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Legislature's Planning Committee
October 13, 2017

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The Legislature's Planning Committee met at 9:00 a.m. on Friday, October 13, 2017, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Paul Schumacher, Chairperson; Tony Vargas, Vice Chairperson; Matt Hansen, Merv Riepe; Jim Scheer; John Stinner; and Matt Williams. Senators absent: Dan Watermeier.

SENATOR SCHUMACHER: (Recorder malfunction)...committee. The Planning Committee was created by the Legislature about ten years ago, spent a lot of years working with the University of Nebraska at Omaha to get a general feel for the demographics of the state, for some of the challenges we face in the changing nature of our population toward aging and also toward immigrant populations that we now have the we didn't have 30 years ago. And it now in the last year or so began to try to focus on what does all this mean as far public policy looking out not over the next 2 to 3 years like the Legislature generally does in its other committees in kind of a reactive fashion, but trying to figure out over 10 years and 20 years, to the extent you can see that far ahead, what's the smart thing? How do you separate out the clatter of the present and the echos of the past from whatever beckons us into the future? In conjunction with that task and for the benefit of our guests, we have invoked academic freedom. That means that folks testify and senators have reserved the right to argue against what they believe, for what they don't believe, and sometimes engage in fairly out-of-the-box thinking, and maybe, off and on, a little heresy. So we're a free-thinking group. (Laughter)

SENATOR WILLIAMS: Would you repeat this?

SENATOR SCHUMACHER: And so away we go.

SENATOR STINNER: There has to be a recording of this somewhere.

SENATOR SCHUMACHER: There has to be. There is. You know, it's kind of like...I just said what politicians normally do--argue against (inaudible). (Laugh) Okay. We're kind of a lighthearted group too. And today the record should reflect that everyone is present except Senator Watermeier and Senator Hansen. So all other members of the committee are present. I'd

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ask for the formality of a motion to approve the transcript as the minutes of our last session. Do I have such a motion?

SENATOR SCHEER: So moved.

SENATOR SCHUMACHER: Second?

SENATOR VARGAS: Second.

SENATOR SCHUMACHER: All in favor? Okay, we've done that. Today we've got two things on our agenda: One is Kyle Schneweis--did I say that right?

KYLE SCHNEWEIS: Close enough.

SENATOR SCHUMACHER: I've been practicing--who is Director of our Department of Transportation. And I've asked him to come and share with us kind of the basis for how our roads are moving people and things around, logistics. There's a little bit of our history, where we might head into the future, what challenges we face over the next 10 or 20, particularly facing the shifting nature of our population, to address or begin to address the issue raised by Senator Schmit a few weeks ago about, you know, how do we maintain these roads, how is that going to be financed, just generally engage Kyle in the long-range planning process. And I was very pleased this morning to learn that Kyle kind of has a thing for a long-range planning and a little bit of expertise. So this may be a more fruitful long-term relationship with the Planning Committee of the Legislature than we thought. And the second item is we mentioned last week that...last time that the University of Nebraska, in conjunction with the Census Department, had a rather interesting jobs to jobs computer program based on demographic showing where our jobs are coming from and our employees and where they're going to. And we're going to have a demonstration of that. Jerry Deichert was going to do that demonstration. His mom fell and hurt her hip so he's not with us. He had to leave yesterday. But Melanie Kiper and David Drozd are with us today are going to make that presentation. So with that long-winded and waiting for Senator Hansen but he didn't show up introduction, Kyle, would you take the floor and educate

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us about how we move things and people around historically and how we'd like to do it in the future.

KYLE SCHNEWEIS: (Exhibits 1-3) Sure, sure. Well, thank you for having me. And as you mentioned...and I guess I should say my name is Kyle Schneweis. I don't know if I'm supposed to spell it like I am in a traditional hearing, K-y-l-e S-c-h-n-e-w-e-i-s. I am the director of the DOT here. As you mentioned, before I came to Nebraska I worked in the planning group at the Kansas Department of Transportation for about a dozen years and then I spent six years consulting doing strategic and long-range planning consultation to other DOTs. I worked in about a dozen states across the country. I worked for federal government and so this is a topic that's near and dear to my heart and I really appreciate the opportunity to come and talk. It is a very uncertain time in transportation. I think we can say that a lot of areas of public policy. But in transportation with the coming of connected and autonomous vehicles, the change in how we power vehicles and the reliance on the gas tax, it is a very, very uncertain time when you start talking about 5, 10, 20 years down the road. I focus my testimony on three specific questions that I believe, Senator, you had passed on to my team, but I look forward to the discussion much beyond anything I talk about here. So please welcome any questions that you have far beyond anything I talk about. And you do have a couple handouts in your packet. Every year we do a...we testify in front of the Appropriations Committee--I know there's a couple members here who are familiar with that--and the Transportation Committee. It's a joint hearing where we talk about the needs of the transportation system. And so you see last year's handout associated with that testimony. That's the Needs Assessment piece and it takes a long-term view, a 20-year view at what the needs of the transportation system are. The second piece is a new report that we issued and required to report on related to the Transportation Innovation Act which passed two legislative sessions ago. So I won't cover what's in there but it's sort of some material that may be of relevance. So I'd like to start with a little bit about the history of Nebraska roads. I think it's something that, Senator, you asked here about. I referenced a very interesting document that the department compiled about 20 years ago that is a complete history of the Department of Transportation. And it's been updated a couple times since, but it's some very, very interesting facts and I wanted to tell you a few of the things that I learned as I was reading it. So roads have been on the agenda at the Legislature since the very, very beginning. The very first Territorial Legislature defined where our territorial roads needed to be. So for 150 years we've been talking

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about roads in this environment. In 1879, the Legislature passed their first law related to roads and it was to make all section lines become roads. And even though there were no cars at that time, it was all horse and buggy, it was all about getting farmers' goods to market. That's what the roads were for, for the most part. In 1914, in fact, Nebraska had three major highways across the state: the Meridian Highway, which goes from Texas all the way to Canada, went through Nebraska on U.S. 81; the Lincoln Highway which is present day U.S. 30 went from Omaha all the way across the state of west through Sidney and beyond; and the Omaha-Lincoln-Denver Highway went from Omaha to McCook and on its way to Denver. It's present day U.S. 6 and 34. Up until around this time, all roads in Nebraska, including the highways I just talked about, they were built and maintained by counties. There was really no state role other than to identify where maybe some roads needed to be. But all of the construction and the maintenance was all done by counties. And that change...started to change with when the federal government got involved with the first Federal Aid Road Act and they appropriated here in the Legislature \$640,000 to match some federal aid to do some projects and authorized for the first time what was the State Board of Irrigation to proceed with some road construction. The very first project started in 1918 right here in Lincoln, went west to Emerald. It's now known as West O Street. It was five miles long. It was brick pavement. To say things have changed in a hundred years I think is understatement for us at the DOT. And about that time, the beginnings of the state highway system started to take shape. The state board worked with county officials. It was a very large effort to work with county folks and identify how we can connect all the county seats and create a state highway system that at that time was envisioned at about 5,000 miles. In 1926, so that continued and the counties were in charge of building and maintaining that. But in 1926 for the first time, the state took over responsibility of construction and maintenance of that state highway system. And at that time it was about 5,350 miles and it was all dirt roads--for the most part dirt roads. And a lot of progress happened. Once the state took over the responsibility, the system grew and the system became more expansive and more connected. In just four years, it grew from that 5,000 miles to almost 10,000. And that sort of continued. That's where we were as a state until the federal role began to grow in the lead up to World War II. And for the first time they designated at the federal level a system of the federally significant highways. At that time it was called the Strategic Network of Highways and it was identified to try and support military purposes. And they...those highways were to receive the top priority when it came to use of federal funds. In Nebraska, this included U.S. 75 from the Kansas line north to Omaha; U.S.

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30 across the entire state; and U.S. 81 from Kansas up to Norfolk, then 275 up to O'Neill and then 281 from O'Neill north if you know that route. Very interestingly, I found this to be fascinating and for those of you who are interested in four-lane highways, you might as well, the very first four-lane highway was built as a result of this program. It was from Omaha south to Fort Crook where the Glenn L. Martin Bomber Plant was and they built B-29 bombers there including the bomber that became known as the Enola Gay. And so I like to think that maybe four-laning of highways in Nebraska helped change the course of human history. (Laughter) Other than supporting the war effort, the department's primary focus through the forties and fifties was really to upgrade from dirt to gravel and from gravel to paved roads. And that was really where we were focused until 1956, Dwight Eisenhower and the interstate highway bill, which many people refer to as the largest public infrastructure project in the history of humankind. And so we started on our interstates. And at the time, in terms of trying to figure out where they should go, the federal government dictated in broad terms where it needed to go, but it was up to the states to try to get the specifics. And so they designated to us that our interstate need to go through Omaha because of its proximity to the to the SAC, Strategic Air Command, and then travel west to Lincoln, Grand Island, and along...follow the Platte River connecting our major cities to the west. And there was...the Highway Commission was formed at that time in part to try to figure out where the interstate needed to go in terms of the specifics. In typical Nebraska form, we were the first state to finish our interstate. It took 17 years, cost \$435 million, began in 1957 and finished in 1974. And it really was a game-changer for us. You don't have to look at a map or think about moving goods in Nebraska very long before you realize how just important I-80 is. And so that sort of brings us to where we are today. We have 9,949 linear miles of highways and that's just a couple hundred more than we had in 1930 in terms of the state highway system. Many of those miles are four lanes, most of them are two. When you talk about lane miles, we're at about 22,500 lane miles. It's a big system. You can just about get around the circumference of the earth if you were to line those up back to back. So it is a large system. It includes everything from our interstates down to a few gravel roads that we still have. And by statute it connects every incorporated municipality having a minimum of 100 people. Many of these smaller communities are connected through 330 miles of spur highways. So these aren't highways that go through towns; they're highways that connect to towns to get the towns to the larger highway system. I think it's important to note that we have a lot of bridges, 3,500 bridges, that we maintain at the state level. And although the network, it sounds very large, it

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makes up just 11 percent of all the roads in Nebraska, the state highway system does. And so although in that sense it's small, it carries 65 percent of all the traffic in our state and 85 percent of all the trucks. And so it really is the backbone of our transportation system and of our economy and it's what connects our communities to each other. It's what connects our business to the economy here in our state and our country and around the world. So you asked, Senator, to talk about maintenance and how we take care of our system and so I'd like to transition to that. It's just so, so important that we protect this investment. It has been an investment that the state has made over hundreds of years...over a hundred years and we've got to take care of it. It's our top priority. It has been. It will continue to be. And there's a very simple principle that we follow and it sounds easy but it's keep good roads good. That's what we try to do. And to some, it is actually counterintuitive because you'd think, well, in order to preserve the system we should do the worst roads first. And we've learned over time and that used to be the approach across this country, but study after study has shown that preventative, keep the good roads good approach is the way to go. And so that's what we do. And we have invested. We spend \$500 million-plus a year every year on preservation and maintenance making sure we are taking care of our system. And it's been well spent. Just this year U.S. News and World Report ranked Nebraska number one in terms of road quality and the Reason Foundation last year said we were the number four most cost-effective DOT and I don't think those two things...they go hand in hand. We are cost effective because we're efficiently maintaining our system and, therefore, I think we're number one in terms of road conditions. And the key to keeping good roads good is applying the right treatment to the highway at the right time. And knowing when to do it is a science and it's a science that the department has perfected over time and continues to work on and perfect. We have a very robust asset management system. It's a computer model. It tracks every single segment of highway. It knows what treatment...we put the treatments that we put in. It knows how long it's supposed to last. We measure the condition of the roads every year and if it...every year it recommends to us what our near-term plan needs to be and what our long-term plan needs to be. And when you combine that with expertise that we have on the ground and the engineering proficiency of the organization, we really are able to cost effectively manage our entire system. And the right treatment at the right time, what that can mean is everything from reactive things like filling a pothole or sealing a crack to more preventative things like thin overlays. In these two first categories of sort of reactive things and preventive treatments, we do the vast majority of that with our own forces. So a lot of times you think of our district maintenance people as the

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folks who are moving snow--and they certainly are there in the winter; that's their key role--for the whole rest of the year they're doing this. They're sealing cracks. They're fixing potholes. They're making sure that the road is maintained. And when I say that our roads are number one, it's not just because we have a good asset management system. It's because we have expert road maintainers all across the state. They are really, really good at what they do. I courage you if you have the chance to go visit one of your district shops and talk to the folks who are out there every day doing this work. It's very inspiring. So those are the first two kind of pieces. We also do more longer term preservation work. We might mill two, three, four inches off the top and put it back right in place. That's a good way to help preserve the roadway and get 12-15 years of life out of the asphalt that way. And then sometimes we do have to go complete reconstruction. You'll see some of that out on the interstate towards your neck of the woods, Senator Stinner, today.

SENATOR STINNER: Drove through it.

KYLE SCHNEWEIS: What's that?

SENATOR STINNER: I drove through it on the way down.

KYLE SCHNEWEIS: You did? Well, I hope it was progressing to your satisfaction. (Laugh) And I think it's important to know we aren't satisfied. Innovation plays a very important role. We don't do things the same way we did them five years ago or ten years ago, and we won't be doing the same way in five more years. We have...our deputy director of operations, Moe Jamshidi, some of you have met, he chairs the national committee in our association on materials and is one of the nation's expert in road materials. And so always trying and experimenting with new things. The last question that you asked, Senator, was about the Build Nebraska Act and its role and how we think about it towards the future. And you've all probably heard me say it before: It really is an indispensable tool for us at the department. And if you go back to 2011 before the Build Nebraska Act was passed, all of the funding for the department was going towards preservation. And certainly that's because it's the priority as we've just been talking about. But I think there's another role that we play and that's to plan for the future and to support economic growth and the Build Nebraska Act was passed to do just that. And so we've been able to

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maintain our system, but because of the Build Nebraska Act we're able to deliver on long-anticipated projects that are here to do that--improve safety and support growth in our state. The first ten years of the Build Nebraska Act--so it's a 20-year program--the first 10 years are programmed, they're under way, and in some cases they are complete. I won't list all the projects but just to name a few it includes the Highway 133 project in Blair, we cut the ribbon on that a couple months ago; Highway 30 from Schuyler to Fremont, the first phase of that is under construction today, we're going from two to four lanes; the Nebraska City interchange, a great safety improvement there in Nebraska City; the Heartland Expressway, going from two to four lanes there; and then, of course, the Lincoln South Beltway. The next ten years of projects is well into selection and planning as well and it includes projects such as U.S. 275 from Scribner to West Point, that's our first design-build project which I'd love to talk about if given the chance; the Fremont Southeast Beltway; U.S. 75 at Chandler Road in Omaha; U.S. 83, McCook to North Platte where we're doing a passing lane approach there which...a super two approach, very cost effective. And I just have to say if we were to...and this question gets asked from time to time, especially when budget times are tough, what if we were to do away with the Build Nebraska Act? I can tell you, it's very easy--we would not build these projects. We would stop. That's what we'd have to do. And it takes a long time and I think understanding the commitment that it takes to infrastructure in the long view, it's so, so important partly because of how long it takes to do these projects. The Lincoln South Beltway is a project that's top of the line for us right now. we just held the latest public hearing. And that project's start...discussion started for that project 45 years ago. That's what...and there were people at our public hearing who remembered. And, Senator Scheer, I know you can tell the same story with some of the roads in your part of the state. Senator Stinner, we could have the same conversation about some of yours. So 45 years it's been in the waiting. And it's finally coming to fruition here and the only reason is because of the Build Nebraska Act. This thing has been on again and off again several times throughout the decades. The planning actually started in 1971 for the project, and here we are two years away from construction.

SENATOR SCHUMACHER: Is there an engineer in the room? (Laughter)

KYLE SCHNEWEIS: There's one, that doesn't guarantee any success though. (Laughter) So here we are two years away finally from building this project. It's \$250 million for construction,

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the largest infrastructure project we have ever built. And we are right on the edge of being able to deliver it. We have spent \$10 million already. Thank you, Senator Vargas. We have spent \$10 million on planning and design of this project already. We're going to be out platting right away in a matter of months. And so we're finally going to get there and it's all because of the Build Nebraska Act. And if you think about it, \$250 million for construction, the Build Nebraska Act brings in about \$60 million to \$65 million a year. So how many years of funding is the Build Nebraska Act necessary just to build that one project? It really does take that long-term commitment. And, you know, I've been here for two years in Nebraska. I can tell you as I travel around, people in Nebraska support infrastructure. They understand the need for it. They want the expressway system built after it was promised in the eighties. And things like the Build Nebraska Act and the Transportation Innovation Act are what's going to get us there. And so the last thing I'll touch on, there's been a lot of talk about the federal discussion. There's a discussion at the federal level about renewed investment in infrastructure there and some have thought, well, maybe that will be the thing that gets across the line. It's uncertain. I'm not here to tell you I've been to the White House in the last month to talk about their plans. Senator Fischer has come to Nebraska and brought Elaine Chao, the Secretary of Transportation, sat down with the Governor and I to talk about the needs of Nebraska and the country. There are big plans. But whether or not those will be delivered, I think there's...it's unknown. I think what it will mean to a state like Nebraska is unknown. A lot of talk about private. That's great. I think there may be opportunities for us here and we're open to those. But whether or not it will deliver the kinds of things we need I think there's a lot of unknowns. And the one thing I will tell you is, on that piece, there is a lot of discussion about using the federal investment to leverage the additional investment in other places--so additional local investment, additional state investment, additional private investment. And so the idea is we'll take this piece of federal money and we will reward states, locals who bring more money to the table. So I think when you talk about repealing things or decreasing our funding, that makes it nearly impossible to compete for any of that because to compete for it, you're probably going to have to do something new and repealing is sort of the opposite of that. So it's just a...I don't mean it as a warning. I mean it as just information, knowledge that I've had in discussions I've had with folks in Washington about what their intentions are. And then in general with federal funds, and I think we all in this room probably understand this, has been a lot of uncertainty and a lot of stagnation at the federal level. Our federal funds have remained pretty flat for the last decade. And they're...we've got a long-term bill now but it ends in about 18

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months. And if past history serves us we've seen short-term, three-month, three-month, three-month extensions where it's very difficult to plan. So at the state level, and this is not just true in Nebraska, across the country the states are the ones who are coming in with things like the Build Nebraska Act, the Innovation Act to give that certainty to their DOTs to plan and prepare for the future. And I hope that that will change at the federal level, but the last decade or so doesn't give me a ton of optimism. So with that, I'll end my testimony, Senator. Thank you for the opportunity to come. I really appreciate it. And I'd be happy to take questions.

SENATOR SCHUMACHER: Senator Scheer.

SENATOR SCHEER: Well, Kyle, you talk about basically stopping programs if we tampered with the funding, yet there's probably some correlation if you tampered with, say, if somebody wanted to do a moratorium for one year, that's going to cause more than one year worth of disruption I'm assuming.

KYLE SCHNEWEIS: Yeah. Well, so...and that's part of the challenge with our projects is that they're often not one-year commitments. So take the Beltway because that's the project I was talking about earlier. It's probably a three- to five-year construction project. So when you sign a contract for that, you don't have the money in the bank today. You're planning on it into the future. And so I think today, the last time I asked the question we had \$650 million in committed dollars on contracts today. And if you look at our reserve in the Highway Trust Fund it's about \$15 million, between \$15 million and \$40 million any given day. And so we don't have \$650 million in the bank. We're waiting on it. We're counting on it based on what our projections are. And so that's one of the challenges is that if you want to try to come up with, say, \$100 million out of the transportation fund, you can't just cancel \$100 million worth of projects to get it depending on the time frame you're talking about because that \$100 million in projects pays out over three or four years. So if you need it in six months you've got to cancel \$400 million in projects to get to the \$100 million. So I'm not sure if that answers what you were trying to say, but I think it speaks to the necessary, long-term commitment of these funds because of the way we have to manage and the way...the nature of the contracts.

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SENATOR STINNER: Just as we start to build expressways, obviously we're adding long term to our maintenance situation and your roads. And I look at your cash flow and, of course, gas tax is there. But we look at electric cars. Have you done anything as far as three, four, five years just what that cash flow is going to look like?

KYLE SCHNEWEIS: Sure. It's something that we...it's an area where we are trying to improve in terms of understanding the risks of our projections. I think historically for the longest time you can look at the trends and it's sort of a...you can project a 2 percent growth and that's what has been. We are starting to see that change. I think when I was at the association meeting a couple weeks ago, a meeting of all the directors of all the DOTs, the president of the association said that for the first time this last year, nationally vehicle miles traveled went up and revenues went down. And so usually those two things are correlated. If we're driving more miles, we're spending more on gas and we're raising more revenues as a result. But because of fuel efficiency, because of electric cars, I think we're starting to see that bend occur. And those are questions we're asking of our research team here at the DOT.

SENATOR STINNER: Would that be your biggest risk right now?

KYLE SCHNEWEIS: Long term, I think so, yeah. Well, I'd like to say it's probably the biggest risk in terms of what does it mean for fuel efficiency and electric vehicles, but there is...and that's because the fuel tax is a per gallon. So if you've got a Prius you pay a lot less in tax than you do if you've got an SUV. And so I'd say it's probably the biggest risk. I think the other one is the uncertainty associated with connected and autonomous vehicles and how that may travel...how we...how that may change how we travel. And there's a lot of debate going on in the national circles on this today. Some people think, okay, great. If the cars can drive themselves or at least assist humans down the road, that means we can get more people on to the roadway because we can drive closer together and we won't need to expand highways. And then others think, well, if all of a sudden I don't have to pay attention when I drive I might be willing to sit in the car for a longer time. And so I might be able to live farther away from where I work. And so the sprawl and longer commutes could grow. And those two things might counter each other or one might win out. And so there's a lot of uncertainty in terms of that and I think those two pieces

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combined. And for us it's really about keeping our head up, paying attention to the trends, being a part of the conversation so we can be prepared.

SENATOR SCHUMACHER: Senator Riepe, I think you...

SENATOR RIEPE: Senator, thank you, Chairman Schumacher. I have two questions unrelated. The first one is, are you finding that local municipalities are holding back projects in their inability to come up with their match?

KYLE SCHNEWEIS: Okay, so I would say there's probably circumstances where that's true and I'll talk about a few categories. Now, one of the things we've done in the last decade is we've initiated a federal fund swap program where we give the federal money right to the locals. We give...I'm sorry, we give state money and we keep the federal money so there's no match and there's no strings because locals are having a hard time meeting the federal requirements and projects were languishing. We still do some local aid projects and there are times when match can be a challenge. But I would say generally on the highway and the road side that's less of an issue than you might have guessed. The place where it is an issue and this is a topic of new and emerging interest to me is in aeronautics. Now that we've merged with the Department of Aeronautics I've learned that a lot of the local airports have a very difficult time matching the federal match on airport projects. I think it's 90-10; it's only 10 percent of the project, but if you're doing a \$1 million project it's \$100,000 and a lot of these airports, as you know, are in very, very small towns. So that is an area where the local match has been an issue.

SENATOR RIEPE: The reason I ask about that is I know on the Ralston viaduct project, I think they had budgeted something, \$500,000-800,000. Their portion came in at \$1.2 million.

KYLE SCHNEWEIS: Yeah, yeah.

SENATOR RIEPE: And so they were struggling with trying to figure out...

KYLE SCHNEWEIS: Struggling, yeah.

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SENATOR RIEPE: ...where they were going to come up with the balance of their funds.

KYLE SCHNEWEIS: Yeah, and we do...

SENATOR RIEPE: The project is marching on, so I assume (inaudible).

KYLE SCHNEWEIS: And we like to be able to work with the community in an example like that where perhaps the project has taken longer to develop for, who know, a variety of reasons, complex reasons and then estimates rise over that time. And we understand the importance of a project like that to that community. And so while we certainly want to hold them to the agreement that we have established, we also want to make sure we can deliver the project. And we've done some things--Senator Watermeier is not here, but--with Nebraska City to try and help them on some of their match problems over time. So we try to provide some flexibility where we can.

SENATOR RIEPE: I had suggested then putting in a toll road over the viaduct.

KYLE SCHNEWEIS: How did that go?

SENATOR RIEPE: But they said that the state wouldn't agree to that. The second question if I may, Mr. Chairman, we see weigh stations on the interstate. How do we protect off-interstate roads from overweight trucks?

KYLE SCHNEWEIS: Well, it's a challenge for us in part because of the importance of supporting the agricultural economy of our state. And so we need to be competitive, we need to allow those goods to get to market, and that can require some heavy loads. And so it's a give-and-take for us. We do have the Highway Patrol. They help maintain...help patrol the state highway system and make sure...and local roads, too, to make sure that people are obeying the weight laws. But we have had conversations and there have been bills, LB977 I believe two sessions ago freed up some...the implements of husbandry to be allowed to move on short distances on our roads. So it's important. A fully loaded semi truck does 6,000 times more damage to the pavement than a single car does. And so when it comes to the damage from traffic,

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it's all about trucks. And so we've got to build our highways in the way that can and handle those loads. And I think it's a give-and-take. We can't be restricting the competitiveness of our agricultural economy. And so I think that requires some creative approaches and some partnering with that community to make sure that the right times of year, the right...that we're staying off of the bridges that can't hold them and those kinds of things. And so it might be a little bit of a further drive for some folks, but we need to make sure that we allow for those movements.

SENATOR RIEPE: Thank you. Thank you, Mr. Chairman.

SENATOR SCHUMACHER: Senator Vargas.

SENATOR VARGAS: Thank you, Chairman. I was curious. You talked a little bit about this StEEP process. Can you talk a little bit more about that.

KYLE SCHNEWEIS: Sure. So you're referencing how we identify our capital investment projects.

SENATOR VARGAS: Yeah.

KYLE SCHNEWEIS: So the first round of Build Nebraska Act projects were selected in 2011 after the bill was passed. Those were selected with a more traditional method: safety, traffic, trucks. That's basically what we looked at before we selected those projects--engineering. And at the time I liked to joke that the Department and the engineers got together, closed the door, crunched the numbers, and slid a press release out underneath the crack of the door and said here's the projects we're doing. And then there were folks in this building who had some questions. How did we get to these projects? So when we came to the next round, there were some changes we needed to make. First, we needed to understand the economic impact of these projects and so we started modeling the expected economic benefits of the projects so we can understand how they support economic growth. I think when you're talking about capital investments, that's what we're talking about, so understanding that's important and understanding that, you know, a job created in Omaha is not the same as a job created in Scottsbluff. And so accounting for all of that was something we did...we considered. The other part of it that was just

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as important was the public outreach part. And I know some of you had the opportunity to come to our meetings. We went around the state a couple times talking about priorities. We had a lot of very healthy discussions, local officials and interested people looking at maps, looking at project budgets saying, okay, if we only had this much money to spend how would we do it to best support growth in our region and in our state. And I'll tell you, it was very interesting to see folks say, well, my project is really, really important to me, but I can see this project is more important to us as region. And you start to see some collective wisdom occurring across the state. And so when we announced that list of projects that you're looking at, I didn't get one phone call from the any single community saying, why weren't picked? I don't know that the Governor got any phone calls. And it's because we had tremendous support across the state that we had made the right decisions because we had made the decisions both transparently and with input of the people of our state.

SENATOR VARGAS: Two more questions, one is a follow up, you said you're modeling the expected economic impact of every project. How do you do that?

KYLE SCHNEWEIS: So there's a good friend of mine from my consulting days named Glen Weisbrod. He's the international expert on economic theory in transportation and he has developed a model that can, to the best of anybody's knowledge, predict travel time savings, use travel time savings to equate it to business growth. So if you can get...open up your job market...your business to more markets because now you can get more reliable travel or quicker travel, you can then invest that in your business and create jobs. And so his model is TREDIS and it's what I consider to be the international standard for predicting job growth.

SENATOR VARGAS: What's that called again?

KYLE SCHNEWEIS: TREDIS, T-R-E-D-I-S. And we didn't make the decision alone. We have a task force that helped us develop some of these concepts. We floated some ideas and Glen came and spoke to the task force and helped shape the thinking of the modeling and the results so that they fit us here in Nebraska.

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SENATOR VARGAS: I ask this because we've been trying to figure out how that looks for the state. And, you know, I'm curious how you do your long-term planning. And I know every department has different ways of doing it and how they (inaudible)...

KYLE SCHNEWEIS: If you've heard of REMI and those other models, TREDIS sort of takes that and puts a better transportation lens on it.

SENATOR VARGAS: Got it. Last question that I have right now, funding, when you talk a little bit about this federal matching and what might be changing over the next couple of years, what's happening now, are you seeing any trends in what other states may be thinking about in terms of what might happen if there is a decrease in federal funding and how they're being creative that's outside of gas tax?

KYLE SCHNEWEIS: Well, if you look back in the last five to ten years, states are taking the initiative. In some cases it is gas tax. In other cases it's things like sales tax in the Build Nebraska Act. There are other things that people are exploring. Missouri, they are doing a...it's called transportation development districts. And I don't advocate for this, it's just something I know is happening in Missouri and they've had some success with where it's essentially sort of a TIF kind of concept but applied to transportation development. And so you, you know, you draw a line around a corridor and any development that occurs in there goes to paying off the highway.

SENATOR VARGAS: So they all have to buy in...they all have to...

KYLE SCHNEWEIS: Pass something at the county, city, municipal level, or even on certain developers. I've heard of that concept. I've seen it in use in Kansas and other places, but usually it's more of a spot, like an interchange kind of thing, more of what you think of traditional TIF. Missouri is using it to four-lane roads. They four-laned U.S. 36 that way, in part. So that was sort of interesting. I think tolling is something that's getting more and more discussion. You know, I don't think anyone is interested in tolling roads that have been free. I think that's not something the public would support. It's not something any of us in this room would probably support. But when you talk about new corridors, some states have started to, if you add a lane in an urban area, that lane becomes what's called a managed lane and you toll just that lane. And so...and in

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Omaha that's actually a subject that has been discussed as part of their long-range plan. I don't know that it's got a lot of traction. I don't know if...ran into some engineering issues in just the feasibility of it, but it's something that other cities have done. And so if it helps pay for that additional lane. It also helps reliability in that lane so that the fee goes up or down depending on how congested the road is, and the idea being that if you use that lane it's always going to get you in a more reliable...get you there on time. So that's been an interesting one. Of course, there has been talk of usage fee, vehicle miles traveled or now we call it a road usage charge. Oregon has done a pilot on this. It's basically...the idea is that you pay a fee based on how much you use the road, whether it's miles traveled or some other metric. Some other...California and some others are starting to pilot something in this area. It's an area I would like to see a more federal role in that future. I don't know that we're going to get it. I think the states, at least my colleagues around the western part of the country, have sort of taken it on their own because they feel like that's where the leadership needs to happen on the issue. So those are some of the issues. I will say it's not something...road usage charge, it can sound intense. And when you're a rural state you think we drive more miles that means we're going to pay more. Technology is such that you could set it up to pay less if you're traveling on a county road and more if you're traveling on a busy interstate. Privacy is a huge concern. That's something the states are trying to work through how do you report what you use? And if technology is used, how do you make sure that privacy is protected? And that's obviously, in today's world, a huge, huge concern and would be something that we got to figure out.

SENATOR SCHUMACHER: The record should reflect that Senator Hansen has joined us. Senator Scheer, I think you had a question maybe?

SENATOR SCHEER: Yes, one, Senator Riepe, you need to get on the two-lane highways because we do have weigh stations in outstate Nebraska (inaudible).

KYLE SCHNEWEIS: Thank you, Senator, for correcting me there.

SENATOR SCHEER: ...do check the weight.

SENATOR RIEPE: I'll accept that as an invitation to come up to Norfolk.

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SENATOR SCHEER: You come on up. I'd love to have you go on 275 so you know what we're talking about.

KYLE SCHNEWEIS: You might want to wait until 2020 when it's four lanes.

SENATOR SCHEER: Your discussion about the trucks doing multiple damage versus a vehicle and going back to your autonomous, every time I drive by a truck stop at night or on 81 or 80 coming across from Omaha to Lincoln you see 50, 60 trucks sitting there. The only reason they're sitting there is because the drivers are out of time. And so what that leads me to believe, if and when...it probably is not an if, it's when that happens, you're going to see continuous use of the highway system, not just a timed use. That's going to have to have a tremendous impact on the road system.

KYLE SCHNEWEIS: A couple comments on that, I think we are just...we just sent it to federal highway last week, our very first freight plan, so trying to understand how freight moves in our state and how to plan for the future of that. So that's been a good exercise in part because it got us talking to partners we haven't always talked to, the Werners of the world, that Cretes of the world, more involved with the railroads. Some of the larger manufacturing and industry folks helped us craft our plan. Truck parking is it is an issue. Some states have jumped in to try and provide more parking because of the rules. It's not an issue we've had to deal with much in Nebraska. But I think you could see that there might be more truck traffic as a result requiring more investment, but you could also see that if the vehicles are...if that time restriction goes away it might help with congestion because you can get the trucks moving at an off-peak time.

SENATOR SCHEER: But I guess I'm just looking if they're autonomous, there is no time constraint at all. You won't see trucks in truck lots because...

KYLE SCHNEWEIS: Right, because they'll keep moving. Yeah.

SENATOR SCHEER: ...the driver could be sleeping in the back and just driving once they get to the community to deliver the stuff so there's not going to be a time limit on trucks. So you're

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going to add all those trucks on the road probably 90 percent of the time rather than 50 percent, 60 percent of the time.

KYLE SCHNEWEIS: Sure. I think that's probably true. I think that it will help with congestion in urban areas because you won't see trucks in urban areas any more because they'll be able to drive during off-peak times. You'll still see them, but they won't drive when the congested time. So, yeah. But autonomous trucks, I talked to the folks at Werner and Crete about it. They're kind of keeping their cards close to their vest as you might expect. They don't seem to think we're on the precipice of the truck just barreling down the highway with no driver, but Colorado DOT was engaged in a pilot project where they delivered a case of beer with a self-driving trucks. So it's not too far.

SENATOR RIEPE: (Laugh) A case of beer.

KYLE SCHNEWEIS: It was a case of beer. That's important. It's Colorado.

SENATOR VARGAS: A pack of Coors.

KYLE SCHNEWEIS: I think...I don't know. I think it was Uber that was behind that one. So lots and lots of research being done. My perspective on this, we aren't as engaged in some of those conversations as some of our peer states, on purpose. I want to support the private sector. I want to stay out of the way. If they need to pilot something, we are open for business. Let's go. But I don't think we need to be out, you know, trying to push the envelope on this because it can mean investing in things we don't necessarily need down the road. You know, the Tesla, the Autopilot Tesla, it drives using pavement marking on the highway. That how it sees where to go. So the first question when I'm talking to California DOT Director is, do we need to improve our pavement marking? And he said he talked to Tesla guys and they said we know where your pavement marking is deficient better than you do and by the time you get it fixed we'll have figured out a way to not need it anymore. And so it's like one of those things. And you go back to California in the nineties, they invested millions and millions of dollars putting phones, emergency phones all along the interstate; every tenth of a mile there's a phone. I don't think those are getting much use anymore and they weren't free. So those are things we are very

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sensitive to, to being able to support these things, connect the vehicles to our infrastructure but doing in a way that's responsible and that...and that's why the uncertainty is there. That's why we got our heads up. That's why we're talking, but we're being very careful before we invest.

SENATOR SCHUMACHER: Senator Stinner, I think you had a couple.

SENATOR STINNER: Yeah, just a couple questions, quick ones. Deferred maintenance is an issue from time to time and I've seen numbers on it from time to time. What the current?

KYLE SCHNEWEIS: I don't have a current number for you on the highway system in terms of deferred maintenance. It's something that...there certainly are highways in Nebraska--I get phone calls about them--that this road is no good. How did it get this bad? And that keeping good roads good approach is something that...that means when a road does get to the point where it needs to be replaced, it doesn't always rise up to the level of priority because we're trying to be cost effective. So I can get you a number, but...

SENATOR STINNER: Okay.

KYLE SCHNEWEIS: ...the goal really is to focus on the good roads.

SENATOR STINNER: I continue to run into counties, our small towns have pavement problems, road problems, bridge problems. I'm sure you're aware of it. Any solutions that you have for them?

KYLE SCHNEWEIS: Well, we are trying to work with them on the county bridge side, as you know. LB960 created a pot of resources for the state for the very first time to use state funds to support county bridges. There's 11,000 bridges in our state. Most of them are over 50 years old and counties are trying to keep up. The program is designed...and here's what I would say in terms of state role. I think one of the best things we can do is support sharing of best practices and innovation and that's what this program is designed to do. When we have...we put \$4 million in the street this year and the counties that received funding did it because they proved that they wanted to innovate. They partnered and bundled their projects with other counties. They

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promised new construction methods. These things are out there. And so we're trying to incentivize that and a little bit of money we think from the state side can spread and help the counties save money on the long run.

SENATOR SCHUMACHER: Senator Riepe.

SENATOR RIEPE: Thank you. At the same time, are you looking at which county bridges survive and which ones become the local (inaudible)...?

KYLE SCHNEWEIS: So we inspect every bridge. We provide an inventory of inspections so we know where the...and can help communities in terms of posting or closing bridges. We are not in the business of telling a community when they need to close a bridge. I think those are strategic questions that should be asked at the county level. If people aren't asking them, they should be. But they're hard conversations. You know, if we were to build the county road system today based on our agricultural practices and modern farming, it would not look like it does. It would not have a mile of road every mile and a bridge...you know, the rivers all go diagonal, so we cross the river and then we cross it again then we cross it again and then we cross it again. That's why we have so many bridges. And so you would build more roads that are probably parallel to those rivers and cross periodically. But, you know, I don't know how you get to that point from where we are today and I think it takes a lot of strategic thought at the county level. We would certainly support that conversation with data and expertise. But those are conversations that need to happen at the local level.

SENATOR RIEPE: It takes a lot of term limits to get there too.

KYLE SCHNEWEIS: There are...so here's...I'll pass on a story I had, a conversation with...one county official said, you know we decide? When it falls down. That's the one we close. (Laugh) But if you think about it, they are investing in bridges and they pick which ones they invest in. And so if...and in some cases you don't invest in the bridge because it doesn't carry the traffic and it's not necessary and so that's the one, eventually it can't hold the traffic and there you go. So I'm not speaking on behalf of anybody at the local level, but I know those are tough conversations.

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SENATOR STINNER: But based on your inspection, you can change the load limit.

KYLE SCHNEWEIS: We do. We keep an inventory of every single bridge in our state even though it's in the county system and what their inspections are and we help with the...the counties help with the inspections, but we keep the inventory and we provide expertise. Just a few months ago, Pam Dingman from here in Lancaster County called. They had a bridge she was worried about. We were out there that day testing it and made sure that it could support the loads that were passing on it.

SENATOR RIEPE: It seems that if we move the funding away from the county and more towards the state, we will have more demand to maintain some of these, what I would call, questionable bridges because the burden, financial burden shifts away from the local community. It's easier to spend somebody else's money...

KYLE SCHNEWEIS: Sure.

SENATOR RIEPE: ...who resides in Lincoln or Omaha than it is...

KYLE SCHNEWEIS: Sure. Well, on the county side.

SENATOR RIEPE: ...Gering.

SENATOR STINNER: Make sure you send enough out there, huh, to western (inaudible).

SENATOR RIEPE: Too much is never enough sometimes.

KYLE SCHNEWEIS: On the county bridge program, I said at the time we implemented the program, I don't want to be in the business of building county bridges forever. I don't. I think a little bit of money to help spread some best practices and innovation is a very good use of state funds. But I would be very concerned if we started looking at changing the responsibility of county infrastructure to the state. I think that would be a problem. I don't think counties want

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that. They want support; that's what they want. So, I don't know if that's what you were alluding to.

SENATOR SCHEER: Kyle, you made some comments in regards to not tampering with the funding so that we are able to maintain it. But I guess the flip side of that, assuming that current resources stay in place, will we have enough dollars to complete projects that we've (inaudible)?

KYLE SCHNEWEIS: So that the projects that we have identified so far for construction, the answer is yes. And it's a balancing act at times. You're all aware of the Costco plant going in in Fremont? We're trying to accelerate that beltway project to coincide with that development because it will support the growth. If we just do nothing, the funding isn't available until about 2025. But the plant opens in 2020. So we're trying to find a way to move the projects around and accommodate growth in our state. But there's a lot of uncertainty. We...that's the damage, right...or the danger, is you program a project for five years from now, six years from now and so much can change in that time. But if nothing...if our assumptions are right then we're...we'll deliver on 275, we'll deliver on the projects we've identified for construction, the Heartland Expressway, the rest of U.S. 30, Lincoln South Beltway. Those are projects we'll deliver on.

SENATOR SCHUMACHER: You touched on something just a little bit ago and it corresponds to the notes I made or questions that I wanted to ask you. And that is if you were to do it all over again, the road system would look very different. And the road system that we have largely connecting the communities that were at their high point in the 1920s. I think we've seen data in this committee that shows that the great bulk of our communities had their high point of population in the 1920-ish time frame. And because of changes in agriculture and culture, they're no longer gaining population and our pretty general trend of losing population, although there are some exceptions. You mentioned the system was laid out generally with the theory of the section line. Made perfect sense back at turn of the 1900s because there were four farms to a section and you all had to have access to the road to get the horse and buggy or later the Model T to the schoolhouse. And so...but that's not the case anymore. It's more like one farm to four sections. And so the layout of the section lines no longer makes as much sense, particularly if you can envision equipment that could go three or four miles without getting tired and turn around and less inefficiencies from turning around and the end of the row...end of the property

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line. And I think...I don't know if you mentioned it but I think it's been mentioned in the past, that some of our roads were designed on the theory that the county seats should all be connected and interconnected, and yet we're thinking and there is probably a chance that somewhere in the not-too-distant future we'll eliminate some of those county seats in some type of county consolidation and that part of the framework, which leads to the \$64 million question; it used to be \$64,000 but it might have changed. And that is, were the starship to fly over and blast all of our roads away and you were charged with laying out roads as they should be now or in reasonable anticipation of such things as the self-driving trucks and cars and the things we might see, how would that system look because it's kind of our job to try to see that future and figure out how we transition from the town of 1920 and the road system and to sustain it and the little farms around it to the future. Remember, heresy is permitted.

KYLE SCHNEWEIS: Sure.

SENATOR SCHUMACHER: We're talking a time frame where all living politicians are no longer in office. (Laugh)

SENATOR RIEPE: Mr. Chairman, is that a motion? (Laughter)

SENATOR SCHUMACHER: It's a motion, yes. But just interested in your...

KYLE SCHNEWEIS: A couple comments, I'll try to keep it brief. I think that. When you think about the local system, the county road system, and that's part of what you're referring to, I think there you would probably see a very, very different roadway system if you were to start over because of the way agriculture moves and I think we talked a little bit about that. On highways, I think our state highway system, it would probably look a little different but it would still have almost as many miles as it has today. I do think that. And part of the reason, look at U.S. 30. It parallels I-80. So you look at it and you think, why do we need U.S. 30? We have I-80. I've asked that question myself. Well, when it doesn't take but one crash on the interstate to where you're real happy you got that alternate route on U.S. 30, real happy because you can avoid more crashes, you can get traffic moving quickly. It's a wonderful blessing to have that road there. And I don't know if you started today if you would have the resources to build something like that,

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but we sure are glad to have it here. So I think on the highway side, you know, we've...I mentioned some of the spurs and gravel roads. I don't know if you were starting over today if the state...as a state we would want to invest in those really low-volume roads as state resources. But, you know, we're not talking about a ton of miles--330 miles of spurs. I don't know how many gravel roads we have but it's just a handful of miles. So there's probably some things there. But I think generally you would see the state highway system would look similar and the local system is where you'd see the change.

SENATOR SCHUMACHER: Have you...along the lines of the local systems then, is there any guidelines, assistance if you're sitting on a county board and you've got to make some of the tough decisions because you're running low on property taxes and things of that nature, that you say here is a engineered and thought-out layout of how the roads might be if you were to start over from scratch? And nobody is making you do it. Nobody is even suggesting you do it, but here's how it might be to your county commissioners and so that county commissioners or supervisors who wanted to transition to the way it might be now could have a bit of an excuse saying, look, this is...when we make our individual decisions let's try to make them consistent with moving toward this type of plan rather than spending money on parts that are not in this plan?

KYLE SCHNEWEIS: Well, are you asking what the state's role might be in a conversation like that, is that the question?

SENATOR SCHUMACHER: Yeah. You know, if I was on a county board and I'm...

KYLE SCHNEWEIS: Yeah, you'd want to know that.

SENATOR SCHUMACHER: I'd want to say, hey, if I was arguing let's not put that bridge in. Let's put a bigger bridge over here or whatever, this is more consistent with the long-range plan of how the state should look in 2050.

KYLE SCHNEWEIS: Yeah. And I have not been responsible for managing system of county roads, so I'm wading a little bit into territory I should be careful. I would think that you could try

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to do...to look forward and rethink it and strategically try to plan what would it need to look like. But a big part of it is resources, right, and balancing needs and resources. And I think those kinds of conversations need to be happening not with necessarily only with engineers or planners but with communities and businesses and landowners because that's the only way you get to a solution that would ever be palatable to anybody. You've got to have that conversation in the open. And I think that's what I would encourage any county official is put together an approach, a process that allows people to see the reality of the situation. Nebraskans are practical people. They understand the realities of the world. They understand...and we saw that with our Build Nebraska Act project selection--sorry, I keep hitting that--when you go out and everybody says, well, I need this highway, I need this highway, I need this highway. But when you look at the available resources and the priorities, people realize, nope, 275 is the one that we need first. That's the priority, even though maybe a community that's not on that route would prefer something else if they had the choice. I think those conversations can be had. You know, I don't know...at the DOT, I get real nervous about trying to tell anybody at a county what to do. But we do have expertise. We certainly have developed processes. And I would be open to a conversation about supporting any conversations somebody had. But it would be in support. I want to help people think through it.

SENATOR SCHUMACHER: Even on the financing side of it, it all comes out of the taxpayers' pocket one way or the other, no matter what it's labeled. And if we have a system of local roads which are costing somebody money and that could be made better over a long period of time with a little guidance then we might not hear quite the clamor of, gee, property taxes are terrible and you guys in Lincoln have got to figure out a way how to offset them with some income and sales taxes. So it's all the same (inaudible).

KYLE SCHNEWEIS: And there may be some opportunity to chip away at it. I mean it doesn't have to be transformative where you change the network tomorrow, but you chip away. They're tough conversations. They're hard.

SENATOR SCHUMACHER: Yeah, (inaudible) ones that we should have.

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SENATOR STINNER: I see our county in Scotts Bluff prioritizing roads and trying to identify bridges that actually can be taken out of service and using culverts and things of that nature so that they don't have that situation continually coming up.

KYLE SCHNEWEIS: And that's one of the...on the county bridge match program, that's one of...we call that innovation. If you're strategic about your system and you're going to take a bridge off, we give you points and bump you up. We'll help you build another one if you take off or put in a culvert, pipe.

SENATOR SCHUMACHER: Let me ask you this then, from your perspective and knowing that the Legislature hopefully is trying to look at some long-range planning that is consistent with all the other needs that are there, whether with an aging population and school kids needing preschool and all that, what should we be looking at? How can we work with you and future Roads Departments? How can we get on track to do a good logistical design for the state and to make sure that we don't do anything in haste or in panic that screws things up?

KYLE SCHNEWEIS: Well, if we're talking local system, I think that the involvement of the folks in the counties is probably more important than involving us. Perhaps we have some expertise that could be of use, whether it's cost-benefit kinds of analysis or planning expertise, modeling expertise. I know when we designed the county bridge match program, our folks who sat down and tried to outline what that would look like, when we presented it to the counties we changed it a lot because they needed it to work for them. And so I would think the folks at NACO, I think folks like Steve Riehle in Grand Island who is the president of the association of superintendents, county superintendents I believe is the organization, these folks...Chris Jacobsen up in Broken Bow, the folks that have helped us on our county bridge match program-- invaluable. And they are addressing these problems every day already and I would say they are the folks that would need to be...have the largest voice in any conversation about that.

SENATOR RIEPE: With 93 counties, is that even possible?

KYLE SCHNEWEIS: There is strong leadership though in this area of road construction. Pam Dingman here in Lancaster County is a strong voice. Of course, she's got some different

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challenges than some of our more rural counties, but she's dealing with bridges too. The folks we have used as a sounding board to help out on our county bridge match program--strategic thinkers, practical people--they would be a great resource to a conversation like this. And I would never want to have it without them. You couldn't have 93 folks, but there's some strong leadership in that group.

SENATOR SCHUMACHER: Senator Williams.

SENATOR WILLIAMS: Thanks, Senator Schumacher, and thank you for being here, Kyle. When we're thinking about the future, I can't forget about the present where we are now. And it's been mentioned several times, LB977 and Senator Riepe's question about weight limits, LB977 addressing how agriculture has changed. You know, vehicles and animal husbandry have grown. We passed that with the full intent of creating a new paradigm that would work in the future. And it's not your agency but we are seeing in geographical pockets of our state as we are sitting here this morning overaggressive officers making many stops. And I'm in an area where this is happening constantly.

KYLE SCHNEWEIS: Okay.

SENATOR WILLIAMS: I don't know that there's a solution to that. But for the other senators that are sitting here that may be in other areas, we have not fully accomplished, I don't believe, what we're...our intent is to accomplish with that: to create an economic condition where our number one industry--agriculture--can move product, move silage, move manure, do all these things and yet at the same time not damage our roads. Of course, we're talking primarily county roads, almost entirely gravel roads. And in my areas where the county commissioners are meeting with the livestock and the row crop industry and they're all in agreement, not a problem, and then the outside force, mainly State Patrol and that. So just make you aware that that issue has not gone away. And I know Nebraska Cattlemen is working with the executive branch right now to kind of come to some resolution so we can see...

KYLE SCHNEWEIS: I was made aware in the last month or so. It's something we partner with our...the folks at Highway Patrol on a lot of safety issues colocated in places. Emergencies

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happen and our guys are out there managing traffic. We have a lot of very common, similar goals and interests. So it's something that in my...my outreach and partnership with those folks I'll be sure to mention. I'm glad to hear that the industry and the county leadership are on the same page. I think that is one of the most important parts of this to be successful. There are times when...and there are roads and there are times whether it's weather or whatnot that those roads should not be handling heavy loads. And so understanding that, communicating that, industry understanding that, and counties recognizing that they also have to accept that at sometimes we're going to have to accommodate these loads, I think that partnership is critical.

SENATOR WILLIAMS: It is critical and I think I'm fortunate in my counties that that's happening. I don't...I hope that's happening in other counties.

KYLE SCHNEWEIS: One of the things that we're...we have a lot of very strong and stable partnerships at the department with groups like contractors and consultants, and then in other places less. And I'm trying to bolster it. Counties is a place where Larry and I get together, Larry Dix and I get together once a quarter and we talk about issues. But it sort of stops there and we're trying to form a team of folks...that a few people from his board, a few of our leadership, and people on the ground so we can understand these issues and so we aren't surprised when an LB977 comes to play. We want to be part of the solution as it's developed. So we're trying to engage with more folks all across Nebraska. This is just one way so that we can be part of the solutions going forward. That's a plug for some of the work we're doing.

SENATOR SCHUMACHER: I have a couple extra questions since you are transportation, not just roads. The integration of the road system and particularly some of the ag marketing, where you're collecting the stuff in the fields and getting it to wherever it's processed, between the roads and the rail system, rail it seems always has been a fairly efficient way of moving big chunks of stuff. And what...how do we have a handle on that? Is there anything we could assist in the design or encouragement or a more effective interface between those systems? And then the other area is...a time in my past I did a lot of flying around the state in various communities. And the state is loaded with very nice, small airports that somebody is maintaining and the lights always go on when you click the microphone at night and you can land. And there's a lot of them and they're in good shape, but as a practical matter, the only people that are using them is folks

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who own their own airplane and there isn't many of those and you can't even rent an airplane in most of the state at any reasonable rate. If you have a businessperson who wanted to fly from Sidney to Burwell, I mean you're going to drive it because it's just not set up. Who pays for those airports? Who pays to maintain them? Since they're there and they're really good, how can we use them more?

KYLE SCHNEWEIS: Yeah, all right, two fun questions. First, on the logistics stuff, the rail to...multimodal piece. So that was one of the things our freight plan was put together to try and designed to do is help us understand that. We...I like to say we...so it's a federal requirement that we do the plan. And so we had some boxes to check to get there, but it's not a check-the-box kind of plan. We included a supply chain model, so we are modeling the entire supply chain of Nebraska to understand how goods move to, from, and within our state. And as a result...we have only the preliminary results of that model, but I'm convinced that we're going to see opportunities to get trucks off the road and move things to rail and maybe even vice versa. And there's opportunities all over our state I think to do that. And an example, Iowa was the first state to do this; we are the second. And they found two examples I'll give you that are both very interesting. First, they found that they were moving raw animal products to Minnesota to be processed only to be moved back to Iowa to be used as feed. And so why not just process them right there in Iowa? And so they've been able to use that data to recruit animal processing plants to Iowa because they can show that they can save on their transportation costs. And so that's very, very interesting to me. The second one is that they found that they could build a multimodal facility that...a logistics park essentially in Cedar Rapids. They got a \$25 million federal grant to do it, all by understanding their supply chain. So we are a few months away from having results. But it's supposed to be done in February. It's very exciting. I think there are opportunities. I think working with the railroads is a key part of it. We are supporting railroads in a new way with Economic Opportunity Program which was part of LB960 designed to retain and grow businesses in our state. And it, for the first time, says it doesn't have to be a state highway. So if it's a county road that you need paved and you can't afford it but you can recruit ten jobs to your county, to your region, we can help participate in that because of that program. And a couple of the projects we're looking at are rail spurs. So that would be the first of its kind in our state to use state funding to recruit businesses by building a rail spur. I think it's a great

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investment. On the airport side, have you have you spent much time at the airports? Senator, have you had a chance to visit and tour any of them?

SENATOR SCHUMACHER: Well, I've been at a lot of them.

KYLE SCHNEWEIS: Have you?

SENATOR SCHUMACHER: Not in the last...since I've been in the Legislature, but before that.

KYLE SCHNEWEIS: There's something like 70 or 80 airports and I've been to probably half of them in the last year because of our merger. This is a fascinating thing. And I had...I think when we started this I had a very similar perspective as the one that you shared but mine has changed. There is a lot of activity at these airports and it's not just people who own their own plane. The crop dusting is a huge business in our state supporting the agricultural economy. Every airport you go to has two or businesses on it and they live there every day and then they run their business out of there. Healthcare, it's a huge thing for healthcare. There are airports that, because there's an airport, you can't have, say, a specialist in house at a hospital every day, but they can fly in once a month for a day and see all patients from that town or that region that month. And without the airport they couldn't do it. Airports are supporting economic growth because they allow businesses to come in and see these communities and assess whether they want to be part of Nebraska. And then once they invest they can now get there, because sometimes you don't want to drive six hours across Nebraska. You want to be able to get there quickly. And so we see that we're sometimes right in the airport in little conference room the businesses come and have their executive board meeting right there at the airport because they can fly in and have that meeting quickly. So there's a lot of...that's just to scratch the surface of the kinds of things that are happening in our airports. I think it's a part of our infrastructure that we need to continue support and invest in and it's a fascinating community. A lot of enthusiasts who are just so, so dedicated to maintaining their airport. There's a lot of volunteers that are out there taking care of those airports, mowing the grass. It's a very impressive group of Nebraskans, very hardworking folks. So if you haven't been to the airports in your district I encourage you to go, stop by and visit them.

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SENATOR RIEPE: And of course, on the other hand though, is who pays?

KYLE SCHNEWEIS: So the federal government pays almost all of our...money that goes toward aeronautics today. About \$2 million of state funding goes and it's...we have a tax on aeronautics fuel. It raises about \$2 million a year. It mostly pays for the operations of the Department of Aeronautics, now the Division of Aeronautics within the Department of Transportation.

SENATOR RIEPE: To my understand is that money is at risk, even in some of the small airports in some of the small communities (inaudible).

KYLE SCHNEWEIS: So I'm going to tell you what I know about it...and it's actually...probably I should say I'm going to tell you what I think I know about it because I'm still learning about our aeronautics. So we have state funding that's about \$2 million a year. It goes mostly to...it used to go towards grants. Now, because of...revenues have declined and the operation costs have increased, most of it goes to the operations of the Department of Aeronautics. Federal funds about \$19 million a year and it comes in at 90-10, and the 10 percent is the requirement of the locals. A little bit of state money can go into that match, but there's not much left over to do that anymore, where in the past there was.

SENATOR RIEPE: So when you say 10 percent local, that's city-county?

KYLE SCHNEWEIS: Correct.

SENATOR RIEPE: Okay.

SENATOR STINNER: State does own three.

KYLE SCHNEWEIS: Yeah, and each...but I will...yeah, that's right. It's local and county. The state does help where it can, but it's not...it's almost zero now. In the past it was \$1 million a year. That's not available anymore.

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SENATOR SCHUMACHER: Just curious on your observations on the airports, one of the things when we were using them a bit is you fly in, and then how do you get into town?

KYLE SCHNEWEIS: Right.

SENATOR SCHUMACHER: Fortunately, most places...

KYLE SCHNEWEIS: You got a courtesy car.

SENATOR SCHUMACHER: ...have got an old clunker that sits back behind...that they leave the key in and nobody is sure how it's titled or whether it's insured. And it might even have a little mouse hole or two in the seats, but that's how you get into town. Is there any way that we can make that service more attractive using some maybe old State Patrol vehicles or something or getting around the insurance problems that a lot of them fear, that's why they title it in some dead guy's name.

KYLE SCHNEWEIS: (Laugh) I wasn't aware of any of this nefarious activity at the airports.

SENATOR SCHUMACHER: That's how it's done.

KYLE SCHNEWEIS: I understand. A lot of them are using old State Roads Department equipment to move snow and things off their runway, because a truck can't be relied on to move snow on 30 miles of highway every day, but it could move it on a mile runway a few times years. So there is some of that.

SENATOR SCHUMACHER: Anybody else while we've got the Director captive?

SENATOR STINNER: We've got another shot at you yet.

KYLE SCHNEWEIS: I know you do, Senator. (Laughter) I hope you're keeping some of your powder dry for December 13. I am as well. (Laughter) Thank you all for your time.

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SENATOR SCHUMACHER: Thank you very much.

KYLE SCHNEWEIS: Yeah, thank you for the work you're doing.

SENATOR SCHUMACHER: And let's see if we can keep a good conversation going long after I exit this committee and with some of the folks like Senator Vargas will be around and Senator Hansen for hopefully six more years yet. Gee, that time goes fast. You're a quarter done.

SENATOR VARGAS: 3.5, 3 years.

KYLE SCHNEWEIS: Well, thank you. It's a passion of mine. I welcome the invitation any time. So thank you for all the work you're doing.

SENATOR SCHUMACHER: Thank you.

BREAK

SENATOR SCHUMACHER: Okay, it looks like we're back to being live. Are all systems go?

DAVID DROZD: I think so.

SENATOR SCHUMACHER: All right. This presentation arises out of a, I guess they call it, a symposium or something a few...about a month or two ago in which a very interesting analysis and use of census and other data. And so, Dave, take it away and show us what we need to know.

DAVID DROZD: (Exhibit 4) Will do. All right. Like Senator Schumacher said, he got to see a presentation of our annual conference, which is held every August. And we had the lady from the U.S. Census Bureau in D.C. come out and present, in part, on this new job-to-job program data and it is new. A year ago this time, I don't think there was any access to it. And then it went to first beta in December-January time frame and then now they've updated into a second beta in June. So she came out and I got to see a webinar or something that piqued my interest in this product, so we've done a couple of applications with it. But it's so new we're still learning

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ourselves, so I'll try to guide you through it as best I can but it is still kind of feeling it out, seeing kind of some of its examples. So that's what I'm going to share, is some examples of what's been done and what we've had the Census Bureau prepare for us. Just some examples that might illustrate some of the power or applications of this. And then Melanie will give you a step-by-step online for the interface, which is pretty simple and easy to follow. My contact info is on the slide. And again, if there's something you see that you'd like to have explored for your interests or some type of policy-related aspect, get ahold of us because a lot of times we don't run things until we have a reason to, for whatever ideas are out there. I did a couple that I found interesting, but we'll see. This program is a federal-state cooperative. And Senator Schumacher and Senator Riepe who were there might remember the presenter, Earlene (phonetic), kept talking about how Wyoming was not participating and sharing their data, so they don't have data right now in this program. So we're very happy at our Labor Department. Basically, what they're doing is providing the records. And I assume that they're tracking by Social Security number for where people get hired, where they go to next, and then kind of interstate or interagency working on that to track them. So this is a product that is meeting a need that we didn't have before to see exact job-to-job or worker-to-worker flows, whether it's across states, across industries. Right now, it's only data available at the state level, but talk is that they will release county data. I don't know if there will be some sort of threshold where if you're a county or over 20,000 you get data and if you fall below that you don't. That would make sense to me on this product, but we'll see what Census develops from this joint cooperative with labor departments. So I'm just going to walk you through some examples here. So we had Census Bureau prepare these couple of maps for us. So I'm going to take you through a series of maps. And in the upper right in red you'll kind of see what I kind of put a little couple terms on there of what is being mapped. So this is just Nebraska's change in workers, again job-to-job flows. It can also track moves from nonemployment into employment or again if they follow that person over like two quarters, they'll see if they've like gone from employment to not working, so either they're coming out of the labor force--whether that's retirement or...

SENATOR STINNER: So you're saying that Colorado is attracting more than a thousand people out of Nebraska (inaudible)?

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DAVID DROZD: That's right. That's right. So this is about a five-year time frame. It's 19 quarters when they ran this. And this is...you'd look at this one as the sum of all the movement...net movement in all of those quarters. So over about a five-year period we lost over a thousand workers to Colorado, specifically, and Texas. And of course there would be data tables behind this where we could see the exact numbers, but the map kind of gives us an illustration. It's a heat-map style, the greener it is the more positive the flow; the grayer it is, the worse the flow for Nebraska. And you can see that we're pulling in from Iowa, that's our largest. That was also over a thousand, even though that category there is 150 or more. But that's definitely our top flow, inflow...net inflow from Iowa. And you can again see some of the regional differences. So on a flow like this where you're looking at all workers, your larger states are going to tend to have more flows. So the next slide puts things in rate terms to account for the different sizes of the states or the flows. So when we do that and look just at rates of all education...it's like all persons, you can see that Texas no longer is in the dark gray; Colorado still is. And then some of these border states and North Dakota, which if you think about this time frame was probably about the peak of the oil and mining and materials boom that we saw early in the 2010s, so if we looked at it more currently it probably definitely would be softened from this. But again that's where our main outflow was; obviously, Iowa is still in here. But notice how again when you account for the smaller size of the states we start to see some of this net inflow from the South. I'll just flip it to the prior slide quickly. We can see again a lot of the Deep South was slightly positive and Florida was in the highest shade. But, again, when we change it into that rate perspective, we can see that the flows are a little bit stronger when you account for the varying sizes of the population groups in that approach. So they tell us a few things. Both are important, raw numbers and then rates accounting for those differences in size. The next one, rather than all educational backgrounds, just look at bachelor's degrees. So this is the map for the rate of net movement of workers with bachelor's degrees. So again same thing, we see the highest rates to these states that are the smallest in size and the regional territory. You can also again see that there is less inflow of bachelor's degrees, specifically, from the Deep South. But again, Kansas has been notable, perhaps given some of their economic and budget struggles that they've had, we have seen more workers coming to our state just given that we're a little bit more solid situation. And they've had a...you know, like there was a Boeing plant down there that shut. And there's always movements of companies and things going on that impact workers, but it just gives us an illustration of where our flows are, specifically among workers.

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And I know in having presented testimony in the Revenue Committee before, we've talked a lot about retiree out migration and why people move. And we have just never been able to split off retirees from all other persons. So this product does that. This is totally on workers and what are workers doing. And, obviously, they're going to be having earnings and be paying income tax and spending and paying sales tax and all those kinds of things. So it is important from that policy perspective. So now switching over again for comparative purposes just to take a look at the number of bachelor's degrees that are exchanging. And here again we see the biggest outflow going off toward Texas and even Colorado. We're not doing too bad, but you can kind of see the regional weakness, perhaps, here in the upper Midwest. It's kind of like a little sideways S, this little shape here between California, Arizona, on down through Oklahoma, Texas. So on the next couple of slides we'll compare Nebraska, Iowa, and Kansas, and that same pattern is going to exist where bachelor's degrees are flowing off toward the tech hubs of California, Colorado of course, with a lot of industry there, and then we all know about Texas. The net flow with Florida for bachelor's degrees is actually negative, whereas it was positive for all workers. And again, think back to what this time frame is for, that was when the housing market was really hard hit, so we were pulling in some people from Florida that might have gotten laid off in construction. They probably didn't have a bachelor's degree working in that particular industry. So the data kind of makes sense with the narrative of what you would think intuitively and it's nice to have that backup and comparison. Okay, so that's Nebraska's bachelor's degree net change. So we wanted to compare, of course, well, what's Iowa and Kansas look like. So again that S-shape pattern here of weakness for Iowa, with Texas all the way through California. Again, they're pulling in...and from Kansas. You might notice--and this is just a strange anomaly in the data--this is showing Iowa is pulling in from Nebraska. Well, the prior one said that Nebraska is pulling in from Iowa. The flow is exactly zero on net in bachelor's degrees over this almost five-year period, so that's not going to happen very often where it's a true zero. So with the way it got graphed it went both ways for those two states. But again, you can see even Iowa tends to have net outflows to the upper Midwest here with Minnesota, the Dakotas, and etcetera. So finally the one with Kansas. They've maybe kind of been again one of the weaker ones. You can see all of this gray here along the southeast coast. That's something like Nebraska and Iowa didn't have maybe quite to the same degree. You know, it was kind of outflows, but not as dark on the outflow. And likewise, you can see how both being a little bit closer to Colorado and Oklahoma, they tend to have larger flows. But I think there's some economic and budget things going on in

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Colorado that made their flows a little bit weaker for what the workers are doing. So that's kind of the first set of examples. And, again, I think people like the maps so you can see what's going on, but obviously you could put it in tabular table form and rank it and all those kinds of things and see the differences. So then we did a couple of things for a conference that was related to a brain drain that the State Chamber was putting on. So we used some industry specific data. So what I have here is a sorting of our net flow by the various industry groups. So when we take a look here at where our state-to-state inflow is from we see that on net we're pulling in the most people from administrative support, retail trade, and restaurant food services, your waiters and waitresses and such. Okay, so those tend to be, in general, relatively low-wage industries. So those were some of our best net inflows. On the flip side, who are we on net losing? Well, those are people in finance and manufacturing and management, things like that. Those tend to be relatively high-wage industries. So that's a possible cause for concern when we're pulling in people with maybe lower skills or lower wage levels and losing some of our more high earners. So that's what the ranking showed. And again, these are data I ran myself, so I used the most current 20 quarters that they had released when I ran this again back in January. So that was...I don't know if it was a surprise, necessarily, but it's definitely something that we should watch and try to get a handle on for why these changes are taking place. So then I wanted to detail a little bit about who's the inflow and who's the outflow. So this was just a net. So when we take a look, one of the powers of this program is we can see what industry they were in prior to Nebraska and then once they're here, where are they working? So we can kind of get this cross flow. And in a lot of our other census products, we might know what people are doing currently, but we don't know what they were doing a year ago or five years ago or whenever they made their change. So, again, I have all industries sorted here. And then I took the three that had the highest net flow and took a look at where they were working prior to coming to Nebraska. So the bottom line conclusion when you look at those three and add it up, about half had worked in those industries prior to coming to the state. But some also moved into other high wage industries. So this, again, this was their original industry. So we were pulling in people who had that relatively low wage, low skill level perhaps, but some of them did end up in Nebraska going into higher wage industries, namely transportation, manufacturing, and healthcare were all over 5 percent of that distribution. So people don't always stay in their same industry. They were quote moving up the ladder perhaps once they got here or that might have been part of the reason why they were coming to our state. So that's something we can do with this product that we can't do with any

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other, is to understand where they were before and what they're doing now. The final example here is just the flip side. If I go back to this earlier slide you can see the largest net outflow. And it wasn't by a small margin, but by a large margin, was our transportation industry, so this would be trucking and other factors. So it kind of ties in with what Kyle was just going through in his presentation. But I wanted to detail what those folks are doing as they leave the state, so go the other way. So we had the inflow one here, then the outflow. So these are the transportation workers, again it was a loss of 1,900 on net. And of those, about 60 percent went to a transportation job in another state, so they stayed within the same industry. But we also can break down and see, well, how many left transportation as they left Nebraska? And you can see, again, that there's certain other ones, that break down on how to get to more than 5 percent, including retail, trade, and manufacturing. So we don't always know why people change industries or if it was what their preference was or just where the opportunity presented itself, but that's some of the changes that we see and can detail. In this case, we know that most people are staying in that same industry as they leave the state. So, again, those are just a few examples. Let me know if any of this piques an interest and you want to have a certain industry that you want to try to understand the flows in or what's occurring. Just thought I'd mention, since it's spaced out nicely on the handout, that those are just worker flows and we do have other products that can look at total person flow. So this is, again, something I had prepared. So we want to take a look at the states for bachelor's degree, kind of the brain drain for...it's been a traditional problem for Nebraska. What states are people going to? So this is a custom analysis that we put together from the American Community Survey, which is the product that a lot of planning committee data that we compiled comes from. And they have a special product where we can run our own calculations. So I kind of grouped similar states that didn't have a lot of interaction. But, again, in general what we see is that Nebraska is losing bachelor's degrees to almost all of our border states as well as the South, in general. So like these SEC states, as I've dubbed them here, they I think all had a small outflow. So, again, I was trying to combine...I had some kind of threshold or I wanted so many moves between the two states to get them to come together, ones that are closest by like Illinois or Minnesota were enough to have their own line and not need to combine the states together. So, again, you can see for most states we're tending to have an outflow and there's just a few that we tend to have an inflow with. So those kinds of things are available and they can help indicate what the movement is, where it's going, and how that might impact us from a fiscal standpoint, because we know that bachelor's degrees tend to have higher

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earnings and the more earnings you have the more spending you're going to do, the more income tax you're going to pay, more likely become a homeowner, impacting property tax. So it relates here to the budget situations that we all face. So I'm going to turn it over to Melanie. She'll walk you through some of the step-by-step and then I think we can be more efficient to do questions in joint together, so.

MELANIE KIPER: (Exhibit 5) Hello, my name is Melanie Kiper and I'm just going to walk you through. So we have the job-to-job data, but since Sprua (phonetic) has also created an application to make it easy, it's a very intuitive sort of dashboard that you can use to actually explore the data on your own if you like to do that. So I've given you the exact URL to that on this second page of this handout, but if you go to the Census Bureau Web site and go down to the bottom, it says, job-to-job is part of the local employment dynamics program that they have. So if you click on that and when you go to the site here you'll find the J-to-J Explorer beta. And as David said, this is the beta2 version that we have here. So just as an example, I have two examples on the handout, very simple sort of questions that we can see how this works. So if you have the question, "In what states did newly hired employees in Nebraska previously work?" Very simplistic question here. So to do that all you would have to do is under "start here" we're going to do "hires to" we're going to "hires to Nebraska." If you click there you can see that you have other options. In the "hires to" option you also have the "separations to" so you can look at the flows in or the flows out. And then the third option you have here are the sectors of industry. So we're just going to go with "all sectors," but you can pick specific sectors. And then the second step is that you...our questions is, "in which state," so we're just going to say "which state". And then it's going to take you directly to a visualization of that. So from this map you can see Nebraska is highlighted and then the darker color is the--excluding the black, the states that aren't participating or the data is not available--the darker the color blue, the more hires coming into Nebraska from that state. So you can see here Iowa is the highest and then we have Texas and then some of the surrounding states around Nebraska, California, and Florida. So very simple. The things to point out is as you're looking at this, is you can see what quarter is being looked at simply by here, and you can change that. You can click on that date and you can see the 2016 quarter one is selected, but if you wanted to look at additional quarters you just go in there and you change that and then it will reload your map. The map still looks very similar to what it did before, but it's a possibility it might change. And then you can also see what the

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destination state is here, and that's Nebraska. And then you'll see that there's all sorts of other factors that you can change, the filters that you can apply. You can apply your education filters. You can..."destination from age," "origin firm size." You can change the sectors. Say we just wanted to look at information. So you would select and then just check "information," similar to one of David's examples. And here you can see still the majority of the hires are from Iowa, but you also have California pop up there. So we have inflow from California to Nebraska in the information industry. And so the answer to the question was, "which states"? Iowa supplied the most workers to jobs in Nebraska, followed by Texas, Colorado, Kansas, Missouri, California, and Florida. And then if you want to look at your specific data you have a button up here that you can just export that data. If you just want to look at the data you can click this button here and you'll see a table that has the data. We've narrowed this down to information, so the numbers aren't very high here so they don't seem to make too much sense, but. So then we can...if you click back up here to the "guided entry" we can go back to our original screen and we can start over with another question. So the second example that I have for you, "Do newly hired employees in Nebraska generally transition from nonemployment or other jobs?" So again, we're going to, in our "start here," we're going to talk about "hires," we're going to talk about "Nebraska," and we're going to talk about "all sectors." But instead of an analysis of job-to-job flows, we're going to do an analysis of hires over time. And so then you would click down into this other box and we're going to get a line chart instead of a map. And so from here you can see that...so the question is...okay, so this line here are "hires from persistent nonemployment". And this line here is "job-to-job hires" so that we can see for this particular time period, which was for 16 years for quarter two only and we just went with one quarter so that we wouldn't have any sort of seasonal differences. But you can see that the hires in Nebraska come from...more likely come from hires from persistent nonemployment as opposed to people changing jobs. And unlike the other screens, you can change the different options over here. You can change your different time periods that you want to look at. You can change the sectors. If we just wanted to, again, maybe just look at construction, it looks a little bit different, but still the hires are more from persistent nonemployment than they are from the job hires. And if we go back to "select all"...you know the other thing, I know David mentioned this, is that this chart also shows us where that dip was in the economic recession. You can see that all job hires were down. Yes.

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SENATOR STINNER: When we look at bachelor's degrees, does that...can you distinguish between kids that have gone from Nebraska to school in Florida, for an example, and came back or are these really Floridians that are looking for jobs in Nebraska?

MELANIE KIPER: I believe the data here is just whether they have a bachelor's degree or not, not necessarily that they achieved their bachelor's degree in that state.

DAVID DROZD: It would be able to pattern, like, two flows, but not three the way...because you're talking about a Nebraskan that went to Florida and then had a job there and then came back. So we don't know where they were prior to going to Florida for that first job and then coming (inaudible.)

SENATOR STINNER: See, there's a thought out there that a lot of the kids go to school or take jobs out of state eventually make their way back here. And I know that just in looking at Scottsbluff and Gering area, I can tell you that there are five or six handfuls of professional people who have left the state, come back, and actually have their family and grow their family right there.

DAVID DROZD: Yeah, that's definitely the pattern that we see where, of course, people do leave in their 20s. I know Senator Schumacher is familiar with this, and then they do come back in their 30s for some of those quality of life, low crime, good schools, be close to their family where they grew up, that's where they want to raise their own kids a lot of time. So that's definitely a typical pattern. But I don't know if we could necessarily isolate that type of exchange from this product.

SENATOR STINNER: And retirees would be the only other one that I would want to see who's leaving the state when we're leaving. I always get questions about is...are out...is our tax system actually chasing people away? And I happen to play golf with a bunch of CPAs that I used to practice with in Nebraska. They're all in Texas, Nevada, states that don't pay taxes. That would be an example.

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DAVID DROZD: Yeah. So I think there would be some possibility across this program to get at those bachelor's degrees going...whether all states or specific states and then to see if they were in nonemployment then for two quarters, that would kind of be a proxy. It's something we probably haven't been able to do before, but I would definitely be interested in seeing that as well, because we know that when people move they take their assets with them. Maybe not land if they have it if they're a property owner, but they take all their personal property with them, so.

MELANIE KIPER: So it's new data and they've provided a very intuitive dashboard I think that you can go and explore that data. Or you can call David and he will help you explore that data. We always have that option available to you.

DAVID DROZD: As an addendum, in some of those tables that I was making with the net movement, I had to do like Melanie did twice for the "hires to," kind of the inflow and then run it again for the outflow, make it all align, make all the states match, and then get my net flows or high-income industry changes from there. So it wasn't necessarily difficult, but just took a smidge of time and some...make sure I didn't make a mistake and have it sorted wrong or something and then all your data would be garbage. But the interface is pretty easy to use and that's why we wanted to get this lady to our conference to go over this new product that seems to have quite a few powerful applications. I don't think a lot of states are as aware that this is this and what some of its possibilities are. So let us know and we'll definitely try to answer questions.

SENATOR SCHUMACHER: They had one thing at the conference and it was generated...at least she was doing it fairly easily, whereby it was a color, almost like a rainbow flow.

MELANIE KIPER: Right. So that's called the...this "by variant." So this is what you're talking about?

SENATOR SCHUMACHER: Yeah, I think so.

MELANIE KIPER: So, yes. So if you go to the bottom you'll see what the color coding is that will show you from this particular state how much is coming into Nebraska. So for the total of

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Nebraska for this time period it has combined over here on the right side and then it's blowing it out so you can see what states they belong to, so.

DAVID DROZD: Yeah, when she did it, she did like the top five states for the top 20 industries. So it wasn't quite as spread out like you see there on the screen, but kind of more condensed. And that could tell you, well, what were Iowa people doing once they came across? So, again, we have those kind of things up on our Web site as well as we have background documentation that went through if people would be interested in that.

MELANIE KIPER: Right. So for this, you could isolate...you could go here and you could isolate the state that you wanted to look at and then you could go down here and isolate the different sectors that you wanted to look at so that you could see specifically what was coming in from Iowa.

SENATOR SCHUMACHER: The power and speed of this thing is just really pretty remarkable, that it can sort out and...there is some powerful computer behind this thing.

DAVID DROZD: Melanie and I were talking on the way, one of the differences is it's quarterly data so we can pinpoint when the recession happened or parts of the recovery or whatever a lot better than in annual data, which is what most of the other census products are for. Or, to be more accurate, a lot of times we have to combine the five years of census survey product together in order to release accurate numbers, especially for smaller geographies or to pinpoint the last slide that I had on the bachelor's degree flow to other states. Well, we definitely wanted to use the longer five-year period. So we're sacrificing timeliness in order to be more accurate in that analysis. And this one, you can do timely. I think...I didn't look, but I think the data on this goes all the way back to 2000 or very close to it. You've got a pretty good time series of data like on those line graphs that Melanie showed.

MELANIE KIPER: Yes, it's back to 2000.

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DAVID DROZD: Back to 2000, yeah. So that's...you can take a particular quarter so you don't have the seasonality or just combine them all to get the good averages. As far as data goes, it's pretty good on this topic.

SENATOR SCHUMACHER: I wonder if we could drill down a little bit into the construction industry, because one of the bellyaching that seems to be out there is we don't have housing and why don't we have housing, because it's so expensive to build. Why is it so expensive to build? Because we've don't have any construction workers. And I wonder if this is a mechanism that could be used to drill into the why and wherefores that we don't have the construction industry in this state.

MELANIE KIPER: I'm sure you can.

DAVID DROZD: Yeah. I think that would be especially helpful if we end up getting that county level data, because that tends to be a more localized issue or maybe not having those workers in certain places. So that will be very helpful. And I know at that webinar they were talking about it and I think they have plans for it but the problem, as you know, with the Census Bureau now, too, is budget everything. So that's become their standard refrain of, can we have this? Oh, budget cuts. And so whether it fully gets developed the way that they're thinking, it is hard to tell. Uncertainty, just like Kyle was saying, you just don't know what's going to be coming from the federal pot, the federal programs on these types of applications.

SENATOR SCHUMACHER: Have any questions, observations, a task we'd like to have them do to delve into any particular area using this tool?

SENATOR WILLIAMS: I've got to think about this for a while.

MELANIE KIPER: Yeah, yeah. Think about it. You can go in and play with it yourself and see what it shows.

DAVID DROZD: But like I said, what I put together for the Chamber was just they were all kind of focusing on brain drain, specifically, so we pulled a lot of that. But there's a lot more to it.

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And again, you don't usually just go run numbers for fun. There's usually some reason behind why do you want to look at a specific thing, like Senator Schumacher said on the construction. That's something we could go delve into now and see if anything sticks out or stands out and go from there.

SENATOR SCHUMACHER: Senator Riepe.

SENATOR RIEPE: It seems to me...thank you, Chairman. It seems to me, too, this might be a question from the university perspective, are they here to train people to stay in Nebraska or are they in a separate industry in and of themselves to educate people almost to be a profit kind of center, if they understand that they're going to educate a lot of people that aren't going to be able to stay in Nebraska or choose not to stay in Nebraska. It makes a whole difference in terms of how from a funding standpoint we approach and support the university.

DAVID DROZD: And I know that a lot of times we look at the people as being one of our biggest resources or investments, because all the money that's spent on K-12 schools and then the state aid to university, there's a big investment in that student that has that four-year degree. And then if they end up going out of state and taking all their talent and not only their current family, but potential future family with them, from a population standpoint that's a big loss for the state. And any time you have a ConAgra or a Cabela's...those things in the private sector are going to happen, but hopefully we can have a policy that encourages as much local talent training here as we can. And we're making strides on "Silicon Prairie" and all of that, so we're doing better, I think, but still challenges.

SENATOR RIEPE: Recently there was an article in the Journal that San Jose, California, said that they were not going after Amazon's new center. And I don't know that given the fact that they're West Coast that they even have a shot at it. They're talking about they weren't going to go after those incentives and they were going to simply try to build a work force structure through education and training to make them appealing to the company, which they said, it's more important than tax breaks for corporations. I thought it was an interesting article.

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SENATOR SCHUMACHER: Now can this detect the kid who never really had a job or showed up in the database who went to the university and then took off for parts unknown? I mean, will it show that kid leaving or is this job-to-job? You have to have a job here and then move his Social Security number or her Social Security number to some other state for it to get picked up on here?

DAVID DROZD: Yeah, that's one of those hard technical questions that I probably have to find out for sure. I don't know that they have to be picked up initially, because as long as they have a job at some point and then even if they go through a period of even prolonged unemployment or were not in the labor force and then come back in, I think that will get tracked. But I know census has certain parameters to where they have to be not employed for two or more consecutive quarters and certain things to get pulled into that pool again.

SENATOR SCHUMACHER: So once you drop a bread crumb in one location by getting your...reporting some taxes on your Social Security, you can then trace them to the next bread crumb?

DAVID DROZD: I think so. I think so. That very initial point, if you don't have where that starts from, then you might not be able to understand...

SENATOR SCHUMACHER: The biomed industry would be another kind of interesting one, because supposedly the Med Center and some of the things that are being done with some of the philanthropic money is making us viable in that area. It would be interesting to see how...is it moving numbers?

DAVID DROZD: And we know that's going to be a growth industry in the years ahead, so...

SENATOR SCHUMACHER: And are we batting our head against the wall on something like computer tech stuff? No matter what we do, how are those numbers? Are we seeing them (inaudible)? It's just a powerful program. Anything else?

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SENATOR VARGAS: I would be curious...it's already been said, but I'm just emphasizing this. I'd be curious if we could...the data points that you brought out for the brain drain for the chamber, I don't know whether those exist for that report or more...I don't know if there's been more extrapolated somewhere, conclusions or hypotheses from the data the chamber put together. And then in addition, I am really interested in what's there--Senator Williams, you both said this--I would love...I want to know about what is happening to our...to the generation that is starting to retire and what decisions they're making and I don't know where we get that data to then figure out what the rationale and the reason is. And, yeah, just very curious about that.

DAVID DROZD: Yeah. I do know we've done some other work and to understand why people move. You pretty much have to ask them directly. You can't...

SENATOR VARGAS: Do a survey.

DAVID DROZD: ...it's hard to tell from administrative (inaudible). But it can give us a sense, too, and if we see again that again there's a either flow just to general warm-weather states or specifically warm-weather states that don't have certain tax ramifications. Is there a difference there? And maybe we could parse that out. It's getting pretty refined.

SENATOR VARGAS: We can't lose the fact that they're going to some other states that are warmer. I feel like sometimes that's a more important factor. Or when...

DAVID DROZD: Exactly. We can't change that.

SENATOR VARGAS: If their family has left and they moved to different places, they're not anchored anywhere. And that's what I hear about in my area, too, as much as the hypothesis of our tax climate in the state. So I'm curious about demystifying that.

DAVID DROZD: I think you need to measure the grandchildren factor as well.

SENATOR WILLIAMS: Oh, yeah. It's a big one.

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DAVID DROZD: Yeah, and we see that on our migration data where people leave in their late 60s, early 70s but then they're coming back when they're 75 or older. I think a big part of that is they don't want to be away from their grandkids or they find that golf wasn't as enjoyable as they thought it would be or whatever.

SENATOR SCHUMACHER: Their game went to hell.

SENATOR WILLIAMS: After a couple of knee replacements.

SENATOR SCHUMACHER: Well, thank you very much. Thank you to members of the committee for being here today.

SENATOR WILLIAMS: Thanks for being here today. Thank you.

SENATOR RIEPE: Yeah, thank you. It's always helpful.

MELANIE KIPER: Thanks for your time.

SENATOR SCHUMACHER: Motion to adjourn?

SENATOR WILLIAMS: Motion to adjourn.