

Alaska Transportation Finance Study

Alaska Municipal League

presented to

Alaska House Transportation Committee

presented by

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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

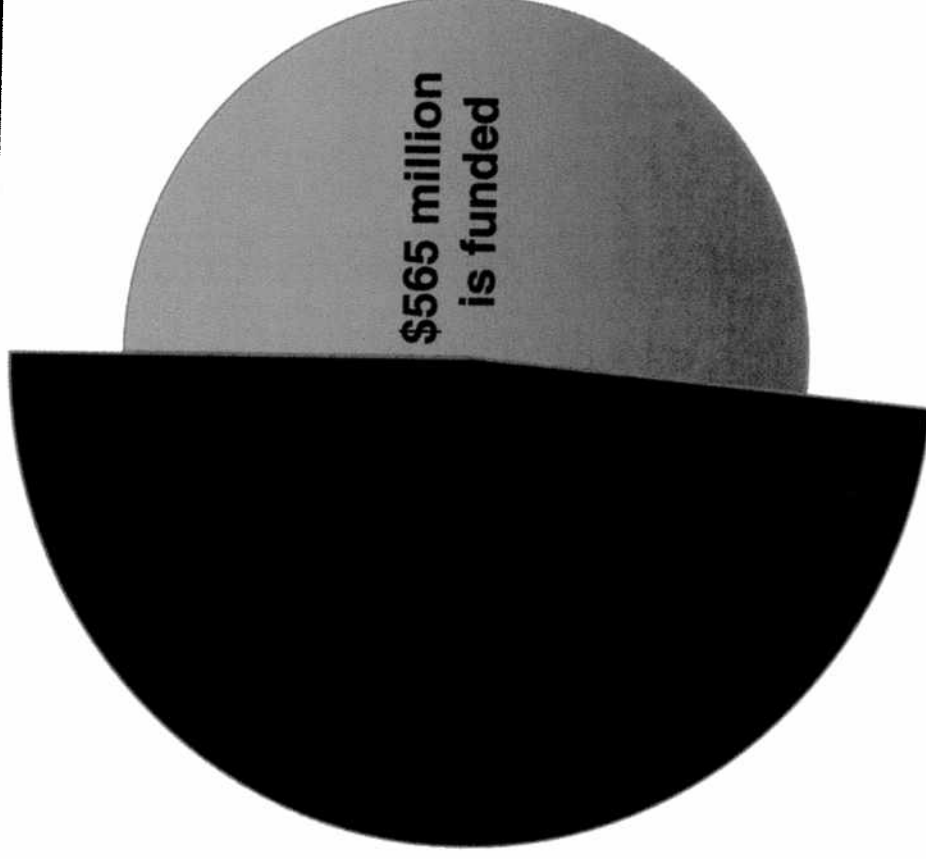
Six Questions Posed by the Alaska Municipal League

- 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 transportation 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

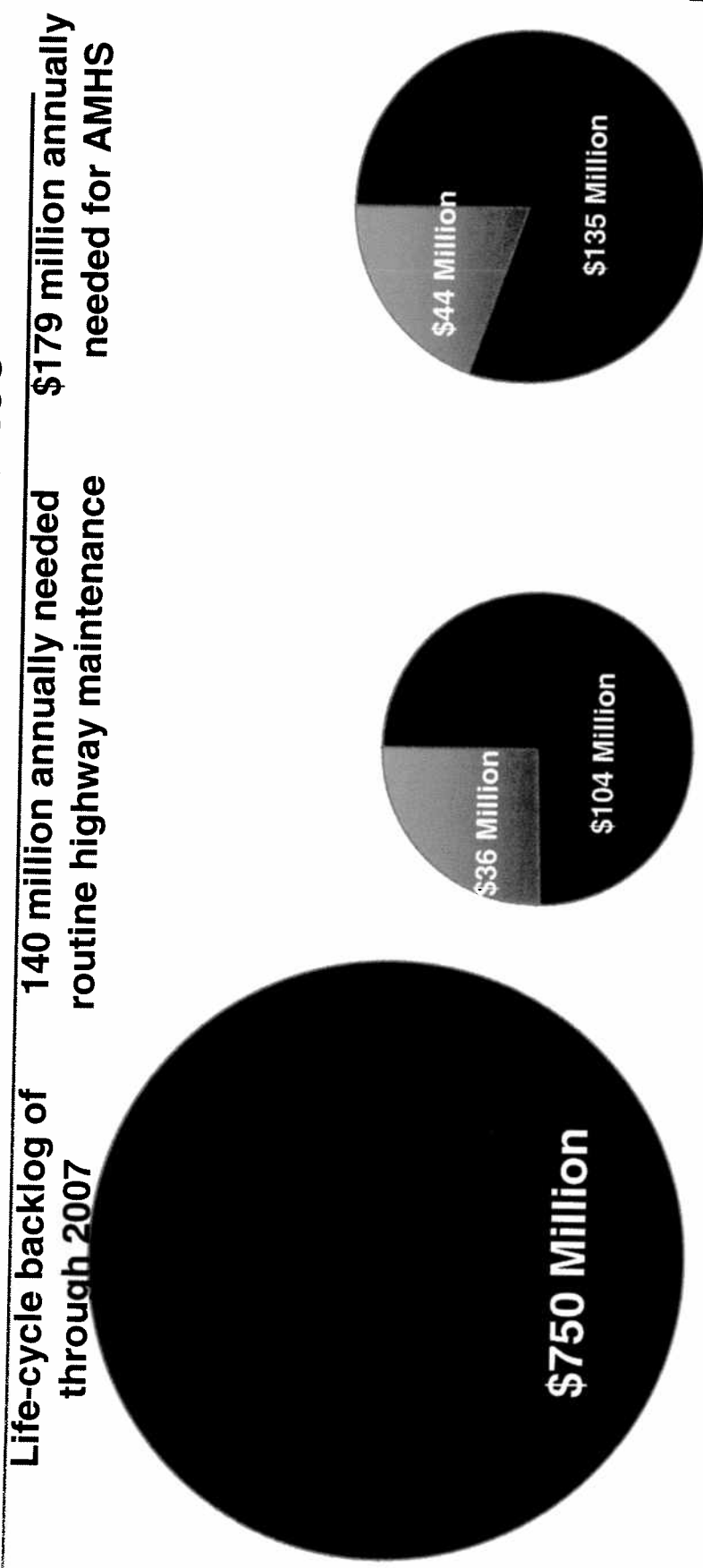
- **State economy is highly dependent on resource extraction and “traded” industries:**
 - **These industries are highly transportation-intensive**
 - **Their growth is the most likely offset to declining oil production & economic diversification**
- **Other transportation-dependent conditions amplify 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

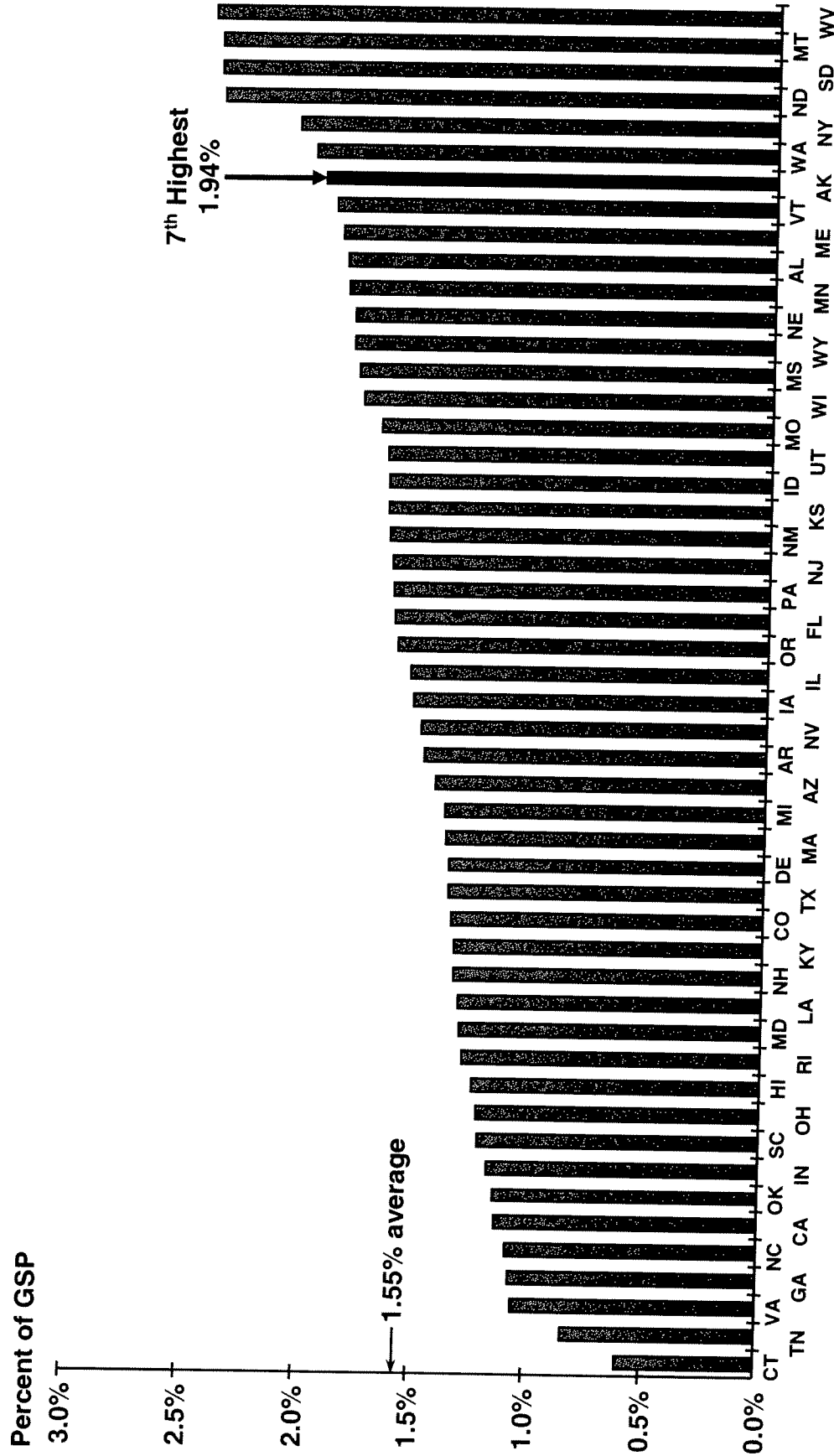
Under Investment (continued) Backlog of Life-cycle & Routine Maintenance



These figures still do not include needs for

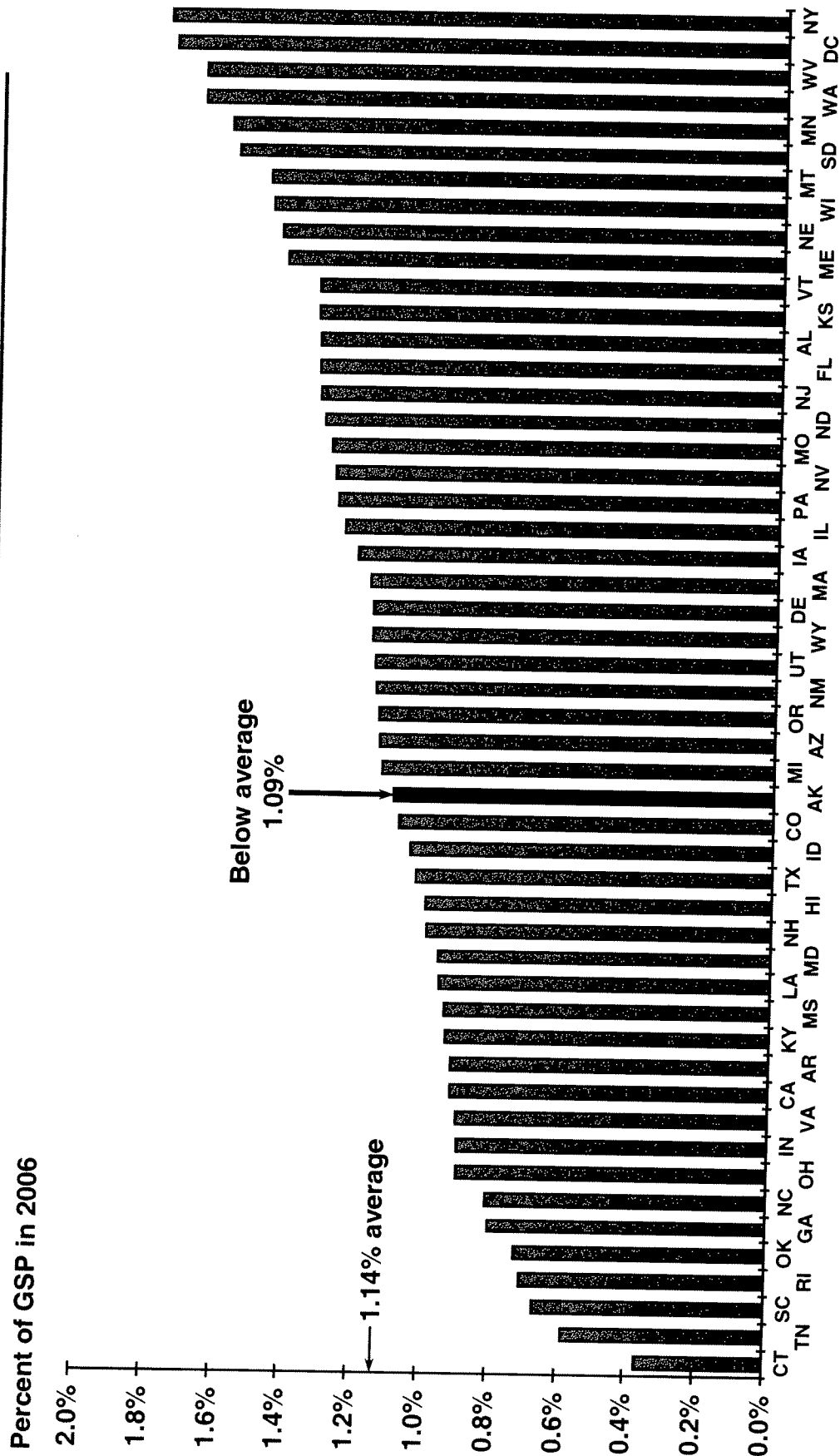
- Transit
- Locally funded urban and rural roads
- Aviation
- Capacity needs to meet travel demand growth

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



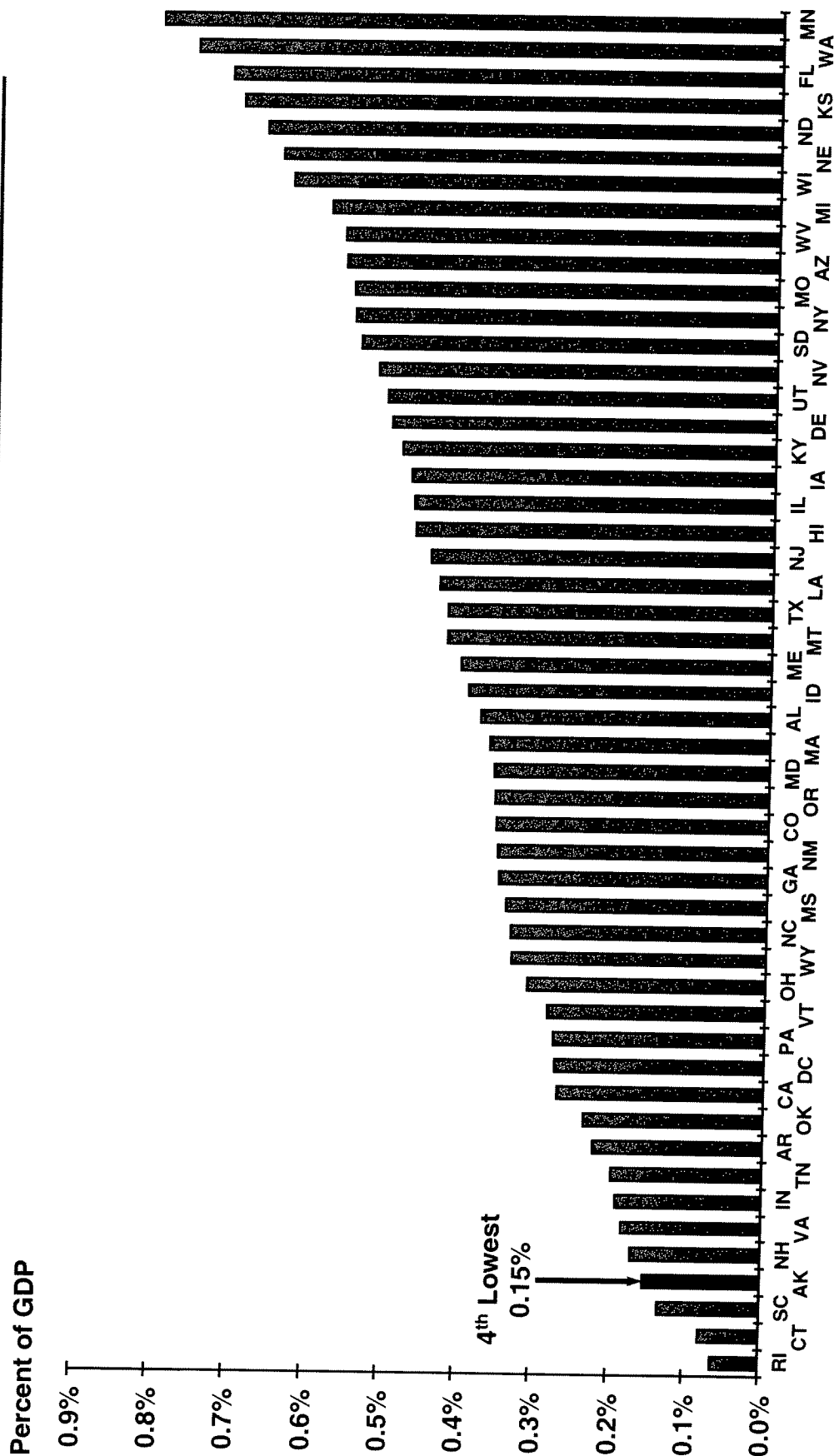
Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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



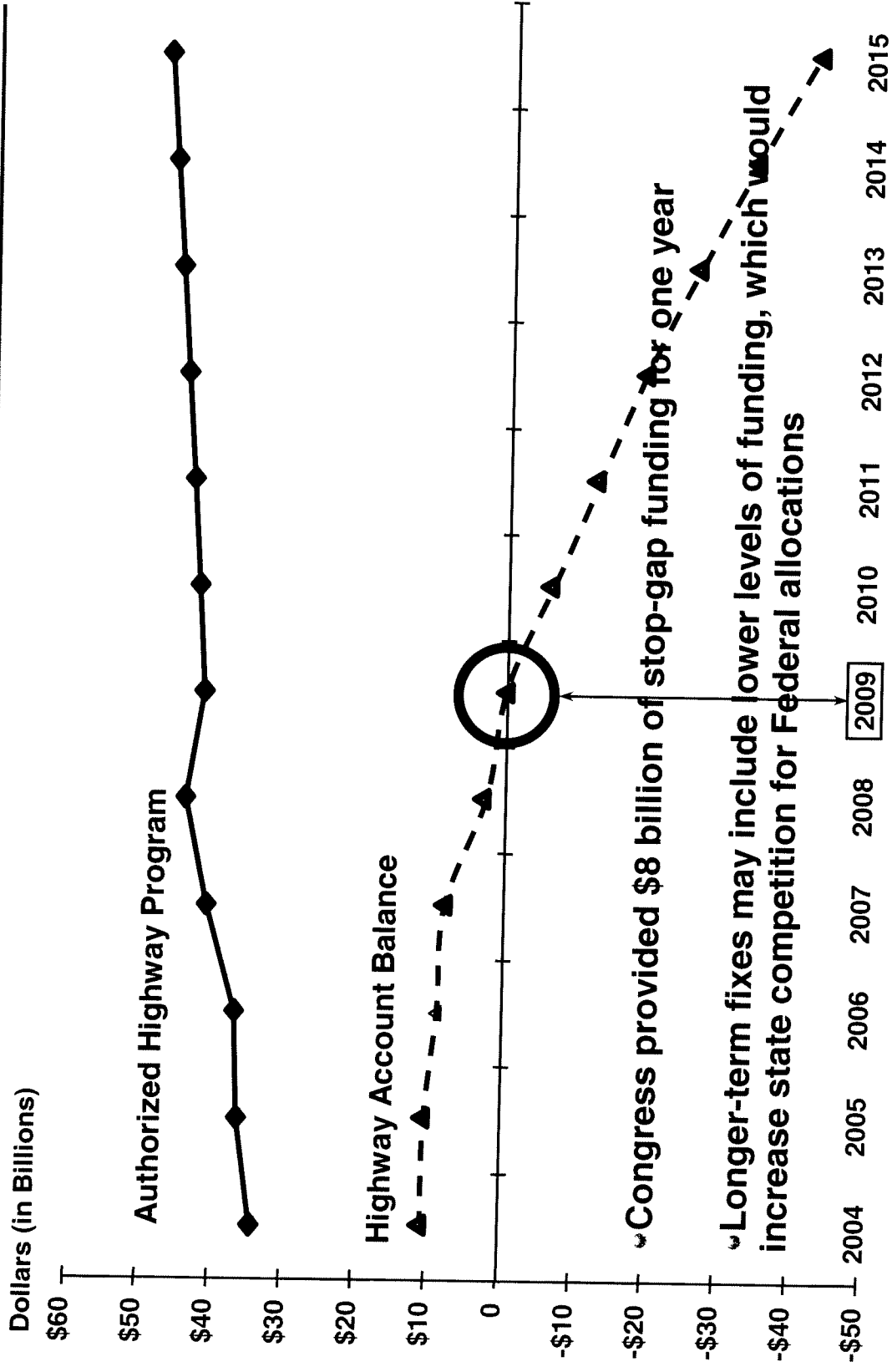
Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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



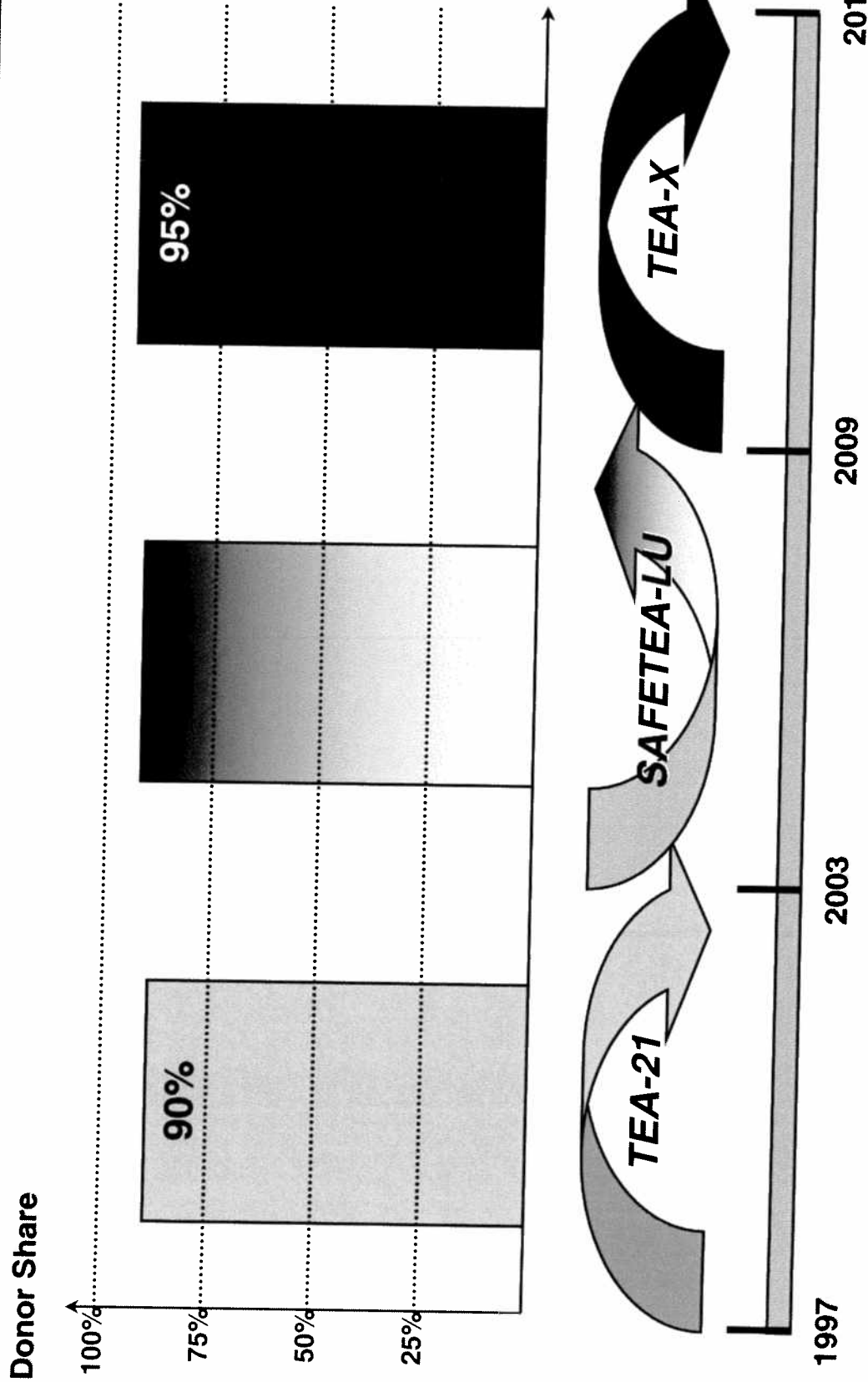
Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

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



* 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



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**

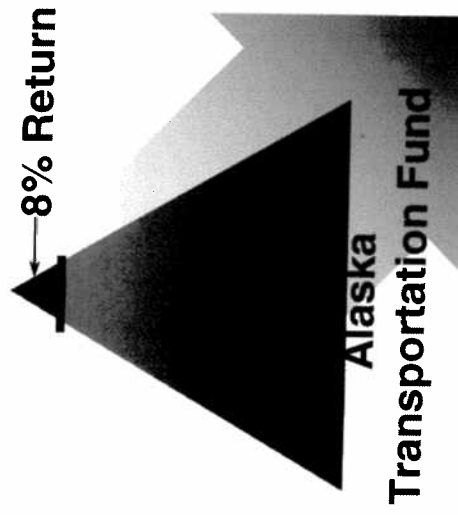
Current Federal Funding at Risk (*continued*)

Other States Challenging Federal Support for State's Needs

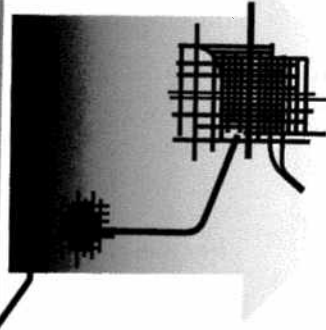
- **Permanent Fund currently has almost \$28 billion**
- **Only state that collects neither income tax nor state sales tax**
- **Lowest gas tax in the country**

Funding Options - Scenario 1

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



8% Return

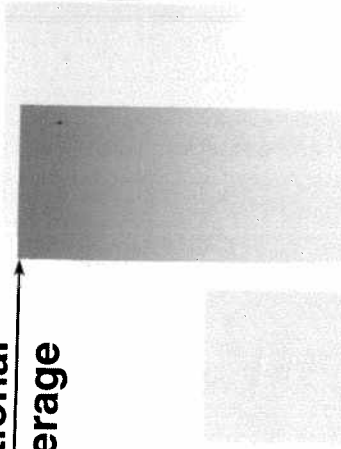


1/2% Local Sales Tax



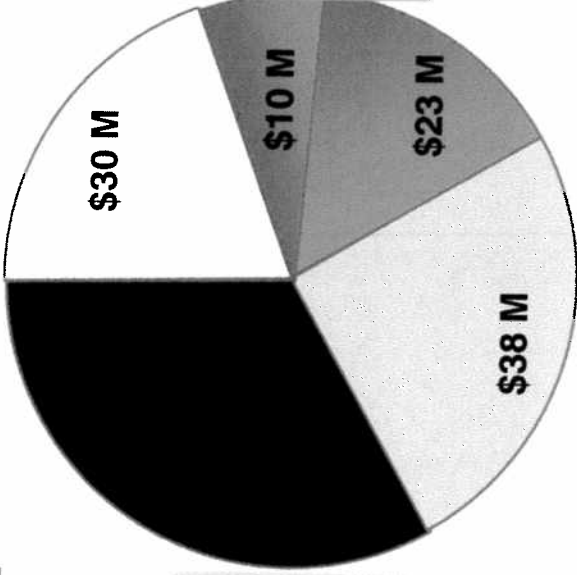
1/2% Sales Tax on Vehicles

National Average



8¢/gal. 18¢/gal.

Fuel Tax Increase



\$100 \$150

Vehicle Registration Fees

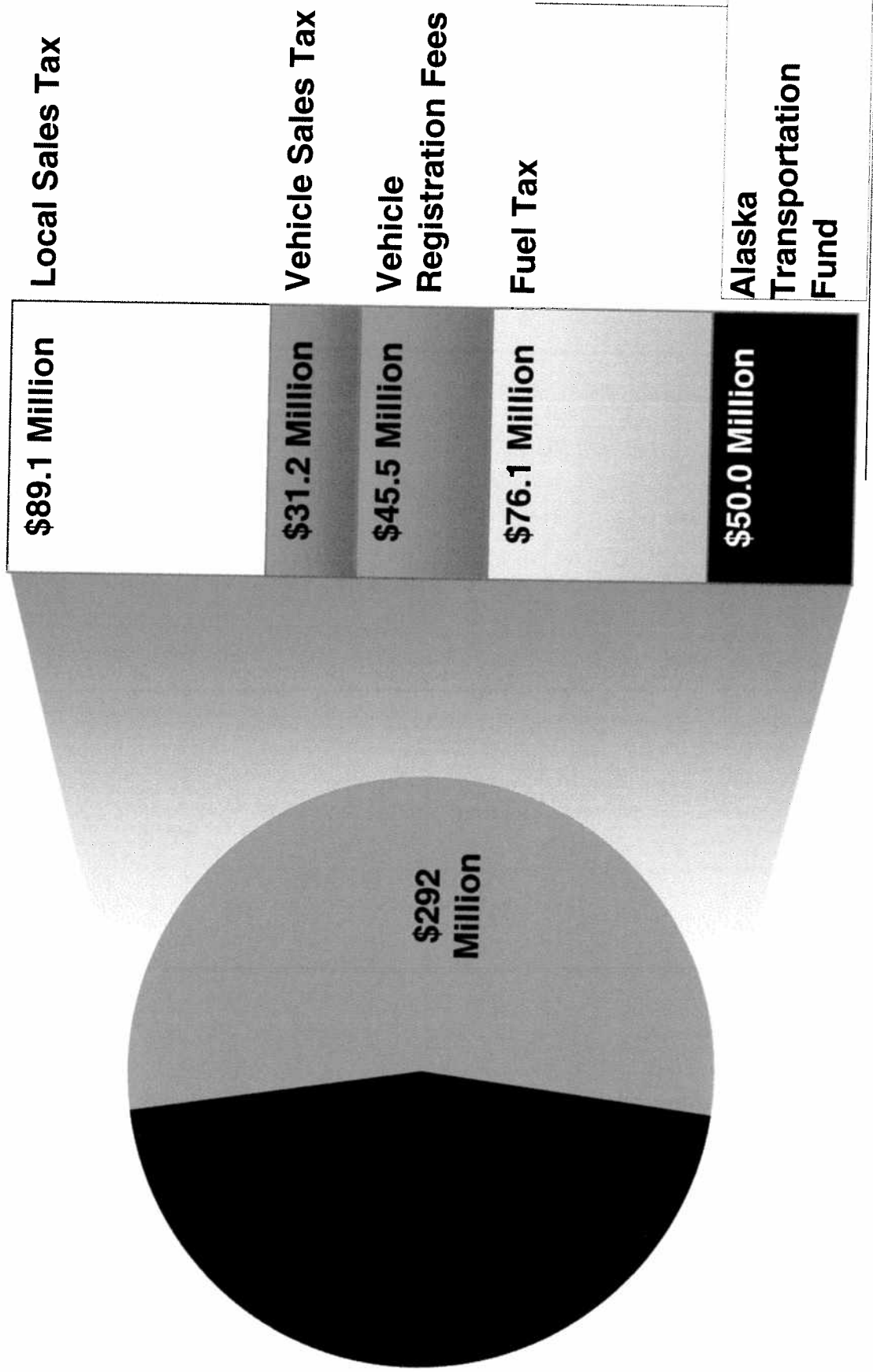
Funding Options - Scenario 1 (continued) **\$151 Million of \$535 Million Gap**



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**

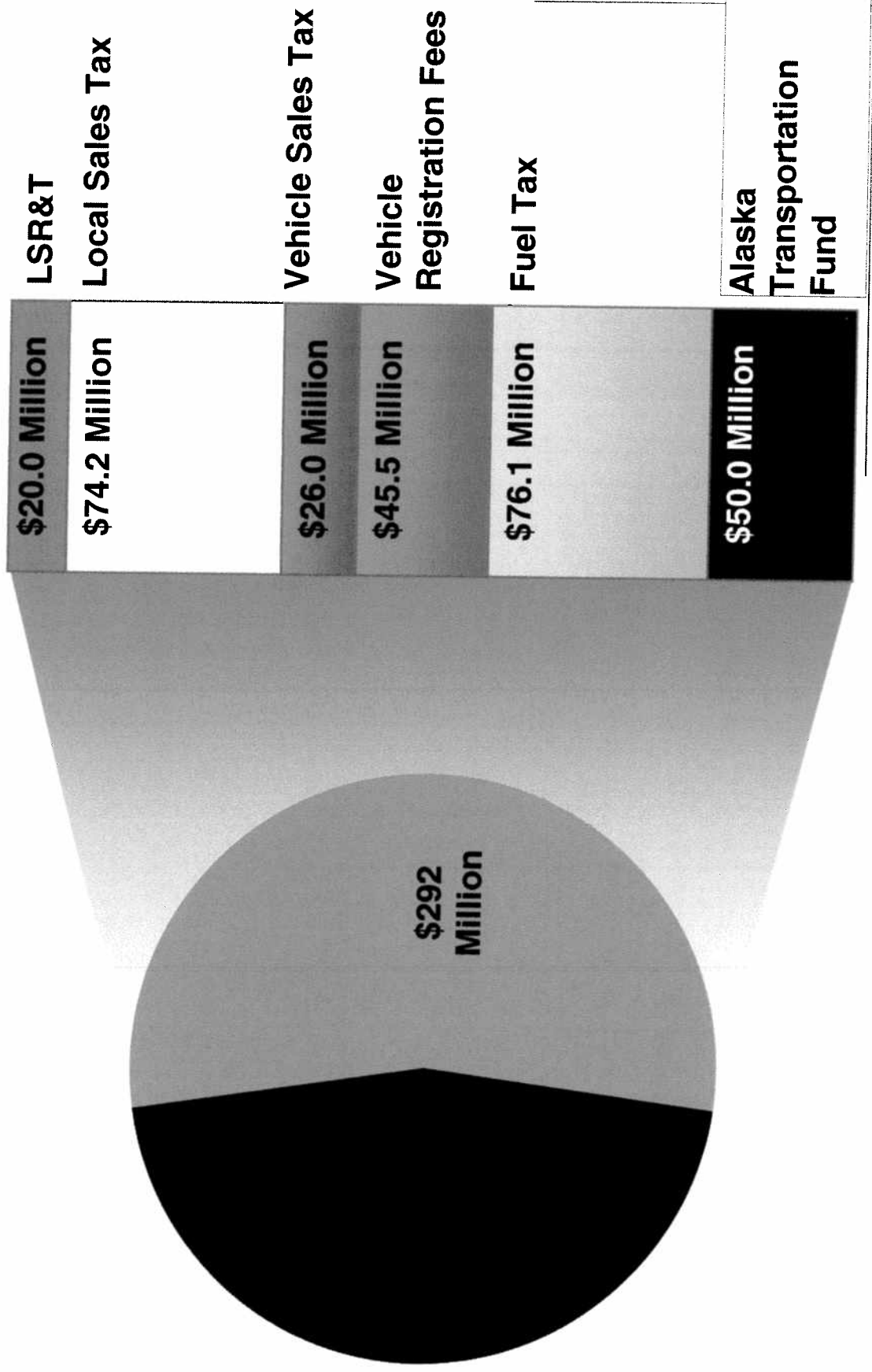


Funding Options - Scenario 3

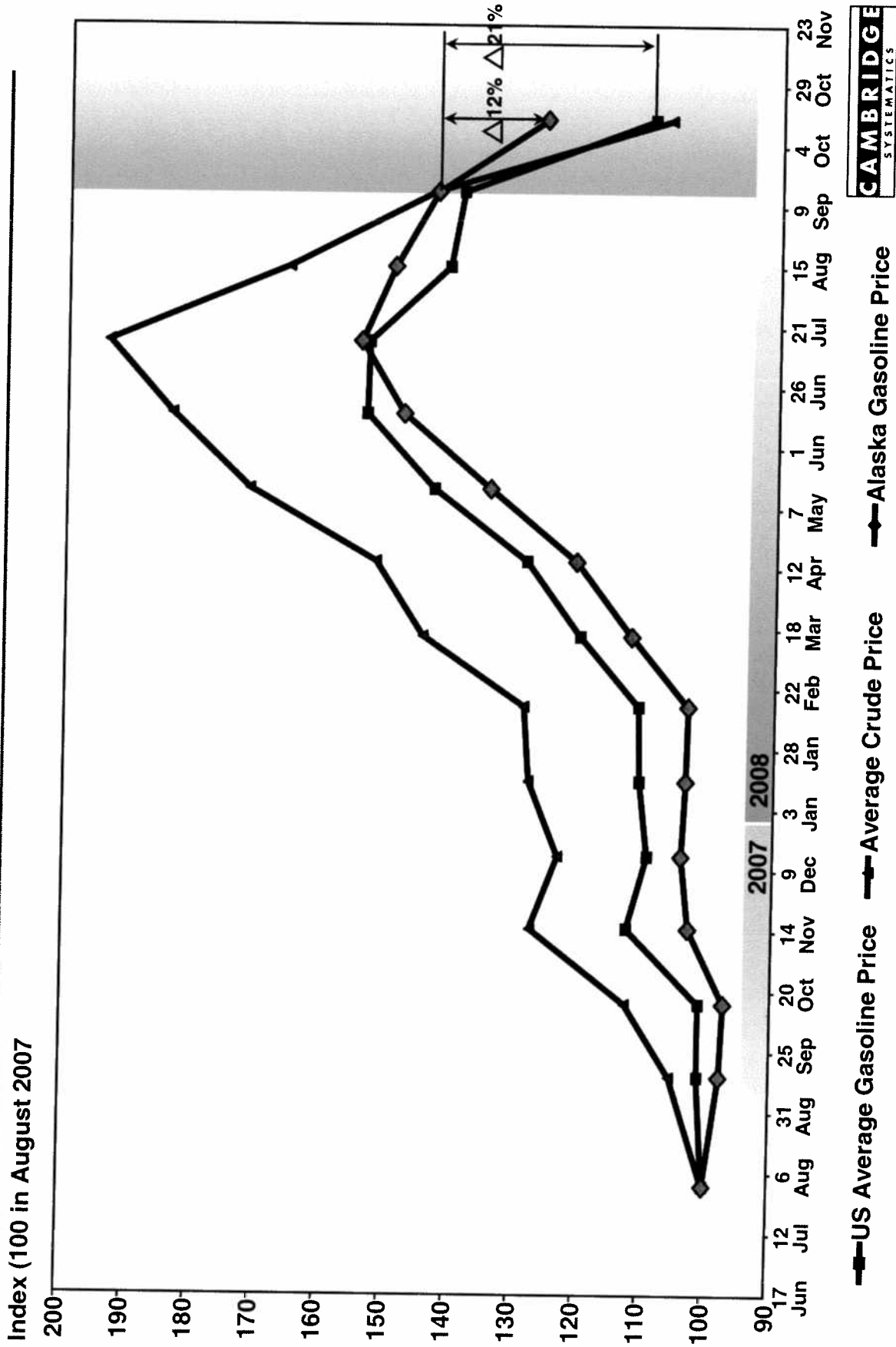
Scenario 3 - \$292 Million of \$535 Million Gap

- Same increase in fuel taxes (8 to 28 ¢/gallon and index the rate to inflation), 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 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



Discussion

Questions & Answers