

Sean—thanks for your patience. Here are the responses to the additional questions:

1. What impact has the partially-approved STIP played in Alaska's construction outlook for 2025?

No impact, all planned 2025 construction is in the current approved STIP.

2. Does DOT accept that its management of the STIP — and the department itself — has partly led to this situation?

There has been quite a bit of misinformation surrounding the STIP.

Managing the federal program—exceeding \$1 billion annually and involving collaboration with multiple federal agencies, complex permitting processes, and a myriad of regulatory requirements to address our state's diverse needs—is a formidable endeavor. It is understandable that topics such as August Redistribution and Advance Construction command significant attention from stakeholders seeking a deeper understanding of these processes. We will continue to collaborate regularly with our industry partners such as AGC and ACEC, both locally and nationally, to gather input and enhance processes and outcomes.

3. DOT "anticipates a strong season." Why does AGC and ACEC say it faces an "alarming and unprecedented" circumstance for the construction industry?

I am not familiar with the AGC forecasting methods. DOT&PF has the clear, real-time picture of what's coming, what's possible, and what can be done to impact/accelerate projects. At this point, department projections indicate the 2025 transportation (highway, bridges, trails, marine highway, aviation) construction season will see an estimated \$900 million in construction awards, an increase from the previous year.

To date, in the current Federal Fiscal Year (FFY25) (Oct. 1, 2024 to Feb. 3, 2025:

- The department has awarded \$176M in construction contracts
- The department has issued \$251M in contractor payments.

4. Why is DOT's forecast for the 2025 construction season \$300 million higher than AGC's outlook for the year?

I am not familiar with the AGC forecasting methods. This question would be most appropriate for AGC.

5. Has the department analyzed the "actual data"? Is yesterday's press release the update to that statement?

Correct. At this point, department projections indicate the 2025 transportation construction season will see an estimated \$900 million in construction awards, an increase from the previous year.

While the overall outlook is positive, the department recognizes that timing of contract awards, and project delivery uncertainty, are challenges that persist. Key issues affecting project delivery include inflationary impacts that have elevated material and labor costs; delays in federal fund distribution affecting the construction window; constraints in procuring Buy America/Build America (BABA)-compliant materials; and protracted right-of-way acquisition processes. It's clear that a primary concern is that projects scheduled for later delivery in the construction season leave insufficient time for meaningful work to be completed on our highways and airports during the upcoming season.

If you are interested, here is how we are addressing contract award timing and project delivery challenges:

Inflationary Impacts on Construction Costs – Rising material and labor costs have outpaced revenue growth, limiting project funding and reducing the number of projects we can implement. To address this, the department is actively working to sequence larger projects into smaller, more manageable stages, creating more opportunities for Alaska-based contractors to participate competitively.

Timing of Federal Fund Distribution – Delays in FHWA and FAA grant releases, particularly during the latter half of FFY2024, affected project schedules, compressing the construction window for Alaska's seasonal environment. Many projects are scheduled for obligation and advertisement later in the fiscal year due to the way federal funding is distributed. For this year, we are working to leverage financial tools such as advanced construction and accrued unbilled, allowing projects to move forward without waiting on federal funding release schedules.

Buy America/Build America (BABA) Compliance – Supply chain constraints on BABA-compliant utility materials are delaying procurement, project execution, and critical infrastructure improvements. We are working closely with utility companies and local governments to find ways to move projects forward considering the challenges. We are also working directly with AGC Steering Committees on overall contractor challenges with the BABA rules.

Right-of-Way Acquisition Delays – Prolonged federal land acquisition processes have further constrained project timelines. Right-of-way acquisition is also contributing to project delays, particularly when securing easements on federal lands. We are taking steps to communicate directly with Federal agency leadership regarding the challenges and asking for direct involvement.

To address the overall concerns with contract award timing, DOT&PF is increasing 2025 project delivery resources by focusing staff and contractor support to address current project needs. This also includes a focus on collaborative partnerships with industry stakeholders, utilities, and regulatory agencies to resolve critical issues such as Buy America/Build America (BABA) compliance and delays in federal right-of-way acquisition.

