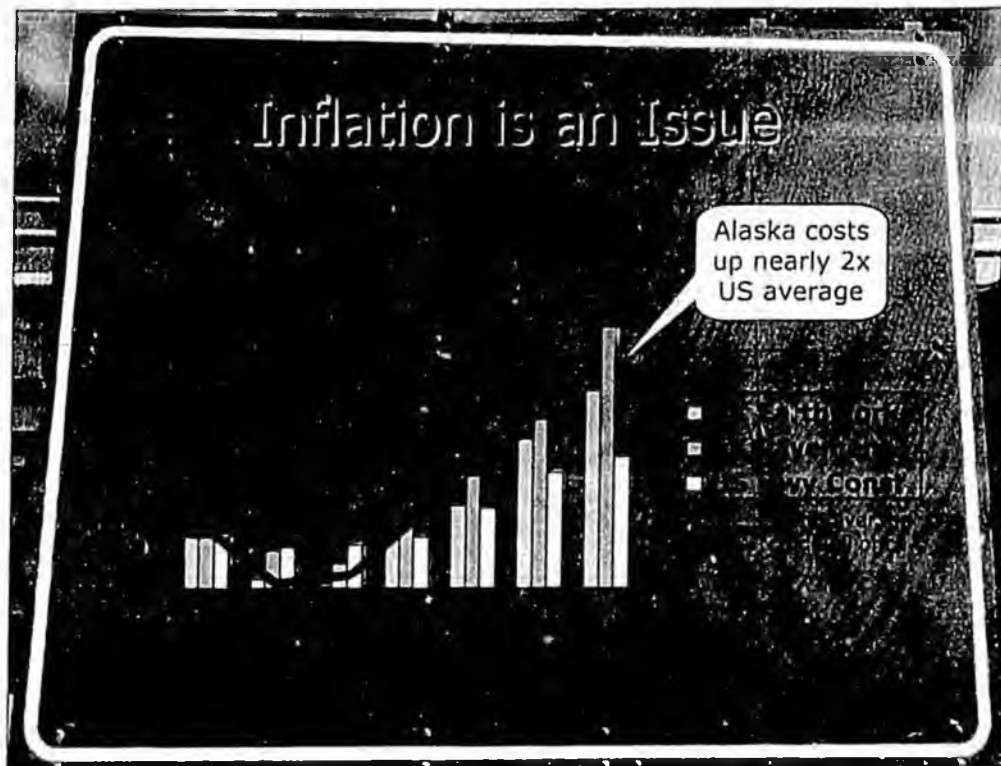


AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3383



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

Asphalt Pavement costs are up ~ 80%

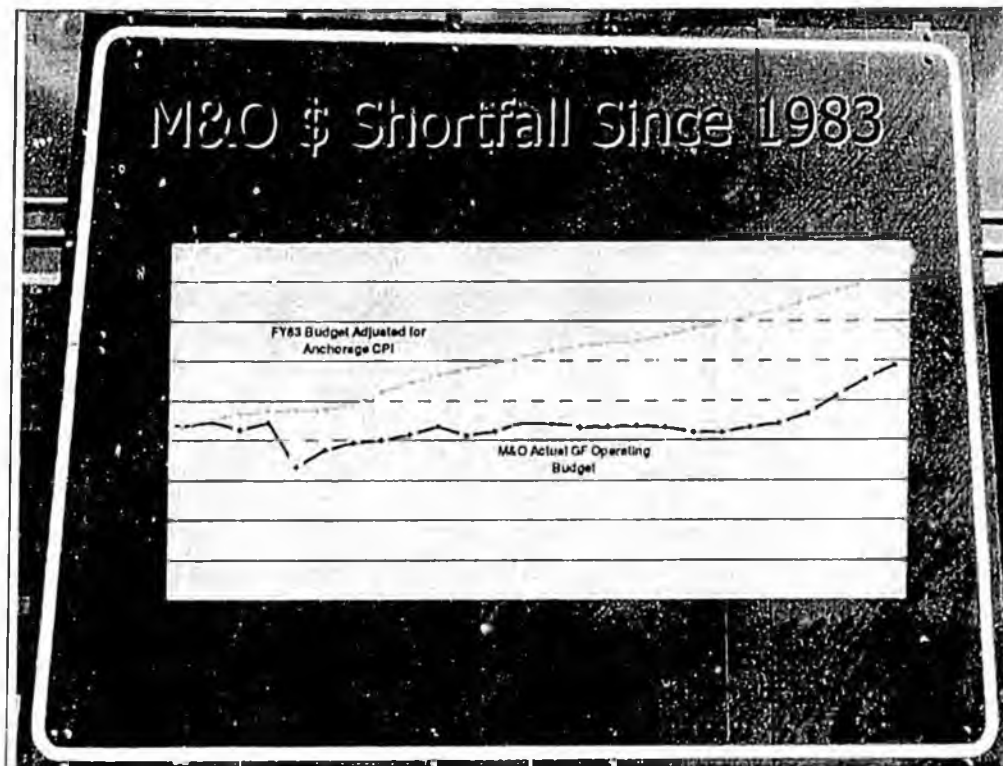
Earthwork costs are up ~ 60%

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.

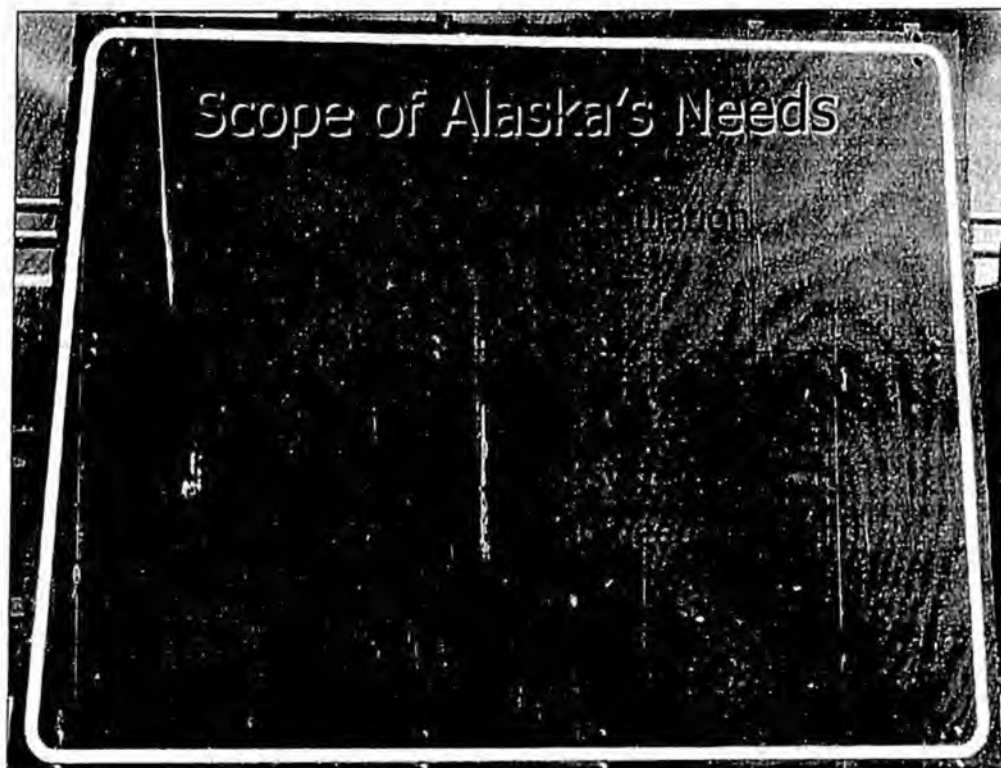




After 20 years of nearly flat line M&O budgets we HAVE received increased funding over the last few years. We greatly appreciate that support!

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.



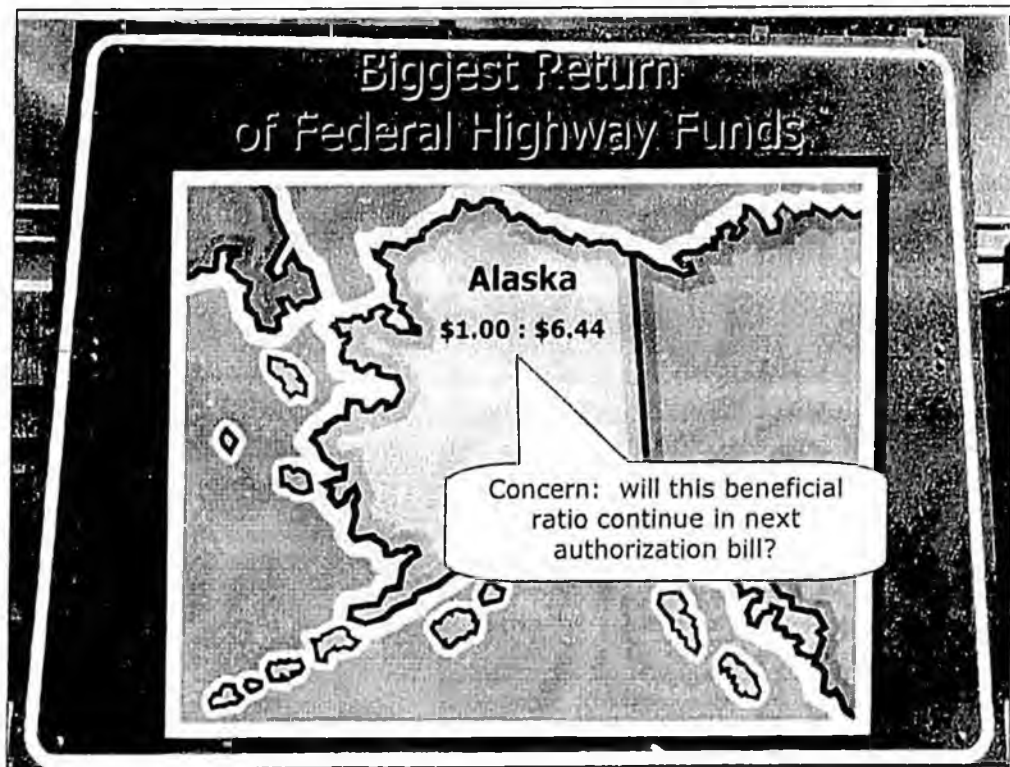
Our Alaska Transportation System is truly unique and very diverse:

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

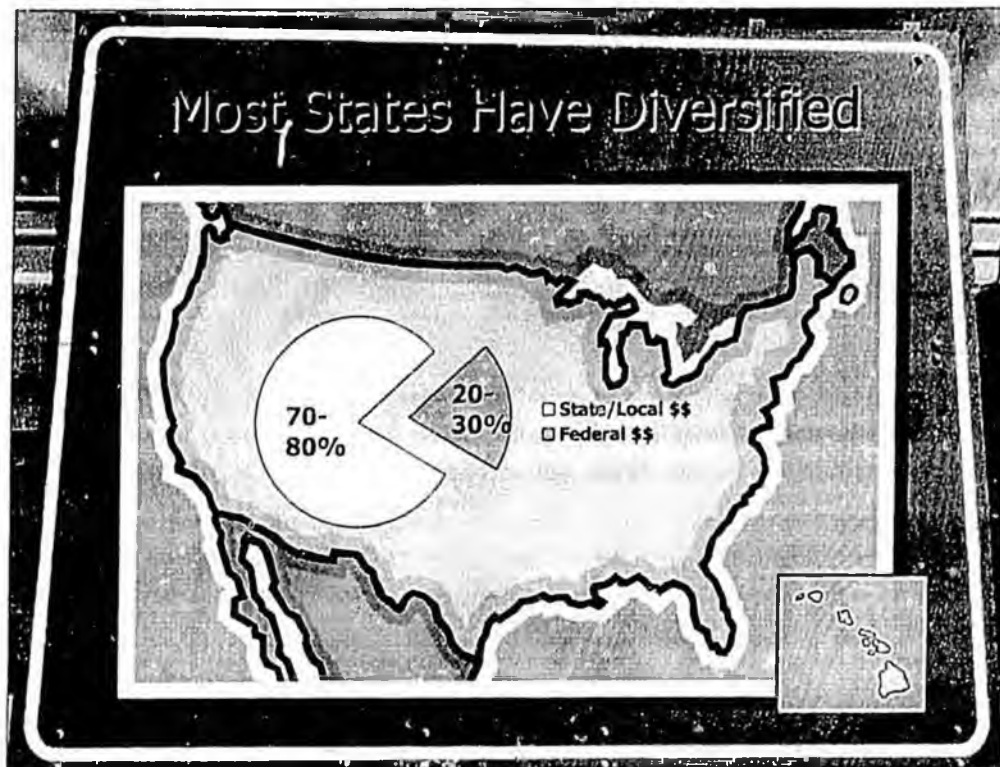
As Alaskans we support these systems with a much higher amount of ownership costs than citizens in States down below. This is a reflection of our large geography, coupled with low population.



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.



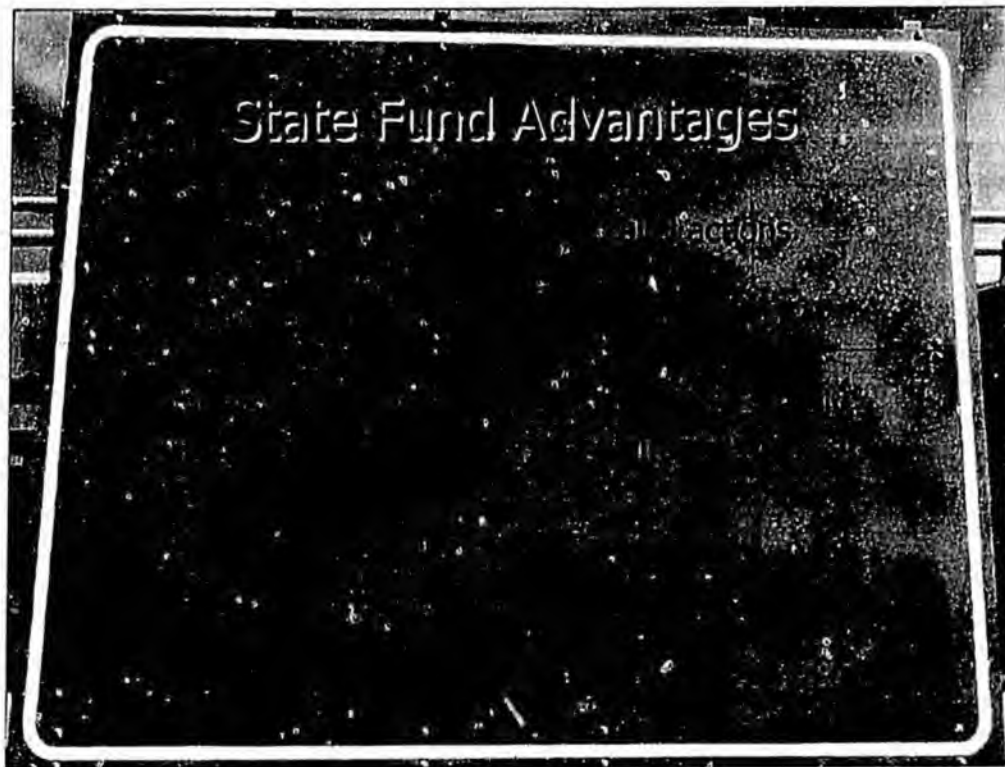
In addition to their existing fund sources, many states also see the need for more and different ways to fund construction using such things as:

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.

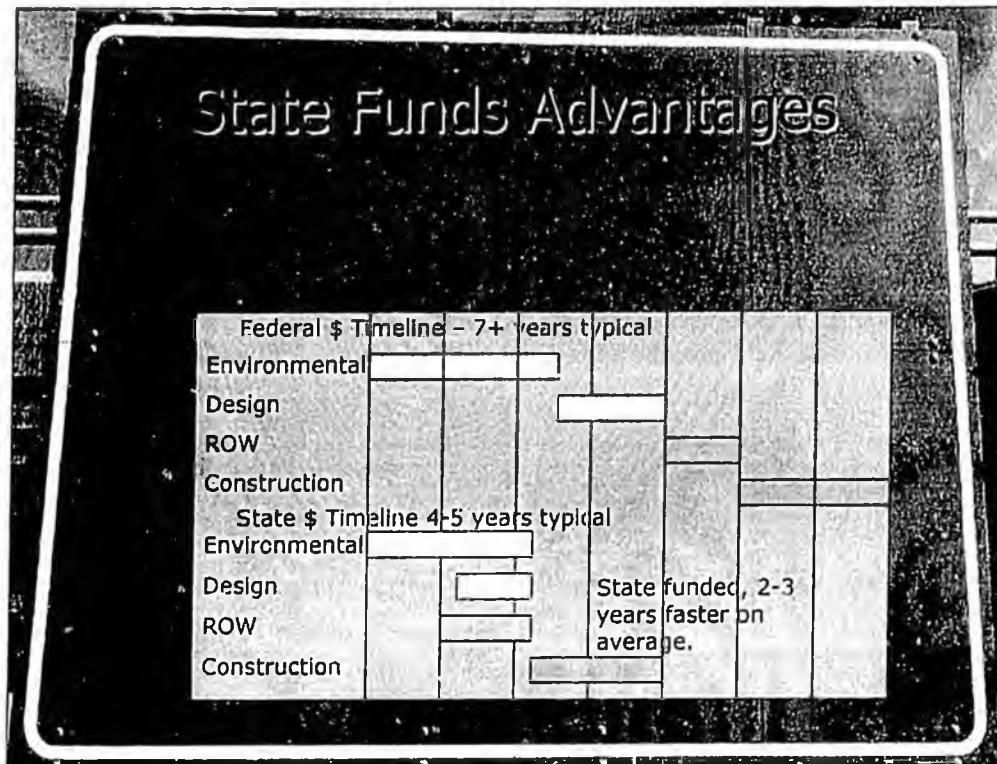


There are strategic advantages to having a State Funded program. Namely, we can complete the projects much faster which equates to it being less costly also. WHY – because we have relief from the onerous federal oversight and do not have to follow many of the federal laws I showed previously.

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

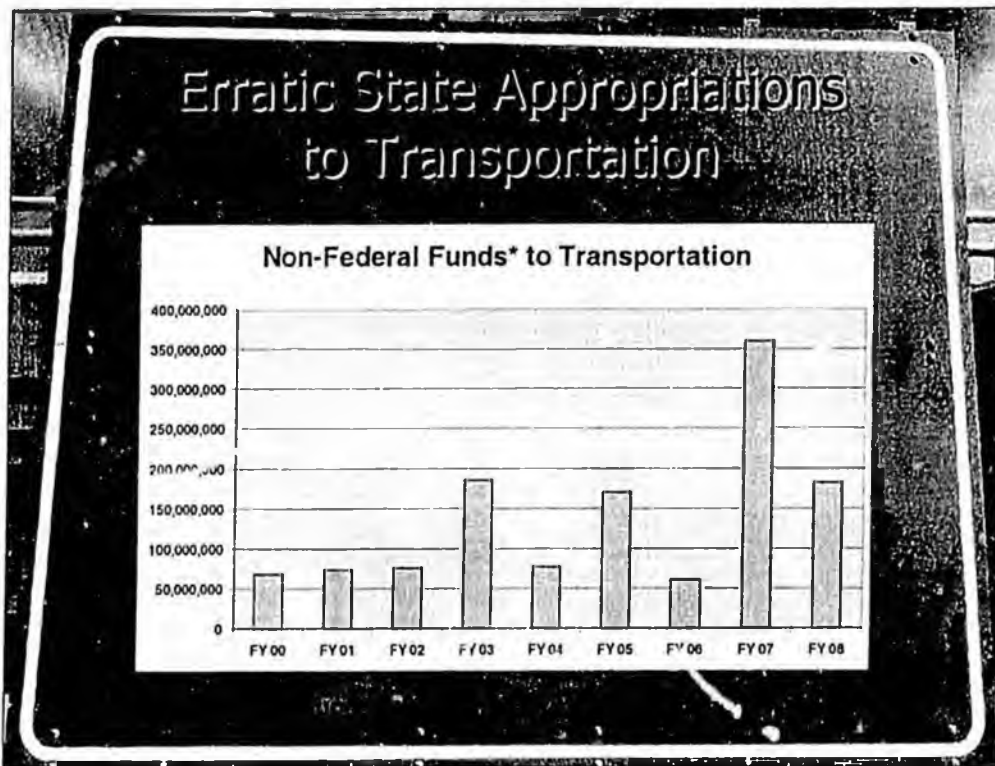
Dowling Road East

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

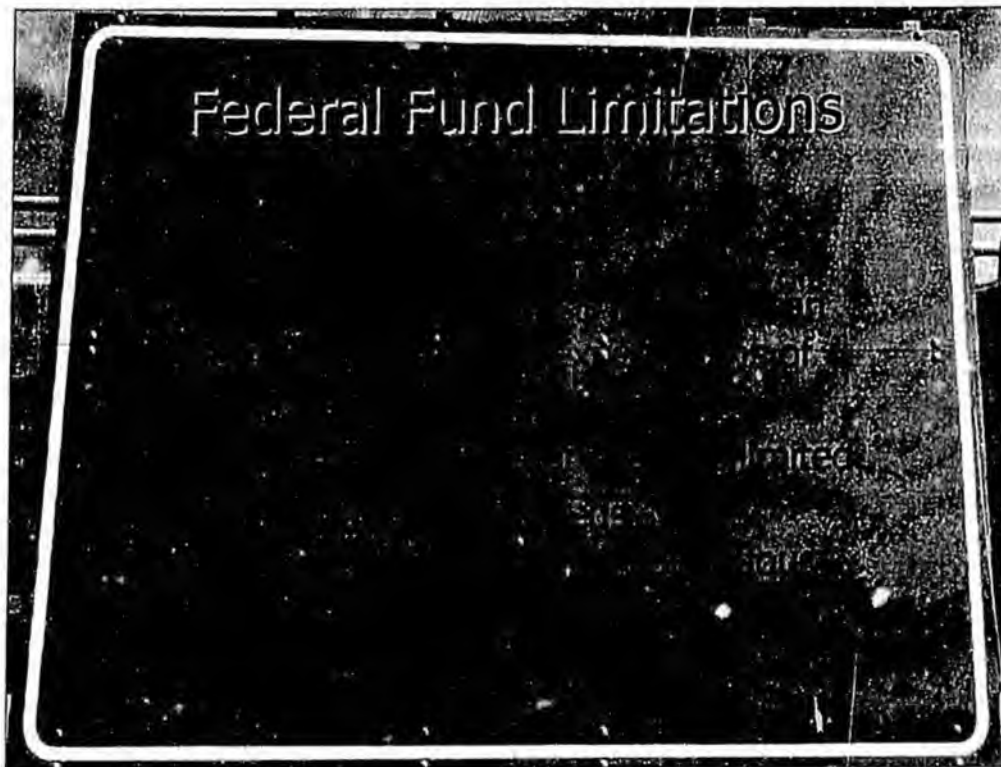
It does not include

- 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.

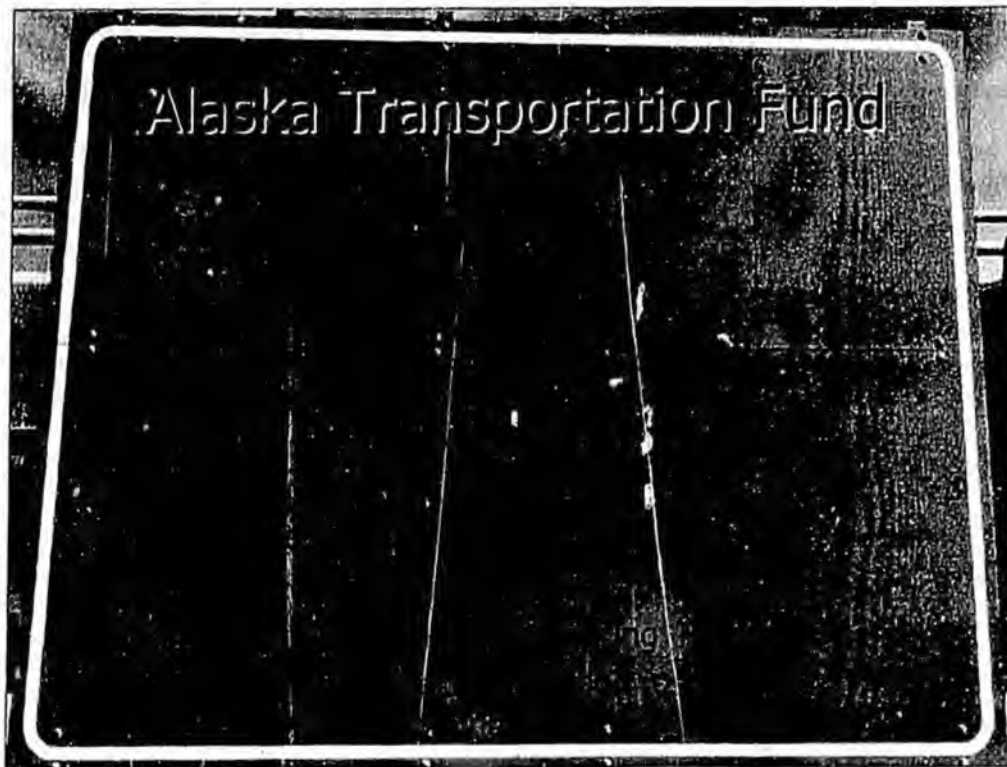
While the 3,300' runway standard is still being implemented, and many communities need this improvement, the desire for much larger 4,500' runways is growing due to costs of moving fuel by air. The loss of barge service due to water levels in some river systems is behind this need for larger airstrips.

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.

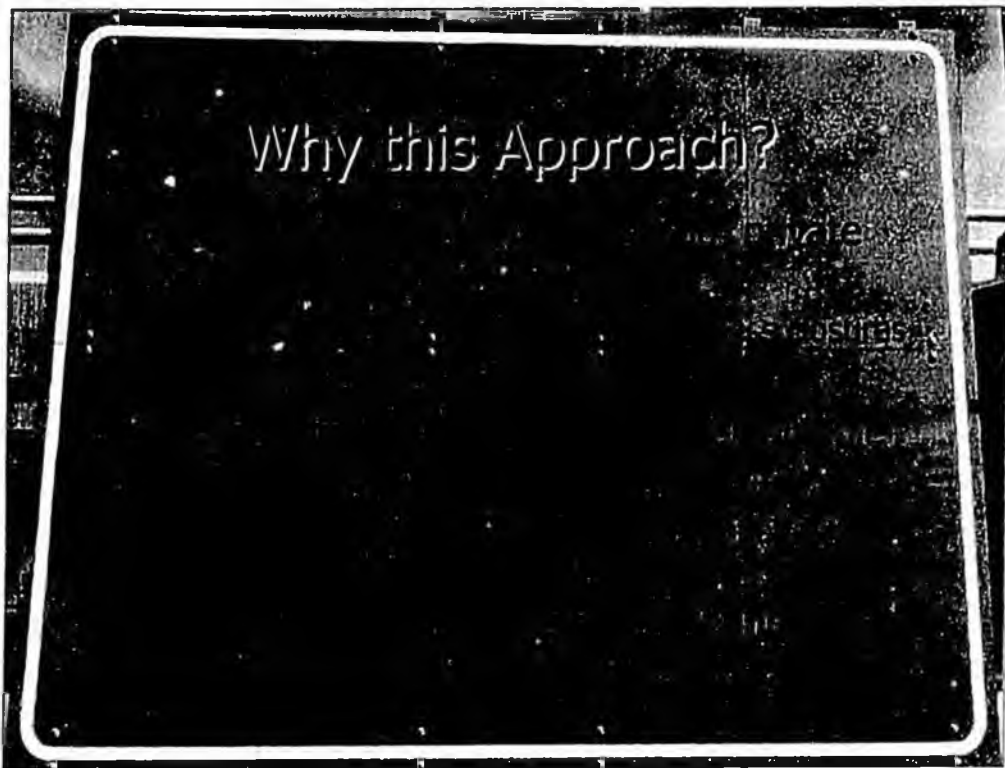
We will follow AS 44.42.050 on our project selection process. We currently have individual modal selection processes in place and will need to create a multi-modal process using Performance Measures to guide project selections.

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.

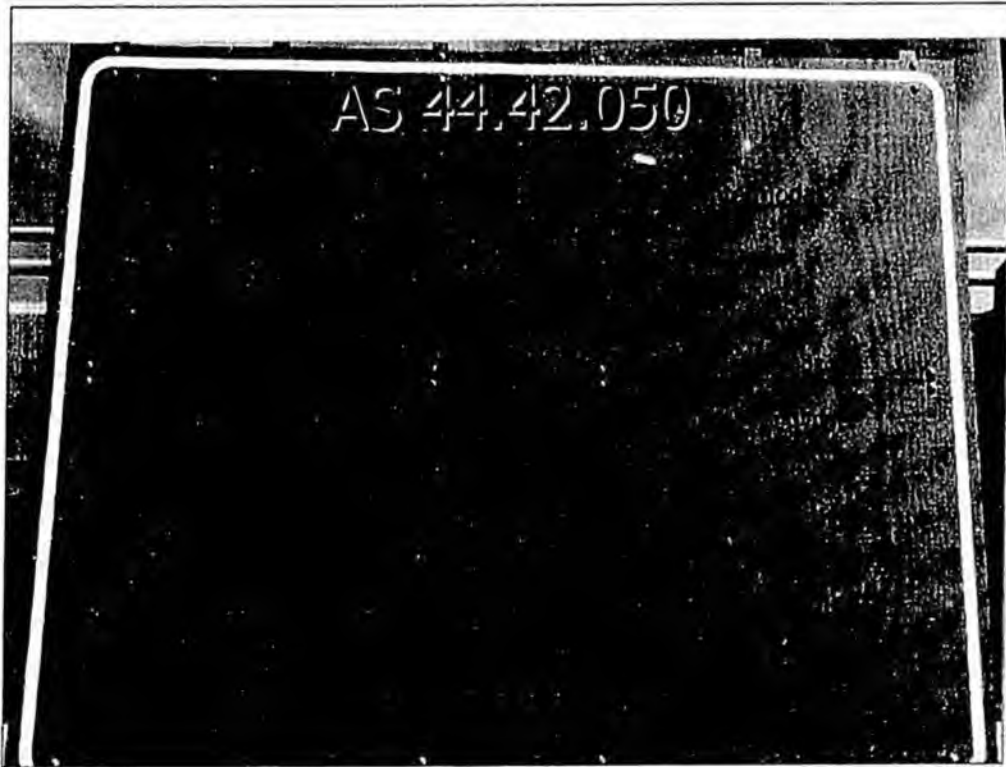
Also, Denali Commission, in their pursuit of a project selection process, looked at several approaches in the United States and opted to follow one nearly identical to our PEB scoring process.



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.

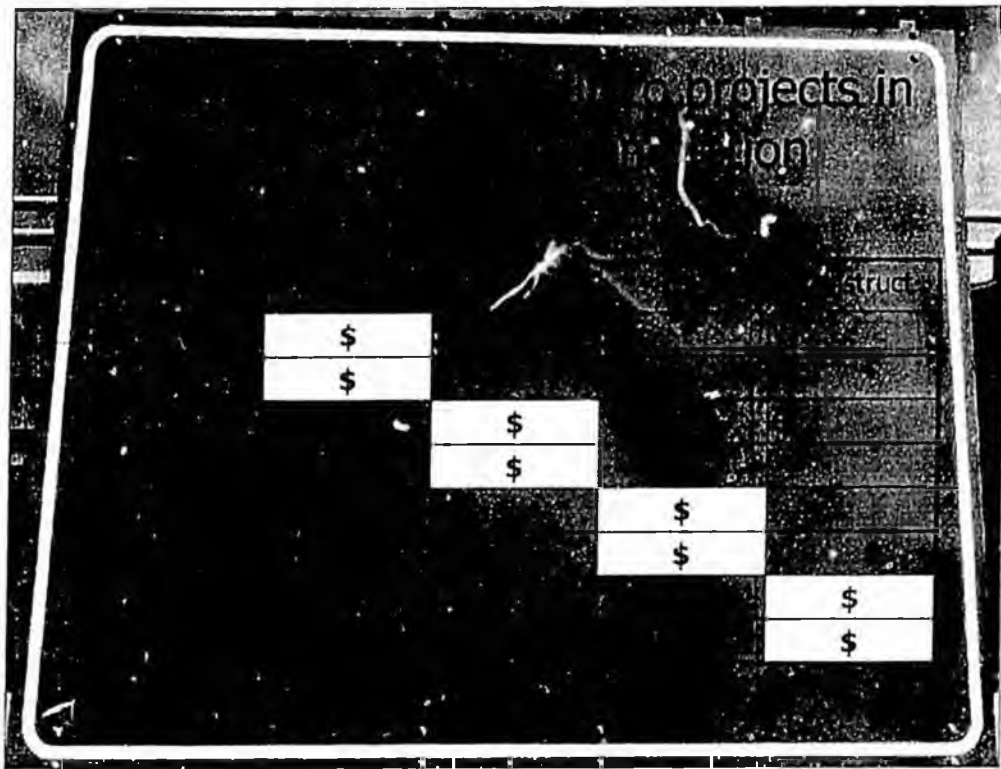


State law already defines how transportation projects should be identified through a planning process,

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.



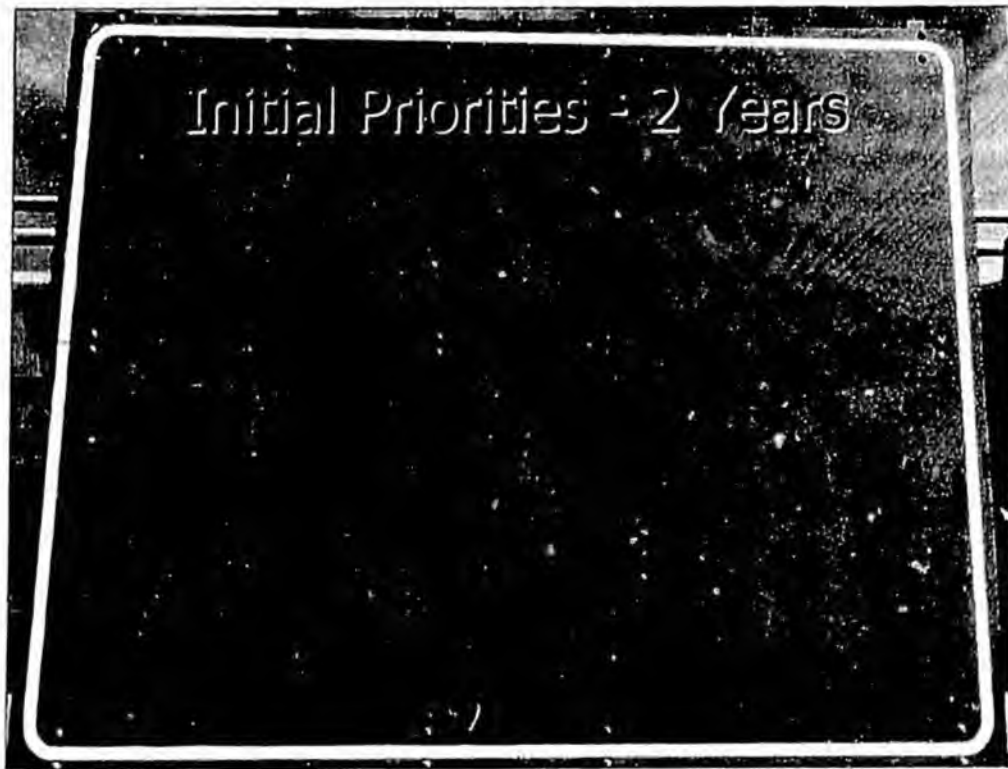


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Once the ALASKA TRANSPORTATION FUND is established we will use the funding during the first few years to:

- 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.

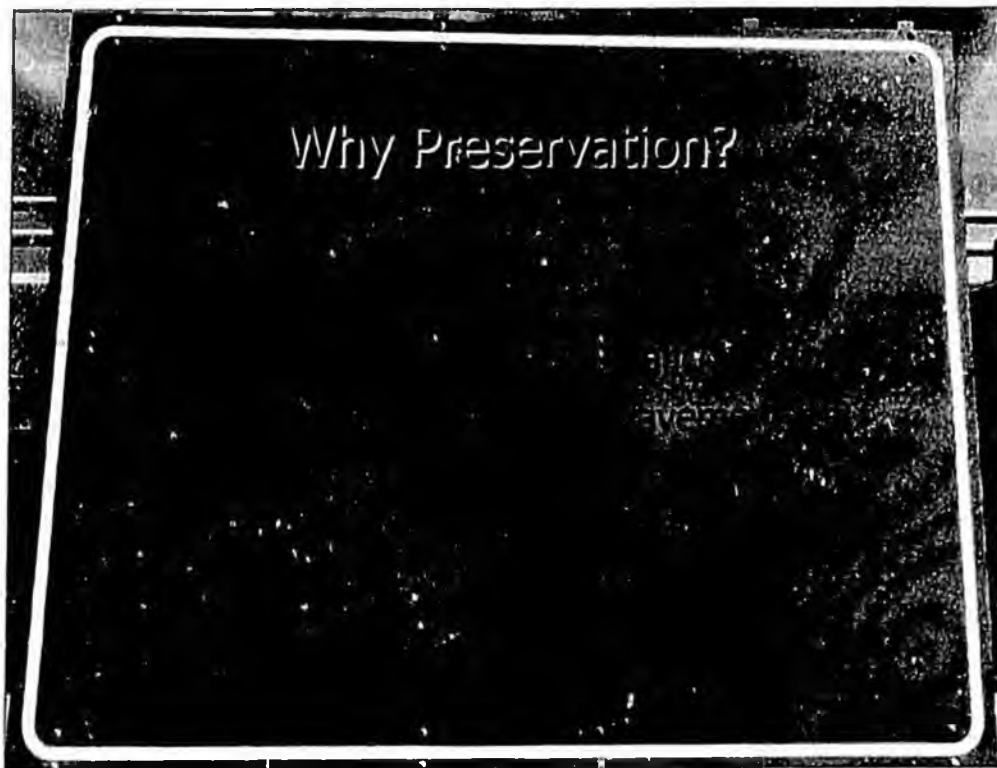
We want to address these problems to save lives, injuries, and the large monetary impact that accidents cost society.

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.

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

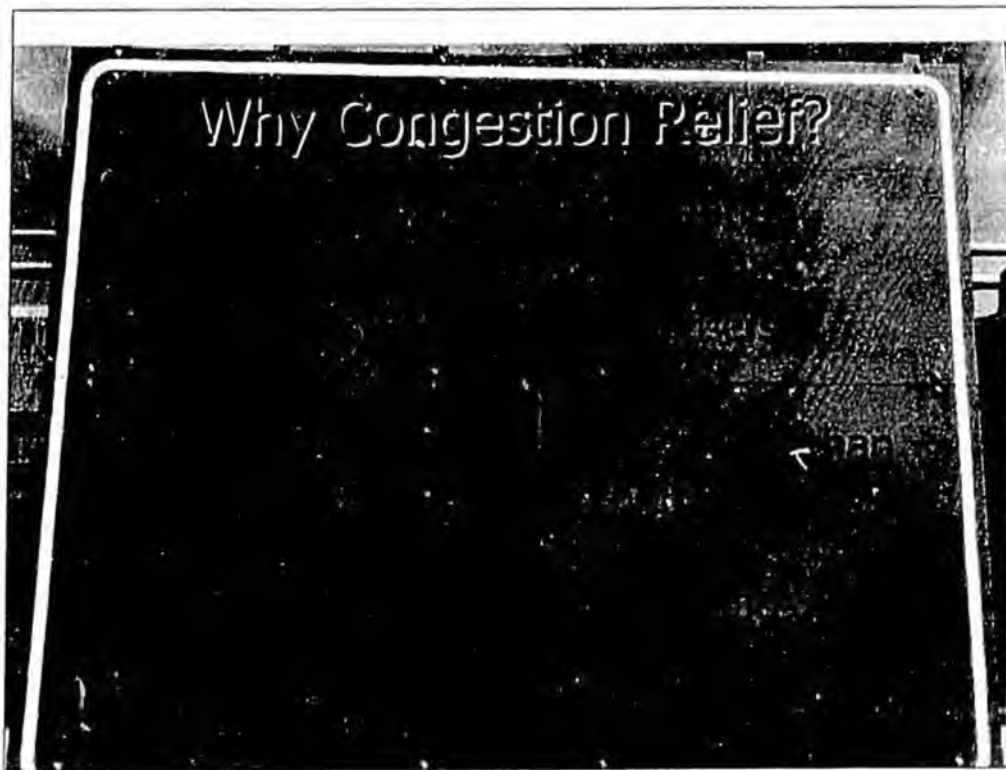
1 chance in 1,000 or higher: that means for each of us with ten family members and close friends, 1 chance in 100!



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, 3<sup>rd</sup> 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:

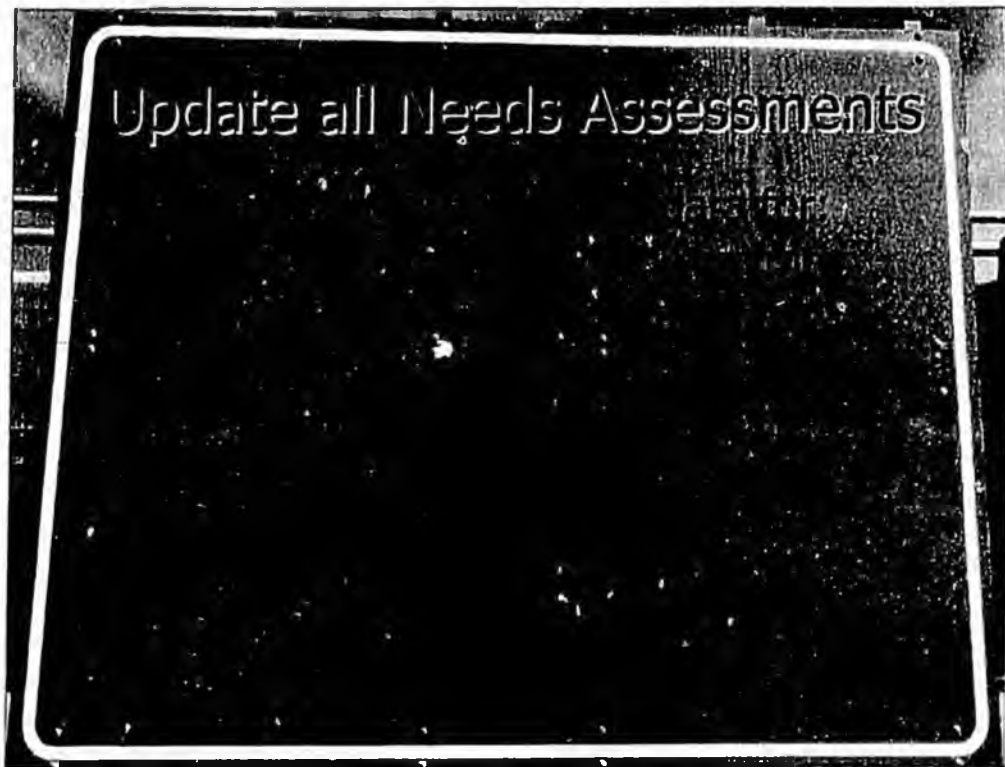
How much to give each type of system (mode)? And

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.

+++++

State scoring systems in place for

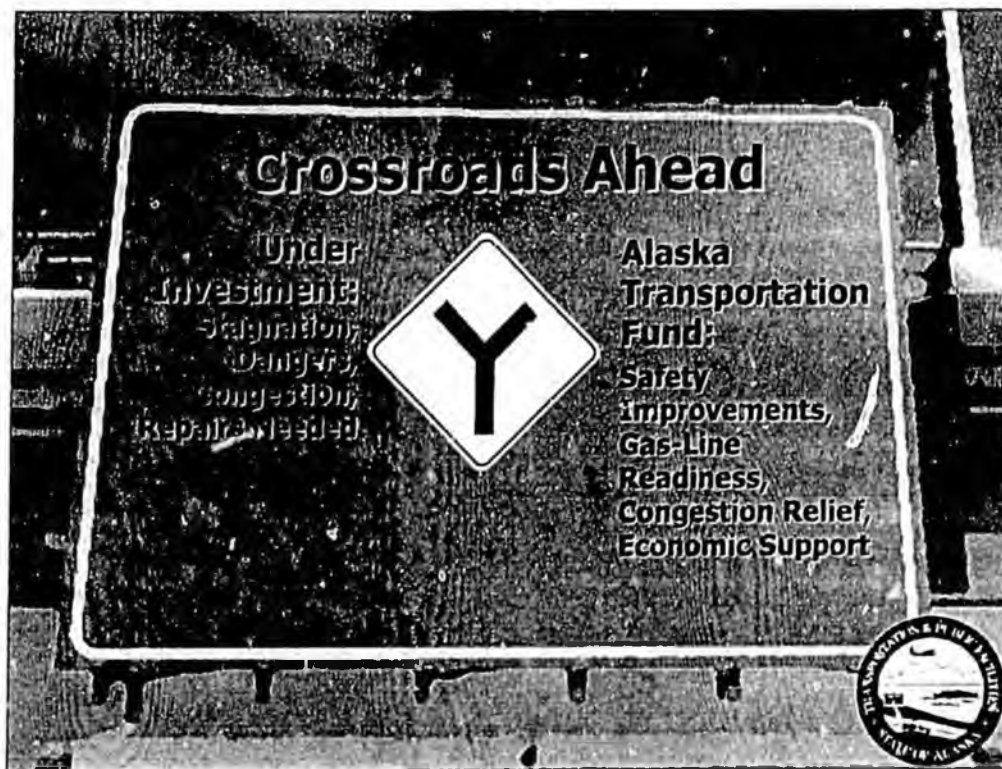
harbors

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:

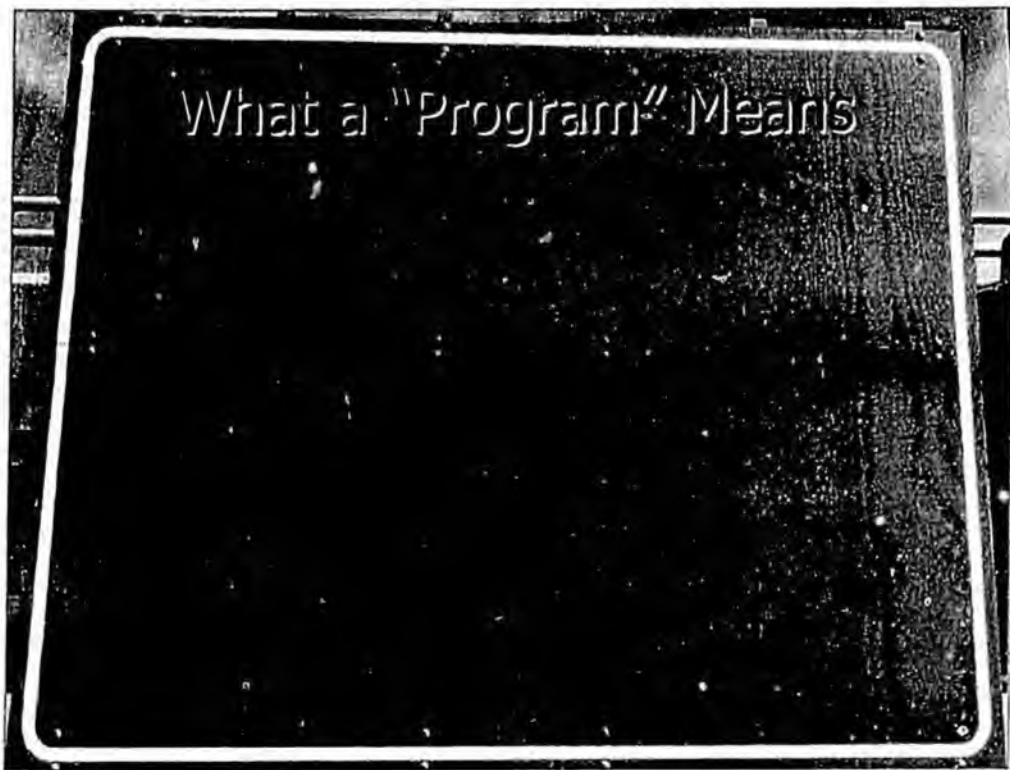
The potential for significantly less federal transportation funds

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.

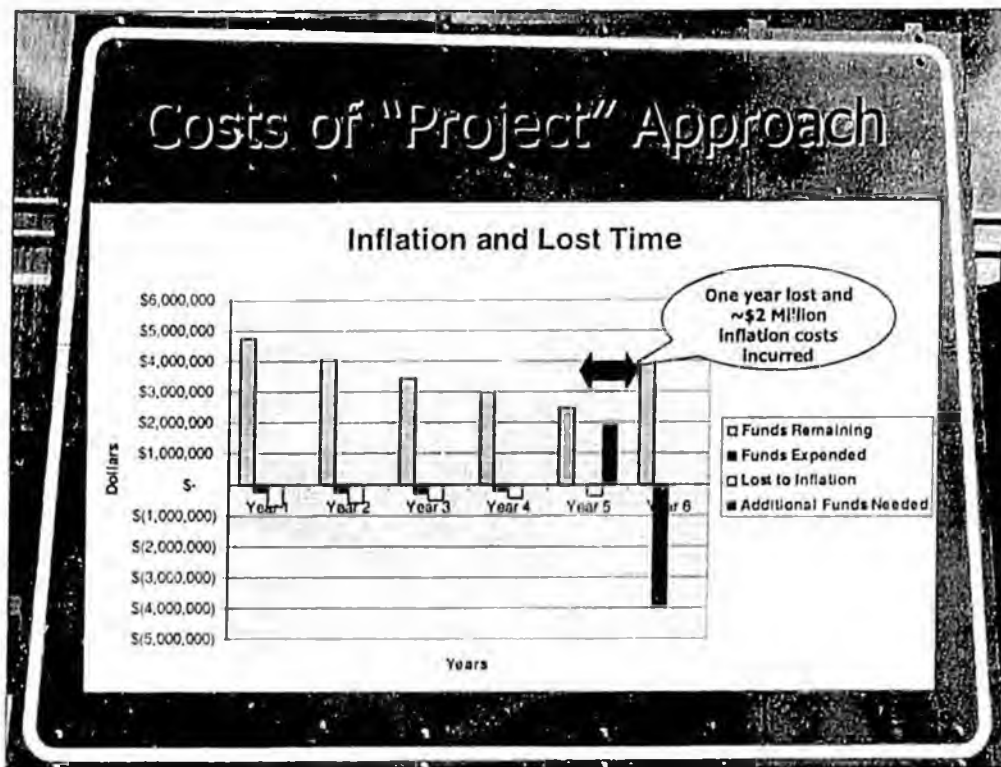


We currently have programs in place right now where we use Federal funds – the STIP and the Airport Improvement Program.

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



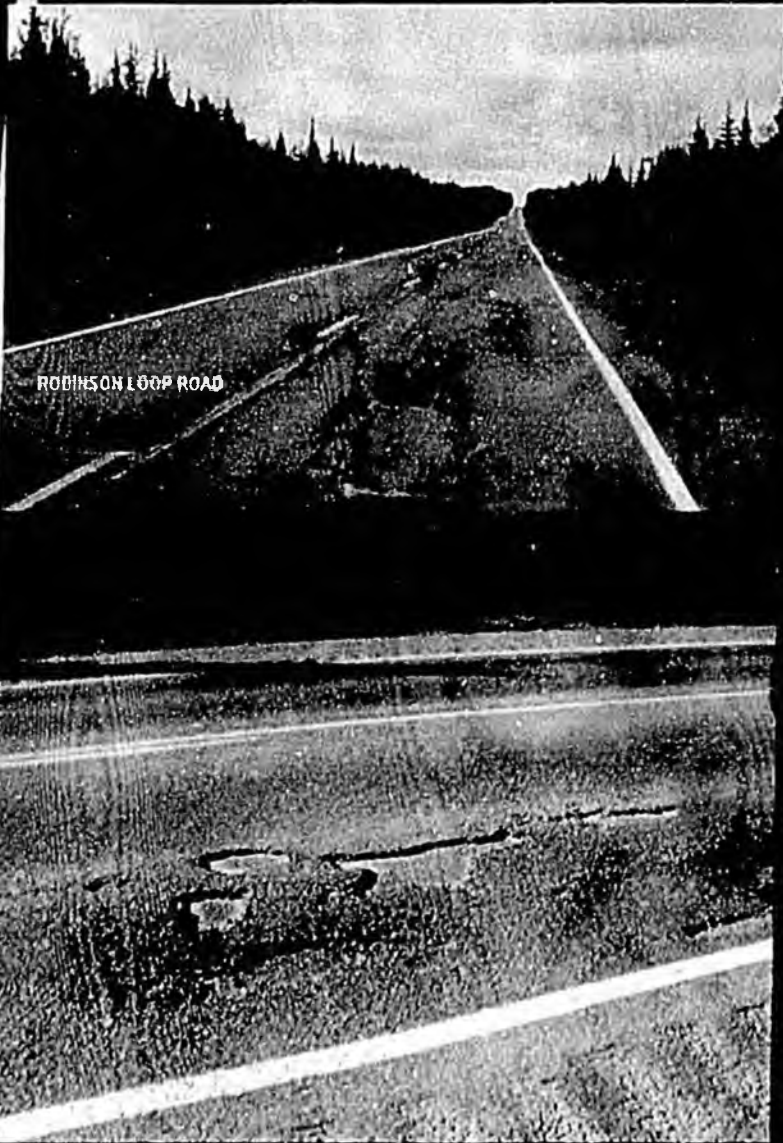
Why a State Funded  
Transportation Program is  
Right for Alaska



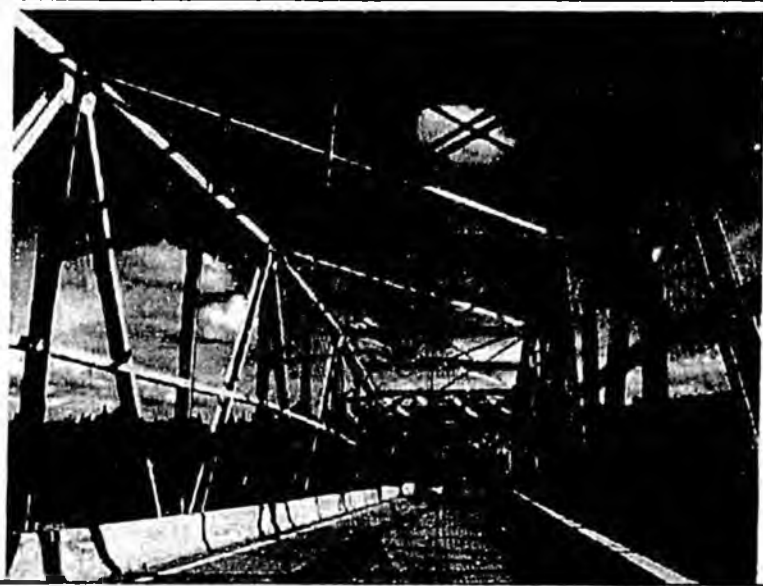
What We Will Address

State of Alaska's Transportation  
Infrastructure - 2008

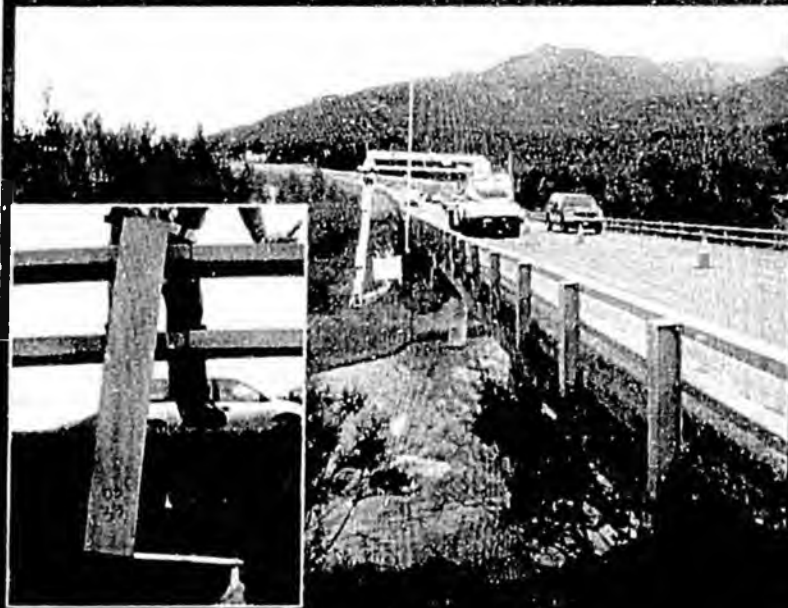
# Poor Pavement Conditions



# 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

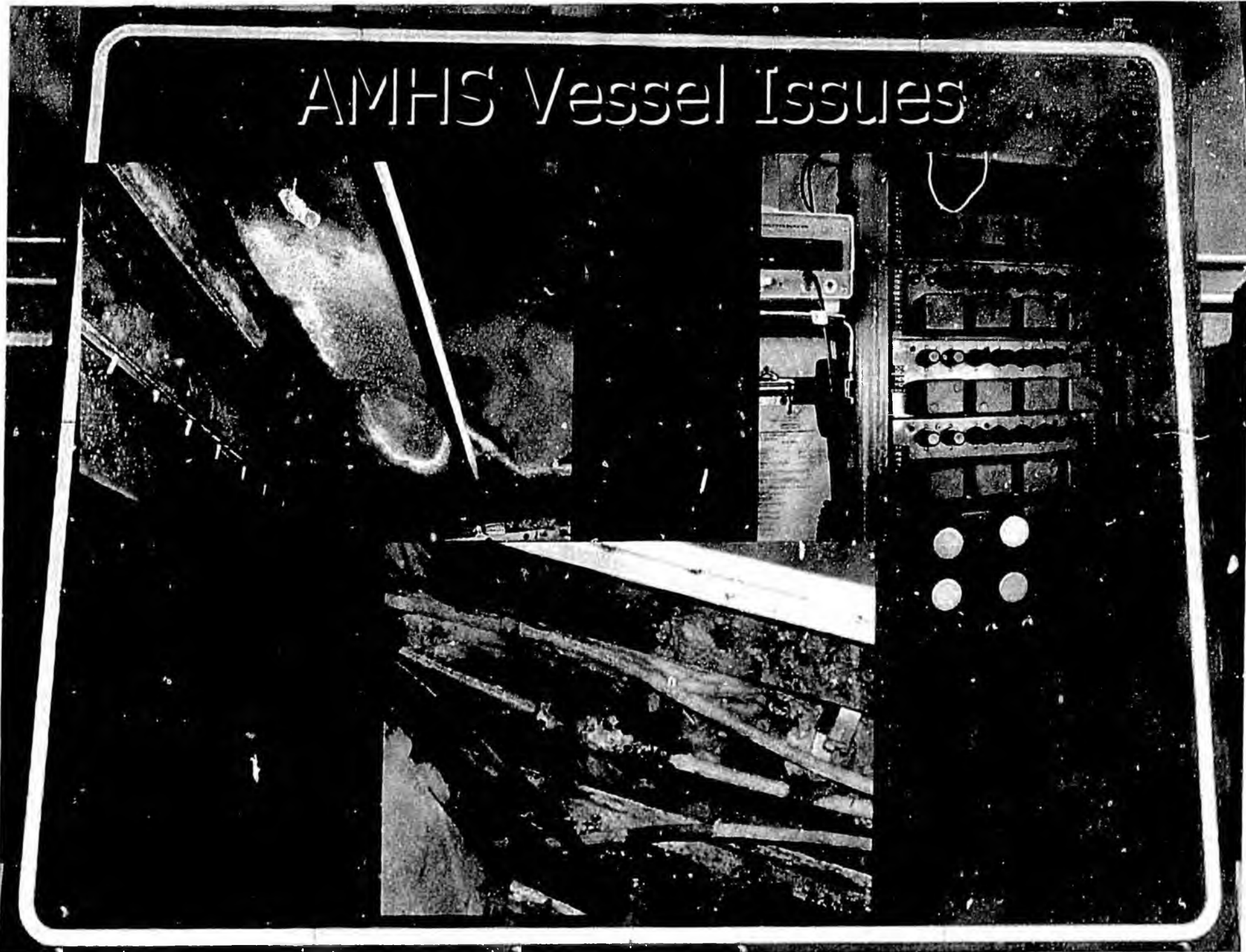


Pavement Distress

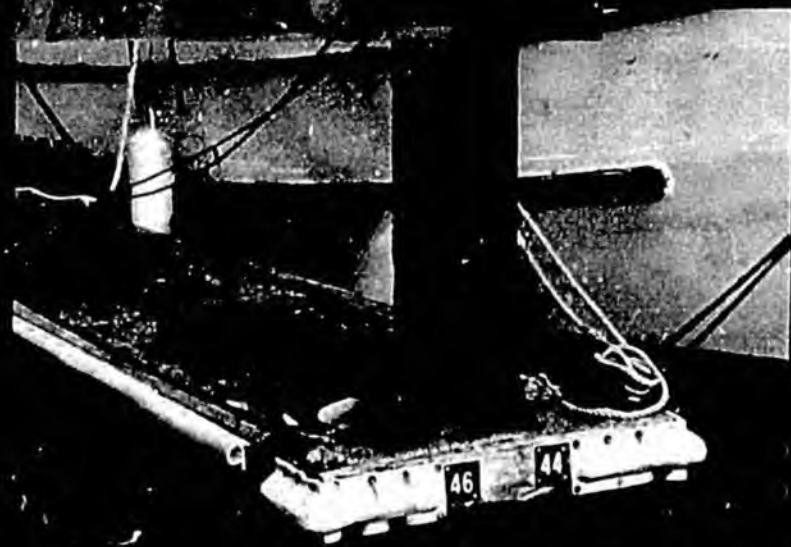
mile 147 Glenn Hwy

05.17.2007

# AMHS Vessel Issues



# Harbor Repair Examples



# Airport Needs Unmet



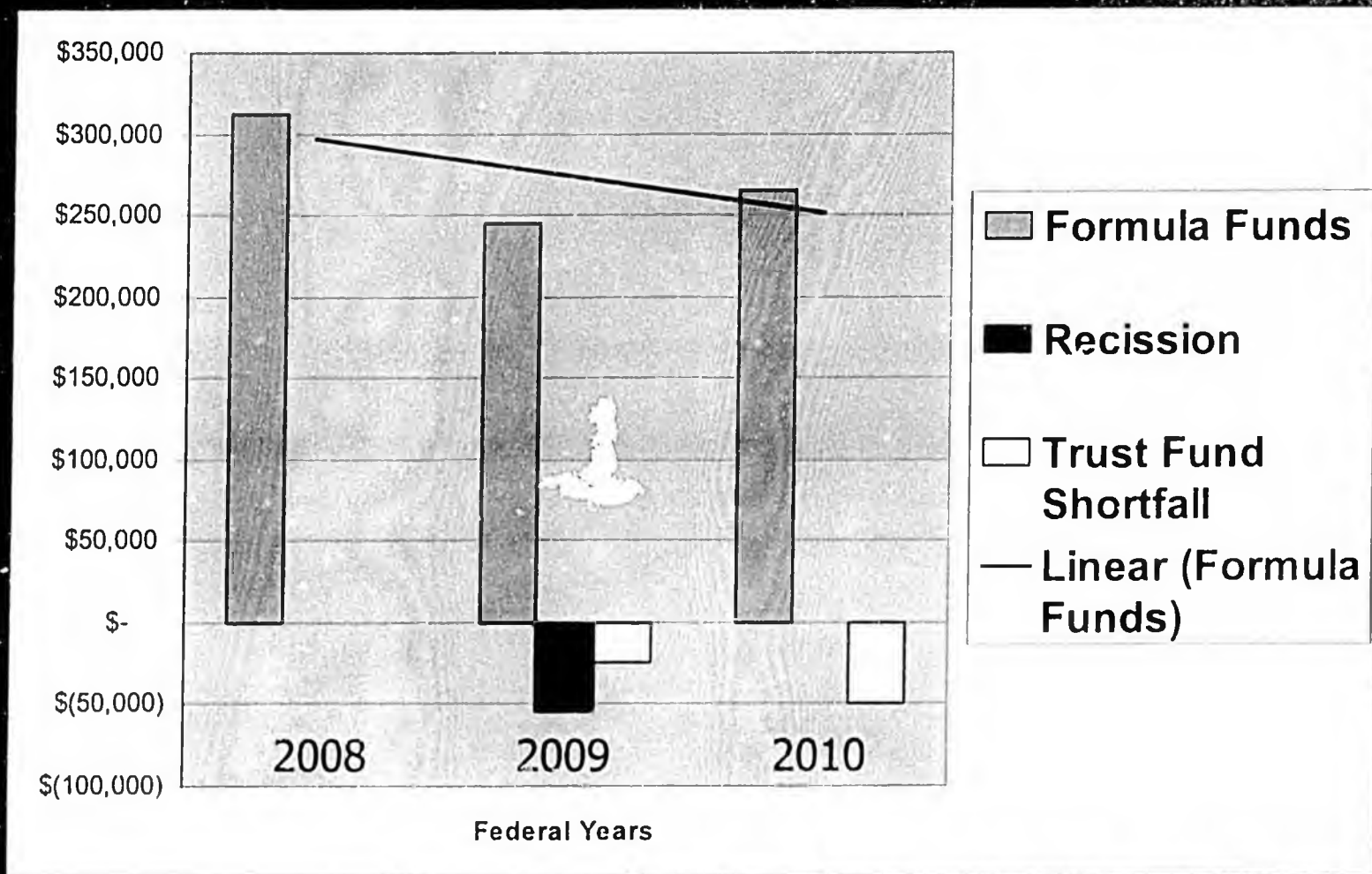
## Example of Funding Constraints

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

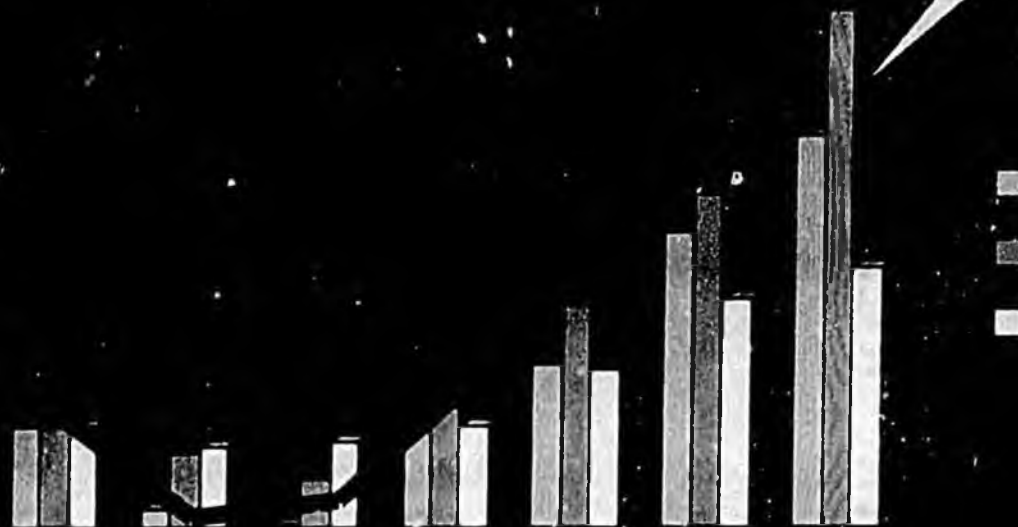
These three routes are also  
priority safety corridors.

# Contributing Weaknesses

# Federal Funds Decline

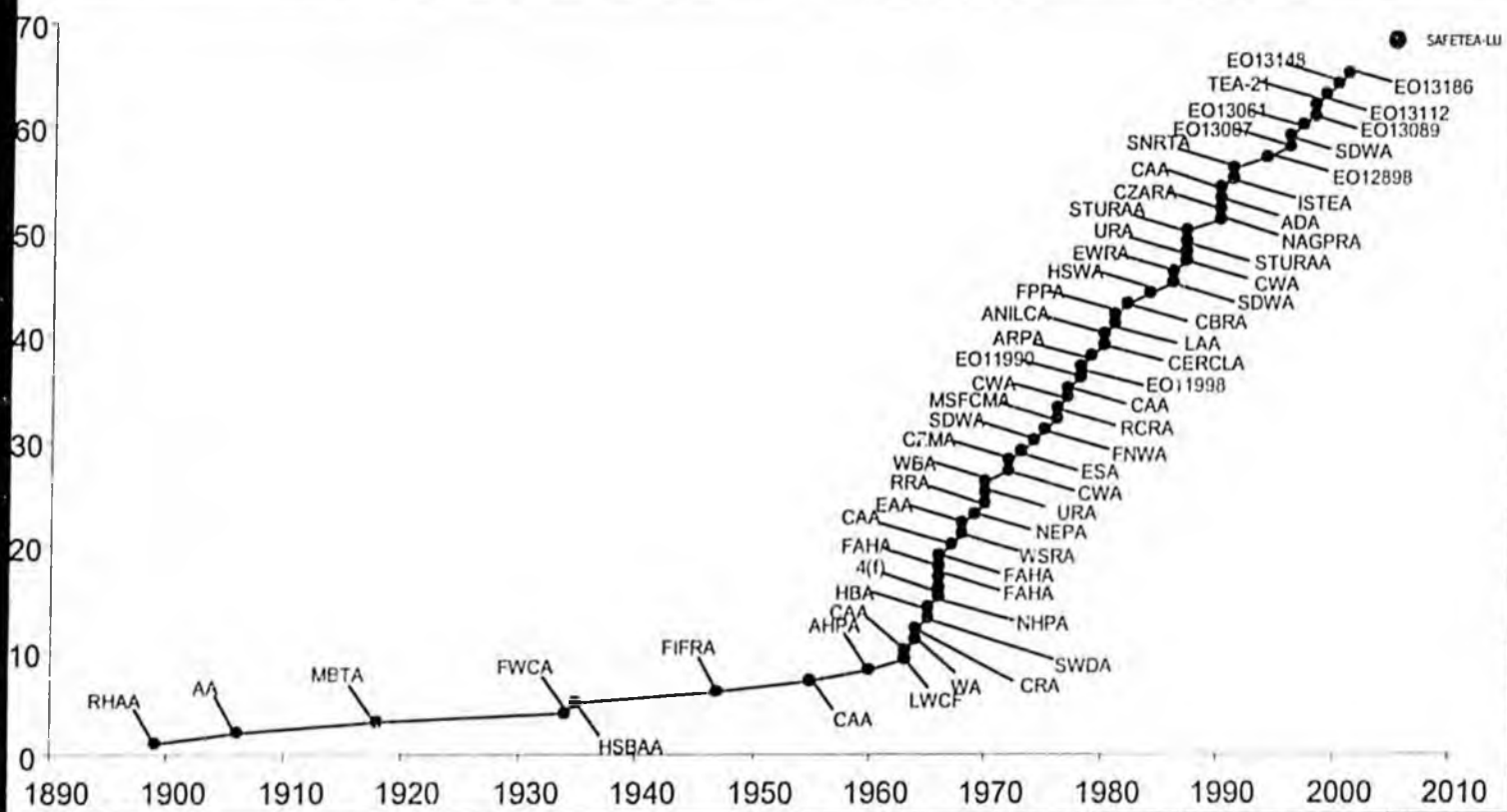


# Inflation is an Issue

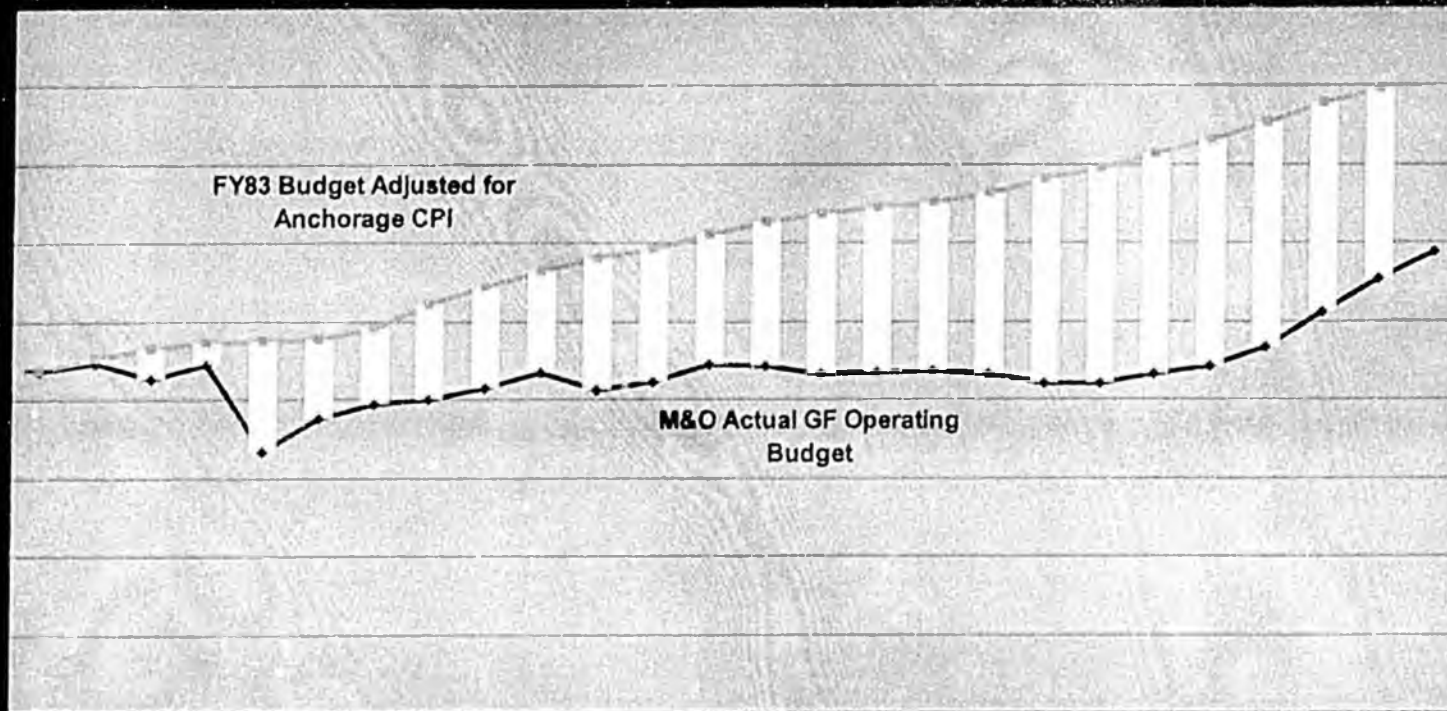


Alaska costs up nearly 2x US average

# Growth of Federal Laws

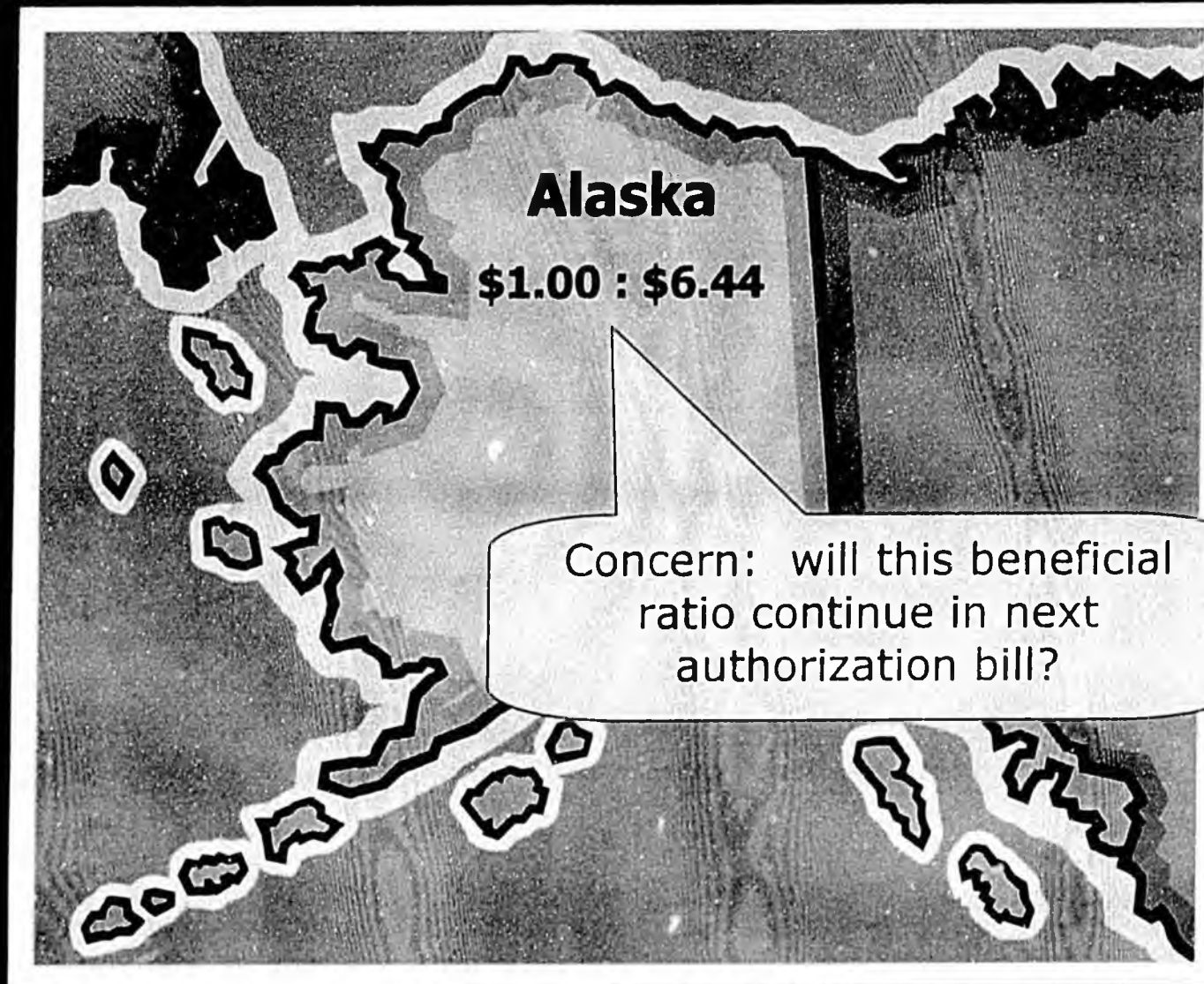


# M&O \$ Shortfall Since 1983

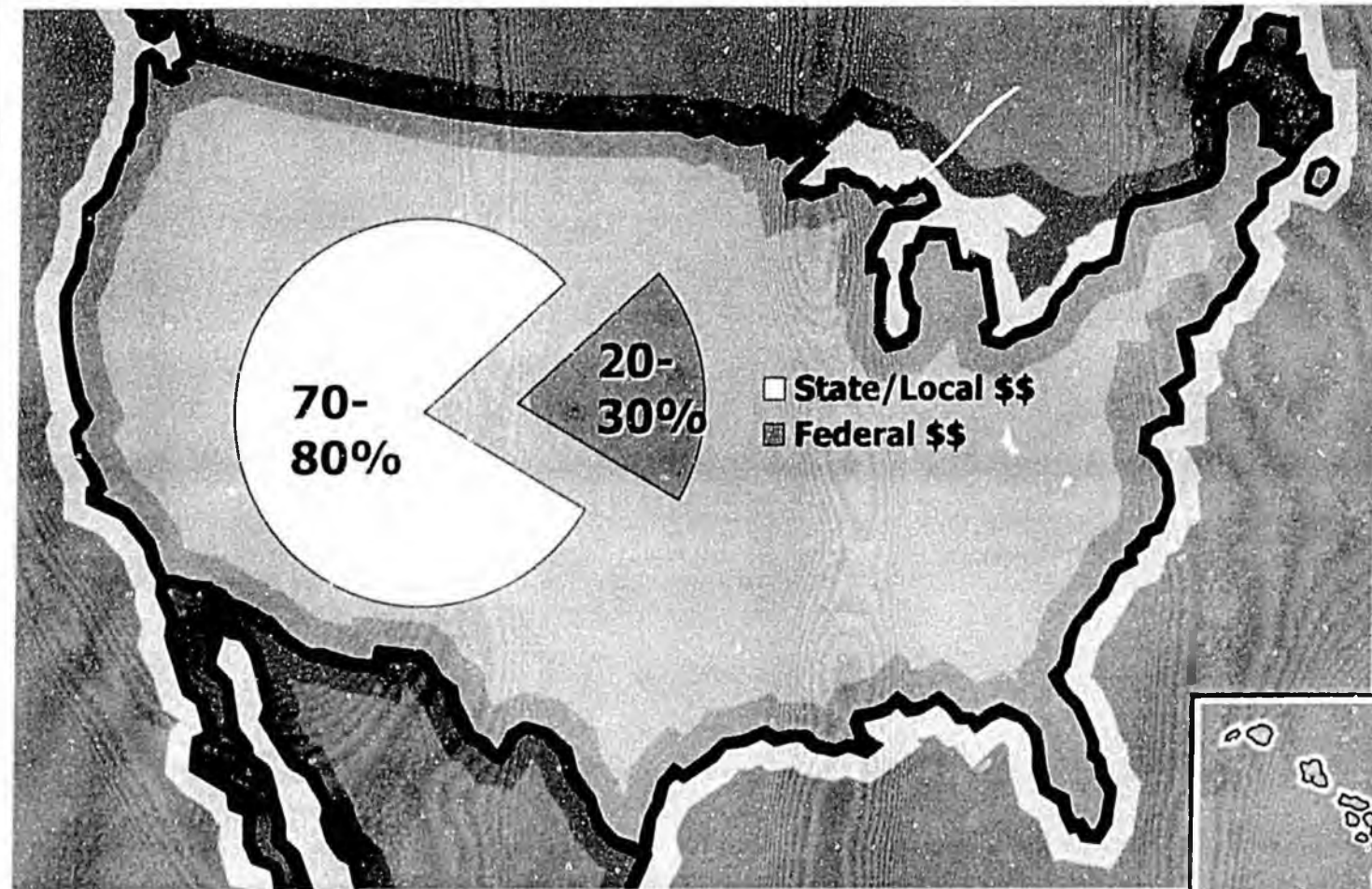


# Scope of Alaska's Needs

# Biggest Return of Federal Highway Funds



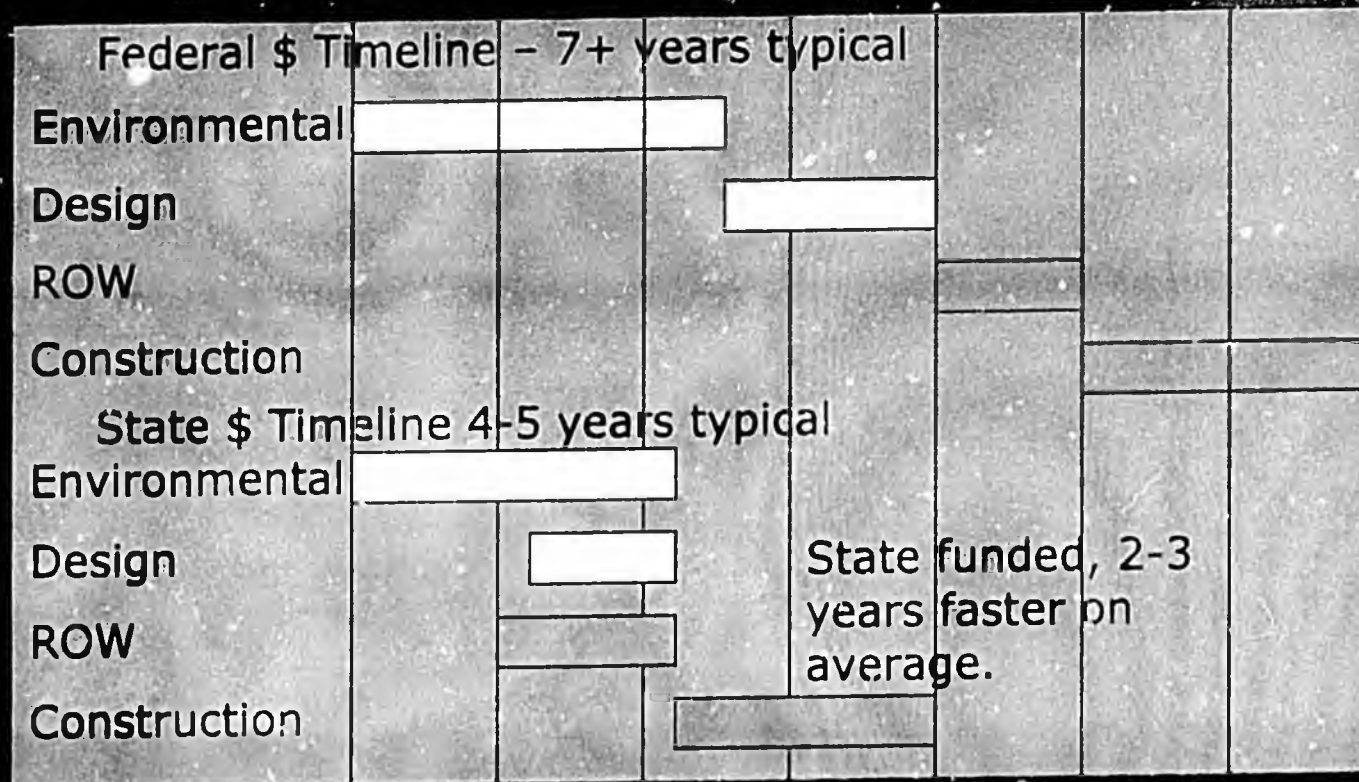
# Most States Have Diversified



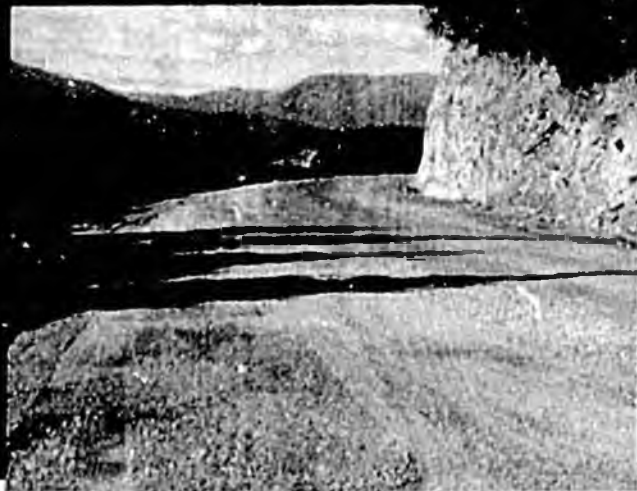
Other States

# State Fund Advantages

# State Funds Advantages

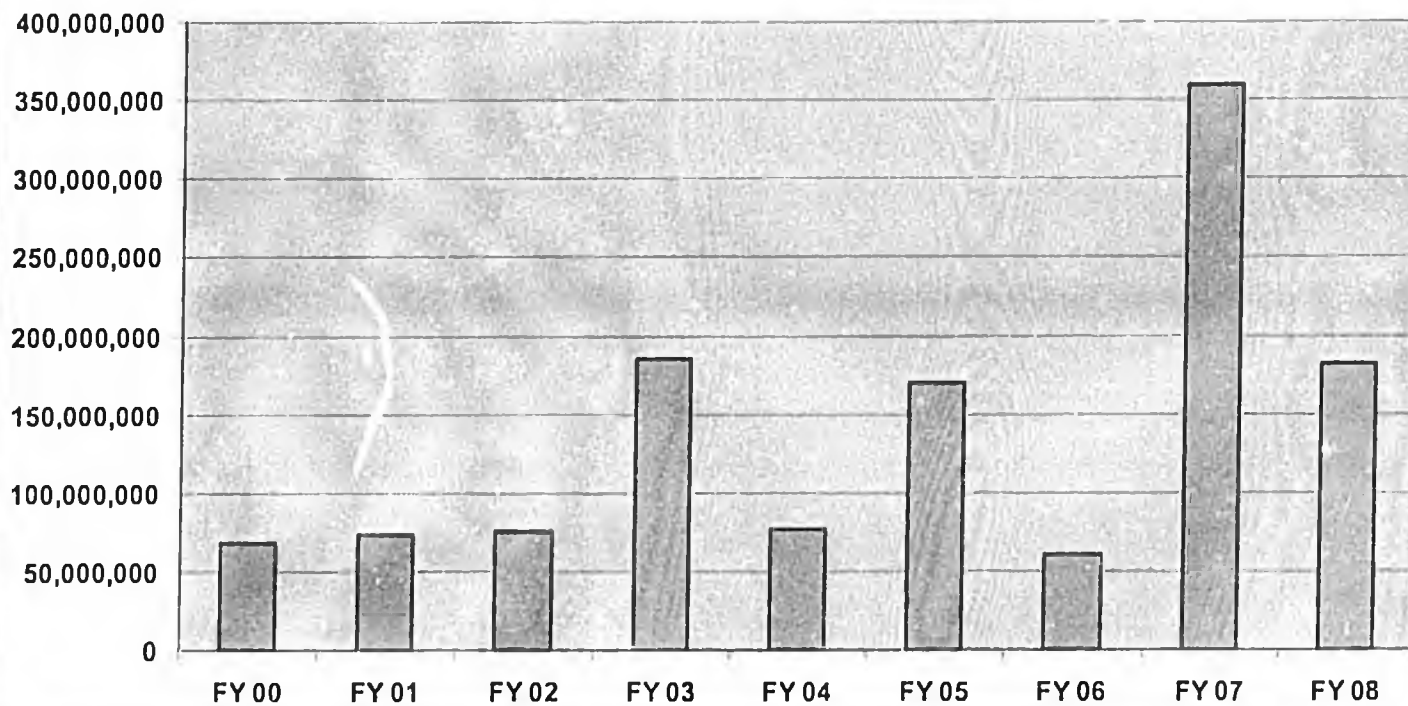


# State Funded Successes



# Erratic State Appropriations to Transportation

Non-Federal Funds\* to Transportation



# Federal Fund Limitations

# Alaska Transportation Fund

Why this Approach?

AS 44.42.050



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# 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



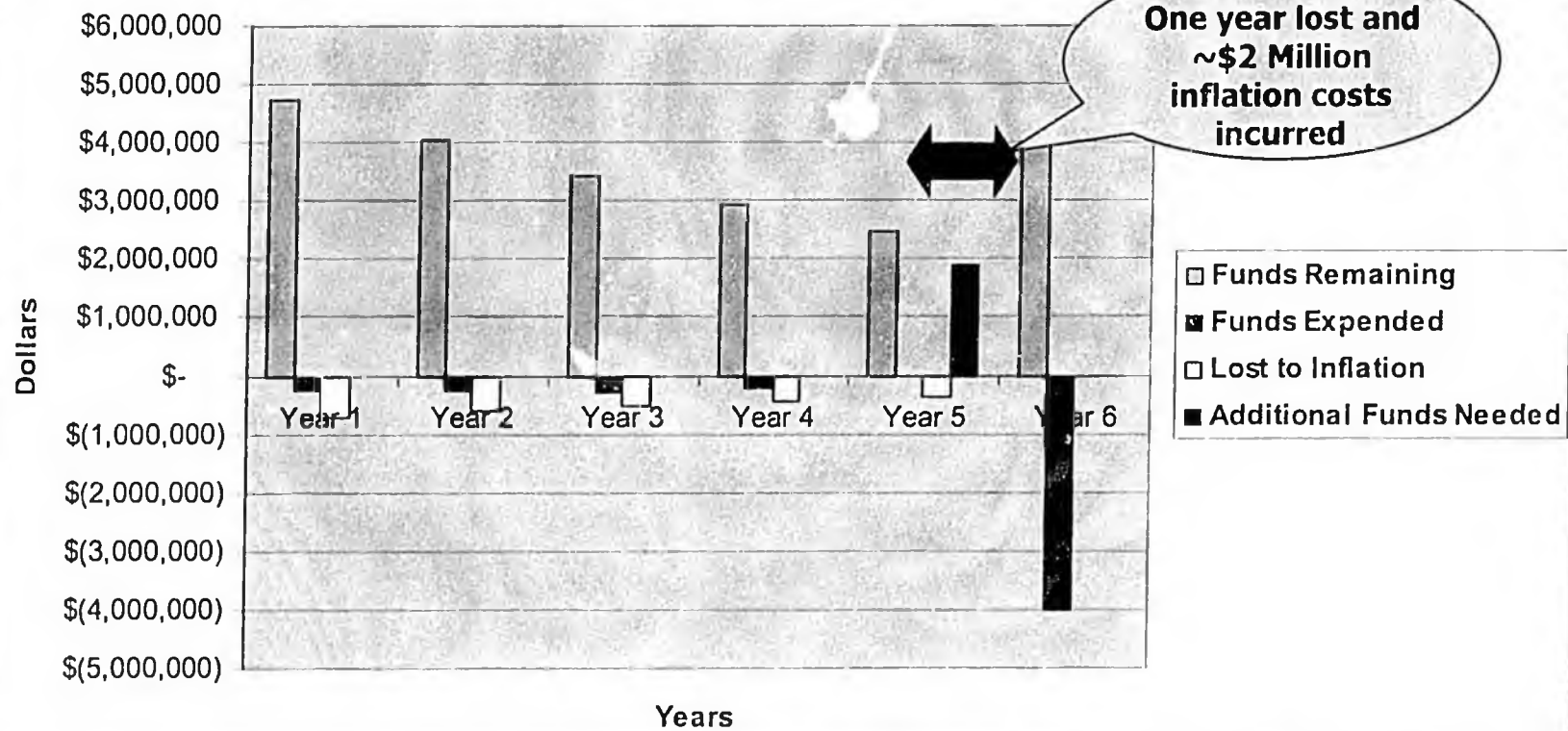
Alaska  
Transportation  
Fund:  
Safety  
Improvements,  
Gas-Line  
Readiness,  
Congestion Relief,  
Economic Support



What a "Program" Means

# Costs of "Project" Approach

## Inflation and Lost Time





## AGC OF ALASKA'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 \$40 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 part 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.

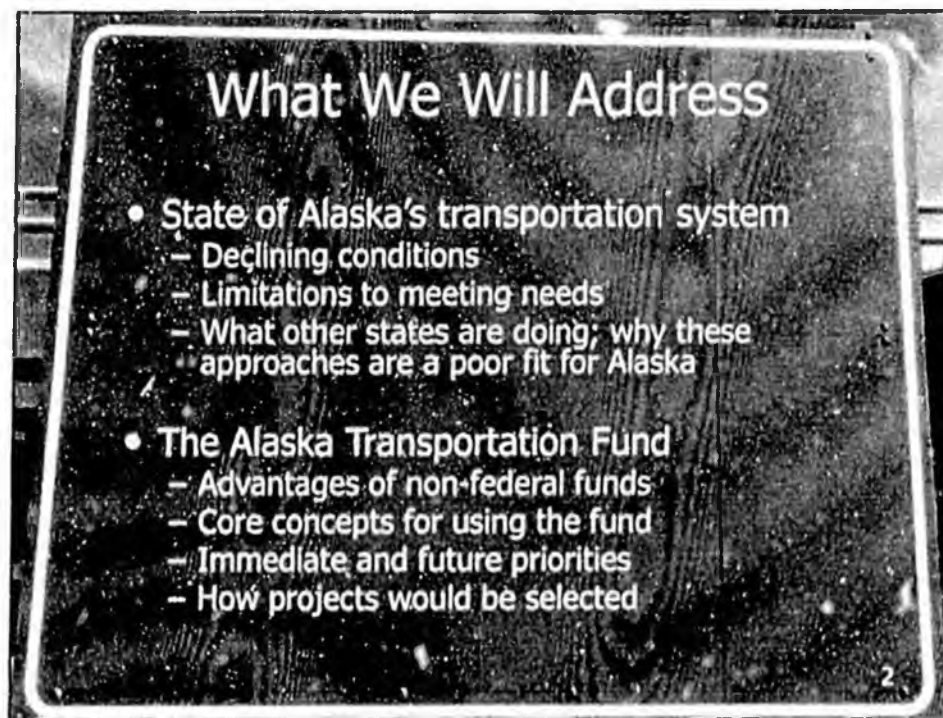
3. The appropriate role for the state in providing the transportation infrastructure necessary to develop resources in areas of Alaska not readily accessible to existing transportation facilities.

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

20

### State Funds Advantages

Years

Phase	Federal Timeline (7+ years typical)	State Timeline (1-5 years typical)
Environmental	0 - 7+	0 - 1.5
Design	0 - 7+	0 - 2.5
ROW	0 - 7+	0 - 3.5
Construction	0 - 7+	0 - 4.5

State funded, 2-3 years faster on average.

21

## State Funded Successes



Dalton Highway: 3 years saved



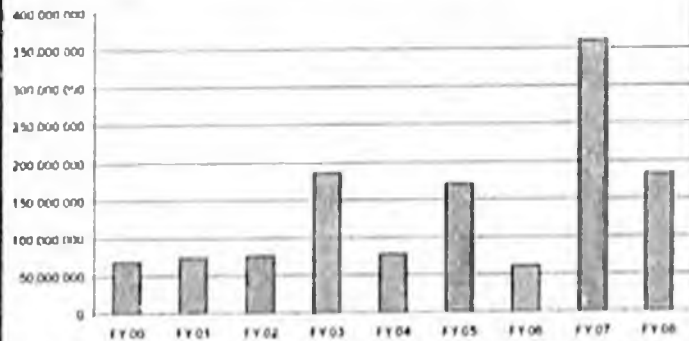
Anchorage, Elmore Road: 2 years saved

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

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## 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

	<u>Program</u> 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

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## Funds applied annually to projects in several steps of completion

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

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## 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

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## 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

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## 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
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplier								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>		<b>500,000.0</b>						
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<b>CHANGE IN REVENUES ( )</b>								
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**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								
<b>TOTAL</b>		<b>0.0</b>	<b>500,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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
<b>OPERATING EXPENDITURES</b>							
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							
<b>TOTAL OPERATING</b>	<b>1,000.0</b>		<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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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						
<b>TOTAL</b>	<b>1,000.0</b>		<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>

Estimate of any current year (FY2008) cost: 0 0

### POSITIONS

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time	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
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
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