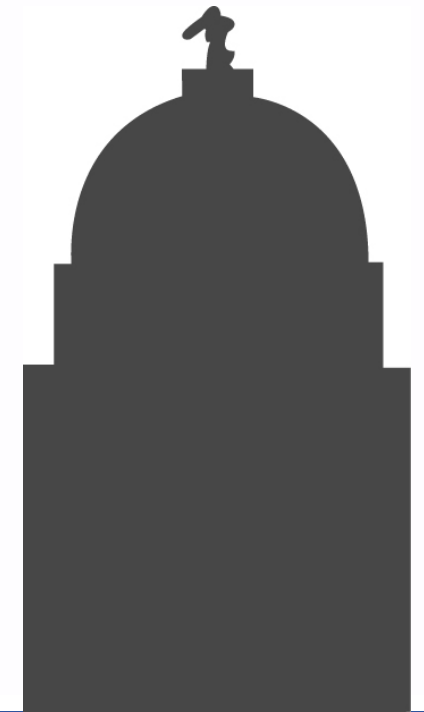




**Heartland**  
EXPRESSWAY

THE  
NEBRASKA  
LEGISLATURE-SENATOR  
JOHN STINNER-  
DISTRICT 48-GERING,  
NEBRASKA



The Nation's Only Unicameral

# State Funding-New Directions

## Source of Funding for Nebraska's Roads

Nebraska's state highway system is paid for by highway user taxes and fees.

Federal Funds: Nebraska relies on federal funds for 40% of its roads budget

- Congress “kicks the can down the road” with temporary fixes.
- The fixed federal fuel tax of 18.4 cents per gallon has not been raised since 1993 or for 22 years.
- Two important, yet completely unrelated, developments have combined to greatly reduced the purchasing power of the poorly-designed federal and the state motor fuel tax.



# State Funding-New Directions

- Improvements in vehicle fuel-efficiency have cut directly into fuel tax revenues by allowing drivers to travel farther distances while buying less gasoline.
- Meanwhile, inevitable growth in the cost of asphalt, machinery, and other construction materials has put additional strain on the fuel tax because its rate has not been adjusted to keep pace with the cost of construction.
- At the same time, road traffic and need has increased dramatically.
- Nebraska supports a comprehensive, long term federal fix to roads infrastructure funding.

# State Funding-New Directions

## Sources of State Revenue for Roads

The State has four major sources of revenue for its share of funding which are:

- Motor fuel tax
- Motor vehicle registrations and related fees
- Sales taxes on motor vehicles
- A percentage of the general sales tax is earmarked for roads: LB 84-The Build Nebraska Act.

# State Funding-New Directions

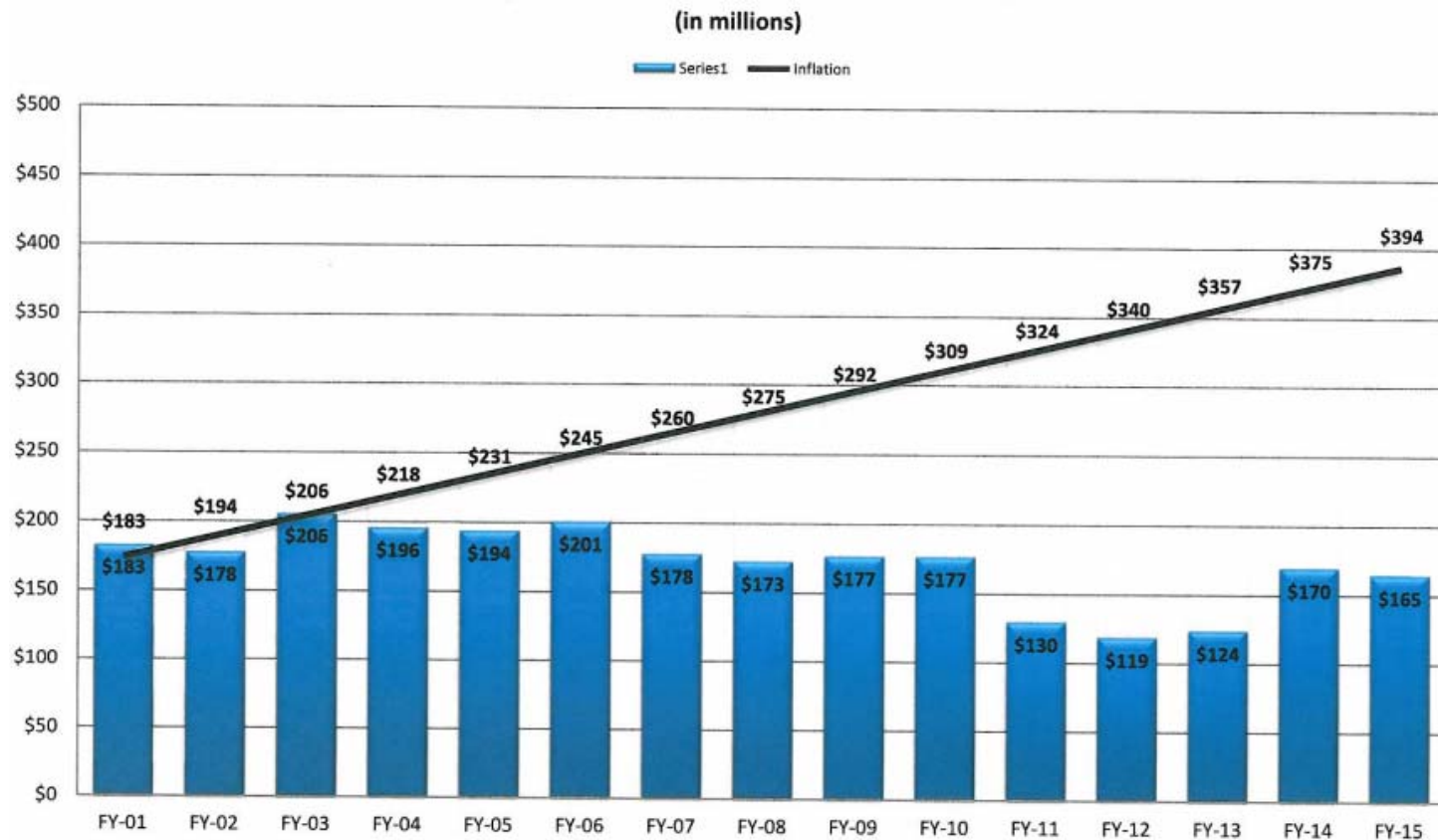
Roads  
Spending  
is divided  
into four  
areas.

The State has four major expenditure or spending areas:

- Maintenance Support services and administration.
- Other programs: Public Transportation Assistance, Rail Planning, Safety. etc.,
- Preservation, includes reconstruction, resurfacing.
- New road construction-If funds are short, no new roads are built.

# State Funding-New Directions

- Nebraska's funding for roads has not keep pace with construction cost inflation



Loss of purchasing power in today's dollars of the highway construction program due to 6% inflation during FY-01 through FY-10. FY-11 through FY-16 inflation rate is projected to be 5%. (Increased price of fuel, steel, aggregate, etc.)

# State Funding-New Directions

The State  
Highway  
System:

Fiscal  
Year  
2015  
spending

- The FY-2015 Preservation and Construction program consists of 153 projects funded at \$447 million.
- An additional \$10 million for statewide planning and research are programmed for a total of \$457 million. The source of funds breakout is:
  - State Highway Trust=\$165,000,000
  - Build Nebraska Act = \$63,000,000
  - Federal Funds = \$229,000,000



# State Funding-New Directions

The  
Local  
System

Fiscal  
Year  
2015  
spending

- Roads funding is shared with counties and cities. Local Public agencies select local projects with their share.
- Local System Financing:
  - State Highway Trust Fund=\$239,000,000
  - Build Nebraska Act = \$11,000,000
  - Federal Funds = \$53,000,000
  - Total **\$303,000,000**



# State Funding-New Directions

Funding Sources for State and Local Roads spending is shared

- The current 10.3 cent tax is distributed 7.5 cents to the State and 2.8 cents to cities and counties.
- The 5% wholesale tax, as applied to gasoline is adjusted semi-annually, is distributed 66% to the state and 17% each to cities and counties.
- The variable tax that makes sure the appropriations for roads is funded at the amount set in the budget. All revenues are paid to the State.
- Other principal sources of revenue are shared on the basis of 53 1/3% to the State and 23 1/2 % to the cities and counties.

# State Funding-New Directions

Additional  
Funding-  
LB 84:  
The Build  
Nebraska  
Act

- In 2011, the Build Nebraska Act (Sen. Fischer), LB 84 passed. It does the following:
- The state's tax on sales was tapped for funding roads for 20 years. On 7-1-2013 until 7-1-2033 one quarter of one percent of the general sales taxes are credited 85% to the state roads, 15% to city and county roads.
- An additional \$63 million in FY13-14 and \$72 in FY14-15 million was provided in funding for roads infrastructure.



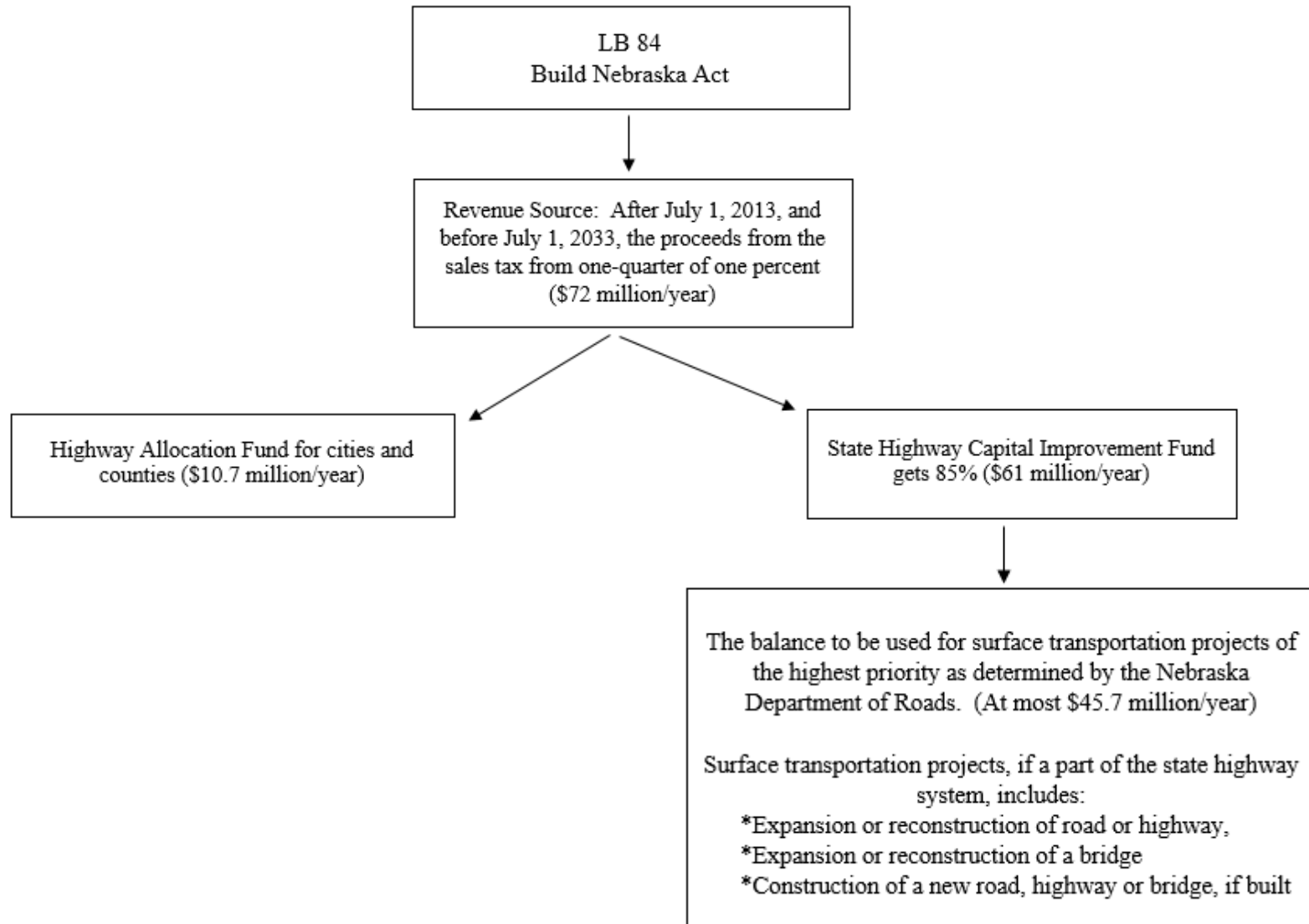
# State Funding-New Directions

Additional  
Funding-  
LB 84:  
The Build  
Nebraska  
Act

- Money credited to the State Capital Improvement Fund to be used as follows:
- At least 25% of the funding is to be used for construction of the state expressway system and federally designated high priority corridors such as the Heartland Expressway.
- This means at least \$14.7M in FY13-14 & \$15.2M in FY 14-15 of funding for state expressways.
- The balance shall be used for highways of the highest priority as determined by NDOR.



# State Funding-New Directions

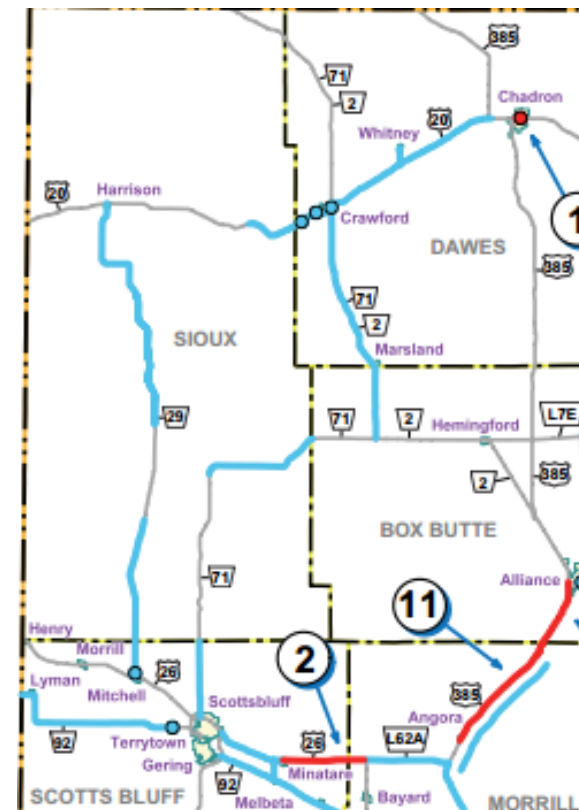




# State Funding-New Directions for the Heartland expressway

- With the passage of LB 84, US 385 from L62-A to the city of Alliance is scheduled to be built in Tier 2, FY2016-2019. (Marked as 11-Section 2 is next.
- The estimated cost is \$66 million for the 26 miles to be built.
- About 100 miles remain to be built in Nebraska but is not scheduled for Tier 3, FY2020-2023 planning or construction.
- The estimated cost of the final 100 miles is \$125 million (2012).

## South Dakota State Line





# State Funding-New Directions

Last session: Still \$160 million short for State Road construction just to keep up with inflation.

More funding needed for county and city roads:

- LB 633 (Stinner) would have appropriated \$20 million in general funds for infrastructure projects to cities and counties for a total of \$40 million.
- LB 610, (Smith) raises the fuel tax by 6 cents per gallon over a 4 year period provides additional funding for state, county and city roads.
- Increasing the motor fuel taxes has the advantage of shifting the cost to highway users including non-residents traveling across the state. Nebraska is a national traffic corridor across the state.



# State Funding-New Directions

- This last session the Nebraska Legislature passed LB 610, over the Governor's veto, to increase the fixed fuel tax.
  - LB 610 increases the motor fuels tax by 1.5 cents per gallon every year for four years totaling 6 cents per gallon.
  - At the end of four years, LB 610 will generate an additional \$72 million.
  - Funds raised are split evenly between the state program, cities, and counties or \$24 million/year/entity.



# State Funding-New Directions

I supported LB 610 and helped override the Governor's veto for many reasons:

- Provide property tax relief for local governments: A 2004 report of the Governor's Transportation Task Force for Nebraska's Future "quantified the counties' and cities' collective estimated infrastructure project needs at **\$2.47 billion.**" The need would be significantly higher in today's dollars and property taxes would have to be raised to fund the needs.
- The funds appropriated by LB 610 will not totally address the huge infrastructure deficit facing municipalities and counties.
  - It will take over \$24 million to replace borderline, obsolete and deficient bridges just in my district.





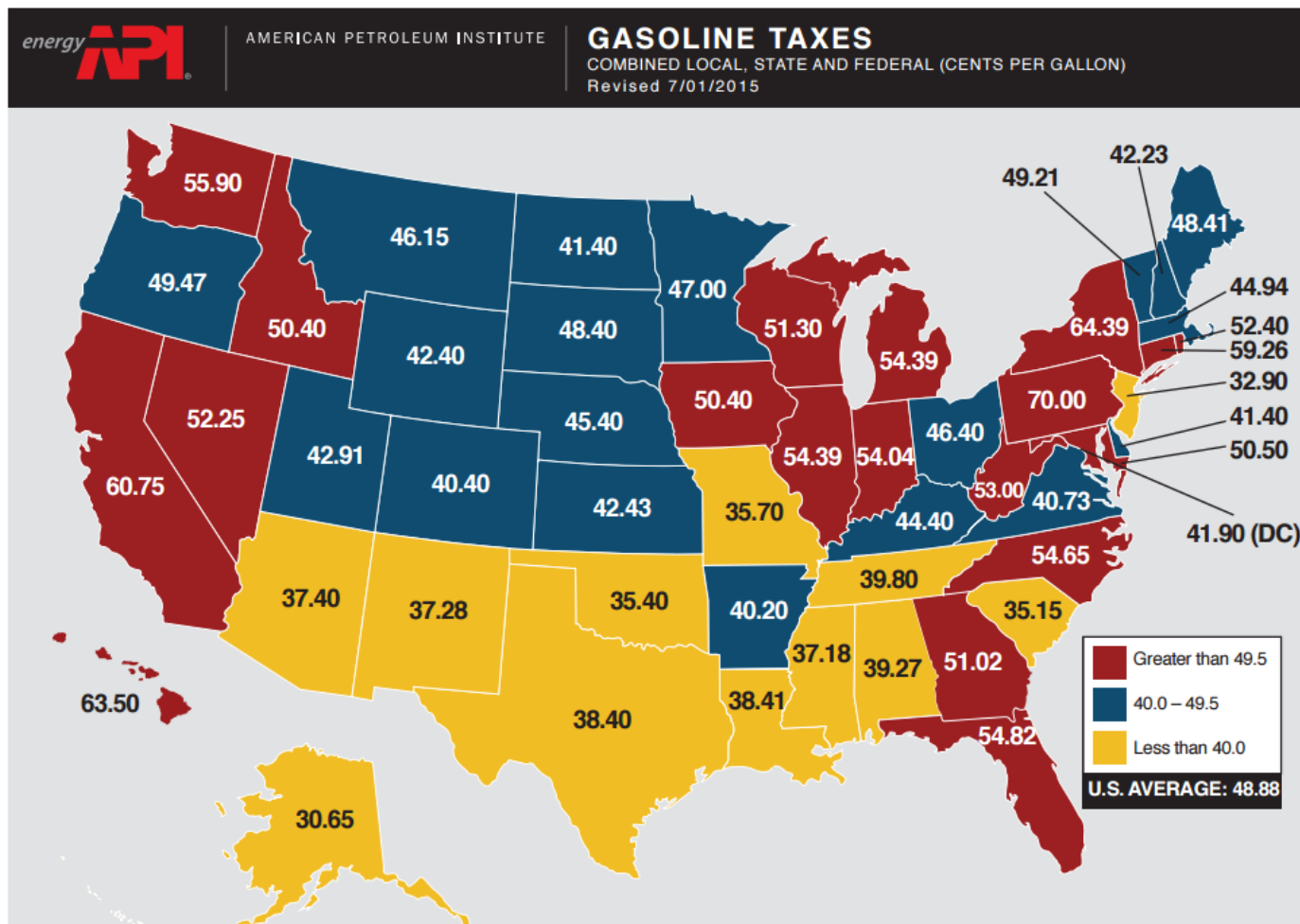
# State Funding-New Directions

- If we assume no increase in highway cost inflation for the four year period, Nebraska is still \$57 million short of keeping up with the increasing cost of highway construction for state roads.
- The cities and counties gain \$50 million per year in four years to start addressing their \$ 2.7 billion roads problems.
- This is what LB 610, the gas tax increase, means to my district.

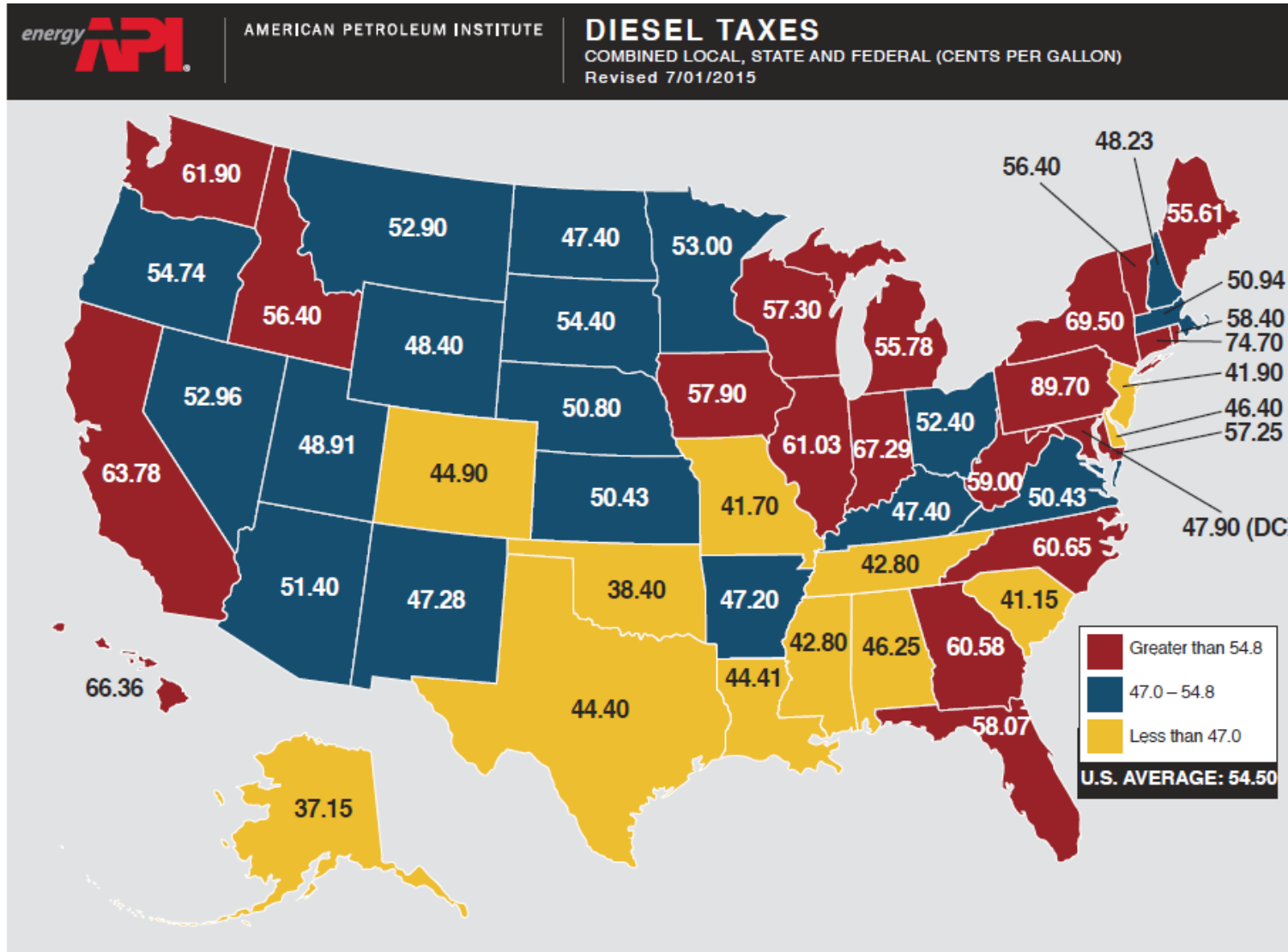
	FY-2016	FY-2017	FY-2018	FY-2019	FY-2020
County	\$36,239	\$145,327	\$254,595	\$363,864	\$437,074
Cities	\$43,690	\$176,389	\$309,016	\$441,641	\$530,449
Total	\$79,929	\$321,716	\$563,611	\$805,505	\$967,523

# State Funding-New Directions

- ▣ Nebraska's fuel tax is not excessive.



# State Funding-New Directions





# State Funding-New Directions

- What has Nebraska done to address the funding shortfall problem?
- Nebraska passed three laws to address its 60% share of highway funding and its fixed fuel tax rate:
  - Part of Nebraska's fuel tax rate is variable.
  - Nebraska dedicated  $\frac{1}{4}$  of one percent of its sales tax revenues to the "Build Nebraska Act" (LB 84) dedicated to build roads infrastructure and byways.
  - This past session, in LB 610, Nebraska increased its fixed gasoline rate 1.5 cents/gallon over four years.



# State Funding-New Directions

- ▣ What can be done next year?
  - Reduce the cost of the byways.
  - Senator Smith suggested simply reduce the cost by not building the bypasses around cities on the route.
  - The new state highway director, Kyle Schneweis testified that he is looking at several innovations to deliver highway and construction projects faster and at less cost. They are:
    - Pooling of several projects,
    - Allow contractors to both design and build a project, (public/private partnerships) and,
    - Using a state funded infrastructure bank to “front load” projects that might otherwise have to wait.



# State Funding-New Directions

- What can be done next year?
  - Options under consideration for funding the byways:
    - Using all or part of Build Nebraska revenues for the issuance of highway construction bonds. This failed two years ago because of Nebraska's "pay as you go" culture.
    - Nebraska looking at a state infrastructure bank to address unfinished expressways. A state infrastructure bank allows the state to borrow money without some of requirements that come with the use of federal funds. It is a way for the state to borrow money for roads construction from a quasi-public governmental entity.
    - The State Infrastructure Bank concept appears to have the support of Senator Jim Smith, Chair of the Transportation Committee and others.



# State Funding-New Directions

- What can be done next year?
  - Options under consideration:
    - The new state highway director, Kyle Schneweis, testified at a recent public hearing that he has had experience with state infrastructure banks.
    - A State Infrastructure Bank might use money from state reserves lending perhaps \$150 million to \$200 million immediately to accelerate expressway construction.
    - The loan could be repaid gradually with the additional money generated by the six cent increase in the fuel tax passed this last session and/or current Build Nebraska Act sales tax revenues and/or funds coming from local government sources.



# State Funding-New Directions

- ▣ What can be done next year?
- ▣ Options under consideration:
  - It may be possible to have cities and counties partner with the state using regional compacts, county or city sales taxes or economic development sales tax funds (LB 840) to assist in the repayment of loans or bonds.
  - Thus, our “rainy day” fund could be the funding mechanism for the state infrastructure bank and the state portion of the gas tax increase funds and/or LB 84 Build Nebraska Act portion of the state sales tax and/or “compact funds” would repay the bank.
  - The Governor has asked a representative of the Heartland Express way to participate on a panel including representatives of other unfinished parts of the byway system in the State, to further explore the concepts.



# State Funding-New Directions

## Nebraska Transportation Financing Flowchart

