

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Appropriations Committee and Transportation and Telecommunications Committee  
December 13, 2022  
Rough Draft

**FRIESEN:** OK. Welcome, everyone, this morning to the Transportation and Telecommunications Committee and the Appropriations Committee joint meeting on the roads needs for this next coming year. Welcome to the joint hearing. I'm Curt Friesen from Henderson, Chairman of the Transportation and Telecommunications Committee representing District 34. And first, I'd like the members of the committee to introduce themselves and including their committee membership, and starting to my right.

**BOSTELMAN:** Bruce Bostelman, Legislative District 23: Saunders, Butler, and Colfax Counties.

**ALBRECHT:** Good morning. Joni Albrecht, District 17: Wayne, Thurston, Dakota, and a portion of Dixon.

\_\_\_\_\_ : The caller--

**ERDMAN:** Steve Erdman.

\_\_\_\_\_ : --has left the conference.

**GEIST:** Good morning. Suzanne Geist, District 25, which is the southeast corner of Lincoln and Lancaster County.

**CLEMENTS:** Rob Clements, District 2: Cass County, eastern Lancaster. I'm on the Appropriations Committee.

**VARGAS:** Tony Vargas, District 7, in downtown and south Omaha.

**MOSER:** Mike Moser, District 22, is Platte County and parts of Stanton County.

**DORN:** Myron Dorn, District 30, which is all of Gage County and part of Lancaster County.

\_\_\_\_\_ : The caller has joined the conference.

**FRIESEN:** So I think we do have a, a person joining us on the phone and we have numerous senators that are missing and so they were invited to join us on the telephone--

\_\_\_\_\_ : The caller--

**ERDMAN:** Steve Erdman.

\_\_\_\_\_ : --has joined the conference.

**FRIESEN:** --and listen in, so I'll let them introduce themselves to see who's here. And then there may be other people joining. We'll see. Whoever's on the phone, do you want to introduce yourself?

**ERDMAN:** Steve Erdman, District 47.

**FRIESEN:** OK. Thank you, Senator Erdman. OK. With that, we will be hearing only invited testimony in our hearing this morning. Our first order of business will be a presentation from the Department of Transportation Director John Selmer. A yearly report on the needs of the Nebraska State Highway System is due by December 1, and we have historically held this hearing in conjunction with the Transportation and Appropriations Committees. Request that you silence all cell phones and other electronic devices before the hearings begin, and I think our testifier-- I thank our testifiers in advance for filling out the green testifier sheets. And with that, I will welcome Director Selmer to the stand. Thank you.

**JOHN SELMER:** Thank you. Good morning, Chairman Friesen and members of the Transportation and Telecommunications Committee and also members of the Appropriations Committee. My name is John Selmer, J-o-h-n S-e-l-m-e-r, and I am the director of the Nebraska Department of Transportation. I'm before you to present our analysis of Nebraska's transportation needs over the next 20 years. I will also give an update on the Build Nebraska Act and the Transportation Innovation Act. Every year, the Nebraska Department of Transportation submits an analysis of Nebraska's anticipated transportation needs for the next 20 years. This is a crucial effort to ensure that the department can be prepared and successfully plan for the future outcomes necessary for our highway system and the desired enhancements identified by our customers. We endeavor to accomplish this while being good stewards of our transportation infrastructure and maintaining the public's trust. Every citizen in Nebraska depends on our transportation system, whether directly as a motorist or indirectly through advance of resources and services. We acknowledge the public's high expectation.

\_\_\_\_\_ : The caller has left the conference.

**JOHN SELMER:** This motivates us to ensure our transportation system is not just safe and well-maintained, but also reliable and convenient so Nebraskans can continue to enjoy the high quality of life that we have

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in our state. Nebraska's entire system is comprised of approximately 95,000 miles of state, county and municipal roads and more than 15,000 bridges. This analysis only focuses on the portion the department has jurisdiction over, 10,000 miles of highway and 3,500 bridges. While this portion is significantly a smaller subset of Nebraska's entire system, it has a vital role as the backbone. The state system carries about 64 percent of all traffic and more than 86 percent of freight traffic. Additionally, 35-- 3,500 state bridges average five times the size of county or municipal bridges, thus making the investment required comparable to all county and municipal bridges. The distinction is important because one may inaccurately conclude that fewer asset-- assets correlate to lower needs. Despite the challenges 2022 threw at us, staffing challenges due to low unemployment, supply chain delays, materials shortages, I think you can name a bunch of other things, too, that was thrown at us. I'm proud of the program the department delivered to maintain and improve our system. Through hard work, innovation, ingenuity, we made improvements to processes that resulted in mediating-- mitigating cost escalations in delivering our program, such as improved rehabilitation methods, use of innovative materials, and the timing of projects. These efforts revolt-- resulted in our total needs going down by approximately 2 percent in today's dollars. So today we're seeing \$14.5 billion as the needs compared to last year's \$14.8 billion. Three categories were considered in developing the amount. These categories are shown on page three of the document, State Highway Needs Assessment 2022, and they're shown on page three. Asset preservation is projected at a cost of \$8.8 billion, which is less-- 8 percent less than last year, amounting to a \$700 million reduction. System modernization operation is projected at \$2.2 billion, which is 22 percent higher than last year amounting to about a \$400 million increase, and capital improvements have a projected cost of \$3.5 billion with really no change from last year. Asset preservation makes up approximately 61 percent of the 20-year needs assessment projected costs, thus, I'll spend some time on this category. The focus of this category is to maintain the existing system, and of the \$8.8 billion, pavement preservation accounts for \$7.9 billion, and bridge preservation is just under \$1 billion. Asset preservation includes following activities of patching, crack sealing, pavement resurfacing, bridge repair and bridge redecking. The department monitors pavement condition and performance using automated distress collection van annually. Our payment management system utilizes this data to predict future performance and suggested treatment strategies. We monitor bridge conditions by performing

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biennial inspections that meet the National Bridge Inspection Standards. The state has also input into our bridge management system and similarly used to predict future performance and determine prospective project timing. On page four, you'll see a chart that displays the average pavement condition of both the interstate system and the state highways. This condition is based on a composite rating called the Nebraska Serviceability Index, or NSI for short, which ranges from zero to 100, with a larger number indicating better condition. The goal that we have set is an NSI between 80 and 85, as indicated by the, the red-shaded band. Also shown on page four is a QR code. By using your smartphone camera, this link will take you to photos showing asphalt and Portland cement pavement conditions correlated to different NSI ratings. The goal of 80 to 85 represents a condition before the steep drop in NSI as depicted on a chart on the top of, top left of page five. You may recall a 1972 television commercial by FRAM oil filters, if you're mature like me. The catch phrase for the commercial was: You can pay me now or pay me later. Anybody remember that? We're choosing to pay now, as this chart conveys that assets in good condition cost less to maintain. An upper level to the red-shaded band is also depicted. This correlates to the chart on the top right of page five and the concept of diminishing returns. While it might seem intuitive to strive for the highest pavement condition level, this chart shows that your costs get much greater with incremental benefit. We aim to find the sweet spot of appropriate pavement condition while optimizing our costs. Bridges have similar performance curve as pavements, but there are a little bit more complex due to the various components and each has its own rate of deterioration, so that modeling is significantly more complex. On chart five-- a chart on page five demonstrates the status of our state-owned bridges. The last topic I want to cover under this category again is whether these numbers make logical sense. It's hard for the mind to grasp numbers of these magnitudes and the reasonableness. If we start with bridges, the average cost to replace a bridge is approximately \$240 per square foot of deck area. If we multiply the state's total deck area in our system, a value of \$6.6 million-- billion, excuse me, is calculated. And if we assume that we can get them to last 100 years, you would expect to invest at least \$60 million per year just to maintain your bridges, a gradual turnover. This quick calculation would indicate that the 20-year need should be \$1.2 billion. So our estimate was showing roughly \$1 billion in asset preservation. There's also other dollars in capital improvement when replacing structures along with expansion that tie

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these numbers fairly closely. If we look at pavements, we desire to have 15 to 20 years of life for our projects for the surface, thus using 20 years for life expectancy, we divide the \$7.9 billion in the 20-year needs by the 22,000 lane miles that we have within our system. And this roughly calculates to \$360,000 per lane mile. This value also closely correlates to our experience with current project costs. Now let's turn our attention to page six and the category of system modernization and operation. The total project need for this category is \$2.2 billion. The three subcategories are roadway modernization, bridge modernization, and rail crossing and rural transit modernization. In a broad sense, this category addresses deficiencies due to highway system usage changes without adding capacity. So as some portions of the highway system experience greater traffic volume and experience operational issues, the following types of projects are programmed. These would include intersection improvements, shoulder widening, adding of dynamic message boards, cameras and other types of smart technology. For bridge modernization, we're looking at widening bridges and updating bridge rail. For rail crossings, again, looking at the signalization of crossings and, and understanding the exposures and what is the risk to our rail infrastructure and, and motorists crossing those rail crossings. Rural transit consists of providing financial assistance to rural areas of less than 50,000 individuals. Contribution is being considered to looking at a proposed tri-city bus service in one area, looking at Grand Island, Hastings and Kearney. The final category of needs, of the needs study is capital improvement as a projected cost of \$3.5 billion on page eight. Due to their transformative impact, this category gets significant stakeholder attention. The projects within this category are high visibility and usually a significant focus of a community or region. This category includes projects such as constructing new highway corridors or relocating highways. It also provides for adding highway capacity, such as on expressway projects and adding lanes to the interstate system. Interchange and urban freeway improvements are also included in this category. Similarly, as last year, for the next 20 years, approximately \$2.5 billion of the \$3.5 billion will be focused in three areas: completion of the expressway system, the expansion of the interstate system from Lincoln to Grand Island, and the Omaha metropolitan freeway improvements identified in the Metro Area Travel Improvement Study. Much of this future work is possible due to prior legislation that is the topic of the next handout titled: Build Nebraska Act and Transportation Innovation Act. So we'll switch over to the next document. Please direct your attention to page one of the

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second document. The Build Nebraska Act was enacted in 2011 and dedicates one quarter of 1 percent sales tax receipts for the funding of the expressway system, federally designated high priority corridors, such as the Heartland Express, and the preservation of the existing transportation system. Revenue first became available in 2013 and the act was projected to generate \$1.2 billion for the department. Currently, it is estimated that \$1.8 billion will be available to the department by 2033 when the legislation sunsets. On page one, there's a map and a table that indicates the projects funded by BNA that are complete under construction or in design. More than 70 percent of these projects have been completed. The Transportation Innovation Act was enacted in 2016. The purpose was to accelerate highway capital improvement, promote and provide funds for innovative bridge solutions for deficient county bridges, and help finance transportation improvements that support new and growing businesses. The legislation created the Transportation Infrastructure Bank, which received a one-time investment of \$50 million in 2016 from the Cash Reserve Fund. And it is projected that \$455 million will be generated by-- before 2033. The table and map on page six shows capital improvement projects financed with BNA and TIA funding over the ten years starting in 2016. The County Bridge Match Program is shown on pages two and three and the program lows-- allows for funding match of 55 percent of the total project cost of up to a maximum of \$250 per bridge. Up to \$40 million from TIA can be allocated to this program through 2023. Over \$20 million has been allocated to improving over 300 bridges in 64 counties. On pages four and five, you'll see that the department has allocated \$6.4 million in the Economic Opportunity Program as of November 2022. Eighteen active projects have been leveraged-- have leveraged \$2.1 billion in private investment and over 1,800 quality full-time jobs are projected to be created with the majority of investments in rural locations. Finally, I like to focus probably on the latest addition that we've had and we started last year and it's page six of the document. In response to comply with LB579, we included information on the expressway system. The expressway system was created in 1988 with 1,600 [SIC] corridors identified for 600 miles. Excuse me. Today, approximately 70 percent of this work is complete, and the system's current status is depicted on the map showing the segments that are complete under construction, under design or in planning. There remains approximately \$800 million worth of work to be completed. Page seven of the document shows a Gantt chart of the proposed schedule to complete the remainder of the expressway system. Last year, our charge showed that the completion of

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all corridors would be by 2040. Currently, we are projecting completion will incur by 2036. Again, provided that we're not impacted by unforeseen issues such as contractor capacity, material shortages, cost escalations-- got to have the disclaimer here-- resource agency staffing, 100-year flood, all the above. The prior year's passage of the Infrastructure Investment and Jobs Act has provided opportunities to accelerate this work. We will continue to apply for the various discretionary grants in the program for the upcoming years to look at additional ways to expedite this work. I want to thank you all for your attention. I want to thank those of you who this will be your last need study. I know you're going to miss it when you go off and do bigger and better things. It's been my privilege to serve with you and look forward to answering your questions and I turn it back to you, Senator Friesen.

**FRIESEN:** Thank you, Director Selmer. In the beginning, I should have introduced, introduced the committee clerk, Sally Schultz, and legal counsel, Mike Hybl, over here. So I just wanted everybody to know Mike Hybl was sitting back in the back of the room and instead of right beside me. But with that, are there any questions from the committee? Senator Moser.

**MOSER:** Thanks for that dirty look. I just wanted to say thanks for the chart on page seven where it shows that the expected completion date has moved up six years. That isn't normally how things go when we're building roads. And so I want to commend you on that, and I, I hope it's based on progress we're making and not so much on optimism, but.

**JOHN SELMER:** No, you know, I, I would say there is some optimism. I think it was loud and clear to us last year that, and even this year, that there's a lot of interest in completing the expressway systems. So we took some action in terms of doing multiple environmental studies. Typically in the past, we would kind of do those in a serial fashion and kind of show assurance that the funding is there.

**MOSER:** So one, one stall stalled everything in that way that one hit a roadblock.

**JOHN SELMER:** It could on that so what we're doing is, doing is, the environmental studies, we're investing additional money to accomplish those. But the, the problem with them is they have a three-year shelf life if work doesn't occur. And so we're aggressively pursuing discretionary funding and other avenues, but I would say here, what

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we're showing here is not really wishful. We think we can deliver this, and we think that there are opportunities to actually accelerate this. The acceleration on this would really be looking at construction funding that you could do some work parallel together or long corridors. Part of that is also just the trade-off of how much the traveling public can tolerate in terms of, say, 40 miles of construction going on at one time. So you have trade-offs there. But we made an effort this past year to really put ourselves in a position to try and accelerate the expressways as much as possible.

**MOSER:** Well, I know we've had some discussions with your predecessors and also with you on how to crank up road construction and move those timetables, you know, more into our lifetime rather than future citizens. And, you know, we've had discussions about separation of powers and all of those things, you know, who, who actually tells the Department of Roads what to do and, and, and all those things, so. And I appreciate your civility through all those discussions, because I'm sure some of those comments were a bit grating, you know, on the nerves of, of some. But I think it's, in my opinion, and I think a consensus of the senators that I've talked to is that, that it would be nice to streamline that and make it work even better. What do you see, is-- are there opportunities, things that the Legislature could do to help you without, you know, exercising influence over exactly what you're doing, but try to make the process more effective and more efficient. Do you think there are some things that we could do to help you?

**JOHN SELMER:** You know, I would say in my time here, you've already done quite a bit in, in terms of legislation, public/private partnerships, looking at different project delivery processes in terms of progressive design build, design build. We're still evaluating those. We have some rules that we need to finalize on that. There's also action taken with NDEE to assume the wetlands permitting, which would have, I think, a very positive impact and in streamlining our ability to get the permitting. So I think-- at this point, I think you've taken a lot of healthy action that we're working very closely with NDEE to, to help provide them some support so that we can get moving there. So I think we're in a fairly good shape in trying to see how the, the rest of this will work out as we progress in the future in, in using these new tools. So, you know, if you asked me today, do I see a glaring lack, I really don't. I think we've got enough tools in the toolbox to do what we need to do.



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**MOSER:** Do you think that more funding would be helpful?

**JOHN SELMER:** Well, more money, I, I think, at the right time is helpful. You know, if we're looking at constructing, yeah, it, it takes dollars. I'm an engineer. I like to build things and it takes money. I think the biggest concern there is, as expressed last year, is just blips of funding, just put a disruption into the system. So we're still dealing with some supply chain issues, some capacity issues, our own staffing issues. So I think money when it comes to, to paying for things is helpful, but I think we're trying to balance it such that we get the value out of the money instead of inflationary impacts and other impacts.

**MOSER:** Funding is one of the pieces of the puzzle that the Legislature has some control over. And I think that, you know, if it is helpful, even-- and even not, I think we do want-- I think we should spend more on our highways and bridges and, and have more efficient travel, especially in my district where, you know, we don't have the four lanes that a lot of the other districts already have. Has the opinion on bonding changed at all at the Department of Roads?

**JOHN SELMER:** Well, I think last year when we, we talked about that is that there were a lot of things up in the air. So there was a new infrastructure bill being passed and trying to understand what type of impact that would have on future funding. We were coming out of COVID and, and there was some disruptions and inflationary impacts. You know, bonding, I think if you pick the right projects and you figure out the right way in which to finance it, I'm not going to say bonding is a bad thing or necessarily a good thing. I think you need to be wise in your choice. I think some of the things concerning to us last year with bonding was leveraging future dollars, transportation dollars to pay in the beginning where we had real concerns that you weren't going to get the value because of inflationary impacts and, and other factors. And then the agency was going to be hindered in the future by having to pay off that debt. So I, I think it's how you look at bonding. There's multiple ways you can do that. So I, I think it's worth a discussion to really look at how that might make sense and, and what locations would you do that.

**MOSER:** When's the ribbon cutting for the South Beltway?

**JOHN SELMER:** That is tomorrow.

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**MOSER:** I just thought I'd give you a chance to advertise that a little bit. That's, that's going to be a great project.

**JOHN SELMER:** We still have a couple of connections to make, but we'll have the, the main corridor open, so yeah, we're, we're very pleased. We're pleased with the effort of Hawkins, our contractor on that and, and [INAUDIBLE].

**MOSER:** The state has made a couple of payments already on the--

**JOHN SELMER:** Yes.

**MOSER:** --I mean, because we're paying at \$30 million a year for ten years, right?

**JOHN SELMER:** Right.

**MOSER:** Yeah.

**JOHN SELMER:** I believe so.

**MOSER:** Yeah, but that wasn't bonding as I recall. Don't answer that. Thank you.

**JOHN SELMER:** It's before my time, so definitions change I think, so.

**FRIESEN:** Thank you, Senator Moser. Senator Geist.

**GEIST:** Just one quick question. Thank you for your presentation. I've heard a lot from our county commissioners about the County Bridge Match Program, and I notice that it's sunseting in 2023. I don't know if you have a plan or a desire but I'd ask, would you like to see that continue, is that something in a long-term vision that you would have?

**JOHN SELMER:** You know, I won't argue with the counties that there's needs on, on the county bridge system. I think the issue for us right now is that there's still only one piece of pie or one pie, so there really isn't additional revenue. And part of what I was trying to share on, on our assets, even though it seems like we have a much smaller system, the needs are just as, as, as much as what you're seeing for the counties out there and probably in terms of the system. I think funding for them is, is beneficial and beneficial to, to their local areas. With the IIJA bill, you know, typically we were funding, I believe, about \$4 to \$5 million a year on the, on the county

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program. And with IIJA, the counties got about \$15 million on there. So there, there is significant funding that's gone there. But I, I won't say that it's enough out there. And counties are a bit more complex. When we did an analysis in, in Iowa, all bridges aren't equivalent. In Iowa, there's 25,000 bridges. Nine hundred of the bridges had less than ten vehicles a day on it. So if you've got a young family, you probably have more traffic on your driveway than you would on, on there. So I think to look at that, it would be very important to look at how we appropriately allocate those funds or how the agency can work with the counties to make sure we're really addressing those. And, and this isn't a, a snub on, on their professionals too in knowing what's important but maybe having a statewide perspective as to get the greatest benefit for the public.

**GEIST:** OK. Thank you.

**FRIESEN:** Thank you, Senator Geist. Senator Clements.

**CLEMENTS:** Thank you, Mr. Chairman. Thank you, Director. From the cost estimates you had in the booklet, are fed dollars, federal dollars included in those costs?

**JOHN SELMER:** Yes.

**CLEMENTS:** And what percentage of those costs would be state dollars?

**JOHN SELMER:** You know, roughly now with IIJA, I, I would say we're, we're getting about 50/50 in, in the percentage.

**CLEMENTS:** And has the federal cost share remained steady and do you expect it to continue?

**JOHN SELMER:** Yeah, pretty much so. It's 80/20. They-- we've got a match with 20 percent on there, so there's a lot of different things that we do. Some projects we totally fund with entirely state dollars. Other projects will have a mixture of federal dollars that we utilize too.

**CLEMENTS:** And where does the 80/20 come in? What type of project?

**JOHN SELMER:** That is typically, I would say most projects except for interstate work out there, some interstate work you can get up to 90/10.

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**CLEMENTS:** But you said 50 percent is the state share, it's not 20 percent. And where are the differences there?

**JOHN SELMER:** Well, that's how much we're allocated. So if we wanted to, we could probably say 80 percent. We're just going to use 80 percent federal dollars, only 20 percent state. We don't do that because we have more than enough state funds to match the federal dollars.

**CLEMENTS:** Right. And--

**JOHN SELMER:** There's, there's pluses and minuses. Federal dollars, while they're nice, federal dollars come with much more entanglement and much more restrictions, state dollars give us a lot more flexibility in terms of our projects.

**CLEMENTS:** Right. That's, that's understandable. You came here from another state. Have you made any changes in the DOT operations in Nebraska that you could mention has been an advantage to us?

**JOHN SELMER:** You know, part of that, I, I, I think is maybe different leadership. My view is to drive leadership a little bit deeper within the organization, take some more risks. Some of the things we're looking at is winter operations, how we can use data and really understand the different performance. So we'll start understanding today in terms of material usage, understanding weather data, topography data, traffic data. So some of the things I'm bringing is a lot of the integration of different data and using that for decision-making. Also worked with our different agencies. Fed Highway set up some shared performance metrics. Part of the delivery of projects is really trying to get through the NEPA process and other federal processes. So we set up performance measures to measure the, the completion of those items and figure out ways in which we can expedite those processes. And some of those are pretty hard discussions in terms of appropriate risk and what are the intentions as we're working through that? Other things are looking at customer service and how can we be much more responsive to the public? And enjoy dealing with the public even though the conversations might get tough. I actually enjoy them, the conversations, because I find most people are motivated by, by good things. There's a few stinkers out there, but most people want what's best. And so how do we engage better in our public information meetings? If I-- just getting letters, correspondence in to the office and so how do we respond and

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how do we become more personal instead of being a bureaucracy? There's quite a few different things that work.

**CLEMENTS:** Well, thank you. I know that my district had a public meeting on a contentious issue, highway issue, and that you came to that meeting. You're the first director that I have seen in my district come to a public meeting like that and be accessible. It was appreciated by me and the, the members of the public so thank you for doing that.

**JOHN SELMER:** It's my pleasure.

**FRIESEN:** Thank you, Senator Clements. Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Friesen. And I appreciate this report. It's always very well detailed. Some of the questions that I have that might not be in this book pertain to-- I'm in northeast Nebraska, so the farm-to-market roads are tending over the last six years that I've sat in these chairs have been deteriorating. How do you determine and do you have a fund set aside for emergency situations or how can someone go to the top of the class and, and get some work done in areas that may very well not be a part of the plan?

**JOHN SELMER:** So on that you're looking at, at the local system, the county system on there.

**ALBRECHT:** But if it's a state highway.

**JOHN SELMER:** If it's a state highway, typically we are looking at-- our, our goal is to not get it into that situation. So that's why annually we monitor. Our van goes out there, monitors the smoothness, the cracking, the progression of the cracking. I won't say that there aren't areas that things can turn upside down. We've been fortunate in the last year or so that we've had relatively good winters. A good winter is a winter that when you go into the fall and this isn't probably isn't good for agriculture, it's not too wet. And then you hit a hard freeze and then you get a lot of freeze thaw and that just causes a lot of damage to the roadways along with going into a wet spring. We haven't seen that type of year. That's been very helpful for the transportation system. Annually we look at those roadways. Our system will tell us where we should be investing. If there is one that's in real bad shape or making a difference, that's up to the districts to fund that. And, and they will talk with our central

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office. So if something does go really bad, we will have the funding. We'll, we'll reallocate funding to take care of that. And, you know, part of that, I, I think it'd be interesting just to talk with yourself on some specifics and really looking at that--

**ALBRECHT:** Yeah.

**JOHN SELMER:** --and the progression. You know, I'd be willing to sit down and--

**ALBRECHT:** That's good.

**JOHN SELMER:** --show what's happening with that and what our strategy is.

**ALBRECHT:** OK. I appreciate that. And you mentioned, you know, delays could be from, from shortages of-- is there a shortage of cement?

**JOHN SELMER:** Contractors are, are being allocated cement so they're not just being given their-- what they contracted for.

**ALBRECHT:** So there can be at this point.

**JOHN SELMER:** Right.

**ALBRECHT:** Right? OK. And I do travel a lot of the roads that are in these magazines here that you put together for us and I just cannot thank the state Roads Department enough for just being there for the people. I have a lot of people that call and talk to me about how hard it was to get out of their road, to get the kids to school or the pathway that they had to, to take to, to get where they need to go. But honestly, it's incredible. I mean, because I do travel it often and the one between Scribner and West Point, amazing. I mean, the, the amount of dirt that was brought in and all of the construction workers, fabulous. And I have had letters in my office that I need to send to you that are, are very encouraging that, that you guys are doing a great job. And I appreciate everything that you do do for the state. So thanks for the report.

**JOHN SELMER:** Yeah, we'd appreciate that. We get them on the other side, the letters that [INAUDIBLE].

**ALBRECHT:** They might not be the ones you want to see.

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**JOHN SELMER:** But the truck is out there, so--

**ALBRECHT:** Yeah.

**JOHN SELMER:** --that's cost of progress.

**FRIESEN:** Thank you, Senator Albrecht. Senator Bostelman.

**BOSTELMAN:** Thank you, Chairman Friesen. Thank you, Director, for being here today. A few questions for you. I'm going to piggyback a little bit on what Senator Geist said. The County Bridge Match Program is, is critical, I think, to our rural counties. Saunders County has the most bridges in the, in the state as far as the county goes. Steve Mika at the time, who has passed now, was one of those who designed that and set that up. It saved us a lot of money, counties, by being able to put in culverts and those type of things rather than replacing a bridge. A question along those lines with you is, I believe there's federal funds that come down specifically for counties to be able to utilize bridges and that. Where is that? Did that already come through? Do you have a process in place for them to request that?

**JOHN SELMER:** I do not-- I don't know the specifics, but yes, I would say that money probably has gone through and that's probably through our local assistance, but I can verify on that.

**BOSTELMAN:** That would be in addition to anything that you have in here right now. Correct? Because I do know Saunders County has got-- I think when we had talked last year, when I talked to Saunders Counties, they got three or four bridges they just, they can't afford to, to do anything with. So just kind of curious what that program is, where that's at. The other question or question, I guess, following along the lines with what Senator Albrecht had said is there's projects that come up that aren't anticipated. And one of those projects as you know is, is a roundabout in Wahoo. Where are we at with that? How does that look? We get questions on that, so, and those are funds outside of their normal budget.

**JOHN SELMER:** Yeah. And, and we've got that funded. That's under design. We're going up with a permanent roundabout. We had issues with the manufacturer. We're going to look at doing a temporary this year. And they were having difficulty in, in, in meeting the demand and didn't look like they could get it done this year. So we decided that we would go ahead and proceed with the, the full roundabout. I think

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right now what we're doing is finalizing design and we're looking at right-away acquisition. That was the issue with going with the poll is that it needed to take some property and shift a little bit to the, to the east to be able to do that. So that, that is program that's on schedule. I, I can't say that it's going to be done next year, but I think definitely by the following year on there. So I just as a matter of fact, I moved to a new house in northwest Omaha that, Lake Flanagan, so that's my route every morning to work now. So I'm keeping an eye on that and, and looking at some things, so I've got some personal interest too in the safety because it's my own safety. So but I'll look and see. I'll get you the exact answer as to where that's at and when we look at completing.

**BOSTELMAN:** Well, the work that has been down there definitely has impacted that intersection. We all know the tragedies that happened there. And so we appreciate that. And since you drive Highway 92, my other comment will be at what point in time as you drive that if you notice along between Mead and Omaha, there's a lot of growth going on there. There's houses being built, there's business being built up on that and some point in time that's got to get widened. That's going to have to. The amount of traffic that's being--

**JOHN SELMER:** And that's on our radar.

**BOSTELMAN:** Is that, where is that on the radar?

**JOHN SELMER:** You know, I would say that's still in planning. You know, right now we're focusing much more on completing the 77 aspect and, and heading up north. But I would say it wouldn't be falling too far beyond that on that. But let me talk with my development deputy and I know we're aware of that and as, as I indicated, yes, I do drive that every morning, so.

**BOSTELMAN:** It carries a lot of traffic in that area, so it's really growing a lot. So that's definitely going to be a concern. And the other thing is, is we're seeing a lot of development along there. So the sooner, sooner people are aware the better so we're not building too close to the, to the road we're going to--

**JOHN SELMER:** You got that and the hills and everything--

**BOSTELMAN:** Right.

**JOHN SELMER:** --through that.



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**BOSTELMAN:** Other-- the last question I have for you is more something that always piques my interest. There's a lot of advertising DOT does at sporting events and other events on the radio and that. Is that-- where does that-- those funds come from?

**JOHN SELMER:** A lot of that comes from NHTSA, National Highway Safety, so it's grant money to support the buckle up, phone down, seatbelt, things like that. So that is grant money, that's not coming from our state funds to do that.

**BOSTELMAN:** Thank you, Director.

**FRIESEN:** Thank you, Senator Bostelman. Any other questions? Senator Moser.

**MOSER:** Is there anything in the works on improving Highway 30 from Columbus to Grand Island?

**JOHN SELMER:** In terms of expansion?

**MOSER:** Well, at one time, as I recall, there was a discussion that it might be a candidate for a three-lane highway or something.

**JOHN SELMER:** I don't have the exact information on that, but I can check on that and get that information to you.

**MOSER:** OK. Yeah, that's a very popular trip. If you're trying to get to the interstate from Columbus and you're going west anyway, it's a lot shorter to go to Grand Island--

**JOHN SELMER:** Sure.

**MOSER:** --than it is to go down to York because the hypotenuse is the shortest distance between there rather than the two legs of the triangle. Thank you.

**FRIESEN:** Thank you, Senator Moser. Senator Dorn.

**DORN:** Thank you, Chairman. And thank you, Director, someone for being here. Appreciate all this information. My question is a little bit along Senator Geist's comment and question is thank you for the South Beltway and getting that done. I'm-- from where I live I can either come up 77 or Highway 2. So for the last three years, I've seen the end part of the projects. Used to come up a lot through Hickman. I

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don't come up that way just because of the construction, but tomorrow at 10:00 is the so-called open house or whatever.

**JOHN SELMER:** Right.

**DORN:** When will, when will the public be able to drive on that then, tomorrow or--

**JOHN SELMER:** It, it should be tomorrow. It should be immediately afterwards we'll be opening it up.

**DORN:** Hopefully, it'll be tomorrow then that it will be-- the, the main part of that will be--

**JOHN SELMER:** The main part will be open.

**DORN:** Well, thank you very much for that. Last time when we were here a year ago, I believe I asked you about the cost and the increase in costs, not only materials, but labor and all of that. And I don't remember the exact details, but you had the year before, it was like an 8 or 9 percent cost and you were maybe budgeted in that same range of 8 to 10 percent cost. What has happened to those in the past year and where do you look at that going forward?

**JOHN SELMER:** Yeah, we, we figured that in there again and made adjustments. If you look at-- let's see, the right document.

**DORN:** Well, part of the discussion that you-- I don't remember if you had it last time or it was two years ago or whatever. At one time we were in the 3 to 4 percent range in increases.

**JOHN SELMER:** Typically, that's what we'd average--

**DORN:** Yeah.

**JOHN SELMER:** --when it was pretty stable. That's probably not a bad estimate. On page two, we're showing an 8 percent for next year. Our experience this year was actually between 10 and 15 percent increase, which, which is concerning because even with the IIJA, the federal legislation gave us 110. If you look at 10 to 15 percent on a \$600-plus million program, it doesn't take too long to eat up some of that. Our hope is at some point it's going to start tapering down here. So what we did for the following year is kept it at 5 percent and then we're keeping it at 3 percent.

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**DORN:** OK.

**JOHN SELMER:** If, if, if it's 8, 10 percent into perpetuity, then we're hurting big time with that.

**DORN:** So, so in a broader sense, I guess when you look at the big picture, if you have these several years at 8 or 10 percent, looking at all the roads we always need to keep up. Do you not have as much construction or not as much work on the roads? And less than that, or I don't believe we outside of the gas tax or whatever and other things, we haven't just really increased your budget by 10 percent.

**JOHN SELMER:** No, typically in the past, I think what you could depend on and I think all DOTs was continuing, continuing growth and, and vehicles miles traveled. And so that usually sustained departments after the '90s for a while, but now with greater fuel efficiencies, looking at EDs and other aspects, it is becoming a concern at some point. But even looking at this report, even though we had 10 to 15 percent increase in our construction costs, we actually had a lower need. Surprising no one asked me on that. How can you do that when we're doing that? And what happened was because we've had some favorable weather in terms of pavement performance. So if I get cold and I don't have wet pavements or anything like that, those pavements almost can live another year without showing any distress. So I add a year of life which can add up to six, \$700 million. So this can change quite dramatically. And then as we're looking at different enhancements, there's a great enhancement that's happening in the bridge area where we're looking at ultra-high strength concrete that has the promise of lasting 150 years and even beyond. That we're-- there's a lot of research going in there that states-- and, and we are actually looking at using that in some bridges. So the technology is changing, the usage of the system is changing, the weather. So I, I think it's very helpful each year to come and have these discussions and kind of look at these trends.

**DORN:** Well, for some of us that are farmers on this committee, you may and really, really enjoy the dry weather and the dry-- we would like a little bit more rain and stuff, so.

**JOHN SELMER:** I agree. I know it's--

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**DORN:** Not to rain on your parade, but there are times when that cycles too and that will come around, so thank you. But thank you very much for your report today.

**JOHN SELMER:** Sure.

**FRIESEN:** Thank you, Senator Dorn. Any other questions from the committee? So I'm just going to follow up with a couple of questions, I guess. You know, we've, we've heard a lot from the, from the feds in saying how much more dollars are coming to states. They're, they're bragging up their infrastructure bill that they sent, but part of that was money we're getting anyhow. What is, what is the extra that we're actually getting?

**JOHN SELMER:** Well, the extra we're actually getting is about \$110 million a year. So you're, you're roughly looking at half a billion versus \$2.7 (billion) or \$2.5 billion. That was already kind of what we were receiving. So IIJA has provided that. I think where the, the biggest opportunity is but it's very difficult, I would say, for rural states is the amount of discretionary funding that's been made available. And we've had some projects. Lincoln's had a project, and I believe the city of York has got a project in terms of a pedestrian overpass, but usually we don't fare as well as the more populous states on, on the, the two sides of the country because of benefit costs and population and, and really showing what's happening there in terms of being able to invest. So that's something we're still being very aggressive in looking at that. But also with the \$110 million, I would say roughly 50 percent of it went into new programs. So you have \$6 million a year going into the electrification charging stations. And \$15 million was going into-- or \$40-some million, \$15 (million) of it to the counties for bridges. And so that's not a bad thing on there. But that money can only be used for replacements. So if we needed to build a new bridge or an expressway, I can't utilize that funding for that. So it's a mixed bag. I'm not going to say that it's not significant and we're pleased to have it, but it's not quite as big as what people are touting.

**FRIESEN:** So counties also received some CARES Act money earlier that had some restrictions on it and recently they, they pulled all those restrictions. So basically counties now are open to using those funds for roads and bridges, too, if they chose, right?

**JOHN SELMER:** I believe so.

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**FRIESEN:** OK. You know, we've talked in the past about the number of bidders on projects. It was-- been decreasing all the time. So I know there's always talk of doing a lot more work and trying to utilize federal dollars or else we go to bonding. How much more work can we do? I mean, I'm-- I've always been concerned and I think the contractors really brought this to the front when they said, look, if you're going to, if you're going to design a program, design a program that spends more money for the next ten years, not for the next five years, because we're not going to gear up. We're not going to hire more people for a five-year program that spends a lot of money. So how do you balance some of these dollars out? How can you, how can we kind of prepare for that so we don't, I guess, overspend in the near term and then cause all that grief in the contracting business down the road when we shut down new building like we did in the past, and we bankrupted a lot of contractors in that process. So is there a long-term plan, I guess, versus the short term and how much can we spend?

**JOHN SELMER:** You know, I wouldn't say that there's anything as formal as a plan. We are working with our industry partners to look at that. And the concern is, you know, do they have the capacity, they want something sustainable. It's not only maybe the inability to create that capacity. You open yourself to contractors from other states because, because of that. And so, you know, if we're looking at really trying to benefit those companies within the state, more money you're, you're throwing out there, it makes it much more attractive to other entities. Some of the things that might be offsetting that now is because there's a lot of money in all of the states because of the infrastructure bill. So it's something very dynamic that we need to look at and, and work with the AGC and how we can do that. But I would say typically no one likes in the industry [INAUDIBLE] of money, so, you know, if we're looking at to invest, how do you do that, but how do you guarantee it? And so that makes it difficult. Each session you almost look at it, but I have the opportunity to do it here. And-- but we need to know what's happening in three, four and five. And so if you are going to look at some type of investment strategy, it probably needs to be metered to accomplish that.

**FRIESEN:** So that was one of my concerns, too, with, you know, less in the-- you know, I guess in the preservation department, you're cutting some spending there. And I know maybe the roads are in fairly good shape, but with 8 percent inflation and those costs increasing to see that number go down, it concerns me a little bit too. I understand

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where you're-- hopefully inflation won't be with us, maybe down the road as much as it is right now, but it's, it is a concern. And again, we, we talked a little bit about electric vehicles and funding. And down the road, if we continue those push, I mean, we, we need to find an alternate source, I guess, of roads funding. They've increased the, the highway miles per gallon that their manufacturers are going to have to meet and so there'll be less fuel usage. And so at some point in time, you know, the federal government has refused to address, I guess, their federal gas tax. And at some point, I mean, I've heard the new Governor-elect talk about the possibility of bonding. But to me, bonding, unless you're going to bring in some new revenue does not really help all parts of the state because I am concerned sometimes if we bond some big projects, we're going to delay other projects because the money just isn't there. So, I mean, I, I really look at making sure that we have the funding to do it and, and if people realize that bonding isn't the cheapest way to do it all the time. But I'm never, you know, I supported bonding in certain situations. But down the road, I mean, with interest rates already up and fuel costs already up, some of the advantages of bonding have gone away. So is there, are there alternative ways of doing this other than bonding? And I, but I still, I want to reiterate, I want to use the cheapest way of bonding that we possibly can use, which we've not done in the past.

**JOHN SELMER:** Well, I think we need to look at all avenues. I know this body is sitting on a large Cash Reserve Fund, and so I think we need to look at what is the benefit. And I know there's other entities, other agencies, other needs within the state. I don't think that you're going to have, those of you that are remaining are going to have an easy chore in terms of doing that. So I don't think there's any one way. I don't think bonding is the, the panacea. So I think it's got to be a mixture of things and wisely selecting and making sure that we don't limit ourselves in the future. I think last year that was my biggest concern, was using existing revenues from the future to pay up front. And then I think, you know, you really need to look, I think transportation has changed. Four lanes are nice, enhance safety, they can spur some economic development. But there's other things that you're dealing with, such as broadband. The digital highway is becoming almost as important in many ways too in terms of where people are locating and where they want to live and where facilities are being developed. We're also looking at airports. I think airports showed that they had a lot of importance in terms of where people are locating their facilities. If I have a, a large

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manufacturing plant or some type of facility, I want quick access. And then if I've got a part that goes down on a computer board, I don't want to wait for freight. I want that to be there. So a lot of, a lot of trade offs. I'm not answering your answer-- or your question here. I think that's, I think that's your duty. But I'm willing to, to, to assist any way I can in terms of coming up with a solution.

**FRIESEN:** Well, I mean, I, I appreciate your views on it. And, and one thing I guess we didn't address today is the DOT does include aeronautics these days and so are there needs there that you have seen that maybe the committee should be aware of that? You know, I mean, in the past, we've had airports that have had a hard time matching their 10 percent of the federal dollars. Are there needs there that the committee should be aware of, I guess, in order to, for those airports to continue to, to grow?

**JOHN SELMER:** I would say the industry would say the general aviation, that there are some needs, there are the haves and the have nots. Some of the things that we're looking at proposing, some legislation in which to maybe give us a little bit more clarity on how we can support the aeronautics group and basically looking at their administrative costs, their salaries and their, their costs just to have a computer or a desk or something like that. So the cost for the aeronautics group is roughly one and a half, \$2 million. And we would like to just consider them DOT employees and, and not have them pay for that out of their aviation fuel tax. What this would allow is that money to be used for match that we haven't really been able to do for a number of years, especially private general airports that aren't eligible for the funding. And we think with that, that can make a tremendous impact for that community and for them in terms of economic development and have other vital services within their community. So that's something we hope to bring forward in the next session and continue to look at how we can enhance aviation within the state.

**FRIESEN:** Thank you, Director. After-- do you have a question, Senator Bostelman?

**BOSTELMAN:** Thank you, Chairman. You piqued a question that I hadn't thought about for a while, but we worked, Director, we've worked with you for last couple of years. I think the, the companies have been working with you on all call process improvements, streamlining processes where we see in the construction of large projects were in the problems of a contractor gets their-- moves their equipment to a

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certain location, but then they can't do it-- any work because maybe there's no markings or whatever it might be. There may not be-- their work, whatever it is, hasn't been done. So we're, we're seeing some challenges in that. I call the project management, call process improvement, call whatever we want. Where do you see that at now? How have we-- how has that improved in that communication, I guess, within the construction world on, on, on our, on our, on our highways?

**JOHN SELMER:** Yeah, we're-- you know, one area is with utility accommodations and making sure that things are well coordinated. They're working very well on that with our AGC partner. We have Katie [PHONETIC] here on that. Another area that we've been working on is really flexibility in terms of when a contractor can or can do some work. There's concerns about capacities of subcontractors. And so can we allow winter work in certain circumstances and things like that to get the stuff out of the way such that the main work can occur without penalizing the general contractor working day. So we've, we've got committees that were actively working that way to try and address these issues of capacity and being efficient out there. So I won't say we've got all the solutions there, but I think we're making headway and, I know I talk with Katie quite a bit and her membership in terms of how we can even be better.

**BOSTELMAN:** OK. Thank you.

**FRIESEN:** Thank you, Senator Bostelman. Senator Vargas.

**VARGAS:** Thank you again for being here. I don't have these numbers in front of me, and I know you'll be coming to our committee soon in Appropriations, but I was just curious if you can give us an update on what you're thinking about in terms of, well, just anticipating need for FTEs, how your staffing looks right now in terms of being at full capacity for your employees?

**JOHN SELMER:** I, I think that's like a lot of state agencies are struggling right now. We're probably running around 200 vacancies with equipment operators or CDL drivers out there. So we've had to put in some mitigation strategies in terms of how we reallocate resources. So with the current blizzard in the Panhandle, we've got a lot of resources being moved from our central districts, blowers and other aspects and having people potentially staying overnight to address that. So we're mitigating that, but in some areas it's concerning. We, we have a, a garage and we've run the North Platte area. There's only



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the supervisor. There's, I believe, five equipment operators, CDL driver vacancies. So it's, it's difficult for us to retain as we're all aware the, just through the news, the cost escalation of salaries and so we're competing. At this point, we have a very difficult time competing against counties and cities with employees, and they're, they're looking for employees, you look at low unemployment. So I would say that's probably the issue that keeps me up more at night than trying to get these projects done or our transportation funding.

**VARGAS:** Well, I will say this probably on behalf of-- well, there's only a few of us here from the Appropriations Committee, but part of the reason I ask is NCSL had put out a recent-- it was an article saying, look, a lot of agencies are having trouble filling because of inflation and competing interests with other private companies and, you know, we're in a different situation than other states because we're coming into a biennium year where we're going to be making the budget now. And I don't know, and I know we've kind of talked about if you need more funding, I'm not talking about, you know, bonding or, or funding in that capacity, but I don't know what you need. And if you're saying that you need more funding or capability of, of, of raising resources within the mechanisms that you have in statute, or if there's anything standing in your way of increasing your salaries or increasing, I, I really don't know what those barriers are. But we had this issue with-- and again, it's very different because as much as Corrections is an issue and we've been having a lot of FTEs in Corrections for years, this directly impacts our economy. And I just want to make sure we're getting ahead of it, especially with new members on the Appropriations Committee and a new, new, new administration. So I don't know what you need to inform us or what you might need, but that is a concern. I, I anticipated that was the case from the numbers from two years ago and I just couldn't remember off the top of my head, but that's a lot. And I understand why you're staying up at night.

**JOHN SELMER:** Yeah, for, for me, you know, funding is, is one aspect, others is, you know, what type of service do we expect? And, you know, I think a lot of that discussion, you know, is going to be held with yourself and NHTSA administration in terms of what that looks like and, and what are we willing to accept for levels of service, so.

**VARGAS:** Are those salaries and benefits always set by you or--

**JOHN SELMER:** No, they're not set by me.

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**VARGAS:** OK. Are they all set in statute or--

**JOHN SELMER:** Well, they're negotiated so they're--

**VARGAS:** They're all negotiated. It's all negotiated. OK, and so that's--

**JOHN SELMER:** Right. Yeah. So that would be through that. And then there's a classification merit system in, in terms of the pay associated with each job classification. So very complex. I think funding is one aspect. I think my role though as director is, is to make people aware of the circumstance we're in and what, what are maybe the consequences or, and how are we dedicating what levels of service do you expect?

**FRIESEN:** Thank you, Senator Vargas. Senator Moser.

**MOSER:** Well, since we got started on a discussion of bonding, cities and counties can bond and in Columbus we bonded our north arterial and it's-- the bonds are paid for and the road is built. You know if we hadn't bonded that, we-- I think we bonded about 40 percent of the cost. And so it wouldn't be done. And the north-- or the South Beltway here if that wasn't paid for over time, I guess it wasn't bonded because that's what they told us, that Beltway is opening tomorrow, but it's going to be paid for over the next eight years. And so bonding can kind of homogenize the process and build things in maybe different segments in order to save money. And so there are benefits, I think. It's a discussion we'll have to have. And I'm not trying to, you know--

**JOHN SELMER:** No, and I don't disagree with you. I think where the different resides into us and while I really like what Nebraska did with the Build Nebraska Act is, us as an agency we, we have few revenue sources where a city and a county have additional revenue sources that are directly impacted by economic development. So if I have a large company come in and I got jobs and so that revenue goes in, part of it goes into the county to pay the bonds. For the DOT, all I can expect is maybe I get a few thousand more vehicles on there, and that's not enough to pay for the investment of the bonding. In the past it was because we were getting steady traffic road and it was paying for it. Now-- yeah, it's going to be good for us to have some of these four-lane expressways and you're going to see some growth in traffic. But the real benefit that you're doing it is for the economic

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development within the community, and we're not really leveraging that to payback, so we're being saddled with the cost but not getting the benefits. So, you know, that's why I think you look at bonding is because you really believe that what's going to be accomplished is worth that cost. For us as an agency, it doesn't pay us back. So but like I said, I think, I don't disagree with you that it's worth looking at and, and figuring out how we can do that.

**MOSER:** Thank you.

**FRIESEN:** Thank you, Senator Moser. No other questions. I do want to thank you, Director. You and Eric Gerrard, you've been good to work with. The department has always been good to work with. I appreciate your always coming into the office when needed and answering questions. This will be my last eight years that I've sat through these. It's sure changed a lot I think when we started to where we are today with the amount of revenue we provide and the amount of work we're getting done, so you'll, you'll always have challenges ahead. There'll never be enough money and I realize that.

**JOHN SELMER:** Yep.

**FRIESEN:** I do also give the department and Hawkins Construction a lot of credit for getting that South Beltway done six months ahead of time. And so I know some of it's weather, but some of it's just the ability of some contractors to get work done. And so I always would ask that, you know, you push that performance because time is also money.

**JOHN SELMER:** Sure.

**FRIESEN:** Other states have probably realized that more than we have in that you get a project finished, it can provide economic development and, and there is a, a value to that time to get it done, so. And I know Hawkins did it without any incentive to be done early, but it worked out good. And I think it's probably because of the weather and numerous other things, but it is good to see a project get done six months ahead of time, so to speak, on the main part of it. And so hopefully the rest of it goes as well. And with that, I think that's-- saw Erich Strack coming. Sorry. Did I, did I mention your name?

\_\_\_\_\_ : You said Gerrard.

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**FRIESEN:** I do-- yeah, like I said, I do appreciate you guys willing to work with us, so. With that, I think we will close the hearing. Thank you, Director, for coming.

**JOHN SELMER:** Thank you.