

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee and Transportation and Telecommunications Committee
December 6, 2023
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MOSEER: Good morning and welcome to the joint meeting of the Transportation and Telecommunications Committee and the Appropriations Committee. Our purpose is to receive the 2023 Department of Transportation report on needs of the Nebraska highway system. And first, we would start with some introductions, starting with my friend, Senator Clements, who represents-- is the Chair of the Appropriations Committee.

CLEMENTS: I'm Rob Clements from District 2, Elmwood: Cass County and eastern Lancaster.

MOSEER: OK. I'm Mike Moser, I represent Platte County and most of Stanton County. And I'm also Chair of Transportation and Telecommunications. Then we would start with Senator Erdman and come around.

ERDMAN: Steve Erdman, and I represent District 47.

LIPPINCOTT: Loren Lippincott, District 34.

DORN: Myron Dorn, District 30.

VARGAS: Tony Vargas, District 7.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

DeKAY: Barry DeKay, District 40.

BOSN: Carolyn Bosn, District 25.

BOSTELMAN: Bruce Bostelman, District 23.

BRANDT: Tom Brandt, District 32.

FREDRICKSON: John Fredrickson, District 20.

DeBOER: Hi, I'm Wendy DeBoer. I represent District 10.

M. CAVANAUGH: Machaela Cavanaugh, District 6.

MOSEER: Thank you very much, Senators. OK, the purpose of our meeting today is to receive this report. So the director will give a presentation and talk about what results she's offering the committee.

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And then we will allow questions from senators about details of that report. So with that, Director, if you could begin your testimony.

VICKI KRAMER: Thank you, Senator. Gooda aft-- good morning, Chairman Moser, Chairman Clements and members of the Transportation and Telecommunications and Appropriations Committees. My name is Vicki Kramer, V-i-c-k-i K-r-a-m-e-r, and I'm the Director of the Nebraska Department of Transportation. Today, I'm here to present our annual assessment of Nebraska's transportation needs over the next 20 years. I'll also provide an update on projects and programs funded through the Build Nebraska Act and the Transportation Innovation Act. And before you, you have a packet of information that includes my testimony as well as the two documents that we will reference throughout the duration of the presentation. I also have my team behind me. Those of you have gone through these presentations before understand the complexities in the level of information that we're going to go through in the next 20 minutes or so. So please understand that we will take questions throughout, obviously. But if there's any follow-up questions, my team will record answers and make sure that everyone gets a timely response if we don't have the information readily available. We want to make sure that we're as reactive as possible to any questions, especially going into next session. So I very much appreciate the opportunity to be here. So these reports in front of you provide a summary of our state highway system and NDOT's progress towards modernizing and improving our expressway and high-priority corridors. The annual needs report shows the estimated costs of meeting those needs and serves a historical record to compare year by year how costs evolve. Additionally, it highlights variables that influence the department's business, including new investments, innovative project delivery initiatives and progress on projects of regional significance. There are a number of factors that influence how we calculate the needs of the state-managed system. Several factors have persisted over recent years, driving a decision to do a more exhaustive evaluation of the state's buying power. To lay a foundation of the status of our transportation system, we've seen our estimated needs over 20 years rise to \$16.7 billion, an annual increase of just under \$2 billion or 15 percent. This is influenced by a variety of factors, namely inflation and supply chain issues. As we've seen in previous years, our annual needs is currently outpacing our annual program. There are steps we've taken to adjust to this new normal, such as dividing projects into segments to encourage more competitive bids. And now, multiple years into increased costs, we've

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seen some stagnation and have therefore updated our project estimates and our bringing this information to your attention on what the current state of the market is. If you turn your attention to the handout, the 2023 State Highway Needs Assessment, on page 2, you'll see the need for the next 20 years further described. Turning the page. You'll see the chart on the bottom of page 4 now that we have also updated our anticipated expenditures based on projected cost-per-mile estimates. There are three categories which are added to calculate the total cost of state highway needs. These categories shown on page 5 are: asset preservation, which is projected at \$9.7 billion over the next 20 years, a 10 percent increase from last year; system modernization and operation, which is projected at \$2.4 billion, or a 9 percent higher than last year; and capital improvements, which are projected, projected at \$4.6 billion or a 30 percent increase compared to last year, which is proportionately the largest increase we've seen. This is the category that includes the construction of new highway corridors, the expansion of the highway expressway system and makes up just 20 percent of our forecast forecasted need. Of the \$9.7 billion needed for asset preservation, pavement preservation accounts for \$8.8 billion. Monitoring and assessing pavement condition allows us to know which segments of highway have pavements in need of maintenance. We annually monitor pavement condition and performance by using an automated distress collection van. This information is used by our pavement management system, predicting future performance, deterioration rates, and suggested treatment strategies. On page 6, you'll see a chart that displays your average pavement condition. This condition is based on a composite rating called the Nebraska Serviceability Index, which measures the condition of our roadways and is used to determine when maintenance is needed and when repairs will be the most cost-effective. We estimate 900-- \$958 million is needed for bridge preservation. Bridges are designed with a lifecycle of 75 years. The current cost to replace a bridge, just for context, is \$330 a square foot. To understand which bridges need work, NDOT monitors bridge conditions by performing biennial inspections that meet the National Bridge Inspection Standards. This information is input into our bridge management system to predict future performance and determine prospective project timing. A chart on page 7 demonstrates the status of our state on bridges. Now, if we could turn our attention to the system modernization and operation category found on page 8. The total projected need for this category is \$2.4 billion. The three subcategories include: roadway modernization, bridge modernization,

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rail crossing, rail transit modernization. Modernization means updating our systems both with new technologies as well as new standards and practices which may not have been available when a road or bridge was originally designed. In a broad sense, this category addresses deficiencies due to a highway system usage changes without adding capacity. Portions of the highway system may experience operational issues or increase traffic volumes and require options to address issues, including these types of projects. For roadway modernization, typical projects include intersection improvements, shoulder widening, and the incorporation of new techniques and standards. Bridge modernization projects include widening and bridge rail upgrades, which are needed to meet current design and safety standards. Finally, for rail crossing and rail transit, rail crossing projects. Page 10 takes you to the final category of the needs assessment, which is capital improvements. The department projects 20-year needs for capital improvements this [INAUDIBLE] will cost \$4.6 billion. The projects within this category are capacity building, and are those projects that usually reflect a long-term commitment from the department as well as the communities in which they may have a financial commitment. This category involves projects such as constructing new highway corridors or the relocation of highways and addition of lanes to the interstate system. Interchange and urban highway/freeway improvements are also included in this category. The bulk of this category is design-- designated for roadway expansion, for which the major needs include the completion of the expressway projects selected for design and construction under the Build Nebraska Act and the Transportation Innovation Act, to include the six-lane expansion of I-80 from Lincoln to Grand Island-- which we will be letting that first [INAUDIBLE], which is Lincoln to Pleasant Dale, here this month-- and the urban needs of our state include widening and reconstruction of urban highways and implementing the Metro Area Travel Improvement Study, or MTIS, as we call it. The study, completed in 2019, is a collaborative, comprehensive look at the future needs of the Omaha/Council Bluffs metropolitan area, which assesses the needs of the interstate and freeways as they interact with local roads. MTIS evaluates the needs for over 100 miles of interstate and freeway, as well as other state and local routes, with goals of system modernization, improving mobility and accessibility, and increasing safety, reducing congestion and addressing issues of stewardship and environment. The cost to construct these needs are determined primarily by looking at recent historical materials and project costs and comparing those with identified planned length and scope of new

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projects. We use these figures to build cost-per-mile estimates to show our overall need. However, as noted, we've seen some changes over the past year in the calculations we make regarding cost as we complete these capacity expansion projects. A notable example is an increase to the cost of bridge capital improvements over the next 20 years. As a result, we've updated our estimates for the structure costs for the six-lane expansion of I-80 to Grand Island, which impacts over 100 bridges that will need to be replaced. We've also factored in our experience over the last three years with increased cost per mile on our expressway system. We've had to account for this with the remaining miles of expressway leading into the project-- the increase in projected need. We've taken multiple steps to mitigate or address increasing costs. One of the primary tools to counter the effects of inflation is to improve our bidding process to maximize the number of bidders on jobs. We've taken this by simplifying the process for a contractor to become pre-qualified to bid, and taken steps to more collaborat-- work collaboratively with contractors during the project, advertisement and letting period. Additionally, we place an emphasis on practical design, ensuring a project is constructable and is not overengineered beyond the needs of the highway. We've also continued to evaluate the materials used in construction to ensure they're cost-effective, and we'll provide scrutiny to contractors once they've been awarded to ensure any changes are properly justified. Much of our capital improvement program is made possible by prior legislation. That is the topic of the next handout, titled The Build Nebraska Act and The Transportation Innovation Act. For some background, Build Nebraska Act was enacted in 2011 and dedicates one quarter of 1 percent of sales tax receipts to the expansion of the expressway system, federally designated high-priority corridors, such as the Heartland Expressway, and the preservation of the existing transportation system. The legislation-- the legislation brings in about \$85 million to the department annually from the 85 percent it receives, while the remaining 15 percent is split between cities and counties. With the help of Senator Moser-- thank you, Senator-- who introduced LB706 and all those who voted for LB727, this funding was extended through 2042, bringing much-needed stability to our market as we start to plan out those projects. And it also brings the projected total impacts of the program to \$3.4 billion. This will help to ensure that the state does not lose the momentum it was built over the last ten years on delivering the transportation projects needed to support increased economic development and quality of life for all Nebraskans. On page 3 of BNA/TIA handout is a map table that identifies the

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projects funded by BNA that are complete, under construction, and in design. To date, 15 of the 17 originally identified corridors are either complete or under construction. The Transportation Innovation Act was enacted in 2016 to accelerate highway capital improvement, promote and provide funds for innovative bridge solutions for deficient county bridges, and help finance transportation improvements that support economic growth. The legislation created in the Transportation Infrastructure Bank, which received a one-time investment of \$50,000,000 in 2016 from the Cash Reserve Fund. The TIA also receives annual revenue in the form of fuel tax. The table and map on page 11 shows capital improvement projects selected for planning, design or construction in 2016-- 2016 using future BNA and TIA funding projections. Information from the County Bridge Match Program is shown on page 4 and 5. The program allows for matching funds at 55 percent of the total project costs for the repair or replacement of poor-condition bridges on county roads. Over \$29 million has been allocated for improving over 360 bridges in 63 counties since the program's inception. On page 5, you'll see the seventh round of the bridge match funding awarded in 2023, as well as the next round, which we have committed approximately \$1 million. Which the press release and information on that did go out yesterday. We are currently discussing the County Bridge Match Program working-- with the County Bridge Match Working Group and how best to allocate those funds. During the legislative session, the County Bridge Match Program was modified by AM1623 to LB818, which extended the termination date to 2029 and required a full \$40 million be spent on this purpose. However, that requirement was unfunded, and as such, we are evaluating factors such as cash flow which may in turn delay expressway projects as we shift our focus to meet the legislative intent. We are committed to delivering to this group. We understand the needs of the county bridge match and the value the program has brought. We do have a workaround that we'd be happy to discuss and how we plan to fully fund this group. We believe that the positive impact that the county bridge match has had within counties makes a significant impact in how we can fund these projects. You'll see on page 6 that NDOT has allocated \$7.5 million into another program also created by TIA, the Economic Opportunity Program. Twenty completed and active projects have leveraged \$2.9 billion in private investment, resulting in an estimate \$19 million of economic benefit. I'd like to now shift our attention to page 8 and 9 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

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identified for a total of 600 miles. The current status is depicted on the map, showing segments that are complete, under construction, under design, or in planning. On page 9 is a Gantt chart showing the proposed schedule to complete the remainder of the system. Currently, our goal is to complete the system by 2037, although this target may have to shift to account for unforeseen issues such as contractor capacity, material shortage, cost escalation, resource staffing. Finally, I'd like to briefly address the Infrastructure Investment and Jobs Act, or IIJA, as we call it. The IIJA includes increases to transportation, which the IIJA is our federal program and the way that we receive federal funds. The IIJA increases-- includes increases to transportation funding in two main categories: formula and discretionary. On the formula side, NDOT received an approximate plus-up of ten-- \$110 million for FY 2022, which represents about a 15 percent increase over our base formula funding. This amount will increase by 2 percent for the following years of the law. Although when you consider the record inflation rate, this is not as sizable as an increase as what we'd like to see. As you recall in this year's budget, NDOT requested an additional \$100 million to cover the state match over the first three years of IIJA, which covered the 23 matchup that we had to do, this year's of 24 and the next year is the 25. So we have to have the state match in order to make full use of the overall federal investment. There are also large increases in discretionary funding, including the existing RAISE and INFRA Grant Programs. Additionally, there are several new discretionary programs. These programs are not only open to states, but also to cities, counties and other local public agencies. In the past, we've highlighted the fact that the majority of traffic volume in the state is condensed into the 10,000 miles of roadway and 35,000-- or 3,500 bridges that NDOT is responsible for. Despite our state highway system making up only about 10 percent of the roads in the state, it carries about 65 percent of our motorist traffic and 85 percent of the freight traffic. And this is still true today and has stayed true as you compare the needs. However, it's important to balance the needs of our cities and counties and ensure that we are competitive for federal grants, both at the local and state level. Furthermore, as we balance the urban needs of the state, with the majority of the population is located, with the rural needs that make up the bulk of the system. As such, this year NDOT has taken a focus on ensuring both the cities and counties are receiving their fair share of the federal government, particularly in terms of competitive discretionary grants. This was the topic of our first ever statewide transportation summit held in

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Kearney on August, 2023. Appreciate the time of the committee. I'm happy to answer any questions or provide any follow-up to any questions in the future.

MOSER: OK, are there questions from members of the committee? Yes, Senator Brandt.

BRANDT: Thank you, Chairman Moser. Thank you, Director Kramer, for that very thorough update. As a percentage of all the funds that you expand on an annual basis, what percent are fed funds and what percent are state funds?

VICKI KRAMER: So we're about 50/50 when you look at our overall federal distribution of funds. And so oops-- our state appropriation this year, \$494 million plus the \$100 million that came in. And so understanding that \$100 million came from the General Fund transfer and went over the course of three years. So when we look at our total, total operating budget is about \$1.2 billion. So if you look at the distribution year to year, it's about 50/50 with federal and state.

BRANDT: All right. Thank you.

MOSER: Senator Fredrickson.

FREDRICKSON: Thank you, Chair Moser.

FREDRICKSON: Thank you, Director Kramer, for being here and for updating us on, on this report. I have some specific questions related to the state highway needs assessment. And specifically, I'm thinking about the Omaha area. You know, I think one thing that the city of Omaha, we've, we've taken a lot of pride in recently is sort of developing the riverfront and making ourselves kind of a world-class city in different ways. And I think we're the next steps in that trajectory is looking at our local infrastructure. So I think MTIS is a great sort of step in that direction. I did a couple of road trips this summer, came back in from out east. I know Iowa Department of Transportation has been investing a lot in their side, on I-80 in specific. And I'm curious if NDOT has thought at all about matching the Iowa side from the I-80 perspective. You know, I know they did a big dual-divided interstate on that side, if that's something that we'd consider for the Omaha side.

VICKI KRAMER: In terms of the overall capital, I'd have to get back to you on how far out that's projected. I will say that just for, just

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for reference, MTIS will put about \$40 million into our overall-- [INAUDIBLE] into our overall annual program. So when we start looking at 2025, 2026, we'll be investing that over the course of the program. So we can get you those projects and what they look like. But the long-term, seeing that same investment, I don't think you're going to see the size of the capital. We're really focusing on modernizing the system.

FREDRICKSON: OK. Love to see that project bill. Thank you.

VICKI KRAMER: Absolutely. I will say also that we do have a new Highway Commission member that we're hoping we can tie in some of the needs from the Omaha metropolitan area. So Heath Mello will join us on Friday for his first Highway Commission meeting.

FREDRICKSON: Great. Thank you.

MOSER: Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thank you for being here. You mentioned the County Bridge Match Program and that we extended it, but there's no funding. And you had ideas.

VICKI KRAMER: Yes.

M. CAVANAUGH: Would you be willing to share those with us today?

VICKI KRAMER: Absolutely. Thank you, Senator. So as we, as we look through the--

M. CAVANAUGH: You don't have to turn this way, it's OK.

VICKI KRAMER: Just respectfully. As we look through this, we evaluate, and we understand the intent of the Legislature and the impact that this program has had and the value that it plays for Nebraska. And so we looked through pretty much every option that we had. And the previous position of the department has been that the money that was came through the cash transfer, so the \$50 million that came through the cash transfer to the Transportation Infras-- Infrastructure Bank. In 2016, there was \$50 million and there was up to \$60 million authorized within that program. So we were looking at a \$10 million delta. And so we were-- when we went back and we understood that this is the legislative intent, we looked back and said, what can we do? So we've asked for a legal opinion from our legal counsel. We've looked

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through other models of funding [INAUDIBLE], everything that we could potentially bring in. And to us, the cleanest route would be to take the \$0.02 that's authorized from the LB610 gas tax that comes in through LB960 to the Transportation Infrastructure Bank. And we do have the authority and we do have legal counsel opinion that we can use that to fulfill the \$10 million commitment. Now that is money that, once a dollar comes into the department, that money gets allocated to a project. So understanding that we have through 2029 to spend that \$10 million, right now what we're doing is we've left the \$1 million that we have left in the program that we had already budgeted for into the last round, or the eighth round right now. And then we're going to work with the working group on making sure that that \$10 million is focused on the program that's actually going to meet the here and now, understanding that we have-- IIJA creates several other bridge programs that are available for off-system bridges. I want to make sure that this program meets the current need and was not the need from back when we passed it in 2016, implemented for 2017. So we have a we-- we have a way forward. We've got money moved around. We do anticipate that there will be some impact to projects, but we're doing our best to minimize that.

M. CAVANAUGH: I'll follow up. So should we be reevaluating that program with the IIJA program? Is there maybe some overlap that we need to address in that [INAUDIBLE]?

VICKI KRAMER: I think absolutely, Senator, if that's, if that's the intent of the Legislature. The department will also do that with the working group, just under the way that the program was set up. I don't think that we're going to get to the point where we overly exhaust the needs. There, there's a lot of needs in that network, and so we feel that hitting it this way, this is the best way to have a coordinated approach across all programs and to make sure that the counties and the locals are completely aware of the programs in front of them. And if there is a gap the, the current federal program doesn't meet, if you remember, we are a buy-back state, so [INAUDIBLE] do not have experience administering federal programs, then we buy their money in for \$0.90 on the dollar. And so we want to make sure that our program is completely reflective in this very complex world that we live in and is easiest for them to navigate.

M. CAVANAUGH: OK. One more bridge question. So obviously bridges are very important and especially in these counties. And we, as we have had legislation that has changed the length and the weight of trucks,

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is that be incorporated into the construction of these bridges? And if-- is there a way to communicate with us, if we are going to be over capacity on that, because that is a concern. We're trying to make it more economical for our communities to use that trucking transportation, but also we have to be mindful of the costs on wear and tear so.

VICKI KRAMER: Absolutely. And I very much appreciate that that attention to it. The-- what we look at a lot is the axle weight. And so if you [INAUDIBLE], for example, the length of a bridge-- or no, sorry, the length of a truck. Unless there is a turning radius issue or something like that, as, as long as it doesn't put additional weight on the axles, which is what causes the majority of the damage to the roadway, we're going to be OK with it. It's the fact that we have to really monitor the weight. I think we've done a good job of working with the, the committee to make sure that if there is a change that's recommended, that we fully make you aware of where we see that impact lying and what it could do to the road and bridge quality. And make sure that it's factored into the overall fiscal note of, of what we'd be doing. So we'll continue to work with you on that way, so that if a decision is made and there's a recommendation of the board or a building report that way, that the full cost is represented in the fiscal note.

M. CAVANAUGH: Thank you.

VICKI KRAMER: Thank you.

MOSER: Senator Wishart has joined it-- Wishart has joined us just a few minutes ago, and I neglected to give her an opportunity to introduce herself.

WISHART: Thanks, Chairman. Anna Wishart, District 27: west Lincoln and Lancaster County.

MOSER: Thank you. I did get a note from the transcribers that they were having a little bit of trouble transcribing your testimony. So if you could speak into the microphone just a little bit better, that would be good. OK, other questions from senators? Senator Erdman.

ERDMAN: Thank you, Senator Moser. Thank you, senator-- Director Kramer, for being here. On the document you gave us, you handed out the Build Nebraska Act. Do you have that document there?

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VICKI KRAMER: Yes, Senator.

ERDMAN: OK. My question is, [INAUDIBLE] you show on number 12 there is [INAUDIBLE] it's on the other-- the map on the, and the-- right here, this page. You're on the right page.

VICKI KRAMER: OK.

ERDMAN: Number 12.

VICKI KRAMER: I, OK. Yes.

ERDMAN: It's on page 3.

VICKI KRAMER: Page 3. OK, gotcha.

ERDMAN: It shows that, shows that-- the yellow line shows that the four-lane has been completed from Alliance L62A to Lincoln.

VICKI KRAMER: Um-hum.

ERDMAN: And then I look back on page 11 [INAUDIBLE] there is-- that's under design, and I have particular interest in the one from LB62A to Minatare. And I don't see that in design on, on any of these pages. It's my understanding that we're going to do that section next. And they had a meeting or a hearing in, meeting here on September 8 of last year. The majority of people who attended that meeting suggested we do super two like we're doing from Alliance to Chadron. And that was never considered. And so the people that showed up there made those comments that to no avail. They were not going to consider those that were in-- that wasn't the plan. And the people that visited with the department that day felt slighted that their issues weren't taken into consideration. So that expressway that's going to be constructed between 385 and 26 over in Minatare, if it goes on the north side, it's going to disrupt 13 homes. And it goes on the south side, it's going to be 19. If it was a super two, it would be one or two. So my question is, why isn't it showing, I mean, in your maps, the construction for that last part of the expressway from [INAUDIBLE] to Minatare? Why doesn't that show up?

VICKI KRAMER: So, so there's a lot to address in there, Senator. And if, if I may. So any time that we start planning these programs, they obviously go through the first step, which is preliminary design and environmental. And so part of that preliminary design is this, this

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section of the roadway, that last section that you're talking about, is being designed to federal standards. We do currently have congressionally directed spending anticipated to be on that. We've had some federal earmarks in the past and some grants on that piece. So it is federally, federally-- or designed to federal standards, which means we go through the Environmental and Policy-- National Environmental Policy Act. So NEPA, is what we typically call it. So the NEPA process is currently in the works on that segment. And so the NEPA process is how we determine what the overall impact of the project is going to be. And so with that, that, that determines alignment or that guides the alignment decision. And so the department does not typically make decisions on alignment without being very educated by the NEPA process, which looks at, to your point, Senator, what's the impact on the local community? So you have our word that the NEPA process is looking at those impacts of those homes. Every, every single home, every single person on that route is incredibly important to us. And we always try to design to the least amount of impact. That being said, it's also a four-lane corridor. And so typically how we've looked at this, and Senator, I apologize, we should always be looking at it and listening to our constituents. So if we weren't, I apologize for that. That's not ever what we want somebody to take away. And we want to make sure that we hear from everyone. With that, that is a four-lane corridor that we've long committed to making four-lane. And so when we evaluate these, these spans, so if you look at 275, 81, these 42- to, you know, 80-mile corridors, we, we study and NEPA takes into consideration the entire length of the corridor, not just that project segment. Because most of the traffic we see moving on those corridors is freight-related and not local traffic. And so in order to make sure that we look at the safety bene-- benefits, as well as the economic benefits, we have to look at that whole corridor. And so, again, Senator, I apologize if, if this super two-- if the two plus two super two was not evaluated or they weren't heard. I can tell you that they were heard. What that usually is, is those comments go into our matrix within our public involvement process in NEPA, we evaluate them. And if they didn't get a response to their questions as to why we were going with a four-lane, I would be very interested in that, Senator, because that's not what we want. And we'll make sure that we explain that. I will also say, though, the NEPA is not complete on it, and so we'll continue to evaluate. And that's probably why you see some variance with how it's represented within our, within our handouts. But we'll get that confirmation to you, Senator.

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ERDMAN: OK. So I get a lot of calls about that. And so the question is, when will they start construction, and when are they gonna, you know, notify people which side of the highway they're going to go on? When is that gonna happen?

VICKI KRAMER: Once the NEPA process is complete. I don't have a good date for you on that, Senator. It's got to work its full. And if we, if we came in and manipulated that process in any way, then the trust in-- that's put in just to make sure that it's a fair assessment, would be gone. So our whole goal is to make-- create as much transparency in that as possible. So we will be going back out to the public next year, and so that will there will be an opportunity for the public to weigh in once again. But more to understand the decisions that we make or the decisions that the NEPA process informs. So if we decide to go to the north, this is what the timeline will look like. This is the homes impacted. We'll have all that information out. We're just not through the process to be able to speak to when that exact time is.

ERDMAN: So the reason-- one of the reasons why those residents considered a super two is they knew that your proposal was to go from Alliance to Chadron by a super two. And so their concern was, if they can do it 57 miles from Alliance to the state line, they can also do it by us. And that wasn't, that wasn't the issue. So do you think the construction will start there sometime in '25? What's your best guess? You've had other issues with those studies and how long does it generally take?

VICKI KRAMER: We'll get that information to you, Senator. I would say that that would, that would be pretty quick from what we're seeing on that.

ERDMAN: So one last question. What is the status of the turning lane at the ethanol plant at [INAUDIBLE]? Do you know?

VICKI KRAMER: I don't offhand, Senator. I'll get, I'll get that information for you.

ERDMAN: Thank you.

MOSER: Further questions for the director? Senator Vargas.

VARGAS: Move this, we're sharing, sharing space. Sorry, Dorn. So thank you for being here. I had a question about a little bit more on

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process. It gets, it gets to Senator Erdman's question, but zooming out. Can you tell me a little bit more about the formal process for local input on the needs assessment, especially for capital improvement? I know locally in Omaha we have the Metro Area Travel Improvement Study. But can you talk to me more holistically about what local input is taking into account for capital improvement, what prioritization of projects looks like? Why are some projects included or maybe not?

VICKI KRAMER: Yeah. So there's a lot to, there's a lot to break down there.

VARGAS: Yeah.

VICKI KRAMER: And I welcome the question. So I think the first thing is understanding that the state highway transportation system, as well as the local system and then looking at what's, what's required from the-- like I said, we're mostly, when you look at our overall program, a lot of our projects-- and you will see we're starting to pull out some projects that are not going to have federal funds, they'll be state-funded. But any time you use a dollar of federal funds on a project, you're going to trigger NEPA, which has a very deliberate and in-depth public involvement process. And so if you look at like project-specific, you've got NEPA. But I want to zoom out to answer your question. And so the projects that you see listed in this document were identified through public involvement. So if you remember, we went back out to after the 2011, 2013, the first BNA projects that were, that were greenlighted from the Legislature and from the department. We went back out in 2016 after we did the BNA next 10 is kind of how it was branded and said, OK, this is the amount of money we have to have through the, the duration of BNA with the sunset originally at 2033, now 2042, and then the TIA money that came in. This is what we expect to have. And then we asked communities for their projects. What are the projects that you believe are going to have regional significance and make a difference for the economic growth and the quality of life, transportation access, making sure that we have a system that serves all Nebraskans. So those projects were pulled out and prioritized during the, in the StEEP process of 2016. Now, what we haven't done, Senator, is what we haven't done a relook at 2016. Part of it was working through what we've done over the last year. So we have an extra 10 years. We went from 2033 to 2042. We've got that 10 years that the Legislature has authorized with BNA. What does that mean? What's the next projects? And the first

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question is, is can we afford what we've already said we should be building? And that's where I am-- that's why I'm starting to have this conversation with you, is because that, that money and the timelines get further out for money that's going to be generated through BNA and its ability to generate anything beyond 2037. Meaning, have we already spent what we've committed to or what we're committed to, to raising? Because I don't want to go out to the public and ask for projects when there's no money or no resources there. I think that's unfair. And so for us, it's very much what's the, what's the expectation management when we go out to a community? Because I'm sure if you've talked to one-- usually the small communities will say, well, you came out in 2011 and you talked to us about this project, and it's 2023. Where are you? That's not abnormal in the transportation world. You have to evalu-- you have to evaluate the need early on. Then you start to pull out and say, what are our revenue numbers to be able to put a number to that, say when we can put it in. Then we cashflow it and then you start the environmental processes, it becomes a reality. And remember that that environmental process is only good for three years, because you don't want to go out to the public and then have to go back-- and then if that project doesn't become a reality in eight years, you go back out to the public or you don't go back up to the public, right? You want to be within that three-year record of decision of going to the public. And so you want to be relevant when you do it. And so it's a very complex approach that we have a team within our communication section that works very closely with our project delivery. It's called our Public Involvement Team. We've got in-house staff as well as consultants. They go out to these communities, do public meetings. I will say with COVID, one thing that we've done is we've tried to meet these communities where they're at. And so we've tried to increase our public involvement in the, in the kind of Webex format so that people that can't make a meeting at 4:30 or can't meet-- make a, make a meeting at 6:30 can go online, they have documented history of what was said at that meeting. And they have an understanding of what's been committed to in their communities. Now, if you're a community leader, and just looking at your area, Senator, you know, we've-- I've had multiple conversations with Omaha, multiple conversations with MAPA. We continue to encourage them to figure out what, what the opportunity is with discretionary grants. And so I, I really hope that our new highway commission member can help guide some of those conversations and help continue to bring us in so that we fully understand what the needs of that area are and what the public is expecting from that area so that we can help. That might not be

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through direct state funding, but it may be through discretionary grants or other opportunities that we can be supportive on.

VARGAS: That's really helpful. And part of the reason I ask is because I'm sure many of us are thinking how does local input look like if it was in 2013, how does, how does it change over time?

VICKI KRAMER: Absolutely, Senator.

VARGAS: How do priorities change? And, and, and I'm concerned, you know, this is a high-level concern. When I look at the \$4.6 billion of a 20-year projected need, I'm looking at every year about \$200 million of funding on average going towards just capital improvement. And then I'm very aware of our \$460 million-- \$494 million that we appropriate to transportation. And my-- we're not there. And so I, I say that because I hope, you know, as both the executive branch and yourself are looking to future budgets and you're looking over the next six years, there's a frank conversation of if 30 percent inflation and costs, right? The \$4.6 billion of projected need is based off of just a 30 percent increase just from last year, at least what I read, that you're coming to a future Appropriations Committee, not us-- we're not going to be there, some of us-- and saying, you should expect that this is going to increase 2, 4, 5 percent year over year to meet the expected demand so that the local communities aren't feeling like we just have to figure out how to prioritize. Because--

VICKI KRAMER: And it's--

VARGAS: --knowing this is the need, it just, it concerns me. I just want to make sure that that's coming. That's being asked of the Appropriations Committee, if that's the data. Then we can figure out how much we actually do, because this is a lot.

VICKI KRAMER: Absolutely. And most of those projects that we do have a local match. And, and to your point, Senator, that's one reason that we go out so early is so that-- Fremont Southeast Beltway is a perfect example, right? They, they had a project that they needed that was, that was identified in this list. That project was expedited because they were able to increase that local match through the help of eco-- help of some of their developers. And so we keep our, our program flexible enough to be able to honor those commitments. But let's say it was the other way around and Fremont couldn't come up with their, their match. We find a way to at least give them the time in which

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they can do that, collect that project and make sure that they can cashflow that. And so we work with them so that they have the headwinds to understand what's coming, so that they can capitalize and ride those tailwinds into a project. So it's, it's honestly local consult, and that's where we have those district engineers that are working hand-in-hand with those communities as well as our public involvement staff and our roadway and design staff. To make sure that when that project comes up, the locals can afford the match. We all understand what the pro-- program or the project is going to do and it's meets the needs of the community.

VARGAS: Thank you.

VICKI KRAMER: Um-hum.

MOSER: Senator DeKay.

DeKAY: Thank you. Thank you, Director Kramer. I do have a couple of questions on the use of the funds, and then I got another question for you. First, we passed a bonding bill last year for 450-- have you identified the uses for those funds of projects? And if you have, what are the timelines on that?

VICKI KRAMER: Sure. So just understanding we have some, some members in here that we're not on the committee. Actually, it was through Revenue, so a few. You know, bonding, it's important to understand how transportation projects come to be. Bonding is a financing tool, which means if the funding is not there, you can't use it, right? And especially as a, as a very fiscally conservative state, we have to make sure that when we are going to bond a project, one, there's a project ready that we're going to bond, that we can cashflow. If you remember when we talked through with the bonding staff, it was, you know, this is where we expect interest rates to be. If they're at 5 percent, you know, then we, we've got to be able to accelerate a project by about seven years in order to make up those opportunity costs that we're going to have for, for financing, right? We want to make sure that if we're bonding, we're doing it in the best-- doing it for the best deal for Nebraskans. That takes time to identify those projects. And so really, the best candidates for those projects are those corridor projects. So if you remember the what we've gone through, I'm sure it's fresh for many of you what we went through with Highway 30. You know, we had an entire construction year where we-- all we did was grading. That would have been a bonding candidate

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project because you can essentially expedite a project-- project was ready, but it was the funding component that was holding it back. So we need to get ourselves in that position again. So in transitioning from a pay-as-you-go state to a financing state takes time. So we're working closely with our CFO, as well as our legal staff to determine what does this bonding program look like, as well as working with project delivery to make sure that when we bring a project and say for, you know, in your neck of the woods, Senator, Highway 81. Can we cashflow that first stint? And then would we look at bonding potentially that second segment or the second grouping of segments in order to make sure that you don't have a gap in the overall construction of the project, therefore creating more economic opportunity because you're essentially capitalizing on those opportunity costs of saving money with not losing the mobilization of that contractor potentially, or driving more competition because you've already had that area inactive? So those are all the things we're weighing right now. But I will tell you, Senator, that when you throw these, these cost increases into our program, right now, what we're doing and prioritizing is moving these projects around based on what we can now afford. And to, to your question, Senator Vargas, earlier, it's not a one-year increase. These are three-year. And we probably should have been having that conversation with you at this hearing last year. But now this is a stabilization. We know this is going to be. They were still a bit in flux over the last two years. So this is really reflective of the last three years of percent change that we've seen and, and now factored in. Is that helpful? I'm sorry.

DeKAY: Yeah, thank you. Another question on that, a little bit. Have we, as the state of Nebraska, gotten over a billion dollars from the federal infrastructure bill? And are we using that or how are those additional funds being used right now in the five-year plan?

VICKI KRAMER: Sure, Sure. So it was about \$110 million, so I have to, I have to give a little bit of information here and apologize for going so in-depth. But with IIJA, what it is, is every five years or so we have a surface transportation bill. That is how we are funded on the federal side. So states vary on how much of their program is funded by federal and state. Like I said, we're mostly a 50/50 state. We have states like Wyoming who are a 75 percent state/federally funded. You have states like Utah who are under 20 percent federally funded. It varies just based on how the legislature and the governor invest in transportation. And so for for us, IIJA was an increase. And honestly, it's been very, very helpful. What it did is it increased

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our formula by 15 percent. But when you're having inflation that hollows out around 15 percent, it's kind of been a wash in some areas. But also created four new pockets of funding. So your, your billion dollars actually translates to about 100 million-- \$110 million a year, which is a 15 percent increase. And then you see pocket-- four different pockets of money that are very prescriptive in what you can use them on: the carbon reduction, the resiliency, the NEVY and the bridge program. So those four different pockets are other areas where we have increases. Now we've shifted some of that money around with [INAUDIBLE] distribution to be able to put more money towards bridges. But overall, it's not \$1 billion. It's 110, a 15 percent increase, which is, is definitely needed. The opportunity we're leaving on the table, Senator, and we fully understand this, is the discretionary grant piece. And we've mobilized in order to make sure that we can take better advantage of those programs, as well as supporting our locals, understanding they can be direct recipients of those federal funds through discretionary funding in order to get those projects ready and get those grant applications in. We've got to be confident when we compete.

DeKAY: Thank you. Last question. We talked a little bit about Highway 81. On the corridor, if there's three criteria that needs to be matched, which would be the distance between cities that are over 5,000 population, safety being another consideration, and then the amount of traffic. A couple of quick questions on that. How many-- what's the amount of traffic [INAUDIBLE] needs to be amended to justify that? And basically going off of that, if say South Dakota's going to increase 81 from a two-lane to a four-lane with a projected traffic flow that could come down off of I-90, would that impact future assessments of 81 from, say, Yankton to Norfolk?

VICKI KRAMER: Yeah. So let me work backwards there. It's always something we take into consideration. But I will tell you that, you know, states are funded differently. And so that priority in South Dakota may not match up with the priority in Nebraska, given the whole-- holistic needs of the state. That does not mean that we don't value the-- what they're putting in there. We work closely with Kansas. I'd say it's primarily Kansas and South Dakota on what their-- where they see their investments in the capital money going to understand where those corridors are going to be completed. 81, I don't have the numbers, but I will get the numbers on the ADT, so you can see how they, they, they translate against their peers, so to speak, of capital improvement projects. When we went through this

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initial prioritization process, the prioritization process was set up to support the, the needs as we see them then, right? And honestly, it was the needs ten years ago. Transportation in Nebraska has always been reactive. We don't have a "build it and if-- and see if they will come." We have a "they've come, now we'll build it" approach to our model, and that's very much because of the way that we fund transportation. And I'm not arguing against that. It's just the way that it is. And so in terms of being proactive on 81, in the next 50 years, I don't think you would see that. But we'll continue to work with you. I understand it's a priority project.

DeKAY: I guess a little bit of my concern with it is the bottlenecking which is, you know, 81 in that area is very hilly. The bottlenecking that does occur now, and plus if South Dakota does go to a four-lane, if that would increase the amount of traffic. But at the least, is there anything that would either put it to a lane and a half or reconstruct--

VICKI KRAMER: Yeah.

DeKAY: --some of the intersection because of the amount of fatalities that happen in that stretch of highway?

VICKI KRAMER: We'll take a look and we can have a conversation, Senator, on not-- maybe not a super two, but potentially passing lanes. We've, we've done some really innovative things with how we've programmed our safety dollars to increase the size of our shoulders as well. Understanding that some of our roadway-- rail roadway departures and the safety along those roadways is dependent on if your truck passes, you might get over a little bit, right? And so you don't want to kick off the road there. And so we can talk through. We've got a whole list of solutions in that area.

DeKAY: The main concerns I see in that area, in that section of the highway [INAUDIBLE] traffic from the south, blind traffic or if they're traveling 65 miles per hour, they're within 300 yards of [INAUDIBLE] a stop sign intersection where there's--

VICKI KRAMER: Yeah.

DeKAY: a lot of accidents and a lot of fatalities happen due to a [INAUDIBLE] within 20 miles of each other.

VICKI KRAMER: Absolutely.

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MOSER: OK. Thank you very much, Senator. Do you have a question, Senator Bostelman?

BOSTELMAN: Thank you, Chairman Moser. Statement and then some questions to follow. And for the committee knows, I'll build on those questions so you understand where I'm going with this in the end. First comment I want to make is on the County Bridge Match Program. DOT has a requirement by statute to fund another three-quarter million dollars by [RECORDER MALFUNCTION] --that. Actually the funding does exist in the Transportation Infrastructure Bank, those funds--

[RECORDER MALFUNCTION]

VICKI KRAMER: --South Dakota does not have the American--

BOSTELMAN: --deals, deals with, deals with, deals with these environmental issues, but I don't know that they-- they're as delayed as what we are. Why is-- how is-- how, how are they doing things different than us?

VICKI KRAMER: Oklahoma--

BOSTELMAN: Have you looked at that, I guess is the question?

VICKI KRAMER: Oklahoma and Nebraska are the only states who have the American burying beetle. South Dakota and Iowa do not have the American burying beetle. So, Senator, I'll get one of those--

BOSTELMAN: They have bats.

VICKI KRAMER: They do, but we, we haven't had the issues with bats on downlisting. The American burying beetle has got downlisted this last year. The bats are what's projected to potentially get uplisted next year. And so though they still have environmental constraints, most of our issues in this last letting period, which I understand the, the contractors would like to see more of these projects get out--

BOSTELMAN: OK.

VICKI KRAMER: --right now, it's constraint. But I'll get you those three-year pieces, because that is something we're actively working towards, how we can, can do better there.

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BOSTELMAN: So, so the concern, where, where I'm going with this on, on the end-- I'm going to ask questions.

MOSER: We have another hearing at 11:00.

BOSTELMAN: I understand that, but--

MOSER: And you're being argumentative with the Director. And I think Director and you should get together and--

BOSTELMAN: Well, the other-- my last question, my last comment is on it is that when we see these contracts not being let on time and the letting not happening, our contractors are going to other states. And we've got the best, some of the best contractors in the country here and I hate to see them go out. So, I mean, that's trying to save funds, trying to get the letting out, trying to get projects done so they can bid on them, so they know what it is. And that goes down to our small contractors to the big contractors. That's the point of what I'm trying to get to [INAUDIBLE].

VICKI KRAMER: If I could, Senator, I fully understand. It's a, it's a concern of mine as well. It's not something that we take lightly. Any time we miss a letting, it's in my, it's in my performance evaluations to the Governor. We continue to work towards this. There are some things that are outside of the control of this agency that we figured out how to develop those constraints and take them away. And so we are looking at how we can invest in envir-- our environmental department so that we don't have some of these issues. So understood and taken.

MOSER: OK.

DORN: Go ahead, I--

MOSER: Hang on just a second. Do you have a quick question?

DORN: Quick question. The bids that you're letting out now, are you-- what kind of increase are you seeing in those or talk a little bit about that, if you could just briefly.

VICKI KRAMER: You know, Senator, I'd love to have that conversation offline so we can talk about [INAUDIBLE]. It can just be a little bit--

DORN: Thank you.

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VICKI KRAMER: --difficult.

MOSER: One item that Senator Bostelman touched on was the, the lack of progress. And you were saying permitting was a problem. And in our discussion before the hearing, you mentioned that your environmental staff and staff did about 50 percent of capacity currently.

VICKI KRAMER: So--

MOSER: And that you're working on building up that staff and getting the jobs competitive with the rest of the world so that we can meet those deadlines more quickly.

VICKI KRAMER: Absolutely. We understand that the trust that was-- that the Legislature put on us with NEPA assignment, and it's something that's been working out very well for us. We have to continue to invest in environmental staff. We're working with the Governor's Office on how we do that. The 50 percent was our T&E. So the, these threatened and endangered species, it takes about six months to get a staff member even qualified. And so in order to keep them on, we need to look at how we're doing that. So that's one of the constraints, Senator, that we're working through to make sure that those contracts go to bid, go to contract on time, there's certainty within our bid schedule and that we keep our contractors working. That's absolutely my goal.

MOSER: OK. Other questions? OK, thank you. You're going to work on some of the answers that you weren't able to produce today and we're going to work with Senator Bostelman on the discussion of his concerns?

VICKI KRAMER: Yes, Senator.

MOSER: OK. With that, that concludes our hearing today on the Department of Transportation. Thank you for coming, and I appreciate your staff being here. We'll take a five-minute break and then we'll come back and start the next hearing. Thank you.