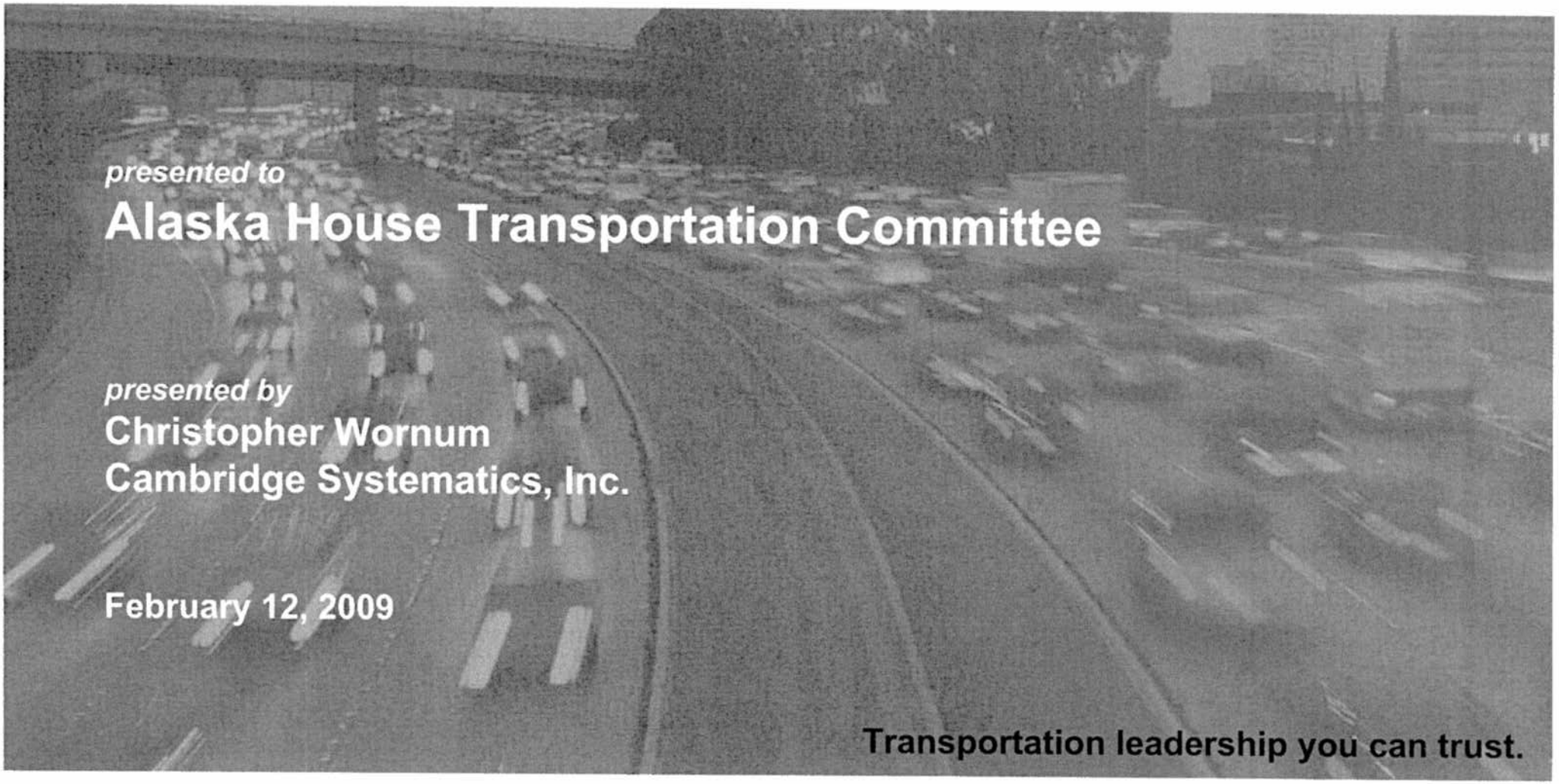
Alaska Transportation Finance Study
Alaska Municipal League



CAMBRIDGE SYSTEMATICS

Alaska Municipal League
Local Government At Its Best!

Agenda
20 Minute Presentation

- Brief synopsis of the study's objectives
- Under Investment in the state's transportation infrastructure
- Current Federal funding at risk
- Options for closing the gap between needs and revenues

Study Objectives
Six Questions Posed by the Alaska Municipal League

1. Describe current trends in transportation capital and operating needs

2. Identify changes in Federal funding priorities that may impact on funding levels for Alaska

3. Evaluate user fees, public-private partnership, and other tools for financing transportation investments

4. Identify factors that are most likely to impact Alaska's transporta-tion funding in the future

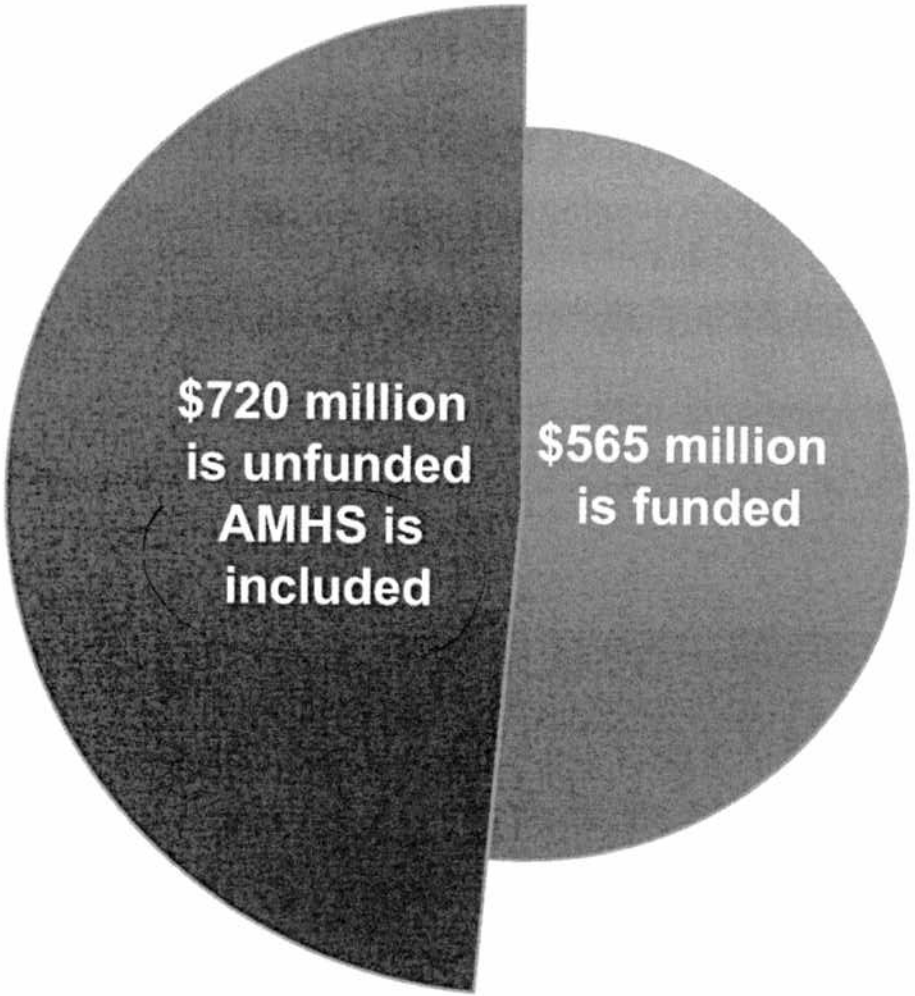
5. Identify possible strategies Alaska can best use to react to these factor and challenges

6. Evaluate potential funding and financing tools for transportation

Under Investment
State's Economy More Dependent of Transportation

- State economy is highly dependent on resource extraction and "traded" industries:
  - These industries are highly transportation-intensive
  - Their growth is the most likely offset to declining oil production & economic diversification
- Other transportation-dependent conditions amplify the effects of under investment:
  - Far-flung communities
  - Harsher environment
  - Less mature roadway network

Under Investment on State-owned Facilities
Annual Highway & Bridge Needs Are about $1.1 billion

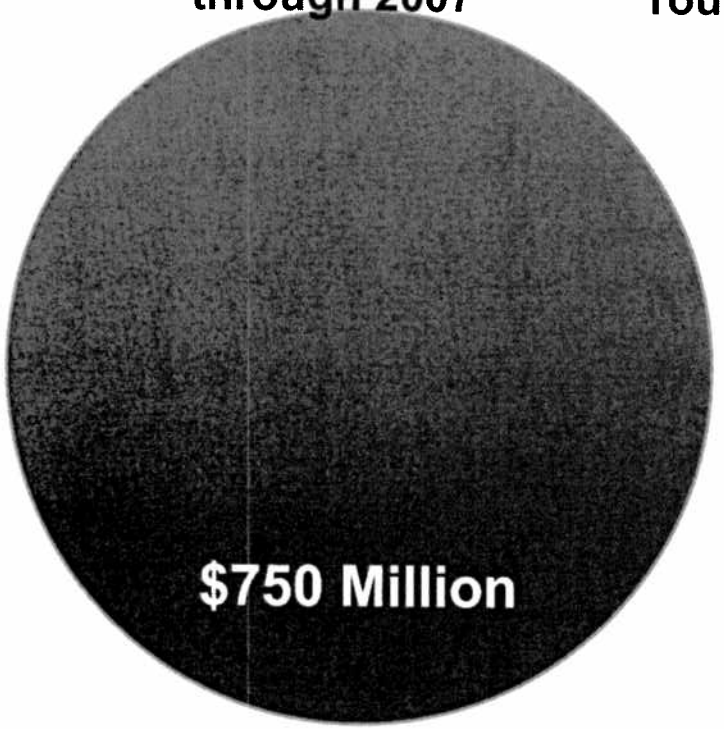


Excludes local roads and street needs

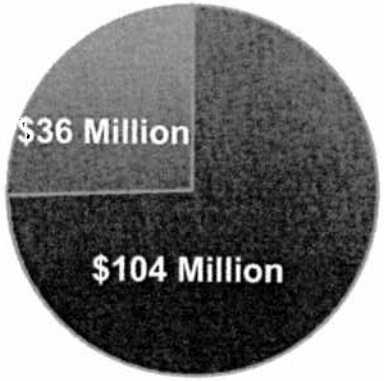
Source: 2030 Transportation Plan

Under Investment *(continued)*
Backlog of Life-cycle & Routine Maintenance

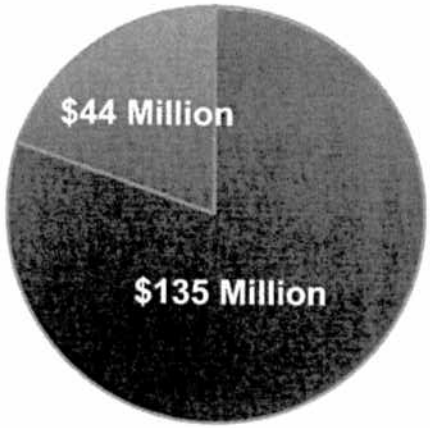
Life-cycle backlog of through 2007



140 million annually needed routine highway maintenance



$179 million annually needed for AMHS

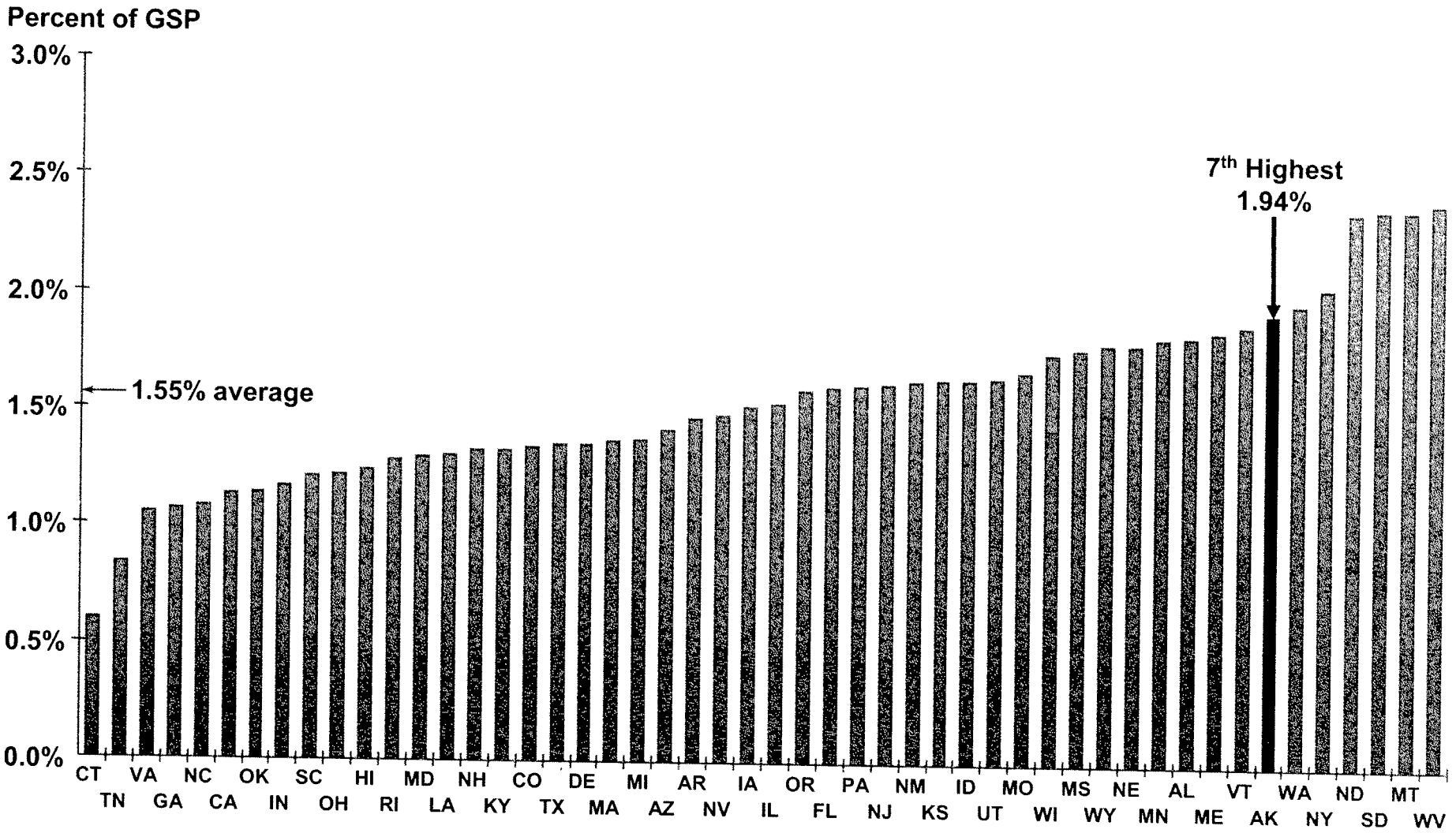


These figures still do not include needs for

- Transit
- Locally funded urban and rural roads
- Aviation
- Capacity needs to meet travel demand growth

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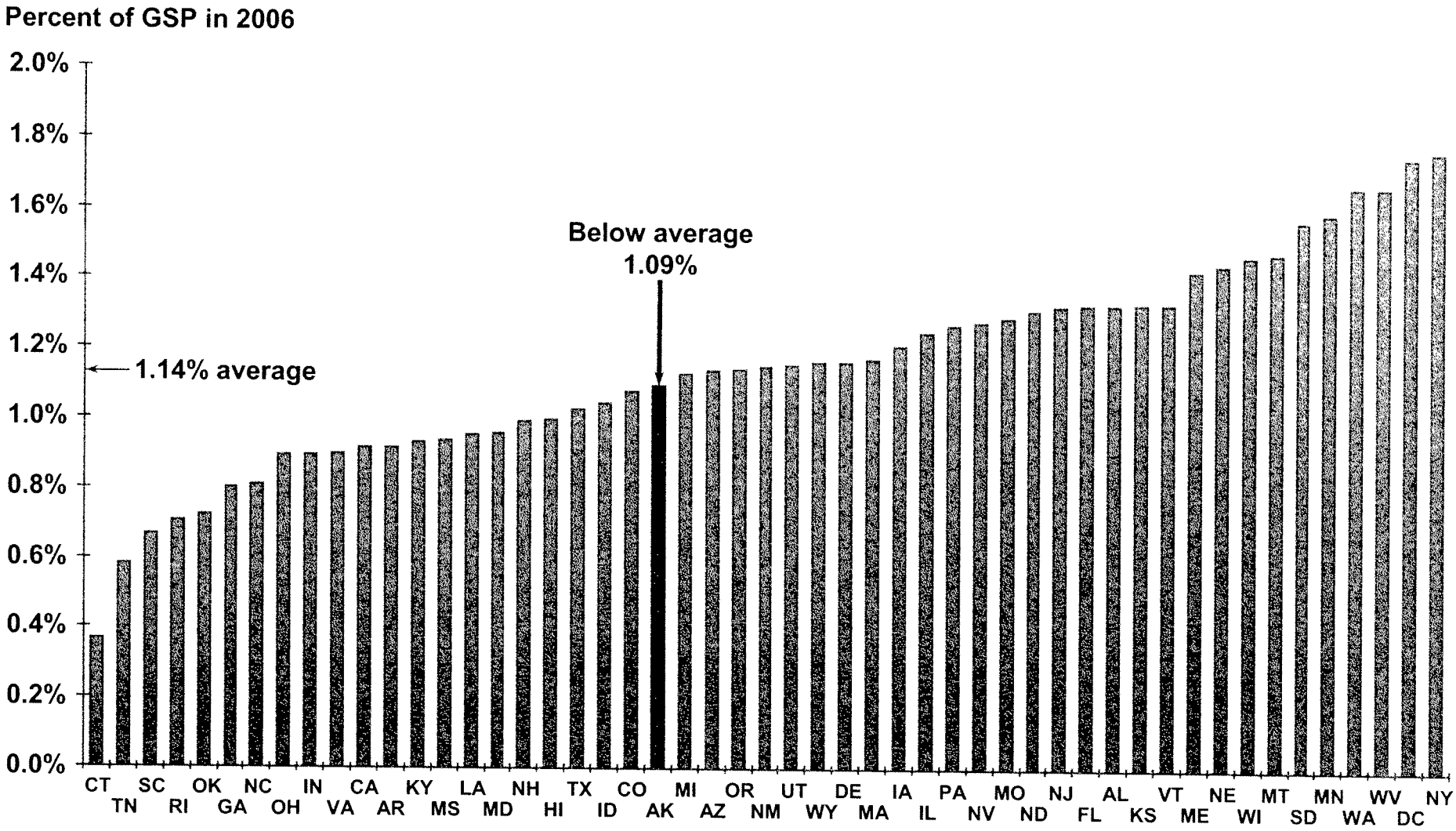
Current Federal Funding at Risk
Total Spending as a Share of Gross State Product (GSP)



Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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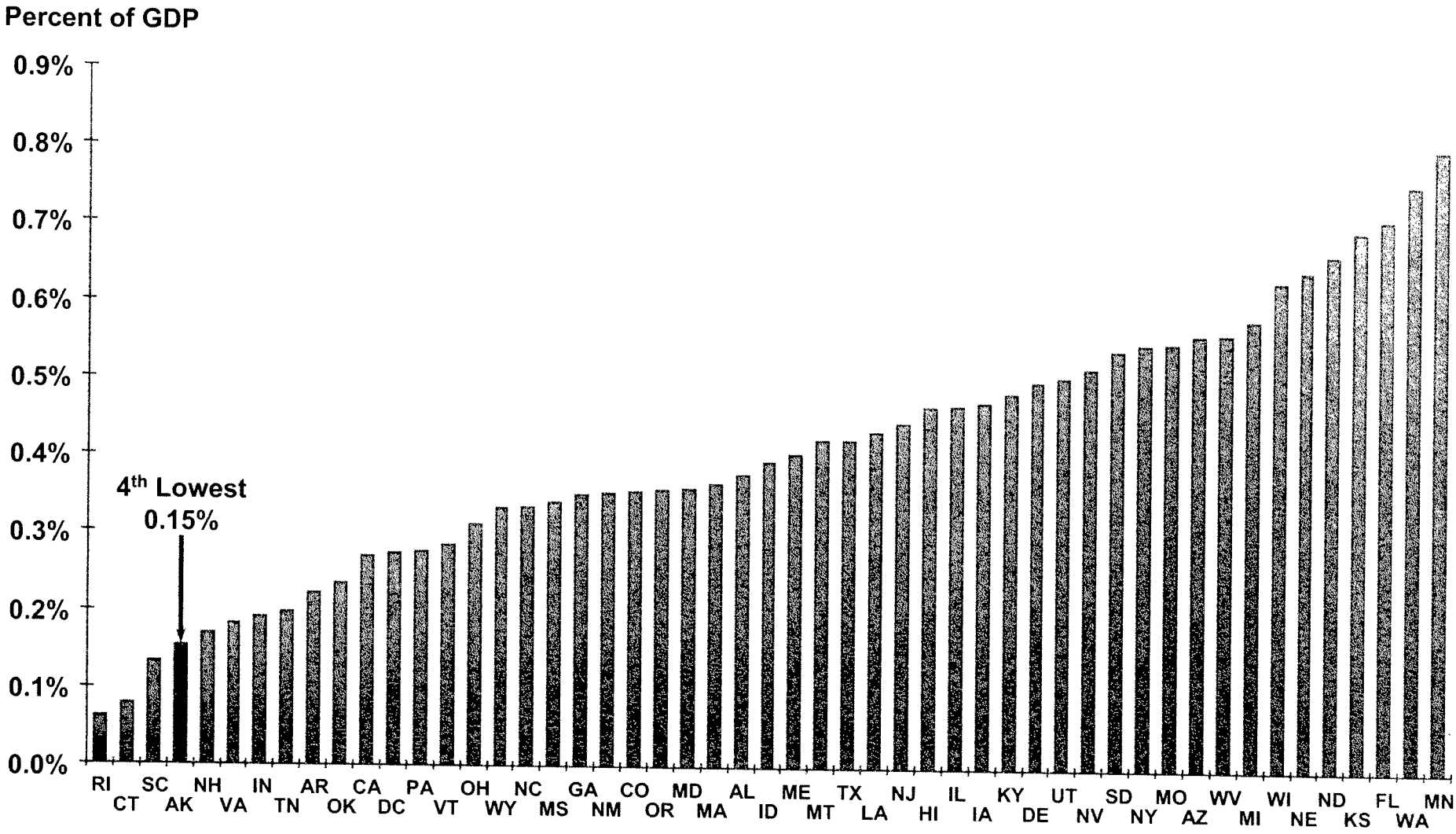
Current Federal Funding at Risk *(continued)*
State Total Spending (Net of Federal) as a Share of GSP



Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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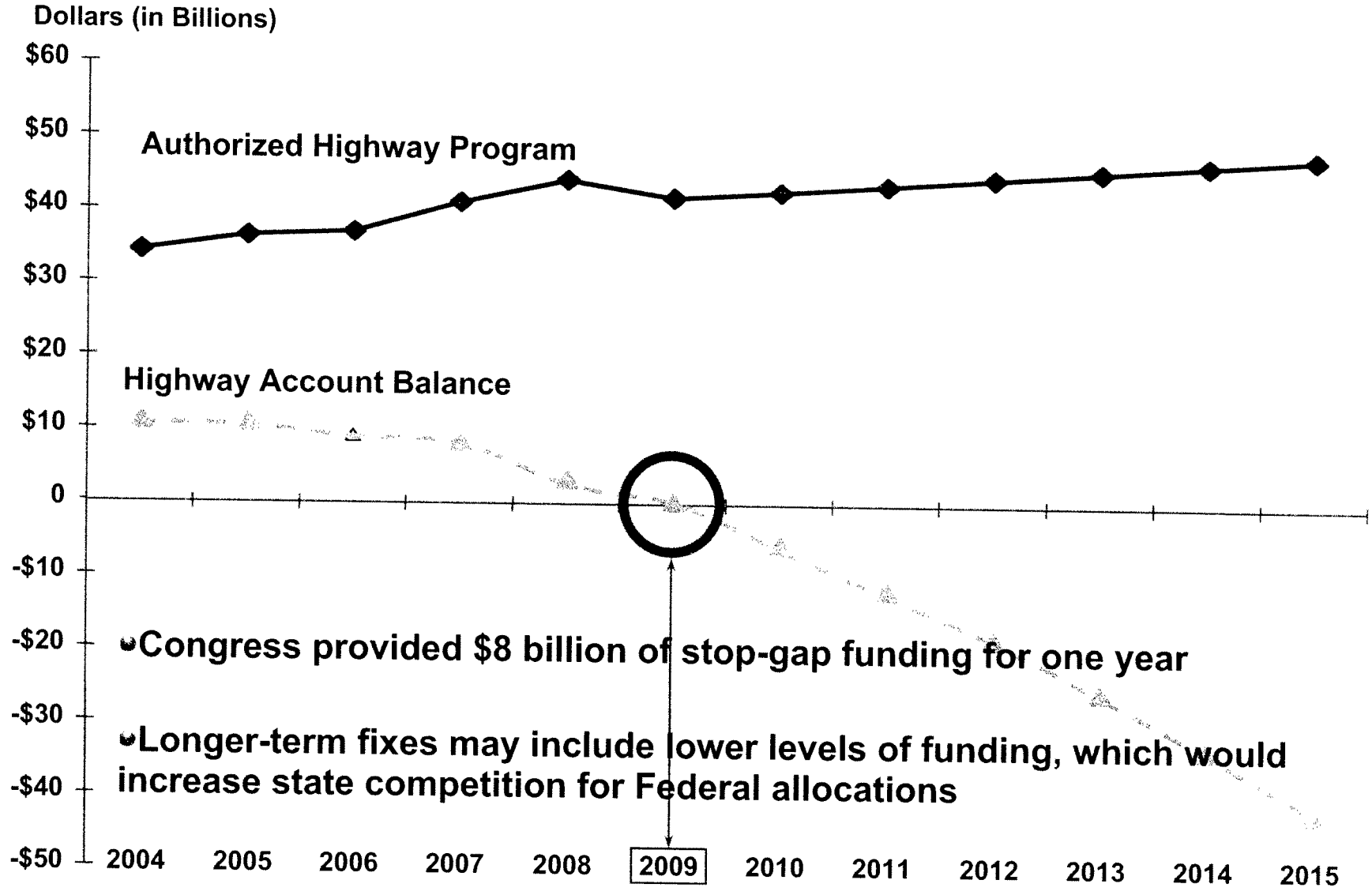
Current Federal Funding at Risk *(continued)*
State Capital Spending (Net of Federal) as a Share of GSP



Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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Current Federal Funding at Risk *(continued)*
Estimated Highway Trust Fund Levels & Account Balance*

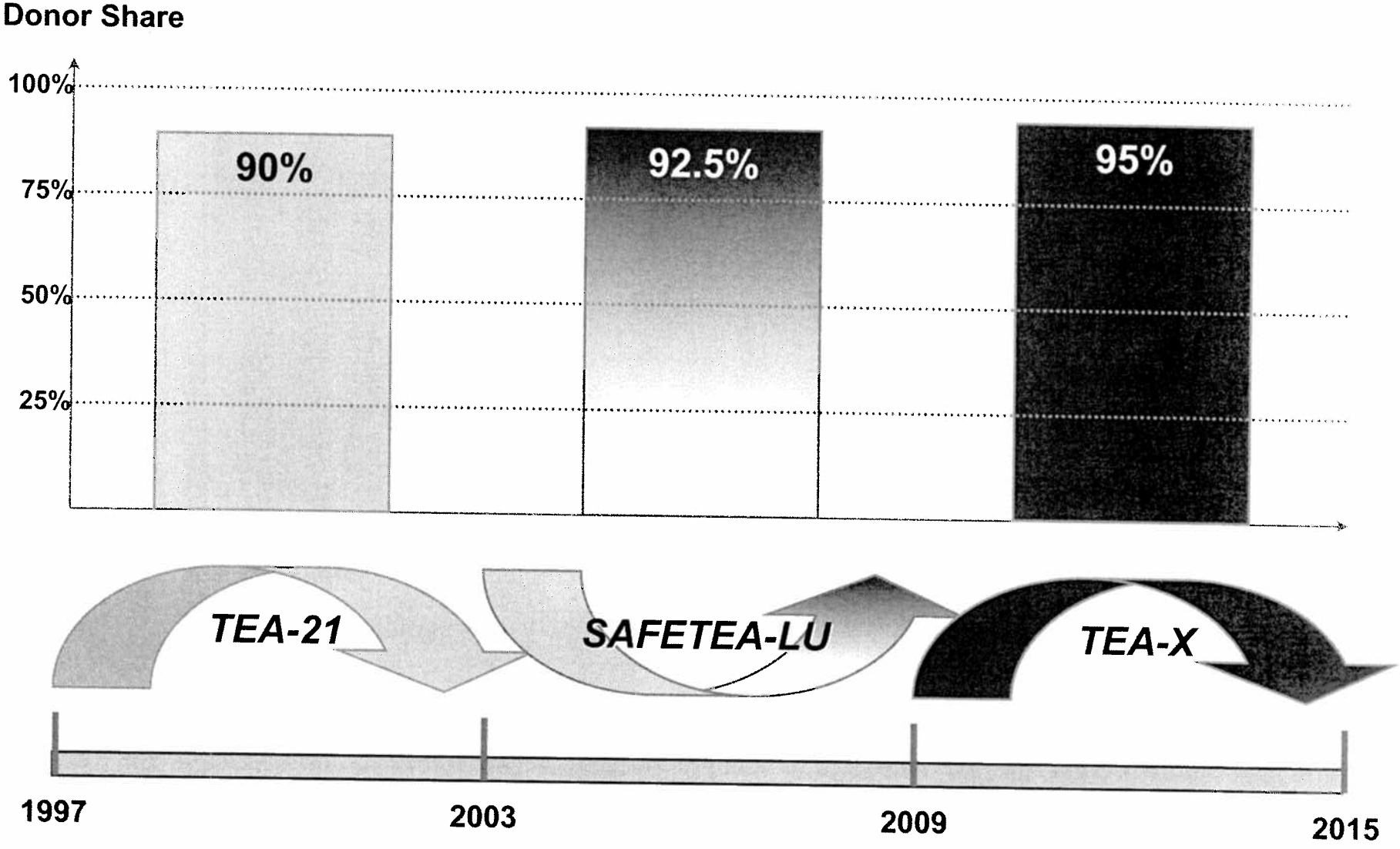


- Congress provided $8 billion of stop-gap funding for one year
- Longer-term fixes may include lower levels of funding, which would increase state competition for Federal allocations

* Based on AASHTO modeling of FY 2009 Budget Proposal from the U.S. Treasury Department.

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Current Federal Funding at Risk *(continued)*
Competition between Donor versus Donee States



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Current Federal Funding at Risk *(continued)*
Reauthorization Funding Policies Likely to Change

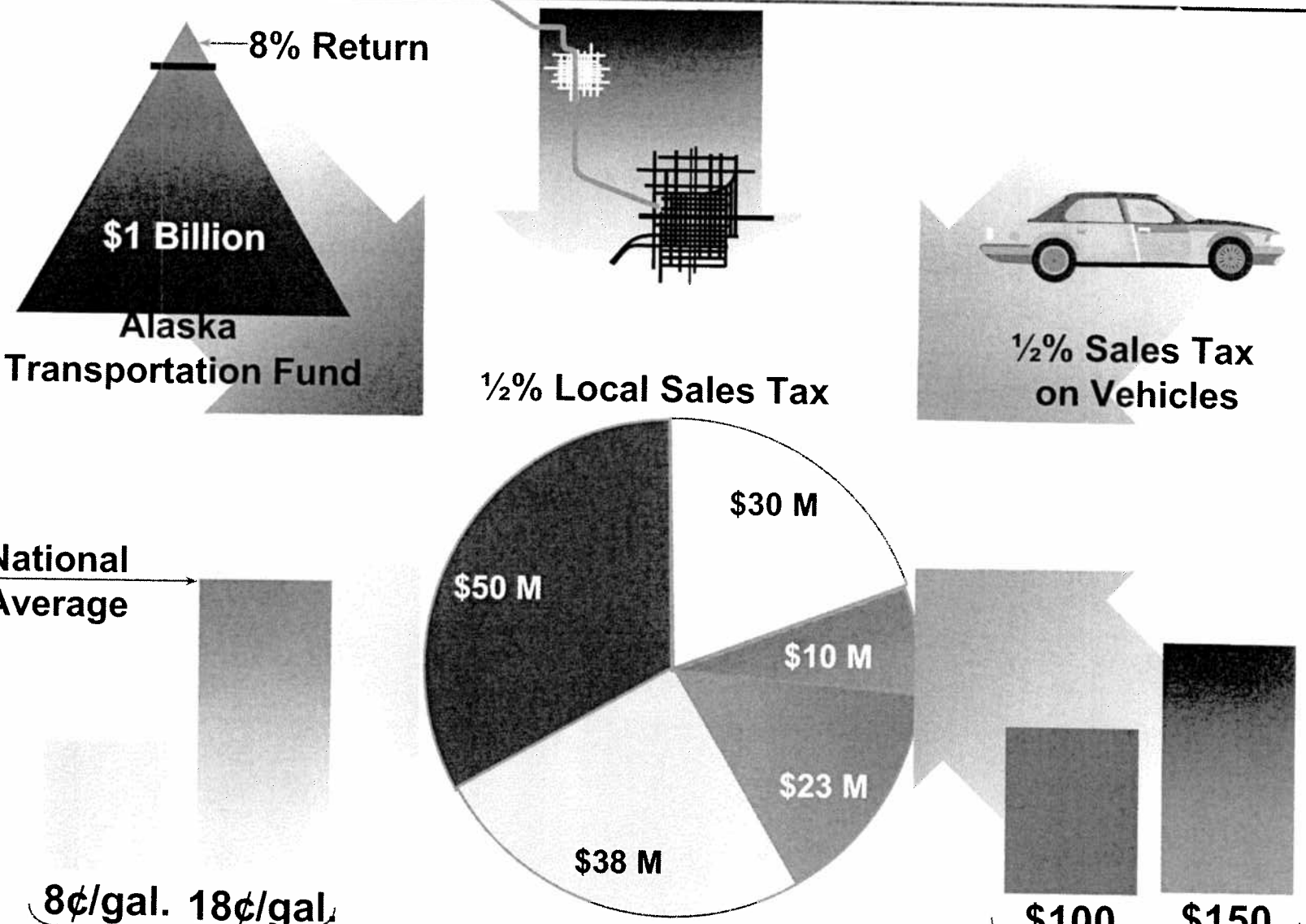
- Place far more emphasis on tolling or other user fees and metropolitan transit/transportation networks, rather than highway funding or legislative earmarking.

- Some proposals would push greater responsibility to states or cities for financing their transportation improvements

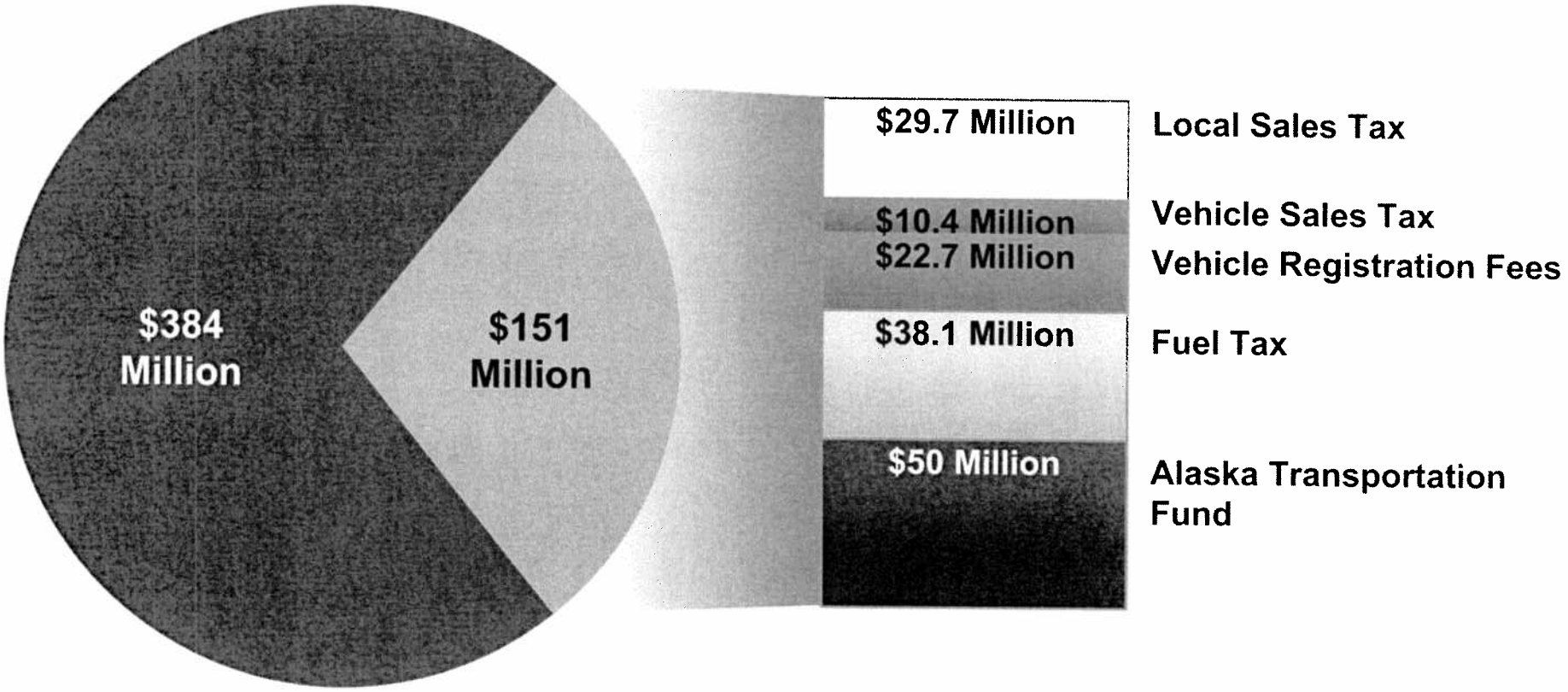
Current Federal Funding at Risk *(continued)*
Other States Challenging Federal Support for State's Needs

- Permanent Fund currently has almost $28 billion
- Only state that collects neither income tax nor state sales tax
- Lowest gas tax in the country

Funding Options - Scenario 1
Fuel Tax, Vehicle Registration Fees, Sales Tax, and ATF



Funding Options - Scenario 1 *(continued)*
$151 Million of $535 Million Gap

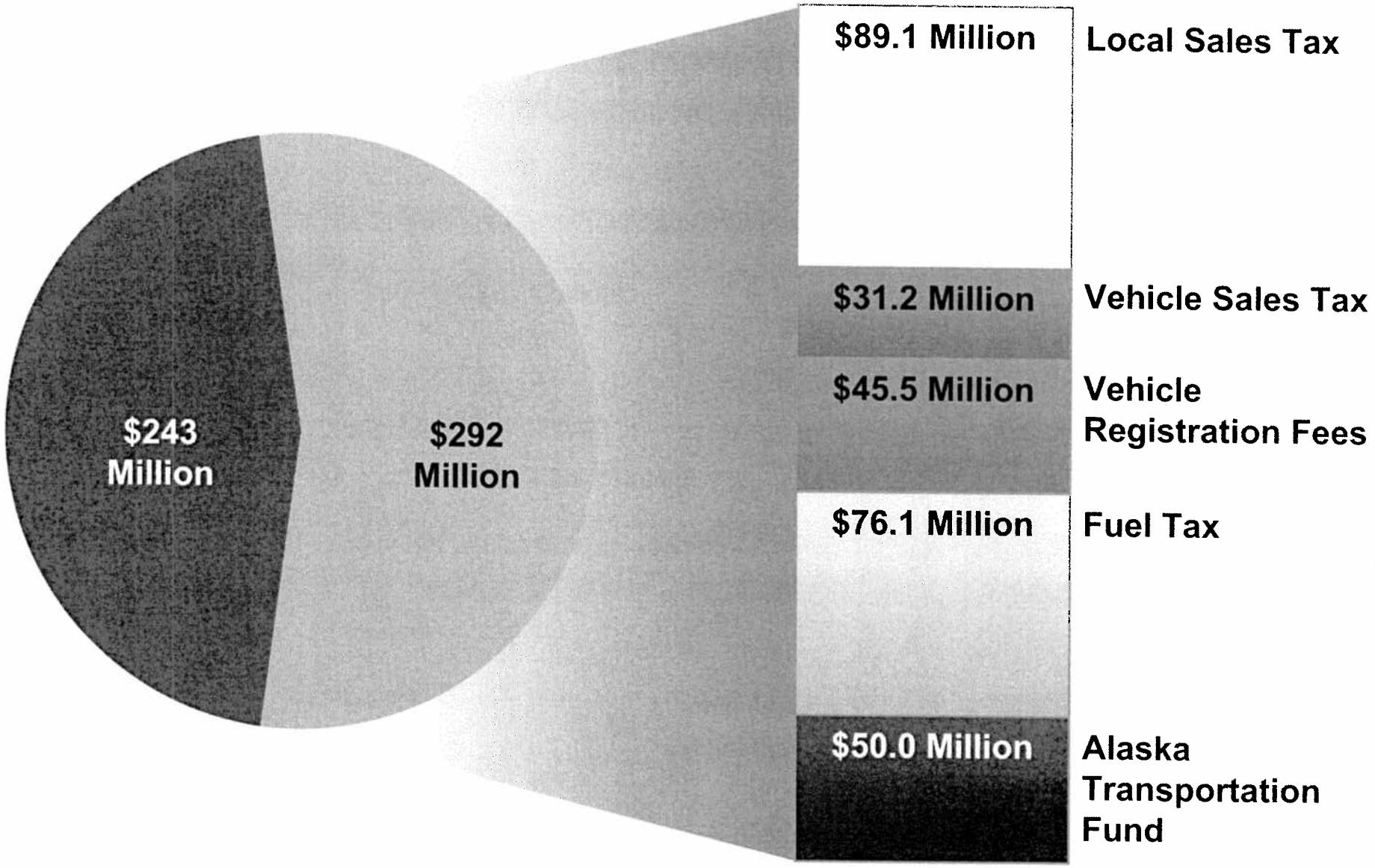


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Funding Options - Scenario 2
$292 Million of $535 Million Gap

- Increase fuel taxes from 8 to 28¢/gallon and index the rate to inflation, generating about $76 million annually
- Double vehicle registration fees from $100 to $200 biannual fee, generating over $45 million annually
- Impose a vehicle sales tax of 1.5 percent, yielding over $31 million annually
- Encourage local jurisdictions to impose a 1.5 percent sales tax, which would earn about $89 million annually
- Capitalize the Alaska Transportation Fund with $1 billion, which with a 8 percent return should earn about $50 million annually

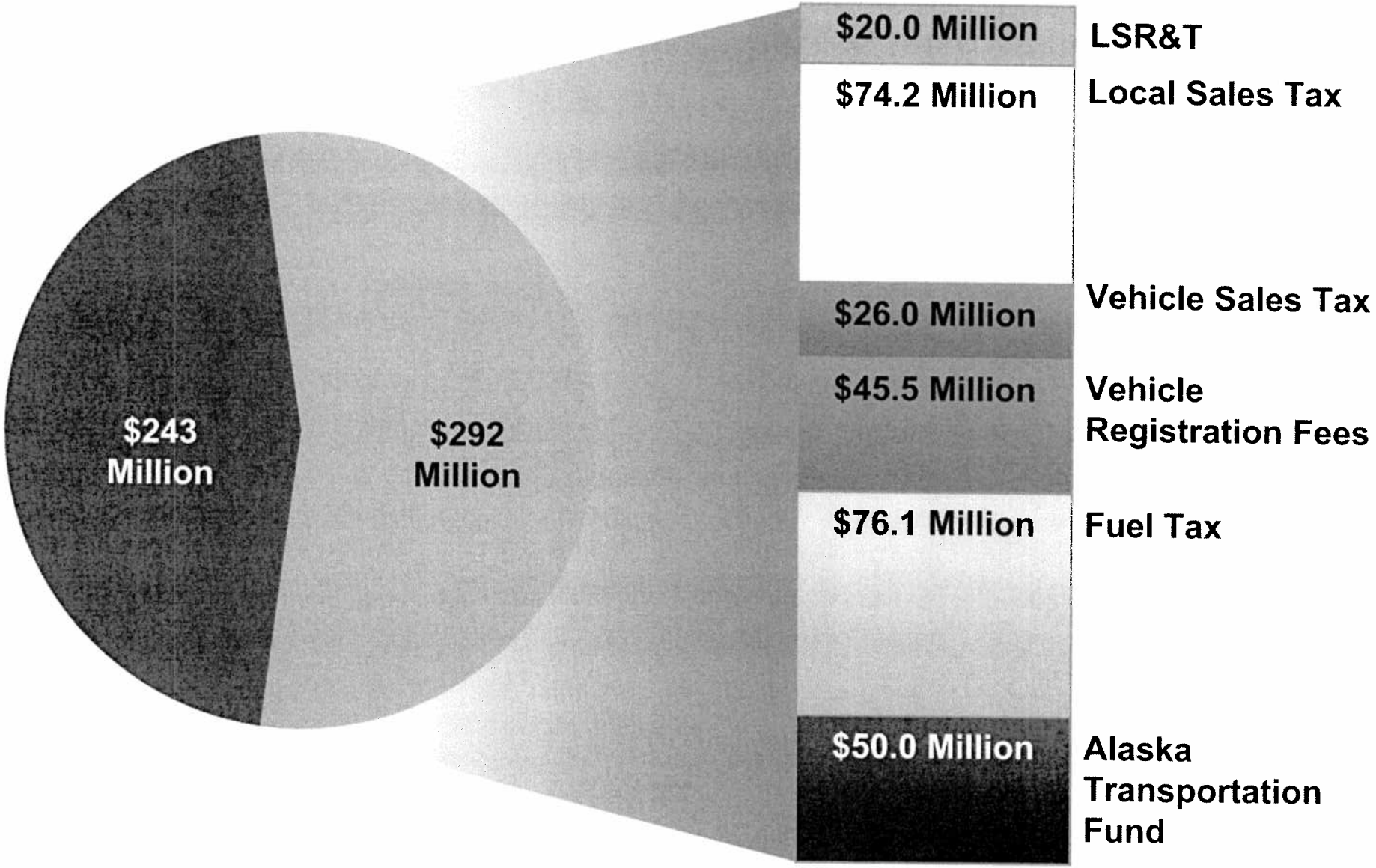
Funding Options - Scenario 2 *(continued)*
$292 Million of $535 Million Gap



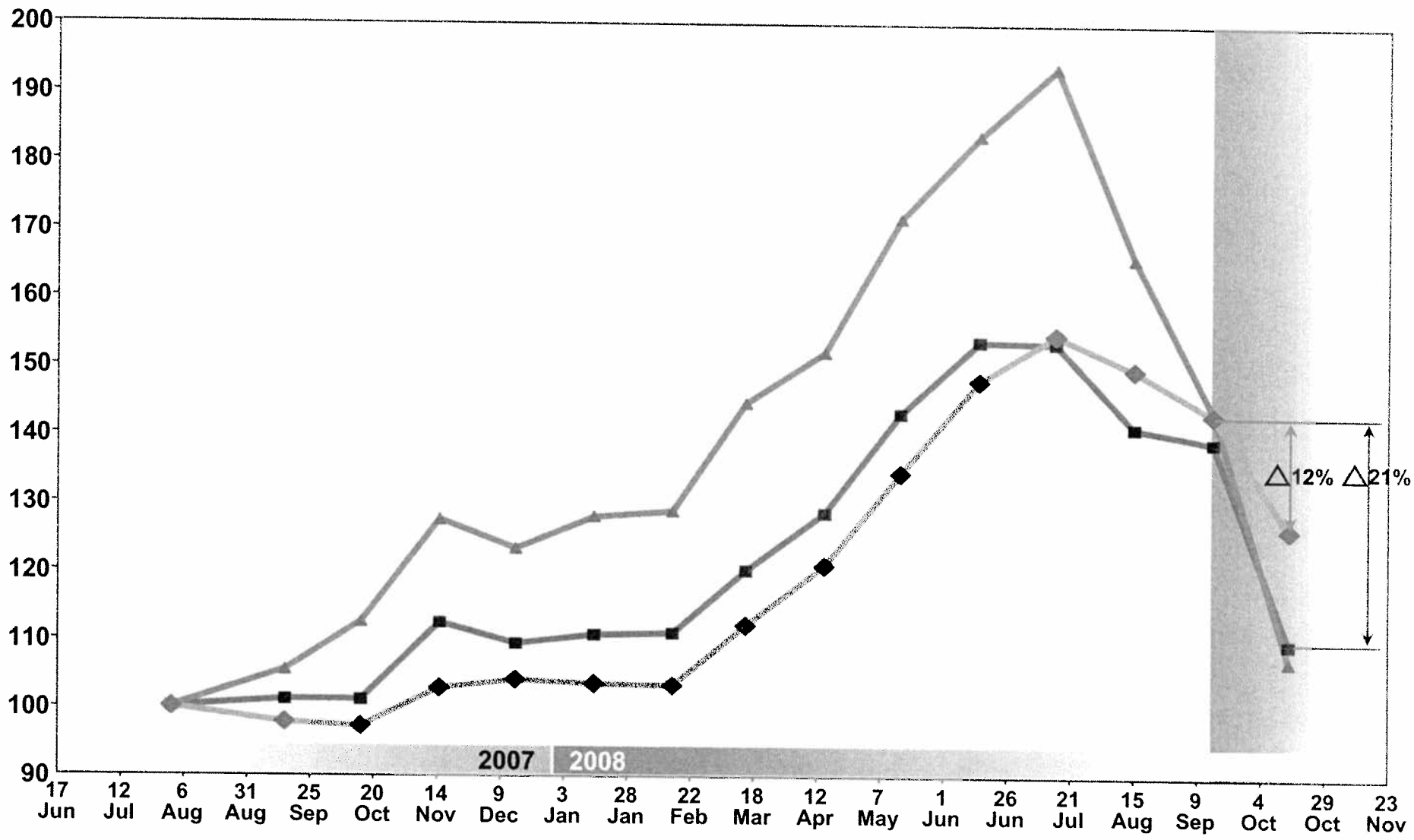
Funding Options - Scenario 3
Scenario 3 - $292 Million of $535 Million Gap

- Same increase in fuel taxes (8 to 28 ¢/gallon and index the rate to inflation), gen-erating about $76 million annually
- Same doubling of vehicle registration fees from $100 to $200 biannual fee, generating over $45 million annually
- Impose a 1¼% vehicle sales tax, earning $26 million annually
- Encourage local jurisdictions to adopt a 1¼% sales tax, earning over $74 million annually
- Capitalize the ATF with $1 billion, which should earn about $50 million annually based on a with a 8 percent return
- Assume the State reinstitutes the LSR&T program at about $20 million annually

Funding Options - Scenario 3 *(continued)*
$292 Million of $535 Million Gap



Change in Gasoline and Crude Oil Prices
Indexed from August 2007 to November 2008



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Discussion

Questions & Answers

SWAMC
Southwest Alaska Municipal Conference
3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 907.562.0438 www.swamc.org
Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

SWAMC RESOLUTION 09-02

A RESOLUTION OF THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE URGING THE GOVERNOR AND THE ALASKA LEGISLATURE TO CAPITALIZE STABLE LONG-TERM TRANSPORTATION FUNDING FOR ALASKA

WHEREAS, Alaska's transportation system has fallen far behind the needs of Alaska for cost effective transportation which allows economic growth and the safe cost effective movement of people, goods, and services; and

WHEREAS, the Alaska Highway System, the Alaska Marine Highway System, Alaska Airports, Alaska ports and harbors, and Alaska's local roads all need several years of significant funding for infrastructure improvement, upgrade and expansion; and

WHEREAS, the general appropriation process has resulted in significant underfunding of transportation infrastructure; and

WHEREAS, the Federal Highway Trust Fund is experiencing significant shortfalls, further contributing to a decrease in transportation funding for Alaska; and

WHEREAS, the economic future of Alaska is highly dependent upon a quality, cost effective transportation system; and

WHEREAS, the development of Alaska transportation infrastructure is dependent upon a steady and reliable stream of revenue; and

WHEREAS, the development of an energy policy that works for Alaska requires a quality transportation system in order to be successful; and

WHEREAS, estimates of annual funding needs for transportation infrastructure improvements, upgrades, and expansions exceed $300 million per year; and

WHEREAS, the State of Alaska is in a position to proactively develop a long-term transportation financing program.

-MORE-

NOW, THEREFORE BE IT RESOLVED that the Southwest Alaska Municipal Conference urges the Governor and the Alaska Legislature to establish a Transportation Trust Fund for Alaska or other suitable and sustainable funding mechanisms that generate at least $300 million annually to accomplish the following purposes:

- Generate investment earnings to develop transportation infrastructure in Alaska.
- Improve, upgrade and expand State of Alaska roads and highways.
- Improve, upgrade and expand the Alaska Marine Highway System.
- Improve, upgrade and expand the airports in Alaska.
- Improve and expand Alaska's ports and harbors.
- Provide regular funding to Alaska's communities to improve, upgrade and expand local roads built to local road standards.

AND, BE IT FURTHER RESOLVED that not less than 15-percent of the total funding will be allocated to each of the five programs each year (roads and highways; Alaska Marine Highway System; airports; ports and harbors; public transit and local roads).

PASSED AND ADOPTED by a duly constituted quorum of the Southwest Alaska Municipal Conference Membership this Thirtieth day of January, 2009.

Signed:

Tom Abell
President

Attest:

Michael Catsi
Executive Director