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[AGENCY 27]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 17? Seeing none, we will close up the public hearing on Agency 17 and open up the public hearing on Agency 27, the Department of Roads. [AGENCY 17]

MONTY FREDRICKSON: (Exhibit 3) Good afternoon, Senator Heidemann, members of the committee. My name is Monty Fredrickson, M-o-n-t-y F-r-e-d-r-i-c-k-s-o-n. I am the Director/State Engineer for the Department of Roads. I appreciate having this opportunity to testify in support of the Governor's budget recommendations. The mission of the Department of Roads is to provide and maintain a safe, reliable, affordable, environmentally compatible, and coordinated statewide transportation system for the movement of people and goods. Our 2011 through 2013 biennium budget request was submitted as a flat, hold the line on expenditures budget, exclusive of federal stimulus funds. Our budget will maintain the state gas tax at its current rate of 26.4 cents per gallon and support a Highway Cash Fund appropriation level of \$374 million each year of the next biennium. As a quick update on federal stimulus funds for transportation, Nebraska received about \$234 million. To date, we have expended \$194 million on both the state highway and local road systems. This leaves \$40 million remaining to be paid, which will occur over the next couple of years once projects are completed. As a part of the budget before you, the department plants to eliminate 45 positions by July 1 and transfer the savings to the Highway Construction Program. The committee's preliminary recommendation can be further revised to reflect this reduction in positions and in personal services limitation. With this action, the department will have reduced our staffing levels by 155 positions since July 2001. Before closing, I want to talk briefly about highway safety, something that is very important to everyone who travels Nebraska's highways. Since 2007, one of our agency goals has been to reduce highway fatalities to a rate of 1.0 fatalities per 100 million vehicle miles traveled by 2011. We achieved that goal one year early in 2010 with 186 fatalities. That's the second fewest ever recorded in Nebraska in the last 73 years, second only to the 166

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deaths in 1944. And this occurred with five times as many registered vehicles in Nebraska than in 1944. While a single death is one too many, this reduction in fatalities is truly a significant accomplishment and we thank the other agencies that helped us reach this goal. This concludes my remarks and I would be happy to answer any questions you might have. [AGENCY 27]

SENATOR HARMS: Well, thank you for your testimony. Senator Fulton. [AGENCY 27]

SENATOR FULTON: Thank you, Mr. Vice Chairman. Thanks for being here, Monty. [AGENCY 27]

MONTY FREDRICKSON: You bet. [AGENCY 27]

SENATOR FULTON: Two questions: Number one, when I put forward a roads proposal, I think it was 2008, and back then the number that I was using and that I think was being used was a shortfall of \$196 million by the year 2010. I said that enough times where I remember it. So what is our shortfall numerically today? [AGENCY 27]

MONTY FREDRICKSON: We reported in the needs assessment testimony that I guess most of you weren't at that hearing last November, but our projected shortfall is about \$350 million a year for the next 20 years. Said another way, our needs are about \$13 billion if you put a 3 or 4 percent inflation figure on the construction price index over 20 years. So if you divide \$13 billion by 20, you get \$650 million a year need, that you need to retire those needs, and our program is about half of that. [AGENCY 27]

SENATOR FULTON: Yeah, okay, and that's the second part of my question. In past years, inflationary pressures on building a road were somewhere in the neighborhood of 15 percent or a number of reasons, but do we anticipate that going forward? We have the new now or the new normal or whatever we're calling it now, so what is it? [AGENCY 27]

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MONTY FREDRICKSON: Well, it hasn't been our experience in the last year. As a matter of fact, our construction price index has been almost level, which has been a great thing. So we just cross our fingers and hope that continues. I don't know if it will.  
[AGENCY 27]

SENATOR FULTON: So at this point, at this point it's the inflationary pressure is about zero. [AGENCY 27]

MONTY FREDRICKSON: Yes. [AGENCY 27]

SENATOR FULTON: Okay. Okay, thank you. [AGENCY 27]

SENATOR HARMS: Thank you, Senator Fulton. Senator Hansen. [AGENCY 27]

SENATOR HANSEN: Thank you, Mr. Vice Chairman. Monty, it's good to have you here today. [AGENCY 27]

MONTY FREDRICKSON: Thank you. [AGENCY 27]

SENATOR HANSEN: With gasoline, that's what I look at right now because I'm driving a gas pickup right now, is approaching \$4 a gallon, diesel is approaching I don't know what, what's that going to do to your budget? What's that going to do to construction costs this summer? [AGENCY 27]

MONTY FREDRICKSON: It will do two things to us. The normal trend would be less miles will be traveled by every citizen, which will bring in less revenue to our fuel tax, and the other thing is the contractors, as they had to a few years ago when the price went up like this, they have to account for that in their bid. And then on a project that's maybe two years long, there's a lot more risk in what the price is going to do over that

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two-year period. [AGENCY 27]

SENATOR HANSEN: The \$40 million that you have left of the ARRA funds and those jobs that are to be completed in the next two years, is there any type of compensation or a rebidding process where you have to go through to compensate for fuel increases? [AGENCY 27]

MONTY FREDRICKSON: No. [AGENCY 27]

SENATOR HANSEN: I mean that affects everything. [AGENCY 27]

MONTY FREDRICKSON: No, those are under contract so... [AGENCY 27]

SENATOR HANSEN: Those are under contract. [AGENCY 27]

MONTY FREDRICKSON: ...whatever deals were made there, you know, some contractors can get a guaranteed price for a certain period of time. And I would expect most of that \$40 million will truly be paid out by September of this year. [AGENCY 27]

SENATOR HANSEN: Of this year, okay. [AGENCY 27]

MONTY FREDRICKSON: Yeah. [AGENCY 27]

SENATOR HANSEN: Thank you. [AGENCY 27]

SENATOR HARMS: Thank you, Senator Hansen. Senator Conrad. [AGENCY 27]

SENATOR CONRAD: Thank you. Thank you so much for being here. I just had a couple of follow-up questions. One dovetails on the stimulus funding and this might be highly technical so I can check with the fiscal analyst later if you don't have the answer

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right off the top of your head. But your testimony notes that Nebraska received about \$234 million for roads funding through the stimulus bill. Did that come in one lump sum or was that spread over two budget cycles or do you remember? [AGENCY 27]

MONTY FREDRICKSON: One lump sum. [AGENCY 27]

SENATOR CONRAD: One lump sum, okay. [AGENCY 27]

MONTY FREDRICKSON: And we had...I don't know what it ended up being, 18 months to get it obligated... [AGENCY 27]

SENATOR CONRAD: Right. [AGENCY 27]

MONTY FREDRICKSON: ...or spoken for. We had to have projects ready, you know, the old shovel-ready projects. [AGENCY 27]

SENATOR CONRAD: And so with those time constraints, the department was able to quickly utilize \$194 million and the additional \$40 million that's been unspent just wasn't able to fit within that time frame. Is that right? [AGENCY 27]

MONTY FREDRICKSON: Well, actually, we obligated all \$234 million so we didn't lose... [AGENCY 27]

SENATOR CONRAD: Okay. [AGENCY 27]

MONTY FREDRICKSON: ...one cent of what was give to Nebraska. So it committed as far as the Federal Highway Administration was concerned. The \$194 million is paid out. [AGENCY 27]

SENATOR CONRAD: Okay. [AGENCY 27]

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MONTY FREDRICKSON: The contractors and suppliers have received that money for the work they've done. [AGENCY 27]

SENATOR CONRAD: So that work has been completed in that sense. [AGENCY 27]

MONTY FREDRICKSON: Yes,... [AGENCY 27]

SENATOR CONRAD: Okay. I see. [AGENCY 27]

MONTY FREDRICKSON: ...and paid. The \$40 million is just the carryover projects that didn't get started early enough last year to get finished. [AGENCY 27]

SENATOR CONRAD: Okay. No, I appreciate that clarification. That's helpful. And it's not exactly apples to apples here, but there's a proposal before the Legislature this year that would divert a significant amount of existing sales tax to the Department of Roads for roads construction and upwards of \$140 million a year. And I'm thinking if the department had a hard time digesting and utilizing some of these funds, it might be something to think about in terms of planning as that legislation moves forward. And that's really what my next question is. And I know the Department Roads didn't go in to testify on LB84 and it wasn't part of the Governor's budget planned for the department, and so I'm guessing you probably have no position on that bill. [AGENCY 27]

MONTY FREDRICKSON: (Laugh) That is correct. [AGENCY 27]

SENATOR CONRAD: Okay, just wanted to clarify that for the record. And then finally, in trying to get some research on what Nebraska spends on roads, I know that you put out your program and annual report each year, which I appreciate, but do you know by chance if there is another comprehensive source available to also add in what different cities or counties might spend on roads construction or maintenance as well? I'm trying

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to get an aggregate number in the state and it's a little harder than you think it might be.  
[AGENCY 27]

MONTY FREDRICKSON: For just Nebraska? [AGENCY 27]

SENATOR CONRAD: For just Nebraska. And if you don't have the answer off the top of your head, I know there's a lot of experts in the audience here today who could probably help me dig that up, so... [AGENCY 27]

MONTY FREDRICKSON: Yeah, we might be able to find something. I... [AGENCY 27]

SENATOR CONRAD: I don't know if it's listed in a comprehensive manner since it's unique to each county and city in a different way. [AGENCY 27]

MONTY FREDRICKSON: There are certain funds that we distribute that must go for transportation and certain pass-through funds. We would have those totals. But I don't know that we'd have...what local money is spent, let's say, for Hastings. [AGENCY 27]

SENATOR CONRAD: Right. [AGENCY 27]

MONTY FREDRICKSON: If they want to put some of their local sales tax money into improving a road, I don't think we have a record of that. [AGENCY 27]

SENATOR CONRAD: Okay. All right. [AGENCY 27]

MONTY FREDRICKSON: But if some of our people have access to something like that, we'll get with you. [AGENCY 27]

SENATOR CONRAD: Okay. I appreciate that. Thank you very much. [AGENCY 27]

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SENATOR HARMS: Thank you, Senator Conrad. Do we have any other questions? Seeing none, thank you for your testimony. [AGENCY 27]

MONTY FREDRICKSON: Thank you. [AGENCY 27]

SENATOR HARMS: Do we have anyone else who would like to speak on behalf of Agency 27? [AGENCY 27]

JIM MOYLAN: (Exhibit 4) Mr. Chairman and members of the committee, I'm Jim Moylan, J-i-m M-o-y-l-a-n,... [AGENCY 27]

SENATOR HARMS: Welcome. [AGENCY 27]

JIM MOYLAN: ...and I'm here today representing the Nebraska Licensed Beverage Association, which is a state association of liquor retailers. There's about 4,700 of them through the state. And as I've always said, number one, they do not like to have intoxicated persons in their establishment; number two, they do not like to have minors in their establishment; and number three, they do not like to have compliance checks within their establishment, and that's what I'm going to gear in on today. I have a handout here for everybody so sorry I didn't give you that earlier. Okay? Now we all know that, you know, minors have been drinking since ever and we don't like it. We don't think it's right. In fact, they've been doing it since that little boy was born in a manger and was still in diapers. Now that's now long it's been going on and it's going to go on forever, but it is slowing down. Now if you go to page...the second page here, this is a Department of Health and Human Services survey in October of this year, and if you look through there it shows that less...2 percent of all 19- and 20-year-olds are getting their liquor from bars and clubs; 58 percent are getting them from another person's home; and 34 percent from their own homes. So we think that using the compliance checks is kind of like using a hammer to kill ants. They're just spending money that really doesn't need to be spent on compliance checks. Now we'll go to the



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next page. We've already gone through this up at the General Affairs Committee. Down at the bottom where I have marked, the patrol guidelines say that the young CIs, those are the young kids that they take in...enforcement takes into establishments with them, they lie. They may say yes or 21. If they're asked, are you 21 or are you old enough, they can answer yes to. And also, if they're asked if they're working law enforcement, they can say, no, they are not. Now we have a bill up that got out of General Affairs, is on the floor of the Legislature, is to take that. It's to require all the young kids to tell the truth if they're working with law enforcement and coming in establishments. And I guess it kind of looks to me like is it more important to secure a violation of a retailer than it is to tell young people to tell the truth? Now that's the issue. Which is more important, securing a violation of a retailer for selling to a minor on a compliance check or telling these young people that they should tell the truth? We hope we can get that bill passed upstairs. Now we go over to the enforcing: "Enforcing Underage Drinking Law Program." Down at the bottom I have it marked. Program may include, doesn't say "shall," statewide task forces of state and local law enforcement and prosecutorial agencies to target establishments suspected of pattern violations of state law governing the sale and consumption of alcohol by minors. Now they're not targeting the ones that probably should be. They just indiscriminately go around, get a list, go around and all over the state because they have 11 offices now, and hire law enforcement and the young CIs, they call them, and start going from town to town or in Omaha and Lincoln, you know, and tapping on these retailers. Now go to the next page. It will tell how much money that Project Extra Mile is getting. July 1, 2007, through June 30, 2008, a one-year period, she got \$502,000 in two grants, and we don't know how much is used for compliance checks. Some of the programs they have are good. We think, instead of compliance checks, use it for informational and educational, you know, purposes in communities, schools, colleges, you know, which they do do some. Next, in July of '08 to December of 2010, there's two grants there: Office of Justice, Juvenile Justice and Delinquency; and National Highway Traffic Safety. The first one is \$457,507. The second one is for \$278,599. All right, then we go on over to some of the programs that they have. Now the first three pages there, all of them are, you know, fairly decent

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programs that they should have. I question a little bit about MADD's \$100,000 for going around and following up on the courts, you know, this and that, you know. And it looks like my light is...oh, I was looking at the clock. The light is red, isn't it, huh? Well, anyhow, on the next page it will show that. I'll wind up with it. There's another grant over here for \$356,000 and it shows two checks in Douglas County with the sheriff's office. So we'd like to see what you do would be restrict these funds to educational, informational purposes and bar them from being used for compliance checks in the state. We think that would be the most beneficial use of the money. If there's any question, I'd be happy to try to answer them. [AGENCY 27]

SENATOR HARMS: Thank you for your testimony. Do we have any questions? Seeing none, thank you for your testimony. [AGENCY 27]

JIM MOYLAN: Thank you. [AGENCY 27]

SENATOR HARMS: Do we have anyone else who would like to speak on behalf of Agency 27, Department of Roads? Seeing none, we will close agency hearing 27 and we'll also close the public hearing. Thank you. [AGENCY 27]