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Transportation and Telecommunications Committee
September 16, 2009

[LR152]

SENATOR FISCHER: Good morning. Thank you for coming to our hearing today. This is the Transportation and Telecommunications Committee. My name is Deb Fischer. I am the senator from the 43rd District and I am chair of the committee. I would like to introduce to you the other members of the committee. To my far right is Senator LeRoy Loudon, he is from Ellsworth, Nebraska. Next we have Senator Galen Hadley from right here in Kearney. You all know him well. [LR152]

SENATOR HADLEY: Are you so right...(Laughter) [LR152]

SENATOR FISCHER: Oh, I'm just...Senator Hadley is always the first to point out whenever I make a mistake. (Laughter) [LR152]

SENATOR HADLEY: It's so seldom. (Laughter) [LR152]

SENATOR FISCHER: Next on my immediate left I have my vice chair of the committee, Senator Arnie Stuthman and he is from Platte Center. On my far left, the committee is being joined today by Senator Dennis Utter from Hastings, who is not a member of the committee, but we are really pleased that he was able to come today and listen to concerns from people in this area. Next we have Senator Charlie Janssen; he is from Fremont, Nebraska. Next is Senator Kathy Campbell from Lincoln. On my immediate right, is Mr. Dusty Vaughan who is the Committee Counsel. Behind us here is our Committee Clerk, Ms. Laurie Vollertsen. And that takes care of our committee and guests that we have this morning. We will be...I love this group. [LR152]

SENATOR HADLEY: We just had to tell her which way was left and right. (Laughter) [LR152]

SENATOR FISCHER: They gave me a sign. That is good. I love the group. But we do

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have one resolution before the committee today that is LR152, dealing with highway funding. I would ask that those wishing to testify on this issue come to the front of the room. We will be using this podium today. And that you be ready to testify as soon as the previous testifier is done. We have yellow sign-in sheets. Laurie, where did you have those? Are they on the podium? Oh, at the back table. If you would fill out those sign-in sheets, that would be great and hand them to our Committee Clerk before you testify. For the record, at the beginning of your testimony I ask that you state your name, first and last, and spell those for us please so we can have them in the record. If you do not want to testify, but you do want to voice an opinion on this issue, I would ask that you sign a sheet that is also provided at the back of the room. Please keep your testimony concise. Usually at our legislative hearings, we have the supporters of the bill go first and then the opponents. But in the case of an interim study resolution, we are here just to listen to your ideas. So, I would ask that you come forward in a pretty orderly fashion and give us your suggestions. With that, I would ask that you turn off your cell phones. We do not like to be interrupted with the sound of music and I will ask our Committee Counsel to please introduce the resolution. []

DUSTY VAUGHAN: Good morning, Senator Fischer and members of the committee. For the record, my name is Dusty Vaughan, spelled V-a-u-g-h-a-n, and I am the Legal Counsel for the committee. Just kind of feels a little weird standing. Usually we sit during our hearings. So, I feel like I am back in college at the university. LR152 is introduced to conduct a comprehensive exam of Nebraska's highways, highway funding structure and to analyze any possible funding alternatives. I do not think there is any question that Nebraska has reached a crisis level on how we fund our highways. A few main points need to be established to stress the magnitude of the present situation. One, in addition to system preservation, Nebraska has many capital expansion projects that are being put on hold due to inadequate funding. The cost of seven of the highest priority state projects is roughly \$730 million. Every year that these priorities are left off of the construction program, the cost goes up. Currently two of these projects of the seven on the department's five-year plan, one of them being the six-lane interstate

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between Omaha and Lincoln and actually the other one is the Wahoo Bypass is on the five-year plan. Two, Nebraska is at the point where funding will be inadequate to preserve the current highway system sometime in the next two years. The Department of Roads estimates that it takes \$286 million to preserve the current highway system every year, a number that rises with inflation. Last year's construction program was \$317 million. Granted, this year's construction program is significantly higher, but that is due to the federal stimulus dollars that Nebraska realized. I believe the department estimates that next year's construction program will be \$300 million. So you can see that \$286 million, \$300 million, there is not really any room for anything else except system preservation. And as that \$286 million rises, pretty soon we will not be able to afford even preserving the current system. Three, because Nebraska employs a revenue sharing structure that the local governments rely heavily upon, they are in the same predicament as the state and are also falling behind on street and road maintenance and construction. I think in Lincoln we talked about how some of our cities and counties exclusively rely on the Highway Allocation Fund that they receive from the State. I know Omaha is close to 50 to 60 percent of their construction for street maintenance and construction comes from state and federal dollars. So, you can see that cities and counties are in the same boat that we are at the state level. Number four, Nebraska's historic reliance on the gas tax is no longer sustainable under current economic conditions. With the demand for gasoline stagnating over the past several years, higher gas tax revenues through increased consumption is a thing of the past. Smaller, cheaper, more fuel efficient vehicles also add to the strain on the Highway Trust Fund through less sales collected at the time of their purchase, as well as less fuel being consumed because they are more fuel efficient. This is not meant to imply that the gas tax does not have a place in our funding structure, it simply means that the historic method of relying on an increase consumption to increase revenues can no longer be relied upon. With that, Senator Fischer, I will turn it back to you. [LR152]

SENATOR FISCHER: Thank you, Mr. Vaughan. And with that, I will open it up to the audience here if any of you would like to step forward. [LR152]

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MICHAEL MORGAN: Michael Morgan. M-i-c-h-a-e-l M-o-r-g-a-n, city manager representing the city of Kearney. First, thank you for this opportunity. We appreciate you arriving in Kearney and being here today. With respect to capital funding, as you are aware, city governments have used debt service for some time, just as private business as well as homeowners use debt service to finance major capital projects. We certainly are sensitive to ensuring there is a balance of debt service and that debt service should be only used generally for capital projects, such as road construction. The great example would be (inaudible) up new project, a project that regardless of delays, the cost continue to increase anywhere from 8 to 10 percent with relation to construction inflation. That project initially was estimated \$36 million is an excess of \$50 million today. If you take in consideration that the purchase or use of debt at 3 to 5 percent versus the inflationary cost of construction at 8 to 10 percent, financially it would seem to be a logical conclusion that debt would be evaluated to perform that. With respect to using debt service, I think it is important when you consider these projects must be done. These are not the types of projects that are maybes or wishes, these are projects that must be done and eventually will be done. So, if that is the case, then why not exhaust all remedies to valuate the various level of funding that consistently local governments have used? We are sensitive to the use of debt service in the state of Nebraska and proud of the fact that the state is in much better financial position frankly because it has not used debt, but there seems to be some room for some marginal use based on capital improvements. So, I thank you for the opportunity. [LR152]

SENATOR FISCHER: Thank you. If you would wait a minute, Mr. Morgan, we do get to ask you questions. Are there questions from the committee? I have...oh, Senator Louden. [LR152]

SENATOR LOUDEN: Well, I was just going to ask then you would be advocating to some kind of a bond issue or something like that to do road construction. [LR152]

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MICHAEL MORGAN: Correct. Yes, sir. [LR152]

SENATOR LOUDEN: And then how do you intend to pay for the service of those bonds then? [LR152]

MICHAEL MORGAN: I think that if you are going to do a project eventually and you have to do a project, you have to pay for it somehow. I think the use of debt is just the technique to pay for it. If you are indicating that you are not going to do these projects, that is something totally different. So, however you fund them now or later, it seems logical to fund them now at a less cost. It would be up to state to determine how they were going to do that. But, if you are going to fund them, if you've got a project that has to be done and you are going to fund it, the question is not that you are going to do it, it is when and what is the most economical way to do that. So, if the state...unless the state is saying, we are never going to do these projects, you have got to have money somewhere eventually to do them. That would be up for the state to decide. [LR152]

SENATOR LOUDEN: Then in other words, as you sold some bonds to do a certain project then would you have to earmark a certain amount of that gas tax revenue to service that bond? [LR152]

MICHAEL MORGAN: Whatever revenues you use for road construction, whatever they may be, you are going to have to earmark those funds. But, once again, if you are anticipating that you have to do these projects, and that is why I think the use of debt for these types of projects ones that are intended to be done and are on the list to be done and have to be done, the logic to be would be doing them in the most economical way possible which is the use of debt until inflation is less than interest cost, financially you are ahead. [LR152]

SENATOR LOUDEN: Now the other thing would be if you did not earmark them from your gas tax revenue, should you perhaps have another source of revenue? Would you

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put a sales tax on groceries or something like and that would be earmarked to service bonds for highway construction? [LR152]

MICHAEL MORGAN: I think that once you determine that is the appropriate use and it is more cost effective for you and the project must be done, I think you would want to evaluate any forms of revenue that you could to accomplish the task. City governments for years have used debt service to pay for streets and we do that because they are capital projects, they are fixed, they are not operating projects and it is cheaper for us to do that when we can borrow money cheaper than the inflationary cost. If there is a time when the inflation is less than what we can earn in interest or what the interest debt costs are, then there might be a reason to do something different. But, given the current economy construction costs, you know, have continued to rise. I think there are folks that can speak to that better than I could, but I think everyone agrees that they are much higher than interest costs are, debt service cost. So...and I think that if you look nationally Nebraska would be one of the very few that does not use debt service for these types of things. [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

SENATOR FISCHER: Other questions. Senator Hadley. [LR152]

SENATOR HADLEY: Mr. Morgan, we are talking about funding and such as that and I know you talked about the delays on the Cherry Avenue and being involved in that in the past and Kearney being involved, has the funding issue been a problem in getting that project completed? [LR152]

MICHAEL MORGAN: Well, in fairness to the committee, you do not have enough time to talk about Cherry, but the answer to your question, clearly as a project is delayed for whatever reason, it does not really matter, those costs that rise consistent with inflation, at some point there is a question that is going to be asked is that even if the project now

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gets approved, how will it be paid for. You know, Senator Fischer and others helped us with freeing up some additional money in the past to help fund that project. But if you recall, there was \$17 million, \$19 million in federal dollars but that was based on the \$36 million project. So as it gets delayed without the use of debt service specifically, I do not know how it will ever get paid for. I think that is a fair question to ask. I don't know that the state's got additional funds and certainly not their fault necessarily for the delays. So, if they came up to us today and said it is approved and it is a \$52 million project, I think the state would have to sit back down again and say, okay, when we approved and did an agreement with you it was a \$36 million project. What are we going to do now? And I do not...we have not had that conversation because it is kind of scary to have that, but I assume that is coming hopefully someday. [LR152]

SENATOR FISCHER: Senator Campbell. [LR152]

SENATOR CAMPBELL: Thank you, Senator Fischer. Mr. Morgan, I appreciate that you do not want to go into the whole...that we do not have enough time, but could you just tell me how long you have had Cherry Avenue as a major project that you want to talk about? I mean, I'm just trying to get ballpark. [LR152]

MICHAEL MORGAN: Thank you for the question. I think it is safe to say that the project has been discussed for over ten years. The project had preliminary federal approval for more than a year or two years. [LR152]

FROM THE AUDIENCE: The federal approval has been about four years now. [LR152]

MICHAEL MORGAN: Federal approval has been about four years and so today we are waiting for that project to be accomplished while it escalates in cost. Thanks. [LR152]

SENATOR CAMPBELL: Okay. Thank you. [LR152]

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SENATOR FISCHER: Senator Janssen. [LR152]

SENATOR JANSSEN: Thank you, Senator Fischer. Mr. Morgan, can you...has Kearney recently or in your past ran any bond issues for street improvement citywide? [LR152]

MICHAEL MORGAN: Yes, certainly. [LR152]

SENATOR JANSSEN: Did you do an overpass a number of years ago, is it... [LR152]

MICHAEL MORGAN: Yes. For major projects, we have a standard policy. We are fairly fiscally conservative and so depending on the size and scope of the project, we will do cash, but we have done bond and indebtedness for major projects, certain overpasses, large streets and then projects that are even sales tax funded we do debt service as well. [LR152]

SENATOR JANSSEN: On your sales tax funded ones, did you...did that go to an election of the people or a vote? [LR152]

MICHAEL MORGAN: No. Well, the sales tax itself has gone to an election for capital improvements, but the individual projects have not. [LR152]

SENATOR JANSSEN: So you set aside this money as LB, is it 840 or is it different... [LR152]

MICHAEL MORGAN: No. We passed...Kearney passed a sales tax a few years ago for capital improvements with no sunset and no more specific than that, capital improvements. And those are the funds we are using to pay for the debt service. [LR152]

SENATOR JANSSEN: Okay. Just doing a little personalizing there for the project in

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Fremont that was a little bit different than yours. Yours was probably done on the city and we had to take it to the vote of the people. Thank you. [LR152]

MICHAEL MORGAN: We have the funds already existing with the sales tax. That is probably the difference, I suppose. [LR152]

SENATOR FISCHER: Other questions? I have a couple for you, Mr. Morgan. How many projects has Kearney done going through the bonding issue? [LR152]

MICHAEL MORGAN: Usually one or two a year, large ones. [LR152]

SENATOR FISCHER: Okay. Do you...you obviously when this is passed by the voters it has the amount on it, you have to have an idea on how you are going to pay back that bond. Do you complete a project before you offer another one to the voters? Is the bond paid off before you offer another proposal up? [LR152]

MICHAEL MORGAN: We do not have any voter elections on our street projects or bonding projects. We do not... [LR152]

SENATOR FISCHER: Because you use sales tax? [LR152]

MICHAEL MORGAN: Because we use sales tax dollars. [LR152]

SENATOR FISCHER: How much of the sales tax goes for capital improvement?
[LR152]

MICHAEL MORGAN: All of it. We have a half cent sales tax that was designated specifically for capital improvements and the majority of that, a significant portion of that goes towards capital improvements and we have set a max of 35 percent goes towards debt to finance those capital improvements and we are running about 28 percent right

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now. So, the city council was concerned that we never wanted to have more out there in debt in case the economy suffered and we lost funding. So, they were fairly conservative when that was done to set that limit. [LR152]

SENATOR FISCHER: So the city of Kearney is not bonding in order to pay off bonds? [LR152]

MICHAEL MORGAN: Bonding to pay off...I am not sure... [LR152]

SENATOR FISCHER: You always have a specific project in mind before the council passes it and it is not just to dedicate more money to a project? [LR152]

MICHAEL MORGAN: Correct. [LR152]

SENATOR FISCHER: How much does a half cent bring in, in Kearney? [LR152]

MICHAEL MORGAN: \$3.2 million, give or take. [LR152]

SENATOR FISCHER: If the state would look at bonding, which in statute the state already can bond up to \$50 million, but if the state would look at bonding I guess you left it up to us on how we would fund that. Do you have any ideas on how to fund that? [LR152]

MICHAEL MORGAN: Well, aren't you already having to fund it eventually anyway? I do not know what your funding mechanisms are, but these projects will get done. I am talking about the highest priority projects. Certainly you can't afford to bond everything. But whatever funding you have to set aside to do a project, if you are doing it for cash, those same funds can be spread out over certain years to do more projects for the same amount of resources. So whether it is gas tax or whatever you want to use... [LR152]

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SENATOR FISCHER: If you...when you talk about high priority projects, are you talking about the state's priority projects or are you talking about local political subdivisions and their priority projects? [LR152]

MICHAEL MORGAN: We are talking about the state's projects. We can handle our projects. We are generally talking about the state's and where a state highway goes through a community which is a state project. [LR152]

SENATOR FISCHER: On a state project that goes through a community though, the challenge we face is that just about every community has one of those and how would you prioritize them? [LR152]

MICHAEL MORGAN: I think we have actually spoke in the past on prioritization, one that is the state's determination, not ours. [LR152]

SENATOR FISCHER: So you would be fine then with what the state uses currently to prioritize their needs assessment? [LR152]

MICHAEL MORGAN: I think we would be interested in more conversation. I know they have discussed other options, but I think the state and Department of Roads certainly understands priorities better than we do. We appreciate that they do not prioritize our projects, so we do support... [LR152]

SENATOR FISCHER: Nor mine, sir. [LR152]

MICHAEL MORGAN: So, we do support the state. We have been offered...asked to get more involved in that but frankly, the Department of Roads is the vehicle to be able to do that. What is different and unique in Kearney, and you can appreciate this, on a state project, which is Cherry Avenue, we are actually paying local dollars to support and I

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think we are probably the only one in the state that actually is helping fund a state project. Cherry Avenue is not a city project, it is a state highway. [LR152]

SENATOR FISCHER: What percentage does Kearney contribute to that? [LR152]

MICHAEL MORGAN: I think we are looking...originally when it was \$36 million we were looking with the additional million and a half about \$8 million... \$7 or \$8 million. So, that would have been about 20 to 23 percent, somewhere in there...20 percent. Well, that is the 1.5 addition. So, 22-23 percent. And we understood why we needed to do that and appreciated the additional funds we did receive from the Legislature because we understood the state was struggling with priorities. So Kearney said, what we heard was we do not have enough money. And we said, how can we help? And so we actually are using local funds to help in that particular case because it is that important to us. [LR152]

SENATOR FISCHER: Do you think that is an option that this committee should be exploring is to have requirements that state projects within city limits should see some kind of a percentage match from local government? [LR152]

MICHAEL MORGAN: I think that is what happens today already. During all of our state projects that go through town, they are 80/20 today. We are already paying for that. [LR152]

SENATOR FISCHER: But you made the comment that Kearney was unique with Cherry Avenue. [LR152]

MICHAEL MORGAN: Because we are going beyond the 20 percent. That is what unique about it. We are asked to contribute beyond. [LR152]

SENATOR FISCHER: Right. And would you support requiring cities to have a greater

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percentage that they would have to match. [LR152]

MICHAEL MORGAN: Certainly I think there may be opportunities to move up the priority list if you are given additional funds. The thing I would clarify about Cherry Avenue, though, is different than the 80/20 it is not in the city limits. So the 20 percent is not even our responsibility. It is outside the city limits. Cherry Avenue is not in the city limits. It is totally separate of the city. When you talk about Highway 30 that goes through the city, that goes through the city and certainly we get tremendous benefits from that and we recognize without the state's 80 percent, we could not do the projects. So, we are doing the 20 percent in that particular case. But Cherry is actually 22 percent of city of Kearney money for projects that is outside city limits. So that is very different. [LR152]

SENATOR FISCHER: Does the county contribute anything to Cherry Avenue? [LR152]

MICHAEL MORGAN: The county under interlocal agreement with us is actually contributing towards other projects to connect that connect to Cherry Avenue. But the...if you recall on that the city was asked, was the lead agency on that and worked with Senator Nelson and others to get up to that \$19 million. So we actually went out and secured those funds to be able to do that. [LR152]

SENATOR FISCHER: That 22 percent, that is not coming from that half cent sales tax, is it, or is it? [LR152]

MICHAEL MORGAN: No, it is coming from Surface Transportation Program Funds and other general street funds. When we passed the half sale... [LR152]

SENATOR FISCHER: Any property taxes involved? [LR152]

MICHAEL MORGAN: No. Not for Cherry Avenue, no. [LR152]

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

SENATOR LOUDEN: Yes... [LR152]

SENATOR FISCHER: Aren't you happy you were first? [LR152]

MICHAEL MORGAN: No. (Laughter) I'll never go first again. This is the first time I have ever done this and now I know why I never have. [LR152]

SENATOR FISCHER: You are doing a great job, great job. [LR152]

SENATOR LOUDEN: What's the valuation of Buffalo County? [LR152]

SENATOR FISCHER: That's okay. We can ask the next person that is up. [LR152]

SENATOR LOUDEN: Anyway, it is over a billion dollars, would that be correct to say? [LR152]

MICHAEL MORGAN: I do not know. [LR152]

SENATOR LOUDEN: And what is your mill levy for the county? [LR152]

MICHAEL MORGAN: Almost...well the city...don't know. I do not do this...the county...let me just clarify though, the city's mill levy is essentially almost the lowest in the state, it is 14.8 percent. [LR152]

SENATOR LOUDEN: Yeah, and I think Buffalo County is down in the 20 some percent bracket. [LR152]

MICHAEL MORGAN: Yeah, I think so. [LR152]

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SENATOR LOUDEN: Here is what I am pointing out. I am in Sheridan County and they are at 4999. They got a \$600 million valuation for the whole county. In other words, there is not much give in there. And yet, we have counties that, as you folks have sat down here on the interstate and drawn these benefits, I mean you would not have all these malls and stuff out here if the interstate did not go by and your mill levy is low, so I feel it probably would be a nice thing for your counties and your towns to probably pony up some of the bucks to build some of that when you talk about your Cherry Creek overpass or your interchange and some of that. [LR152]

MICHAEL MORGAN: Well, yeah, I can respond to that. The city of Kearney has been extremely patient in waiting for the state of Nebraska to pay for their state highways. [LR152]

SENATOR LOUDEN: Yeah, they were waiting for Nebraska to pay for it. I am saying they should go ahead. [LR152]

MICHAEL MORGAN: Well, we are. [LR152]

SENATOR LOUDEN: Fine. And I use that as an example for other towns around. [LR152]

MICHAEL MORGAN: Right. My point though is that we have never gone to the state, at least in my five years, and I do not think before that, and begged the state to move our project up over all the other projects across the state. We have patiently waited for the Hall County project that serves, when you look at traffic counts, we are one of the busiest four-lane vehicular routes in the State of Nebraska. We are the largest city in the state with one access point with a major hospital, major transportation... [LR152]

SENATOR LOUDEN: Yeah, okay... [LR152]

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MICHAEL MORGAN: Hang on. And we have waited, we waited patiently. So we understand other communities do not have the financial resources and we certainly appreciate our location on the interstate, but I think we have waited. I do not think we have gone and asked to be moved up in front of...this project has been discussed for 15 years probably, 14 years, so and we are still waiting. So, I think we are doing our part. [LR152]

SENATOR LOUDEN: But Buffalo County and Kearney are probably more wealthy counties and towns than other areas in the state. [LR152]

MICHAEL MORGAN: Certainly. [LR152]

SENATOR LOUDEN: The other thing, when you talk about...I do not know how old you are, but you know when the interstate when through, Kearney only wanted one interchange because they was afraid that if they had more than one interchange business would not come downtown. I can remember when all that happened. So that is the reason you only had one interchange for years because at the time, that is all the city and county wanted. But I pointed out to many of these other towns that as money gets shorter for the Department of Roads and you have more roads, some of these more wealthy counties...we have 24 counties now that have over a billion dollars valuation and they all are running around 23-24 cent mill levy. A 10 cent mill levy could probably take care of your funding in one or two years, and this is what I am pointing out that this may have to come about. I do not know if you have to go 10 cents one year, but... [LR152]

MICHAEL MORGAN: Right, but all those things that bring us the benefits you are referring to costs us in traffic congestion, traffic safety, wear and tear on our roads. So you got to look at it from both perspectives. [LR152]

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SENATOR LOUDEN: That's how you get the sales tax money is you have the people wear and tearing... [LR152]

MICHAEL MORGAN: Right. But then we turn around and spend it. [LR152]

SENATOR LOUDEN: Thank you. [LR152]

SENATOR FISCHER: I think, Mr. Morgan, Kearney has been very patient and I would say what Senator Louden did not say, that there are many communities in this state that have been patient and that is the reason this hearing. We had a 20-year plan started in 1988-89 and many of those projects are not completed and hopefully, we will hear from more people here today to give us some ideas on what we can do about getting money for our roads in the state and to help our local communities too. [LR152]

MICHAEL MORGAN: Certainly, unlike some communities in the state, we have not gone out and spoken in favor of calculations of numbers and traffic counts. We have left that to the Department of Roads and supported their efforts in that, where some cities have gone which would be in opposition, I am sure, with respect to traffic counts. We have said, you know, it is a whole process. There is a lot more that goes into that and we support that and we will continue to do so. [LR152]

SENATOR FISCHER: I appreciate it. Thank you very much. Did we scare everyone? (Laughter) Next person. [LR152]

STAN CLOUSE: Stan Clouse, current mayor of Kearney. [LR152]

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

STAN CLOUSE: C-l-o-u-s-e. Mr. Morgan talked about a lot of the things and field a lot of the questions and there were some things, I was sitting back there, that I wanted to

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comment on and I think it would address a lot of those. One of the things that we did in Kearney and this is when Senator Hadley was...we served on the council together, we talked about how do we fund these projects. We set up...and I think that was talked about...we went out to the voters and instead of using LB840 funds, we went to the voters and said, here is the capital projects we want to do and that included roads and buildings and all those types of things. And then we specifically targeted those dollars to pay for those projects to pay for those projects. We went to our citizens and say, you know, this is important to us. We cannot afford it. We are in the same situation as the state, we cannot afford to do a lot of these streets and a lot of these things in our current situation, but if you approve this additional half cent sales tax, we can get these projects done and that is what the voters approved and we are getting it done. So I guess my comment would be very similar to that. If we target what that funding mechanism is and we go out to our voters and say, yeah, we know we have all of these things to do and here is what it is going to take and then we follow through with that, then I think our voters would be very supportive. As far as the priorities, as Mr. Morgan said, we have tried to stay out of that. Every community has a most important project in the state. There is no question and you guys hear it all the time and we are sensitive to that. But I would say that there are things that we wanted to do on these state roads going through our community and we were willing to step up and do that. But because of state regulations or requirements, we had to sit and wait. So we have some streets that actually need a lot of work to them and we are willing to step up and do that because it was our community and we knew we had to (inaudible) when we could do that and not pull from other communities, but we have those other restrictions and other requirements that we are respectful of. I will entertain any questions to, but I think you covered a lot of things. [LR152]

SENATOR FISCHER: We will find more, Mr. Mayor. Any questions? [LR152]

SENATOR JANSSEN: Actually, I have two questions. The first one, I just kind of like to get your take on what I think Senator Fischer was talking about on how we prioritize and

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she threw out above the 20 percent and possibly, I even thought about maybe that of an equation throwing in what your current, we call it local effort, I guess, on school funding, local effort would be with your mill levy, and what your thoughts are on that and then I have one more question. [LR152]

STAN CLOUSE: Well the...it all comes down to defining your need and what you are willing to spend and each project could be a little bit different. We could say on this project it is important enough that we would be willing to go 22, 23, 24 percent whereas this one, no it is not, even though it is prioritized it may not be worth it to us to exceed that and we will meet our minimum requirements. Just like when you are doing your budgets at home, there are things that you are willing to spend the extra money to do. The 80/20 rule, I think that is pretty much for all the projects we have and I think mostly communities understand that. And the stimulus money helped us. It allowed us to use that 20 percent match and we used our money that we have budgeted for those matches to do other projects. I do not know if that answers your question, but I think it is a priority based on the community and working closely with the state. You got to have that good relationship with State Department of Roads when you have these highways going through your communities. [LR152]

SENATOR JANSSEN: Thank you and I should...back to protocol, thank you, Senator Fischer and Mayor Clouse. I wanted to clarify, you are the mayor of Kearney? [LR152]

STAN CLOUSE: Yes. [LR152]

SENATOR JANSSEN: That is confusing to me because I served on this committee the entire past year and I thought Senator Hadley was the mayor of Kearney. (Laughter)
[LR152]

SENATOR HADLEY: Only when things go well. [LR152]

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STAN CLOUSE: That was the best comment I heard in a long time. That is why we sent him to Lincoln so we could get him out of our hair. (Laughter) [LR152]

SENATOR JANSSEN: Thank you. [LR152]

STAN CLOUSE: Actually, he was talking the other day that there was only a couple of us still alive. [LR152]

SENATOR FISCHER: Thank you, Senator Janssen. We like to come out and do these study interim hearings around the state and we can be a little more informal than we are in the Capitol. Oh, Mr. Mayor, don't leave yet. Other questions. [LR152]

SENATOR HADLEY: Mayor Clouse, there seems to be a reluctance on a statewide level for increases in gas taxes. We went through that a year, year and a half ago. Any kind of taxation...and I have to say, Kearney is unique because you did pass the extra half cent sales tax that passed, I believe, on a 75/25 percent margin. Yesterday, you passed \$45 million bond issue for schools that passed. You passed a 10 percent, or a mill levy override that also passed. Is there...could you give us any help on, you know, what is Kearney's secret in convincing the people of Kearney that they need to step up to the plate and fund? [LR152]

STAN CLOUSE: I think the biggest key to that is transparency. We open our books. We go out and we have a lot of communication in our community. We say here is the need. Here is the things we have looked at. Here is how we plan on funding it. Here is the timelines on it. Here is what it means to you. Here is the impact if we do. Here is the impact if we don't. And we are very thorough in our communication. And then as we follow-up, and you know I think Mr. Morgan mentioned, too, with our capital improvement plan, with that half cent sales tax it is out there for the world to see. We account for every dime and it is out there on the Web site and we talk about it, we update it, it is very open communication. And then we follow through with what we

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promised to our constituents. So, I would say that is probably the biggest. But money is tight and the economy is tough, so I think that that is something that as we look at options, you also want to look at, you know, the sales tax when we passed that, that was more of a discretionary fund because, you know, people do not want to support that. There's other things that they can do or not buy or things like that. But there was a trade off too. And the trade off was LB840 funds to support incentives and cash for economic development projects as opposed to streets and roads and bonding projects. And so our community was very aware of that. We said, here is the difference and here is what you are voting on because we only get a half cent. And when that half cent is approved, there is no more. So, we can't go back and say now, okay, we are going to take these dollars that we used for roads and bonding and capital improvement projects, and now have a nest egg or a war chest to incentivize companies to relocate to Kearney and Buffalo County. So that is a trade off that we conscientiously made and we very explicitly explained that to our constituents. Now the other side to that is when...and we are just going through this with our technology park, we can put infrastructure in because we have the ability to bond and maintain our debt service. So we can put in water and sewer and working with the county paving these streets and roads so that when we attract economic development opportunities, we have sites where the infrastructure is there. And so, we are not scrambling trying to figure out if we are going to give this incentive to a business or if we are going to have to use dollars to roads to develop the site or both. And so, there is always a trade off and so you have to be careful on how you want to fund that. But I would say it have been very open communication and dialog with our constituents on how we are going to manage these funds, following through with it, and transparency. [LR152]

SENATOR FISCHER: Thank you, Senator Hadley. Senator Stuthman. [LR152]

STAN CLOUSE: Did I get that right, Galen, that is how you wanted me to word that?
[LR152]

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SENATOR FISCHER: You guys practiced. Senator Stuthman. [LR152]

SENATOR STUTHMAN: Thank you, Senator Fischer. I am very interested in the bonding portion of it because of, see, these costs, you know, just keep escalating every year and every year and every year like that. Pretty soon the cost is doubled from what you could have had the project done. Would you be supportive of having some type of change in the 80/20 portion if you wanted to get a project done? You know, the state right now is 80 percent and the local is 20. Would you support something that would change that to if you were really interested to complete your project that you would be willing to give up to 50 percent at a maximum and have the state pay the 50 and utilize the bonding so that you could get your project done? Otherwise, you would never get to that point. And I would say, never to go over that 50/50, but you know, and you may never reach the 50, but if we could work with the state and say, if your local community said, well, instead of the 20 percent, we are willing to make it 35 percent or 40 percent, but we want that project done within the year. [LR152]

STAN CLOUSE: I think that would be certainly something that we would look at. And that gives you a little bit more local control on what you are willing to spend and what you are capable of spending and help the prioritization. But one thing that I would also like to address, is that when we passed that capital improvement plan with an additional half cent sales tax, we did not start right out...we had some money the first year or so, we actually were starting to build up a little reserve. And so now as we manage that we actually put some money there for a year or so and then started paying cash for some of these things and then got into it. So we did not start right off the bat spending those dollars on bond indebtedness. We set there until we had a little bit in reserve and then we can manage those projects a little bit easier. And as we prioritize them, we take a little bit each year and we will put a...case in point, our library. We have to come up with about \$4 million for that. We have been putting aside dollars sitting there knowing that three years out, four years out we are going to do this project. Now if we get there we can say we have got three-fourths of that cash in hand now we are going to bond a

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smaller incremental amount. And so that is how we manage that. And as Mr. Morgan mentioned, as a council, we have adopted a 35 percent bond indebtedness cap because that is how we manage those funds. So, we may recognize these projects and their high priority, but that is how we manage it. We prioritize them and we say we got this project setting out here, let's put it, you know, \$100,000, quarter of a million dollars away for three or four years. Then four years out we say okay, we have got some money here are we ready to bond it or do we push a project out, something else come in a higher priority. So I think the state could also do something like that if they found the funding mechanism. Say you know, the first year we are going to collect, you know, of course when we are talking state dollars you could collect, you know, \$100 million, \$200 million sitting there. And then year two, that is when you start that. That would be something that I think might make some sense, but I am not a finance guy but those are the things that might make sense. [LR152]

SENATOR STUTHMAN: Well, I just feel, you know, the local projects, you know, local area, you know, if there is more support from that local community, to me that speaks volume as to do you want to get the project done. It also would save money as far as the state is concerned and then they may be able to do two or three projects if there is more local support. [LR152]

STAN CLOUSE: And we are always, I think the history of Kearney, we have always been willing to pay our own way and do what we can to help out. We don't sit there with our hands out all the time wanting these things. We just figure out a way to go do it. [LR152]

SENATOR STUTHMAN: Okay. Thank you. [LR152]

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

STAN CLOUSE: Thank you. [LR152]

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SENATOR FISCHER: Next testifier please. [LR152]

RICHARD PIERCE: My name is Richard Pierce. R-i-c-h-a-r-d P-i-e-r-c-e. I am chairman of the county board in Buffalo County. Originally, I was not going to testify, but I have had two to three people ask me so here I am. And mostly my testifying is just clarification. There was a question a little bit ago about what the county valuation and that is \$3.1 billion, roughly. Our levy this year is .37 which is down from last year which was .40, almost .41 and two years ago was .39. We have roughly a \$40 billion budget in this county. And these are just points of information so you know where we are at with our levy because I think Senator Louden was asking some of those questions a little bit ago. We have been involved with the city on this Cherry Avenue project. The county has stepped up and has built some roads in as part of the arterial and our idea with the Cherry Avenue was to kind of do a beltway around the city of Kearney. We started on 78th Road out here and brought that as far as we could without any further engineering by the state on what the roads were out there. We have done 11th Street. Fifty-sixth Street is a project that has been engineered which will tie into the Cherry Avenue and we are looking at doing that with some of the Recovery Zone bonding that we can do. We feel like that will be a funding stream for us. I do not have anything other than that really to tell you. Just kind of points of information that the city could not come up with. So, any questions for me? [LR152]

SENATOR FISCHER: Any questions. Senator Hadley. [LR152]

SENATOR HADLEY: Yeah. Mr. Pierce, could you explain your relationship with basically the city of Kearney and the county? Has it been a good relationship in working on these projects? [LR152]

RICHARD PIERCE: The city and county are in bed together out here. Now, I do not mean that literally. (Laughter) You got to add a little levity to this thing, it is getting too

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serious. No, that is the very unique thing about Buffalo County and the city of Kearney. We work very, very closely with them all the time. We have lots and lots of interlocal agreements that we have worked on. If there is project that needs to be done, the county supports the city, the city supports the county. We bonded a jail last year, \$24.5 million bond. The city came to bat for us, has helped us get that passed working very closely with us on that, supportive of that all of the way. And anything that the city does, the county in turn is very supportive. That has been something that goes back years and years when Senator Hadley was the mayor and even beyond that. It has been a very good relationship out here. That is why I say the county when the Cherry Avenue project was talked about to begin with, the county stepped up and decided, you know, we are going to get some of this stuff out of the road because we can afford to do it now. That is why we went with the 78th project. We've promised Avenue M, we promised 11th Street, 11th Street is finished as far as we can go. Fifty-sixth Street is another one of those streets that is going to just fit in with all of this. I don't know, I cannot think of any other...56th Street West was one that we bonded that the county paid off early. We do not like to carry debt out here. We paid it off early. That has been several years ago, but that was all part of this whole beltway project and getting the infrastructure in and around Kearney taken care of. Our Highway Committee chairman is also sitting back here, Bill McMullen. Anything else that I am leaving out, Bill? [LR152]

BILL MCMULLEN: No, I think you.... [LR152]

SENATOR FISCHER: I am sorry, but you cannot do that because we cannot get it transcribed. So, you have to come up here to talk. [LR152]

RICHARD PIERCE: Okay. Never mind then. [LR152]

SENATOR FISCHER: You have to come up here to face the music so we can get you on the recording. Any other questions. Senator Louden. [LR152]

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SENATOR LOUDEN: Yeah, I want to thank you for bringing this forward that you have \$3.1 billion county valuation. In other words, one cent of that brings in about a little over \$3 million for every one cent of levy that you have on that. There is a possibility that you have enough slack in there that if you wanted to come up with a larger number of money for a project such as your interchange out here, it is possible that you do have enough slack in there. [LR152]

RICHARD PIERCE: That possibility is there, but we are a township form of government in Buffalo County and, you know, we are robbing the townships and the fire departments and that right now. We are squeezing into their money. We are doing the best we can at holding it down, but when the county cannot fund what we need to fund, we have to, you know, we cut into their 15 cents. [LR152]

SENATOR LOUDEN: That is because you got 13 cents of leeway here and all of those other people have to divide of 15 cents, is that what you are telling me... [LR152]

RICHARD PIERCE: Yeah, right. [LR152]

SENATOR LOUDEN: ...where you are cutting into. Okay. Thank you. [LR152]

SENATOR FISCHER: Other questions. You mentioned that you paid off the bond because you are conservative out here. Are most of the bonds paid off before you start a new project? [LR152]

RICHARD PIERCE: Yes. [LR152]

SENATOR FISCHER: Always? [LR152]

RICHARD PIERCE: Not always. Those Recovery Zone bonds if we use those, the jail bonds will not be paid. [LR152]

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SENATOR FISCHER: But for road projects, are they always paid off? [LR152]

RICHARD PIERCE: I have been on the county board for 13 years and 56th Street going west was the only bonding that we have done for roads in this county since I was on. And the history has been that the county has tried to not bond roads, we try to just do with what budget we have. [LR152]

SENATOR FISCHER: What did you use for fund for that bond and was it voted on by the people? [LR152]

RICHARD PIERCE: It was not voted on by the people and that just came out of the normal county funds. [LR152]

SENATOR FISCHER: So property taxes paid for that. [LR152]

RICHARD PIERCE: Right. Yeah, that is the only funding source that counties have is property taxes. [LR152]

SENATOR FISCHER: Right. Okay. Thank you. Other questions. I see none. Thank you, Mr. Pierce. Next testifier please. Are there any more testifiers? Good morning. [LR152]

REED MILLER: Good morning. My name is Reed Miller. R-e-e-d M-i-l-l-e-r. I am a member of the American Council of Engineering Companies of Nebraska and I thank you for the opportunity to speak to you about transportation funding alternatives. Nebraska transportation system is not really keeping up with the ordinary demands. Our current funding system is producing flat to declining revenues. At the same time, inflation is eating away at our buying power. We need to develop funding mechanisms that will provide future funds. The plan must be sustainable and obtainable and not have a legislation battle every year, an annual legislative battle. We need a stable 21st

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century funding system. Options to provide both short-term and long-term funding sustainability are needed. Our current funding system, the Highway Trust Fund, must remain intact. We need to protect the variable gas tax. The system works and I believe it is the envy of the other 49 DOTs. It will work in the future. We would propose any discussion eliminating the variable gas tax. There has been discussion of bonding. Bonding is a tool which would offer alternative financing but only if a dedicated new funding source would be used to repay the bonds. Diverting funds from the current gas tax would be like robbing Peter to pay Paul. Bonding would be a hedge against future construction related cost inflation that could further delay critically important projects and would accelerate completion of economically important projects across the state of Nebraska. The bottom line is, we need new ways to generate revenues. Ideas for new revenues: gas sales tax; double the vehicle registration--currently it is 15, go to 30; possibly consideration registration on vehicles that are exempt, older vehicles that are exempt; redirect transportation revenues from other sources back to the Trust Fund. I believe that Senator Fulton has a bill to move all the gas tax money back to the roads in lieu of the current system where 60 percent goes to schools. I am sure that would be a very tough battle, but it would put the money where it belongs; provide legislative approval for local general sales taxes--this would help our local communities and counties care for their roads; create transportation development districts--I believe in the past session somebody from the 22nd District introduced that bill. This past year, Iowa identified their transportation needs. They looked at adding new revenues through increasing vehicle tax revenues, a severance tax for ethanol, creation of a transportation improvement districts, tolling, and public and private partnerships. Through the Time 21 Initiative, many of these solutions have been implemented creating tens of millions of dollars for additional road funding. We must consider innovative funding solutions to provide needed additional investment in transportation. The heart of the solution must be new revenue and bold leadership. There is no one solution, there is no easy solution. But, we must take action. And so I commend everybody to look at this before we get farther behind. We cannot see what direction future funding may be headed...we cannot wait, excuse me, cannot wait until federal

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funding. A transportation system takes a long time and will require a steady input of investment. It cannot be subject to general fund political decisions. It needs certainty. You predecessor saw that the transportation funding system was dedicated and flexible. We urge you to take innovative steps now and move Nebraska into a 21st century funding system. Thank you for giving me the time and opportunity to speak in this critical matter for all Nebraskans, I believe. Do you have any questions that I could try to answer? [LR152]

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

SENATOR LOUDEN: Yeah. Well, first of all, Mr. Miller, I agree that our funding mechanism that is in place now needs to be protected. I guess...I suppose you understand how that is done, you know, there is a variable rate, your needs are supposed to be calculated and then your revenue is supposed to be raised up there to take care of your needs and your taxes, accordingly. That probably has not been done for a long time. They usually figure out what your needs are...they figure out what your revenue is and they bring the needs down to the revenue and then they try and keep the taxes at 26.5 cents or thereabouts and that has been the politics of it. And you mention put a sales tax on it. Well, if they are playing politics with the system we have, how on earth will we ever get a sales tax on their...and with you having no tax issue going on like we have now and that sort of thing. I mean wouldn't we be better farther ahead just to bite the bullet and use the system we have now and raise the fuel tax 5 cents or so because as long as we got that interstate running across Nebraska, everybody else going from east to west is going to have to pay some gas tax too? Wouldn't we be better to go that route than to worry about an alternative one since this one is already in place? [LR152]

REED MILLER : I recognize that my ideas were just some ideas, but I wanted to offer some ideas and I know that you will sit down with your cohorts and determine that, but I wanted to throw some ideas out that you might consider and be on record for that.

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[LR152]

SENATOR LOUDEN: Okay. But one other...when you mentioned double registration tax like on passenger cars, that does not matter how old they are, you are going to pay 15 bucks anyway don't you for your license plate? [LR152]

REED MILLER: Aren't some older cars exempt? [LR152]

SENATOR LOUDEN: I think you got to pay the \$15, you are exempt the taxes. Anyway my Mom's 1990 Oldsmobile, there is very little tax on but I still got to pay the \$15 and some other... [LR152]

REED MILLER: But you do not pay a registration fee, do you? Is that what you are saying? [LR152]

SENATOR LOUDEN: Yes, I do. The registration fee is a flat \$15. In order to get a license plate, that is what you have to have. And now that \$15, \$1.50 of that goes to the recreation fund and it is my understanding that is about all over...When you talk about the school getting money out of there, that is out of the tax side of it. I think that is set up so the schools get 66 percent and the counties get the other portion. [LR152]

REED MILLER: About 60 percent. [LR152]

SENATOR LOUDEN: But that is more of a county levy than it is...it depends on what your mill levy is in the county how much taxes you are going to pay on that car. And that is the reason the state, after they are 14 years old, you do not have to...they are supposed to be depreciated out so they have no value, is what...that works. So I am wondering, I do not have the numbers here to know how much doubling the registration fee to go from 15 to 30, but we were talking about doing something like that the other day around the office down there and right now, Lincoln has a \$49 wheel tax on their

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car and they are squawking something fierce. Well, if we throw another \$15 on them from the state all over, I mean, they are paying through the nose to have their car on the registration. [LR152]

REED MILLER: I understand. [LR152]

SENATOR LOUDEN: So you know, I am wondering how we make that work if you thought about that part of it. [LR152]

REED MILLER: No, I am not here. I do not honestly think I can say that yes, do this. Okay. I was here to offer some ideas for the committee and I guess once you come up with them, then we will probably have another hearing. We can either disagree or agree with you. [LR152]

SENATOR LOUDEN: Do you think, just for a number, do you think a nickel increase in gasoline taxes would be unreasonable? [LR152]

REED MILLER: From my standpoint? [LR152]

SENATOR LOUDEN: Yeah. [LR152]

REED MILLER: No, I don't. No, I don't. And is it going to be variable, will it be a nickel and will vary on the amount the gasoline is. Are you going to raise our existing tax a nickel and keep a variable? [LR152]

SENATOR LOUDEN: Yeah, on the variable. Yeah, if you do not need it, you do not need to put it on there. That is what the variable is all about. If you did not need it, you did not put it on. [LR152]

REED MILLER: It sure does not hurt at \$2.50, as bad as it does at \$4. [LR152]

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SENATOR LOUDEN: Well, it is a smaller percentage at \$4. [LR152]

REED MILLER : And me personally as a firm we drive several hundred thousand miles. Okay. We drive a lot of miles. Okay. So yes, I think if that would help our road system I would be in favor of that. [LR152]

SENATOR LOUDEN: Well, the reason I just threw 5cents out there, I live in the western end of the state and I drive back and forth a lot of it and gas will vary 20 cents a gallon from one end of the state to the other and some of them are all Casey's gas stations, so I know they probably have the same suppliers. I wonder why it is 20 cents higher out west than it would be in Lincoln. As I pointed out, Lincoln is the cheapest place to buy gas. I suppose that is because the center of government is there and they are not going to gouge anybody in Lincoln. But there is sometimes 3 or 4 cents difference around town in Lincoln. So, as we have these hearings and meet people, I always ask them what number do you think would be reasonable to raise the gas tax. [LR152]

REED MILLER: I drive all over the state also and buy gas at a lot of gas stations and it varies probably more than 20 cents at the same Casey's stores I think anyhow. But I do not think a nickel would be unreasonable to consider. [LR152]

SENATOR LOUDEN: Okay. Thank you. [LR152]

SENATOR FISCHER: Other questions. Senator Hadley. [LR152]

SENATOR HADLEY: Mr. Miller, you mentioned inflation. I assume you work with funding of roads and highways and such as that. Do you foresee in the future, and it may be hard to do, do you see that inflation will continue to be above...basically above normal inflation when we are dealing with roads and infrastructure costs? [LR152]

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REED MILLER: You are talking to an old guy that saw the inflation in the seventies, okay. So I am afraid of inflation. I am very afraid of that. I think we are very lucky to have the inflation that we are having now. But we did see a year ago a lot of inflation in the construction industry like rebar and steel and aluminum. It is settling back down right now. We have concrete companies here. We have general contractors here. But it is kind of settling down now and some of the bids are very competitive. Do I think they will remain that way? No, because I think we are going to lose some of our contractors and some of our competitiveness and I think the prices will go up. So, I see inflation in the road construction area to go up. [LR152]

SENATOR HADLEY: One other thing, I would agree entirely with you that as we talk about people using our highways as cars become more fuel efficient, use less gallons of gas, the revenues are going to be going down for highways where the use is going to stay the same. Unless we find alternative funding resources, the wear and tear on the highways are going to be the same with less resources for us. [LR152]

REED MILLER: Yeah, I believe you have a very difficult job. [LR152]

SENATOR FISCHER: Other questions. I see none. Thank you very much. Next testifier please. Anyone else wishing to testify? Good morning. [LR152]

LARRY DIX: Good morning. Senator Fischer and members of the committee, my name is Larry Dix, spelled D-i-x, and I am the executive director of the Nebraska Association of County Officials and certainly appreciate being able to testify today. I sort of wanted to wait, not necessarily to the end, I just wanted to make sure that everybody else had their chance. In Lincoln, you know how that went there, it went a little long. One of the great things about the interim hearings is that you get up here and you do not have to say I am supporting this or I am opposing this. You just sort of get up here and throw out a bunch of ideas and so that is what I am going to do today. And I would tell you, I am not even sure NACO will support some of the ideas we are going to throw out.

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[LR152]

SENATOR FISCHER: We do appreciate that. (Laughter) [LR152]

LARRY DIX: With that being said, one of the things I think when we look at road funding, and many of you have been involved in those. I have been involved in this road funding issue for many, many years. Served on the Governor's Transportation Task Force, served with Senator Campbell and went around the state and heard this. So the background there, I have been involved for a number of years. One of the things I think, even at these hearings, people have brought up great ideas, but I do not think we can funnel in on maybe just one of them to solve our problem because I think our problem is so big...we have gotten to the point where the problem is so large that we can't just say, let's just increase the gas tax. Let's just do that and our problems will go away. Because I do not think by focusing in on one thing we are going to get enough revenue into the pot. And so let me throw out sort of a number of different ideas. Certainly an increase on gas tax, I think, is an idea. NACO has supported that in the past. NACO will continue to support that. I know Senator Louden has said, well, what is the magic number? Is it four or is it five? I have used the example as I have gone around the state and talked to people and I said, for the most part, and I think I can even almost from the hearings, almost put Senator Louden in this category is when you go buy gas, do you go shop around or do you go to the same place? And I think I am hearing Senator Louden saying, well, I am always stopping at Casey's pretty much all the way. I know when I go and buy gas, I live in Lincoln, I will tell you I know the price. It is going to vary 4 or 5 cents in Lincoln. But as a creature of habit, I probably go to the same place 80 to 90 percent of the time, regardless of the price. I probably go there if it is a cent cheaper across the street. But I think a lot of humans do that. And so when we start talking about the increasing in gas tax, you know, we get so wrapped up in this but in the end, does it really mean that much? And I know we are always protecting the people and I know the battle on the gas tax increase and I know the political fight, but for most people this is a \$12 increase a year on the average when you increase it a penny. This is very, very

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insignificant. I think it is amazing the city of Kearney passed a \$45 million bond issue for their school, a significant bond issue for their jails a year ago, they passed a half cent dedicated sales tax and yet, we argue about a tax that is going to cost us \$12 on the average, for the average citizen a year. You take all these taxes together, it is significant. By the time you add that up and you look at the levy, gas tax is very insignificant. But you know my feeling on gas tax. That is where we are at.

Registrations....increase on registrations has been brought up before. When you think about it, the increase in registration, the registration fee, keep in mind, you have got a couple things that show up on your tax statement. You have got a registration fee that I believe has not increased since 1969. It is \$15. I believe there is room to increase that registration fee. The reason for that is that goes to every car regardless if that is an electric car, what type of car, any car that is causing damage to our roads. Everybody pays it. It is not tied to gas. It is not tied to consumption. It is a registration. Now, somebody said, well, how much does that really increase? In the state of Nebraska we have about 2.2 million cars, take or leave a few. I think that is probably pretty close to the number. So \$10 on a registration fee is what, \$22 million. That gives you sort of an idea, rough idea. And I think \$10 is fairly conservative for the amount that we could look at the registration fee. The other one that we talk about is the motor vehicle tax component. When you get your little postcard, typically you are going to have three items on it unless you live in a city or village that has a wheel tax. But those three items typically are going to be a motor vehicle tax, a motor vehicle registration, and a registration fee. The motor vehicle tax, and this is the one that I think we ought to take a very, very serious look at. I will give you this example. I have a pickup, sets in my garage, many of you know I live just a half a mile outside the city limits in Lincoln. I do not pay a wheel tax. The pickup that I own has 50,000 miles on it. It can go for quite a few years yet. I do not drive it very often, but when I do pretty much the only place I go is I go into the city of Lincoln to Lowes or Mennards, whatever. I load it up with weight. I drive it on the city streets and I drive it back to my house. I do not pay any wheel tax. That vehicle right now is 13 years old. I pay \$7.00 in tax. Next year, I am not going to pay any tax. My motor vehicle tax on that vehicle is going to be zero. And I got to tell

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you, at 50,000 miles I am going to continue to make a lot of trips, put wear and tear on the streets in the city of Lincoln, on the county roads to get to the streets in the city of Lincoln, but I am paying no tax. I would challenge you to look at that table. We constantly hear, you constantly hear in front of the Transportation Committee people coming forward saying, my gosh, it costs me so much to register my car. You are not going to hear it from me. I paid the registration. I paid \$35.50. That is the registration fee, the motor vehicle fee, and the tax--\$35.50. That is all I paid. So you are not hearing...what you are hearing from are the people at the front end of the table. You are hearing from the people that are complaining about, I've got to pay the sales tax on my car and then I got to pay this large tax on it. And if you will remember, the motor vehicle tax is based on the manufacturer's vehicle, the price new of the vehicle and it depreciates as years go on. It depreciates from the first year all the way down to year 14. When it gets to 14, the tax is zero regardless if this is a Cadillac Escalade or if it is the smallest motorcycle that you can buy that you have to register. It goes to zero. What I would ask that the Transportation Committee look at, because we are looking at ideas for funding, is I would look at going through that table and start to identify how far across the table do we really have to go until we just simply say that is the minimum tax. I can move myself back six years and I only paid \$51 in tax as opposed to my \$7 today. So, I would tell you if I have this vehicle and I am only paying \$51, I am still pretty happy about it. I have got to tell you...and I move myself six years back on the table. Now people that have the Cadillac Escalades or the \$100,000 vehicles, you move them back six years they may still be paying \$600 or \$700. So they may not be the happiest of campers because they are never going to get to zero. But you can also stair-step that table. When you look at the table, when you look at the grid you can actually stair-step the table so that you would bring it down to a minimum amount so you would definitely impact the amount that everybody would pay and you would reach a point. And the other thing I would ask you to look is if you are moving everybody from 14 years, you are moving them back to seven years on the table and you are looking for revenue, also take a look at the people who are in year one, two, and three. There may be the ability to bring that rate down because you are making up enough revenue on the back end of

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the table. Now, just an idea. That's what we are here for, ideas. We also looked at...Senator Fulton had a bill in previous years that looked at the distribution of the motor vehicle tax. Right now, that tax, 60 percent of it goes to the schools, 23 percent goes to the counties, 22 percent goes to the cities. I think this becomes more of a tax policy issue, do you want to pay a motor vehicle tax? Do you want your taxpayers to pay a motor vehicle tax thinking that it goes to support of the roads when 60 percent of the dollar goes to support of the schools? Now you get into state aid, you get into nonequalized schools, understand all of that. But, let's face it, if I am going to pay a motor vehicle tax, don't I want it to go to pay for the funding of the roads? Senator Foley's (sic) idea was to move it 5 percent, move 5 percent away from the schools. Senator Foley (sic) and I have had this discussion, in fact, we have had it in the last week. [LR152]

SENATOR FISCHER: Senator Fulton. [LR152]

LARRY DIX: Senator Fulton. I am sorry. In fact, we have had it in the last week. If we are going to fight the fight, let's fight the whole fight, you know, rather than get bloodied up over the 5 percent this year and maybe 2 percent next year and so on. Fight the whole fight, if that is the idea the motor vehicle committee (sic) wants to go done. Another idea, this one is from the cities' and counties' point of view. As you know, when LB846 passed and we had a number of discussions last year on LB264 when we tied the price, or some of the revenue that comes back to the cities and counties to the wholesale price of gas, nobody would have ever in their wildest dreams predicted what happened to the price of gas. It dropped, it plummeted. I would tell you the revenue stream to cities and counties were diminished by \$10 million. They are going to diminish another \$4 million because of the way we are looking at the formula today, we know that that price will drop again. So...I can tell you as I am standing here by the end of this year, we will have diminished the amount of funding going to cities and counties for roads by \$14 million. I am very, very positive of that figure. The only way that could ever change from that \$14 million is if in the next 30 days...it probably could not change even

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in the next 30 days if the price of gas went to \$20 a gallon it would not change the way that formula is designed. My option for that, I would like to look at moving an additional cent into the city and county component of that formula. That would raise about \$12 million. That is not an increase to the cities and counties, we still have a \$2 million loss, but at least that gives us a little bit of a level playing field from where we were at a year ago. We talked about the gas tax increase. The other fee that is out there, there is a motor vehicle fee on your car and it is the one, Senator Loudon, I think that goes to recreational roads, it goes to the DMV Cash Fund. But the unique thing about that fee is that it also diminishes over time. In the first through the sixth year you pay a hundred percent of it, then it drops down to 70 percent, then it drops down to 35 percent. My option for you to increase funding, get rid of the diminishing. You're starting at \$15, get rid of the diminishing. Just make it \$15 across the board and distribute that money where or what it may be. That probably is not a whole lot of revenue but there is some that can be gained there. We have supported, we have introduced in the past a countywide sales tax dedicated towards infrastructure. NACO has brought that bill forward, we introduced it. It went nowhere very, very fast. But that would be a dedicated piece of revenue. Senator Stuthman, I think, was very instrumental in helping us get that bill heard in front of Revenue Committee. That money could be dedicated towards bonding, if you would so choose. We have always said we would be comfortable dedicating that money towards road infrastructure across the county. The last one I would ask you to take a look at and this is just one in the last probably 12 hours, so I am vague on this one. But I have heard from a counterpart in other states that when our major trucking firms go across the United States, there is a standard tax that they pay interstate proportional tax and I have heard that other states have a lower rate than we do. I do not know that is the case. I cannot confirm it. I cannot deny it. It is just something that I think is another thing that maybe we want to look at because we do know the amount of truck traffic that we have on our interstates, it is significant, but I do not know how that works. I just ask you to look at it. We talked about bonding. At different hearings we talked about tolling. There it is. Those are ideas. Throw them against the wall. See what sticks, see what doesn't. Like I said, I am not telling you...I

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told you one of them we would support, I am not going to tell you all of the ones we may or may not support, but they are ideas. Thank you. []

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

SENATOR CAMPBELL: Thank you, Senator Fischer. Mr. Dix, can you go through your truck thing again, the last 12 hours. Dusty and I are sitting here going, can you just describe it once more. [LR152]

LARRY DIX: Well, and here again, this is the one I am just the least sketchy on. But there is a proportional tax that is paid that trucks that travel across the United States pay. [LR152]

SENATOR FISCHER: Would this be with the apportions vehicle part, correct? [LR152]

LARRY DIX: With the apportion vehicle part, okay. And what I was told is that each state sets the rates, and I am not sure, I don't know. That is why I am saying, I am throwing it out. It is something to look into. [LR152]

SENATOR FISCHER: Did you hear this from your counterpart in South Dakota?
[LR152]

LARRY DIX: Kansas. [LR152]

SENATOR FISCHER: Kansas, okay. [LR152]

LARRY DIX: So, I have got to do some more research on it which I will be happy to do. So, I do not know the answers. [LR152]

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

SENATOR LOUDEN: Yeah, that apportionment, I have never done trucking that much across state lines, but you get your fuel measured when you come in and you get your fuel measured when you go out and somebody calculates it and you usually should owe some money on the deal. In other words, they figure the tax on the amount of fuel used. When you mentioned this registration fee of \$15 now, and I think you are old enough to remember. Do you remember when we had diesel cars back in about 1982 or 1983? If you had a diesel car and you had on-farm storage, you paid an extra fee because they thought you were using...that was before we had dyed diesel fuel. Do you remember what that was? I can never remember if it was \$45 or \$70 or what, but I know with our diesel cars and pickups in order to get my license plates I had to pay an extra fee whether or not I burned gas or diesel fuel in town or where. And that was when they talk about these newer fuel efficient cars nowadays or these electric cars or whatever. We have taken care of that before. So, I mean, do you have any problems with that extra charge on an electric car? [LR152]

LARRY DIX: I personally, I do not think, if I understand what you are asking, I think you are saying an additional charge if you have an electric vehicle like they used to if you had.... [LR152]

SENATOR LOUDEN: That does not use gasoline. Yeah. [LR152]

LARRY DIX: If we can devise that, I imagine you get into the instance where you have the cars that are not totally electric, that are partially electric, partially gas powered. [LR152]

SENATOR LOUDEN: Well, they can calculate it out. They sure enough did with my diesel car. They figured I drove 15,000 miles a year and I would pay so much taxes and that was the deal. [LR152]

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LARRY DIX : Well it is those kinds of things that I think we have to look at because if we continue down the road of just looking at funding just from a fuel base, I think we all know what is going to happen to that model. [LR152]

SENATOR LOUDEN: Now on your motor vehicle tax, that is all local tax, isn't it? The Department of Roads does not get any of that money, do they? [LR152]

LARRY DIX: They do not. And I will tell you, there are as many needs locally as there are at Department of Roads. When we looked at county projects for the stimulus, we came up with \$179 million worth of needs of projects that were practically shovel ready. [LR152]

SENATOR LOUDEN: And that is the reason I remember Senator Fulton was with his bill, you know, he came out and showed us all his price of his taxes on his car which was \$275 or something and I mentioned to him that, Tony, this is your local people. You need to talk to people downtown because I showed him my taxes on, like I said, my Mom's 1980 Oldsmobile and I think it was \$21 or \$18, whatever it was, you know. And I said what you are talking about is city-county business. It is not state business. When we talk about that tax, I hate to get mixed up in it because their wheel tax and all of that, that is all local funding, local revenue. [LR152]

LARRY DIX: Right. But even though you hate to get mixed up in it, I think it is the state level that establishes the table. [LR152]

SENATOR LOUDEN: Well, true... [LR152]

LARRY DIX: If you want the counties and the cities to establish our own table, then you need to give us that authority to do that and we could devise our own table. [LR152]

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SENATOR LOUDEN: The only table you have is the valuation of the cars, something like that, isn't it? [LR152]

LARRY DIX: Right and it is established by the state of Nebraska. [LR152]

SENATOR LOUDEN: Well, yeah, I mean, otherwise you would have every county assessor all over the place depending on whether they had more college kids or not in their district or the price of cars would be. What I am saying is the reason I do not like to get mixed up in that is because if you take that money away from them, you better find another way to supplement it. And I do not know if we are in any position to do that at the time being on that vehicle tax. [LR152]

LARRY DIX: Yeah, I am not proposing to take any money away from the cities and counties, I am proposing augmenting to the cities and counties. [LR152]

SENATOR LOUDEN: In other words, you want to put a state wheel tax on. Is that what you are saying, which would be the same as a registration fee. [LR152]

LARRY DIX: There has been talk of a countywide wheel tax again. I think the counties are going to have to come back to the Legislature to get authorization to do that. That may be a great idea. When you think about it, I think Lancaster County has looked at it. Again, I have used the example, I live a half a mile outside the city of Lincoln and I would tell you 90 percent of the miles that normally happen on my wife's vehicle and mine probably occur inside the city of Lincoln. I do not pay a wheel tax. But a countywide wheel tax, now if you give the counties that authority, that is a revenue generation. I am interested. [LR152]

SENATOR LOUDEN: Now if we give them that authority then, it will be pretty tough to increase the registration fee, wouldn't it be politically? [LR152]

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LARRY DIX: As I started my very first statement, when you look at this you are going to have to look at multiple things. You are going to have to come up with a package. And so I think an increase in registration fee, along with a countywide wheel tax, I think that is all part of the package. Those are something that you have to look at. For years we have said, it isn't a problem with the formula, the problem is that there is not enough money in the pot to be distributed. So we have got to find some additional revenue sources, any way you slice it, and I think it is going to come from multiple sources.

[LR152]

SENATOR LOUDEN: And as you mention, the political part of it with the formula now that no one wants to raise that gas tax or something like that. That is all I got for you, Larry. I will get you later on. [LR152]

LARRY DIX: Thank you. [LR152]

SENATOR LOUDEN: Thank you. [LR152]

SENATOR FISCHER: Thank you, Senator Louden. Senator Hadley. [LR152]

SENATOR HADLEY: Mr. Dix, I guess I am interested in your kind of potpourri of possible suggestions. I had a good friend who passed away here in Kearney whose main goal in life was to figure out some way to get fees out of the tax exempt vehicles we have on the...and he was a very well-known physician and well respected, so it was not a crackpot. He had a big concern about...he used to tell me the number he would count in a day of tax exempt vehicles. Is that a viable thing that should be put on the plate? [LR152]

LARRY DIX: One of the things that I did not list on ours, but it is one that we are actually going to take in front of our legislative committee is to examine exempt vehicles to see if there is a cap that we should establish to exempt a vehicle. Because as you know, as

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we know, all of those vehicles to get an exemption they must show up in front of a county board and apply for that exemption. And some of those vehicles have significant, significant value and a number of those vehicles simply drive on the roads all of the time. And so we are interested in that in probably a much bigger tax policy picture when we talk about the erosion of the tax base all the way around. I would tell you it is not always just the vehicles. It's also the other buildings and things that we are starting to see come off the tax roll. While we are standing in Kearney, the example that I hear being used in Kearney from time to time is some folks will question whether Good Samaritan Hospital should be a tax exempt facility. Some people will question, is it being run for profit. And here is a million dollar fabulous facility. I am not saying if it should or should not, but that question has come up because it is an erosion of the tax base. [LR152]

SENATOR HADLEY: Thank you. [LR152]

SENATOR FISCHER: Other questions. I see none. Thank you, Mr. Dix. Anyone else wishing to testify? Good morning. [LR152]

CHRIS JACOBSEN: Good morning, Senators. My name is Chris Jacobsen. That is C-h-r-i-s J-a-c-o-b-s-e-n. I am the Highway Superintendent in Custer County. My question is more or less a....and I am thankful that Larry came with that potpourri of ideas because a lot of that leads into the fact that it is basically a supply and demand issue. You have so many needs on roads and bridges, you have to be able to fund that, supply that to your constituency and how do you fund that. If we are looking at the Highway Allocation Fund for instance, and all the complexity of that formula, even though you look at that supply and demand and you implement what you feel is necessary to meet that, my question really to you to understand the logic behind it, that highway allocation still falls within the lid limits and we cannot exceed that even though we need that. If we meet the need, are we going to lift that and take that outside of that lid limit? That is my sole question. [LR152]

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SENATOR FISCHER: We do not answer any questions, Mr. Jacobsen. (Laughter). Mr. Jacobsen is my constituent, so I am sure we will have this discussion. You can ask me the questions later. [LR152]

CHRIS JACOBSEN: I will ask you the questions later. But the principle behind that is even though you meet the need, you have restricted my arms behind my back because I cannot go beyond that limit. So if you were to meet that need, I believe you need to entertain the thought of pulling that outside of that state lid limit. And that is my comment. [LR152]

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

SENATOR CAMPBELL: You know, Mr. Jacobsen...and thank you, Senator Fischer. I have to say that if I remember being on the county board there were some portions of a capital project that could be, and I am seeing a nod in the back, that did not fall under the lid. I remember Don Thomas spending a great amount of time figuring out what did fit and what did not. And we probably ought to relook at that again, at your suggestion. I think that is valid. But I do think there are some things, but it is difficult to decipher what it would be. [LR152]

CHRIS JACOBSEN: Sure. [LR152]

SENATOR FISCHER: Other questions. Seeing none, thank you for coming today. [LR152]

CHRIS JACOBSEN: Thank you. [LR152]

SENATOR FISCHER: Other testifiers. Anyone else wishing to testify before the committee? I see none. I would like to thank Senator Hadley for helping my staff get this

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hearing put together. I would like to thank the university here at Kearney and also the city of Kearney for hosting us. It is always a pleasure to be on the road and it is always a pleasure to come to central Nebraska. This is only central Nebraska in Kearney and as we continue today to North Platte, we will carry your ideas and suggestions that you brought forward to us. I also have some of my cards here if any of you would like to take one and then contact me on some thoughts that you may have on this after we leave your fair city. So with that, I will adjourn the hearing for today. Thank you. [LR152]