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Transportation and Telecommunications and Appropriations
December 03, 2015

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The Committee on Transportation and Telecommunications and the Committee on Appropriations met at 10:00 a.m. on Thursday, December 3, 2015, in Room 1113 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on the Department of Roads needs assessment. Transportation and Telecommunications Committee senators present: Jim Smith, Chairperson; Al Davis; Curt Friesen; Tommy Garrett; John Murante; and Les Seiler. Senators absent: Lydia Brasch, Vice Chairperson; and Beau McCoy. Appropriations Committee senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Ken Haar; Bill Kintner; John Stinner; and Dan Watermeier. Senators absent: Tanya Cook and John Kuehn.

SENATOR SMITH: Good morning. My name is Jim Smith and I am Chair of the Transportation and Telecommunications Committee. Joining me is Senator Heath Mello, the Chair of the Appropriations Committee. And I'd like to just briefly have the members of the two committees introduce themselves, and we'll start over with Senator Curt Friesen.

SENATOR FRIESEN: Senator Curt Friesen, District 34, which is Hamilton, Merrick, Nance, and part of Hall County.

SENATOR DAVIS: I'm Al Davis, District 43, which is north-central and western Nebraska.

SENATOR GARRETT: Tommy Garrett, District 3, which is Bellevue and Papillion.

SENATOR SEILER: Les Seiler, District 33, which is all of Adams, the west half and the south half of Hall County.

SENATOR SMITH: Again, Jim Smith.

SENATOR MELLO: Heath Mello, District 5, south Omaha.

SENATOR BOLZ: Senator Kate Bolz, District 29, south-central Lincoln.

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SENATOR HILKEMANN: Senator Robert Hilkemann, District 4 which is west Omaha.

SENATOR HAAR: Ken Haar, District 21.

SENATOR KINTNER: Bill Kintner, south Sarpy, Cass County, a little bit of Otoe County.

SENATOR WATERMEIER: Dan Watermeier from Syracuse, southeast corner of the state.

SENATOR SMITH: To my left is our committee clerk, the Transportation and Telecommunications Committee committee clerk, Paul Henderson. And over my right shoulder is legal counsel for the Transportation and Telecommunications Committee, Mike Hybl, so Mike is watching my back this morning. So welcome to the annual joint meeting of the Appropriations Committee and the Transportation and Telecommunications Committee of the Legislature. The purpose of this joint meeting today is to receive from the Nebraska Department of Roads the 2015 edition of the Department of Roads' State Highway Needs report. The provision of this report in this format has occurred each year since the passage of LB632 in 1988. At this meeting this morning the agenda is solely to receive the report and for members to direct any questions they may have to the Director-State Engineer Kyle Schneweis. There will be no other witnesses or testimony in the meeting this morning. If there is anyone wishing to offer comments, there will be a Transportation and Telecommunications interim study hearing this afternoon at 1:30 p.m. on LR318 in this same room and your comments and your thoughts regarding the state highway system will be welcomed at that hearing. This meeting is to...is also timely in that we are formally welcoming our new Director-State Engineer Kyle Schneweis to the Capitol Building. The members of this Transportation and Telecommunications Committee have had the pleasure of the director's participation in our LR318 hearings across the state that has occurred during the interim and he will joining us this afternoon, as well, for our final hearing. I know a number of our legislators have had personal meetings with Director Schneweis as he has traveled the state. And if you have not yet had the opportunity to spend time with Director Schneweis, it is something you need to do. He has a wealth of transportation policy experience and has been an outstanding addition to the state and to the state government. I cannot imagine the Governor being able to select a better Director of Roads. Before we hand the microphone over to the...to

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Director Schneweis, I would like to ask Chairman Mello to offer any opening remarks that he may have.

SENATOR MELLO: Thank you, Senator Smith. Unfortunately, I never have been offered this opportunity to provide remarks at this hearing. (Laughter)

SENATOR SMITH: It will be the last time, too, Senator. (Laughter)

SENATOR WATERMEIER: Fortunately.

SENATOR MELLO: More importantly, just as...

SENATOR _____: A little bit.

SENATOR MELLO: On behalf of the committee, thanks for...thank you for the opportunity for us to join your committee today to go over this State Highway Needs Assessment, and we look forward to hearing from the director in regards to the outlook from the Department of Roads.

SENATOR SMITH: Thank you, Senator Mello. And with that, we invite Director Schneweis to join us.

KYLE SCHNEWEIS: (Exhibits 1 and 2) Thank you for the introduction, Chairman Smith. I'm a little humbled by that. Thank you very much. Do I need to do anything to turn this on? Is it already good?

SENATOR SMITH: No, I think you're good.

KYLE SCHNEWEIS: Good to go? Okay. And, Chairman Mello, I believe we have a date on the calendar.

SENATOR MELLO: We do.

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KYLE SCHNEWEIS: So I'm looking forward to it. So good afternoon, Chairman Smith, Chairman Mello, members of the committee. I'm Kyle Schneweis, last name is spelled S-c-h-n-e-w-e-i-s, Director of the Department of Roads. It's my first opportunity to come before you and talk about the Nebraska Highway Needs study. It's also my first opportunity in front of the Appropriations side of the committee. I'm very eager and excited to share some ideas with you. As Senator Smith alluded, I've been following his Transportation and Telecommunications Committee around the state. I'm sure that, despite the introduction, that committee might be getting a little sick of me. But I'm excited about a new topic today. So I want to give you just a little bit of background since some of you may not have heard much about me and my experience. I come from the state of Kansas. I worked at the Kansas DOT for 12 years in the planning and policy shop, did a variety of strategic and planning initiatives as a part of that work, then left the state in 2010 to do some private-sector consulting where I did most of the work with other state DOTs. I worked with about a dozen states doing the same sorts of things: looking at performance measures, long-term planning needs, trying to identify how you allocate your resources to meet what your goals are. And so I was fine and happy doing that until the phone rang and I found myself moving north. So I've been in Nebraska for about six months and I'm really quite enjoying it. Since...when I first got here my first order of business was to kind of get used to the state and see what I could learn. And we have 10,000 miles of state highways in Nebraska. I don't think I drove all of them, but it sure felt like it. I hit a lot of the communities. I spent time in over 30 communities sitting down with not just NDOR staff around the state, but community leaders, economic development professionals, elected officials, business leaders, trying to get a feel for the state. And I was struck by the amount of pride that almost every community I was in had, these little gems of cities and towns that really have a lot of pride and a lot of interest in transportation. That was the other thing I came away with. There is a lot of support and a lot of interest in transportation and what we can do to continue to use it as a tool to leverage and grow our economy. I think I want to give you a little bit about the needs study, a little bit of context. You know, it is in...as I understand it, in statute it is a requirement that we produce this report. For me, it's a unique opportunity. Having done work in a lot of states, I don't know of a state that has a requirement that we look every year at a 20-year need. I commend you for it. I think it's a good exercise. I think it's a healthy thing to do. Many states do this, of course, but it's usually not on such a regular cycle. And so I think it's a good approach you have here in Nebraska. The report, it's very high level and it's really driven by data. We use a lot of modeling

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to come up with these numbers. There's formulas we do to try to identify needs. Whenever you get into these exercises, it's always an issue of, is it a need or is it a want? And so we try to be as clear and objective as we can by drawing a line in the sand and saying everything that meets this number is a need, everything that doesn't is a want. And so that's kind of where we are. I think a couple observations, I guess, before we dive in. There are always more needs than money. That is always the case. That is in every state that I've done this sort of exercise. It has never not been the case, always more needs than money. And I think what this does is give us sort of a long-range, high-level look at where we are and for that it's a very healthy exercise. I think another thing is that the tools to do this analysis are always getting better. Our asset management tools are getting better. We can make better predictions all the time. That's good. On the other side, I don't think there's ever been a time in transportation, in our industry, in which it's harder to predict what the future holds. We are living in uncertain times in terms of technology and where we're headed. We have cars that may be driving themselves in the time frame of what we're talking about that will dramatically change what our needs might look like. There are other trends in manufacturing, 3D printing, for example, that could dramatically change the logistics cycles that happen in the country and can change our transportation needs. So it's very difficult to predict out 20 years. When I first started doing this work in the beginning of my career, it wasn't difficult. You looked at the trends; you looked at the long-term growth of vehicles. It had never changed. It has changed and there's more things coming down the road. It's very hard to predict. So as a Department of Roads it's important for us to be able to do this exercise but also keep our heads up, look around, look for the signposts, and try to understand how things are going to change and recognize that what we have here is really just a snapshot in time. The other--last--observation about this sort of exercise I want to pass along is there is a difference between this and programming and project selection and project planning, and so we get into sometimes trying to tie these things together. This is not a look at specific projects. It's not a look at programming. It's really that high level: do some objective data analysis and see what the numbers come out as. So with that, I'd like to start looking at the document that I think you have in front of you. We'll start with pages 1 and 2. As you can see in the top left of page 1, our total projected 20-year need is \$11.1 billion in today's dollars. You can see the chart on the right. If you account for inflation, it projects out to \$16.1 billion. The inflation factors we used, we used 5 percent for the first two years, 3 percent after that. The reason for the change is, or the switch, 3 percent is what we've seen traditionally. It's something that if you look over the long term it's

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probably a realistic planning-level number. But we also looked at the Construction Price Index and its near-term forecast for the next 18 months, two years, and that's where we see 5 percent. So we want to be as realistic as we can, use that information that we have, but we do take it down to 3 percent for the outgoing years because historically that's what we've found. When you look at that the first thing you wonder is, okay, well, how much money do we have? We have about \$500 million to spend on construction next year. It's less than what you see in that first year of need numbers. I want to go back to a previous remark though in that you always see more needs than dollars. And I would tell you, having worked in a lot of places, we would...many states would be envious of where we are in terms of how much resources we have versus what we're calculating our needs to be. So I don't think that we're too far out of whack, especially in the early years. The needs have been divided into three categories. Those three categories are asset preservation, system modernization, and capital improvements. If you've followed this needs report in the past, you might recognize a change. I have not done much to recommend changes to how we do this needs report. There are a couple things, one of which is these categories. I feel like these three are more intuitive. I think they describe the work we do better. I think they're easier to understand and will be of benefit for us as we try to understand what they are. So previously there were four. I don't want to get into what they were. But if you recognize the change, that's...you're correct and that was the reason. It's important to note that I think, although we have three categories, when you look at the actual work that we do, the projects and the programs that we do, they can sometimes transcend even just these three most basic categories. And so we work hard to not double count. An easy example would be if you wanted to...needed to replace a section of interstate that's 50 years old. That's a preservation project, obviously, but if at the same time you're going to add two more lanes to it, now it's a capital improvement project. So you accomplish two things at once. We love those kinds of projects where we can hit both. But we aren't double counting. We account for them only once. Okay, a little bit about asset preservation, turning to page 3. Taking care of the system really is our number-one priority; in fact, it's called out in Statute Section 39-1365.01, "The department shall consider the preservation of the existing state highway system asset as its primary priority..." I have to say, I commend the Legislature for making this a statutory statement. Preservation is the first thing that's easy to overlook when things get tight and I commend the department in the past for sort of the approach to preservation. I think it's important that it's laid out in statute. It's easy to overlook this, but it really is the most important thing we do is we take

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care of what we have. It's also the largest need category--not surprising. It's no small task to maintain 10,000 miles of highway and 3,500 state bridges. It represents the bulk of the construction program every year. And many people think of preservation as overlays and "mill and fills" and these sorts of projects. It can also be large projects. For example, we are replacing the interstate systematically. Much of the interstate is over 50 years old. We spent \$220 million to replace 64 miles of interstate between North Platte and Wyoming and we're going to continue to do that, so that's an ongoing effort. But preservation is not just the small, quick jobs. It can be the big ones. The preservation category is really broken up into two categories: pavement and bridges. We've got \$6.2 billion as identified for pavement and \$700 million for bridges. I would say I think, back to the "we have more needs than dollars," when it comes to this sort of...the preservation approach, I think there's lots of opportunities here to continue to find ways to do things better. We have better asset management models and practices than we've ever had. We're getting longer and longer life out of our pavement. And all these things, of course, decrease the long-term costs of maintaining it. So I don't expect those trends to stop. We're rigorous in searching for opportunities to explore those things. We're doing more preventative work than we've ever done before in terms of trying to just prevent the need for larger projects. So I think those sorts of strategies are paying off. I would not be surprised to see this number hold steady or even drop in the future years as we continue to get better at it, so an important point. I would like to point out the graph there on page 4, especially the noninterstate. So this is the percent of miles that we consider to be in good or very good condition. And if you look at the trend line from 2005 on the noninterstate total highway line, you see that it was going down pretty consistently. And in 2010-2011, that's when there was a recognition that if we didn't do something that line was going to keep going down and we had to do something. So the sort of all-hands-on-deck approach that took place back then, now you see it's leveled off. It ticked up last year. We expect it to tick up again next year. And I think it's a...it just demonstrates just how much the state has been committed to preservation once we saw this. And if you were around or followed, that's when the Build Nebraska Act came in, because all of the resources went into pavement and the resources for capital improvement projects had been diverted. So that's where you start to see the graph. Okay, "System Modernization," pages 4 and 5, this is a category where we're trying to make roadway improvements but not add capacity to the network, so looking to make the network as safe as we can. We're talking about geometric deficiencies, so narrow bridges, roads without shoulders or shoulders that aren't up to standard. When we have steep hills, curves,

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trying to straighten out those curves and flatten those hills, these are the kinds of projects we're talking about. We've got a 20-year need identified at \$1.6 billion split between \$1.1 billion for roadways, \$250 million for bridges, and \$250 million for a combination of rail and rural transit. The next category, on page...oh, I should point out, on page 5 you see a blue box. This is where we get into the data side of things. You can see where the lines have been drawn to identify what a need is. So we use annual daily traffic, ADT, as one of our warrants. And so if a highway is projected to have over 10,000 vehicles per day, that's when we say it needs four lanes. You also see some of the shoulder and geometric pieces on there at different traffic volumes. At 36,000 projected traffic is when we say we need six lanes. So that's where we try to identify a need versus a want both on the modernization side and on the capital improvement side, which I'm about to get into, on page 6. So capital improvements, these are the projects that people most like to talk about, where we're going from two to four lanes, four to six lanes, adding interchanges, replacing at-grade rail crossings with viaducts, brand-new roads, the Lincoln South Beltway, for example. I think these projects are so important for us to consider because there is nothing we can do from an infrastructure standpoint to support our economy more than by finding these sorts of opportunities to improve our system. The 20-year capital improvement needs we project at \$2.6 billion in today's dollars. It's mostly roadway, \$2.4 billion in roadway, and \$200 million in railroad viaducts going from at-grade to grade separations. The roadways would include things like bypasses, brand-new roads, new interchanges, additional lanes, going from four to six lanes on the interstate. Capacity needs in our urban areas, the expressway system that we hear so much about, all of that would be captured inside the capital improvements section. I would like to point out, too, that in that \$2.4 billion in roadway, some of those projects, some of those needs are already programmed and ready to be met through the Build Nebraska. So we have program...that program is 20 years long. The first ten years have been programmed. Four of the projects have been completed. Four are under construction. There are nine others that will be under construction between now and 2023. Those are in here, so we are getting ready to address some of those. The rest of the needs here are made up of two pieces. One would be the roads that we identify as going to have the future traffic needs. That's back to the blue box on page 5. There was...I mentioned a couple changes that we made to the needs document this year. The second change besides the categories is the following: We have added to this needs list the projects that are in the back of our program book that we publish every year that...it's the projects under consideration piece. We added those to this group because from my perspective, although this is

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not a programming book, this is not a planning or a project selection study, I think we hear enough about those projects we think they're needs. They may not fit in the blue box, but from our perspective we hear enough about them that we would be remiss if we didn't account for them when we try to do our needs projection. So there's about a billion dollars of those projects that were not previously accounted for that now you see here, and that was a decision that we made as we look forward to the next round of Build Nebraska, as we look forward to trying to prepare to grow Nebraska. Some of those projects are going to be the projects we do. To me, they should be accounted for in our needs study. So there they are. Now you get into a question of why this project, why not that project, I think that's back to always more wants than needs or needs than dollars. And we're always going to have a challenge to try and figure out where to draw the line. We drew it where we've always had it, which is in the program book. And we're certainly open to adding or changing those projects going forward. There is a great separation piece, \$200 million. These projects, although not as maybe flashy as some of the other ones, certainly in some of our communities where we've just seen increased rail traffic, if we can find ways to do more of these viaduct projects, I think we'd be doing a great service. So I keep saying this is not about project selection or programming. I do want to take a quick diversion to give you an update on some things that are happening related to these capital improvement projects. So because of where we are in time and because of the need to start looking forward to the next round of Build Nebraska Act projects, it's time for us to start thinking about which projects to pick. And we are revisiting how we select those projects. If you were around in 2011 and saw that process take place, you know it was a very well-accepted practice, but it was based mostly on engineering, what I would call engineering criteria, traffic safety numbers, essentially, how much traffic, how many accidents. And it was a very robust and a very well thought out and sound selection process. I know there were discussions and investigations of it and it was found to be sound. I've reviewed it and I've found it to be very high quality. I think what I would say is, though, that there are other things that perhaps we should consider besides traffic and safety when making these capital improvement projects and the first of which is economic impacts. We have begun to try and analyze or think through how we could account for economic impacts. There's been a lot of movement in the industry in this area. Many states are doing this already. I personally have done it in a couple states to try and analyze projects from an economic impact standpoint and I know we can do it here in Nebraska. So our staff has been working to try and find ways to...the best way to do it here. We also have convened a task force we're calling the

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innovation task force. Their scope is broad: to look at ways we can enhance and improve our business practices in Nebraska. But the first meeting, held a couple weeks ago, we focused a lot on this economic impact piece to try and understand what's important in Nebraska when you talk about the economy and transportation and trying to understand that a job created in one part of the state isn't the same as a job created in another and we need to account for the differences that occur in our big and vast state. So those...that is happening. The other part that I think is missing from the past selection is there wasn't a lot of public involvement or stakeholder engagement. The projects were analyzed and selected inside the department and then announced. And from my perspective, I think that although we have the ultimate responsibility to pick these projects--I don't want to abdicate that responsibility--I think we could make better decisions if we ask people what they think. And, you know, the leaders of the state, the business community, the folks that are so familiar with the different needs and the economies of the state, they can help us understand which of these projects are most important. And so I think it's important that we have some ability to get input before we just close the door and pick the projects, so. And we will pick the projects. I think it's important that the Department of Roads has the authority to do that. But we want to ask people what they think. So you'll see those two changes coming. We plan a round of public meetings in January. I expect a "save the date" to go out to some of you and our other stakeholders very soon to let you know where those meetings are going to be where we'll tell more and try and get some more input from people about our process and how we're going to do it. So that was a slight diversion. I appreciate you allowing me to do it. Back to the needs, I just want to commend you again for the mandate to do this. I think it's a very healthy exercise for us to do. It holds us accountable. It means we have a rigorous and sort of well-founded evaluation of the needs, and I think that's important. You know, it is a starting point as we try to plan for the future. This isn't how we pick projects. We're not going to use this to pick them; we're not going to use it to program. But it does give us the high-level look. And I think, as I said before, I've not seen this sort of very systematic and transparent approach to needs in other states, so I commend Nebraska for doing that. With that, Senator Smith, I'd be happy to try and answer any questions.

SENATOR SMITH: Thank you, Director, for the overview. Before we open up for questions, we've had a couple of colleagues join us. I would like for them to introduce themselves starting with Senator Stinner.

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SENATOR STINNER: Yeah. John Stinner, 48th District, Scotts Bluff County.

SENATOR MURANTE: John Murante, 49th District, Gretna and northwest Sarpy County.

SENATOR SMITH: Great. Thank you, Senators, for being here. We are now going to open it up for questions and I'm going to lead out with the first one. And we know that the conference committee in the nation's capitol has completed their work on the reauthorization bill. Director, at this point do you have an indication of what that reauthorization means for Nebraska over the next five years?

KYLE SCHNEWEIS: Sure. I do think it is an increase in funding. It is, as I think I saw, it's a 15 percent increase over the five years in our federal allotment. Of course, when you account for inflation, I think that's about what we'll see. So for me it's probably...it's a commitment to funding us at the level they've essentially funded us in the past which, if you've been following the federal discussions, that is a commitment. There was 30-some opportunities to do just this and they've just been sort of 30-day, 3-month extensions. So a five-year commitment to us is...means a lot. It means a lot to our industry. It is a little bit more in terms of revenues but I don't anticipate it to be a windfall.

SENATOR SMITH: But that 15 percent, it is over the total five-year period.

KYLE SCHNEWEIS: That's as I understand it, yeah.

_____ : One-point-five billion.

KYLE SCHNEWEIS: So \$1.5 billion in increase?

_____ : Total.

KYLE SCHNEWEIS: Oh, total, \$1.5 billion over the five years. Federal funding makes it about half of what...of our revenue stream, so it's good to see the commitment.

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SENATOR SMITH: So I think many would have been happy just to have had that certainty for a five-year status quo, so a little bit of an increase is a...

KYLE SCHNEWEIS: Yeah, it is a little bit more. And the certainty, again, is probably the most important part of it.

SENATOR SMITH: All right. Questions from senators? Senator Haar.

SENATOR HAAR: First of all, and I say this with a smile on my face, reminding Senator Mello this is his last one of these meetings. There are a number of us, and there are organizations who are licking their chops because we will be gone, but a good friend of mine said to me, if you have any political capital left at the end of your tenure it's wasted. So we may be term limited but we're not fading. Anyway, serious questions. First, of all, does the State Roads Department have anything to do with county bridges, with bridges on the gravel roads?

KYLE SCHNEWEIS: There's a couple things that we are involved with now and I think there's opportunities for the future. So we administer some funding. So from the federal side we distribute funding to locals to help maintain their bridges. We inspect every bridge in the state every couple years and keep an inventory of all those bridges so that we understand what the needs are. And so those are the two major pieces. We do have a...in the past we had some programs where folks could bring projects to us and we would administer the federal funds. Now we pass through the money at a 90/10 exchange rate. We do have one bridge program, \$2 million that we hold back of our federal funds, to try and get at some of the bigger bridges that folks can't do with the resources that they have, and that's a grant-style program. Folks bring their bridges to us. We analyze them and then program out.

SENATOR HAAR: Okay. So just as a rough percentage, what percentage are counties...

KYLE SCHNEWEIS: (Inaudible).

SENATOR HAAR: ...yeah, for funding, and what comes from state?

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KYLE SCHNEWEIS: Sure, sure. So there's 15,000 bridges in the state; 3,500 are on the state system. And about 11,000-plus are on counties. The remainder are cities. So from a pure numbers standpoint, many of the bridges are on the county system. You know, I think these questions about the number of miles, the number of bridges, I think it's important to note that, yes, the majority of the miles and the bridges are on the local system, but nearly two-thirds of the traffic occurs on our state highway system. And so we've got that sort of balance between number versus usage. I do think there are opportunities for the state to partner with locals to face the local bridge challenge which I assume you're alluding to. About 40 percent of our local bridges are 50 years old or older and this is a growing problem for us. We're not unique. Around the country this is a challenge many states are facing, some of them...some states are getting very aggressive in trying to handle it. One of the challenges we have is that...like Pennsylvania and Missouri, they've gotten aggressive. They own the bridges. The state owns the bridges. Here we have 93 jurisdictions that account for and are responsible for the bridges. So it's a little bit of a logistical challenge in terms of trying to get aggressive at a state level or get strategic at a state level. I do think there are opportunities. You know, some states have seen many...a lot of savings through economies of scale by, instead of doing one bridge of a time, you let a contract with more, multiple bridges, bundle them together, and now a contractor has some certainty and can plan and position themselves to do the job a lot cheaper. Twenty to 30 percent is what we've seen in some other states. We don't have an opportunity to do much of that in Nebraska because many of the counties are doing one, two, three bridges a year. So when you try to bundle up to five or ten bridges at a time, it's just not feasible based on the jurisdictional boundaries. So I think there is a role for the state to try and provide a framework from which to do that. I know, you know, we have to be cognizant of the local control and the desire for that, and we certainly are. And I've been talking with some of the highway superintendents and local bridge contractors, designers, talk about how we could design a program or a framework to try and capitalize on some of the things we're seeing other places.

SENATOR HAAR: Okay, good. This next question I'm not asking you to take a stand on a kind of a sensitive issue right now, but there's a project in Senator Stinner's district where all of a sudden we may have an extra 100 semis on roads that weren't built for that. And in making decisions the Oil and Gas Commission said, well, that's not really our concern, it's Roads Department. How does...how do we get that out of the silos that...

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KYLE SCHNEWEIS: Sure. Well, I think one thing that absolutely needs to happen is happening but we need to be more aggressive about it at Departments of Roads is we need to understand where these activities are happening before they happen and so we can be part of the decision or at least informed by them. I think you see some of a similar example in the growth of ethanol industry in the state where plants are popping up and then we're dealing with safety and traffic issues where we didn't even know the plant was going in. And I put part of that on the communities for not bringing the Department of Roads in to think about it. But I put it on us as well. We need to be involved and present at the...in the discussions. We need to be aware of these sorts of things as they're happening and be visible so that people think about us when they come in. So I don't know the specifics of the project you're talking about but I would say (a) we need to be more active and aware of when those things happen and (b) you know, that's where I think when it comes to growing our economy that this is an opportunity to create growth either in income or GDP or jobs. There's probably a role for the state and a role for the Department of Roads in finding that infrastructure solution.

SENATOR HAAR: Well, there will be a hearing later this month in Lincoln around that issue and so probably, again, it sort off was passed of saying, well, Department of Roads ought to take care of that.

KYLE SCHNEWEIS: Yeah.

SENATOR HAAR: But we hope you'll be there to hear that as well.

KYLE SCHNEWEIS: Okay, yeah. Well, and, you know, these projects, from our perspective they don't get designed overnight; they don't get planned overnight. The earlier we're involved, the better and more responsive we can be to addressing a solution,so.

SENATOR HAAR: And then finally my question...last year there was a bill that I sponsored. The Game and Parks has funding for parks-related roads and they actually had more money sitting in that fund than was being used at the time. And so to what extent is that sort of thing...they were saying they wait on the Department of Roads for all the design and stuff. That's why they couldn't spend the money.

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KYLE SCHNEWEIS: So we're a holdup in terms of projects have been sent over to us and we're not getting them out the door fast enough?

SENATOR HAAR: Yeah.

KYLE SCHNEWEIS: Okay, well, that's something I have not heard. I have not met with the parks folks. Perhaps I need to. I think if we're a holdup we certainly don't want to be. I have had a couple chances to talk with communities who are looking to designate some of their existing county facilities in...as parks roads. And so I think there may be some opportunities there. If the resources are being allocated we can...

SENATOR HAAR: Yeah. And I wouldn't expect you to, you know, since you're just new on the job, but I'd like to find, I'd like to hear back on that when you've...

KYLE SCHNEWEIS: Sure, okay.

SENATOR HAAR: ...looked into that issue.

KYLE SCHNEWEIS: Okay.

SENATOR HAAR: So thank you very much.

KYLE SCHNEWEIS: Thank you.

SENATOR SMITH: Thank you, Senator Haar. It's impressive how you're able to inject the discussion of the need for a pipeline in Nebraska into the discussion today, but we'll save that for another day. (Laughter)

SENATOR HAAR: We will.

SENATOR SMITH: Senator Watermeier.

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SENATOR WATERMEIER: Thank you, Senator Chairman Smith. Director, just kind of a brief question about the innovation task force...

KYLE SCHNEWEIS: Sure, sure.

SENATOR WATERMEIER: ...and how that works with data-driven numbers that you've already been doing over the years.

KYLE SCHNEWEIS: Yeah.

SENATOR WATERMEIER: Kind of paraphrase for me a little bit how that fix is going to be or how that mix is going to be in that decision-making process...

KYLE SCHNEWEIS: Sure.

SENATOR WATERMEIER: ...because it's going to be difficult to go from, it seems to me, like the easy thing,...

KYLE SCHNEWEIS: Yeah.

SENATOR WATERMEIER: ...how much a road actually costs,...

KYLE SCHNEWEIS: Yeah.

SENATOR WATERMEIER: ...to the outlying things about, well, economic development for me is worth more than my neighbor.

KYLE SCHNEWEIS: Sure. So there's a couple things. It is easier and we can be more accurate when we talk about traffic. But I think we're remiss if we don't explore the economic piece. And I'll give you a very easy example. So two projects, project A, project B, both have the same amount of traffic, the same amount of trucks, the same amount of accidents. If we use our historical method, we can't discern between those two projects which one is the best. But if we

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do some economic analysis and investigation we can learn that one of those projects may be serving an important industry in our state. It may be delivering goods in and out of our state from our important industries and manufacturing and those sorts of things, where the other project may have just through traffic that's driving through Nebraska. And so if you don't account for the economic piece, you don't know the difference. And I think we can try to measure those things. So in many cases it's harder to measure, but I think it's wrong to not try to measure them. And many times when you're measuring those things it's about the relativity in them. If one...if we can predict a growth of 500 jobs with one project and another one comes back with 25, neither of those numbers are correct but clearly one is more important than the other. So that's the sort of analysis we're trying to do.

SENATOR WATERMEIER: Thank you.

SENATOR SMITH: Senator Mello.

SENATOR MELLO: Thank you, Chairman Smith. And thank you, Director. And I guess it's maybe just a quick follow-up in regards to Senator Watermeier's question, moving away from what the Department of Roads has traditionally done in regards to that project selection, which I think we've been able to identify through Performance Audit processes in our legislative branch that the department has done a fairly noble job of keeping political influence out of that process.

KYLE SCHNEWEIS: Sure, sure.

SENATOR MELLO: And the question I'd pose to you is, moving to a new process that you start to incorporate new factors, whether it's economic analysis or any other factors outside of what the needs, quote unquote, are being used now,...

KYLE SCHNEWEIS: Sure.

SENATOR MELLO: ...how do you keep that political influence,...

KYLE SCHNEWEIS: Sure.

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SENATOR MELLO: ...which Nebraska has been fairly well noted that we don't build roads based on who the Governor is or...

KYLE SCHNEWEIS: Sure.

SENATOR MELLO: ...what the Governor wants to do, it's based on the needs of the state, how do you continue that tradition, so to speak, moving forward?

KYLE SCHNEWEIS: Sure. Well, I think there's always been more that goes into the final selection of the projects than just the numbers. You have to look at distribution across the state. You have to look at perhaps the condition of the pavement in the different pieces. You have to look at what projects are ready to go, those sorts of things. And so it's always been more than just purely an objective and data-driven piece. To me this is adding another layer of data. And then I assume you're alluding to the stakeholder engagement piece and in my experience I have done this in a couple places. Three states I've done this in and we always...people are always nervous in the beginning about the fact that you're opening up the box and showing it to people and asking people what they think. And from my perspective, I just don't think we can know everything we need to know to make good decisions without doing that. And it's on us to make sure it's not political. We have to be able to answer to those sorts of inquiries and we'll certainly be willing to do that. I think, you know, I hearken back to my Kansas days where we did a similar approach. And at the end of the day when we announced the projects there was not one phone call made to a single...to the department from a single legislator or a single...or the Governor to wonder why those projects. It was so open that people understood why it was important. And I think what...in many ways what we're doing is having a conversation in an open and transparent way to say this is why we think these projects are more important than these, make the case why that's not so, and what you end up having is healthy conversation and a discussion about it. The other part of it is that sometimes projects are larger than we can handle in one construction season or one scope. So a project might be 40 miles long. We recognize the need to build the whole thing, but which side do we start on? The communities would have a much better interest or a better answer to where we start I think than we would. We don't care where we start necessarily. And so by asking people, we'll make decisions that I think are better, so.

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SENATOR SMITH: Senator Davis and then Senator Friesen is on deck.

SENATOR DAVIS: Thank you, Senator Smith. And welcome. I always enjoy your commentary and working with you. I've got some questions and I want to preface it by saying, you know, I drive Nebraska's roads all the time and I think they're in remarkably good condition. But the chart on page 4...

KYLE SCHNEWEIS: Sure.

SENATOR DAVIS: ...does demonstrate sort of an alarming trend which maybe is stabilizing, maybe not. Where should these...where should our road conditions be?

KYLE SCHNEWEIS: Well, I think that's always the question. Our target is 84 is where we'd like that total system to be. That's fairly consistent I think with what I've seen in other places. Sometimes you see different targets for different categories of roads. So you might see the interstate at 90 and the rest of the system at 80, for example. You know, I think where we have the target at 84 is something we need to investigate. It's been there for awhile. I'm comfortable with where it is but it's something we should continue to evaluate. On the national level, we are about on average with the nation in terms of percent of roads in good condition, so perhaps slightly above. So again, we need to continue. Seventy-five is not good enough. We need to go higher. But many states would be envious of 75.

SENATOR DAVIS: You made reference to 3D printing in the beginning of your presentation.

KYLE SCHNEWEIS: Yeah, sure. That was dangerous.

SENATOR DAVIS: Is there anything...

KYLE SCHNEWEIS: To it?

SENATOR DAVIS: You piqued my interest with that.

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KYLE SCHNEWEIS: Sure. Well, it's one of those things I think that when I've talked to the futurist kinds of folks they say broadly in our culture there's the sort of three things that are going to change our way of life and two of them are transportation related, one being the car driving itself and the second being 3D printing. And the idea behind the 3D printing piece is, if you no longer have to order your goods and have them manufactured in one place and then shipped altogether but can instead just print them either at your house or at your local print shop now, that the logistics completely change in terms of that chain. Now it's you need raw materials shipped in rather than finished goods. And so it changes what we...how we would look at it. And then also just the on-line economy that might be associated with that, instead of large, large...a growing number of large trucks, you might see a decrease in large trucks and many more smaller, delivery-type trucks. It's hard to predict where we're going with that and I don't mean to say that I know where we're going. I just know that when you think about 20 years and you read some of the stuff, in our industry, the folks that I talk to in our profession, we're all sort of trying to figure out what we need to do and not predict what's going to happen but at least look for the signpost that things might be changing.

SENATOR DAVIS: And, of course, on top of drones delivering packages.

KYLE SCHNEWEIS: Sure, sure.

SENATOR DAVIS: Does the Department of Roads have any handle on how much traffic on Interstate 80 comes from outside of Nebraska? Do we know what percentage that would be?

KYLE SCHNEWEIS: I'm sure we do. I don't know the number, Senator. I know it's a very heavily traveled interstate: coming from Kansas, nearly twice the number of trucks on I-80 than in I-70. So I would expect more through traffic through Nebraska than maybe in other places, but we can certainly get that number.

SENATOR DAVIS: And because I have done so much driving for so many years, you know, I recognize that we are reaching a point with the interstate west of Lincoln where we're going to need to put another lane down.

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KYLE SCHNEWEIS: Sure.

SENATOR DAVIS: How far out are we on that? Is that...

KYLE SCHNEWEIS: Well, you know, I think that's the...those are large, expensive projects and it's just a steady approach. I would expect that we would look long and hard at the next round of Build Nebraska Act in terms of continuing west of Lincoln.

SENATOR DAVIS: So it still would be many years off then.

KYLE SCHNEWEIS: I would...yeah, we don't have anything programmed. I would say we're ten years away probably. But it can take that long to design the project. And again, these are expensive and we...it's just sort of steady as you go on that one. We need to keep going west.

SENATOR DAVIS: Thank you.

SENATOR SMITH: Senator Friesen.

SENATOR FRIESEN: Thank you, Chairman Smith. I've got several questions. But I guess first of all I'd like to complement you for following us around the state and I did appreciate your testimony at each of the hearings we've had.

KYLE SCHNEWEIS: Thank you.

SENATOR FRIESEN: And the little bit that I've been able to work with Roads Department, I do appreciate the things that you're doing there to make things a little bit different than they have been in the past.

KYLE SCHNEWEIS: Thank you.

SENATOR FRIESEN: I do appreciate that. When I look at your current...the inflated needs and we look down the road at that chart, I assume that this chart was based on if we are doing things

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as we currently do them. If we would provide you with more tools, I take it some of these costs could go down using design/build, some of those other...

KYLE SCHNEWEIS: Sure.

SENATOR FRIESEN: ...things that you've talked about in the past.

KYLE SCHNEWEIS: Sure.

SENATOR FRIESEN: If we gave you those tools, I'm assuming these costs or demands could change?

KYLE SCHNEWEIS: I think a good thing about renewing these every year is that you do have a chance to take into account things like that. And so with our asset management tools, for example, we're getting better and better at predicting the life of pavements and adding new technologies to our arsenal and you'll see those reflected. I think when it comes to contracting-- you mentioned design/build--for those of you who aren't familiar, we currently have...are required by statute to do a design/bid/build process. So we do the design internally or with a consultant, work through environmental, work through the actual design of the roadway, buy all the right of way, all in one package, bundle it up into a bid, and then we let it to a contractor to go build it--design/bid/build. There are many states, 30-some states, who have gone to a different technique for some projects, which is design/build, where you hire a consultant and a contractor in one bid and by doing so you're able to move a little bit faster. We see projects going under construction in five years or four years rather than in seven, eight years. And so I think if you can move projects forward that way, I think that may be what you're alluding to, Senator, is that you might see some of the inflationary costs go down if you could move faster. And, you know, I'd be remiss if I didn't say, you know, our normal process of seven to ten years for some of the capital improvement projects is too long. I don't want to depend purely on statutory changes and contractual changes. I think we need to move...take seven to ten years and make it six to nine or five to eight. We've got to go faster on some of these projects and that's something we're working on every day.

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SENATOR FRIESEN: So one of the times you mentioned, and I think this probably had to do with one of the contracting firms--they did some big projects in another state--but they looked at the delivery of the project and what it might cost to delay putting in the project. There is also a cost to not doing something.

KYLE SCHNEWEIS: Sure, sure.

SENATOR FRIESEN: And so when you...do you look at those benefits, too, of...at a project and say, well, if we can get this done three years earlier...

KYLE SCHNEWEIS: Sure.

SENATOR FRIESEN: ...we can save some money whether transportation...

KYLE SCHNEWEIS: I think some of that analysis is worthy if you were trying to make...trying to figure out a way to fit the pieces together. There certainly...if there are economic impacts to a project there are...you're losing...missing those economic impacts the longer you wait to do them. And so I have seen some of that analysis where if you can do a project five years earlier, now you account for the economic impact sooner, therefore, there are more and it can account for perhaps the cost of moving things forward. I've seen that.

SENATOR FRIESEN: Okay. So then when I'm looking at our expressway needs and how we've dropped the ball for the last ten years or so, or more, and not proceeded with finishing it, and so I'm looking at it currently and I think all of us would here admit that the price of oil has a huge impact on the cost of a road, whether it's concrete or asphalt. Or, you know, we get into the dirt moving, fuel costs, they are a major portion of that. So when you start...when you look back just two years ago when oil was probably around \$100 a barrel, and now we're at historic lows, and you project ahead, is there a need to look at the cost efficiency of maybe pushing projects up and making a concerted effort to really speed up our construction time line because of those costs?

KYLE SCHNEWEIS: I think that analysis is worthy of discussion, I do. I think, you know, you have to be cognizant of the time it takes to deliver projects, the amount of work that we have,

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contractors that we have available to do the work. If you moved everything forward today, we'd pay way more than we should because there would be no competition on any of the bids. So I think there's a lot of things that you have to balance. I do think that the cost of delay is a worthy thing to investigate though.

SENATOR FRIESEN: Thank you.

KYLE SCHNEWEIS: Thank you.

SENATOR SMITH: Senator Garrett.

SENATOR GARRETT: Thank you, Senator Smith. I would like to thank you as well for all of your hard work since you...

KYLE SCHNEWEIS: Thank you, Senator.

SENATOR GARRETT: ...assumed the reins of the Department of Roads. I was out driving yesterday up in the Norfolk and Sioux City areas, just a reminder about the needs for four lanes. But, you know, we always talk about economic development, but the public safety aspect of it as well is not lost on me. Do you have any correlation, you know, when you're talking about your road conditions, your road ratings, do you have a correlation on accidents, loss of life with the conditions of the roads and if and when they were contributing factors?

KYLE SCHNEWEIS: Well, so the safety piece, and I don't want to overlook that part and I appreciate you asking the question because, regardless of how much we account for economic impacts, it should never outweigh those more important pieces of safety in traffic volumes. So, you know, we haven't determined what percentage when we look at the project criteria we want to do, but it might be 50 or 60 percent, 70 percent on the engineering piece and 20 to 30 percent on economics. So I don't want to, by not focusing much on it today, indicate to you that safety is not an important part of those kinds of projects. We certainly see safety improvements when you go from two to four lanes, when you add shoulders. All of those things are critical and we need to do them, so I appreciate the question.

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SENATOR GARRETT: Do you have data? Do you track that at all?

KYLE SCHNEWEIS: Well, I think I've seen numbers. I don't...I can't recite them off the top of my head in terms of the types of improvement, of reductions you see from two to four lanes. So much of our safety data is...accidents occur not in a random fashion but somewhat random fashion, so it can be difficult to predict what exactly the exact safety benefits might be for one project over another. Those tools, again, are getting better, too, but it's not something that I'm intimately familiar with.

SENATOR GARRETT: All right. We had a meeting, as you well know, on Tuesday at Bellevue University and some of us were talking with a president and CEO of a large construction firm...

KYLE SCHNEWEIS: Sure.

SENATOR GARRETT: ...that does a lot of road construction in a lot of different states. And he was very candid with us and when he was asked about how he rates Nebraska he put us in the lower 10 percent of the states that they deal with. I was shocked by that. He was very candid and he went into some of the things that Senator Friesen was alluding to about...and also I was talking to several members of a construction company, talking about some of the projects they've done in Nebraska where they've resurfaced a bridge, and they knew that in two to three years' time they were going to be tearing down the bridge just to rebuild it.

KYLE SCHNEWEIS: Sure. Well, so I had an opportunity to speak with that same individual earlier in the day and had the same honest conversation. Here's what I would say about the (inaudible)...the thing that he's referencing the most I think is the tools by which we analyze and do our contracting. And so he's talking about design/build, for example. But he's also talking about the things that we consider when we decide how we're going to do it. He expressed frustration, and I totally get this, that we are not accounting for the time that people sit in traffic when we have a construction project. And so we do low bids. We do have a way to account for time but it's...it doesn't value the time as much as we possible could. There are incentives we can do. There are...other states are doing many other things to try to incentivize getting out of there when that's what's most important--and often it is. We do, do some projects at night. I think that

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helps. I think there are some things like that we need to continue to explore. But his point is well taken that the traditional design/bid/build, the traditional contract with contractors worked well, you know, 20-30 years ago. But today, especially in our urban areas, we have got to get creative in terms of trying to get our projects done faster. And time is valuable. We got traffic backed up for two miles on some of these projects day after day after day and we need to get out of there sooner. Every day counts on that sort of thing and we need to account for that in the way that we award our contracts. Sometimes lowest bid is not best value and we need to explore that, so.

SENATOR GARRETT: Thank you.

SENATOR SMITH: Other questions? Okay. Let me ask. So when we're talking about reauthorization bill, you mentioned about \$1.5 billion over a five-year period of time, so that's roughly about \$300 million per year coming into the state. And then that gets divided and so maybe the state gets \$150 million or maybe a little bit more than that. When will that first appear in the state, fully accounted for? Is that 2017?

KYLE SCHNEWEIS: Well, I assume we're making an assumption that the bill is signed, which I sure hope it is. And, Andy, can you give me a sense of the time?

ANDY CUNNINGHAM: The House is supposed to vote, actually voted yesterday. The Senate is going to vote today.

KYLE SCHNEWEIS: Sure. And let's just assume...

ANDY CUNNINGHAM: And then after a short extension...

KYLE SCHNEWEIS: Let's assume though that it goes forward. So what year would we see the first new dollars?

ANDY CUNNINGHAM: Yeah. Well, it's fiscal '16, so it's the current year (inaudible) it'll start.

KYLE SCHNEWEIS: Okay. Okay, so immediately, yeah.

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SENATOR SMITH: So if I go back to your chart on page 2, what we're seeing here you mention that the funding side of this is about, in 2017, probably roughly about half a billion dollars, about \$500 million.

KYLE SCHNEWEIS: Right, yeah.

SENATOR SMITH: Does that include the reauthorization dollars?

KYLE SCHNEWEIS: No, and I would expect that the amount, if we're...we're estimating \$500 million is how we...what we might spend on construction next year.

SENATOR SMITH: Right.

KYLE SCHNEWEIS: I don't think we see a huge increase the first year--right, Andy?--on the federal side. I'm sorry, I don't...I'm not as familiar with the bill as I need to be.

_____: (Inaudible).

KYLE SCHNEWEIS: Four percent on the federal side, so we see a 4 percent increase in federal revenues in 2016 or in...so in this year.

SENATOR SMITH: Okay. So according to that chart, we don't have the resource side of the equation.

KYLE SCHNEWEIS: Correct, right. This is...

SENATOR SMITH: But we actually, in the early years, we're looking pretty good.

KYLE SCHNEWEIS: Pretty good, correct.

SENATOR SMITH: All right.

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KYLE SCHNEWEIS: Yeah. And that's why I was mentioning earlier in terms of the, you know, the envious position that we find ourselves in I think compared to other states. You know, we're never going to get to the top. There's always more needs you could pile onto this if you wanted to. See, people will find projects that they think should be included that aren't, you know, so this is a good high-level look and we can say we aren't all the way there but we're pretty close. We think we can continue to maintain the system we have and we're getting some of these other needs met, so we're not in as bad of shape as many places here in Nebraska.

SENATOR SMITH: All right. So does this chart include the cost of the entire expressway system, including both the programmed and the nonprogrammed components?

KYLE SCHNEWEIS: Sure, sure. Let me take a stab at it and then I'm going to turn to somebody who actually knows what they're talking about. The expressway system is defined a few different ways. There's the original expressway system. There was a couple projects added to it. There are other projects designated as federally important expressways that maybe weren't classified there too. So with that piece, I want to now turn it over to somebody to try and answer.

KHALIL JABER: The original program or what we have here include the remaining of the 600-mile expressway that was originally part of the 1988 study. It does not include any nonprogrammed projects such as (inaudible).

KYLE SCHNEWEIS: Okay, so when it comes to the Heartland Expressway, that's a good example of one that wasn't a part of the original one but it's certainly a project we hear a lot about. There are...there's one piece of that project that is programmed for construction. That would be accounted here. There is one piece of it, I believe, in the projects under consideration that would be accounted for. But the sections that aren't in there would not be accounted for, so...

SENATOR SMITH: The unprogrammed portions are not in there.

KYLE SCHNEWEIS: Correct. Well, so...

SENATOR SMITH: Is that roughly...

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KYLE SCHNEWEIS: Correct. So there is one project--right, Khalil?--that's in the back of the program book that's under consideration. And I mentioned that we made one change and then we added some projects that maybe don't meet the blue box but are projects we hear a lot about and we'd consider under consideration. Those projects are in the back of our program book, which is this book. You may have seen. I can certainly get copies for you. The last couple pages, there's a list of projects under consideration. There is a piece of the, for example, Heartland Expressway that is in that, but there are segments of it that folks would say they want to see built that we do not have in that list. So that's a good example of some folks could dive into this and say, those bars aren't high enough, my project is not in there.

SENATOR SMITH: All right. Any questions on that, Senators? Senator Mello.

SENATOR MELLO: Thank you, Chairman Smith. And, Director, I guess maybe it's...and you can provide us this information afterward if you don't have it available. I just, real quick, on the previous couple State Needs Assessment reports, and the 20-year number really jumped this year in comparison to the last three or four years...

KYLE SCHNEWEIS: Correct. Correct.

SENATOR MELLO: ...where we saw about a half a billion dollar increase and this year we was about a \$1.5 billion increase added to the 20-year needs assessment.

KYLE SCHNEWEIS: Sure.

SENATOR MELLO: Can you give us any insight in regards to why we saw such a larger increase this year?

KYLE SCHNEWEIS: So I'm glad you asked. The number one and really only reason is because of my decision to add those projects from the back of the program book in. Those add up to about \$1.5 billion.

SENATOR MELLO: Okay.

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KYLE SCHNEWEIS: So, in fact, we saw...you know, every year they're going to change a little bit. We saw our pavement numbers go down a little bit. We saw our bridge ones go up a little bit. But generally it was because we added those in. I of course was aware that that was going to draw attention because now we're claiming more needs than we claimed last year.

SENATOR MELLO: Okay.

KYLE SCHNEWEIS: But I just felt like if we call this our needs book and we don't account for the projects we hear about the most, then we're not being genuine.

SENATOR MELLO: Okay, thank you.

KYLE SCHNEWEIS: So it did take it away from that data-driven piece that we're so comfortable with though, but executive decision that I may regret.

SENATOR MELLO: Thank you.

SENATOR SMITH: Senator Stinner and then Senator Davis.

SENATOR STINNER: I have a couple questions and some of it has to do with testimony you gave out west when I was out there. And it talked about tier two, tier three programs going to 2024.

KYLE SCHNEWEIS: Yeah. Sure.

SENATOR STINNER: And you were talking about opportunities to accelerate those programs, get it down to 2021.

KYLE SCHNEWEIS: Sure.

SENATOR STINNER: And you had some ideas on that.

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KYLE SCHNEWEIS: Sure.

SENATOR STINNER: Would you like to enlighten us?

KYLE SCHNEWEIS: Sure. So the Build Nebraska Act piece is the first thing we have to follow to get there and it's a 20-year program started in 2011. The first project started in 2023, ten years of which have been programmed. So out until 2023, we are programmed with...all of those dollars have been allocated for and you see the projects being built. But it's a 20-year program, so there are 10 more years' worth of funding out there starting in 2024. And I keep sort of joking as I travel around we have such a good...system is in pretty good shape. We have these other needs but we have money to try to address them, sort of the envy of many of my colleagues in that my biggest challenge is to try and figure out a way to get the money moved up, not to create more money or not to fix a system that's in disrepair, so. But 2024 is too far away for many people and I think that's what you're alluding to. We don't want to wait that long. So how can we move forward? Well, there's two components to it. There's the money and how do you get the money up, but there's also the time it takes to deliver projects. And I mentioned that it takes seven to ten years under our traditional process to develop these kinds of projects when you're going from two lanes to four lanes and changing alignments and adding bypasses and things like that. It takes a long time to get through that process. So if we don't change anything and all we do is start working today to do those projects, the traditional process, we don't get...turn dirt until 2022 because that's our seven- to ten-year time frame from today. And so we...you can move the money forward a little bit. But if you don't change how you contract, if you don't change how you shorten that time frame, it doesn't do you any good because you're only saving a year or two. So that's where I think the design/build piece that Senator Friesen referenced and some of the other contracting mechanisms, if we want to get serious about moving that money forward, we've got to also get serious about giving ourselves the tools to do that. In terms of how to move the money forward, you know, I think there's a lot of ideas. The one that I'm most intrigued by is a state infrastructure bank. These are tools used by about half of the other states to do a wide variety of things. I think if you could find a way to capitalize the state infrastructure bank...I've heard discussions of cash reserves. I'm not naive enough to think that people don't have their eyes on that if, in fact, there are opportunities. But I think if...when it comes to investment, with the resources that you have, you know, I can't think of a better way to do it, invest in the future,

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than infrastructure. And I don't think it would take a whole lot in terms of, I mean, you know, we're talking hundreds of millions of dollars in my business all the time, but if you had \$100 million you could advance some projects. I think there are some state resources in the state portion of LB610 that could be dedicated to an infrastructure bank that would allow you to move some projects forward in advance of 2024. Of course I have to say, only if you have the tools by which to design them and get them ready in time. So even if we did, I still think we're at 2019, 2020 before you could turn dirt on a new project even if you had the funding available.

SENATOR STINNER: And there...as you fund it, an infrastructure bank, apparently you have to also have to designate a source of funds to repay what you're using out of that,...

KYLE SCHNEWEIS: Sure.

SENATOR STINNER: ...which could be gas tax money...

KYLE SCHNEWEIS: Yes, yeah, yeah.

SENATOR STINNER: ...and it could be the rest of LB84.

KYLE SCHNEWEIS: I think you have to decide how...we would like to...the bank pieces that you are continuously putting revenues dedicated to it and it allows you to advance projects going forward. The repayment piece, I think that's where maybe the two cents from LB610 might be a good place to look. That's certainly a piece that we haven't programmed.

SENATOR STINNER: Okay.

KYLE SCHNEWEIS: So that would be a part of our revenue that would be available for that sort of exercise.

SENATOR STINNER: I think you heard the frustration in everybody's voice that...

KYLE SCHNEWEIS: Sure.

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SENATOR STINNER: ...about the Heartland Expressway,...

KYLE SCHNEWEIS: Sure.

SENATOR STINNER: ...how long they've been at it: since 1984.

KYLE SCHNEWEIS: Yeah, yeah.

SENATOR STINNER: My calculation back when we were doing this or talking about these nonpriorities--in other words, what's left to do in the expressways to finish it, (Highway) 275, along with the Heartland--I think I came up with the number of 171 more miles to be completed.

KYLE SCHNEWEIS: Yeah.

SENATOR STINNER: If I take \$2.5 million...

KYLE SCHNEWEIS: It's in...yeah.

SENATOR STINNER: ...per mile I get to \$350-400 million. Is the mechanism, can we move up the existing projects then reprioritize to get the rest of the expressway done? And the \$400 million, you've got the opportunities for an infrastructure bank to be funded either by cash reserves or by bonding or some other mechanism to accelerate those projects as well.

KYLE SCHNEWEIS: Sure. I think...so there's a couple pieces to it. And part of it is we should remember we have ten years of Build Nebraska out there, \$650 million or so estimated available. So there certainly are some resources. If you could find a way to get a few more to move some of that up, I think you could make some progress. I think we have to be careful about identifying today what exactly those projects need to be. You know, I spent a little bit of time talking about project prioritization. Why go through an extensive project prioritization process if we're going to say, well, it's because we're going to finish these highways? I'm certainly sensitive to the fact that some people have been waiting for a long time. I'm also...you know, I come from a planning background. I think our job is not to look back and say what we talked about before, but to look

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forward and say, what's important for Nebraska? And I know those highways are important. I just want to make sure that when we talk about trying to do these sorts of things and move projects forward we do it with an understanding that we need to do some prioritization to make sure we make the right choices, if that makes sense.

SENATOR STINNER: The only other question or observation I have is, has anybody put together an economic impact study if we accelerate these projects, what that means in terms of tax revenues and...

KYLE SCHNEWEIS: Sure. I've seen some of those. They weren't commissioned by the Department of Roads. It's a little bit back to I think Senator Friesen's comment about if you move forward and you could see economic impact sooner there's value in that. I think those would certainly be worthy of investigations, not the sort of numbers we're running today, but I'd be open to it.

SENATOR STINNER: Thank you.

SENATOR SMITH: Senator Davis.

SENATOR DAVIS: Senator Stinner asked a lot of questions I was going to ask, so he stole my thunder. So one question that I've thought about a lot, and obviously the Heartland (Expressway) is an important part of my district and...

KYLE SCHNEWEIS: Sure.

SENATOR DAVIS: ...really for stabilizing the population I think in the western part of the state there are really some significant opportunities I think that are available if we can get a divided highway system in, recognizing the cost of that. But, you know, I do hear talk about passing lanes,...

KYLE SCHNEWEIS: Sure.

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SENATOR DAVIS: ...that kind of construction as an alternative, is that anything that Department of Roads is looking at?

KYLE SCHNEWEIS: Well,...

SENATOR DAVIS: I mean there are some of those in different places around the state.

KYLE SCHNEWEIS: I am right with you. I think when I mentioned earlier about the public involvement in the outreach piece, I think that's a very important part of the conversation, not just in that part of the state but in other parts too. You know, we can...I'd like to put the numbers up on the wall and say, here's what it would cost to do four lanes, here's what it could cost to do some passing lane opportunities, perhaps in the interim this is a solution we should follow. You know, we've had those conversations other places. Sometimes the answer will be, no, we do not want passing lanes, we want...we'd rather wait. But I think we should have those conversations, most certainly. I think there's probably segments of the two-lane highway system in Nebraska that people want to be four lane that as we look at needs and as we look at resources that it would be irresponsible of us not to at least explore a passing lane solution.

SENATOR DAVIS: I think there are several places around the state where passing lanes would be helpful not just on the...

KYLE SCHNEWEIS: Sure, and it doesn't have to be...

SENATOR DAVIS: ...design...

KYLE SCHNEWEIS: It doesn't have to be permanent either. It can be an interim step, too, so.

SENATOR DAVIS: Correct. So then I wanted to visit a little bit about the rail portion of this.

KYLE SCHNEWEIS: Sure.

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SENATOR DAVIS: What obligations, what arrangement do you have with the railroads? Or is it basically our entire responsibility to construct those?

KYLE SCHNEWEIS: So we do have some federal money that comes to us to help with crossings. I think we're interested in spending state resources where we can. We're interested in working with local governments to partner to build some of these, improve some of the at-grades or create viaducts. The railroads themselves can sometimes participate, too, and that's where the partnership comes in. They are interested in eliminating crossings just as much as we are. So I was visiting with a representative from UP yesterday and told her that I thought we needed to consider more viaducts in our Build Nebraska Act selection process and she was excited to hear that and said she would be interested in participating in our process. So those there...in some places the train traffic is so great it's almost like you have a river going through your town and without a bridge and you just sit there and wait. And so where we can, I mean, a lot of times it's a local issue but it's a connectivity issue for us and we need to be a part of the solution, so.

SENATOR DAVIS: And is that also a problem for county roads?

KYLE SCHNEWEIS: Sure. It is. It is.

SENATOR DAVIS: So is there any thought about viaducts on county...on some county roads?

KYLE SCHNEWEIS: Well, I think we'd have to be careful about state resources on those sorts of things. These projects, they are not inexpensive.

SENATOR DAVIS: Oh, no.

KYLE SCHNEWEIS: Ten million dollars can easily be spent. I do think oftentimes when we talk about a bridge or a viaduct over we're also looking to try to find some places to close some crossings, and that's where you get into having to really partner with locals. The railroads oftentimes, if they're going to participate, that's what they require is, you know, you...we'll help you build the viaduct here but you better close two or three other ones. And you've got to be careful about that because that impacts the community too.

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SENATOR DAVIS: Thank you.

SENATOR SMITH: Additional questions? Senator Hilkemann.

SENATOR HILKEMANN: Director Schneweis, yesterday you had a presentation for the chamber and you were going through the Build Nebraska. And I was sitting by one of my fellow senators and who a lot of that actually goes through his district. And he was saying that there are actually some changes that would probably have been better on that Build Nebraska that have not...that are still...and you said that this sort of came out of think tank from the Department of Roads. Is there going to be some open...as you look at the remaining dollars here,...

KYLE SCHNEWEIS: So are we...

SENATOR HILKEMANN: ...are you going to be getting more public debate as to maybe changing some of those?

KYLE SCHNEWEIS: So let me ask a clarifying question. Are you referring to whether or not the project was the right project or whether or not, once the project was selected, it was put in the right place or it needed to have modifications to the existing project?

SENATOR HILKEMANN: Modification of the project.

KYLE SCHNEWEIS: So, you know, I think whenever we build a project we have got to make sure that we're accounting for the desires of the locals in terms of where the alignment is and where the connections are, access to the highway, all of those things. And, you know, I think I have not had an opportunity to do much of that investigation in terms of my time here at the Department of Roads in terms of how proactive we are in engaging the community on those alignment choices. I think we do have a dedicated public involvement group that tries to get in front of people and find out what they think. But I also think today's world, "because the government said it's where it needs to go" is not the right answer. People need to understand why the road is going in and why the alignment was selected and if so, if there are questions about why or thoughts that it could have been done better, I think then we're probably not doing as

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good a job communicating with folks as we could have. So I'd be curious maybe to meet with you afterward and talk about the details or point me in a direction of one of your colleagues.

SENATOR HILKEMANN: Okay. Okay. Then a second question I have, this has to go with system modernization. Some years ago I read about a new product that was being developed that may transform roads, referred to as POLYVAULT. Are you familiar with that?

KYLE SCHNEWEIS: Yeah, I get out of my element really fast when it comes to actually the construction of roads. Moe, you have anything for us on that?

MOE JAMSHIDI: Are we talking about the tires?

SENATOR HILKEMANN: Yes.

MOE JAMSHIDI: Yes, we're utilizing rubber tires, sometimes the asphalt binder, to make it more (inaudible) in our environment. And it's one of the major modifiers of the asphalt binder currently.

SENATOR HILKEMANN: Okay, so that is being utilized here in Nebraska?

MOE JAMSHIDI: Yes.

SENATOR HILKEMANN: Okay, thank you.

KYLE SCHNEWEIS: I would just...I guess I'd follow up and just say broadly, you know, one thing I've found since I moved to Nebraska is that we are known across the country for some of the innovations in building materials and technology, so that's been a refreshing thing to undertake and it is something that when you look at these long-term needs numbers, we want to drive those costs down because we want to find better ways to do things that are cheaper and make things last longer.

SENATOR HILKEMANN: Right.

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KYLE SCHNEWEIS: So the question, you know, I don't know specifics about that particular product, but I certainly am very excited about exploring those kinds of opportunities.

SENATOR HILKEMANN: Okay, thank you.

SENATOR SMITH: I see no additional questions. Director Schneweis, thank you for preparing and for presenting the Department of Roads needs study report today. Thank you for...

KYLE SCHNEWEIS: Sure. If I could, Senator, I forgot to mention at the beginning, excuse me, I would just like to thank my team that's behind me. You see the army of folks behind me worked very, very hard to deliver this. They had to wait for me to get here to get started and the time was crunched and then I kept asking for changes and they really worked hard. So I just wanted to acknowledge them. I should have done it in the beginning. Sorry.

SENATOR SMITH: All right. Thank you for taking our questions and that concludes our hearing today.

KYLE SCHNEWEIS: Thanks.