

Marc Luiken, Commissioner, DOT&PF
House Finance Committee, 4 May 2011

Mr. Chairmen, thank you for this opportunity to address the importance of a timely Capital Budget for the State as it pertains to the Department of Transportation and Public Facilities. I am currently meeting with the commissioners from the other 50 states to discuss the future of the Federal Surface Transportation Bill currently being debated in Congress and the potential impact to future federal highways program. The current House version of this Bill proposes a cut to the annual appropriation of 33%, nearly \$14B. This will impact each state's federal authorization by an equivalent amount, for Alaska that could mean as much as \$150M based on current formula fund calculations. As you know, the Capital Budget defines for DOT&PF through Legislative Authority the projects our department will obligate and ultimately develop each year. This budget is imminently important to Alaska's communities, our small and large businesses and a gap in funding would create significant timing issues and loss of federal funding for Alaska – we have never been in this position and given tenor coming from the federal level and the financial struggles other states are facing, there would be very little sympathy for Alaska if this money went unobligated. It would be redistributed very quickly to other states ready and able to obligate these funds within federal timelines.

The FY12 Capital budget lists the projects that are scheduled to be obligated during Federal Fiscal Year 2011. In order to get the federal agreements to FHWA by the beginning of September (cutoff for submittal to obligate FFY11 federal funds), we would need the budget authority by mid-late July at the latest. By getting the authority that late in the year, it only gives the regions a couple of weeks to work up the projects for submittal to HQ and then only a week or two for HQ to get the projects over to FHWA for obligation. Obviously the later we get the authority the greater risk there is in losing federal funds.

DOT&PF is at risk of losing \$190.2 in FFY11 federal funds with delayed capital appropriations:

- The Governor's FY12 Capital Budget includes \$190.2 million in federal funding requests for Surface Transportation and approximately \$100M in Airport Improvement Funds that are planned for obligation using Federal Fiscal Year 11 funds (FFY11). If the legislative authority is not available for these projects on 7/1/11, the state is at risk of missing FHWA obligation deadlines, and losing the funds forever. As I mentioned these unobligated funds would be redistributed to other states through by FHWA. In order to get the federal agreements to FHWA by the beginning of September (cutoff for submittal to obligate FFY11 federal fund), budget authority is required by mid-late July at the latest. Getting authority that late in the year provides only a couple of weeks to work up the projects for submittal to HQ and then a week or two for HQ to get the projects over to FHWA for obligation.
- Many of the FFY11 project requests provide for appropriate level of funding authority for larger projects. For instance, The Glenn Highway – Milepost 172 to 189 Rehabilitation \$10 million FY12 request, is part of an overall project cost of \$24.5 million anticipated to start August ^{1st}. Without full project authority, projects will be delayed until next year, either in part or in whole. Not all projects can be done in phases, and those that can cost more in future years due to demobilization and remobilization and overall changes construction costs.

- FY12 Capital Budget includes \$123.4 million in Airport Improvement Program Federal Fiscal Year 11 funds.
- A delay in a construction season will continue to impact runway safety in Kotzebue. The \$9.5 million AIP FY12 capital request (FFY11 funds) is expected to go out in August. This is significant as the Kotzebue RSA is one of approximately 10 RSA projects that must be completed by 2015. Delaying this project could put all other projects in jeopardy of completion by the Federally mandated deadline.
- The FY11 Capital Budget supplemental request for Cold Bay Airport Pavement Rehabilitation project was slated for advertising this week; however, the schedule will be delayed until the supplemental appropriation passed. Continued delays will push the project schedule out and construction may get delayed until next year.
- Delays in capital project funding authority jeopardize project schedules, and for those in rural Alaska even more so, with the shorter construction season related shipping of materials and equipment to areas dependent upon barge service.
- AMHS Vessel Overhaul - approximately \$50 million in Federal & GF - This annual requirement needs to be addressed and delay or lack of funding can result in:
 - 1) extending the annual maintenance schedule due to lack of haul-out facilities availability;
 - 2) delays in scheduled sailings due to changes in vessel overhaul schedule - delays can mean less revenue and/or increased vessel operation costs due to necessary changes to the overhaul operating schedule;
 - 3) increased risk of vessel operation failure due to delayed annual overhaul.
- Deferred Maintenance - All programs: besides pushing deferred maintenance repairs further out in the future, for the portion of deferred maintenance that goes to contractors, this will cause economic hardship with loss of projects; rural areas will not receive deferred maintenance on highways and rural aviation sites until next season due to seasonality changes.
- Roads to resources: the governor's budget includes \$10.5M to continue environmental work on road to resources projects in NR. We would have to suspend the Road to Umiat EIS and delay caribou studies for the Ambler Mining District road. Both very important tasks in determining the impacts these roads might have to the communities in the area.
- Finally, I've spoken about the impacts to the DOT&PF program for FFY11. Let me repeat this proposed delay could impact our FFY12 Federal program for highways and AIP as well. I will also domino into our construction program in CY12 as well. I don't have the exact numbers readily available, but delaying the FY12 Capital Budget will impact DOT&PF, the state and our economy for years to come.