



Primer on the Federal Highway Program for Alaska

House Transportation

January 2005



Abbreviations

- SAFETEA-LU – Name of most recent highway authorization bill, passed in August 2005 and addressing federal program through 2009.
- STIP – Statewide Transportation Improvement Program
- NHS – National Highway System
- AHS – Alaska Highway System
- CTP – Community Transportation Program
- TRAAK – Trails and Recreational Access for Alaska
- STP – Surface Transportation Program, a kind of federal funding
- MPO – Metropolitan Planning Organization (2 in Alaska)
 - AMATS – Anchorage Metropolitan Area Transportation Solutions
 - FMATS – Fairbanks Metropolitan Area Transportation System
- HTF – Highway Trust Fund
- PM – Preventative Maintenance
- M&O – Maintenance and Operations



STIP Issues

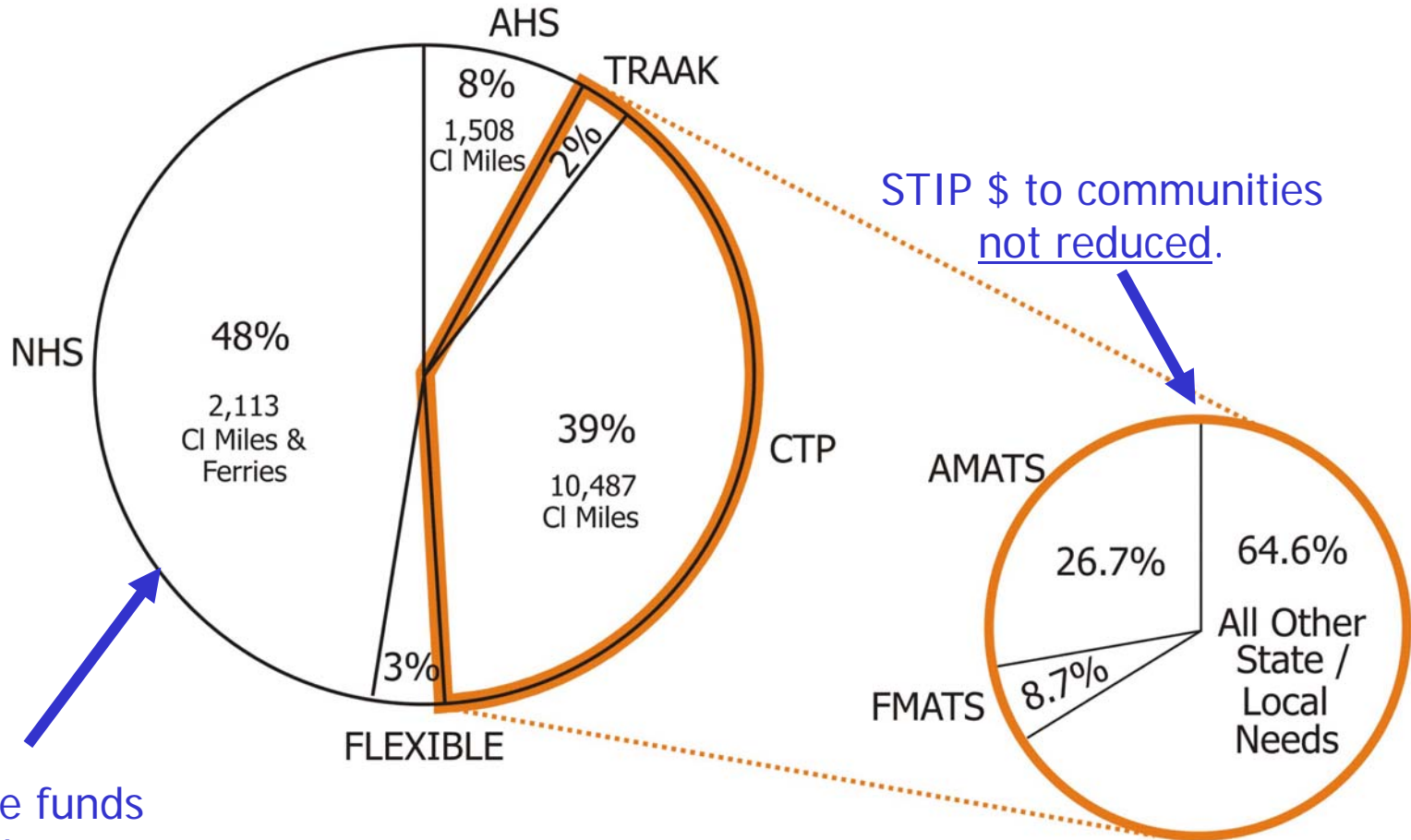
- Explanation of how the bridge funding was determined.
- Eligibility of STIP funds in Alaska has grown substantially.
- STIP funds to address road needs is limited by several factors.



Bridge Math Explained

- Explain the \$91 M and \$93.6 M allocations:
 - ‘Renamed’ bridge earmarks are flexible
 - No project named, very flexible eligibility (= to STP)
 - Funds subject to Alaska STIP regulations.
 - State formula allocates funds to NHS, local needs, etc
 - 48% of funds allocated to NHS, subject to use on two bridges.
 - Further reduction to 85% to address expected shortfall in appropriations.

Distribution of Federal-Aid Transportation Formula Funds Per 17 AAC 05.155-200



December 2005



Bridge Math Shown

- Knik Arm
 - \$229.4 M* in earmarks
 - @48% = \$110.1 M
 - @85% = \$93.6 M in capital budget
- Gravina Island
 - \$223 M* in earmarks
 - @48% = \$107.0 M
 - @85% = \$91 M in capital budget

48% is the regulatory portion of unrestricted STIP funds allocated to the NHS program
85% accounts for less than full appropriations to fund the earmarks, based on status of the Highway Trust Fund and past appropriation history.

* Funds authorized to each bridge over 5-year life of SAFETEA-LU.

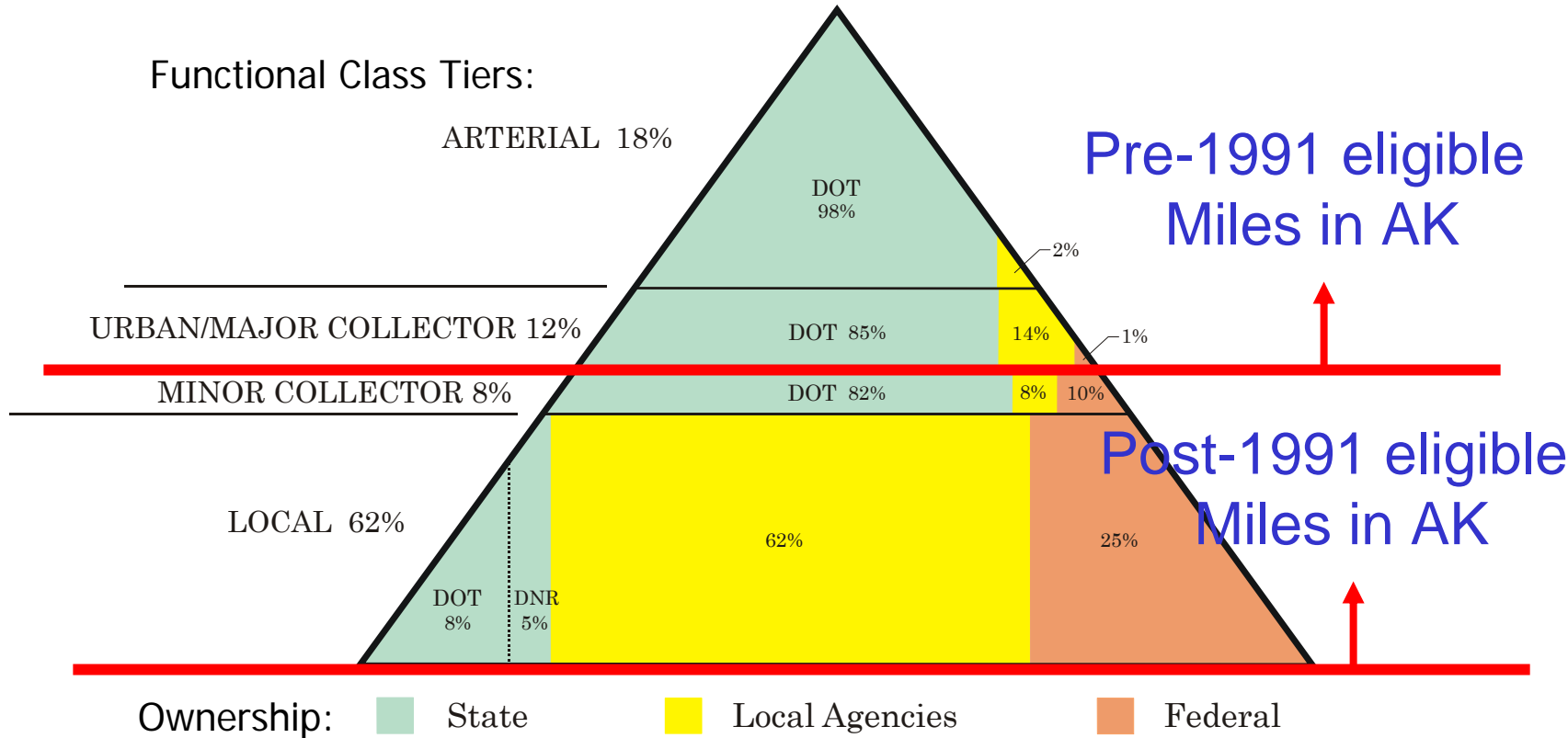


Mission Statement

- Providing for the movement of people and goods and the delivery of state services.
- All roads are not equal in this regard.



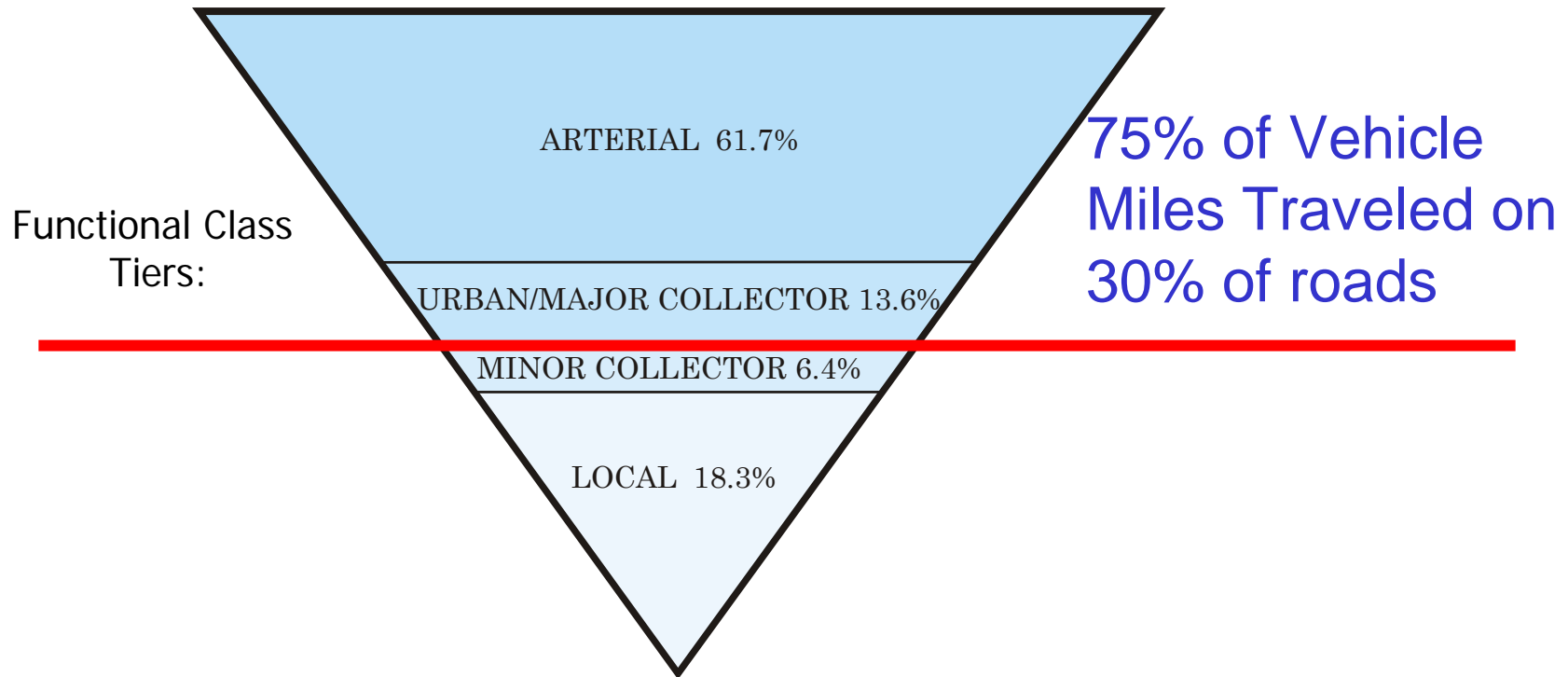
ALASKA PUBLIC ROAD MILES:
Arterial, Collector, and Local Road Mileage by Ownership
As of December 2003



Impact: Eligibility of funds more than tripled!



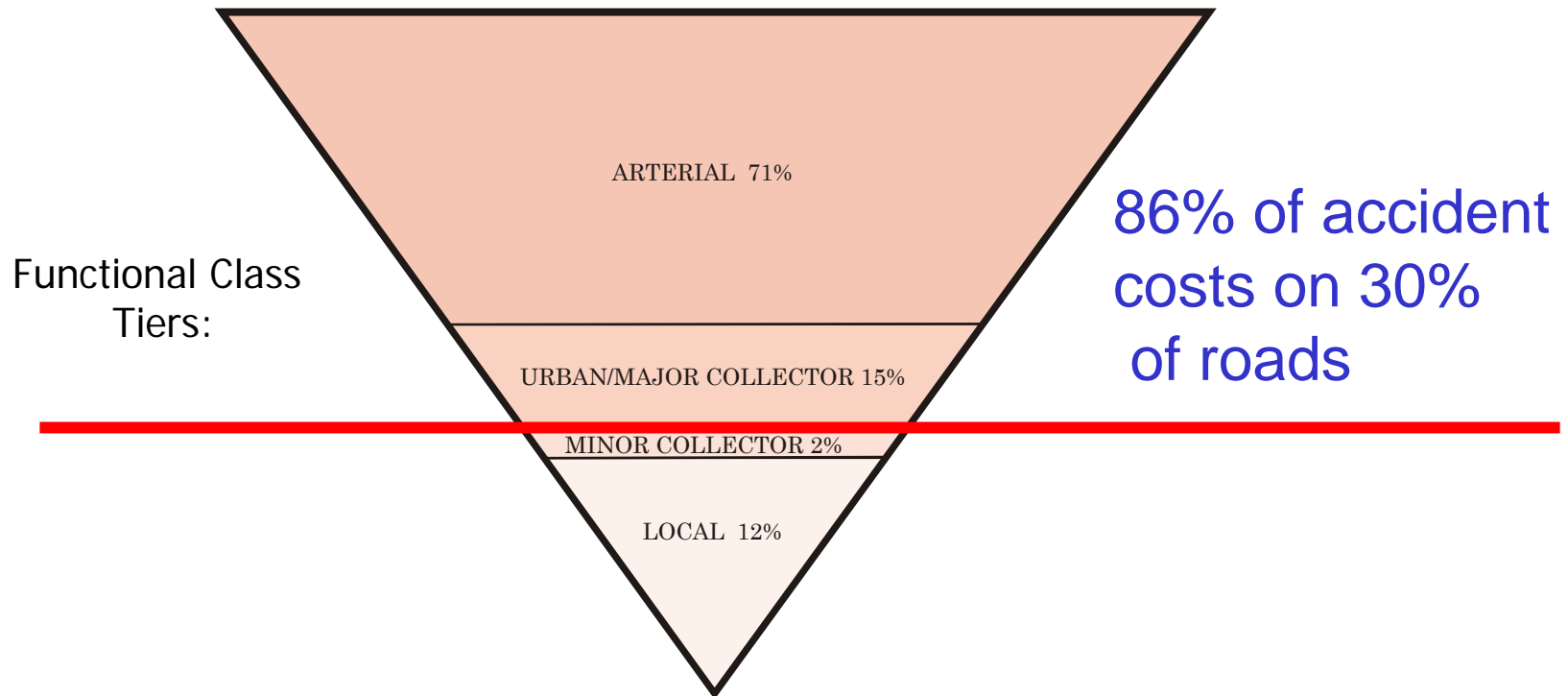
ALASKA PUBLIC ROAD MILES:
Distribution of 2003 VMT by Functional Class
(13,540,000 vehicle miles traveled)



Impact: Only 30% of the highways carry most of the traffic.



ALASKA PUBLIC ROAD MILES:
Distribution of 2003 Accidents by Functional Class



Impact: Fixing major roads can best address safety.



Eligibility Issues (1)

- Nationwide, only 20-30% of highways eligible for federal STIP funds.
- In Alaska, 100% of roads and highways are eligible (due to Federal law unique to Alaska).
- Impact: We are trying to address more needs than funds can serve.



Eligibility Issues (2)

- Alaska distributes more STIP funds to local needs than any other state!
 - AMATS/FMATS and other communities get >40% under state-formula
 - US average is < 20%
 - Impact: High level roads are less well funded than they would be if national formula and eligibility was followed.



Eligibility Issues (3)

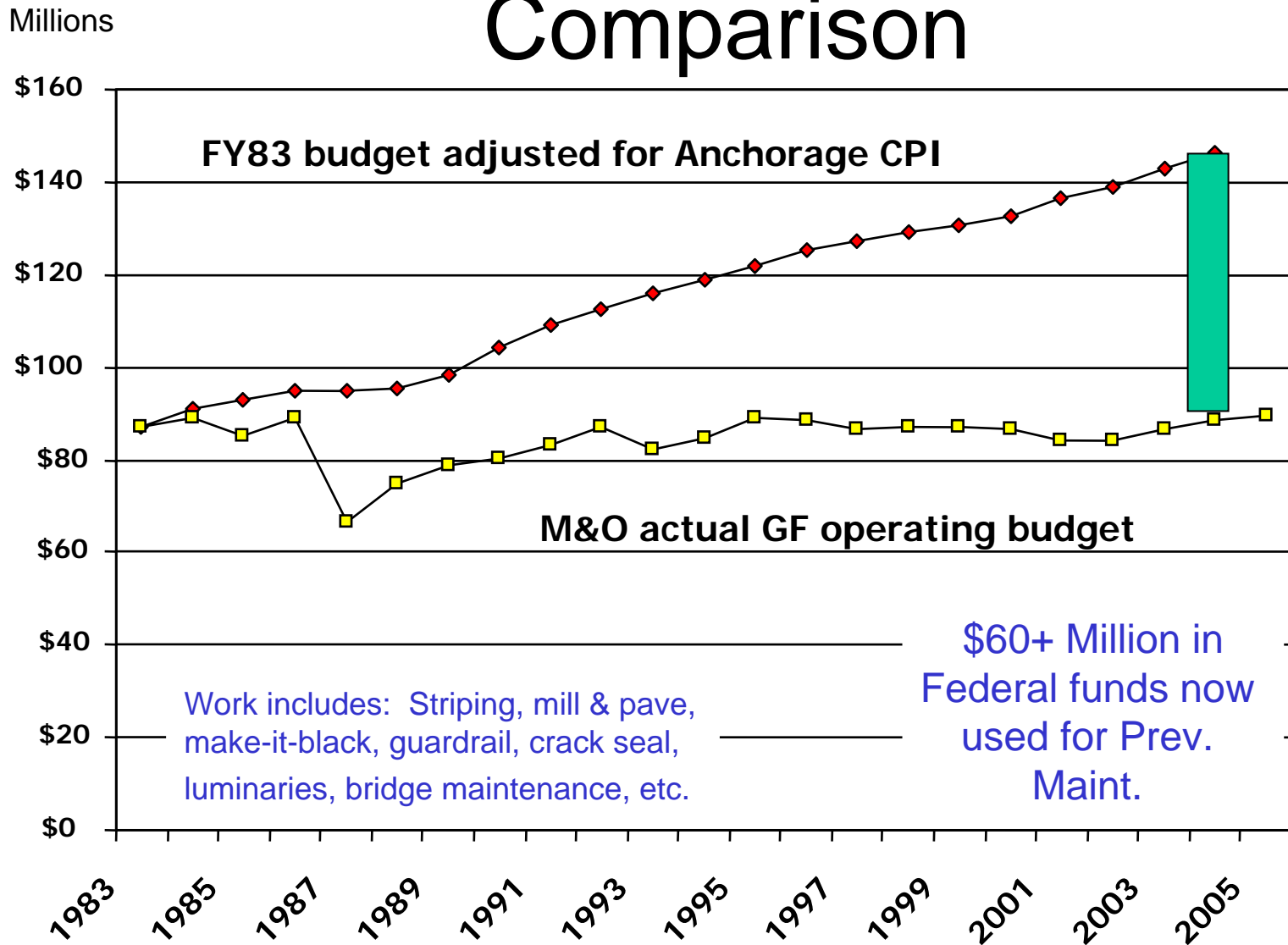
- Some earmarks have further shrunk funding for Alaska's highway program.
- Parking garage, loan repayments, rail, port and shipyard and other types of projects were earmarked from Alaska's highway dollars.
- Further, most of the earmarks are not fully funded.
- Impact: While worthy projects, these non-highway earmarks have subtracted from original purpose of federal-aid highway program.
- Partial funded earmarks create an "expectation" of future STIP dollars.



Eligibility Issues (4)

- Operations and preventative maintenance have shifted to federal funds over past two decades.
- Since late 80's budget pressure to preserve GF has shifted considerable costs to STIP.
- Impact: Many fewer rehabilitation, safety and capacity projects are possible.

M&O Operating Budget And CPI Comparison



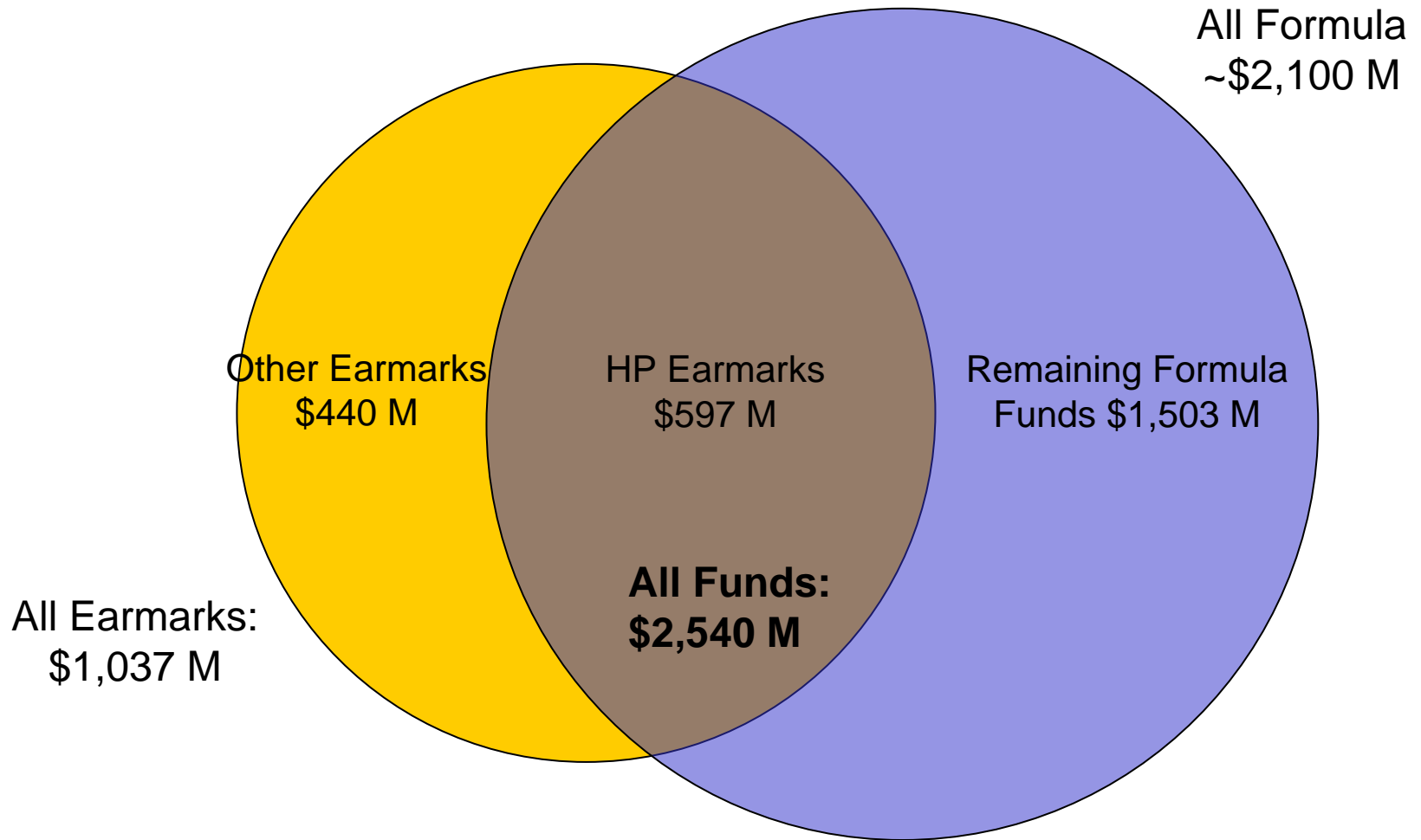


Dollars are Limited (1)

- SAFETEA-LU earmarks were much more extensive than just two bridges.
- Another \$269 M in earmarks were deductive too. In addition, > \$440 M in earmarks were non-deductive.
- Impact: The loss of STIP funds to bridge earmarks is only part of the picture.



5 Year Earmarks & Formula



Authorized levels



Bridge Earmarks by Type

(in Millions, 5-year Authorization*)

- | | |
|---------------------|-----------------------|
| • Gravina Island | • Knik Arm |
| – Subtractive \$148 | – Subtractive \$179.4 |
| – Additive \$75 | – Additive \$50 |
| – Total \$223 M | – Total \$229.4 |

“Authorized” dollars will generally arrive in 5 equal installments, between 2005 and 2009. Due to federal budget process, appropriations are expected to actually provide only 85% of the authorized amounts.



Dollars are Limited (2)

- Other changes in law have reduced funding.
- Several new federal category* of funds, and enlarged existing set-aside categories have shrunk funding to regular program.
- Impact: Approximately \$25 M of annual funds previously flexible in nature were made restrictive.

*Eligibility for federal hwy. funds are set by the “apportionment” or category. Each apportionment type has unique eligibility rules.



Dollars are Limited (3)

- Highway Trust Fund (HTF) not delivering as expected.
- 2005 appropriations delivered only 80% of authorization; lowest in decades.
- Several national reports suggest HTF is facing continued difficulty.
- Impact: The HTF is the principal source of Alaska highway funds thus this apparent downturn is of utmost concern!



Dollars are Limited (4)

- Construction inflation has ramped up sharply.
- All major inputs to construction such as labor, right-of-way, commodities (energy, steel, cement, asphalt) are up sharply. National estimate is 30% or greater!
- Impact: As project costs rise, the number of transportation projects the STIP can fund drops.

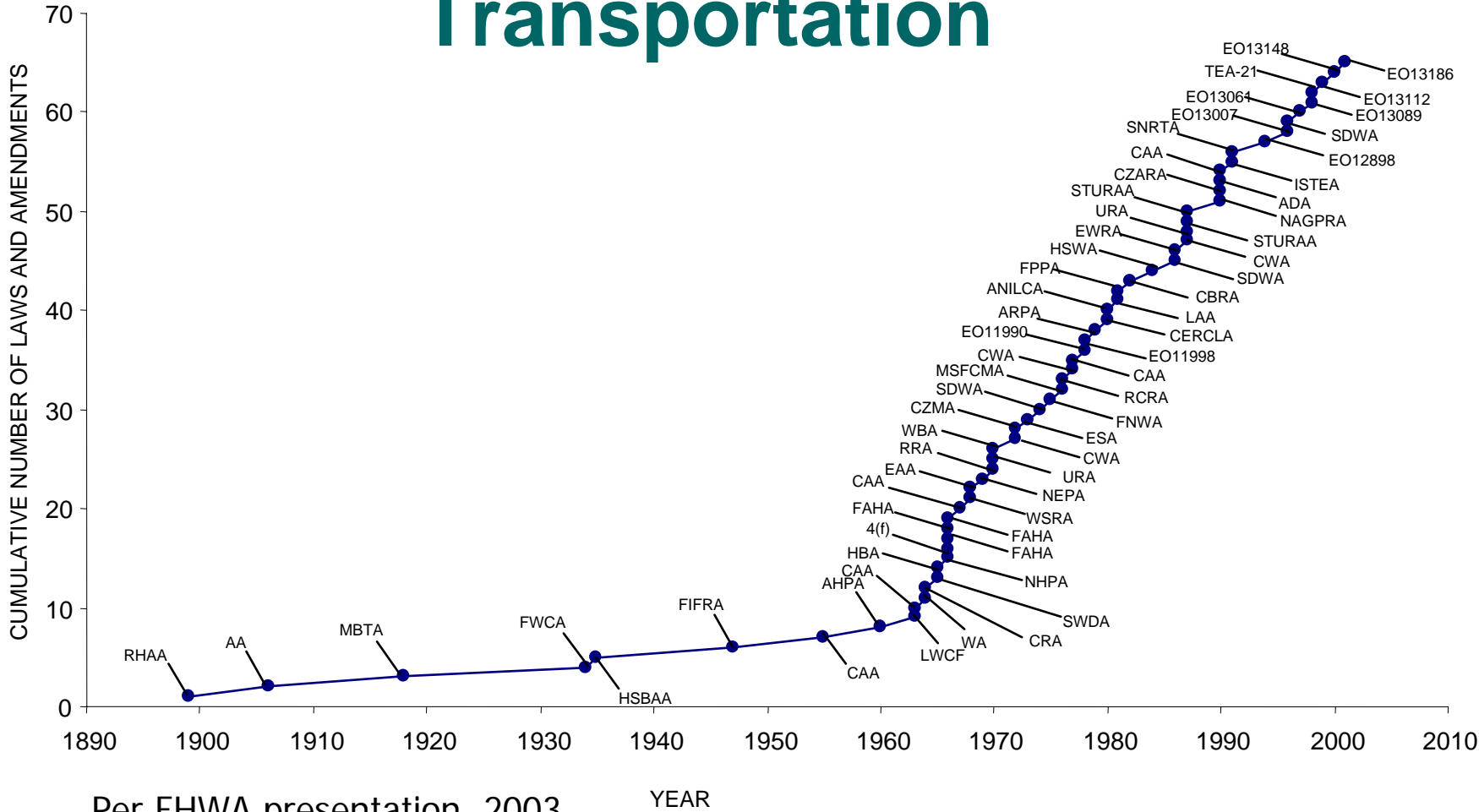


Dollars are Limited (5)

- Process and new legal requirements for federal funds continues to expand.
- This takes more time and money; some new requirements add significant costs.
- Impact: More is spent on intangibles, or non-transportation work, thus less on pavement.



Federal Environmental Requirements Affecting Transportation





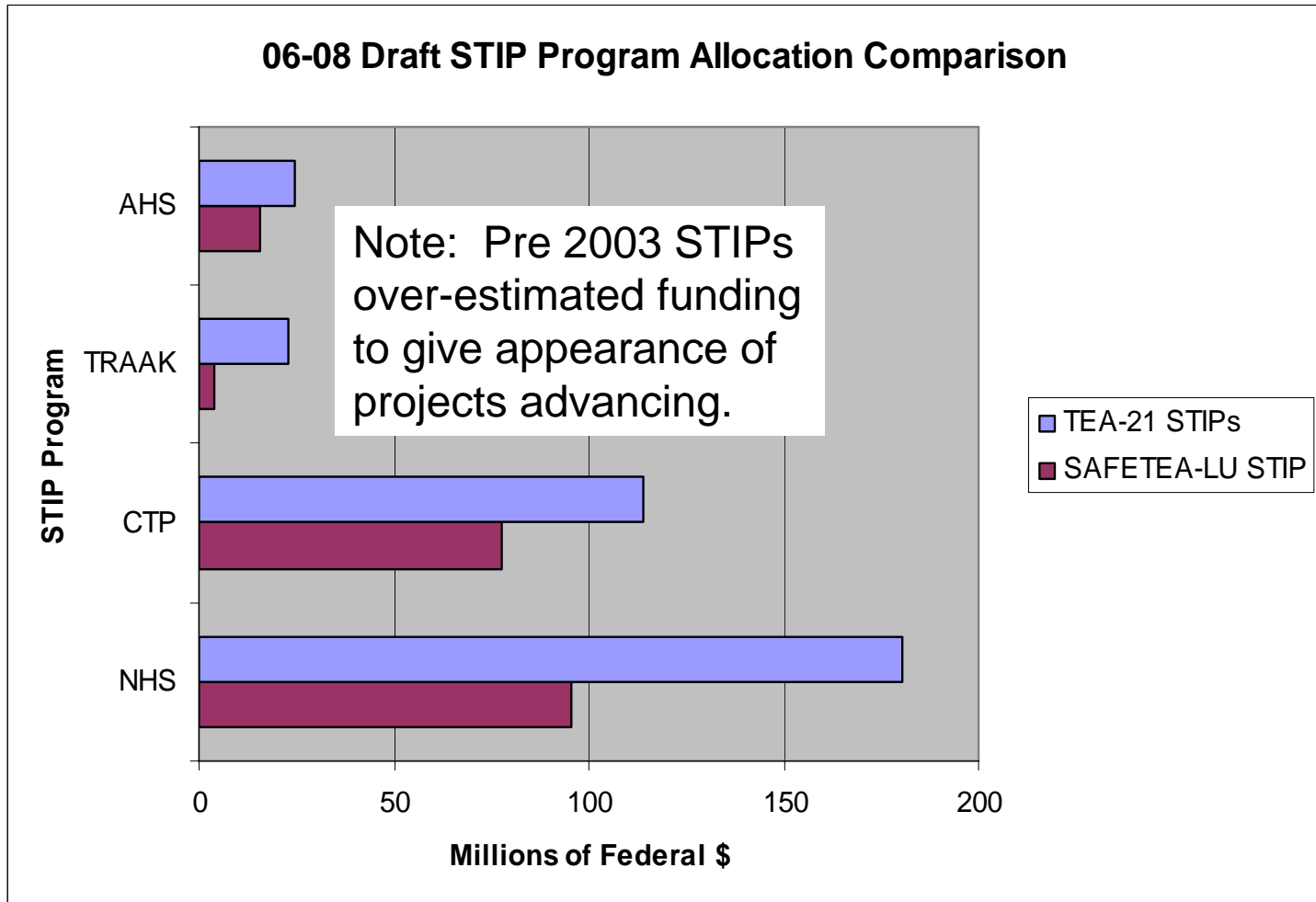
Dollars are Limited (6)

- Alaska's STIP funds are reduced due to safety laws that do not meet federal goals.
- Open container and repeat offender laws cause deduction* of 3% of flexible funds.
- Impact: One significant project (~\$12 M) is lost each year.

*Deducted funds are returned to the Alaska highway safety program, but only certain safety work, or education and enforcement type projects may be funded.



Project Funds Lower Today





Is STIP Funding Adequate? (1)

- Backlog of work is significant
 - Needs List identifies more than \$10 Billion in projects.
 - Alaska flexible STIP addresses 1.5 - 2% of identified projects; 50+ years to address needs as identified today.
- Impact: STIP funding is not adequate!



Is STIP Funding Adequate? (2)

- Years needed to perform work on entire mileage of each system:
 - National Highway System: 66 years
 - Community Trans. Program: 125 years
 - Alaska Highway System: 132 years
- Above ratios assume no expansion of system miles.
- Calculation based on average cost per mile of \$1 M per mile, except NHS at \$2 M per mile.



Alaska vs. Other States

- **Alaska**
 - STIP funds all roads
 - No dedicated state funds for construction
 - Local gov'mts expect STIP to pay for local roads
 - Tolls used sparingly (Whittier Tunnel, Knik)
- **Other States**
 - STIP funds top 20%
 - State taxes fund other state/local needs
 - Local gov'mts use local funds on local roads
 - Tolls rapidly expanding
 - (Many states now using tolls)



STIP Shortfall to Regular Projects Stems From Many Causes

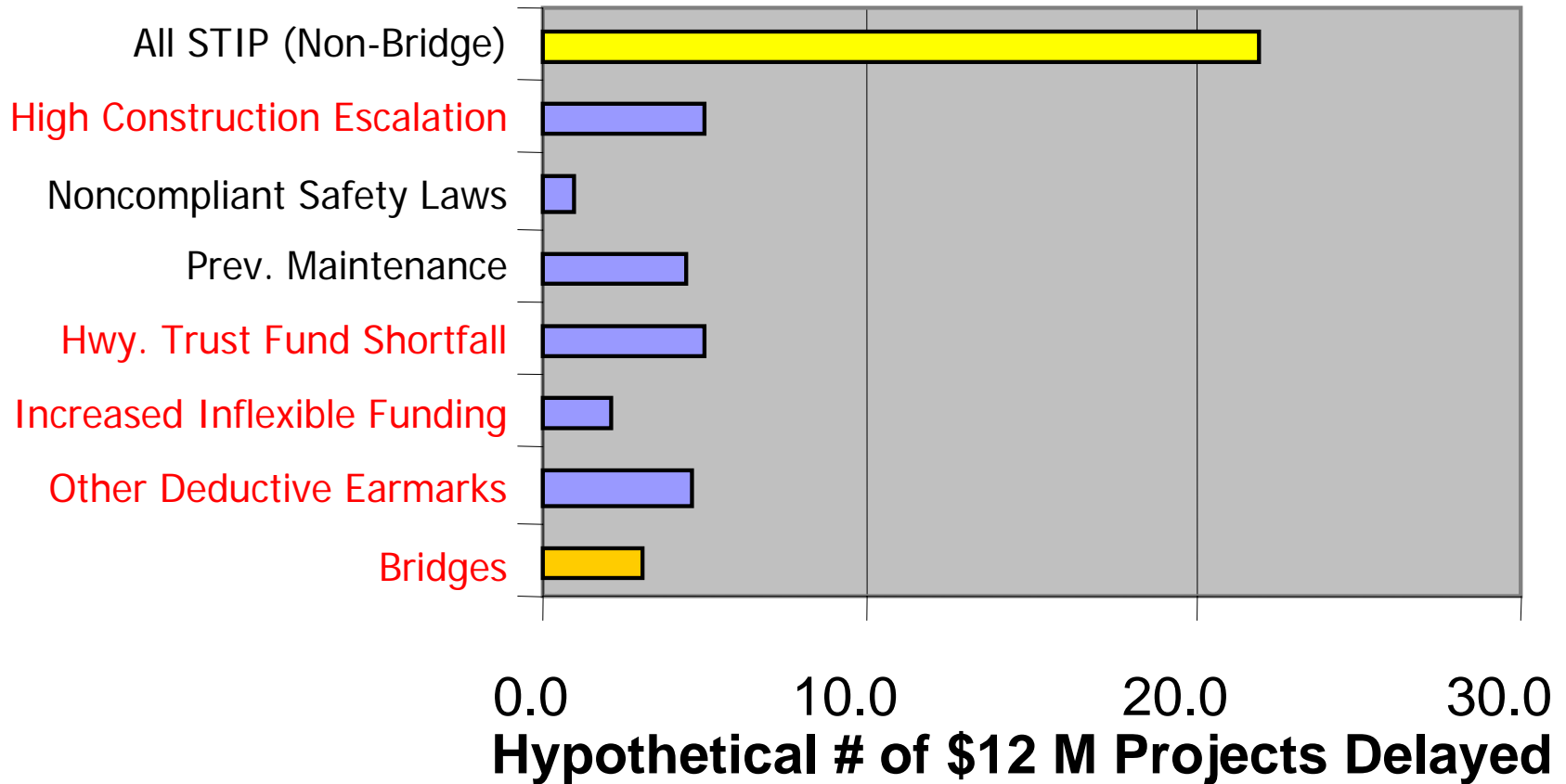
- Over the 5-year life of the bill, the two bridges represent ~\$184.6 M or \$36.9 M per year.
- Other factors, as explained, have resulted in far more lost project funding:

	5 Year Totals
– Other deductive earmarks*	\$269 M
– Reduced flexible funds*	\$125 M
– Hwy Trust Fund shortfall (est.)*	\$300 M
– Preventative maintenance	\$260 M
– Noncompliant safety laws	\$60 M
– <u>Construction escalation (est.)*</u>	<u>\$300 M</u>
– Total 5-year lost spending potential:	<u>\$1,315 M or \$263 M each year!</u>

* These factors have emerged since the previous 04-06 STIP was prepared.



One Year: Hypothetical # of \$12 M Projects Delayed



Issues in red emerged since prior STIP



Key Takeaways

- Alaska relies on STIP funds for larger universe of projects than any other state!
- Alaska shares more STIP funds as % with local governments than any other state.
- STIP funds have effectively shrunk as a result of several factors beyond two bridges.
- State has no supplemental fund source for highway program which magnifies the current downturn in STIP funds.
- Highway Trust Fund is not robust!