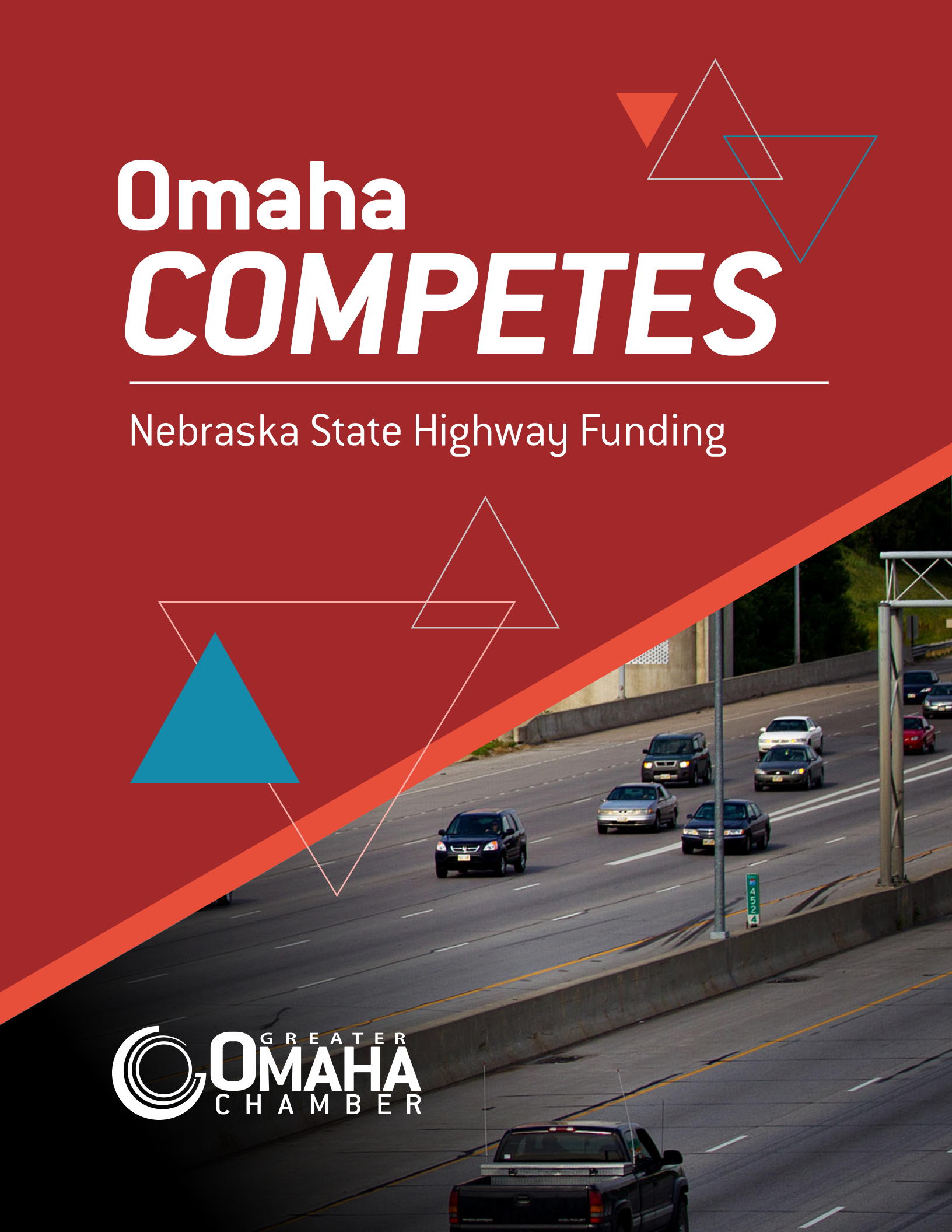


Omaha *COMPETES*

Nebraska State Highway Funding





Executive Summary

Nebraska's highway system stands out nationally for its scale and stability. The system's strength lies in a durable user-based funding structure and a long-standing policy framework centered on maintaining existing assets. Since the Legislature's 2010 adoption of the asset preservation paradigm, the Nebraska Department of Transportation (NDOT) has directed the majority of resources toward system upkeep rather than expansion; a strategy that has kept more than 95 percent of non-interstate highway miles in "good" or better condition.

This brief examines how Nebraska's highway funding model evolved, how it operates today, and how its preservation-first structure shapes future investment capacity, particularly in high-growth corridors such as Omaha. It outlines major revenue sources, historical policy milestones, and performance outcomes, providing context for ongoing discussions about the long-term sustainability and equity of the state's highway investment framework.

The state's core highway funding mechanisms are the Highway Trust Fund, the Build Nebraska Act (BNA), and the Transportation Innovation Act (TIA), supported by federal formula programs through the Federal Highway Administration (FHWA). Together, these sources fund NDOT's annual highway program, with approximately 45 to 50 percent of expenditures supported by federal funds. State revenue relies heavily on the motor fuels tax, which currently totals 31.8 cents per gallon and is composed of fixed, wholesale, and variable components. While this structure provides some rate flexibility, it is not indexed directly to construction inflation and remains exposed to long-term erosion as vehicles become more efficient and more vehicles avoid motor fuels taxes entirely. The result is a funding environment where NDOT must balance preservation and modernization within a constrained fiscal framework.

While Nebraska's asset preservation model has delivered strong system performance, it has also limited flexibility to address capacity needs in high-growth areas, particularly in and around Omaha. The combination of flat user revenues and a preservation-first policy structure means that expansion projects advance slowly unless supplemental funding is provided. As population growth and freight activity continue to concentrate in metropolitan corridors, this imbalance between preservation and capacity investment will increasingly shape the state's mobility and economic competitiveness.

The challenge ahead is structural, not operational. Nebraska's highway funding framework continues to perform as designed, but it was built for a different set of demographic and economic conditions. Maintaining Nebraska's strong system performance while ensuring the capacity to meet new growth demands will require policymakers to evaluate whether current funding tools and statutory priorities offer sufficient flexibility for the decades ahead.

Introduction

Nebraska maintains one of the nation's most extensive highway networks relative to its population. The state's approach to funding and maintaining that system, grounded in the asset preservation paradigm adopted in 2010¹, has succeeded in keeping roads in good condition statewide². However, this same model has constrained investment in high-growth corridors, particularly in and around Omaha, where traffic volumes and economic activity have outpaced the funding mechanisms designed primarily for preservation. In recent years, this strain has begun to show in daily Omaha commute times, which have steadily increased as gridlock becomes more pronounced³. While Omaha still enjoys much easier commute times than many peer cities, this advantage will fade without adding additional resources into Omaha's highway infrastructure.

As vehicle technology, travel patterns, and construction costs shift, Nebraska's user-based funding model is facing increasing strain even as pavement conditions remain strong. The sections that follow summarize the state's major highway revenue tools and statutory priorities, then use NDOT needs and performance measures to illustrate the emerging gap between preservation success and metro-area capacity demands.

¹LB821 (2010) <https://nebraskalegislature.gov/FloorDocs/101/PDF/Slip/LB821.pdf>

²NDOT 2024 Annual Report (pg. 14) <https://dot.nebraska.gov/media/oivol5p5/2024-annual-report.pdf>

³Omaha World Herald (2019) https://omaha.com/news/plus/you-re-right-omaha-area-traffic-is-getting-worse-especially/article_a72f73e2-e52e-51b6-aaa9-71ea86a7b087.html

Current Funding Models

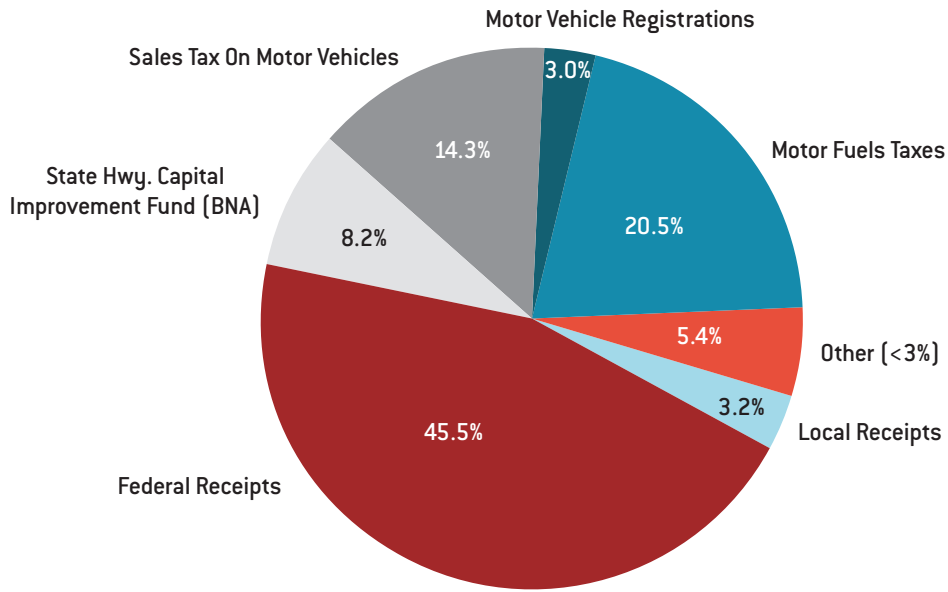
Nebraska's highway system is financed through a combination of state, federal, and local revenue streams that collectively sustain the operations, preservation, and expansion of the state's 10,000-mile roadway network. Of the Nebraska Department of Transportation's annual budget, roughly 95% goes to construction and maintenance of the state's surface transportation system, with the remaining 5% going to administrative expenses⁴.

State funding sources can generally be broken down into three main areas: the Highway Trust Fund, the Build Nebraska Act (BNA), and the Transportation Innovation Act (TIA). Funds from these sources are then distributed according to statute and NDOT priorities.

CATEGORY	FY2023	FY2024	EST. FY2025
Motor Fuels Taxes	\$226,404,050	\$255,844,224	\$263,420,820
Motor Vehicle Registrations	\$35,180,788	\$37,736,464	\$34,978,630
Prorate Registrations	\$13,961,953	\$13,834,108	\$13,942,630
Sales Tax on Motor Vehicles	\$171,141,421	\$178,671,693	\$179,344,554
Interest on Trust Fund	\$455,236	\$627,666	\$710,510
Miscellaneous Receipts	\$12,328,608	\$11,625,917	\$12,821,539
Total Highway Cash	\$459,472,056	\$498,340,062	\$506,218,871
Incremental Fuel Tax Transfer to TIB Fund	-\$27,582,168	-\$28,142,501	-\$28,455,861
Roads Operations Cash Fund (Highway Cash less TIB Transfer)	\$431,889,888	\$470,197,562	\$477,763,010
Grade Crossing Protection Fund	\$2,275,739	\$2,133,003	\$2,591,784
Recreation Road Fund	\$4,094,598	\$4,182,163	\$4,050,321
State Aid Bridge Fund	\$768,727	\$768,780	\$768,911
State Hwy. Capital Improvement Fund (BNA)	\$97,074,202	\$102,942,925	\$105,137,692
Transportation Infrastructure Bank Fund (TIB)	\$28,627,521	\$29,120,539	\$29,739,345
Total State Revenue	\$564,730,675	\$609,344,971	\$620,051,063
Federal Receipts	\$485,582,047	\$568,352,938	\$578,063,616
Local Receipts	\$35,878,792	\$39,889,226	\$17,299,694
Other Receipts	\$4,545,745	\$4,685,999	\$6,517,767
Total NDOT Revenues	\$1,090,737,260	\$1,222,273,134	\$1,221,932,139

Source: NDOT Financial Statement and FY2025 Budget Request.

FY2024 NDOT Revenue Sources (Grouped, <3% Combined, Including Other Receipts)



Highway Trust Fund

Revenue in the Highway Trust Fund comes from three user-generated sources: fuel taxes, sales taxes on vehicles, and vehicle registration fees. The revenue collected from these sources is then shared between the state, counties and cities, at the rate of 53.3% to NDOT, and 23.3% each to cities and counties⁵. In FY2023, the total amount collected into the Highway Trust Fund was \$459,472,056, and in FY2024, it totaled \$498,340,062.

Nebraska’s motor fuels tax is reset semiannually rather than set as a single fixed rate. From January 1 through June 30, 2026, the total rate is 31.8 cents per gallon: 16.3 cents fixed, 11.9 cents based on wholesale fuel prices, and 3.6 cents set to meet highway revenue needs tied to legislative appropriations. While this structure responds somewhat to fuel prices and budget demands, it does not fully address long-term pressures from inflation, rising construction costs, improved fuel efficiency, or the shift to vehicles that use less taxable fuel.

Build Nebraska Act

The Build Nebraska Act (BNA) allocates one quarter of 1% of the state’s sales tax revenue for the construction and completion of the state expressway system, as well as federally designated high-priority corridors. Any leftover funds are to be used for additional surface projects with the BNA, 85% of the funds go to the state, while 15% goes to the local governments for non-state funded projects. In practice, “this generally brings in around \$100 to \$105 million for the state, and \$15 to \$20 million for cities and counties.

Transportation Innovation Act

The Transportation Innovation Act (TIA) created the Transportation Infrastructure Bank (TIB), initially funded through a \$50 million cash reserve transfer and continuing receipts from the gas tax increase enacted under LB 610 (2015). The TIB supports expressway completion, bridge repair, and economic opportunity programs. The goals of the TIA are to accelerate highway construction and improvement projects, advance innovative strategies to expedite bridge replacement and repair, and finance transportation improvements that connect new and expanding businesses to the statewide transportation network. Revenue, primarily from the dedicated funding portion of the gas tax, now brings in roughly \$30 million annually to the TIA.

⁵Policymaker’s Guide to NDOT https://dot.nebraska.gov/about/a-policymaker-s-guide/?utm_source=chatgpt.com

Federal Highway Funding

Federal funding forms a major component of Nebraska's highway program, accounting for roughly 45 to 50 percent of NDOT's annual construction expenditures (totaling \$58,352,938 in FY2024)⁶. These dollars flow through the Federal Highway Administration (FHWA), which administers several formula programs under the Infrastructure Investment and Jobs Act (IIJA, 2021).

While FHWA is best known for its role in supporting the Interstate Highway System, its programs extend across Nebraska's entire state-managed network. NDOT receives federal funds for both interstate and non-interstate routes that are part of the National Highway System (NHS), as well as certain state and local roads through flexible programs such as the Surface Transportation Block Grant Program (STBG).

- **National Highway Performance Program (NHPP):** Supports preservation and reconstruction on the National Highway System, including interstates. Nebraska received \$220,979,686 from the NHPP for FY2024.
- **Surface Transportation Block Grant Program (STBG):** Provides flexible funding for a wide range of state and local projects. Nebraska received \$107,503,631 from the STBG in FY2024.
- **Highway Safety Improvement Program (HSIP):** Finances projects aimed at reducing roadway fatalities and serious injuries. Nebraska received \$21,113,943 from the HSIP in FY2024⁷.

Federal funds generally require a 20-percent state match, drawn from the Highway Trust Fund and other dedicated state sources. Because federal eligibility criteria prioritize system condition, safety, and performance, most of these funds naturally reinforce Nebraska's preservation-first investment strategy.

⁶Nebraska's Surface Transportation Program FY2026-2031 <https://dot.nebraska.gov/media/mjwd2pn4/program-book-2026.pdf?utm>

⁷Apportionment of Federal-Aid Highway Program Funds for FY2024 <https://highways.dot.gov/sites/fhwa.dot.gov/files/n4510880.pdf>

Structural Pressures: The Erosion of the Gas Tax

While Nebraska's funding framework has been stable, several long-term pressures are beginning to affect its sustainability. Nebraska's gas tax remains the largest source of state-generated highway revenue, but its value has declined steadily over time. The per-gallon rate is not a single fixed levy; it is made up of fixed, wholesale, and variable components. For January 1 through June 30, 2026, the total rate is 31.8 cents per gallon, consisting of a 16.3-cent fixed rate, an 11.9-cent wholesale rate, and a 3.6-cent variable rate. The variable rate is set to generate highway revenues consistent with legislative appropriations, while the wholesale rate responds to fuel prices. However, this structure is not indexed directly to construction inflation and remains tied to taxable fuel consumption⁸. As construction costs rise and vehicles become more fuel-efficient, each mile driven generates less revenue than it once did. In addition, the growing share of electric and alternative-fuel vehicles, further reduces gas tax collections by shifting vehicle miles traveled away from taxable fuel consumption⁹. Nebraska has raised EV registration fees to partially replace lost gas tax revenue, including a \$150 standard EV fee and a \$450 commercial EV fee under LB 207, but these charges do not fully solve the long-term decline in per-mile funding.

Since 2010, inflation-adjusted fuel tax revenue per vehicle mile has fallen by more than twenty percent¹⁰. Although Nebraska's gas tax includes a wholesale component that adjusts with fuel prices, that mechanism is an unstable proxy for inflation because it can rise or fall with the wholesale price of gas rather than track construction costs or overall transportation inflation. As a result, the tax has not kept pace with the cost of maintaining and modernizing the system. This erosion in purchasing power has required NDOT to make more deliberate funding tradeoffs, effectively triaging projects to preserve system reliability within a constrained fiscal environment.

This structural limitation has reinforced the state's preservation-first approach. While Nebraska continues to outperform peer states in pavement condition, stagnant user revenues have made it increasingly difficult to address congestion and capacity needs in high-growth areas such as Omaha.

⁸NDOT 2024 Annual Finance Report, <https://dot.nebraska.gov/media/e4rcs0g4/2024-financial-annual.pdf>

⁹National Tax Foundation, <https://taxfoundation.org/blog/ev-highway-trust-fund/>

¹⁰NDOT Motor Fuels Statistics, <https://revenue.nebraska.gov/motor-fuels/motor-fuels-statistics>



Determining Priorities

Biennially, NDOT publishes the State Highway Needs Assessment, which establishes the long-term investment framework behind NDOT funding decisions. The 2024 State Highway Needs Assessment identified roughly \$16.9 billion of needs across three categories.

- **Asset Preservation - \$10.4 billion (61%):** Resurfacing, bridge repair, and rehabilitation of existing assets to a pre-determined condition.
- **System Modernization and Operation - \$2.3 billion (14%):** Improvements, corrections and operational upgrades that improve efficiency and/or safety.
- **Capital Improvements - \$4.2 billion (25%):** New capacity projects, expressway extensions and major corridor expansions in order to meet new demand¹¹.

Consistent with the statutory requirements in the Build Nebraska Act, the state devotes the bulk of its resources to preserving existing assets, rather than to expansion. While this emphasis has sustained high system condition ratings and minimized deferred maintenance, it also constrains the level of investment available for growth corridors, particularly in metropolitan areas such as Omaha, where traffic demand and economic activity continue to rise.

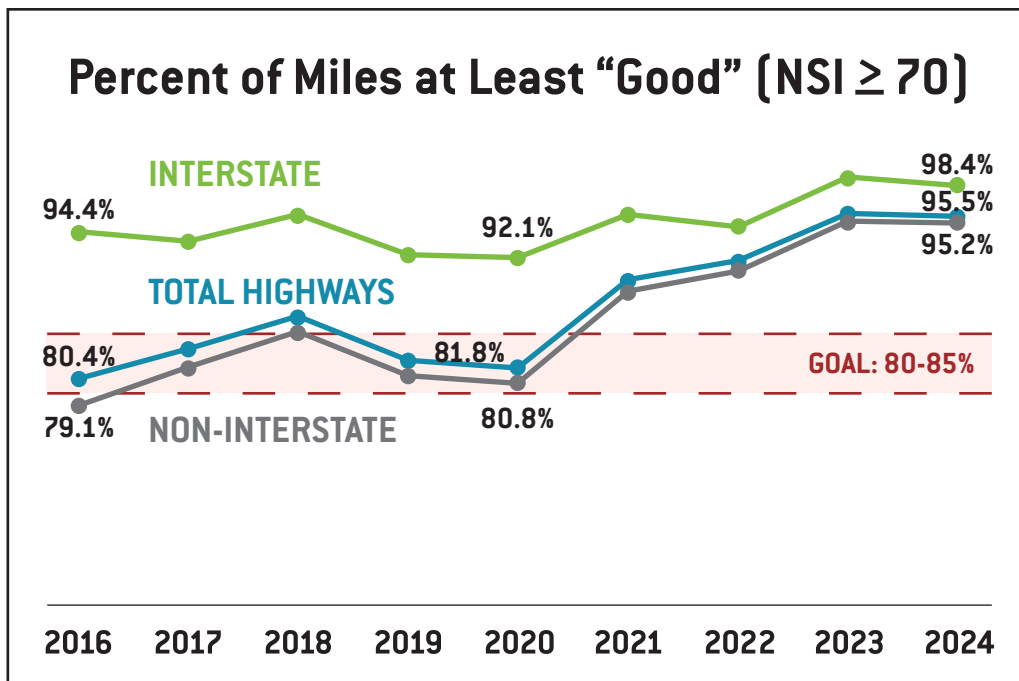
Performance Metrics

In order to monitor and manage the condition of the Nebraska's roadways, NDOT uses two primary performance metrics, the Nebraska Serviceability Index (NSI) and the Internal Roughness Index (IRI). These two metrics measure the ride quality and structural integrity of the state highway system, respectively. The NSI uses a 0 - 100 scale to grade road condition and pavement smoothness.

NSI DESCRIPTION	RANGE
Excellent (Pavement like new)	90 - 100
Good (Several years of service remaining)	70 - 90
Fair (Few years of service life remaining)	50 - 70
Poor (Candidate for rehabilitation)	30 - 50
Very Poor (Possible Replacement)	0 - 30 ¹²

¹¹2024 State Highway Needs Assessment <https://dot.nebraska.gov/media/qt3jpk0m/needs-assesment-2024-final-draft.pdf>

¹²NDOT Pavement Design Manual, <https://dot.nebraska.gov/media/jjwpyezr/pavdesignmanual.pdf>



NSI Ratings

0-30 – VERY POOR | 30-50 – POOR | 50-70 – FAIR
 70-90 – GOOD | 90-100 – VERY GOOD

Source: 2024 State Highway Needs Assessment

In the 2024 State Highway Needs Assessment, 95.2% of Nebraska’s non-interstate total highway miles were rated “good” or higher, well above NDOT’s goal of 80%¹³. This outcome underscores the success of Nebraska’s asset preservation approach: pavement quality is consistently high, and deferred maintenance remains limited. However, because funding prioritization focuses on pavement condition rather than system performance or capacity, it inherently favors preservation over congestion relief or urban expansion projects. As a result, even as surface quality remains strong statewide, urban areas such as Omaha experience increasing travel delay due to limited capacity investment.

The IRI is a national standard used to measure pavement ride quality and smoothness, expressed in inches per mile, with lower values indicating a smoother ride¹⁴. In Nebraska, NDOT classifies segments with an IRI below 95 in/mi as “good,” while those above 170 in/mi are rated “poor.”

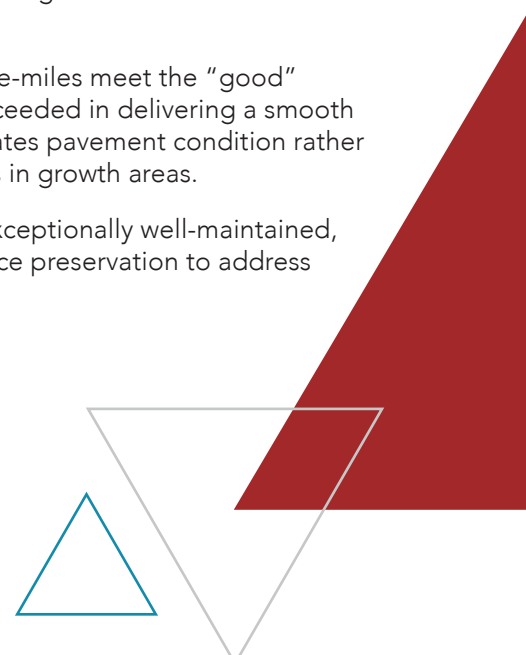
NDOT’s asset management data show that roughly nine in ten non-interstate lane-miles meet the “good” threshold for IRI, underscoring how strongly the preservation-first model has succeeded in delivering a smooth travel experience across most of the state¹⁵. At the same time, because IRI evaluates pavement condition rather than operational capacity, its high scores can mask emerging mobility constraints in growth areas.

In short, Nebraska’s excellent IRI and NSI performance reflects a system that is exceptionally well-maintained, but it also demonstrates why future investment will need to extend beyond surface preservation to address congestion and connectivity in the state’s fastest-growing corridors.

¹³2024 State Highway Needs Assessment, <https://dot.nebraska.gov/media/qt3jpk0m/needs-assesment-2024-final-draft.pdf>

¹⁴US DOT HPMS Field Manual Appendix E: Measuring Pavement Roughness <https://www.fhwa.dot.gov/ohim/hpmsmanl/appe.cfm>

¹⁵Nebraska Department of Roads Transportation Asset Management Plan (TAMP) <https://dot.nebraska.gov/media/zivdbhj1/m052-tamp-final-report.pdf>





Nebraska Highway Funding Policy Background & Evolution



The current distribution of Nebraska’s highway funding reflects a series of legislative decisions that formalized the state’s emphasis on system preservation. Understanding how these priorities evolved provides essential context for assessing today’s allocation framework.

Over the past five decades, Nebraska policymakers have refined this framework to promote fiscal stability and statewide system quality. From the creation of the Highway Trust Fund in 1969 to the adoption of the asset preservation paradigm in 2010, each milestone reinforced the state’s commitment to responsible stewardship of its transportation infrastructure. While this approach has successfully preserved overall system conditions, it has also limited flexibility to address emerging capacity demands in rapidly growing regions. The following historical overview outlines how these legislative actions collectively shaped Nebraska’s modern highway funding structure.

1969 – Creation of the Nebraska Highway Trust Fund

(Enacted as Law 1969, Chapter 309)

The Nebraska Highway Trust Fund is the primary fund for state revenue from the gas tax, motor vehicle sales tax, and vehicle registration fees¹⁶. Prior to enactment, these transportation-related user fees were deposited into the General Fund. The 1969 legislation created a durable funding stream and firewall to ensure transportation revenues were reinvested in Nebraska’s transportation infrastructure.

1988 – LB632 Expressway System

(Introduced by Senator Paul Hartnett - Bellevue)

In 1988, the Legislature passed LB632, which authorized the creation of the Nebraska expressway system, as well as the Highway Restoration and Improvement Bonds Fund, and tied its revenue to the gas tax and registration fees. It also authorized \$50 million of bonding to fund the initial construction of the system¹⁷. Also included in LB632 was the authorization of the 1988 Nebraska Highway Needs Study, which identified the routes to connect urban centers in the state¹⁸, while mandating that the Department annually update its system plan.

2008 – Department of Roads Funding Distribution Team Report

In light of slowing revenue growth and increasing construction costs, the Department of Roads created the Funding Distribution Team to evaluate how best to allocate the Department’s limited resources. The Funding Distribution Team recommended an Asset Preservation first model. The executive summary of the FDT final report specifically stated that this created a new approach for allocating highway funds¹⁹. The flowchart outlining the asset preservation paradigm and decision-making process is located on page 16 of this report under NDOT Priority of Funding Framework (Adapted from the Department of Roads Funding Distribution Team Report, 2008).

¹⁶<https://nebraskalegislature.gov/laws/statutes.php?statute=39-2215#>

¹⁷<https://www.nebraskalegislature.gov/FloorDocs/90/PDF/Slip/LB632.pdf>

¹⁸<https://dot.nebraska.gov/media/edshoshk/expressway-system-nebraska.pdf>

¹⁹<https://dot.nebraska.gov/media/1wmnkrj/funding-distribution-team-2008.pdf>

2009 – LR 152, Transportation Funding Interim Study

(Chaired by Senator Deb Fischer - Valentine)

The LR 152 Task Force was created to address a fiscal crisis in Nebraska's transportation funding, which was heavily reliant on the fuel tax. With public demand for fuel declining due to higher prices and more fuel-efficient vehicles, the traditional funding model was no longer sustainable.

The Task Force's Key Findings Included:

- **Fiscal Crisis:** The state's reliance on the fuel tax, which made up roughly 60-65% of state revenues for highways, had led to a fiscal crisis.
- **Declining Funds:** The Nebraska Department of Roads (NDOR) estimated that current funding would be inadequate to preserve the existing highway system within two years.
- **Delayed Projects:** High-priority capital expansion projects were on hold, including 174 miles of the planned expressway system, which had not received additional legislative funding since 1993.
- **Cost-Cutting & Reprioritization:** The report also highlighted the Funding Distribution Team Findings, and the NDOR's focus on preservation of the current system and reducing operating expenses to shift funds toward construction and maintenance²⁰.
- **Public Consensus:** After holding public hearings across the state, the committee found almost unanimous support for increasing some type of tax or fee dedicated to the transportation system.

The report's conclusion emphasized that while Nebraska's highway system was in excellent condition at the time, continued stagnation in revenue would lead to its deterioration, and that a swift resolution was required to preserve and improve the system.

2010 – LB821, Asset Preservation

(Introduced by Senator Deb Fischer - Valentine)

Following the LR152 Task Force, chaired by Senator Fischer, the Legislature codified NDOR's paradigm proposed in the Funding Distribution Team report. At the bill's hearing, there was not much discussion of whether this would come at the cost of system performance. However, in a neutral capacity, the director of engineers at the Department of Roads answered a question of whether they had ever deviated from asset preservation by mentioning that they spent a large percentage of their budget on finishing the interstate in the 1970s, and at other times had shifted funding toward Omaha interstate rehabilitation²¹. LB821 was a foundational step in codifying a long-term strategy for Nebraska's transportation infrastructure, formally shifting the state's priority to the maintenance and preservation of its existing assets, from a statutory structure that allowed for more flexibility for expansion and system performance.



²⁰Document page 2 https://nebraskalegislature.gov/pdf/reports/committee/transport/2009_lr152.pdf

²¹Page 17 <https://www.nebraskalegislature.gov/FloorDocs/101/PDF/Transcripts/Transportation/2010-01-26.pdf>



2011 – LB84, the Build Nebraska Act

(Introduced by Senator Deb Fischer - Valentine)

Passed by Senator Deb Fischer in 2011 as LB84, the Build Nebraska Act dedicated one quarter of 1% of general state sales tax for the expansion of the Nebraska Expressway System, federally designated High Priority Corridors and reconstruction of the existing transportation system. Under the Build Nebraska Act, 85% of funding was directed to NDOT for state highway projects, and 15% went to local road projects. Revenue first became available in fall of 2013, and the passage of LB 727 (2023) extended the BNA sunset from 2033 to 2042²². BNA is projected to generate \$3.5 billion before it sunsets in 2042.

Initially in 2011, \$600 million was allocated to expand 17 expressway, interstate or national high priority corridors. To date, 16 of these corridors are complete or under construction; the one remaining is in development and on track for completion before BNA sunsets²³.

Implementation & Project Selection (2013–2016)

As part of BNA implementation, NDOT conducted a statewide project identification and evaluation process in 2016 that engaged more than 2,000 Nebraskans and identified over \$8 billion in potential transportation projects. Candidate projects were evaluated for their economic and engineering performance and given an overall performance score. Projects were selected for BNA Next 10 and TIA, based on performance scores and other important considerations, such as geographic inclusion, progress on Expressway and High Priority Corridors, Interstate and Expressway connectivity, and available supplemental funding.

Additional Financing Authority (2023)

In 2023, the Legislature expanded the state's use of highway bonding by authorizing up to \$450 million in additional bonding capacity. Originally introduced as LB706 and amended into LB727 (2023), this change provided the state with increased flexibility to accelerate project delivery and address rising construction costs, supplementing existing pay-as-you-go funding mechanisms under the Build Nebraska Act.

2015 – LB610, Gas Tax Increase *(Introduced by Senator Jim Smith - Papillion)*

In 2015, the Legislature overrode a veto from Governor Pete Ricketts to increase the gas tax in 1.5 cent annual increments from 2016 to 2019, going from 26.1 cents per gallon to 32.1 cents per gallon. New revenue was split, with 1/3rd going to NDOT and 2/3rds going to cities and counties. The fiscal note for LB610 projected that this would yield an extra \$25.4 million to NDOT and \$50.8 million for cities and counties annually by 2019.

²² LB727 (2023) Sec. 29 – 32 <https://nebraskalegislature.gov/FloorDocs/108/PDF/Slip/LB727.pdf>

²³<https://dot.nebraska.gov/projects/bna/first-10/>

2016 – LB960, the Transportation Innovation Act

(Introduced by Senator Jim Smith - Papillion on behalf of the Governor)

The Transportation Innovation Act supplemented the Build Nebraska Act by introducing new funding sources and programs meant to accelerate the completion of the expressway system and address other critical infrastructure needs. Specifically, the TIA legislation created the Transportation Infrastructure Bank (TIB) that received a one-time transfer of \$50 million from the Cash Reserve Fund in 2016. Additionally, the TIB receives annual revenue from fuel taxes enacted by LB 610 (2015). The TIA created three main programs:

- **The Accelerated Capital Improvements Program:** Focused on expediting the completion of the full 600 mile expressway system, and authorized “design build” contracts to accelerate project delivery by two years.
- **The County Bridge Match Program:** Provided \$40 million to help counties repair deficient bridges. In 2024, the Legislature passed LB1030, which extended the program’s sunset date to 2029, and authorized two \$4 million transfers to the program²⁴.
- **The Economic Opportunity Program:** Provided local grant awards, typically below \$500,000, meant for strategic transportation improvements that better connect businesses to Nebraska’s statewide, multi-modal transportation network²⁵.

NDOT projects that \$529 million will be generated for infrastructure investments before the TIA sunsets in 2033.

2017 – LB339 Merging the Department of Roads & Aeronautics

(Introduced by Senator Curt Friesen - Henderson on behalf of the Governor)

LB339 created the current administrative design for the Nebraska Department of Transportation by merging the Department of Aeronautics with the Department of Roads. This was meant to help better coordinate the state’s transportation infrastructure²⁶.

2025 – LB558 Infrastructure Review Task Force

Similar to the work of the LR 152 study in 2009, the LB558 Infrastructure Review Task force is tasked with reviewing and analyze Nebraska’s infrastructure network, in light of the changing economics of highway construction and maintenance. Its goal is to recommend how the state can maintain safety and reliability of its system, while also considering the broader economic impacts of transportation policy in Nebraska.

The Task Force is made up of the Governor (or a designee), the chair of the Revenue Committee, the chair of the Transportation Committee, the Speaker of the Legislature, the Director of NDOT, the Tax Commissioner, and three members of the Legislature appointed by the Executive Board. The Task Force will be active through the end of the current biennium, and will expire in December 2026.

Over the past half-century, Nebraska has continually adjusted its highway funding framework to balance fiscal discipline with infrastructure performance. Early reforms secured dedicated, user-based revenue; subsequent legislation strengthened preservation as a guiding principle; and recent programs expanded the toolbox for targeted capital investment. The result is a system that maintains strong statewide condition ratings but offers limited flexibility for capacity expansion in high-growth corridors, a structural outcome of long-term policy continuity.

²⁴https://nebraskalegislature.gov/FloorDocs/108/PDF/FN/LB1030_20240202-120839.pdf

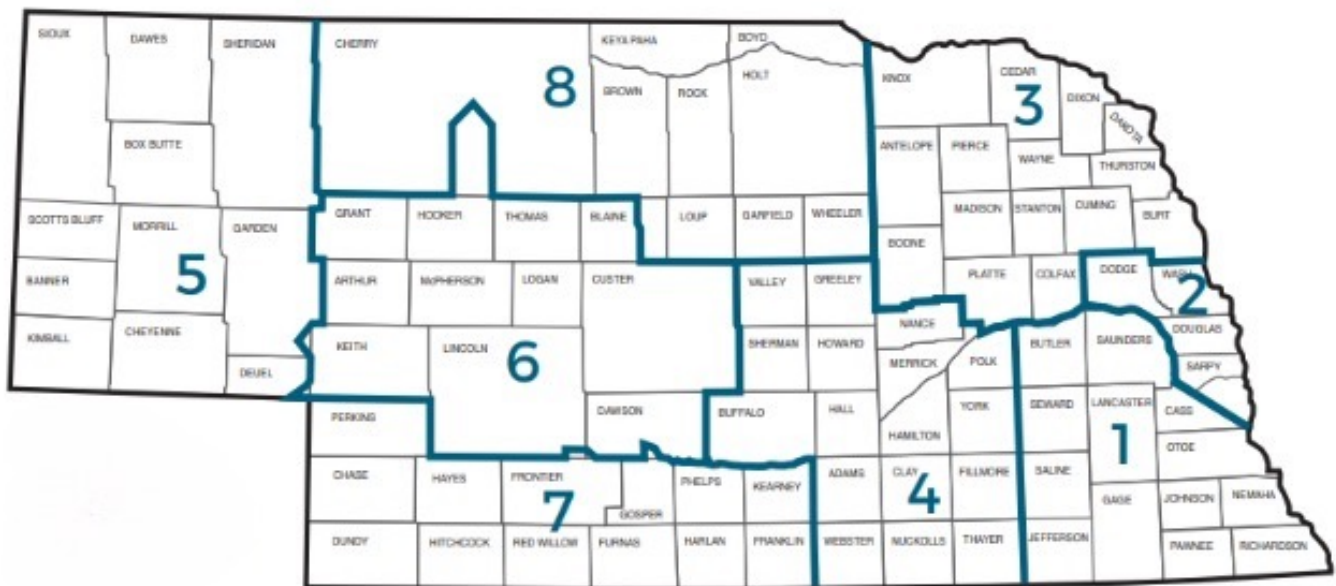
²⁵<https://dot.nebraska.gov/projects/tia/eco-opp/>

²⁶Pages 32-33, <https://www.nebraskalegislature.gov/FloorDocs/105/PDF/Transcripts/Transportation/2017-01-30.pdf>

Institutional Oversight: The Nebraska State Highway Commission

Established in 1953, the Nebraska State Highway Commission provides citizen oversight and advisory input on the state's highway program. The eight-member body, appointed by the Governor and confirmed by the Legislature, represents each of Nebraska's highway districts. While the Commission does not appropriate funds or set spending priorities, it serves as a public liaison to NDOT, reviews proposed policies and programs, and conducts hearings on major system issues. In this capacity, the Commission provides a formal channel through which regional perspectives can be communicated in the state's transportation planning process²⁷.

Nebraska State Highway Commission Regions



The Asset Preservation Paradigm

As mentioned previously, in 2010, the Legislature formally adopted an asset preservation approach to highway funding through LB821. This policy followed recommendations from the Department of Roads Funding Distribution Team and the LR152 Transportation Task Force, which both concluded that available revenues would soon be insufficient to maintain Nebraska's highway system without a shift in priorities. Under this model, resources are first directed toward preserving the condition and serviceability of existing highways, with capacity expansion considered only after preservation needs are met²⁸.

In practice, this framework places the majority of annual highway investment into resurfacing, bridge repair, and rehabilitation projects, while comparatively little funding goes toward new capacity. According to NDOT's 2024 State Highway Needs Assessment, approximately 80 percent of total identified needs fall under preservation or system modernization, while only 20 percent are associated with capital improvements or expansion²⁹. This distribution shapes long-term infrastructure outcomes and reflects the fiscal realities facing NDOT-flat user-based revenues and rising construction costs.

²⁷Nebraska Department of Transportation, dot.nebraska.gov/about/state-highway-commission-45.

²⁸LB821 (2010) https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=9764&docnum=LB821&leg=101

²⁹2024 State Highway Needs Assessment, page 5 <https://dot.nebraska.gov/media/qt3jkg0m/needs-assesment-2024-final-draft.pdf>

The asset preservation paradigm has succeeded in keeping Nebraska’s pavement condition among the best in the nation, with more than 95 percent of non-interstate highway miles rated in “good” or better condition³⁰. However, because this model evaluates performance largely by surface condition rather than traffic flow or congestion, it tends to prioritize rural and lower-volume routes where preservation scores remain higher. The result is that capacity-driven projects in fast-growing areas, such as the Omaha metro, advance more slowly than overall system conditions might suggest.

While this approach reflects sound fiscal management, it also illustrates the limits of a preservation-first framework in a state experiencing uneven growth. As Omaha and other metropolitan regions expand, pressure will continue to mount for NDOT to balance asset preservation with targeted capacity improvements necessary to sustain economic activity and reduce congestion.

NDOT Priority of Funding Framework

(Adapted from the Department of Roads Funding Distribution Team Report, 2008)

This flowchart illustrates the decision hierarchy guiding NDOT’s allocation of construction funds. Preservation needs are prioritized first, with capacity expansion considered only after existing system requirements are met.

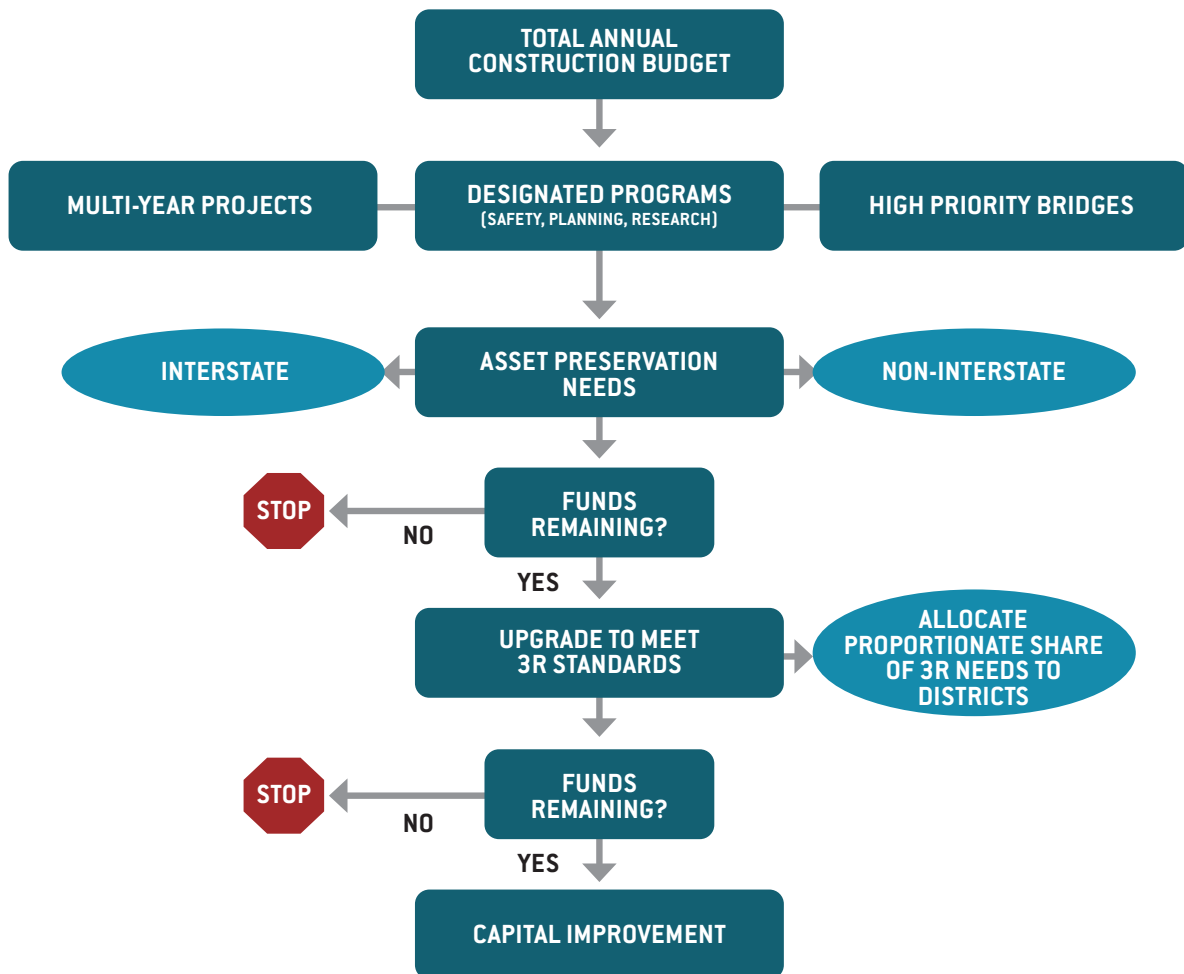


Figure 1 - Priority of Funding

³⁰2024 NDOT Annual Report, page 14 <https://dot.nebraska.gov/media/oiwol5p5/2024-annual-report.pdf>



CONCLUSION & OUTLOOK

Nebraska's highway funding model has been remarkably stable for more than half a century. The combination of user-based revenues, constitutional protections, and a disciplined preservation policy has kept the state's system among the best-maintained in the country. Pavement quality remains high, bridges are generally in serviceable condition, and the state has avoided the deferred maintenance challenges facing many peers. From a fiscal management perspective, this is a clear success story—one rooted in prudence, predictability, and continuity.

Yet this success also creates its own constraints.

Flat gas tax revenues, rising construction costs, and limited flexibility in statutory distribution formulas has produced a funding environment defined more by triage than by expansion.

NDOT's asset preservation framework, while effective in sustaining quality, has historically directed resources toward lower-volume corridors where condition scores remain strongest. As a result, capacity-driven projects in high-growth areas advance only when dedicated or supplemental funding is available. The system functions as designed, but the design reflects an era when maintaining reach mattered more than managing congestion.

Looking ahead, Nebraska faces a structural question rather than a performance problem. **The challenge is not that the roads are deteriorating, but that the fiscal tools and statutory priorities guiding highway investment were built for a different set of economic and demographic realities.** As metropolitan regions grow more rapidly and freight patterns evolve, future policy discussions will be needed to maintain economic competitiveness.