

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: SB 130
 (S) Publish Date: 4/27/01
 Dept. Affected: DOT&PF
 BRU: Marine Highway System
 Component: Vessel Operations Management

Revision Date/Time (Note if correction): _____
 Title: "An Act establishing the Alaska Marine Highway Authority"
 Sponsor: Senator Taylor
 Requester: Senate Transportation

Component Number: 629
 (Thousands of Dollars)

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	188.5	359.0	359.0	359.0	359.0	359.0
Travel	20.0	33.7	33.7	33.7	33.7	33.7
Contractual	179.5	459.0	459.0	459.0	459.0	459.0
Supplies						
Equipment		300.0				
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	388.0	1,151.7	851.7	851.7	851.7	851.7

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	388.0	1,151.7	851.7	851.7	851.7	851.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	388.0	1,151.7	851.7	851.7	851.7	851.7

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	3	3	3	3	3	3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a corporate authority for the management and operation of the Alaska Marine Highway System (AMHS). It is assumed the bill would take effect January 1, 2002. A seven-member board of directors would direct the authority. Costs associated with this authority would be as follows:

Personal Services

This bill requires the Authority to employ a chief executive officer (CEO) to manage the corporation. The estimated cost of this position with benefits would \$150,000 per year. This position would replace the current General Manager position, which costs \$100,000 per year with benefits. The net increase in cost would be \$50,000 per full year.

The AMHS does not have its own management structure in place to operate a corporation. Currently the administrative functions of finance, human resources, and information services are all managed through centralized Department of

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ANALYSIS: SB 130 #1 (continued)

Transportation personnel. It is assumed the board of directors and CEO of the Authority would want to employ their own managers in these areas with an organization similar to the Alaska Railroad Corporation. As stated in the bill, all officers and employees of the authority would be in the exempt service and salaries would be set competitive with other state corporations. At an average cost with benefits of \$85,000 per manager, this would be approximately \$255,000 per full year.

The bill also calls for a seven-person board of directors to be compensated \$300 per day for each day they work on Authority business. One of the board members, the Commissioner of the Department of Transportation and Public Facilities would not receive this pay. It is estimated the members would work 20 days the first half fiscal year (FY02) and 30 days in future years. The cost would therefore be $\$300 \times 20 \times 6$ members = \$36,000 the first half year and $\$300 \times 30 \times 6$ = \$54,000 in subsequent years.

The bill also calls a secretary and treasurer to be appointed by the board of directors. It is assumed here those positions would be selected from the already appointed directors, so there would be no additional cost. If the board decided to appoint non-directors to those positions, additional costs would be incurred.

Travel and Per Diem

The directors would receive standard travel and per diem expenses when the board meetings are held outside of their hometown. It is assumed for each board meeting five of seven directors would have to travel at an average airfare of \$300. The first half year (FY 02) there would be 5 meetings of 4-day duration with 10 meetings of 3 day duration in subsequent years. Per Diem would average \$125 per day.

Cost for travel would therefore be $\$300 \times 5$ meetings $\times 5$ directors = \$7,500 first half year, and $\$300 \times 10$ meetings $\times 5$ directors = \$15,000 in subsequent years.

Cost for per diem would be $\$125 \times 20$ meeting days $\times 5$ directors = \$12,500 first half year, and $\$125 \times 30$ meeting days $\times 5$ directors = \$18,750 in subsequent years.

Contractual Services

The AMHS currently does not pay rent for space it occupies in buildings leased by the Department of Administration. It is assumed that if AMHS would be restructured as a public corporation that the Department of Administration would charge the corporation for that space. The cost would be approximately 17,150 square feet \times \$1.74 per square foot per month. The total yearly cost would be \$359,000 per full year, or \$179,500 per half year.

Fiscal Note Analysis – SB 130 (CONTINUED) Department of Transportation and Public Facilities Alaska Marine Highway System

The AMHS currently uses the state's centralized accounting and payroll system. It is assumed the Authority would want to purchase and operate its own systems similar to other large state corporations. The estimated cost to maintain these new systems is \$100,000 per year.

Equipment

There would be a one-time cost to purchase the accounting, payroll and other business systems as indicated above. An estimate of \$300,000 for hardware and software is included. This purchase would be made in 2003 after the Authority had been in existence for six months.

Not included in these estimates are any additional costs for the use of consultants or advisors by the Authority.