

House Finance Subcommittee

Department of Transportation & Public Facilities

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Departmental Re-Organization
AMHS Operating Budget

February 10, 2026



KEEP ALASKA MOVING

Department Organizational Changes

Statutory Mandate: **UNCHANGED**

DOT&PF's statutory mission under AS 19.05.125 has not changed.

The Department remains responsible for planning, constructing, maintaining, and operating transportation and public facilities that:

- Connect communities statewide
- Support commerce, industry, & resource development
- Improve the economic & general welfare of Alaskans

Operating Environment: **CHANGED**

The scale, complexity, cost, and oversight of Alaska's transportation system have increased significantly.

Delivering this mission now requires:

- Clearer accountability for decisions and outcomes
- Stronger coordination across functions & regions
- More disciplined use of limited financial & workforce resources
- Reduced delivery, compliance, & asset stewardship risk

AS 19.05.125. Purpose. *“carrying out a highway planning, construction, and maintenance program that will provide a common defense to the United States and the state, a network of highways linking together cities and communities throughout the state (thereby contributing to the development of commerce and industry in the state, and aiding the extraction and utilization of its resources), and otherwise improve the economic and general welfare of the people of the state.”*

From Principles to Structure

Two Alaska-Wide Functional Organizations

Functions own decisions; regions execute delivery.

Geography remains how work is delivered | Functions define how work is governed, prioritized, and optimized.

Infrastructure Development

Accountable for planning, preconstruction, and construction statewide.

Maintenance & Operations

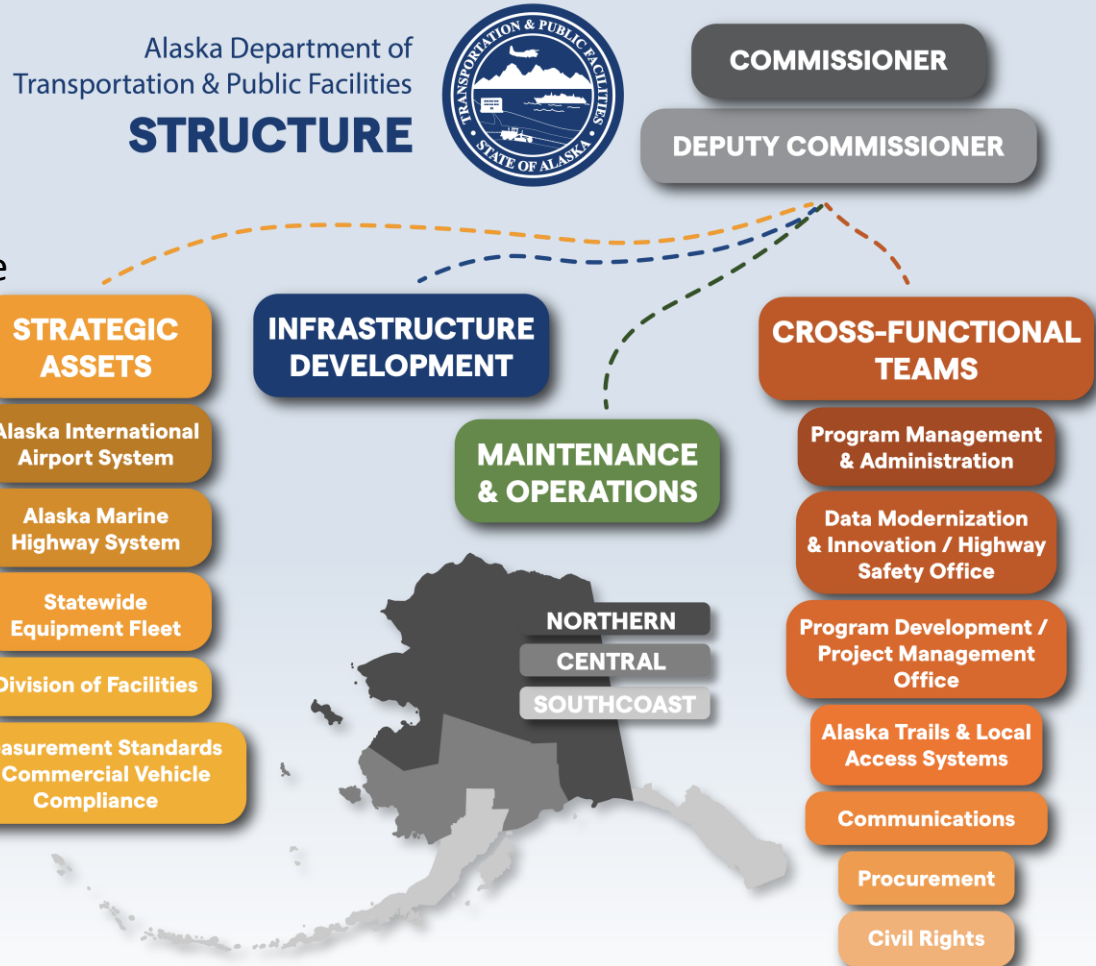
Accountable for long-term asset performance and system reliability statewide.

Moving from region-based leaders who manage multiple functions, to function-based leaders who operate statewide - each supported by regional execution teams.

The Key Structural Shift

Before: Regions owned both *what* decisions were made and *where* work was delivered.

After: Functions own *what* decisions are made. Regions focus on *where and how* work is delivered.



Maintenance and Operations

What's Changing—and What's Not

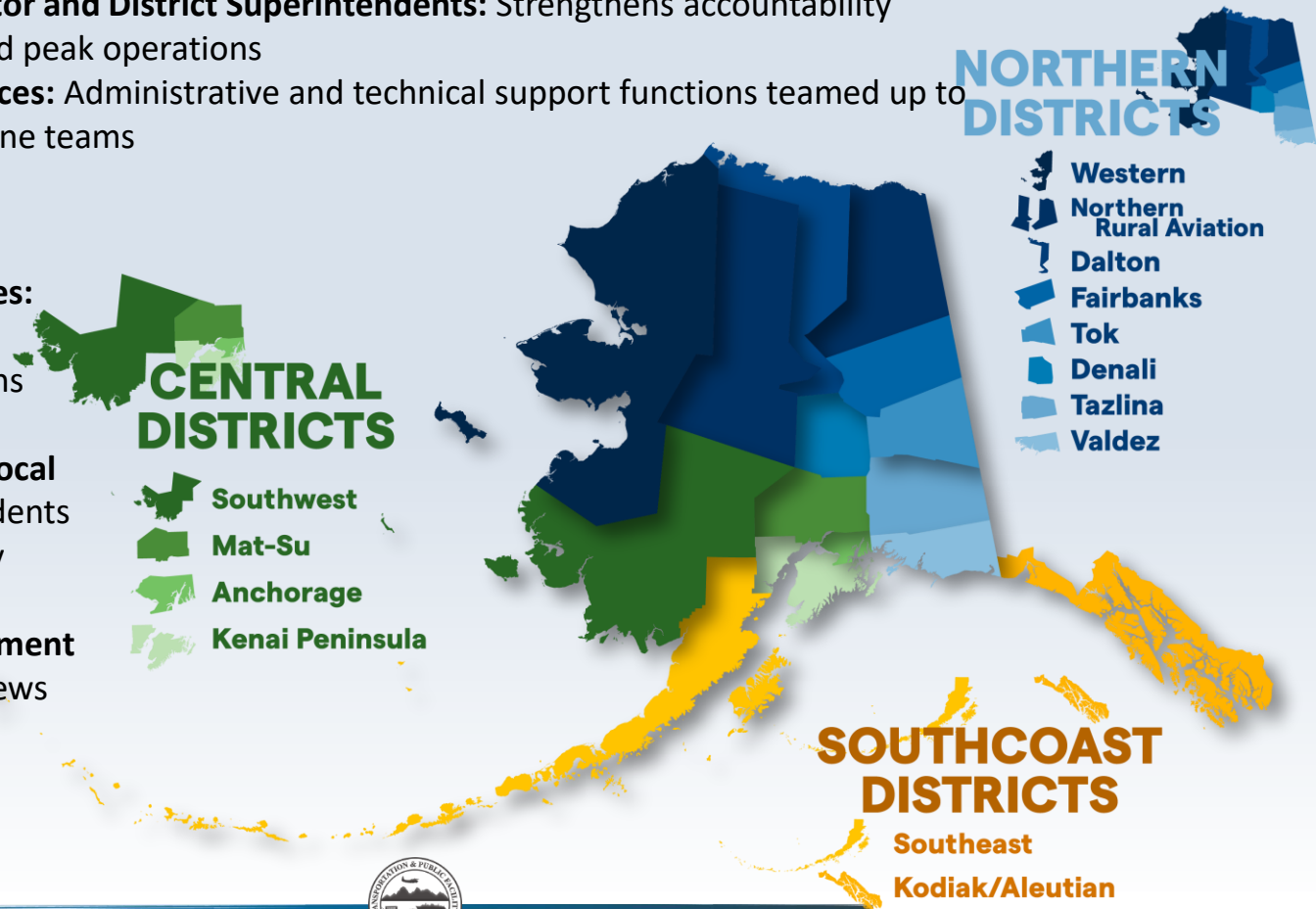
Our goal: Strengthen teamwork across Alaska while preserving local execution.

Changing

- **Single Statewide Maintenance & Operations Director:** Provides clear statewide leadership for readiness, standards, and coordination
- **Clear Authority Between Director and District Superintendents:** Strengthens accountability during storms, emergencies, and peak operations
- **Aligned Regional Support Services:** Administrative and technical support functions teamed up to better serve districts and frontline teams

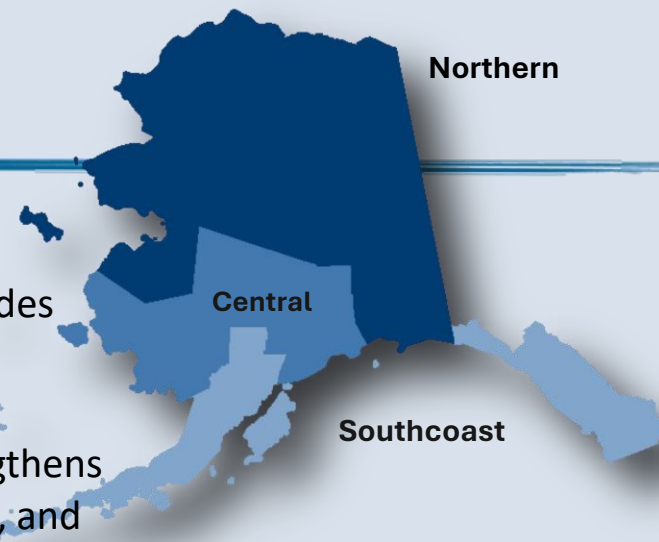
Not Changing

- **Geographic District Boundaries:** The districts within Northern, Central, and Southcoast regions remain intact
- **District-Level Authority and Local Decision-Making:** Superintendents retain authority for day-to-day operations
- **Frontline Staffing and Deployment Models:** No change to how crews are assigned, scheduled, or deployed



Infrastructure Development

What's Changing—and What's Not



Changing

- **Single Statewide Infrastructure Development Director:** Provides clear leadership across project development, preconstruction, and construction
- **Aligned Preconstruction and Construction Leadership:** Strengthens coordination between planning, design, environmental, right-of-way, and construction
- **Clear Lifecycle Authority and Accountability:** Improves decision-making from early development through construction delivery
- **Statewide Teaming and Resource Sharing:** Enables flexible use of expertise and specialized resources across regions
- **Consistent Statewide Business Practices:** Establishes common standards and processes while allowing regional flexibility

Not Changing

- **Regional Boundaries and Local Delivery:** Projects continue to be delivered by regionally based staff.
- **Local Knowledge and Relationships:** Regional expertise remains central to project execution.
- **Federal Oversight and Compliance:** All federal requirements, controls, and accountability mechanisms remain unchanged.

Fiscal Context

Alignment in a Constrained Environment

FY2026 UGF Reduction

-12.2%

**Highways & Aviation vs.
FY2025**

*Absorbed through alignment and
realignment not service
reductions.*

Fiscal Context for the Reorganization

- Flat or declining UGF amid rising construction and workforce costs
- Federal funds amplify the importance of disciplined delivery and match capacity
- Organizational alignment prioritizes coordination, consistency, and accountability—not organizational growth
- Resource sharing reduces duplication and protects frontline services

Strategic Budget Response

- Position transfers and realignments streamline statewide support services
- Budget adjustments reflect reallocation - not expansion of mission or scope
- Shared services preserves departmental responsibility for outcomes

Organizational alignment is how DOT&PF protects service and assets in a constrained fiscal environment.

Staffing Changes — What Actually Happens

FY2027 Governor's Proposed Budget

Net Reductions (Savings) in Governor Proposed FY2027 Budget \$3,740.1

Total Positions	Positions Deleted	Workforce Impact	Estimated ongoing savings	24 Total Positions Deleted	
3,453	24	< 1% of DOT&PF	\$3.74 million	Currently Filled	10
				Currently Vacant	14
				Deleted Positions Breakdown	
				Partially Exempt (3 in Commissioner's Office)	6
				General Government Unit (GGU)	14
				Supervisory Unit (SS)	4

Internal Realignments (No Net Change in Positions)

Realignments

- 91** positions aligned to two statewide support functions:
 - Design, Engineering & Construction Support Services
 - Highways & Aviation Support Services
- 8** positions moved to establish the Highway Safety Office (HSO)
- 1** Division Director reassigned to support AMHS internal capacity

Purpose

- Align support services with Infrastructure Development and M&O
- Strengthen safety and delivery consistency
- Improve statewide coordination



Returning Accountability and Capacity to DOT&PF

Correcting fragmented responsibility under shared services.

DOA → DOT&PF

Payroll Services

17 positions returned from DOA → DOT&PF

Improves payroll accuracy and issue resolution

Budget authority never left DOT&PF

Accounting Services

5 positions returned from DOA → DOT&PF

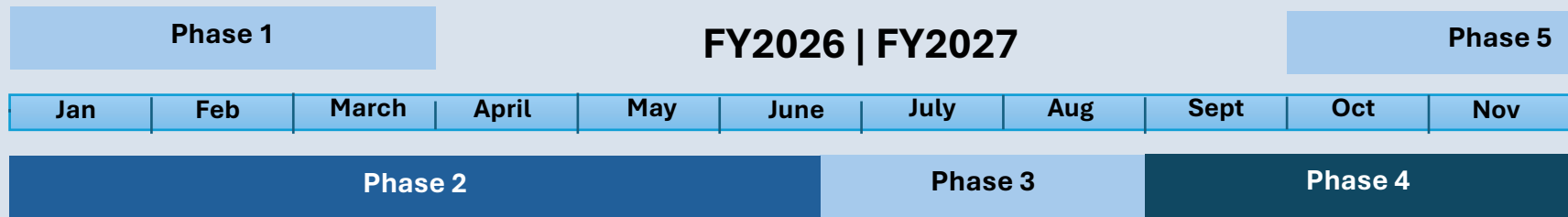
Departments are responsible for timely, accurate financial processing

Budget authority never left DOT&PF

This approach has already been successfully implemented within DOT&PF through the return of Alaska Marine Highway System payroll functions, resulting in improved accuracy and issue resolution.

What Comes Next: Implementation Timeline

Service Continuity is Prioritized at Every Phase



Phase 1 — Early Transition | Underway

- Transition begins as vacancies occur
- Positions filled into the new organizational structure

Phase 2 — Team Work Sessions & Design Validation | Underway

- Structured work sessions with managers and staff
- Clarify roles, workflows, and handoffs
- Identify issues early and adjust before full implementation

Phase 3 — Formal Alignment & Position Transfers | Summer 2026

- Complete position transfers and reporting alignments
- Stand up statewide support functions
- Confirm accountability and decision-making authority

Phase 4 — Operational Stabilization | Fall 2026

- Monitor workload, service levels, and responsiveness
- Resolve transition issues quickly
- Ensure systems, payroll, and project support are stable

Phase 5 — Execution Focus | FY2027 and Beyond

- Focus on delivery, maintenance, and asset stewardship
- Continuous improvement within the aligned structure

Implementation will be monitored by department leadership with adjustments made within the aligned structure.



Authorization

Infrastructure Investment and Jobs Act (IIJA) - November 15, 2021

Section 71103 of the Infrastructure Investment and Jobs Act (IIJA) allocated \$1 billion over five years to the Ferry Service for Rural Communities Program, providing \$200 million annually for competitive grants meeting the programs criteria defined in IIJA.

“(2) ELIGIBLE SERVICE.—The term “eligible service” means a ferry service that—(A) operated a regular schedule at any time during the 5-year period ending on March 1, 2020; and (B) served not less than 2 rural areas located more than 50 sailing miles apart.”

The precise amount available for program awards annually under Section 71103 of the IIJA is \$195,980,000 annually after set asides.

The program also received five years of advance appropriations, meaning it was created and fully funded in the same bill.

Past Timelines: 2022 Awards

Awards focused on modernizing vessels, replacing the Tustumena, dock infrastructure, and operating costs.

Grant Award Year	Project Description	Federal Amount
2022	The Alaska Department of Transportation & Public Facilities will receive funding to build a new ferry to replace a nearly 60-year-old vessel. The new vessel, which will feature a diesel-electric propulsion system, will serve rural southwest Alaska.	\$68,488,384
2022	The Alaska Department of Transportation & Public Facilities will receive funding to plan for the replacement of aging ferry vessels with diesel-electric hybrid vessels and develop the functional design of a new vessel.	\$8,591,616
2022	The Alaska Department of Transportation & Public Facilities will receive funding for the operation of the Alaska Marine Highway System, which runs 3,500 miles and serves 35 communities that face low transportation access and high transportation costs. The funding will strengthen the ferry system and help improve the quality and reliability of ferry service.	\$44,823,800
2022	The Alaska Department of Transportation & Public Facilities will receive funding to modernize four Alaska Marine Highway System (AMHS) vessels, ensuring reliable service, improving state of good repair, and continuing quality transit services. AMHS provides year-round, scheduled ferry service throughout Southeast and Southwest Alaska, extending south to Prince Rupert, British Columbia and Bellingham, Washington.	\$72,065,545
2022	The Alaska Department of Transportation & Public Facilities will receive funding to upgrade the dock infrastructure in five rural Alaskan communities. The upgrades will allow ferries to continue service to three small, disadvantaged, rural communities and two rural hub communities, including replacing 40-year-old infrastructure at the Auke Bay Ferry Terminal. The upgrades will also allow the facilities to accommodate additional ferries, allowing for expanded and uninterrupted service.	\$45,483,214
	Total 2022 Awards to Alaska:	\$239,452,559

Total Rural Ferry Program awards in 2022 nationwide: **\$252,417,559**



Past Timelines: 2023 Awards

Awards focused on replacing the Tustumena and operating costs.

Grant Award Year	Project Description	Federal Amount
2023	The Alaska Department of Transportation & Public Facilities will receive funding to improve operations on the Alaska Marine Highway System, which runs 3,500 miles and serves more than 30 communities with limited transportation options and high costs. The funding will improve the condition and quality of passenger ferry service -- including vessels and workforce -- as well as add service to remote communities.	\$38,511,041
2023	The Alaska Department of Transportation & Public Facilities will receive funding to build a new ferry to replace a nearly 60-year-old vessel. The new vessel, which will feature a diesel-electric propulsion system, will serve rural southwest Alaska.	\$92,786,400
	Total 2023 awards to Alaska:	\$131,297,441

Total Rural Ferry Program awards in 2023 nationwide: **\$170,047,441**

Past Timelines: 2024 Awards

Awards focused on enhancing Wi-Fi connectivity on vessels and in terminals, replacing the Tustumena, and operating costs.

Grant Award Year	Project Description	Federal Amount
2024	The Alaska Department of Transportation & Public Facilities will receive funding to install system-wide wireless connectivity to its ferry vessels to allow access to the internet between ports. The project will enhance the travel experience for customers and improve operational efficiency for the entire ferry system.	\$5,000,000
2024	The Alaska Department of Transportation & Public Facilities will receive funding to build a new ferry to replace a 60-year-old vessel. The new ferry, which will feature a diesel-electric propulsion system, will serve rural southwest Alaska.	\$106,418,096
2024	The Alaska Department of Transportation & Public Facilities will receive funding to improve operations on the Alaska Marine Highway System, which runs 3,500 miles and serves more than 30 communities with limited transportation options. The federal support will add service to remote communities and improve the condition and quality of passenger ferry service.	\$66,050,400
	Total 2024 Awards to Alaska:	\$177,468,496

Total Rural Ferry Program awards in 2024 nationwide: **\$194,036,496**



Successes and Benefits to Alaska

Grant Awards to Date: \$548M

Type of Award	Totals	# of Awards
Operating Funds	\$149,385,241	3
Capital Funds	\$398,833,255	7

Total Rural Ferry Program awards to date nationwide: \$616,501,496*

*Includes IIJA and funding from The Consolidated Appropriations Act of 2024

Notable Projects:

- Tustumena Replacement Vessel Construction
- Tazlina Crew Quarters Construction
- Mainliner Replacement Vessel Design
- Auke Bay Ferry Terminal East Berth Mooring Rehabilitation
- Angoon Ferry Terminal Rehabilitation
- Kake Ferry Terminal Rehabilitation
- Pelican Ferry Terminal Reconstruction

This program also prompted the creation of the Alaska Toll Credit Program, saving the State over \$66M in match funds to date.



Operating Budget

Current Year: CY2026

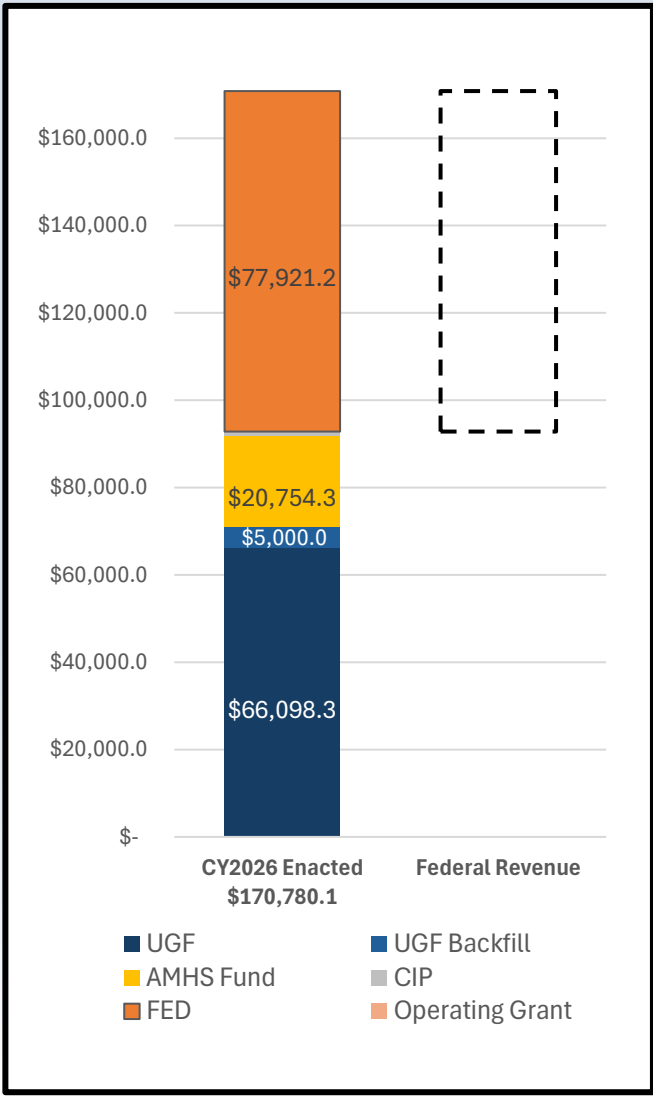
**CY2026 Operating Budget:
\$170,780.1**

**CY2026 Federal Revenue Required:
\$77,921.0**

**Federal Revenue is 45.6% of
Total Operating Budget**

**UGF from the Operating Budget
is used to match federal funds**

(\$ in thousands)



Past Timelines and Communication

Notice of Funding Opportunity (NOFO)

An estimated \$410M are still available to be granted

FY2022

NOFO: Federal Register Notice published July 11, 2022 (87 FR 41168)

Award Announcement: FTA Press Release Jan. 26, 2023

Duration: 199 days

FY2023

NOFO: Federal Register Notice published May 18, 2023 (88 FR 31845)

Award Announcement: FTA Press Release Nov. 30, 2023

Duration: 196 days

FY2024

NOFO: Federal Register Notice published Apr. 17, 2024 (89 FR 23632)

Award Announcement: FTA/DOT Press Release Sept. 16, 2024

Duration: 152 days

Thank You.

Commissioner Ryan Anderson, P.E.

Dom Pannone, Director, Program Management and Administration

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Cover photos by Alaska DOT&PF Staff:

Sunset departure, Anchorage International Airport. By Christopher Cummins

Alaska Range from the Richardson Highway. By Dennis Bishop

Aboard the MV LeConte sailing Lynn Canal to Juneau from Haines. By Andrea Deppner

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