth of these projects? [LB960]

KYLE SCHNEWEIS: Sure. So currently we're doing about 60 percent of our design work in-house and 40 percent through consultants. And as I understand it, that's about as high as it's been, 60 percent...I'm sorry, as low as it's been. And traditionally it's been higher than 60 in terms of in-house versus out of house. So 60 in-house, 40 out of house. Did I say it right? (Laugh) Let me start over. Sixty percent of our current work is done in-house; forty percent out of house. That 60 percent is...traditionally been higher than that so we're now trending more towards the consultants than we have in the past. I would also say that our own staff is at capacity, so any additional projects we do very likely are going to have to go to consultants. And I think that split of 60/40, that's something that we have to evaluate going forward. In my experience, working with other states, it's a little on the high end in terms of in-house. You know, whether or not that's right for Nebraska I think is up for discussion, but it's certainly something that I've noticed. [LB960]

SENATOR HILKEMANN: And then one of the things that when I talk with people who are in the construction industries and so forth like that, they're saying they just have such a dickens of a time finding good employees. [LB960]

KYLE SCHNEWEIS: Yeah. [LB960]

SENATOR HILKEMANN: Do we have the capacity to do this project,... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

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SENATOR HILKEMANN: ...to accelerate this process like you want to do? [LB960]

KYLE SCHNEWEIS: Yeah, construction is not unlike many of the trades and some of these other industries where labor is a challenge for our industries. They're one of the top priorities in terms of trying to be able to sustain our business model. I'd like to hear someone from that industry address that question more, but I would say that that's one of the reasons we see this as right-sized. It's not something that comes in so big that we feel that industry couldn't keep up with us, but it's incremental enough that would allow them to continue to do the work. And you know, we've seen fewer bids in recent years. Slowly we've been seeing the number of bids that we get for each project diminish a little bit. But it's not to the point now where I feel like we need to shut the water off, so to speak. [LB960]

SENATOR HILKEMANN: Are you seeing those bids that the increase in price and so forth that you're seeing on those bids is much higher than you would anticipate because of the supply-demand type of thing? [LB960]

KYLE SCHNEWEIS: Sure. Well, I think we have seen an increase. I think it's something we are very keenly aware of. We are trying as a department to figure out what we can do and what other states are doing to try and increase competition and attract more bidders, whether it's how we phase our projects out and when we do our lettings and some of those things to just try to make sure we're getting the best bids we can. [LB960]

SENATOR HILKEMANN: Okay. Thank you, Director. [LB960]

KYLE SCHNEWEIS: Thank you. [LB960]

SENATOR MELLO: Director, I unfortunately have a hearing of my own in another committee so I'm going to have to pass this on to my Vice Chairman. But I do want to ask you two questions for the record. One, why the utilization of the Cash Reserve in light of simply asking for a General Fund appropriation which then gives the Legislature, gives this committee an ongoing every biennial process to evaluate the impact of what you're spending money on, similar to what we do with every other agency request? And then the second component is I heard my colleagues, Senator Bolz, Senator Kuehn, and Senator Cook started to go there as well in regards to the savings. As you well know from previous conversations, this committee over the last two biennial budgets have saved over \$20 million collectively on an annual basis now in your agency's budget that was slated to go towards operations of the Department of Roads that we've now designated that, in the limited authority we have in your budget, designated we wanted to see it go to construction. Why would we not simply want to earmark the money that we as the Legislature have saved in your budget to go towards this Infrastructure Bank to ensure that the

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decisions we've made over the last few years actually follow our legislative intent through the earmarking of the gas tax, so to speak, of roughly that \$20 million? I'd also add this committee chose not to appropriate \$35 million out of the gas tax that would go to a new Department of Roads campus headquarters, which to some extent I know in private conversations as a committee we discussed that as something that needs to be on the table in regards to our ongoing discussions around this bill as well. [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR MELLO: So I'm going to leave it up and I'm going to give you that, those two...I'm going to leave you those two softball questions to answer. (Laughter) I know we're recording this. I'll try to get back as fast as I can... [LB960]

KYLE SCHNEWEIS: It felt like four or five questions up here. [LB960]

SENATOR MELLO: ...and come back and we'll talk later. So thank you. [LB960]

KYLE SCHNEWEIS: Thank you. So why Cash Reserves? From my perspective, it's as simple as if you have a Cash Reserve that's in a healthy place and you determine that you have some opportunity to spend some of it, there's just not a better place to do it than infrastructure. So for me, that's where the Cash Reserve piece comes in. In terms of the \$20 million in savings that the senator alluded to, we put those dollars to use in construction just like you would expect us to do, whether it's a savings that's given to us through appropriations or it's savings that we find through our own operations. If we have a light winter and we don't need as much money for snow, we put it into construction. And you know, when you look at our preservation targets in our system, so our goal is to have 84 percent of our pavements in good or very good condition. Today we're at 75 and we've been trending up. And so when we find savings, whether it's through the appropriating process or our own savings, in the past we have committed them to preservation. We get those projects off the shelf fast. The cash isn't sitting there in the bank forever and we can deliver it quick and we can use it to strategically extend the life of our payments and our system. And so that's what we've done. You know, as we look forward and we think about this proposal, I think we're in a unique place. This is a great time to be in Nebraska in terms of we have a system, it's well maintained, we've got the funds to continue to do that in the foreseeable future, and now we have an opportunity. And so when we find savings going forward, we're going to commit them to trying to solve the problems we've identified in this Infrastructure Bank. In reference to the buildings, you know, I think I appreciate the sentiment that the senator left us with. We have 500-plus buildings in our department in terms of (inaudible) to maintain and strategically operate the system, and it takes replacement of some of those buildings. In the past four years, we've been allocated \$5 million a year, for a total of \$20 over four years. The

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previous four years we got zero. So we've been replacing buildings for the last eight years, a total of \$20 million, and we've got 550 of them. So it certainly feels to me like it's not an overextension. [LB960]

SENATOR HILKEMANN: Senator Bolz. [LB960]

SENATOR BOLZ: I wanted to follow up with Senator Kuehn's question, which was referencing your expected economic impact... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...of this initiative. And it made me think that the first bill that we...one of the first bills that we heard in committee this year was a bill to add research- and evidence-based criteria to the analysis of all the bills that are coming to the Appropriations Committee. And you know, you're welcome to comment, but I think it's more of a request that you provide us additional information about the research- and evidence-based foundation that we can build on. It's a little difficult to make decisions about programs when in the fiscal note you tell me that the program will be developed and administered in the coming years,... [LB960]

KYLE SCHNEWEIS: Sure. [LB960]

SENATOR BOLZ: ...that it's a little bit of a leap of faith. And I think the research- and evidence-based foundation would be helpful. [LB960]

KYLE SCHNEWEIS: Sure. So there's, if I could respond, there's a couple places where we talk about that program being developed. First of all, the most important place we do that is through the...in the county bridge piece. Department of Roads needs to partner with our local stakeholders to be able to develop a program that meets their needs. And certainly that's the case with the economic opportunity piece too. In terms of providing evidence on the capital improvement piece, again, we'll see what we can provide in terms of economic impacts. [LB960]

SENATOR BOLZ: I would appreciate that. [LB960]

KYLE SCHNEWEIS: Thanks. [LB960]

SENATOR HILKEMANN: Are there additional questions for the director? Seeing none, thank you for coming. [LB960]

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KYLE SCHNEWEIS: Thank you for having me. [LB960]

SENATOR HILKEMANN: Additional proponents, LB960. [LB960]

DOUG LEAFGREEN: Senator, members of the committee, my name is Doug Leafgreen, D-o-u-g L-e-a-f-g-r-e-e-n. I am from Gering, Nebraska. I also sit on the State Highway Commission. I represent District 5, which is the 11 counties in western Nebraska. I also serve on the Heartland Expressway as an ad hoc member. Prior to my appointment on the Highway Commission, I served for 12 years on the Gering City Council and then served one term as mayor. After that I was elected and served 12 years as a Scotts Bluff County Commissioner. I also served as president of the League of Nebraska Municipalities. As one of eight members of the State Highway Commission, we recently voted 7 to 0 with 1 absent to support LB960. We believe it's a very, very important bill. This bill would target investments in our transportation infrastructure that is greatly needed. It would add safety concerns, expedite critically important projects to help grow Nebraska. I'd really like to thank Governor Ricketts for his leadership, Senator Smith. I'd also like to recognize Director Schneweis. It's been a real pleasure working with Kyle and the leadership he's brought. I did attend one of the meetings out in Scottsbluff and I heard over and over again that the transparency, innovative ideas that are coming from NDOR is resonating throughout the state. And I'm very excited with the Build Nebraska Act, the new increase in sales tax, and now talking about an Infrastructure Bank. I think it's a great time to be in Nebraska. The Transportation Infrastructure Bank proposed in LB960 would help repair county bridges and the county road system. The poor condition of so many of our county bridges is well documented. The Transportation Infrastructure Bank would also establish the Economic Opportunity Program to give NDOR the financial flexibility to fund projects, to connect new and expanding businesses. Both of these programs are needed. I believe the real game changer though in the grow...to grow Nebraska would be the Accelerated State Highway Capital Improvement Program to expedite the long-overdue completion of the expressway system and, of course, other high-priority corridors. LB960 would provide NDOR with authority for accelerated project delivery methods, like design-build, construction manager-general contractor method. With this authority, the NDOR could expedite building of our largest and most difficult projects, like the construction of our expressway system. City manager of Scottsbluff will...Rick Kuckkahn will be outlining the importance of accelerating the completion of the Heartland Expressway to the city of Scottsbluff and surrounding areas. Mayor Tony Kaufman, as Senator Smith talked about, we all planned on flying to Lincoln today but due to inclement weather we were unable to do that. And so Mr. Kuckkahn and I decided it was important enough to get in our cars and drive six hours one way to come and testify here today. Mayor Kaufman was unable to be here but he really wanted to emphasize the importance to Gering and to the economic impact that the Heartland Expressway would have. As you know, tourism in Nebraska is the third largest economy and it is very important in our area. As mayor and as county commissioner, I was involved in many projects, like the civic center and the development of other projects. And we rely heavily on

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transportation to get people to our tourist locations. Scotts Bluff County is known as "Landmark County." We have Scottsbluff National Monument, Chimney Rock, Lake Minatare, all of them, Agate Fossil Beds, Fort Robinson, all of those are in proximity right along the Heartland Expressway and we need great transportation to get people there. The Game and Parks Commission is spending millions of dollars right now in the Wildcat Hills Nature Center. And so completion of the Heartland Expressway would further enhance tourism in our area. In closing, there's no project more important to our area as the Heartland Expressway. I believe that NDOR has been a great steward of dollars appropriated to them. But with the new leadership of Governor Ricketts and Director Schneweis, the NDOR staff is more collaborative and more transparent than ever. So please help us jump-start the economy. I would be happy to answer any questions. [LB960]

SENATOR HILKEMANN: Are there any questions for Mr. Leafgreen? Seeing none, thank you for taking the trip in. [LB960]

DOUG LEAFGREEN: Yeah. Thank you. [LB960]

RICK KUCKKAHN: And I also made the six-hour trip and I'm very happy to be here. Good afternoon. My name is Rick Kuckkahn, R-i-c-k K-u-c-k-k-a-h-n. I'm the manager of the city of Scottsbluff. City is located in Scotts Bluff County, about 15,000 population, surface area of around 50,000. I've been manager there for 18 years and testifying today, obviously, in strong support of LB960 on behalf of the city of Scottsbluff and the League of Municipalities. Thanks to Governor Ricketts and Senator Smith for their leadership and collaborative efforts resulting in the introduction of what we consider critically important legislation. I also wanted to thank Director Kyle Schneweis, an innovator, for testifying at all six interim study hearings with the Transportation and Telecommunications Committee, including the one held in Scottsbluff on October 5 before a crowded room of citizens, others advocating for completion of the Heartland Expressway. City of Scottsbluff and other municipalities across the state are especially supportive of two programs that would be funded by the proposed Transportation Infrastructure Bank. First, we strongly support the Economic Opportunity Program to enable NDOR to help finance significant projects to effectively connect new and expanding businesses to our state's multimodal transportation system. When businesses decide whether or not to locate or expand their operations in Scottsbluff, two of their most important considerations are whether the business will have access to interstate or expressway and the condition of a city's overall infrastructure--two critically important elements. Most importantly, the city of Scottsbluff and other municipalities strongly support the provisions of LB960 that would authorize the Transportation Infrastructure Bank to fund the Accelerated State Highway Capital Improvement Program, making strategic investments in high-priority corridors and help expedite the completion of Nebraska's expressway system, including the Heartland. I fully agree with Mr. Schneweis' view of the design-build process and accelerated project delivery--again, very

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innovative and something the city of Scottsbluff is looking at as a way and a means of funding and designing some of our projects. It is the way to go and it is the future. Moreover, making this targeted investment in the Heartland would profoundly improve our local and state economy. Municipalities are a huge economic driver for the state of Nebraska and the state's budget. You'll hear this more than once today, I'm sure. And the stability of Nebraska's revenue base is related to the strength of our agricultural community and the economic viability of our cities. Scottsbluff-Gering is a center and focal point for a great deal of commerce in western Nebraska and it is a hub. Expediting completion of the Heartland would positively affect agriculture and tourism, two of Nebraska's top three industries. We have lots of opportunity for more growth and development, facilitated by faster completion of our expressway system. Nebraska was named the number one beef state, and Scottsbluff is in the middle of one of the concentrations of this industry in the state. In addition to many other products, Scottsbluff and the surrounding area have many value-added businesses. It is vitally important that these businesses be able to get their products to market quickly and safely. Due to our proximity to Colorado and Wyoming, railroad cars are full of coal. They're not interested in shipping ag products. This makes the availability of surface transportation even more essential. In western Nebraska we are trying to maintain and attract businesses. We are in competition with Colorado, South Dakota, Wyoming, and other states. Scottsbluff and Gering aggressively pursue economic development opportunities in collaboration with Twin Cities Development in the Panhandle Area Development District. Faster completion of the Heartland would further enhance our collective ability to attract new business to our area, to strengthen and, more importantly, diversify our local economy as well as the economy of the entire state. In closing, plans for the Heartland have languished for years due to lack of funding, and the frustration and complaints about lack of progress have been expressed by our citizens, farmers, ranchers, and business leaders as well. There is no other project or issue in western Nebraska at this point in time that even comes in as a close second. And I'd be happy to answer any questions. [LB960]

SENATOR HILKEMANN: Okay. Thank you, Mr. Kuckkahn, for your testimony. Are there questions? Are there questions? [LB960]

RICK KUCKKAHN: Oh, I'm sorry. [LB960]

SENATOR HILKEMANN: Are there questions? [LB960]

RICK KUCKKAHN: I didn't mean to jump out of my seat. [LB960]

SENATOR HILKEMANN: Well, we may not let you off that easy. [LB960]

RICK KUCKKAHN: (Laugh) It doesn't sound like it. [LB960]

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SENATOR HILKEMANN: I think we are. Thank you very much for your testimony. [LB960]

RICK KUCKKAHN: Oh, okay. Thank you very much for your attention. I appreciate it. [LB960]

SENATOR HILKEMANN: Thank you. Additional proponents for LB960. [LB960]

BILL AVERY: (Exhibit 8) Good afternoon, committee members, Senator Vice Chair. My name is Bill Avery, B-i-l-l A-v-e-r-y. I'm here on behalf of the Lancaster County Board of Commissioners to offer the strongest possible support I can for LB960 and, of course, to lend assistance to NACO's efforts to support this bill. What does this mean for Lancaster County? We have 308 bridges located in the county: 20 of those bridges are structurally deficient and in need of major repairs; 5 of them are functionally obsolete. Last year the Lancaster County Engineer determined that two bridges had deteriorated to the point where a clear and present danger to the traveling public was present and we have closed those bridges. This was...the condition of our bridges was exaggerated, or not exaggerated, exacerbated is a better word, because of the flood we had last May. The average cost of replacing a single bridge is over \$1 million. The estimated costs of repairing or replacing all of Lancaster County's deficient bridges is \$28 million. So you can see that it's no surprise that we are especially interested in the Bridge Match Program contained in LB960. Creation of this program would provide much needed funding to help address the bridge needs in the county. The board, that is our board, the board of commissioners, is aware of technical concerns that may be raised by the Lancaster County Engineer, Pam Dingman, who I believe is here to testify herself. What I want to emphasize is that more funding is critically needed to address the overwhelming backlog of bridge projects across the state of Nebraska and our county. LB960 is a move in the right direction. It will not, of course, provide perhaps all that is needed, but it will help us make a huge dent in our current needs. For this reason, the Lancaster County Board urges this committee to advance this bill, and I appreciate you letting me testify and give you my sage advice on this piece. [LB960]

SENATOR HILKEMANN: Okay. Are there questions for Commissioner Avery? Senator, I've got a question for you. You were in this body for a long time. You were in this body during a period when there was a huge drawdown of the Cash Reserve Fund. [LB960]

BILL AVERY: Uh-huh. [LB960]

SENATOR HILKEMANN: What do you think...this request would basically take about 25 percent of the Cash Reserve that we have at the present time. What do you think is a safe level of Cash Reserve? [LB960]

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BILL AVERY: About 75 percent. (Laughter) [LB960]

SENATOR HILKEMANN: Seventy-five percent of what? [LB960]

BILL AVERY: You know, I kind of anticipated I'd get that question. Economists don't agree on how large the Cash Reserve needs to be. But it is my belief--I have no sound evidence to support this--that the Cash Reserve now is probably a bit higher than we need. I remember back a few years ago when we had to tap the Cash Reserve. That Cash Reserve at the time was about a half million dollars. We didn't use it all, but we certainly needed it to help us get through a couple of bad years. The fiscal analyst remembers all about this. We...I believe now the Cash Reserve is a very robust Cash Reserve and that it is not unreasonable to expect that we can spend some of that in programs that are critical to the future of this state, particularly as it relates to infrastructure. I noticed in some of the previous testimony the question came up about what do we expect to get from this? I think it was Senator Kuehn that raised that. The evidence that I know about that links road development with economic activity always says the two are linked. The economists do not agree as to whether or not investing in new roads, and I will say bridges, actually creates economic development or whether it responds to economic development. So I can't answer that, but I do know the two are linked. They vary together. When you need roads and bridges to support existing development, you've got to have it. If you believe, as some do, that you can get economic development if you build the bridges and the roads--you build it, they will come. Either way, it's a good investment. [LB960]

SENATOR HILKEMANN: Thank you. Are there other questions? Senator Bolz. [LB960]

SENATOR BOLZ: Perhaps a comment: I appreciate your perspective on the potential for economic growth for Lancaster County and think the project has some merit in that light. But I can't resist putting on the record that while we did not spend down our Cash Reserve during the economic downturn while you were a part of the body, we did fill some of that gap with American Recovery and Reinvestment Act dollars. [LB960]

SENATOR AVERY: We did. [LB960]

SENATOR BOLZ: And I think the future of assistance from federal sources is in question moving forward. So for the record, Senator Avery, I think that's of note. [LB960]

BILL AVERY: But it's important to point out, if I may, that we did this at a very critical time in the national economy. We still did not spend down all of our Cash Reserve, and we used that to

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help us get through that rough time. And I recognize that some of that was federal money. [LB960]

SENATOR BOLZ: Very good. Thank you. [LB960]

BILL AVERY: The schools did pretty well, by the way. [LB960]

SENATOR BOLZ: I hope so. [LB960]

SENATOR HILKEMANN: Additional questions? Commissioner, Senator, thank you for being here today. [LB960]

BILL AVERY: Thank you. [LB960]

SENATOR HILKEMANN: Additional proponents for LB960. Okay. [LB960]

BRETT NIEBUR: Good afternoon. My name is Brett Niebur, that's B-r-e-t-t N-i-e-b-u-r. I'm here today to support LB960, and I'm testifying for the Associated General Contractors, Nebraska Chapter. I've been involved in the construction industry for 40 years: contractor, contractor supplier, supplier. I've also been involved as part of the AGC and as a past president. Currently, I am the president of Kerford Limestone in Weeping Water. The AGC is an association that represents members of highway contractors, utility contractors. And our primary focus is to work on supporting safety, work force development, and making sure there's appropriate monies available for infrastructure for the state of Nebraska. I want to start by saying I'm going to thank Governor Ricketts, Senator Smith, and Director Schneweis for their support. We greatly appreciate their support and your support for recognizing that Nebraska has a great need to help support the infrastructure. Today infrastructure provides services everywhere we need them for all Nebraskans. Roads and bridges are the main link from ranches to feedlots to packing houses to manufacturing plants, anything that we do as a regular basis, including going out and going to our favorite fishing hole or favorite hunting spot. LB84 and the increased gas tax have been a great start to help boost the infrastructure needs. We think today that LB960 will help even add to that more dramatically. One of the provisions of LB960 which we've heard discussed several times is the design-build section of the project. Obviously, new things to our contractors make them weary, but the department has done a good job, under Director Schneweis, of making sure that these are going to be implemented in such a way that it won't harm our current contractors, but it will deliver what we need delivered to the general public in a much quicker fashion. Also the current way that contracts are let with the state is a bid-build-design situation. And that is going to be, by amendment, continued on current maintenance

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projects or rehab projects or just the overall maintenance of the infrastructure. The AGC is greatly appreciative of the fact that economic development is being considered as part of the overall selection in LB960. We hear this all the time. People have to get from here to there. And in order for our businesses and everyone's business to be a success, you have to get there in a timely fashion and an adequate fashion. And the people of Nebraska deserve that. Finally, I want to thank the committee for supporting infrastructure. And we look forward to seeing this bill moved on to the full Legislature. If you have any questions, I'd be more than happy to (inaudible). [LB960]

SENATOR HILKEMANN: Are there...we still have some committee members here yet I guess. Senator Cook. (Laughter) [LB960]

SENATOR COOK: Thank you, Senator Hilkemann. And thank you for your testimony. You just said something as it related to the proposed amendment to the bill we're considering today regarding contractors' reluctance or concerns about moving entirely to a design-build model. Could you speak to that? [LB960]

BRETT NIEBUR: I don't think the intent of this particular proposal or any proposal would be to move totally to design-build. Design-build, as Director Schneweis has pointed out several different times, has certain advantages for certain projects. I don't think it's a carte blanche situation that would be applied to all projects. And the contracting community, in general, is not necessarily reluctant to change. Contractors embrace change after they accept the fact that that's the way to go. In my particular instance, when I was bidding a lot of projects, if I had a new type of presentation presented to me, I would welcome going out and being the first one that did that. And there's many in our organization that would. [LB960]

SENATOR COOK: Thank you. [LB960]

SENATOR HILKEMANN: Any other questions? I would ask you the question that I asked the director. Do you feel that it's...since you're representing the industry, do we have the capacity? [LB960]

BRETT NIEBUR: I think that I've got a simple answer to that to start with and that's yes. And the reason that I say that is history would support me in this fact. As I said, I've been doing this for a long time. And I've seen great increases in programs. I've seen the stimulus program. Contractors and the contracting community, including the Department of Roads, the engineers, the suppliers, all have come out and supported that and performed it when it was necessary to be done. [LB960]

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SENATOR HILKEMANN: Okay. Thank you very much. Seeing no other questions, thank you, Brett, for coming today. [LB960]

BRETT NIEBUR: Thank you. [LB960]

MATT TONDL: Good afternoon, Senator Hilkemann and members of the committee. I am Matt Tondl, M-a-t-t T-o-n-d-l, senior vice president of HDR Engineering. I'm here today to testify in support of LB960 on behalf of the American Council of Engineering Companies and the Greater Omaha and Lincoln Chambers of Commerce. Our support is centered on four simple points. Infrastructure is incredibly important. The needs are bigger than you may realize. The funding is stagnant and unstable. And we need to deliver projects faster. First, it is vital that everyone appreciate that infrastructure is the foundation of the quality of life we enjoy. As a nation and as a state, we have made strong investments in infrastructure because it is important to our families, communities, the economy, and our competitive edge. But by most accounts, we are on the wrong trajectory. The needs are bigger than you may realize. The projects in the current six-year state program are predominantly described with the words "mill," "resurface," "rehabilitate," and "repair." The lack of the words "expand," "new," "widen," and "enhance" should be of concern. As Kyle noted, without LB84 our state construction program would essentially be in maintenance-only mode. Without it, such projects as Highway 133 between Blair and Omaha, the Kearney east bypass, and critical congestion-relieving projects on the Omaha interstate system would still be on the drawing boards. But most projects remain on the drawing boards. As was stated for the expressway system alone, there are 132 miles of unfinished, unfunded, and unprogrammed projects. Baby boomers were supposed to benefit from this, but it has taken so long that millennials may not benefit from it either. The current state Surface Transportation Program Book provides another good insight to the current unmet needs. Inclusive of the expressway miles previously stated, there is a listing of 37 projects across the state totaling 277 miles that are labeled "under consideration" that are not in the six-year funding program. These \$1.5 billion of projects will be competing for the estimated \$650 million of funds in the second half of LB84, as Kyle noted. So not only is there a minimum eight-year wait, less than half of those 277 miles will get built. Our funding is stagnant and unsustainable. I could spend a long time discussing the technical problems of the state and federal gas tax, but let me just say that gas tax under the rosier conditions is a flat funding source that loses the fight with construction costs, which inflate on average about 3 percent per year. Although LB84 and LB610 were steps in the right direction and it is critical that they continue, it is vital that we truly understand the depth of the challenge. We also need to look at how we deliver projects. Let me put that 7 to 12 years to complete a major capital project into perspective. In dollars and cents, that means a \$20 million project today will cost \$30 million due to inflation by the time we get around to getting it built. We simply must be able to deliver projects more quickly. Although design-bid-build should remain the predominant method for the vast majority of projects, alternative methods have a place and Nebraska should be able to avail itself of such tools in the right situation. In

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conclusion, LB610 not only provides a meaningful level of funding to chip away at our growing list of unmet needs, but, more importantly, it puts in place a sound structure of funding programs for projects dedicated to increasing the economic growth in Nebraska while further providing new tools to help get these projects built faster. We know you have competing needs for surplus dollars, but we should not take a course that leaves future generations with an underperforming system, incapable of sustaining the economic standards we enjoy today. As the commission chair in Missouri recently stated: Everyone says transportation is incredibly important and that we have a need and that we are unfunded, and then nobody can agree on how to deal with it. Let's not follow Missouri. I want to thank you, Mr. Chairman and Senators, for allowing me to testify today. And I would be happy to answer any questions. [LB960]

SENATOR HILKEMANN: Are there questions for Mr. Tondl? Seeing none, I want to thank HDR for putting your...announcing your headquarters downtown. [LB960]

MATT TONDL: We're looking forward to it. [LB960]

SENATOR HILKEMANN: Good. Thank you very much. [LB960]

MATT TONDL: Thank you. [LB960]

SENATOR HILKEMANN: Thanks for being here. [LB960]

DIRK PETERSEN: (Exhibit 9) Good afternoon. Chairman Mello, members of the committee, my name is Dirk Petersen. It's spelled D-i-r-k P-e-t-e-r-s-e-n. I'm vice president and general manager of Nucor Steel in Norfolk, Nebraska; chairman of the transportation advocacy organization 4 Lanes 4 Nebraska; and chair-elect of the Nebraska Chamber of Commerce. I'm testifying on behalf of each of these organizations. And also in order to be respectful of your time, I've also been asked to represent the Nebraska Bankers Association and the Petroleum Marketers. With me, and I've given you copies of them, I have a stack of letters from industry colleagues, agribusiness, and business leaders from across the state, all in support of this legislation. I'd also like to introduce a couple members of 4 Lanes 4 Nebraska that are here today: Nadine Hagedorn from Bank First in Norfolk and Josh Moenning from 4 Lanes 4 Nebraska. They're in the audience today. Agriculture and manufacturing are Nebraska's top industries. They're also the industries that benefit most directly and most significantly from twenty-first century infrastructure. Studies commissioned by 4 Lanes 4 Nebraska show that completion of the state's two largest unfinished expressways, Highway 275 and Highway 81, would help those two existing ag and manufacturing corridors grow thousands of new jobs, add billions to the state GDP, all the while reducing accidents and saving lives. Just during the construction phase alone, nearly 2,000 jobs would be created and construction impacts would be

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about \$480 million. A recent national survey showed that manufacturing executives named highway accessibility as the number one location factor for new sites, ahead of availability of skilled labor. If a community or region does not have the right highway infrastructure, they won't even be considered. It's hard to know just how many opportunities and how many jobs Nebraska has lost because we haven't put the right infrastructure in place. Just weeks ago, Nebraska landed one of its largest manufacturing investments in decades. It's called OCT Pipe and they're going to make seamless pipe for the oil industry right there in Norfolk. It's a \$130 million investment. The building that they need to house the manufacturing facility is about a million square feet. And there's going to be approximately 200 skilled jobs paying more than \$70,000 annually for that facility. OCT Pipe's CEO Charley Havens was here in December telling the Transportation Committee that without the promise of a four-lane highway in the future, OCT Pipe would have thought differently about its decision on locating in Norfolk. He said, we are not used to two-lane highways to put those 18-wheelers down. He is from Texas. I did a quick analysis what the impact of OCT is on the GDP and also on our tax coffers, and I based it on a study we did on what the impact of Nucor is actually up in Norfolk. And I came up with about \$500 million GDP and about \$20 million a year in tax...increase in tax coffers. So just to give you a little bit more information because I know there's been a lot of questions about the impact and the financial impact of this investment in infrastructure. So I thought I would provide you a little bit more information. Our two-lane, unfinished expressways are already robust economic corridors. Approximately 100,000 trucks hauling steel move up and down 275 currently, for example, each year. Another 100,000 trucks carrying cattle and grain travel the 275 corridor between Norfolk through the heavy livestock and grain-producing areas in Cuming County up through Fremont on to Omaha. The high level of traffic and heavy trucks is putting Nebraskans at risk. Traffic deaths are 62 percent higher in Highway 275 counties, for instance, and accidents are 152 percent higher on the two-lane portion of the highway than the four-lane portions. And looking at 2014 data on the NDOR Web site, there was about 20 traffic fatalities along that 275 corridor in 2014. So if you have them, we could save probably up to about ten lives a year based on those statistics. We can do better. We must do better. More than the new jobs, more than enhanced safety, building our state's infrastructure is keeping a promise made to Nebraska taxpayers three decades ago. The Nebraska Expressway System was signed into law by Governor Kay Orr in 1988. I grew up in Cuming County and vividly remember this promise that was made. It was a sound and progressive plan designed to better connect our major communities, our centers of industry and commerce, and our diverse regions. The 600-mile program was supposed to be done by 2003, and it was estimated at the time to cost around \$200 million. Here we are 13 years later and more than a third of the program is not even started. And because of long delays, the program now will cost probably around over a billion by the time it is all finished. That's not just bad follow-through; it's negligence and it's fiscally irresponsible. I know I couldn't run our Nucor plant like that. With LB960, let's adopt innovations that work, just like businesses must do every day. An investment in infrastructure is an investment in the future. It shows the people who elected you confidence in our ability to grow, and it honors a commitment made to taxpayers

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decades ago. Without this policy reform, we revert to status quo. And if we're all serious about growing our state, the status quo is simply not good enough. Let's be frank. We have failed the citizens of the state by failing to finish the expressway system. We have failed to protect and promote public safety. Many people have lost their lives as a result, some of them my personal friends. Leaders find a way to get the work done regardless of the obstacles. I will not give up on this effort and will personally make sure we charge ahead in this effort in years to come. I feel this is the single most important thing we can do as leaders; and it is yours, mine, and other leaders' responsibility to get this work done. The opportunity to step ahead is before us now. Thanks for your time. I'd be happy to answer any questions. [LB960]

SENATOR HILKEMANN: Okay. Are there questions for Mr. Petersen? Mr. Petersen, I would ask...my understanding, and my mother lives in Norfolk and so I've driven down 275 many times and certainly understand the need to get that finished up. It's my understanding that we almost lost that new company as a result of 275. Is that correct? [LB960]

DIRK PETERSEN: Yeah. A couple of things: Obviously, one of the attractions to Norfolk for a company like that is because Nucor Steel is there to be able to provide product to the mill. But when we got into the discussions, transportation is obviously a huge key thing. And one part of it is rail; the other part is being able to get the pipe to where they need to go. And some of the locations they go, you know, rail is not possible or not, you know, available probably. So having the ability to ship the product to the different locations they need to go to was crucial. Plus, I think it shows, you know, us being progressive. You know, we...you know, not to sit here and complain just about Norfolk, but when you look at Norfolk, we are one of the largest, you know, cities in the state, maybe seventh or eighth largest, and we're probably the one that doesn't have...we have the least ability with four-lane roads. I think most of the other ones do ahead of us as far as size. But this was a key factor when we discussed it. And I told Charley Havens, the owner and CEO of OCT Pipe, that we're working on this and we're pushing to getting expressways done. And that was an important issue for him and an important factor in him deciding to come to Norfolk, because he had some other options. He looked...he told me he looked at seven different locations throughout the United States. And when we got in touch with him, we invited him up to the steel mills, showed him the steel mills, showed him the town, talked about infrastructure, talked about roads and convinced him that Norfolk would be a great place to come to do it. And he bought the property, is in the process of purchasing equipment right now. [LB960]

SENATOR HILKEMANN: It's also my understanding about 80 percent of that pipe is going to be transferred by rail. Is that right? [LB960]

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DIRK PETERSEN: I don't know how much of it will be. I don't know if it's 80 percent. I guess I don't know that number. But I do know what we do ship from Nucor. We ship about a million tons a year, and he's looking to do about 350,000 tons a year. And we ship half of ours rail and half of ours truck at Nucor. [LB960]

SENATOR HILKEMANN: Okay. Any other questions? Thank you for coming here and thank you for bringing a company like OCT and your efforts to bring it to the state of Nebraska, appreciate that. [LB960]

DIRK PETERSEN: My pleasure. Thank you. [LB960]

STEVE RIEHLE: Good afternoon, members of the committee. My name is Steve Riehle, last name spelled R-i-e-h-l-e. I'm the Hall County Engineer from Grand Island, Nebraska; and this year for 2016 I am the president of the Nebraska Association of County Engineers, Highway Superintendents, and Surveyors. We're an affiliate of NACO Nebraska and have been, I believe, for 59 years I think. I'm here speaking today in favor of LB960 because I believe it will help Nebraska counties with our bridge challenge. I shared some county bridge numbers with the task force last Thursday here in Lincoln at the Pinnacle Arena at a task force meeting. And I don't want to get too deep into numbers and details, but I can say that all the handouts from that meeting are available on the Web site and they were there on Monday, on a holiday for state government. And so they're there for everybody to see, and I'd invite you to do that. It gives you some good information and some good details on what the task force is working on. One of the things I talked to the task force about was the aging county bridges. And there's one slide in particular that talks about the bridges we replace or upgrade, and they show that above the line. And then there's the number of bridges that continue to degrade or get in worse shape each year, and it's approximately 100 bridges each year. We're going backwards. And so when we think about how do you put a number on that, you could go through a lot of calculations. But we thought a good simple calculation might be 100 bridges per year. And \$250,000 per bridge is a cheap county bridge. It's a simple county bridge. It's not a really long county bridge. And that makes it a \$25 million a year problem where we're losing each year. And I think something that I saw in the presentation and is something that enlightened me is that many states are stepping forward because they've realized the county bridge problem is more than what the counties can do alone themselves. And so there's other states that are stepping in, and sometimes they're stepping in just with engineering and administrative help. Sometimes they're actually stepping in with dollars. And we think the dollars that are being stepped in with LB960 are similar to those programs that other states have. I can't tell you we don't have other sources to try to deal with our bridge challenge at the county level. We now get Federal Funds Purchase Program dollars that we get buyback dollars from the state, and that's over \$7 million a year that's spread out and we can use that to bankroll or pay for a portion of projects. We've also got LB610 starting to come in so we've got some dollars coming in that we can do projects with. And there's also a few dollars,

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\$5.5 million a year, that come in through Build Nebraska Act monies. But I mentioned that we're losing 100 bridges per year in the condition when we look at whether what's improving and what's getting worse--\$25 million dollars a year doesn't put a dent in that, especially if I relate back to Senator Smith's number when he talked about the county bridge challenge of \$800 million. Twenty-five million doesn't go into eight hundred very quickly. I would tell you that LB960 is not perfect from a county perspective. But it's got some great things in it. It does allow enabling legislation for design-build and construction management-general contractor. And as you've heard from Kyle and as members of the County Highway Superintendents Association will tell you, design-build isn't something that's going to fix our county bridge problem. It doesn't work on a small, simple county bridge project. Bundling at a small level is also something that we think could be helpful for counties. But bundling on a big level, we don't see that as real successful for the counties. We do like the idea of innovation. We try to share a little bit amongst ourselves on innovation, and we think we can expand that through LB960 and the County Bridge Match Program. And we can add to that what the Department of Roads can learn from other counties in other states...and other states do. We can create some new innovation and share existing innovation. The thing that I like about LB960, and it's scary for some people, is it sets up a Bridge Match Program. But the thing I like about it is it allows the county highway superintendents to work with the Department of Roads and to hammer out the details. I think that's a great way to bring innovation to the table. I should mention that the legislative committee of the Nebraska Association of County Officials discussed LB960 at length, and the board of directors voted to support LB960. The executive committee of our Highway Superintendents Association and our legislative committee have discussed the legislation. We've looked at it in depth. We support the concept. And we want to stay involved as the details of the County Bridge Program are developed. And finally, as the Hall County Engineer, I support the County Bridge Match Program portion of LB960. It's another tool in the toolbox that I think is going to help us with the county's bridge problem. In closing, I want to mention that I'm always available for questions, whether it's myself in Hall County or if you'd want information from other highway superintendents I can touch base with them and see if they've got input into LB960 as this progress goes forward. I thank you for your time and dedication to the citizens of Nebraska. [LB960]

SENATOR HILKEMANN: Thank you very much, Mr. Riehle. Are there questions from the committee? Senator Kuehn. [LB960]

SENATOR KUEHN: Thank you, Senator Hilkemann. I just want to clarify you advocated for the use of design-build as part of a solution for addressing the county build program. [LB960]

STEVE RIEHLE: Let me make sure I clarify that design-build is not a solution for a simple county bridge. [LB960]

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SENATOR KUEHN: Okay. [LB960]

STEVE RIEHLE: It works on complex, large projects. It's not going to help with a small county bridge. [LB960]

SENATOR KUEHN: Okay. Because you mentioned the design-build project or component of it when advocating for county bridges; however, that's not a component of LB960, per Director Schneweis' testimony. So give me an idea of what kind of an impact you see the \$25 million match having on the County Bridge Program, given that, as we've heard today, that that funding stream will terminate on June 30 of 2019. So in three years, what do you see as the potential impact of that match program? [LB960]

STEVE RIEHLE: I think what it does for us, and it almost happens in conjunction with the phasing in of LB610 for us in gearing up, is it could prove to be a demonstration project, so to speak, where it gives us ideas for innovation and pushes our threshold, both as counties for sharing information and at the Department of Roads for coming up with simple county bridges. And it's been called "your bridge your way" and there's a lot of counties that build bridges. And it would be really neat if we could share more of that information amongst all the 93 counties so they could all learn what we've learned in bridges. And I think a concerted effort like this could bring those to the table and share more of those innovations. Sometimes it's things we already do; sometimes it's things that we're not thinking of because they're doing it in Kansas and we haven't thought of it. [LB960]

SENATOR KUEHN: So can you do that information sharing and innovation and collaboration with a smaller appropriation or in the absence of this appropriation for the match? [LB960]

STEVE RIEHLE: I think what we need, regardless of the dollar amount, is we need a push and I think a mechanism set up to get it started. And I think one of the mechanisms there through a program, regardless of what the dollars is, I think that helps institute it for us. Then we can bring ourselves to the table and create a system and try to share that innovation, expand our existing innovation, find out what other states are doing. And we can do that. I think it takes a program to do that though. [LB960]

SENATOR KUEHN: Give me a dollar amount for a program that you would see that could accomplish those goals. [LB960]

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STEVE RIEHLE: For the counties, in order to get...if we use \$250,000 a bridge, I think you got to try to do one or two in each county, and you've got 93 counties. And so it's well over the \$25 million, so I think \$25 million is a small enough number. [LB960]

SENATOR KUEHN: Okay. So given that this is obviously a critical policy objective, especially for rural bridges, as I think we all agree that the rural bridge and infrastructure problem is one that has to be addressed, why have it part of a larger, more complicated, accelerated issue with expressways, bundle it in with all this other? Why, from a policy perspective, not just bring us a stand-alone bill associated with addressing this critical problem? [LB960]

STEVE RIEHLE: I guess I've never considered it from that perspective, and I'd have to defer to Senator Smith on that. I'm not sure why it couldn't be on its own. [LB960]

SENATOR KUEHN: Okay. Thank you. I appreciate that. [LB960]

SENATOR HILKEMANN: Are there additional questions from the committee? Seeing none, thank you for coming, Steve. [LB960]

MARLENE JOHNSON: Good afternoon. My name is Marlene Johnson, M-a-r-l-e-n-e J-o-h-n-s-o-n. I'm the mayor of West Point. I'm the immediate past-president of the League of Nebraska Municipalities, and I'm chair of the Nebraska Expressways for Economic Development, otherwise known as N.E.E.D. We organized in 2007 and probably were some of the first ones to start talking about economic development as related to roads because it was a crucial thing that was necessary for our communities. And it's made up of a lot of the communities that are located along the various segments of expressways that have not been finished at this point in time. First, I want to sincerely thank Governor Pete Ricketts and Senator Jim Smith for their leadership and collaborative efforts which resulted in the introduction of LB960. I would be remiss if I also did not express appreciation to Governor Ricketts, Senator Smith, and Director Kyle Schneweis for their hard work, innovative ideas, and meeting with municipal officials from across the state, which has been very important to have some conversation between us on a one-to-one basis, which has meant a lot to us to be able to express our opinions. As previously noted by other municipal officials who testified earlier, the League strongly supports LB960 to enact the Transportation Innovation Act. Nebraska Expressways for Economic Development also strongly supports this important legislation relating to transportation infrastructure. LB960 would accelerate the completion of our expressway system. For example, in northeast Nebraska, completion of the expressway system would include transforming the Highway 275 corridor from a congested two-lane highway with heavy commercial traffic to a four-lane highway. As with other segments of Nebraska's expressway system, this would address safety concerns to reduce the number of accidents. It also would tremendously enhance economic development, the

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opportunities...and it would reduce the number of hours our citizens spend on the highway commuting to and from work. In collaboration with many other statewide organizations, the League and N.E.E.D strongly advocated for LB84 in 2011, which was designated to have part of the sales tax for the construction of roads. LB84 funds are needed for the construction of these significant projects. Our long-awaited expressway systems still need to be constructed. Thanks to Senator Smith for his leadership and hard work resulting in passage of LB610 last year. Thanks to the members of this committee who supported it. LB84 and LB610, coupled with the passage of LB960 this session, would further expedite the completion of our expressway system. The Transportation Infrastructure Bank Fund created with passage of LB960 would accelerate Nebraska's State Highway Capital Improvement Program, including finishing our expressway system. By using innovative project delivery methods like design-build, NDOR would be able to construct projects faster. First and foremost, completion of the expressway system would help mitigate safety concerns, including those caused by deteriorating infrastructure as well as congestion in areas with increased traffic counts requiring new construction for additional lane capacity. Second and critically important, finishing our expressway system sooner would help maintain and improve this segment of our transportation infrastructure for economic development and redevelopment efforts. The League and N.E.E.D also appreciate and strongly support the establishment of the Economic Opportunity Program which would be part of the Transportation Infrastructure Bank. The Economic Opportunity Program would help fund transportation improvements to attract and support new business and business expansions. It is critically important to help businesses connect to our state transportation network. Our highways, streets, roads, and bridges are economic lifelines for our agricultural, manufacturing, and business sectors that rely heavily on the commercial transportation industry to transport inputs and move products to market. In a small community like ours, we have a lot of competition for the businesses that come to our areas to look to see if they want to locate where we are. And they always look at our infrastructure to see if it's--our roads, our sewer and water, the whole thing--they look at all of that to make sure that it's going to serve the needs that they are looking for to locate. I don't know how many businesses and industries we have lost because so often we don't get a reply back from them. But we constantly work at this and try to make sure that people understand that even though we're a small community we still can offer them what they need. We have the infrastructure and the necessary work force to make sure that they can become a success in our community. And so I want to say that this is my 18th year as mayor of West Point. When businesses decide whether to locate in our community or in any other city, they consider the condition of our municipal infrastructure system, and that is whether it's roads or whatever it is. And they also need access to the expressways and the interstate. Thanks again to all of you for listening to me today. And I respectfully ask you to pass LB960. I would be happy to answer any questions. [LB960]

SENATOR HILKEMANN: Are there questions for Mayor Johnson? I have a couple,... [LB960]

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MARLENE JOHNSON: Yes. [LB960]

SENATOR HILKEMANN: ...having gone through that town many, many times on my trips to Norfolk. [LB960]

MARLENE JOHNSON: Yes. [LB960]

SENATOR HILKEMANN: There's going to be a lot of businesses that will have to relocate. How do they feel about this project? [LB960]

MARLENE JOHNSON: Well, you know, they're not happy about it. Because since this has taken so long, you know, we have encouraged our businesspeople to expand in the locations that they are, not knowing if this was ever going to happen as far as the expressway system was concerned. And in talking to Kyle, you know, I think the Department of Roads is probably willing to maybe look at some different ways to do things so that our businesses would not be hurt because for them to pick up and move would be a very financial burden to them to do so... [LB960]

SENATOR HILKEMANN: Right. [LB960]

MARLENE JOHNSON: ...because they are now established in the place where they are. We have a four-lane highway going through our community. So, you know, it's not something that would cause a major problem as far as, you know, the traffic passing through. But it's partially our fault for not looking at this ahead of time and say, well, maybe we shouldn't do this. But when you have a business that comes into the community and wants to build and create jobs and bring young people back to the community, which we've been very blessed to have happen, you know, you kind of say, well, it doesn't look like anything is happening on the expressway system. Let's go with it. [LB960]

SENATOR HILKEMANN: That's sort of the...I've talked to some of those businesspeople along there and that's sort of the...it isn't going to happen at this point. I guess that's where they are at. [LB960]

MARLENE JOHNSON: Exactly, yes. [LB960]

SENATOR HILKEMANN: Is the plan that it would go above the city through West Point, the four-lane? [LB960]

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MARLENE JOHNSON: Well, that was the talked about plan. And again, that was, you know, 20-some years ago. It's not a very practical plan because that is the hardest area... [LB960]

SENATOR HILKEMANN: Yeah. [LB960]

MARLENE JOHNSON: ...because of all the hills and it's a very hilly area because that's the top of our town. And so it's consequently...you know, that's where everything would be. And it would just be very difficult and very expensive. And it was a very costly bypass because they were not going to allow us to have any other entries into our community other than 275 and Highway 32. So they were actually going to put in interchanges on those two locations, which, again, are very, very costly things to put in, you know, an actual interchange because you have all of these lanes going everywhere. And a lot of our agriculture people who lived outside of the community were very frustrated and upset about that because of the extra mileage they would have to drive to get their product to town or pick up whatever they needed. [LB960]

SENATOR HILKEMANN: Yeah. I've envisioned that numerous times as I've...additional questions for the mayor? Seeing none, thank you very much for coming, Marlene. [LB960]

MARLENE JOHNSON: Thank you for your time. [LB960]

ERNIE GOSS: (Exhibit 10) Good afternoon, Senators. My name is Ernie Goss, E-r-n-i-e G-o-s-s, resident of Omaha, Nebraska, here to speak on behalf of LB960 representing 4 Lanes 4 Nebraska. I just did an analysis, completed an analysis of Highway 81. I've done one previously for Highway 275, the expansion that is. And here you see...here I've handed out the impacts that I've estimated for the years 2017-2033. Of course, that's 2 years of construction and 15 years of operations that I've estimated the impacts for. And you notice you have the construction impacts, of course. Those are, I'm estimating for two years construction impacts, about almost \$200 million. Expanded economic development, that's the additional businesses that will come to the area because of the highway expansion but also the expansion of the businesses along the highway that are there now. That's \$3.4 billion. Again, that's across 15 years of operations, discounted to 2015 dollars. Reduced accidents, about \$20.7 million. Now that's a conservative estimate. The U.S. Department of...the Federal department of Highway Administration estimates that when you expand a highway from two lanes to four lanes your accident rates go as...are cut by as much as 40 to 60 percent. Now my estimates are much lower than that so I would argue they're conservative. Reduced commute times of about \$15 million. Now again, that's in 2015 dollars across 15 years of operations. Also estimated the impact of delay. In other words, there are significant delays...significant costs of delays if we're not...if we don't begin early. In other words, there is a plan for 2024. My estimates for delaying to 2024 will cost the state an estimated \$500 million. Now those aren't the estimates here. The estimates I've shown you here

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on this is delaying by two years, two years only. You're talking about \$151 million just in economic development, \$800 million in accident costs, additional. Importantly, I estimate about a \$9.4 million increase in the interest...additional interest on bonds if that's done, assuming of course the usage of bonds now of course. I'm making that assumption. Now that's assuming that interest rates go back to their historical averages; \$3.7 million of added construction costs with a delay of two years; and additionally, \$600,000 in added commute costs if delayed by two years. Now I looked at...also looked at potential--on the back of the document--I looked at potential methodologies of funding this \$145 million expansion. Now that was...this was 1988 when the plan was...the initial plan for the highway construction there. And there are methodologies. And Nebraska, importantly, is 1 of 17 states, 1 of 17 states that does not provide for public-private partnerships. Now what do public-private partnerships do is allow you to jump-start a project such as Highway 81 or expansion of Highway 81 or 275, allow to jump-start it instead of waiting till you accumulate the funds to undertake that project. So public-private partnerships, irrespective of this LB960, is something that should be, in my judgment, examined for the state of Nebraska--1 of only 17 states that aren't using that methodology. There are other methodologies such as pass-through tolls. Now that's a pass-through where you can levy the burden on those who don't use it regularly, and that's done in places like Colorado has used that extensively. So I would argue that Nebraska needs to move forth with LB960 but other methodologies to fund needed infrastructure because these, for example, on Highway 81 and 275, you're talking about industries along there--that would be manufacturing and agriculture--that depend heavily, heavily on good highways, as Mr. Petersen testified earlier of Nucor Steel. This is now a primary location factor for manufacturing industries. I would argue that those two highways need to be expanded and LB960 provides that. And at the bottom of the page you see there the detailed cost, detailed benefits, I should say, and cost over the 15 years of operation. So with that, I'll conclude and ask for your questions, I assume. [LB960]

SENATOR HILKEMANN: All right. Thank you, Dr. Goss. Are there questions for Dr. Goss?
Senator Bolz. [LB960]

SENATOR BOLZ: Thank you, Dr. Goss. I just noticed in the materials that you had handed out today that you recommend taking advantage of low-interest bond rates and you think that, according to the materials that I'm seeing here, that bonding is an effective strategy for roads and for economic growth. Can you elaborate? [LB960]

ERNIE GOSS: Correct, if I had a magic wand. Of course, I understand that that's not a methodology Nebraska can take advantage of right now, bonds, because it is very...we're talking about historic low cost of interest bonds right now and I expect those rates to go back. Now who knows when? I don't know when, nor does any economist know when those rates will go up. So issuing bonds is a major methodology that many states are using now, not Nebraska again. So I think that's certainly...these are tax-exempt bonds, of course, so I think that's a major opportunity

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for the state of Nebraska, in addition to LB960, where you're talking about using, of course, Reserve Funds. [LB960]

SENATOR BOLZ: That's helpful. I think the point that I'm trying to make sure I get clear is that, from an economic perspective, that's another opportunity on the table. [LB960]

ERNIE GOSS: Absolutely. And perhaps I shouldn't offer this. There are other methodologies and the Governor has indicated less interest in some of those, such as another tax on fuel, which I supported for Iowa. And the governor of Iowa told me, well, that's what a Nebraska economist will tell you. (Laughter) Well, two years later he exact...he did that exact thing. So in other words, some states are taking...I mean that's not the best methodology, a fuel tax, but it's one methodology that we...the 6 cents that's now going into place I think is a good move. There could be additional support where you could in fact levy...some of the burden would fall on non-Nebraskans, which is always the goal when you live in a state, is to tax somebody who's traveling through, not who lives here. But that's another methodology, yes. [LB960]

SENATOR BOLZ: Great. Thank you. [LB960]

SENATOR HILKEMANN: Are there additional questions for Dr. Goss? Appreciated this. This is really excellent. This is... [LB960]

ERNIE GOSS: Colorful. [LB960]

SENATOR HILKEMANN: ...helpful. [LB960]

ERNIE GOSS: Colorful, white and red and blue. I think some Creighton blue in there as well. So thank you. [LB960]

SENATOR HILKEMANN: Okay. Very good. Thank you so much for coming today, Dr. Goss. [LB960]

ERNIE GOSS: Thank you. [LB960]

RICHARD THOMAS: (Exhibit 11) Chairman Hilkemann, members of the committee, I'm here to speak in favor of LB960. My name is Richard Thomas, R-i-c-h-a-r-d T-h-o-m-a-s, and I'm here on behalf of the Design-Build Institute of America. Infrastructure is critical to the economic success in Nebraska and our nation, and many folks have talked about those economic

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benefits. So I'm going to speak more specifically, in the interest of time, and focus my remarks on the innovative project delivery portion of the bill. I've been involved in design-build for over 20 years in close to 40 states, and these innovative delivery methods are critical to ensuring the taxpayers get high-quality projects that are delivered faster and more cost-effectively. Delivery methods like design-build really do bring cost savings and speed up projects. Typically on transportation projects we're looking at a time savings of about 33 to 35 percent. That can mean years on big projects, months on small projects. And typically for cost savings on building projects, we're seeing about 6 to 10 percent. In the transportation sector we're seeing savings of around 11 percent. And these projects not only bring that to the table, but they also deliver high quality, the highest quality in every measurable category. And that's the reason why only a...all the states, except for a handful, are using design-build. In fact, over the last couple months, DBIA has been surveying state DOTs on whether they're using design-build. We've had over half of the states respond. And the thing that's been interesting is of all of those states surveyed, every one of them but one intends on using innovative project deliveries in the future. The only state that said they wouldn't is because they don't have legislative authority to do so. Design-build is being used on every type of project in the transportation sector. It's being used on roads, highways, bridges, rail, buildings, even environmental mitigation. And it's being used on a whole size...host of project sizes--big projects, small projects. And that tends to be more of a state-by-state focus on how they want to...what direction they want to go there. The question really is...it's not will design-build work. We know that it works. It's how we make design-build work in Nebraska. You know, Nebraska, a state that doesn't have a history of using design-build, there is going to be some work that's going to have to be done. And I'm very pleased to see that the director has been working very close with stakeholders to really help them make that transition. And the good news is, is there's lots of organizations and resources out there to help make that transition, organizations like ours. And federal highways, you know, we do...we've developed best practices, we've helped put on workshops, conferences to really help not only the agencies get up to speed but also help those contractors and designers that maybe don't have design-build experience. Before I go on, I did write down that there were a couple questions that came up and I wanted to try to address them. You had one, Senator Bolz, earlier about the language with performance requirements and I wanted to assure you, that's very typical. And the reason for language like that where it's flexible is generally if...you want to have that flexibility because different projects will have different requirements. When the 35W bridge collapsed in Minneapolis, the major factor was time. The city was losing a million dollars a day in economic activity, so speed was the biggest factor. Generally, those factors that are named, all of those are considered in those performance requirements. Other projects, the Intercounty Connector in Maryland where you had all kinds of wetlands that you had to deal with, keeping that footprint and actually giving the design-build teams incentives to keep that footprint small was critical, because if they go anything bigger it's going to drive up the cost and trigger a whole sort of, you know, more EISs and that. So that's why you have language like that. But in closing, I just want to say that design-build shouldn't be anything that anybody is afraid of. It's working very well. In

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the last five years we've seen the number of projects double, both in terms of the volume and the raw numbers. And since we're at closing time here, I will be happy to address any questions that any of you may have. [LB960]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Thomas. Are there any questions from the committee? Senator Hilkemann. [LB960]

SENATOR HILKEMANN: One quick question here on your diagram. So as designed by this bill and the amendment to it, Nebraska is in gray, that we don't use any. Would we end up in a couple years being a bright orange? [LB960]

RICHARD THOMAS: Well, if I'm mistaken, there are no dollar limits. There's no dollar threshold in this bill on projects. And I'm looking at the criteria. There's no limit on the number of projects. So if this bill passed, it would be...it would either be widely permitted, or orange. You'd go pretty close to the top if not the top. [LB960]

SENATOR HILKEMANN: Okay. Thank you. [LB960]

SENATOR MELLO: Thank you, Senator Hilkemann. Are there any other questions from the committee? Mr. Thomas, I got to ask questions just because I got out of the hearing where I didn't get to ask questions and got asked a lot to me. (Laughter) [LB960]

RICHARD THOMAS: Well, I've been sitting here waiting for questions, so. [LB960]

SENATOR MELLO: I guess it's the question that we've heard in conversation and dialogue in regards to moving to a design-build concept. What will we hear from contractors who may not be able to now compete for these contracts? What do we say to them in regards to moving away...who normally would go through our design-bid-build process and moving away from that just purely to design-build? What do we say in response to that? [LB960]

RICHARD THOMAS: Well, I really think that is kind of a red herring. I'll speak from experience. I grew up in a construction family in Minnesota and in 2007 we...that's when we changed the design-build law there to allow it to be used on transportation projects. And we were one of those contractors that hadn't...we didn't have a lot of experience. And the solution there, we didn't put all kinds of restrictions in the legislation itself, which was smart and I, you know, and I commend the director for being proactive and working with the industry. The key thing was is what they did in Minnesota was they...the big projects they did traditional best value, which is the most common use of design-build. But on the smaller projects what they did was

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they did them where almost most of the focus was on price. They were almost low-bid design-build projects. So that was a situation where all of the contractors in Minnesota were able to, you know, they had all done design-bid-build projects, so they were all able to go in, do those projects. They got their feet wet. They had experience. So three years later, you know, when they got to check the box, do you have design-build experience, they were all able to do that. And I think one of the advantages of that was in Minnesota we haven't...there's been no issue of the out-of-town contractors coming in and stealing the work. It's done by Minnesota firms. Oh, they try to come in, but typically they're not going to be competitive pricewise. I mean when you do big projects, you know, especially the big mega projects, everybody is going to come from everywhere to do it. And especially if they're very complex. But if it's a small design-build project where most of the emphasis is on price, there's no out-of-town contractor that's going to be able to come in and do it cheaper than Nebraska contractors if it's a Nebraska project. I mean that's just...it's just the way it is. [LB960]

SENATOR MELLO: Any other questions from the committee? Senator Bolz. [LB960]

SENATOR BOLZ: I was going to let it go, but Senator Mello got the party started again. I want to go back to your comments about performance criteria. And I don't claim to be an expert in transportation policy but...I understand your points about flexibility. But I guess I'm concerned that there...shouldn't there be minimum performance expectations? And could any of these strategies, if we don't carefully craft the statute, lead us to overemphasize, say, timeliness and underemphasize quality? So I guess I'm wondering how you strike that balance. [LB960]

RICHARD THOMAS: I don't think that...I think you're...not to...I think you're thinking too much on this. Here's why. The price is very much a...is very important. I mean there isn't a DOT in the country that isn't strapped for dollars. And the...and with those performance requirements, I mean with design-build, first of all, you have two phases. Your first phase is just the qualifications phase. So all of those folks that, you know, you're already getting good quality folks that are being short-listed that are coming forward so...and those are all going to be teams that the DOT or the, in Nebraska, the DOR is going to be familiar with. And I would say as far as the flexibility, typically, I mean even in those states where there is...well, let's, for instance, take some of the examples I used. With the 35W bridge time was a big thing, but also probably the second biggest issue there, because a bridge had just collapsed, was safety. You had to get the public trust back. So just having a project that is done quickly was not an option; quality also had to be. In fact, they took a team that had a bid \$60 million more than the next lowest bidder. And I think with, you know, you could go down the line. You know, you take that other project I mentioned, the ICC in Maryland. While the environmental component was important, traffic management, because this is between Baltimore and D.C. where, you know, it's the worst traffic in the country already. You know, all of those factors are being balanced in. There's no single project, unless it's maybe a really small, you know, bridge project that where some would

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question if it even needs to be done design-build. Those might be where one single factor is in there. But on the other hand, if you go too far, if you put in requirements that really ties the hands of the DOT, then all they can do is look at, well, jeez, we have to weigh each one of those equal. And then you end up getting unintended consequences that aren't saving you time, aren't saving you money. It's, you know, it's...you really lose a lot of your effectiveness. [LB960]

SENATOR BOLZ: Well, I appreciate that. I think from a legislator's perspective, it's the balance between what is good legislation and good statute versus what can be handled in process. And that's something I'll continue to discern. [LB960]

RICHARD THOMAS: Well, and that...and I was kidding, of course. That is a good question and not...it's not one that we don't get a lot. Because, I mean, the...you know, in the drafting of these bills, you know, state legislators, they come from all walks of life. There's no reason any of you should be experts on these type of bills. These are...they're very complex. [LB960]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Mr. Thomas. Can I get a quick show of hands of how many people are left to testify on LB960? Okay. [LB960]

JESSICA KOLTERMAN: Senator Mello, members of the committee, for the record, my name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I come before you today as the director of State Governmental Relations for Nebraska Farm Bureau. We are here today in support of LB960. And we appreciate the work of Senator Smith and the commitment of the Governor to roads funding in our state. For your information, Nebraska Farm Bureau members have had a long interest in funding roads in Nebraska and improving our infrastructure. A key to our competitiveness is being able to get our products to market, so we appreciate what is going on to look at this. The Match Program with the bridge assistance program is an important part of this. You all know my colleague, Lavon Heidemann, who served on this committee for many years, and he tells me a lot of stories about challenges, in his part of the state, specifically, with people having to go, you know, five, ten miles out of the way indirectly to get somewhere. And when you're talking about loads and loads of grain over a course of a long period of time, you're talking hundreds of miles and that really cuts into profits. So we appreciate everything the committee is doing to look at these issues. If there's anything we can do to be of assistance as you move forward in this process, we're happy to be there. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Ms. Kolterman. Are there any questions from the committee? [LB960]

JESSICA KOLTERMAN: Thank you. [LB960]

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SENATOR MELLO: Seeing none, thank you, Jessica. Next proponent. [LB960]

THOMAS SHAFER: (Exhibit 12) Chairman Mello, members of the Appropriations Committee, my name is Thomas Shafer, T-h-o-m-a-s, last name Shafer, S-h-a-f-e-r. I am the interim director of Public Works and Utilities for the city of Lincoln. I am here today to testify in support of LB960. I want to thank Senator Smith for introducing this legislation and all of his work on the infrastructure needs of our state. We support the idea of an Accelerated State Highway Capital Improvement Program that will accelerate the completion of projects like the expressway system in a needs-driven, capacity improvement process. Lincoln's proposed East Beltway, for example, could benefit greatly from this program. LB960 creates an Economic Opportunity Program to provide funding for transportation projects designed to support new and expand existing businesses. Lincoln is a growing community, and the funding opportunities this bill provides will help keep and attract businesses in order to keep Lincoln and others in the state progressing. This legislation also allows the Department of Roads to employ the construction manager-general contractor, and the design-bid (sic--build) methods for contracting. Lincoln supports these contracting tools that are anticipated to be used for complex transportation projects and should reduce construction time lines and costs. A safe transportation network is critical to the quality of life, livability, and economic vitality of our state. That is why the state of Nebraska and its public political subdivisions, including Lincoln, must work together to deliver drivable roads and streets, walkable sidewalks, and efficient traffic systems. Lincoln welcomes the opportunity to continue our partnership with the state and other interested parties. Be happy to provide input in the drafting of any of the program criteria. Thank you, and I'm happy to answer any questions. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Mr. Shafer. Are there any questions from the committee? Seeing none, thank you. Next proponent for LB960. [LB960]

LAURA FIELD: Good afternoon, Senator Mello, members of the Appropriations Committee. My name is Laura Field, L-a-u-r-a F-i-e-l-d. I appear today before you on behalf of Nebraska Cattlemen. I'm the legislative director for the Cattlemen and we're here to testify in favor of LB960. We want to thank Senator Smith for introducing the bill. As you've heard from my Farm Bureau friends, highway infrastructure is essential to the economic viability for business, especially agribusiness. Whether it's moving product to market, hauling fertilizer to crops, harvesting feed and fiber, or feeding livestock, transferring goods occurs many times a day, 365 days a year for Nebraska's ag producers. We heard from a number of our members. And back in 2014 we put together a task force, and a lot of the issues you've heard of today came before that group. Our board voted to support LB960 as it agreed with the importance of a transportation infrastructure that meets the state's needs. By putting dedicated funds into an Infrastructure Bank to accelerate projects, including the expressway systems, projects will be completed in a timely fashion that will improve business operations and grow the agricultural economy. Also, the

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County Bridge Match Program is one our members certainly support as we acknowledge condition of many bridges across the state are in need of repair. We appreciate the work of the Transportation and Telecommunications Committee and the Department of Roads in the interim. We look forward to working with all of you and with state agencies to find solutions to improve the infrastructure of the state. Thank you. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Ms. Field. Are there any questions from the committee? Seeing none, thank you. Next proponent. [LB960]

K.C. BELITZ: (Exhibits 13 and 14) Good afternoon, Chairman Mello and Senators. I'm K.C. Belitz, K.C., last name B-e-l-i-t-z. I'm the president of the Columbus Area Chamber of Commerce and today here to testify on behalf of the Nebraska Economic Developers Association, a statewide organization of more than 500 community and economic development professionals across our state. From that perspective, logistics is certainly one of the top considerations, as you heard specifically from Dirk Petersen earlier. When it comes to business location/expansion decisions, companies will always consider their ability to get inputs to the business and get products out from the business on good highways. And we believe that LB960 is a step in the right direction to allow the Nebraska Department of Roads the tools they need to continue to improve the highway system in Nebraska. And as such, both NEDA and the Columbus Area Chamber are proud to support LB960 today. In order to do what NDOR needs to do, we believe that a number of different aspects of LB960 are helpful, including the capability to do contracting with that single firm to both design and build roads. You've heard that that is not only a money saver but a time saver as well. The funds that are included in the bill to provide for accelerating construction of projects like the state expressway system are certainly critical. And also, from a NEDA perspective specifically, the association is certainly encouraged to see the language that allows for a specific prospect, a specific project to be given additional access in order to convince them, we hope, to locate in a specific place in Nebraska. In order to initially capitalize the Infrastructure Bank, certainly we understand it will take an infusion of dollars sufficient to be useful. And while not all projects are ready at the same time--we certainly understand that--nonetheless, the infusion of cash that is proposed here from Nebraska's Reserve is certainly, we believe, a prudent investment and one that you will see returns on if made through this bill. At the same time, certainly the dollars are only a part of the story. The improved operating strategies, the improved flexibility and tools for the Department of Roads will help businesses across the state by providing the infrastructure, the transportation system that they need, both inputs and outputs. And I would certainly offer this perspective on that. I don't know of any of our 800 members of the Columbus Area Chamber that are doing business the way that they were doing it 20 or 30 years ago. It's just not the nature of the world today. And I think the opportunity to provide NDOR with the opportunity to do things differently where they see opportunity makes a lot of sense. With that, I'd be more than happy to answer questions from

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the committee, and appreciate the opportunity to share on behalf of NEDA as well as our local chamber. [LB960]

SENATOR MELLO: Thank you, Mr. Belitz, for your testimony. Are there any questions from the committee? Seeing none, thank you, K.C. [LB960]

K.C. BELITZ: Thank you. [LB960]

SENATOR MELLO: Next proponent for LB960. [LB960]

MATTHEW KRUSE: (Exhibit 15) Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is Matt Kruse, spelled M-a-t-t, last name K-r-u-s-e. I'm here today testifying in support on behalf of the Professional Engineers Coalition, or PEC. PEC is made up of the Nebraska Society of Professional Engineers, the Nebraska Section of the American Society of Civil Engineers, the Professional Surveyors Association of Nebraska, and the Structural Engineers Association of Nebraska. The American Society of Mechanical Engineers is an associate member of the coalition. Through PEC, our constituent organizations speak with one voice on issues affecting engineers. I want to thank you for the opportunity to speak before you today regarding LB960, a bill to adopt the Transportation Innovation Act and provide transfers from the Cash Reserve Fund. During the interim, PEC testified on two occasions before the Transportation and Telecommunications Committee on LR318. PEC applauds Senator Smith for taking steps to address the reality that we're not keeping up with the needs of the roadway user. At the hearing in Norfolk, I testified on behalf of PEC that as a state we have a dramatic decline in the condition of Nebraska roads and bridges in the last 20 years. One could argue that the rate of deterioration will accelerate exponentially moving forward. The need for improved funding for road and bridges construction is growing acute. This bill takes a significant step to address that decline by not only providing the resources to address the aforementioned decline but also provide a mechanism for continued work on the state expressway system, to address county bridge needs, and promote economic development. The bill also takes two concepts that were developed during those hearings and provides for them in the bill. These concepts were a state Infrastructure Bank and design-build. Let me address these two points. First to design-build, PEC believes that there may be some instances where design-build may be appropriate choice for a specific project. However, the use of design-build should remain optional. In other words, it can be a tool but should not be viewed as a singular one. As the bill is currently drafted, it is optional. We encourage the committee and the Legislature to keep it that way. Second, as for the Infrastructure Bank, we applaud this kind of novel thinking. Furthermore, this will provide an immediate injection into the needs of Nebraska. While we know that the needs of the state are great and there remains the potential for the state to access the Cash Reserve in the coming years if the economy takes a turn and the agriculture sector

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declines, however, we encourage the committee to provide as much as you can in the bank in order to address these immediate needs, needs that are clearly life safety needs. In closing, I'd like to thank you again for the opportunity to testify today and am happy to answer any questions you may have. [LB960]

SENATOR MELLO: Thank you for your testimony, Mr. Kruse. Are there any questions from the committee? Seeing none, thank you. [LB960]

RICHARD REISER: Chairman Mello, members of the committee and staff, my name is Richard Reiser, R-i-c-h-a-r-d R-e-i-s-e-r. Try to keep my testimony brief and avoid repetition. By way of background, I have been involved in the transportation industry in Nebraska for over 20 years. During that time I've been chairman of the Omaha Chamber of Commerce Transportation Council, chairman of the Nebraska Trucking Association, chairman of the Nebraska Chamber of Commerce and Industry, and a highway commissioner from District 2 for about nine years. I'm currently on the board of 4 Lanes 4 Nebraska. However, I appear today testifying only on behalf of Nebraska Trucking Association. We provide the freight transportation for the state of Nebraska. Well over half of the communities in the state are served for freight purposes only by trucking. To do that we rely upon good, safe highways on the approximately 10,000 miles of state highway system and also on the county roads to deliver that freight. As such, we have consistently supported adequate funding for highways. And while we recognize that this really doesn't change the funding available, we do think it provides important tools that can be used to more efficiently and effectively use the funding already in place. We have confidence in the Department of Roads to use these tools wisely to the benefit of all of the citizens of the state of Nebraska and also for our industry. That concludes my testimony. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Mr. Reiser. Are there any questions from the committee? Seeing none, thanks, Dick. [LB960]

RICHARD REISER: Thank you. [LB960]

MARK MAINELLI: My name is Mark Mainelli, M-a-i-n-e-l-l-i. I am president of Mainelli Wagner and Associates. We're a civil engineering firm here in Lincoln and we represent quite a few counties across the state as well as work for the Department of Roads, Game and Parks, NRDs, private subdivision. We've been in business for 15 years and 10 years prior to that. So I've been in the infrastructure business for 25 years private, and 5 years with the Department of Roads. So I've got 30 years of fighting this county infrastructure problem. Steve Riehle spoke for one of our associations. You just heard the engineers speak. I would like to reiterate my support for what they've said. But there's a couple of things that I want to bring up today that sometimes gets missed. The counties are actively in the trenches and we're actively fighting not only mill

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levies and property tax relief but also how do we fix our deteriorating infrastructure that was built often by townships, sometimes over 100 years ago. After the crops were in, everybody got their wagons and their teams and they came and they built the structure. And they were all built within time frames and now they're all coming due at the same time. The counties aren't sitting on their hands and not doing anything. One of the things that wasn't discussed today is the bridges that are under 20 feet. We're getting estimates of those that are in the 30,000 to 40,000 bridges that are those less-than-20 bridges that don't fall into the purview of the Federal Highway Administration or the Department of Roads. So years ago what we did with a lot of our clients is we helped prioritize those structures, knowing that we can't drive over a small, excuse my words, crappy bridge any better than a big crappy bridge, and started a small bridge program. I've been working with the director and his bridge engineer and had multiple meetings talking about this process. And you'll hear them talk about a small bridge program from 20 to 60 feet. So what we have done on the county side is we've developed standard replacement options. Instead of putting bridges back in, we've got standardized metal culverts with "headwalls" and "wingwalls." Then we got the industry together and we've got five different fabricators fabricating the same designs. We have single-span, precast bridges that are made by multiple suppliers, installed by multiple small bridge guys, coming across the state. And those are design-bid-built. We even have contractors that are making their own deck slabs. The university, through a potential grant through the Department of Roads, is looking at doing research on extending those deck slabs. So that innovation has already started, with Kyle's leadership and his team. This morning I was in Stanton County and almost didn't make it because it's hard to get there from here. But when I inform my boards of what's going on with LB960--I've been in Colfax County, Stanton County, Platte County, Otoe County, Nemaha County, and a multitude other of our counties explaining what the impacts could be--the majority of the counties are telling me, listen, if there's an opportunity for additional resources that we can match and we can go after those small bridges, we want to be ready. Otoe County, Tim Nelson, who's on the Innovative Task Force, went to his board and said, we need to make sure that we have plans, shovel-ready, permitted, and ready to go if this program hits the ground. Stanton County told me the same thing. The question is, why aren't we doing that? Well, we already are. Through my testimony through the legislative process, I came with maps showing what counties have done over the last five years with the monies that have been given to the counties through the federal buyback. The Governor gave us an additional 10 percent of that buyback where now we're at 90 percent of that. Now we got the gas tax money. We were graced with a good economy for a while. The counties recognized their problems. We've got very aggressive small bridge programs. But anything else can help. The \$25 million that's in this bill would be matched. That's \$50 million. Small bridges, 20-foot bridge can be replaced with culverts with county crews is let as \$25,000 to \$30,000 to get those bridges off the inventory. So we can do a lot with that \$25 (million), \$50 million. So I'm here to say that I'm in support of that part of the bill. I would like to say that design-bid is a tool or design-build is a tool and should be used sparingly and for large complicated projects. I agree with those statements. [LB960]

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SENATOR MELLO: Thank you for your testimony, Mr. Mainelli. Are there any questions from the committee? Seeing none, thank you. [LB960]

MARK MAINELLI: Thank you. [LB960]

JACK CHELOHA: (Exhibit 16) Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is Jack Cheloha. The first name is spelled J-a-c-k, the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha and I want to testify in support of LB960 this afternoon. The city of Omaha supports this bill. I think it was important for us to come in and make the record today and say that LB960, not only does it offer opportunities for greater Nebraska but it also offers some incentives for urban areas of Nebraska. You heard earlier from some of the witnesses that it's important to be able to get our raw products to market and then the finished product back out to the consumer. Likewise, it's important for those employees that take the raw product and turn it into something that can be used commercially as well, to be able to get to work and to get there safely, get there on time, etcetera. We think that LB960 offers, like I said, some opportunities. In particular, I do want to state the part that is of most interest to Omaha, because I assume the committee would want to know specifically which part of the bill do we like--but we like the part where it talks about the expressway system and federally designed, high-priority corridors, and needs-driven capacity improvements across the state. With that, the city of Omaha's Public Works Department has submitted some ideas and requests to the Department of Roads, identifying a number of projects that may fall under the needs-driven capacity improvements category. And because of that, we would be supportive of this bill. We think it would provide some needed influx of funding. The page has handed out a letter of support specifically from Mayor Jean Stothert of our city. And with that, I'll close and say we're in support and try to answer your questions. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Jack. Are there any questions from the committee? Seeing none, thank you. [LB960]

JACK CHELOHA: Thank you. [LB960]

SENATOR MELLO: Next proponent for LB960. Can I get a quick show of hands again who's left to testify on LB960. Okay. [LB960]

LISA HURLEY: (Exhibit 17) Senator Mello and members of the Appropriations Committee, good afternoon. My name is Lisa Hurley, it's H-u-r-l-e-y, from York, Nebraska, and I am here representing the York County Development Corporation in the community of York, county of York. As you've heard, logistics is one of the top considerations when businesses are looking to locate or expand. I've had conversations with site selectors where the incompleteness of the 81

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expressway to the north of York has been brought up as being a disadvantage within the community. It is my belief that it's time for the state to finish the expressway systems. I'd like to zero-in on 81. As the belief from the county and the communities, York County, Platte County, and Polk County recently partnered together with 4 Lanes 4 Nebraska to complete an economic impact study on Highway 81 if it was completed. I know you heard from Dr. Goss earlier so it's in the letter. I won't sum it up. But as an economic developer, the combination of 1,858 jobs along with 4,221 additional in the state population make me very excited. It will make that work force easier to complete. I also believe the additional \$3.4 billion to the state GDP should make anybody excited when we look at additional tax dollars. In order to initially capitalize the Infrastructure Bank, it has to be adequate or we're not going to complete the expressway systems. I did include the executive summary of the report and I will just sum it up now, if you have any questions. But we are, my community is very support of getting the expressway systems. It is time to complete 81. It's a national corridor and there's a lot of goods that are running on this corridor. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Ms. Hurley. Are there any questions from the committee? Seeing none, thank you. [LB960]

LISA HURLEY: Thank you. Have a great day. [LB960]

SENATOR MELLO: (Exhibits 18-24) Next proponent for LB960. Seeing no more proponents, the committee received letters of support for LB960 from the Nebraska Department of Economic Development, the Sarpy County Board of Commissioners, the Nebraska Corn Growers Association, Ash Grove Cement Company, Nebraska Rural Electric Association, Nebraska Cooperative Council, the National Association of Utility Contractors of Nebraska, and I believe that's the letters of support received outside of the testifiers. We'll next take opponents to LB960. Seeing none, is there anyone here in the neutral capacity on LB960? [LB960]

TIFFANY JOEKEL: (Exhibit 25) Good afternoon, Chairman Mello, members of the... [LB960]

SENATOR MELLO: It's evening but that's okay. [LB960]

TIFFANY JOEKEL: Oh, excuse me. Good evening, Chairman Mello, (laughter) members of the committee. My name is Tiffany Joekel, T-i-f-f-a-n-y J-o-e-k-e-l, and I'm policy director at OpenSky Policy Institute. We certainly appreciate the work of Senator Smith and the Transportation Committee and their commitment to addressing this critical challenge for Nebraska and our economy. Of course, you, this committee, will not be surprised to find that we are here in a neutral capacity today to express concerns with taking \$150 million from the Cash Reserve to capitalize the Infrastructure Bank. As I said, we recognize the importance of

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investments in public transportation infrastructure as one of the best investments we can make in long-term economic productivity and growth. However, to the question of what's the appropriate level of the Cash Reserve, we want to speak to a few statistics that we generally talk about. The Government Finance Officers Association generally recommends two months of General Fund expenditures in the Cash Reserve. That would be about 16.7 percent of the Cash Reserve as it currently stands. And the Appropriations' preliminary budget takes...maintains that level in this fiscal year and then takes it down below 16.7 (percent). To the end of the next biennium, we're at about 14.5 percent of appropriations that are in the preliminary budget. Also the Fiscal Office makes a recommendation based upon the difference between previous revenue forecasts and actual receipts, and what they find is in a cycle of about four years, receipts average about 4 percent below forecasts when revenue forecasts come in low. So they generally recommend about 16 percent of receipts over a four-year period and that target balance they've defined in the preliminary budget as about \$746 million. So again, the preliminary budget of this committee has taken the Cash Reserve below that balance by \$52 million at the end of the next biennium. And of course, this does not include the \$150 million transfer for the Infrastructure Bank, nor does it include the \$26.3 proposed transfer for Corrections. If we include those on top of the preliminary budget, that takes the Cash Reserve down to 10.8 percent at the end of the next biennium of General Fund expenditures and puts it at a balance of \$228 million less than LFO's recommended 16 percent of receipts. So you know, I think there are a fair number of organizations that provide some guidance on that issue. To address the question of construction costs outpacing revenue streams, we did want to raise something that we think is important. We have three portions of our gas tax. There's a fixed portion which was raised with LB610. There is the wholesale portion which is 5 percent of the wholesale cost. So that portion tracks gas motor fuel costs. And then there is a variable portion. The fixed and wholesale portion, revenues are split between state, cities, and counties. The variable portion goes solely to the state, to the Department of Roads. And you know, we think there is an opportunity with this variable portion. I think when it was originally created, the intent was that variable portion could be set to meet the actual needs of the Department of Roads. What has happened, and particularly you can see in the chart on the back, is that with the implementation of the wholesale rate what has happened is that as the price of gasoline has gone up and the wholesale portion of the gas tax has tracked, that the variable portion has gone down. So what it's essentially done is acted as an offset to the increase or the change in gasoline prices instead of, perhaps as an option, responding to actual needs in the department. And so we just think that's an important thing to point out, that that could perhaps be used to ensure that revenues for the Department of Roads better track actual needs of the Department of Roads. So with that, I'd be happy to answer any questions. [LB960]

SENATOR MELLO: Thank you for your testimony this evening, Ms. Joekel. Are there any questions from the committee? Senator Haar. [LB960]

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SENATOR HAAR: We see in this bill that the counties are coming for more money for bridges and so on, yet in a county like Lancaster County they turned down wind development, which would have brought in \$14 million over 20 years. Does OpenSky have any kind of recommendation for counties in terms of generating more property tax and property tax revenues? [LB960]

TIFFANY JOEKEL: You know I can say, Senator, that wind energy is not a place we've looked into so I can't really speak to the property tax generation impact and the research base there. So I'm sorry. [LB960]

SENATOR HAAR: Okay. Well, I think that might be something useful to look into. Because with these needs for bridges and so on, it would seem that coming up with something like more, you know, brand new property tax revenues, such as you get with wind development and other renewables, would make sense for counties. So I have some trouble with granting counties more money, those counties that are turning down this additional revenue. [LB960]

TIFFANY JOEKEL: Thank you. [LB960]

SENATOR MELLO: Thank you, Senator Haar. Any other questions from the committee? Seeing none, thank you, Ms. Joekel. [LB960]

TIFFANY JOEKEL: Thank you. [LB960]

SENATOR MELLO: Next neutral testifier. [LB960]

PAM DINGMAN: Good afternoon, Senator Mello and members of the Appropriations Committee. My name is Pam Dingman, spelled P-a-m D-i-n-g-m-a-n. I'm the Lancaster County Engineer. Commissioner Bill Avery has asked that I remind you that I also am an elected official, so therefore I am representing Lancaster County Engineering. And I think you're all aware of that. I'm testifying today in a neutral position and I have to say I'm pretty torn to sit here in front of you in this position. In addition, my comments relate only to the County Bridge Match Program. As county engineer, I work daily with systems at the state and federal level to design, construct, and maintain Lancaster County's roads and bridges. I spoke to this committee last year in support of additional infrastructure funding. First, I want to be quite clear, I support additional funding for infrastructure. Lancaster County's infrastructure needs are great, as you heard from Commissioner Bill Avery earlier. Over 90 of our bridges are over 50 years old and well past their useful life. The lack of funding for county infrastructure and the need for innovation has been documented through Lancaster County's Engineer's reports since 1917. Lancaster County has

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actually reduced our number of bridges by 200 since that time in the early 1900s. It was easier and cheaper to build bridges in the past. For example, a bridge located on Havelock Avenue by Lancaster County Event Center cost only a few thousand dollars in the 1930s. When we replaced it in the mid-'70s, it cost \$75,000. Today this bridge is in need of replacement again at an estimated \$1 million. There are several reasons for these increases in price, which may relate back to increased bureaucracy and regulation. If this bill is passed, I urge the Department of Roads not to create new systems but to fund the programs that are already in place through the Local Projects Division and the Bridge Buyback Program. The Local Projects Division currently has a Major Bridge Replacement Program which is funded somewhere in the area of about \$2 million a year for projects. The Bridge Buyback Program distributes around \$6.8 million a year, of which Lancaster County receives approximately \$80,000. I have concerns that LB960 does not limit design-build to just expressways. I believe it is important for this bill to limit the use of design-build. In addition, I would also like to point out that there is significant research that shows design-build can be more expensive. However, I do believe that in the cases of extreme emergencies, it is a solution. Also, I have concerns that LB960 creates a conflict with LB958 which would undermine the county's ability to take advantage of this new funding. Lastly, I would like to state that we do not need bigger government; we need better government. We need programs that are user friendly. Sadly, I do not know whether the programs created in the future by Department of Roads will be good or bad, because the department will not outline these programs until October 1 of 2016. And in addition, I realize that this bill says participation in the program is voluntary. So if Lancaster County does not want to participate, we don't have to. That being said, Lancaster County's infrastructure needs are great, as are the needs of many of my peer counties. So obviously, whatever program is laid out, we would strive to participate in it. Therefore, I must once again state that I support infrastructure; however, I do not support bigger government. I'd also like to state that I am very appreciative for your time this afternoon and the time of the Telecommunications and Transportation Committee to improve the infrastructure of our state. [LB960]

SENATOR MELLO: Thank you for your testimony, Ms. Dingman. Are there any questions from the committee? Senator Haar. [LB960]

SENATOR HAAR: Yes. Well, thank you for what you do. Please carry my message back to your county commissioners. Thank you very much. [LB960]

PAM DINGMAN: Senator Haar, had that passed, they were willing to direct some of that money to infrastructure, so. [LB960]

SENATOR HAAR: Yeah. [LB960]

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SENATOR MELLO: Thank you, Senator Haar. Any other questions from the committee? Seeing none, thank you, Ms. Dingman. Next testifier in the neutral capacity. [LB960]

SCOTT JAPP: Yes. My name is Scott Japp, S-c-o-t-t J-a-p-p. I'm not here to address the need for roads and the funding. However, my concern is in this bill, the way I read it, is the part with the counties in the bridge program. I come from the small and medium-size construction business where maybe when bridges or other county projects will be built. Regarding our infrastructure, the way I understand this, in a design-build phase--and I've had many years of being on both sides of it on international projects as project manager--we could be eliminating a lot of the contractors or the small engineering firms that normally do this work for the county. The way a design-build usually works, you have to be large enough to be affiliated with a construction company or your construction company be affiliated with an engineering firm. And we're with...if it could go ahead with using these funds under this process, we'd be eliminating a lot of the small and medium-size contractors. So if you have any other questions. [LB960]

SENATOR MELLO: Appreciate your testimony, Mr. Japp. Are there any questions from the committee? Seeing none, is there any other testifiers in the neutral capacity? Senator Smith, would you like to close? [LB960]

SENATOR SMITH: Yes. Thank you for the opportunity to close. I appreciate it. And thank you for the thoughtful questions and for your attentiveness to this issue and for your engagement on it. You know we've heard a great diversity of perspectives from those that have testified today, regardless of whether they testified in support or in a neutral capacity. And you know the diverseness of that perspective is as diverse as the infrastructure needs that we have in our state. And we're blessed to have that diversity but, nonetheless, we have to sometimes move a bit more broadly to address it all. In this particular case, we have expressway systems, we have bridges, and we have urban areas that need assistance in economic development. I wanted to first, if I may, just address the folks that testified in a neutral capacity. Ms. Joekel, and I apologize if I didn't pronounce that correctly, but from OpenSky, very thoughtful presentation and I appreciate her comments. I do believe that we've made a strong case for the needs that we have in Nebraska and I do hope we continue to have that discussion. But I appreciate the spirit in which that testimony was brought. Ms. Dingman from Lancaster County, I would challenge her. And I appreciate again her...(inaudible) that she came and testified but we're not talking about bigger government. We're talking about better government. We're talking about bringing innovation to our state that so many other states are already engaged on. Probably 45 other states are currently using some of the innovative approaches to project delivery. And Nebraska needs to get on board and they need to move into the future to deliver these projects faster and more efficiently. I do appreciate Ms. Dingman's service to our state and to the county, but I do believe that we are approaching this in a very thoughtful way. The design-build is going to be used cautiously and appropriately, in my opinion, and I believe that that's the intent. And as whether the bridges are

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appropriate use of the design-build, I'm not so certain that anyone is really advocating for that. The bridge program is a pilot program. I believe we're looking at it for two to three years, and it's going to be on a voluntary basis. And I imagine that during that pilot program we will find ways to improve upon how that project looks going forward. To Senator Bolz, and Senator Bolz brought some very good questions up, and one of her first questions, and you brought it up a couple times, was the "may" versus "shall." And I believe that the amendment may address your concerns. And if not, I would like to handle that off-line with you because I do believe that we've addressed the "may" versus "shall" in the amendment. And I appreciate the way, Senator Bolz, you drilled into wanting to understand is there as way in which we need to approach in legislation guidelines, performance requirements to make certain we're being good stewards of the state's money. And I believe one of the best ways we've attempted to address that in the bill is when we challenge the Department of Roads and they very well only came back with a stretch goal of delivery time to complete the designated expressway systems to 2033. If you put a pencil to the paper, you probably will see that that is a stretch goal. The dollars that are outstanding yet to be...have those projects completed and the dollars that this bill bring in is still going to fall short. But we're going to work towards that goal with innovative approaches with the delivery methods, with the funding on this. And each year the Department of Roads will come in, as they do today with their needs study. Each year they're going to come in. They're going to talk about, with the Transportation Committee, are we moving towards that objective of 2033; if we're off track, why are we off track and how do we get on track and stay on track. So we are going to have an ongoing review process with the Department of Roads in meeting these objectives. Senator Kuehn brought up return on investment, again trying to make certain we're being good stewards of the taxpayers' dollars--very important. And I think that that's very...obviously, we need to answer those types of questions: What does that ROI look like? How do we measure it? But some of the measurements are going to be nontraditional. For example, an investment in our state, you know, what we're doing with this bill, we're going to bring about investments in our communities. That will create jobs. The construction itself will create jobs. And then how do you put a value on a life that's saved because we have safer roads? Anyone who's driven that stretch of 275 at night, there are a lot of eyes out there in the darkness peering at you. And you know, a lot of...there's a lot of tragedy that occurs on that stretch of road and a lot of our two-lane expressways in Nebraska. So how can we make them safer? And then the last thing I wanted to touch on was the FAST Act. And just so there's no confusion, if you look at the FAST Act, the FAST Act brings in about \$1.5 billion over a five-year period of time. I am so absolutely thankful that, championed by Senator Deb Fischer, that finally Congress was able to put together a five-year commitment. They brought certainty in the FAST Act. If you look at five years out, \$1.5 billion, and you look at the last five years that was cobbled together with a lot of patchwork, the net difference between the last five years of federal money coming in to the state and under the FAST Act, the net difference is about \$108 million over a five-year period of time. And that's about a 70/30 split. So the state gets about 70 percent of that and the local governments, munis and counties, get about 30 percent of that. That FAST Act money, other than that \$108 million

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over a five-year period of time, is not new money. That's the same money that we've had over the last five years. And it gets a little confusing when you hear about that but, again, there's no new money there other than \$108 million. And I believe that that's part of what that fund is that we're going to be funding the Infrastructure Bank with. So I hope I hit on everything that I needed to follow up on. But again, thank you very much for your time and your interest. [LB960]

SENATOR MELLO: (Exhibits 26-27) Thank you, Senator Smith. Are there any questions from the committee? Seeing none, we did receive a letter from the United Cities of Sarpy County as well I forgot to read into the testimony. [LB960]

SENATOR SMITH: We can't forget them. [LB960]

SENATOR MELLO: Can't forget them. Good or bad, this is the only Appropriations hearing where we've had anyone in a neutral capacity all session. So normally our committee never gets opposition to wanting to spend money, as members well know, so. But we appreciate everyone's testimony today. And that will end today's public hearing on LB960. [LB960]