



June 14, 2019

Re: Expedient passage of FY20 Capital Budget

Submitted via email

Dear Governor Dunleavy and members of the Alaska Legislature,

The State of Alaska needs a capital project budget that includes the full state match of federal highway dollars for State transportation and infrastructure projects.

We recognize that negotiating the capital budget is an exceptional challenge when there are not enough dollars available to provide for all of Alaska's needs. While there are many reasons that a capital budget is crucial to the state of our infrastructure and our economy, the Fairbanks Chamber would like to emphasize one of our core infrastructure positions - **the capital budget provides the State of Alaska with an unparalleled opportunity to bolster the economy with the least amount of investment from strained state coffers.** However, the legislature has occasionally NOT taken full advantage of this fund leveraging opportunity in the past, and is poised to once again make crucial decisions that will impact this availability again.

The State of Alaska at this time cannot afford to lose any substantial portion of this funding that is available outside of our state budget, and should do whatever it takes to find capital funding necessary to provide the required match amounts. For each \$1 of state investment "match", we receive \$9 or more federal dollars. Those federal funds pay DOT&PF contractor employees, subcontractors, all of the suppliers and other support businesses affected by the construction industry, in addition to DOT&PF employee wages related to projects. That is an incredible return on investment for these precious state funds.

Almost all Alaska Department of Transportation & Public Facilities (DOT&PF) projects are currently funded by federal highway or federal aviation dollars, which pay over 90% of project costs, while the State of Alaska provides the majority of the remaining ~10%. In 2017 this represented nearly a \$1 Billion transportation program, and in 2018 the program was \$750-800 Million. These dollars pay DOT&PF personnel to plan, design and manage projects, and they provide the funds for contractors to construct our roads, marine facilities, and airports.

Should DOT&PF effectively "run out" of matching funds to capture federal dollars and continue forging ahead on current projects, and until we have an adequate capital budget, this means:

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LifeMed Alaska
Lynden
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Northrim Bank
Personnel Plus
Seekins Ford Lincoln
Sourdough Fuel
Spirit of Alaska Federal Credit Union
TDL Staffing
Tower Hill Mines-Livengood Gold Project
Trilogy Metals
University of Alaska Fairbanks
Verizon Wireless
Yukon Title Company



- Projects in planning and design (including ROW work, environmental review, and material source definition) would be on hold and unable to move into the next phase
- DOT&PF project personnel would be diverted to projects that still have funding but were not necessarily the highest priority work (a loss of efficiency and focus)
- Projects ready for construction would not be advertised and awarded
- Alaskans employed in the construction industry would be without work during their peak employment time – summer – until the budget is in place
- Projects in the midst of active construction would not have change order work processed and would be at risk of Stop Work orders, impacting summer work schedules and the efficient use of already allocated project dollars, in addition to the State incurring potential penalties and fees for project delays

The table summarizes the recent DOT&PF funding levels.

<u>Fiscal Year</u>	<u>DOT&PF Request</u>	<u>Capital Budget, final</u>
FY17	\$50M	\$42.6M
FY18	\$58M	\$58M
FY19	\$65M	\$65M
FY20	\$65M	\$60M (current draft)

In FFY19 the Legislature fully funded the Governor’s 65.0 million request for highway matching funds. Currently the FFY20 capital budget bill (HB38/SB19) funds highway match at \$60M, despite the \$65M request. Any reduction to the requested value results in a reduced program with a reduced use of the federal dollar. In FY17 this was a reduction of approximately \$75M of project funding, and in the current budget draft the \$5M difference equates to approximately \$50M in new projects that will not be infused into the economy. Funding at the higher level ensures the state can make full use of all federal highway funds and produce the greatest impact on Alaska’s economy. Please don’t repeat this mistake – there is no easier way to bring \$50M or more of essential transportation funding into our economy.

The delay in completing the legislature’s work on the FY20 budget is having immediate impacts. The Legislature should immediately 1) move forward to address the issue of fully funding the DOT&PF’s transportation capital budget and 2) leverage all available federal dollars. These actions are crucial at this time of depressed economy across the State of Alaska, and one of the very basic tenets that can help support what remains of the fragments of our economy should be maximized to capture every available federal dollar in the State of Alaska. Finally, at a time when there is congressional talk of increased federal infrastructure investment, the State of Alaska would be short-sighted if we don’t maintain our historical and enviable position of having an array of “shelf projects” ready to go, available to maximize the investment of federal dollars into our transportation systems.

We respectfully ask that you act quickly to fully fund the DOT&PF’s Capital Budget to ensure that every available federal dollar is brought into the State of Alaska at a time when we can ill afford to let them slip away,



and before the certain consequences of delay ensure other negative consequences to the transportation program and the businesses and their employees that it puts to work.

The Greater Fairbanks Chamber of Commerce (GFCC) represents over 750 businesses throughout Interior Alaska. The success of our members is directly linked to their ability to do business in an environment that has the necessary infrastructure to support and promote economic development. We write to you out of concern over the potentially dramatic and detrimental impacts to Alaska's economy if the Legislature fails to provide adequate funding to match federal infrastructure funding, specifically in the transportation sector.

Sincerely,

A handwritten signature in black ink that reads "Marisa Sharrah".

Marisa Sharrah
President and CEO

A handwritten signature in black ink that reads "Rebecca Dean".

Rebecca Dean
Board Chair

Cc: Commissioner John MacKinnon, State of Alaska Department of Transportation