

To: House Finance Committee Co-Chairs, Representatives Stoltze and Thomas

Senate Finance Committee Co-Chairs, Senators Stedman and Hoffman

From: Scott Goldsmith, Institute of Social and Economic Research

Subject: KABATA Population Projections

Date: April 4, 2011

I am the author of the ISER (Institute of Social and Economic Research of the University of Alaska Anchorage) population projections of the Matsu Borough for KABATA (2005) and more recently the Highway to Highway Project (2009).

I am writing out of concern that information about those projections and their use in forecasts of KABATA toll revenues presented in KABATA documents and testimony over HB158 and SB 79-80—(Knik Arm Bridge and Toll Authority) is incomplete and misleading.

First, the economic viability of KABATA depends on tolls, which depends on trips, which depends on population. Since we don't know what population numbers drive the analysis we cannot judge the economic viability of the project.

Without a clear statement from KABATA about what population projection numbers they are using, and how they are using them, it is impossible to judge the quality of their analysis and the economic viability of their project. KABATA documents have never clearly indicated what numbers they are using. I am concerned that important decisions are being made without this crucial information and that the ISER work may be misrepresented.

The Wilbur Smith Associates (WSA) February 25, 2011 letter to Andrew Niemiec entitled **Proposed Knik Arm Bridge Traffic and Toll Revenue Update Study** purports to use the 2009 ISER population projection as well as those from other analysts, but inexplicably the Study does not present any population numbers. It is thus impossible to verify what numbers were actually used, and more importantly how they drive the prediction of tolls.

This only adds to the confusion around the prediction of toll revenues that was in the original WSA study done in 2007 (**Proposed Knik Arm Bridge Final Traffic and Toll Revenue Forecast** and July 27, 2007 letter to Darryl Jordon entitled **Updated Traffic and Revenue Forecasts**). That study contained 2 very different sets of population projections—the 2005 ISER projection and a much higher projection created by Insight Research Corporation from Dallas, Texas. As with the Update Study, it is impossible to verify what population numbers were actually used in the prediction of tolls.

The Insight Research Corporation projections produce an estimate of Matsu population growth between 2010 and 2030 that is 43% higher than the ISER (and Alaska Department of Labor) projections. We need an unequivocal and independently verifiable presentation of the analysis to determine what the population growth assumptions really are.

Second, the incorporation of the 2010 population count for the Matsu Borough—as discussed by KABATA in its March 24, 2011 testimony to the House Transportation Committee--does not invalidate the ISER projection and more importantly it does not change the forecast of toll revenues.

The 2010 Census population figure for the Matsu Borough was 88,995, 11% higher than ISER (2009) and also considerably higher than ADOL official population figures for the immediately preceding years which were used to calibrate the ISER projections. Revising the ISER projection upward in the base year of 2010 would increase subsequent year population estimates by 11% but would not change the projected growth rate of the population in subsequent years.

However this would not lead to an 11% increase in predicted toll revenue if accurate information exists about the actual number of trips generated in 2010. If the number of trips is accurate, but the population is underestimated by 11%, it means that the estimate of the number of trips per person is about 11% TOO HIGH. With accurate population information, the ratio of trips to population would fall by 11%. Consequently the predicted toll revenues would not be impacted by a recalibration to the census population figure.