

Easy to Start, Impossible to Finish: Alaska Spends Millions on Roads and Bridges without Financial Plans to Complete the Projects

Recommendations for Action

February 2010



Lois N. Epstein, P.E.

Engineer and Director of the Alaska Transportation Priorities Project

www.aktransportation.org
www.akbridgesandroadstonewhere.org



Promoting sensible transportation systems and policies in Alaska

About the Alaska Transportation Priorities Project:

The Alaska Transportation Priorities Project, or ATPP, works with conservation organizations, transit advocates, community and governmental leaders, neighborhood organizations, engineers, and others to promote sensible transportation systems and policies in Alaska. ATPP believes that the state should first focus funding and planning efforts on maintaining and improving existing infrastructure to benefit Alaskans before investing significant sums in costly, low-priority transportation projects.

ATPP thanks the following funders for their support of this work: Surdna Foundation, The Bullitt Foundation, True North Foundation, and Alaska Conservation Foundation. See www.aktransportation.org for more information.

About the Author:

Lois N. Epstein, P.E. has directed the Alaska Transportation Priorities Project since January 2007 following her previous work promoting alternatives to the proposed Knik Arm Bridge near Anchorage. Before ATPP, Lois worked for Cook Inletkeeper in Anchorage for over five years, a non-profit watershed protection organization, and Environmental Defense Fund in Washington, DC for over thirteen years. Prior to these positions, Lois worked for two private consulting firms and the U.S. EPA Region 9 Office of Water. At ATPP, Lois promotes sensible transportation systems and policies in Alaska including stopping expensive and low-priority transportation projects; eliminating public subsidies for roads to mines and oil and gas fields; increasing public transportation, walking, and biking opportunities; and making existing roads safer, better for cargo passage, and less problematic for fish and wildlife passage.

In her previous work watch-dogging oil and gas issues in Alaska and nationally, Lois presented invited testimony before the U.S. Congress on over ten occasions and has appeared on CNN, CBS Evening News, The NewsHour with Jim Lehrer and other media outlets. Lois is a licensed Professional Engineer in the States of Alaska and Maryland. She has a masters degree from Stanford University in Civil Engineering with a specialization in environmental engineering and science, and undergraduate degrees from both Amherst College (in English) and MIT (in mechanical engineering).

Cover Photo: Gravina Island “Highway” under construction, built in 2008 using federal earmark funding. This three-mile “highway” ends where the proposed Gravina Island Access bridge would have been located had the bridge not been cancelled by Alaska Governor Sarah Palin in 2007. *Ketchikan Daily News* photo.

Easy to Start, Impossible to Finish: Alaska Spends Millions on Roads and Bridges without Financial Plans to Complete the Projects

Recommendations for Action

February 2010
Lois N. Epstein, P.E.

Summary: Over several successive administrations, the State of Alaska has spent \$133.4 million on five expensive road and bridge projects. The state also has dedicated another \$205.2 million to these projects. With an estimated total cost of \$5.4 billion, there is a deficit of over \$5 billion for these projects (see Table 1, below). Continued spending on these roads and bridges preempts funding of other transportation projects with greater and/or nearer-term benefits to travelers in Alaska.

At a time of declining federal transportation revenues, *the state only has 6% of the dollars needed to build these projects* assuming no unexpected cost overruns. The projects do not have financial plans identifying how they will be paid for, nor is it clear how they will be maintained and preserved should the state build them. It appears financially impossible to complete them.

Fiscally-conservative leadership at the highest level of state government is needed. The state should not continue to spend its increasingly scarce transportation funds on these projects if there is essentially no likelihood of adequate federal, state, or private money available to finish them. The state should suspend spending on these projects until full funding is reasonably assured. If after analysis funding prospects are dim, dedicated funds should be redirected to higher-priority transportation investments.

In November 2009, the federal government sent a letter to the Alaska Department of Transportation and Public Facilities (ADOT) expressing its concern over the state's lack of "fiscal constraint." If the state does not suspend or cancel one or more of these projects, it's likely that future federal transportation funding for Alaska may be in jeopardy.

Table 1 shows the amount spent to date on each of the five projects, the amount the state has dedicated, the estimated cost, the approximate deficit, and the percent of cost funded. Following the Background, Analysis, and Recommendations sections below, pages 7-11 contain detailed information on each of the projects including source documentation of Table 1 data.

Table 1
Money Available for Five Proposed Alaska Transportation Projects vs. Project Costs

Project	Spent (\$ mill.)	Dedicated ¹ (\$ mill.)	Est. Cost (\$ mill.)	Approx. Deficit (\$ mill.)	% of Cost Funded ²
Gravina Island Access	56.1	87.4 – allocated by ADOT/leg.	400 (2006)	260	36%
Juneau Access Road/Ferry	25.2	35.8 – allocated by ADOT/leg.	500 (2009)	440	12%
Knik Arm Bridge	45.1	73 – allocated by ADOT/leg.	1,500 (2009)	1,380	8%
Road to Nome	1	1 – Gov's budget	2,500 (2010)	2,500	<1%
Road to Umiat	6	8 – Gov's budget	500 (2010)	490	3%
Total	\$133.4 mill.	\$205.2 mill.	\$5,400 mill.	>\$5,000 mill.	6%

¹ Dollars allocated by Alaska Department of Transportation and Public Facilities and approved by the legislature, or in Governor Sean Parnell's proposed 2011 budget.

² (Spent + Dedicated) / Estimated Cost.

Background

Until recent years, the federal Highway Trust Fund brought in enough money from federal fuel taxes to fund most transportation projects desired by Alaska and other states. Since 2008, however, the Highway Trust Fund has needed several billion dollars annually of supplemental appropriations by Congress so that it would remain solvent. Additionally, Alaska benefitted historically from high levels of federal earmark funding that now are tougher to obtain due to earmarks falling out of favor in Congress. Since increased federal fuel taxes are unlikely, federal funding for state transportation needs will decline dramatically in upcoming years. Along with a widely-recognized Congressional desire to address severe congestion problems in non-rural states, a large federal debt, and a lingering, worldwide recession, Alaska soon will receive dramatically lower federal transportation funding. As a result, if the state wants to build significant transportation projects, it must provide its own funds to do so.

Currently, the State of Alaska has the lowest fuel tax in the entire country,³ and no state income or sales taxes. Many states use revenue from these three taxes as well as local tax revenue to supplement federal transportation funding to meet state/local transportation needs. Alaska, however, uses only state General Funds. Moreover, Alaska currently relies to a greater extent than any other state on federal funding for its highway needs,⁴ thus making the state particularly vulnerable to reduced federal transportation funds.

In addition to inadequate funding for new transportation projects, Alaska – like other states – has substantial maintenance and preservation needs for its existing transportation infrastructure. ADOT estimates that the cost of state highway and bridge maintenance and preservation is approximately \$500 million each year,⁵ in addition to the over \$100 million annually required for maintenance, preservation, and operations of the state ferry system.⁶ With approximately \$600 million in annual, non-aviation transportation revenues,⁷ the state's budget has little or no ability to accommodate new transportation projects with high and/or unknown costs.

In November 2009, the U.S. Department of Transportation (US DOT) informed ADOT that it is concerned that “sufficient funds are not available from current recognizable sources to complete a number of large projects contemplated by the State’s program,” and that it considers “fiscal constraint” important.⁸ The US DOT letter suggests that Alaska’s large number of expensive transportation projects without clear funding sources likely will jeopardize future state receipt of federal funds.

Analysis

Table 1 shows that of the five projects, only the Gravina Island Access project has over 1/3 of the funding needed. Gravina Island Access is a project that Governor Sarah Palin cancelled in 2007 but which is still ongoing (see p. 7). In total, the five projects listed in Table 1 only have 6% of the funding needed for completion assuming no escalation in cost estimates produced to date.

³ Petroleum Marketing Monthly, Energy Information Administration, U.S. Department of Energy, February 2010, http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/petroleum_marketing_monthly/current/pdf/enote.pdf#page=2. Alaska’s gasoline and diesel taxes are \$0.08/gal with a national average of \$0.2178/gal and \$0.2274, respectively. Note that Georgia has lower gasoline and diesel taxes at \$0.075/gal. each, but also has a 4% state sales tax.

⁴ The 2010 Statistical Abstract, U.S. Census Bureau, data from Tables 1056 and 1059 covering Federal Aid to State and Local Governments for Highway Trust Fund by State (federal fiscal year 2007) and State Disbursements for Highways by State (2007), respectively, <http://www.census.gov/compendia/statab/cats/transportation.html>.

⁵ Let’s Get Moving 2030: Alaska Statewide Long-Range Transportation Policy Plan, Alaska Department of Transportation and Public Facilities, February 2008, pp. 69-71, <http://dot.alaska.gov/stwdplng/areaplans/lrtp/documents/SWLRTPPfinal022908-v2.pdf>.

⁶ *Ibid.*, p. 74.

⁷ *Ibid.*, Exhibit 17, p. 65.

⁸ Letter from the Federal Highway Administration and the Federal Transit Administration to ADOT Commissioner Leo von Scheben, November 4, 2009, available at <http://www.aktransportation.org/files/feds%20on%20fiscal%20constraint%2011.2009.pdf>.

All five projects analyzed in this report have in-state proponents many of whom mistakenly believe that the federal government - or toll revenue in the case of the Knik Arm Bridge - will fund the projects nearly entirely. None of the projects has developed the federally-required annual financial plan for projects costing over \$100 million showing where the money for each project would come from.⁹ The federal guidance for financial plans states that there should be “reasonable assurance that there will be sufficient financial resources available to implement and complete the project as planned.”¹⁰ As in business decision-making, the state should require that ADOT develop credible financial plans before beginning construction of projects so that project scale and scope will remain roughly within budget. It does not make sense for the state to build projects it cannot complete.

For two of the proposed projects – the Juneau Access Road/Ferry (see p. 8) and the Knik Arm Bridge (see p. 9) – adverse facts emerged during the project planning processes yet the projects continued unabated. In the case of the Juneau Access Road/Ferry project, in 2005 (i.e., during the Frank Murkowski Administration) the Federal Highway Administration determined that federal law prohibited the construction of a continuous road link from Juneau to Skagway because it would adversely affect the Skagway and White Pass District National Historic Landmark. The Federal Highway Administration thus changed the project proposal so that the road would stop at the Katzechin River (90 miles north of Juneau) and travelers would then board a ferry to complete the trip to Skagway or Haines.¹¹ This decision greatly diminished the value of the project to freight carriers and individuals as all vehicles would need to be transferred to ferries regardless of the new road.

Similarly, in 2005 a Knik Arm Bridge and Toll Authority contractor found that commuters living in Wasilla, Palmer and the area in-between the two communities would not have time or distance savings travelling via the proposed bridge¹² (see p. 9 graphic). Since this area represents a large portion of the population bridge proponents envisioned being helped by the proposed toll bridge, the rationale for the bridge largely disappeared. Additionally, the independent cost estimate authorized by the state for the proposed bridge completed in 2009 concluded that liability would need to be shared by private investors and the state to address the risk of insufficient toll revenues; these independent consultants concluded that the proposed bridge could not rely on toll revenues alone for bridge construction and operations.¹³ When adverse facts such as those discussed here become available, state decision-makers should reconsider whether projects ought to go forward.

With substantial maintenance and preservation needs and declining federal revenues, the state should decide if it wants to put more revenue into transportation than it has historically. A recent report by the Alaska Municipal League quantified the state’s funding deficit at \$720 million annually for transportation capital and operating expenses and suggested a number of potential solutions.¹⁴ One likely, positive result of increased state (and local) funding for transportation projects is better project evaluation and prioritization as the state would have more “skin in the game” to decide among projects. Because federal transportation money is tight, the state should consider developing its own transportation revenue sources.

Last, with limited federal and state funding, projects should be selected to meet actual transportation needs, not to help politicians or to ensure regional equity among the three ADOT regions (Northern,

⁹ 23 USC 106(h, i).

¹⁰ Financial Plans Guidance, Federal Highway Administration, 2008, <http://www.fhwa.dot.gov/programadmin/mega/fplans.cfm>.

¹¹ Juneau Access Improvements Final Environmental Impact Statement, prepared by ADOT, p. 6-5, January 2006, http://www.dot.state.ak.us/stwdplng/projectinfo/ser/juneau_access/assets/FEIS_06/FEIS_wfigures.pdf.

¹² Knik Arm Bridge Preliminary Traffic and Toll Revenue Study, Wilber Smith Associates, Figure 5, 2005, <http://knikarmbridge.com/documents/FINALWilburSmithPrel.TrafficandRevenueStudyFinalReport112805.pdf>.

¹³ Knik Arm Crossing Conceptual Cost Estimate, Executive Summary, The National Constructors Group for ADOT, January 2009, pp. 1-20, http://www.dot.alaska.gov/comm/pressbox/arch_2009/Knik-Arm-Crossing-Report-Executive-Summary.pdf.

¹⁴ Alaska Transportation Finance Study, prepared by Cambridge Systematics, Inc. for the Alaska Municipal League, p. 1-4, January 2009, <http://www.akml.org/documents/2009TransportationStudy.pdf>.

Central, and Southeast). As discussed on pages 7-11, these five projects serve less-than-critical transportation needs. Instead of advancing expensive and low-priority projects, it would be wise for state decision-makers to pursue projects which address critical needs. The box below displays some examples of critical transportation needs in Alaska:

Examples of Critical Transportation Needs in Alaska

The author suggests that ADOT address the following four critical transportation needs in Alaska with extensive state attention and funds which have not been forthcoming to date:

- 1. Safety on the Seward Highway between Anchorage and the Girdwood area. There have been 98 deaths on this stretch of road since 1977.¹⁵*
- 2. Consider expansion of the Eagle River bridges on the Glenn Highway. These two, two-lane bridges serve as frequent congestion-causing bottlenecks for traffic heading in and out of Anchorage to the north. Transportation decision-makers also should consider turning any new lanes built in this area into High Occupancy/Toll (HOT)¹⁶ lanes for rush-hour traffic to ensure long-term congestion relief.*
- 3. Facilitating traffic flow and increasing pedestrian and bicycling safety through Wasilla by creating a Wasilla bypass for trucks and other through traffic as an alternative to the Parks Highway with its numerous traffic lights.*
- 4. Replacing aging ferry boats with new flexible-use, fuel-efficient vessels (e.g., build several Alaska Class Ferries¹⁷).*

Recommendations

State leaders should:

- 1) Not start or continue projects that do not have the financial resources to be finished. Includes preparing reasonable and credible financial plans for projects prior to construction to ensure that project scale and scope will be roughly within budget.
- 2) Not let project momentum obscure the need to re-evaluate projects when adverse facts become available.
- 3) Develop state and local transportation revenue sources.
- 4) Pursue projects which address critical transportation needs, e.g., increasing safety, reducing congestion, fixing deteriorating infrastructure, and addressing air quality problems.

Governor Parnell, ADOT leadership, and state legislators should examine the funding prospects to complete these five projects, the ongoing expenses of the projects, and new information developed since the projects began. Once this information has been analyzed and thoroughly reviewed, state decision-makers should reassess the status of each of these projects.

The author recommends that the Governor or the state legislature consider creating a multi-stakeholder Surface Transportation Task Force including ADOT that can:

- 1) Analyze project funding shortfalls and potential revenue sources, and
- 2) Using objective criteria, make recommendations on proceeding with these transportation projects or spending the projects' dedicated money on more critical transportation infrastructure needs.

Until the Task Force completes its work, the Governor should suspend spending on these five road and bridge projects.

¹⁵ A Cry for a Safer Highway, James Halpin, Anchorage Daily News, August 9, 2009, <http://www.adn.com/1536/story/890055.html>.

¹⁶ High Occupancy/Toll (HOT) lanes are segregated lanes that are free for those vehicles with high occupancy, e.g., 2 or 3 passengers, and which charge a variable, electronic toll – no toll booths -- for single occupancy vehicles. The toll charged varies to keep traffic moving which means increased charges when the lanes become congested, thus discouraging other drivers from entering the lanes.

¹⁷ See http://www.dot.state.ak.us/amhs/alaska_class/index.shtml.

Project 1: Gravina Island Access

The proposed **Gravina Island Access** project would connect the Ketchikan area (population 13,000) to virtually undeveloped Gravina Island via Pennock Island across Tongass Narrows. Currently a ferry running two roundtrips each hour connects Ketchikan and Gravina Island. Gravina Island includes Ketchikan International Airport and has approximately 50 residents.

In November 2005, Congress rescinded \$175 million¹⁸ in earmarks for constructing a bridge connection; the project was not considered a high federal priority. Senator Stevens ensured that the state still received the formerly earmarked money for transportation projects, however. With support from Governor Frank Murkowski, the state allocated \$75.9 million¹⁹ of that amount towards the Gravina Island Access project. That amount plus another \$11.5 million from earmarks not rescinded by Congress for a total of \$87.4 million remains dedicated by ADOT to the project.²⁰ On September 21, 2007, Governor Palin cancelled the bridge portion of the project because it was a low priority for the state.



Google Earth view of the Ketchikan area.

In June 2007 The Heritage Foundation (a conservative think tank) urged Governor Palin in an Anchorage Daily News opinion piece not to build the three-mile Gravina Island “Highway” that would have connected to the proposed bridge.²¹ Nevertheless, Governor Palin authorized the state to build this road and an underpass near the airport in 2008 using mostly federal transportation funds at a cost of over \$41 million.²² As a result, the state has spent over \$56.1 million as of May 31, 2009 on the Gravina Island Access project²³ (with no change in access from Ketchikan).

Because the underpass and the Gravina Island “Highway” do not connect to the proposed bridge and to avoid repayment of the federal funds expended, as of 2010 the state is preparing a Supplemental Environmental Impact Statement before spending more money on the project. The latest cost estimate for the Gravina Island Access project, including the bridge, was \$397 million in 2006.²⁴

¹⁸ Audit of the Gravina Island Access Project, Audit Control Number 25-30050-10, Pat Davidson (Legislative Auditor), p. 18, October 30, 2009, <http://www.legaudit.state.ak.us/pages/audits/2010/pdf/30050rpt.pdf>.

¹⁹ *Ibid.*, p. 20.

²⁰ *Ibid.*, p. 24.

²¹ Op-ed by Ronald Utt, Anchorage Daily News, June 18, 2007.

²² Audit, *op. cit.*, p. 22.

²³ *Ibid.*

²⁴ *Ibid.*, p. 21. This estimate does not reflect the costs of alternatives that will be developed in the Supplemental Environmental Impact Statement which has not yet been issued.

Project 2: Juneau Access Road/Ferry

The proposed **Juneau Access Road/Ferry** project would consist of 51 miles of new road from Echo Cove approximately 40 miles north of Juneau to the undeveloped Katzechin River via the east side of Lynn Canal, a new ferry terminal at the river 90 miles from Juneau, and new shuttle ferries to travel to Skagway (pop. 865) and Haines (pop. 2,300 in the Borough). Currently a larger ferry serves these two communities operating from a terminal 13 miles from downtown Juneau. Because of concerns expressed by the National Park Service, in 2005 the Federal Highway Administration dropped its original plan to build a road from Juneau to Skagway and instead adopted the road/ferry combination.²⁵



The Juneau Access Road/Ferry project will not result in new major economic development in Alaska.²⁶ Average daily traffic projections for the road would be only 380 vehicles/day during opening year and 670 vehicles/day after 30 years.²⁷

*Avalanche across the proposed project route.
Photo by Scott Logan*

The state legislature appropriated \$5 million in 2005 and \$45 million in 2006 to the project, and allowed \$9 million of the General Funds money appropriated to be used for other projects in 2007. Of the \$200 million in federal funds originally expected to pay for the project, \$111 million no longer is available.²⁸ As of July 2009, the state has spent \$25.2 million on the project.²⁹ Approximately \$4.8 million in federal funds and \$31 million in state funds for a total of \$35.8 million remains dedicated to the project.³⁰

According to an independent estimate undertaken by the state, the project will cost over a half-billion dollars,³¹ not including likely increases when the challenging construction terrain has been fully surveyed (see the photo, above). On February 13, 2009, the Alaska District Court ruled that the existing Environmental Impact Statement was inadequate because it did not analyze enhanced ferry service using existing infrastructure, and thus must be revised; the decision calls all issued permits into question. The state is appealing this decision to the 9th Circuit Court of Appeals; the federal government decided not to join in the appeal.

Despite the unlikelihood of funding to complete project construction, in December 2009 Governor Parnell announced that he plans to spend \$5 million to upgrade the first three miles of the road beyond Echo Cove using the funds appropriated during the 2005 legislative session.³²

²⁵ Juneau Access Improvements Final Environmental Impact Statement, *op. cit.*

²⁶ *Ibid.*, p. S-6.

²⁷ *Ibid.*, p. 4-162.

²⁸ Money from federal “Shakwak” funds is not included in the Alaska 2010-2013 Statewide Transportation Improvement Program, a document listing all expected federal and state funding sources.

²⁹ Juneau Access Improvements: 2009 FFY Cost Report, State Project No.: 71100, Federal Project Number: STP-000S(131), p. 3, July 2009, http://www.dot.state.ak.us/stwdplng/projectinfo/ser/juneau_access/assets/2009_FFY_Cost_Report.pdf.

³⁰ Email from ADOT’s Reuben Yost to Southeast Alaska Conservation Council’s Mark Gnadt on April 16, 2009.

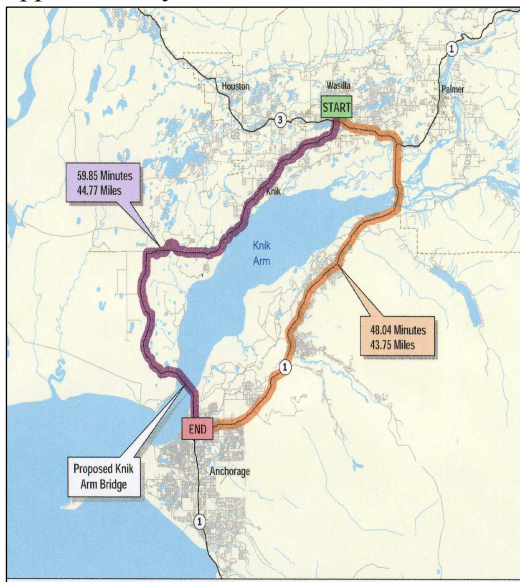
³¹ Juneau Access Improvements: 2009 FFY Cost Report, *op. cit.*, p. 7 (shows \$491.2 million cost estimate, plus the previously spent \$25.2 million must be added).

³² Governor Parnell Moves to Extend Glacier Highway (press release), December 7, 2009, <http://gov.alaska.gov/parnell/press-room/full-press-release.html?pr=5187>.

Project 3: Knik Arm Bridge

The proposed **Knik Arm Bridge** project would consist of a toll bridge across Cook Inlet's Knik Arm from Anchorage to virtually unpopulated Point MacKenzie and numerous miles of access roads on both sides of the bridge. To avoid passing through military land, the Knik Arm Bridge and Toll Authority (KABATA, a creation of the Alaska legislature in 2003) chose a bridge access route through the historic Government Hill neighborhood of Anchorage. To keep costs down, KABATA picked a bridge design consisting of an 8,200 foot bridge attached to a mile of gravel-supported, offshore causeways rather than a longer bridge with little or no gravel-supported causeway which is preferred by the federal resource agencies charged with protecting the endangered Cook Inlet beluga whale.

In November 2005, Congress rescinded \$231 million in earmarks for the proposed bridge connection; the project was not considered a high federal priority. As was the case for the Gravina Island Access project, the state still received the formerly earmarked money for transportation projects.³³ With support from Governor Murkowski, the state legislature allocated \$108.4 million in federal money to the project³⁴ plus approximately \$10 million in state match and general funds. The project has spent over \$45.1 million for staff and contractors as of June 30, 2009,³⁵ and continues to spend approximately \$5 million each year. Around \$73 million remains dedicated to the project.³⁶



KABATA map showing travel time/distance via the proposed bridge and the existing Glenn Highway alternative.

According to the Federal Highway Administration, phases 1 and 2 of the proposed Knik Arm Bridge will cost over \$1.5 billion.³⁷ Commuters living in Wasilla and Palmer would not have time or distance savings travelling via the proposed bridge,³⁸ so relatively few Borough workers will benefit (see graphic).

To date, KABATA staff have not produced a financial plan for the bridge nor identified debt service levels likely to be tens of millions of dollars each year. KABATA staff also has not demonstrated that private investors will cover bridge costs in exchange for toll revenues, an unlikely proposition given limited investor credit worldwide. Experts hired by the state have written that the project has extraordinary financial risks and, if it proceeds, liability must be shared by private investors and the state to address the risk of insufficient toll revenues.³⁹

³³ Funding for Alaskan Bridges Eliminated, Shailagh Murray, Washington Post, November 17, 2005, http://www.akbridgesandroadstonowhere.org/wp11_17_05.html.

³⁴ Comprehensive Annual Financial Report as of and for the Years Ended June 30, 2009 and 2008, Knik Arm Bridge and Toll Authority, p. 21, 2009, <http://knikarmbridge.com/documents/2009CAFR.pdf>.

³⁵ *Ibid.*

³⁶ \$108.4 mill. (fed. \$) + \$10 mill. (state \$) - \$45 mill. spent = \$73 mill.

³⁷ Knik Arm Crossing Cost Estimate Review Final – May 2009, Federal Highway Administration, p. 4, <http://knikbridgefacts.org/Knik%20Arm%20CER%202009%20Final%20Report.pdf>.

³⁸ Knik Arm Bridge Preliminary Traffic and Toll Revenue Study, Wilbur Smith Associates, Figure 5, 2005, <http://knikarmbridge.com/documents/FINALWilburSmithPrel.TrafficandRevenueStudyFinalReport112805.pdf>.

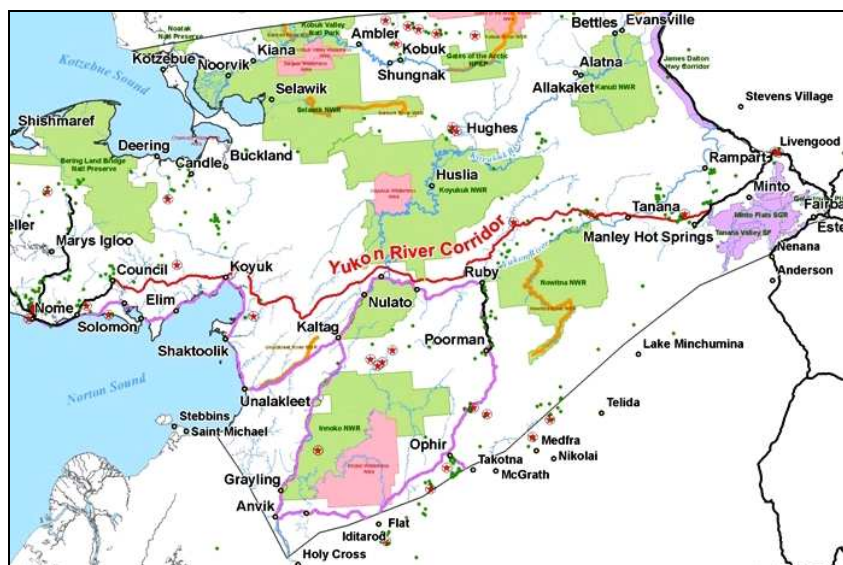
³⁹ “The design and construction risks for this Project are extraordinarily high...It is NCG’s opinion, after it’s (sic) detailed analysis of the Project, that without an equitable risk sharing agreement, the Project will not be economically feasible if proposals are received wherein all risks are passed on to the contractor.” Knik Arm Crossing Conceptual Cost Estimate, *op. cit.*, pp. 1-19, 20..

Project 4: Road to Nome

The proposed **Road to Nome** project, also known as the Western Alaska Access project,⁴⁰ is a 500 mile road from the Fairbanks area to Nome which Governor Palin decided to pursue. In 2008, ADOT contracted with DOWL HKM and others to analyze potential routes, benefits, and costs. In 2010, the DOWL study recommended that the proposed project: 1) follow the Yukon River for a large portion of the route, 2) connect to several currently-roadless communities, and 3) provide access to resource sites along the river and to mining areas.⁴¹ The estimated cost for this road is \$2.5 billion or \$5 million per mile;⁴² maintenance of this road is estimated at \$39.9 million per year.⁴³

The primary financial beneficiaries of this project would be the mining industry.⁴⁴ The mining industry provided \$175 million in state revenue in 2007,⁴⁵ approximately 5% of the revenue received by the Tax Division of the Alaska Department of Revenue (oil and gas represents 86% of that revenue).⁴⁶ There are legitimate questions as to whether it is a high priority for state money to be used to build transportation projects that would primarily benefit industry, or if industry should fund those projects. In fact, the oil industry paid for the 360-mile Dalton Highway to service the North Slope of Alaska.⁴⁷

To date, the state has spent approximately \$1 million to study this project.⁴⁸ In his 2011 budget, Governor Parnell proposed dedicating an additional \$1 million for further studies.



Proposed Road to Nome route along the Yukon River Corridor.

⁴⁰ See <http://www.dowlhkm.com/projects/westernalaskaaccess/Default.htm> for more information.

⁴¹ Western Alaska Access Planning Study: Corridor Planning Report, Executive Summary, Alaska Department of Transportation and Public Facilities, January 2010, <http://www.dowlhkm.com/projects/westernalaskaaccess/January%202010%20Corridor%20Planning%20Report%20Executive%20Summary.pdf>.

⁴² *Ibid.*, p. I.

⁴³ *Ibid.*, p. VI.

⁴⁴ *Ibid.*, pp. VIII-X.

⁴⁵ The Economic Impacts of Alaska's Mining Industry, Alaska Miners Association, Inc., p. 1, January 2008, <http://www.alaskaminers.org/mcd07sum.pdf>.

⁴⁶ Alaska Tax Division 2007 Annual Report: 2007, Alaska Department of Revenue, p. 2, <http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1268f>.

⁴⁷ See <http://fairbanks-alaska.com/dalton-highway.htm>.

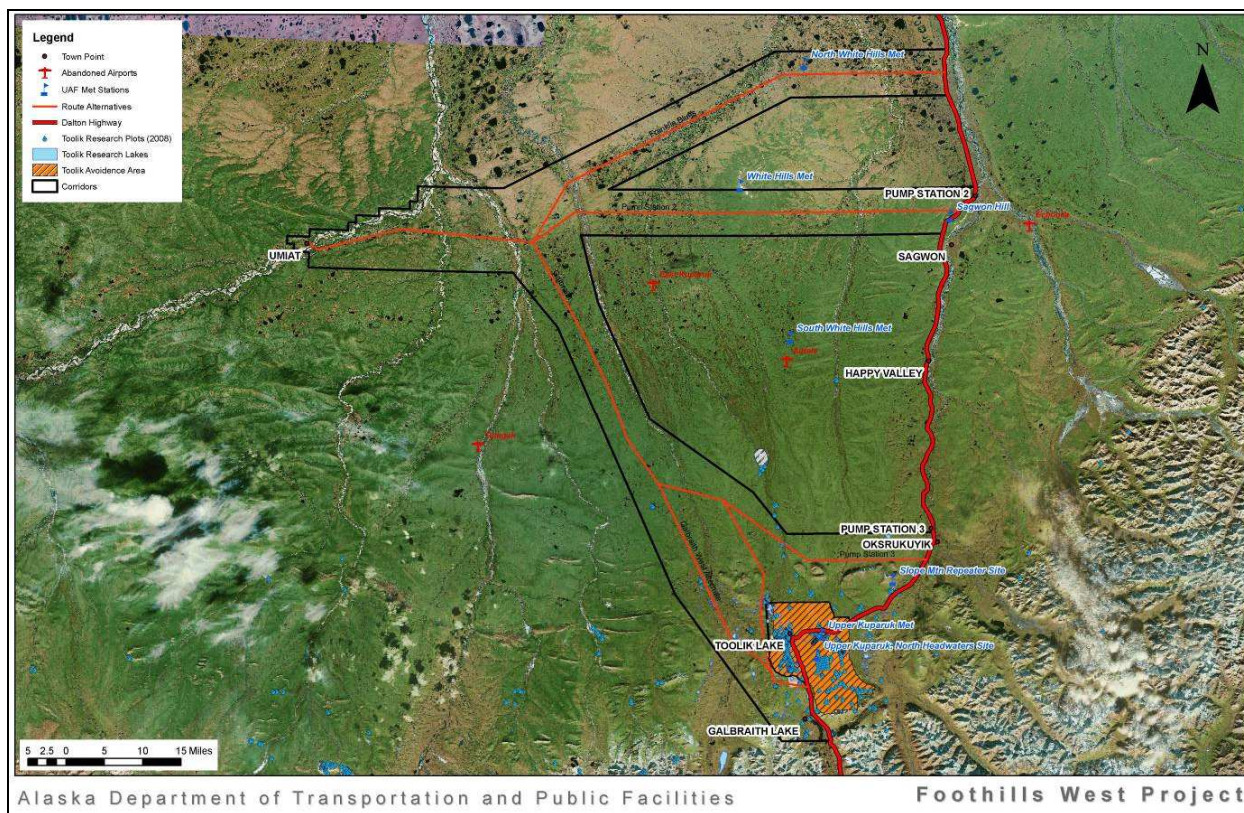
⁴⁸ Email from ADOT's Meadow Bailey to Lois Epstein on February 5, 2010.

Project 5: Road to Umiat

The proposed **Road to Umiat** project, also known as the Foothills West Transportation Access project,⁴⁹ consists of an 85 mile proposed road to the Gubik Gas Fields from the Dalton Highway, and a 15 mile road beyond that to Umiat including a bridge across the Colville River which would offer all-season access to the National Petroleum Reserve - Alaska. This project does not yet have a preferred route and thus has the least progress of the five projects discussed in this report. Extrapolating from the \$5 million per mile cost estimate developed by DOWL for the Road to Nome, this project would cost approximately \$500 million, not including the likely high cost of a Colville River bridge.

The primary financial beneficiaries of this project would be the oil and gas industry. As discussed on p. 10, there are legitimate questions as to whether it is a high priority for state money to be used to build transportation projects that would primarily benefit industry, or if industry should fund those projects.

To date, the state has spent approximately \$6 million to study this project.⁵⁰ In his 2011 budget, Governor Parnell proposed dedicating an additional \$8 million for further studies.



Proposed routes for the Road to Umiat from the Dalton Highway north of Fairbanks.

⁴⁹ See <http://foothillroad.alaska.gov/> for more information.

⁵⁰ Email from ADOT's Ryan Anderson to Lois Epstein on February 4, 2010.