



THE STATE  
of ALASKA  
GOVERNOR MIKE DUNLEAVY

Department of Transportation and  
Public Facilities

STATEWIDE ADMINISTRATIVE SERVICES

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February 5<sup>th</sup>, 2020

The Honorable Neal Foster  
Chair, House Finance Subcommittee  
State Capitol, Room 505  
Juneau, AK 99801

Dear Representative Foster:

In response to questions posed by the House Finance Subcommittee on Tuesday, January 28<sup>th</sup>, 2020, the following information is provided:

**1) Alaska Marine Highway System (AMHS) Annual Expenditures and Total Operating Weeks**

Please see Attachment #1 – AMHS Annual Expenditures and Total Operating Weeks FY2015-FY2019.

**2) Provide a breakdown of the AMHS Results Delivery Unit (RDU) FY2020 budget in comparison to FY2021 Governor proposed budget.**

| Fund Types | FY2019 Management Plan | FY2019 Actual Expenditures | FY2020 Management Plan | FY2021 Governor's Proposed | \$ Difference Between FY2020 and FY2021 | % Difference Between FY2020 and FY2021 |
|------------|------------------------|----------------------------|------------------------|----------------------------|---|--|
| UGF        | \$ 86,005.5            | \$ 85,991.3                | \$ 46,002.2            | \$ 49,905.4                | \$ 3,903.2                              | 8.5%                                   |
| DGF        | \$ 52,070.0            | \$ 51,430.7                | \$ 48,442.6            | \$ 49,949.6                | \$ 1,507.0                              | 3.1%                                   |
| Other      | \$ 1,893.7             | \$ 907.7                   | \$ 1,921.9             | \$ 849.2                   | \$ (1,072.7)                            | -55.8%                                 |
| Total      | \$ 139,969.2           | \$ 138,329.7               | \$ 96,366.7            | \$ 100,704.2               | \$ 4,337.5                              | 4.5%                                   |

\$ in Thousands (1,000)

**3) What percentage of the department's operating budget are allocated to AMHS, International Airports and Highways and Aviation?**

Please see Attachment #2 – Results Delivery Units as a Portion of Overall FY2021 Proposed Operating Budget.

*"Keep Alaska Moving through service and infrastructure."*

- 4) *How much would it take to reduce gaps of service by 50%? And how much of that would be spent for repair and also for operations? Provide specific breakdown. For instance for additional \$20M or \$30M, how much of that (%) would reduce the gap? And how much of that would go to repair and operation? How much would it take to reduce the gap of service now (April 30th) thru end of fiscal year (FY2020), and also for upcoming FY2021?*

After AMHS' supplemental needs are met for FY2020, options based on operating and capital funding levels for both FY2020 and FY2021 are as follows:

**FY2020 Funding Needed to Reduce Service Gaps:**

AMHS needs the Governor's supplemental request approved in order to operate the schedule as published for the remainder of FY2020. Without the supplemental approval, AMHS will need to layup more vessels, which will result in additional service gaps. Adding more expenditure authority to AMHS beyond the supplemental request will not result in reduced service gaps between now and the end of this fiscal year due to the limited availability of vessels.

**Please Note: Amounts listed below are in addition to the Governor's FY2021 Proposed Budget.**

**Proposed operating budget for AMHS - \$49.9M UGF; \$49.9M DGF; \$.8M Other**

**Proposed capital budget for AMHS - \$15M DGF**

**FY2021 Reduce Service Gaps and Increase Service Frequency:**

Operating Budget - \$7.3M in additional authority (UGF - \$4.1M, DGF - \$3.2M)

Capital Budget - \$7.0M to repair the Aurora (UGF or DGF)

Proposed operating budget total with addition: \$54M UGF; \$53.2M DGF; \$.8M Other

Proposed capital budget total with addition: \$22M DGF or \$15M DGF; \$7M UGF

This option would allow AMHS to provide service back to both Pelican and Tenakee while also increasing service levels to the Northern Panhandle villages of Southeast Alaska. The LeConte would be used to service the Northern Panhandle route while the Aurora services Prince William Sound. Service gaps throughout the State would also be greatly reduced, although there would still be some gaps in service due to required annual overhauls.

**Eliminate Gaps in Service Beyond FY2021:**

Operating Budget - \$13.7M in additional authority (UGF - \$8.3M, DGF - \$5.4M)

Capital Budget - \$23M (\$7.0M to repair the Aurora and \$16M for crew quarters on one of the Alaska Class Ferries)

Proposed operating budget total with addition: \$58.2M UGF; \$55.3M DGF; \$.8M Other

Proposed capital budget total with addition: \$22M DGF; \$16M UGF or \$15M DGF and \$23M UGF

This option would cover all service gaps by providing a vessel to eliminate potential gaps in service caused by annual overhauls. AMHS would also have an extra vessel available to operate and mitigate the negative impacts to the public if there is a breakdown or mechanical failure on one of the other vessels. AMHS would have nine vessels available to operate in order to maximize revenues while still providing essential service to Alaskans. This option could be funded in the FY2021 budget, however, due to the construction time, the full elimination of service gaps would not be realized until FY2022. This would provide a sustainable level of service for AMHS ports long into the future.

- 5) *With no service being provided to Pelican and Tenakee, does the department have a plan to meet the service needs?*

**Outsource Service:** \$15K - \$20K per trip. The challenge will be finding outsourced ships available during the busy summer tourist season.

**Repair the Aurora:** Please see response to question #4, "FY2021 Reduce Service Gaps and Increase Service Frequency". This would allow AMHS to service these port on the regular schedule along with increased service to villages in SE Alaska.

- 6) *If we add another \$4.7M, would that be enough to fill in all the gaps in service?*

No. Please see the response to question #4.

- 7) *Provide a breakdown of the AMHS fund, from starting balance of \$28M at beginning of FY2020, current expenditures both Capital and Operating, and projected deposits/revenue collection, and what is the projected balance at year-end?*

Please see attachment #3 - AMHS Cash Flow/Fund Balance. Note, the FY2020 information would change if a supplemental request is approved.

- 8) *In previous years, the AMHS averaged about \$300M on Capital Improvement Projects (CIP) and now only spends about \$161M. Why is AMHS spending less federal receipts on CIP (for vessel repairs/improvement, etc.) now compared to previous years?*

Please see attachment #4 - AMHS Federal Project Construction Costs 2009-Present.

Please see attachment #5 – AMHS State Vessel Overhaul Expenditures FY2010-FY2019.

The attachment provides detail for both Federal ("AMHS Federal Project Construction Costs 2009-Present") and State ("FY10-FY19 State GF Capital Expenditures for Vessel Overhauls") funded projects for the past 10 years.

- 9) *Provide the specific dates of Certificate of Inspections (COI) of all ships (if not on the attached spreadsheet)? What is the cost to certify if no repairs are needed?*

AMHS vessels go into the shipyard on an annual basis to re-certify required Certificates of Inspection (COI) by re-certifying various safety equipment, life raft systems, and evacuation slides. The dates for COI's and safety equipment cannot be postponed by extending expiration dates. The new expiration date on the COI is set after the inspections are completed by the United States Coast Guard (USCG). If the inspections are done prior to the required date, the ship loses operating time, and incurs costs to conduct the inspection before it was initially required. COI inspections are generally done at the end of the overhaul period.

AMHS schedules ships to enter the shipyard for annual overhauls approximately 8-weeks prior to COI expiration. Since new certificates are issued at the end of the overhaul period, the expiration certificate dates for all of the equipment are fairly stable and constant.

Please see attachment #6 – AMHS Vessel Condition and Cost of Repairs.

The attachment provides costs of COI renewals. Please also note, when a vessel is in the shipyard for COI renewal, the USCG also performs other inspections of equipment and steel. It is very common for additional items to require repair prior to the USCG allowing the vessel to operate under a new COI. This is often referred to as "discovery" work.

***10) Provide five year history of Aleutian chain run schedule.***

The Aleutian Chain, along with Homer and Kodiak Island, are serviced by the Tustumena or the Kennicott during the summer months of May through September. Over the past several years, the Aleutian Chain has received two trips per month during the summer. There is no service out the Aleutian Chain during the winter.

The summer 2020 Tustumena schedule reduces service to the Aleutian Chain; however, service levels will be increased between Homer and Kodiak Island. The focus of the AMHS summer Aleutian Chain schedule is on meeting the high demand seasons of early and late summer. Mid-summer traffic out the Aleutian Chain is very low resulting in high costs with little revenues. For these reasons, AMHS' summer Aleutian Chain schedule provides two early summer runs and two late summer runs to accommodate the high traffic demands during those times. AMHS is analyzing the feasibility of providing one mid-summer run out the Aleutian Chain and the impacts that will have on revenues and the farebox recovery rate.

If you have any further questions, please feel free to contact me at 465-2956.

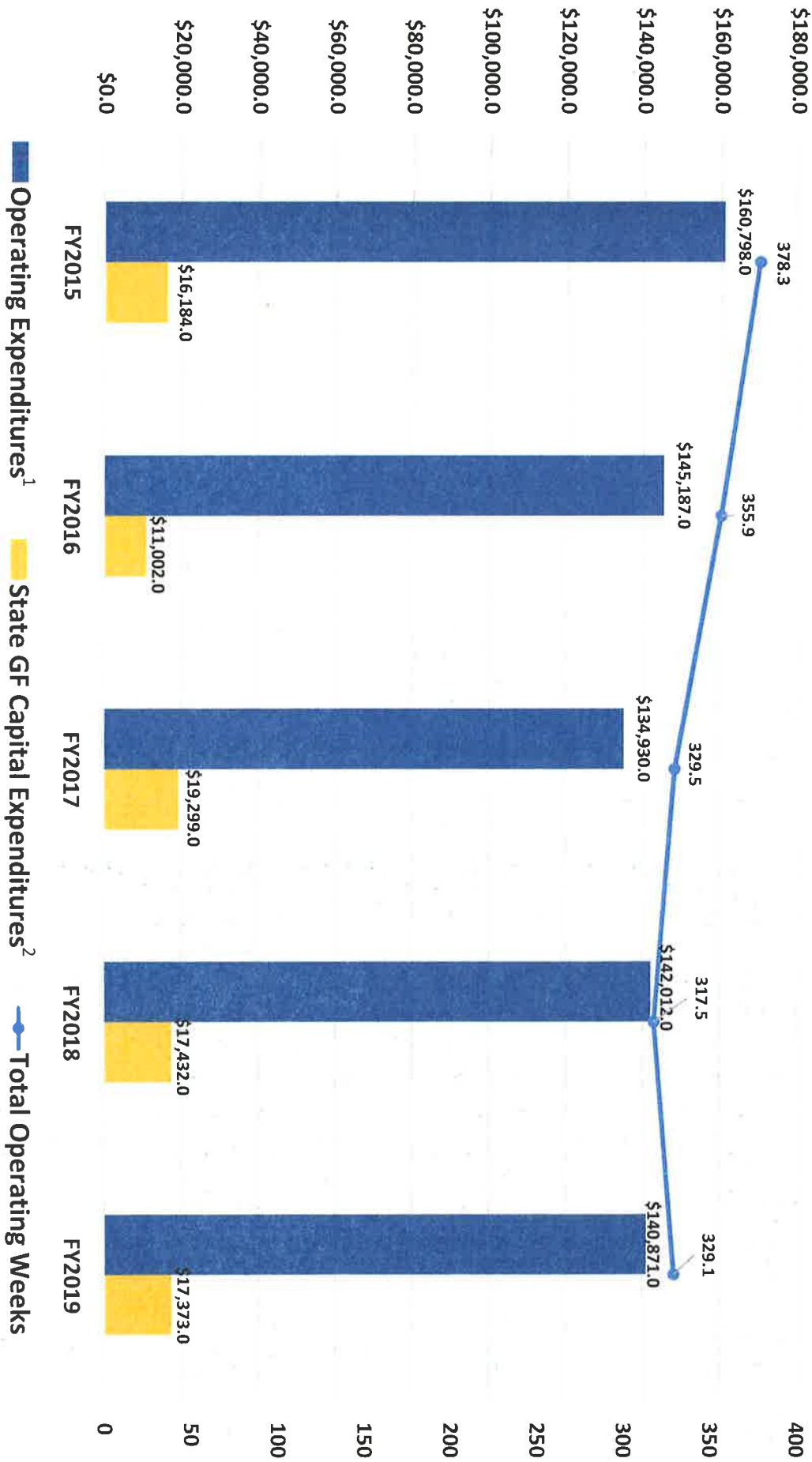
Sincerely,



Dom Pannone  
Administrative Services Director

cc: House Finance Subcommittee Members  
The Honorable John MacKinnon, Commissioner, DOT&PF  
Mary Siroky, Deputy Commissioner, DOT&PF  
Mike Lesmann, Legislative Liaison, DOT&PF

# AMHS Annual Expenditures and Total Operating Weeks FY2015 – FY2019



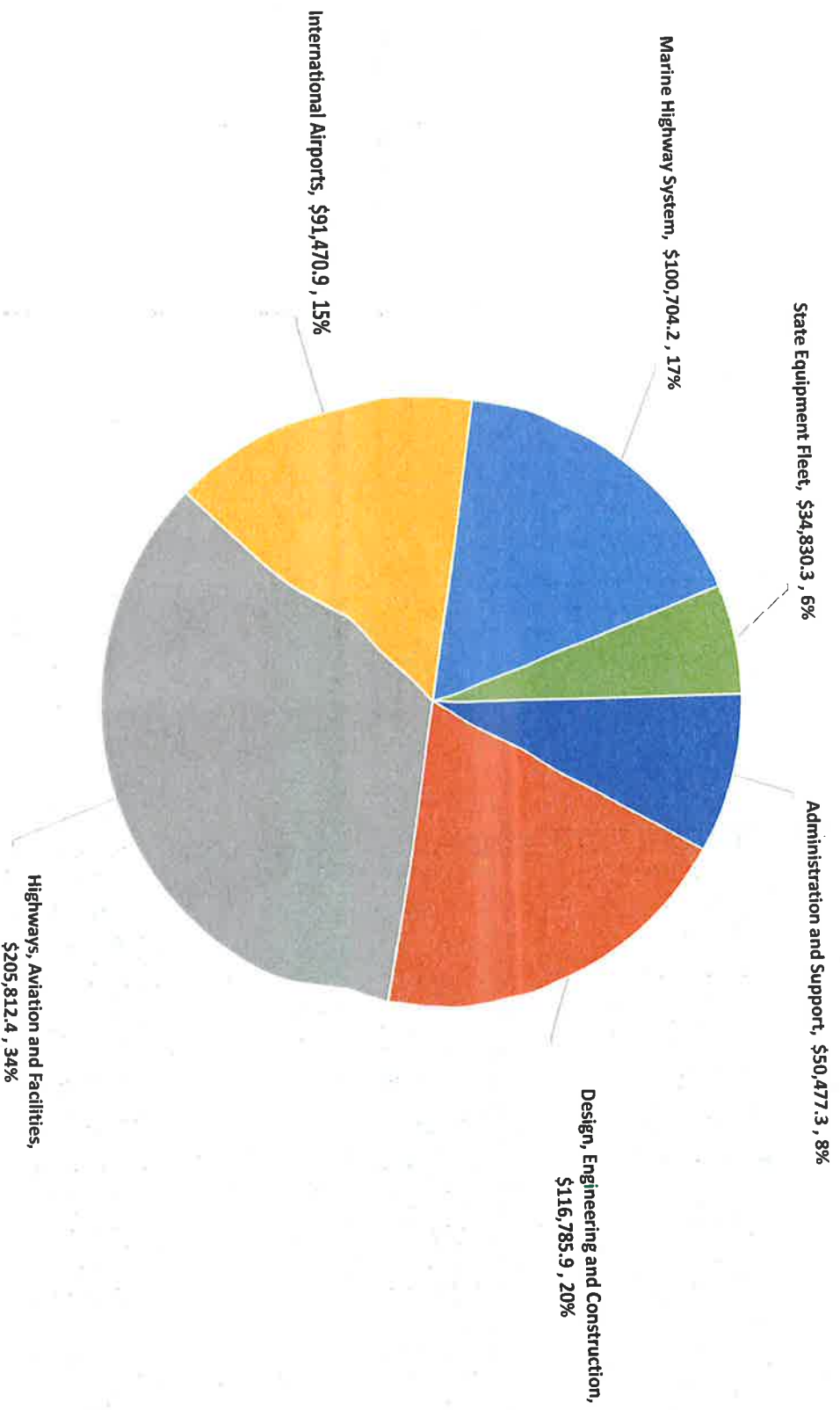
<sup>1</sup> Includes all direct and indirect operating expenditures in support of AMHS (Marine Highway RDU plus Admin & Support RDU expenditures)

<sup>2</sup> Includes Deferred Maintenance and Overhaul funds in the Operating Budget

\$ in Thousands (1,000)



**Department of Transportation & Public Facilities**  
**Results Delivery Units as a Portion of Overall FY2021 Proposed Operating Budget**  
**Total: \$600,081.0**



\$ in Thousands (1,000)



## AMHS Cash Flow/Fund Balance

|    | A   | B | J         | K         | N          | O          | P         | Q          | R | S | T |
|----|---|---|-----------|-----------|------------|------------|-----------|------------|---|---|---|
|    | (thousands)   |   | Actual    | Actual    | Actual     | Actual     | Projected | Projected  |   |   |   |
| 1  | Description   |   | FY16      | FY17      | FY18       | FY19       | FY20      | FY21Gov    |   |   |   |
| 2  |   |   |           |           |            |            |           |            |   |   |   |
| 3  | Service Weeks   |   | 355.9     | 329.5     | 317.5      | 329.1      | 254.3     | 263.1      |   |   |   |
| 4  | Revenue Ratio (Fare Box Recovery) - Revenue/Costs           |   | 32%       | 34%       | 33%        | 33%        | 45%       | 41%        |   |   |   |
| 5  | Subsidy Ratio - (UGF/ Motor Fuel/ Fund Balance Draw)/ Costs |   | 67%       | 66%       | 66%        | 67%        | 53%       | 58%        |   |   |   |
| 6  |   |   |           |           |            |            |           |            |   |   |   |
| 7  | Cash Flow   |   |           |           |            |            |           |            |   |   |   |
| 8  | Sources   |   |           |           |            |            |           |            |   |   |   |
| 9  | AMHS Generated Revenues                                     |   | 47,158.0  | 45,759.0  | 47,316.0   | 50,804.0   | 45,326.9  | 48,478.8   |   |   |   |
| 10 | Restricted Revenues (CIP Rcpts)                             |   | 603.0     | 659.0     | 977.0      | 399.0      | 1,921.9   | 849.2      |   |   |   |
| 11 | UGF Appropriations (base budget)                            |   | 94,958.0  | 89,263.0  | 41,949.0   | 85,991.0   | 46,002.2  | 49,905.4   |   |   |   |
| 12 | DGF - Motor Fuel Tax (current statute)                      |   | -         | -         | 3,552.4    | 3,617.1    | 3,617.1   | 3,617.1    |   |   |   |
| 14 | Fuel Trigger Appropriation                                  |   | -         | -         | -          | -          | -         | -          |   |   |   |
| 15 | Excess Fuel Trigger Appropriation                           |   | -         | -         | -          | -          | -         | -          |   |   |   |
| 16 | Total Sources   |   | 142,719.0 | 135,681.0 | 93,794.4   | 140,811.1  | 96,868.1  | 102,850.5  |   |   |   |
| 17 |   |   |           |           |            |            |           |            |   |   |   |
| 18 | Uses  |   |           |           |            |            |           |            |   |   |   |
| 19 | Vessel Operations (less fuel)                               |   | 106,661.0 | 99,029.0  | 102,272.0  | 102,849.0  | 70,696.2  | 74,461.7   |   |   |   |
| 20 | Vessel Fuel Base  |   | 16,634.0  | 15,299.2  | 18,895.4   | 19,540.0   | 12,057.2  | 12,640.3   |   |   |   |
| 22 | Shoreside/ Other  |   | 18,606.0  | 17,320.0  | 17,556.2   | 15,279.0   | 13,613.3  | 13,602.2   |   |   |   |
| 23 | Operating Expenses  |   | 141,901.0 | 131,648.2 | 138,723.6  | 137,668.0  | 96,366.7  | 100,704.2  |   |   |   |
| 24 | Support Services-DDT/DOA                                    |   | 3,280.9   | 3,280.9   | 3,287.4    | 3,204.0    | 3,282.6   | 2,460.7    |   |   |   |
| 25 | Annau Vessel Overhaul (Cap Bud)                             |   | -         | -         | -          | 13,500.0   | -         | 15,000.0   |   |   |   |
| 26 | Annau Vessel Overhaul (Sup Cap)                             |   | -         | -         | -          | 1,400.0    | -         | -          |   |   |   |
| 28 | Total Uses  |   | 145,181.9 | 134,929.1 | 142,011.0  | 155,772.0  | 99,649.3  | 118,164.9  |   |   |   |
| 29 |   |   |           |           |            |            |           |            |   |   |   |
| 30 | Suplus/(Deficit)  |   | (2,462.9) | 751.9     | (48,216.6) | (14,960.9) | (2,781.2) | (15,314.4) |   |   |   |
| 31 | Traditional Fund -Draw                                      |   | 2,462.9   | -         | 48,216.6   | 14,960.9   | 2,781.2   | 2,765.2    |   |   |   |
| 32 | Remaining Deficit   |   | -         | -         | -          | -          | -         | (12,549.2) |   |   |   |
| 33 | Capitalization Act - Draw                                   |   | -         | -         | -          | -          | -         | 12,549.2   |   |   |   |
| 34 | Remaining Deficit   |   | -         | -         | -          | -          | -         | -          |   |   |   |
| 35 |   |   |           |           |            |            |           |            |   |   |   |
| 36 | Fund Balances   |   |           |           |            |            |           |            |   |   |   |
| 37 | Traditional Fund  |   |           |           |            |            |           |            |   |   |   |
| 38 | BOY Balance   |   | 20,907.1  | 18,444.2  | 28,660.9   | 10,444.3   | 5,546.4   | 2,765.2    |   |   |   |
| 39 | Deposits  |   | -         | 751.9     | 6,081.8    | 10,063.0   | -         | -          |   |   |   |
| 40 | Supplemental Deposits                                       |   | -         | 9,464.8   | 23,918.2   | -          | -         | -          |   |   |   |
| 41 | Subtotal  |   | 20,907.1  | 28,660.9  | 58,660.9   | 20,507.3   | 5,546.4   | 2,765.2    |   |   |   |
| 42 | Withdrawals   |   | (2,462.9) | -         | (48,216.6) | (14,960.9) | (2,781.2) | (2,765.2)  |   |   |   |
| 43 | EOY Balance   |   | 18,444.2  | 28,660.9  | 10,444.3   | 5,546.4    | 2,765.2   | -          |   |   |   |
| 44 |   |   |           |           |            |            |           |            |   |   |   |
| 45 | Capitalization Act  |   |           |           |            |            |           |            |   |   |   |
| 46 | BOY Balance   |   | 2,644.0   | 2,630.1   | 2,630.1    | 2,630.1    | 22,630.1  | 22,630.1   |   |   |   |
| 47 | Deposits  |   | -         | -         | -          | 20,000.0   | -         | 16,088.9   |   |   |   |
| 48 | Withdrawals   |   | (13.9)    | -         | -          | -          | -         | (12,549.2) |   |   |   |
| 49 | EOY Balance   |   | 2,630.1   | 2,630.1   | 2,630.1    | 22,630.1   | 22,630.1  | 26,169.9   |   |   |   |
| 50 |   |   |           |           |            |            |           |            |   |   |   |
| 51 | Total Fund Balance  |   | 21,074.3  | 31,291.0  | 13,074.4   | 28,176.5   | 25,395.3  | 26,169.9   |   |   |   |
| 52 |   |   |           |           |            |            |           |            |   |   |   |
| 53 |   |   |           |           |            |            |           |            |   |   |   |
| 54 |   |   |           |           |            |            |           |            |   |   |   |
| 55 |   |   |           |           |            |            |           |            |   |   |   |
| 56 |   |   |           |           |            |            |           |            |   |   |   |

**AMHS Federal Project Construction Costs  
2009-Present**

| <b>Federal Program</b>                      | <b>Federal Construction Costs</b> | <b>Year Completed</b> |
|---|-----------------------------------|-----------------------|
| SAMHS00075 Fleetwide Passenger Amenities    | \$5,225,754.10                    | Ongoing               |
| 70212 Mat Re-Power PDX                      | \$46,927,833.00                   | Ongoing               |
| 73108 Fleet Lifesaving (Fwx Davit )         | \$793,706.00                      | 2017                  |
| 70030 FVF Sys. Upgrade FOSS                 | \$6,524,641.00                    | 2016                  |
| 70126 Col Bridge Deck Renov Puglia          | \$9,920,562.00                    | 2016                  |
| 73171 AMHS Elec Gen MAL Vigor AK            | \$5,319,764.00                    | 2016                  |
| 73120 Col Re-Power, Portland                | \$30,243,821.00                   | 2015                  |
| 73214 Leconte Refurb. Vigor OR              | \$6,821,999.80                    | 2015                  |
| 68704 WCO Project                           | \$4,206,626.00                    | 2014                  |
| 73093 FVF Repower (FWX and CHE)             | \$3,606,770.00                    | 2014                  |
| 73211 Kennicott Refub.. Vigor AK            | \$4,975,288.00                    | 2014                  |
| 73691 FVF Construction (Fairweather)        | \$36,965,497.00                   | 2014                  |
| 73784 PWS Ferry Construction (Chenega)      | \$34,403,416.00                   | 2014                  |
| 73068 Tus Refub. Seward                     | \$9,074,789.00                    | 2013                  |
| 73086 Mal Refub. Portland                   | \$9,036,506.00                    | 2013                  |
| 73165 Aurora Hab&Refurb... @Vigor OR        | \$7,131,236.00                    | 2012                  |
| 73015 Leconte Refurb. Vigor                 | \$6,316,541.00                    | 2011                  |
| 73226 Taku Solas Upgrades@Vigor             | \$10,011,466.00                   | 2011                  |
| 73019 Ken Solas@Fairhaven Shipyard          | \$6,432,820.00                    | 2010                  |
| 73082 Lituya Post Del. Refurb               | \$1,881,493.00                    | 2010                  |
| 75662 Bellingham, WA Dock Mods              | \$305,495.00                      | 2010                  |
| 73039 Matanuska SOLAS - PDX                 | \$9,470,983.00                    | 2009                  |
| 73052 Fwx Kethcikan, AK                     | \$3,612,503.00                    | 2009                  |
| 73062 Tustumena Refurb... PDX Or            | \$9,074,789.00                    | 2009                  |
| 73780 M/V Columbia Machinery & Ship Systems | \$9,577,030.00                    | 2009                  |
| <b>Total</b>                                | <b>\$277,861,328.90</b>           |                       |

**\$ in Whole Dollars**



ALASKA MARINE HIGHWAY SYSTEM  
State Vessel Overhaul Expenditures (\$000s)  
FY 2010 - FY 2019

Attachment #5

|                               | Actual Expenditures |                    |                    |                    |                    |                    |                    |                    |                    |                    | TOTAL               |
|-------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
|                               | FY 10               | FY 11              | FY 12              | FY 13              | FY 14              | FY 15              | FY 16              | FY 17              | FY 18              | FY 19              |                     |
| <b>Total Vessel Overhaul*</b> | <b>\$ 14,970.0</b>  | <b>\$ 16,925.0</b> | <b>\$ 15,131.0</b> | <b>\$ 16,724.0</b> | <b>\$ 16,539.0</b> | <b>\$ 16,184.0</b> | <b>\$ 11,002.0</b> | <b>\$ 19,299.0</b> | <b>\$ 17,432.0</b> | <b>\$ 17,373.0</b> | <b>\$ 161,579.0</b> |

\*Includes Deferred Maintenance and Operating Overhaul funds

\$ in Thousands (1,000)