

**Transportation and Telecommunications Committee
and Appropriations Committee
December 17, 2018**

FRIESEN: [00:00:02] Welcome, everybody, to the hearing today. This is a joint hearing of the Appropriations Committee and the Transportation and Telecommunications Committee. I'm Curt Friesen, representing District 34. I'm currently the Chairman of the Transportation Committee. Senator Stinner, who chairs the Appropriations Committee, could not be here today and I don't think he'll be joining us via telephone because of the sound of the waves crashing in the background would be too loud. And so, unfortunately, he couldn't join us today and we should all feel really sorry for him. So I'm going to let the-- I've got the staff. I have Sally Schultz and I have Jenni Svehla and Tip O'Neill. And I will let the committee introduce themselves, starting with Senator Watermeier.

WATERMEIER: [00:00:53] Dan Watermeier from Syracuse.

McDONNELL: [00:00:55] Mike McDonnell, LD5, south Omaha.

BOLZ: [00:00:56] Senator Kate Bolz, District 29.

BOSTELMAN: [00:01:00] Senator Bruce Bostelman, District 23.

GEIST: [00:01:03] Senator Suzanne Geist, District 25.

HUGHES: [00:01:06] Dan Hughes, District 44, southwest Nebraska.

HILGERS: [00:01:09] Mike Hilgers, District 21, northwest Lincoln and Lancaster County.

FRIESEN: [00:01:12] And we have Grady as our page today. Today we'll hear invited testimony from Kyle Schneweis, the director of the Department of Transportation. And we're hearing-- holding this hearing pursuant to Section 39-1365.02. That section requires the department to submit an annual report to the Legislature on the needs of the state highway system, the "departs" planning procedures and the progress being made on the expressway system. I would ask everyone to turn off their cell phones and we will now call Mr. Schneweis to the table.

KYLE SCHNEWEIS: [00:01:47] Good morning, Senators.

FRIESEN: [00:01:51] Welcome.

KYLE SCHNEWEIS: [00:01:59] Thank you. Good morning, Chairman Friesen, distinguished members of the Transportation and Telecommunications and Appropriations Committees. I'm Kyle Schneweis, spelled K-y-l-e S-c-h-n-e-w-e-i-s, and I'm a director of the Nebraska Department of Transportation. I appreciate the opportunity to come before you today to provide information on the investments being made in our transportation network and the current state of the needs of Nebraska's state highway system. First, I want to thank you. Your support has been vital to the department as we've worked through significant legislative initiatives the last several years. I appreciate your trust and the relationships that we've built together as we meet the infrastructure needs of our state. From passage of the Transportation Innovation Act to enabling DOT to take on the federal environmental processes, all the way to last year's speed limit modernization, we've listened to each other through complex issues and created, passed, and implemented policy, policies that improve the lives of Nebraskans. And I'm thankful for that partnership and look forward for the journey to come. As we offer the needs assessment this year, I can share that Nebraska has a well-maintained transportation system capable of supporting our current transportation needs. The Build Nebraska Act and the Transportation Innovation Act build on that commitment that-- and travelers

are already driving and realizing the impact of capital improvement projects like the Kearney East Bypass and the Nebraska City Southeast Interchange. These were all made possible due to the Build Nebraska Act and Transportation Innovation Act. We at DOT understand the value Nebraska has put on running government responsibly. As a department, we reflect those same Nebraska values, whether it's finding more efficient ways in which to do our work, how we scope a project, or how we deploy innovation. All of these things are done with the intended goal of giving the taxpayers the most infrastructure for their buck. Responsible government means we need to assess the balance-- assess and balance the needs of our system. But the fact-- the fact remains true, the needs of the transportation system far outpace the funding available. Please keep in mind this report is a snapshot of our state's infrastructure needs. Tracking and assessing needs is a dynamic and constant process. The future of transportation has a lot of uncertainty in it and there are a lot of opportunities that come with that. Major changes, like autonomous vehicles, connected infrastructure, ride-sharing services, e-commerce, electric vehicles, even 3D printing could have profound impacts on the way that Nebraskans travel and the way freight moves through our state. This will affect everything from revenue levels to the kinds of future priorities we set in our-- for our transportation system. We are seeing the merging of technology and transportation. And we are challenging ourselves to think through these issues and plan for what we know while balancing resources and staying flexible and open to opportunities. The one thing we do know is the needs of the system will shift with changes in technology and we need to be deliberate and strategic. I'd like to get into the report itself. You have two in front of you. This one I'll start with is this one, the "Needs Assessment." If you turn to page 1 and 2, I'll start there. So in previous years, as in previous years, we've projected the needs of the state highway system for 20 years and those needs total \$12.5 billion in today's dollars. To put that in-- into perspective, the average construction budget each year is around \$500 million. We assess and manage the needs of the state highway system through three general categories: asset preservation, system modernization, and capital improvements. These simple categories allow us to classify the needs in a logical way and help us to develop strategies to

meet our statutory priorities and plan for our annual construction program. If you look at page 3, I'll start with the preservation piece. Preserving the state highways' 10,000 miles and 3,500 bridges is our highest priority. The Legislature underscored that point in the statutes which read, "The department shall consider the preservation of the existing state highway system as its primary priority." Heeding that directive, our approach can really be explained very simply: Keep good roads good. The key to keeping good roads good is to be prepared and plan for-- for and address issues on a consistent basis. And this preventative approach is the key to cost-effectively maintaining our system. Maintaining the system through asset preservation is the largest needs category and represents the bulk of our program with a projected 20-year need of \$7.1 billion in today's dollars. That includes \$6.4 billion for pavement and \$700 million for bridges. You should know we are constantly exploring new technology materials to improve pavement and bridge performance with the goal of reducing life cycle costs. An example that we've had great success-- success with is placing waterproof membranes and asphalt overlays over our concrete bridge decks. I'd like to turn to system modernization, pages 4 and 5. Modernization addresses roadway improvements that do not directly increase capacity but increase-- but do increase safety and efficiency of the existing network. Modernization needs are associated with roadways and bridges that, for example, may be narrow, have limited shoulders, have steep hills, maybe curves that are a bit tight, or have at-grade intersections where perhaps a grade separated interchange would be preferred. The projected 20-year system modernization needs in today's dollars is \$1.8 billion. The largest component of that is on roadways at \$1.3 billion, followed by \$300 for rail and transit, and \$200 million for bridge modernization. In the name of asset preservation and modernization, we're continually challenging ourselves to find innovative solutions to meet the needs of our system. An example, our professional engineers have implemented a practical design approach which allows them to do the analysis of current and future needs and make safe, practical, and efficient decisions. Staying on page 5, like to talk about capital improvements, the third major category of needs. Capital improvements reflect a strategic commitment to the future of our state by judiciously adding

capacity to a system as a means to address traffic congestion, provide safety enhancements, and encourage economic development. These large-scale, complex projects include improvements such as bypasses, new roads, new interchanges, additional lanes, and freeway upgrades. The capital improvement projects take time to prepare and construct but have a lot-- lasting and enduring impact on mobility in our state. The cost of the 20-year capital improvement needs in today's dollars is \$3.6 billion. This figure includes \$3.4 billion in roadway expansion needs, and grade separation needs are assessed at \$200 million. Just one example I would highlight would be the continued six-laning of I-80. The next segment up would be between Lincoln and Seward. This 17-mile stretch would require the acquisition of right of way, new pavement, replacement of eight overhead bridges, interstate interchange reconstructions, as well as grading, culverts, lighting, and even rest area improvements. That's 17-million-dollar-- or 17 miles, excuse me, stretch is estimated to cost, in 2023 dollars, at \$212 million. The Build Nebraska Act and Transportation Innovation Act both addressed this category of need, and I'll discuss the impact of both those programs in our-- to our capital improvement program later in my testimony. As I stated, we are working to challenge ourselves as we think through the needs, how we care-- categorize them, and how we plan and eventually meet them. An example: the Metro Area Travel Improvement Study developed by the DOT in coordination with the Metropolitan Area Planning Agency, MAPA, is establishing future transportation improvement needs in Omaha. It recognizes that future interstate and freeway needs are inherently linked with arterials, local roads, and transit system needs in Douglas and Sarpy Counties, a piece of Cass County, and even portions of Iowa. The study established the noninflated capital improvement needs for interstates, freeways, and nonfreeway improvements on the state highway system in the region at approximately \$590 million. This plan and preliminary cost estimate will be detailed in the-- in the Metro Area Travel Improvement Study report upon its completion next year. New to the needs assessment this year is the transportation system's management and operations highlight section. As you know, technology is an evolving area in our business and technology can help us to strategically operate the system with things like cameras,

message boards, traffic control systems, and even more advanced infrastructure investments to eventually support autonomous and connected vehicles. Such outlays will surely increase as technology continues to spread to all aspects of transportation. I always like to mention maybe what's not captured in the needs. This year the aeronautics piece is the one I'd like to highlight. As you know, when we merged the Department of Roads and the Department of Aeronautics into the DOT, it's allowed us to focus on a holistic approach to Nebraska's transportation system, and we continue to work on planning for our state's aviation needs to better understand and support air mobility. The last aviation systems plan was used to identify projects from 2002 through 2021, and an update is needed. At the time, I believe the estimate for the needs was \$500 million. And as we-- we get into that system, an update of that system's plan, we'll be updating that number in the future.

Senators, I appreciate the opportunity I've had to share our "2018 State Highway Needs Assessment" with you. If you now turn the second report, the 2018 "Transportation Innovation Act and Build Nebraska Act" report. The intent of LB84, the Build Nebraska Act, and LB960, the Transportation Innovation Act, are to fund projects that modernize the system and provide increased mobility, freight and safety benefits, and drive economic growth. Partnered together, these pieces of legislation are delivering long-needed capital improvement projects to the people of Nebraska, the impact of which will be felt for decades. We're now in year 7 of the 20-year commitment that the Legislature made with the Build Nebraska Act when it was passed in 2011. If you look at the map on page 1, you'll see that to date 8 of the 17 projects for the first ten years of the Build Nebraska Act have been completed. In addition, four more are under construction today, and an additional five projects are in the active delivery process and on track for construction as long as funding remains committed. These yet-to-be-built projects include several that are long awaited. The Lincoln South Beltway and the Heartland Expressway will both provide significant regional benefits connecting key freight corridors. Two other projects, U.S. 75, Murray to Plattsmouth, and the Highway 30 from Schuyler to Fremont, both show progress towards completion of-- of important expressway corridors. Seeing these projects through requires a steady and long-term commitment to the Build

Nebraska Act and the Transportation Innovation Act. It takes many years to develop these projects and the work on-- on the next ten years of the Build Nebraska Act and the Transportation Innovation Act has already begun. Page 4 provides a status map and updates of where the 22 projects selected for design and construction and planning are in progress. The Fremont Southeast Beltway is scheduled for construction in 2020; 192nd Street and West Dodge and the U.S. 275 from Scribner to West Point are-- all represent projects of significant impact to communities, as well as the department's emphasis on innovation and safety. U.S. 83 Super 2 project from North Platte to McCook is a great example of-- and it's on page 5. You'll see the information on how we use the project prioritization process to scope that project to meet the needs of the communities but also be built within our means. These projects are all part of a \$300 million investment that includes 8 projects selected for construction, 12 for design, and 2 for planning. Between the Build Nebraska Act and the Transportation Innovation Act, 100 percent of our expressway system is complete, funded for construction, design, or planning. Next I want to cover a few items regarding the programs within the Transportation Innovation Act. I'd like to start with the Accelerated State Highway Capital Improvement Program. It provides the DOT with the ability to use accelerated project delivery methods like design-build, and these innovative contracting methods are tools we can use to leverage the private sector innovation and speed the process of delivery. We're currently in the process of undergoing our first design-build project on Highway U.S. 275, the four-lane expressway project. Next I want to focus on the county bridge matching program. As many of you know firsthand from traveling in your districts, the conditions of-- of Nebraska's rural bridges can hinder personal and commercial travel that is critical to the safety and prosperity of our citizens. The Innovation Act created the County Bridge Match Program which devotes up to \$40 million to accelerate the repair and replacement of bridges on the county road system. To date 134 bridges have been replaced or removed using the County Bridge Match Program. Page 6 and 7 provide an overview of the program, locations of the bridges that have been selected, and information on innovative ideas and solutions that have been leveraged to positively impact the design,

construction, and maintenance of bridge replacement and repair. The bridge program has been a very popular program. The total costs for the first two rounds are approximately \$15.5 million in construction, with \$7.5 million of that being local funds. Last month the DOT received its third round of proposals and we anticipate subsequent award announcements to come just next month. The final program created by the Innovation Act is the Economic Opportunity Program, or EOP, which dedicates up to \$20 million to help build transportation improvements that attract new business and support business expansions in Nebraska. The DOT and the Nebraska Department of Economic Development have partnered to grow this program into an economic driver for recruitment and economic growth. As awareness of the program has grown, we are seeing an increase in interest from all over the state. We've worked with 20 communities to provide information and evaluate whether the EOP could provide opportunity. The EOP panel has approved ten applications, six in 2018, four in 2017. All six in 2018 of the approved recipients are actively progressing towards project construction. If completed as anticipated, these six approved projects would create a total of over 200 new jobs and inject approximately \$100 million in private capital investment into our economy. Recently McCook joined Merrick County as being the second project to solidify local approval and move forward towards completion. All three of these programs authorized in the Innovation Act are impacting communities and providing the resources for the DOT to maintain and improve transportation in Nebraska. Senators, as I conclude my testimony, I would like to briefly summarize the state of transportation in Nebraska. We have a well-preserved system and we're delivering on long-awaited projects to communities that will grow our state's economy. The DOT, we are modern-- modernizing our business practices and aggressively reducing costs to be more effective and efficient. We're becoming a more customer-focused agency. We're preparing for a transportation future that will likely look very different than today. I would like to reiterate my appreciation for the ongoing support the Legislature has given the DOT and I'm thankful for this body's long commitment to infrastructure. Successive generations of Nebraskans have invested in and brought us the transportation system we have today, and it is an honor to be

able to play a part in it. None of what I've discussed today is possible without your continued support in laying out the policies and providing the resources to meet our state's transportation needs, and that's something I think all Nebraskans can appreciate. Thank you for your attention. I'd be happy to answer any questions.

FRIESEN: [00:17:22] Thank you, Director Schneweis.

KYLE SCHNEWEIS: [00:17:24] Sure.

FRIESEN: [00:17:24] I think most of us can concur that there is more construction if we count the orange barrels out there, so there does seem to be a lot of things going on all over the state. So--

KYLE SCHNEWEIS: [00:17:34] We like cones, sir.

FRIESEN: [00:17:36] -- I think people are-- people are seeing action out there. So there's always, always more needs than there are dollars. But questions from the committee? Come on, don't let him off easy. Senator Hilgers.

HILGERS: [00:17:51] Thank you, Mr. Chair. Thank you, Director. Good to see you. Thanks--

KYLE SCHNEWEIS: [00:17:54] You too, sir.

HILGERS: [00:17:54] --for the update and for all the good work you and your department are doing. I was wondering if you could provide the committee with any sort of update on-- so far on the progress of LB271, the implementation. I know the MOU was signed this-- I believe later, late summer of this year. I know it's still a little bit early, but I'm wondering if some of the cost savings

projections or the potential impact,--

KYLE SCHNEWEIS: [00:18:14] Sure.

HILGERS: [00:18:15] -- if you could give us an update on that.

KYLE SCHNEWEIS: [00:18:16] Well, first, and so we're talking about the NEPA assumption.

HILGERS: [00:18:19] NEPA, yes.

KYLE SCHNEWEIS: [00:18:19] And that allowed the, as you'll recall, allows the DOT to take over the federal review and approval of the environmental process. And we passed that bill about 18 months ago and this last September we did sign the memorandum of understanding with the Federal Highway Administration to take over about 95 percent of the-- of the approvals on the projects. So we're just getting started. We have signed a couple of our own, big days for us, rather than-- than Federal Highway, putting the signature on the line to-- to have our own team and staff do it. It's been a very empowering thing for us to control our own destiny and-- and take ownership of the process, both in terms of the decisions that we make but also to streamline the process. It's too early to tell you how much time we're saving, but I-- I can tell you that other states have been-- have seen great results. And one of the things that we've done is establish that baseline so that we know exactly how long it was taking us before. And we have goals to try and beat those time lines into the future. I-- I know that my colleague in Utah reported that on their more-complex project they're seeing a 50 percent reduction in the time it took to deliver projects. I think that would be very aggressive but something that I would hope we could try to emulate in the future. So I thank all of you for your work, especially you, Senator Hilgers. Senator Geist, I know you helped carry that bill. It was a-- it was a complicated and technical bill that we really appreciated your help on. And I

think it's going to deliver great results. I know other states are looking at us because we're the eighth state to do this, but the other seven are more of the big boys that you might expect, the Texas and the Californias. And so I think for Nebraska to step up, in a rural state, and take this on is really showing that initiative and a lot of states are watching for our success. So thank you.

HILGERS: [00:20:09] Thank you.

FRIESEN: [00:20:10] Thank you, Senator Hilgers. Any other questions from the committee?
Senator Bostelman.

BOSTELMAN: [00:20:14] Thank you, Mr. Chairman. Thank you, Director, for being here today.
It's more of a comment--

KYLE SCHNEWEIS: [00:20:19] Sure.

BOSTELMAN: [00:20:19] -- than a question for you at this point. The County Bridge Match Program, I know Saunders County has been working very hard at building some templates which we can take across the state. Saunders County has the most bridges in the state, the most that are affected by either being out of service or needing repair and/or replacement. So at some point, I'd like to have someone from your staff to come visit with me, unless I have comments strictly to that now. I know that-- that Mr. Mika was working really hard and diligently with trying to come up with funding so they get those templates put in place so then we can take it across the state, to save us money, and get more work done at a quicker pace to relieve those stresses that we have in our rural areas.

KYLE SCHNEWEIS: [00:21:00] Just a couple of comments: I think that those kinds of

approaches are exactly what the County Bridge Match Program is designed to do, to take the innovations that some counties were using and help spread the good word around the state. And you mentioned Steve Mika. He's been a great asset for us in the state. He's doing great work in his county and he's-- he helped us design the program so that it will work for counties, and we-- we're seeing the results of that. So I would love to sit down with you and learn some more. I see Steve. I do a quarterly meeting with he and a couple other of his peers where we didn't just talk about opportunities for the state and the counties to work together. And so I'll add that to our agenda and we'll certainly include you in the conversation.

BOSTELMAN: [00:21:39] Thank you.

FRIESEN: [00:21:40] Thank you, Senator Bostelman. Any other questions from the committee? I've just got a couple. I know we've talked several times about right of way and broadband and--

KYLE SCHNEWEIS: [00:21:54] Uh-huh.

FRIESEN: [00:21:54] -- and the department's need for broadband in the future. Is there-- are there plans coming together where that can be a-- a part of a construction projects where you're looking further ahead? And as we try to do broadband in our rural areas, do you foresee coming up with a plan to where that--

KYLE SCHNEWEIS: [00:22:10] Well, I-- I think the important takeaway that I would leave you with is that I think the DOT has a role to play in rural broadband as we look at opportunities to connect future vehicles, with technology in the car, to the roadway so that we can communicate things about work zones or accidents and keep people moving, keep people aware, and keep the cars active. I-- I think there we need technology along the roads. And so we're pretty far behind

other states in terms of fiber along the roads. I know other states started in the '90s and every time they did a construction project they put that fiber in. We have some-- some closed loops that we've got that connect our cameras and some other pieces, but right now we aren't able to partner very well with other entities to be able to cost-effectively get there. I know there's some statutory challenges to that. I think it's one of those things where I want to make sure that DOT is part of that conversation going forward and we're going to have to get creative. But I do think that we need fiber and I know that that's part of the solution to rural broadband. So where there's opportunities to work together, we-- we think we can-- can further the deployment of rural broadband but also meet the needs of the transportation system.

FRIESEN: [00:23:25] Good. I-- I mean I-- I think there are opportunities for public-private partnership. And-- and if we can come up with a plan going forward, I think it saves everybody a little money and gets it developed. And a lot of--

KYLE SCHNEWEIS: [00:23:38] And maybe the kind of thing, excuse me, Senator, that alone we probably-- we maybe can't accomplish it but together we maybe can.

FRIESEN: [00:23:45] Right. I think by working together it-- it can speed up the process. And I think numerous times the DOT right of way issue has come up.

KYLE SCHNEWEIS: [00:23:53] Uh-huh.

FRIESEN: [00:23:53] And I know it's a-- it's a factor and it could play a role in-- in how soon we get this done. Another question I kind of had is, you know, you've got the economic development program out there and are those dollars kind of set aside ahead of time or does a shift have to happen? Do you sometimes have to pull a project off here in order to fund a project

[INAUDIBLE]?

KYLE SCHNEWEIS: [00:24:15] Sure. Well, as we-- as we try to manage the-- the-- our program and our cash flow, right now we're projecting about \$1.5 to \$2 million in that program each year. That's-- that's sort of how we go, we-- we project it. We try to be very flexible with the program. A lot of grant programs, you know, you set aside X amount of dollars and then the applications come in and then they review and then you-- and then you have this much money and that's what you go forward with. Here we're trying to respond at the speed of business. So as opportunities arise, we're assessing them one at a time. And so we're projecting that around that \$2 million mark and-- and so far in the first two years that's-- that's been enough.

FRIESEN: [00:24:58] OK. My-- one of my second to last question would be the aviation portion. And I think down the road they'll be a larger component of this report, probably bring that into focus.

KYLE SCHNEWEIS: [00:25:08] Yes, sir. I think as I mentioned in my testimony, the last time that the aviation statewide aeronautic needs were assessed was-- I think it was about 18 years ago. And so it's time to up-- up-- upgrade that. We're doing an economic impact analysis study today. It's kind of our first step. Next year I suspect we'll start that systems plan again and-- and really try to evaluate what the needs are on the aviation system and in today-- today's environment. There's a lot of technology improvements at airports, as you know, and-- and we'll be trying to assess what truly is a need versus what is a want, and try to get a number similar to what we have for our highway system.

FRIESEN: [00:25:46] OK. The last question has to deal with I-80 and the traffic counts. And you-- you did bring up the fact that the I-80 to Seward, from Lincoln to Seward, would be kind of the next

step that you might take. But according to traffic counts now, I mean do you foresee a need already for it to go long past there already just based on traffic counts and criteria that you would measure?

KYLE SCHNEWEIS: [00:26:08] Yes, sir. As we-- as we look forward, I think the idea that we need to plan to be able to get out to York with six lanes is-- is pretty apparent. We hear that from our freight partners in the trucking community. And then I think even beyond, out to Grand Island is probably down the road. As you-- as you know, I mentioned the piece to Seward of a couple hundred million dollars just to get us there. It's going to take that steady investment. Part of the challenge is that the pavement is 50-60 years old. And so as we replace it, now is the time to, to look into that.

FRIESEN: [00:26:39] OK. I-- I just think it's really important for economic development down the road that the traffic on there is getting-- used to be that just between Lincoln and Omaha was that bad. Now it's going west it can be really bad too. So any other questions from committee? Senator Watermeier.

WATERMEIER: [00:26:53] I thank you, Chair. Appreciated you coming, Director. You had mentioned the \$20 million in the economic development and you were assessing that, whether it was enough and should it be more. But I appreciate the effort being done on the county bridge program as well and was convinced that it should have been more than \$40 million.

KYLE SCHNEWEIS: [00:27:08] Uh-huh.

WATERMEIER: [00:27:08] Will you do that annually, look and say, of all the pieces of the program of the TIA, will you look at that annually and come back to the Legislature, say we really would have more room, the state would have more room in this program or that program?

KYLE SCHNEWEIS: [00:27:19] Yeah. I think in both cases of those programs that, you know, up to \$40 million and up to \$20, we're assessing it each year. I know there's a lot of our constituents who would like to see more than \$4 million being spent each year. That's the-- the amount we've spent on this, on the bridge side.

WATERMEIER: [00:27:36] Right.

KYLE SCHNEWEIS: [00:27:36] From-- I mean, we're trying to balance lots of needs, as you can expect, trying to deliver on some of the other projects. And so we're trying to balance and assess those things. Right now when the applications come in, we're funding about a third of them,--

WATERMEIER: [00:27:48] OK.

KYLE SCHNEWEIS: [00:27:48] -- which to me seems about right when you think about something you want to be competitive. You want to have to pick the best of the best. And so, funding of about a third of the projects that come in.

WATERMEIER: [00:27:56] That may be good, too, because can the county actually keep up with it if they had more? I know they always say they can. But I was convinced that they should have maybe had-- we should have maybe given them \$60 or \$80 million.

KYLE SCHNEWEIS: [00:28:05] Uh-huh.

WATERMEIER: [00:28:06] But the third is probably a good number then. You will annually do that.

KYLE SCHNEWEIS: [00:28:08] It feels right to me. You know I think that the-- the number of projects for funding is about a third. The dollar amount is going up because, kind of picking off the easy ones, as you-- as you might expect.

WATERMEIER: [00:28:21] OK.

KYLE SCHNEWEIS: [00:28:21] We're doing a lot of good work there replacing some old bridges with pipes and culverts and sometimes even removing bridges from the system where they're not needed anymore. And so we're seeing progress. And I think for the first time in a long time, because of this program, we're actually seeing the number of deficient bridges on our state county-- on our county system actually go down a little bit rather than continue to grow or we're-- we're not-- we're sort of plateauing, which-- which I think is progress.

WATERMEIER: [00:28:48] Yeah, that would be. OK. Thank you.

FRIESEN: [00:28:50] Thank you, Senator Watermeier. Senator Bolz.

BOLZ: [00:28:52] Thank you. Senator Watermeier, I had some of the same questions, so just one follow-up. In terms of are-- are you-- it sounds like you're getting a fair number of applications and not able to fulfill all of them. Can you just describe, can you describe a little bit the difference between funded projects and unfunded projects? How-- how are you making those decisions? What's remaining on funding? And can you talk a little bit, if you have any insight, about the county's ability to come up with the matching funds and how much of a-- of a challenge that is or isn't for the counties?

KYLE SCHNEWEIS: [00:29:25] Sure. So we're trying to select-- one of the criteria that we are selecting the bridges on, and was your question pertaining just to the bridges--

BOLZ: [00:29:32] Yeah,--

KYLE SCHNEWEIS: [00:29:32] -- program?

BOLZ: [00:29:32] -- just to the bridges.

KYLE SCHNEWEIS: [00:29:32] OK. One of the criteria is-- is innovation, and I use that term pretty broadly. We're trying to encourage, and that was part of the whole idea of the program, rather than just give people money we wanted to try and use best practices and innovate. And so one of the things that-- that is really driving it is when counties are able to bundle their projects together. And counties have bundled projects before, but this program has encouraged them to bundle across county lines. And so two counties are working together to put their bridges in, one letting and, therefore, saving money as a result. So we're-- we are trying to incentivize those kinds of thinking. Anytime we're taking bridges off by putting in the pipes or the culverts, what-- those are the kinds of things we're-- we're incentivizing. And-- and so I would say generally, when you look at what's funded versus what's not, those kinds of projects and proposals are what's getting funded rather than maybe stand-alone, ordinary, typical bridge replacements.

BOLZ: [00:30:31] And the second part of the question was are you hearing from any counties that they would like to innovate or like to submit an application to this program but can't come up with [INAUDIBLE]?

KYLE SCHNEWEIS: [00:30:40] I have not heard that. I know that many counties have-- have

challenges when it comes to funding infrastructure. I think what we've seen is that we're paying for half of the construction costs per bridge, and so in many cases we're helping them expand their program. If that is occurring, it's not something I've heard.

BOLZ: [00:31:00] OK. Thank you.

FRIESEN: [00:31:00] Thank you, Senator Bolz. Any other questions from the committee? Seeing none, you know, I, like I said earlier, there's a lot of construction going on. I think people are recognizing that. And I-- I know the needs are always going to outweigh the dollars. As we-- as you look forward 10 to 15, 20 years, those projections, when you see the auto industry and the mileage increasing on vehicles and revenues, how did that-- how does that match up? Or is that something we need to be aware of in the longer range when we're looking at funding? Because we all know the costs of road construction go up a percentage every year,--

KYLE SCHNEWEIS: [00:31:43] Yeah.

FRIESEN: [00:31:43] -- even without increased inflation or-- or high inflation. There-- there have been very low cost increases probably up till now. But if they would increase, are we-- are we prepared for that going forward in that ambitious program we have, I guess?

KYLE SCHNEWEIS: [00:31:59] Well, the-- we see about 4 percent inflation every year in construction materials. And right now the-- the-- in the long term, I think the thing that we all need to be watching for is the-- is the electrification of the fleet. There are some auto companies that are committed to being all hybrid or all electric in the somewhat near future, five years or less. There aren't a lot of electric vehicles in Nebraska today. I think a couple of years ago there were just a couple hundred. But we're seeing it increase. And I, just personally, you know you drive around and

you'll see an electric car from time to time where maybe two years ago you didn't. And it's not very many and so it's not a big deal today because, as you know, they don't pay fuel tax, which is the bulk-- the bulk of where our revenues come from. But I would expect that in five years we'll start-- we'll be starting to get a little nervous about the future and in ten years we're going to have to figure out what the solution is. As you know, Senator, we do have a fee that we charge electric vehicles and it's been in place for a couple decades. I'm not even sure what it is but a couple hundred bucks maybe.

FRIESEN: [00:33:02] I think it's \$80 or--

KYLE SCHNEWEIS: [00:33:02] How much is it?

FRIESEN: [00:33:02] Eighty dollars? Seventy-five?

KYLE SCHNEWEIS: [00:33:02] Seventy-five. So at least that piece is in place. A lot of states are struggling to figure out how to even put something in place and we at least already have the foundation.

FRIESEN: [00:33:17] OK. OK. Seeing no other questions, thank you for--

KYLE SCHNEWEIS: [00:33:22] Thank you.

FRIESEN: [00:33:24] -- your report. That will close the hearing.