

# Alaska Transportation Finance Study

## Alaska Municipal League

*presented to*

**Alaska House Transportation Committee**

*presented by*

Christopher Wornum  
Cambridge Systematics, Inc.

February 12, 2009

Transportation leadership you can trust.



# **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**

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## **Six Questions Posed by the Alaska Municipal League**

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**Describe current trends in transportation capital and operating needs**

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

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

**Identify factors that are most likely to impact Alaska's transportation funding in the future**

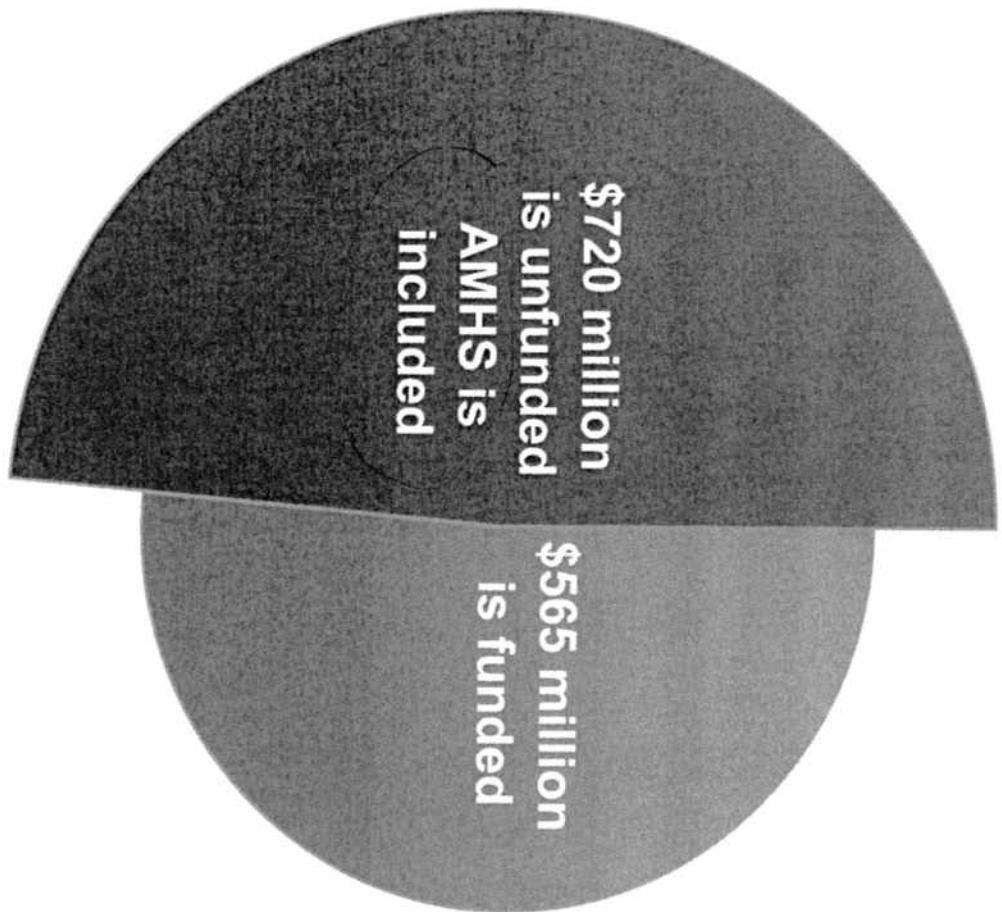
**Identify possible strategies Alaska can best use to react to these factor and challenges**

**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

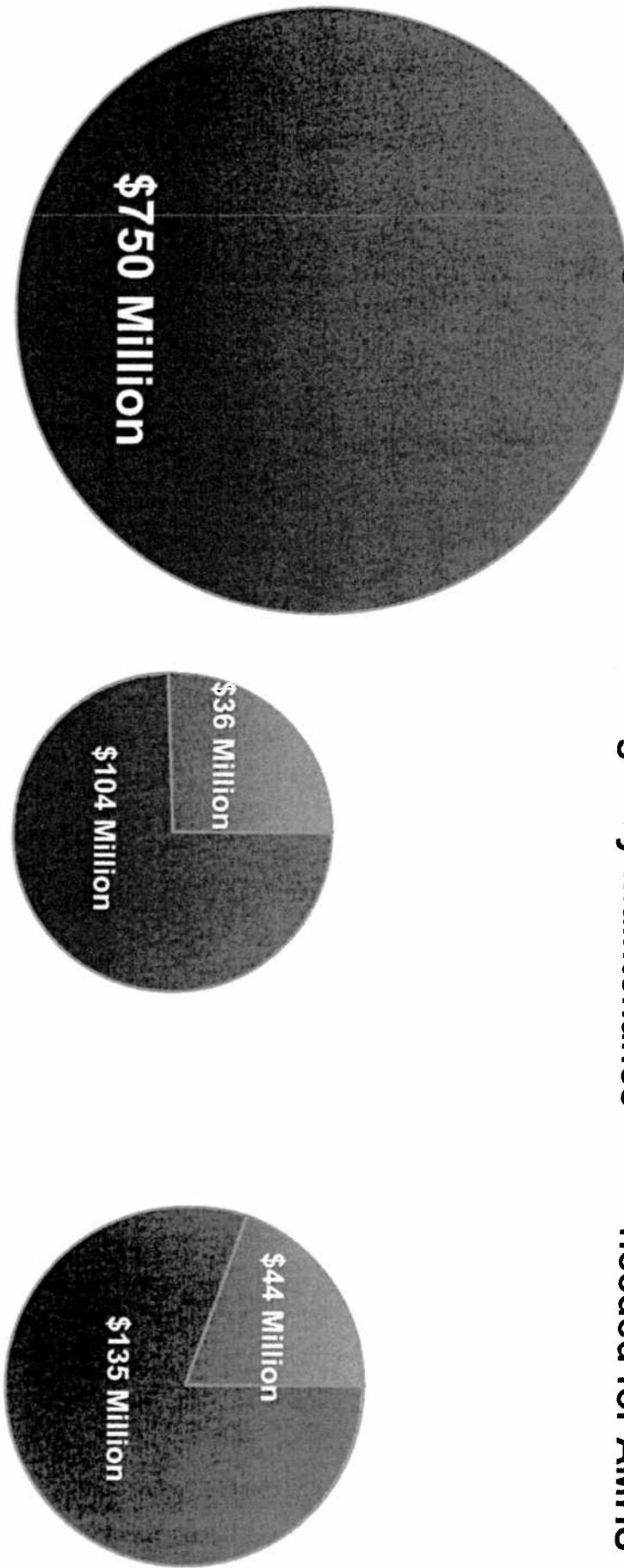
# **Under Investment (*continued*)**

## **Backlog of Life-cycle & Routine Maintenance**

## Life-cycle backlog of through 2007

**140 million annually needed  
routine highway maintenance**

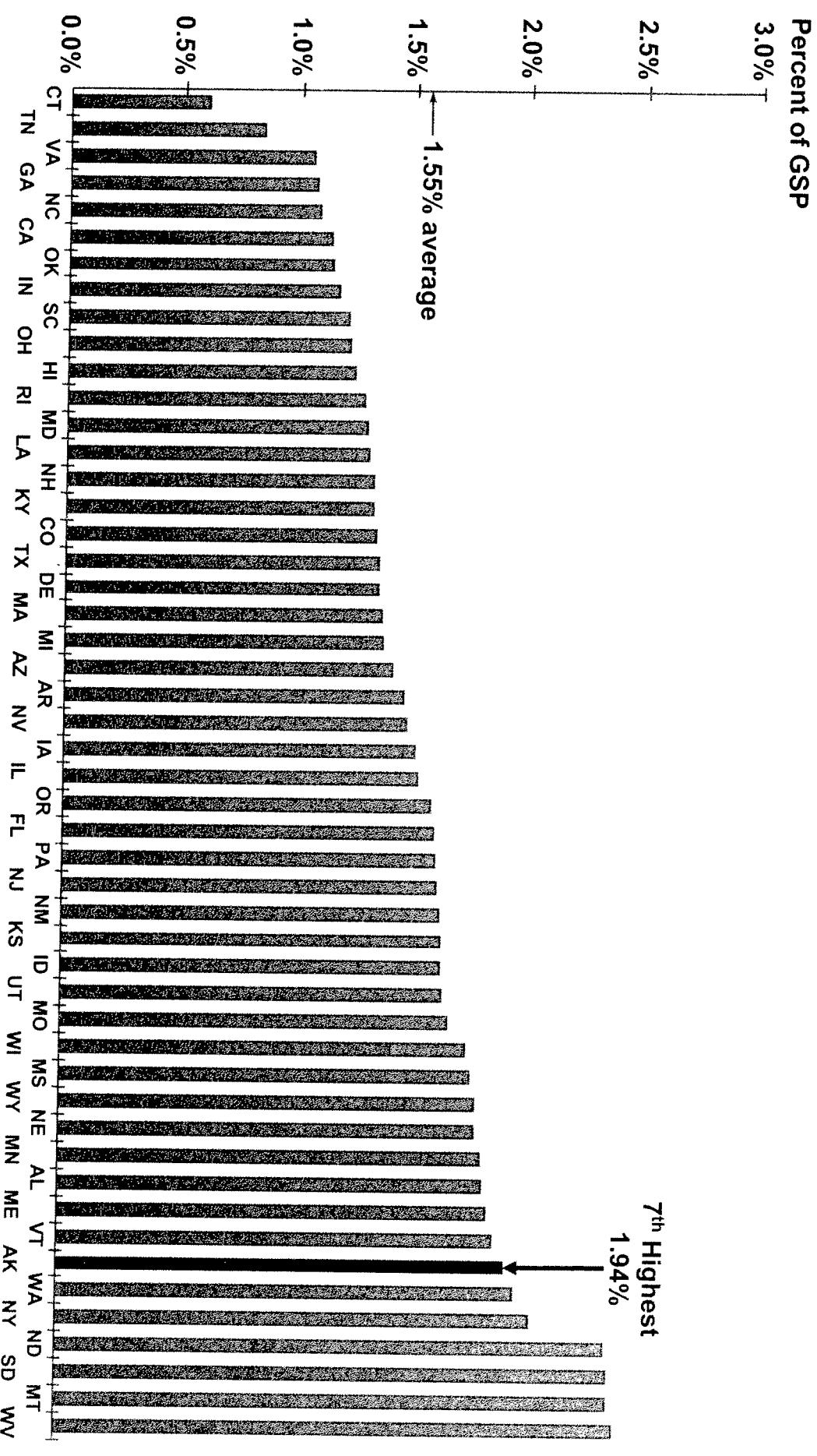
**179 million annually  
needed for AMHS**



**These figures still do not include needs for**

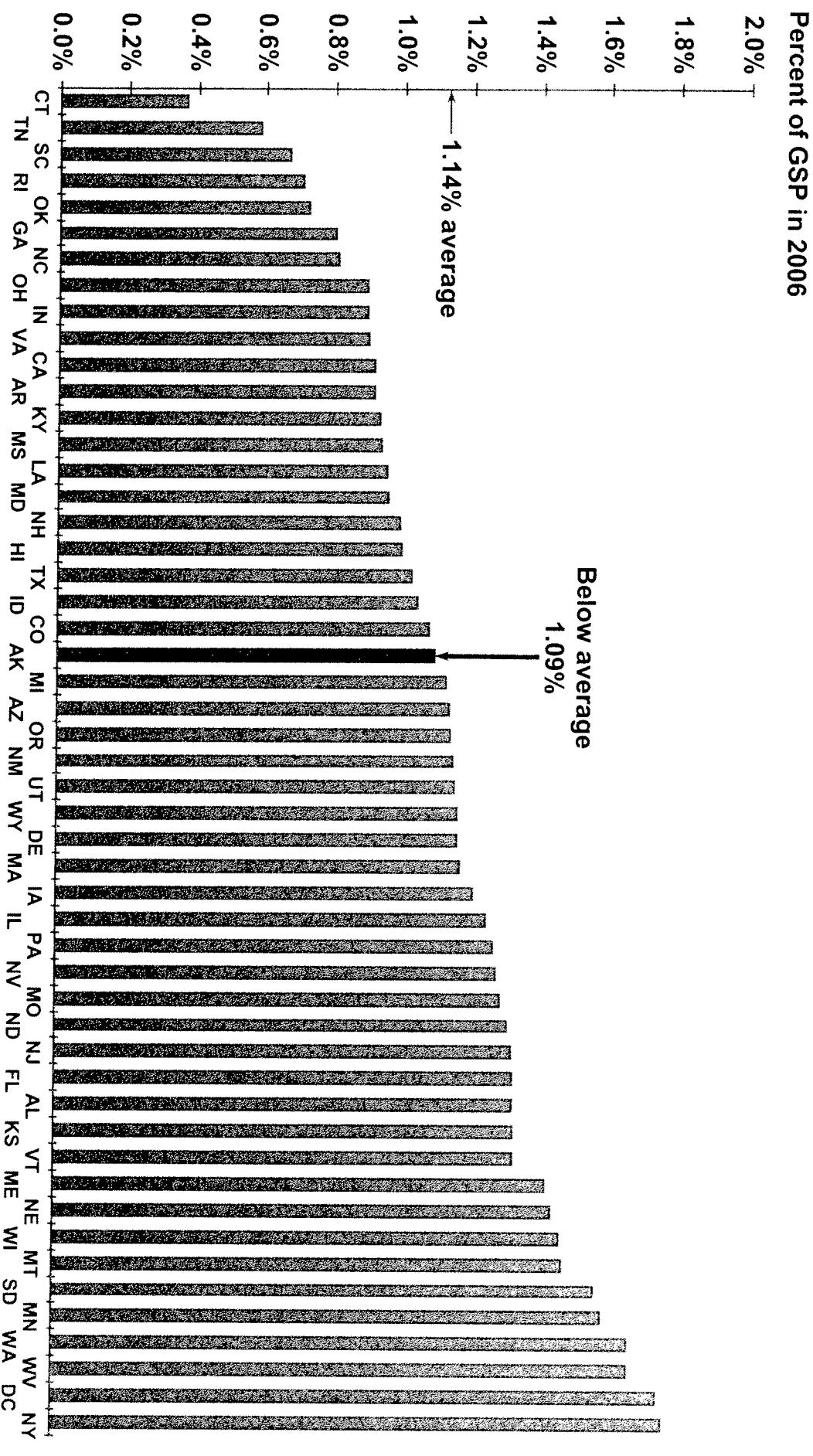
- Locally funded urban and rural roads
  - Aviation
  - Capacity needs to meet travel demand growth
  - Transit

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



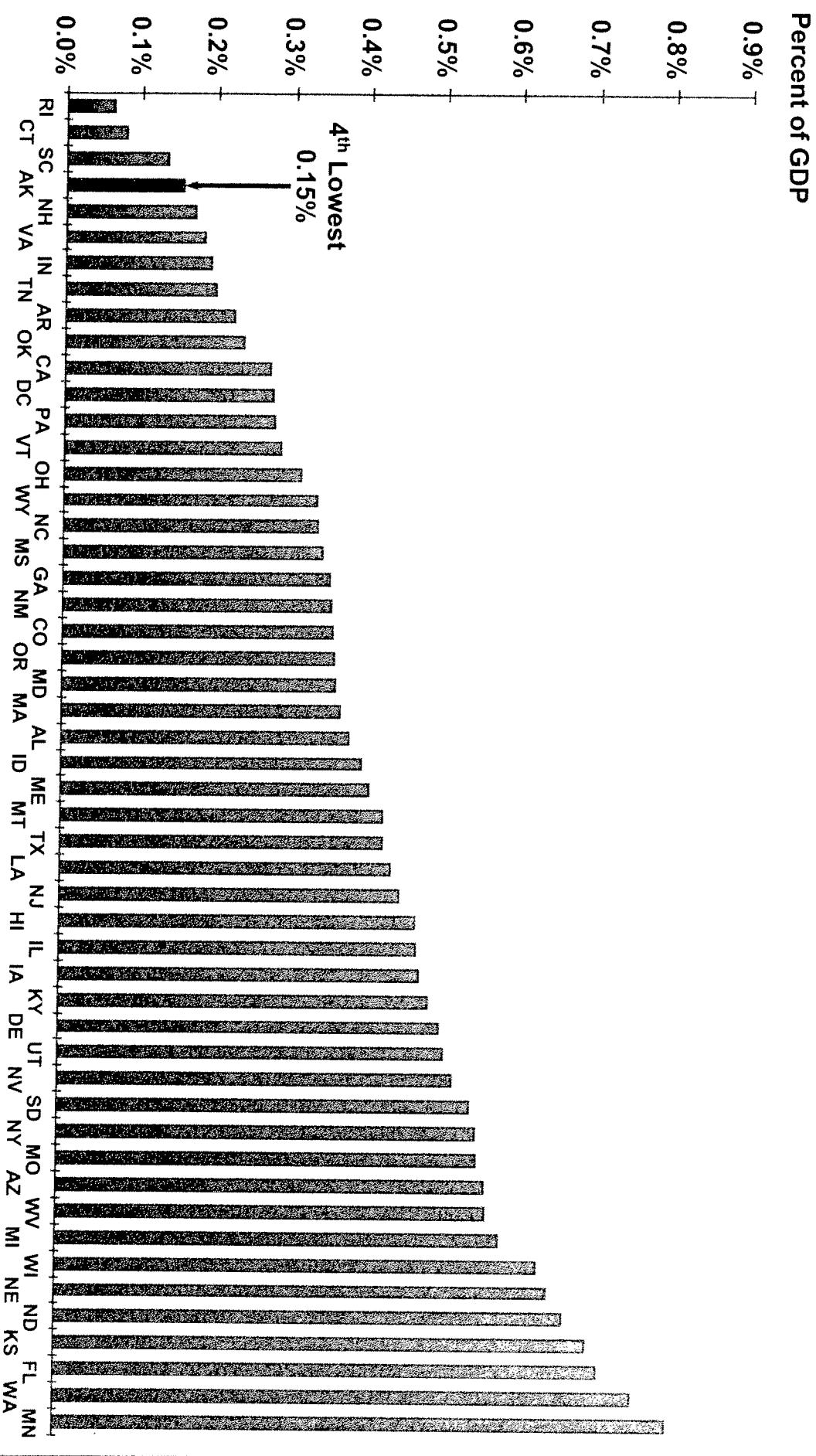
Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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



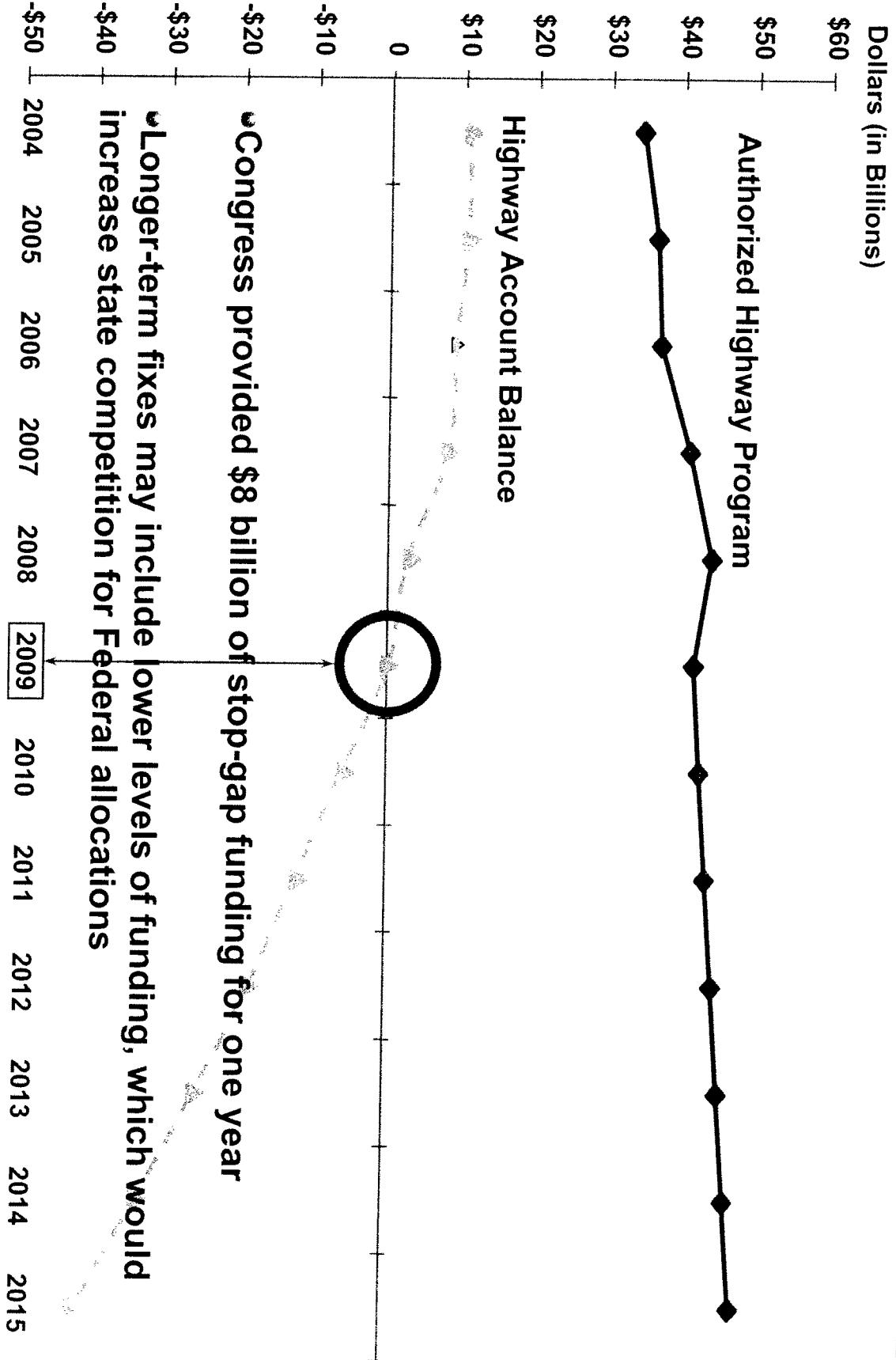
Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

## 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.

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



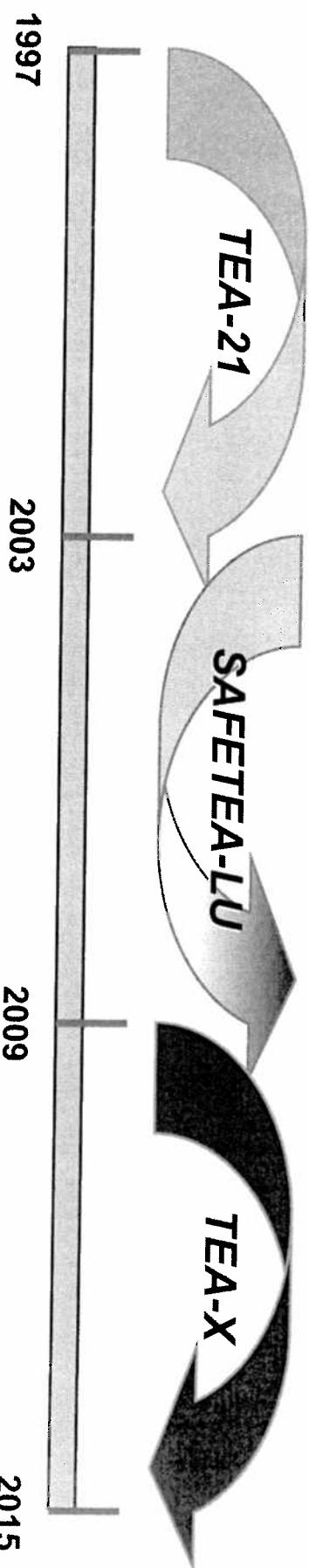
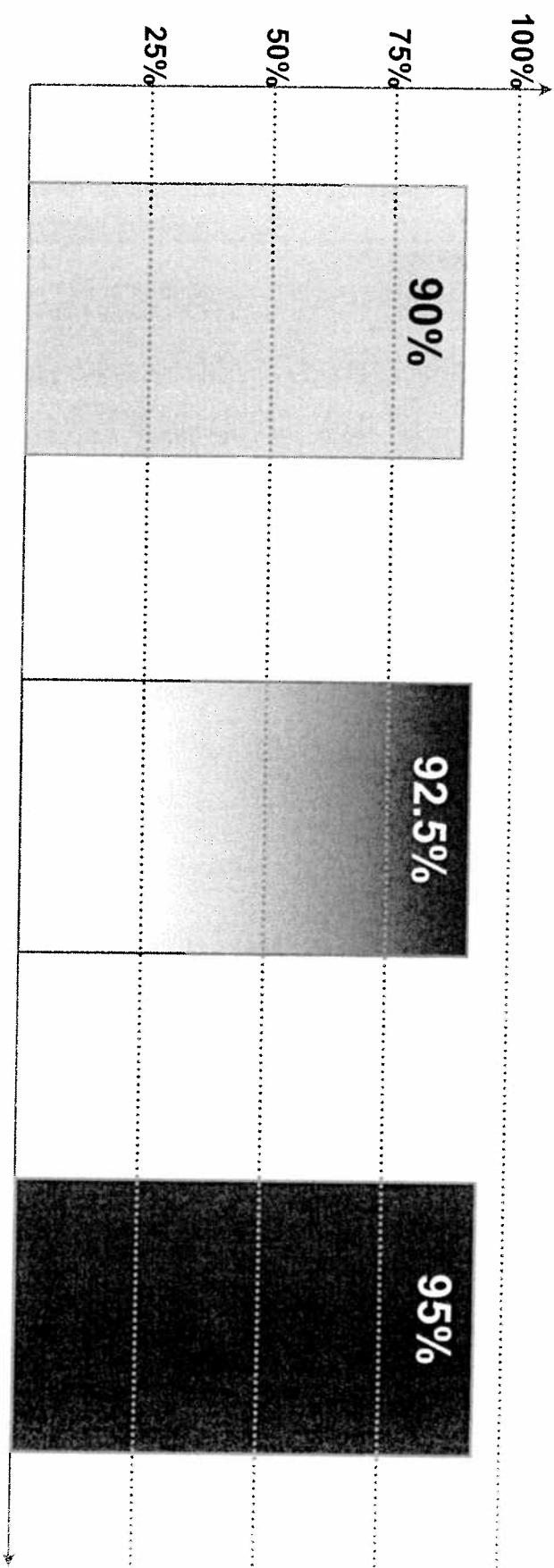
- Congress provided \$8 billion of stop-gap funding for one year
- Longer-term fixes may include lower levels of funding, which would increase state competition for Federal allocations

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

## Current Federal Funding at Risk (*continued*)

### Competition between Donor versus Donee States

Donor Share



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

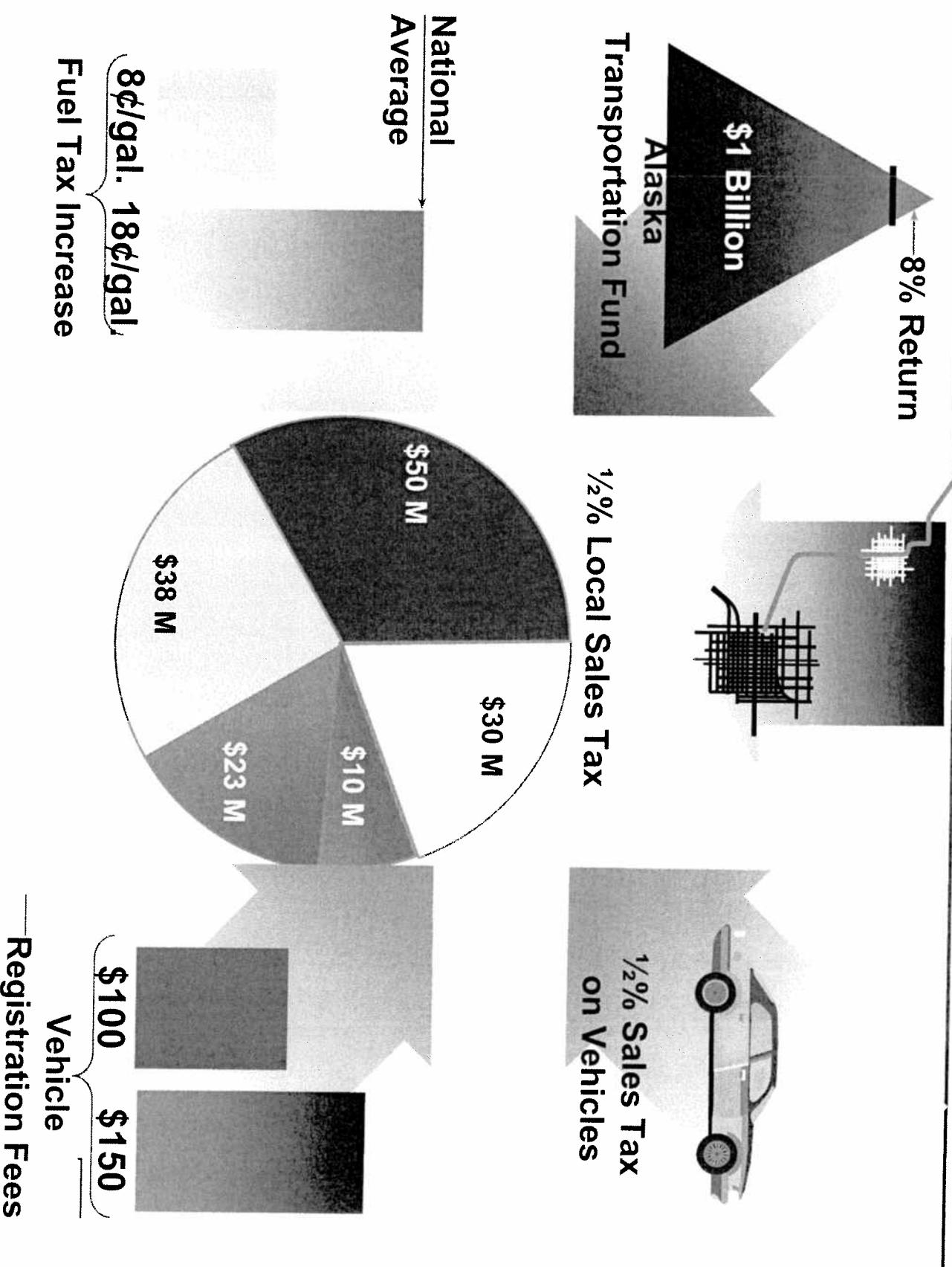
- Place far more emphasis on tolling or other user fees and metropolitan transit/transportation networks, rather than highway funding or legislative earmarking.
- Some proposals would push greater responsibility to states or cities for financing their transportation improvements

## ● 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

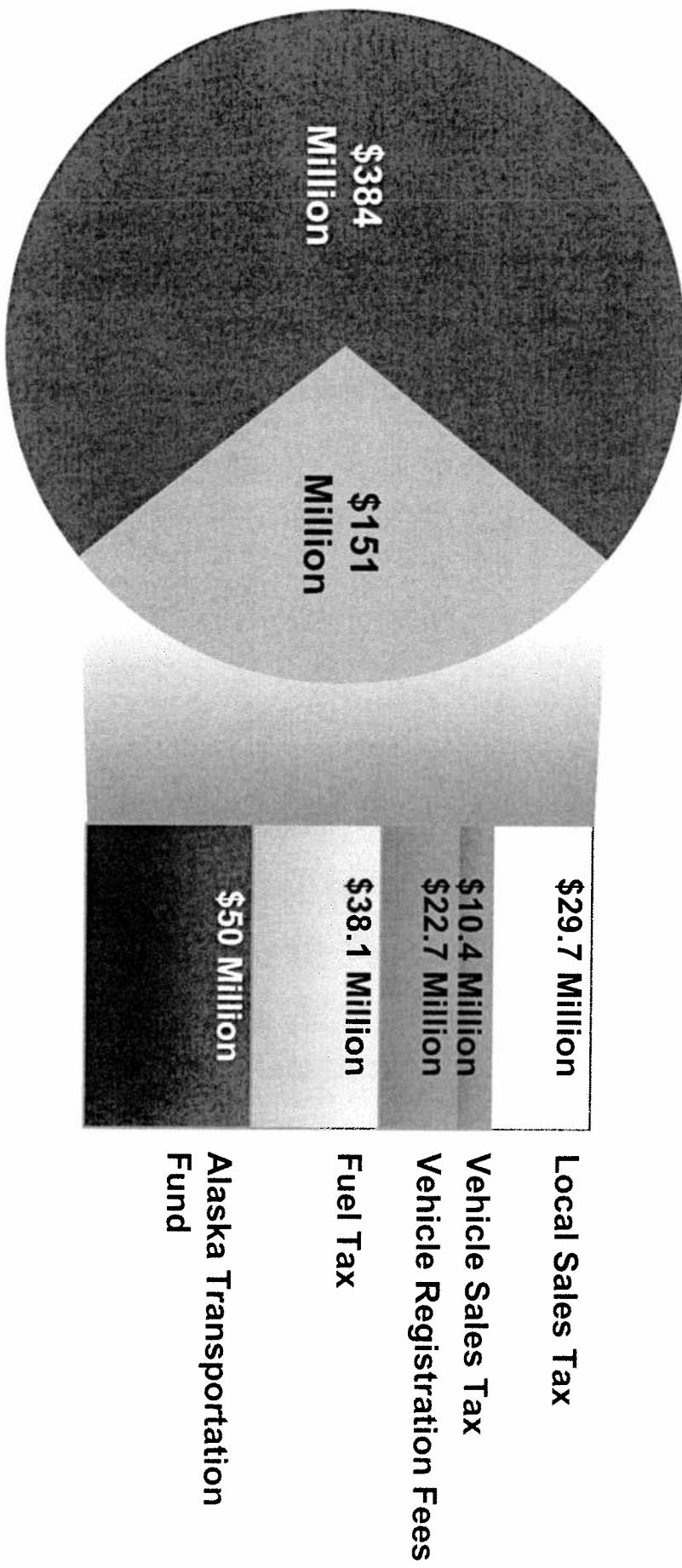
# Funding Options - Scenario 1

## Fuel Tax, Vehicle Registration Fees, Sales Tax, and ATF



## Funding Options - Scenario 1 (*continued*)

### \$151 Million of \$535 Million Gap



## **Funding Options - Scenario 2**

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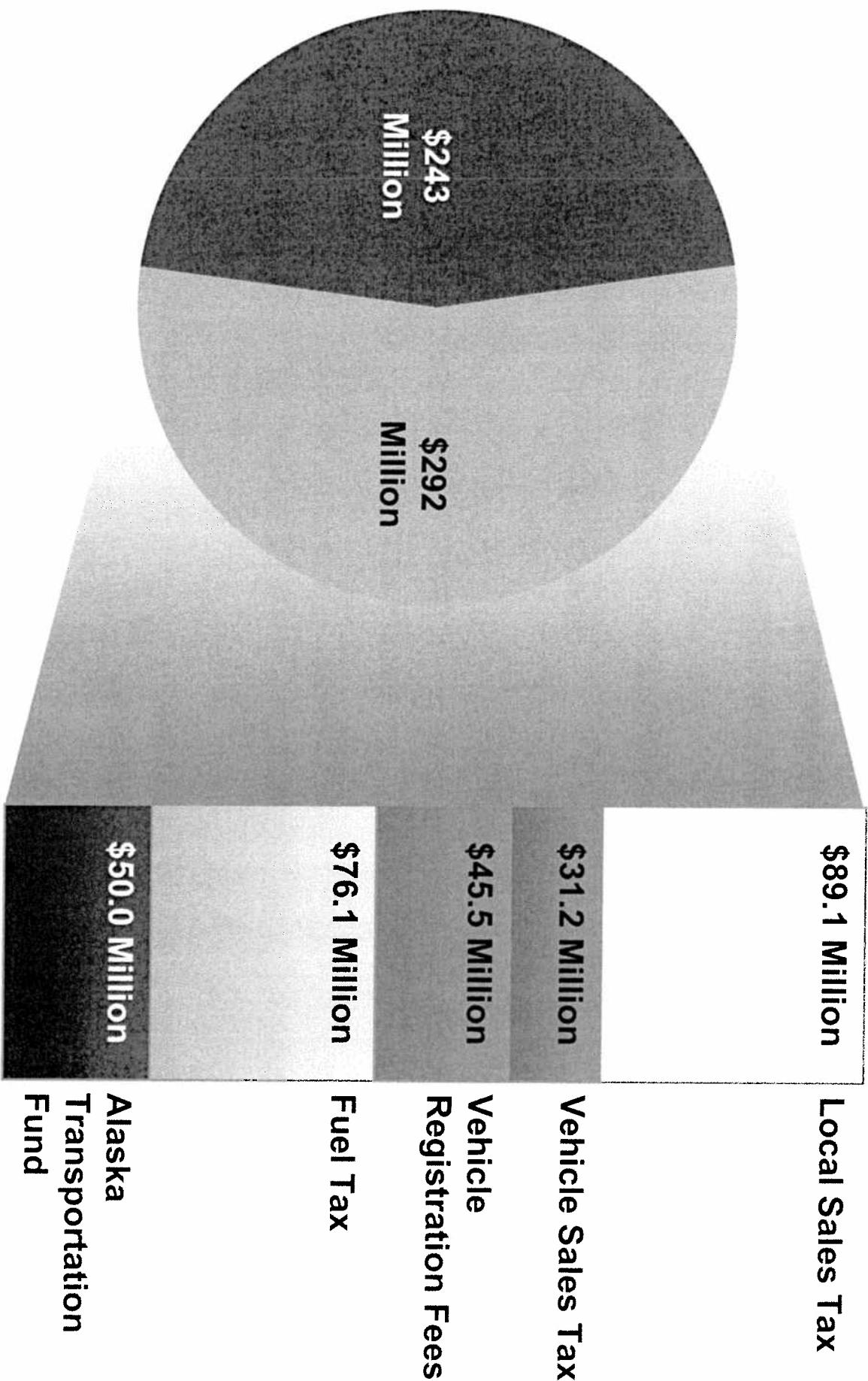
### **\$292 Million of \$535 Million Gap**

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- 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



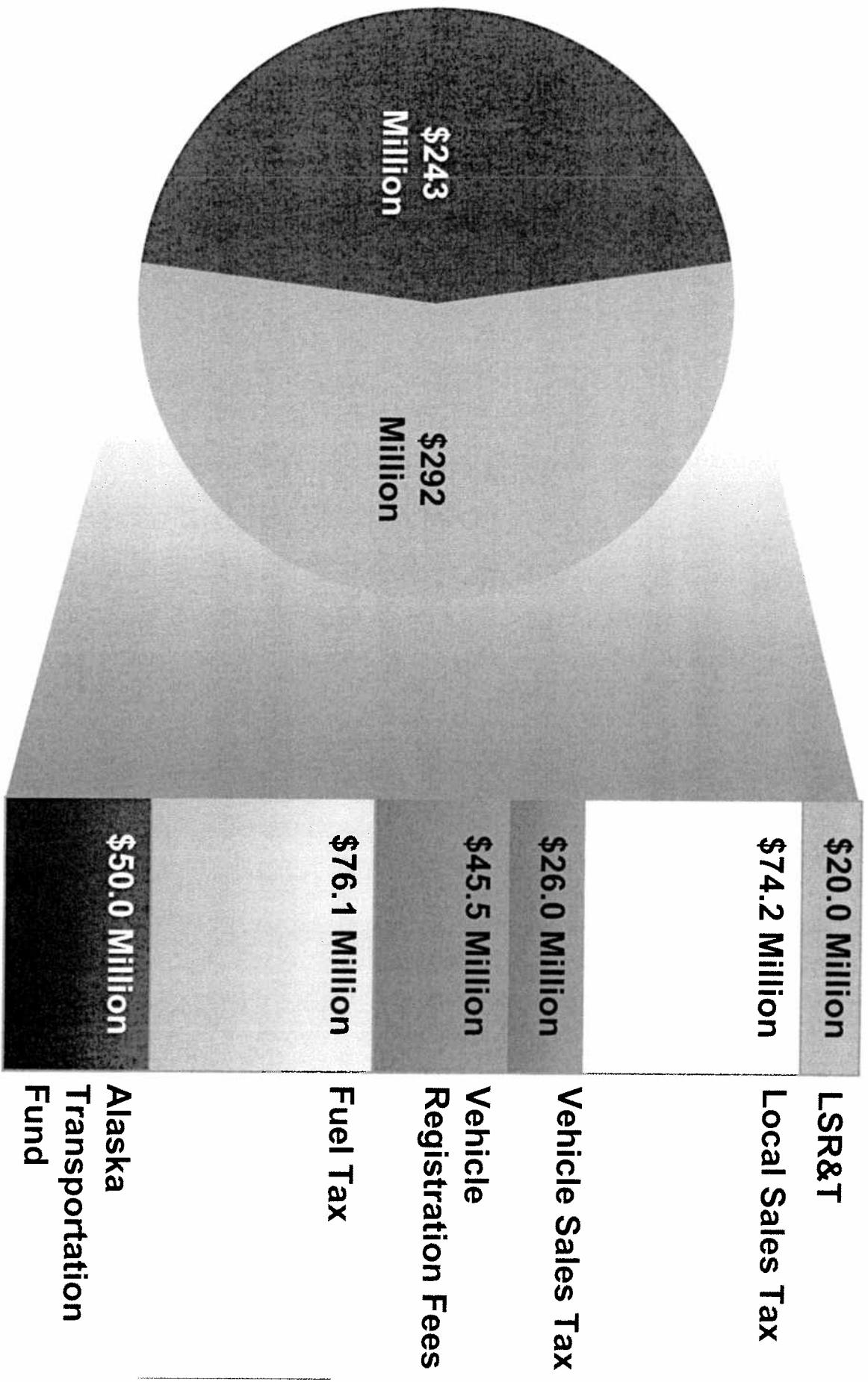
## Funding Options - Scenario 3 Scenario 3 - \$292 Million of \$535 Million Gap

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- Same increase in fuel taxes (8 to 28 ¢/gallon and index the rate to inflation), generating 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 8 percent return
- Assume the State reinstutes the LSR&T program at about \$20 million annually

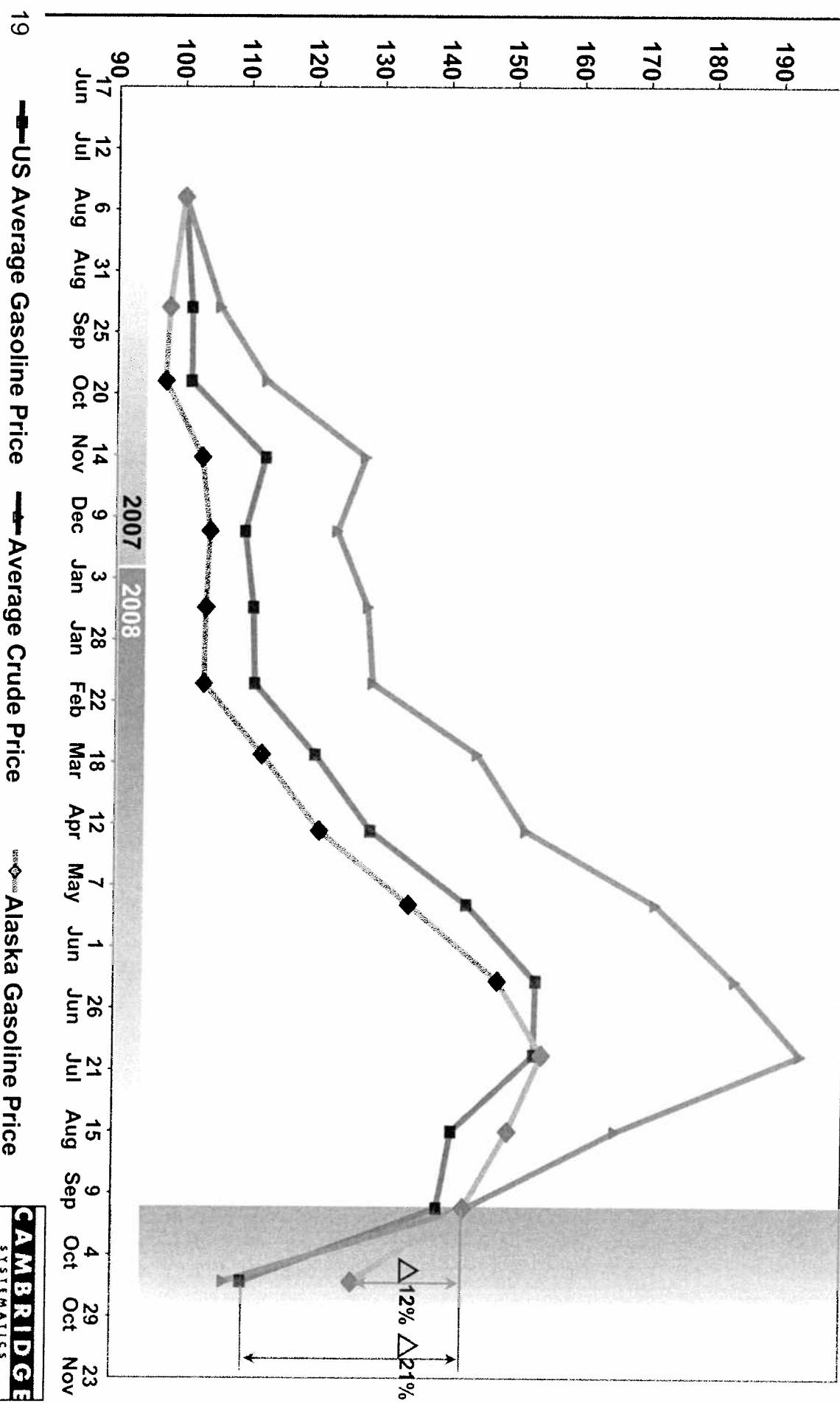
## Funding Options - Scenario 3 (*continued*)

### \$292 Million of \$535 Million Gap



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

Index (100 in August 2007)



# Discussion

## Questions & Answers

**SWAMC**

**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 general appropriation process has resulted in significant underfunding of transportation infrastructure; and

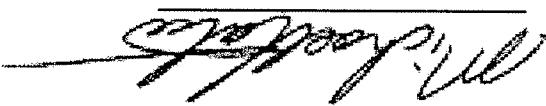
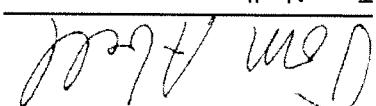
WHEREAS, the economic future of Alaska is highly dependent upon a quality, cost effective transportation system; and

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

-MORE-

Tom Abel President  
  
Michael Casti Executive Director  


Attest:

Signed:

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

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).

- 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.

\$300 million annually to accomplish the following purposes:  
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

NOW, THEREFORE BE IT RESOLVED that the Southwest Alaska Municipal Conference