

Alaska Transportation Finance Study

Alaska Municipal League

presented to

Alaska House Transportation Committee

presented by

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Cambridge Systematics, Inc.**

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Transportation leadership you can trust.



Agenda

20 Minute Presentation

- **Brief synopsis of the study's objectives**
- **Under Investment in the state's transportation infrastructure**
- **Current Federal funding at risk**
- **Options for closing the gap between needs and revenues**

Study Objectives

Six Questions Posed by the Alaska Municipal League

- 1. Describe current trends in transportation capital and operating needs**
- 2. Identify changes in Federal funding priorities that may impact on funding levels for Alaska**
- 3. Evaluate user fees, public-private partnership, and other tools for financing transportation investments**
- 4. Identify factors that are most likely to impact Alaska's transportation funding in the future**
- 5. Identify possible strategies Alaska can best use to react to these factor and challenges**
- 6. Evaluate potential funding and financing tools for transportation**

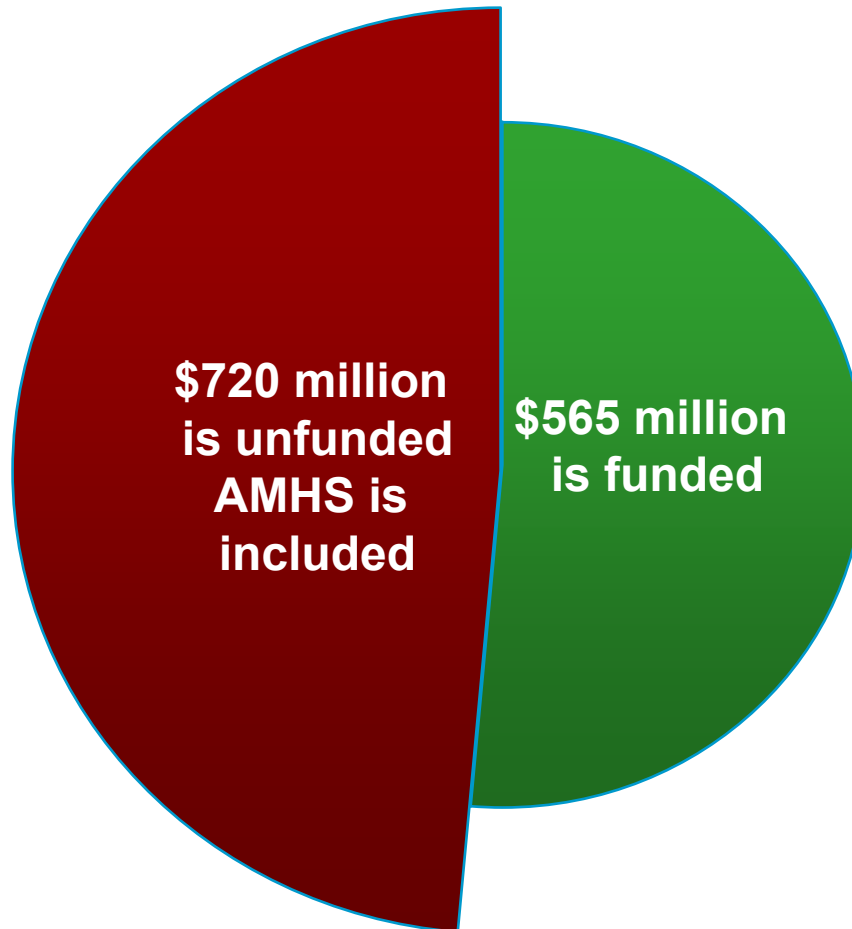
Under Investment

State's Economy More Dependent of Transportation

- **State economy is highly dependent on resource extraction and “traded” industries:**
 - **These industries are highly transportation-intensive**
 - **Their growth is the most likely offset to declining oil production & economic diversification**
- **Other transportation-dependent conditions amplify the effects of under investment:**
 - **Far-flung communities**
 - **Harsher environment**
 - **Less mature roadway network**

Under Investment on State-owned Facilities

Annual Highway & Bridge Needs Are about \$1.1 billion

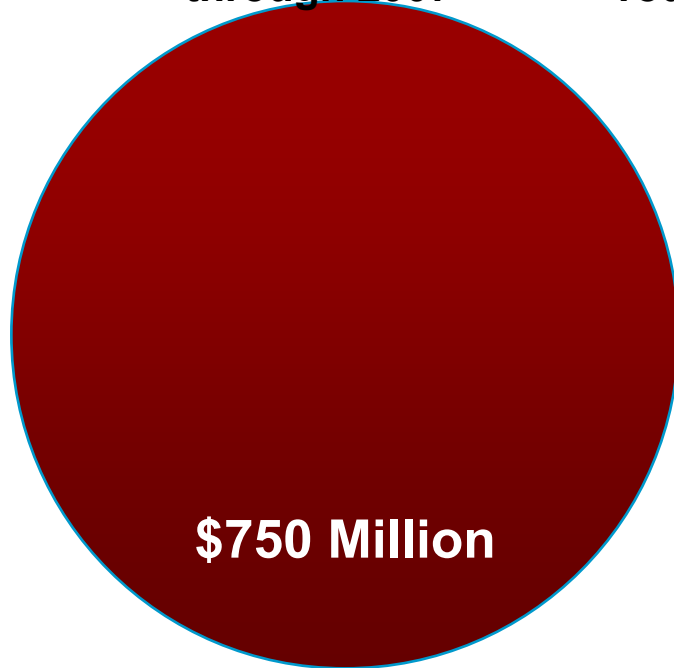


Excludes local roads and street needs

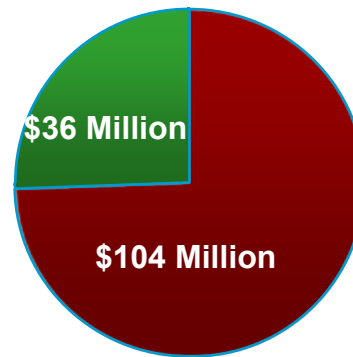
Under Investment (*continued*)

Backlog of Life-cycle & Routine Maintenance

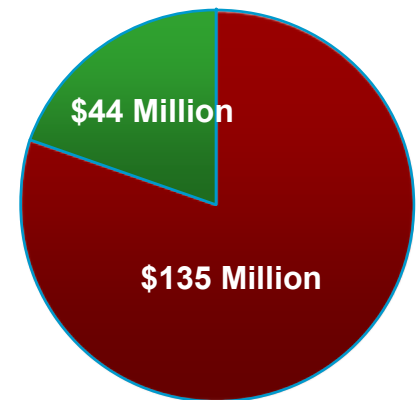
Life-cycle backlog of
through 2007



140 million annually needed
routine highway maintenance



\$179 million annually
needed for AMHS

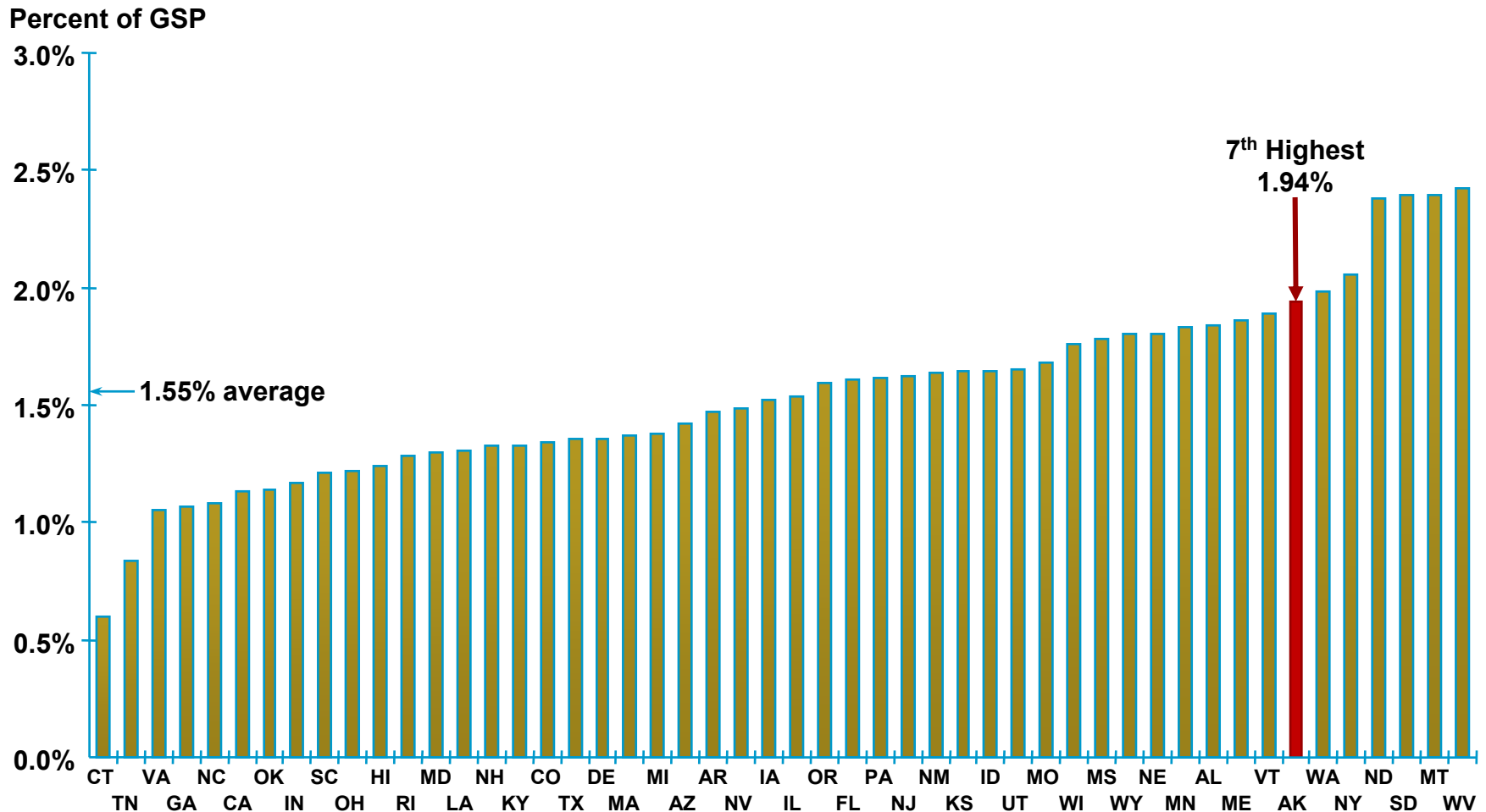


These figures still do not include needs for

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

Current Federal Funding at Risk

Total Spending as a Share of Gross State Product (GSP)

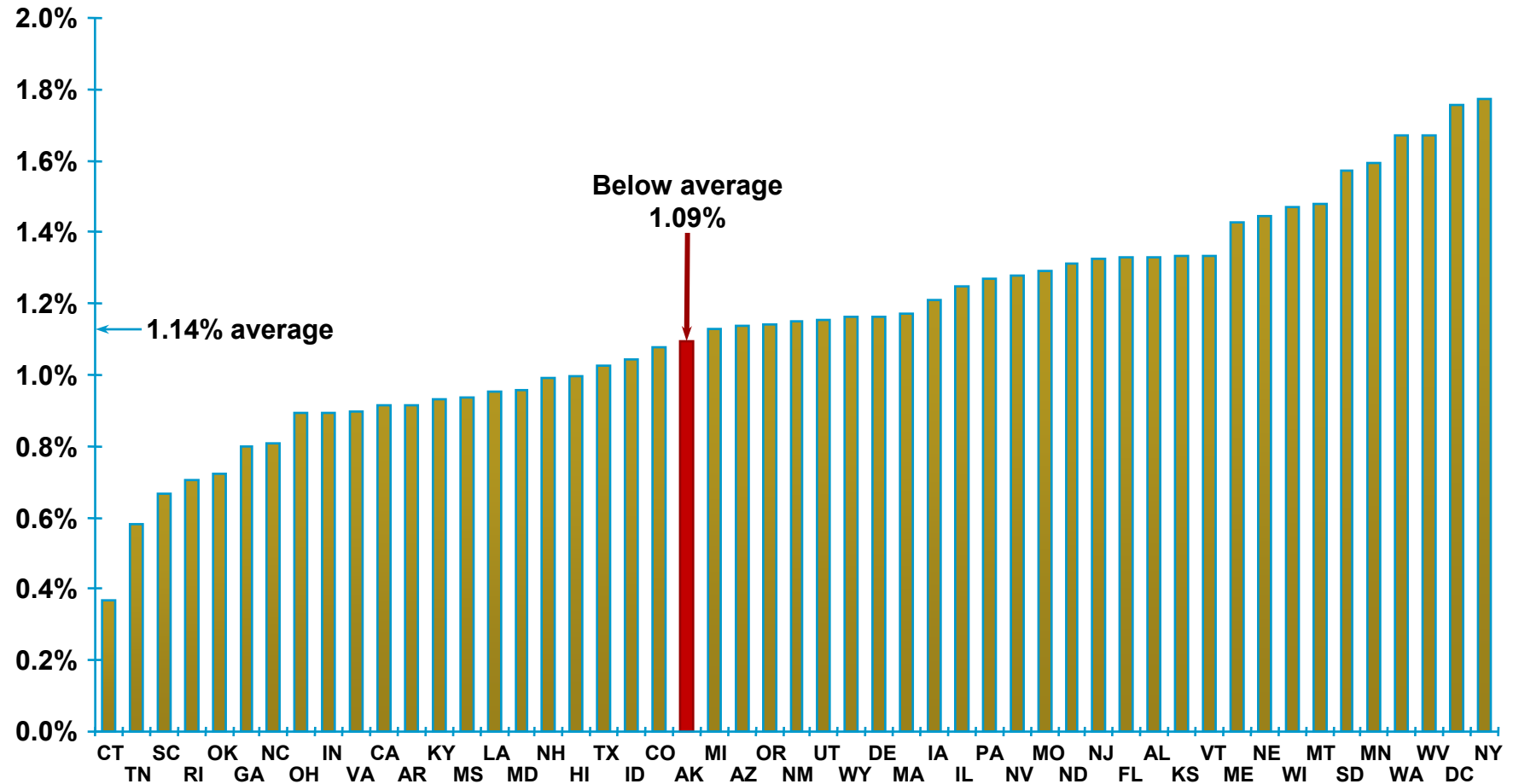


Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

Current Federal Funding at Risk (continued)

State Total Spending (Net of Federal) as a Share of GSP

Percent of GSP in 2006

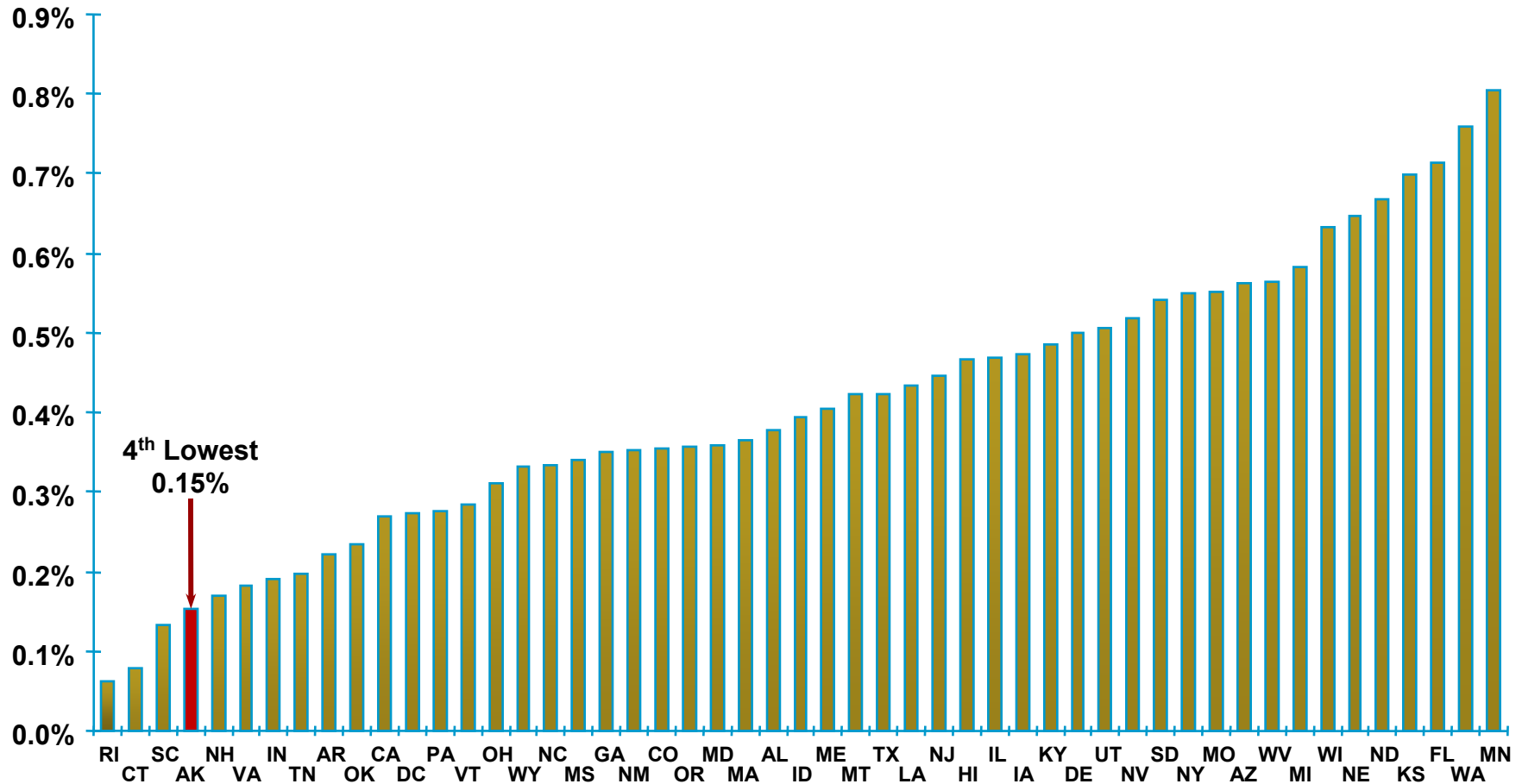


Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

Current Federal Funding at Risk *(continued)*

State Capital Spending (Net of Federal) as a Share of GDP

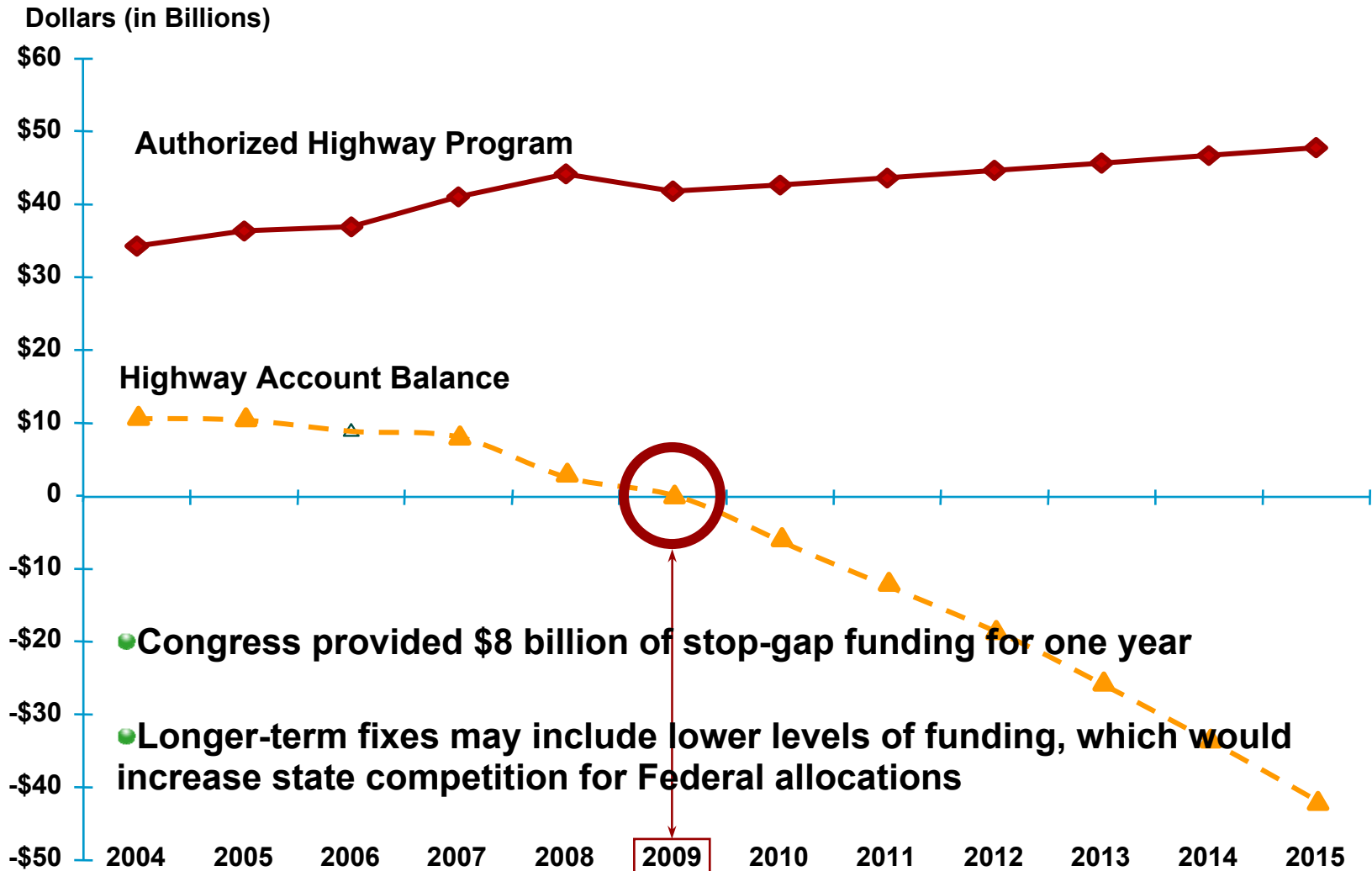
Percent of GDP



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

Current Federal Funding at Risk (continued)

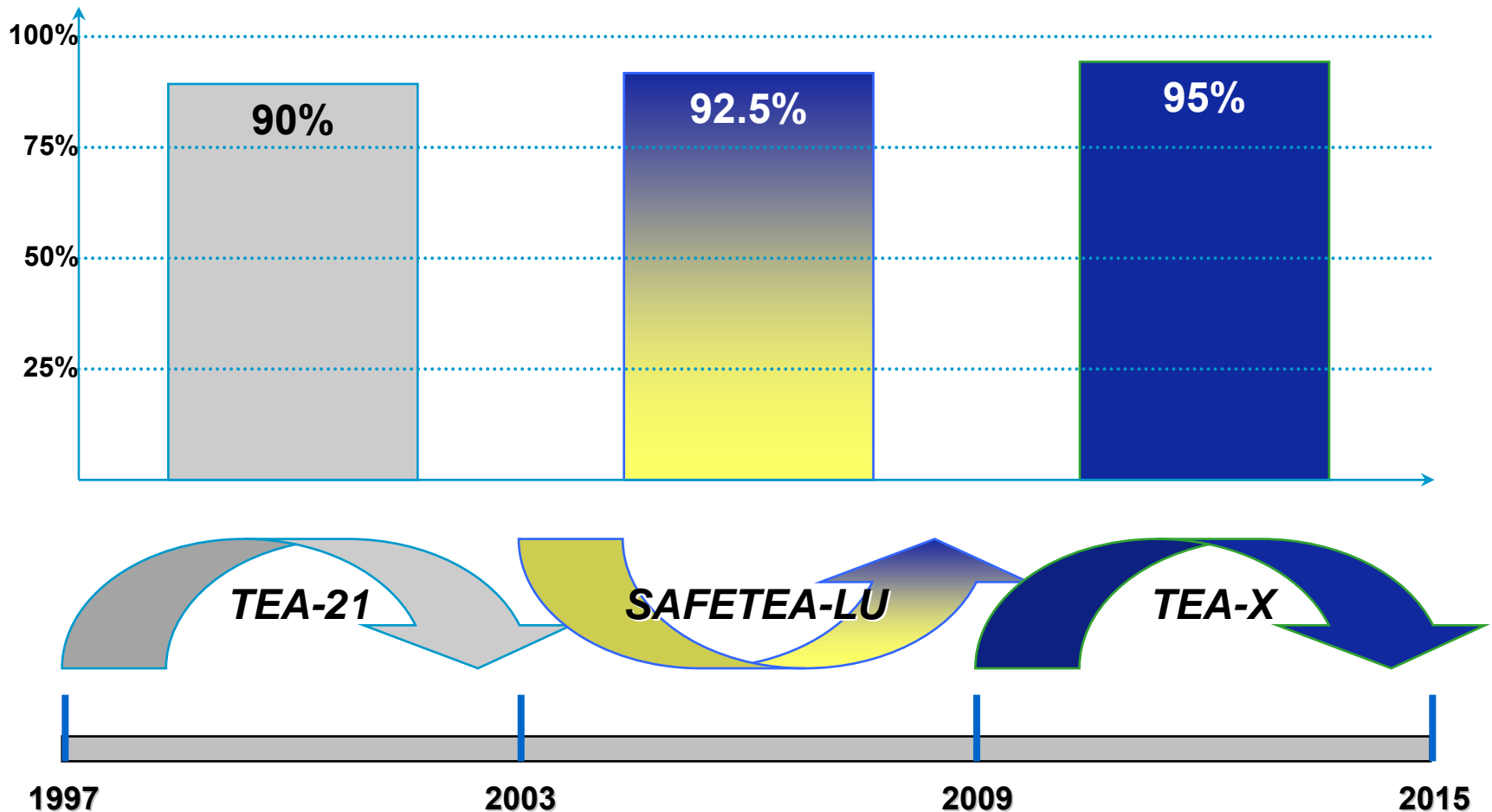
Estimated Highway Trust Fund Levels & Account Balance*



Current Federal Funding at Risk (continued)

Competition between Donor versus Donee States

Donor Share



Current Federal Funding at Risk (*continued*)

Reauthorization Funding Policies Likely to Change

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

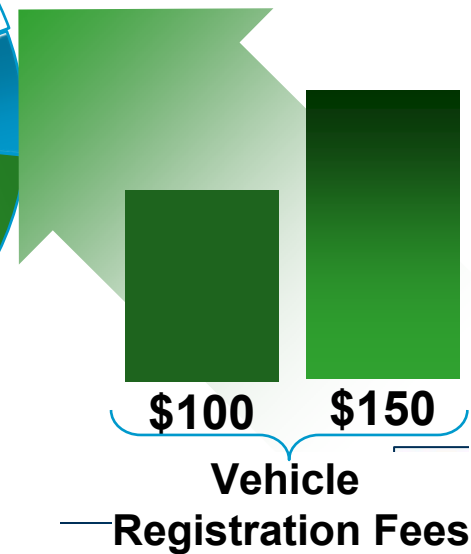
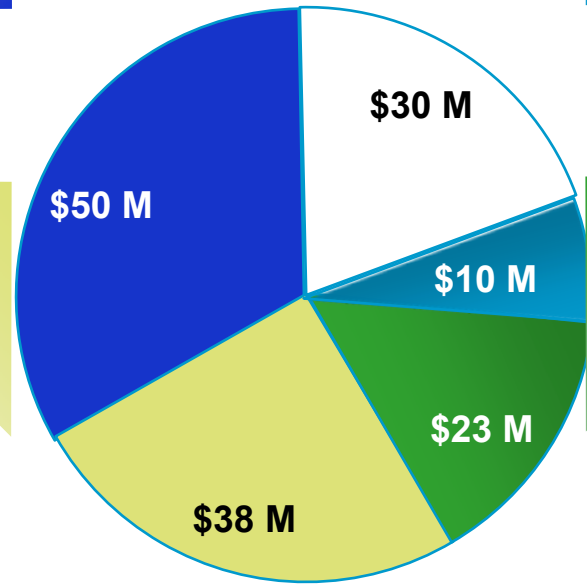
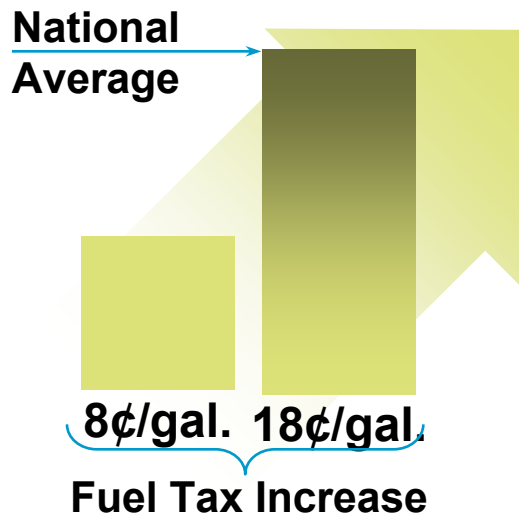
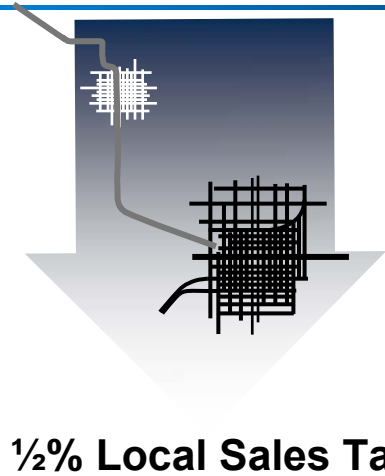
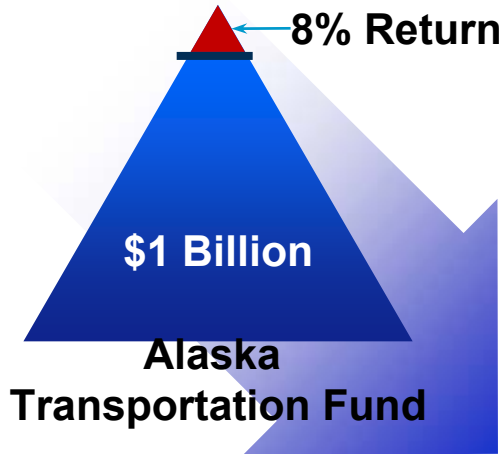
Current Federal Funding at Risk *(continued)*

Other States Challenging Federal Support for State's Needs

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

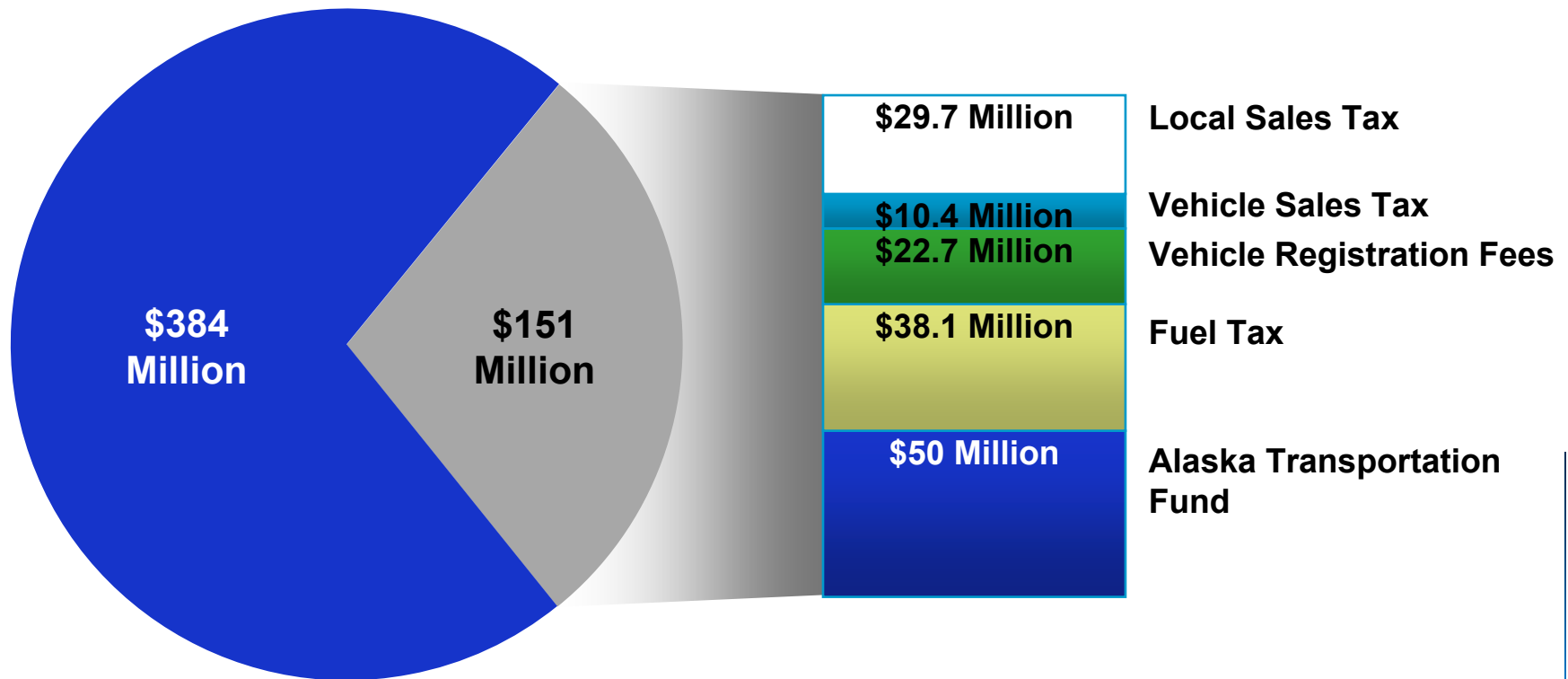
Funding Options - Scenario 1

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



Funding Options - Scenario 1 (continued)

\$151 Million of \$535 Million Gap



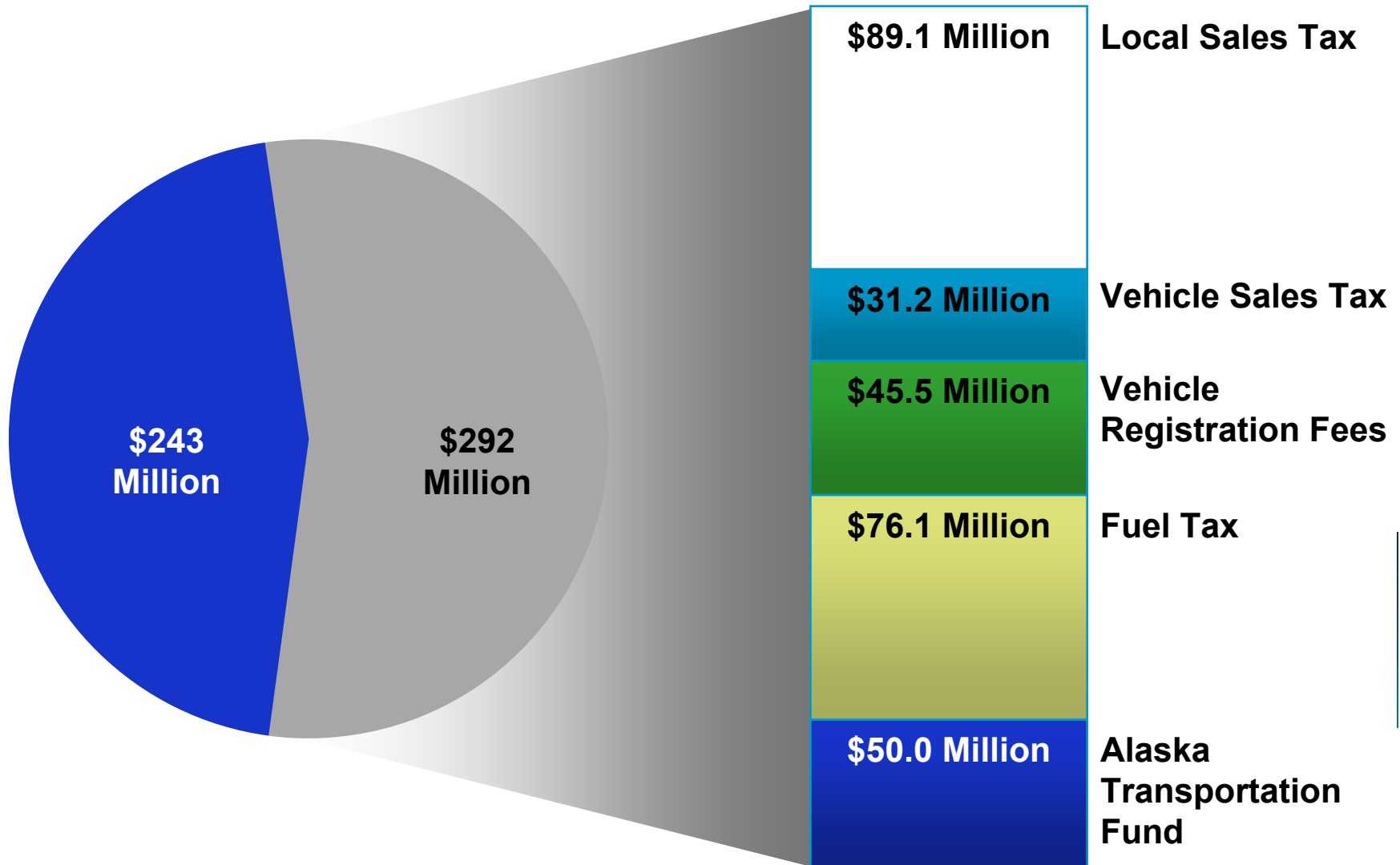
Funding Options - Scenario 2

\$292 Million of \$535 Million Gap

- **Increase fuel taxes from 8 to 28¢/gallon and index the rate to inflation, generating about \$76 million annually**
- **Double vehicle registration fees from \$100 to \$200 biannual fee, generating over \$45 million annually**
- **Impose a vehicle sales tax of 1.5 percent, yielding over \$31 million annually**
- **Encourage local jurisdictions to impose a 1.5 percent sales tax, which would earn about \$89 million annually**
- **Capitalize the Alaska Transportation Fund with \$1 billion, which with a 8 percent return should earn about \$50 million annually**

Funding Options - Scenario 2 (continued)

\$292 Million of \$535 Million Gap



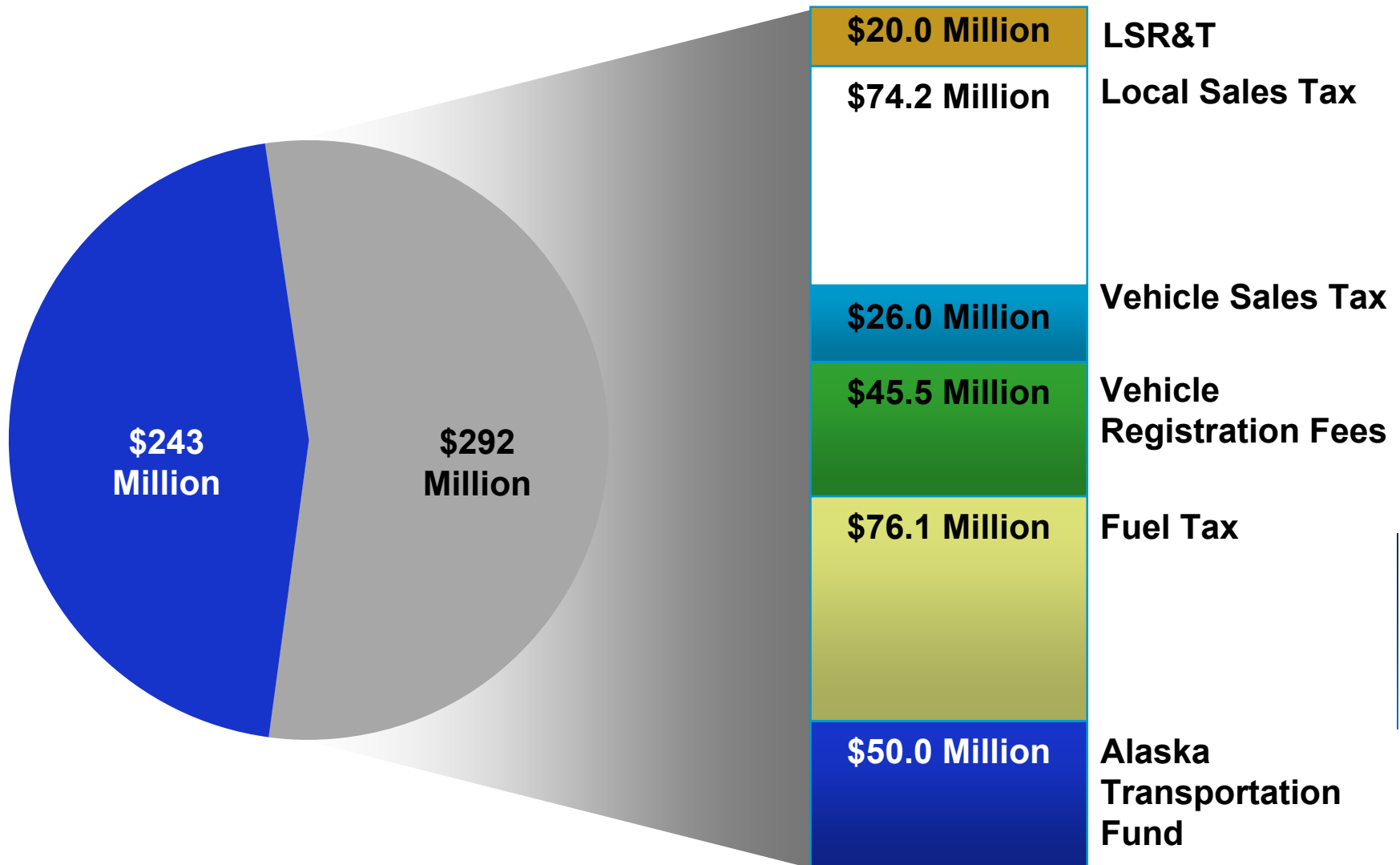
Funding Options - Scenario 3

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

- Same increase in fuel taxes (8 to 28 ¢/gallon and index the rate to inflation), generating about \$76 million annually
- Same doubling of vehicle registration fees from \$100 to \$200 biannual fee, generating over \$45 million annually
- Impose a 1¼% vehicle sales tax, earning \$26 million annually
- Encourage local jurisdictions to adopt a 1¼% sales tax, earning over \$74 million annually
- Capitalize the ATF with \$1 billion, which should earn about \$50 million annually based on a with a 8 percent return
- Assume the State reinstates the LSR&T program at about \$20 million annually

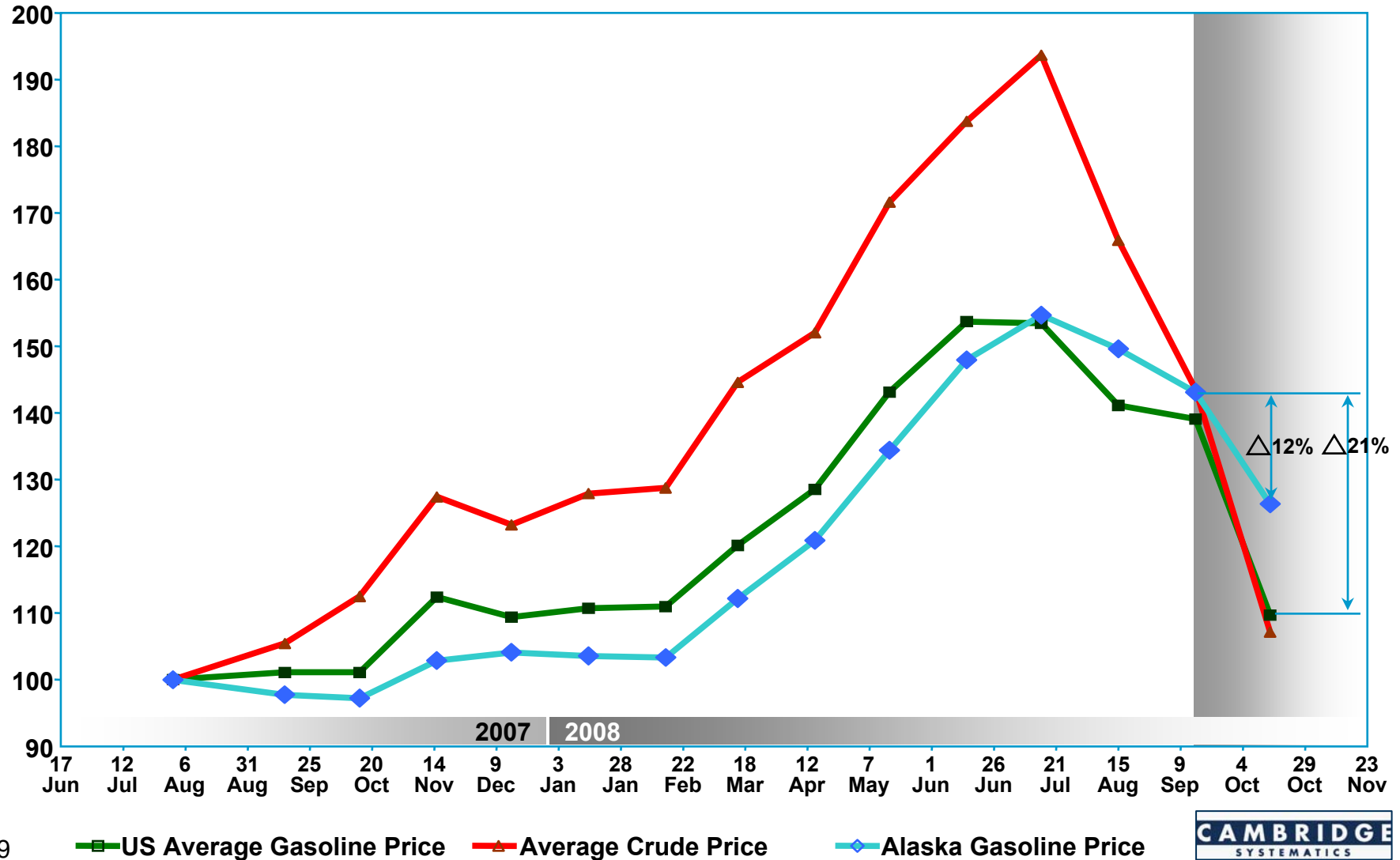
Funding Options - Scenario 3 (continued)

\$292 Million of \$535 Million Gap



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

Index (100 in August 2007)



Discussion

Questions & Answers