

ALASKA MOVES 2050

Appendix G - Financial Assessment

June 2022

L RTP

ALASKA STATEWIDE LONG-RANGE
TRANSPORTATION PLAN



ALASKA STATEWIDE LRTP
FREIGHT PLAN



FINANCIAL ASSESSMENT

This appendix details the financial assessment compiled as part of the long range transportation planning process. The intent of this appendix is to provide a high-level overview of existing federal and state revenue sources historically available for funding DOT&PF-owned and -maintained transportation infrastructure, as well as expenditures. This data was obtained from multiple sources, including annual legislative reports, budget reports, planning documents and needs lists, DOT&PF Central, Northern, and Southcoast Maintenance & Operations Departments, Statewide Aviation, and the DOT&PF Budget Office.

The Big Picture

Alaska is a subsidy state in regard to funding transportation infrastructure. Historically, DOT&PF funding from state dollars has covered only a small fraction of the cost of operating and maintaining the state's transportation system. State funds have largely been used as a match to leverage federal funds and cover the excess costs of operating the Alaska Marine Highway System (AMHS). While the remainder of these costs, as well as most costs associated with capital projects, are covered by federal funds, there are risks inherent in relying on this source. Federal funds are typically designated for a specific use, which prevents DOT&PF from reallocating the money if it is needed for another purpose. Because federal funding opportunities could also change due to a shift in federal priorities or deficit reductions, the funding available for DOT&PF's capital and operations needs could change at any time.

State funding provided to DOT&PF is likely to remain stagnant, without changes in the state's fiscal situation; changes in the state's tax structure and economy; or implementation of alternative sources of funding. Legislators and governors have highlighted the need to diversify the state's revenue sources, but to date, no new significant taxes or fees have advanced, so the state continues to fund government services and capital spending primarily from the Percent of Market Value draw on the Permanent Fund, as well as oil- and gas-related revenues.

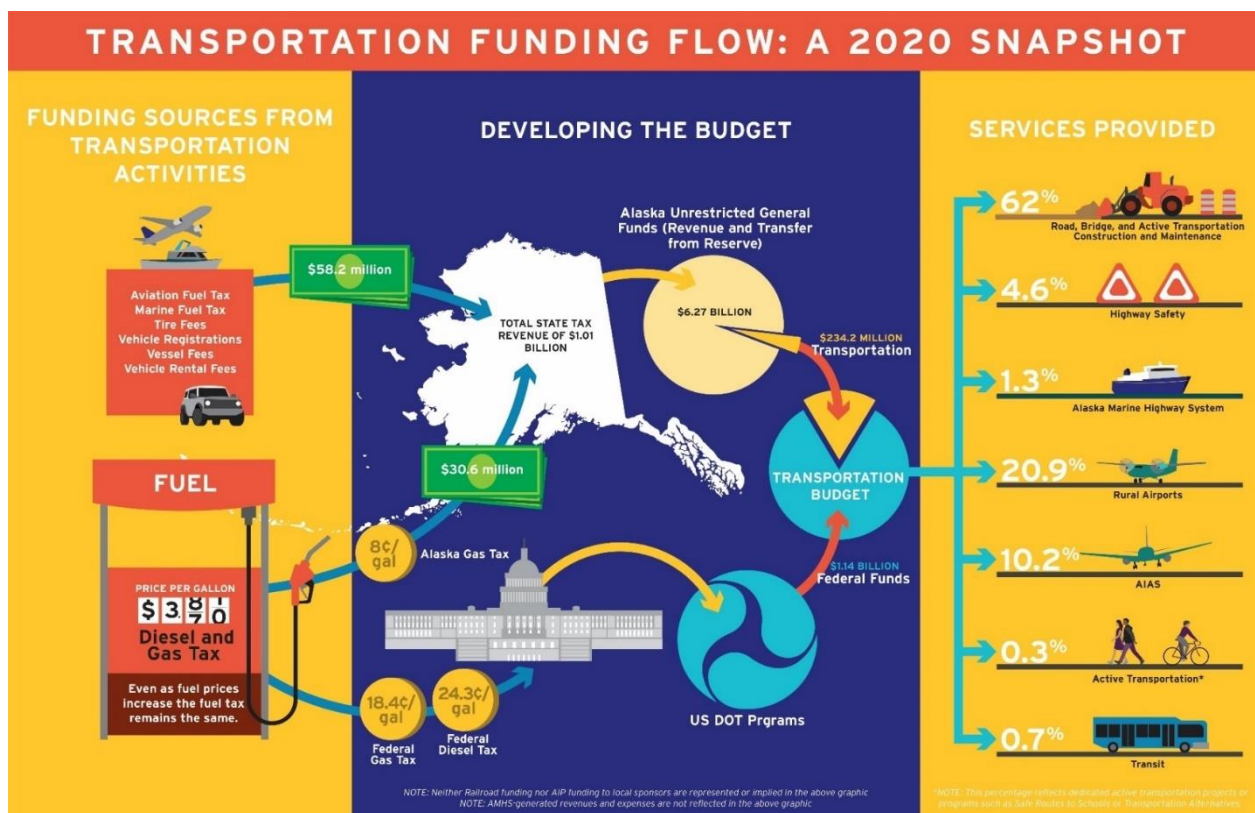
Figure 1 provides an overview of how transportation funding is generated and distributed.

The state has explored alternative funding sources, such as user fees and VMT-based charges. However, the high cost of constructing and maintaining highways, the relatively low user base, and the heavy industrial component to many highways has presented a challenge to these approaches. Given the challenges in implementing user-based fees and the state's fiscal constraints, alternative opportunities for funding major transportation infrastructure projects are being explored, including the following:

- Various industries have demonstrated a willingness to work with the state to fund transportation infrastructure they use. Examples include initial design and permitting of a restricted-access road to the Ambler Mining District in northwest Alaska; and the cruise ship industry's payment of a passenger tax that affected communities' use for infrastructure that supports cruise visitors.
- Innovative financing may become an increasingly important tool for funding major transportation infrastructure projects, especially in remote and less-populated areas in which developable resources exist. The outsourcing of operations and maintenance of facilities, such as the state's rural airports may be a future option.

- User fees, including tolls, are common in other parts of the United States and may be feasible in some situations. For example, the proposed Knik Arm Crossing would have used tolls to support revenue bonds used for its construction.
- Though not specific to transportation, implementing broad-based taxes, such as a personal income tax and a sales tax on goods and services, would help to solve the disconnect between fund sources and uses, which would relieve pressure on the major sources supporting the majority of the state's expenditures.

Figure 1 Transportation Funding Flow: A 2020 Snapshot



Federal Funding

Alaska typically receives \$500 to \$600 million annually in formula-determined federal funds that can be spent on road construction or ferry projects identified in the Statewide Transportation Improvement Program (STIP). Data released in March of 2021 indicate Alaska's Fiscal Year (FY) 2021 apportionment at \$548,914,404.

State Funding & Revenues

State Funding

DOT&PF's capital budgets since FY 2016 are shown in Table 1. With the exception of FY 2020, the total capital budgets each year have been in excess of \$1 billion, mostly from federal sources.

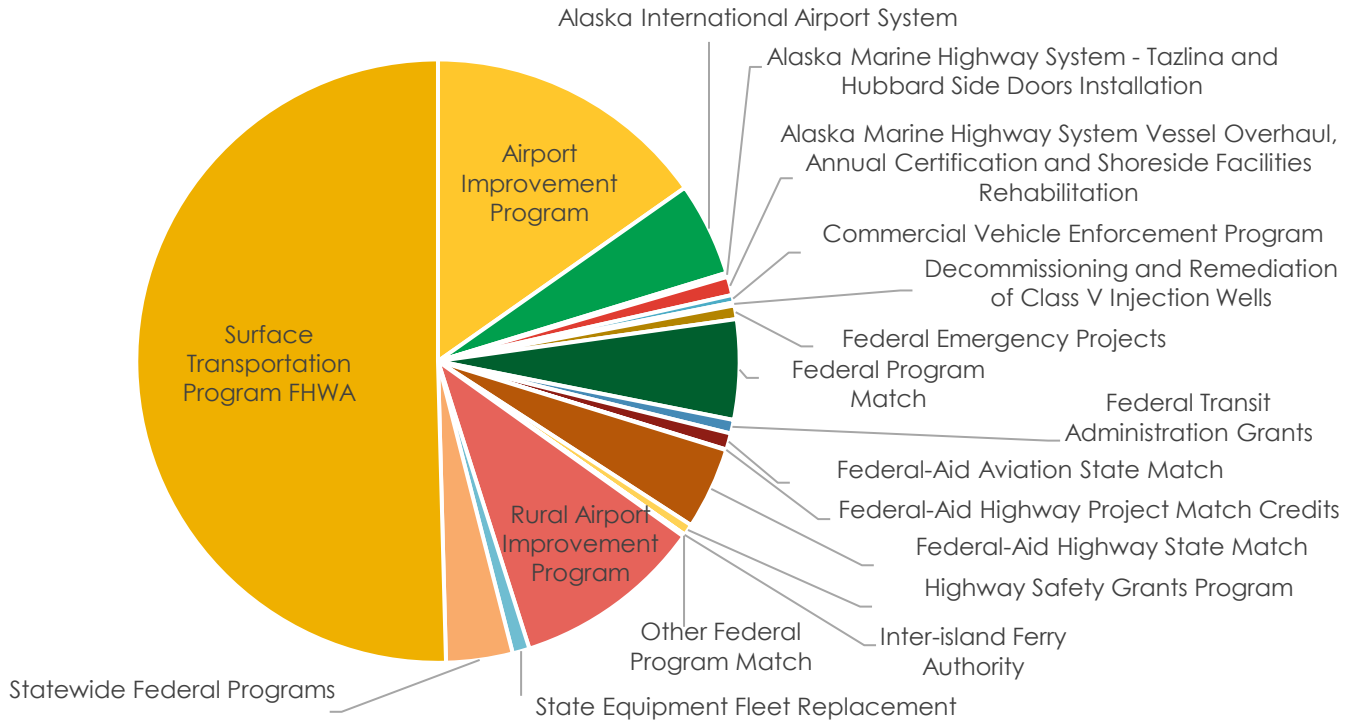
Table 1. DOT&PF Capital Budget by Funding Source, Millions of Dollars, Enacted Budgets, FY16-21

Year	Unrestricted General Fund	Designated General Fund	Federal	Other	Total Capital Budget
2016 ⁱ	\$79.1	\$0.0	\$1,130.3	\$43.8	\$1,253.3
2017 ⁱⁱ	\$39.5	\$33.0	\$1,214.6	\$91.2	\$1,378.3
2018 ⁱⁱⁱ	\$64.3	\$22.0	\$1,078.0	\$44.8	\$1,209.1
2019 ^{iv}	\$56.0	\$17.5	\$908.5	\$46.8	\$1,028.8
2020 ^v	\$163.0	\$0.5	\$1,136.4	\$68.5	\$1,370.6
2021 ^{vi}	\$66.0	\$16.5	\$876.0	\$52.0	\$1,010.5

Source: Office of Management and Budget (2016, 2017, 2018, 2019, and 2020)

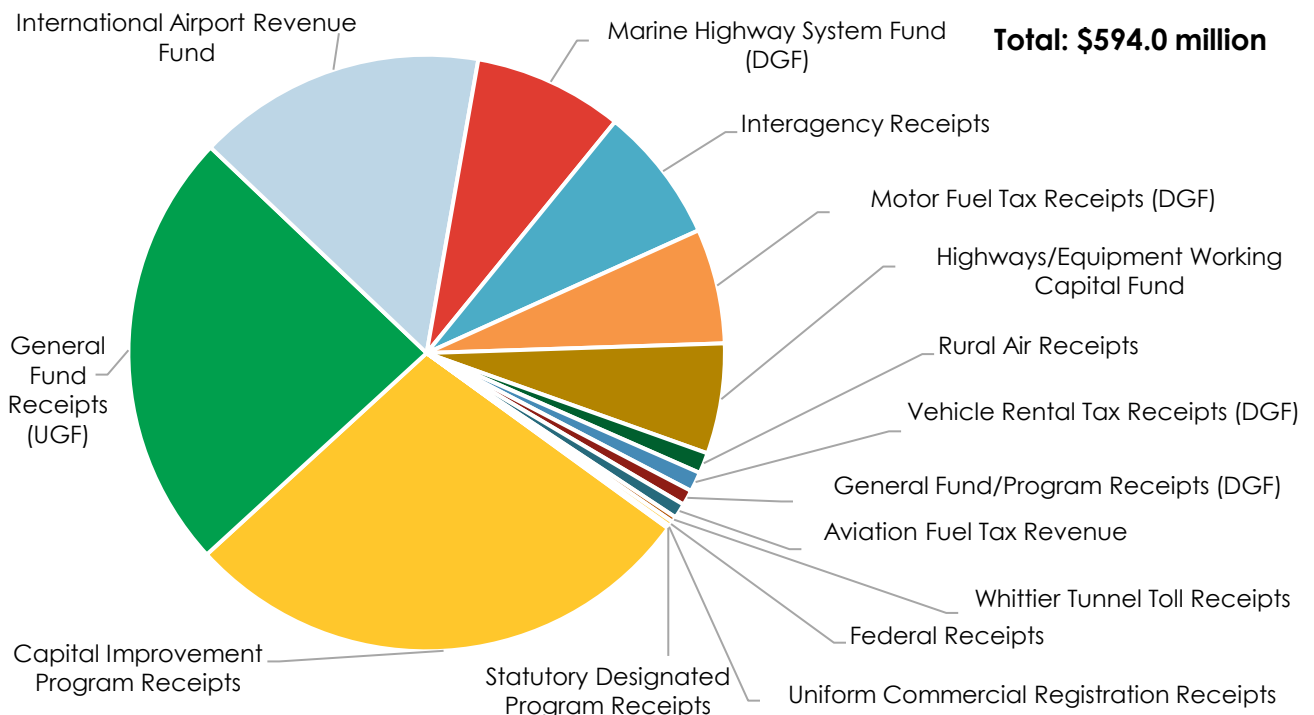
Figure 2 shows DOT&PF's nearly \$1.4 billion capital program for FY 2020.^{vii} The majority of funds are from Federal Receipts (\$1.1 billion), with \$147 million of state match money from the Constitutional Budget Reserve Fund, and the remaining funds coming from non-match Constitutional Budget Reserve Funds and other state funds. Figure 3 displays DOT&PF's operating budget by funding source for FY 2020.^{viii} The Capital Improvement Program, at 28% of the total operating budget, is the largest funding source, followed closely by the General Fund Receipts at 24%, and the International Airport Revenue Fund at 16%. An additional twelve sources provide the remainder, ranging from 1-8% each. Figure 4 displays DOT&PF's capital budget by funding source for FY 2020.^{ix} Federal Receipts, at 83% of the total capital budget, is the largest fund source. These funds are largely targeted at the state's highways and airports. A state match of about 9% is required to leverage the federal highway funding and a state match of 6.25% is necessary to leverage federal aviation funding. While the state has continued to provide matching to leverage federal funds, if it is unable to do so in the future due to its fiscal situation, it would lose this leverage. The result would be a reduction in funds available for transportation infrastructure projects.^x

Figure 2 DOT&PF Capital Program (Millions of Dollars), Fiscal Year 2020



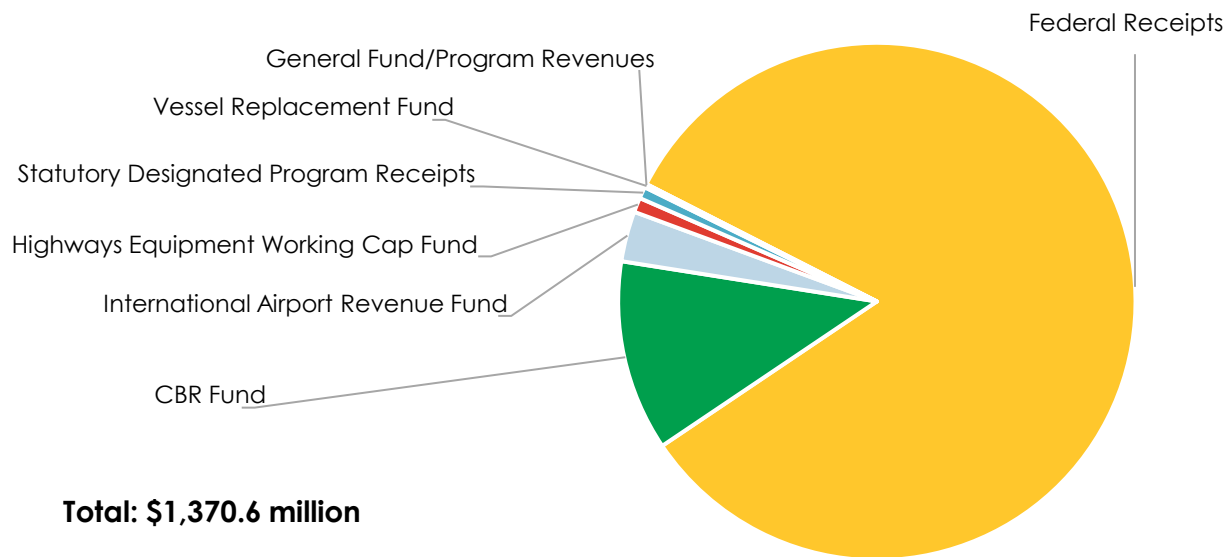
Source: Office of Management and Budget (2019)

Figure 3 DOT&PF Operating Budget by Funding Source (Millions of Dollars), Fiscal Year 2020



Source: Office of Management and Budget (2019)

Figure 4 DOT&PF Capital Budget by Fund Source (Millions of Dollars), Fiscal Year 2020



Source: Office of Management and Budget (2019)

State Revenues

DOT&PF collects transportation-related user fees and taxes as state revenues.

STATE MOTOR FUEL TAX

Alaska levies a motor fuel tax on fuels for highway use, marine fuel, aviation gasoline, jet fuel, and gasohol.^{xi} From FY 2011 to FY 2017, the tax generated revenue of approximately \$40 to \$45 million annually. In 2018, revenue began to increase, reaching \$48.4 million in 2020.

- Tax revenue from aviation fuel, both aviation gasoline and jet fuel, is required to be spent in direct support of the airport facilities where the revenue was generated. In 2020, the state's share of the aviation fuel tax was \$5.0 million and another \$0.1 million was generated for the municipal share.^{xii} Though it is not reported by mode, the tax included gasoline surcharge revenue of \$2.7 million and diesel surcharge revenue of \$4.1 million.
- Although the state's constitution mostly prohibits dedication of funds, motor fuel taxes are dedicated to infrastructure under state and federal law. In 2020, the tax on motor vehicle fuel generated \$30.6 million.^{xiii} The tax on highway fuels is the only state fee drivers pay for vehicle infrastructure and accordingly has traditionally been allocated for highway maintenance.¹ Historically, Alaska has had one of the lowest combined state and local tax rates on highway fuels of any state and it currently has the lowest gas tax rate in the nation.^{xiv} Its gas tax rate has not changed since 1970. The legislature has introduced bills to increase the gasoline tax, but to date none have advanced, and the tax remains at eight cents per gallon.

¹ Historically, state general fund money has been used to cover road rehabilitation needs since the motor fuel taxes are insufficient. Recently, state fiscal constraints have required DOT&PF to use about \$30 million per year of Federal Highway Administration (FHWA) capital funds for road rehabilitation, in place of more flexible state general fund money.

- The tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax revenue account in the General Fund. The legislature may appropriate that money for water and harbor facilities. In 2020, the tax on marine fuel generated \$5.9 million.^{xv} AMHS received \$3.6 million from the motor fuel tax.

MOTOR VEHICLE REVENUES

Revenues from motor vehicles include license and permit fees, receipts generated from vehicle titling, boat registration, and motor vehicle records. Most of these fees are considered unrestricted license and permit revenue. However, some motor vehicle registration fees are considered restricted receipt-supported services. In 2020, the Division of Motor Vehicles had general fund revenues of \$51.5 million. Of those fees, licenses and permits amounted to \$33.6 million and other activities (vehicle registration and titling, boat registration, and motor vehicle records) accounted for the remaining \$17.9 million.

VEHICLE RENTAL TAX

The Vehicle Rental Tax (VRT) is a 10% tax imposed on most passenger vehicle rentals of 90 days or less, and a 3% tax on recreational vehicle rentals of 90 days or less. Exemptions include taxis, rentals to government agencies, motorcycles, and trucks used for transporting personal property. In 2020, the tax generated \$9.7 million. Revenue from the VRT is deposited into a VRT subaccount within the Unrestricted General Fund. The Alaska Legislature may appropriate the balance of that account for tourism development and marketing.

TIRE FEE

The Tire Fee has two components. The first component is a \$2.50 per tire fee on all new tires sold in Alaska for motor vehicles intended for highway use. The second component is either an additional \$5 per tire fee on all new tires with heavy studs for motor vehicles intended for highway use, or a \$5 per tire fee on the installation of heavy studs on a previously un-studded tire for motor vehicles intended for highway use. Heavy studs are defined as being made of metal and weighing more than 1.1 grams each. Tires sold to federal, state, or local government agencies for official use are exempt from the tire fees, as well as certain tires with lightweight studs or tires for motor vehicles not intended for highway use. All revenue from the Tire Fee is deposited in the Unrestricted General Fund. In 2020, fee receipts totaled \$1.4 million.

DIVISION OF MEASUREMENT STANDARDS AND COMMERCIAL VEHICLE COMPLIANCE

The Division consists of two sections: Measurement Standards (MS) and Commercial Vehicle Compliance (CVC). MS is responsible for the annual inspection of weighing and measuring devices that are used in any form of commerce and trade. CVC is responsible for commercial motor vehicle safety, size and weight enforcement, and issuing oversize and overweight permits, in addition to the enforcement of federal commercial motor carrier safety regulations. MSCVC leverages a combination of funding from the State of Alaska and the Federal Government. MSCVC relies on state funding to leverage federal grant funding. Federal funding supports a portion of enforcement personnel, supplies, equipment, technology, and research.

COMMERCIAL PASSENGER VESSEL EXCISE TAX

The Commercial Passenger Vessel (CPV) excise tax is imposed on passengers traveling on commercial passenger vessels with 250 or more berths that provide overnight accommodations and anchor or moor on the state's marine waters with the intent to allow passengers to embark or disembark. The tax is only imposed if the voyage lasts more than 72 hours on the state's marine waters. In 2020, the tax generated \$16.1 million. The Alaska Department of Revenue's Tax Division deposits all CPV tax revenue into the Commercial Passenger Vessel Tax account, a sub-fund of the Unrestricted General Fund. Subject to appropriation by the legislature, the Tax Division distributes \$5 per passenger to each of the first seven ports of call, for a maximum appropriation of \$35 per passenger. All funds received from the CPV tax must be spent on port facilities, harbor infrastructure, and other services provided to commercial passenger vessels and the passengers on board those vessels.

Modal Snapshots

DATA LIMITATIONS

Specific data limitations were identified during the long-range planning process which impacted the ability to complete a comprehensive analysis of funding and expenditures by mode. Outside of the Alaska International Airport System (AIAS) and Alaska Highway Marine System (AMHS), financial information was not available by mode (rural aviation and highways). For most operating budgets, there were a few categories that could be tied to aviation or highways, but the vast majority were not linked. On the capital side, the budgets provide more specificity, though the summaries often lacked enough information to conclusively determine how the funds were used. The best information came from AMHS (which produces its own financial statements, though capital spending is handled by DOT&PF) and AIAS (which also produces its own financial statements, though there were some difficulties in reconciling its financial statements with other sources). More specially, the following challenges were encountered:

- Highway Gaps: Operating Funds, Operating Budgets, Maintenance Budgets (Over Time and with More Accuracy), Work Backlogs.
 - Funding – Data was available for state and federal funds received for capital projects (from annual budgets). There was no information about other fund sources, except for revenues from the Whittier Tunnel.
 - Expenditures – Data related to capital projects was available. There were only rough estimates of maintenance spending for one year (obtained from interviews with staff) and operating budgets did not have enough detail to determine highways' share. There was no consistent information about maintenance backlogs, since this information has only been published for DOT&PF as a whole (including facilities).
- Rural Airport Gaps: Operating Funds, Operating Budgets, Maintenance Budgets (Over Time and with More Accuracy), Work Backlogs.
 - Funding – Available data included federal funds received for capital projects (from the annual budgets); however, data related to state capital funds was not available. Revenue numbers were available.
 - Expenditures – Information on the capital budget was available for the most recent years. There was not enough information to ascertain what portion of the operating

budget went to rural aviation. There was an estimate of the maintenance budget for one year. An estimated backlog was not readily available.

- AIAS Gaps: Operating Funds, Maintenance Budget, Work Backlogs.
 - Funding – Data was readily available through independent financial reporting independent; however, some differences between the financial statements from AIAS and the budgets could not be reconciled. From the budget sources, state and federal funds for capital were available but not operating funds. (This could be addressed by using AIAS financial statements for operations, though there were some discrepancies.)
 - Expenditures – Data included actual operating expenses and budgeted capital expenses, but the maintenance budget was not specified, nor were any needs or work backlogs.
- AMHS Gaps: Work Needs Over Time.
 - Funding – Data was the most complete and consistent of any mode due to its separate financial reporting including capital funds from budgets, along with state operating funds and revenues.
 - Expenditures – Operating budgets were available; however, maintenance was not split out. There was also an estimate of work needs as of 2021.

Ideally, DOT&PF would collect information with sufficient detail to consistently provide, by mode and possibly region, the information delineated in Table 2.

Table 2 Recommended Financial Data Collection

Mode	Federal Funds	State Funds	Revenue	Total (All Sources)	Operating Budget	Capital Budget	Maintenance Budget	Total (All Uses)	Estimated Needs/ Backlog
2022 Total	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX
Highway	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X
Aviation	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X
AMHS	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X
Transit	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X
Railroad	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X	\$X

While allocation of administrative expenses and overhead to each mode could be challenging, developing a standard process would be beneficial from a managerial accounting perspective. For example, costs could be allocated based on each mode's total budget or total labor hours.

MAINTENANCE & OPERATIONS

Detailed information about maintenance and operations (M&O) funds and their allocation was not readily available; however, based on interviews with regional M&O staff, funding has decreased about 20 to 30 percent in the last five years and is not keeping up with the transportation system's needs. This has led to an increase in deferred maintenance, which is the postponement of building and equipment maintenance/upgrades from an entity's normal operating budget cycle due to a lack of funds.^{xvi} Approximately two-thirds of M&O funds are spent on highways and one-third on rural airports. While the state does own a number of remote harbors and ports of refuge, primarily in Southcoast Region, no M&O funds are used for that infrastructure. From an M&O perspective, state money from the General Fund has significantly greater flexibility than federal funds, because it allows all three DOT&PF regions to respond to maintenance needs as they arise. In addition to regular sources of M&O funds, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, which was signed into law in March 2020, provided \$14 million that was used in place of state M&O funds. There will be pressure in the future when these funds are no longer available, and the burden shifts back to state. Highway M&O activities that are now being funded include striping roadside clearing, crack sealing, and the pavement management program.

Highways

Table 3 delineates available financial data for highways. Budget information is sourced from the Alaska Office of Management and Budget for 2016 – 2021.^{xvii}

Table 3 Highway Funds, Revenue, Budget, & Estimated Needs, FY 16-21 (Millions of Dollars)

Year	Federal Funds ²	State Funds ²	Revenue ³	Total ⁴	Capital Budget ⁵	Operating Budget ⁶	Maintenance Budget ⁷	Estimated Needs ⁸
2016	\$924.12	\$16.7	\$1,928.4	\$942.75	\$940.82			
2017	\$1,018.2	\$21.05	\$1,928.4	\$1,041.18	\$1,039.25			
2018	\$608.5	\$57.5	\$1,928.9	\$667.94	\$666.0			
2019	\$708.5	\$14.43	\$1,929.4	\$724.86	\$722.93			
2020	\$728.5	\$10.69	\$1.7	\$740.9	\$739.2			
2021	\$688.3	\$11.54	\$1.78	\$701.6	\$699.8			

² Capital Only

³ Whittier Tunnel Revenues Only, Sourced from Annual Budget

⁴ Capital & Whittier Tunnel Revenues

⁵ Information was provided in a data request, but the project team could not reconcile differing amounts.

⁶ Insufficient information is available to determine operating budget by mode.

⁷ Estimates provided by Central and Northern Regions' M&O chiefs. No available information for South Coast Region.

⁸ Insufficient information to determine need for highways.

Aviation

ALASKA INTERNATIONAL AIRPORT SYSTEM (AIAS)

Table 4 delineates available financial data for the AIAS. Operating budget information is sourced from the AIAS Audited Financial Statements for 2016 – 2020.^{xviii}

Table 4 AIAS Funds, Revenue, Budget, & Estimated Needs, FY 16-21 (Millions of Dollars)

Year	Federal Funds ⁹	State Funds ²	Revenue ¹⁰	Total ¹¹	Capital Budget ¹²	Operating Budget ¹³	Maintenance Budget ¹⁴	Estimated Needs ¹⁵
2016	\$31.47		\$143.49			\$139.5		
2017	\$47.1		\$149.6			\$167.5		
2018	\$107.5	\$22.0	\$154.8		\$129.5	\$167.5		
2019	\$60.0	\$21.5	148.5		\$81.5	\$167.5		
2020	\$47.2	\$21.5	\$143.5		\$68.7	\$167.5		
2021	\$47.7	\$26.7			\$129.5			

⁹ Uses capital project summaries for 2018-2021. Years 2016-2017 from AIP Funding History FFY'95 through '20.xlsx received in response to 1/12/21 data request. (Note that 2018-2020 numbers in that spreadsheet do not agree with budget numbers.)

¹⁰ Uses the 1027 and 1112 funds. No such funds in 2016 and 2017 budgets.

¹¹ From Revenues & Operating UGF for LRTP - 01.28.2021.xlsx received in response to 1/12/21 data request. Data covered 2011-2020. Information for 2021 not available.

¹² No information for 2016-2017.

¹³ Insufficient information is available to determine operating budget by mode.

¹⁴ Maintenance not split out from operations in financial statements.

¹⁵ Insufficient information to determine needs for AIAS.

RURAL AIRPORTS

Table 5 delineates available financial data for rural airports.

Table 5 Rural Airports Funds, Revenue, Budget, & Estimated Needs, FY 16-21 (Millions of Dollars)

Year	Federal Funds ¹⁶	State Funds ¹⁷	Revenue ¹⁸	Total	Capital Budget ¹⁹	Operating Budget ²⁰	Maintenance Budget ²¹	Estimated Needs ²²
2016	\$138.2		\$5.8					
2017	\$129.6		\$5.3					
2018	\$140.0		\$6.3		\$140.0			
2019	\$140.0		\$6.6		\$140.0			
2020	\$140.0		\$6.9		\$140.0			
2021	\$140.0				\$140.0		\$25 – 26	>\$1,000.0

The rural airport system costs just over \$40M annually in routine maintenance and operations. Maintenance and operations activities, such as snow removal, are funded through the State General Fund. These activities, and their associated costs, are generally ineligible for federal Airport Improvement Program (AIP) funding. However, federal AIP funding is used for safety and snow removal equipment, as well as some other AIP-eligible maintenance projects (such as minor gravel resurfacing, dust control, visual aid replacement, brush cutting, painting and crack sealing pavement and obstruction removal). For Fiscal Year 2022, approximately \$9 million in eligible surface maintenance work and approximately \$9 million in eligible equipment costs are expected to be funded.²³

¹⁶ Capital Only. Uses capital project summaries for 2018-2021. Years 2016-2017 from AIP Funding History FFY'95 through '20.xlsx received in response to 1/12/21 data request. (Note that 2018-2020 numbers in that spreadsheet do not agree with budget numbers.).

¹⁷ Capital Only

¹⁸ From Revenues & Operating UGF for LRTP - 01.28.2021.xlsx received in response to 1/12/21 data request. Data covered 2011-2020; data not provided for 2021.

¹⁹ No information for 2016-2017.

²⁰ Insufficient information is available to determine operating budget by mode.

²¹ Estimates provided by Central and Northern Regions' M&O chiefs. No information for South Coast Region.

²² Michael Baker, Inc. estimate

²³ Information provided by Rebecca Douglas, DOT&PF Statewide Aviation System Planner.

Alaska Marine Highway System (AMHS)

Table 6 delineates available financial data for the AMHS. Operating budget information is sourced from the AMHS Financial Reports for 2016 – 2020, as 2021 is not yet available.^{xix}

Table 6 AMHS Funds, Revenue, Budget, & Estimated Needs, FY 16-21 (Millions of Dollars)

Year	Federal Funds	State Funds ²⁴	Revenue ²⁵	Total	Capital Budget ²⁶	Operating Budget ²⁷	Maintenance Budget ²⁸	Estimated Needs ²⁹
2016		\$99.5	\$47.76		\$4.5	\$145.19		
2017		\$120.3	\$46.4		\$21.5	\$134.9		
2018	\$222.0	\$115.0	\$48.3		\$261.5	\$142.0		
2019		\$121.7	\$51.2		\$15.55	\$140.9		
2020		\$68.98	\$29.99		\$19.55	\$94.65		
2021		\$20.3*			\$20.25			\$283.0

*Capital Only

Public Transit

²⁴ Operating funds include transfer from general fund, CBR, and motor fuel taxes. Consists of all of the line items between beginning and end of year fund balance lines, NOT INCLUDING reserves and year-end adjustments (for 2020 only).

²⁵ From 2016-2020 AMHS financial reports; 2021 not yet available. Also provided, not including restricted revenue amount (leading to a small difference in total), in Revenues & Operating UGF for LRTP - 01.28.2021.xlsx received in response to 1/12/21 data request. Data covered 2011-2020.

²⁶ Also received information from DOT&PF Capital Budget - State Funded Overview.xlsx received in response to 1/12/21 data request, but numbers are inconsistent with capital project summaries and data request omits federal funds (included in 2018). NOTE: AMHS capital spending handled by DOT&PF. Does not appear in AMHS financial reports.

²⁷ From 2016-2020 AMHS financial reports; 2021 not yet available.

²⁸ Maintenance costs not broken out in financials, so no information available.

²⁹ Total of \$283,000,000 based on: "Approximately \$45 million needed for steel repair work and overhaul." Source: https://dot.alaska.gov/amhs/fleet/fleet_status.shtml. Accessed September 30, 2021. Official 2020-2023 STIP, Need 30189, AMHS Tustumena Replacement Vessel, After2023, \$ 238,144,450. Source: <https://dot.alaska.gov/stwdplng/cip/stip/assets/STIP.pdf>. Accessed September 30, 2021.

Table 7 delineates available financial data for the public transit providers in Alaska. Federal funding information is sourced from the Federal Transit Administration.^{xx} There is no known state funding for public transit, nor is public transit included in the state operating budget nor maintenance budget. The project team was unable to find or estimate transit needs.

Table 7 Public Transit Funds, Revenue, Budget, & Estimated Needs, FY 16-21 (Millions of Dollars)

Year	Federal Funds	State Funds	Revenue	Total	Capital Budget	Operating Budget	Maintenance Budget	Estimated Needs
2016	\$64.5			\$64.5	\$0.75			
2017	\$54.5			\$54.5	\$1.0			
2018	\$65.6			\$65.6	\$1.0			
2019	\$64.1			\$64.1	\$0.5			
2020	\$218.1			\$218.1				
2021	\$81.8			\$81.8				

Railroads

The Alaska Railroad Corporation (ARRC) primarily generates revenue from cargo and passenger fees, in addition to funds received from FTA grants. In FY 2020, freight revenue of \$73.6 million was the largest revenue item, followed by \$52.6 million of grant funds and \$3.3 million of passenger revenue, due to ridership being depressed from COVID-19. In the more typical year of 2019, freight accounted for just under half of the \$177.6 million revenue at \$85.3 million, with FTA grants of \$52.1 million and passenger revenue of \$39.6 million. In addition to user fees, ARRC generates revenue from leasing its land. In 2019 and 2020, net real estate income was \$14.0 million and \$10.4 million, respectively.

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