

Transcript Prepared by Clerk of the Legislature Transcribers Office
Transportation and Telecommunications Committee and Appropriations
Committee December 8, 2021
Rough Draft

FRIESEN: OK, would everyone please take their seats? And we're going to start the Transportation and Telecommunications Committee and the Appropriations Committee hearing on the DOT-- the, the funding. So welcome to this afternoon's public interim hearing of the Transportation and Telecommunications Committee and the Appropriations Committee. I'm Curt Friesen from Henderson, Chairperson of the Transportation Committee, and Senator Wishart is the Vice Chair of Appropriations, which I think she'll be showing up shortly. I'll begin with a full-- few procedural items. Please silence all your cell phones. Those wishing to testify should fill out a green testifier sheet and leave it on the desk. When you begin your testimony, it's very important you clearly state your name and spell it for the record. The staff, I got legal counsel, Andrew Vinton, on my right, and Sally Schultz is the committee clerk on my left. And now I'll have the senators introduce themselves, starting with the Appropriations Committee members on my left.

ERDMAN: Steve Erdman. I represent District 47, ten counties in the Panhandle of Nebraska.

KOLTERMAN: Mark Kolterman, District 24: Seward, York, Polk, and a sliver of Butler County.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

DORN: Myron Dorn, District 30, Gage County and part of Lancaster.

CLEMENTS: Rob Clements, District 2, Cass County and eastern Lancaster.

ALBRECHT: Senator Joni Albrecht, northeast Nebraska: Wayne, Thurston, and Dakota Counties and just picked up a portion of Dixon.

HUGHES: Dan Hughes, District 44, several counties in southwest Nebraska.

MOSER: Mike Moser, District 22, Platte County and part of Stanton County.

FRIESEN: Senator Wishart, you can introduce yourself.

WISHART: Hi. Senator Wishart, District 274, west Lincoln and Lancaster County.

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FRIESEN: With that, I think we'll get started. Senator Stinner is unable to make it today so Vice Chair of Appropriations is Senator Wishart. We will-- I think we'll get started. Director Selmer, come on up and I, I think, you know, everybody-- there's probably be a few questions and things like that with some of the, some of the revenue coming in. So I mean, I think everybody's looking forward to hearing kind of what you have to say. So welcome to the, the committee meeting.

JOHN SELMER: Well, thank you. Good afternoon, Chairman Friesen and members of the Transportation and Telecommunications Committee, along with members of the Appropriations Committee. My name is John Selmer, J-o-h-n S-e-l-m-e-r. I'm the director of the Nebraska Department of Transportation and I'm before you to present our analysis of Nebraska's transportation needs over the next 20 years. I will also give an update on the Build Nebraska Act, along with the Transportation Innovation Act. I am the third presenter of this information over the same number of years and I'm pleased to find the agency, in its current environment, much more favorable. The Nebraska Department of Transportation is more agile and resilient because of the lessons learned during the 2019 floods and the lingering COVID pandemic. Every citizen in Nebraska is dependent on our transportation system, whether directly as a motorist or indirectly through others providing resources and services. NDOT desires to provide a convenient, safe, innovative transportation system for all Nebraskans. We understand the significance and acknowledge the trust placed upon us, assuring that this transportation system is available today and into the future. Before we discuss the reports in front of you, I want to share some perspectives on Nebraska's transportation system. There are approximately 95,000 miles of state, county, and municipal roads within our state. Of that, state highways comprise 10,000 centerline miles, or roughly 22,000 lane miles. If we look at the number of vehicle miles traveled in a year, the state system carries about 64 percent of that traffic. If we look at the total miles traveled by heavy trucks, the state system carries over 86 percent of the freight. There are also over 15,000 bridges in the state. Of those, 3,500 bridges are on the NDOT state highway system. This equates to about 23 percent of the total bridges in the state. Interestingly, if you compare state bridges to county and municipal bridges using another metric such as the size or the area of the deck, the state bridges actually have 20 percent more deck area. This would indicate on average, state bridges are five times the size of county or municipal

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bridges. I share this information to simply show that counting assets doesn't necessarily give some of the important context. The condensing of traffic and truck volumes on a smaller part of the system and the number and size of state bridges highlight the use and importance of the state highway system. I will now direct my testimony to the two documents in your possession. I will first focus on the document entitled the 2021 State Highway Needs Assessment. If you turn your attention to page 2, you will see that the 21-- part of the 20-year need for the state highway system is \$14.8 billion in today's dollars. Since last year, the 2021 needs have increased by 9 percent, which is greater than our projected 5 percent increase that was shared last year in the near term or the 3 percent that we look at the remainder of the 20-year period. We believe that this trend won't continue and it is due to cost escalation related to supply chain and labor issues. Three categories are considered in developing this total amount. These categories are shown on page 3: asset preservation at a total projected cost of \$9.5 billion for the 20-year period, system modernization and operation for \$1.8 billion, and capital improvements for an additional \$3.5 billion. Asset preservation makes up approximately 64 percent of the total 20-year needs assessment and thus I will spend some time on this category. The focus of this category is to maintain the existing system. Asset preservation includes activities such as patching, crack sealing, pavement resurfacing, bridge repair, and bridge redecking. Of the \$9.5 billion, pavement preservation accounts for \$8.6 billion and bridge preservation is \$865 million, or roughly \$900 million. The department annually monitors pavement condition and performance using automated distress collection van for determining pavement needs. This information is fed into our pavement management system, predicting future performance and suggested treatment strategies. We monitor bridge conditions by performing biennial inspections that meet the National Bridge Inspection Standards. This information is input it into our bridge management system and similarly is used to predict future performance and determine prospective, prospective project timing. On page 4, you'll notice two charts. The upper chart depicts the average pavement condition for both the interstate system and the other is state highways. This condition is based on a composite rating called the Nebraska Serviceability Index, NSI, which ranges from zero to 100, with the larger number indicating better condition. The goal that we have set is an NSI between 80 and 85. Why do we set the target as indicated? To answer that question, we need to look at the graphs on page 5. The top graph shows the typical performance of a pavement

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throughout its life. The top boundary of the blue portion shows that early in a pavement's life, the NSI value is high until it hits an inflection point in which the blue boundary takes a steeper dive, representing that the pavement condition is getting worse at a faster pace. The key to maintaining pavements is to schedule projects while pavements are in good shape, as shown by the top of the lime green area. This allows us more flexibility in the types of projects and the benefit of costing less. It also enables motorists to experience pavements that ride smoother. The goal of 80 to 85 represents the condition before the steep drop in NSI. The strategy of preservation and prevention is no different from similar activities that we experience in our daily lives. Hopefully, we change the oil in our vehicles and not replace engines. We replace roofs and paint siding instead of repairing the interiors of our homes. We visit a family care physician to reduce the risk of more problematic illnesses. Not only does this charge set the lowest desired NSI, but it also indicates a maximum value or range we would like to stay in. The bottom chart indicates why we don't want to overinvest and achieve an NSI of 100. As indicated by its title, the closer we get to a perfect condition, the rate of improvement starts to decrease and the gains are not worth the investment that it takes. For those of you that enjoyed your physics class in high school, a similar analogy is trying to have an object reach to the speed of light. As you get closer to the speed of light, more energy is required until infinite energy is needed and you never reach the speed of light. Similarly, maintaining perfect conditions require unlimited resources. Bridges have a similar performance curve as pavements, but they are more complex, due to the various components, that each of them have their own rate of deterioration. The goal is not shown on page 4, but we strive to have no more than 5 percent of bridges-- of our bridges in poor condition. The last topic I want to cover under this category is whether these numbers make logical sense. It's hard for the mind to grasp numbers of these magnitudes and their reasonableness. Let's start with bridges this time. The average cost to replace a bridge is \$240 per square foot. So what I did is multiply this by the total deck area of state bridges and I get a value of \$6 billion. And if I assume that I can get bridges to last 100 years each, I should be then investing \$60 million per year. This quick calculation would indicate then over a 20-year period, if I'm replacing bridges on that schedule, that I would need \$1.2 billion. This reasonably compares with our value of approximately \$900 million and shows that the different principles of asset management actually allow us to have a lesser value. If we look

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at pavements, we desire a 15 to 20-year life for our pavements. Therefore, using the 20-year life, we can divide the \$8.6 billion indicated for pavement preservation by the total system of 22,000 miles. This calculates roughly to \$390,000 per lane mile. This value correlates closely to our experience with current project costs. Hopefully, the previous exercise was beneficial. Now let's turn our attention to page 6 and the category system modernization and operation. The total projected need for this category is \$1.8 billion. The three subcategories include roadway modernization, bridge modernization, rail crossing and rural transit modernization. In a broad sense, this category addresses deficiencies due to highway system usage changing-- changes without adding capacity. So as some portions of the highway system experience greater traffic volumes and experience operational issues, the following types of projects are programmed. For roadway modernization, typical projects would include intersection improvements, shoulder widening, cameras, dynamic message boards, or other smart technologies. Bridge modernization projects would include widening and bridge rail upgrades. As for rail crossing and rural transit, rail crossing projects consist of installing safety improvements such as crossing signals and gates based on exposure ratings. Rail transit includes providing assistance to rural areas of less than 50,000 individuals and also we're looking at-- contribution is also being considered for proposed intercity bus service between Lincoln and Omaha. The final category of the needs study is capital improvement at a projected cost of \$3.5 billion. It is no surprise to us in this room that this category gets the most attention. The projects within this category are high visibility and usually a significant focus of a community or region. This category includes projects such as constructing new highway corridors or the relocation of highways. It also includes the addition of highway capacity, such as on expressway projects and the addition of lanes to the interstate system. Interchange and urban freeway improvements are also included in this category. In the next 20 years, approximately \$2.5 billion of the \$3.5 billion will be focused on three areas: completion of the expressway system, the expansion of the interstate system from Lincoln to Grand Island, and the Omaha Metropolitan Freeway improvements defined in the Metro Area Travel Improvement study that was recently released. Much of this future work is possible due to prior legislation. That is the topic of the next handout, handout titled, titled Build Nebraska Act and Transportation Innovation Act of 2021. Please direct your attention to page 1 of the second document. Build Nebraska Act was enacted in 2011 and dedicated one quarter of 1, of 1

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percent sales tax receipts for the expansion of the expressway system and also federally designated high-priority corridors such as the Heartland Express and the preservation of the existing transportation system. Revenue first became available in 2013 and the act at that time was projected to generate \$1.2 billion for the department. Currently, it is estimated \$1.6 billion will be available to the department by 2033, when the legislation sunsets. On page 1 is a map and a table that identifies projects funded by BNA that are complete-- either complete, under construction, or in design. The Transportation Innovation Act was enacted in 2016. The purpose is to accelerate highway capital improvement, promote and provide funds for innovative bridge solutions for deficient county bridges, and help finance transportation improvements that support new and growing businesses. The Legislature created, at that time, the Transportation Infrastructure Bank, which received a one-time investment of \$50 million in 2016 from the Cash Reserve Fund. It is projected that \$442 million will be generated prior to 2033. The table and the map on page 5 show capital improvement projects financed with BNA and TIA funding over the next ten years, starting in 2016. The County Bridge Match Program is shown on pages 6 and 7. The program allows for matching funds of 50 per-- 5 percent of the total project cost up to a maximum of \$200,000 per bridge. Up to \$40 million from the Transportation Innovation Act can be allocated to this program through 2023. Over \$20 million have been allocated to improving over 300 bridges in 58 counties. The department has allocated \$5.8 million in the Economic Opportunity Program as of November 2021, as shown on page 8. Sixteen active projects have leveraged \$1.8 billion in private investment. Now I'd like to focus our attention back on page 3 of the document. In response to LB579, we've included information on the expressway system. The expressway system was established in 1988, with 16 corridors being identified for a total of roughly 600 miles. Today, approximately 70 percent of the work is complete and the system's current status is depicted on the map showing segments that are complete, under construction, under design, or in planning. There remains approximately \$1 billion worth of work to be completed. On page 4, is a Gantt chart showing the proposed schedule to complete the remainder of the system. Currently, we are showing completion of all corridors by 2040, provided that we are not impacted by unforeseen issues, including contractor capacity, material shortages, cost escalation, resource agency staffing, and another 100-year flood. To conclude this afternoon, I would like to briefly address the recent passage of the Infrastructure and Investment and Job Act, IIJA, also

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known as the Bipartisan Infrastructure Law, BIL. There is much still to be determined, but I will share what we know. On the formula side, the department will receive approximately an additional \$110 million in FY 2022. This amount will increase by around 2 percent for the following four years of the law. Of that, about \$45 million will be in existing programs with existing rules. The remaining \$55 million will be in new formula programs where the rules are not defined. The most significant new formula program is for bridge preservation, with about \$38 million in additional funding coming to the department annually, and about \$7 million going to local bridges annually. As for discretionary funding, there are large increases in the existing RAISE and INFRA grants. Additionally, there are several new discretionary programs, but due to time, I'll only cover one of them, which is the Bridge Investment Discretionary Program. This program focuses on rehabilitating and replacing both state and local bridges. What is of interest is that the USDOT secretary is required to award each state not fewer than one large project, a minimum of \$50 million or two other than large projects. For many of the new programs, whether formula based or discretionary, there remains much work to be accomplished by USDOT to develop rules and policies. At this time, no decisions have been made on the use of any new federal funds. And I want to thank you for your attention. I know I covered a lot there and I turn the floor back to you, Senator Friesen. Thank you.

FRIESEN: Thank you, Director Selmer. I want to mention for the record that Senator Geist and Senator Vargas and Senator DeBoer entered right as you started giving your presentation. With that, are there any questions from the committee? Senator DeBoer.

DeBOER: Thank you, Senator Friesen. Thank you for being here today. I want to talk a little bit about I know the-- not everything's in place yet on the infrastructure bill that was passed, but with that \$110 million that's coming in and particularly \$38 million you said in bridge preservation, that's going to be a large amount of money coming in for bridge preservation all at once. Is there a plan for how you will sort of manage the workload of that all at once?

JOHN SELMER: Yes, we're currently looking at that and you know, the check's in the mail, too, so the funding isn't here, at, at this point so determining when that comes. You know, and looking at the rules, you know, we have bridge projects that are in the works that might be able to leverage this fund funding and free up funding in other categories where we have greater flexibility in existing programs. So

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we're looking exactly what this means and how does that help the program and does it allow us more flexibility in other existing programs?

DeBOER: So but I guess my question is even a little more basic than that is with all of this sort of happening at once, do we have the capacity for putting to use all of those funds and is there going to be a different sort of financing structure in place that's necessary to do that or, or is-- have you thought about any of that yet?

JOHN SELMER: Well, when we're given this, this isn't like prior legislation where you had to have shovel ready. So typically, we have a period of several years in which to utilize the funding, so we're looking at that. We're also having discussions with the AGC and our partners in the construction industry as to what is our capacity or vendors, what is their capacity, because every state is being hit with this.

DeBOER: OK.

JOHN SELMER: So this definitely will be a topic in which we're looking at in terms of how, how quickly we can, can leverage this additional funding.

DeBOER: And then another question I ask-- this is sort of a very particular question, but you said that you, you plan the, the bridges to last for 100 years and then you did your calculations that way. Is that-- I mean, that seems like a long time to me. Is that a practical idea that a bridge will last 100 years?

JOHN SELMER: That is the desire with the new technology, with different strategies in terms of deck materials, reinforcing steel, and again using good preventive maintenance techniques. So that's the goal that every state is striving for. There are bridges that are in there. If you look at the brick-- Brooklyn Bridge is getting up there, so there are bridges in existence that do that. But yeah, I, I would say that's a, that's an aspiration and what we're looking at achieving.

DeBOER: Because we wouldn't even have had much past 100 years on bridges in Nebraska in terms of-- I mean, do we have any 100-year-old bridges in Nebraska?

JOHN SELMER: I'm sure-- I, I don't know. I, I'm sure I can--

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DeBOER: Maybe--

JOHN SELMER: If I can find--

DeBOER: --maybe a couple.

JOHN SELMER: If I can find, it probably needs a plaque on it, so--

DeBOER: But then the other thing would be-- so that would be sort of going forward, we want them to last 100 years. But I imagine that many of the bridges that are currently in existence were not built with the same kind of technologies and may not last for 100 years.

JOHN SELMER: That's correct.

DeBOER: So we would have probably some catchup to do before we would get to that 100 years and we might have a bigger cost.

JOHN SELMER: That's correct. You know, my, my example there was really showing a steady state, that everything is equivalent. So the newer bridges are probably able to. I'm sure we've got some that are not quite as able and some of that might be due, whether it's due to traffic loadings or is it just purely environmental? It's not a loading issue; it's just been out there for 100 years. And what type of maintenance strategies have been used on it?

DeBOER: And they probably, in the 1930s, weren't imagining what the situation is that we have now in terms of--

JOHN SELMER: Right.

DeBOER: --how we're using our bridges. I thank you. I think that's about all I had. Thank you.

JOHN SELMER: Sure.

FRIESEN: Thank you, Senator DeBoer. Any other questions? Senator Geist.

GEIST: Thank you, Director. Thank you for being here. And I just briefly have a question. It says that the-- all-- your-- almost your very-- the very last couple of lines that there remains much work to be accomplished by the USDOT to develop rules and policies. So you

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anticipate with some of this money federally that there's going to be strings attached. Is that correct or--.

JOHN SELMER: There always seems to be. There, there's certain requirements or desires of the administration with this legislation. So you know, some of the new ones are looking at carbon reduction. So we don't know exactly what that means for Nebraska. Another is looking at protect, resilience. So what does that mean? Is that only to be used for existing infrastructure? Can that be used to enhance planned infrastructure? And then there's a, you know, \$6 million in electric vehicles infrastructure. So a lot of the new money has-- is very targeted, so I would expect that there would be some requirements in how those funds are utilized.

GEIST: Is there a completion date with these funds? Did I miss that?

JOHN SELMER: You know, not that I've seen. Typically, you know, like I indicated, we have several years in which to do this. So we're not the only player in this with the other 49 states looking at this.

GEIST: OK.

JOHN SELMER: So I know federal highway is under the gun to quickly get the rules and policies identified--

GEIST: OK.

JOHN SELMER: --in these areas.

GEIST: Thank you.

FRIESEN: Thank you, Senator Geist. Senator Kolterman.

KOLTERMAN: Thank you, Senator Friesen. Director, thank you for being here. First of all, I want to compliment you on-- or your department on all the work you did in my district this past year. You did do a lot of protecting of some of the infrastructure that's been there by overlaying some roads, fixing some roads. But at the same time, I'm going to be a little bit critical. I'd like you to turn to page 4 and ask you to explain something to me. On our expressway system, I've talked to people in the administration about finishing 81, Highway 81, and it looks to me like that's from York all the way up to Columbus or just south of Columbus. It's important that we get that four lanes in there. And I think the same can be said about 275 as well as the

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Heartland Expressway. But my concern is as I look at this-- and correct me if I'm wrong-- I'm told right now that it's in design and planning stages. So, so on the bottom of the page 4, it says East Junction north on 92 and then that's all in the red, that's in design. Does that mean that the design won't take place until those years out there?

JOHN SELMER: No, those are the anticipated construction dates. So--

KOLTERMAN: So the red isn't design--

JOHN SELMER: --what we're doing-- that's, that's the schedule. It's currently under design. We awarded the contract this year to design that. So if it's in red, that means it's currently being designed and the dates shown are the anticipated dates in which we will break ground and start construction. So--

KOLTERMAN: So you're going to break ground, as an example, in 2029 all the way out to 2034. Maybe I'm reading that wrong.

JOHN SELMER: Well, right now, say the bottom one, we're looking at, you know, starting in FY '29 and anticipate that that corridor, based on the grading and other activities, will take up to four years to complete.

KOLTERMAN: Just that corridor right there?

JOHN SELMER: Right. And-- but they'll-- as you see them overlapping, there will be other corridors that are occurring at the same time. So, you know, if you look at FY '30, there are three red blocks. So three separate corridors will be going simultaneously in terms of construction work.

KOLTERMAN: OK, then, then I turn the page. On page 6, it kind of talks about development of US-81 expressway expansion. I don't know, it just seems like it's-- there's some conflicting information here. And you know that-- the Pan-American Highway was established years and years ago and became part of our infrastructure. And I can tell you Columbus has had good growth and Norfolk has had good growth and we can't afford to continue to send trucks down 81 to 90 to get them over to Iowa so they can go up by I-29 and bypass all of our good people. So I would hope that we could-- with the money that's coming in, we could make an attempt to move that up on the schedule. Again, I'm just speaking for my district, but it's been on-- it's been on the radar

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for a long, long time. I've been here seven years and very little has been done of expanding it. And it stopped at York and it's, and it's been designed several times. I mean, I can go back and show you where it's been designed. It's been pitched out the window. They've attempted to buy land. It, it's a nightmare and we need to get that finished. We just lost another person on that road a couple of weeks ago. Our truckers want to go that way. I hope we can get that done.

JOHN SELMER: I appreciate your comments and you know, looking at the Gantt chart on page 4, that was created prior to the [INAUDIBLE] of legislation. So our feeling is definitely it'll allow us to hold to this and we are looking at are there ways to accelerate, but it won't be at the front end because of the project delivery process, but there might be ways on the tail end to compress it. That we haven't figured out yet, as-- understanding all the limitations or how we can use funding here. But we're aware, we're aware of the desire to get the expressway system completed. That was probably the focus of a lot of my initial conversations with a lot of individuals around the space, so--

KOLTERMAN: Thank you.

FRIESEN: Thank you, Senator Kolterman. Senator Albrecht.

ALBRECHT: Thank you, Senator Friesen and thank you for being here, Director. You've got quite a report. In visiting with some of the counties in my district, a lot of them are concerned about these bridges. And with the funds that they're getting from the federal government, how are you working with them and do they have to have enough of their own funds ready to go for you to be able to help assist them?

JOHN SELMER: You know, as we look at this and our, our understanding of the increase in the, in the bridge money is that it's 100 percent money for the counties. So for them, they, they could see--

ALBRECHT: So they don't need any assistance from the state in most instances?

JOHN SELMER: Not as-- as we're interpreting it today, that it's 100 percent money for local bridges.

ALBRECHT: Um-hum. OK.

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JOHN SELMER: So you're looking at roughly \$7 million annually going into that, that can be used.

ALBRECHT: So they would not need any assistance at all from you, maybe taking a look at anything or anything that [INAUDIBLE]--

JOHN SELMER: You know, I, I think that's a good question.

ALBRECHT: And I only ask that because I know a lot of the counties don't have access to the engineering portion of it.

JOHN SELMER: Depends on what you talk about assistance. You know, there's 3,500 state bridges. And local bridges, so you're looking at 11,000-plus out there. My belief is that you're probably not going to be able to replace all of them.

ALBRECHT: Correct.

JOHN SELMER: There's not going to be enough funding. So some things to maybe consider is geospatial analysis to look at can you look at how it's-- bridges are being used? Can you consolidate some? Can you convert them into a culvert that can carry whatever loads? You're not worried about oversize loading, those types of things. But it gets very personal when you're talking about individual bridges, so--

ALBRECHT: Right.

JOHN SELMER: In some ways, I think maybe some counties would-- wouldn't mind, maybe myself--

ALBRECHT: [INAUDIBLE]

JOHN SELMER: --injecting a little bit. Others might not like that, so-- but I think that-- it is probably wise to look at how to do that instead of just maybe broadly distribute. But you know, that's an option, too, so I don't know what the tolerance is for that--

ALBRECHT: Right, thank you.

JOHN SELMER: --looking at it a different way.

FRIESEN: Thank you, Senator Albrecht. Senator Moser.

MOSER: We have a bridge close to Columbus. It's an overhead truss bridge. It was built in 1933, so it's 89 or so years old and it's, I

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think, scheduled for replacement, but-- so there are some that are that old. Maybe with better design, better construction, better maintenance, maybe will make the 100 years. It's a, it's a cool old bridge. There's a companion one right to the side of it that has an under-truss system, so it's a lot easier to get farm equipment through and, and wind tower blades and all of the things that you have to try to get up and down that highway. Also, I want to thank the department for the inclusion of the expressway system highway and so I know that was kind of a contentious thing to include, but-- and from the Highway 30 perspective, it's pretty much resolved, but I think Senator Kolterman's comments, I think, were piqued by his viewing of that extra information and seeing where we're at. He'd like to see it done.

JOHN SELMER: Sure.

MOSER: And, and I would do, but reality sometimes sneaks into the equation. Thank you very much. Appreciate your coming to testify to us today.

JOHN SELMER: Thank you.

FRIESEN: Thank you, Senator Moser. Senator Dorn.

DORN: Thank, thank you, Senator Friesen, and thank you, Director, for being here. Truly enjoy these-- this hearing that we have. Last year, I believe they talked about the increased costs had gone up approximately-- if I remember the number, it was about 8 percent. And in here, you quoted now this year, our costs have gone up 9 percent. But you're also looking at that to stabilize more or not have that type of increase. Expound on that a little more, I guess. Is that, is that construction cost or labor shortage or what, what is driving that increase in cost in, in your opinion and--

JOHN SELMER: Well, I think it's a little--

DORN: --[INAUDIBLE]

JOHN SELMER: --bit of all the above. It. It's, it's very hard for us to really isolate. You know, there, there were different times where we're having material shortages that possibly was impacting some of the cost to our contractors in terms of preparing their bids. We're seeing not only in the restaurant industry, but even in the construction industry or ourselves, CDL drivers and just having employees available to do work are impacting the cost. So I guess I'm

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hoping that typically as we've looked over long periods of time, that we, we don't typically have this continue to increase. I desire not to come here next year and say, well, guess what? We have another 9, 10 percent, but we're, we're continually looking at that. We look at every leading and see what type of response we're getting on the lead-- leading and seeing if there's trends and then we do work with our, with our industry partners and try and get an idea.

DORN: Last year, they also talked about they used to, at one time, have maybe five bidders on a project and that's slowly gone down over the years. Are you still seeing that?

JOHN SELMER: Yeah, we're still averaging under three. So I think between two and a half and three and I think our magic number was three and a half is where we maybe see a difference in terms of competitiveness out there on projects. So a lot of that goes into how we package projects, how many projects do you have out there? So one thing we are going to be concerned about is if there is a lot of influx of money, if the industry doesn't have the capacity, I don't think they want to let the work go, but it might come at a more-- much more premium to get that work accomplished.

DORN: Thank you.

FRIESEN: Thank you, Senato Dorn. Senator Erdman.

ERDMAN: Thank you, Senator Friesen. Thank you, Director, for being here. My questions are about the Heartland Expressway out in the western part of the state, 385 and L62A. It was my understanding that they were going to do the dirt work on that 385 this year and this network next year. Drive there the other day, they're about two miles from completing this network and the sign says estimated completion is November of '22. So if they've got the dirt work done and the cement almost laid, what is going to take them another year to finish that?

JOHN SELMER: Might be just updating the sign. That's something I can check. I'm not aware, so it seems like we're ahead of schedule.

ERDMAN: I would agree. They're significantly ahead of schedule.

JOHN SELMER: So--

ERDMAN: They're two miles from being completed.

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JOHN SELMER: I will check on that and see. I, I think misinformation isn't, isn't a good thing, so--

ERDMAN: The other issue is I believe the bid, when it was left for that last 18 miles that they're doing in Morrill County was like \$30 million. But in your book on page 1, it says total cost of that is \$70 million. Does that includes what they did from Alliance south or where they started this year?

JOHN SELMER: Well, and I think it might be going beyond that, so--

ERDMAN: It was my understanding the last year when, when Moe was here and made the presentation, it was \$37-some million for the, for the construction they were going to do in Morrill County. But on that-- on page 1, it says the total cost of \$70 million. I wonder if that includes what they have already done from the city of Alliance and that ten miles south.

JOHN SELMER: I would think it includes the entire corridor identified, so--

ERDMAN: OK.

JOHN SELMER: --it's not just the existing project, but I can, I can verify that.

ERDMAN: Right, right. I appreciate that. I noticed also in your, in your presentation over on page 5, you talk about the completion of 385 from Alliance to Chadron. You've got a red line there on page 5 on the map. OK, it says it's under, it's under construction-- under design. So I would assume that that's the next part of the project that's going to be completed. Is that right?

JOHN SELMER: Right.

ERDMAN: So my question is on L62A and 26 from Minatare on, there's about 20-some miles there. Why would one want to complete the end of our project and leave the middle part not done? Because you have, you have the highway is completed from Kimball to Minatare, from Minatare over 385 is two lane. And now you're going to have a completion from 385 to L62A junction to Alliance and then you're going to complete a Super 2 from Alliance to Chadron, but that portion of 20-some miles in between is not complete. Why, why did they not build-- why did you not

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build the four lane from Minatare to 385 next instead of going to Chadron and Alliance?

JOHN SELMER: You know, I'll have to look at that. All segments aren't equivalent in terms of their needs, in terms -- there's NEPA, environmental documents and things like that, so it could be just phasing issues. But again, I can look at that as to why. You know, if it was all similar, it would make sense to me also. It would just continue on and-- well, everybody has the benefit of an improved section. So my feeling, but I need to verify this, is that there are other issues surrounding the development of the corridor.

ERDMAN: Like the example I used from building the pipeline, I don't build this segment and then we go down 50 miles and build that site and I just continue on from the beginning and I thought it made sense if you were in Minatare, you would do the Minatare to 385 first and then from 385 junction/62A to Alliance instead of building part of it here, part of it here, and have part of the middle is not complete. It didn't seem to, it didn't seem to make a lot of sense logically.

JOHN SELMER: You know, that could work too. Part of it could be parallel processing instead of serial, so it could be actually accelerating the completion date, but I need to look at that as to-- to know why we did that.

ERDMAN: So then I don't see, I don't see any-- anywhere in your, in your presentation where you're showing the completion of-- from Highway 26 over Minatare to L62A/385 junction at all. It's not even in your design portion. I don't even see that. So what is the timeframe of building that portion of the highway?

JOHN SELMER: So you're saying it's not on here?

ERDMAN: Well, I don't see it.

JOHN SELMER: And I think the reason for that is technically it's not on an expressway corridor, but I can provide you that information as for when we were looking at that.

ERDMAN: Why wouldn't it be an expressway corridor if the expressway comes to Minatare, picks up again 20 miles later? Why would that in between not be an expressway corridor?

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JOHN SELMER: Well, it's, it's called the Heartland Express, right, but the Heartland Express technically is not part of ta-- the designated expressway system, so it's a technicality. It's a federally designated high-priority corridor--

ERDMAN: All right.

JOHN SELMER: --in which we're doing that. So when, when the expressway system was defined, the Heartland Express was not part of that.

ERDMAN: So, so-- mine, maybe the last question is this. So we're going to build a Super 2 from Alliance to Chadron. It's going to have a four-lane, is that correct?

JOHN SELMER: Well, I think that's a concept right now, but I know a lot of individuals in the area are not satisfied with the Super 2, so apparently that's the concept.

ERDMAN: Well, I'll tell you, I drive that highway a lot and a Super 2 from the junction where you built the four-lane would have been sufficient there as well.

JOHN SELMER: OK.

ERDMAN: So I'm in favor of the Super 2 from Alliance to Chadron. That's all you.

JOHN SELMER: OK. Good to hear.

ERDMAN: You didn't need a four-lane from the 62A to Alliance. You needed a Super 2.

JOHN SELMER: OK.

ERDMAN: And so what it is, is, but there's 3,000 cars a day go by my house. So I'm looking for you to build that highway by my house so only 1,500 go by my house and 1,500 go by on the other side of the highway.

JOHN SELMER: All right.

ERDMAN: Thank you.

FRIESEN: Thank you, Senator Erdman. Any other questions? Yes.

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CLEMENTS: Thank you, Chairman Friesen. Thank you. Director. I have a general question. Seeing the, the extra money coming in, just one other comment as to whether we're going to have more projects worked on or not, if we have capacity to add more. Are we got to continue to do what we've been doing and are we going to add more on top of that? Do you have-- do we have the ability to get that done?

JOHN SELMER: Well, you know, I think we're going to look at that. I think probably the first priority is really looking at those corridors that we have under work. Can we, can we deliver those quicker? But we're also going to be looking at the needs, the preservation of the system. So I think definitely there will be more bridge projects. There's a significant influx of funding in there. So, you know, my feeling is there are going to be more projects, but as to where they are, we need to understand really how we're being directed to use this additional funding. You know, one thing is there's \$110 million, but I can take that as an agency and put all that towards the expressway because of how the funding is designated. So we're going to, you know, look at how, how we can best do that and, and getting input from yourselves and from your communities and regions, really look at strategically, how can we best invest the resources we've been given here?

CLEMENTS: All right, thank you.

FRIESEN: Thank you, Senator Clements. Any other questions? I've got a-- just a couple things I'd like to cover a little bit and some of the things we've talked about in the past is the County Bridge Match Program, which was-- everybody seemed to like it. I know it didn't get to everyone who wanted money, but it was limited in funds. Is there any thoughts about starting that up again? And again, I know we talked about the counties getting some money, but when you look at the number of bridges and things like that, is there any-- has there been any push from anyone to get the County Bridge Match Program going again?

JOHN SELMER: Well, currently under legislation, it's supposed to sunset in 2023 and it did indicate up to \$40 million. And I think we're looking at, you know, by the time 2023 comes around, it'll be roughly \$28, \$30 million. Yeah and part of that legislation also indicated that innovative practices were supposed to be used. We're-- I think we're, we're kind of running out of innovative practices. We're really just addressing the backlog of need out there. So I think part of the hope is with this federal aid, that will be more funding

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than what they're receiving today, but there's always going to be more. I-- you know, I don't think it's bad to look at that, but I think maybe we want to look at it in a more holistic way as to are there ways to find efficiencies in terms of investing in our, in our local bridges? I understand the need there, the need is great there. You know, there's a balance. I, I would rather have heavy agricultural equipment using the local system instead of coming on to the highway system because assets aren't available. So you know, there's a, there's a tradeoff back and forth that are worth looking at. So, you know, I think it's worth looking at. I-- personally, I think it's a good program out there, but then it does also compete with funds that are to address the expressway system or other capacity projects. So that's the tension we operate under.

FRIESEN: Well, that was a little bit my next-- when you looked at the your, your ongoing cost in the future use and 3 percent inflation rate, obviously even a year ago, I think we were talking some projects were coming in 20 percent over expected costs and so is using 3 percent a legitimate inflation number right now? Because if you change that even a few percent, that's, that's a lot of projects now that are either getting to push back or--

JOHN SELMER: Well, I think as we look at it, I don't know if necessarily two dots determine a trend, but the third is probably going to. So maybe, you know, next year this is something we are looking at. Historically, it seems to be reasonable. And you know, if you look at 20 years and you change it 1 percent across, you're talking significantly different dollar amounts on there. So I agree with you, we need to look at it, but I think I'd like one more data point to see if, if it's--

FRIESEN: I mean, I, I agree with you, but I just see right now already that wages and those types of things have really taken a big jump, which I think is a good thing. I'm not downplaying that at all because--

JOHN SELMER: Right.

FRIESEN: With 1.9 percent unemployment, we expected wages to go up and they finally are. So those are costs that are going to continue to climb. So I'm, I am concerned, I guess, even with the extra money, with inflation eating up some of that immediately that we, we obviously have-- always will have more needs than we have revenue. But

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that brings me to the point of and I, and I don't want to push this on you in the way that I-- the bombing talk that's happened in the Legislature last year and is probably going to come up again. Part of the process is-- you talked about is getting this extra money, it's not as though you can use it this next year. Can you talk us through just the short amount of timeline on what it takes to use up this extra money? Because now we have to speed up our design process, permitting process. What is the timeframe now just to work through the design and the permitting process, much less start to actually build the road?

JOHN SELMER: Well, I'll say a typical year, you're probably looking around five to seven years once you decide you want to work on a corridor and that's really being accelerated. So just the planning process and then working with the different resource agencies, whether it's Fish and Wildlife, Corps of Engineers, Federal Highway in developing a National Environmental Policy Act document, whether it's in an EA or an EIS. So typically, these larger projects, because of their impacts on wetlands or surrounding property, they just take that long to get completion. There's, there's a, in a sense, significant time built in not only for the reports, but to get public input and to go back out and get public input. A lot of things have to be published and then you have to have a certain amount of time in which individuals-- to give them to respond. Other types of things are really limited resources. There's not that many archeologists out there or people that have understanding of historic structures and so we're competing with that. Now as you're injecting more money, I think our concern was that just because you inject a lot doesn't mean that the capacities of these other major players necessarily have the ability to meet your schedule out there. The constructing is the easy part; it's, it's everything in, in front of that to do that. And so even once you do that, then there's a right-of-way acquisition, possibly condemnation, other types of things. And you're also hoping that your public input meetings go well if they don't. And there's a lot of controversy, there's a lot of responding, and a lot of going back out, remeeting, changing concepts. So I haven't seen-- typically when we're, we're doing these projects, they're not usually the easy ones and there's different viewpoints that just take time to work through the process. So I think our feeling on bonding was, you know, now we know that there is legislation that came in and injected money and now we've got to really see what the buying power is that is too. Is it really going to give us, as you indicated with inflation-- you

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know, I think the news out there that there's all this money coming in. There is a substantial amount, but it isn't the billions and it doesn't necessarily change the processes that we have to satisfy in which to build a project.

FRIESEN: OK, one last question and that involves access to your state right of way for broadband and the state's need for broadband. So have you addressed that at all and looked at that? And you know, I know the state, at some points, needs broadband to hook up or electronic signs, cameras, things like that. Are you working on public-private partnerships, are you putting in your own broadband, or, or where are you headed in that direction?

JOHN SELMER: Well, I think there's some question as to the legality of what flexibility we have as an agency in terms of partnering with private firms or, or using our right away. So, you know, I would say we're interested. We want-- I think there can be a partnership in terms of broadband for the state and also for us as we're looking at advanced technology to implement that. We're going to need ways of conveying data out there. And so I think there are some meetings coming up in which we're trying to look at that and really try and understand the issues surrounding the ability to do that. You know, there's some questions-- I was just in a committee meeting looking at cybersecurity on transportation networks and if you're doing public-private and, and other things. I think we're all almost being forced to go to the cloud and being out of not being able to maintain, but there's still some questions as to what is the risk of not having our own system and partnering with someone else? Or how can we, in a way, separate that and assure ourselves that we have a robust system?

FRIESEN: OK, thank you. Any other questions from the committee? Senator Wishart, do you want to wrap up the meeting? You're, you're the-- we're the partners here. So Appropriations is a big part of this also because I know Appropriations Committee is going to be handling a lot of the, the revenue that's-- that will be disbursed.

WISHART: Yeah, I think the message I heard from you-- and first of all, I appreciate you being here and you did a great job for your first time in front of this joint committee, so thanks for coming to Nebraska and leading this effort. The main thing for me and I would imagine for the committee is when we do get those details on, on the amounts and pots of money that they'll go into, just coordinating

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closely with you because we have other investments in terms of ARPA,
just wanting to make sure we're not duplicating--

JOHN SELMER: Sure.

WISHART: --dollars and investments in the state. So looking forward, I
anticipate we will get more of that information in January, which will
be timely then for us to sit down and have those conversations.

JOHN SELMER: I agree.

FRIESEN: Thank you, Senator Wishart. Thank you, Director Selmer.
Seeing no other questions, we'll close the hearing.