

Proposal Consideration:

For Consideration in House Finance: Language Section Amendment

Add subsection to Fund Capitalization language sections as follows:

Sec. __ The sum of \$80,000,000 is appropriated from the general fund to the Alaska Marine Highway System Fund (AS 19.65.060).

EXPLANATION: This Fund Capitalization appropriation would provide forward funding of Alaska Marine Highway System (AMHS) for FY19 and allow the agency to publish a schedule with a known budget.

This would forward to the full House Finance Committee a proposal to fund the operations budget of AMHS for FY19 at the Governor's proposed FY18 levels by capitalizing the Alaska Marine Highway System Fund with \$80 million.

In order to support operating schedules, the Department of Transportation and Public Facilities (DOT&PF) and Southeast Conference have identified forward funding as a top priority for the AMHS.

Over the last several years, uncertainty regarding whether AMHS could afford to sail its scheduled calendar has caused a loss of ridership and revenue. User groups of AMHS need to be confident that reservations in the system will sail as planned to line up with other segments of their trips. Forward funding will provide certainty in scheduling, allow AMHS to market ahead, and will potentially result in increased ridership and revenue.

The FY18 operating plan has already been cut to the point where there is a 6 week gap in service to Prince Rupert, as well as corresponding reductions to subsequent port of calls along that route. DOT & PF estimates that even a cut of \$1 million from the FY18 proposed budget could result in significant gaps in service of up to 5-6 weeks in Southeast Alaska and Prince William Sound.

Although forward funding represents a large upfront cost, it will guarantee a critical service to coastal communities and provide potential overall savings in the form of increased ridership and revenues.