



***Alaska Department of  
Transportation & Public Facilities***  
**Highway Trust Fund  
& Related Transportation Finance Issues**

Jeff Ottesen November 2011



# Outline

- Federal Highway Program Issues
  - Past and new federal year: status report
  - Reauthorization efforts in Congress
  - Long term: what's at stake for Alaska
- DOT&PF's Strategic Plan
  - What it says about funding?
  - Roads to Resources initiative



# Federal Highway Program Issues



# Summary of Recent Success

- 2009-2011 -- Largest three years in Alaska's history for surface transportation federal-aid utilization
- 2011 – Over \$580 million in federal funds used (about \$450 million on sustained basis):
  - ARRA - \$175 million to Highways & Bridges
  - Restored earmarks - \$100 million



# Summary of 2009 ARRA

- 2009 ARRA (stimulus or jobs bill) granted \$261 million in extra funding to AK
  - \$175 M went to Highways and Bridges
  - 49 projects achieved statewide
  - Alaska was #5 state to achieve full utilization
  - 157,000 hours worked since April 2011
- ARRA's most successful outcome; but only 6% of 2009 bill



## 2012 Year Not Clear

- Congress has extended the Federal Highway program for 6 months
- But funding only provided for 7 weeks
  - So far using 2011 funding numbers...
- No guarantee that funding will not yet be cut; some in Congress continue to argue for this outcome
  - Some bill versions propose **-30%**



# Red Light/Green Light Funding

- Since 2003
  - 20 different Continuing Resolutions of as little as 30 days
  - 9 Rescissions of >\$250 million total
  - Highest inflation experienced in modern times
  - Jobs Bill, + one attempted, now a second attempt
  - Restored earmarks; 3 rounds of Tiger grants



# Process Rules v. Reality

- Planning: plans and STIPs take years, fiscally constrained in outlook
- NEPA EIS: 7-10 years now common, often longer  
But...
- Funding moving rapidly, often in divergent directions
- No willingness to relax federal rules...none!



# The Big Picture

- Highway Trust Fund (HTF) is spending in excess of revenue by nearly 50%
- If no increase in collections; then annual outlay will decline by up to 30% (2012 or 2013?)
- Donor – donee state politics at work too
  - Of late, all states are now donees...this because GF is now a major source of HTF dollars



# Highway Trust Fund Issues

- Surface transportation funding at crossroads
  - Strong interest to expand but no consensus
  - Little appetite for historic funding methods
  - Inaction is leading to decline
    - Inflation of nearly 20 years
    - Decrease in revenue due to reduced fuel sales
  - Payers often do not see direct benefit
  - Metro areas, bigger states want more; less sharing



## 2013 and After

- HTF will become insolvent if spending not reduced or new funding provided
- STIP for 2013 and after assumes a 1/3 reduction \$300 Million versus \$450 Million
- No further earmarks, little discretionary funding likely
  - TIGER Grants: costing \$50,000 or more for strong application



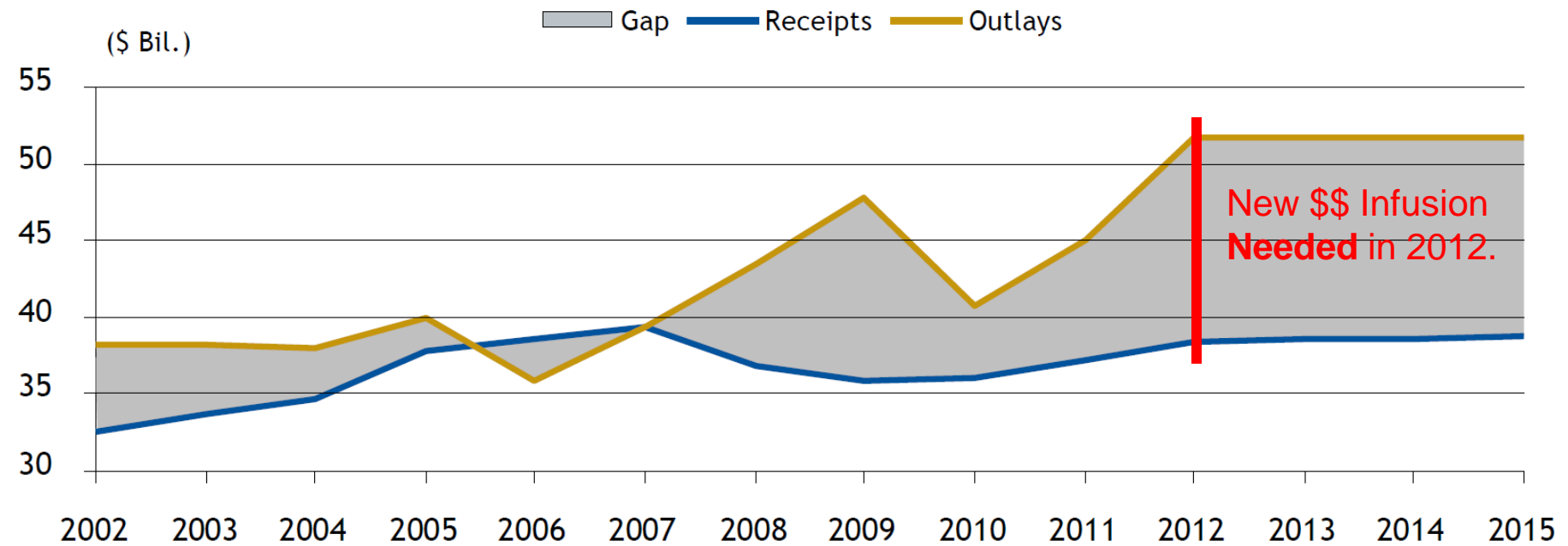
# What's At Stake for Alaska

- Dominant reliance on federal funds in modern times
- 500% received compared to our contributions
- Perceived in other states as relying entirely on federal funds
  - Our data disprove this; perception remains
- Big changes possible in HTF funds distribution and/or policies



# HTF Insolvency

## Gap Between Highway Expenditures and Receipts



Source: Fitch, Office of Management and Budget.



# Active Federal Program Ideas

- Senate: Seeking 2 year new authorization
- House: Seeking longer authorization; recently OK'd to find new funding source
- Achievement an uphill grind:
  - 2012 election; reduces calendar time
  - Super Committee in competition to find funding
  - But, equally great pressure on all to deliver



# Federal Funds – Changes?

- General Risks

- Devolution – let each state do it
- Donor – Donee debate (AK has most at risk)
- Higher state match share (20% to 50%?)
- Performance indicators, preservation as basis for most funding
- Administration's desire for less formula; more discretionary grants they get to select



# Federal Funds – AK Specific

- Alaska Risks

- Post Senator Stevens era
- Alaska's unique problems continue to prompt ridicule: Akutan airport on CNN last month
- Loss of some set asides already occurring: Denali Commission Transportation Program, AMHS, SHAKWAK (to AMHS), Alaska Highway in Yukon T.



# Jobs Bill Proposal 2012

- What would Alaska do with a 2<sup>nd</sup> Jobs Bill?
  - First look: we have sufficient active projects in pipeline to absorb a second round
  - Restrictions: rules, eligibility and timing will determine what can fit
  - Legislature: must appropriate final list too
- Key point: Jobs Bill accelerates all projects!
  - Even those not selected advance faster



# Federal Future Very Uncertain

- If no Jobs Bill, and no Reauthorization - down 30% or about \$300 M in 2012
- If one, but not the other – about \$450 M or about equal to 2011
- If both -- \$600 M
  
- How to plan for such diverse outcomes?



# Alaska DOT&PF's Strategic Vision



# New Strategic Plan At DOT&PF

- Service Based Budgeting
- Alaska Solutions for Alaska's Needs
  - More self-reliance will be needed
- Ten-Year Capital Plan for Transportation
  - All modes, all funding sources
  - Built using a new decision framework
  - Better use of federal and state funds to avoid unneeded delays



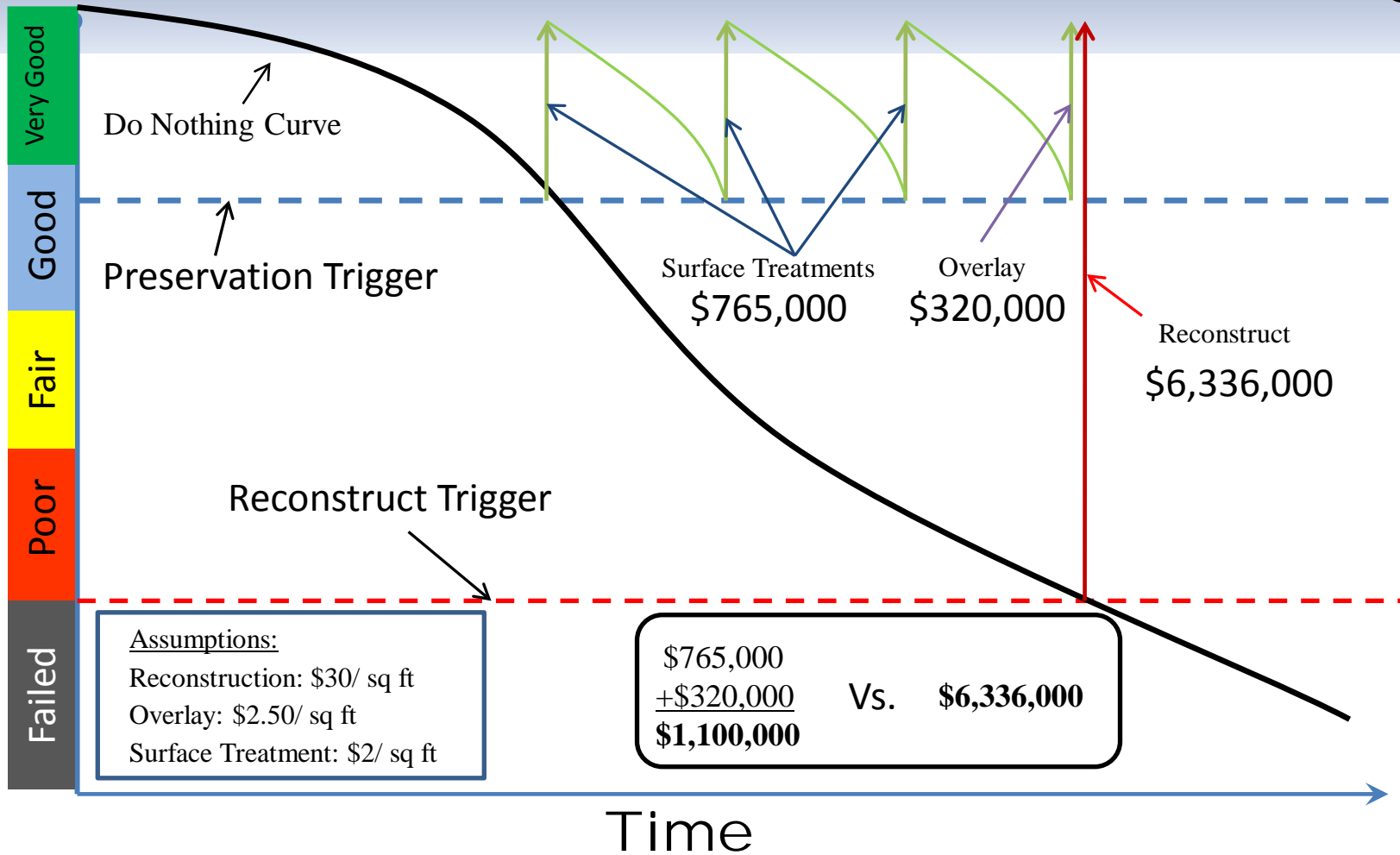
# Service Based Budgeting

- Basic Premise: timely applications of improvements will yield far longer lived assets
  - Example; timely roof fix, will prevent far more damage to overall structure
- If lesser funding provided, then predictable cuts in performance to be expected



# M&O Preservation Vs. Do Nothing

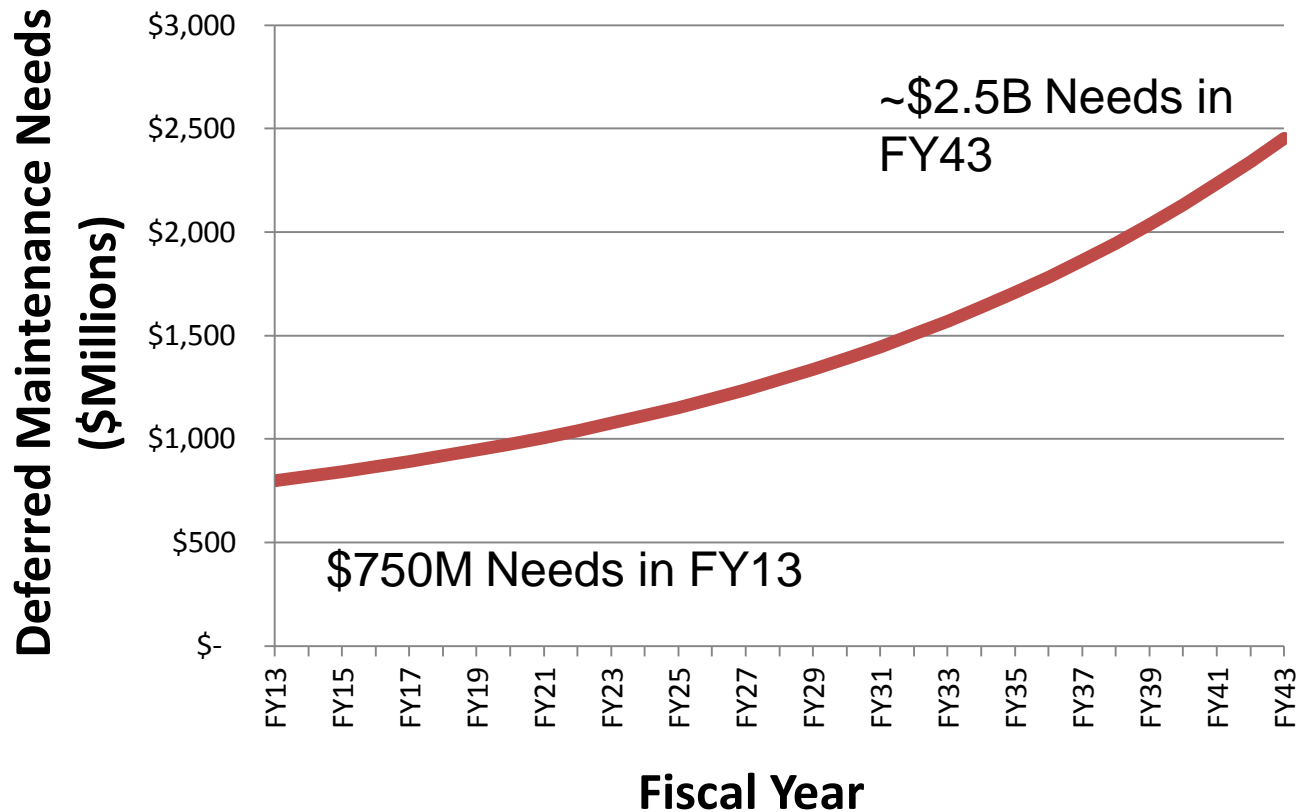
Paved Roadway Condition





# Backlog Growth if Not Addressed

**DOT&PF Deferred Maintenance Needs/Funding Trend**





# Alaska Solutions

- Must plan for the end of highly favorable federal-aid as primary funding source
  - Tighter focus, smarter allocation of funds necessary
  - Are there things we can stop doing, or do less often, or reduce expectations?
  - How much can the state afford to contribute?
  - Can others participate too?



# Resource Roads Initiative

- New, oil, gas, coal, mineral development needs transportation to realize value
  - Public investment will be constrained in future
  - British Columbia model: public governance, private investment, leaseholder commitment
    - Avoids pitfalls, several advantages all around
  - Goal is to expand “toolbox” of how to fund such infrastructure
    - PPP’s and other third-party funding tools on table



# Resource Road Examples

- Klondike Highway – Yukon ore haul
  - Set to expand rapidly: Selwyn, Casino mines
  - Ore carriers want to haul very large loads; need ~\$30 million in road/bridge upgrades
- Umiat – Foothills oil and gas leases
- Ambler – Multiple copper and other metals opportunities
- Nome road – multiple mine and energy



# New 10 Year Capital Plan

- Focus is to address two converging requests:
  - Legislative request that DOT&PF present our entire forward vision for capital needs
  - Confusion due to modal and funding subdivisions
- Goal: DOT&PF's single strategic vision for capital investment
  - Web-based with map and tabular information
  - Recognition both externally and internally as key source of information



# Project Selection Tool

- To use new decision-making software
  - Based on “analytical hierarchy process” or “pair wise comparison” approach
  - Web-based, very flexible tool
  - Transparent, good record keeping
  - Evaluates soft and hard criteria with multiple types of expertise
  - Used by US military, intelligence, Fortune 100, many DOTs and MPOs



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