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Appropriations and Transportation and Telecommunications Committee December 4, 2024
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MOSER: The joint hearing of Transportation, Telecommunications and Appropriations Committees will now come to order. My name is Mike Moser. I represent Legislative District 22. We'll start off by having the members do self introductions, starting with Senator Dorn.

DORN: Senator Myron Dorn, District 30.

ARMENDARIZ: Christy Armendariz. I'm on Appropriations, District 18.

VARGAS: Tony Vargas District 7, Appropriations.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

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

MOSER: And Chair of Appropriations.

DeKAY: Barry DeKay, District 40, representing Holt, Knox, Cedar, Antelope, northern part of Pierce and northern part of Dixon County. And I'm on Transportation Committee.

BOSTELMAN: Bruce Bostelman, District 23. I'm Transportation and Telecommunications Committee.

BRANDT: Tom Brandt, District 32. Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties.

BOSN: Carolyn Bosn, District 25, which is southeast Lincoln, Lancaster County. And I'm also on Transportation and Telecommunications.

LIPPINCOTT: Loren Lippincott, District 34, Central City.

MOSER: OK. Also present we have committee clerk, Connie Thomas, somewhere, and committee counsel for Transportation, Gus Shoemaker. And do you have other staffers to introduce?

CLEMENTS: I don't.

MOSER: OK. Thank you, Mr. Chairman. OK.

CLEMENTS: Oh, excuse me. Committee clerk, Cori Bierbaum. I didn't see you there.

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MOSEER: All right. Thank you. If you're testifying today, which I don't think is going to apply because we only have one testifier, but you fill out a green sheet and turn that into the clerk when you come up to testify. Please silence your cell phones. This hearing today is for invited testimony only. Spell your first and last name for the record before you testify. We're not timing the testifiers today, but we ask that you be concise. Written material may be distributed to the committee members as exhibits only while testimony is being offered. With that, we'll open our hearing by introducing the director of the DOT.

VICKI KRAMER: Thank you, Senator Moser and Senator Clements, members of the Transportation and Telecommunications Committee, as well as the Appropriations Committee. Thank you for having me. My name is Vicki Kramer, V-i-c-k-i K-r-a-m-e-r, and I'm the director of the Nebraska Department of Transportation. Thank you for allowing me to come before the committee today to report on the annual needs of the Nebraska's transportation system over the next 20 years. Also provide an update on the projects and programs funded through the Build Nebraska Act and the Transportation Innovation Act. These reports provide an assessment of the needs of our state transportation system as it exists currently and projected into the future. They contain information about NDOT's ongoing progress towards modernizing, improving and expanding our expressway and high priority corridors, supporting economic growth, and enhancing the highway safety of our transportation system. The documents that I will go over today are in your packet, as well as the written testimony. The annual needs report shows the estimated cost of meeting the needs of the system and serves as a historical record-- compared how both priorities and costs evolve. While the report highlights variables that influence the department's business and challenges of the NDOT as well as DOTs nationwide, it and the BNA and TIA reports also document progress on projects of regional significance. Last year, NDOT reported on nearly \$2 billion increase, or 15%, in the projected cost of delivering the 20-year needs compared to the 2022 calculations. This was a result of factors impacting the state's buying power, including ongoing high rates of inflation, as well as a decision by NDOT to do a more exhaustive evaluation of the overall costs of construction and update our cost-per-mile calculations used in forecasting future projects. This year, we finally began to see the rates of projected inflation ease, and the growth of our 20-year needs rose by just 1% or one-- \$181 million from

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the 2023 estimates. This brings NDOT's total estimated need to just under \$16.9 billion. When adjusted for inflation, this is the equivalent to \$24.3 billion in 2045 dollars. We have consulted with national industry groups and believe our calculations for future inflation is consistent with their projections. Although the rate of inflation may be slowing and the 2024 increase to our needs was substantially smaller than the increase between 2022 and 2023, that does not translate with the lower prices, but rather we've seen our prices balanced out to a baseline. Our calculations show that the increase in cost for materials and labor over the next few years will continue to impact the number and scope of projects we'll be able to deliver on a yearly basis. As such, we want to take this opportunity to provide a forecast for the committee as to highway projects and priorities we believe we'll be able to deliver within the current revenue allocated to the department, considering current project costs. Due to the impact of inflation, we'll continue to update the Legislature of the relative buying power of our current revenue balanced against the needs of the state transportation system. As we reported last year, our annual cost to meet the needs of the state is currently outpacing our annual program of projects. The calculated annual investment to the state transportation system is estimated at \$844 million. For context, NDOT's 2025 program will deliver approximately \$700 million in new contract value. When you subtract the number by the annual need, you see an almost \$150 million delta between investment and the needs of the state transportation system. This affects our primary effort of preserving and modernizing the existing system and our ability to deliver future projects to accommodate growth and increased traffic. Page 4 of the handout, titled 2024 State Highway Needs Assessment, highlights the \$16.9 billion in 20-year needs for today's dollars. When adjusted for inflation over the same period, this estimated, this estimated rise to \$24.3 billion by 2045. Page 5 breaks down those numbers into the 3 categories which are added together to calculate the total cost of state highway needs: Asset preservation, system modernization, and capital improvement. The largest category in our needs is asset preservation, at a projected cost of \$10.4 billion over the next 20 years. This category is focused on maintaining the current system in a state of good repair, and accounts for just over 60% of our 20-year needs. System modernization and operation is projected at \$2.3 billion. This category can be thought of as making changes to the highway system without adding capacity, and makes up about 14% of our

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20-year needs. NDOT observed a slight decrease in this category compared to 2023. Capital improvements are projected at \$4.2 billion, which is also a slight decrease compared to our estimate in 2023. This is a category which includes the construction of new hi, hi--excuse me-- highway corridors, expansion of existing expressway corridors and pro-- projects that increase the highway's capacity. This makes up 25% of our forecasted needs. Given that asset preservation makes up the majority of our 20-year needs, I'd like to start with this category. It's proven to be more cost-effective to maintain roads in a good condition through ongoing maintenance than it is to let the asset deteriorate to the point it needs more costly repairs or replacement before the end of its potential lifespan. Additionally, there is an important safety component to asset preservation. By keeping our system in good condition, we reduce potential crashes. Asset preservation includes activities such as patching, crack sealing, pavement resurfacing, bridge repair, and bridge redecking. However, it is worth noting that this category has shown the largest cost increase over last year's needs. And as we have calculated our different asset preservation strategies include maintenance, rehabilitation, repair, and reconstruction, costs per mile have increased 1.5 times since 2017. Our calculations do show this is beginning to stabilize based on the annual numbers we received in March of this year. Of the \$10.4 billion total, pavement preservation accounts for \$9.2 billion. Monitoring and assessing pavement condition allows us to know which segments of the highway have pavement in need of maintenance, repair, or replacement at any given time. We annually monitor pavement conditions and performance by using an automated distress collection van, which uses camera and sensors to evaluate every mile of state highway. This information is used by our pavement management system to predict future performance, deterioration rates, and suggested treatment strategies. On page 6, you'll see a chart that displays the average pavement condition of both the interstate system and our state highways. The condition is based on a composite rating called the Nebraska Serviceability Index, which measures the condition of our highways. The NSI is used to determine when maintenance is needed and when repairs would be the most cost effective. We estimate \$1.2 billion is needed for bridge preservation over the next 2 decades. Bridges are designed to last approximately 75 years, and the average cost to replace a bridge is \$330 a square foot. Bridges have a similar performance curve that can be a bit more complicated than pavement deterioration rates due to various components having their own complex

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rate of deterioration. This year, 2 large bridges over the Missouri River to Iowa were determined to need replacement in the next 20 years. Additionally, this year we adjusted the projected lifespan of our state's culverts to better reflect the performance we expect, reducing the estimated lifespan from 100 years to 80 years. This, along with the adjustment to how we categorize some work, is partly responsible for the increase in need for this category compared to last year. The chart on page 7 demonstrates the size of our state-owned bridges. Now, moving to the system modernization and operation category, found on page 8. The total projected need for this category is \$2.3 billion. Modernization means updating our system both with new technologies as well as new standards and practices, which may not be available when a highway or bridge was originally designed. At a broad sense, this category addresses deficiencies due to highway system usage changes without adding capacity. Portions of the highway system may experience operational issues or increased traffic volumes needing roadway modernization, bridge modernization, and rail crossing and rural transit modernization. Roadway modernization projects typically include intersection improvements, shoulder widening-- widening, and the incorporation of new techniques and standards to improve safety and driver experience. This subcategory also includes technology such as cameras, dynamic message boards, and other intelligent transportation systems, or ITS technology. These help the department monitor roadway conditions and improve safety by better managing traffic flow. Other miscellaneous and this costs-- or costs in this category include updates to our rest area statewide, which NDOT is currently evaluating and undertaking. As noted, this year we observed a slight decrease in our forecasted need for this category. This is partially a result of declassifying some bridges for modernization projects to asset preservation and partially a result of investments and improvements that have been made to widen bridges and bring bridge railings up to modern safety standards. However, we have also decreased the need in this category by adjusting our strategy to address some rural intersections by implementing lower cost yet highly effective solutions, such as roundabouts and restricted crossing U-turns, or RCUTS, into our planned projects. These types of improvements deliver safety benefits in areas which may have been previously warranted in interchange while only costing a fraction of the price of an interchange, given that constructing new interchanges could cost nearly \$20 million. Finally, rail crossing projects consist of installing safety improvements such as crossing

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signals and gates based on exposure ratings, while rural transit consists of providing assistance to locals in rural areas of less than 50,000 individuals, a threshold set by the Federal Transit Administration. The final category of the needs assessment is capital improvements, which can be found on page 10. The department projects 20-year needs of capital improvement systems will cost \$4.2 billion, a slight decrease from 2023. The projects within this category are high capacity-- I'm sorry-- capacity building, high visibility projects, and usually reflect a long term need and commitment from multiple levels of government. It also includes the addition of highway capacity via new lanes, as well as interstate and urban freeway improvements. The bulk of this category is designated for roadway expansion. The major needs of this category include the completion of expressway projects selected for design and construction under the Build Nebraska Act and the Transportation Innovation Act. Of the originally selected BNA projects, only one project remains in this category, which is Hastings Southeast. This category also includes a 6-lane expansion of I-80 from Pleasant Dale to Grand Island, as well as projects addressing the urban needs of our state, including widening and reconstruction of urban high-- reconstructing urban highways and implementing the Metro Area Travel Improvement Study, or M-TIS. M-TIS is a comprehensive look at the future needs of the greater Omaha area, which assesses the needs of the interstate and freeways as they interact with local roads. The size of this category is determined using recent and historical material and projected project costs and multiplying it by the length and scope of identified project-- future projects. As such, some of the subcategories may change over time as projects are built and the corresponding needs can be retired, while other projects are added for planning and increase the size of their respective subcategories. We use these figures to show the overall need of the system and demonstrate the buying power generated by our current revenue sources and projections. As noted this year, the cost-per-mile estimates for our future capital improve-- expansion program decreased slightly over our previous year's estimated-- based on bids we received for similar projects let in 2023. While capital improvement projects receive the most attention, asset preservation projects which maintain the existing roadways and protect Nebraska's investments and infrastructure have traditionally been the priority of the department. We anticipate the asset preservation needs to grow as we add lane miles and costs related to preservation strategies grow. A major portion of our

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capital improvement program budget is made possible by 2 pieces of prior legislation: The Build Nebraska Act and the Transportation Innovation Act, which are the topic of the next handout. The Build Nebraska Act was enacted in 2011 and dedicates the revenue generated equivalent to 1/4 of 1% of general sales tax to be shared between the department, counties, and cities. The BNA direct revenue towards the expansion of the-- directs revenue towards the expansion of the expressway system, federally designated high-priority corridors, and the reconstruction of surface transportation project priorities. This legislation brings in about \$100 million to the department annually from the 85% gener-- portion it receives, while the remaining 15% is split between the counties and the cities. In 2023, this law was extended to sunset in 2042. On page 3 of the BNA handout is a map and table that identifies the projects funded by BNA that are now complete, under construction, and in design. To date, NDOT has completed or has under construction 16 of the 17 original identified corridors. The Transportation Innovation Act was enacted in 2016 and directs annual revenue from a portion of the fuel tax 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 table on page 11 of the BNA and TIA Report shows capital improvement projects selected for planning, design, or construction in 2026- in 2016 using future BNA and TIA funding projections, although their delivery timelines will be dependent on available funding. The legislation also created the Transportation Infrastructure Bank, which received one-time investment of \$50 million in 2016 from the Cash Reserve to fund 2 programs created by TIA: The County Bridge Match Program and the Economic Opportunity Program. County Bridge Match information is shown on page 4 and 5. And this program was amended by LB1030 earlier this year, which led to the creation of a new working group and revamped their request for quote process with new selection criteria, which emphasizes the significance of a bridge project to its local community and values projects that provide positive impact on access to essential services, local econ-- local economic activity, and the daily life of residents. You'll also see on page 6, the NDOT has allocated \$9.5 million in the Economic Opportunity Program as of November 2024. Since its creation 24 completed and active projects have leveraged \$3.4 billion in private capital investment, resulting in an estimated \$22.9 million of economic benefit, creating an estimated 2,200 jobs in rural communities. Next, I would like to focus

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our attention on page 8 and 9 of the documents covering the accelerated capital improvement program created under TIA. In response to the Legislature's 2021 LB579, we've included information on the expressway system. The expressway system was established in 1998--1988, with 16 corridors being identified at that time for a total of 600 miles. The system's current status is depicted on the map, showing segments that are complete, under construction, under design, or in planning. On page 9 is a chart showing the estimated timeline for completion of the remainder of the system. There has been a significant change in how we are displaying this information compared to past years. We are now representing these under a fiscally constrained model, meaning how long it takes to construct these projects with existing funding levels, where previously, we've compared how quickly they would be delivered based on pre-construction project delivery efforts if funding were not a factor. While the inflation rate has somewhat settled and cost-per-mile estimates have been re-- updated to reflect the latest information, we feel it necessary to manage expectation of our ability to fund future capital improvement projects with our existing revenue sources. Last year, we showed that we would be able to deliver expressway corridors, such as U.S. 81, U.S. 77 and U.S. 75, by the mid-2030s using the limited pre-construction delivery estimate I just described. However, with projected funding levels of current revenue sources, we expect construction on these projects to completed-- be completed by 2042 at the earliest. Our timeline also shows the remainder of U.S. 275 expressway project taking until 2033. However, in November, Governor Pillen directed NDOT to condense the timeline and complete the corridor by 2029. To make this possible, we've been working with the Nebraska Highway Commission to authorize bond financing authority introduced by Senator Moser and approved by the Legislature in LB727. The final vote from the Highway Commission is taking place at their meeting this Friday, and we believe this tool will safeguard the 75 corridor without disrupting the asset preservation commitments the department currently has. I do, however, want to stress how NDO--sa ca-- NDOT's cash flow impacts our ability to deliver projects in a given year. As you know, historically, Nebraska has been a pay-as-you-go state. It is for this reason that early in the construction season, the department may have hundreds of millions of dollars on hand. And then following completion of that season, have very little remaining in our Roads Operations Fund, which has been a topic of discussion on the floor earlier this year. Cash flow also

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impacts our ability to leverage federal funds for projects, as these come in the form of reimbursement. This means we sometimes must expend hundreds of millions of dollars on projects that are funded 80% by the federal government. We are-- and then be reimbursed by the Federal Highway Administration only after first expending state funds. On the topic of federal funds this past year, I briefed the group on the Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, which is the current federal transportation 5-year authorization bill. While the IIJA did increase formula funding by approximately 15% over previous levels, this does not have a substantial effect on our buying power when you consider inflation. This has been validated by national sources who have also seen their buying power diminished. IIJA did substantially increase funding in the form of discretionary grants. NDOT has taken several steps to increase the state's competitiveness in this space, including the creation of the Nebraska Infrastructure Hub to provide technical assistance to local municipalities when submitting applications for these types of grants. However, this funding is inconsistent, being awarded on a project-by-project basis based on priorities of the presidential administration and does not allow the state to meet future needs or plan for projects which have to be built whether or not the project is successful in winning one of these major grants. Now obviously, we don't know the extent to which this trend will continue or exactly what federal transportation funding legislation will look like under the new administration, but we'll continue to work with other state DOT's, our federal delegation, the Governor's Office, contractor and engineering groups, and other stakeholders to support expanded federal funding and flexibilities that will help address the needs of our state system. Likewise, we'll continue to inform these committees and the Legislature as a whole about the gap we are facing between current revenue sources and projected need. We'll continue to work collaboratively, collaboratively to find solutions for funding and financing which can help bridge the gap between the current investment that the state makes in our transportation system and what it would take to fully deliver the projects to the Legislature's expectation. I want to take a moment and thank the group for the seven point-- \$70.3 million in ARPA and JEDI funds that were reappropriated to the department last year. 14 construction projects totaling 260 miles are currently under construction or planned. \$26 million of that went to the Norfolk to Pilger 275 project that is safeguarding that corridor's completion by

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2029. \$2 million of that is going to the Nebraska Infrastructure Hub, which is we expect to see a 4-1 return on in being leveraged. In 2024, our discretionary funds were that of 2022 and 2023 doubled, which I mean 2022 and 2023 added together was less than the 2024 numbers we saw on the discretionary side. So it's working. I want to thank the Legislature for your time, and I'm happy to answer any questions of the 2 committees.

MOSER: Questions from committee members? I got a complaint about the-- oh, I'm sorry.

BOSTELMAN: Go ahead. No, you're--

MOSER: Go ahead.

BOSTELMAN: All right. Thank you, Chairman Moser.

MOSER: Senator Bostelman.

BOSTELMAN: Thank you, Chairman Moser. And thank you, Director, for being here today. I've got a few questions on the need assessment portion. We talked about shortfall-- I don't know--shortcoming of funding in that. What do you see-- you spoke about that a little bit. What do you see-- how do we make up for that? What are your plans to adjust or I guess, looking ahead to meet those needs what we have, as-- are significant funding-wise. But yet, our revenue may not be there. What are your plans for that?

VICKI KRAMER: No, I appreciate the question, Senator. For us, the primary is always going to be in asset preservation, making sure that the quality of our roads stay within the expectation of the Nebraska taxpayer. So you'll see some of our strategy shifting to asset preservation to make sure that we maintain the quality of our roads, while we work with the administration and the Legislature to understand where new forms of revenue could come in. We've, we've worked with Senator Dover on the LR for transportation funding. We provided additional information. The unique thing that if you look at states compared to each other across the country, there's no one way of getting transportation funding. There's a lot of innovative ways to bring in different forms of revenue. We've seen a, a significant shift towards what is user revenue for transportation. And when you consider that the average citizen who drives 12,000 miles a year only pays \$177 in gas tax a year, seems a little bit crazy when I pay at least that

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in heating my house once a year or once a month. Right. And so, we have a lot of education to do to make sure that people understand what they're actually putting into their transportation system and what they want to see out of it.

BOSTELMAN: The used to on the contractor side on, on future work, you used to kind of project that work so contractors kind of had an idea of what may be coming up. And I, I could see where, you know, if you project out and then don't actually do it, well, that may not be always the best thing from department-wise. But on the contractor side, I think it's helpful for them to kind of know what you're looking at, what those projects are, so they can project out and get ready for when your RFEs come out and those type of things. Are you looking to do anything like that again in the future?

VICKI KRAMER: Absolutely. So we met with, we met with the contractors a few months ago to let them know what the construction program size would be for this coming year, or at least give them a heads up since we're looking at at least a \$50-million decrease. Especially understanding that from what I understand from the contractors, the quantity rollover from this year is nonexistent. What that means is they've completed all their work. And for us, that's concerning because we're in a federal CR, continuing resolution, means that we can't get our full-year appropriation. So we're looking at potentially a month-to-month reimbursement, which means cash flow for the department is going to be very stressful for us come spring. So we have the CR that goes through December 20 right now. It could be month-to-month after that. That's going to create a burden on contractors because it's going to slow our work-letting. And for us, that's-- it's incredibly concerning. So we are working very closely with them. I'm briefing them again tomorrow so that they understand what to expect in this next year, as well as make sure that we continue to pu-- publish those 2-year quantities for them so they have an idea of what to expect. Now, I will say that our highway bill has 2 years left. We don't know what the appropriation levels are going to be from the federal side following those, those 2 years. And we're projecting out-- really, that's a 1-year for them. And so we are working closely with the delegation to make sure that we keep our base formula on the federal side where it's at right now, and hopefully see some of the discretionary funds that are currently appropriated to U.S. DOT come under the lens of formula funds so we can do better projections out and give those contractors a better idea of what works

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to come. Because we know that typically, that translates into getting better prices because we can have more competitive bids.

BOSTELMAN: Two curiosity questions to ask on. One's on the bridges. So south of Valparaiso, on Highway 66, there's a national bridge maintenance study going on. So they've come in there a couple of times and cut the bridge out and done whatever work [INAUDIBLE] do-- who pays for that, do you know? Is that us or is that-- does the feds come in and pay for that study?

VICKI KRAMER: I'm not sure. I'm guessing it's going to be both of us, but I, I will get that information for you, Senator.

BOSTELMAN: Curiosity, I mean that's--

VICKI KRAMER: Yes.

BOSTELMAN: --they've been there several times. And they'll come in and they cut the bridge deck out, and whatever they do, the inspections of it, and they report. But that's happened a couple of times that they've done that. I don't know if they'll do it more.

VICKI KRAMER: Yeah.

BOSTELMAN: The, the other one is, is who's paying for the cable median barriers down the interstate?

VICKI KRAMER: We are, Senator.

BOSTELMAN: So why doesn't the feds pick that up?

VICKI KRAMER: So we get-- we'll use our federal-- when I, when I say that we are, the way that our federal money comes in is we have the ability to determine how it's used. So a lot of our projects, you can't say that the state pays for it or the feds pay for it. If it's an approved strategy like cable median barriers are, we can use federal funds to it but there's always a state match to that federal funds. So if it's not-- it is eligible for federal funds. So we can use federal funds on it. But it's not fair to say that the feds can just pay for a project or we just pay for a project. There are times where we'll-- we will program-- the department will program a peer state DOT project, and that's to expedite it. Even though we still

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have to meet environmental considerations, we don't have to follow all of NEPA. So that's when you will see that piece.

BOSTELMAN: OK. Thank you. I've-- someone else ask questions.

MOSER: OK. Senator DeKay.

DeKAY: Thank you. Thank you for being here, Director Kramer. Three quick questions. The first one goes back to the bridges. You said in the next 20 years, there will be 2 bridges probably being replaced between Nebraska and Iowa and Missouri. Who-- is that split cost between-- and who-- who's in charge of getting the contractors to do those bridge projects?

VICKI KRAMER: That, that's a great question. And we are currently looking at that in the, in the, the scope of the Decatur bridge. So there are-- who has the primary responsibility and then who has the financial responsibility? And right now, we're challenged because we do share both of those, financial and project responsibility, with Iowa. Now, when our priorities don't align, align with Iowa's priorities, the time that we can get to those projects may be impacted by when Iowa can afford those projects. So we're currently working with them on how could we carry some of that financial; can we expedite it on project delivery? What are our options and how could we influence those projects to maybe go earlier? Or what's the reality of it? So typically, it's done through a costsharing mechanism that is determined over the entire border, meaning bridge by bridge, it may be a bit different.

DeKAY: And second question, safety with-- going through safety protocol, this-- roundabouts, how much do they reduce accidents in say on a busy, high-speed highway?

VICKI KRAMER: It's, it's hard to generalize, but I can tell you they-- I'm only aware of one fatality in a roundabout, and it wasn't on a state system. When you're looking at roundabouts, what we're doing is we're reducing the conflict points of an intersection. Intersections are our most deadly areas typically, right, because they have the most conflict points. And so for us, it's a significant safety improvement. We're excited to get the roundabout done in Wahoo and some of this-- other areas where we've had significant fatalities and bring that safety solution to the community. I'll, I'll get you some of those

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national statistics, and then I'll try to break it down to some of those projects within your area.

DeKAY: I appreciate that.

VICKI KRAMER: Of course, Senator.

DeKAY: And the last question. When you talk about upkeep on the highways in the wintertime, and this is just a curiosity deal. District to the west of me uses salt and gravel. The district I'm in uses brine. What-- what's more detrimental to pavement, cement in the salt or the brine?

VICKI KRAMER: So I'm going to start--

DeKAY: And why did it--

VICKI KRAMER: Why does it differ?

DeKAY: --is, is it up to each district to choose which--

VICKI KRAMER: So--

DeKAY: --recipe they want to use?

VICKI KRAMER: Yes and no. We were clo-- so each district is required to work, work closely with our operations division, as well as our M&R, so materials and research division, on what is the-- what are the approved strategies? How are those calibrated to make sure we're using the right, right quantities? How is it measured through our trucks? I will say that each district has a little bit of a different mixture. Now, they'll tell you that that can typically be done because of the difference and variance within the demographics of Nebraska. Now, to your point, is it changed right along that district line? No, but it's sometimes best practices in-- within the business cycle. In terms of deterioration, I'll, I'll get that information to you on brine verse salt. It, it could also be that based on the type of weather we're getting, they use one rather than the other. And those thresholds may change a little bit, but I'll get you a little bit more information.

DeKAY: All right. It's-- I mean, I'm, I'm right on the Boyd County-Knox County line. And Boyd County uses the salt in highway-- you know, the weather doesn't change that much--

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VICKI KRAMER: No, it doesn't, Senator.

DeKAY: --you know, on Highway 12 there, so.

VICKI KRAMER: No, I-- we'll get you that.

DeKAY: All right. Thank you.

MOSER: Senator Armendariz.

ARMENDARIZ: Thank you. Thank you for being here. I just had a question on the railroad crossings. How much of that is picked up by the railroads, if any? And if not, why?

VICKI KRAMER: Very little costsharing from the railroads happens. We can have a 2-hour conversation on that, Senator. And what we've seen traditionally from railroads, we've seen their cost decrease in significant projects like viaduct projects, as well. They've gone down from 10 to 15-- 10, 10 to 5%. And they now interpret their only requirement is 5% of the project. So I, I, I can't give you exactly the number per each crossing. I'll get that information to you. But I can tell you that it's a dangerous trend with the lack of investment we've seen from the railroads.

ARMENDARIZ: How can we change that while their profit margins keep going up?

VICKI KRAMER: I wouldn't be able to answer that. I'll get you some information. We can look at it together if you'd like. Significantly, this is an issue across the country. I know that it's not-- it doesn't just lie with their cost share. It also lies within their working relationships and how they work with our contractors. They are-- they're invited guests to the AGC's meeting next-- or tomorrow, actually, to talk through why they're doing some of the things they're doing. And so we continue to work with them, I would say, for most DOTs nationwide, it's one of our most constrained relationships.

ARMENDARIZ: Thank you.

MOSER: Isn't there a, a railroad mileage tax that they pay? And isn't some of that money used for viaducts?

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VICKI KRAMER: I'd have to go back and look exactly how much it is, Senator.

MOSER: Because I know the viaducts we built in Columbus--

VICKI KRAMER: Yeah.

MOSER: --wound up costing the city of Columbus 5 or 10% of the cost, and the state and the railroad paid the rest.

VICKI KRAMER: And that's the project where they went from 10 to 5 and it cost \$900,000 extra--

MOSER: Yeah.

VICKI KRAMER: --that we weren't planning on.

MOSER: Senator Dorn.

DORN: Thank you. Thank you. I-- well, usually when you come or when the director comes, I always ask him-- we've had inflation and we've had some 15-20% increase in costs. Several times in the report you mentioned that the costs are a lot less, a fourth less or, or, or the increase, where do you see that? I-- you don't have to get into details because that gives out the better information.

VICKI KRAMER: No, no, it's a perfect, it's a perfect question of something that we look at a lot. So when we testified last year, we explained the, the 15% growth that we saw, and that was really looking at our bids, cost, cost per mile, and our, our-- also balancing out what we saw come in, and then our actual project costs. You know, we were in inflation rates of over 20%. We've now brought that down under 10. And so, it's, it's a-- it'll be an annual update, and that's why I want to make sure that we're having that conversation as we work with the Legislature, because that 15% increase, because you hadn't heard it-- over 3 years, you hadn't seen an increase, that had to be a big surprise. So we want to be much more honest with you, in terms of what that buying power is in that annual inflation, because the projects that are-- a lot of the bigger projects that we're seeing funded from the federal investment and infrastructure have not started to move to construction. So myself, personally, expects to see another jump with inflation as we start to see workforce become an issue across the country. And so we're doing a lot to safeguard our workforce right now

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as best we can, is working with our contractors to make sure that we can keep them working here, and we don't see those rates of inflation inflect-- influence Nebraska.

DORN: Thank you.

MOSER: Go ahead. Go ahead, Senator Clements.

CLEMENTS: All right. I guess I have a couple questions. You're projecting inflation out 20 years. What rate of inflation annually are you using?

VICKI KRAMER: So we use 5 and then 3 follow-on. And the reason is--

CLEMENTS: 5 and then what?

VICKI KRAMER: 3, 3 follow-on, for the follow-on years. So we've reached out to our annual associa-- or our-- sorry-- our associations within the DOT world to understand what rates of inflation they're using for further on projections. They've used the same thing, so looking at 5 in the near term and 3 out, projected out percentwise.

CLEMENTS: I'm still not understanding your answer. 5% for how many years and 3% for how many years?

VICKI KRAMER: So, you go 2 years of 5%. If you look on the bottom, it's actually on, on page 4. It'll show you the projection out. So you're looking at 5% for those first 2 years, and then 3% in the follow-on years.

CLEMENTS: OK. Thank you. Got that. And then you're talking about the U.S. 275 bond financing authority. What dollar amount of bonding are you requesting?

VICKI KRAMER: So for this issuance, we're targeting what could be around the \$100 million. We won't have final approval from the Highway Commission until this Friday. And then from there, that just gives us the ability to move forward to the issuance, which would probably be early in 2025 calendar year. And so some of the variations to that number may change, as well as what we expect for the interest rate. So we will be making sure that we report to the Legislature on what the finalization is from our bond-- our first bond issuance, so that you

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fully understand the scope of the issuance of the debt and what it's going to do for the state.

CLEMENTS: What interest rate is currently projected?

VICKI KRAMER: Right now, we're on the 4-- I don't, I, I don't want to give a number that's going to change. So I think 475 was what was approved. Anything below that, we're monitoring quite closely as well as working with the federal government to understand what the TIFIA loan program could look like in the future if we don't see the municipal rates stay where they are.

CLEMENTS: What term of repayment are you projecting-- calculating?

VICKI KRAMER: So we have to have everything repaid by that 2042 timeline in the bonds, yep.

CLEMENTS: 2042?

VICKI KRAMER: Mm-hmm.

MOSER: 18 years.

CLEMENTS: OK, Well, that's, that's better than the 40-year deals we see sometimes. That's good to know, then. In my district, Highway 75 at Murray, that's got a proposed RCUT that was mentioned in here. You mention an RCUT versus an interchange, the savings. What's the cost of an RCUT?

VICKI KRAMER: It varies the way that it's programmed and how big they are and how s--

CLEMENTS: I'd like to have somebody report to my, my office--

VICKI KRAMER: Yeah.

CLEMENTS: --the cost of that.

VICKI KRAMER: The [INAUFIBLE].

CLEMENTS: It was-- I had been told a year ago that it was going to be done this summer, and it's not even close.

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VICKI KRAMER: OK.

CLEMENTS: I'd like to know when that's going to be completed now.

VICKI KRAMER: Yeah.

CLEMENTS: Thank you.

MOSER: Senator Brandt.

BRANDT: Thank you, Chairman Moser. Thank you, Director Kramer, for, for giving us an update today. I want to give credit where credit is due. In our district, thank you for your prompt response to a safety issue on Highway 81 and getting some speed limits adjusted. We've got a little more work to do. I think you're aware of that, but it's truly impressive that your agency responds to constituent needs and senators, as opposed to some other agencies in the state of Nebraska. I mean, I wish they would come and learn from you. So bonding authority, what is our total bonding authority in aggregate?

VICKI KRAMER: 450, Senator.

BRANDT: OK. And then we've only used a 100 per what you told Senator Clements?

VICKI KRAMER: That would be our first issuance. So I want to be very careful that we don't give the perception that financing is funding. And one thing that is, is, is pretty complicated in nature is that we're actually an advanced construction state. And what I mean by that, Senator, is we've already spent our federal allocation for this year. So though we don't bond, we do borrow against ourselves on the federal side, and we have been doing that for years. We carry about \$500 million in advanced construction costs every year. We need-- with the-- with lack of understanding of what the next highway bill looks like, we need to pull that down. So we're measuring what we can afford in terms of the fact that we still carry \$30 million every year in costs for the Lincoln South Beltway verse what this new debt would cost us verse what the uncertainties are for the federal allocation in the next highway bill, to understand exactly how aggressive we can be using our, our bonding authority. So we may do another issuance, and that's very likely that under this authorization, we would do another

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issuance for a total of about \$200 million. But getting to 450, I think would be a bit too aggressive for us right now.

BRANDT: And that would be spread out over the state of Nebra--

VICKI KRAMER: Yes.

BRANDT: It wouldn't all go to 275.

VICKI KRAMER: No.

BRANDT: It could go to 81?

VICKI KRAMER: The 2-- the 200 right now, our strategy as directed by the administration is to complete the corridor.

BRANDT: OK.

VICKI KRAMER: So once we commit to a corridor, we need to get that done so there's no Highway 30s happening again.

BRANDT: The last question, I guess, is in the past, there's been a progression of a loss of contractors that build roads in the state. Does that-- are we getting more contractors interested in bidding on roads in Nebraska or it's getting bigger contractors, less contractors, you're only getting 1 bid on a big project, or you're getting 10 bids?

VICKI KRAMER: You know, Senator, I would say that we're, we're looking pretty healthy right now. For example, the 275 project that was just awarded last month, which was the last significant capital improvement project, we saw 9 bidders. And so we are-- we're seeing a hungry contracting community. We're seeing contractors that have now accomplished large-scale capital improvement projects that weren't active within the state 5 years-- or probably 8 years ago. So they're, they're cementing their, their presence here, and that's doing good. I can, I can give you the names of those contractors if you'd like, after this. But I-- we're healthy. We're in a good place. But I think to Senator DeKay's earlier point and your earlier point and Senator Bostelman's point, we need to make sure that we have the work for them, both on what they're used to on the pure asset preservation jobs, those contractors that do the asphalt, as well as those

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contractors whose bread and butter is going to be capital improvement projects. So it's, it's kind of that healthy middle ground.

BRANDT: All right. Thank you.

MOSER: Well, I just-- let me get back to you here. I started to talk a little bit about Highway 30, and I appreciate the completion of Highway 30 from North Bend to Fremont. I was at a lot of those groundbreaking over the last decade and more. So it's, it's nice to see the, the time line finally getting complete there. I did get my first complaint. They said that they missed their turnoff because there aren't enough landmarks to know where to turn. So they wanted the state to put in some 7/11s or something--

VICKI KRAMER: That-- un-- unfortunately--

MOSER: --so they could find their way.

VICKI KRAMER: --then we get away from the-- that freeway. Yes.

MOSER: Yes. Well, that wasn't serious, obviously.

VICKI KRAMER: Yeah. They're just smooth sailing. We want to make sure that they keep that speed limit in check, though, Senator.

MOSER: Well, the, the speed limit was changed to 70, right? Because while they were constructing and still doing work on the right-of-way and seeding and sodding and things, it was 50 in some places. And that-- we had some complaints about that.

VICKI KRAMER: Absolutely.

MOSER: But the timeline on 81 looks to be pushed back some. And what's the-- what are the components involved in pushing that back? Because when we had a meeting at the Stromsberg High School-- and I don't, I don't think anybody else was there. Jana Hughes, it's her district, she was there. But they were talking about starting to build something in 2029, and now that I see from your handout is looking like 2032 for actually starting construction.

VICKI KRAMER: We needed to do a sense of reality in terms of where the cash was, and what our buying power was going to be, and what we thought we could tackle in each construction year. So this right now

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reflects where we could go. There could be things that influence that. The highway bill that comes through may have increases in funding. We could get, you know, I don't, I don't even want to say significant follow-on raised grants. There are things that could influence that number, but it would have to be a significant, significant cash flow, and--

MOSER: Do you, do you factor in requests from the Legislature for more funding into your timeline?

VICKI KRAMER: No, Senator.

MOSER: So you're content to just spend what we've given you in the past?

VICKI KRAMER: So we want to give you a solid sense of this is what you're currently funding. And I don't think that the past gave you that example. It gave you what we could take on in terms of project delivery, meaning if, if all the resources are there, there, this is when we could build it. This is more of a fiscally constrained. No, I want you to be very aware of the gap, so they-- if, if the Legislature deems it appropriate and the Governor's Office supports it, that you influence that. And we can work with you on-- in different ways that we've come up with, in terms of other revenue sources. We're happy to have those conversations. But just in terms of expectation management, these are the, the years we're at right now.

MOSER: So funding is the main reason for the slippage of the timetable?

VICKI KRAMER: Yes, Senator. 81, 81 is ripe for alternative delivery, innovative finance grants, but we also want to be cautious of when we commit to that corridor, we have to be able to build it within a timeline that doesn't have gaps, as well.

MOSER: Well, that didn't ever stop us before.

VICKI KRAMER: It didn't. I think that the impacts, though, were large, when you see--

MOSER: There were sections of 275 from Fremont to Omaha that were built and then it went back to 2 lanes, and then went to 4 lanes.

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VICKI KRAMER: We're trying to minimize that--

MOSER: Correct that.

VICKI KRAMER: --for the future.

MOSER: Yeah.

VICKI KRAMER: There are some times where you may see that because of environmental considerations, we want to get started on one piece where we think another piece may be a little bit more environmentally hairy, but our guidance is pretty clear. You know, commit to a corridor.

MOSER: On 81, have you looked at which end you would want to build the-- start constructing? Would you start from where it's currently 4-lane by what is that, 64? Is that what goes across there to Bellwood? Bridges.

BOSTELMAN: 66.

MOSER: 66?

BOSTELMAN: Oh, no. No, no, it's not-- that's not 66.

MOSER: 64. 66 is the--

BOSTELMAN: 64. It's 64. Yeah.

MOSER: --is the bridge that you're complaining about them cutting out. It's all done and it looks good, and then they cut a hole in it.

BOSTELMAN: [INAUDIBLE].

MOSER: That's the gist of his complaint.

VICKI KRAMER: Yeah.

MOSER: But would you start on that end, or would you start on the interstate end to come this way?

VICKI KRAMER: The, the NEPA process will, will help us determine kind of the alignment and what the just different packages look like. I can't answer that right now exactly where we're going to start and,

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and what those segments will look like, but I can have Kaleel [PHONETIC] kind of running through that after.

MOSER: From a standpoint of effectiveness of transportation, I think starting at 64 and going south to 92--

VICKI KRAMER: Mm-hmm.

MOSER: --yeah, would be the best because that would get you 4 lanes from Columbus to-- at least to the intersection just east of Shelby.

VICKI KRAMER: Yep.

MOSER: Did you have another question, Senator? OK. Well, let's take Senator Bostelman's question.

BOSTELMAN: Thank you, Chairman. A couple comments. One was on-- in the Build Nebraska Act booklet, the Wahoo, Wahoo bypass. It's great that that got done. It raised issues, the roundabouts being put in, you know, this getting done that have slowed down that traffic there, that problem, that intersection-- just a comment for you. I've heard through the sheriff's office we have other issues with-- especially where the Casey's gas station went in with trucks turning there, is-- we really need a turn lane in there.

VICKI KRAMER: OK.

BOSTELMAN: Because those trucks are going in there, causing a problem on that roadway. That was mentioned to me just the other day from the sheriff's-- through the sheriff's office. The other comment I have is on page 11, on the 2016 capital improvement sections, the 92-- Nebraska 92. It's Yu-- Yutan east corridor. There's a section in there I think we need to pay attention to, between Highway 77, which is the Wahoo to Fremont, and Yutan. Folks in Mead if you drive 92, that whole section there needs to be looked at and needs to be improved upon. So perhaps there's a way since that's out yet quite a ways, that that section could be added in there as well, because the amount of traffic that we're getting from Wahoo and Mead and those areas going into Omaha is significant, and there's a lot of traffic. So perhaps a study needs to be done. Whatever needs to be done, I think that whole section of 92 from 77 into Omaha needs to be widened, needs to be looked at, needs to be done. And perhaps you could add it into that--

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VICKI KRAMER: As--

BOSTELMAN: --process already.

VICKI KRAMER: As a graduate of Yutan High School, I can tell you that I'm very, very aware, Senator, We all have, you know, pet projects that maybe shouldn't be pet projects, but this is one of them for me that we're watching pretty closely.

BOSTELMAN: Thank you.

MOSER: Senator DeKay.

DeKAY: Yeah. Just a couple followup questions. And you've probably answered this, but just to clarify it for me, through the bonding, on 275 [INAUDIBLE], you said it's going to be completed in 2029. Do you bond for the next 5 years on that, or do you bond as you-- on a year-to-year basis on that?

VICKI KRAMER: Yeah, great question. So as of right now, we anticipate it could be 2 bond issuances. So with a bond issuance, you want to make sure that you can get to substantial completion within the 3 years to make sure that you stay within the tax exempt rules. And so for us, this first issuance may reflect the work that we see we can get done then, and then we may have a follow-on issuance depending on how cash flow goes. So we are, we are working with our team, and we hired a director of innovative finance to stay on this, so that we have someone dedicated to the department that is looking at our debt compared to our revenue and how aggressive we can be, and making sure that we're managing that on a month-to-month basis. So we'll go to the Highway Commission on Friday with one ask. There will probably be another ask coming in a year, and then you'll probably see us come back and renew the legislation past where we currently have for authority so that we make this a true innovative finance state.

DeKAY: And then, last question. For construction companies, are most, you know, on your out, out state or rural, are most of those Nebraska companies or, or do you-- and in your bigger projects where you've got, you know, the viaducts and stuff, are those interstate or national companies that come in or are they a lot more on the Nebraska side of it, too?

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VICKI KRAMER: Sure. Most of our companies are going to be Nebraska-based. So your, your pavers, your, your typical constructors, they're going to be Nebraska-based companies. We do have several companies who are more regionally focused. And so they're going to be the-- maybe headquartered out of state, but the majority of their workforce is in-state. I can only think of maybe one contractor that we have right now that is doing capital improvement projects that their leadership may come in from out of state that would be mobilized. For the most part, those that are improving your roadways are Nebraska.

DeKAY: Thank you.

VICKI KRAMER: Mm-hmm.

MOSER: Senator Brandt.

BRANDT: Thank you, Senator-- Chairman Moser. A lot of information, good information. If we boil this down, session starts January 8. What do you need from us, the Legislature? Are you asking for anything this time?

VICKI KRAMER: I'm asking for your commitment on safety and your consideration of what it's going to take to improve the safety of our roadways. For, for the department, the primary legislative goal is going to be improving the safety of our roadways. We have over 240 people that are dying on our roadways every day. Driving is the most dangerous thing that your constituents do. And so, we have, we have-- working with the administration on what a comprehensive safety bill looks like. And we would like you-- your consideration of some of the different strategies and things that we think we can do legislatively to improve the safety of our roadways.

MOSER: What, what was the quantity of people who died?

VICKI KRAMER: You're over 2--

MOSER: 240?

VICKI KRAMER: 4. 244 for last year.

MOSER: For the year. You said every day.

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VICKI KRAMER: Oh, sorry.

MOSER: Yeah.

VICKI KRAMER: No.

BRANDT: And then the--

MOSER: We'd have to have a special hearing on that.

VICKI KRAMER: Yeah. Yes, Senator.

BRANDT: And then the, the second question. Are you finding enough workers? What's your opening rate at the department right now? I don't know what your total FTEs are, and how many of those positions are open?

VICKI KRAMER: Yes, Senator. So we, we are-- I might take a moment just to highlight something that we have found successful. So we have what we call 504e funds on the federal side. We were having a hard time getting some specific specialties, whether it be a diesel mechanic or welders, things like that within our districts. Even with the wage increases that the Legislature helped provide, and I very much appreciate that, we've still seen some significant openings. So using some of the flexibilities from the federal, we're offering scholarships. And we saw 4 Nebraska kids come in that are getting \$10,000 scholarships that are going to go back and work in their communities. And they're currently interning in our communities. And those are in areas that we need them. They're not engineers. They're, they're true and tried Nebraska kids working out in Nebraska, and it's really exciting to see. Our current FTE rate, I can get that for you, can flip through here. I've got a nice slide that I'll show you at the end of this that has our FTEs over the last 10 years compared to our actual program size. We're about 100 under-- right at 100 under what we're authorized, at 20, 40? I'll, I'll get that exact number for you--

MOSER: All right.

VICKI KRAMER: --because it, it differs monthly.

BRANDT: OK.

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VICKI KRAMER: But as of right now, we, we feel confident where we are. We just need to address some of our more chronic openings with some of the special wage adjustments we have going currently with the union.

BRANDT: All right. Thank you.

MOSER: OK. Other questions? Well, I-- just in my closing remarks, I would say thank you for coming to talk to us. I'm sure it makes you sweat a little bit to have to come in and explain the, the calendar and the funding and all those things. And I think we would like to know what it would take to get back to the schedule that we were on before. You know, if inflation is outpacing us, maybe we need to look at how we fund roads. And, and with that, I understand Senator Clements would like to make a closing remark or two, also.

CLEMENTS: We'll be seeing you when you come with your budget request. And I do know that right now, the budget is under some stress for balancing it next year, but you're almost all cash funded, isn't that right?

VICKI KRAMER: Yes, General Fund impacts are very limited.

CLEMENTS: So that's very helpful, and we look forward to working with you in, in the Appropriations.

VICKI KRAMER: Thank you, Senator.

CLEMENTS: And thank you for your presentation.

VICKI KRAMER: Thank you, Senator.

MOSER: OK. Any other last comments? All right. Thank you, everyone, for coming today. And thank you, Department of Transportation, for putting all this work in. And that concludes our hearing.

VICKI KRAMER: Thank you, Senator.