



January 27, 2025

The Honorable Governor Mike Dunleavy
Office of the Governor
P.O. Box 110001
Juneau, AK 99811

**RE: State of Alaska DOT Highway and Airport Construction Program--
Recommended Improvements in Getting Projects Out to Bid for 2025 Field
Season**

Dear Governor Dunleavy,

The Associated General Contractors (AGC) and American Council of Engineering Companies of Alaska (ACEC) represent hundreds of businesses across the state of Alaska and informally advocates for their employees and families. Our organizations are compelled to address the concerning shortfall in the 2025 Federal Highway and Federal Airport construction program, which has fallen alarmingly below both expected and necessary levels. Our members, along with their employees and families, rely heavily on these programs, and immediate action is crucial to mitigate the negative impacts anticipated in the coming months if we don't get work on the street. Our intent is not to assign blame; rather, we aim to propose actionable steps to prevent future declines in construction programs.

Federal Highway and Aviation programs were authorized by the Legislature at approximately \$1.6 billion for FY 2025. Regrettably, in Q1 of FFY25, the Department of Transportation (DOT) has only succeeded in advertising approximately \$93 million in construction bids. The number of awarded projects is disappointingly lower, falling far short of the authorized funding levels. A continued failure to allocate these funds immediately could force long-established contractors to contemplate closing their businesses, and for some, bankruptcy may be the unfortunate outcome.

To address the shortfall in projects out on the street, AGC & ACEC recommend the following:

1. Prioritize passing a supplemental capital budget request ahead of the operating budget and commit a portion of state funds (suggest \$300 million) to expedite the initiation of projects and get them on the bid agenda as soon as possible to salvage the 2025 construction season.
2. Provide DOT with the match necessary to maintain a consistent highway and airport construction program at an estimated \$1.3B through program



funding, discretionary grant opportunities, and state funded projects. The match should be flexible enough to allow DOT the ability to hire temporary employees and contractors, if necessary, to get projects out to bid.

3. Ensure DOT submits timely and fully compliant Statewide Transportation Improvement Program (STIP) amendments required to fully capture the \$126M of Federal Highway Administration (FHWA) funds estimated to be available to Alaska for August redistribution. This would be a historically high number for Alaska, and it is imperative that DOT has a proactive plan to obligate projects eligible for this funding so that it is not released to other states, as happened last year when we only secured \$19.3 million.

We urge you to provide additional resources and oversight for DOT to ensure that all available federal funds are secured and spent for construction projects in the 2025 federal fiscal year. Sources of funding include existing appropriations for Federal Aviation and Federal Highway match, funds not spent for vacant positions in DOT, and/or new general funds estimated by the commissioner as sufficient for this purpose. Suggest \$5 million per region. Solutions and suggestions for consideration include:

1. Formation of STIP management/acceleration teams: Teams would consist of one STIP attorney, two permitting and/or design professionals, and one seasoned project delivery professional from each region. Their focus would be to unblock issues with the STIP or other challenges to delivering the years' program (including environmental and right of way issues) to get projects moving to the finish line and out for bid in time for the 2025 construction season.
2. Hiring temporary positions or the private sector to help get projects to the finish line and out to bid in time for the 2025 construction season.
3. Establishing a project delivery plan that is publicized by October 1 each year for that federal fiscal year, and including contingency projects that can be in place should the planned projects slip.
4. Regular reports and updates to our industry about DOT's intent to apply for discretionary grants and projections for how these could impact the construction program over the next three years. Consistent, timely updates to the tentative advertising dashboard.
5. Developing and committing to a regular schedule of STIP submittals and updates to the Aviation Improvement Program (AIP).



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- a. STIP amendments should be done on a regular basis, and there needs to be an efficient means to facilitate one-off amendments to address one or two critical project issues quickly. That said, STIP amendments should focus on adjustments to the projects that have already been committed to in the STIP, rather than wholesale changes with each amendment, which creates uncertainty.
- b. AIP does not require a public comment process as the STIP does, but is still hundreds of millions of dollars our industry relies on annually.
- c. Regular STIP amendment and AIP schedules will improve state capital budget planning for matching funds, and improve coordination with local MPOs whose planning documents must mirror the STIP.

This is an alarming and unprecedented circumstance for our industry and the Alaskan economy, especially considering the tremendous potential amount of federal funding our state has the opportunity to receive during this historic period of infrastructure funding available at the federal level. If left unresolved, our skilled Alaskan workforce could be left with no option but to leave the state and go elsewhere. The Alaska public, design and contracting communities, including subcontractors, DBEs, suppliers, and their families, heavily depend on Alaska DOT&PF's ability to deliver a stable and reliable construction program.

We would greatly appreciate the opportunity for an in-person meeting at your earliest convenience to discuss these recommendations in further detail.

Thank you,

Alicia Amberg, Executive Director
AGC of Alaska

D. Michael Rabe, PE, President
ACEC of Alaska