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Transportation and Telecommunications Committee
October 08, 2009

[LR152]

The Committee on Transportation and Telecommunications met at 10:00 a.m. on Thursday, October 8, 2009, in Room 138 of Metro Community College, Papillion, Nebraska, for the purpose of conducting a public hearing on LR152. Senators present: Deb Fischer, Chairperson; Tim Gay; Charlie Janssen; Scott Lautenbaugh; and LeRoy Louden. Senators absent: Kathy Campbell; Galen Hadley; and Arnie Stuthman, Vice Chairperson.

SENATOR FISCHER: Welcome to the Transportation and Telecommunications Committee. My name is Deb Fischer. I am Chair of the committee. I am from Valentine, Nebraska, and I represent Legislative District 43. I would like to thank Senator Gay and Metro Community College for providing us with this facility today and Senator Gay for helping us get organized to be here. We have had a number of hearings across the state on highway funding. We began in Kearney. We went to North Platte, Scottsbluff, Alliance. Yesterday we were in Columbus and Fremont. And we started in Lincoln at the first part of September so this will be our last hearing. I hoped we have folks here who will be able to offer us information and suggestions because that's what we're here for. At this time, I would like to introduce the members of the committee. On my far right, we have Senator LeRoy Louden. He is from Ellsworth, Nebraska. Next, we have Senator Charlie Janssen from Fremont. On my immediate right is our committee counsel, Dusty Vaughan. On my immediate left you all know Senator Tim Gay from Papillion. Next we have Senator Scott Lautenbaugh from Omaha and on the end, on the left, is our committee clerk, Laurie Vollertsen. We do try to keep it somewhat informal on interim study hearings, but we have rules that we also follow and so I need to go through a few housekeeping details with you before we begin. If you plan to testify before the committee, I would ask that you pick up a yellow sign-in sheet, those are over on the side of the room over there, and fill those out. Before you take a seat at table, please hand your sheet to our committee clerk so we have that information. I would also ask that at the beginning of your testimony you state your full name and spell your last

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name, please. As I said, this is an interim study hearing. We do not take proponent and opponent testimony, so you can come up in any order you wish. I would ask that you be ready to testify and keep the process moving along. We will be using a light system today. We're going to limit testimony to five minutes for your presentation, and then the committee has an opportunity to ask you questions at that time. Again, we seem to have a lot of people interested in this topic, which is wonderful, and we want to make sure everybody has the opportunity to present their ideas to the committee, so that's why we're going to be limiting testimony. If you don't want to testify but you do have an opinion on this matter that you would like us to know about, you can fill out one of the sign-in sheets and hand that in and then we will have that for the record. And at this time I would ask that everyone please turn off your cell phones. We don't allow cell phones in this committee. That's as a courtesy to the speakers and also to all of us here so that we can hear the testimony and give it the attention that it deserves. With that, I will open the hearing on LR152 and ask Mr. Vaughan to give the opening. []

DUSTY VAUGHAN: I think that's loud enough. [LR152]

SENATOR FISCHER: Good morning. [LR152]

DUSTY VAUGHAN: Good morning, Senator Fischer and members of the committee. For the record, my name is Dusty Vaughan, spelled V-a-u-g-h-a-n, and I am the legal counsel for the committee. I know you guys have heard this and many people who have followed us throughout our hearings have heard this, but for the new people in the audience I will go through it for the final time. LR152 is introduced to conduct a comprehensive exam of Nebraska's highway funding structure. I don't think there's any question that we are facing a crisis, but I do want to stress the main points of how we've gotten to this point and where exactly we're at right now. First thing is, in addition to system preservation, Nebraska has many capital expansion needs. The cost of seven of the highest priority state projects that Department of Roads has is estimated to cost roughly \$730 million. Every year that these projects are left off the construction

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program, the cost goes up through inflationary factors and other things. Currently, two of the projects are being constructed, that being the I-80 expansion between Lincoln and Omaha and the Wahoo bypass. Two, Nebraska is at the point where inadequate...where funding will be inadequate to even preserve the current highway...current highway system. Department of Roads estimates that it costs \$286 million to preserve the current system, and they have estimated that next year's construction program will be somewhere in the neighborhood of \$300 million. That \$286 million increases...has increased every year in the past several years due to construction prices, so we are going to get to a point very soon where those lines are going to cross and we are not even going to be able to afford preserving the system, much less expanding it. Three, because Nebraska employs a revenue-sharing structure with local governments, our local governments are in the same predicament as the state. I think Omaha can attest to this fact, how important the highway allocation fund is to our local governments. So until we get the state's funding structure fixed, many of our local governments across the state will be under this same predicament. And the final point I want to make is Nebraska's historic reliance on the gas tax is no longer sustainable under the current economic conditions. I think this is a big reason of why we're here. Historically, we have relied on increased consumption to increase our revenues through the gas tax. The gas tax comprises roughly 60 to 65 percent of our state revenues that are used for roads, but with decreased demand in the past few years through economic conditions, cheaper, more fuel-efficient vehicles, as well as the federal administration going to a higher miles-per-gallon standard on car manufacturers, I think that's a thing of the past. This is not to say that the gas tax does not have a place in our funding structure, just maybe that it needs to be altered or supplemented with something else. And with that, Senator Fischer, I will turn it back to you. [LR152]

SENATOR FISCHER: Thank you, Mr. Vaughan. At this time, I would invite anyone who would like to testify to please come forward. Good morning, Mr. Mayor. [LR152]

JIM SUTTLE: Good morning. I'm not bashful. Jim Suttle, mayor of the city of Omaha,

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1819 Farnam Street, Omaha, Nebraska. Thanks for scheduling this hearing. Thanks for having all of us here. Thanks for listening to what we have to say as you all determine what course we need to follow in the Unicameral and for our state. I have some prepared remarks. I'll follow those in general terms and then I'd be glad to answer any questions that you might have. I think this study is very timely at this time, as you get ready to go into your regular session this coming January and again to further determine what course we need to be taking for our state. We're faced with less consumption, we're faced with less motor vehicle sales tax, we're faced with the incoming of alternative fuels as we look at electric, as we look at natural gas, as we look at other forms of propelling vehicles, and yet at the same time they all use the road system. They all use the transportation system. So we have new challenges that are facing us. As I get to my summary at the end, we'll talk about that a little bit more. The city of Omaha maintains and operates over 4,000 lane miles of streets and we have some 150 bridge structures. Some of those are major structures, as we look at transferring their street systems over rail tracks or large tracts of lands or large bodies of water. To provide a dependable, safe, efficient transportation system for the Omaha community and the entire metropolitan area and for its visitors requires an increasing demand for financial resources. The city is doing its part as we continually support, historically, bond issues, as we augment what we do locally with what we receive in federal aid, from what we receive in support with our partners, the Nebraska Department of Roads, the state of Nebraska, and with Douglas County and the other jurisdictions in the metropolitan area. Let's face it, the road system is a major blueprint for economic development, not only in Omaha but across the entire state, and particular in this point in time as we have a need, a growing need in the urban areas, where we're trying to get the employment engines, the economic engines to re-kick in across this country and across this state so we can tie together both the industrial base that we have as a community as well as our ag industry. In 2004, a task force appointed by then-Governor Mike Johanns completed a comprehensive report on Nebraska's transportation system and funding methods. The report stated that, quote, some type of change needed to occur within our current structure of transportation planning and

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financing if Nebraska is to continue to compete in a very dynamic, global marketplace, end of quote. These words are still very, very pertinent today as we wrestle with this dilemma and as we figure out the course to take, and I think we ought to take a hard look at what was said by the Governor at that time. Over the years, the city of Omaha sought other means to increase its revenue for streets. These have included the wheel tax, street cut fees, development fees. We use an assessment process when we kick in with the local street system, city streets and so forth, and we are very aggressive in following through with all of this to make sure we have a strong transportation system. However, these revenues fall far short of the existing and future needs of the city. Street cut fees, for example, only serve to cover the repair costs allowed by utilities and other agencies to do their work. The development fees cover the cost of development in restricted areas on the fringe of the city as we grow and grow outward. The study looked at all aspects of the transportation in the state, including roads, railroads, and public transportation, and I'm making reference to the previous study done in 2004, and underscored the need in that report for a change, especially in light of the substantial link between improved transportation and economic development. Also, in 2004 the Metropolitan Area Planning Agency for the greater Omaha area commissioned a study to assess the existing and future needs of the transportation system in the metropolitan area. At that time, the capacity-based needs for roadway improvements in the Omaha area was \$208 million, \$208 million in needs. In 2007, an update to this study showed that the needs had increased to \$325 million. The same study indicates an increase to \$510 million as we extend ourselves to the year 2013. Road deterioration and poor quality rides on the surface increases vehicle ownership cost. The congestion costs increase for business. It impacts public safety. It has and impacts on our air quality and the increased fuel consumption. So all of these add up if we look at the cause and effect of what we are doing as you relate it back to the needs. Beyond the roads, we are needing to look at the expanded transportation system, and in the greater Omaha area I am still very much committed to going back to a stronger residential street rehab program. That was a commitment we made to neighborhood after neighborhood after neighborhood, and we need to fulfill that promise and doing something on the order of

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\$10 million to \$12 million a year instead of the \$2 million that we are struggling to do right now to our neighborhoods. Secondly, we need to get going on the "O Rail," the light-rail system for the city, and we need to look at alternative funding means for that because it's an important complement to what we are doing on the road, street, and highway system. And finally, we are going to need to reinvent our metropolitan transit system. We need a regional system that goes to five counties and to do that we need a regional authority. We need to tie together for the urban area what goes on with roads, what goes on with bus transit, and what goes on with a light-rail system. The city of Omaha supports any and all efforts to protect the integrity of the Highway Trust Fund; however, the whole tax revenue allocation formula, as established under LB846, penalize cities and penalize counties. The allocation formula must be returned to the levels established prior to LB846. That's 53.5 percent for the Department of Roads and 46 2/3 cents for the cities and counties. Ladies and gentlemen, we can't just move chairs on the patio. We can't move dollars from this account to that account and say we have solved the problem. The allocations are important at this point in time and I urge you, in addition, to take a look at the distribution formulas as we get a better balance between rural and urban. We need additional revenues. We need additional revenues that fit our needs as a metropolitan area and fit our needs as a state. We need additional revenues that fit our plan. And finally, we need additional revenues that fit the times, and the times are going to have us looking at alternative fuels and alternative vehicles and alternative means when we still need to figure out how to properly fund a transportation system to fit our growing economy. In summary, the exploration of effective new approaches to highway revenue is essential. A revamping of the historical and traditional funding streams is imperative. A solution to developing a funding mechanism for the twenty-first century transportation system for Nebraska and for its urban areas is mandatory. Thank you, and I'll entertain any questions you might have. [LR152]

SENATOR FISCHER: Thank you, Mr. Mayor. Are there questions? Senator Gay. [LR152]

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SENATOR GAY: Thank you. Thank you, Mr. Mayor. I got a question. When it comes to...you talked about the needs and \$510 million in 2013, do you come out with like a one- and six-year plan? How does the city of Omaha, and probably other mayors, but the city of Omaha, which is the largest city in the state, how do you come up with those needs and prioritization to get to that, these numbers you just gave? [LR152]

JIM SUTTLE: Well, we are a full partner, as all of the jurisdictions in the metropolitan area are, both on the Iowa side of the river as well as the Nebraska side, with the Metropolitan Area Planning Agency. So it all starts with the Transportation Committee and how they are setting the needs and the priorities. That reflects back into the city and then we pick up from there to match those needs against the revenue streams that we have or the revenue streams that we wish to initiate through the mayor and through the council and through the people, and then it's a balancing act after that. So, yes, there is a one- and six-year plan that is mandated by law. We actually set up in the 1980s middle management, a middle management across department lines team of the middle managers to actually to into the core of needs across the whole system, roads, transit, parks, police, etcetera, and we follow that pretty religiously, those recommendations from those professionals as it comes up to the policymakers at the council level and at the mayor's level. So that is our system and it all is tied together and it's all coordinated with the other jurisdictions in the metropolitan area as well. We do a lot of partnering with the county. We do a lot of partnering with our sister county and cities that border us on Harrison Street to the south. [LR152]

SENATOR FISCHER: Other questions? Senator Janssen. [LR152]

SENATOR JANSSEN: Thank you, Senator Fischer. Mayor Suttle, thank you for your testimony. I was listening to the needs, and it certainly sounds like there's a great need. Do you have any specific ideas for...you said we need to look at some options. Do you got any specific ideas? Would that be raising the fuel tax? Would that be bonding?

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We've heard a lot of different...we heard the needs but I'm trying to look for solutions to cover that. [LR152]

JIM SUTTLE: I just want to make sure that I leave a strong impression because we've had discussions for...while I was on the council during the last four years, two years, as well as my time here as mayor, that this banter of no new taxes. If we're going to follow to that, I think we're going to keep ourselves in a hole and we're going to dig it deeper. This is not a fun subject. What we need to do is go back to those needs, take a hard look at those needs, take a hard look at how we prioritize things, and then begin to figure out how are we going to get the revenue streams together as a people in this state. And so that's our choice. As we go down to the metropolitan areas, we got down to the city, we have learned a great deal on balancing things between what we do with revenue streams off of our tax, the rebates we get from the gasoline tax, what we get from making assessments to properties, what we are doing with federal aid, but key in that is also looking at some reasonable debt and keeping that debt in a consistency, and that gets us into the bond side and we will be going to the voters again this spring. We've been doing this now since the seventies and we will continue that plan. But we're going to have more and more needs and we will go to the people over and over again as we look at options and ideas. I would urge the state to look at the bonding side, particularly with the way the rates are right now. We just sold \$25 million in bonds at 3.22 percent interest, unheard of in the history of our city. So the timing is right to leverage money against the bond market and the financial situation. I think the state should look at that, too, in a reasonable manner. We need all tools. And we're going to be faced with this new challenge because we are going to have better engines. We are going to have better fuel economies. We are going to have alternative means of powering vehicles and we need to start looking at what does that mean in a modern Nebraska and what does that mean as we make sure that everybody pays their fair share if we're going to have a transportation system that fits the times and fits the future. Likewise, we in the city are going to be faced, as I said here a few seconds ago, it is time for Omaha to look at a light-rail system. We need to be a city of the future. We

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need to grow vertically. We need to grow in the older half of our city, from 72nd to the river. We will need a light-rail system and we're going to have to figure that out as a people so that that is augmented by a very strong street and highway system, and that gets us right back to this subject matter. [LR152]

SENATOR FISCHER: Other questions? Senator Gay. [LR152]

SENATOR GAY: Mr. Mayor, just to follow up, when you talked about those needs, in 2007 you said \$325 million and \$510 million in 2013. Was that for new construction only or is that for new construction and resurfacing, other things? I mean, can you break that down? [LR152]

JIM SUTTLE: It was for everything... [LR152]

SENATOR GAY: That's for everything? [LR152]

JIM SUTTLE: ...because we have to look at a balanced program. We have facilities that are going to need rehab, repaving, resurfacing. We have facilities that need to be expanded to fit the changes in land use, changes in demands. We have traffic engineering. There's a lot we should be doing and must be doing with traffic engineering and then, yes, new construction too. [LR152]

SENATOR GAY: Do you...have you ever broken it down and said here's what we need for new? Because I look at this economic activities if we had a new beltway system, per se, that other people are looking at. But has it been...do you have it broken down somewhere that you could say we need X amount for new construction and new growth, which maybe might be slowing down a little bit, but looking into the future, 15-20 years, do you have it broken down somewhere or could you get that to us? [LR152]

JIM SUTTLE: That is broken down in the work that we do with MAPA, yes,... [LR152]

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SENATOR GAY: So we could... [LR152]

JIM SUTTLE: ...so you should be able to get the reports and see how that is working. Now I want I want to make a comment about this outer beltway. It's something that we have been meaning to look at for 25 years so now we have a study and a plan, but I want to make sure that it's clear that that plan is predicated on a light-rail system and predicated on a strong transit system. And let's don't ignore that, those elements, as it looks at the justification of the outer ring for whatever transportation modes we're going to put in that ring. It's not just building another loop freeway. [LR152]

SENATOR GAY: Okay. So on new construction outside, as the city grows, you've got development fees that...and developers maybe participate in their development. I assume you're doing cost-share program there. But on expansions of major arterials, let's say, you can get me some information on what that costs. Because I'm more interested in not so much the maintenance of what you're...what's in the city but you said residential street program is probably your program. But if it's broken down and sometime if you could get to us what it...what you need. [LR152]

JIM SUTTLE: Well, that is available and certainly we will do that as a follow-up. I'll collaborate with MAPA as well as with our public works director and we will furnish you a breakdown of that. But let's keep in mind as we talk about new construction and we have new areas that are needing either new development as we grow outward or we are going to redevelop as we look inward to the older part of the city. And we will reconfigure streets and whatever else necessary. But we do have streets that are wearing out, every city does. They're wearing out. The pavements are shot. Those have to be reconstructed. There's only so much you can do and over so much time with asphalt lay down. That's in there too. So we need a balance among all of that. It never goes away. But we do have streets that are shot and need to be totally reconstructed, subbase, the base, as well as the surface, to fit the times. [LR152]

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SENATOR FISCHER: Other questions? Senator Louden. [LR152]

JIM SUTTLE: Appreciate your interest and, again, thank you for doing this. [LR152]

SENATOR FISCHER: We still have questions. [LR152]

JIM SUTTLE: Ah. [LR152]

SENATOR FISCHER: Senator Louden. [LR152]

SENATOR LOUDEN: Well, thank you, Senator Fischer, and thank you, Mr. Mayor, for being here on...giving us your outlook on this. As you mentioned that the state of...the Department of Roads has to come up with a way of deciding how they're going to spend their resources and I guess they had their team, as they call it, you know, when they came up with their "Vatican II" decision, you know, that they would spend interstate and then they would spend the Platte River Bridge, and what was left would maybe go to maintenance. Somewhere along that line there's nothing to do with economic development and I heard you mention that we do have to have transportation if you're going to have economic development. Where in all that list...should we make a new list and put economic development in there, and how many thousand cars a day is it going to take to trigger highway construction for economic development? [LR152]

JIM SUTTLE: Well, I think it needs to be looked at in the relationship to the geography that we are in. If we're looking at economic development as we try to get our rural parts of the state to have that opportunity to grow and develop and prosper, I think that's one thing and one program. It's going to be a very, very different solution, a very, very different problem as we look at in urban areas. My dilemma in the city of Omaha is how do I get a revitalization in the eastern older part? How do I begin to put a dent in the gun violence, in the crime? We're going to do that through jobs and education to match with

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our enforcement. But as I target 1,000 jobs in the green industry, green economy for the river corridor, the eastern part of the city, we're going to need to determine, well, how do we get trucks on and off the system, how do we get supplies in and materials back out, the finished products, and how do we get the employment base to be able to get to and from home to their place of work? We're going to have to do some surgery on the transportation system that funnels into all this eastern part as we begin to grow it and grow it vertically. This gets me to the light-rail system on one hand, but it also gets to me on how do I revitalize land in that whole corridor from the Mormon Bridge all the way south to Harrison Street and really into Sarpy County. [LR152]

SENATOR LOUDEN: Then, in other words... [LR152]

JIM SUTTLE: And we got to take a fresh look at those streets because many of them don't work right now if we start growing and putting in manufacturing facilities. [LR152]

SENATOR LOUDEN: In other words then, vehicle count isn't a problem for you down here because you're probably going to have the 10,000 count anyway. [LR152]

JIM SUTTLE: Well, I think that is a relative term and, being a traffic engineer, I understand all the science of the number of cars or vehicles on a particular roadway, but we have to look beyond that. We have to look beyond that to what are we trying to do and how does that relate to our economy, which relates to our tax base, which begins to let us grow and other things that are important to a vibrant state. That's the flow of goods. It's the ag industry. That's our manufacturing. That's our services. [LR152]

SENATOR LOUDEN: Well, that would bring me to my question then. Across western Nebraska they're trying to build that transportation corridor across there and we've not had much luck with the Department of Roads in Nebraska to help, you know, along that lines. They've done some but they...is a lot left to be desired. And we have South

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Dakota coming down with their four-lane expressway, Colorado is doing some work on theirs now, and we have the Ports to Plains going across there. In other words, there is a transportation corridor that would help the economic development in the western part of Nebraska, in the rural areas. Consequently, they'd be less money coming from Omaha west if there was more development out in that area. And I was wondering what your position was on that. [LR152]

JIM SUTTLE: Well, I'm going to put on my professional hat and, for the last 20 years, building and they will come has not been working. You have to go in the other direction and look at what is it you're going to put that's going to be the basis of the jobs or the basis of the economy, and work it backwards into the transportation system. That's what you need to do and that's what we're going to do in Omaha as well. We're going to be looking at the industry and working it from there back into the land development, back into the transportation system. We're in an era right now where we have to work it the other way. [LR152]

SENATOR LOUDEN: In other words, you figure the industry has to come there first, then we'll build the roads to help service them. Is that what you're telling me? [LR152]

JIM SUTTLE: You have to put together the plan, the economic plan and what is going to attract that industry or whatever that is that's going to create the economy and then work it backwards from there. The transportation system in this day and age supports the economic development, not the other way around, I'm just being very candid with you, and that's our dilemma in east Omaha. We've got to get that green industry in because every industrial job creates eight other jobs, and I need that in the city to create the service industry that's then going to support the things that I am championing. That's getting the middle class restored in the north part of our city and strengthening it in the south part of our city. [LR152]

SENATOR LOUDEN: Now then I presume then I can go back and report to some of my

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people in my district that are working on this and their Heartland Expressway and people like that, that the mayor of Omaha believes you better have the traffic count before you ask for the road. Is that...? [LR152]

JIM SUTTLE: No. I'm suggesting that you look at what you're trying to accomplish in the economy. It's all about the economy. It's all about what you're going to be and what you're going to do and whether you're going to have an ethanol plant or whether you're going to raise hogs or whether you're going to have some type of a growth plant, corn or soybeans or whatever. It's all about that and then you work it backwards into the transportation system, the same way I have to do in Omaha. [LR152]

SENATOR LOUDEN: Yeah. Well, most of the agricultural products, you know, in the United States are made in that western area between South Dakota, Nebraska, Colorado, and down through there for that north-south transportation corridor. And that's what I'm wondering, is where Omaha's position on that, and I think I've found out what your position is. [LR152]

JIM SUTTLE: Well, my position is you look at the economy and what you want to do and be, and then you work it through the transportation system. [LR152]

SENATOR LOUDEN: Thank you. [LR152]

JIM SUTTLE: It's no different than mine, what I have to do in my problems. [LR152]

SENATOR FISCHER: Other questions? I have just a few, Mr. Mayor. First of all, I'd like to thank you for being here today. I appreciated your comments. Could you tell me how...do you have any idea of the percentage breakdown that you use for roads, where it comes from? I'm specifically talking about federal dollars, state, and local? [LR152]

JIM SUTTLE: Well, we certainly have all that broken down. It's in our capital

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improvement program. You can see it for the actual application today. And we do have a mix as we look at federal aid, look at the dollars coming from the state gasoline tax that come to the city. We then have the wheel tax that we now have extended out to our three-mile ring. We do have these development fees. We use extensively the assessment process when it comes to local streets, which not all cities across the state do, but we do in Omaha. We follow that very rigidly. If you want a residential street paved, you must have a paving district and it is assessed to the adjacent property owners, period. We, likewise, are looking at the bond side and we firmly believe that you have to have a reasonable amount of debt in order to balance with what you are trying to do on the cash flow over here, and it all ties together and we...that's our capital improvement program. [LR152]

SENATOR FISCHER: But you don't have an immediate recollection of the percentage breakdown that you have there? [LR152]

JIM SUTTLE: No. [LR152]

SENATOR FISCHER: Okay. [LR152]

JIM SUTTLE: But we can certainly provide that and I do have some folk here from other parts of our planning, as well as the city, and perhaps they can (inaudible) you. If we're missing anything, we will get it to you as quickly as possible in the next week. [LR152]

SENATOR FISCHER: Okay. I appreciate that. You brought up bonding. Does Omaha bond for specific road projects? [LR152]

JIM SUTTLE: We do not. We are bonding for the cash flow into the capital improvement program. We do try to identify projects of interest. Those are identified... [LR152]

SENATOR FISCHER: Does all that money go for roads when you bond? [LR152]

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JIM SUTTLE: Uh-huh. [LR152]

SENATOR FISCHER: It all goes for roads? [LR152]

JIM SUTTLE: Yes. [LR152]

SENATOR FISCHER: Okay. [LR152]

JIM SUTTLE: Are you saying is it diverted to... [LR152]

SENATOR FISCHER: Well, I was just...I didn't know. If you're bonding for not a specific project and it goes in capital improvements, does it go for sewer work or any other infrastructure work? All... [LR152]

JIM SUTTLE: No. No, we have to be specific under the law when we're selling bonds. If we're selling it in the public safety area, it must go for what it's intended to and that's generally the fire trucks or our training center we did. If we're doing something in parks, it must go to that as we're looking at the aquatics centers or the senior centers or the other park facilities. When it comes to sewers, that's earmarked there. When it comes to roads, that's earmarked there. [LR152]

SENATOR FISCHER: Okay. And then the money that you receive locally or from the state or the federal government, you mentioned the needs, and I certainly can appreciate the needs that a city of the size of Omaha would have. Do you have a priority system, as the state does, in determining what those needs are? For example, do you look at the safety of the roads? Do you look at the volume of traffic? Do you consider congestion? You alluded to economic development. Do you have an economic development factor that determines the priorities? How do you determine priorities? [LR152]

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JIM SUTTLE: The answer is yes to all those. It does start, as we collectively look at everything in the region, through the MAPA Transportation Committee. We serve on that with our...with delegates from all the jurisdictions so we try to look at things globally on what everybody is doing and how it ties together. Once it comes back into the city, we do use the middle management group that I indicated that Mayor Mike Boyle started in the 1980s, and we still continue that. So we have the professionals, the middle management that are closest to this problem of what do we set as priorities and how do we balance it against the cash flow that we think is going to come in. This is the foundation for the one- and six-year plan or the capital improvement program, which we call it. [LR152]

SENATOR FISCHER: And they do have a list of criteria that they use to determine the priorities then. [LR152]

JIM SUTTLE: Yes. Yes. Yes. [LR152]

SENATOR FISCHER: On the bonding, that's been brought up as a possible component of a package to address state needs. Would you suggest to us that we not encourage bonding for specific projects but, instead, put it into the trust fund, put it into just the general pot that we use? [LR152]

JIM SUTTLE: Well,... [LR152]

SENATOR FISCHER: It's my understanding, from your previous answer, that's what Omaha does, so should we look at that or should we be looking at specific projects and specific needs for different districts,... [LR152]

JIM SUTTLE: Well, I... [LR152]

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SENATOR FISCHER: ...districts in the Department of Roads, not legislative districts?
[LR152]

JIM SUTTLE: Okay. I think you need additional tools in the toolbox for the Nebraska Department of Roads and I think you need to strengthen what their job is. They are the responsible agency for the transportation system, the road system in this state. And I think the leverage is in the financing and they need that, the bonding capability, which they may have limitedly, but they need that as an additional tool to leverage the money. And I think with good fiscal management then we can determine the needs and then set the priority, and the priority, I know, is going to be set in different ways, depending on the geography of the state. A problem in Alliance or Scottsbluff is going to be viewed, and should be, to the relativity of that location, just as the questions about the Heartland Expressway, and that's what we do when we come back into the urban area here. We look at it, too, but our relativity is different when we look at the intensity and the higher volumes and the complexities that we have in an urban area. So they are very different but we need to have a system and a plan that accommodates both the rural and the urban areas. [LR152]

SENATOR FISCHER: I appreciate that. But should we bond for specific projects? Should those in some manner be identified and we only issue bonds for that project? For example, the state... [LR152]

JIM SUTTLE: If we have a specific need, yes. [LR152]

SENATOR FISCHER: If I...let me finish, please. [LR152]

JIM SUTTLE: Yes. [LR152]

SENATOR FISCHER: If the state did bond once and it's in statute that we can bond now for \$50 million, and it was for a specific project to complete the interstate system,

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and that was 1969, it was a 20-year bond, so I guess I'm asking your opinion, do we follow the one-time, you know, we did that and have a specific project, or would you recommend it goes into the pot and then is divided by the overall needs? [LR152]

JIM SUTTLE: I think you need to look at both and if you...if we, as a state, have a specific project that needs to be jump-started then, by all means, look at that as an option. We do that in the city. Let's take the riverfront. We decided the riverfront was a priority to get the people back to the river, so we had a whole special bonding plan put together just for riverfront projects. That was augmented with federal aid from Senator Kerrey. That account is still there and it's still being used to do other things as we enhance our ball stadium and enhance other things that we still have plans on, on the river. But it is specifically targeted for that. [LR152]

SENATOR FISCHER: Last question: You brought up the comment on the distribution of the Highway Allocation Fund and you mentioned urban and rural and changes that need to be made. I have heard comments from Omaha and Lincoln that they felt the city-county distribution needed to be changed. I assume that's kind of what you were implying, maybe I'm off. But if so, on that percentage breakdown there that we currently have with the cities and the counties, are you suggesting that cities should get more than counties in the allocation fund? [LR152]

JIM SUTTLE: Yes. We're at a point in time where the needs are reversed. If we go back and look at the history of what we have been doing in this state or other states, we were at a point in time where this nation knew to get transportation systems extended into the rural parts of our country. We needed to get, quote, the farmers out of the mud, and we have done that. But we now have a difference in what's going on in our country and we need to, quite frankly, get this country going with a new industrial revolution. If we don't, we're going to become a second-class nation. And if you look at what went on in the United States of America during the second half of the 1800s and the early 1900s, we were the industrial giant of the globe. We tied in and we needed to bring in ag, and thus

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we had transportation systems and formulas put in place to make sure that the ag industry had paved roads and ways to get the crops and other things into the manufacturing plants. Now the tables are turned. The urban areas are under great stress and we are the answers on where to put the manufacturing as we reinvent ourselves as a nation and get back to making things and getting back to the engineering and the science and the research that's so necessary. So the stress is there and I think the time is here to tweak the formulas, at least for some period of time, so the urban areas can have this rebirth. [LR152]

SENATOR FISCHER: Usually, Senator Louden asks this question but, since he didn't, I'll bring it up. He and I both represent really large districts, large counties with many, many miles of road. We also represent counties that are up against the levy. You know, they're 47 to 49 right now. What's Douglas County at? [LR152]

JIM SUTTLE: As far as the levy system on property tax? I can't speak for the county but I can speak for the city, that we are the second lowest in the metropolitan area. Papillion is the lowest and we're second lowest in property tax. [LR152]

SENATOR FISCHER: And I applaud you for that. However, if you change the allocation formula, in essence, roads don't get built in rural Nebraska because counties that are at that top of the levy and have been levying property taxes to maintain those many hundreds and many thousands of miles of roads won't be receiving state money for it, whereas, as you said, you have a low city levy now and you have that option. So how would you respond to that? [LR152]

JIM SUTTLE: Well, since we're being candid with one another, we are generating the revenue and we are getting, for every \$1 we sent to Lincoln, we basically get 60 cents back. We understand that. We accept that. [LR152]

SENATOR FISCHER: Are you speaking of the gas tax there? [LR152]

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JIM SUTTLE: I'm speaking collectively of the finances of this state. We understand that. But I also understand that we're probably at a period of time where we need to maybe rethink that and I hope you're not suggesting that we raise our property tax to the maximum. That certainly isn't the interest of the people, the chamber, nor I think good prudent management of what we're doing. We have a lot of things that we do do here and we have policies that are in place, just as I made reference that we do not spend gas tax money on residential streets but many cities across this state do. So talk to me about that if you're a homeowner in Alliance and your street is being paved with gasoline tax coming back from Lincoln versus Omaha, where we don't do that. We charge that, in an assessment district, to the adjacent owners. Have been consistent about that for decades. So I don't know if that's where the debate needs to be. All I'm telling you is... [LR152]

SENATOR FISCHER: But that's where the debate will go if you talk about changing the current formula for the Highway Allocation Fund. [LR152]

JIM SUTTLE: Then we need to talk about it. But the time is here, the stress is in the urban areas. The way to get the engine going and the economy is in the urban areas. It will drag in all of the rest of the state and the ag industry if we get manufacturing and other things going in the green economy in the urban areas, and this is true not only of Omaha. It's true of Grand Island. It's true of Lincoln. It's true of Kearney. It's true of Scottsbluff. Those engines need to be going at faster pace and the transportation system that they're going to need to augment their economic development and the rebirth of that economic development is crucial. [LR152]

SENATOR FISCHER: As...I'm enjoying our conversation. [LR152]

JIM SUTTLE: I am too. [LR152]

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SENATOR FISCHER: Good. [LR152]

JIM SUTTLE: What are you doing for lunch? [LR152]

SENATOR FISCHER: (Laugh) We'll arrange something. As we've traveled the state, we've heard a number of ideas. Before yesterday we had counted up we had heard 28 ideas and we heard a few new ones yesterday as well on how do we get funding, how do we get more revenue for roads. The ideas we hear are tax increases, in one form or another, or fee increases. You brought up that the property taxpayers don't need higher property taxes, and I definitely agree with you on that, but do you believe we do a sleight of hand and raise some other fee if it's not...I believe in user fees, but if it's not tied directly to roads, if we do this sleight of hand that people will say, okay, this is okay because my property taxes didn't go up? [LR152]

JIM SUTTLE: Well, let me answer your question this way, in a global way. I'm a firm supporter of redoing our tax policy from stem to stern. We need a tax policy on the year 2020. We have a tax policy based on the fifties, sixties, seventies, and eighties. We have tax policy across the whole aspects of everything, whether it's the gas tax here or whether it's property tax or sales or income tax, so we're living in the past and perpetuating tax policies that don't fit the times. We will pay for that in the future as we try to grow and compete against other states and other countries in the global economy. We need a time out. We need to go to Mahoney State Park with a blank piece of paper and we need government, ag, industry, labor, the people, and we need to set a new tax policy for the future and decide what is it we need, what is it we want to pay for, and then do it accordingly. One of the things that you mentioned that is not being mentioned in very many circles, except for Senator Pahls, and that is to take a hard look at the exemptions. We have a lot of exemptions on the books. We need to define which ones are needed to promote jobs and the economy and which ones are now considered nothing more than perks. And we have some very, very sobering things to face as a people in this state and the time is here to do that. The time is here to capture this

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recession and make it our ally as we get ready to move and move quickly into a growth cycle that's really steep. We have to do that and the sooner we figure it out before anybody else figures it out, Nebraska is going to prosper from one end of the state to the other, and then maybe we'll have that tax revenue in place that we can do this Heartland Expressway for all the right economic reasons. [LR152]

SENATOR FISCHER: Thank you. Other questions? [LR152]

SENATOR LAUTENBAUGH: Actually... [LR152]

SENATOR FISCHER: Oh, Senator Lautenbaugh. [LR152]

SENATOR LAUTENBAUGH: Thank you, Madam Chair. Thank you, Mr. Mayor, for coming today. This may be...well, this won't be a pointless question, I promise you that. As I understand it, we at the state and you in the city apparently, as we're hearing, have finite resources, which is not a surprise to anyone. So how do you prioritize your roads projects in Omaha? [LR152]

JIM SUTTLE: Well, they are prioritized on the basis of a multiplicity of the factors that you just...that was mentioned in the commentary here. So that's why we have the middle managers who are dealing with this every day from across all the departments. They're together and they're talking about it, from the Planning Department to the Public Works Department to the Police Department, Fire, libraries. They're all there and they are the ones that go through the needs and, again, to set the priorities and then present that to the mayor and to the council. We generally have followed that to the letter... [LR152]

SENATOR LAUTENBAUGH: Are there any factors... [LR152]

JIM SUTTLE: ...for the last 30 years. [LR152]

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SENATOR LAUTENBAUGH: I'm sorry, didn't mean to interrupt. Are there any factors that weigh more heavily than others when you decide let's do this road before this road? [LR152]

JIM SUTTLE: Well, it depends on where we are in the city. For example, we need to finish the streetscape projects in south O and north O, so we're taking a hard look at how do we expedite those, because that's important for those fledgling business districts. We have a need out west because we have so much growth that's going on in the Millard area or the Elkhorn area, so those are whole different parameters, totally different, and then we just have to get a balancing act. And there's no exact science. It's do the best you can, make the best decision you can, bring it forward, and that's why we're relying on the middle managers and why it worked so well in the eighties and it still works this very day and still something that I will support as mayor. [LR152]

SENATOR LAUTENBAUGH: I'm not asking my question clearly enough and you're not helping me out, so I'll try again. [LR152]

JIM SUTTLE: All right. [LR152]

SENATOR LAUTENBAUGH: If a giant sinkhole swallowed 72nd and Dodge, and another giant sinkhole swallowed 48th and Q, which one would you fix first? [LR152]

JIM SUTTLE: I would fix them both at the same time under the emergency powers of the city. [LR152]

SENATOR LAUTENBAUGH: I'll just shut up. Okay. I'm still not getting where I need to go here. (Laughter) [LR152]

SENATOR FISCHER: I would like to point out at this time that Senator Lautenbaugh is

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an attorney. (Laughter) [LR152]

SENATOR LAUTENBAUGH: Yes. I'll get there in the end, though. [LR152]

JIM SUTTLE: And I'm an engineer and I'm obviously being too anal retentive this morning, so... [LR152]

SENATOR FISCHER: But, you know, that's really a touchy subject here we're going now. [LR152]

SENATOR LAUTENBAUGH: Why are traffic counts important? [LR152]

JIM SUTTLE: Why are traffic counts important? [LR152]

SENATOR LAUTENBAUGH: Yes. [LR152]

JIM SUTTLE: I think they are important from the standpoint of staying within the basic engineering criteria that we have as we look at the movement of vehicles for the efficiencies, as we look at the pedestrians, as we look at just how traffic flows. But we have other factors that come into play and so I'm not, even though I'm a traffic engineer, I'm not a proponent that the whole answer rests in traffic, traffic, traffic, traffic, and traffic. [LR152]

SENATOR LAUTENBAUGH: But you'd concede that is a big factor in deciding where to spend your scarce resources. [LR152]

JIM SUTTLE: It is, but also, just as I was trying to answer the question here on the Heartland Expressway, it's beyond that in what we are trying to accomplish with the economy. And I'm more driven today by the economy and jobs than anything else and so that is a key factor for me, is I try to set policy in the city. And you'll see me changing

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some things as we begin to go through the details of the next four years, hopefully eight years, as we look at our expenditures in the capital improvement program on the street side. And I'll give you an example. I think the time is here to revitalize downtown Benson, we need a streetscape project there, and Florence as well on North 30th Street. We need to work that with the state, the Department of Roads. That is a state highway. But what's our mission? Is our mission to move cars? No. We've learned from California studies and from some other successes that it's time to slow the cars down so that we can augment the small business development on either side of that street and restore the pedestrian flows. That's a whole different thought process but it is one that is linked to considerable success in locale after locale. And so this is a complete opposite of the theory of moving cars faster up and down a street. [LR152]

SENATOR LAUTENBAUGH: And that's in an urban area where that makes... [LR152]

JIM SUTTLE: And that's in an urban area. [LR152]

SENATOR LAUTENBAUGH: Okay. I see Mr. Doyle back there so I'll move on, but... [LR152]

JIM SUTTLE: Okay. All right. [LR152]

SENATOR FISCHER: Other questions? Senator Louden. [LR152]

SENATOR LOUDEN: Yes,... [LR152]

SENATOR FISCHER: Aren't you happy you went first? (Laughter) [LR152]

JIM SUTTLE: Well, I'm okay. [LR152]

SENATOR FISCHER: Okay. [LR152]

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SENATOR LOUDEN: As you mentioned, I presume you were a traffic engineer or worked in traffic or something like that when you had an honest job, is what... (Laughter) [LR152]

JIM SUTTLE: When I had an honest job, right. (Laughter) [LR152]

SENATOR LOUDEN: Anyway... [LR152]

JIM SUTTLE: And I agree with you. I went to the dark side of life when I became a politician. [LR152]

SENATOR LOUDEN: And I understand that. When you talk about traffic count, this is what we're up against many times, is they go with traffic count for building expressways or road construction or whatever. Now, to me, there's two different kinds of traffic count. One of them we call bedroom traffic count and the other is commercial traffic count. And it seems as though, as you get more in your urban areas, they use more this, as I call it, bedroom traffic count--people driving back and forth to work--where as your commercial is where your economic development is. And as you...if you've drove Interstate 80, the farther west you go, for some reason, the more percentage of trucks you have on the interstate as you go. Somewhere along the line that trucking industry comes in there. And the same way as we work north and south trade corridors. We have more trucking than we probably do people driving back and forth from home to work, because in those areas most of the people live closer to their work. How can we justify that with the Department of Roads to get something for them to take that into consideration on some of this road construction that they plan? [LR152]

JIM SUTTLE: Well, I can't speak for the Department of Roads, they'll have to speak for themselves, and certainly the Governor has a major say-so in administering that. But I will share with you, in state after state, and I've worked in all 50 of them with state

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agencies and with cities and counties and others, that the time is here to look at a broadening of the criteria that we use. You're mentioning trucks. I've got a truck problem, downtown Florence, North 30th Street, every two and a half minutes I've got a semi and they're going 45 miles an hour and that doesn't work as we're trying to do commercial businesses out there. We had seven small businesses come in this year alone and that's good, but we've got to slow the traffic down and we got to narrow it down from four lanes to three lanes. It's going to change the whole dynamics. So, yes, the traffic is there but now we're looking at a balance between the development on either side of the sidewalks with what's going on in the street and how do we get a balance with it. And there's an answer for Florence that's going to be totally different than it is, say, in Chadron or Alliance or Grand Island. So you have to look at what you're trying to accomplish. I want to accomplish on North 30th Street the revitalization of Florence as a business and tourist center, and so I have to change the thinking of what goes on, on the street, on the North 30th Street, U.S. 75, and to do that I've got to strike a new partnership with the Nebraska Department of Roads and we're going to find some new answers and criteria that we will follow that will fit that particular situation, so... [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

SENATOR FISCHER: Other questions? I see none. Thank you very much, Mr. Mayor. [LR152]

JIM SUTTLE: Thank you. And I apologize to everyone behind me for eating up so much of the time this morning. [LR152]

SENATOR FISCHER: Thank you. Next testifier, please. Good morning. [LR152]

NATE DODGE: Morning. Senator Fischer, thanks. Members of the committee, thank you very much. I am Nate Dodge. I am executive vice president of the NP Dodge

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Company. We are a seven-division real estate company here in the metro area. We're a five-generation Nebraska company. We started before Nebraska was actually a state. We're the oldest real estate company in the United States and we're the 77th oldest family business in the United States. Transportation...I'm not only an EVP of the NP Dodge Company but I'm also on the board of directors of the Omaha Chamber and I'm also on the chamber's executive committee. Transportation is a terribly hot topic in our chamber meetings and so what I bring to you today may be something that you've not only heard before, and I hope I bring something new to the meeting, all the meetings that you've had so far, so I hope I bring you at least something a little different and new. We have seven operating entities: residential sales, commercial sales, property and casualty and benefits insurance, property management, title insurance, land, and global relocation. Our local company footprint goes all the way up to Blair down to Nebraska City, from Des Moines over to Lincoln. Obviously...oh, and then our global relocation company, we do 8,000 moves nationally and internationally a year, the bulk of them being in the nation, but we helped Budweiser move to China when they were making that acquisition, so we even do some international work. I say this, I tell you this background to let you know that we have invested in the state. We haven't just invested in Omaha. We've invested all throughout the metro area. And the help of...a real estate company is really...the health of a real estate company really goes along with the health of the state, and I think transportation is a key component to the health of a state and the health of an area. The different thing they've asked me to come and talk about, and I think it might hit some of the things that we've already...at least some of the questions, is a concept we use which is isochrones when it comes to traffic. And I'll just give you...if you have two major thoroughfares and you have a business placed in that thoroughfare, whether it's a barbershop or a bank or a supermarket, depending on the type of business it is, a person will travel only so far to go to that business. And so...and here are major thoroughfares, you'll have lighter streets in here, so basically let's say it's a five-minute drive that someone will only go to this particular location. What happens is you're slower on these smaller streets and you're faster on the bigger streets, so what you do is you end up getting kind of a odd-shaped area, which will be your market area.

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If you improve that road so suddenly you really improve one of those roads, what it allows you to do is to increase that market area, that market area of that particular location, making it worth more. Conversely, and I'm...I think when you were talking about the Heartland Expressway and how do you increase the car counts to a particular area, when you create that thoroughfare you make a market area out here, suddenly it's more possible and it's desirable to come into that location. In addition, someone who maybe has a development here and they have development land here, they were the only ones that could really service this market area. Now a farm out in this area can now compete for that development dollar for housing or whatever else there is. So the ability to build something big and the ability to...I really feel like the easier it is to come and get to something the more valuable it is, and it works conversely, too. Now if you're out in an area where it's easy to get somewhere then it makes that area more valuable. So I think that...when you kind of talked about the expressway, and I think of maybe Norfolk, I think of Kearney, I think of areas that might be better served when it comes to a big project. And so how do you do that, how do you pay for that, I guess is where we get to, and my suggestion is that from a business owner, anything that's important, anything that...any long-term asset that you want your business to have, you can borrow and you can pay for it over time. And I suggest that if there's something important like a thoroughfare or a major highway project, I would suggest (microphone feedback)... [LR152]

SENATOR FISCHER: No, don't move that one. [LR152]

NATE DODGE: Don't move that. All right, I will move that. (Microphone feedback) How about that? I'd suggest you be able to...(microphone feedback). [LR152]

SENATOR FISCHER: Or not, yeah. (Laughter) [LR152]

NATE DODGE: So something major that you would want to invest in, I would suggest that you would be able to do so. In a business sense, if we had to pay for...if we only

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had the ability to pay for a building, we'd all be renters. None of us would be able to really actually buy something. We wouldn't have ownership in an area. Bankers wouldn't have the ability to do their jobs. Real estate agents, everyone would rent. And so I'm suggesting perhaps you turn some of these...the ability on its head a little bit and be able to borrow for those things that you think are important. And, Senator Fischer, as you said, I understand this group's reluctance for bonding. It's a little like fire. It can either burn your house down or it can warm it, and the key is in the application and the use, and I think it needs to be a judicious use. When we borrow in our corporation, depending on the size of it, has to go through all sorts of terribly important checks and balances of our company, and if it's a big enough borrowing then it goes to our board of directors and they're made aware of it. So my thought would be specifically, if you want to bond for a project, I think it should be in a specific basis and it has to survive a great debate. Would it be the Heartland Expressway? Would it be an expressway in Norfolk? Would it be a second interchange in Kearney? That's where the great debate would come in and I think that's where the specifics of whatever the argument would be would benefit from the debate of the group. The two other points that I've been asked to bring to the group is that this is a unique moment in time when it comes to building things. Both interest rates...there's some realtor...very attractiveness to borrowing, there's real attractive to interest rates. Right now, we've found when we're going out to bid on buildings that the industry is extraordinarily hungry and, therefore, there is real efficiencies in building things right now. And then the third point is that if you were to build...you get the...if you're allowed to borrow and build something right now, the economic benefit can start being realized right away and that growth can begin right away. Senator Loudon, you mentioned, do you have it first to get the car counts or do you, you know, that was that sort of the art of argument, and I think it's a little bit of both. I think by creating an artery, you're able to draw more households into an...in...at least the possibility of more households into a market area, but then also you have to have a compelling place for them to go. So I think there's a little bit of an art to both, to that argument, but I'm a strong believer in making sure that there's access. The other side of the isochrone example is...I'm not sure if I can say this publicly, but I think the consumer

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is pretty lazy and so, getting out of your car or taking a long time or having to walk a long distance, they like to get to something very, very efficiently and so our job, at least in the real estate industry, is to make it so that it's as efficient and as easy for the customer to come and do business. And I believe a key arrow in your quiver would be bonding. I think it would be...it would be something that you would...it would give you the ability to say yes to projects that normally you couldn't under the current system. In closing, I would like to ask for forgiveness beforehand. I had an 11:00 meeting that I was told that I was going to have to go to; however, I'd love to stay to answer any questions and...but if I step out after I speak then please understand. [LR152]

SENATOR FISCHER: Thank you, Mr. Dodge. Are there questions? Senator Lautenbaugh. [LR152]

SENATOR LAUTENBAUGH: Thank you, Madam Chair. Thank you, Mr. Dodge. And this is just a curiosity, not a concern. You said you were asked to make these points. Who asked you to make these points? [LR152]

NATE DODGE: Well, as part of...I'm on the executive committee of the chamber... [LR152]

SENATOR LAUTENBAUGH: Okay. [LR152]

NATE DODGE: ...and I've been asked to come, I think for two reasons: one, as a fresh face. I think it was Senator Pahls who said, is this just a bunch of lobbyists, and they said, no, look, here's someone who isn't. So I'm...and I think you'll...I'm part of a two-step dog-and-pony show. [LR152]

SENATOR FISCHER: You know what we like to call you when a lobbyist sends you up here? [LR152]

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NATE DODGE: What's that? [LR152]

SENATOR FISCHER: You're a sacrificial lamb. [LR152]

NATE DODGE: I'm a sacrificial lamb? (Laughter) And actually, you know, you bring up a great point, Senator Fischer, which is I am the dog-and-pony show. So when it comes to sacrifice, I think Jim should be the person that actually gets sacrificed in the group. [LR152]

SENATOR FISCHER: Oh, if he comes up we'll take care of him. [LR152]

NATE DODGE: All right. [LR152]

SENATOR FISCHER: Other questions? [LR152]

SENATOR LAUTENBAUGH: That was my only question. I was just curious. [LR152]

SENATOR FISCHER: Senator Gay. [LR152]

SENATOR GAY: Thank you, Senator Fischer. I've got a question. When you talked about that isochrones, is that for retail only,... [LR152]

NATE DODGE: No. Actually... [LR152]

SENATOR GAY: ...I mean, that you're looking at or how does that work for professional services? We can get people to come a lot further than that for the right services. [LR152]

NATE DODGE: Exactly right, and... [LR152]

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SENATOR GAY: So does that work for commercial as well or...? [LR152]

NATE DODGE: It works for commercial. It works for residential development. People only want to travel so long to their place of business so...and the...for instance, a bank branch has...a bank branch has a seven to eight minute, a barber has far less, so it depends on the convenience. And I, you know, people talk about real estate and its location. They always say location, location, location. Well, really, it comes down to three things and that is, is it accessible, so can you get there; is it popular and not in kind of a Michael Jackson sense but is it popular in that are there a lot of...are there a lot of people around it and can they get there; and then the last one is visibility. And, you know, when I...I sit on a bank board in Phelps County, Nebraska, and I drive by Kearney quite a bit and I see the Archway, and the Archway is a great example of something you can see, you can sort of figure out how to get there but it's not easy on how to do it. And so I feel like that's a great example of something, and hopefully I haven't stepped on any toes by saying that, but people want it to be really easy to go and use that. And, yes, there are a lot of trucks that go by it, but then I also think there's a lot of minivans that go by it as well, and so the key would be how easy is it to get to that. So those are the three components that I look at. I'm sorry it took a little longer on the isochrone. [LR152]

SENATOR GAY: No, that's fine. They're working on that Archway problem so... [LR152]

NATE DODGE: Okay, great. Great. Dodge family will go. [LR152]

SENATOR GAY: One more, one more question real quick, and I know you got to go too. But you said you're also on the board of the chamber. [LR152]

NATE DODGE: Yeah. [LR152]

SENATOR GAY: Now bonding means it needs to be paid as well. [LR152]

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NATE DODGE: Correct. [LR152]

SENATOR GAY: Revenue. [LR152]

NATE DODGE: Right. [LR152]

SENATOR GAY: And I know there's always a resistance to...we don't want to spend any more. If you were us and, I mean, you're not a politician, that's fine but... [LR152]

NATE DODGE: No, I'm not. [LR152]

SENATOR GAY: Good thing. Stay out. But it's...you know, there's a certain thing, where do you...where do you find the right mix of we know we need to get something done and, you know, that's where we're struggling with that. But as a chamber board member, if we go that other route, you come back on us and...not you personally... [LR152]

NATE DODGE: Right. [LR152]

SENATOR GAY: ...well, we can't do that. [LR152]

NATE DODGE: Right. [LR152]

SENATOR GAY: At some point we all need to get together I think and say, you know, what's for the good of the long term, 15-20 years? Because we're talking not a couple million dollars here. We're talking a couple hundreds of millions or perhaps more. When you look statewide at needs, you just heard Omaha's, it's a lot of revenue. Needs to be paid for at some point. [LR152]

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NATE DODGE: Right. [LR152]

SENATOR GAY: So, you know, that's just something. I don't know whether that's a question or a statement, but you need to keep that in mind a little bit when we come and look at these. Because we heard from the chambers, no, don't. [LR152]

NATE DODGE: No new taxes. [LR152]

SENATOR GAY: Yeah. [LR152]

NATE DODGE: Yeah, I've heard it. And as a chamber member, I stick with the no new taxes. The art is in the application. This is an arrow in your quiver that allows you, the business that you're in, you get to prioritize and budget and so the fact that you can pay for something over 10 years or 20 years, the same funding that you had to meet the needs of something on a yearly basis, you now have the ability to stretch your dollar. And so from my standpoint and, again, if you're allowed to hide a lot...it can be...I understand the reluctance of the group. I understand the reluctance of the state. It is fire. It can burn down the house. But it can also warm it and so the key is in budgeting and in application and in use. And I think that's...and if we turn the tables and you said, you know, NP Dodge Company, you have to cut X out of your budget for you to be a successful business, I would always want to say, jeez, I want to be able to charge more for our business. I don't have that option. Just like you all know intricately what the needs are and so those cuts that happen within, I think you're going to have to judiciously do that. [LR152]

SENATOR GAY: But you do have that option as a business. I mean we can, in my business, we can charge more and that is an option. That's an arrow in our quiver too. [LR152]

NATE DODGE: Well, I guess,... [LR152]

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SENATOR GAY: But I know what you mean but we're so... [LR152]

NATE DODGE: ...I'm allowed to charge more but in your case people have to pay it, so in my case... [LR152]

SENATOR GAY: Yes. Yeah, yeah, we get... [LR152]

NATE DODGE: ...people don't have to necessarily pay it. [LR152]

SENATOR GAY: Yeah, absolutely. [LR152]

NATE DODGE: So... [LR152]

SENATOR FISCHER: Other questions? Senator Louden. [LR152]

SENATOR LOUDEN: Yeah, well, it's interesting presentation you have there. Where I live that's needs to be a whole lot bigger board than what you had there (laughter) in order to get that. If you want to get a haircut, well, you got to drive about 30 minutes or more. Anyway, what we're looking at on the Heartland Expressway, western Nebraska and the Dakotas, is the fact that that front range area out there is...now they're telling me there's like 4 million people up and down that front range. Well, you have the Rocky Mountains to the other side. Any development is coming east and that's the problem we're having. A lot of that development is going over into Wyoming rather than we're able to pick it up in Nebraska because of our transportation access. Now we're in a very good spot. We're between Interstate 90 and Interstate 80, so we have room for a lot of commercial traffic through there and services for this commercial traffic, and this is what we're trying to work for to get the transportation out there, no different than the Interstate 80 when it went west. If we would have had this same criteria in now of 10,000 a day, you'd a never got Interstate 80 completed, because until here lately we've hardly ever

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reached that level. And this is what we're up against and this is where I'm wondering, you know, where Omaha positions themselves on something like that to help develop your agriculture or your rural areas of Nebraska. As they talk about 60 percent of their money goes to Lincoln and...or whatever, they only get 60 percent of it back or something like that, if you had more businesses in development in those rural areas, that money probably would come...more of it would come back to Omaha. Now having said that, we still have this food that's produced in western Nebraska, and right now the cattle are slaughtered in Colorado. The beans are loaded up and there are some packaged in our area, but this is what we need in order to value-add to that product that's there, and in order to do that we need the transportation. You're going to have to have the transportation first before you get these corporations or anybody to look at doing anything in Nebraska, and this is the dilemma we have. And appreciate anything that the Omaha Chamber of Commerce can do along that line. [LR152]

NATE DODGE: Well, you know, as...I think the Omaha Chamber's position is and it always will be what's good for the state is great for Omaha, and I think if indeed one can prove more commerce, the ability for more commerce to occur for the state, I would...and a disproportionate amount of costs, then I think the chamber would certainly be...would be willing to back it. [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

SENATOR FISCHER: Other questions? I just have a couple for you. [LR152]

NATE DODGE: Yes, ma'am. [LR152]

SENATOR FISCHER: You said the chamber does not support any new tax. So...
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NATE DODGE: They don't seem to, do they? [LR152]

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SENATOR FISCHER: The chamber has been supportive of a number of highway funding issues and bills in the past that I've had, and I appreciate that, but are you saying now that the chamber would not support any increase in the gas tax, for example? [LR152]

NATE DODGE: They...here's where the Nate Dodge, as executive vice president of the NP Dodge Company, and the chamber probably split, but the chamber has always felt that there needs to be exhibited a cost containment and a look inside of what we're doing currently before jumping to any type of new tax, and my guess is they would continue to. So in a general sense, on... [LR152]

SENATOR FISCHER: Do you think that applies to the situation we're in with highway funding, though, when we hear the millions and millions and millions of dollars that are needed for state roads, county roads, and city streets? Cost containment going to take care of that? [LR152]

NATE DODGE: Yeah, I actually...I think a look...yes. The answer is yes. [LR152]

SENATOR FISCHER: We'll talk about that. I'd like to hear why, but I know we need to move along. You talked about another arrow in the quiver and that was bonding. Where are you going to get the revenue stream for bonding? [LR152]

NATE DODGE: Well, and that's...I guess that's when I'm saying which would be if you're on a pay-as-you-go system and you're meeting all the needs, the key will be what needs...what needs need to be put second. As Senator Lautenbaugh was talking about, which hole do you fix if you only have a certain...you only have a certain amount of funds? [LR152]

SENATOR FISCHER: But what is your revenue stream to fund bonding? [LR152]

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NATE DODGE: It would be the three that you have now, which would be vehicle fees, gas tax, and... [LR152]

SENATOR FISCHER: Registration. [LR152]

NATE DODGE: ...registration. [LR152]

SENATOR FISCHER: So are you suggesting then that money be taken from the Highway Trust Fund? Are you suggesting that a certain percentage or so many cents be taken from the fuel tax that we have now in order to fund bonding? [LR152]

NATE DODGE: No, Senator, I guess my answer to that would be you who are closer to the actual problem itself and see it on...for me to come in and push you in one direction on specifics I think would be...wouldn't be advisable, but I think you all see it on a daily basis and know it. But, yeah, I would suggest that the funds that you have now one needs to figure out to qualify those funds and see which ones could go to pay off a longer term basis and what needs to be done specifically now. [LR152]

SENATOR FISCHER: The funds we have now are in the trust fund from the sources that we mentioned, which is then split for the state and to the allocation fund for cities and counties. If you tap into that, if you reallocate it, you have just reallocated the priority system that the state of Nebraska has and probably every city and county has because they won't be getting the revenue that they get now if you put a certain amount of that aside to pay for bonding. Yours is the first testimony that I've heard that suggests that. Usually people are...and groups have suggested a new revenue source for bonding, not tapping the trust fund. What we've heard is always maintain the integrity of the Highway Trust Fund, so I guess I'm just interested in why the Omaha Chamber would differ from every other chamber and city and county that we've heard from in our travels the last month. [LR152]

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NATE DODGE: Well, I'll deflect that by saying then if what I present would be something that you think something that the chamber wouldn't support then that's something I'd support personally from a 150-year-old company. [LR152]

SENATOR FISCHER: Oh, no, I'm not...(laugh) [LR152]

NATE DODGE: So...so...so my comments may not carry the weight of the entire chamber for me to speak that way. [LR152]

SENATOR FISCHER: Oh, I'm not trying to put you on the spot here. I'm just trying to figure out why the Omaha Chamber would come to that position. Because it does differ, I mean honestly, from every group, association, contractors, everybody else. So I was just wondering and I can visit with the chamber about that and see their reasoning on that. [LR152]

NATE DODGE: Okay. And there's a lineup behind me so they may clarify what Nate said, what he meant to say was. They might clarify that. But again, in our business we are constantly making decisions on how to do more with what we already have and that would...and that...my comments would be consistent with that. [LR152]

SENATOR FISCHER: And my philosophy is that in most cases, too, we have to look for efficiencies on it. But my concern with this issue, with this topic, is the amount of shortfall we're talking about. You read in the paper the shortfall for the state and the special session. Let's look at the shortfall for the state alone... [LR152]

NATE DODGE: Uh-huh. [LR152]

SENATOR FISCHER: ...on highways. So it's definitely a challenge we're trying to address here. [LR152]

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NATE DODGE: Understand. [LR152]

SENATOR FISCHER: But appreciate your comments. Thank you very much. Did...oh, okay. [LR152]

SENATOR LAUTENBAUGH: I was just wondering how you get somebody to follow you around and explain what you meant to say but, you know, that's a topic for another time. (Laughter) [LR152]

NATE DODGE: You know what? [LR152]

SENATOR LAUTENBAUGH: I could use it but... [LR152]

NATE DODGE: It only happens...it's from time to time... [LR152]

SENATOR LAUTENBAUGH: Fair enough. [LR152]

NATE DODGE: ...so this should be one of those times. Thanks. [LR152]

SENATOR FISCHER: Thank you. Pleasure. Pleasure. Next testifier. And we'll get this light system going, not any reflection on the next testifier. (Laugh) [LR152]

BRUCE LEFLER: No, no, that's fine. No, not any problem at all. [LR152]

SENATOR FISCHER: Just forgot to do it because we're so enthralled here with the discussion. So welcome. [LR152]

BRUCE LEFLER: Okay. Bruce Lefler with Ameritas Investment Corp., 440 Regency Parkway. [LR152]

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SENATOR FISCHER: Could you spell your last name? [LR152]

BRUCE LEFLER: Okay, L-e-f-l-e-r. Just as a brief, Ameritas Investment Corp. is one of...I guess we can claim to be the leading investment banking firm in the state doing bonds for communities, state agencies, school districts across the state. Trust me, I've driven on a lot of the roads in the state, over my time in doing this for a little over 20-some-odd years, and I claim to not have been in every community in the state but I've been within ten miles of it. I think I've driven past most of them. So anyway, I was asked here by the Omaha Chamber to talk a little bit about bonding, the work that we do. Didn't realize I had to explain Nate's comments but I'll go ahead and work on that to a certain degree. There are two areas of consideration when somebody is talking about going through a bonding process that typically an issuer will look at. Number one would be are their bonds marketable? Are they acceptable in the marketplace? Can we get somebody to buy, just as you would go am I going to be able to get a mortgage loan from the bank. And then the second topic would be the economic benefit of going through the bonding process as opposed to going through a pay-as-you-go process. Very briefly, the state of Nebraska, in the debt that they have issued in the past, holds a strong AA rating; would anticipate that anything that would come out of a highway revenue bond issue or something to that regard, based on security, that we would certainly think would have a very strong rating as well and would be very acceptable in the marketplace. So the marketing of any bonds from a bonding program on a highway program, much similar to a lot of states surrounding us, we would anticipate that there wouldn't be any problem from a marketing standpoint and those bonds will be very well received based on the overall economic strength that is currently held by the state of Nebraska. The interesting part of that though, I guess to address your question that you had a little bit earlier, the existing revenue stream that exists to the Highway Trust Fund, one way of perceiving going through a bonding process is to utilize those existing funds to do projects that you are currently are in the...that you would normally do under the trust but, on a pay-as-you-go basis, do them on a bonded basis. So essentially all

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you're...you know, again, I know we are talking about probably shifting funds one way or the other or trying to prioritize projects which are going to make some difference, I'm sure, to some folks on the bottom line when the revenues fall, but it is trying to provide more flexibility to the revenue stream that you have to allow you to do, you know, maybe some prioritized projects on a one-time basis that you would not have had the opportunity to do. Maybe the Heartland Project Expressway is an example that would say if someone were to decide that was a prioritized project but, as you're currently going, you can't really afford to do that other than on a piece-by-piece basis, over an annual basis, there's a situation where you'd be able to fund that project over a one- or two-year period of time with bonds and use a percent, you know, some slice of the revenues on an annual basis to repay that debt. So rather than do that project over ten years using X number of dollars out of the Highway Fund, you would do that project in year one or two and then pay it back over that ten-year period of time using essentially those same dollars. The other piece of the flexibility that...in an environment where the bond interest rates are currently, at least on a perception basis, lower than what the inflation costs are for construction, you're actually in a period where you're able to utilize...do more projects for the dollars that you currently have as projects that you do on time as you go basis, and obviously construction inflation eats into that. If we're able to do bonds in an environment today versus at a lower interest rate than the construction inflation would be perceived, moving forward you would have the opportunity to actually generate more projects for those dollars. As Nate, I think, mentioned, there's also an economic benefit of use of having a project done on a timely basis as opposed to having it done on a pay-as-you-go or outstanding basis. The bonding process is used, I think the mayor kind of referenced that to some degree, the bonding process is certainly used by many communities across the state to handle their infrastructure projects, their road projects or street projects and, in many instances, using some of the revenues that are coming back from the Trust Fund, obviously, to fund those projects and to repay debt as time goes on. Whether or not the application of existing revenues or a new revenue source is created to fund this type of program, one thing that you have to give in consideration is when you're doing a bond issue and, as

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you mentioned, having to obviously repay those. That was the interesting part. Even though, as use an example, if there was a situation where debt service on a bond issue was \$25 million annually and those funds were coming out of either new revenues or existing revenues, you're going to want to pledge security that's going to be excess of that number. Because when you're talking about bonds and you're talking about people that are investing, they're going to want to see a situation where money that's available to pay the debt service is more than one to one. Because again, it varies what we have on tax collections and (inaudible) run into is going to be something that would be of basic consideration. The more security, though, the higher rating on the bonds, the lower interest rate is more flexibility and the more projects you can get done with your dollars from that standpoint. So as a brief note, that's bonding. (Laugh) I would obviously entertain any questions anybody might have. [LR152]

SENATOR FISCHER: Thank you very much. [LR152]

BRUCE LEFLER: My pleasure. [LR152]

SENATOR FISCHER: Are there questions? [LR152]

SENATOR GAY: I've got one quick one. [LR152]

SENATOR FISCHER: Senator Gay. [LR152]

SENATOR GAY: Thank you. You talked about and we, in this county, we've done some bonding before,... [LR152]

BRUCE LEFLER: Yes. [LR152]

SENATOR GAY: ...leveraging the money we're going to get from federal and state funds to get some things done. It worked out quite well, to be honest with you. But how

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many, when you look, and you have this statewide perspective, how many communities around the state are doing that? What's the average size of those people that might want to do that? And how much do you think we have out total right now? How much is it being used now? Because we've used it and it worked out for us, but what's going on? [LR152]

BRUCE LEFLER: Yes, I think there are a lot, yeah, I would say that certainly in your cities of the first and second class, a majority of those cities and sometimes (inaudible) have used highway allocation bonds and (inaudible) allocation funds to pay for bonds from that...specifically on that basis. Most of the first-class cities we work with do that. When you get into some of the villages, I think you're going to find a little bit more projects done on assessment basis. Again, I don't know that the revenues coming to them are in sufficient amount to really support a lot of the projects that they'd like to do, but more of those projects are done on a...and they're various purpose, general obligation basis, are done on an assessment basis. So but again, first- and second-class cities for the most part... [LR152]

SENATOR GAY: But how much right now is being... [LR152]

BRUCE LEFLER: You mean... [LR152]

SENATOR GAY: How much has been done. I mean is there \$100 million out there in bonds or \$500 million? [LR152]

BRUCE LEFLER: Oh, I wouldn't be able to... [LR152]

SENATOR GAY: Ball park, you don't know? [LR152]

BRUCE LEFLER: ...I couldn't, I couldn't even get you in the ball park I don't think, unfortunately. [LR152]

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SENATOR GAY: Can we get that information somewhere? Guess we'd have to go League of Municipalities or somebody? [LR152]

BRUCE LEFLER: Yeah, League of Municipalities may have a little better idea on a statewide basis. I can just tell you anecdotally, from the clients that we work with, and some utilize it more than others, as I said. [LR152]

SENATOR FISCHER: Other questions? I see none. Thank you very much. [LR152]

BRUCE LEFLER: Okay. My pleasure. Thank you very much. [LR152]

SENATOR FISCHER: Good morning and welcome, Director. [LR152]

TOM DOYLE: Good morning, Senators. Tom Doyle, Douglas County Engineer. I've been in this business long enough to realize that I probably shouldn't be getting up here. (Laugh) I feel like facing Judge Judy right now. (Laughter) I'm just kidding. [LR152]

SENATOR GAY: In a good way. [LR152]

SENATOR FISCHER: I'm sure you say that with love and affection. [LR152]

TOM DOYLE: I do absolutely. [LR152]

SENATOR FISCHER: Thank you. [LR152]

TOM DOYLE: Absolutely, yeah. No, Tom Doyle, D-o-y-l-e. I've been the Douglas County Engineer since I left the Legislature, after a brief service in 1983, and I was on this committee. But before that time I had the privilege of serving as State Engineer and, Senator, your father was a great guy to have working for me because he was the guy

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that answered all these tough questions when I was doing it there. But I'd like to put a little bit of perspective in this whole matter. Back when the split was made 53 1/3 to 23 1/3 for cities and counties, that was done along with a formula that directed the local funds to the local jurisdictions based on a number of other factors, such as value of agricultural products sold, gave twice the weight for rural population and rural motor vehicle count as in the urban areas. So it was done in a very thoughtful manner. Later on the variable gas tax came in as a tool for the state, and along with that came another 1-cent split between cities and counties at the local level to kind of keep some parity between local and state funding. Now those things were done with great deliberation and at that time, also in 19, what, '67, there was an expressway system, and it just so happened I believe that Senator...the senator from Valentine at that time, Elvin Adamson, was the chairman...was the Speaker of the Legislature and one of those arterials ran up through Valentine. So this is not a new topic. But you have to realize that after you get out of Omaha and Lincoln and Sarpy County and Douglas County and Lancaster that, you know, the state has 10,000 miles of roads. There's about another 90,000 that are in the local jurisdictions of which maybe 10,000 would be those larger areas I mentioned. The rest of those 80,000 miles are out in the rural areas. So you have to have a system that recognizes not only traffic count but geography and other...life...the quality of life factors. Hauling grain and other agricultural and commercial products to market is necessary so you can't just arbitrarily say that, well, we just can't be split...sending this money away from the more populated areas into the rural areas because there is justification. But my one caution would be that whatever we do in order to raise additional revenues, that we keep in mind that cities and counties have just as great of needs in their own jurisdictions as at the state level. Now one thing that's been done here at the local level to meet some of those needs, we have what is called an arterial street improvement program, or the ASIP Program. At the development level, fees are assessed against lots and other...and properties, and that goes into a separate account. And then projects are designated to be developed out of that fund and the city, the county, and the development industry decide what those projects will be and those funds are earmarked, and we're using those funds now. Now

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maybe that concept could be adapted at the local level, maybe even on a regional level, maybe a regional transportation district such as maybe the railroad transportation district back in the seventies, that took the tracks out of downtown Lincoln, could be developed. But when it really comes right down to it, it's not just shifting of dollars around. It's adding to the revenue stream. And you can argue that, well, putting this on developers maybe isn't the way to go because they already have heavy demands on their resources, but, frankly, there is a traffic impact, even though it is not readily apparent, and somehow those traffic impacts have to be...have to be brought into consideration when developing your infrastructure system in the means for financing them. As for the Heartland Expressway, I think one of the problems seems to be that the state doesn't have an awful lot of money to match those federal funds, Senator Loudon, that have been set aside. I think there are some earmarked funds there that haven't been used. But maybe through a regional transportation district, perhaps some of the local funding can be brought into the picture to help the state to fund the local share to make it more beneficial, just as when we have a project. We get an SID to contribute the local share to our projects, and we have as much...almost half as much SID money as we have our own local money in projects. So those are just some thoughts that I have. As to bonding, I think we've been a pay-as-you-go state. It's worked very well. I think it should be user-fee oriented and it should be pay as you go because history has shown that when you get into bonding, if it is done willy-nilly, which can happen, especially when you have term limits and you don't have the Jerry Warners and folks like that around and yourself for more than eight years, that things can kind of get a little bit out of kilter and maybe you lose the continuity. And I think the system has worked well for over four decades and we should be very careful deviating from what has worked. And I happen to...I just must respectfully disagree that more of the local share should be going to counties rather than cities because I don't...I don't buy that argument, with all due respect to my good friend Mayor Suttle. I appreciate the opportunity and you're to be commended for all the hard work that you do on these...in these hearings and I know it's not easy to make these decisions. But just as we committed to the interstate back in the 1950s, when President Eisenhower was

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President, because he modeled it after the European system, he said we need a system of interstate and defense highways, and that's what it was...that's how it was named and the money was raised for that purpose and it was funded in a totally different manner. Maybe that's what you need in Nebraska, maybe some limited system of expressways or development highways that is funded separately. But I don't like bonding in one sense because in previous years those bonds would come off the top, which then...they would be paid back off the top before the distribution so, in effect, it was funding state projects and not local projects. And that also hurt the locals. And if you have any questions, I got almost within the five minutes. [LR152]

SENATOR FISCHER: Thank you. Are there questions? Senator Louden. [LR152]

SENATOR LOUDEN: Yeah. Well, thank you for your testimony. Yeah, the match is there now for that...for what we have earmarked on that Heartland Expressway, for that segment of it, so the money is there. It's a matter of the Department of Roads have dug their heels in for so many years and not wanting to get anything done that now they're kind of behind the ball since the money is waiting there. [LR152]

TOM DOYLE: You said it; I didn't. (Laugh) [LR152]

SENATOR LOUDEN: When you mentioned setting up some type of a system like they did with the interstate system and probably have Nebraska do some system to finish our expressway system, I think that would be a very interesting idea. And I agree with you about the bonding. You have to be very careful because, as some other states that have done bonding, the Legislature or the politicians or whatever you want to call them don't always have the fortitude to go ahead and increase taxes in order to service the bonds. And, consequently, the first thing they'd do is start taking their maintenance money... [LR152]

TOM DOYLE: Right. [LR152]

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SENATOR LOUDEN: ...to service the bonds, and then they are in big trouble. [LR152]

TOM DOYLE: You end up putting all your money into debt service and nothing into current improvements. [LR152]

SENATOR LOUDEN: Exactly. [LR152]

TOM DOYLE: Kansas ran into that problem a couple of decades ago. [LR152]

SENATOR LOUDEN: Yeah, we've seen Michigan do that. Then they turned around and sold their expressway system to somebody in Australia. [LR152]

TOM DOYLE: Right. And another thing, and obviously this is not popular but you can always look at tolls. But, you know, that, a toll system, that I'm not advocating that but I'm just saying that's another possibility. But it will take a strong political commitment to follow through on whatever it is you decide. I realize that. [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

SENATOR FISCHER: Other questions? [LR152]

TOM DOYLE: Thank you, Senator. [LR152]

SENATOR FISCHER: I see none. Thank you very much for being here today. Next testifier, please. [LR152]

JANE NIELSEN: Thank you, Senator Fischer and committee. Jane Nielsen with the Sarpy County Chamber of Commerce, N-i-e-l-s-e-n. I have a short statement here. Sarpy County is the fastest growing county in Nebraska, as you all know, thanks to the

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leadership and cooperation from the Legislature, various government entities within the state, the county, and the five cities within Sarpy County, the Nebraska Chamber of Commerce, the Sarpy County Economic Development Corporation, and other entities. For continued growth and economic development for the county and for the entire metro area, we need to provide the infrastructure and services to support the companies that are here employing our residents and looking towards the future to continue the work of recruiting additional companies. Examples of successful projects in Sarpy County include Highway 75, Highway 34 bridge connecting Nebraska and Iowa, and the corridor, Highway 370. On behalf of the Sarpy County Chamber board and membership, I want to request and encourage you to move forward and prioritize the improvements and widening of Highway 370 east of Gretna to the interstate. And I know that there's additional funding needed and we would just like to ask that that is a priority. The chamber follows closely the bills and will come out in support or in opposition of one. And that's all I have. I welcome any questions. [LR152]

SENATOR GAY: Thank you, Jane. Are there any questions from the committee?
Senator Louden. [LR152]

SENATOR LOUDEN: Yes, Sarpy County is...and you're talking about widening? How long of a stretch of road is it and that sort of thing that you're asking you want the Department of Roads to do something about it? Is that what...? [LR152]

JANE NIELSEN: Uh-huh, yes, and...four miles. Sorry. [LR152]

SENATOR LOUDEN: Four miles? [LR152]

JANE NIELSEN: Yes. [LR152]

SENATOR LOUDEN: And what's the Sarpy County mill levy? [LR152]

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JANE NIELSEN: I'm sorry, sir, I don't know. [LR152]

SENATOR LOUDEN: Okay. I presume it's somewhere's around 26 or 28 cents or somewhere along in that. What I'm wondering is, what would that cost for that four miles? Have you got any idea how many...how much it would cost to do that four miles? [LR152]

JANE NIELSEN: I knew I should have made Norm come up here with me. [LR152]

NORM FROM THE AUDIENCE: \$26 million. [LR152]

JANE NIELSEN: \$26 million. [LR152]

SENATOR LOUDEN: Okay. And, what, Sarpy County has about a \$10.75 billion valuation? And you say, what, \$26 million? [LR152]

JANE NIELSEN: Uh-huh. [LR152]

SENATOR LOUDEN: And that would be...what would we...a cent levy would...if I do my math right, would raise somewhere around, what \$10 million a year? In other words, you could probably put a cent more on your property tax and you could probably for it in less than three years. So I, you know, we run across this all the time. [LR152]

JANE NIELSEN: Uh-huh. [LR152]

SENATOR LOUDEN: We have these counties that want this little piece done and why don't they do that themselves? We're looking at counties out there...well, Arthur County has \$100,000 valuation. Hell, Ted Turner has more than \$100,000 valuation. And then they don't have any tax base, they don't have any retail sales, and consequently, they can't get nothing. But the wealth is down here in some of these counties and this is why

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I'm wondering on some of these issues, your tax load is quite low. Because in Sheridan County, where I come from, we're up there about 48 cents. In other words, there's no wiggle room whatsoever. And so I'm wondering, has your county people thought about that, you know? [LR152]

JANE NIELSEN: I know there have been discussions in the past on that and so I guess I'm just here to say that we'd like to see cooperation between all of those entities. And if we can offer any assistance along those lines, we would be willing to do that. [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

SENATOR GAY: Any other questions? I don't see any. Thank you, Jane. [LR152]

JANE NIELSEN: Thank you. [LR152]

SENATOR FISCHER: Thank you, Senator Gay. Next testifier, please. Could I see hands of those still wishing to testify? I see three, four. Thank you very much. Welcome. [LR152]

ED COCHRAN: Good morning, Chairman Fischer and members of the committee. I am Ed Cochran. I'm the director of the North Omaha Development Project. This is an effort initiated by the Greater Omaha Chamber but made up of really a consortium of volunteers of metro community area people, philanthropic, religious, business leaders, and elected officials including State Senator Brenda Council, all of whom are committed to the task of redeveloping and revitalizing neighborhoods and businesses of north Omaha. In short, the thrust of this effort is very simple. It's about economic development. It's about attraction of businesses and employment. It's about the hope of neighborhoods that are home, unfortunately, to some of the highest levels of unemployment and poverty in Nebraska and, unfortunately, in the nation. With this project, however, in less than 24 months, with the help of our partners, we've attracted

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several businesses. There have been many new homes built. We are attracting employers and we are training people for work. We are making progress. I do know that, as you have traveled across the state hearing about ideas how to address our many transportation issues in the state, you've heard again and again about transportation infrastructure is the key to economic and community development. We believe the same is true. Getting people to work, providing jobs, and moving goods and services depends upon the construction of roads. In fact, even though we are in the city, we have some of the same needs as many of the rural communities. Jobs is of critical importance. This community has some of the highest employment (sic) levels in the state, as we talked about before, one of the highest levels of youth living in poverty in the nation, as well as one of the highest users of public transportation in the metro. Transportation and roads and the jobs that are created from them is extremely important. Improved roads, the jobs that come from those construction of roads, improved interchanges providing access to destination locations and business parks is critical to this revitalization process. My point is really this: Every improvement to a highway, street, to a road, wherever it is in the state, has a positive impact on local communities, and so many efforts, lives, and jobs depend upon a good transportation network and the infrastructure that follows, whether that means a new expressway or a road just three or four blocks long. We know you have a tough task ahead of you, a tough task dividing the limited revenue pie, and everyone presents you with a good case. We would just like to be willing to work with you to provide whatever solutions that we can. Thank you very much for your time and consideration. Most importantly, thank you for all the hard work that you do. And I'd be willing to entertain any questions that you have. [LR152]

SENATOR FISCHER: Thank you, Mr. Cochran. Are there any questions? I have a couple. I represent some of the poorest counties in the United States and I took note of your comments about every improvement, no matter where in the state, has a positive impact on that area. My district covers about a quarter of the land mass of the state of Nebraska. We are fortunate to have good roads. They are maintained by the state. We

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do have some concerns on trying to keep up with county road care and especially with county bridges. How we going to pay for it? I didn't disagree with anything you said. I would like to see road construction, new construction, not just maintenance in every area of the state. I love roads. So where are we...right now, we're not even in the discussion on where roads are going to be built. We're in the discussion that we need the money just to maintain the \$7 billion, \$8 billion system that we have. How are we going to find the money? I don't begrudge Omaha roads. I happen to be a person who feels the priority system that the state has is a good one. I think we need to look at safety of roads and that's not just in the construction but it's also in the congestion that we face. But how can we even...how can we even enter into that discussion without finding more money? [LR152]

ED COCHRAN: Well, I think we, clearly, and this committee has a number of challenges. I think we have to keep in mind, however, where we believe that revenue comes from. It comes from increased taxes, and I don't necessarily mean increased tax rates but revenue that comes from taxpayers, perhaps, that weren't paying taxes in the past, from property that is being levied that was not being levied in the past, and it's those businesses that are attracted to the state that were not in the state before that are now bringing revenue streams to the state that we're not in part of the equation before. We believe, from an economic development standpoint, that that's critical to the success. I believe we have to grow our way out of this issue. I agree with you 100 percent that there are some difficulties that lie in some of the things that we have to do, but if we don't find new revenue streams then we're going to be in trouble. I believe that we have to make sure that the investments that we do make are investments that help to generate revenue and not just spin the revenue or the dollars that we currently have. So I'm all about bringing new business and new development and new road and new constructions by using the investments of the dollars that we currently have to bring new dollars into local communities like yours and mine, as well as the state as a whole. [LR152]

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SENATOR FISCHER: How...are you in favor of increasing taxes at all if it was designated for road construction? [LR152]

ED COCHRAN: Am I in favor of increasing taxes? Gosh, that's really a tough one. [LR152]

SENATOR FISCHER: You know, whether it's a gas tax...I kind of got that you were implying we need to look at maybe General Funds for roads. We haven't done that in the past in the state. I'm looking for ideas, we're all up here looking for ideas and there's not too many of us in favor of tax increases, especially when you look at the situation we're in now. A tax is a fee, is a fee, is a tax. So, you know, what are we going to do? [LR152]

ED COCHRAN: Well, I guess the question is taxes have their place but also the reduction of taxes has their place, too, with respect to incentives and the question becomes are you going to tax your way out of the issue or, again, talk through some of those strategies, techniques that are used to bring new businesses and new revenue sources into our state? Some of those can be by, in effect, either delaying taxes or I won't say completely getting rid of them because certainly you can't do that, but certainly providing an atmosphere where businesses feel like it's in their best interest to make decisions about certain sections of the city, certain sections of the state, or certain sections of whatever we do here in Nebraska. So I would be in favor of incentives for those and those necessarily don't have to be in the way of increasing taxes and just for roads, but those incentives may in fact come from someplace else. So I think the challenge that we have is our danger of our responsibility is that sometimes we think in silos and if we get outside some of those silos, in some cases, then we become more effective in addressing all of the problems that we have. I believe, for example, that one of the keys to what we need to do is to define some urban and rural partnerships that we have. As I mentioned before, jobs are critically important in the community of north Omaha, where service is needed to be provided for locations in southern and

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northeastern and western Nebraska. I believe if the right people put their heads together we can come up with some solutions that would help all sectors of this economy and all sectors of the state. [LR152]

SENATOR FISCHER: Thank you. Other questions? I see none. Thank you very much. [LR152]

ED COCHRAN: Okay. Thank you. [LR152]

SENATOR FISCHER: Next testifier, please. Good afternoon. [LR152]

PAUL MULLEN: (Exhibit 1) You're right. Should I scratch that on my statement here? You better scratch that one on the statement I gave you. (Laugh) My name is Paul Mullen, M-u-l-l-e-n. I'm the executive director of the Omaha-Council Bluffs Metropolitan Area Planning Agency. I think you've heard us referenced this morning, MAPA. We appreciate the opportunity to provide testimony to the Transportation and Telecommunications Committee looking at highway funding structure in Nebraska. We understand that the transportation system statewide in the metropolitan area is very important to the safety of the traveling public and that the current transportation system that we have in Nebraska and the metro area is an economic asset that provides a relatively low cost of transportation and ease of mobility throughout to the residents of the state. While the current system is functioning pretty good, we are actually, and you've heard this before, we're falling behind in making the improvements to keep the system where it provides Nebraska the economic advantage that it currently, I think, has because of the system we have. Throughout the state, the Nebraska Department of Roads has had to postpone many projects because there aren't funds there to make those improvements. As an example, in the metro area, you've already heard about one, Nebraska Highway 370 from I-80 to Gretna, and Nebraska Highway 133 to Blair, both of them were supposed to be finished by now when we first started programming them. Right now, they've been pushed back three, four, five, probably more years now, I

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don't...one of them is not even on the books anymore so...and those are very important projects to keep us economically competitive. You heard earlier that MAPA completed a study about funding needs. What that study showed was that we were \$30 million per year short of providing the...making the necessary improvements to keep up with the projected growth in the metropolitan area. We know that that number has grown since we completed that study because of the ever-increasing cost of construction and the delays that caused us to put those projects off to later dates. The LR152 was passed last session to conduct this comprehensive examination of Nebraska's street and highway funding structure and to recommend some alternatives. The following are some suggestions that MAPA feels that you can consider to look at dealing with this issue. First and foremost, the Highway Trust Fund must remain intact and we should not allow it to be used except for transportation purposes. Also, the current system of the variable gas tax is actually the envy of probably the other 49 states and that really should be protected. It provides a very good vehicle to make improvements that we need. We've heard bonding today. Bonding is a method of financing streets and highways. The city of Omaha has used it very successfully. But if we're going to do that on a larger scale, if the state is going to do it, we do need a dedicated revenue source to be able to identify those, a new dedicated revenue source to do that. There's a couple ways that we probably need to provide for some of the...for our needs. In the immediate term, we can use some of the vehicles that we have today: increase the motor vehicle tax, we can apply a sales tax on fuel purchased, we can increase vehicle registration fees. We should also look at diverting...taking the transportation funds that are currently derived by transportation that are being diverted for other nontransportation purposes and put them back to transportation uses. Other alternatives maybe at the more local level is to provide a local option sales tax for local jurisdictions or Mr. Doyle indicated maybe some kind of a transportation funding district. Long term, motor vehicle fuel taxes are problematic because of increases in fuel mileage in vehicles and the alternative fuel vehicles, electric, hydrogen. Because of that, a vehicle mile tax, tolling, and other such mechanisms should be investigated as alternative funding sources. I guess in closing, we do need to invest in our system. It's

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important for economic development. The heart of our problem is we need additional revenues and we do need to look at getting those revenues sooner rather than later. With that, I would answer any questions. [LR152]

SENATOR FISCHER: Thank you, Mr. Mullen. Are there any questions? Senator Gay. [LR152]

SENATOR GAY: Thank you, Senator Fischer. Paul, when you talk about a regional concept or developing these regional, is there still an appetite...I mean, I know you work in Iowa and Nebraska, but the idea of cities or counties coming together on a joint project, and try to think a little bit beyond the metro area here, is that a doable situation? Give me an example where that could be done, and I'm talking about several counties getting together on a regional concept. [LR152]

PAUL MULLEN: That...well, it's doable, I guess, given the proper mechanism. Examples that I could give you is I was just at a meeting earlier this week of my peers throughout the country. They have done regional...they have allowed regional local option taxes to be instituted by a vote of the people and those projects are being...and it's for transportation purposes when I say that, both streets and highways, transit improvements, and those projects are prioritized on a regional basis. Again, the mechanism was given to the local jurisdictions by, in those instances, those states that allowed for that to happen. Those are, I know, the...well, who all has done it, Phoenix has done it; Colorado Springs; Stockton, California; San Diego. They've all...and those are all regional funding sources that are prioritized on a regional basis. [LR152]

SENATOR GAY: Okay. Now those...of those regions you talked about, those are major metropolitan regions. [LR152]

PAUL MULLEN: Colorado Springs is not that... [LR152]

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SENATOR GAY: Well, it's... [LR152]

PAUL MULLEN: ...big and Stockton, California, isn't that much bigger than us. [LR152]

SENATOR GAY: But Colorado Springs is still...I'm talking an expressway system here, if we wanted to...let's say some counties wanted to ban together on an expressway to finish their leg of an expressway and say, you know, we're...or any expressway, for that matter, if we get this done it's going to help us and we will help ourselves here. How does that work in a more rural setting though? Because you still talked about major areas there, and Colorado Springs is a pretty good-sized community. [LR152]

PAUL MULLEN: I mean all of them are urban areas. They are urban areas. They have, you know... [LR152]

SENATOR GAY: Yeah. Could it work on a more rural area do you think? Have you seen any? [LR152]

PAUL MULLEN: I am not aware of any of those. I mean I'm not aware of any. [LR152]

SENATOR GAY: In your experiences, been doing this awhile, could it be done you think, and would it be...think people will grasp that idea? [LR152]

PAUL MULLEN: Those funds that I talked about at the local level, they do...and what that would have to do on a less-populated area, it would still have to leverage other funds because those other funds, those local dollars that I told you in these other areas, they are leveraging federal dollars, they are leveraging other state dollars, I mean. So anything would have to make...I mean they still have to leverage other funds. It's just a way to...another way to make sure that your projects begin to move forward. You've said yourself locally we're willing to, you know, make that investment; that investment is important to us. [LR152]

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SENATOR FISCHER: Other questions? Senator Louden. [LR152]

SENATOR LOUDEN: Yeah, thank you, Senator Fischer. Well, thank you for your testimony. You mentioned that some of the money that goes into the Highway Trust Fund should go back into it. Which...what did you have in mind there? [LR152]

PAUL MULLEN: I think there's some motor vehicle registration fees that are used for education today. [LR152]

SENATOR LOUDEN: A dollar and 50 out of each vehicle. [LR152]

PAUL MULLEN: I don't know how much it is, but I think... [LR152]

SENATOR LOUDEN: Yeah. Well, I have it here in front of me. [LR152]

PAUL MULLEN: Okay. [LR152]

SENATOR LOUDEN: It's a \$1.00...it's \$1.50 out of each vehicle that is out of your \$15 that goes for your motor vehicle, and I don't have right here in front of me, some place I'm sure we do, how much that is, but it...I don't know if that's... [LR152]

PAUL MULLEN: I thought I heard \$30 million, \$35 million, \$40 million a year. I mean those...that's...you can do some improvements with those. [LR152]

SENATOR LOUDEN: Well, I think the whole...the whole deal is \$46 million for motor vehicles so, I mean, it isn't that significant an amount. And that's the only possible one I can see because some of these, like grade crossing protection stuff, I mean we were working across the state of Nebraska putting in this grade crossings over a period of years and that's always kind of behind the game. I mean there's always people getting

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killed at grade crossings that need to have some protection, and they're doing quite well with that. They're doing some all the time. And I'm wondering, you know, when you mentioned, I thought they have been very frugal with their Highway Trust Fund over the years on where that went. It isn't like the federal that, you know, we had this federal interstate...to build the interstate and there got...there began to be a surplus in there. So what did they do? Why, all these Cowboy Trails and all this stuff that's all over the country, why, we're using that money to build those instead of highways, and I've looked in the Highway Trust Fund and I don't see that. And so I'm wondering, you know, where else we could... [LR152]

PAUL MULLEN: Well, I mean, yeah, but \$46 million is a significant amount of money, at least the last time I looked. [LR152]

SENATOR LOUDEN: Well, that already goes into the Highway Trust Fund. [LR152]

PAUL MULLEN: Well, I'm talking about stuff that doesn't, and I think there is some that doesn't. [LR152]

SENATOR LOUDEN: It's...well, it's \$1.50 at, what, 2.2 million vehicles and \$1.50, so I suppose you're talking about \$5 million maybe is what it is. Anyway, thank you for your insight. [LR152]

SENATOR FISCHER: Other questions? I see none. Thank you very much for being here? [LR152]

PAUL MULLEN: Thank you. [LR152]

SENATOR FISCHER: Next testifier, please. Good afternoon. [LR152]

CRAIG MOODY: Good afternoon. Thank you for allowing us to testify. My name is Craig

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Moody, M-o-o-d-y, 510 South 57 Street. I'm here representing the Young Professionals Council of Omaha. We are subset of the chamber. With that said, however, I am not here speaking on behalf of the chamber. The Young Professionals Council is made up of 15 volunteer board members. We represent about 4,000 young professionals throughout the city. Our mission is essentially to serve as an organization that attracts and retains good, young people to Omaha. One of the things that we've taken on over the course of the last couple years is more of an advocacy role. We've done several surveys, roundtable discussions, really poked around with Omaha's young professionals to find out what they do and don't like about living in Nebraska and living in Omaha. One of the things that's really been illuminated through that process is they're not necessarily fond of our public transportation infrastructure. Came up time and time again and so it's something that we decided to look into. And again, everything that we've done is clearly volunteer work done on the side when we have time, when we can do it. So there's...we don't have the robust research. We did, however, undertake a project where we essentially created a mass of people that would get on Omaha's bus system and then we surveyed them afterwards. So I'm condensing it very much but what we learned was really interesting. Number one, there's a really deep-seated interest in having a robust public transportation system in Omaha. Ninety-two percent of the people that we surveyed after the project, and we had about 400 respondents, said keep working on this, this is important, we want public transportation in Omaha, we're not satisfied with where it is today. So we're going to continue to work on it. You know, I can't sit here and tell you that I have great ideas about financing. I have my own personal ideas but, from a research standpoint, we just haven't delved into that just yet. But we do know, you know, on a very high level, there are a couple things that we wanted to cite. For every \$1 invested in public transportation there's approximately \$6 generated in economic returns. We found that about every \$100 million invested in public transportation supports about 4,000 jobs. Public transportation is a vital link for 51 million Americans with disabilities. And interestingly, Omaha has 1.8 miles of mass transit per capita compared to the national average, which is 3.8. So that illuminates to us, you know, the opportunities that are out there. There are a couple opportunities that we could cite. St.

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Louis has been very progressive in establishing a system that's resulted in more economic revenue than it cost to do it. Fort Collins is leveraging a lot of federal dollars that are out there to create a great system that's going to pay for itself in a hurry. So I just wanted to approach you today to say this is an issue that's important to this group of people that I represent. It is not something that we're going to kind of just worry about short term and then say, okay, we're not going to worry about it anymore. It's something that they're really pushing us to work on, research, influence, and potentially expand. So to that end, you know, when we start talking about financing these kinds of things, if one of the opportunities is...you know, if your question is should we increase a tax in order to support road expansion, I think the people that I'm talking for would not necessarily be keen with that. If it's a tax to expand a public transportation infrastructure, I think you're going to get some buy-in, at least from the people that I'm referring to. So we're interested in it. We're going to keep working on it. It's really important to them and continuing to be progressive. As we see gas prices are going to climb back up, this is going to become a bigger issue. And so we're trying to be progressive in preparing for it so that we can continue to do our mission, which is to attract and retain young people to the Omaha metro area. So thank you again. Happy to take any questions. [LR152]

SENATOR FISCHER: Great. Thank you, Mr. Moody. Any questions? Senator Gay. [LR152]

SENATOR GAY: I don't know if it's a question but more of a comment. When you talk about public transportation in general, there's certain economies of scale. [LR152]

CRAIG MOODY: Uh-huh. [LR152]

SENATOR GAY: I mean when you compare a St. Louis or... [LR152]

CRAIG MOODY: Sure. [LR152]

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SENATOR GAY: ...I mean, I think you got it narrowed down a little bit. I think was it Fort Collins you talk about? [LR152]

CRAIG MOODY: Uh-huh. [LR152]

SENATOR GAY: But when you proceed on this, I guess I would just recommend, from a policymaker's point of view, is the diversity that we have to decide... [LR152]

CRAIG MOODY: Absolutely. [LR152]

SENATOR GAY: ...as a legislator. [LR152]

CRAIG MOODY: Uh-huh. [LR152]

SENATOR GAY: There's...Nebraska is a big state, a lot of different areas, but when you look at that, compare apples to apples... [LR152]

CRAIG MOODY: Absolutely. [LR152]

SENATOR GAY: ...and come back. And I agree with you somewhat. Also, that's a local decision, I think. [LR152]

CRAIG MOODY: Uh-huh. [LR152]

SENATOR GAY: And the tools that we could create for Omaha, and the mayor talked about it,... [LR152]

CRAIG MOODY: Uh-huh. [LR152]

SENATOR GAY: ...the rail system, and a little bit that's kind of tough... [LR152]

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CRAIG MOODY: Uh-huh. [LR152]

SENATOR GAY: ...but if the citizens of Omaha want to do that,... [LR152]

CRAIG MOODY: Sure. [LR152]

SENATOR GAY: ...I guess it should...maybe there should be tools. [LR152]

CRAIG MOODY: Yeah, and I understand that. [LR152]

SENATOR GAY: But just a comment, yeah. [LR152]

CRAIG MOODY: On the example, I think Fort Collins is a really reasonable example, St. Louis maybe not so much. We sifted through hundreds of examples so I just...I brought two to light. Regarding the locality, you're absolutely right. We just wanted to reinforce the need for transportation funding. I mean that's really kind of what we wanted to highlight. So I appreciate those comments. [LR152]

SENATOR FISCHER: Other questions? Senator Louden. [LR152]

SENATOR LOUDEN: Yes. You mentioned Fort Collins. What are they doing that you know of? [LR152]

CRAIG MOODY: Fort Collins is installing a bus rapid transit line which runs for about five miles down the center of the city. The city's potential investment is about \$4 million to \$5 million, but they've been projected to leverage about \$58 million federally. So it's a program... [LR152]

SENATOR LOUDEN: Did Fort Collins have a bus transit system before that? [LR152]

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CRAIG MOODY: You know, I don't know for sure. I would be shocked if they didn't, let's put it that way. [LR152]

SENATOR LOUDEN: Well, I've been there and I've never seen a bus on a street yet. [LR152]

CRAIG MOODY: Really? [LR152]

SENATOR LOUDEN: What I'm wondering is, is Fort Collins has Burlington Northern Railroad run right down through the middle of town and that's been quite a problem with coal trains going through the middle of Fort Collins, and the railroad is moving out onto the plains. And the last I knew, they were going to use that railroad as a transit service from there to Denver, and that's what I was wondering, if they were going on that route or...when you said they were getting federal funds for it, and that's what I'm wondering. But if it's a \$4 million to \$5 million deal, that isn't part of it. [LR152]

CRAIG MOODY: Yeah, it's only \$4 million to \$5 million that they're using. They're leveraging about \$55 million to \$60 million that are federal dollars to do it, is my understanding. [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

CRAIG MOODY: You bet. [LR152]

SENATOR FISCHER: Other questions? I see none. Thank you very much for being here. [LR152]

CRAIG MOODY: Thank you. [LR152]

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SENATOR FISCHER: Next testifier, please. And then is there anyone else? One, two more still wishing to testify. [LR152]

MARK POHLMANN: Well, good afternoon. Good to see the members of the committee again. My name is Mark Pohlmann, spelled P-o-h-l-m-a-n-n, and I appear before you as a representative and member of the American Council of Engineering Companies of Nebraska. I'll keep my statements brief. I just wanted to follow up with you on a couple of items. First of all, in reiterating ACEC's stance on transportation infrastructure financing, we believe that definitely new revenue streams are needed. We certainly support what...a lot of what Paul Mullen had stated earlier about the mechanisms to use, including keeping the Highway Trust Fund intact, maintaining the variable gas tax as a mechanism to raise/generate revenue. We certainly support looking for new revenues, such as rediverting funds that are transportation generated and rediverting them back to the Highway Trust Fund for their purpose, as well as looking at other expanded uses such as expanded vehicle registration and license fees, looking at potential gas tax sales. We certainly think that at a minimum the gas tax should be at least buffered to help us buffer against the effects of construction inflation. So I would like to reiterate our position, at least on trying to find you new ways to raise revenues for transportation in Nebraska. A couple of questions you had for me yesterday when I testified I wanted to follow up on you, just in the short time that I was able to do that: One was that you wanted to know about Missouri's...way they were able to find new revenues for their particular program. They diverted motor vehicle sales tax back to what they called a transportation bond program essentially. That money was going into the General Fund. They rediverted that money back to a program for them to use. They then, of course, did bond with that money, but that was what their situation called for. You asked about whether or not that was to effect any other programs. To my knowledge, and I don't have a lot of details on this, a lot of programs that that money then was essentially taken away from, if you will, were held harmless. In other words, they were able to find ways in which to keep those other programs intact. I don't know how that was done and I wish I could provide you information, but I would redirect you

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to the state of Missouri for information on that and...but is what they found to generate new revenue. So that was just a follow-up on a question you had for me yesterday. And if there is anything that the engineering community can do to help you in providing you information about what we do, we represent a lot of firms, a lot of our firms do work outside of the state of Nebraska and so we know what's going on in our industry around the country. If we can help, we certainly will. Any questions, I'll be happy to answer them. [LR152]

SENATOR FISCHER: Thank you, Mr. Pohlmann. Thank you for attending the hearing today and for your quick response to those questions yesterday. I appreciate it. Are there any questions? If there are, I'm sure Mr. Pohlmann will follow us someplace tomorrow and bring the answers to us then. (Laughter) [LR152]

MARK POHLMANN: No, I will not. I will not be there. (Laughter) [LR152]

SENATOR FISCHER: Thank you very much. [LR152]

MARK POHLMANN: Thank you. [LR152]

SENATOR FISCHER: Next testifier, please. [LR152]

WILLIAM COOK: Thank you. [LR152]

SENATOR FISCHER: Good afternoon. [LR152]

WILLIAM COOK: Well, my name is Bill Cook, C-o-o-k. I'm the pavement engineer for Nebraska Concrete Paving Association in Lincoln. And first off, I apologize for my footwear, but I was helping my wife get happy. I broke my foot last fall and I can't get my feet in shoes, so I wear sandals. I had a prepared statement. It's redundant after the discussion I've heard today. We all know we need good roads. We know that they need

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to be maintained. We know that the expressway system being expanded will improve economic activity in the state and make the state...continue to keep the state competitive with other people. We don't have the money to do it and the question is, where can we come up with the funds? And I wish I had a magic wand and can wave it and say, I've got the hundred million bucks a year and we can spend the money this way. The answer is, no, can't do that. One of the things I think we need to look at is that Nebraska's revenues are actually declining at this point. I think the peak was a year or two ago and since then the actual income into the fund has been dropping. So I would argue that if we look at tax increases to bring the funding level back to what it was a couple years ago is not actually a tax increase, it's just maintaining a level of funding that we need. And in view of that, I think that the variable gas tax is an appropriate place to maybe adjust that upward a little bit with the obvious caveat that it's just to maintain the level that we need. Long term, though, I think a cents per gallon system is going to fail for all the reasons people have noted: higher fuel economy, electric cars that don't use much gas, things of that nature. Cents per gallon is going to kill us in the long run. I think you probably are aware that the University of Iowa has a research program right now that's being administered by Dr. Paul Hanley looking into a way to capture vehicle mileage and then bill users on a monthly basis. I did a calculation for me just this morning. I drive a lot of miles. I put almost 50,000 miles a year on my company car and the gas tax in Nebraska, if I crank that out a month, that's 65 bucks a month I would be billed for using the highways of the state of Nebraska, and that is nothing. I mean 65 bucks, I pay more than that to keep my house warm in the wintertime, you know. And I need my car. I need my car to earn a living, to get around, and so it's a minor cost. So I would think that long term, and this is probably going to need to be a national perspective, we need to go to some kind of a mileage based system and if we can do that, and there will be issues of the states, you know, each getting their fair share of the mileage, but it's something that is doable, I think. The technology is there. I've got a little Chevy Impala, that's what I drive, and every month I get a statement from General Motors, says you have this many miles on your car, you've got this much percent of your oil life used, and tells me my tire pressure, everything else. I get it by e-mail so

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they're capturing that electronically, sending it back to me. That tells me the technology is there to do that. It's not a technical issue anymore. It's...there's some practical issues of how do we split the mileage up amongst the states, things of that nature. Yesterday Jereme Montgomery testified in Fremont and Jereme is my counterpart with the Nebraska Concrete and Aggregate Association, and he said we do support what you guys are doing. You're trying to find more ways to generate funds or to find new funds or ways to pay for the improvements we need to do, and we want to thank you for that. That's a lot. You know, if you guys come up with a new gas tax or something, you're going to be about as popular as nails on a road. You know, it's not going to be a real happy deal. But it's a tough job and you guys are...we look to you to lead us in that sense. The other thing, and this next is going to sound a little self-serving but it's not, I've worked in Iowa, worked for the Iowa DOT for 29 years, was a county engineer in Iowa for 4 years, spent over 30 years in government service in Iowa so I know how that system works. I'm familiar a little bit with the Nebraska system. I know friends in Missouri and Minnesota. And what I have to say is I think the folks that run the Department of Roads are...they're doing about as good a job as can be done managing the funds that they've got to work with. I know they're very tight-fisted guys. They don't like to spend any money and that's good. That's what they should do as public dollars, and I just want to give them some thank-yous and pat on the back. They're doing a pretty good job. So I guess, you know, to sum it all up, we need good roads. We got to find a way to pay for them. Maybe there's some long-term solutions out there but I think we do need to get away from the cents per mile or the cents per gallon system and go to some kind of a mileage basis. So thank you. [LR152]

SENATOR FISCHER: Thank you, Mr. Cook. Are there any questions? Senator Louden. [LR152]

SENATOR LOUDEN: Yes. That was interesting. You know, when you talk about fees on cars or doing something like that, I think you're old enough to remember when we had diesel cars back there in the early eighties. [LR152]

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WILLIAM COOK: You bet. [LR152]

SENATOR LOUDEN: And I don't know, did you live in the country and have on-farm storage? [LR152]

WILLIAM COOK: I was born on a farm, raised in southeast Iowa. [LR152]

SENATOR LOUDEN: Did you have on-farm storage of diesel fuel before it was dyed? Because... [LR152]

WILLIAM COOK: I go back to where we didn't have diesel in the tractors. We were still in gas. [LR152]

SENATOR LOUDEN: Yeah, but I'm talking about the diesel fuel in the on-farm storage. Because if you had on-farm storage, you had to pay a fee in order to get your license plate because they thought you might be using that diesel in your car that at that time didn't have a road tax on it. And we paid it, didn't even think about it. They just calculated how many miles you might drive in a year and you paid it, whether you used the on-farm storage or whether you bought it downtown, because if you bought it downtown you paid taxes on it. So I'm wondering when they talk about these cars that aren't going to burn much fuel or something like that, the system was already in place, you know, 25 years ago or more that took care of that. So I mean that isn't a problem when we want to do it again. When you talk about your Chevy with your...you know, and all that, and that's probably a good idea and it would probably work. But we got into about the same thing with water meters on these irrigation wells. Everybody is...you know, the state in various places decreed that people that had irrigation wells had to have meters on there so they knew how much they were pumping. And the question always was, well, then when you put them meters on, are you going to start taxing us on the water we use? And the answer was, when you start taxing somebody, just like your

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meter on your car, that can be tinkered with or it could not be accurate, the same way the water meters weren't always accurate. So consequently, when you get ready to levy a tax or a fee from the state, you can't use something that probably is...has to be nearly foolproof, and that's the reason you have your flat fees or something like that. So I'm wondering, you say the technology is there but then again I don't know how accurate that technology is. And I think at the present time we're probably either going to have to go with a registration fee, a flat fee, if you don't want to raise the gas tax, or a gas tax. Do you have any comment on any of those three? [LR152]

WILLIAM COOK: I think you're always going to have people that can mess with the system to cheat. I've heard of stories where people...there's a guy in Chicago, I believe it was. He tapped into his natural gas line ahead of his gas meter and bypassed it. He used a garden hose to do it and it was underground. After a few years, he started smelling gas. He called the gas company. They came out and found it. He was in deep trouble. So there's people that are always going to try to cheat. But a lot of these electronic devices can be pretty much sealed so if they're tampered with it is evident. And I think there are technical ways to get around those issues. [LR152]

SENATOR LOUDEN: Okay. And the thing in your... [LR152]

WILLIAM COOK: And I'm not the expert, I have to be honest, I'm not. [LR152]

SENATOR LOUDEN: Yeah. On your car, have you ever checked to see if that's exactly how many miles you drove to see if they're exactly right? [LR152]

WILLIAM COOK: Of the date that it's at, it's within a few miles, yes. [LR152]

SENATOR LOUDEN: Okay. [LR152]

WILLIAM COOK: It also gives me the miles per gallon, all that good stuff. And I've

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checked that, you know, by writing down the gas mileage and it's always within a mile or two of what I get. [LR152]

SENATOR LOUDEN: Okay. And if somebody messed with the speedometer, it wouldn't affect that? [LR152]

WILLIAM COOK: If you mess with the speedometer, yes, it would affect that, but you would...that would show up because it changes...there's this...part of the system there is there's a flag that says the speedometer has been screwed with. [LR152]

SENATOR LOUDEN: Yeah. Well, like you say, there's always somebody to cheat. In our area, where we had irrigation wells, I've known people to take a BB gun and shoot a hole in that glass and run a straw through there and push on that little thing that goes around and around, see, and they didn't register any power. So thank you for your comments. [LR152]

WILLIAM COOK: Uh-huh. You're welcome. [LR152]

SENATOR FISCHER: Other questions? I see none. Thank you very much, Mr. Cook. [LR152]

WILLIAM COOK: Thank you very much. [LR152]

SENATOR FISCHER: Last testifier, I believe. Good afternoon. [LR152]

VINCE FURLONG: Hi. Thanks for a few minutes. I'm Vince Furlong, 120 South 49 Avenue here in Omaha. [LR152]

SENATOR FISCHER: Could you spell your last name? [LR152]

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VINCE FURLONG: F-u-r-l-o-n-g. And I'm a board member of Omaha Streetcar. We are a citizens group and we've been working the past few years, just try to educate the public about mass transit, streetcars, light rail, etcetera. We do it through a Web site and we do it through some public forums that we've had in the city the last couple years. I'm not here to ask for money. I'm here to ask for your voice. We need leadership in the state of Nebraska that emphasizes public transportation and mass transportation as a way for people to move around and commute. So I would ask you to, along with your roads, is to consider mass transportation as part of your overall strategy, and I think you're hearing that today from the mayor of Omaha and the Young Professionals and a few others. Two industries in areas that are doing great in Omaha and across the nation are education and healthcare. And in the central part of Omaha we have an abundance of healthcare and education, and we need to continue to support those industries very strongly. And a streetcar system, as well as a better bus system and so forth, in those areas of the city will leverage more and more development, more and more researchers, professors, and others coming to the city of Omaha and seeing that amenity, that quality of life in our city. So again, I'm just asking for your voice in looking at public transportation. As far as dollars, I think a few dollars from the state of Nebraska can help leverage private foundations in Omaha that have already contributed dollars to studies of a streetcar system here and have indicated in some ways that they could maybe fund some of the construction or part of the construction of an initial two-to three-mile streetcar system somewhere in central Omaha. So a few dollars, in terms of planning, research, studies, etcetera, that the state could provide to the city could leverage a lot of support and also support from those two industries that I mentioned earlier. Other ways to support that are developer fees. We're primarily promoting a streetcar as an economic development tool in the central part of Omaha to support those industries I mentioned and support new industries. And the mayor mentioned about going vertical, so we would hope more of Omaha would go vertical. With a streetcar system, more people would move closer to the center part of the city, more business would place itself on those major streets in the central part of the city and developer fees could help that. Also, a regional transit authority, which was mentioned

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by Mr. Mullen and also Mr. Suttle, could possibly leverage city dollars from the metro area to support a beginning streetcar system. And then, of course, there's tax districts also that are used around the country to support a streetcar line, a light-rail line. So again, in summary, I just ask for your voice in supporting and looking at public transit as one of the ways to move people and move...and even move products maybe. [LR152]

SENATOR FISCHER: Thank you very much. Are there any questions? I see none. [LR152]

VINCE FURLONG: Thank you. [LR152]

SENATOR FISCHER: Thank you very much. [LR152]

VINCE FURLONG: Uh-huh. [LR152]

SENATOR FISCHER: Any other testifiers? Is there anyone else wishing to come forward? I see none. (See also Exhibit 2) With that, I thank you for your attendance at the meeting today and I close the hearing on LR152. Thank you. [LR152]