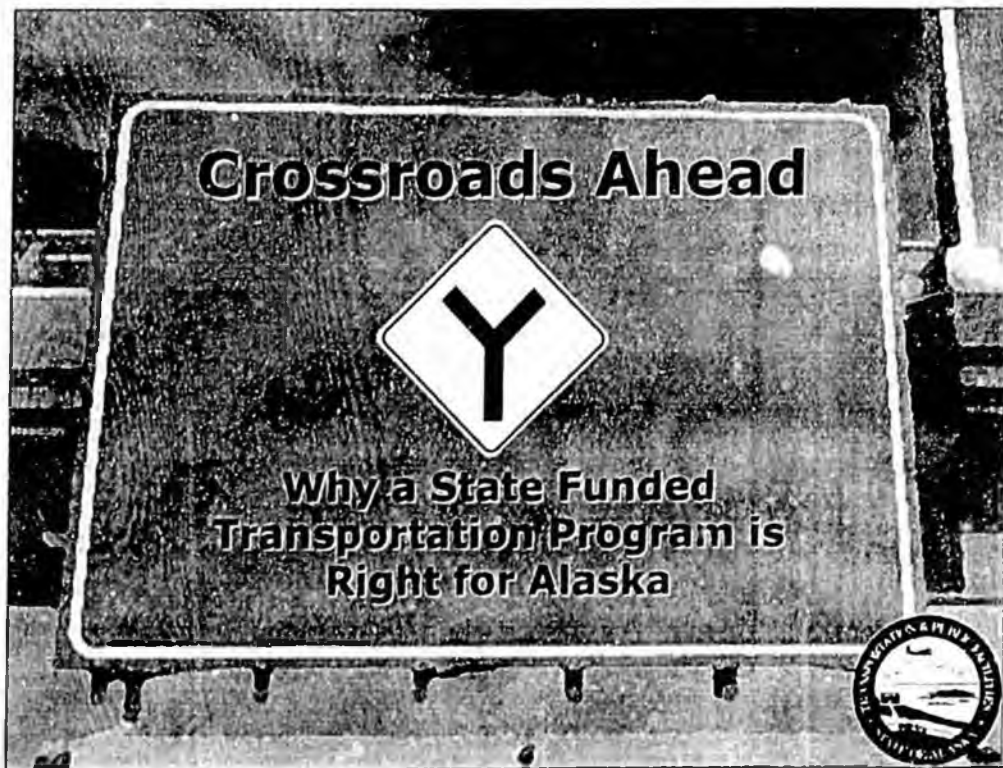


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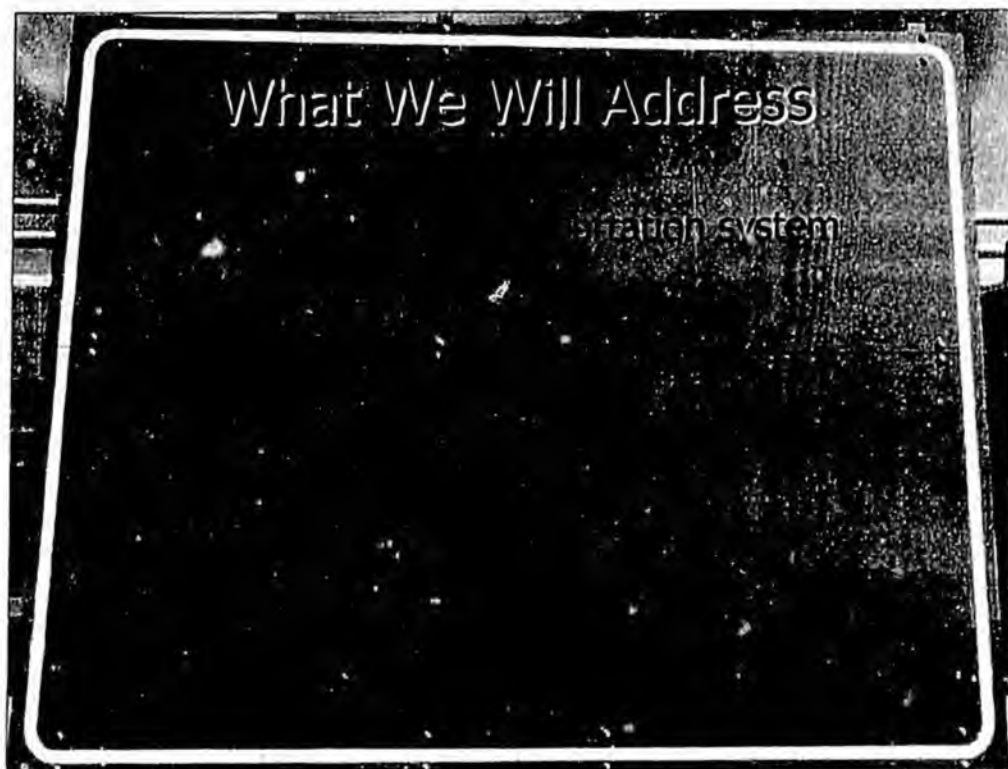
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Good afternoon Mr. Chairman and Members of the Committee.

For the Record – Frank Richards, Deputy Commissioner for the DOT&PF

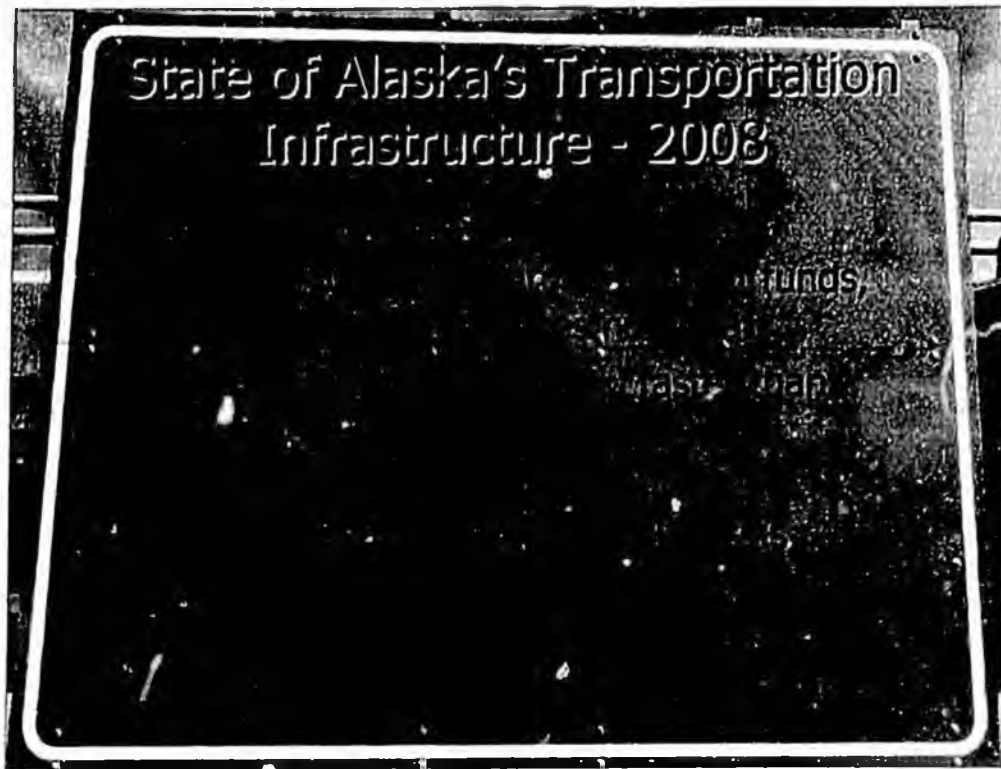
I am here to tell you about the FORK in the road we are approaching with our Transportation System



Today, I will describe for you the State of Alaska's Transportation System and how we are constrained in addressing our aging assets.

I will describe for you what other States are doing to meet similar issues, particularly on their Highways, and

Present to you Governor Palin's approach to meeting our Transportation needs in the Future with an Alaska Transportation Fund.



When we look at the existing infrastructure across Alaska,

We see SAFETY concerns across the modes: from fatal accidents on our roads and highways to seasonal closures of airports which significantly impact the flow of goods and people;

We see CONGESTION impacting our larger communities affecting everything from Commuters to the movement of freight and School buses;

AND we see that our assets are deteriorating because we are unable to do the necessary preservation and preventative activities due to our limited funding

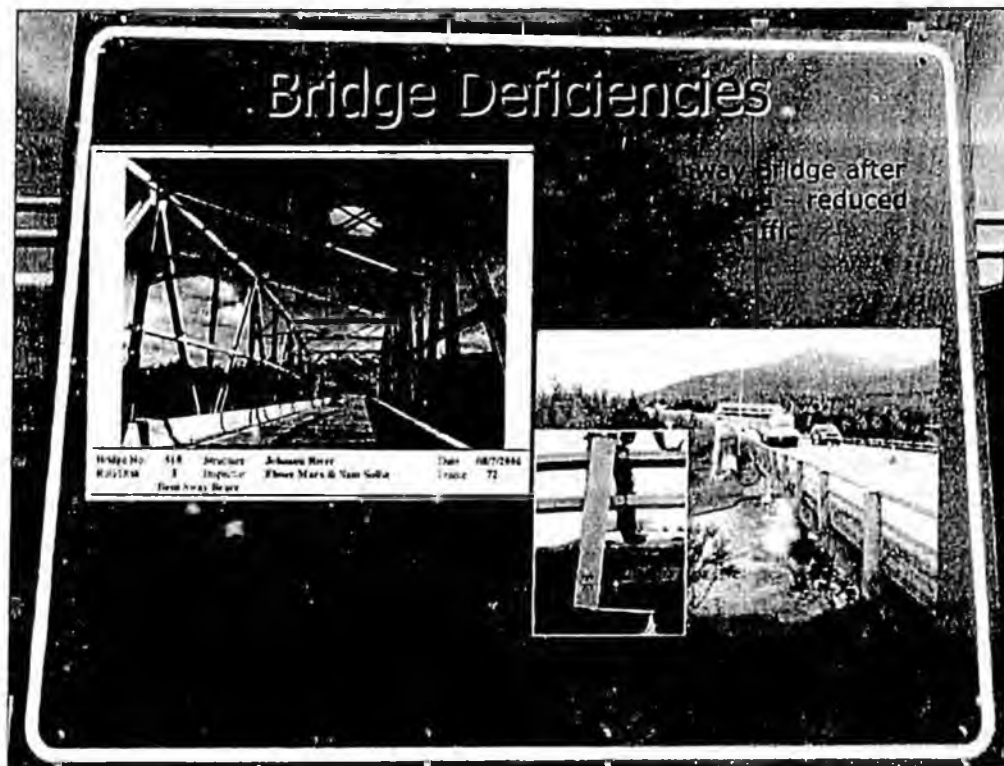


As these photos illustrate portions of our highways are in very poor condition.

We estimate the backlog of pavement that has reached the end of its useful life is ~\$300 M for our NHS routes (2,100 miles), this includes such highways as the Glen, Parks, Richardson, Sterling, Alaska and Dalton Highways. We estimate the pavement deterioration on these routes alone is growing at a rate of about \$80 M each year. Other systems, Alaska Highway System and Community Transportation Program (including local owned) are in addition to this need.

We estimate that every \$1 of timely pavement life cycle investment can save \$4 of more extensive repairs.

This is very hard to put this into practice, with such a large backlog of already failed pavements.



We also have challenges with our bridges although we have made good progress towards bridge repairs, but by no means is the job done yet.

For example we have completed or will complete work on: Washington Creek Bridge, several Parks Hwy bridges, Hicks Creek, Kenai River at Soldotna, and South Channel at Unalaska. The Tanana River Bridge on Alaska and bridges at Hyder and Gustavus are scheduled for projects this year, if we can obtain the environmental permits.

As the slide notes, about 10% of our bridges (86) need seismic retrofits. This work includes:

- Lengthening bearing seats
- Cabing girders together
- Anchoring bridges to their supports
- Strengthening columns and footings
- Replacing tall rocker bearings with shorter rubber bearing pads or isolators

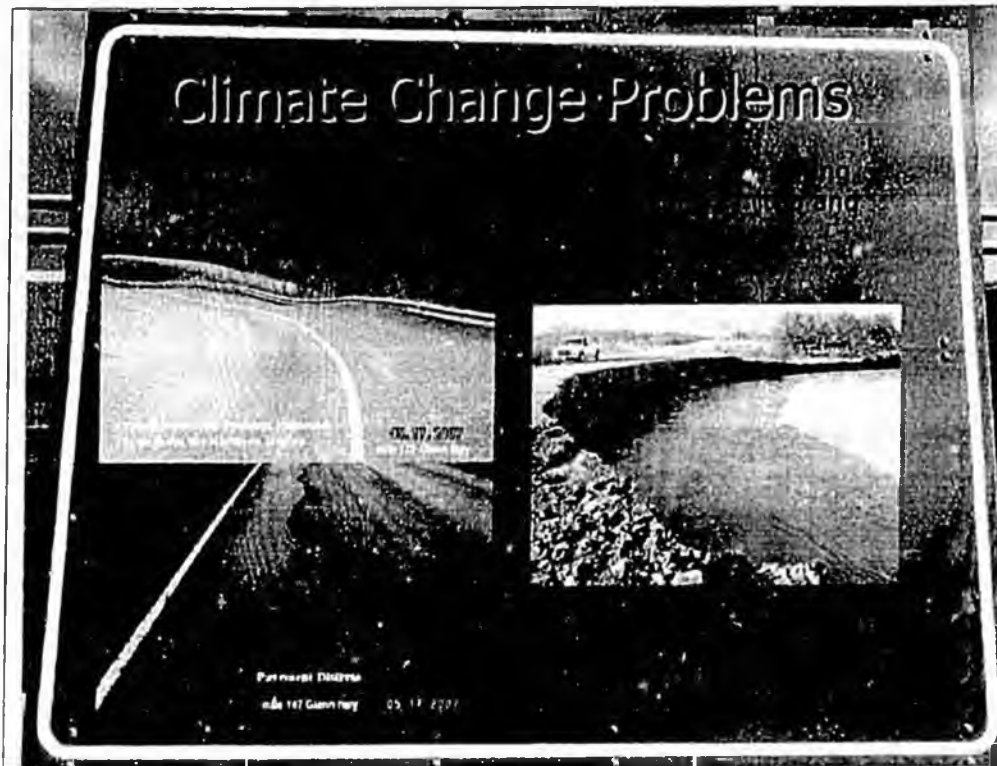
I believe that we have spent almost \$20M to date and we are not done. So far, we have performed "Phase I" (most bang for the buck – about 10 bridges per project) retrofit. Within the next few years we will need to start "Phase II" (expensive – maybe one or two bridges per project).

+++++

Other key facts:

About 15 other NHS bridges are in need of replacement or rehabilitation (scoring below 50 on the rating scale) and their turn for funding must wait. The structural deficiency rating scale ranges from 0 to 100, and a bridge must have at least one deficient scoring factor (deck, super structure, sub structure) also.

Another 45 non-NHS bridges also score below 50 on the rating scale. (some of these may be on very low volume roads, such as logging roads).



Across the State our Transportation assets are being impacted by **CHANGING CLIMATIC CONDITIONS** – we are seeing

Heavier Precipitation Events

Greater frequency of Strong Storms

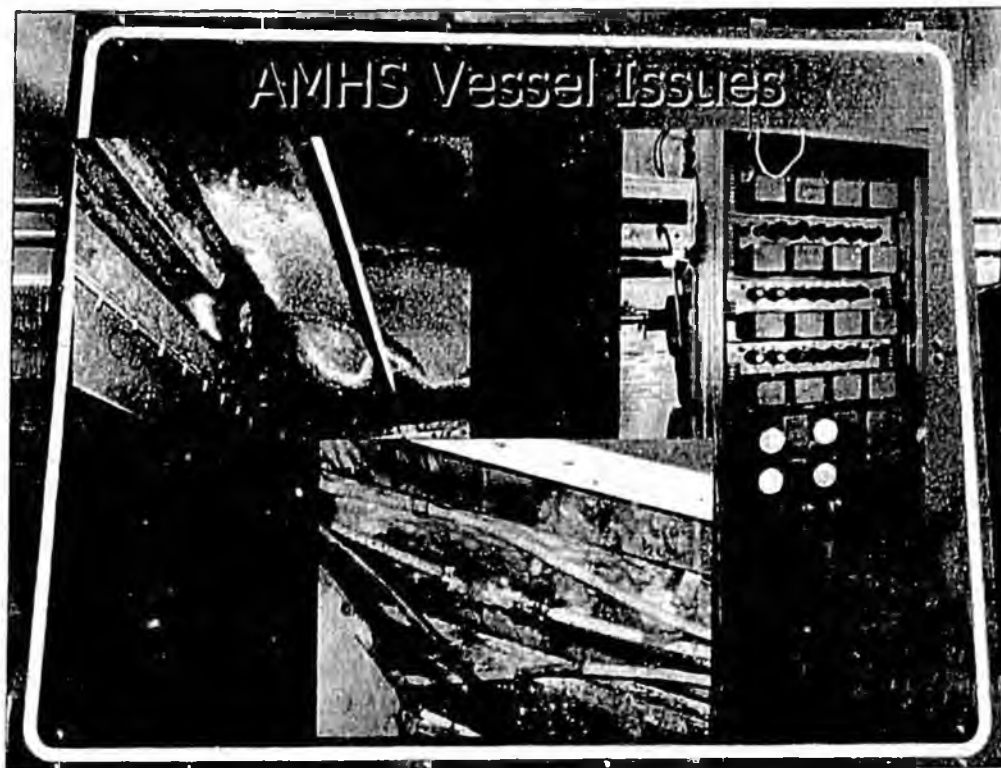
Warmer Summers and

Extended shoulder seasons both fall and spring with more freeze/thaw cycles

We are also seeing more extensive Permafrost Degradation and the associated shifting ground that is impacting our highways and airports.

Work is needed to protect the Copper River Highway. We estimate ~ \$50 M to shore up and raise the grade as a direct consequence of the river changing course following a major 2006 storm event.

Additionally, we are seeing the large impacts on coastal communities such as Newtok, Shishmaref and Kivalina from fall storm damage

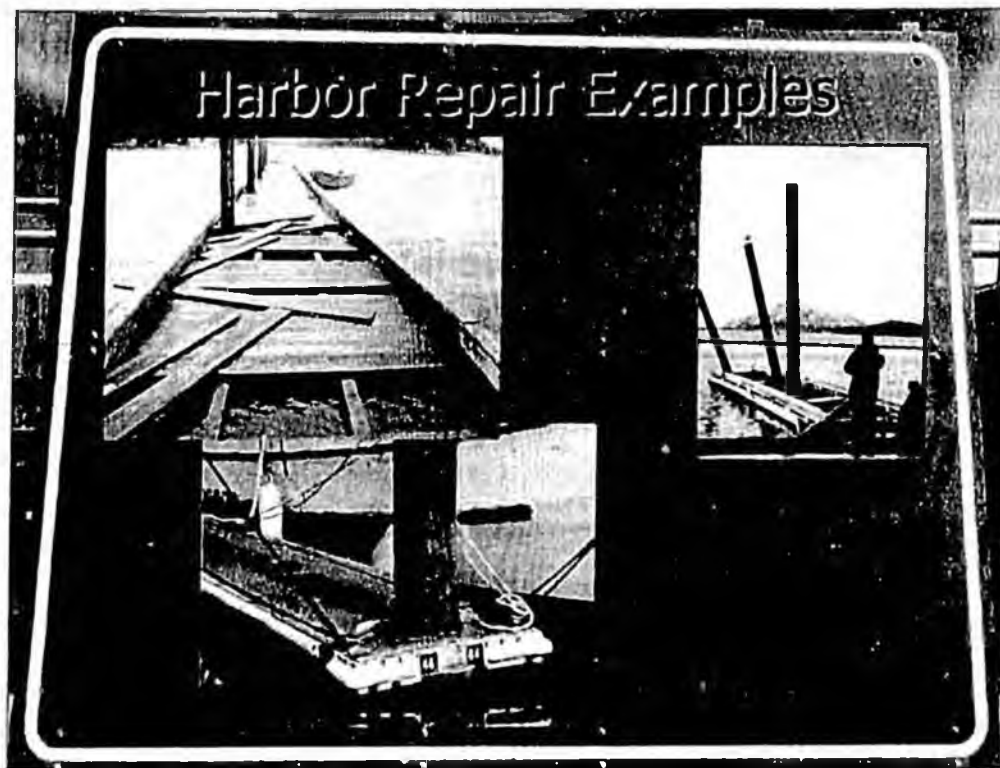


Our AMHS has identified a list of deferred maintenance, by vessel, that amounts to \$18M of immediate needs.

This information suggests the real number is much larger, but often, without access to hidden spaces, we simply can't know the degree of need. These problems are often only discovered when a vessel goes into the yard, and hidden areas are opened as part of planned work, at which time bigger problems are discovered.

This does not include major capital projects such as complete reconstruction of engine rooms, hull parts and other needs.

Many of these needs are mission or life safety critical, such as fire/bilge pump replacement, salt water cooling pumps, sprinkler piping renewal, fire control systems, ventilation fans and ducts, engine control systems, exhaust stack replacement, boiler controls,



The department has been divesting itself of Ports and Harbors ownership for two decades primarily due to long standing budget concerns. But the needs of our remaining assets and those of the community owned facilities continues to be an issue.

The state has not kept comprehensive records of deferred maintenance or capital needs, but the Alaska Association of Harbormasters and Port Administrators have estimated they have ~ \$100M in harbor repair needs. **But this only covers 49 harbors in 22 communities** (Chenega, Cordova, Craig, Homer, Juneau, Ketchikan, King Cove, Kodiak, Old Harbor, Pelican, Petersburg, Sand Point, Seldovia, Seward, Sitka, Skagway, Tatitlek, Valdez, Wrangell, Whittier, and Yakutat).

There are approximately 476 (public and private) port and harbor facilities in the state (as of 2004), with 240 in SE Alaska and 236 in SW and western Alaska.

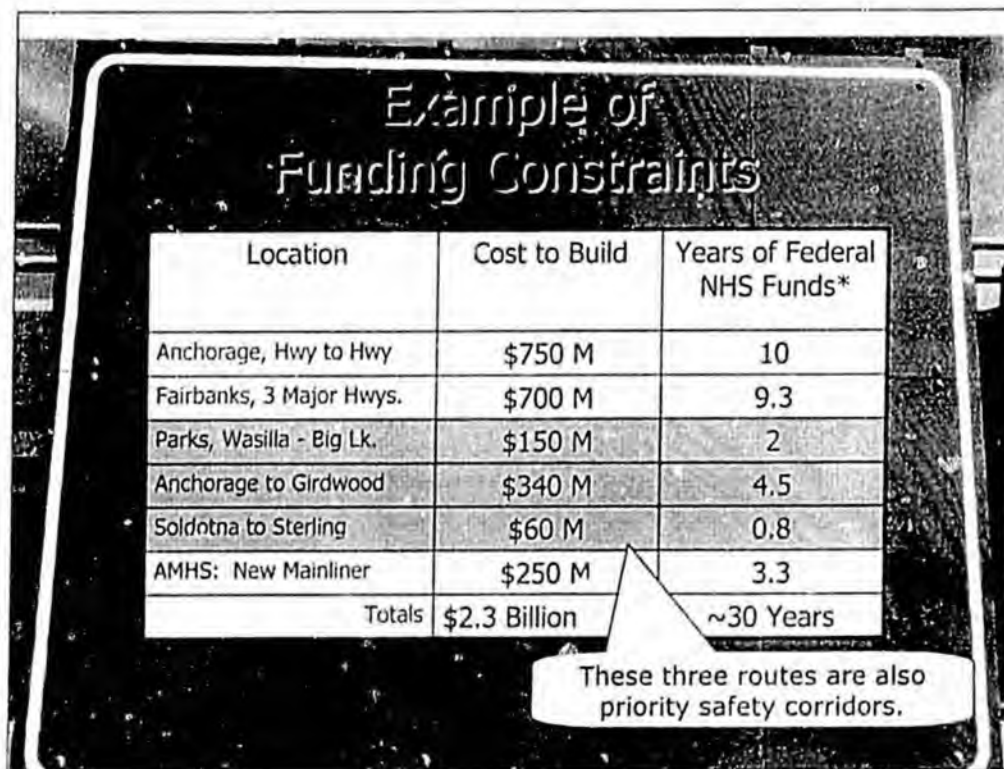
We recently partnered with the Denali Commission and the Army Corps of Engineer to conduct a comprehensive study of the needs of Ports and Harbors in Alaska. We have placed \$500 K into 2008 supplemental request for this effort . Not only are existing facilities aging, but there are examples of new investments that are needed also. We intend to look at both marine and inland needs.



We are the largest airport operator in the nation with 256 airports statewide. This includes airports from Barrow to Adak to Hollis. Even though we continue to receive a very healthy investment from FAA for airports, many of our needs are unmet.

Our needs include SAFETY items such as rutting on soft embankments and crowding of the runway/airports by homes and businesses.

Additionally, we see our assets deteriorating. We have cracked asphalt surface surfaces, loss of gravel surfacing materials, and aging lighting systems that are very difficult to maintain.



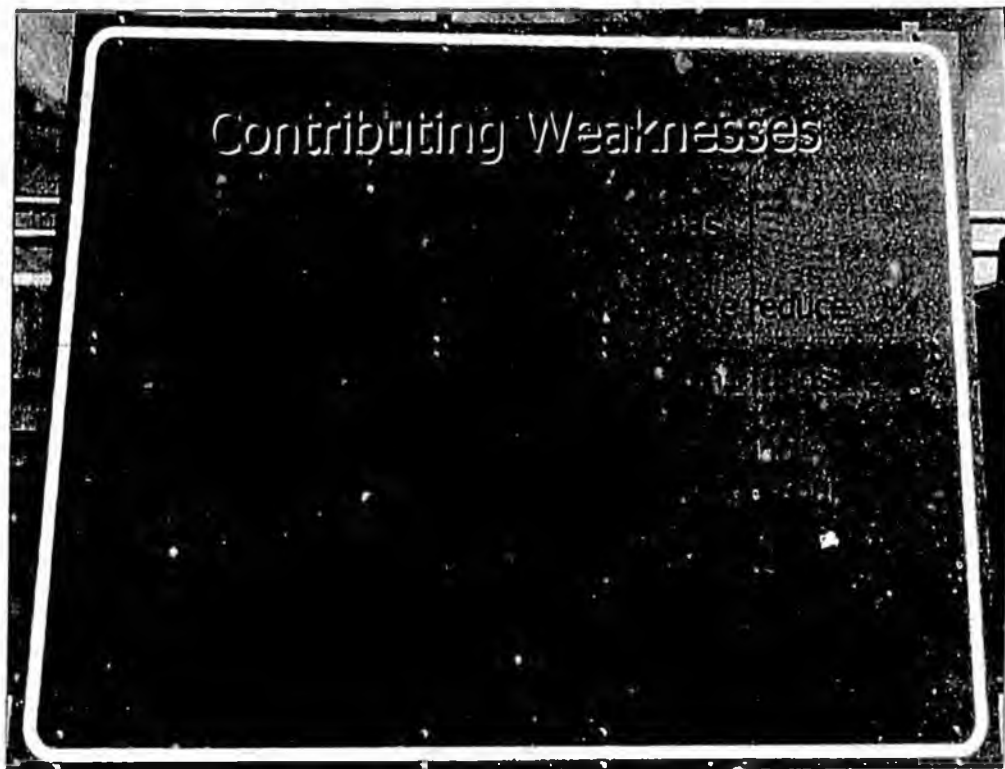
I present this chart to illustrate how challenged we are to FUND major priority NHS projects with our current Federal Program. Our current annual NHS allocation is ~ \$80M. This chart shows how long it would take to fund one of our priority projects if we funded just that project with our annual allocation of NHS funds. For example if we wanted to upgrade the Parks Highway we would have to allocate all the NHS funds for 2 years to just that project. The list could include dozens of other equally worthy projects, such as Haines Highway or Seward Highway near Trail and Kenai lakes or Cooper Landing.

The Fairbanks list is the 3 main routes that lead to Fairbanks:

- Parks, Houston to Fairbanks \$200 M
- Rich, Upgrade deficient sections and bridges \$425 M
- Elliott, MP 4 to Dalton junction \$75 M

These costs are in 2008 dollars and does not include the impact of future construction cost increases or in trends in federal program which may result in smaller funding levels, so likely even a longer timeline is needed to address this selected set of needs.

The point of this list is to illustrate the degree of need far outpaces the revenue available.



The use of Federal funds became more challenging with the latest Highway Reauthorization bill, named SAFETEA-LU due to:

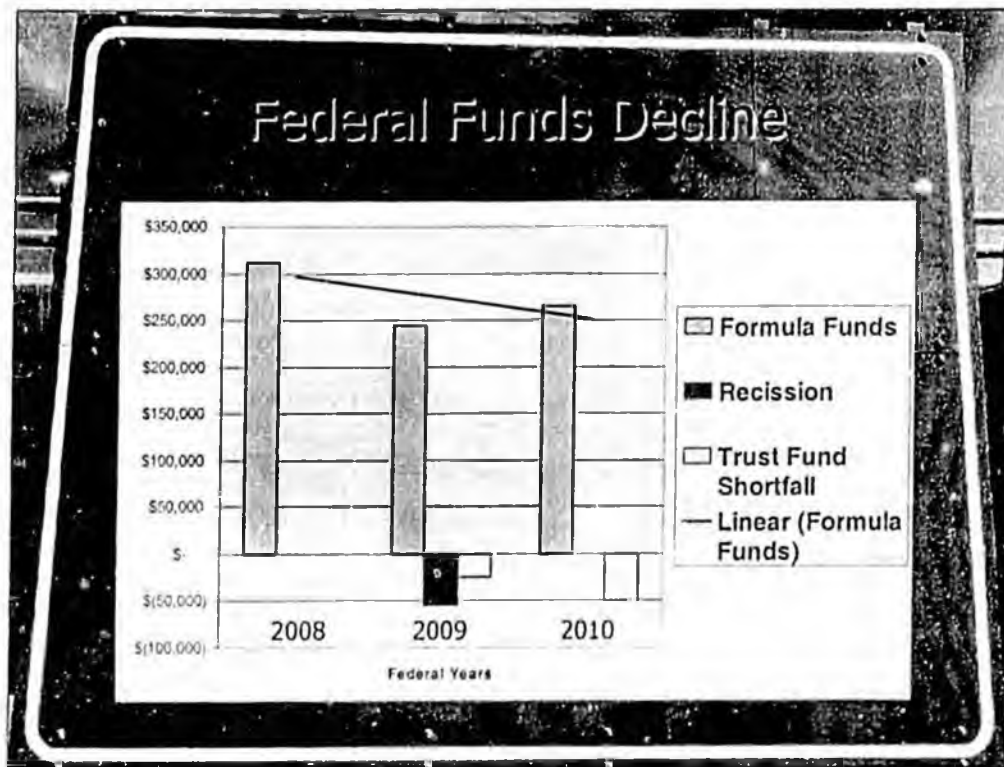
Deductive Earmarks

More set aside programs such as safe routes to school, recreational trails, and others

More Restrictive Regulations and

Loss of flexibility within the various funding categories

General purpose funds in SAFETEA-LU available for project accomplishment were actually lower than in its predecessor bill TEA-21.



This represents a best estimate on what our FHWA receipts will be over the next couple of years based on current information from FHWA, with plenty of uncertainty thrown in.

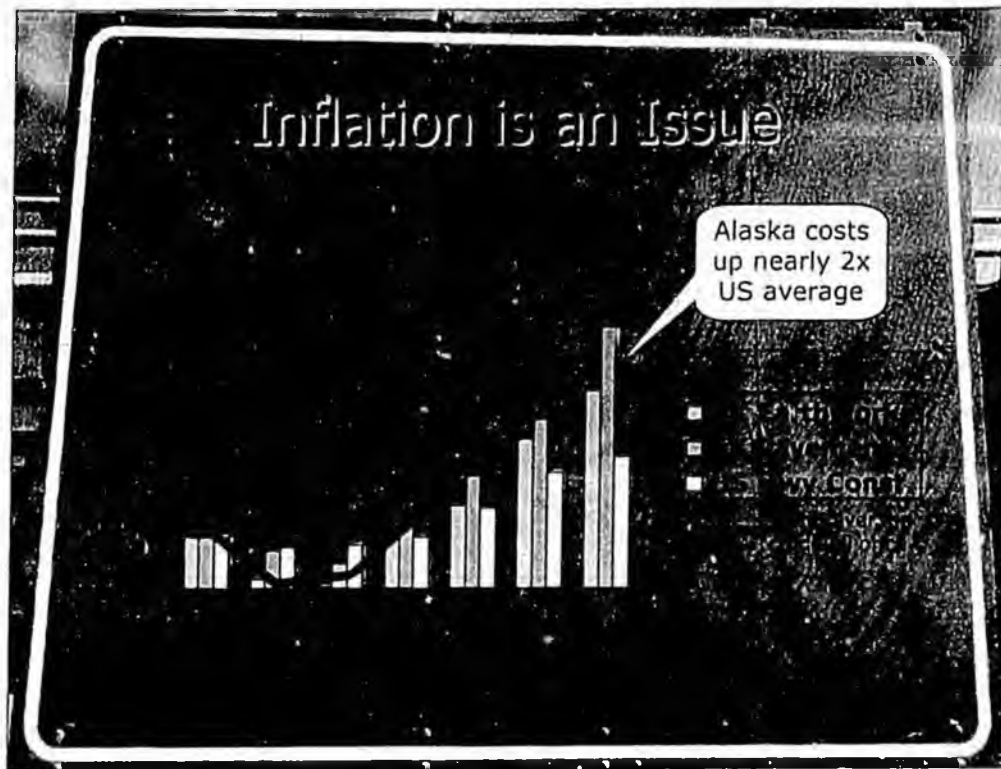
Formula funds, are inclusive of both the flexible and inflexible types of apportionment. The Chart does not include earmark funds anticipated in the 2008 and 2009 years, from SAFETEA-LU earmarks.

The trust Fund shortfall has been updated with the latest information from FHWA.

The \$50M recission shown in 2009 is as written into SAFETEA-LU legislation. Only a act of Congress can change this.

The 2010 Year is very much a guess. What will the program change to, and in what year we do not know as the next Reauthorization is due in 2010. I have assumed 2010 is a continuation year, and funds will grow very modestly before accounting for trust fund difficulties.

Please Note that the shortfall is about equal to the initial funding from the ATF, of about \$50 M each year.



The impact of inflation on Construction costs over the last 6-7 years is HUGE.

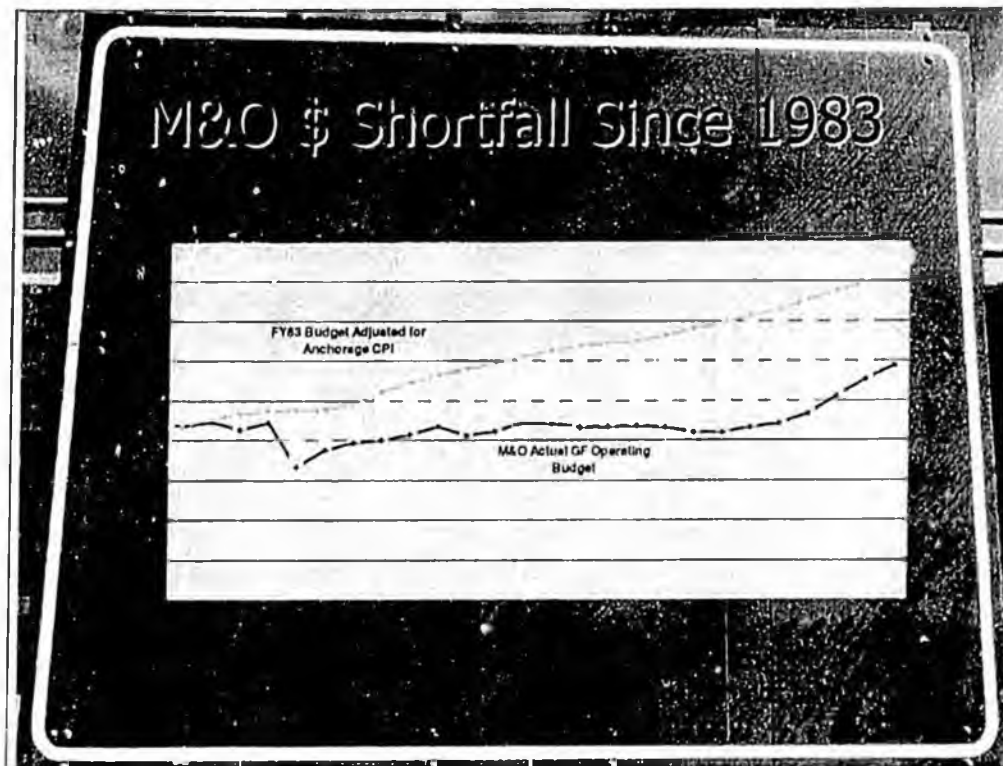
Asphalt Pavement costs are up ~ 80%

Earthwork costs are up ~ 60%

The values shown here are from a review of all of our bid tabs over last 7 years (2000 to 2006) so we feel this is a good representation of actually inflationary impacts.

I have no clear explanation of why Alaska costs is higher, except anecdotal evidence of that there may be fewer bidders, the high cost of freight to rural Alaska, and known high workload in other construction sectors such as military, and other federal programs, etc.

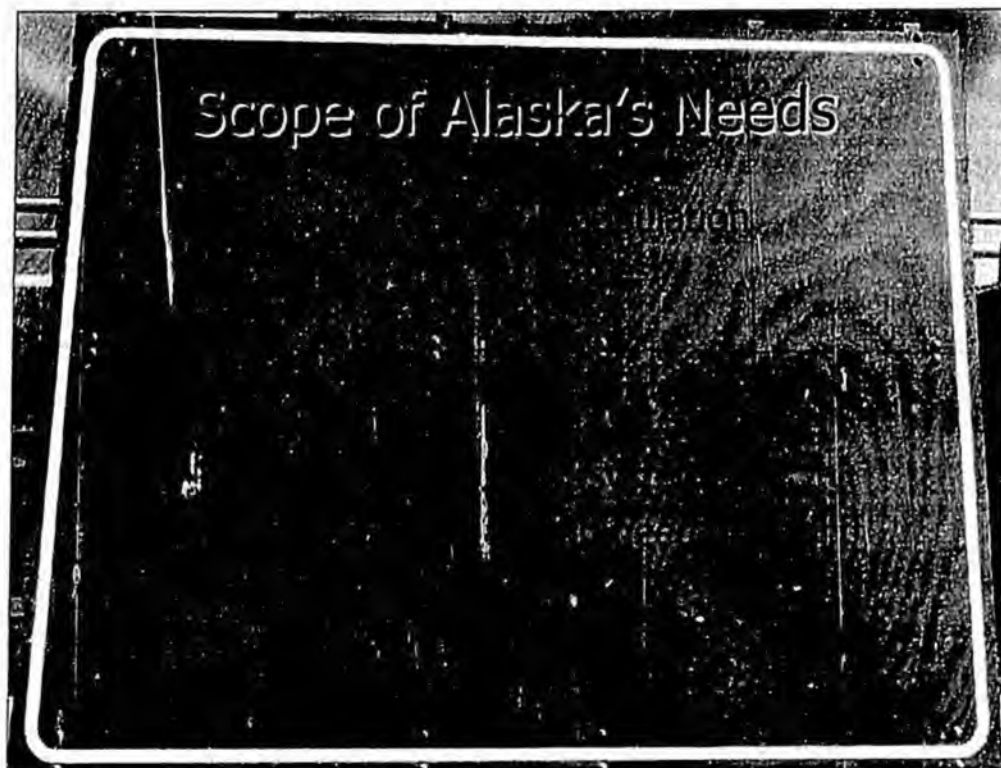
You can see how the costs increases trend with the price of oil. Highway and airport construction is energy intensive, due to moving heavy materials, using big equipment, and items such as asphalt pavement which are big users of oil and fuel to produce.



After 20 years of nearly flat line M&O budgets we HAVE received increased funding over the last few years. We greatly appreciate that support!

However, we have a significant loss of buying power over the last 25 years of ~ \$50M. During this interval we have been adding significantly more lane miles, larger airports, lighting systems, and traffic lights to our inventory, thus exasperating the challenge of getting the job done well.

Our current GF operating budget covers our basic needs to perform snow and ice control and general routine maintenance but does not provide resources to perform preservation activities.



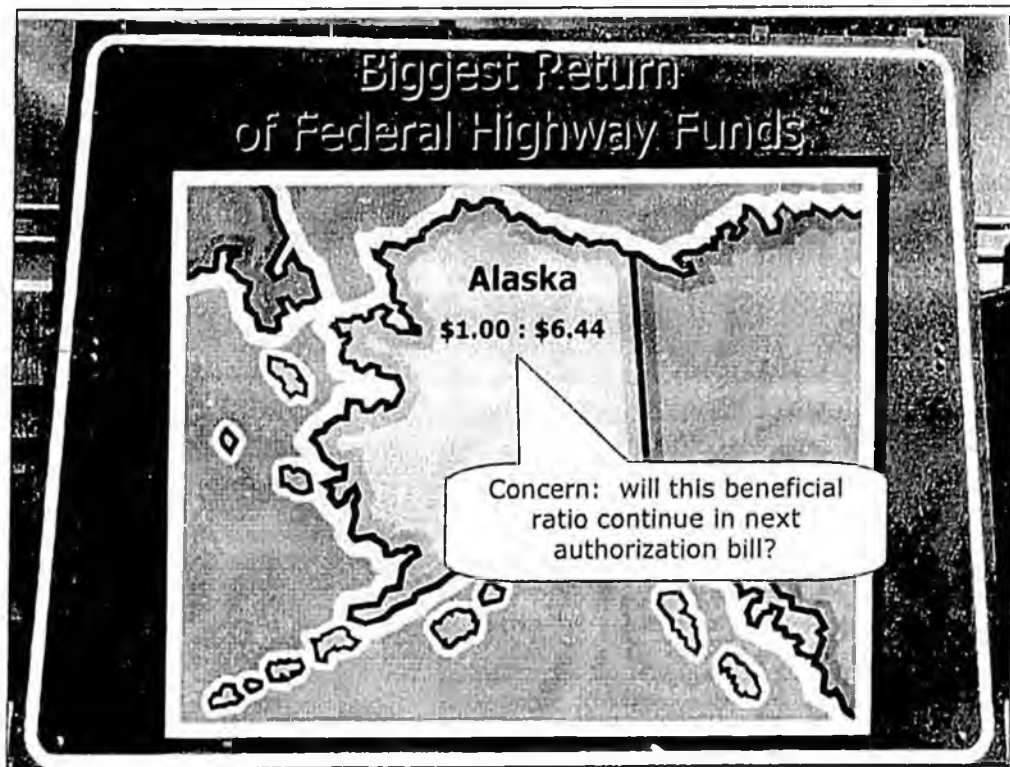
Our Alaska Transportation System is truly unique and very diverse:

Largest Airport Operator in the Nation

Ferry system that traverses 3,500 miles of routes, and we
have

A huge coastline with need for safe ports and harbors

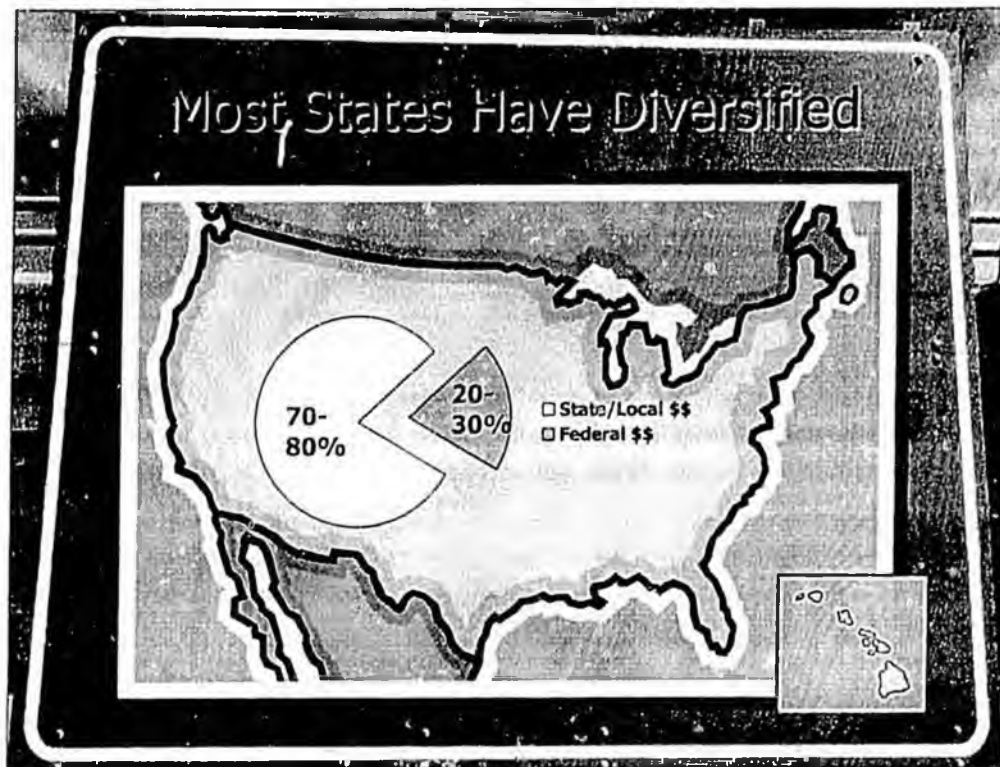
As Alaskans we support these systems with a much higher amount of ownership costs than citizens in States down below. This is a reflection of our large geography, coupled with low population.



We have been extremely fortunate to receive \$6.44 of FHWA funds for every \$1.00 we pay in Federal Taxes at the fuel pump.

2010 will be the year that the Reauthorization of Highway bill will occur. We expect it to be VERY different than previous bills with emphasis on reduction of Greenhouse GASES. It is already being called GREEN TEA by some.

New national Commission Report just released last week – proposes complete makeover of our Federal transportation programs , and replacement of the formula approach with a performance measure approach. with oversight by a national commission.



Other states have long had a state and/or local funding mechanisms in addition to the use of federal funds. The other state DOT's also only own the largest roads and highways, on average representing about 20% of their State's road network.

In Alaska we own and maintain about 40%, and this too subtracts what can do for the really crucial highway and ferry links.



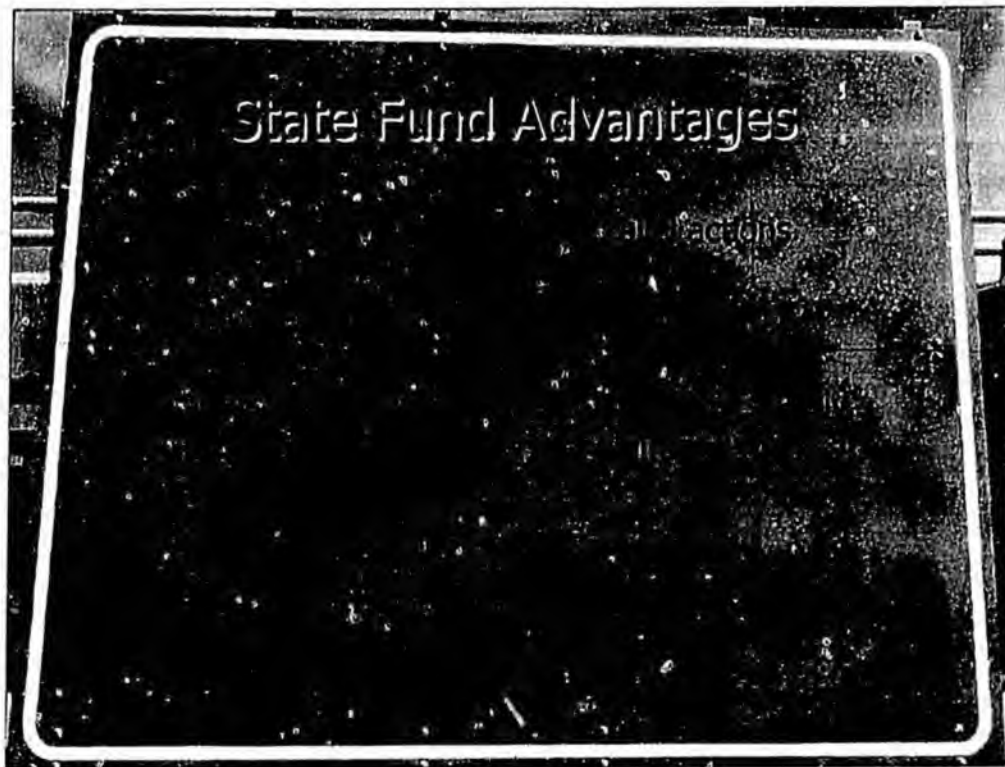
In addition to their existing fund sources, many states also see the need for more and different ways to fund construction using such things as:

Tolls

Public Private Partnerships, and

Users fees for vehicle miles driven

We see these alternate types of funding would be very difficult to institute in Alaska with our small population base.

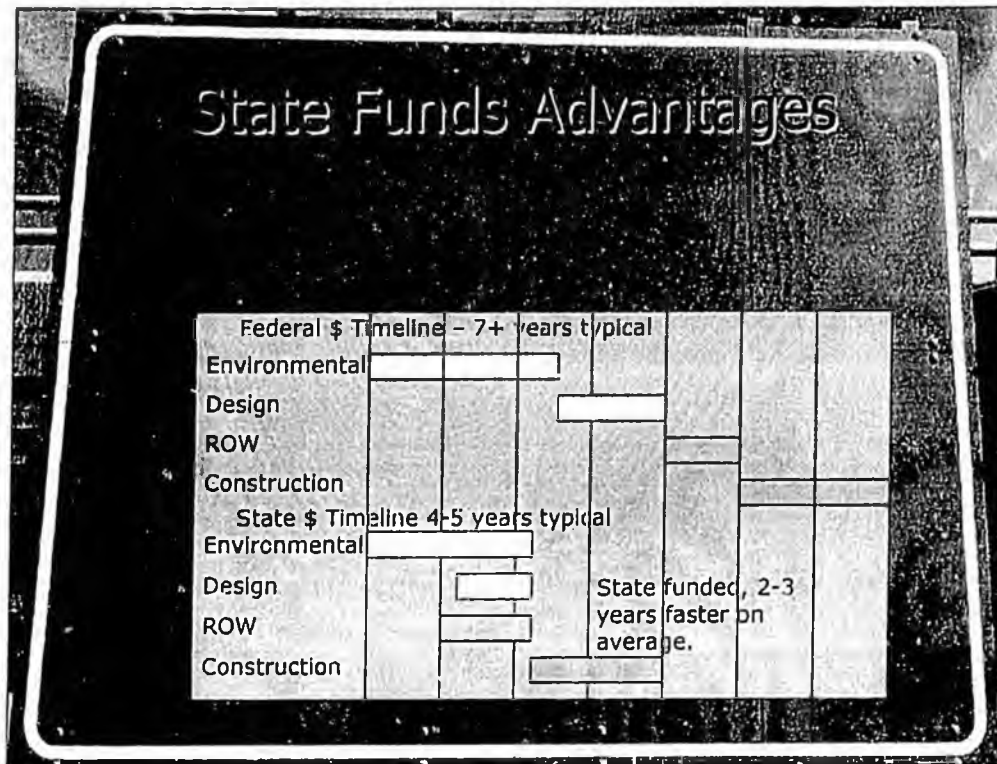


There are strategic advantages to having a State Funded program. Namely, we can complete the projects much faster which equates to it being less costly also. WHY – because we have relief from the onerous federal oversight and do not have to follow many of the federal laws I showed previously.

Examples – NEPA and 4(f) and Buy America.

NEPA is avoided if there are no federal actions involved, such as wetlands permit. Thus many PM and major maintenance type projects would enjoy this benefit.

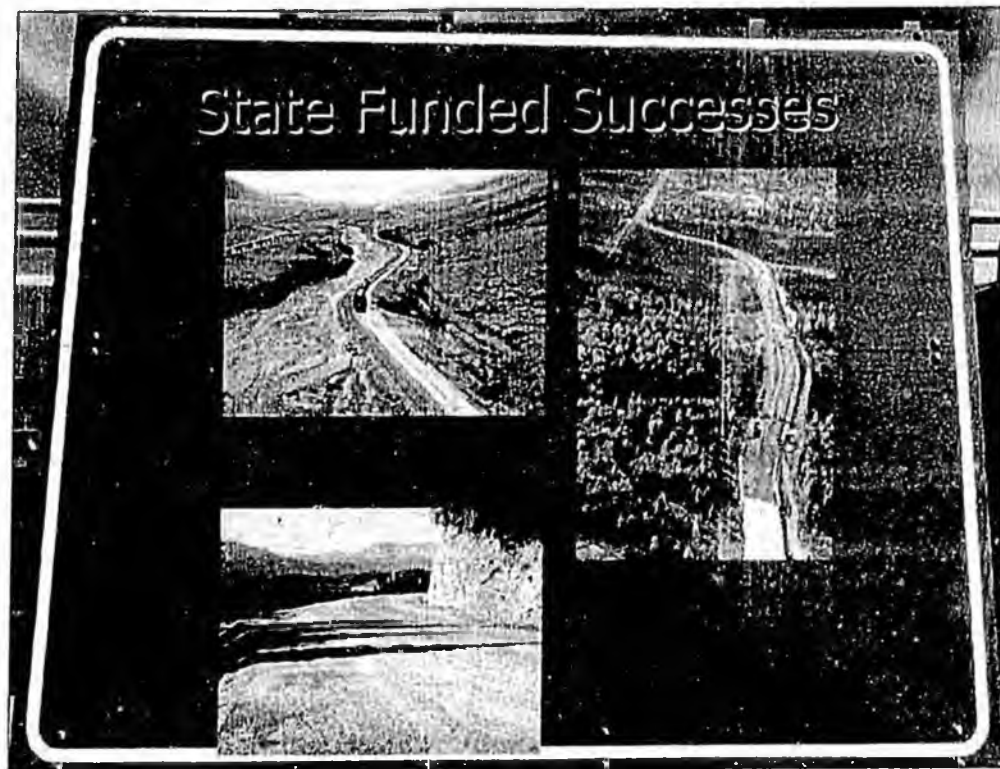
4(f) is a law specific to US DOT funds. It applies to all recreational, refuge and historic properties. It can be very demanding, and can often thwart common sense.



From the Start of a Federally funded project to its completion is averaging 7 years. WHY – because each phase of the work must be complete before the next one begins.

This is not the same for a State funded projects. We can complete our work in parallel, starting Design while the Environmental process is underway. This saves about 2-3 years and the associated higher costs of construction

Our state numbers are pretty accurate, except for some outliers, such as North Pole interchange.



Over the last few years we have completed several GF funded projects and seen the time savings shown here.

Others examples include:

Boniface Parkway Extension

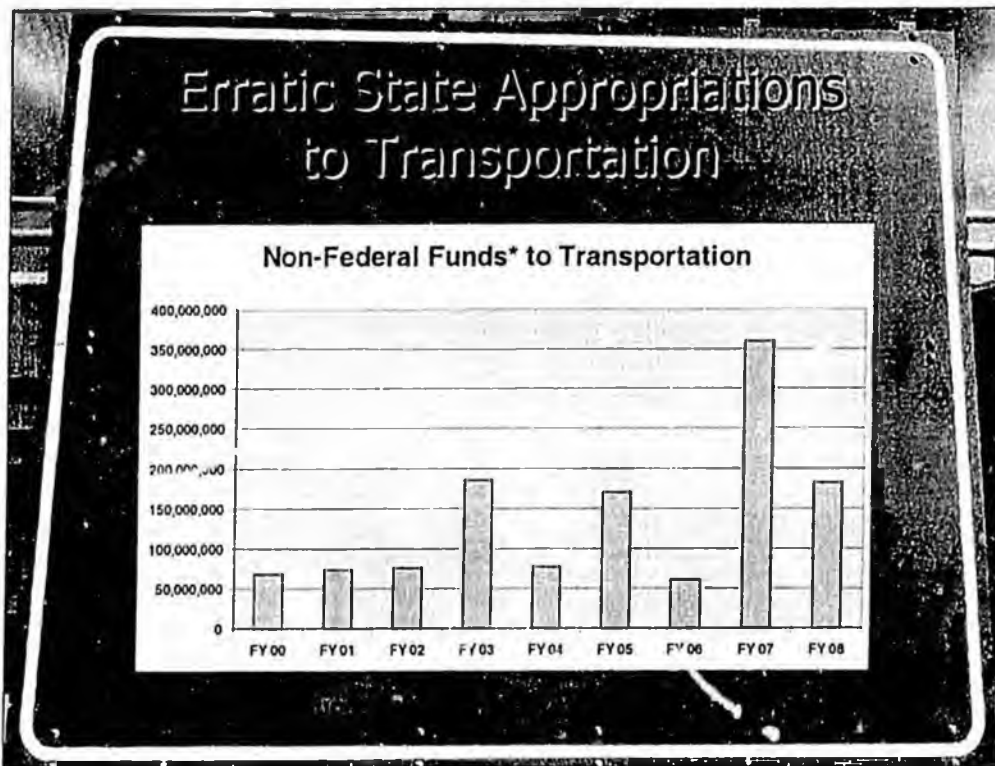
Dowling Road East

Washington Creek Bridge on Elliott Highway

Ketchikan Tongass Avenue

Pile Bay – Williamsport (Cook Inlet to Lake Iliamna)

Work on Glenn Highway at Merrill Field



This chart was prepared from all funds appropriated to transportation, including:

- Annual capital budget
- Supplemental capital budgets
- GO bond funds in 2003
- State and local projects and
- Deferred maintenance, maintenance station construction included

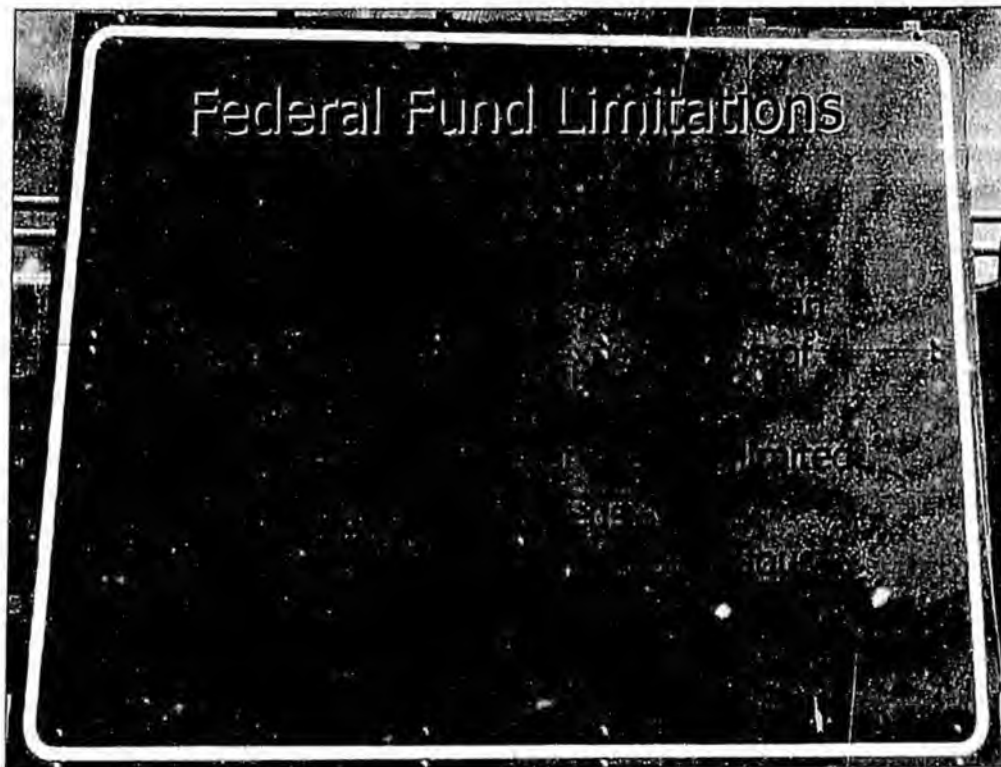
It does not include

- Match funds to aviation, highways, nhtsa, fmcsa
- GARVEE bonds (since they are repaid with federal funds)

Two key points to chart:

Funding has been very erratic. This is not ideal to workload, consultants or contractors.

And if we had it, the ATF (at the beginning amount of \$50 M per year) would have been quite meaningful in 5 of the past 9 years!



As I have shown you, we cannot realistically continue to solely rely on our Federal programs to meet Alaska's Transportation needs. We will continue to utilize the federal funds that are made available to us for specific modes but we still have assets, like Ports and Harbors, that do not have a dedicated federal program to fund their needs.

Federal aviation funding is somewhat more robust than our highway funding yet we still are not getting the job done.

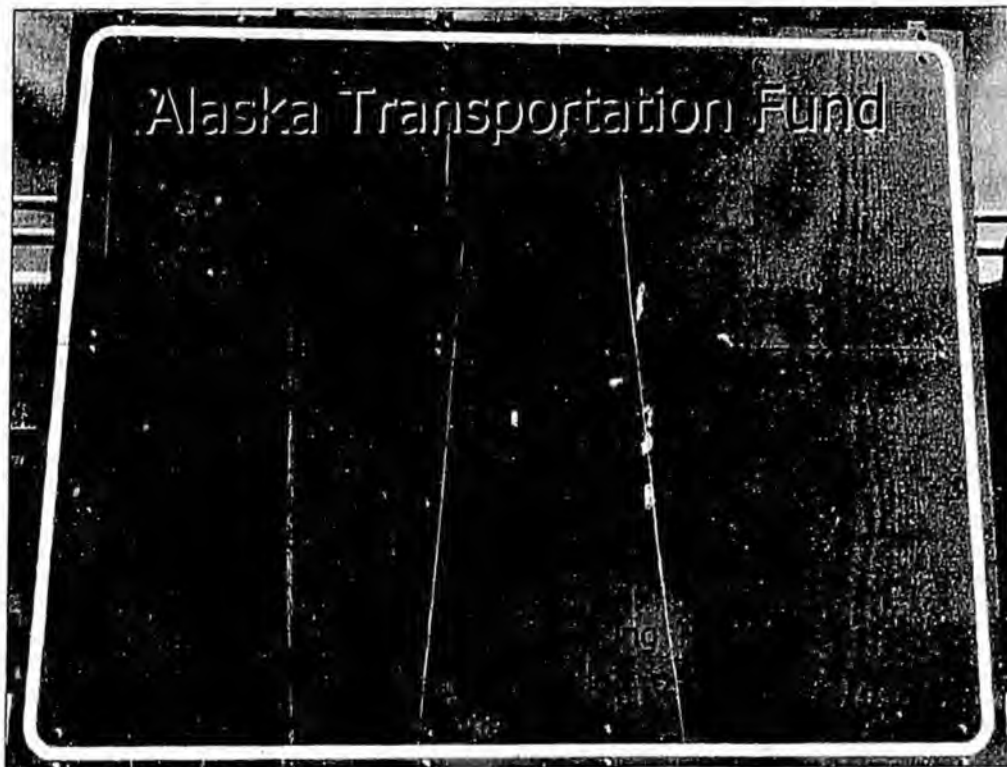
While the 3,300' runway standard is still being implemented, and many communities need this improvement, the desire for much larger 4,500' runways is growing due to costs of moving fuel by air. The loss of barge service due to water levels in some river systems is behind this need for larger airstrips.

80 airports with R/W less than 3,300'

42 airports with R/W less than 3,000' (Chignik, Stony)

25 airports with R/W less than 2,500' (Nunap, Kwig, Chefornak)

14 airports with R/W less than 2,000' (Kong, Tunt, Nanwalek)



Based on our analysis of needs and projected funding we see that the time is upon to institute a funding stream that will provide for our existing and future Transportation needs. So what will an ALASKA TRANSPORTATION FUND allow us to do:

We would have a fund stream that could provide resources for all modal needs – both State and Local,

It will also allow us to develop a PROGRAM approach to meet these needs.

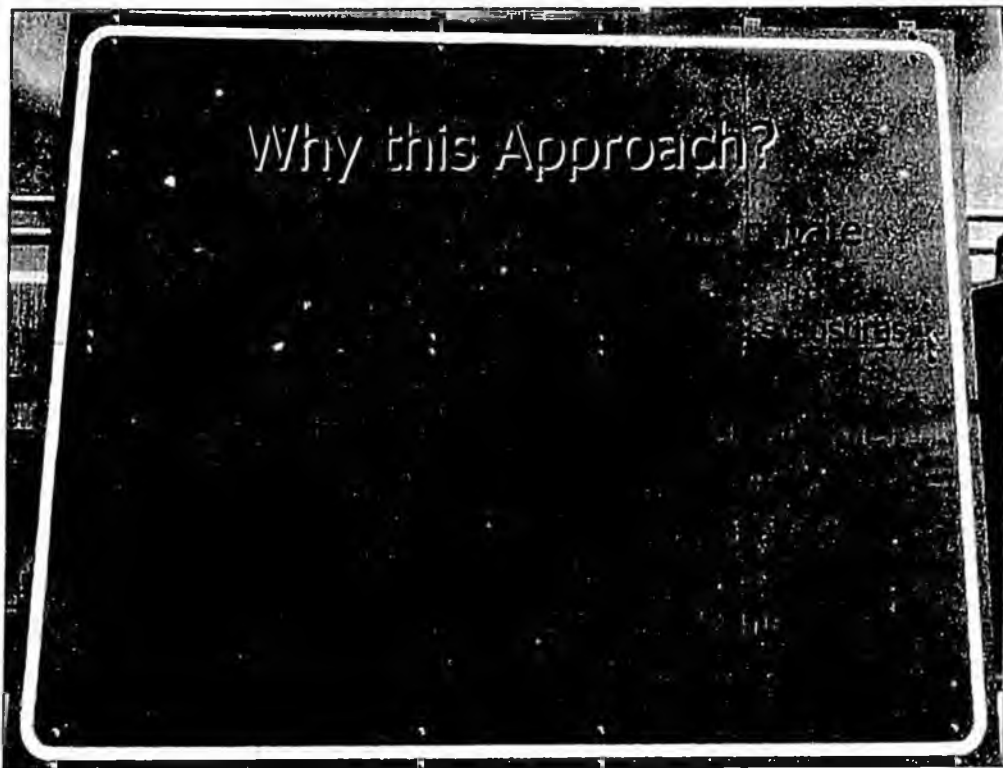
We will follow AS 44.42.050 on our project selection process. We currently have individual modal selection processes in place and will need to create a multi-modal process using Performance Measures to guide project selections.

Examples are condition and performance data that we will use:

MMS, Bridge inspection, traffic volumes, pavement management, cost effectiveness data (required by law in most cases) economic measures

Our project scoring process has been identified nationally as among the best in the nation.

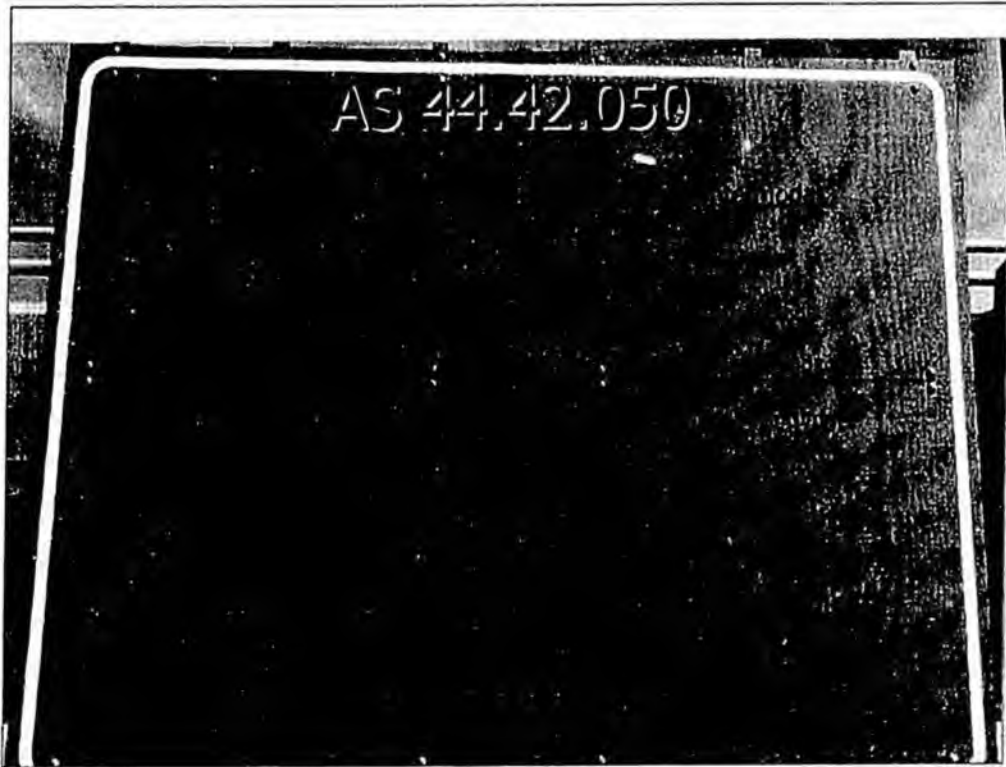
Also, Denali Commission, in their pursuit of a project selection process, looked at several approaches in the United States and opted to follow one nearly identical to our PEB scoring process.



Individual project appropriations do not allow us to develop a programmatic approach. As my previous chart illustrated in lean years we have received relatively small levels of appropriations .

ATF will provide a consistent fund source. We estimate that the initial ATF One Billion dollar appropriation would generate ~\$50M per year.

ALTERNATIVE to raise this level of funding would be to raise the gas tax. To raise \$50M would require a 150% increase to our existing 8cent/gallon.

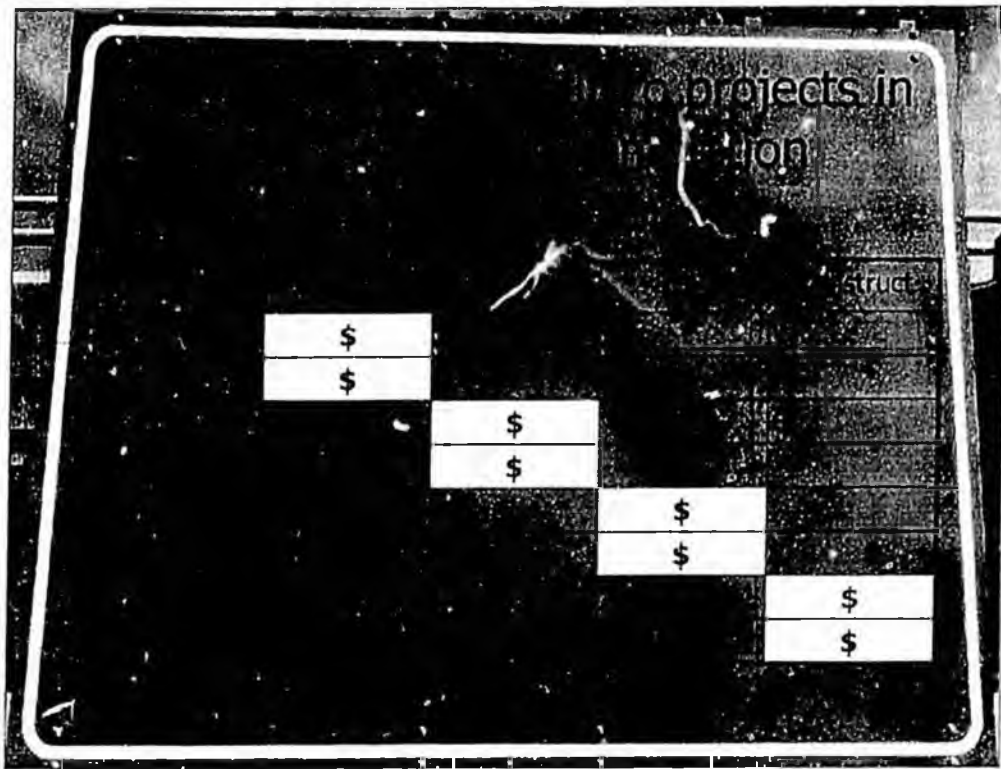


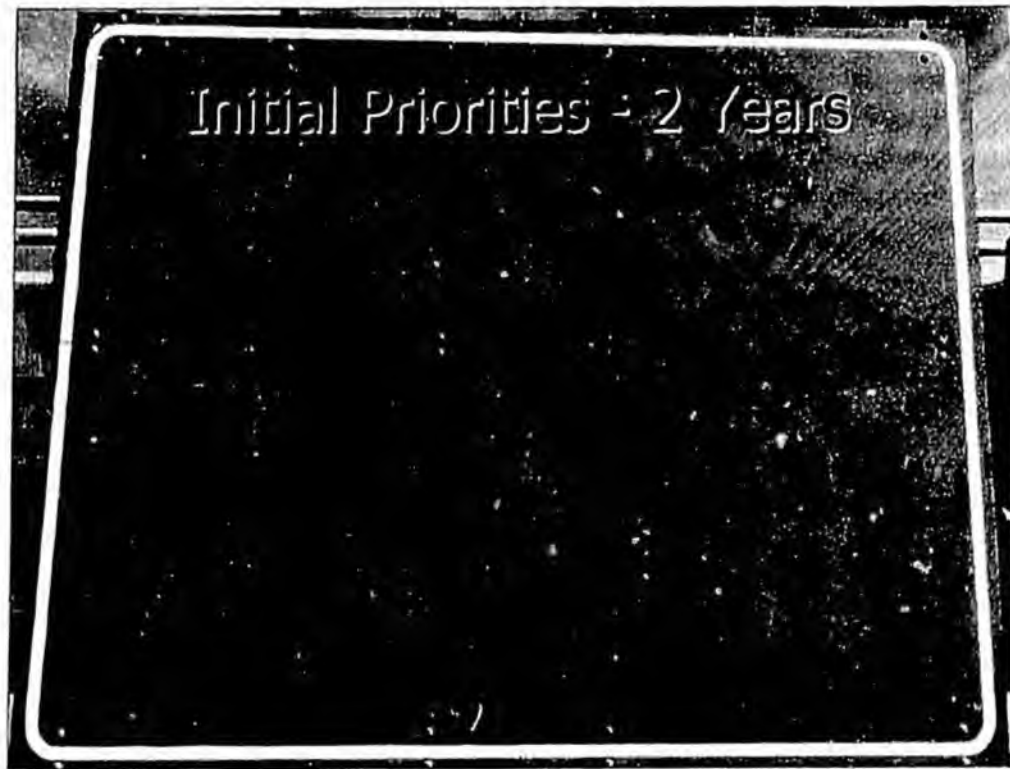
State law already defines how transportation projects should be identified through a planning process,

and how they should be selected for funding by the Executive branch, with approval and appropriation by the Legislative branch.

This core process will continue, with the ATF as a new funding source.







Once the ALASKA TRANSPORTATION FUND is established we will use the funding during the first few years to:

- Target know priority safety needs
- Let contracts for existing bid ready projects
- Target preservation activities
- and Address economic development and congestion needs



It is truly a tragedy that we are losing 75-85 people per year from accidents on our highway and road systems.

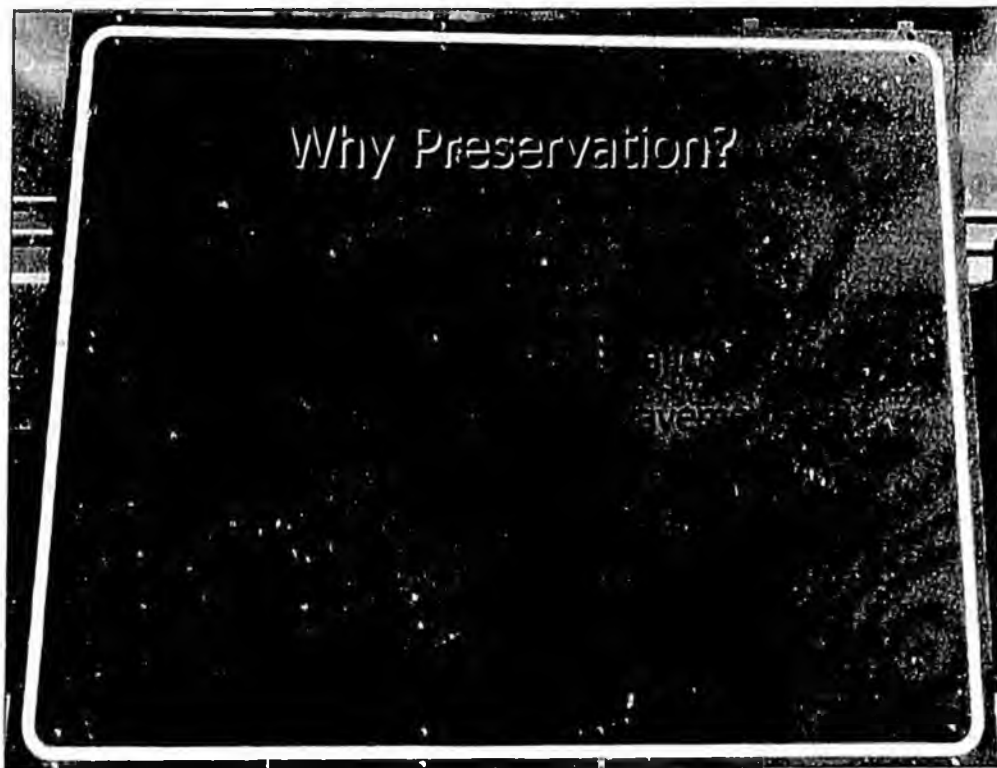
We want to address these problems to save lives, injuries, and the large monetary impact that accidents cost society.

The Safety numbers shown are from our Strategic Highway Safety Plan just completed in Sept. 2007.

We have set a goal to reduce fatal accidents statewide by 1/3 over the next ten years. And this will take investment and new funding mechanism to accomplish.

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Each Alaskan faces the following risk of tragic death in a vehicle accident over 10 year time period:

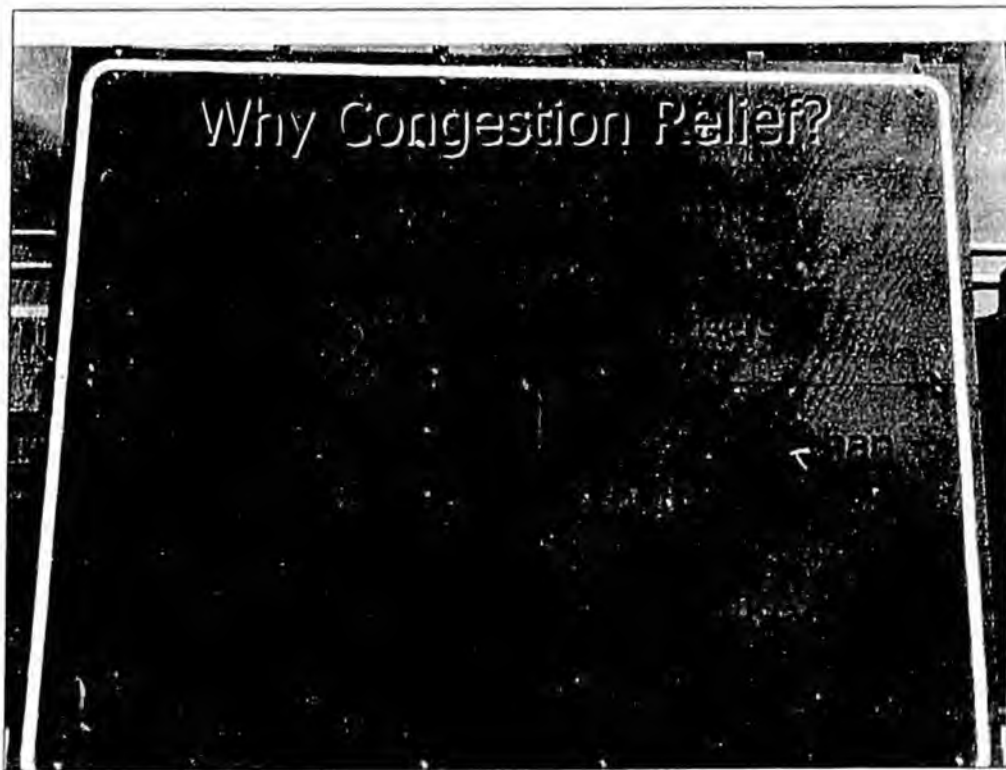
1 chance in 1,000 or higher: that means for each of us with ten family members and close friends, 1 chance in 100!



Why PRESERVATION – because it's the SMART thing to do.

Preservation activities generate \$4 of saving for every \$1 spent , i.e delayed costs of reconstruction, prolonged life of the assets.

We are currently using \$13M of FHWA funds and \$4M of FAA funds for preservation activities. This is addressing some of our needs and is certainly helping with our operating budget.



Congestion impacts all of us from the economic costs associated with time delays.

We estimate that we actually promote savings by addressing congestion by providing additional lanes or alternate routes. Example – Elmore Road with saving of up to \$9.5M.

Other examples of projects where we are reducing congestion:

Mat-Su Palmer-Wasilla Highway

Ketchikan, 3rd Avenue ByPass

Fairbanks: Illinois Barnett downtown project and North Pole Interchange

More time driving means more gas consumed == less \$\$ to spend doing something else!

Source of Elmore Road savings:

600,000 hours per year reduced delay @ \$10 per hour* = \$6 Million

\$3.5 Million in driving costs per year

$\$6 + \$3.5 = \$9.5$ Million

•The \$10 per hour is an estimate of all users. Those conducting business or workers make far more than this. Others out for recreation, the figure is likely too high. As an average it is reasonable, and helps to monetize the costs of travel delay overall.



Transportation is vital to the viability of our country and is especially important in Alaska with our huge landmass and spread out population.

I see transportation as key to promoting opportunities for all Alaskans in line with our Constitutional mandate.



Picking projects will require two levels of decision:

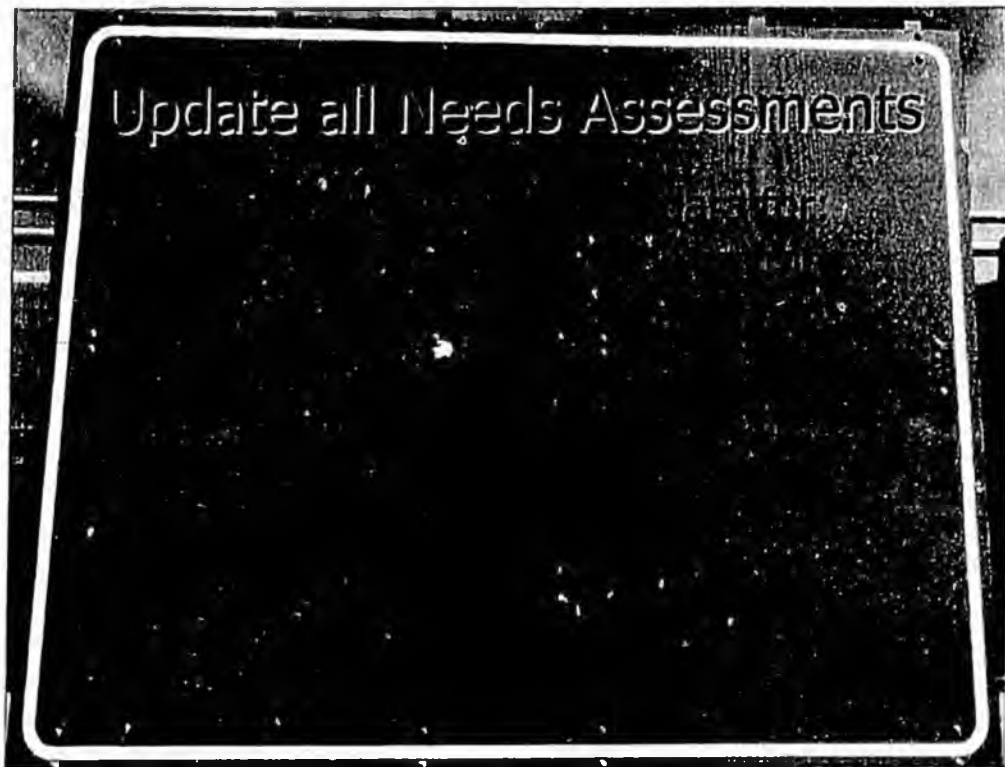
How much to give each type of system (mode)? And

How to select projects within each mode and what criteria will be used?

We will use statewide assessments of needs to answer the first question. For example, if highways backlog is 10x greater than ports and harbors backlog, then dollars would be apportioned accordingly.

We have in place a well established and nationally recognized modal scoring criteria. We plan to evaluate whether we need to update criteria and include new items for such things as PREVENTATIVE maintenance projects.

This will be done in a public process as we develop new regulations.



We are just completing our 2030 Plan. It provides a detailed examination of how much funding is needed to address TRANSPORTATION needs across the state. It considered all the modes and provides good baseline data.

We recognize that we need to do more on Ports and Harbors and as I previously mentioned with conduct a comprehensive study of Ports and Harbors statewide.

We will use all of this updated information to allocate funding across the modal needs.

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State scoring systems in place for

harbors

airports

highways (larger communities and rural communities)

transit

trails and amenities



Mr. Chairman, I appreciate your patience while I have presented our needs, challenges and reasoning for creation of the ALASKA TRANSPORTATION FUND. We are truly at a FORK in the road; One way leads to likely economic impacts from congestion, deteriorating assets, and continued safety challenges. The other way leads to a brighter future with more self reliance and determination.

The needs for the future are great when we consider:

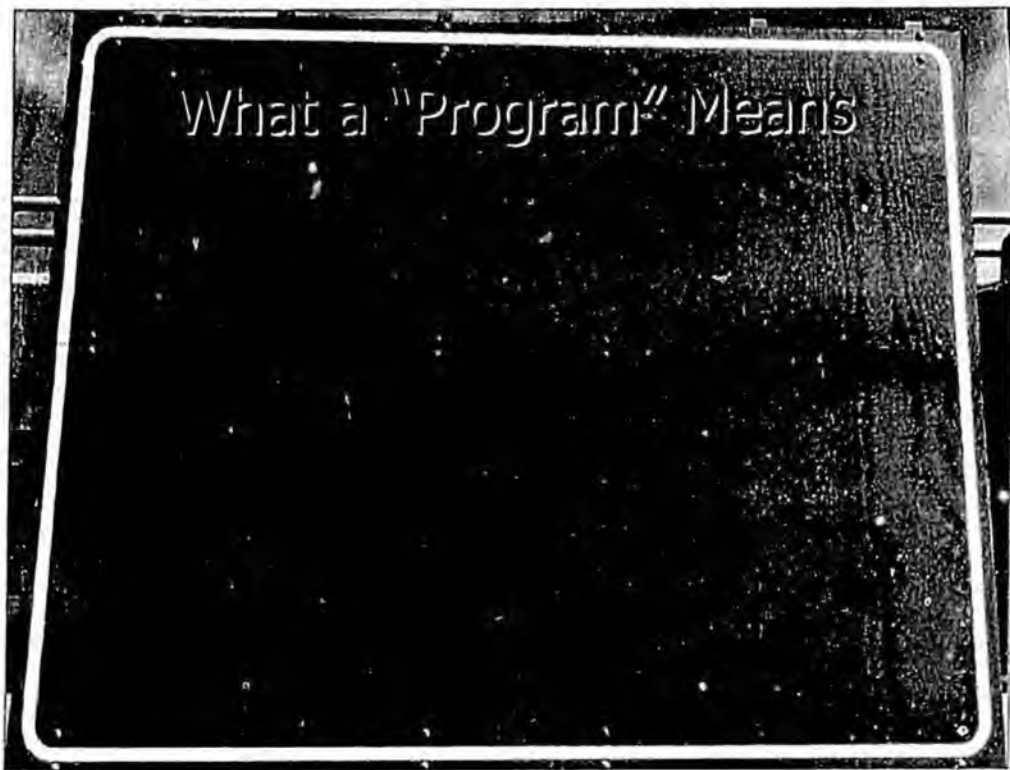
The potential for significantly less federal transportation funds

The anticipated decline in the amount of oil revenues and the need to live within our means

The urgent need to address our needs now so we do not get farther behind the power curve

The growth of our great state and the need to develop our natural resources such as the Gas Pipeline.

Mr. Chairman this concludes my presentation. I'd be happy to answer any questions.

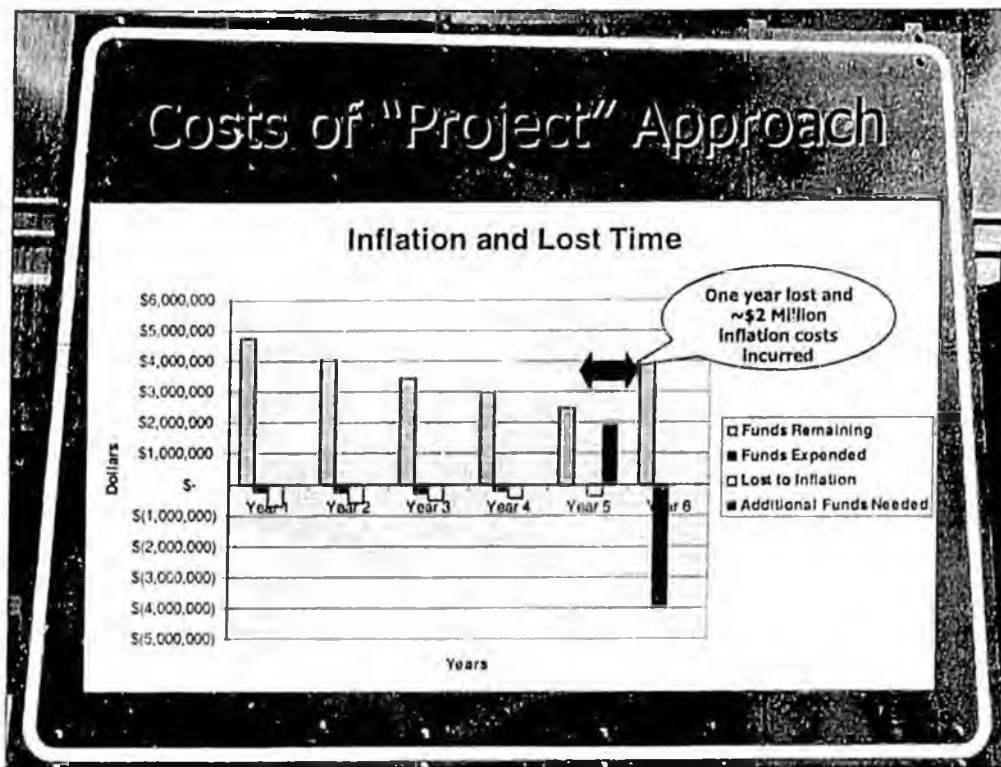


We currently have programs in place right now where we use Federal funds – the STIP and the Airport Improvement Program.

These allow funding to be used more effectively and efficiently as funds are allocated to cover various phases of projects (Design, Environmental, ROW, etc) and do NOT require total project funds be appropriated and parked until projects are completed.

We are able to set priorities and make adjustments within the program to cover unanticipated costs like geotechnical or permitting that arise during the design phase. With an individual project appropriation we would have to come back to the Legislature for additional appropriations – causing time delays and increased costs.

The Best Example of a Programmatic Approach is the US Interstate System.



This chart illustrates the challenges associated with individual project appropriations and the impacts of inflation and time delays.

It shows a Typical 5 year project schedule:

Total original cost estimate of \$5,000,000 for all phases - \$1 M in pre-construction costs and \$4 M in construction

In years One through Four we have expenses covering design and inflation. By yr four funds have eroded so much that we need to get additional appropriation to complete the project. This would add a year to the process.

We used a Construction Inflation of 15% representing recent trends.

This is unfortunately not an unrealistic example of a state project.

Time lost is one year to get additional Appropriation of about \$2 million

Two million dollars of higher costs could have been spent on other needs under a program approach!

80/52/c

Crossroads Ahead



Why a State Funded
Transportation Program is
Right for Alaska



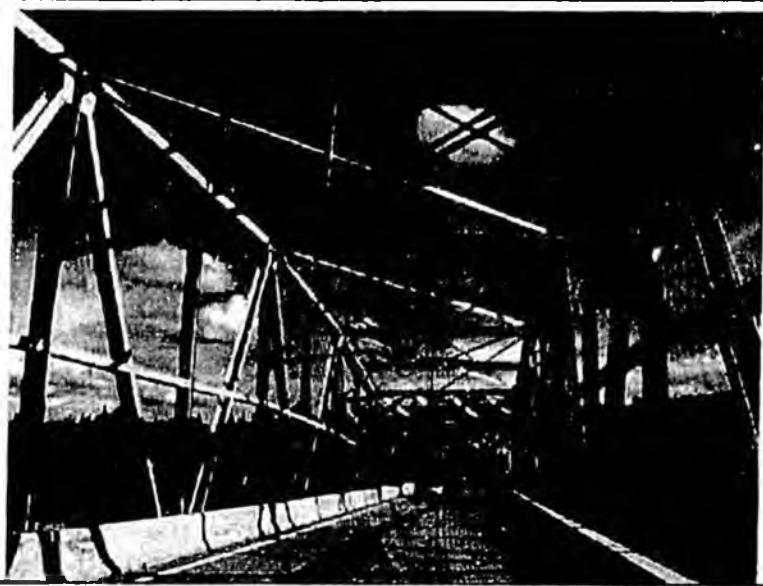
What We Will Address

State of Alaska's Transportation
Infrastructure - 2008

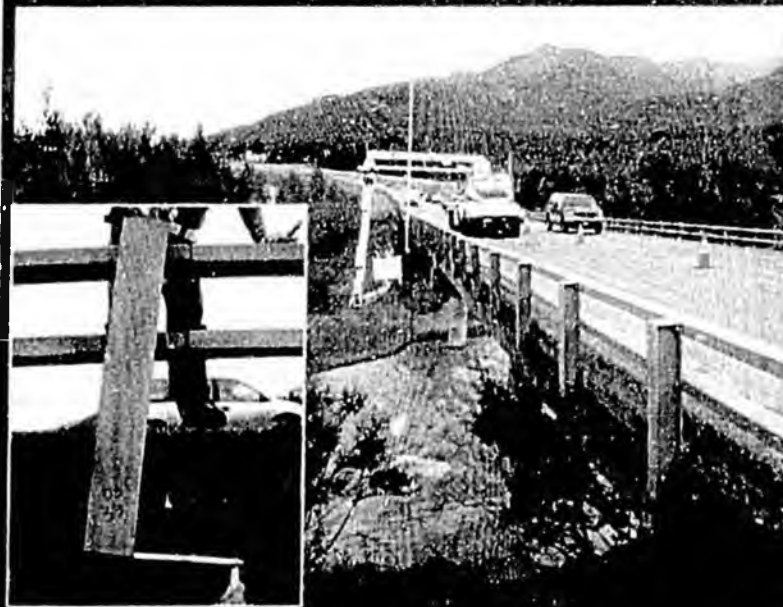
Poor Pavement Conditions



Bridge Deficiencies



Bridge No.	518	Structure	Johnson River	Date	08/7/2006
Roll/Disk	3	Inspector	Elmer Marx & Sam Sollie	Frame	72
Bent Sway Brace					



Climate Change Problems

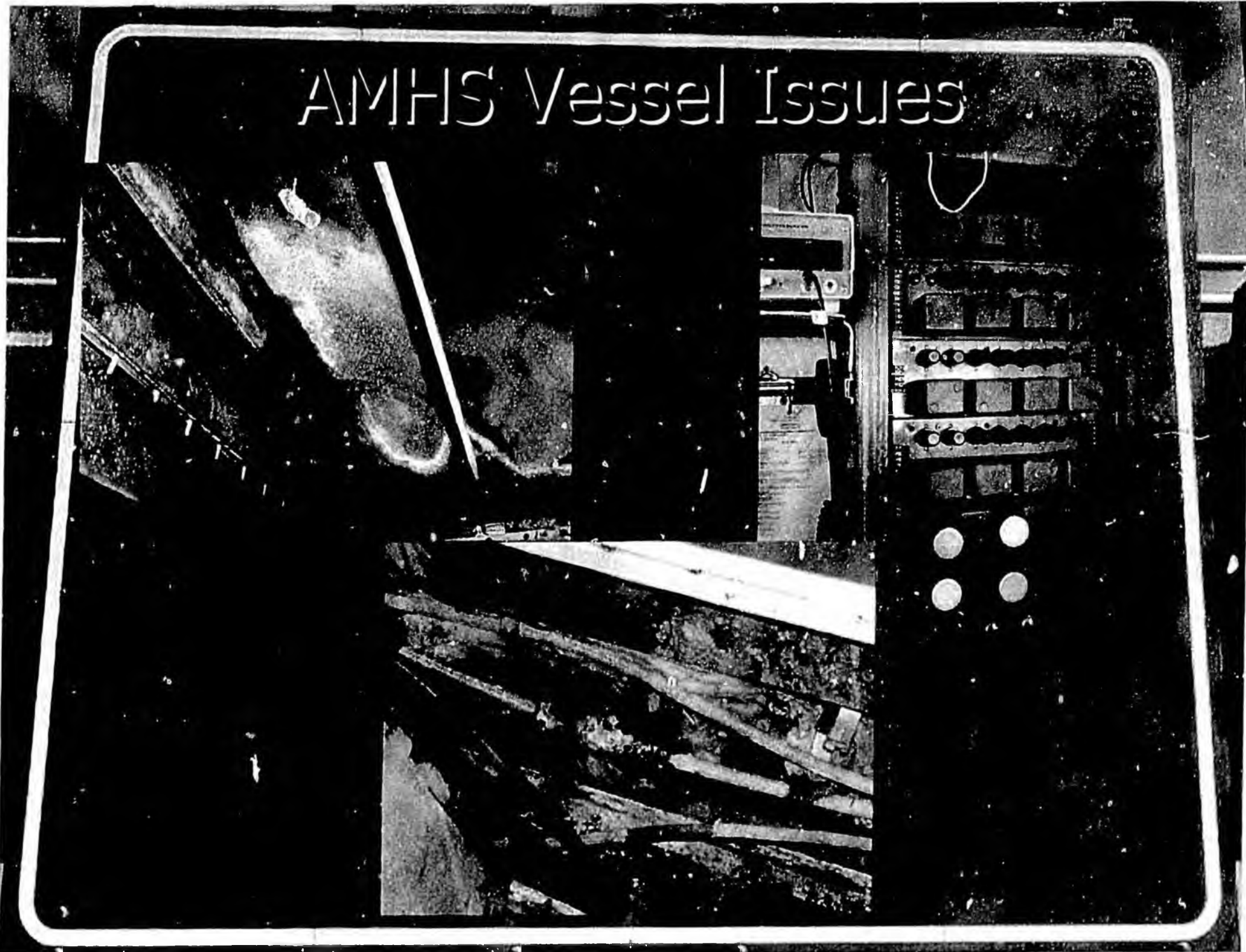


Pavement Distress

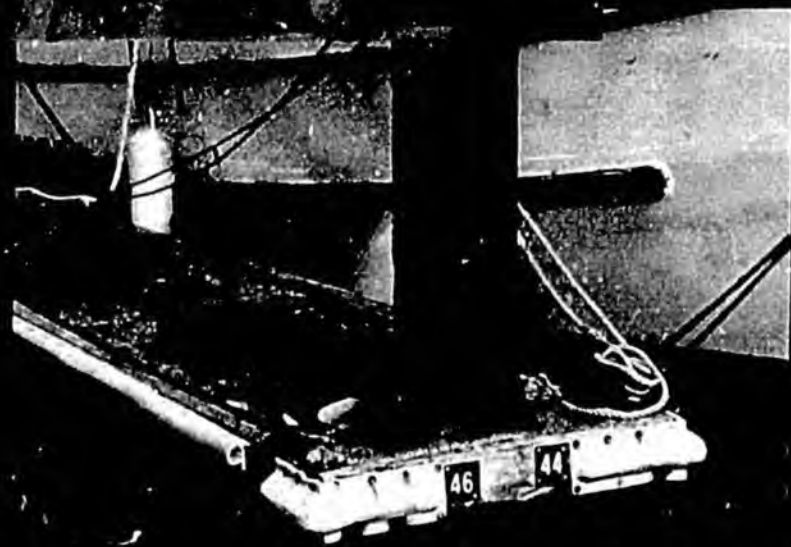
mile 147 Glenn Hwy

05.17.2007

AMHS Vessel Issues



Harbor Repair Examples



Airport Needs Unmet



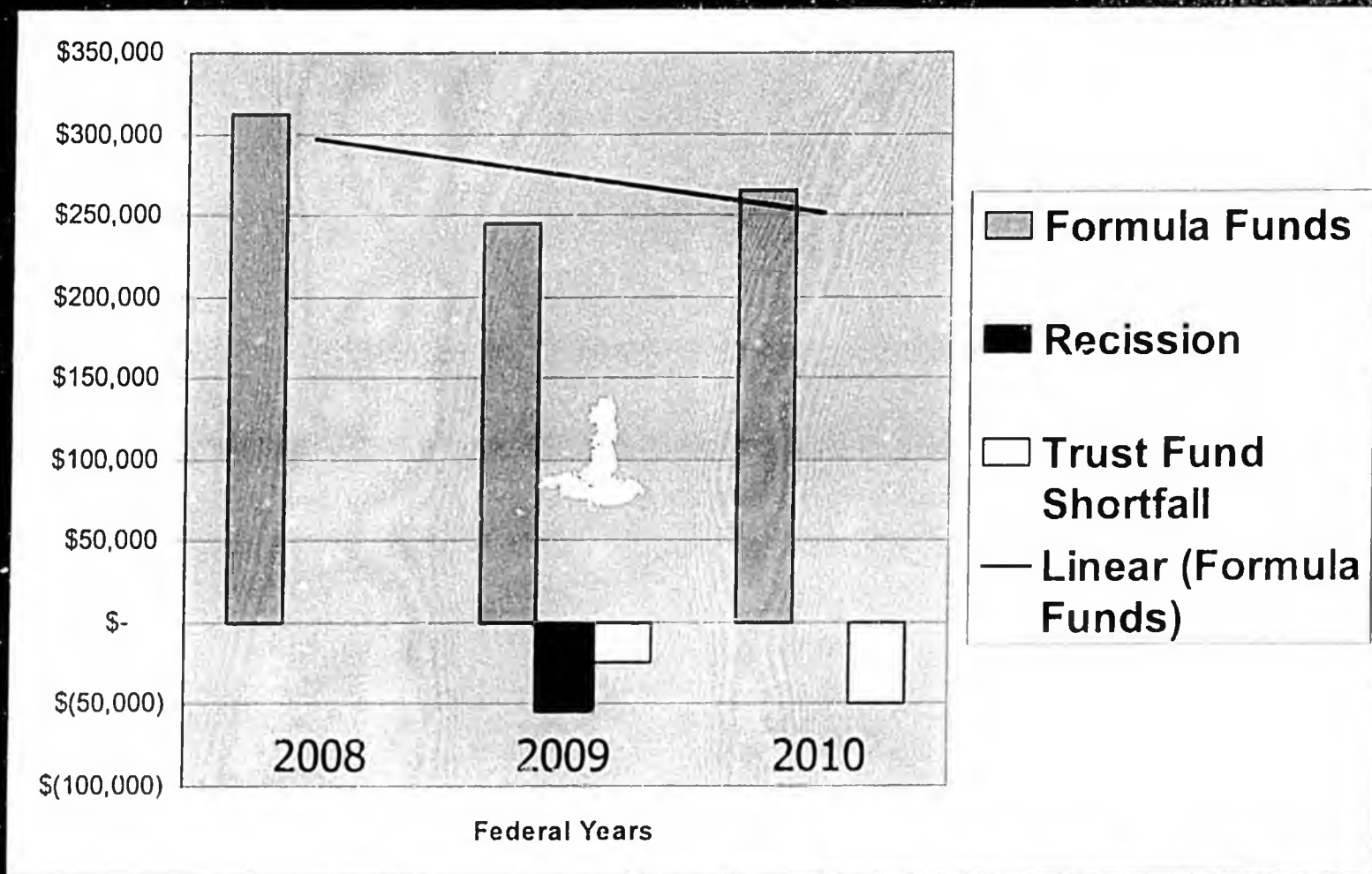
Example of Funding Constraints

Location	Cost to Build	Years of Federal NHS Funds*
Anchorage, Hwy to Hwy	\$750 M	10
Fairbanks, 3 Major Hwys.	\$700 M	9.3
Parks, Wasilla - Big Lk.	\$150 M	2
Anchorage to Girdwood	\$340 M	4.5
Soldotna to Sterling	\$60 M	0.8
AMHS: New Mainliner	\$250 M	3.3
Totals	\$2.3 Billion	~30 Years

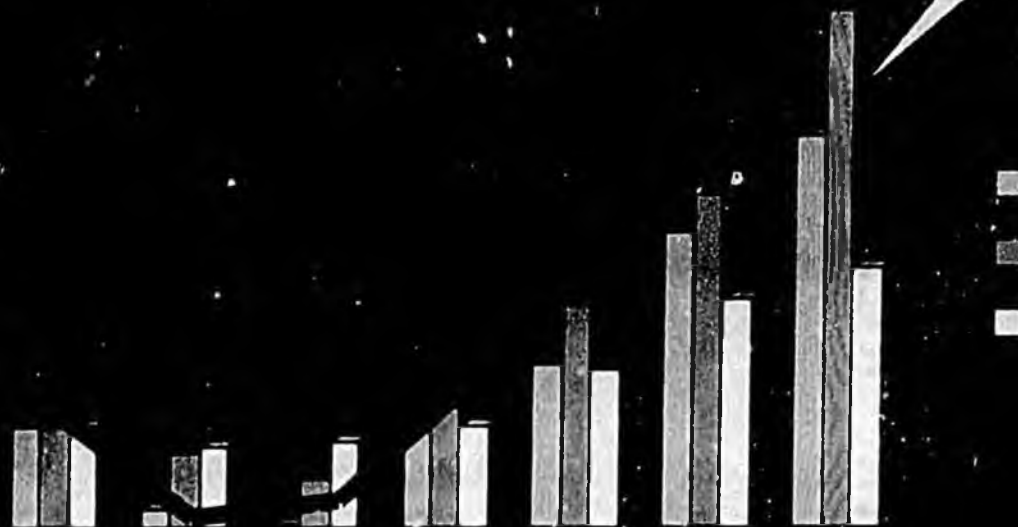
These three routes are also
priority safety corridors.

Contributing Weaknesses

Federal Funds Decline

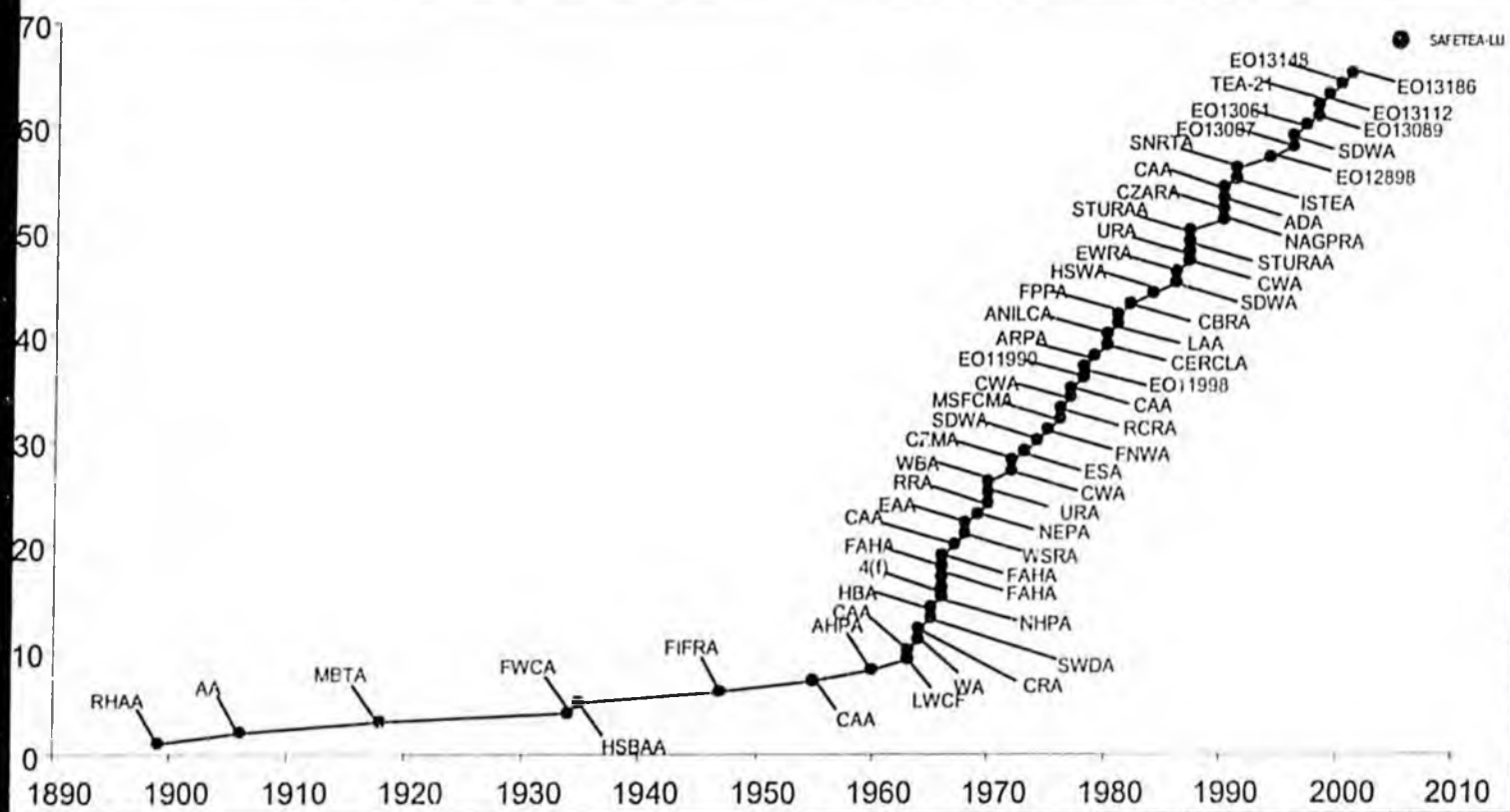


Inflation is an Issue

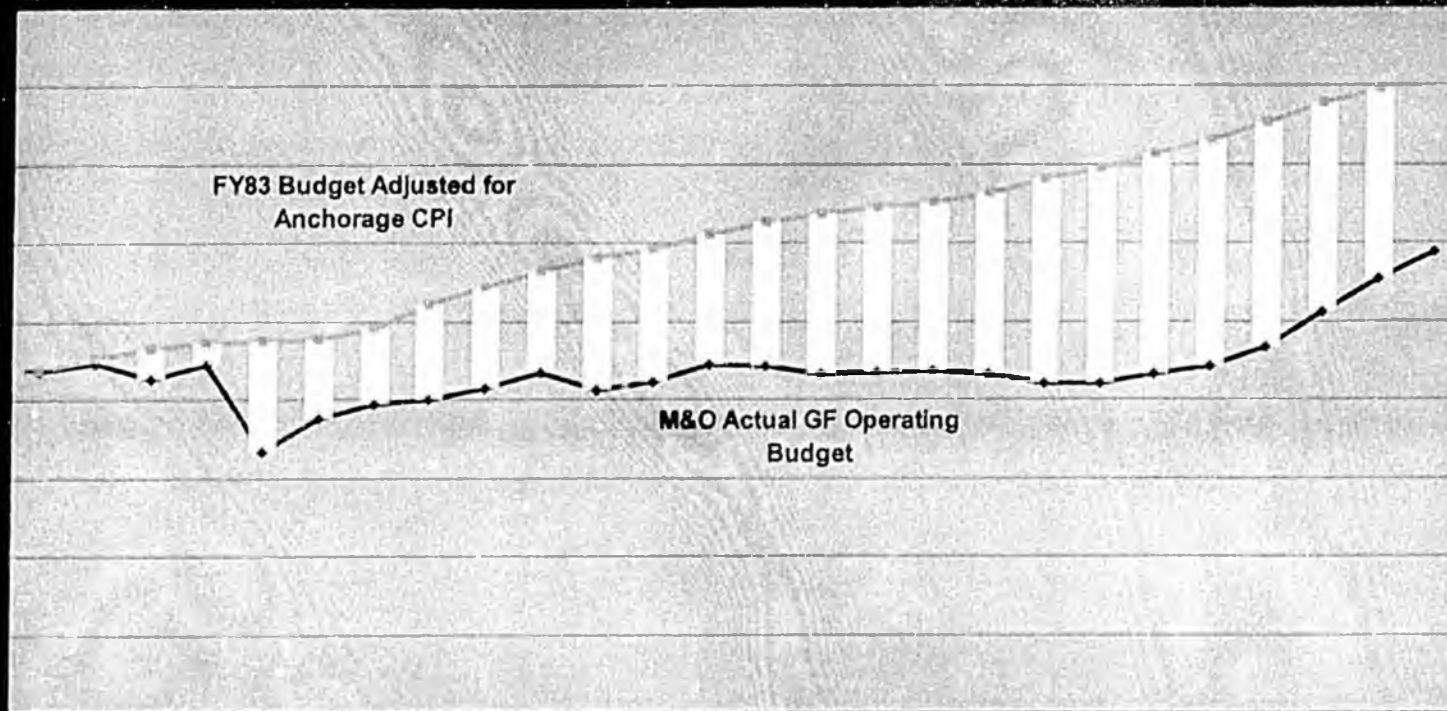


Alaska costs up nearly 2x US average

Growth of Federal Laws

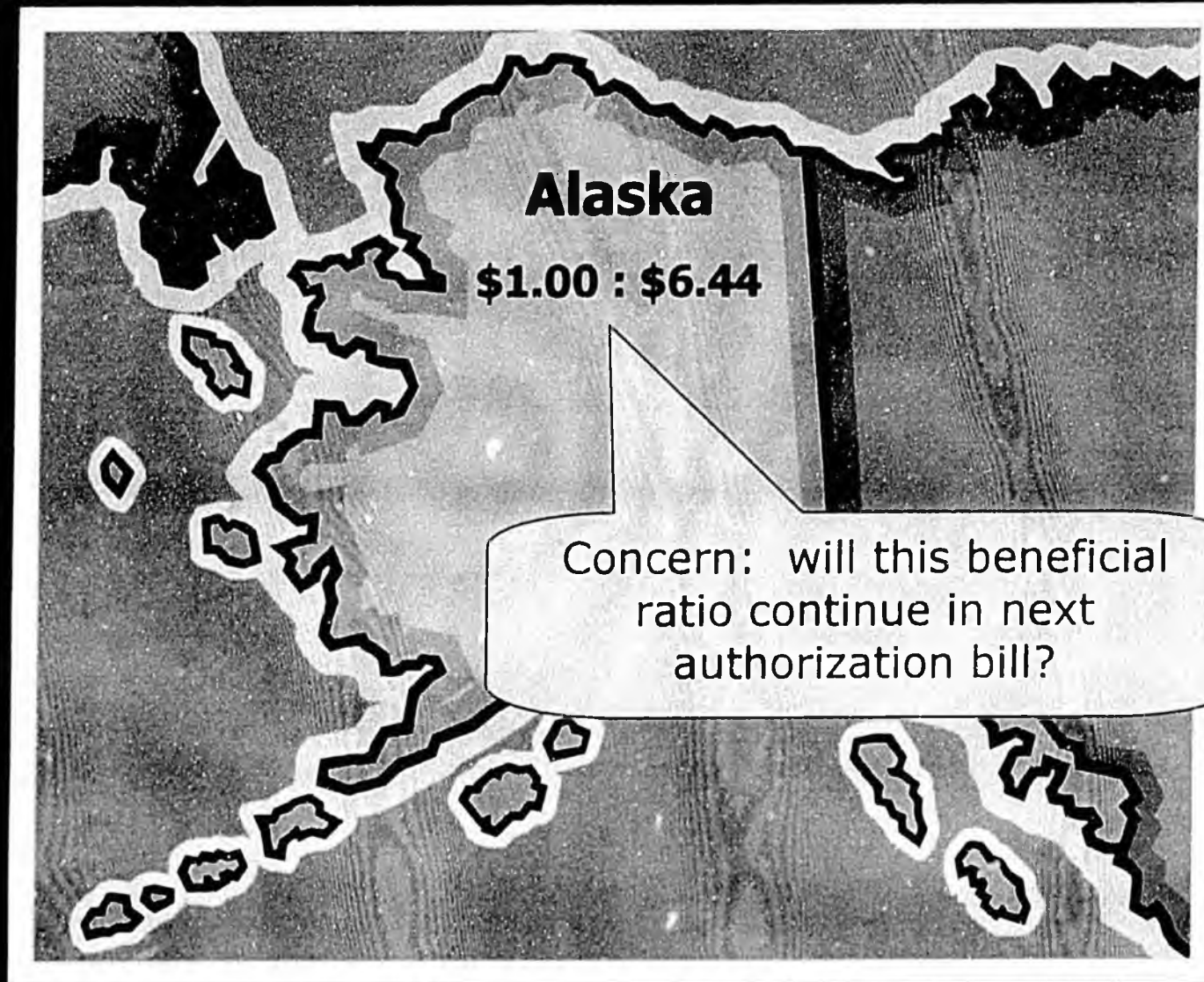


M&O \$ Shortfall Since 1983

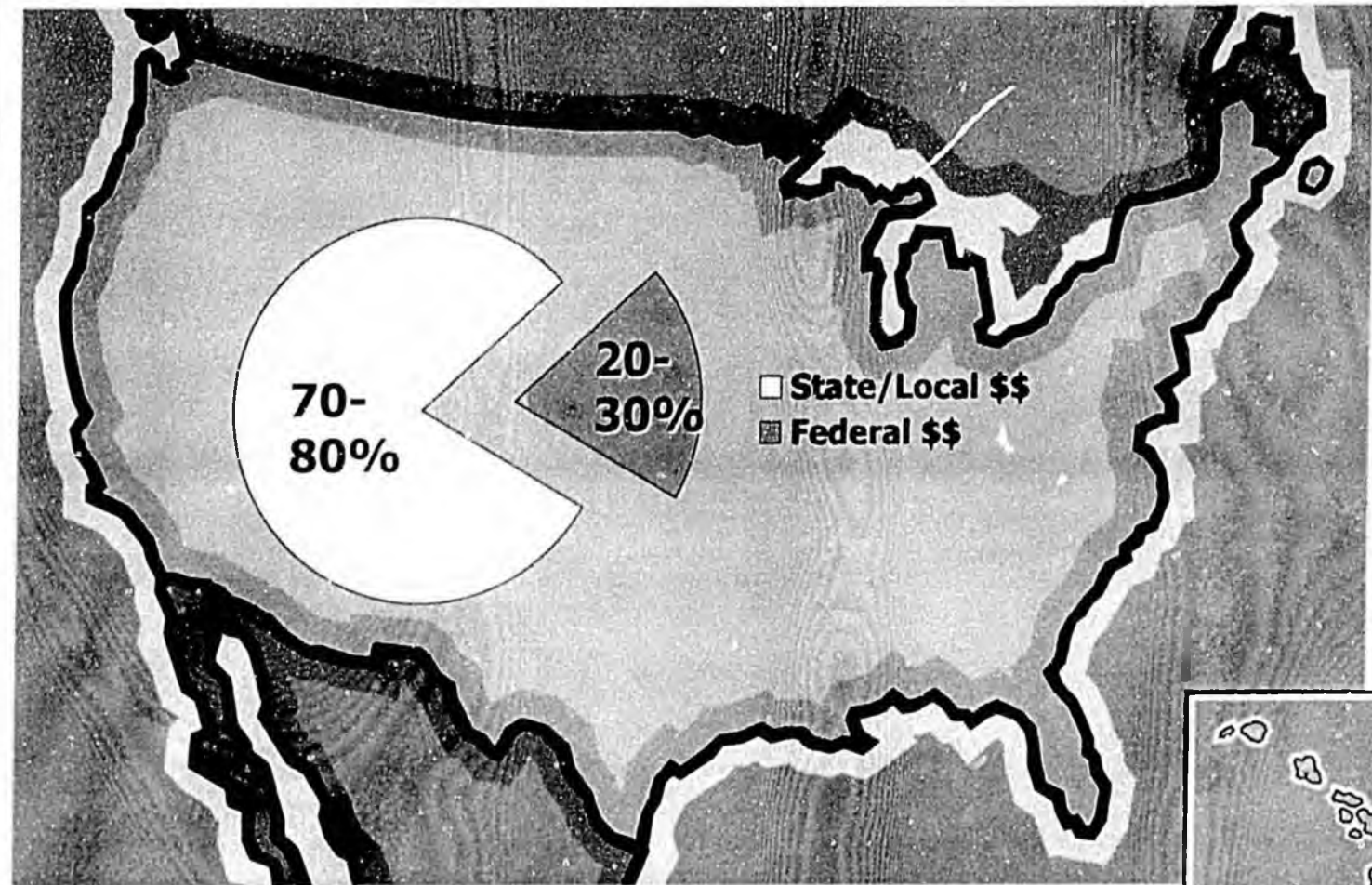


Scope of Alaska's Needs

Biggest Return of Federal Highway Funds



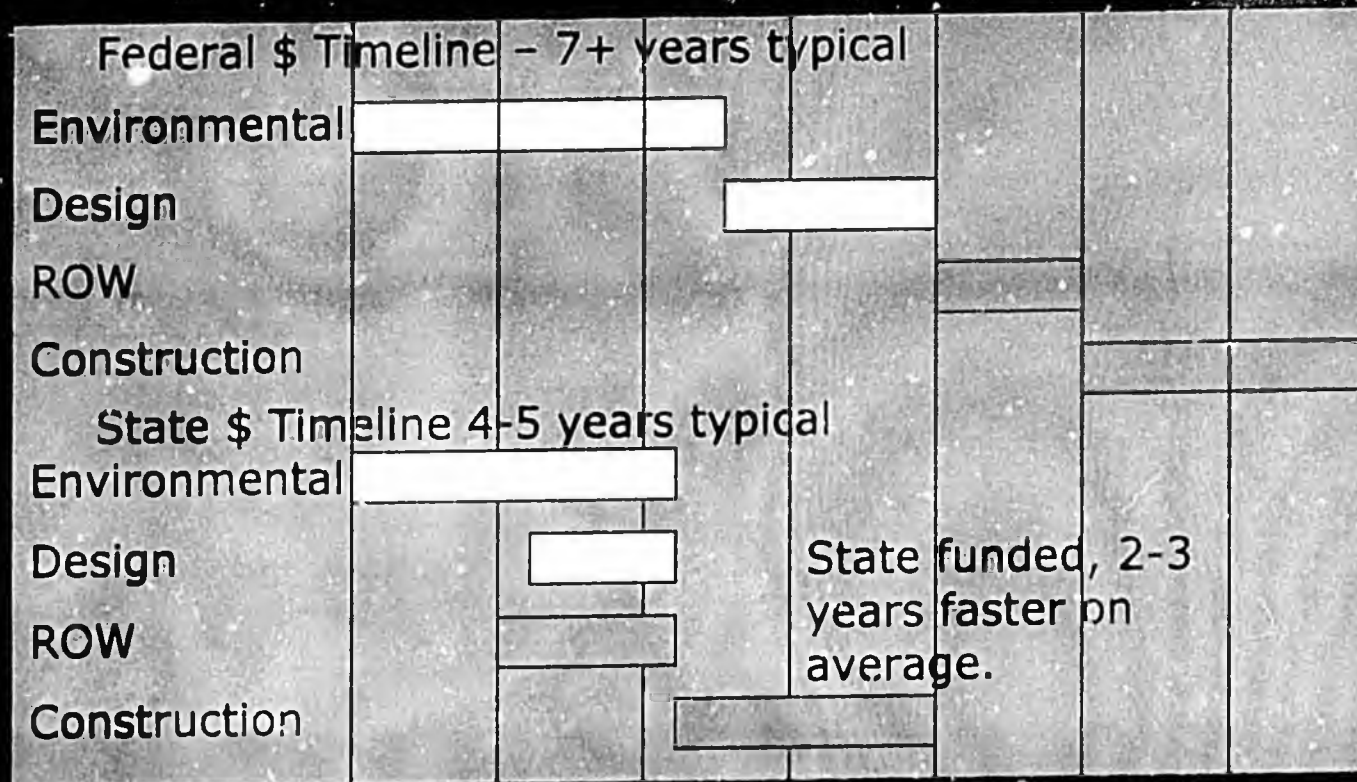
Most States Have Diversified



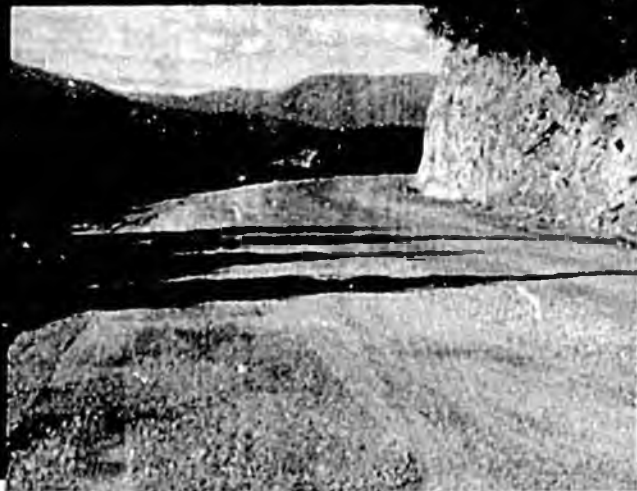
Other States

State Fund Advantages

State Funds Advantages

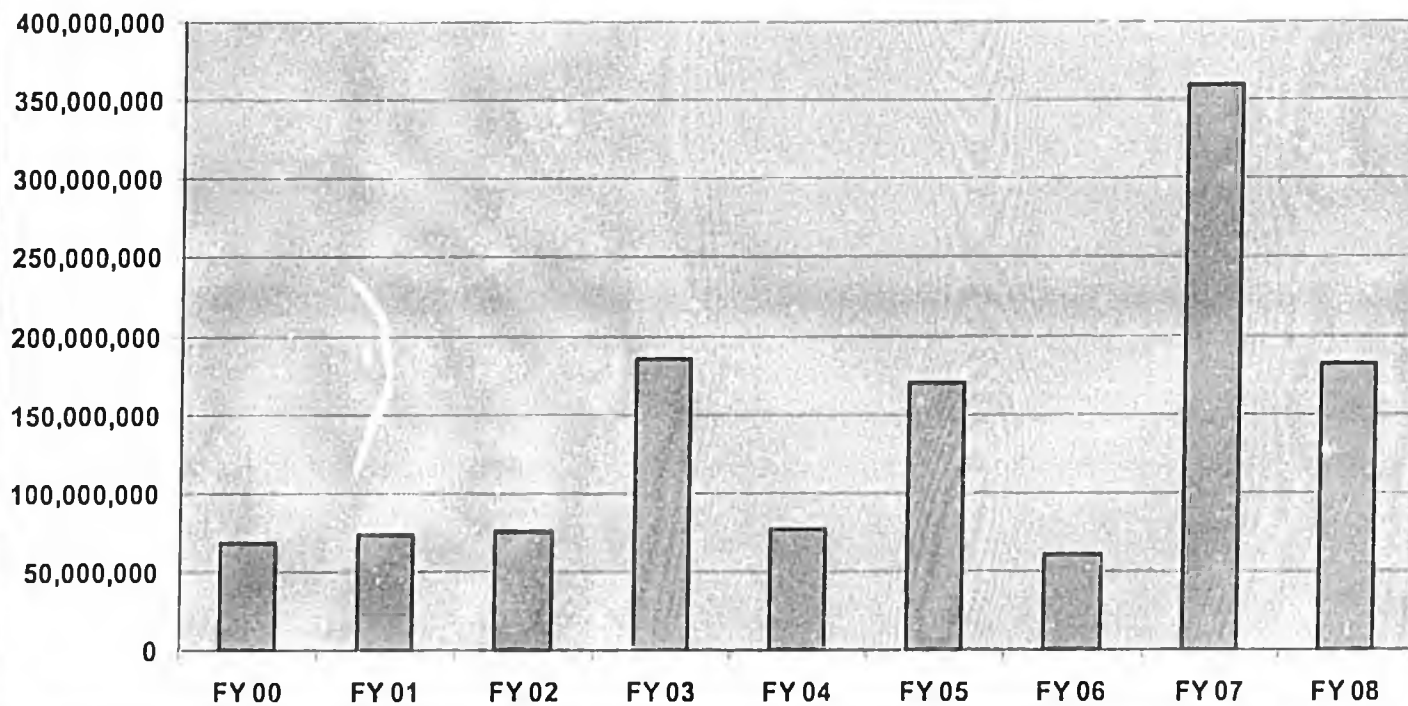


State Funded Successes



Erratic State Appropriations to Transportation

Non-Federal Funds* to Transportation

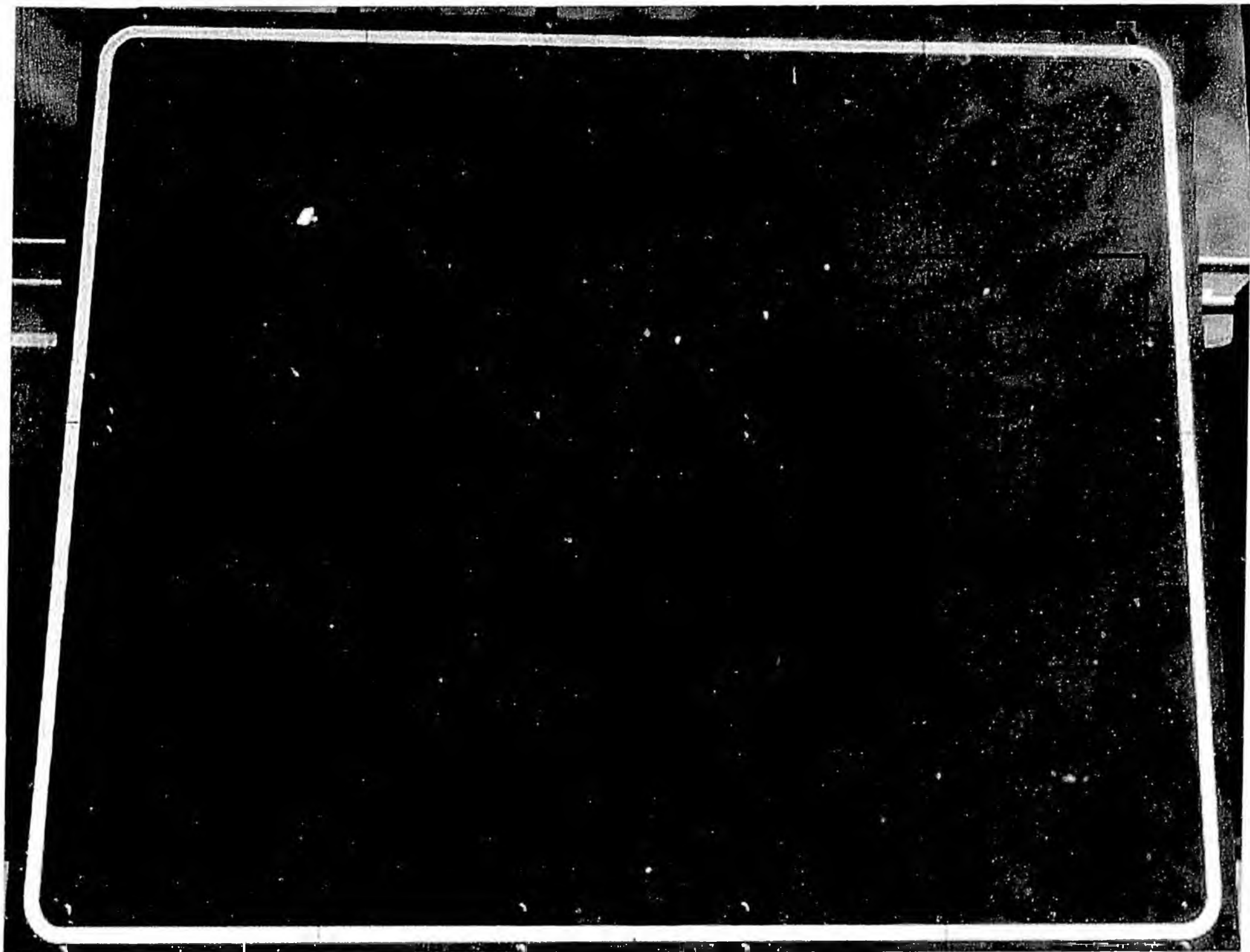


Federal Fund Limitations

Alaska Transportation Fund

Why this Approach?

AS 44.42.050



\$
\$

\$
\$

\$
\$

\$
\$

Initial Priorities - 2 Years

Why Safety?

Why Preservation?

Why Congestion Relief?

Why Economic Development?

After First 2 Years



Update all Needs Assessments

Crossroads Ahead

Under
Investment:
Stagnation,
Dangers,
Congestion,
Repairs Needed



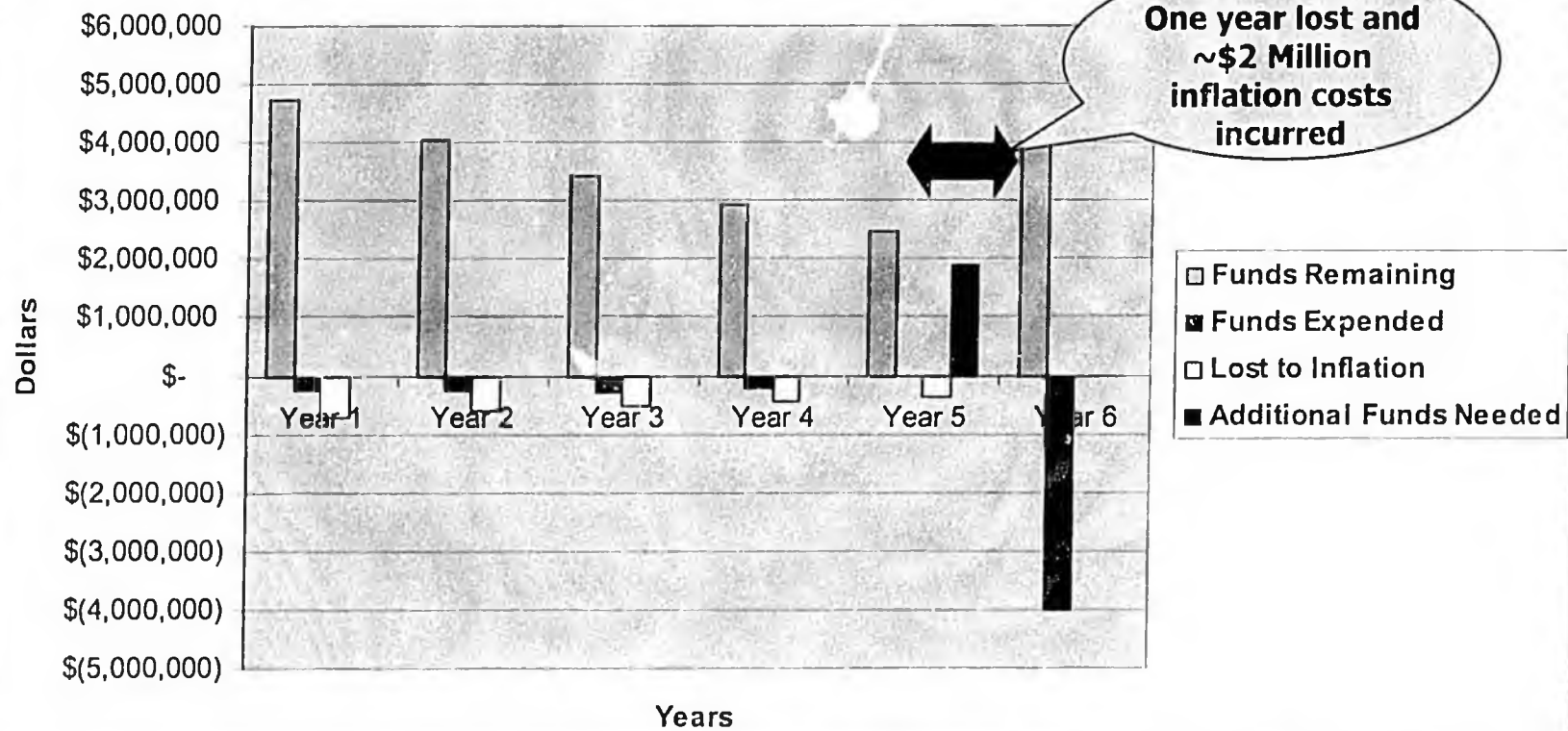
Alaska
Transportation
Fund:
Safety
Improvements,
Gas-Line
Readiness,
Congestion Relief,
Economic Support



What a "Program" Means

Costs of "Project" Approach

Inflation and Lost Time





AGC OF ALASKA DIRECTOR'S MESSAGE

DICK CATTANACH
Executive Director



Is it time to consider a transportation plan for Alaska?

While Alaskans hope that the uproar over the "bridges to nowhere" and the outcry regarding earmarks for Alaska projects will soon recede, it is perhaps reasonable to ask what the aftermath of all this publicity will be like.

Some will argue that we will soon return to the world we knew before all these distractions, while others might argue that Alaska will face a disaster that will change the face of Alaska permanently. Whatever the future holds, Alaskans are probably better served to anticipate the potential outcomes and plan accordingly rather than reacting after the fact to such changes.

While the future in many areas of the state will differ significantly from the past, probably no area will see greater challenges than those facing the Alaska transportation system. Not only does Alaska receive significantly more from the highway trust fund than it contributes (\$7.40 returned for each \$1 contributed in 2005), the Alaska motor fuel tax of \$.08 per gallon is the lowest in the nation (average state is \$.1925). When combined with the bridges to nowhere controversy and the magnitude of past legislative earmarks, and a permanent fund that topped \$10 billion in July, these factors will bring a great deal of scrutiny to Alaska's transportation program and the state's commitment to that program.

Given the magnitude of the issue and the uncertainty of future allocations from the highway trust fund, the AGC of Alaska would like to urge the state of Alaska to establish a blue ribbon committee to examine the current status of our entire transportation program. Among other things, the committee could be charged with the development of goals for expanding, improving and maintaining that program. They could also examine the costs of achieving those goals and identifying the means of securing the necessary revenue.

Some of the specific issues the commission might examine are:

1. Whether the amount of revenue flowing to Alaska from the highway trust fund is likely to increase, decrease or remain constant; taking into consideration the im-

5. Impact of possible changes in vehicle choice, fuel use or travel alternatives. To put this issue in perspective, the Highway Trust Fund may become insolvent by fiscal year 2009 or fiscal year 2010, and a drastic cut in federal highway and transit funding will have to be made unless Congress intervenes.

2. The impact the construction of the gas pipeline will have on Alaska's transportation system, considering Alaska's ability to meet the initial requirements at the initiation of construction, the expected deterioration of the system during construction and the expected status of the system when the pipeline is completed.

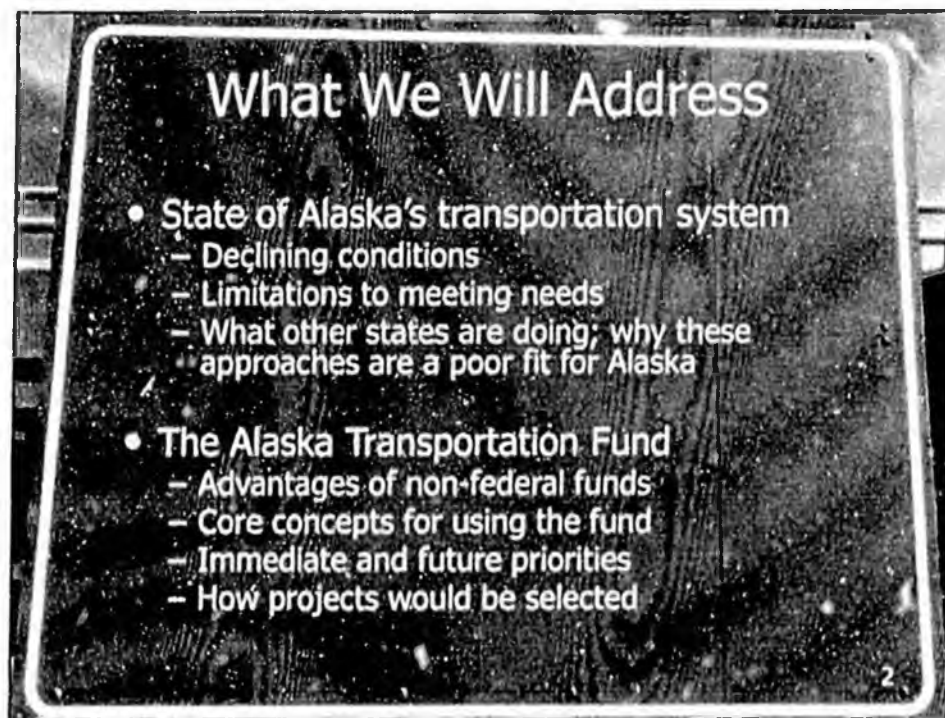
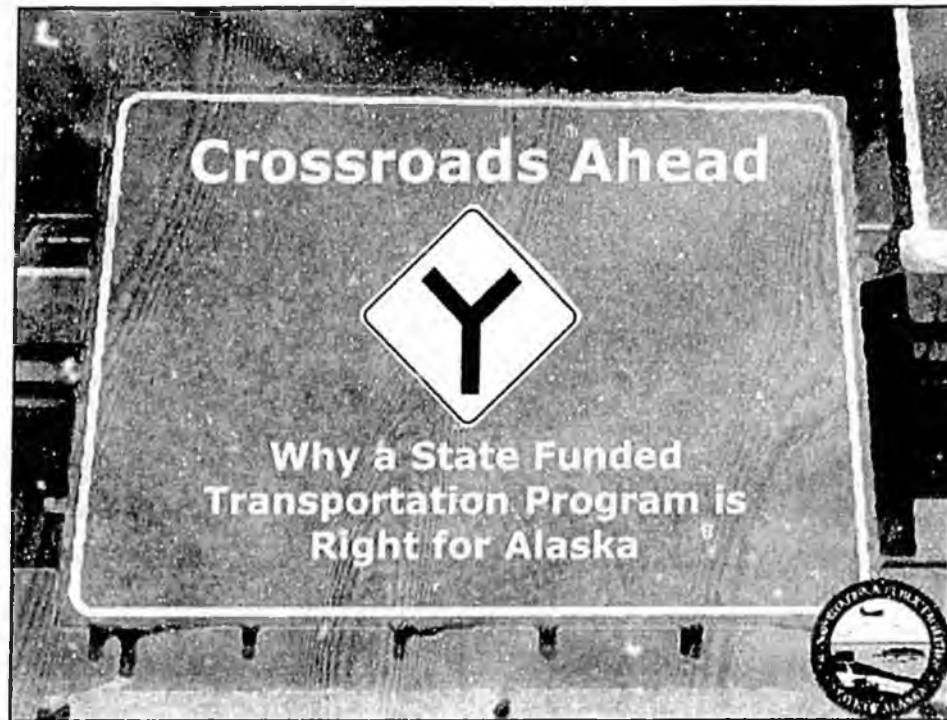
3. The appropriate role for the state in providing the transportation infrastructure necessary to develop resources in areas of Alaska not readily accessible to existing transportation facilities.

4. An evaluation of the state's contribution to the transportation system and the ability of that contribution to meet the demands expected in the future. This evaluation should consider many alternate futures and should examine the matrix of funding alternatives against the near term, mid-term and long-term needs of Alaska.

5. A determination of how the interplay of air, water and land transportation systems can be combined to provide a system to maximize the benefits to the current and future generations of Alaskans.

Undoubtedly, there are numerous other issues that should be considered by such a committee. The curse of Alaska is its size and limited transportation options. Meeting Alaska's needs for the future will require a strategy which goes beyond just "more of the same." It will require a multi-modal approach, which preserves what has been built to date, improves system performance and adds substantial capacity. The challenge we face is how to deal with these issues so that current and future generations of Alaskans can tap the vast riches that exist in our state. It is the belief of the AGC that the appointment of a blue ribbon transportation committee should be the first step in the development of such a statewide transportation policy.

58236



State Fund Advantages

- Projects completed faster
 - Avoided federal oversight, parallel actions
- Less costly to construct
 - Reduced time avoids cost escalation
- Complex federal laws avoided
 - NEPA, 4(f), Buy America, do not always apply
- Significant public benefits achieved sooner
 - Public safety improved
 - Delay time and fuel costs reduced
 - Economic development facilitated
 - Asset life extended

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State Funds Advantages

Years



21

State Funded Successes



Dalton Highway: 3 years saved



Anchorage, Elmore Road: 2 years saved

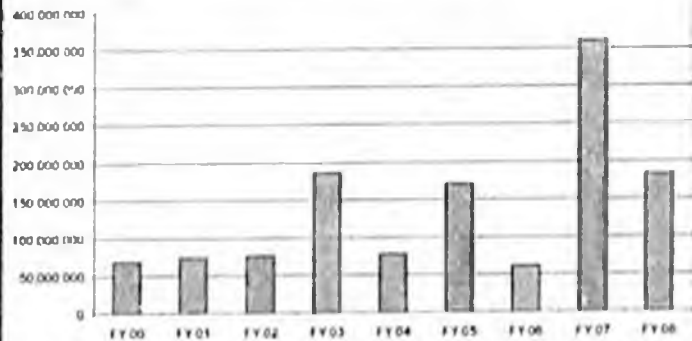


McCarthy Road: 3 years saved

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Erratic State Appropriations to Transportation

Non-Federal Funds* to Transportation



*Excludes state funds appropriated to match federal funds.

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Alaska Transportation Fund

- Core concepts:
 - Available to all modes
 - Local and state projects eligible
 - Funds used in "program" approach
 - AS 44.42.050 (transportation planning) guides project selection process
 - Data driven needs assessment
 - Public process, with scoring
 - Nationally recognized and respected approach continued

25

Why this Approach?

- Episodic funding difficult for both private and public sectors
 - 1987 downturn led to layoffs, business closures
 - ATF will be there when most needed!
- Sustaining a "system" needs a sustainable revenue source
 - Predicted growth in fund provides inflation proofing
- User fees impractical and improbable
 - Raising \$50 million would require raising fuel tax from 8¢ to 20¢ (a 150% increase)

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What a "Program" Means

	Program Approach	Project Approach
Funded by	Major Steps	Project Total
Parked funds	Low ▲	High
Public benefits	Maximized ▲	Less
Inflation loss	Minimum ▲	High
Best example	US Interstate	Earmarks

28

Funds applied annually to projects in several steps of completion

Projects	Permits	Design	ROW	Construct
A	\$			
B	\$			
C		\$		
D		\$		
E			\$	
F			\$	
G				\$
H				\$

29

Initial Priorities - 2 Years

- Initial priorities for ATF funds:
 - Address priority public safety needs
 - Intersections, rumble strips, signage
 - Ready-to-construct projects
 - Shows immediate progress
 - Uses prior investment to good purpose
 - Preservation, reducing deferred maintenance backlog
 - Support to significant economic needs, congestion issues

30

After First 2 Years

- Rely on statewide assessments of modal needs to help divide the funds
 - Consider several modes
 - Review local and state owned assets
- Review both deferred maintenance and new improvements
- Apportion \$\$ to systems based on the degree of overall need

35

Update all Needs Assessments

- 2030 Plan good baseline data for:
 - Highways, bridges, aviation, transit
- 2008 AMHS Plan will update ferry needs assessment
- 2008 Port and Harbor study will update system assessment
- Updated assessments will help allocate \$\$ between modes

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Crossroads Ahead

Under
Investment:
Stagnation,
Dangers,
Congestion,
Repairs Needed



Alaska
Transportation
Fund:
Safety
Improvements,
Gas-Line
Readiness,
Congestion Relief,
Economic Support



FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 236
() Publish Date: _____

Identifier (file name): SB236-FC-TF-02-18-08 Dept. Affected: Fund Capitalization
Title: Transportation Fund RDU: Capital Spending
Sponsor: Rules for the Governor Component: Transportation Fund
Requester: Senate Finance Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplier								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES		500,000.0					
-----------------------------	--	------------------	--	--	--	--	--

CHANGE IN REVENUES ()							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF		500,000.0					
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL		0.0	500,000.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 500,000.0 GF

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The Governor's proposal for a transportation fund is for an FY08 appropriation of \$500,000.0 and an additional \$500,000.0 in FY09. These two appropriations fund the endowment which is estimated to provide an annual minimum of \$50,000.0 to the Department of Transportation and Public Facilities via a percent of market value calculation.

Funding of the fund via the FY08 supplemental requires an immediate effective date.

Prepared by: Mary Siroky - Legislative Liaison Phone 465-4772
Division: Commissioner's Office - DOT&PF Date/Time 2/18/08 1:00 PM
Approved by: Nancy Slagle Date 2/18/2008
Admin Division Director - DOT&PF

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 236
(S) Publish Date: 1/18/08

Identifier (file name): 0045-DOR-TRE-01-14-08 Dept. Affected: Revenue 04
Title: Alaska Transportation Fund RDU: Taxation and Treasury
Component: Treasury
Sponsor: Governor
Requester: Governor Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note. Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts						
1003 GF Match						
1004 GF	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Interagency Receipts						
TOTAL	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0

Estimate of any current year (FY2008) cost: 00

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This fiscal note represents the estimated accounting, custodial, performance measurement, financial advisory and internal and external portfolio investment management costs allocable to the new Transportation Endowment Fund (TEF). As a comparison, the cost of managing the Public Employee Retirement Systems and Teacher Retirement Systems is 21 basis points per year. General fund programs that are separately managed have an average cost of 11 basis points per year. The TEF would be invested with a moderately aggressive risk asset allocation profile meaning that it would include domestic and international equities, real estate, and alternative investments asset classes. These asset classes are managed with external investment managers. Because the fiduciary is the Commissioner of Revenue and not a board of directors there would be a reduction of costs. I believe there would be a preference to use passive as opposed to active investment management for a number of investment allocations that would further reduce investment management fees. At a funding level of \$1 billion dollars an estimated cost of 10 basis point or 1 million dollars would be very reasonable considering the anticipate level of management oversight and investment management that an endowment of this size would require.

Prepared by: Brian C Andrews
Division: Revenue / Treasury
Approved by: Jerry Burnett
Department of Revenue

Phone: 907 465-3669
Date/Time: 1/14/08 12:00 AM
Date: 1/14/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 236
(S) Publish Date: 1/18/08

Identifier (file name): 0045-DOT-CO-01-11-08 Dept. Affected: _____
Title: Transportation Fund RDU: Administration and Support
Sponsor: Rules Committee Component: Commissioner's Office
Requester: Governor Component Number: 530

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

Implementing this legislation will have no affect on the operating budget of the department

Prepared by: Mary Siroky
Division: Legislative Liaison
Approved by: Nancy Slogin
Director, Division of Administrative Services

Phone: 465-4772
Date/Time: 1/11/08 12:00 AM
Date: 1/11/2008

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. BOX 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 15, 2008

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing a state transportation fund.

An efficient and functional transportation system is vital to Alaska's economy. For the first time in Alaska's history, a reliable source of state financing would be in place. The bill would result in a predictable yearly amount that would be available to supplement state transportation financing. With growth over time through investment and future contributions, the fund could help ensure Alaska's transportation infrastructure is adequately maintained and improved.

Declining federal funding and the need for transportation infrastructure to grow our economy make establishing a transportation fund a smart and fiscally responsible decision. In addition, high oil prices resulting in budget surpluses, uniquely position Alaska to utilize our non-renewable natural resource wealth to generate renewable dollars for years to come. A stable source of transportation funding would benefit current and future generations of Alaskans alike, and would reduce Alaska's dependence on federal aid dollars. Furthermore, the use of state funds would allow critical projects to be completed much sooner than through the traditional federal highways program. This is because the state funded projects are not subject to the time consuming scrutiny the federal funding process entails.

The Honorable Lyda Green

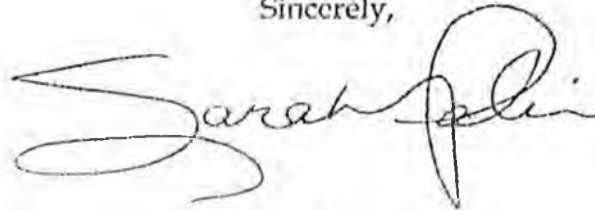
January 15, 2008

Page 2

The need for this new, permanent source of funding for transportation could not be more evident. Ruffed pavements, delayed projects, and urban congestion are common problems in this state. Federal transportation dollars, though adequate in past decades, no longer meet all the basic needs of the state. Like education, transportation is a basic government service and one that affects the daily lives of all citizens. Other states are enacting their second and third tier of non-federal financing mechanisms. It is time for Alaska to enact its first.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Palin". The signature is fluid and stylized, with a large initial "S" and a distinct "P" for "Palin".

Sarah Palin
Governor

Enclosure

Sectional Analysis of SB 236.

HB 322 creates a transportation fund, gives the commissioner of revenue management authority, and specifies a predictable yearly amount which will be available for appropriation for transportation purposes.

A new section will be added to Alaska Statute 37.14 which already recognizes other funds such as the Alaska Heritage Endowment Fund, the Mine Reclamation Trust Fund, and the Investment Loss Trust Fund.

Section 1. Creation of Alaska Highway Transportation Fund

Section 1 of the bill creates a transportation fund, determines how the fund value will be calculated, and gives authority to manage the fund to the commissioner of revenue.

Proposed Sec. 37.14.900 creates the transportation fund. The fund would consist primarily of appropriations, but will also include other contributions or investment income. The commissioner of revenue would manage the fund so that the fund would be self-sustaining.

Proposed 37.14.910 provides that, on a yearly basis, 5% of the five year average value of the fund will be made available for appropriation to the capital projects fund established in AS 44.42.080. The Department of Transportation and Public Facilities could use the funds for transportation projects.

Proposed sections 37.14.920 & 930 provide the commissioner of revenue with necessary authority to manage and invest the funds, and specify that the market value of the fund must be calculated in accordance with generally accepted accounting principles.

Section 2: Transition Clause.

Section 2 is a transition clause which will be in effect during the years 2008-2012. This section is necessary because the statute will require that any appropriations be based upon a five year average fund value. Until the fund has been in existence for a full five years, the fund's average values will be calculated according to the fund's value during all available years.

Section 3: Effective Date

Section 3 provides for an immediate effective date.