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Transportation and Telecommunications Committee  
December 01, 2015

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[LR318 LR339]

The Committee on Transportation and Telecommunications met at 1:30 p.m. on Tuesday, December 1, 2015, in Bellevue, Nebraska, for the purpose of conducting a public hearing on LR339 and LB318. Senators present: Jim Smith, Chairperson; Al Davis; Curt Friesen; and Tommy Garrett. Senators absent: Lydia Brasch, Vice Chairperson; Beau McCoy; John Murante; and Les Seiler. Also present: Sue Crawford.

SENATOR SMITH: Good afternoon, everyone. Good afternoon. A little bit different set up in our room today, and I hope you can hear us well. We probably have some seats a little bit closer in. And if it's really difficult to hear us, we do have hand-held microphones we can use if we need to, so please let us know if you're having a hard time hearing us. I'd like to welcome you to the interim hearing of the Transportation and Telecommunications Committee. We're very happy to be here in Bellevue today and very grateful to Bellevue University for accommodating us in this very, very nice facility. This is our fifth in a series of hearings on infrastructure, and we have one more hearing in Lincoln later this week. I am Jim Smith from Papillion. I'm Chair of the Transportation and Telecommunications Committee, and I would like to have my colleagues introduce themselves.

SENATOR FRIESEN: I'm Curt Friesen, District 34, which is Hamilton, Merrick, Nance, and part of Hall Counties.

SENATOR CRAWFORD: Senator Sue Crawford, Bellevue.

SENATOR GARRETT: Senator Tommy Garrett, Bellevue and Papillion.

SENATOR SMITH: And we're going to have Senator Al Davis from Hyannis join us here shortly. He's just running a little bit late. And then also with us today is Mike Hybl, to my right, he is...Mike is legal counsel to the committee. And Paul Henderson at the end of the table is our committee clerk. And when you turn in your green forms today for testimony, you will be turning those forms into Paul at the end of the table. We will be hearing testimony on two of our interim studies today. We're going to hear LR339, which is a legislative resolution to examine the

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current statutory requirements governing the removal of roadside vegetation. And that resolution is going to be up first today and then followed by LR318, the comprehensive study of our state and local roads system. And before I have any further introductory remarks, I wanted to thank Senator Crawford for joining us today. Senator Crawford, though she does not sit on the Transportation and Telecommunications Committee, Senator Crawford has been a very friendly face to us in the Legislature on the issue of transportation and roads funding. She was a great supporter in this last year of discussions on infrastructure needs. And we're fortunate to be in her home district today, and I wanted to give her an opportunity to make opening comments.

SENATOR CRAWFORD: Thank you. Thank you, Senator Smith. I appreciate that very much. I appreciate your leadership on transportation issues in the state. Well, thank you for being here today and welcome to Bellevue and District 45 and Sarpy County, where we have some unique transportation needs. So I really appreciate your willingness to be here today and I appreciate the committee and staff time coming on the road, and I appreciate that very much. I know it takes some extra time and effort on your part, but I think it is so valuable for you to hear from people around the state. And I'm very grateful that you've taken the opportunity to come to Bellevue and hear our concerns here in this part of the state. And I want to recognize Mayor Rita Sanders, who's here from Bellevue as well. And Larry Burks from Bellevue will be sharing with you some of the transportation needs in this area and also a lot of the contributions that the local communities, the city is already providing in terms of dealing with transportation needs, showing the load that they're bearing and some of the remaining transportation needs that exist. So again, welcome. It's great to have you here and I look forward to a productive hearing. And thank you again for bringing the hearing here to Bellevue.

SENATOR SMITH: Thank you, Senator Crawford. And Senator Garrett is a member of the Transportation and Telecommunications Committee and he, too, has been extremely helpful for us moving forward on the transportation issues facing our state. And Senator Garrett's district is adjacent to Senator Crawford's district, and I wanted to give Senator Garrett an opportunity as well to welcome you.

SENATOR GARRETT: Yes. I'd like to thank you also for being here and it's great for you to see--if you hadn't seen Bellevue University before or been in Bellevue recently, this is a great

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institution. It does a lot of things for veterans, which we're really excited about. My district is actually District 3, which is west of 25th Street in Bellevue and goes out to 84th Street in Papillion and up into Harrison up by Gross High School, so kind of a gerrymandered district. I didn't say that, did I? But really appreciate the fact that all of you are out here and get to see this great institution here. Bellevue University is doing wonderful things, not just for the local community in Nebraska, but nationally. And I appreciate you all being here.

SENATOR SMITH: And those aircraft that we see flying around out there, Senator Garrett, we want to keep them flying. Right?

SENATOR GARRETT: Absolutely.

SENATOR SMITH: So with that, we're going to move to LR339. We expect LR339 to be a short portion of the hearing today. And Senator Garrett wanted to introduce...make introductory comments on LR339. And again, LR339 is an interim hearing and discussion on the current statutory requirements governing the removal of roadside vegetation. Welcome, Senator Garrett. [LR339]

SENATOR GARRETT: Thank you, Senator Smith. I'm Senator Tommy Garrett, T-o-m-m-y G-a-r-r-e-t-t, and I welcome you to the city of Bellevue, the home of the Fighting 55th Wing, the 557th Weather Wing, and headquarters of the United States Strategic Command. LB639 was brought to me on behalf of an outdoor advertising company who does business in District 3. This company places lawful billboards on private right-of-ways through contracts with private landowners and places advertising on those billboards on behalf of local and national businesses. Unfortunately, those companies are faced with a situation where volunteer trees and shrubs, not planted or landscaped trees, grow in front of these billboards and obscure the advertisements. This results in a devaluing of the advertisement for the advertiser, the landowner, and also the billboard company. There's no provision in state statute to allow billboard companies to trim or remove trees or shrubs in the public right-of-way. This lack of vegetation control is hurting Nebraska businesses. Over 30 other states have some sort of vegetation control plan. Their state agencies that govern highways have promulgated rules to allow private companies to do this. These states usually require a permit to trim vegetation around each obstructed billboard and

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charge a fee for the permit. These states have done this at the recommendation of the American National Standards Institute. The American National Standards Institute recommended this after conferring with their federal arborists, the Federal Highway Administration, the Outdoor Advertising Association, and the American Association of State Highway and Transportation Officials. I introduced LR339 to allow us time over the interim to work with the Department of Roads and build a consensus with them on the language for LB639. I thank Director Schneweis and Andy Cunningham for engaging us on this issue. We look forward to the testimony and improving LB639 and getting it successfully through this next legislative session. Thank you, Senator Smith, and again, welcome to Bellevue. [LR339]

SENATOR SMITH: Thank you, Senator Garrett. Do we have questions for Senator Garrett? Senator Garrett, what do you see as remaining opposition to legislation coming about to address this? Do you see any remaining opposition? [LR339]

SENATOR GARRETT: Well, when we met with the Department of Roads, this seems like--and I should know better than to say this--this seems like a no-brainer. But when we met with the Department of Roads and discovered that, in fact, it's been 30 or 40 years since we've adjusted the...the state has adjusted the fees for this. So I think the fee schedule might be something that would raise some issues for debate, as we always do within the body of the Legislature. So there may be some debate on that. [LR339]

SENATOR SMITH: Okay, great. Thank you very much for your work on this issue. [LR339]

SENATOR GARRETT: Thank you. [LR339]

SENATOR SMITH: We will now entertain any other testimony on LR339. Welcome. [LR339]

JIM DEITERING: (Exhibit 1) Thank you, Senator Smith. Jim Deitering, that's D-e-i-t-e-r-i-n-g, I am a real estate manager with Lamar Outdoor. And thank you, Senator Garrett, for your introduction on this matter. Mr. Chairman, Transportation Committee members, I am with Lamar Outdoor, as I said. I'm in attendance here with our general manager, Sheila Kuehn. I'd first like to thank you for this opportunity to testify regarding LR339, examining the statutory requirements

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governing removal of roadside vegetation. This resolution was introduced as a result of a legislative bill heard by this committee in March. We introduced that bill, LB639, in order to allow the Department of Roads the option to adopt a vegetation control program and to issue the permits for the removal of volunteer or wild vegetation along state right-of-ways in Nebraska if that vegetation were to obstruct or obscure lawfully placed advertising signs. A majority of other states allow some sort of vegetation control along state right-of-ways for the purposes of outdoor advertising. We are not seeking the right to trim and remove wild vegetation along state right-of-ways. We are only seeking or asking the ability to do so when it makes sense, through an application and permit process, which we would directly work with the state Department of Roads. I'd like to take a couple of minutes to refresh the committee on this issue. We, as well as other outdoor advertising companies and businesses, have a number of signs located throughout the state of Nebraska where trees and vegetation that were not intentionally planted but have grown voluntarily obstruct visibility to outdoor advertising signs. These signs convey messages and advertisements intended to impact commuters and travelers toward businesses and products, many of which are for local businesses and companies located within the state. The obstruction of visibility to outdoor advertising signs not only impacts outdoor advertising companies' abilities to receive full value for its product, but it also impacts the advertisers with whom we are working with in outdoor...trying to advertise their own businesses, but as well as the landowner with whom companies lease with for the purposes of locating a billboard sign. For example, if the lease contract we share with the landowner is based off of revenue performance, the rent they receive could be severely impacted if vegetation or volunteer trees were to obscure that sign. They could see the rent received from their shared lease with that outdoor company reduced or in some cases they could stand to lose that additional income altogether through no fault of their own, because of overgrown wild vegetation. I am including with this some photos and this is actually what I submitted to you in March when we last met. I apologize (inaudible). These are also letters from clients with whom we work with in support of this bill. I would just like to reiterate the trees and the vegetation that we are discussing are not purposely planted and serve no real aesthetic environmental purpose. They are wild trees or vegetation that grow uncontrolled. We are not asking to trim nor would we be in support of removing intentionally planted vegetation or trees along state right-of-ways. LB639 authorizes the Department of Roads the ability to issue permits to allow the trimming or removal of volunteer trees or vegetation. Since the public hearing on the bill and the introduction of this resolution, Lamar Outdoor, along

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with another outdoor advertising company, have met with the NDOR and the Governor's Policy Research Office to determine whether we could come to an agreement on a vegetation control program. Although there are a number of outstanding issues that we are actively discussing, I am happy to report to the committee that we are in continued communication and will continue that work with the department to come up with a fair and equitable solution to this issue. These outstanding issues do include permit fee, environmental impacts, timing of allowable trimming, and a number of other technical issues. We feel confident that if both parties are committed to this reasonable approach, we can come to terms on a fair and safe vegetation control program for both the impacted businesses and the state. If we can negotiate mutually acceptable terms, we will ask that the committee please advance LB639 out of committee and on to General File when the session commences in January. We look forward to continuing work with the Nebraska Department of Roads and this committee on this important issue. Thank you. I'll answer any questions that you might have. [LR339]

SENATOR SMITH: Thank you, Mr. Deitering. Do we have questions? Senator Friesen. [LR339]

SENATOR FRIESEN: Yeah. Mr. Deitering, when you get further outstate Nebraska along the interstate, I mean all the signs that are out there are currently permitted in some fashion, setbacks from the interstate, whatever. [LR339]

JIM DEITERING: That's correct. [LR339]

SENATOR FRIESEN: And so those signs are legally placed and now there's obstructions growing in the way. And I've seen numerous spots where they do that along the interstate. [LR339]

JIM DEITERING: Yes, sir. Yes, sir. [LR339]

SENATOR FRIESEN: So currently, you can't go in there and trim that vegetation. And everything you're talking about is on the state right-of-way, is that correct, not on private property? [LR339]

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JIM DEITERING: No. If it is on private property, then we can contact that landowner, whether it be a landowner with whom we lease or if it is maybe an adjacent property owner with whom we can maybe make contact with and get their permission to trim. But if it's anything along state right-of-way we cannot...we are not allowed to access that tree or touch it in any way. [LR339]

SENATOR FRIESEN: So is the...have you ever asked the state to remove any of those trees or talk to them about it previously? [LR339]

JIM DEITERING: We have. [LR339]

SENATOR FRIESEN: And they've been reluctant to do that? [LR339]

JIM DEITERING: Yes and no. They've been receptive, but because there's never been anything in place up to this point, the state is protective of the right-of-way and has the right to do so. It's a safety issue. Obviously, they want that to be freed up. But to this point we've really had no success in gaining any ability to trim trees...wild vegetation. [LR339]

SENATOR FRIESEN: So this permitting process that you want to put in place, would that be a permit for each sign to go trim in front of it or a blanket in some areas or... [LR339]

JIM DEITERING: To be fully honest, that's one of the technical issues that still remains. But we are in continued discussion on that matter to really nail down what this would intend to do, whether it be per sign or a certain area or per tree. [LR339]

SENATOR FRIESEN: Okay, thank you. [LR339]

SENATOR SMITH: Senator Garrett. [LR339]

SENATOR GARRETT: Thank you, Senator Smith. Can you give us an idea of the magnitude of the problem, for example, the percentage of your billboards that are actually being obstructed by volunteer trees and shrubs? [LR339]

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JIM DEITERING: Speaking on a local level, seeing that our primary footprint for Lamar-Omaha, our signs reach as far west on I-80 into Greenwood, but you can make an argument that there's obstruction to a majority of signs. But now that said, it's not strictly due to wild vegetation. I mean, there's issues of street lamps and streetlights and power poles, things of that nature. But I can say that there is a large number of signs, not just for Lamar and not just for Lamar in western Nebraska, but also billboard companies and, truthfully, on-premise businesses with their own signs that you can't see. Wild vegetation is an issue. I'm sorry I can't give you a broader answer as to an exact number, but this is an issue that would really assist in outdoor and bring up visibility for our signs and getting full value as well as giving the full value for our customer that's advertising on that sign. [LR339]

SENATOR GARRETT: Would you also, when you trim these volunteer trees and shrubs, would you be applying any kind of herbicide or anything to keep these things from growing again? [LR339]

JIM DEITERING: That's another technical matter we've still discussed. When discussing herbicides, I know that anything that we would want to do would want to be approved. But, too, we wouldn't want to hurt any sort of...the agricultural or any environmental...obviously, we'd want something that wouldn't be of any danger to any surrounding areas. But if nothing else, we could trim or cut down a tree and then just periodically over time maintain that so it doesn't grow as big as it has gotten to that point. That would be ideal. [LR339]

SENATOR GARRETT: Okay, thank you. [LR339]

SENATOR SMITH: Any further questions for Mr. Deitering? I see none. Thank you for your testimony today. [LR339]

JIM DEITERING: Thank you. Appreciate it. [LR339]

SENATOR SMITH: We appreciate it very much. Do we have additional testimony on LR339? I see none, so we're going to close the comments portion of the hearing on LR339 and we're going to move on to LR318. And I think it should be noted that Nebraska law grants broad authority to



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the Department of Roads and its state engineer with respect to designing, constructing, and maintaining our state highway system. However, the underlying blueprint for our system was forged under the leadership of the late Senator Jerry Warner--and I know there's at least one person in this room that worked with Senator Warner--and former Governor Kay Orr. LB632 was passed in 1988 and it laid out specific goals for the Nebraska Department of Roads to pursue with respect to the development and prioritization of Nebraska's expressway system and provided for greater transparency and accountability. In addition, LB632 recognized that no plan, no matter how well conceived, would move forward without funding and the Nebraska Highway Bond Act was adopted. The Nebraska Highway Bond Act allowed the State Highway Commission to issue up to \$50 million in highway bonds exclusively for the construction and maintenance of our highways. That was more than 27 years ago and things seemed to have stalled until 2011 when Senator Deb Fischer helped accelerate the expressway system with LB84. And LB84, as we know, was referred to as the Build Nebraska Act. And last year we took yet another step in reaching our state highway system goals with the attainment of a reliable funding source and the passage of LB610. But, of course, meeting our funding needs not only for expressway systems but also the repair and maintenance of our bridges and highways continues to be a challenge across the state. And that's the underlying reason we came to LR318 and we are having these hearings across Nebraska. I wanted to just make a couple of quick introductions. Now Paul Hartnett is not here, but Paul Hartnett was a senator from Bellevue and he was one of the sponsors of LB632 back in 1988. And as a result of that, Mayor Sanders, we have the Kennedy Expressway today. So good things came of that legislation back in 1988. And then also we have in the audience with us today we have Senator Loran Schmit from David City and Loran Schmit was one of the sponsors of the original legislation, LB632. So thank you for laying the groundwork for where we are today. But we need to move forward with making certain we have appropriate funding for our expressway systems and also the maintenance and repair of our bridges and our highways in our state. I think I failed to mention the process here, so let me just clarify. I think everyone who's testifying has probably testified before. You need to complete a green sheet prior to coming to the table. And when you do come to the table to testify, turn in your green sheet to Paul at the end of the table. I don't think we're going to keep a time limit today. I think we can move through this pretty well. But we do have invited testimony at the beginning of our hearing. These are folks that had contacted us in advance and they wanted to schedule some time to give introductory testimony on this issue. So let me read out

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who that's going to be; and then once we complete the invited testimony, then we're going to move to open public testimony. We're going to have a representative from the League of Nebraska Municipalities, Larry Burks, representing the city of Bellevue; the Greater Omaha Chamber of Commerce will be represented in introductory remarks; Nebraska Department of Roads; Metropolitan Area Planning Agency; American Council of Consulting Engineers; Associated General Contractors; and 4 Lanes 4 Nebraska. And each one of those organizations is going to have one person that has been invited to provide testimony at the beginning of our hearing today. And then we will open it up to public hearing. So with that, we're going to invite Larry Burks, the Assistant City Administrator from the city of Bellevue, representing the League of Nebraska Municipalities. Feedback that we're getting is that everyone can hear me just fine. But the folks sitting at the desk, if you could raise your voice a little bit to where you could be heard by the audience out there we'd greatly appreciate it. [LR318]

LARRY BURKS: Not a problem. I am Larry Burks, that's L-a-r-r-y B-u-r-k-s. I am the assistant city administrator for the city of Bellevue. First of all, I'd like to thank you all for hearing me today. Thank you for the invitation and thank you for coming to Bellevue. And most importantly, thank you to all the folks that have worked on these projects critical to infrastructure development, and more importantly, critical to your community and the state of Nebraska. I appreciate it. It's important to understand that all the infrastructure development going on in the city of Bellevue over the past several years has been due to growth. A lot of that is we are very blessed to be in Sarpy County, the fastest growing county in the state of Nebraska. However, some of that...with that growth comes some growing pains. Many communities are very new. The city of Papillion is expanding. But the city of Bellevue is one of the oldest communities in the state of Nebraska, so we have some additional burdens with our streets and roads. The money that we receive in highway allocations now is around the \$4 million to \$4.5 million range, which may sound pretty generous in itself. However, over time, just on the books for our capital improvement plan we have prioritized over \$18 million worth of projects. A lot of that is handling growth. But what a lot of people don't realize is within that growth there are additional operating costs that are added on over time. The city of Bellevue's operating cost is right around \$3 million per year, and that's going up at the rate of inflation, of course, and added expenses. Just the streetlighting alone for the city of Bellevue costs approximately \$1 million a year. That's a lot of money. We're looking at ways to reduce those. However, aid is one of the most critical

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things that we can have in order to get those projects done, many of those expansion projects. Many of you have probably heard of 36th Street, the corridor that's going to be worked on. That is due to the growth south of Bellevue. Highway 34, you mentioned Highway 34. Along with that, that blessing of infrastructure development comes the relinquishment of part of Highway 370, which includes a very large and a very expensive and aging overpass over Fort Crook Road. So these are some of the things that we have to address over time. The...again, with that growth comes the added operational expenses. And thank you, Senator Smith, for your work on LB610. That is a huge step in the right direction. But many communities are in a similar position as Bellevue, and we have a great need for assistance in helping us deal with the changing demographics and changing, expanding metropolitan area so we can efficiently and effectively move people and goods and services and things of that nature. [LR318]

SENATOR SMITH: Thank you, Mr. Burks. Do we have questions for Mr. Burks? For a little perspective, I know folks here probably heard these figures before, but roughly what is the cost to the city per mile of urban road or highway? [LR318]

LARRY BURKS: Now is that new construction or just the basic operational costs? [LR318]

SENATOR SMITH: Let's have both. [LR318]

LARRY BURKS: I would say a two-lane street--and this is the number that I heard from my...the city engineer, Jeff Roberts, public works director. This was when we were doing some estimating on a project--it's about \$300 a foot is a nice round number for a two-lane with curb and gutter. And that's \$1 million a mile is another term I've heard. And we can handle the estimating and that type of costs, but when it comes to the reconstruction or repair and the redevelopment of areas that we need to look at, such as Highway 370 east of Highway 75 that is ours now, those are some significant cost increase over time, significant cost increase. And those are going to need some redevelopment. Fort Crook Road is another one that used to be a state highway. I'm not sure if it's receiving any more state funds at this time, but that is another road that we're seeing more and more traffic on, even though it has a road diet. There's more traffic on Cornhusker and Fort Crook Road and that will continue to increase. Of course, Highway 34 on the Fort Crook Road south of Bellevue is gradually increasing. In fact, there's a state project due

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to begin next spring. But all that traffic will come into Bellevue. The new roads and new construction, assistance there would be great as well. And I appreciate your question. [LR318]

SENATOR SMITH: So I know you have a great backlog of work in your city and needs just to maintain your roads, expand the capacity on your roads. But also as a city you're wanting to keep up with the change of the people that locate here and the needs and the wants that they have. So we're talking about bike trails and all those other things that have to come out of your infrastructure budget. I know senator...I mean mayor...your mayor loves her bicycles, so...and that's something that's attractive to getting families to locate to your city. How do you balance that with your roads needs? [LR318]

LARRY BURKS: Well, I'm glad you asked that question, Senator Smith, because the mayor would have had me in on the carpet if I didn't mention Offutt Air Force Base. The quality of life in Bellevue is something that we want to maintain and the quality of the streets is a big part of that. Like the football team, people don't like to have their cars beat up every fall and winter, you know. So they won't put up for that for very long, right? So it's an important issue. Right now, Offutt Air Force Base, if I'm not--and, Senator Garrett, you may be able to correct me on this--I believe out of all the bases, which are 50-some bases in the United States, Offutt is in the top five consistently from year to year on quality of life and, more importantly, quality of life for the spouse. So that is a critical element as well to our infrastructure, not just...and then you take into account the fact that our infrastructure is a driving force behind economic development and the interaction of businesses and industry, that even compounds the critical element of what we're trying to do and what our needs are for an evolving human population and what they need to be happy in Nebraska. [LR318]

SENATOR SMITH: Very good. Senator Crawford. [LR318]

SENATOR CRAWFORD: Thank you, Larry. Thank you, Mr. Burks, for being here today. Are there any infrastructure needs that are more specific to having Offutt Air Force Base in our community? You mentioned the quality of life, just making sure the people who live here enjoy living here with good roads and bike trails. Are there other issues that are important for us to recognize in terms of transportation needs related to Offutt Air Force Base? [LR318]

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LARRY BURKS: Fort Crook Road, the overpass on Fort Crook Road from Highway 370 that we acquired at the beginning of this year. That overpass has met, I believe the engineering term is...it's lifespan, but there's an engineering term--and help me out engineers--but it's approaching that; it's within two or three years of that life span. And so the annual inspections will be more expensive and things of that nature. And in fact, if I recall, some of the management meetings they've talked about studying what it would cost to take down that overpass and put in a roundabout. That would ease the, one, overall long-term expense cost for the city of Bellevue; and two, eliminate some of the traffic signals and things of that nature and create a smoother flow of traffic through that intersection. That is just one that I can think of. Of course, if you follow Highway 370 into Olde Town, it gradually becomes Mission and Lincoln. And at the fork is the entrance to the south...the north entrance...the Mission entrance, if you will. That road there is gradually seeing traffic increase as well. So even though Highway 34 has opened, we're still seeing, with the construction of Google across the river in Iowa, we're seeing traffic in Olde Town and it's part of our monitoring to make sure these roads are maintained. We just did an overlay on that project and it was to the tune of almost \$2 million. [LR318]

SENATOR SMITH: Fantastic. Thank you, Mr. Burks. Any further questions? I see none. Thank you for your testimony today. [LR318]

LARRY BURKS: Thank you very much. [LR318]

SENATOR SMITH: We now invite Mike Piernicky from Olsson and Associates, representing the Greater Omaha Chamber of Commerce. Welcome. [LR318]

MICHAEL PIERNICKY: Mr. Chairman and members of the committee, I'm Michael Piernicky, M-i-c-h-a-e-l P-i-e-r-n-i-c-k-y, and I'm the chamber chairman of the transportation council and I thank you for the opportunity to speak with you here today. The chamber takes a broad and comprehensive view of Nebraska's transportation system. Our transportation council has subcommittees on roads, freight, air, and alternative transportation. This is one system, but with various components, each with their own circumstances and needs. You have heard or will hear various testimony today about the needs we have at all levels of government. You will hear about backlogs of future projects and needs that will not be met of \$1.5 billion or more, \$200 million

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or more in backlog locally here in the city of Omaha. And it should be noted that this testimony was generally coordinated with that from ACEC, which you'll hear from shortly about the needs identified here locally. For today's hearing, though, we will focus on an infrastructure funding alternative that could be for consideration. As part of this conversation, it should be noted that NDOR has undertaken initiatives to investigate alternative project delivery methods and to streamline processes to deliver projects faster in the state of Nebraska. We believe that one option to consider for the state is to utilize a financial market approach as one element of the funding mechanism. So we bring to you an option that's different from what the state has done generally, but one that is not unprecedented. For the last ten years we have explored programming, such as infrastructure banks, state and local project coordination, and market financing. In 2009, we brought to this committee LB401, the High Priority Surface Transportation Development Act. Basically, this would have provided for a state infrastructure bank and would provide grants and low-interest loans for local road building efforts, and it would have set up a state structure for financing large infrastructure projects with special obligation instruments. LB401 was comprehensive in its reach, fostering cooperation between the state and local efforts to fund pressing projects, including local funding matches. The purpose of this proposal was not and is not to replace our overall funding approach in the state of Nebraska nor the Department of Roads's construction program. It is not to replace the Build Nebraska Act. It's to supplement these efforts for needed large infrastructure projects that will not be built in the next 20- to 30-year time frame because of constraints on funding. The financial market approach is not a new concept in Nebraska. Senator Smith, you mentioned just briefly ago that 46 years ago voters approved such financing for roads and in the '70s the state used this authority to finish our interstate system. This interstate system was finished first in the nation because of the forward-looking thought of the Legislature and the voters of Nebraska. In 1998, the Legislature increased this authority to \$50 million and that is where it stands today. Certainly, this is not a rare concept nationally. Numerous states utilize various such financing methods. Recently, Connecticut, which could fit into a small corner of Nebraska, authorized \$2.8 billion for a 30-year multimodal system upgrade. The state of Mississippi authorized \$200 million for bridge repairs. So the questions of how would this work come up. Right now we're in a favorable finance market. Rates are historic lows and Nebraska has a top-tier rating. In a hypothetical program under current market conditions, a debt service of \$24 million per year for a 20-year program, and for reference, that is roughly equal to the revenue from just 2 cents of the

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existing fuel tax. What would this gain? Three hundred and thirty million dollars in road funding today, taking advantage of historically low interest rates and avoiding the inflation of construction costs. But we would not have to wait 20 years to realize the benefits of the projects to the state economy. We could do that now. We could get a handful of the needs that you're going to hear about met sooner and more appropriately. But let's consider another scenario, one that is more flexible and offers a higher potential payoff. A rolling system of short-term finance at lower interest rates with projects taken in on four-year windows. Over the four-year windows, five of which, over 20 years that would be \$450 million in new construction at current market conditions for the same debt service. As you know, road projects take time to develop. There are environmental impact statements, proper design, and appropriate things that need to be completed to put these projects in place. So realistically, this could be a combination of acting immediately on those projects that are ready to go and then being used for a phase-in system for those on the drawing board. We envision a flexible yet focused program, selecting those projects of the greatest and most immediate need and to fund them and in the meantime get other projects in the queue for funding down the line, if and when that makes sense based upon market conditions. Be clear. This is another tool in combination with the other items being brought to this committee, such as alternative project delivery methods, user revenue concepts such as vehicle miles traveled that would have to be, as part of a good option, to supplement our traditional system. This would be a tool to address a select handful of large infrastructure projects. One further note, the Legislature and the voters of Nebraska, in our opinion, were prudent in granting this authority that involves no general obligation on the state. The General Fund would not be involved. The State Constitution as amended by voters provides that such financing must be paid for with the state revenue closely related to such highways and motor vehicle fuel taxes or motor vehicle license fees. With that, I'd open up for any questions that you may have. Thank you for your time and consideration today. [LR318]

SENATOR SMITH: Thank you, Mr. Piernicky. Do we have questions from other senators? Can you repeat...again, you mentioned a \$24 million debt service. And how much would that provide for? [LR318]

MICHAEL PIERNICKY: Obviously, as part of the Omaha Chamber, we have a number of investment banks that are members. We have coordinated with them over the years because this

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is not a new proposal that we have brought to the committee. But \$24 million, hypothetically, it was a rough number that would be equal to about 2 cents of the existing fuel tax. And you would roughly get, at today's financing rates, about \$330 million in existing funding. [LR318]

SENATOR SMITH: All right. And what are you seeing in our neighboring states, and what are they doing along these lines? You had mentioned Connecticut. [LR318]

MICHAEL PIERNICKY: A couple examples: Connecticut, they went with a 20-year program to get a \$2.8 billion program pushed forward. Missouri put together a number of years ago projects for bridges. Kansas Department of Transportation has done an entire ten-year program. And certainly there's things to be cautious of in how some of the other states have implemented their programs, clearly, and the situations that they now find themselves in. But that being said, that doesn't mean that this shouldn't be a tool that's evaluated cautiously by the Legislature, the department, and the state as a way to move large projects forward as one part of a mechanism or one part of a funding system. So I don't know if that answers your question, but... [LR318]

SENATOR SMITH: Yes. Thank you, Mr. Piernicky. We appreciate your comments. [LR318]

MICHAEL PIERNICKY: Thank you for your time. [LR318]

SENATOR SMITH: We would now like to invite Kyle Schneweis, the Director and State Engineer of the Nebraska Department of Roads. Welcome. [LR318]

KYLE SCHNEWEIS: Thank you, Senator. Mr. Chairman, members of the committee, Senator Crawford, thank you for the opportunity. I'm Kyle Schneweis, Director of the Department of Roads here in Nebraska, it's S-c-h-n-e-w-e-i-s. I'd like to introduce a few folks I have with me today: A man famous in these parts, our District 2 district engineer, Tim Weander, is sitting alone over there; deputy director of engineering, Khalil Jaber, is directly behind me; Right-of-Way Division head Bob Frickel is here; our Highway Beautification manager, Jean Todd, is here; as well as our Government Affairs manager, Andy Cunningham, who you all know very well. Thanks for the opportunity today. I keep saying I'm new to Nebraska. I don't know how long I get to get away with that. I'm not quite six months on the job, but it's starting to feel more and



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more like home. I tell you, and I believe this more and more every day, it's a great place to be, Nebraska is. There is a ton of support for transportation in the state, as I travel around. Just...there are needs but there's just a lot of support in the hearings. I know you've seen that too, Senator, and I've been lucky enough to go with you around the state and see it. We have a system that's performing well. The pavement is in pretty good condition. Our bridges are in pretty good condition on the state system. We're funded well enough to continue to do that. Having worked in about a dozen states around the country, there are...we are in an enviable position in terms of the condition of our system and how well our funding situation is; not that it can't improve. But some of our neighbors are jealous of the situation we have and I feel lucky to be here. So I would say, as I travel around a couple things that I hear a lot of: We want projects sooner, faster. That is probably the thing I hear the most. And I think you heard that a little bit today already. And the other part is that the Department of Roads needs to continue to partner with people and find solutions and just work with our partners and stakeholders. And so we're working hard to do both those things. I want to talk about capital improvement projects a little bit. These are the big economic impact driving projects: adding lanes, new interchanges, new corridors, things of this nature. There are a lot of needs. These are the things you hear about as you travel around. These are the things that many people find the most important. The good news is we have the Build Nebraska Act passed in 2011. It's a 20-year program. Ten years of projects have been programmed. We've got four completed, including I-80 and I-480 here in Omaha. In the Omaha area, we have four more currently under construction, including 133 from Blair to Omaha. And we have nine more projects scheduled to begin starting next year and through 2023. A couple of local examples or regional examples: Highway 75 Plattsmouth to Bellevue and 34/75 from Murray to Plattsmouth. So a lot of work is being done already to address some of these needs. The good news is, there's ten more years of funding available that's unprogrammed. Talk about walking into a good situation when you come to a new state, and you have unprogrammed money ready to meet these needs. It's great. One of the things that we've tried to undertake is a new process for selecting those projects the next round. In the past, a very sound process was used, but it's based almost strictly and entirely on engineering, what I would call engineering, so traffic volumes, safety. Important factors, but I think there are other factors for consideration, especially when we're talking about these projects that have such an impact on our economy. So we are reevaluating that process. The Innovation Task Force that we launched last...a couple of weeks ago--Senator Smith, I know you're a member of--has helped to weigh in and I think is

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supportive of our approach, which will take into account economic impacts into consideration. It will allow us to look at two projects that look the same from a traffic and a safety standpoint, but understand that one project may have a greater impact to the economy. It might serve an industry that's important. It might serve...trucks might be coming in directly to Nebraska to serve the industries here rather than just passing through; things you can't tell if you just look at traffic volumes. So we're trying to look at some of those things. We're also trying to increase the public involvement component of it so that folks have a chance to weigh in. These are big decisions. I think our elected officials, our communities need a chance to weigh in and inform us on the decision. I think we're not trying to abdicate responsibility in these decisions. The Department of Roads needs to make these choices. But we need to do it with an understanding of what's important in the region and important in the part of the state, and that's what we're committed to doing. So that's where we are in trying to select that next ten years of projects. Of course, funding is not available until 2024. And people say, that's not soon enough. I want to go sooner. And so there are two parts to it. One is the fact that we need to move the funding up if we can. Another is we have to be able to develop the projects to deliver, because it takes a while. In terms of delivering the money, I think one concept that has been tossed around is the state infrastructure bank. I think that's something that at Department of Roads we would be supportive of. If we could find a way to capitalize the infrastructure bank, we could essentially borrow from ourselves. I think there is opportunity to use existing NDOR revenues to continue to populate an infrastructure bank. I think that would be a way to advance some projects. I think that's worth exploring. But again, I think an important point to make is it's not just about moving the money forward. We also have to be able to get the projects done in time. And our current process to deliver projects takes seven to ten years. And many people gasp and take a step back when they hear us say seven to ten years to develop a project. I can tell you, we are working to try and make that shorter, if we can make it six to nine, if we can make it five to eight, that's what we're trying to do. But part of the challenge is the way in which we are required by state law to contract for the projects. We currently operate under a very traditional method of design-bid-build. We hire one firm or we do it internally and we design the road in one package. This includes environmental piece, right-of-way piece, the design piece. That's what takes so long, the seven to ten years. Get done with that whole piece, then we wrap it up into a bid and let it out to a contract for a contractor to actually build it, so design-bid-build. It's worked well, it served us well in the past, but it does take a long time. If we want to go faster, we need to look at some

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other alternatives. And some other states are using mechanisms called design-build, where you let the contract in one, a design firm and a construction firm work together under one contract. And essentially you can start construction sooner. As the design gets out, the construction trails behind. I think it's an important tool that we should look into, especially if we want to move sooner we need to explore these kinds of tools. There are other tools, a CM/GC, construction management general contractor is something we'd be interested in exploring, all of which I think could help us go faster. So just some example of time frame: So if we do nothing and just continue how we've done it and we wait for the money, 2024 is the first time we can build a new unprogrammed project. If we find a way to advance the money but don't change how we build the project or how we contract the project, 2022, that's our seven to ten years if we start now. We're not gaining much time. So in addition to just the money, we have to find ways to move them forward and we think we can do that with some new contracting mechanisms. If we did design-build, we think we could start in 2019, so you can start to gain some serious time. Okay. That's a little bit about capital improvements, economic impact. I want to talk about maintenance. We have a large system, as you know, 10,000 miles of highway in the state. If you look at our pavement performance charts, five years ago it had steadily...in the percentage of miles (inaudible) steadily going down. And it was kind of an all hands on deck approach about five years ago. We needed to stop the slide. And all of our resources have been going or started going into preservation. And you see that chart has leveled off, and we've even seen it tick up. We expect it to tick up again this year. We are not where we want to be in terms of our targets, but we're getting closer. And I think we've got a situation with our revenues in place that for the foreseeable future we can continue to maintain the system if we can maintain those revenues. On the bridge side, it's a little bit of a different story. On the state side we're doing well enough, I would say. Sixty-nine percent of our 3,500 state-owned bridges are in good condition; just 5 percent are in poor condition. On the local side, 11,000-plus bridges, 45 percent are in good condition and 12 percent are in poor condition so quite a difference. One of the things you see with the county or the local bridges is that they're owned by local jurisdictions, so 93 counties, municipalities of course own some of them, too. It presents a challenge when trying to come up with a statewide solution to solving the problem. I do think there is a role for the state to play in this problem. We've been looking around at other states. At past hearings I've talked a lot about Pennsylvania, they let 500-and-some bridges in one contract to really try to get economies of scale and accelerate the manner in which they get these projects done. I don't think we need to

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undertake a Pennsylvania-size solution, but I think the style of that solution could serve us well here in Nebraska. I think...I've been talking to local contractors who specialize in these projects. There are innovative things happening on the county bridge system in terms of delivering these projects faster. We need to find a way to scale that up, we need to find a way to pool our resources together. We don't need to let 500 bridges in a contract; but we could let 3, 4, 5, 6 in one bundle and I think we can save money. The contractors and the consultants I've talked to agree. The problem is that many of the counties that are attacking this problem are doing one, two bridges per year. They don't have the means to scale it up and do the bundles. And so I think as a state we need find a way to build a framework that allows counties to work together to bundle these projects and save money. I think we can save 20 percent to 30 percent per bridge if we were able to bundle and get some economies of scale. So it starts to getting to be real savings. I want to switch to a couple other pieces. I want to talk about weights. Senator, I know we've had past hearings where you've talked about weight limits and the Department of Roads hasn't had the opportunity to testify yet. I wanted to just take a second and give you a little bit of our perspective. When it comes to damage to pavement and bridges, there's really two things that matter: weather and the weights. We can't do a lot about the weather. We do have some control over the heavy vehicle traffic. I would be remiss if I didn't say at the onset that I think we have an understanding that the agricultural industry in our state is critical. And we have to find a way to continue to support it and grow it, and the transportation system has a key role in that. And so we certainly support anything we can do to help the agricultural economy and the industry. We also recognize there's a balance between heavier and heavier weights and the cost associated with that. Nationally, weight limits are established to protect roads and bridges from premature damage. And there is a federal bridge formula that we follow that identifies when weights are going to cause excessive damage. It's something that takes into account not just the total weight of a vehicle, but also the axle weight. If you can get more axles, you can distribute the weight better. And so it can be...there's a formula that looks into all those things. Nebraska is pretty consistent with our neighboring states. Every state is a little bit different in terms of our weight limits. We have exemptions that exist for certain industries at certain times of year to allow them to move their products. I think it's important that we do that. This is not an issue that's unique to Nebraska either. I was in Chicago a couple of months ago and my colleague from Kansas said, now don't you go changing your weight limits even higher, because I'm already below you and I'm getting heat. And so we're not the only ones talking about this and you can see it in other

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parts of the country. I would say it's a complex issue. We have limits that vary by load type; they vary by vehicle type; they vary by gross weight, axle weight; there's registrations; there's permits; there are conditions to be placed on the drivers; we have exemptions and allowances. It is not an easy issue to understand. And then on top of that, each state does it their own way. I think...while we are not going to stand in the way of conversations about increasing the weight, we want to be able to provide you the information necessary so you can make good decisions and that's what we're committed to doing. I think we just want to make sure that we recognize that it's not just an issue of weights. I think it's an issue of education. I think our partners at DMV, our partners at the Highway Patrol who enforce these weights, we need a constant sort of drumbeat of education, both of the people who are enforcing these limits and the folks we expect to comply to them. And so I think just in my brief time as I've talked to folks, I would say that confusion about the rules is perhaps our number one challenge. And I think we need to try and work to solve that problem too. And again, we're just here to work with the industry and with you as we try to look at this issue. The last topic, I want to just speak quickly to the billboard visibility issue. Senator Garrett, we really appreciate the opportunity to work with you on it. We're very supportive of the proposal to allow the industry to come for a permit, come on our right-of-way, and cut the trees. I think it's a great idea. I know the one we're looking at is modeled after the great state of Kansas. I have to say, I did not know about that. But we appreciate your staff and yourself bringing it to us. Everyone thinks I know everything about Kansas. I did not know about that, so. But I'll just say we're supportive and we look forward to working with you and the industry on that issue. With that, I guess I'll just close by saying, Nebraska is really a great place to be. I think there are...we have a traditional approach to transportation. We need to look around. Other states are doing things we can learn from. The Department of Roads is committed to doing that. We're committed to partnering with our friends in the industry, with you folks in the Legislature. We want to continue to address the problem. So with that, thanks for the opportunity. I'm happy to take questions. [LR318]

SENATOR SMITH: Thank you, Director Schneweis. Senator Crawford. [LR318]

SENATOR CRAWFORD: Thank you, Director. And you may have answered this question at one of the other hearings. I'll go ahead and ask it; I wasn't able to hear it from the other hearings and other people are here maybe who didn't hear it before as well. You're talking about the

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infrastructure bank. It helps you to accelerate projects that are in the Build Nebraska Act, those funded projects. [LR318]

KYLE SCHNEWEIS: Sure. [LR318]

SENATOR CRAWFORD: Would that have broader capacity in terms of helping to speed up projects or facilitate projects at the city or county level? [LR318]

KYLE SCHNEWEIS: Sure. I think it depends on how you structure it. Many states when...state infrastructure bank is a term that gets used generally, and some states use it for strictly state-funded projects, others use it to make loans or grants or work with communities. It's something I would be supportive of. I think one...if I could expand on just a little bit, one issue I see here in Nebraska, we don't have a way...an easy way for us to come together, local governments, state government, to talk about economic opportunities as they arise. Most states have an economic set aside program of sorts that you can use to recruit existing businesses or recruit new businesses. That's not something that I have seen here. I don't think it prohibits us from trying to make infrastructure investments, but the challenge is at the state level we are limited in where we can use state dollars. And so if you're a local jurisdiction and you want...you need an improvement to a county or a city road, NDOR is not a place you can come to ask. We can only spend our resources on the state right-of-way. And I think that there are some times when you have an opportunity that's regional, big enough for the region, big enough for the state, where jurisdictional boundaries need to go out the window and you need to think about how we pool our resources together and not worry about whose right-of-way we're on. Another example would be rail spurs. If you had a rail spur that you needed to put into an industrial park to recruit a tenant, Department of Roads is not the place to come. Perhaps an infrastructure bank could be set up in a way that would allow those sorts of conversations to take place. You wouldn't need to go change our entire statute of what the Department of Roads can spend resources on if you allowed an infrastructure bank, us to address those kinds of things. So it's not directly to answer your question. I do think it could be used to make loans or to help support local investment. It could also be a place where if you have an economic opportunity you could sort of throw the right-of-way boundaries out the window and figure out what's best for the state. [LR318]

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SENATOR CRAWFORD: If you structure it correctly. [LR318]

KYLE SCHNEWEIS: Exactly. [LR318]

SENATOR CRAWFORD: Excellent. Thank you. [LR318]

SENATOR SMITH: Senator Friesen. [LR318]

SENATOR FRIESEN: Thank you, Chairman Smith. Director, I was...you were talking about weight limits. And I know out in rural Nebraska where we're trying to be more efficient, I can see where we don't want to probably increase the axle weight limits because of bridges more than anything else. What...have you ever looked into allowing longer lengths, more doubles? Some states I know allow double 42-footers so that's increased length, but you're still getting into some bridge issues once in a while. But most of our bridges... [LR318]

KYLE SCHNEWEIS: That's not something that I have much experience in. I know in Kansas on the turnpike they allow triple trailers. As long as they stay on the turnpike they're fine. So I know some of those solutions exist. That's not something I've discussed with staff. I think it's something we can do and get back to you on. [LR318]

SENATOR FRIESEN: Okay. I mean, I just look at it as efficiencies if instead of increasing weight limits, if we can increase the length of allowable units it does increase efficiency and yet probably doesn't do as much damage to the bridges and roads as what increasing axle weights would. [LR318]

KYLE SCHNEWEIS: I know that's a conversation that's happening nationally too. So it's something I'll get up to speed on. [LR318]

SENATOR FRIESEN: Thank you. [LR318]

SENATOR SMITH: Director Schneweis, go back to the infrastructure bank. And can you...I know it's still a little bit in its infancy, we're not to session yet, but can you tell me a little bit

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more as to what you're thinking about how that would work? Describe that for us, if you would, and how it would be funded, maybe the magnitude and how it would be replenished, and how it necessarily differs from just a flat out transferring of monies from Cash Reserve. [LR318]

KYLE SCHNEWEIS: Sure. Sure. Well, and so there's a...yeah, I appreciate the preface. I would echo the preface. You know, we aren't to those serious conversations yet, I think from my perspective. You know, I think when I look at the Cash Reserve and think of, I see an opportunity. I know others see an opportunity as well in terms of a place where, why go borrow from others if you can borrow from yourself? So I think if there was an opportunity to take advantage of balancing the Cash Reserve and we decided it was the right way to do it, I think it would be worth investigating. I can't think of a better way to use such an opportunity than through infrastructure investment. I really think it's one of the best investments you can make with your resources. I think that if you could find a way to infuse the bank through some Cash Reserve resources and then dedicate small portions of the existing Department of Roads revenue to continuing to replenish it, I think that's where you could advance some of the projects. So, you know, if we were to say 2 cents a year of our gas tax--I think someone previously mentioned \$24 million a year could be put into that bank. I think over the course of the next ten years or so, well, so up to 2023, before--I picked that number because 2024 is when we have the unprogrammed Build Nebraska Act--if you were to dedicate the state portion of LB610 and \$100 million of Cash Reserves, you'd be at about \$250 million to dedicate towards the infrastructure bank between now and 2023. I'm not sure I answered your question. [LR318]

SENATOR SMITH: Repeat that one more time. If you took \$100 million out of Cash Reserve... [LR318]

KYLE SCHNEWEIS: If you took \$100 million out of Cash Reserve and then dedicated the 2 cents...I'm sorry, the state portion of LB610. So it ramps up to 2 cents over the next four years. Between now and 2023 we're looking at about \$250 million. [LR318]

SENATOR SMITH: Accumulated? [LR318]

KYLE SCHNEWEIS: Accumulated into the bank. [LR318]



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SENATOR SMITH: Over that period of time. [LR318]

KYLE SCHNEWEIS: Correct. So that would be \$250 million to advance projects in addition to the \$600 (million) to \$650 (million) that's out there starting in 2024 of Build Nebraska Act. [LR318]

SENATOR SMITH: Some may say that's a while to wait. [LR318]

KYLE SCHNEWEIS: Many would say. [LR318]

SENATOR SMITH: Okay. And to draw distinction from borrowing from ourselves, Cash Reserve, what we heard from Mr. Piernicky, what's being experienced in other states is really using bonding to make that up-front infrastructure bank and then replenish it with a stream of income similar to the 2 cents. [LR318]

KYLE SCHNEWEIS: Sure. You know, people ask me about bonding a lot. I come from Kansas where we did a fair amount. In fact, I was a part of a legislative team that worked on the bill that was just mentioned a second ago. Things change in the Legislature. And if you follow Kansas politics, you know things have changed since I left the state seven years ago. Since that time, over \$2 billion has been transferred out of the department of transportation's revenue into general revenues. Two billion dollars has been transferred out. On top of that, because of a reliance on bonding, their annual debt payment is \$150 million a year. Last year alone, \$250 million was taken out of the Kansas state department of transportation budget, transferred to the general fund, and then before they could do a project they have to pay \$150 million in debt. Their budget is a little bit bigger than ours, but that's \$400 million off the top before you do anything. And I'm just here to say, it's a slippery slope. And I think where we were was a good place, but when you look out and try to predict what's going to happen, we could not have predicted seven years ago that \$2 billion would be transferred out of KDOT's budget since then. So that's when I think you start to need to be careful. And when we have Build Nebraska Act waiting there, when we have perhaps opportunities to accelerate a few things without incurring debt, I think we need to explore those options. [LR318]

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SENATOR SMITH: How much did Kansas...what was their total bonding? Do you recall?  
[LR318]

KYLE SCHNEWEIS: I don't recall. I will say that when we...I want to say it was \$1.5 billion in the last ten years. But that was on top of previous amounts, so I think if I recall--again, seven years ago--but the package that we produced included \$1.5 billion. My friends in Kansas are telling me they're getting ready to bond another \$100 million next year because they can't take care of their system because of the transfers. So they're kind of really...it's getting scary. And it's not just in Kansas. In Missouri they're facing huge problems because of a debt program they instituted about a decade ago. They can't even match their federal aid because they haven't been able to increase the revenues to match the bonding that they did. So they're really in a pickle.  
[LR318]

SENATOR SMITH: Last question for me. Can you see the use of an infrastructure bank to help with the bridge repair/replacement program? [LR318]

KYLE SCHNEWEIS: I can. I think I mentioned project development time. And even if we can get some new contracting mechanisms, even if we can shorten our project development times, we're still probably 2019, 2020 from turning dirt on any of those projects. So in the meantime, what do we do? I think that's a place where we could focus some state resources on this local bridge challenge. I don't want to get into the business as the director of the Department of Roads to dedicating all of our money to local bridges, but I do think it's a state problem. I do think we need to demonstrate that some different approaches are working in other places, and I think maybe some state resources to help pilot some things could be valuable. [LR318]

SENATOR SMITH: Thank you, Director. Any further questions? Senator Crawford. [LR318]

SENATOR CRAWFORD: Thank you, Senator Smith. Thank you, Director. I just wanted to clarify a couple of points. So you're talking about the challenge that Kansas is facing from its bonding. Did they have a very specific, directed revenue stream for that bond that they issued that is now problematic? I mean, our bonding proposal that we had was a very specific revenue stream tied to it. [LR318]

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KYLE SCHNEWEIS: Was tied to the revenue? Sure. It wasn't tied sort of hand in hand. I mean, it came with a revenue package as well, so there was the recognition that rather than just borrow, you raise revenues and borrow. The problem has been that the revenues they raised have now been swept away. [LR318]

SENATOR CRAWFORD: It was not sufficient? [LR318]

KYLE SCHNEWEIS: Well, it was sufficient. The problem is, they haven't been protected. And so as general revenues have fallen short, the legislature has come to KDOT and taken the revenue from the Department of Transportation. [LR318]

SENATOR CRAWFORD: Taken designated revenue for general fund expenses, because of the general fund challenges. [LR318]

KYLE SCHNEWEIS: Correct. [LR318]

SENATOR CRAWFORD: Right, right. Okay. So the second thing is, so when you're talking about...you're saying that if we did infrastructure bank, then instead of delivering the project in 2014 (sic) it could be delivered in 2022. Then as I understand what you're saying, we have \$250 million...if you put the infrastructure bank together we have those \$250 million, but not until 2023. Do you mean we can't use any of that money? [LR318]

KYLE SCHNEWEIS: Sorry. Through 2023. [LR318]

SENATOR CRAWFORD: Through 2023. Okay. [LR318]

KYLE SCHNEWEIS: So if we were to take the infrastructure bank and dedicate, say, our state portion of LB610, well, it sort of dribbles in over time. The infusion from Cash Reserves, if we were to be able to accomplish that, would allow us to get started right away. And then our gas tax pieces drip in slowly over the course of the time, so it adds up total to \$250 (million). [LR318]

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SENATOR CRAWFORD: Okay. And that's what you used in projecting your time line for your prepared testimony. [LR318]

KYLE SCHNEWEIS: So the time lines, 2024, if we do nothing, that's when we have the funding available to start new projects. If we had money and we don't change how we do projects, it's 2022, because it takes that long just to get a project from concept to ready to build. If we change and provide some tools for us to do different contracting through design-build, CM/GC, other things, we can turn dirt in 2019, 2020. So now you start to save time. It's just 2022...I don't feel the bank is necessarily worth it if we have to wait. We're only saving two years. [LR318]

SENATOR CRAWFORD: And so with infrastructure bank...so through 2023. So how soon do we really have access to money that speeds up projects? [LR318]

KYLE SCHNEWEIS: Get started? If the Cash Reserve transfer were to happen, you could start now. So, now, again, we would start the projects, getting them developed. Probably couldn't start construction till 2019 with new contracting mechanisms. In the meantime, that's where I think maybe something like some local bridge projects. You mentioned some partnering with local government, perhaps some other opportunities...economic opportunities. I think those kinds of things could be explored if we set the bank up in a way that would allow for it. [LR318]

SENATOR CRAWFORD: Thanks. [LR318]

SENATOR SMITH: Okay. While we're still in that vein, and I know Senator Davis is next here, I want to put this in perspective a little bit. So the question Senator Crawford just had was, how much money would we have available to us if we were to create the infrastructure bank right away? And let's say we transferred \$100 million from Cash Reserve. Really we'd only have \$100 million out of the gate. And if you look at a project--and we're going to hear a little bit later here--and we've heard a lot about the Omaha-Norfolk corridor, the 275/81 that is designated expressway, unprogrammed, and I think I've heard figures the magnitude of that is close to \$300 million to complete that, so. [LR318]

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KYLE SCHNEWEIS: So \$275 million, \$276 million to complete that corridor from Norfolk to Omaha. I think that includes a bypass or two. So I think it depends on how you phase in and what you try to do in terms of what the total cost would be. If you wanted to do the whole thing, including bypasses, it's about \$206 million is what we're saying. [LR318]

SENATOR SMITH: And then we would have the issue of prioritization... [LR318]

KYLE SCHNEWEIS: Right. [LR318]

SENATOR SMITH: ...with all the other designated, nonprogrammed roadways. [LR318]

KYLE SCHNEWEIS: Correct. Correct. Yeah, I think it's important to know it's not \$206 million that would be due today. It would be...if you had a design-build contract, for example, we would hire a designer as soon as we could, start paying that right away. The real heavy payments don't come till year 2019, 2020 as the construction begins. Then you get into \$50 million payment, \$75 million payment if you were going to do something like that. So that's where as it ramps up I think you'd be able to accomplish some of those projects. [LR318]

SENATOR SMITH: All right. And I did not introduce...Senator Davis from Hyannis has joined us and I wanted to recognize him. As far as all of our other committee hearings, I think you are the only other senator, other than myself, that has been able to make every one of the hearings, so I think...Senator Friesen, were you there for every other one as well? I think it should be noted our two rural senators have put a lot into this effort and we really appreciate them. Senator Davis. [LR318]

SENATOR DAVIS: Thank you, Senator Smith, I appreciate the comments. Roads are important to people in rural Nebraska, I've got to tell you. I think maybe we're all trying to kind of get a real handle on this infrastructure bank. We throw \$250 million in and we hear this. So I'm just going to ask if you could kind of start over one more time. The LB84 money is completely committed all the way through 2024, so we're not talking about doing anything with the LB84 money. That's the program that's in existence. So the infrastructure bank then we would essentially borrow this \$100 million from the Cash Reserve. With that money you would start

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your projects and you could start them--if that were to happen this next session--you would start the ball rolling next summer, I would assume. [LR318]

KYLE SCHNEWEIS: Correct, yeah. [LR318]

SENATOR DAVIS: With construction to take place in 2019? [LR318]

KYLE SCHNEWEIS: Correct. [LR318]

SENATOR DAVIS: Okay. So where's the \$150 million then? [LR318]

KYLE SCHNEWEIS: So the concept we were just discussing was the \$100 (million) from Cash Reserves plus the portion of LB610 that comes to the state. So it's a small portion. Next year I think it's \$2.5 million next year and then it ramps up to \$8.5 million and then \$24 million by 2019. So if you dedicated that to the bank as well, that's where you get to \$250 million by 2023. [LR318]

SENATOR DAVIS: And then what about the reimbursement of the Cash Reserve? [LR318]

KYLE SCHNEWEIS: I think that's a question we have to decide on whether or not...at what point then do you dedicate funds to repayment or if you consider it a one-time capitalization? [LR318]

SENATOR DAVIS: So if you commit funds to repayment, is LB84 structured in such a way that those funds could be used for that? [LR318]

KYLE SCHNEWEIS: I would be open to that conversation. I don't know if we'd need statutory changes there or not. I think that's something that I have to look into. [LR318]

SENATOR DAVIS: And I apologize for being late. I heard you make reference to, again, I'm going to say groups of counties. [LR318]

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KYLE SCHNEWEIS: Yes. [LR318]

SENATOR SMITH: Is that the way you're envisioning this design-build project to work?  
[LR318]

KYLE SCHNEWEIS: So I think the design-build piece...an important distinction. I think design-build is a tool we need, especially if we want to deliver large expressway-type projects sooner than 2022. I think when it comes to local bridges...you know, I talk a lot about Pennsylvania and their 500 bridges in one contract. And people sort of sat up around the state and some people got nervous and they started reaching out to folks. [LR318]

SENATOR DAVIS: Apoplectic I think is the term. [LR318]

KYLE SCHNEWEIS: And I think we can learn from that. We don't have to model exactly after that. I think if we go for three, four, five, six bridge bundles, I think we do it smart, strategic, I think we can save money. It's hard to do as one county. You need multiple counties to come together to do it. I think that's where some leadership from the state and sort of a framework to help make those decisions could be helpful. [LR318]

SENATOR DAVIS: And some discussion about perhaps using some of the infrastructure bank to help build these bridges. [LR318]

KYLE SCHNEWEIS: Yes. [LR318]

SENATOR DAVIS: And if we were to do that, because we're using state funding, will the state ultimately have veto power over the design process on that? [LR318]

KYLE SCHNEWEIS: I think that one of the issues that we hear about is the local control, and folks want to be able to make decisions about which bridges, when, and where. And I think that's important that we maintain that. I think that...but at some point we have to recognize that if we're going to use state resources, if we're going to have a state role, then we need to have some authority to be able to decide, okay, how do we bundle these? When do we let them go? And

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that's the piece that we would ask locals to come to the table being willing to discuss with us. I think it's important they get to decide which bridges and when. I would want the program to be optional. You know, if people don't want to participate in something, we wouldn't mandate (inaudible). [LR318]

SENATOR DAVIS: You said you envision it being done on a point scale? If you've got a bunch of competing projects that come in seeking funding, how do you... [LR318]

KYLE SCHNEWEIS: I think we would need to...so, program details to be determined. I would want to work very closely with our local folks, both to understand the contracting community, to understand the consultant community, understand how counties are currently doing these projects. We would want to set up something that would allow them to weigh in and bring their bridges, perhaps bring some of their own resources that we could match with state resources and together we could decide which bridges. And I think the condition of the bridge would have to be top of the list in terms of deciding. [LR318]

SENATOR DAVIS: And traffic, I assume. [LR318]

KYLE SCHNEWEIS: Traffic, yes. I think we'd like to find ways to think strategically about the network in terms of are there opportunities to turn bridges into culverts, bridges into low-water crossings, are there opportunities for bridges to be closed? If we can bring state resources and do four bridges instead of two, can we close a couple bridges as a part of it? I think those are conversations we'd like to have. Again, I don't have a program specifically detailed. I want to work with our local partners to figure out how to do it. What I'm looking for is the authority to go forth and spend some state resources, both in terms of on the construction, but also in terms of our own time to develop a program that's useful. [LR318]

SENATOR DAVIS: Well, I appreciate that. I think it's an idea that really deserves merit, because I know the counties really don't have the resources to do a lot of that work. Thank you. Thank you, Senator Smith. [LR318]

SENATOR SMITH: Senator Friesen. [LR318]



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SENATOR FRIESEN: Thank you, Chairman Smith. When you were talking about bonding, other states, what is the typical length of bonds when they do a bonding project? [LR318]

KYLE SCHNEWEIS: If I recall, in Kansas it was 20 years. [LR318]

SENATOR FRIESEN: So if we would...talking about creating an infrastructure bank. With interest rates, everybody expecting them to go up, would it be better to tie up somebody else's money in bonds versus our own money at the time? Bonds are probably at record lows, I take it, or close to it. [LR318]

KYLE SCHNEWEIS: Well, I have to be careful. You know, I'm not a finance expert. I pay someone to manage my investments because I'm not good at it. So I have to be careful. I would say, many states are using bonding. When I look at where we are in Nebraska, I see revenue unprogrammed. I see...we need time to develop projects. I see opportunities for us that we don't have to borrow from others, we might be able to borrow from ourselves. And I think that's a better choice. So I'm not going to say that interest rates are right or wrong time to invest. I don't think that's for me to say. I do think that we have alternatives to bonding that we should explore. [LR318]

SENATOR FRIESEN: I mean, I look at it a little bit from business side. I mean, when I do a large capital improvement project I typically go out and you borrow on a locked-in, fixed interest rate and keep your capital for...especially when I'm expecting interest rates to rise. I mean, so it allows you to do...with interest rates, I mean you have inflation, costs are going to go up. And so I guess from that aspect I hope we look at that balance between tying up our \$100 million for 20 years with interest rates climbing versus having bonds used to build that infrastructure bank. I mean, it's something I think we need to keep in mind. [LR318]

KYLE SCHNEWEIS: Sure. You know, I think there are a couple things to consider. Capacity within our contracting industry is something we need to be aware of. I don't think we want to...we've got to be careful that we don't front load everything and then have a situation where our contractors aren't ready and now we're paying more than we would have because we're not getting good competition. And then only to have the funding...the bubble sort of burst, so to

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speaking. And now we're just paying it off and we have now contractors that tried to ramp up that are now struggling. And I don't think we're in the business of trying to manage the construction industry, but they're our partners. We need to be aware of that situation. And I think those are the things we need to think about. [LR318]

SENATOR FRIESEN: Thank you. [LR318]

SENATOR SMITH: Along those same lines, let me touch on the bonding for just a moment, because it is kind of the elephant in the room. And I know the Governor has been on record stating his position. And I've stated my position in the past, although my understanding has probably evolved a little bit over the years. I think by any measure we have a significant dollar amount of backlog to complete the expressways. As we travel around the state, we've heard time and time again of people saying, you know, we've been waiting a long time to finish out these expressways. And these expressways bring life blood to our communities, it helps to grow our economy, it creates jobs. But then there's this other side, the risk. And you talked about Kansas, and I know you're in a tough position to comment on this. But is there some way of protecting against that level of risk that we see occurring in Kansas to where we don't let this run away from us, but gaining access to larger amounts of capital so that we can get after this? Because again, I like the idea of an infrastructure bank. I like the idea of borrowing from ourselves. It just doesn't seem that we have the amount of capital available to us through that method alone to get after all these needs that we have. [LR318]

KYLE SCHNEWEIS: Sure. Well, I think that if you look at the Build Nebraska Act, \$650 million unprogrammed, if you're able to do what we've talked about just in concept today, add another \$250 million to it, you're getting to \$900 million. It's not an insignificant amount of resources to get to some of these projects. There are always...as I've traveled and worked in other states, there are always more needs than money...always. And so I think we have to decide where on the line we want to be in terms of trying to get to the needs. And you never get all the way; because as soon as you finish, there's more. So we have to just be responsible in terms of how much revenue...what kind of resources we want to commit to these kinds of things and figure out which ones are really the most important and go first, so. This is not a problem we solve by 2024

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or by 2034. It's going to be continuous. We'll be here...our kids will be here debating this in 20 years, so. [LR318]

SENATOR SMITH: We're going to go to Senator Garrett, then Senator Crawford. [LR318]

SENATOR GARRETT: Going back to Kansas and their whole bonding model, had the state not taken the money from the Department of Transportation, how would you assess the bonding issue would have worked? [LR318]

KYLE SCHNEWEIS: Well, certainly much better. I think...I don't want to say the decisions we made seven years ago were wrong. I think had we known the situation the state would find itself in today, we would have made some different decisions seven years ago in terms of incurring more debt. [LR318]

SENATOR GARRETT: My sense is, if they would have had the discipline to stick with the original plan they wouldn't have the issue. [LR318]

KYLE SCHNEWEIS: I would tend to agree. I think the challenge that we had then is that we thought we had it, the discipline. And that ended up not being true, so. [LR318]

SENATOR GARRETT: I'm greatly frustrated. The hearings we had up in Norfolk and the 4 Lanes 4 Nebraska, those folks have been waiting for so long. And it does impact economic development and public safety. And it's just...2024 doesn't hack it by any stretch. I mean, it just doesn't. [LR318]

KYLE SCHNEWEIS: Absolutely. I agree. [LR318]

SENATOR GARRETT: It doesn't get there, and we got to fix this. [LR318]

KYLE SCHNEWEIS: Well said. [LR318]

SENATOR SMITH: Senator Crawford. [LR318]

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SENATOR CRAWFORD: Thank you, Senator Smith. I was thinking along the same lines. The problem in Kansas is the general fund choices, not bonding, was what I understand from your discussion. The bonding was done and then the general fund crisis caused the money to be diverted. [LR318]

KYLE SCHNEWEIS: Sure. [LR318]

SENATOR CRAWFORD: So the problem was general fund choices, not the bonding choice, as I understand the way you laid out the scenario. [LR318]

KYLE SCHNEWEIS: I think that's a safe characterization. I think it's unpredictability of what future folks in our positions are going to be able to do that makes it difficult. [LR318]

SENATOR SMITH: Director Schneweis, I appreciate your patience through all the questions. I think you can tell the...we're engaged a lot more as we get closer to session beginning. [LR318]

KYLE SCHNEWEIS: I feel that. [LR318]

SENATOR SMITH: Yeah, you feel that. Trust me, we feel it too. And I think there's a lot of common ground that we have. And I really appreciate your efforts this last year in working with the committee and engaging, including the committee, and look forward to working with you in the future. [LR318]

KYLE SCHNEWEIS: Well, I really appreciate that, and I look forward to it, too. It's been a good almost six months. I look forward to more. Thanks. [LR318]

SENATOR SMITH: All right. Thanks. All right. We would now like to invite Greg Youell from the Metropolitan Area Planning Agency, MAPA. And as Greg comes forward, we've heard a lot in the previous hearings. We've been out across Nebraska, we've heard a lot about expressway systems. We've heard a lot about rural bridges. But there's another component to the transportation needs in our state and that's the transportation needs in our urban areas. [LR318]

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GREG YOEELL: (Exhibit 2, 3) Thank you, Chairman Smith and members of the Transportation and Telecommunications Committee. My name is Greg Youell, that's spelled G-r-e-g, last name is Y-o-u-e-l-l, and I serve as the executive director of the Metropolitan Area Planning Agency. I appear before you today to testify on behalf of MAPA and LR318. MAPA is an association of local governments serving Douglas, Sarpy, and Washington Counties in Nebraska as well as Pottawattamie and Mills Counties in Iowa. So we bring folks together from local and in the region to address regional planning issues. So we have a regional council of governments for that area. We also serve as a metropolitan planning organization for Douglas and Sarpy Counties. So state and local projects which receive federal funds go through the transportation planning process that MAPA administers. I applaud this committee for its comprehensive study of Nebraska state and local roads system. This is a critical issue for the metro area's economy and quality of life. The needs for the transportation infrastructure in our region are great, as you all are aware and have been hearing today. The metro area could spend all of its federal funding on bridges alone and not cover the needs just on bridges, let alone all of the other capital improvements and maintenance. Twenty-four percent of bridges on major routes in the metropolitan area are in fair or poor condition. And a recent comprehensive analysis for the city of Omaha proper that included anticipated needs for capital improvements, operations and maintenance, rehabilitation, as well as bicycle, pedestrian, and transit needs showed that only about half of what is required to fund transportation infrastructure completely is available currently. High mobility is an asset to our area that makes it attractive for economic development. And I experienced this personally. I hired our program director a few years ago, came from the Washington, D.C., area. He was tired of his commute there and wanted the easier mobility that he enjoys here in the Omaha metropolitan area. So continued investment will be necessary to maintain this economic advantage. Although today 90 percent of roadways and intersections in the metropolitan area operate at an acceptable level, in engineering terms, its level of service D or better. By 2040, without continued investment, only 65 percent to 70 percent of roadways and intersections are expected to be at this level. And as we are aware, there's very little political will to increase the federal gas tax, even though it is frozen at 1993 levels. Actually, while we were sitting here I received a note that the House and Senate committee working on the federal highway bill just reached an agreement for a five-year bill. So that's something I wasn't sure I would ever see. I'm very excited to hear that. It's good news. But we know that even with that, is not going to address our needs. And the increase in the state user

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fee last year is greatly appreciated and helpful, but it is not alone (enough) to address the needs in the coming years. The continuing increases in fuel efficiency and development of alternative fuels will require alternative forms of financing in the long term. Therefore, these needs emphasize that the work of this committee, as well as Director Schneweis' Innovation Task Force will be critical. You have likely heard the story in other parts of the state, but infrastructure needs are great everywhere. But something that may be unique to the Omaha metro area is a focus on multimodal transportation. So in addition to providing infrastructure to serve the majority of travel that takes place by vehicles, there's increased interest in providing better infrastructure for transit, bicycling, and pedestrian modes of transportation as well. Residents in the metropolitan area spend about \$36 per capita or \$3 per month annually on transit. This compares with a nationwide average of \$78 per capita among major metropolitan areas, and most of these do receive a significant amount of their funding from their state governments. Twenty-six percent of Metro Transit's rolling stock is considered beyond its useful life and is in need of replacement. Improving transit is valuable for the following reasons: Nebraska enjoys an overall low (un)employment rate. So this is a good problem to have, but one of the results of that low (un)employment rate is that it could be difficult for employers to find employees. At the same time, we have pockets of severe poverty in the metropolitan area with high unemployment rates, and it could provide a source of employees. It would be a win-win for companies looking to add new employees. However, access to education and employment is cited commonly as a barrier. One example of this is providing access to large employers coming to Sarpy County with employees from parts of the urban core in the metro area that transit could assist. The region is close to violating the air quality standard for ozone. A ground-level ozone reduced standard was just issued by the EPA in October. We currently have a clean air quality status and remain below that, but we are quite close to where that new standard is and want to keep that as an economic advantage in addition to a good health condition. And transit is an important component of a vibrant central city. Many empty nesters from the baby boom generation and younger millennials are looking for walkable communities in which to live, work, and play, which are attractive to companies looking for young talent. Creating a lively, dense, urban environment requires multimodal transportation options. In addition to transit, I'd like to make sure this committee is aware that MAPA and the local governments of the metropolitan area are working and partnering with Nebraska Department of Roads on a study called the "Metro Area Travel Improvement Study," and I've included a handout that has executive summary from the first phase of that for

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your review. This is a major study that is evaluating future alternatives for the transportation system over the next 20-plus years. The financing tools that the legislative committee and the Innovation Task Force review will be critical to this work, and so we're happy to coordinate with you on this project. I'd also like to offer MAPA as a partner to work together on future work with the Legislature. So if we can ever be of assistance with research, data, or other means, we're happy to assist. With that, I'll conclude my comments. I appreciate your time and attention to this issue. [LR318]

SENATOR SMITH: Thank you, Mr. Youell. Do we have questions from other senators? So I think you've brought an interesting perspective, because I think through our hearings we haven't heard a lot about their urban issues. So you think about just widening a roadway is not an answer when you have a very congested downtown area like Omaha, where you're having to move large numbers of people outside of that downtown area if we are to be able to attract businesses into the downtown area. So that's where the transit comes into play. On the bike side of it--and I'm a roads guy--and I really understand that you can see the needs that we have across Nebraska with our roads and our bridges, so we can clearly understand the need to invest there. It's hard sometimes for us to understand the need to invest in the multimodal beyond just the transit. All right? Can you give a little perspective for that? And how do we balance that when we have such a diverse state and we have such severe needs in our bridges and our roads and to begin to think about the need for bike lanes, let's say? [LR318]

GREG YUELL: I think that gets back to the quality of life issues. You hear often today that the younger millennial generation oftentimes feel like they can live in any part of the country. It's commonly said that a lot of them will move to a city without a job and then find a job. And I think that applies not only to the urban areas, but also to the rural areas as well. So I think that needs to be seen as an investment in your quality of life. And providing those amenities helps you to attract employers and have that high quality of life that people enjoy. And at the very least, not restricting the local governments from...the local governments that would choose to be able to invest in those areas to make sure that there's no restrictions on them so they can build and provide those amenities if they choose. [LR318]

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SENATOR SMITH: And in your opinion, relative to the funding that we're seeing in our urban areas for repair and construction of roads and bridges, how does that match up with the funding on those other types of transportation? [LR318]

GREG YUELL: Well, I think we heard Director Schneeweis say, overall, Nebraska as a whole, is in fairly good shape. But I think the burden is heavier on the cities and counties than it is on the state, certainly. So we know there's definitely high needs for the cities and counties. The investment in the multimodal options, it really varies a lot from community to community and where each city decides to put its resources. But...so I think you could go across city to city to see in their capital improvements program, some are investing a lot of money in their trails and others not as much. But I think all of them recognize it as a priority and something they hear good feedback on from the citizens. And then as...particularly on the transit that I mentioned, there's no question that we are lower than the national average. Sometimes we'll hear people move to this region from other metropolitan areas and say, why can't we have better transit here? Well, there's a direct correlation between the amount of money we're investing and the transit system we have. [LR318]

SENATOR SMITH: We're lower in terms of availability of other types of transit? [LR318]

GREG YUELL: That's correct. [LR318]

SENATOR SMITH: Okay, very good. Senator Crawford. [LR318]

SENATOR CRAWFORD: Thank you, Senator Smith. And thank you for your presentation and testimony. Could you speak a bit to any conversations that are happening about how transit will change as Sarpy County grows? So a lot of the transit is east-west transit in Douglas County. And so as Sarpy County is growing very quickly, so the transportation needs are growing quickly there as well. Can you...and also, some more north-south corridors as opposed to just being east-west. Could you just speak to how you're looking at changes in the metro area? [LR318]

GREG YUELL: Okay. I'd be happy to, Senator. MAPA worked with Metro Transit a couple of years ago on a regional transit vision that outlined a vision to expand transit potentially to a



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regional transit authority. And I think there's some state-enabling legislation, but I know Metro Transit has some concerns about some specific recommendations in that study if Sarpy County would want to take a bigger role in transit. In addition to that, we're getting ready to start a Sarpy County transit study with Sarpy County and the cities in Sarpy County as well. So that will take a deeper look into the potential opportunities and needs there. But I know the Chamber of Commerce and others have worked with companies that have said, this is a problem getting employees to work in Sarpy County and particularly come up with some pretty innovative solutions to try and attract people to utilizing transit. So we know it's an issue. And although Sarpy County as a whole, the development is not real conducive to transit. Most people are still going to get around by cars. There are needs there, and I think in the future as you look at potential redevelopment opportunities within the cores of say Bellevue, Papillion, La Vista, there might be some additional needs for transit there as well. [LR318]

SENATOR CRAWFORD: Thank you. [LR318]

SENATOR SMITH: Senator Davis then Senator Garrett. [LR318]

SENATOR DAVIS: And I just have a couple of questions about, I guess \$3 a month seems quite low actually on a per capita basis. But so the metropolitan area is what, 700,000 approximately? In the other cities in the country with that population, do you have an idea what they spend? Are we significantly an outlier or are we somewhere in the standard deviation? [LR318]

GREG YOEELL: Right. So those numbers came from the regional transit vision that I mentioned earlier. And in that you have a list of pretty much all the major metropolitan areas, so you can see where everybody lines up. So if you had a graph of all the cities here, we're down towards this end. So we're not the absolute lowest in the country, we're definitely towards the lower end of that. And you know, it's interesting. Transit is something that it's not just the East Coast and West Coast, as you might expect, invest heavily in it. There are communities, Utah is one of them, Minneapolis-Saint Paul, in the interior of the country that have chosen to make a big investment in transit, so. [LR318]

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SENATOR DAVIS: So I understand your discussion about Sarpy County, but this is a five-county cluster, correct? So are there...is there service from Iowa into Omaha and west Omaha? Is that continuous service or not? [LR318]

GREG YOUELL: There is some. Yes, Senator, the Metro Transit operates...they are set up for Douglas County, but they have contracts with cities...with surrounding cities. So not only in Sarpy County but in addition with Council Bluffs, so they have a couple of routes that run over there. But it's by a contract basis, so not necessarily represented on the board and those routes are literally set up in the contract and could be changed at any time. [LR318]

SENATOR SMITH: So in rural Nebraska we have things that are known as handibuses for senior citizens to get around. Is there something like that in place here? [LR318]

GREG YOUELL: There is. There are a large number of different human service agencies and transit providers providing those types of paratransit trips. And right now we are actually working on a project with them to help coordinate some of those trips through a one-call center. So the idea would be that we have multiple trips potentially going from one part of the metropolitan area to another, that those would be coordinated through software and help reduce some inefficiencies there. But, yeah, there's a number of those that are funded both privately for profit agencies as well as Medicaid trips and things like that. [LR318]

SENATOR DAVIS: And I'm kind of getting to this for a reason. But one of the things that we identified a year ago in the project I was working on in the Legislature was that while the counties have these programs, in many respects they're siloed. So this is what I do, I go to this point, this is the end of the line, there's no connection beyond that. So a lot of people in rural Nebraska I think who would be close to Omaha might need to come in for a doctor, there's really no way for them to do that through this process because there isn't a broad exchange of timetables and systems. Have you guys worked on that or do you think that's something that would be worth exploring? [LR318]

GREG YOUELL: Right. That sounds a lot like this one-call center concept that I'm talking about. [LR318]

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SENATOR DAVIS: Okay. [LR318]

GREG YOUELL: And right now the state HHS Department has a contract with a firm, a brokerage... [LR318]

SENATOR DAVIS: (Inaudible). [LR318]

GREG YOUELL: ...yeah, right, that all those calls come into and then they coordinate those with software. And so this would be a similar type of operation that would go out to bid to a company. And then they would have to coordinate those trips from agencies that volunteer to participate as part of that. [LR318]

SENATOR DAVIS: Thank you. [LR318]

SENATOR SMITH: Senator Garrett. [LR318]

SENATOR GARRETT: Thank you, Senator Smith. I'm struck by the fact that 26 percent of your rolling stock or Metro's rolling stock is considered beyond its useful life. Is there a plan for replacement of that equipment? [LR318]

GREG YOUELL: They are working on it as best as they can. Every time I hear from the director of Metro Transit, that's the first thing he requests is, is there funding available to...for new rolling stock (inaudible)? [LR318]

SENATOR GARRETT: Is there a safety issue involved there? [LR318]

GREG YOUELL: Oh, I think they're doing the best with what they have, but it is...you know, the useful life is about 12 years for a full bus. And so a lot of the buses are nearing that or past that, so they are doing the best they can with what they have and keeping them in operation. I don't think they're unsafe by any means, but it's not an ideal situation. [LR318]

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SENATOR GARRETT: Can you give us an idea of what the usage rate is for the mass transit system in metro? [LR318]

GREG YOUELL: I believe they average 15,000 trips per day in the metro area. [LR318]

SENATOR GARRETT: And what's their capacity? [LR318]

GREG YOUELL: I couldn't answer. You mean if every bus were full on every single route? [LR318]

SENATOR GARRETT: Yeah. I mean, just kind of I'm looking for a percentage, how many folks are using it. [LR318]

GREG YOUELL: I really don't know. [LR318]

SENATOR GARRETT: And, you know, I'm struck with something else with the talk about the problem with the air quality standard for ozone. Is the Metro's rolling stock...are they looking at things like compressed natural gas, those kinds of things? [LR318]

GREG YOUELL: Yes, they are. Metro is going to be using compressed natural gas buses for the bus rapid transit project line that they are working on. That would be along the Dodge Street corridor from Westroads to downtown. The buses that they're looking at currently, and I think it hasn't been finally decided, but they're leaning heavily towards compressed natural gas. [LR318]

SENATOR GARRETT: And one more thing. In the areas where they have severe poverty and high unemployment, access to education and employment are cited commonly as a barrier. So are those communities being served adequately by mass transit do you feel? Or is that something that needs to be looked at? [LR318]

GREG YOUELL: If you were to show a map of where our employment concentrations are and where our poverty concentrations are, you would be struck that there is a mismatch. And so the transit operates where they have the highest ridership, which tends to be in the central city,

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generally east of 72nd Street. But jobs are spread throughout...you know, a low-density development pattern throughout Sarpy County, western Douglas County. So those are areas that are hard to serve with transit and takes some innovative solutions to be able to do that. [LR318]

SENATOR GARRETT: Seems like those are the people that we should be targeting directly more than anybody else. [LR318]

GREG YUELL: I agree. And I hope that that Sarpy County transit study will dive into that further and identify some solutions there. I think maybe some public-private partnerships might be a potential there. [LR318]

SENATOR GARRETT: Okay, thank you. [LR318]

SENATOR SMITH: Seeing no further questions, thank you, Mr. Youell, appreciate your testimony. [LR318]

GREG YUELL: Thank you, Chairman. [LR318]

SENATOR SMITH: I'd like to now invite Matt Tondl from HDR to represent the American Council of Consulting Engineers. Following Mr. Tondl we'll have Chris Hawkins representing the Associated General Contractors. Welcome. [LR318]

MATT TONDL: (Exhibit 4) Good afternoon, Senator Smith, members of the committee, and Senator Crawford. I'm Matt Tondl, M-a-t-t T-o-n-d-l, senior vice president of HDR Engineering. I'm here today to offer comments on behalf of the American Council of Engineering Companies. We applaud this study to address not only state needs but also those of the cities and counties, as they all need to work together to provide the transportation system our state needs to not only provide safe and efficient travel, but also to sustain and grow our economy. I've tried to reduce the duplication, so I apologize in advance if I cover a few things, but perhaps a little bit different spin on some of them. But let me first provide some comments and context on the needs. As you know, system preservation consumes a vast majority of the available funding at the state level, the local level. The projects in the current six-year state program are predominantly described

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with the words mill, resurface, rehabilitate, and repair. The lack of the words, expand, new, widen, and enhance should be of concern. We rightfully put maintenance at the top of the priority, but unfortunately the need to modernize and expand takes a back seat. I'll give a little different spin on LB84, if you will. There is a listing of 37 state system projects in the current state transportation program book. They total 277 miles at a cost of \$1.5 billion, and they are labeled under consideration. They are not in the six-year program. Those are projects that would be, of course, in limbo except for the funding of LB84. However, the first half of LB84, as Director Schneweis indicated, which runs to 2023 is already spoken for. Thus, these \$1.5 billion of projects will be competing for roughly \$650 million (inaudible) the second half. So not only is there a minimum eight-year wait, but only half of you are going to get your project. Let me offer some of the local data needs specific to the Omaha metro area. As Greg mentioned, there is a comprehensive, wide-ranging Metro Omaha (Area) Travel Improvement Study currently underway. The baseline findings, a rather stark finding that we should all be concerned with, should show that even with denser development and increased transit usage, by 2040, congested miles of roadway will increase from 41 (miles) today to 151 miles by 2040 if nothing is done. The city of Omaha alone needs to be spending approximately \$53 million per year in today's dollars to meet their portion of the 2040 expansion needs. However, they currently only spend about \$17 million per year. The funding disparities widen when you look at the local maintenance picture. Omaha has \$1.6 billion in transportation assets. They should be spending around \$60 million per year maintaining the system, but they only have funding for about \$38 million. If Omaha is any indication, cities and counties across the state are maintaining their roads at a level of about one-half to two-thirds. And since road conditions do not decline linearly over time, deferring regular maintenance significantly increases the long-term costs. As I like to say, we're kicking the can down the road and the can is getting bigger. As I hope is clear, the needs are great and the funding is not. At present we are assuring ourselves of worsening traffic and a steadily deteriorating system. 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 reality of the challenge and create a policy framework that truly responds to it. The public likes to believe that federal funding is the answer. Yes, it appears they're going to provide some certainty for upwards of, I guess, five years as we just learned. But they are also providing certainty that they are not going to address our growing problem. The funding level they provide has been stagnant and even more troubling is that the federal gas tax only provides about 70 percent of that flat funding

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level. The rest is coming from General Fund. So any raise in the federal gas tax will simply replace the nonhighway transfers and not provide more funding to address the growing needs. We could see a 6 cent to 10 cent rise in the federal gas tax and it will most likely mean no more money to the state of Nebraska. So the federal message is very clear. It's up to the states to take the lead, and many states are. And Nebraska is one of them. I'd like to offer a few observations related to the state gas tax. The variable portion, as you know, allows NDOR some assurance that the budgeted program can be funded. As you know, it lowers when revenues are projected to be above that required to fund the budgeted program. I just read a statistic yesterday that vehicle miles traveled are up 3.4 percent in the United States over last year. That is enormous. It follows that congestion is worse and that the roads are taking a bigger pounding. The increase in revenue with more gas sold is logically needed. But in our case the variable would adjust down because we only want to fund the budget, so we're not being...we're kind of retroactively responsive to what's actually going on out there. Another side to the gas tax, when gas was over \$4 per gallon, the Legislature changed a large portion of the gas tax to be pegged to the wholesale price rather than simply on gallons sold. At that time it was a very good move so as to help insulate the revenues from the inevitable drop in consumption as prices increased. However, no one thought about the downside when gas prices dropped substantially like they have. Whereas the state has the variable to adjust for that drop, the locals do not get a split of the variable. Without that insulation, their revenues drop. Although the public gets a very nice windfall with gas being 75 cents a gallon cheaper than it was at this time last year, it is counterintuitive that the revenue stream suffers for the locals when the price drops. We would encourage that the mechanics of the state gas tax be given a real hard look such that the intent of various measures like LB610 truly produce the desired results. I would also comment that the gas tax in general is incompatible with where our nation is moving. With alternative fuel vehicles becoming an even larger portion of our fleet, you are getting more and more vehicles not paying their fair share. From a road standpoint, a vehicle is a vehicle no matter how many miles per gallon it gets, its age, or what fuel it's consuming. Very few people have a problem with a proper user fee. In the short term, we encourage a closure of the loopholes that allow people to avoid paying a share commensurate to their use. In the long term, we encourage you to be on the forefront of the inevitable shift to a mileage-based user fee system. Indexing the user fee, in whatever form, is the best way to inflation protect your revenue stream. We strongly encourage this. When you consider it, LB610 really just went to restoring purchasing power lost by inflation over the past six to seven years.

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There was tremendous political capital expended to achieve LB610. And if indexing were in place, this would have all taken place automatically. There are many other alternative funding approaches, as has been previously discussed, that are employed around the country. Virtually every one of them requires borrowing money from someone, somehow, and paying it back, whether that's through public-private partnerships, tolling, infrastructure banks, bonding. In a simple sense, if the borrowing cost is exceeded by the project's economic benefits, the resulting quality of life improvements, the user costs saved, and the crash costs reduced by doing a project earlier, then it is logical and prudent to borrow. However, if the answer is, no, we will never borrow, the alternative funding options are virtually nonexistent. Despite the funding levels, we also need to look at how we deliver projects, as Director Schneweis adequately pointed out. NDOR estimates--of course I was told 9 to 12--but we'll go with 7 to 10, although the U.S. 34 bridge took 21 years to become a reality. Not all that was due to lack of funding, I might add. In dollars and cents, though, what that means when you start talking about a ten-year wait is that that \$20 million project becomes a \$30 million project by the time we get around to building it. So we simply have to deliver projects quicker. I know NDOR is taking steps to look internally at their processes, and we would encourage that no step in that process go unchallenged. Another angle in the delivery process is to look at options being used in other states. Forty-seven other states allow other forms of project delivery besides design-bid-build. The common term you hear is design-build, but there are spin-offs. In general, they all involve combining the designer and contractor to more quickly design and construct the project. Such approaches can bring about time savings, bring about innovation, and cost savings. This is not for every project and, as a matter of fact, in most states it is used on a small minority of projects that fit the sweet spot for such a delivery method. The department has undertaken a project to work with key stakeholders in the process to inform, educate, and potentially formulate alternative delivery methods. We encourage you and your committee to closely examine the outcome of that study. As Nebraskans, we need to fully understand the future impacts of staying the course. If after a full review of the data we decide we can live with it, then so be it. But we should not make decisions that leave 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 underfunded and then nobody can agree on how to deal with it. Let's not follow Missouri. I want



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to thank you, Mr. Chairman and Senators, for undertaking this important study and giving us a chance to provide input. And I'd be happy to answer any questions you may have. [LR318]

SENATOR SMITH: Thank you, Mr. Tondl. Do we have questions from other senators? Senator Davis. [LR318]

SENATOR DAVIS: I'm going to ask you to review one more time your discussion about the wholesale price versus the retail. And how does that have an effect on the locals? That's what I didn't quite grasp. [LR318]

MATT TONDL: I'm not an expert in the formulation of that, but in talking with people at the department and others is that the wholesale price...there's the fixed portion that the state shares with the locals. I think that's 10.2 cents or something. There's a variable portion that, of course, adjusts. Correct me if I mess up a number. I think that's around 2.8 cents. And then there's the wholesale portion, but that changes by the wholesale price of the gas, which obviously is lower. That wholesale portion is split. Of course, the state has the variable which they can adjust. But when that wholesale portion, which is split between locals and states, yeah, that's where they...the locals have...I've heard anecdotally that the increase is coming out the small ones as it ramps up in LB610 essentially are being offset by the wholesale drop. So locals aren't getting any more money initially, it's literally a wash. That just...intuitively, I don't think that was the intent when that was put in place. [LR318]

SENATOR DAVIS: And then I want to explore a little bit your discussion about going to the mileage-based system. Coming from a rural part of the state where when I go home and back here it's 720 miles, it concerns me to hear someone say that. How are you going to put that in place? [LR318]

MATT TONDL: The technology is...of course, the technology is there. It's been tested in several states. I know Oregon tested it several years ago. I don't know all the mechanics of it. It's...I mean, when you think about it, the gas tax when it was first put in was the perfect tax. Cars got around 10, 15 miles per gallon. The more you drove, the more you paid. And everybody faced that. Now with alternative fuels and us pushing the miles per gallon standards up higher, those

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revenues aren't there. So the way to offset that...two ways if we look at it, you're going to have to look at who's getting by. You know, should an all-electric car not pay any tax, any fuel tax? Well, I don't think that intuitively makes sense. They're on the road just like all of us in a gas-powered vehicle. So it's a complicated switch, but everybody knows that ultimately we're getting there. And when electric vehicles become not 1 percent or 2 percent or hybrids become single digit percents of our fleet and start getting to 20 percent or 30 percent, we're going to be raising the gas tax more and more just to stay at level. And that's just putting the burden to those that do not have electric vehicles, so that's not really fair. So the mileage-based system is simply kind of getting back to that pure sense of pay for what you use. [LR318]

SENATOR DAVIS: So now I'm going to make a statement, an observation. If you're building roads for an urban area like Omaha and people are going to drive to and from work and maybe put on 10,000 miles a year, but you still have to build the infrastructure to handle that kind of traffic. Whereas in rural Nebraska you may drive 700 miles, but you still only have the need for the one road. That's one of the problems that I think people miss when they talk about a mileage-based system, that metropolitan areas are going to have...you've got to meet the demand for the rush-hour traffic, even if those are electric vehicles or something else. [LR318]

MATT TONDL: Valid point, yeah. [LR318]

SENATOR DAVIS: Thank you. [LR318]

SENATOR SMITH: Senator Crawford, Senator Garrett? Okay. Mr. Tondl, great testimony. And I encourage anyone to get a hold of your testimony and look at the comments that you made about the variable and how that plays off the fixed and wholesale. And you touched on a couple of things with the distribution of the wholesale, and maybe we can revisit that in the last hearing that we're going to have later this week. I appreciate your testimony; very thorough. Thank you. [LR318]

MATT TONDL: Okay. Thank you. [LR318]

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SENATOR SMITH: We'd like to now invite Chris Hawkins with Hawkins Construction, who's representing the Associated General Contractors, AGC. Welcome. [LR318]

CHRIS HAWKINS: Thank you. Chairman Smith, members of the committee, and Senator Crawford, thank you for hosting us today. My name is Chris Hawkins, C-h-r-i-s H-a-w-k-i-n-s. I work for Hawkins Construction Company out of Omaha. We are a general contractor who, amongst other things, has been fortunate to build a number of our roads and bridges in the state, and this building actually, so it's a pleasure to be back here. But I'm here today representing the Associated General Contractors of Nebraska, which is our industry's leading organization representing road and bridge and general infrastructure builders in this state. I have prepared testimony here, which works out great until you're the seventh speaker an hour and a half into a process. So I'm going to attempt to kind of breeze through this and at least hit the highlights that would be unique from a contractor point of view and avoid repeating things and/or preaching to the choir here, although it occurs to me the choir shows up to church every Sunday because they like the sermon. So I will jump straight to the gospel which we hear regularly which is, we do need to innovate. We need to find better ways to build our work, to deliver our work, and to manage our overall system. At the same time--and while AGC is in support of that--at the same time, our overall, statewide transportation needs from state level, a local level, and all levels of government have numbers and costs that greatly exceed our funding availability. And no matter what we do, we will not be able to innovate our way to make the costs meet the needs. We have ultimately only two options, which are either to raise our funding levels or to prioritize projects to the point that some simply never get built. We have to live with that as the simple truth. Again, not to say that we shouldn't innovate, we should. And we need to get the best out of every dollar we can. But the headline is, we need to be honest about the scenario we face. Now it has been said and I think it's accurate that we do have a generally serviceable system today. Unfortunately, we have not appreciably improved our systems--barring some minor exceptions, such as I-80--really in some time. We've spent...as contractors, we've done the majority of our work repairing and maintaining the system we have, which I will tell you are simply Band-Aids. And when we talk about efficient use of dollars, I'll also tell you that our costs per mile per structure to build new are greatly less than they are to repair the same system beyond its lifespan over and over again. Yet, that's what we're doing. And, in fact, our failure to increase funding is, in fact, very inefficient and wasteful. I will also note that when we talk about our needs, we talk about them a

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lot, I'm glad that we're here in an urban area to highlight the needs we have in Omaha and the general metropolitan area in addition to our expressway needs and the county bridge issues, which we have addressed many times before and heard quite a bit about. The last thing I'll note--and this is not meant to chastise anybody; it's simply meant to make an important statement--the system we have today, which we cherish, which we rely on for the importance of our economy, did not fall out of the sky. It was built and paid for because it has always been the willpower of our citizens and our elected officials to do what was right and to do what made economic sense for our state. Unfortunately, we are in a position today in our broader environment where we have great difficulty continuing that commitment to our economy and to our future generations, for what that's worth. I will talk...that's the needs side. On the funding side, I think we've had plenty of testimony already about our current available sources. I will say from an AGC perspective, AGC is highly supportive of road-user charges, road-user fees, commonly called the gas tax. It's an effective system, it has been for a long time. But we are also supportive of new ideas and innovative ideas, with a couple caveats. And I think Mr. Tondl really highlighted the main point which is, there's no free lunch. So if we want to talk about bonding, infrastructure banks, and most importantly, public-private partnerships, recognize it's not free money. It is in one way or another either advancing future monies, taking on debt, or some other creative financing mechanism. But if it doesn't create new money, it does not address all of our needs. Not to say--and I do think that again it's worth noting--advancing work and doing projects today has great value, particularly for the road-user benefit. But don't be lulled into the belief that as enticing as these things are, it's solving our problems. It's not. So...and I think it's also worth noting the federal program. That accounts for almost half of our overall state expenditures. The new five-year program that was just passed, like most of them, keeps funding at essentially a stagnant level, although in real terms it is a decreasing level. So the new federal program will be a five-year program with a 15 percent overall increase from year one to year five, 3 percent a year, which would be fine if construction inflation was going to be at or below 3 percent a year. I will tell you from a contractor perspective, that is not realistic. It was very realistic to expect somewhere in the near future 5 percent to 7 percent annual cost of construction inflation or more, depending on what happens on the world stage. In fact, that is what we are...Hawkins Construction Company is projecting in our own work today. So, therefore, the federal number will decrease in real terms. One bright area--and this is very much worth pointing out--is LB84 as well as LB610, both of which AGC, we're highly supportive of and remain highly supportive

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of. And I'm here to urge the committee and the Unicameral as a whole to maintain those two programs, particularly LB84, which creates capital improvement programs that otherwise would not be viable. I'm skipping through here a few things. As to the state infrastructure bank and other concepts we earlier discussed, that is a very broad concept and as Director Schneeweis pointed out, the details have yet to really be developed. So AGC cannot take much of a position on that, other than to make the broad statement that AGC does support innovative financing that advances projects today without taking on state debt and, importantly, without limiting market competition. Public-private partnerships are another concept to which AGC has not taken a position of support. That's not a position of disapproval, it is simply a matter that it's a fairly new concept in this country. There are not very mature markets. There's plenty of questions whether true public-private partnerships where a private entity finances the project, whether there are appropriate projects in this state at all. And more importantly, there is concern that that will limit competition. In this state the way we procure our projects today, as noted previously, is through a hard bid process, design-bid-build. So contractors procure work at the state level on strictly a low-cost basis. That is how we compete, period. And the result of that is a highly competitive marketplace that drives innovation and low costs mostly to the best of our ability already, going back to my previous point that innovation is really at the margins at this point in time. That has served the state very well. It serves the state very well going forward for the majority of our program. There are elements that there probably...there are areas and projects that may be appropriate for alternative financing and certainly for alternative project delivery, such as design-build, to which AGC is supportive, again with the caveat that we do not limit market competitiveness or market participation. It's very feasible. The one thing I'd like to leave you with is, as we make statutory changes if we do, to allow design-build or alternative financing, AGC would strongly encourage you to make costs a significant, if not the most significant, factor in any selection criteria, for what that's worth. The last note is bonding. This is a topic which is probably more in the realm of financial experts than it is contractors. But I will again note that the cost of bonding, which I think have already been put in front of us, our financing costs clearly are below what our expected construction inflation costs will be. In that sense, assuming there is a dedicated revenue source, assuming we are committed to a binding program of paying our debt under the bonds, it's a simple arbitrage between the cost of financing and the expected cost of construction inflation. I think the arithmetic and the numbers are so blatantly clear, it takes some creative foolishness to deny the value of bonding. And I will look at one...point out

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one example that Mr. Piernicky commented on earlier with the example of financing 2 cents of the state's money over a 20-year period. So \$24 million over the 20-year period would allow at present value \$330 million of work done today versus over that 20-year period if we took the same numbers, \$480 million each year, collectively, if you're following me there. Right? So \$330 million now versus cumulative \$480 million over a 20-year period. I'm doing the quick math on my notes here as he was talking. But long and short, that's \$150 million premium or cost of financing over a 20-year period. However, to advance the user benefit, essentially leads to \$7.5 million a year of user benefit you would have to achieve to justify that premium. From our example--this is a Hawkins Construction example--we did a very specific economic analysis of a project when building the West Dodge Expressway some years ago on 120th Street, a bridge over West Dodge Expressway which we demolished and built a year early. And we sought to justify the cost of doing that work a year early. The long and short is, there was a \$20 million gain to the users of one individual bridge per year by doing that job a year early. I think it's pretty easy to see where we can find \$7.5 million across our system for advancing \$330 million now. I think that justifies itself. I'll leave it at that for those. And I would lastly like to note and state AGC's strong support for our new Roads Director, Kyle Schneweis. We applaud his efforts to make positive changes at the department. And we also support the Governor's mission and the challenge that he's presented to us to find innovations and improvements in our system. They're necessary, they're doable, we're jointly committed, and we look forward to continuing our working relationship with the Department of Roads, the administration, and of course the Unicameral. Hopefully, I can answer some questions. [LR318]

SENATOR SMITH: Thank you, Mr. Hawkins. Appreciate it very much. Senator Friesen. [LR318]

SENATOR FRIESEN: Thank you, Chairman Smith. Mr. Hawkins, you are projecting 5 percent increases in the cost of road construction or repair, both? Would that... [LR318]

CHRIS HAWKINS: That would be the general construction cost. Now repair and new construction in terms of inflation will follow the basic same patterns. The point I made previously about comparing repair cost on a project versus new construction costs, those are two different elements; a little bit apples-oranges. [LR318]

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SENATOR FRIESEN: Right. I mean, we've got a lot of repair work as far as bridges go.  
[LR318]

CHRIS HAWKINS: Correct. [LR318]

SENATOR FRIESEN: Totally different program than rebuilding a road or a bridge. [LR318]

CHRIS HAWKINS: Correct. [LR318]

SENATOR FRIESEN: Back in...when oil prices were over \$100 a barrel, we were doing some road projects in Henderson and they kept telling us that all these construction costs were based on the price of oil basically, because asphalt...you're using a lot of fuel, those types of things. So with oil hitting below \$40 a barrel recently, have road costs...construction costs come down or what is the driving factor of building a road these days? [LR318]

CHRIS HAWKINS: Well, yeah, and I understand where it probably is frustrating to hear today, oh, you don't see the downside of that. But the truth is, no. At the time when we saw increases at least in asphalt roadwork, which was the primary driver of increases on the overlay jobs you saw, oil makes up a significant component. That increase was the result of really relatively low prices at the time that saw one element with a significant spike. Since then, all the other elements of construction have increased in cost. So while the cost of oil has come down, everything else has gone up to the point where, no, we will not see decreases with the decrease in the price of oil, unfortunately. [LR318]

SENATOR FRIESEN: So if we see oil prices suddenly increasing, we expect to see a 10 percent increase in cost? [LR318]

CHRIS HAWKINS: It would likely exacerbate the effect of construction inflation, absolutely. So when we say 5 percent to 7 percent, that's based today on really pretty limited economic growth in this country, in China, but the materials which make up the largest part of our construction costs. Our materials operate on a worldwide stage. So cement is a pretty expensive one. That comes really largely from China, Greece, and within our own country. But when China grows 10

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percent a year, sometimes we can't even get cement here. And our cost of inflation, as it did in 2006 to 2008 time frame, will exceed double digit rates. [LR318]

SENATOR FRIESEN: Thank you. [LR318]

SENATOR SMITH: Senator Garrett. [LR318]

SENATOR GARRETT: Thank you, Senator Smith. I'm struck by the example you used of economic benefit by building the bridge early over 120th I think you said. Part of my great frustration in the Legislature is quantifying the economic benefits of spending money on whatever it may be. And how were you able to determine that economic benefit? [LR318]

CHRIS HAWKINS: So that was a private study and we really isolated it just to a few variables, which are pretty common in those specific project studies. So in that case what we looked at was, without the bridge what transportation and travel patterns would be, the increased cost of fuel consumption; the value of time, essentially to employers for value of wages. Really those are the two driving factors. There's other factors for value of goods, etcetera, but those are the really primary two variables. You could probably get creative and add more that are real numbers, just harder to measure, that greatly increase the economic benefit result. If you look at an overall project and include the economic value of employing construction workers and the downstream, I mean, there's three or four tiers downstream when you get to suppliers, etcetera. And I think 4 Lanes 4 Nebraska, people representing the Highway 275 commissioned a very excellent study that I think has been put in front of the committee. [LR318]

SENATOR GARRETT: Yeah, but those second, third, fourth order economic effects are really hard to quantify, especially for us in the Legislature a lot of times. And that would help greatly in us fighting for projects and things. Another question real quickly. I'm familiar with public-private partnerships, for example, like we're doing with base housing out at Offutt. Could you give me an example of a public-private partnership in the transportation arena? [LR318]

CHRIS HAWKINS: Sure. They're not quite as popular in the Midwest. You see more in the Northeast, the Southeast, Texas does a lot of them. But I'll just give you a generic public-private



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partnership would be one where a private what's called a concessionaire or financier pays for the project, funds a project and then is repaid over some period of time via tolling or bypass tolling or some other really kind of at that point in time financial scheme, which I might call gimmickry in some cases. But that's what it is. So one would be, say, over the Ohio River, there is a...it's a public-private partnership where Walsh Construction Company out of Chicago and VINCI, a company out of France, are jointly building and financing the project and then paid over some number of years--and I'm not sure how many, 30--via tolling. [LR318]

SENATOR GARRETT: Are you familiar with any potential projects in Nebraska that we could effectively use that? [LR318]

CHRIS HAWKINS: No. And, in fact, a number of people have looked at it and the general consensus is there are no projects which are economically viable for true privately financed public-private partnerships, because it requires a density of traffic to be able to be paid back via tolling to a new source of revenue as opposed to just simply shifting revenue from an already existing source. [LR318]

SENATOR GARRETT: Right. [LR318]

CHRIS HAWKINS: And the only place where we have that density of traffic is in the I-80 corridor in Omaha, and federal law prohibits us from tolling existing interstate systems. [LR318]

SENATOR GARRETT: Yeah. Thank you. [LR318]

SENATOR SMITH: Senator Crawford. [LR318]

SENATOR CRAWFORD: Thank you, Senator Smith, and thank you, Mr. Hawkins. One of the questions...I guess one of the challenges that we hear when we talk about trying to accelerate projects is whether or not there's capacity to accelerate projects. And I wondered if AGC or if Hawkins, if you've done any projections on how much capacity we do have to accelerate in terms of labor and available supplies? [LR318]

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CHRIS HAWKINS: Yeah, that's a really good question. And I think that there's probably two areas here. One is a little taboo. It shouldn't be, but it is, in political speak and I'll address that one first. There is capacity both within the state, but there's also capacity outside the state. And we do not have an obligation from the state level to competitively let projects and keep them only for in-state contractors. It's healthy and good when out-of-state contractors come in and can build jobs for cheaper than in-state ones. Construction operates on a regional basis, not just within its own state. On a regional basis, as we already heard, Kansas and Missouri essentially have no program. They are doing very little new roadwork and there are existing contractors there who have quite a bit of excess capacity now, for what that's worth. In terms of in this state, I can say that Hawkins Construction Company has plenty of excess capacity and will continue to. One area where we do have a challenge--and it's real, I won't try to sugarcoat it--is the availability of our work force. That is a declining source of...we have a declining source of qualified, skilled, and ready and willing to work individuals. I do not have a ready-made answer for you on that one other than I think there are some good things happening at our community colleges. I sure would like to see, if we could get a comprehensive program, some commitment to community college and technical training. [LR318]

SENATOR SMITH: Do you benefit from competing outside the state, Hawkins Construction?  
[LR318]

CHRIS HAWKINS: Absolutely. [LR318]

SENATOR SMITH: So it would be expected that others would compete inside our state.  
[LR318]

CHRIS HAWKINS: Absolutely. And to take this quick tangent, sometimes we look at semi-protectionist measures in this state and every other state. AGC locally and at a national level has always been opposed to those for that very reason. [LR318]

SENATOR SMITH: Right. Mr. Hawkins, thank you for representing AGC, and thanks for what your industry does in Nebraska to build our roads. [LR318]

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CHRIS HAWKINS: Thank you. [LR318]

SENATOR SMITH: And our last invited testimony is going to be a representative from 4 Lanes 4 Nebraska. Jeff Scherer is a 4 Lanes board member and is CFO of Smeal Fire Apparatus. Welcome. And following Jeff, we're going to open it up for public testimony. So anyone wishing to testify, we're going to invite you to come forward with your green sheets. Welcome. [LR318]

JEFFREY SCHERER: Thank you. My name is Jeffrey Max Scherer, J-e-f-f-r-e-y M-a-x S-c-h-e-r-e-r. And I'd like to thank you, Mr. Chairman and the members of the committee and Senator Crawford, for not only your hard work on this issue, but everything you do down in Lincoln and in your home districts. I know you put a lot of time and effort into all your work, and it is appreciated by the citizens of the state of Nebraska. As mentioned, I'm the chief financial officer of Smeal Fire Apparatus in Snyder and Neligh. I'm here to represent our company as a owner and operator. I'm here to represent 4 Lanes 4 Nebraska as a board member. And also, I may throw in a few of my own personal comments as a taxpayer. To give you a little background on Smeal Fire Apparatus, we're a manufacturer of fire trucks for small communities across the country and Canada, large cities as well. We're currently building several aerial ladder trucks for the city of Omaha. And although I didn't come here to sell fire trucks, I'd love to have a conversation with the mayor of Bellevue when we're finished here today. We have 307 employees in the little town of Snyder, population a little over 300 people. Omaha Steaks has a plant in Snyder with about 95 employees. Our dealer in the Midwest, Danko, has about 60 employees. So simple math indicates we've got a lot of people driving in from probably about a 50-mile radius. Many of those folks are driving (Highway) 275. We've got 21 employees at our Neligh plant, and a lot of those are coming from the Norfolk area. They have the benefit of driving four lanes as far as the Battle Creek interchange. We also have two employees in an Omaha office down here, an engineering office. So I feel our company represents a varied and wide group of people in not only the rural areas, but the cities as well. I got involved with 4 Lanes 4 Nebraska through a conversation with a friend of mine, Dirk Petersen, general manager of Nucor Steel in Norfolk. Dirk and I both currently serve on the Nebraska Chamber of Commerce and Industry Board. I was the 2011 chairman of the chamber. Dirk will be, I believe, the 2017 chairman of the Nebraska Chamber. And after a chamber meeting one afternoon, we were talking about a number of different things. We both have a lot in common. We feed some

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cattle occasionally. We both come from rural Pilger, Nebraska. And so we've been friends for a long time and we have a lot in common. And one of the things we were discussing that particular afternoon a year and a half ago was Highway 275 and how we've been so patient, like most Nebraskans are, and just sit back and bide our time and wait for something to happen and have that hope and optimism that things will happen. And we know what's happened and we know what hasn't happened. And that's why Dirk and I got together, rounded up a lot of ground support, and created 4 Lanes 4 Nebraska for the purpose of finishing the Highway 275 project. Since then it's grown dramatically. We've got a lot of enthusiasm from across the state. It's not just about Highway 275, it's about finishing a promise that was made over 30 years ago and doing what Nebraskans generally do best, and that's doing what they say they're going to do. And so I'm urging this committee, the rest of the Legislature, our Governor to have an open mind and look at alternative ways of doing things, new ways of doing things, things that we haven't looked at or done in the state before. It's...there's a lot of reasons for finishing these projects. And I have a tendency to speak about (Highway) 275 because it's near and dear to my heart. I live in District 16; I work in District 17. I drive 15 miles of gravel every day to work. But when the roads are bad and too muddy, I'm going to take Highway 275 and so I see what happens firsthand. People get behind a slow driver and then they get into one of the communities like Wisner, Beemer, or West Point that have a four-lane highway going through town and it's like a NASCAR race; everybody jockeying for position to get ahead of that slow driver. Whether it's an elderly person, a young person just learning to drive, somebody behind a 18-wheeler on their first week on the job, whatever the case is, people are creating a dangerous environment through these communities. We've had a study, as you're aware of, commissioned by Dr. Ernie Goss of Creighton University that indicated that the accidents on that stretch of (Highway) 275 are 60 percent higher than other areas of two-lane highway within the state system. We need not only to keep our employees safe on their way to work, but we also need to create a better infrastructure for business. We're again attracting people from a 50-mile radius. Most of our executive team drives that stretch of road every day coming from Omaha. And as mentioned in some of the earlier testimony, the way the Department of Roads is regulated today, they count vehicles. It doesn't matter what kind of vehicle it is when they're doing their vehicle counts. So it doesn't matter if it's a load of fat cattle; a load of steel coming out of Norfolk; a big, expensive, shiny, red fire truck; or a Volkswagen Beetle--a vehicle is a vehicle. And I think that that's also part of what needs to change is allowing the state Department of Roads to be able to do a better job of

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what they do. I'm encouraged by Director Schneweis and his leadership capabilities, some of the ideas that he brings to the state. I'm trying to skip over some things as well so if it sounds like I'm rambling it's probably because I am. I can tell you firsthand about personal experience with my son, Jared. My son, Jared, the youngest of my two boys, was born in 1988. He was born in Fremont, we lived in Snyder at the time. And I remember driving (Highway) 275 for doctor appointments and to get him down to be delivered in the hospital in Fremont. That's the year they started tearing up (Highway) 275 north of Fremont. If we wait till 2024 to finish this project, my son Jared will be 36 at that time. Also, in conjunction with Dr. Goss's study, he pointed out that this would...he projects this would create 1,300 new jobs. We've heard a lot of testimony today about job creation and job availability. We've got 25 open positions in Snyder today that we have a hard time filling. I'd like to think that if we had a better infrastructure system it would be easier for people to commute, easier for us to attract and retain employees. His study also indicated that this project would add \$145 million to the state's gross domestic product on an annual basis. And again, this just relates to the Highway 275 portion. If we can finish the rest of the expressways across the state, I'm sure it's incremental increases as well. And again, the reduction of accidents that I spoke of earlier. Again, I appreciate everything that you folks are doing and working towards this. I think it's good that we're finally taking a look at modernization. We've heard a lot today about design-build, bonding, infrastructure bank. My personal belief is with bonding, being a businessman, being a chief financial officer, I don't think a little bit of debt is a terribly bad thing. I think an opportunity to maybe leverage part of these projects, sticking a toe in the water, if you will, and looking at a combination of bonding and an infrastructure bank, we may be able to get this done a little sooner and get a jump start on things. And again, we are currently looking at historically low interest rates. I also believe that we should continue the discussions on public-private partnerships. We also have a plant in Delavan, Wisconsin, and Effort, Pennsylvania. And it doesn't matter where I fly into or how I drive there, I can't hardly get to one of those plants without being on a toll road. So whether or not toll roads make sense in the state of Nebraska, I'll leave that up to the experts to decide. But I think it's an option that we can certainly at least look at. I've had a lot of time spent over the years in terms of being involved with economic development. I served for a number of years as the chairman of the Northeast Nebraska Economic Development District, chairman of the Nebraska Chamber, president of the Nebraska Diplomats. I've got other hobbies besides economic development, but economic development is important to our state. But it's really hard to try to attract business in when we

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can't fill our jobs at present. So this may or may not be a little bit off topic, but I also encourage all of you and the rest of the Legislature to consider what kind of...what can we do to attract employees into the great state of Nebraska? I don't know that we're doing a good enough job selling the good life, and I'd encourage all of you to try to do that as best we can. As I mentioned earlier, I work in District 17; I live in District 16. I'm fortunate enough to own some land in Brown County in Senator Davis' district. I'm generally quick to get on my cell phone and call Senator Schnoor or Senator Brasch. I don't have your cell number yet, sir, but again, I think it's important that people have this opportunity like you've given me here today to listen to me. I think it's important for our process. And thank you all again for giving me that opportunity to speak with you. [LR318]

SENATOR SMITH: Thank you, Mr. Scherer. Have any questions? Senator Davis, you going to give him your number? [LR318]

SENATOR DAVIS: Well, I can do that. I can definitely do that. This is off topic, but you led into it. I think your point is extremely well taken about trying to bring people to Nebraska. I don't know how we do it. Do you have ideas? [LR318]

JEFFREY SCHERER: I think that if we can do something to help retired military stay in the state or attract them to the state. I think Senator Garrett would agree with that. I think that that's maybe one option. We're finding that a lot of the people we have in our company that have a military background are some of our best and brightest. So that's one option. Lessening the tax burden, especially on retirees. Retirees don't really fit into the work force but they also, if they move out of the state, we lose their help with spreading the tax burden, which creates an unfair tax burden for those people that are working within the state. I think that a lot has to do with just telling our story and where we try to recruit from. What kind of people do we want here? We've lost a lot of people to North Dakota with the oil sands boom. A lot of that's over with to some degree. Maybe we need to try to get some of those folks back here. We have a lot of people come into our state every year for education, whether it be in the university system, state colleges, or the community colleges. They get their education and they go back home, wherever home is. Maybe we need to do more to try to give them some type of an incentive to stay here and work

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for a couple of years and realize that they can have a good living and a good life right here in Nebraska. [LR318]

SENATOR DAVIS: Good ideas. Thank you. [LR318]

SENATOR SMITH: Seeing no further questions, Mr. Scherer, thank you for your testimony. I got to know you first with the...through the State Chamber. And I know...I'm going to give a little bit of preview. If I'm not mistaken, on Thursday at the testimony in Lincoln, 4 Lanes 4 Nebraska may be bringing in someone that can give us a real world description of how having access to a four-lane highway does impact a location of a new business in Nebraska. If I'm not mistaken, I think we're going to hear from someone on Thursday. Yes. [LR318]

JEFFREY SCHERER: Dirk Petersen, the gentleman I was speaking of earlier. [LR318]

SENATOR SMITH: Great. Thank you again for your testimony. [LR318]

JEFFREY SCHERER: Thank you, sir. Thank you all. [LR318]

SENATOR SMITH: And so let me have a show of hands of the number people that are going to testify just in general. I don't see a lot of hands, so I'm not going to do a time limit. We're going to say, kind of keep it to a general about five minutes, if you would, please. But we don't want to stifle you either. So welcome. [LR318]

JONATHAN JANK: Chairman Smith, members of the committee, thank you for the opportunity and time to speak with you today. My name is Jonathan Jank, J-o-n-a-t-h-a-n, Jank, J-a-n-k. I'm the executive director for Seward County Economic Development Corporation. We are a public-private funded partnership that helps to expand existing business and industry in Seward County, as well as recruit new businesses and entrepreneurs to the area. The largest economic driver in Seward County is the agricultural industry that employs over 6,500 people in part-time and full-time positions. Our second largest industry is manufacturing, which employs nearly 1,200 people in Seward County. Our largest manufacturers include Hughes Brothers and Tenneco. These two industries rely heavily on the movement of goods and services across our state and country. Over

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350 people are employed in local transportation and warehousing companies. These companies transport our agriculture and manufacturing and goods and services across the U.S. Our largest trucking companies include Seward Motor Freight and Daws Trucking. I'm testifying today to support these three thriving industries in Seward County by asking that you please consider expanding the entirety of the Nebraska expressway system to four lanes. I recently talked with some of our local trucking companies to solicit their feedback about why expanding the Nebraska expressway system to four lanes is important. Their feedback is relevant to not just the trucking industry, but any industry that moves goods and services along these highways. They all articulated that these highways are heavy truck routes and express support for them being expanded to four lanes. Their reasoning revolved around two topics: First, the highway expansion will speed up travel, save fuel, and be more efficient for the trucking industry as they transport goods and services. This will create a positive economic impact for their industry and the industries they transport for. And it will allow them to reinvest the savings in their companies to expand them over time. Second, they discuss the importance of expanding the Nebraska expressway system to four lanes to create a safer transportation experience for their drivers. They said that these highways with two lanes are especially troublesome during harvest season, because of the increased traffic flow from those in the agricultural industry. Safety is important not just for their truck drivers, but also the noncommercial traffic they daily interact with on these highways. The Nebraska expressway system four-lane expansion will create safer driving conditions and save companies money so they can reinvest and grow. In addition, it will create more economic development recruitment opportunities in our area. I work to recruit new companies to Seward County by traveling the country and working directly with the Nebraska Department of Economic Development and other regional economic development partners to identify project leads. Many of these new companies ask, where is your closest four-lane highway? Specifically, expanding U.S. Highway 81 to four lanes between York and Columbus will increase our competitive advantage in Seward County as we strive to grow our local, regional, and state economy with new company recruitment. Please let me know if you'd like to talk specifically with any of our companies in Seward County to further understand why expanding the Nebraska expressway system to four lanes is so important. Thank you for your consideration and time today. [LR318]



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SENATOR SMITH: Thank you, Mr. Jank. Do we have questions from Mr. Jank? Seeing none, thank you for your work in bringing businesses and jobs to Nebraska. [LR318]

JONATHAN JANK: Thank you. And thank you for your work as well. [LR318]

SENATOR SMITH: Mr. McMeekin, welcome. [LR318]

MIKE McMEEKIN: (Exhibit 5) Thank you. Senator Smith, members of the committee, good afternoon. My name is Mike McMeekin, M-i-k-e M-c-M-e-e-k-i-n, and I'll again...I'll also try to be brief and nonrepetitive. I am the president of Lamp Rynearson and Associates. We're an engineering and surveying firm headquartered here in Omaha that employs a total of 150 people with 90 of those here in Omaha. And I also am representing the American Council of Engineering Companies. And in doing so, I support the comments you heard from Matt Tondl earlier. I'd like to briefly emphasize two points. And the first is that cities and states need to step up to help address the gaps in funding that Matt and others have described. Help is not coming from Washington, D.C. I will be leaving each of you with a copy of a white paper that ACEC developed two years ago that highlights cities and states that are stepping up. Two examples of well-planned, successful local infrastructure funding initiatives that are described in the white paper include the Renew Houston charter amendment passed in 2010 and Oklahoma City's ongoing sales tax initiative. Since this white paper was first written, numerous other cities and states have also passed infrastructure funding initiatives, including successful initiatives this year in Seattle, Utah, and Maine. So the point of that is that as you consider funding transportation in Nebraska, please remember to consider options that give cities and counties the flexibility they need to address gaps in funding on their own. And remember in particular that as you've heard, that in the Omaha area and in our larger cities that includes remembering that revitalizing our public transportation system is a very great need. And one thing that I would highlight regarding public transportation, remember that if we do a good job, if we create better systems, we encourage people to continue to live in our urban cores and we also free up valuable land in our downtown areas, free it from the need for parking garages and allow uses with much greater tax base to be constructed in those areas. The second point I want to make is that investments in infrastructure return economic benefits. A recent study by the Brookings Institution found that about 11 percent of all jobs in the U.S. and about 13 percent of jobs in the Omaha area are

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related to some aspect of infrastructure: design, construction, maintenance, operation, and governance. This represents over 56,000 jobs in the Omaha area. In the end though and wrapping up, infrastructure investments create multiple benefits for our city and state. The way we address our infrastructure needs in transportation impacts people's access to jobs; people's access to educational opportunities; the money that our citizens spend on mobility; the efficiency with which businesses operate; the way that our cities and counties look; the quality of our air; the amount of resources we consume; and the way we are perceived by visitors. Well, thanks for your interest in this subject. And remember that part of the solution is giving cities the ability to help address their transportation funding needs. Thank you. [LR318]

SENATOR SMITH: Thank you, Mr. McMeekin. Any questions? Seeing none, thank you. [LR318]

MIKE McMEEKIN: Okay. You're welcome. [LR318]

SENATOR SMITH: Next person wishing to testify on LR318. Welcome. [LR318]

LEROY FRANA: Thank you, Chairman Smith and Senator Crawford, for hosting us, and fellow committee members. This is my first opportunity to sit through a committee hearing on a roads study like this, and it's quite interesting. My name is Leroy Frana, it's L-e-r-o-y F-r-a-n-a, I'm from Nebraska City. I'm the general manager of the utilities in Nebraska City and also a member of the Nebraska City Area Economic Development. We, at Nebraska City, try to attract sound businesses and industries. And one of those industries is the Cargill plant which has seen a significant increase in employment. Also, the Omaha Public Power District Units 1 and 2 have many, many commuters to the Nebraska City area. In the late 1990s, Highway 2 was reconstructed as a four-lane highway. It was, before that, simply a very hilly highway, a get in line, get your spot, and stay there. This traffic now is on a four-lane highway. It's a much busier highway because of the Interstate-29 cutoff, and it is a wonderful road. Highway 75 now is also a busy highway, and it's seen quite an increase in travel due to commutes from the Omaha and Bellevue areas as well as the commutes to those areas. This highway also has become a simply get in line highway, have patience, and it's truly a very, very busy highway in the morning and evening hours. We all tend to agree that four-lane highways are safer, much safer. And Highway

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75 has seen more accidents resulting in deaths and serious injuries. The new Highway 34 bridge across the Missouri River has added even more traffic to Highway 75. I understand that plans and studies are underway to determine how to address the increased traffic and how to get it across Sarpy County. The Beaver Lake area also has added to this significant traffic, although it has taken several years--I must say about 40 years--to get to that point. I personally am aware that traveling (Highway) 75 requires being a very alert driver. And this is a true story: Twice in the last month I've had to pull over on the shoulder of the road to avoid traffic coming towards me. Hopefully, it wasn't a texting driver. But in both instances I feel that there would have been a collision had I been texting, which I refrain from doing. I also should like to bring to your attention the annual fall festival in Nebraska City. Nebraska City is the home of Arbor Day. We celebrate a spring festival, but also the fall apple festival. And on those weekends, it's literally bumper to bumper traffic. Senator Crawford maybe has made the trip to Nebraska City, maybe some of you others have as well. But it requires a great deal of patience, therefore, you can also believe that I am a firm believer that a four-lane highway to Nebraska City is very, very important. But I also understand that there are many, many other areas in the state also in need of a four-lane road in the expressway system to be completed. Therefore, I applaud what 4 Lanes 4 Nebraska does for Nebraska. And I'd be happy to answer any questions that you may have.

[LR318]

SENATOR SMITH: Thank you, Mr. Frana, for your testimony. Do we have questions from the panel? I see none. [LR318]

LEROY FRANA: Thank you very much. [LR318]

SENATOR SMITH: Thank you. Welcome. [LR318]

LORAN SCHMIT: (Exhibit 6) Thank you, Senator. Senator Smith, members of the committee, and Senator Crawford, you've been very generous giving me a considerable amount of time to testify before this committee, and I appreciate it. I appreciate very much the fact that this committee has awakened the Legislature to the fact that the expressway, which was planned almost 30 years ago, has been shelved to the point where in some areas the Department of Roads has indicated they do not intend to finish that plan that was presented by the '87-88 Legislature. I

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have submitted...first of all, my name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t. I have submitted testimony on behalf of the Association of Nebraska Ethanol Producers which I will not read, which I will have left with you. I'm going to just make a few remarks on my own. And I would like to commend many of the previous witnesses. I think Mr. Tondl, Mr. Hawkins, and Mr. Scherer gave some excellent testimony. And it is interesting to hear testimony from someone like Mr. Tondl who talks about the funding. Senator Crawford and Senator Garrett talk about 2024 being a long wait. I've already waited 27 years, Senator, and I don't know if I'm going to be around in 2024. I hope that you will keep the pressure on and insist that what the Legislature does is followed by Department of Roads. The entire expressway originated with the Nebraska Legislature. There were no (inaudible) outside. There was no pressure from anyone except legislators who realized that there needed to be access to the interstate. You've heard the good testimony today about how that improved the access for business opportunities. Mr. Frana mentioned the four-lane to Nebraska City. There was blood all over the floor when we added that highway to the four-lane system. There were many people who did not want to use that as a four-lane system. Comments were made, if you want to go to Kansas City, drive to Omaha, take I-29. It was because of Senator Calvin Carsten's insistence that we put that in the bill, and it has been a very good bill and a very good road. And I think that we have to recognize that it was a very important part of the system. Heartland Expressway, much of Nebraska was because Bill Nichol said, we're going to get a start on western Nebraska improvements. Individual legislators laid their reputations on the line. We recognized also that we took a lot of criticism when we insisted upon providing bonding authority. It's amazing to me that all of us who borrow money for land, borrow money for a car, borrow money for an airplane, act as if it's a crime of moral turpitude to borrow money to build a road when, as Mr. Hawkins explained, the rate of inflation considerably exceeds the amount of the cost of the interest. And so there may be times...and we have seen remarkably low interest rates through most of the time that we have had the expressway legislation in place. The original cost was supposed to be about \$200 million and was supposed to be completed by 2002. We had many discussions with Department of Roads. Department of Roads emphasized that those costs would only be considered good if we kept on schedule. I do not know why we fell so far behind schedule. After I left the Legislature in '92 we got off schedule. We got off some of the other programs. We emphasized that where there is an existing road in good condition, you should not tear up that road. You should lay down two lanes of new road next to it and make that work. The Legislature worked an agreement--I saw it--with

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Department of Roads, the only community that the freeway system would not go through was York because of the peculiar underpass they had on their...on Highway 81. Department of Roads went through Columbus, went through Norfolk, two first-class cities, went around McCool Junction, a metropolis of 280 people and spent millions of dollars doing that. Absolutely ridiculous. And I insist that this Legislature has got to have some kind of an agreement with the department. The Legislature is made up of brilliant people. You've got all kinds of experiences. You bring your background to the Legislature. And the Department of Roads works for us. I have no quarrel with Roads. I traveled to the Legislature for 24 years. I never missed a day in the Legislature because the roads weren't open. We have hundreds of good employees. But somewhere along the line the expressway system got off the plan laid down by the Legislature. And as has been explained here today, the Legislature controls the purse strings. My neighbors in Bellwood asked me one day when the debate was being held on your bill, Senator, they said, what do you politicians think you're pulling on us? All this argument about a cent and a half increase on the gas tax. Gas has gone up and down \$2 since we passed the expressway bill. If you need money, you got to pay for it. You have to decide which is the most efficient way to do it and do it that way. It is not really bad practice to raise the gas tax. The gas tax has gone up...has varied 50 cents, Senator, in the last 60 days and we keep buying gas. If you need more money, decide how you want to do it and pay for the roads. But I'm insisting that we need to complete this system. We need to also address the fact that there are new industries. The ethanol industry did not exist when they passed the expressway bill. We have doubled the production of corn since that time, so it increased that load on the Department of Roads. And we've done many other things, just as Mr. Scherer has pointed out, that have increased the burden on the roads. You've got to build them and you've got to maintain them. That is one of my problems, and I just think it's important that we find out from the Department of Roads, why did the department divert from the original plan? I think it was a good plan. We thought we could pay for it reasonably, and we would get it done in a decent amount of time. But they diverted from the original plan as laid down by the Legislature. Number two, how does the department justify the expenditure of \$600 million for the freeway system, which was supposed to cost a little over \$200 million and we're only 60 percent finished? I don't understand that, except as I know there are increased costs because of inflation. Number three, how does the department explain that the project which was supposed to be completed by 2002 is still struggling along 15 years later? It doesn't make any sense. I can see why the people who have testified here are concerned about

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the projected 2024 completion date on some of these projects. And Mr. Tondl says, there will only be half the money you need for those projects at that time. So, in effect, this half of the people are not going to get anything done. And hopefully Senator Davis and Senator Friesen will get roads out west. But the point is, you got to pay for what you get, and you're not going to pay for it unless we increase income. And the best way, from my point of view, still is...Senator Smith has done it with the gas tax. We know where it's coming from. We know where it's going. People that use the roads pay for them. And you can talk about all forms of innovative funding, but innovation does not get the bucks into the treasury. And you've got to let the Roads Department know that once you do it, that you're going to provide the money. My last comment: Why are large sections of the expressways that have been completed in a bad state and need continual repairs? Those questions need to be answered and I think Mr. Hawkins and I think the contractors need to sit down with you folks and find out why. It's a disgrace that those roads are in the condition they are in. Highway 38/92 from David City to Wahoo was built in the '30s. It was still an excellent road when they put a cap over it 20 years ago. I drove it hundreds of times. There wasn't a crack in the highway the entire distance to Omaha. And today if you drive the seven miles...from what we call the seven-mile corner to Columbus, the road is so rough you try to seek a better part. And there are a number of cracks in it. Not as bad as north of Columbus, but it's not good. Those are factors that you've got to resolve. And once you get them resolved, the public is not going to object to paying for the roads. [LR318]

SENATOR SMITH: Okay. [LR318]

LORAN SCHMIT: Thank you very much. [LR318]

SENATOR SMITH: Senator Schmit, thank you very much for your testimony. Thank you for your consistent support of the roads in Nebraska. We appreciate that very much. [LR318]

LORAN SCHMIT: Well, thank you. You bet. Thank you. [LR318]

SENATOR SMITH: Have any further questions? Seeing none, thank you. And continuing comments on LR318. Are there any additional testifiers on LR318? Okay. Welcome. [LR318]

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STAN DARLING: Welcome. Thank you, Senators, I appreciate the time. I'll be very brief. My name is Stan Darling, S-t-a-n D-a-r-l-i-n-g, I'm from Fremont. I am the chairman-elect of the Fremont Area Chamber of Commerce for next year. I'm here in support of the completion of the expressway, just like everybody has today. We are going to be the first beneficiaries or one of the first for the completion of Highway 30 between Fremont and Columbus. I spoke to the committee at a hearing back in 2011, I believe it was, or '12 when there was a bill presented to abolish LB84...not abolish, but amended it and...repeal it, excuse me. And at that time everyone knew what the benefits would be to complete the expressway system. I would be remiss if I didn't want to express my support of the completion from Fremont to Norfolk and, of course, from Fremont to Wahoo now that there's a nice new bypass around Wahoo. I appreciate your willingness as I sit back here and listen to all the testimony and the ideas that are coming about. I think you have some alternative sources of funding that I'm sure you will be exploring in the next few weeks and during the session. I'm a volunteer with the chamber in Fremont, but my profession is a banker. So as a lender, in particular, I kind of...I appreciate the idea of reserve borrowing, bonding, and those kind of alternative fundings. If I might, just my last comment is, think about when you bought your first home. You didn't save up your money so you could buy your home, did you? I didn't either. So you borrowed the money on your good earnings capability, and so we can use that same analogy with I believe some of the funding that we want to do, that borrow a little money now, pay it back over time if those funding sources are consistent. And we can gather that money up to do just what the director would like to do and take care of a lot of these long overdue projects. So thank you for your time and attention and we'll most likely see you at the legislative session. Thank you. [LR318]

SENATOR SMITH: Thank you, Mr. Darling, for your testimony. And congratulations on your role in your community, and thanks for investing in your community. Any questions for Mr. Darling? I see none. [LR318]

STAN DARLING: Thank you. [LR318]

SENATOR SMITH: Thank you. And I see no further testimony on LR318. So with that, we will conclude our hearing on LR318. And we will have our final hearing in Lincoln on Thursday. Thank you. [LR318]