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Transportation and Telecommunications Committee and Appropriations Committee  
December 05, 2016

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The Committee on Transportation and Telecommunications and the Committee on Appropriations met at 1:30 p.m. on Monday, December 5, 2016, in Room 1113 of the State Capitol, Lincoln, Nebraska, for the purpose of a briefing by the Nebraska Department of Roads. Transportation and Telecommunications Committee senators present: Jim Smith, Chairperson; Lydia Brasch, Vice Chairperson; and John Murante. Senators absent: Al Davis, Curt Friesen, Tommy Garrett, Beau McCoy, and Les Seiler. Appropriations Committee senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Bill Kintner; and Dan Watermeier. Senators absent: Kate Bolz, Tanya Cook, Ken Haar, and John Kuehn.

SENATOR SMITH: (Recorder malfunction)...need hearing by a joint meeting of the Appropriations Committee and the Transportation and Telecommunications Committee. This is not a normal public hearing, as we will only be receiving testimony from the Department of Roads Director, Kyle Schneweis, and his representative or representatives. I'm going to start with self-introductions. And I know that my counterpart from Appropriations, Senator Heath Mello, the Chair of Appropriations, is coming today, so he will be here shortly. So I do want to thank Senator Mello for sharing this joint hearing with Transportation and Telecommunications. And so I'll begin with Senator Kintner.

SENATOR KINTNER: I'm Bill Kintner from Legislative District 2.

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

SENATOR WATERMEIER: Dan Watermeier from Syracuse.

SENATOR BRASCH: Lydia Brasch, District 16, Cuming County, Burt County, Washington County.

SENATOR SMITH: And I believe joining us here shortly will be Senator Murante from Gretna. And Senator Mello has joined us. Welcome.

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

SENATOR SMITH: All right. And a couple of other folks helping us today, we do have, to my left, is Mason Kobernick. Mason is with the Appropriations Committee, works in Senator Mello's office. We appreciate him working with us today. And to my right is Mike Hybl, legal counsel to the Transportation and Telecommunications Committee. Our page assisting the joint meeting today is Amy Price. Amy is a UNL student and her hometown is Columbus. And I think she must be running an errand for us right now; otherwise, she would wave to you. With that, Senator Mello, I'm going to...any other comments you would like to make? We're going to start by inviting Director Kyle Schneweis, the director of the Department of Roads, forward. Welcome.

KYLE SCHNEWEIS: (Exhibits 1, 2, and 3) Thank you. Good afternoon, Chairman Smith, Chairman Mello, members of the Transportation Committee and the Appropriations Committee. My name is Kyle Schneweis. I'm the director of the Nebraska Department of Roads. My last name is spelled S-c-h-n-e-w-e-i-s. I testify before you today having had a year and a half to get to know you all very well. I've had a chance to visit many of the communities you represent and your constituents and really had a chance to learn what Nebraskans value in their transportation system. I've met with local landowners, local officials, businesses all over the state, large-scale industry stakeholders like Werner Enterprises, to understand firsthand how the department can innovate and contribute to the vision of the state. These efforts to expand our outreach are different for us at the Department of Roads compared with our past approaches. We're really trying to have a commitment to listening to the citizens of the state and understanding what their needs and wants are as we create a vision for infrastructure in Nebraska. We have opened our doors, literally and figuratively, to become more transparent and customer-focused at the Department of Roads. We are committed to serving the state and the citizens in an efficient and effective way, while trying to find innovative ways to grow our state through infrastructure investment. It's been a very busy year at the department, as you all know, from our 3R standards update that we did to the passage and now implementation of the Transportation Innovation Act. We redesigned our project prioritization process and implemented that. We have been hard at work just building and maintaining what is a very large infrastructure system. And so for me to bookend this past year, it's a great honor to come before you today and present these two

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legislative reports. I'd like to start with the Needs Assessment. As I noted in last year's testimony, we have a very well-maintained transportation system here in Nebraska and we're lucky to be in the position that we are, from that perspective. It will take continued commitment to make sure that that status does not waiver and we need to focus not just on preserving the system but on future needs of the system as well. And we're well positioned to do that in addition to just maintaining the system. When I've talked to citizens across the state, I've learned that the fiscally conservative nature of Nebraskans extends beyond their own checkbook. Nebraskans appreciate the sustainable and pay-as-you-go method of funding that we have here in our state, and they understand that we're trying to build a great transportation system, not just a few great transportation projects. I wasn't surprised when we asked citizens to help us prioritize our projects that they didn't shy away from hard decisions. Nebraskans understand that the needs of a region or of the state can often outweigh the needs of one single community. They helped us to evaluate the scopes of our projects to make sure they are rightsized so we can meet the need but also do so without extending the budget. This principle, this mentality has been a guiding principle for us as we've developed this needs assessment. The citizens of Nebraska care deeply about the condition of their road system and they understand that the transportation network provides that vital link to the state's economy and improves the quality of life we so enjoy here in our state. They value the investments that we have been making and they value the Governor's commitment to making infrastructure a priority. The report before you fulfills a 1988 statutory requirement to provide an annual report on the needs of the state highway system and the department's planning procedures. It also affords us at NDOR and you as the Legislature an opportunity to reflect on the long-term needs of the state at that 30,000-foot level. It's data-driven, it's very rigorous, and it's a means for us to determine the long-range costs of infrastructure investment in our state. It's also dynamic; it changes constantly. And we recognize that the needs will always be greater than the funding available. That has been the case and will continue to always be the case. What this does for us is provide a place to start prioritizing. We understand that priorities that come from this assessment do not translate directly to projects but, instead, they help us plan for an uncertain future. And there are technological advances and other things coming our way in transportation that will be here far before the life of this and the time line of this report. And so as we develop it, a primary focus has to be flexibility for an uncertain future. And also, because funds will never meet the needs, it's incumbent upon us at the Department of Roads to find efficiencies so we can get as much...as many revenues into the

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pavement as possible. I'd like to direct you to page 1 and 2 of the report. As in previous years, we've projected the needs of the state out 20 years. The total need number on page 1 is shown as \$11.6 billion in today's dollars. If you inflate that out over the 20-year time frame, it's estimated at \$16.6 billion. To put that into perspective, today we have about \$500 million in funds available for construction. That puts us in an enviable position here in Nebraska. Neighboring states have had to make some very hard decisions that have greatly affected the public and transportation in their state. Neighboring DOT announced in November they had to, due to budget shortfalls, postpone 34 projects. Delaying these projects only increases the need, it increases the costs down the road, and it creates distrust with the public. And I'm happy to say and grateful that here in Nebraska we haven't had to break any of those promises that other states are having to do. So that commitment has been important and is important that we sustain. The needs of the highway system are broken into three categories: asset preservation, system modernization, and capital improvements. You'll recall from last year we rearranged these categories to what I think more accurately reflect the strategies and the statutes of the state, but also it's, frankly, it's just easier to follow and easier to understand. They also...these categories align very well with our annual construction program. I think it's important to note that when you look at projects, they often will address more than one of these needs. If we're going, say, from two to four lanes, we're creating obviously a capital improvement but hopefully we're flattening a hill and straightening a curve that would be classified as modernization. And if we're doing our job right and timing it right, we're taking care of pavement and bridges that need replacement. So you can see how projects can cross over these three categories. And we've been very careful to make sure that the needs are not double-counted here and...despite the fact that projects often do meet one or more of the categories. I'd like to turn you to page 3 and 4. Asset preservation is our highest responsibility here and our number one priority at the Department of Roads. The Legislature, in fact, has underscored this in statute. The statutes read, "The department shall consider the preservation of the existing state highway system asset as its primary priority." Investing in the maintenance of roads and bridges ensures that we get the maximum value out of our existing system. With \$10,000 centerline miles and 3,500 bridges, this is no small task, and that is why the needs...the preservation needs make up the largest category of our needs assessment here today and of our annual construction program. The preservation needs are estimated at \$6.8 billion over the 20-year time frame. That includes \$6.1 (billion) for pavement and \$700 million for bridges.

Preservation is a constant activity for us to maintain such a large system. Part of it is the number

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of trucks we have traversing our state. Part of it is where we are with the weather and the snow and ice wreaking havoc on a system. But we are continuing to explore ways to improve, whether that's new materials, new construction techniques, all of which over time have led us...have helped us meet the preservation need at a lower and lower cost. I'd like to turn to page 4 and 5 to talk about system modernization, the second category. Besides just maintaining our system, it's important that we keep it up to date. System modernization are projects that address roadway improvements but don't necessarily increase capacity. So they increase safety and efficiency within the existing network. Examples might be narrow roadways, roadways with limited shoulders, hills that need flattening, curves that need straightening. The infrastructure in these cases is often very serviceable; but in order to reach top performance, they require modernization. The projected 20-year needs for modernization are \$1.9 billion, the largest component of which is \$1.4 (billion) for roadways, followed by \$280 million for rail crossings and rural transit, and \$230 million for bridge modernization. This also includes approximately \$360 million that was not included in previous reports. These...this number and these needs are directly associated with converting at-grade intersections where two highways come together to interchanges. I've visited with many of you over the past year and a half about these needs. Many of your constituents contact us to talk about the need for interchanges and improvements at these intersections. We work hard to evaluate the traffic and the operational metrics of an intersection, crash history before we make these improvements. But I felt strongly that we needed to include them in this year's needs assessment, and so they are included. I'd like to turn to page 6 to talk about capital improvements. This is the third category and involves the design and construction of new roads, transforming existing systems by adding lanes, replacing at-grade rail crossings with overpasses. These are the strategic investments that we make in the future of our state. This is how we can impact the economy in our state through infrastructure investment. The Build Nebraska Act, the Transportation Innovation Act, both of these pieces of legislation are focused on this category. These improvements are not inexpensive. That's why you see it's the second largest investment after asset preservation. The 20-year needs are projected at \$2.9 billion. This includes \$2.7 billion for roadways. Of that \$2.7, \$1.2 billion has been identified to design and construct selected projects for the next ten years of Build Nebraska Act and the Transportation Innovation Act, which I will talk about in a little while. It also includes \$382 million in costs for projects that were selected when the Build Nebraska Act was first passed, but the schedules are still coming. Those projects will be delivered soon. The number also includes highway-rail grade

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separations at an assessed need of \$200 million. This roadway expansion category covers bypasses, new roads, new interchanges, additional lanes, freeway upgrades, and completion of the expressway system. For example, it includes "six-laning" of I-80 between Lincoln and Grand Island. It includes capacity improvements in our urban areas on the state highways. This is where it's incumbent on the Department of Roads to discern between needs and wants. And so our need number is \$2.7 billion for roadways. When we were out visiting with the public last year, talking about candidate projects for the Build Nebraska Act and the Transportation Innovation Act, the total list of projects brought to our attention was over \$8 billion. And so we've had to be very careful in deciding what to include in the needs assessment and what not to include. I'd summarize the needs testimony in saying that I appreciate the opportunity to share it with you. It really does serve as a starting point for us here at the department as we assess and predict our future priorities. It's more than a list of projects. It's a systematic and transparent evaluation of the needs of the state highway system. At NDOR, we are committed to using taxpayer investments to build a transportation system capable of supporting and contributing to the economic growth of our state, and I believe the needs assessment reflects that. With that, I would like to turn to my second testimony topic and the second report in front of you entitled the "Transportation Innovation Act and Build Nebraska Act." With the passage of the Innovation Act last April, NDOR ramped up our efforts to deliver infrastructure advancements that reflect the intent of these two pieces of legislation. Both focused on expansion of the expressway system and the federally designated high-priority corridors and other projects that provide increased mobility, freight, and safety benefits. We're now five years into the Build Nebraska Act, and at the department we are aggressively rolling out the projects funded by the first ten years of that program. You can see those on the map on page 2 of your report. We also recently announced \$300 million for the next ten years of Build Nebraska Act and the Transportation Innovation Act. You can see those projects on page 3. It includes eight projects selected for construction. Those are the projects in red on page 3. It also includes 12 projects selected for design, those are the ones in blue; and 2 projects for planning, represented in green on your map. It's not guaranteed that these design and planning projects will be moved to construction in the future, but certainly having the design work done underway...done and underway would make them strong contenders as we move forward. This is a significant investment for us in Nebraska. At NDOR, we will continue, as we move forward, to use our evaluation process, which we call StEEP, to evaluate projects for their...not only their engineering benefits, which has been the traditional

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method but also economic benefits and stakeholder input, with the goal of selecting the projects for construction that ensure the best interests of all Nebraskans. Delivering on the promises of the Build Nebraska Act and the Transportation Innovation Act has been a journey for all of us and, as important as that statement is, I think it's important to know that we at NDOR understand the need to maintain flexibility as we go forward. Projects selected for construction in the next ten of BNA and the Transportation Innovation Act represent only a portion of the funds that will become available for capital improvement into the future. That decision was made purposely with the understanding that conditions can and will change and it's important for us at the department and for our communities to have flexibility to address those changes and leverage future opportunities as they arise. By committing just a portion for construction available through 2033 and starting the design work on additional projects, we really give Nebraska the flexibility to meet the needs far out into the future and as they change. The final thing I want to cover today is the three specific programs within the Transportation Innovation Act. The three programs are the Accelerated State Highway Capital Improvement Program, the County Bridge Match Program, and the Economic Opportunity Program. The legislation in the Innovation Act requires that the details of these programs be committed or presented to you here today at this hearing, and I would expect the summary I provide today will change in the future as we get further down and implement...into implementation. The Accelerated State Highway Capital Improvement Program, its purpose is to accelerate these capital improvement projects to provide the earliest possible mobility, freight, and safety benefits to the state, therefore...thereby accelerating enhancements to the state's economy and the quality of life of our state. The program impacts the state economy by targeting investments that allow us to use transportation to grow our state. It authorizes accelerated project delivery methods, like design-build, that will allow expressways and other capital projects to be fast-tracked, minimizing taxpayer dollars by streamlining the contracting steps. We have developed a set of guidelines for these accelerated project delivery methods. They will be made available to the public in January of next year. Like everything we do at the department, we reached out to our industry partners to develop these guidelines in a way that are right for us in Nebraska that includes ACEC, AGC, and our partners at Federal Highway. The first project to use design-build has been selected. In fact, the RFQ to begin the process hit the streets last week. The project is U.S. 275 between Scribner and West Point. Design-build and other tools like this are essential for us at the department. They give us that flexibility we need to meet the needs of the state in as efficient a way as possible. We're not

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going to use them all the time, but it's important that we have the ability to do it and we're excited to be moving forward with those methods. The next program I want to talk about is the County Bridge Match Program. This program dedicates \$40 million to the repair and replacement of efficient bridges in our state, all on the county road system. There are 2,152 county bridges that are classified as structurally deficient, and this program is intended to try and help address those bridges. I'm very, very proud of this program. It has defied every government bureaucracy and red tape cliché that there is. The bill was passed in the spring, and by October we had the guidelines in place. It focuses on rural transportation mobility and encourages innovation through cost-sharing and allows the state and the department to assist counties with these bridge needs. We were able to move forward so quickly, in part, because we had the help of several stakeholders. We had a working group. They met six times in a very short time frame to develop these guidelines and make sure that the program is going to serve the needs of those county folks. I think the guidelines are seven pages long, much shorter than my testimony here today, very easy to read. And the program will be very successful, I have no doubt. We closed the...we released the criteria in October. We called for projects shortly after. That window closed last week. We received 83 proposals from 60-plus counties, and we have \$4 million that we've made available through the program for those bridges, and so there's a lot of competition for the program already. We aren't done moving fast. I expect that we will have bridges under construction when the snow clears in the spring. We're distributing the funds regionally using NACO districts. That was an important piece that the working group brought to the table. It will ensure that we can impact the entire state with the program. And with that, I'd like to move on to the economic opportunity program which dedicates \$20 million to help fund transportation improvements that attract and support new businesses and business expansions in Nebraska. The best way to describe this program is as a connectivity tool. The program is intended to connect business expansions, business, and recruit businesses to our state by connecting them to our transportation network; therefore, creating economic opportunities all across the state. The program is being led by the Department of Roads but in partnership with our friends over at the Department of Economic Development. And we also have a working group of local economic development experts that have been advising us on this program. It's in its final stages of refinement. Their last meeting is next week. We hope it's the last meeting. We think we're there. I can tell you that funds will be awarded on a limited base...or will be limited to the transportation-related portions of the development, so design, engineering, right of way, and construction of the



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transportation piece. And projects, as required in statute, will show evidence of a positive impact to the economy before they are selected. They will also require matching funds from the applicant. To build this framework for the program, we reached out to other states that have had...have programs already in place. We surveyed six other states that are similar to Nebraska and were able to take the best of each of those and create a program that I think will serve our state very, very well. The focus recently has been to finalize how we will quantify the impacts to the economy on job creation, income growth as we try to make decisions related to the program. I would conclude by saying that I am very appreciative of the ongoing support of the Legislature, what you've given to NDOR. I'm thankful for your commitment to infrastructure improvements across the state. Senators, you and the Legislature as a whole are to be commended for insisting on a rigorous evaluation of needs and by holding NDOR accountable as we implement the legislation. Generations of Nebraskans have invested in the transportation system and that's why we have the great system that we have today. It's an honor for me to play just a small role in delivering on that vision that was created here in this building decades ago. And even more important, the Legislature has shown a steady hand in laying out the policies and providing the resources to meet the state's needs. I think that's something that all Nebraskans really do appreciate. And so thank you for your attention and I'd be happy to answer your questions.

SENATOR SMITH: Thank you, Director Schneweis. Do we have questions from the committee for Director Schneweis? Senator Watermeier.

SENATOR WATERMEIER: Thank you, Chairman Smith. Director, I appreciate that.

KYLE SCHNEWEIS: Sure.

SENATOR WATERMEIER: Maybe just a big overall view of the Transportation Innovation Act. I know you're just getting started. You've not even completed how you're going to administer the economic side of it. But of the three phases, how do you think it's going to look today as far as how the dollars were appropriated to each? I mean I hear you talk about the excitement of the county road program and I was a little enthusiastic about having more dollars in there than what we ended up doing.

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KYLE SCHNEWEIS: Sure.

SENATOR WATERMEIER: It still looks to me like that will be the one that will get emptied out the quickest.

KYLE SCHNEWEIS: Oh, I think...

SENATOR WATERMEIER: Can you see that mix yet?

KYLE SCHNEWEIS: Certainly I think there are folks, in terms of the county bridge piece. There are folks who are very enthusiastic about that program. I think the total cost of the proposals we submit, that were submitted to us last week was \$20-some million.

SENATOR WATERMEIER: So the \$4 million you made available and you had \$20 million in proposals.

KYLE SCHNEWEIS: In proposals, yeah.

SENATOR WATERMEIER: Okay. That's what I wondered, five times more.

KYLE SCHNEWEIS: So that gives you a sense of the need. I think communities are...were eager to get into the program. We were out promoting it in the early stages, not only to get input but also to let people know it was coming because we wanted to move fast.

SENATOR WATERMEIER: Uh-huh.

KYLE SCHNEWEIS: So...but I would say you could make that case for all three programs, that there's a constituency out there that would like to see more of the pie put towards theirs, whether it's the expressways or the economic opportunity program, so...

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SENATOR WATERMEIER: Maybe next year, after you have a better chance to look at how it gets divvied up, you might have a sense that...how the balance is. That's what I was asking, is what do you think of...

KYLE SCHNEWEIS: Sure.

SENATOR WATERMEIER: ...balance today. And I realize that will change a year from now.

KYLE SCHNEWEIS: Yeah. It's not something I've given a lot of consideration to, but I don't intuitively think that it's out of whack in terms of the balance.

SENATOR WATERMEIER: Okay.

SENATOR SMITH: Other questions from the committee? Director Schneweis, I know that we've heard a lot of talk at the federal level by President-elect Trump of the, what, trillion-dollar federal package for infrastructure, and I'd like for you to kind of ponder with us. What does that mean for Nebraska? And assuming that, going out 12 or 14 months and those funds come into Nebraska, how would you expect to see them programmed? So a couple points there (inaudible).

KYLE SCHNEWEIS: Sure. Well, I think transportation and infrastructure investment have been something...has been something that was discussed a lot during the campaign. We welcome investment from the federal government when it comes to infrastructure. I think in terms of what it would mean for Nebraska, a lot would depend on the federal requirements that might be put upon us. But I can say that we will be ready to deliver on whatever those requirements are. I would hope that we would be able to use it to continue investment in the capital improvement area. That's where I would want to focus it if it came in, in the next 12 months, as you said, but we have to see what the requirements of the program might be. But I can tell you we'll deliver whatever opportunities we have.

SENATOR SMITH: All right. And I know over the last couple years, 2015-2016 again, we talked about efficiencies and what potential there were for changes and efficiencies in the way we delivered projects.

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KYLE SCHNEWEIS: Yeah.

SENATOR SMITH: Can you give us some ideas as to what you feel has...we've achieved over the last couple years...

KYLE SCHNEWEIS: Sure.

SENATOR SMITH: ...and what may be ahead for these efficiencies...

KYLE SCHNEWEIS: Sure. Well, at the high...

SENATOR SMITH: ...and quantify, if at all possible?

KYLE SCHNEWEIS: Well, at the policy level, things like design-build are a tremendous opportunity for us to get more efficient in project delivery. The 3R standards that we updated this year is an opportunity to get more practical in our approach to transportation in our state. We're measuring how long it takes to deliver projects at the department, and I'll give you just an example. So two years ago the average time to deliver a preservation project was 38 months from the concept of project to construction, when the construction begins. Last year we trimmed that down to 35 months. So it has been an area of focus. It's still too long for my taste. We need to keep going. But it's a long, complicated process, as you all know and can imagine, but it is something that we've been focusing on. And it's not just time, because time equals money. If we can save a year off the delivery, that's an average of 3 to 5 percent on the costs of a project due to inflation. So it's not just so we can say we're faster. It's because we think we can save a lot of money. Just on how we're organized, I think we're evaluating how we're organized at the department to make sure we can meet our goals. Every time we have vacant positions, we evaluate those very rigorously to make sure that they are needed to serve our mission. We're doing things like recycling asphalt at a record high rate to be able to deliver cheaper and longer-lasting pavements. And then there's a lot of little things like we had a team come and say, you know what we should do? And we acted on this. We entered in an agreement with UPS to deliver a lot of our products around the state instead of paying an employee to drive from shop to shop to shop to shop. And it's little things, a few thousand dollars here and there, but they add up. And

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you know, our goal is to put every penny into the pavement that we possibly can; and so every time we can save any money, that's exactly where we turn and where we put it. And so I hope that answers your question, Senator.

SENATOR SMITH: Very good. Any further questions? Senator Mello.

SENATOR MELLO: Thank you, Chairman Smith, and thank you, Director Schneweis. Just maybe a little bit of a follow-up from Chairman Smith's question about potential federal funding or potential federal legislation that may be coming.

KYLE SCHNEWEIS: Uh-huh.

SENATOR MELLO: My understanding is that some of the ideas that have been floated so far, at least at the federal level, involve public-private partnerships, private equity, and some tools that maybe we're not used to using at the state level in regards to utilizing federal funds and putting some, quote unquote, strings attached to drawing down some of these funds. Is that something that the department is looking at policywise in regards to, if that is the process that takes place in Washington, is trying to recreate kind of different financing mechanisms, that the state is ready to be adaptive to that?

KYLE SCHNEWEIS: So many states are in the public-private partnership a little further than we are here in Nebraska. It's something that at the department we've explored. I have an Innovation Task Force that meets quarterly. It was the subject of one of their meetings...

SENATOR MELLO: Okay.

KYLE SCHNEWEIS: ...to look and explore public-private partnerships. What we were told at that time by the task force was that it's something that requires further exploration. But I would say that we are partnering with the private sector a lot in our state, whether it's the private sector builds our roads, whether rest areas are maintained by the private sector. And even design-build in many ways is a public-private partnership. In terms of using the private sector to build and maintain and operate roads, that's not something that our statutes currently allow. I think it's

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something that we'd have to explore as a state to make sure it was right for us. In terms of the federal discussion, I think a lot of it would depend on how it was implemented. If it was implemented at the federal level and it was merely revenue to the states, we wouldn't have to change much.

SENATOR MELLO: Yeah.

KYLE SCHNEWEIS: But I do think we need to be very prudent in following that discussion and making sure that Nebraska's interests are represented in the discussion. Oftentimes when people think public-private partnerships and equity kinds of projects, they're thinking tolls.

SENATOR MELLO: Uh-huh.

KYLE SCHNEWEIS: And in this part of the country, the traffic isn't always necessarily there to support that. And that would obviously be a very big change for us here in Nebraska. So alarm bells kind of go off for me when I hear that and making sure that we're represented in the conversation and that we can be a part of the infrastructure improvements that come.

SENATOR MELLO: Great. Thank you.

SENATOR SMITH: Senator Hilkemann.

SENATOR HILKEMANN: Director, thank you for your report. Two things: I know you're doing more design-build on this project for Scribner. One of the things that has been presented to me is that we don't outsource enough to our state. Are we doing more of that?

KYLE SCHNEWEIS: We're doing more. We're currently at about 50 percent of the design costs are being outsourced to private engineering firms. That's, I would say, we've moved more in that direction. I think two years ago it was 35 or 40 percent in-house and the rest out, so more and more is coming, is being handed out. I think with the Innovation Act certainly the demands to deliver on these projects has required the use of consultants. The way I look at it is you want to staff up and be able to meet the peaks of your program; and as things rise and fall over the years,

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that's where you want to use consultants. And so for my...I would say we have a little room to go there in terms of there may be a little bit more opportunity to use consultants, but I think generally we're in a good place and trending in that direction.

SENATOR HILKEMANN: Thank you.

SENATOR SMITH: Senator Mello.

SENATOR MELLO: Thank you, Senator Smith. And, Director, this is maybe just more of a follow-up in light of the discussion you had with Chairman Smith in regards to looking at efficiencies within the department. We recently had an Appropriations Committee hearing where Director Diamond from DAS walked us through the Governor's kind of Lean Sigma Six Model...

KYLE SCHNEWEIS: Yeah.

SENATOR MELLO: ...that agencies are undergoing in regard to trying to find...changing the culture within agencies but also looking for ways to improve processes and decision making. Can you give us, since Department of Roads is the second largest, I believe, agency...

KYLE SCHNEWEIS: Yeah.

SENATOR MELLO: ...behind the Department of Health and Human Services with the number of staff and different levels of management, could you give us a little bit of background in regards to how that process has been working for you...

KYLE SCHNEWEIS: Sure.

SENATOR MELLO: ...in the agency in regards to finding those efficiencies?

KYLE SCHNEWEIS: I would love to. I would also expect that the Governor would have liked me to mention that when I was asked the original question, so thank you for the follow-up. We just got started at the department. We have a team of two that are leading the effort for us, and I

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have been very impressed by the response from the staff at the Department of Roads. It is a culture change to have these huddles every morning to look at metrics every morning on exactly what you did yesterday and what you're going to do today. It's a different culture. But I think there are parts of that Lean Six Sigma process that really resonate with the people at the Department of Roads. I think engineers inherently like efficiency in process, and so I think it's going to work very, very well for us. We've had to almost pump the brakes a little bit because it requires training and you want to make sure you do it right, and there's a lot of folks who are sort of beating down my door saying, I'm ready, I'm ready. But I expect that we will streamline processes that have been stagnant for a long, long time and I expect the savings to be very, very significant.

SENATOR MELLO: Great.

SENATOR SMITH: Senator Brasch.

SENATOR BRASCH: Thank you, Chairman Smith. And always good to see you, Director Schneweis.

KYLE SCHNEWEIS: You, too, Senator.

SENATOR BRASCH: This is a little bit of a follow-up, and I believe there's overlap between commerce and public safety when it comes to highway signage.

KYLE SCHNEWEIS: Uh-huh.

SENATOR BRASCH: And some of the rural areas that do the, oh, wineries or bed and breakfasts or whatever, they've called our office saying the cost is prohibitive for them.

KYLE SCHNEWEIS: Uh-huh.

SENATOR BRASCH: And they're immediately told, well, that's what your lodging tax is for. But some of these communities are so small, they don't even have a hotel or...



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KYLE SCHNEWEIS: Uh-huh.

SENATOR BRASCH: ...or if they do, they choose not to tax it. Is there a division or department that works in looking, and even public safety, looking back at another issue where traditional routes for our bicyclists that have annual treks, that signage would be of great public safety? I don't believe these things need to be statutes or...

KYLE SCHNEWEIS: Sure.

SENATOR BRASCH: ...debated, but do you have someone that's...

KYLE SCHNEWEIS: We do and I would start by saying that highway signs may be the most regulated part of our life at the Department of Roads.

SENATOR BRASCH: Uh-huh. And that I know.

KYLE SCHNEWEIS: It is very complex. And as you dig into them, you can see that there is good reason for it. Public safety is the number one reason, as you mentioned. Signs are regulated because they're communicating the message to the public about where to go, how to go, and how to do it safely. And so you need to be able to read it at high speed and it needs to be uniform and set that expectation for the driver. And so there are a lot of rules when it comes to highway signs. We get requests every day for new ones. And we do our very best to work with whoever the requester is to make sure...to try and help them meet their goal, even within what is a very regulated world of highway signs. We have a highway sign engineer and a team of folks who help to evaluate those things. He spends a lot of time on the road, sitting down with landowners and community officials about what are you trying to do, what program could I fit this under, and how can I make the case and do it in a way that stands the test of time. So I'm glad to hear you're getting phone calls too. (Laugh)

SENATOR BRASCH: It seems to be ongoing. It's been six years and going on signs.

KYLE SCHNEWEIS: Uh-huh. Yeah.

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SENATOR BRASCH: And they would help smaller businesses and the cost...

KYLE SCHNEWEIS: Well, I'd be happy to visit more with you about the specific concerns.

SENATOR BRASCH: Yeah.

KYLE SCHNEWEIS: Certainly we're trying. We want to support economic growth in our state; and if we can support local businesses through signs, we want to do it. It's just making sure that we can do it in a way that meets the statutory and federal requirements...

SENATOR BRASCH: It's federal (inaudible).

KYLE SCHNEWEIS: ...and also it's safe for the public.

SENATOR BRASCH: I've heard a lot of federal...

KYLE SCHNEWEIS: There's a lot of federal guidelines when it comes to it, yes. Yeah.

SENATOR BRASCH: So thank you. No other questions.

KYLE SCHNEWEIS: Thank you.

SENATOR SMITH: Director Schneweis, this is the last time that I will chair the Transportation and Telecommunications Committee, and it's been an absolute pleasure working with you over the last couple of years and you and your staff. I think the state of Nebraska, the citizens of Nebraska have much to be proud of over what has been accomplished the last couple of years under your leadership and also the leadership of the Governor. Great things are ahead for the state, and appreciate all that you've done. I wanted to also just express my appreciation to Senator Brasch, being the Vice Chair of this committee for the last couple years, we've accomplished a great deal, and to the rest of my committee that were not here, or are not here and Senator Murante, appreciate that very much. And, of course, this is the last hearing. Is this your absolute last hearing?

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SENATOR MELLO: No.

SENATOR SMITH: You have another one?

SENATOR MELLO: I have two more this week. (Laughter)

SENATOR SMITH: Oh. Well, I don't know if I can say all the nice things I was going to say.

SENATOR MELLO: Say them anyway. It's all right.

SENATOR SMITH: Say them anyway?

SENATOR MELLO: It's last hearing I'm doing this (inaudible).

SENATOR SMITH: Of course. But, Senator Mello, of course you've had a great career in the Legislature, but I will tell you I think your crowning achievement was the Transportation Innovation Act and it came through your committee and we achieved the funding for moving our state forward with the infrastructure improvements. And so thanks for your work and for the work of your committee. I think we worked very well over the last year on LB960. So again, thank you very much. It's been a pleasure working with all of you. And again, Director Schneweis, to you and the Governor, thank you for all that you've done for our state.

KYLE SCHNEWEIS: Thank you, Senator Smith. If you need any help with Tony in Revenue, let me know.

SENATOR SMITH: You bet. (Laughter) And you tell him how well we work together.

KYLE SCHNEWEIS: I will.

SENATOR SMITH: I expect the same thing.

KYLE SCHNEWEIS: I will.

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SENATOR SMITH: All right.

KYLE SCHNEWEIS: I appreciate it. Thank you.

SENATOR SMITH: Thank you and that's the end of the hearing for today. Thank you very much.