



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

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The Honorable Jesse Bjorkman  
Chair, Senate Transportation Committee  
Alaska State Capitol, Room 427  
Juneau, AK, 99801

*Delivered via email to [Senate.Transportation@akleg.gov](mailto:Senate.Transportation@akleg.gov)*

Dear Senator Bjorkman:

Thank you for the opportunity to present to the Senate Transportation Committee on January 23, 2025, and we appreciate the to respond to the questions posed by the committee.

### M/V Matanuska

In response to Senator Stedman's inquiry regarding the holding costs of the Matanuska vessel, the Department of Transportation and Public Facilities (DOT&PF) has assessed the average monthly expenses incurred while it remains docked. The primary cost categories include electrical use, fuel, parts and maintenance, and shipyard support. The estimated monthly cost is \$56,404, which equates to approximately \$676,848 per year. This total includes:

- Electrical: \$15,553 per month
- Fuel: \$28,916 per month (based on 86,749 gallons annually at \$4.00 per gallon)
- Parts/Supplies/Repairs/Maintenance: \$7,769 per month
- Shipyard Support: \$4,167 per month (from an open contract valued at \$50,000 per year)

It is important to note that employee labor costs are not included in these figures. Additionally, regarding the question about installing a sprinkler system to repurpose the vessel for housing, there is currently no formal request to add a sprinkler system to the Matanuska for housing purposes at this time.

### Vacancy Rate across DOT&PF

In response to Senator Tobin's question regarding the overall job vacancy rate across DOT&PF, as of January 15, 2025, the department's overall vacancy rate is 14.6 percent, based on the Alaska Budget System reports 1815 and 1816, which reflect FY2026. A detailed breakdown of vacancy rates by department and component is attached for reference. The department remains committed to addressing staffing challenges through targeted recruitment and retention strategies to ensure continuity in operations and services statewide. We have not yet been able to obtain definitive data on vacancy rates at other state transportation departments.

### Breakdown of AMHS Capital and Operating Investments

The total capital and operating expenditures for the Alaska Marine Highway System (AMHS) over the four-year period federal fiscal year (FFY) 2024-2027 in the Statewide Transportation Improvement Program (STIP) amount to \$1,094,433,729. This figure includes investments in ferry terminal rehabilitations, vessel refurbishments, fleet replacements, emissions reductions, and operating assistance for rural communities.

#### Major Vessel and Fleet Investments (Not including standard maintenance and overhaul)

- Marine Vessel (M/V) Tustumena Replacement Vessel – \$345,488,473
- M/V Mainliner Replacement Vessel – \$48,207,609
- Low No Emission Shuttle Ferry – \$57,767,510
- M/V Columbia Controllable Pitch Propeller – \$14,099,751
- M/V Kennicott Emissions and Exhaust – \$25,182,561
- M/V Tazlina Crew Quarters – \$20,567,846
- Ferry Refurbishment – \$13,250,000
- Inter-Island Ferry Authority Ferry Refurbishments – \$16,694,463

#### Terminal and Shoreside Facility Investments

- Auke Bay Ferry Terminal East Berth Mooring Rehabilitation – \$16,780,132
- Chenega AMHS Ferry Terminal Reconstruction – \$14,225,127
- Kake Ferry Terminal Rehabilitation – \$9,052,442
- Pelican Ferry Terminal Replacement – \$23,725,329
- Tatitlek AMHS Ferry Terminal Rehabilitation – \$12,222,726
- Yakutat Ferry Terminal Reconstruction – \$3,223,071
- Skagway Ferry Terminal Modifications – \$6,000,000
- South Tongass Ferry Terminal – \$750,000
- State-Owned Shipyard Repairs – \$2,091,815

#### Operational Support and Surveys

- Ferry Service for Rural Communities Operating Assistance – \$431,597,431
- Fleet Condition Surveys – \$1,200,000
- Shoreside Facilities Condition Surveys – \$1,440,000

### Tustumena Replacement Vessel (TRV)

DOT&PF is revising its procurement strategy for the Tustumena Replacement Vessel (TRV) by transitioning from a Construction Manager/General Contractor (CMGC) approach to a Design-Bid-Build (DBB) approach. This shift is driven by the need to streamline procurement, reduce integration risks, and ensure compliance with Buy America requirements. Under the previous CMGC approach, the separate Trident contract for the vehicle elevator, introduced significant delays, particularly due to the lengthy process of certifying Buy America compliance for owner-furnished equipment. By canceling this contract and incorporating the vehicle lift fabrication within the shipyard contract, DOT&PF eliminates approximately five months of delays, simplifies administrative oversight, and ensures that liability and warranty responsibilities remain with the shipyard. Additionally, shipyards have confirmed their capability to fabricate the vehicle lift, further supporting this transition.

Under the revised DBB procurement schedule, the Request for Proposals (RFP) is set for release in October 2025, with vessel construction beginning in March 2026 and completion projected for August 2028, followed by testing, trials, and delivery. In contrast, retaining the Trident CMGC contract would

push the construction start to August 2026, delaying vessel completion to January 2029 and project closeout to mid-2030. Given the administrative burden and extended timeline associated with the CMGC approach, DOT&PF will likely proceed with the DBB procurement strategy to expedite delivery, enhance project efficiency, and ensure compliance with federal funding requirements.

### AMHS Master Agreements and Their Impact on Operations

Master agreements within AMHS play a crucial role in labor negotiations, defining the rights, responsibilities, and working conditions of both management and unionized employees. These agreements, established through collective bargaining, cover essential employment terms such as wages, work schedules, crew requirements, and dispute resolution processes. While they provide job security and standardize labor conditions, they also impose structural constraints that limit AMHS's ability to make unilateral operational adjustments, impacting financial flexibility, staffing efficiency, and service optimization.

One of the most significant limitations imposed by master agreements is in crew staffing and scheduling. These agreements dictate minimum staffing levels and crew rotations, preventing management from adjusting workforce allocation based on seasonal demand or financial constraints. Additionally, wage structures and benefits outlined in these agreements lock AMHS into long-term financial commitments, limiting its ability to implement cost-saving measures during economic downturns. AMHS must also navigate strict work rules that prevent cross-utilization of crew members, reducing operational efficiency. Any major changes—such as modifying cost structures, vessel deployment strategies, or staffing models—require formal negotiations with labor unions, which can result in delays, compromises, or disputes. A notable example of such challenges occurred during the 2019 IBU strike, which disrupted ferry service statewide and underscored the complexity of labor negotiations. While master agreements ensure fair labor practices and protect employee rights, they also introduce operational rigidity that impacts AMHS's ability to adapt swiftly to financial and strategic challenges.

### Updated Total Compensation for AMHS vs. Washington State Ferries

The following data was used in comparing total compensation between Washington State Ferries and AMHS. For the AMHS, State of Alaska published salary schedules for Master Mates and Pilots, Marine Engineers' Beneficial Association, Inlandboatman's Union of the Pacific, and Alaska Public Employees Association were utilized. The respective bargaining unit profiles for these collective bargaining units are at the following link: <https://law.alaska.gov/departments/civil/LSA/unit-profiles.html>. For Washington State Ferries, 2024 rates were extracted from the Washington State collective bargaining unit contract salary schedules at this website link: <https://ofm.wa.gov/state-human-resources/labor-relations/collective-bargaining-agreements>. We were not able to secure the benefitted rates for Washington State Ferries, informal discussions included statements that they may be close to 22 percent, although that needs to be confirmed before a total compensation comparison between the two systems is done.

Position	AMHS Base Pay (\$/hour)	AMHS Total Compensation (\$/hour)	WSF Base Pay (\$/hour)	WSF Total Compensation (\$/hour)**
Captains (Masters)	\$65.36*	\$112.42	\$88.38	TBD
Chief Engineers	\$58.95*	\$93.73	\$75.28	TBD
2 <sup>nd</sup> Assistant Engineers	\$46.24*	\$73.52	\$48.19	TBD
Port Captains	\$59.80 (schedule 200)	\$97.47	\$76.31	TBD
Port Engineers	\$52.34 (schedule 200)	\$85.31	\$78.23	TBD

\*Base pay factors in Cost of Living Differential (COLD) Values –

\*\*Washington State Ferries (WSF) total Compensation has not yet been verified.

The AMHS total compensation includes a high benefit rate as outlined in the bargaining unit profiles. Initial discussions with Washington State Ferries indicates a much lower benefit rate than AMHS, but additional work needs to be done before the analysis can be completed. The AMHS Marine Director Craig Tornaga is leading on this analysis. Additional analysis is currently underway to compare the AMHS salaries to other DOT&PF job classes to ensure a full spectrum of compensation can be included for context.

### Shovel-Ready Projects and August Redistribution Eligibility

In FFY2025, DOT&PF's total obligations are projected to exceed \$1.1 billion in federal funds from Federal Highways and Federal Aviation Administrations. This does not include any funding obligated through discretionary grants; This is a significant rise from \$971.8 million in FFY2024. This demonstrates an expanding project volume, countering concerns about a decline in available work. As of now:

- \$189.5 million in projects have been awarded or are currently bidding.
- \$170 million in CMGC contracts are anticipated to be awarded.
- \$574.9 million in projects are listed on the Tentative Advertising Schedule (TAS) for upcoming new awards.

In summary, DOT&PF expects to award over \$900 million in construction contracts in FFY2025.

Beyond the TAS-listed projects, additional shovel-ready projects exist but remain on hold due to funding constraints or other pending issues. While DOT&PF is positioned to capitalize on August Redistribution funds, ongoing coordination with FHWA and careful project selection will be key to maximizing federal funding opportunities.

### Advance Construction (AC) Fund Repayments and Trends

Advance Construction (AC) is a financial tool that allows DOT&PF to initiate federally approved projects using state funds, with the intention of securing federal reimbursement in the future. This approach enables DOT&PF to manage project timelines more effectively and address funding gaps, ensuring continuous project delivery throughout the year



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In FFY2024, the DOT&PF repaid more AC funds than in previous years to stabilize long-term funding and optimize the use of federal resources. Historically, AC balances have fluctuated between \$400 million and \$550 million, depending on project needs and funding availability.

The recent AC repayment figures reflect this strategic shift:

- FFY2022 AC Balance: \$411.0 million
- FFY2023 AC Balance: \$554.2 million (peak balance)
- FFY2024 AC Balance: \$424.3 million

Reducing reliance on AC allows DOT&PF to maintain financial flexibility, preventing the overextension of State resources while ensuring a steady pipeline of infrastructure projects. This reduction aligns with a broader fiscal strategy aimed at balancing project obligations, preparing for August Redistribution opportunities, and maximizing federal funding without jeopardizing long-term financial stability.

Thank you for your continued engagement and interest in Alaska's transportation infrastructure and operations. The department remains committed to ensuring efficient project delivery, sound financial management, and the long-term sustainability of our transportation programs. We appreciate the opportunity to provide this information and look forward to ongoing collaboration with the Senate Transportation Committee. If further details or clarification are needed on any of the topics discussed, please do not hesitate to reach out.

Kind regards,



Katherine Keith, PMP, PMI-ACP  
Deputy Commissioner  
Alaska DOT&PF

Enclosures: ABS Reports 1815 & 1816 – Vacancy Data as of 1/15/2025  
Tustumena Replacement Vessel (TRV) Gantt Chart

cc: Andy Mills, Legislative Liaison, Alaska DOT&PF  
Jordan Shilling, Director, Governor's Legislative Office