



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
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Senator Peter Micciche
Chair, Senate Transportation Committee
State Capitol Room 514
Juneau, AK 99811

Representative Neal Foster
Co-Chair, House Transportation Committee
State Capitol Room 434
Juneau, AK 99811

Representative Shelly Hughes
Co-Chair, House Transportation Committee
State Capitol Room 13
Juneau, AK 99811

Dear Senator Micciche, Representative Foster, and Representative Hughes,

In response to questions posed by Senate and House Transportation Committee members on January 22, 2015, the following information is provided:

- **Provide information on the efficiencies the Alaska Marine Highway System (AMHS) has recently implemented to reduce costs.**

Please see attachment #1 for a discussion of service reductions and revenue enhancements implemented by AMHS in FY2014.

- **How much is needed in state general funds for Juneau Access?**

Federal-aid for highway projects generally requires a 9-10% match of non-federal dollars. Generally, the state requests GF for match annually for the entire federal program and it is not specific to the projects.

The estimated Juneau Access project cost as reflected in the 2014 Draft Supplemental Environmental Impact Statement is \$574 million (2012 dollars). At this time there is \$48 million unexpended in a direct state appropriation to Juneau Access.

"Keep Alaska Moving through service and infrastructure."

- **What options exist for paying back the federal government if Juneau Access is cancelled?**

Transportation projects using federal highway funds are subject to 23 CFR §630.112

(c) The State must stipulate that as a condition to payment of the Federal funds obligated, it accepts and will comply with the following applicable provisions:

(1) *Project for acquisition of rights-of-way.* In the event that actual construction of a road on this right-of-way is not undertaken by the close of the twentieth fiscal year following the fiscal year in which the project is authorized, the STD will repay to the FHWA the sum or sums of Federal funds paid to the transportation department under the terms of the agreement. The State may request a time extension beyond the 20-year limit with no repayment of Federal funds, and the FHWA may approve this request if it is considered reasonable.

(2) *Preliminary engineering project.* In the event that right-of-way acquisition for, or actual construction of, the road for which this preliminary engineering is undertaken is not started by the close of the tenth fiscal year following the fiscal year in which the project is authorized, the STD will repay to the FHWA the sum or sums of Federal funds paid to the transportation department under the terms of the agreement. The State may request a time extension for any preliminary engineering project beyond the 10-year limit with no repayment of Federal funds, and the FHWA may approve this request if it is considered reasonable.

Each situation is evaluated by FHWA. Two examples were used during the committee meeting: a project for the Tony Knowles Coastal Trail was cancelled as the “no build” option was selected and no payback was required; the Highway to Highway project was cancelled and FHWA required the state to repay approximately \$10 million.

- **How long will the traffic study completed for the Knik Arm Crossing project be valid if the project is delayed?**

The traffic and revenue study would go stale within a couple of years (total cost was about \$1 million). Unlike traffic studies done for planning purposes every 4 years or so, this one is a project specific, investment grade study that the rating agencies will expect to be very current.

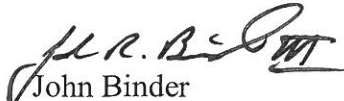
- **What would the cost be to the state if the TIFIA loan process is delayed?**

It would be difficult to determine the costs if the TIFIA loan process is delayed. Costs would depend on the length of time the project is delayed. Some of the items that may be affected include:

- Current TIFIA loan rates are very low (*2.37% for urban section, 1.185% for rural section, for an approx. blended rate of 1.49%*) and we don't know what they will be in the future or if the program will continue to be funded
- Depending on the length of the delay, parts of the environmental document may have to be updated
- As mentioned above, the traffic and revenue studies may need to be updated if the loan application is delayed for more than a couple of years

- **How much funding in federal earmarks has been provided for Juneau Access?**
The federal earmarks in SAFETEA-LU total \$7 million.

Sincerely,


John Binder
Acting Commissioner

cc: Senate and House Transportation Subcommittee members
Kim Rice, Deputy Commissioner, DOT&PF
Capt. John Falvey, General Manager, Alaska Marine Highway System, DOT&PF
Connie McKenzie, Legislative Liaison, DOT&PF

**ALASKA MARINE HIGHWAY
General Fund \$4.5M Reductions**

Service Reductions: (Total expected General Fund Savings \$3.2M in FY 2014)

The following actions have been taken:

1. **Lituya Operations:** In July of 2014 service was cut from 5 day per week 12 hour per-day service to 5 day per week 10 hour per-day service.
2. **Fairweather Operations:** Originally scheduled to provide 4 day per week Sitka-Angoon-Juneau service commencing 2/27. This has been cancelled through Mid-May. Please note the vessel is not available during this period due to an engine re-power.
3. **Taku Operations:** Originally scheduled to begin Rupert – Juneau service on June 1. This service will not start until July 1. Please note the Taku is in an overhaul during May.
4. **Close Gift Shops:** Gift shops operated on the mainliner vessels at an annual operating loss of \$1.0M. Closing the gift shops reduces the GF need by this amount.
5. **Outsource Service:** AMHS previously had \$.2M in its annual budget so as to provide “out-sourced service” when vessel overhauls/capital projects created gaps in service. This service is no longer available.

Revenue Enhancements: (Total expected General Fund Savings \$1.2M in FY 2014)

The following actions have been taken:

1. **Travel Agent Commissions** – Commencing with the “Summer-2014” schedule, May 1, 2014-9/30, 2014, AMHS will no longer pay commissions on the following travel 100k:
 - Authorized Military travel
 - Alaska resident travel on in-state travel

Expected General Fund Savings on these programs for 2014 is \$96k. Please note that in FY 2014 May and June are impacted. Expected annual savings are \$448k.

2. **Discount Programs** – The following “seasonal discount” programs have not been renewed by AMHS:
 - The “30% Winter Roundtrip Discount” - This discount was for winter “mirror-image” round trip tariffs from November through March 650k.
 - Summer “Driver goes Free” – This discount was for summer “mirror-image” round trip tariffs for May through September 450k.

Expected General Fund Savings from this action is \$1.1M. This represents full savings from the 30% discount but only 2 months of the driver goes free program.

Administrative Cost Reductions: (Total expected General Fund Savings \$.1M in FY 2014)

The following actions have been taken:

1. **Elimination of Printed Schedule** – This program starts with the recently released “Summer- 2014” schedule. AMHS expects to save \$50k in postage costs annually.
2. **Reducing Bellingham warehouse needs** – The Port of Bellingham has been notified of AMHS intent to walk away from a high percentage of warehouse needs. AMHS is currently proceeding with moving inventory items from Bellingham to Ketchikan.

3. Miscellaneous Office expense reductions –

- Cell Phone efficiencies – to be implemented 1/1/14
- Centralized Office Printing – ongoing
- Reducing non-essential Shore-side OT – ongoing
- Tok commissions – revoked 10/1/13