

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

January 18, 2005

8:04 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Jim Elkins
Representative Carl Gatto
Representative Bob Lynn
Representative Jay Ramras
Representative Berta Gardner
Representative Max Gruenberg

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Mike Kelly

COMMITTEE CALENDAR

OVERVIEW(S): PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MIKE BARTON, Commissioner
Office of the Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Presented the portion of the overview of DOT&PF relating to public facilities.

JOHN MACKINNON, Deputy Commissioner of Highways and Public Facilities
Office of the Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the overview of DOT&PF.

NANCY SLAGLE, Director
Division of Administrative Services
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska
POSITION STATEMENT: Answered questions during the overview of DOT&PF.

JOHN TORGERSON, Special Assistant to the Commissioner
Office of the Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska
POSITION STATEMENT: Presented the portion of the DOT&PF overview relating to the Alaska Marine Highway System (AMHS).

ACTION NARRATIVE

CHAIR PAUL SEATON called the House State Affairs Standing Committee meeting to order at [8:04:06 AM](#). Present at the call to order were Representatives Gatto, Ramras, Gardner, and Seaton. Representatives Elkins, Lynn, and Gruenberg arrived as the meeting was in progress.

OVERVIEW(S)

PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM

[8:05:24 AM](#)

REPRESENTATIVE SEATON announced that the only order of business was the overview presented by the Department of Transportation & Public Facilities (DOT&PF), regarding public facilities and the Alaska Marine Highway System (AMHS).

[8:05:43 AM](#)

MIKE BARTON, Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), introduced his staff.

[8:07:14 AM](#)

COMMISSIONER BARTON directed attention to the following pages of a hard copy of a Power Point presentation [included in the committee packet]. He highlighted the following: Page 3, which shows the regions in the state; page 4, which shows the locations of the 84 maintenance stations around the state; page

5, which shows Alaska's National Highway System; page 6, which shows the Alaska Highway System; page 7, which shows the location of the 258 state-owned airports; and page 8, which shows the 73 state-owned harbors and 51 harbors operated by agreements with local governments. He noted that there is a program in which the state brings harbors up to a certain standard and then transfers them to local governments wherever that's possible. He said at the end of that program, it is estimated that there will still be 22 state-owned harbors, because there is no local entity capable of maintaining and operating them.

[8:10:27 AM](#)

JOHN MACKINNON, Deputy Commissioner of Highways and Public Facilities, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), in response to a question from Chair Seaton regarding the transfer of the harbors, noted that there have been 9 to 10 successful transfers, so far. He mentioned an issue of right-of-way in Yakutat that is being addressed. He said the projection is to make all of the transfers within the next six to eight months. In response to a follow-up question from Chair Seaton, he confirmed that the 73 harbors [shown on page 8 of the Power Point handout] are in addition to those that have been transferred to local entities.

[8:11:53 AM](#)

COMMISSIONER BARTON returned to the Power Point handout and highlighted the following: Page 9, which shows the AMHS route map; page 10, which shows the State of Alaska facilities of 1,500 buildings, 10 million square feet of buildings, and with a \$2.4 billion replacement value; page 11, which states that DOT&PF uses 700 buildings; and page 12, which shows the types of buildings maintained by DOT&PF, including airport terminals, ferry terminals, office buildings, maintenance shops, equipment storage buildings, weigh stations, and employee housing.

[8:13:05 AM](#)

COMMISSIONER BARTON turned to page 13, which shows the department's operating budget request by fund sources or facilities. In response to a question from Representative Gardner regarding the abbreviated headings on page 13, he explained that "I/A" stands for interstate agencies, "CIP" stands for capital improvement program receipts - which is

generally federal money, and "SDPR" is the same as I/A, except that it's non-state agencies. He offered an example.

[8:15:02 AM](#)

COMMISSIONER BARTON, in response to a question from Representative Gatto regarding where employee housing would be found, said some of the 84 remote maintenance stations shown on page 4 [would have employee housing]. In response to a follow-up question from Representative Gatto, he said, "It's taxable income for the employees, but there is no actual out-of-pocket costs."

[8:16:22 AM](#)

COMMISSIONER BARTON returned to the Power Point handout and highlighted the following: Page 14, which shows the regional maintenance funding, excluding the ferry system, roads, and airports; page 15, which shows the department's fixed costs; page 16, which shows the capital budget regarding the deferred maintenance cost of facilities; and page 17, which shows the energy savings performance contracts.

[8:18:59 AM](#)

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities (DOT&PF), talked about energy audits done to find out how to save energy costs by rehabilitating or renovating facilities. She gave further details. She says the department hopes to do construction this coming season.

The committee took a brief at-ease at [8:21:16 AM](#).

[8:21:23 AM](#)

COMMISSIONER BARTON directed attention to page 18 of the Power Point handout, which shows design and construction. He pointed to "API replacement" on the page and said a process was used there that he would like to see used more often.

[8:22:54 AM](#)

MR. MACKINNON, in response to a question from Chair Seaton regarding page 17, confirmed that all the leases have the lessor paying the heat or energy costs.

[8:23:11 AM](#)

CHAIR SEATON asked about total deferred maintenance.

[8:23:27 AM](#)

MR. MACKINNON said the department did identify about \$15 million in immediate needs and was able to get \$8 million through the Office of Management & Budget. He clarified that that money is in the governor's budget for this year.

[8:23:48 AM](#)

COMMISSIONER BARTON, in response to a request from Chair Seaton, said he would provide the committee with a listing of deferred maintenance in state facilities.

[8:24:00 AM](#)

REPRESENTATIVE GATTO asked if there are a lot of buildings that could be consolidated into a single building, or if location is so important that that would be inefficient.

[8:24:35 AM](#)

COMMISSIONER BARTON said he suspects that there are. In response to a follow-up question from Representative Gatto, he discussed why there may be problems in attempting to reuse the capitol building for other purposes.

[8:28:45 AM](#)

COMMISSIONER BARTON, in response to a question from Representative Gruenberg, said the department has given thought to the possibility of building "smart structures." He gave examples of smart structures, including bridges that automatically de-ice, and high performance concrete. He noted that Egan Highway [in Juneau] has successfully resisted rutting.

[8:30:04 AM](#)

CHAIR SEATON mentioned fixed costs and insurance. He asked if the state is self-insuring or if it purchases commercial insurance.

[8:30:34 AM](#)

MS. SLAGLE answered that it's a self-insured program with the state, with the Division of Risk Management.

[8:30:46 AM](#)

CHAIR SEATON thanked DOT&PF

[8:31:35 AM](#)

JOHN TORGERSON, Special Assistant to the Commissioner, Department of Transportation & Public Facilities, said he is charged with creating the business plan for AMHS and is the commissioner's agent for the collective bargaining unit. He brought the committee up to date on the collective bargaining for the M/V Fairweather, which, as a day boat, was put on a separate contract.

[8:32:50 AM](#)

MR. TORGERSON said a series of salaries was created, including holiday, sick, vacation, and non-watch pay, and made into an hourly rate for those on the vessel. The unions wanted the agreement for the M/V Fairweather as part of the master agreement, but the state decided to keep it separate. However, shortly after meeting with a federal mediator, the state decided to go back to the master agreement. Mr. Torgerson said the state thought it was getting closer to reaching an agreement, but on September 27, the state declared an impasse with the unions and is again seeking mediation. He offered further details. He mentioned the Inlandboatmen's Union of the Pacific (IBU) and said that contracts will be coming from IBU for the legislation's consideration.

[8:36:26 AM](#)

MR. TORGERSON noted that under the letter of agreement, AMHS is operating 7 days a week, 12 hours a day, which would not be feasible during the winter season. He said AMHS would like to go to 4 days a week, 12 hours a day, which would save the state between \$1.8 and \$2 million.

[8:38:20 AM](#)

MR. TORGERSON said a new vessel is on its way: the M/V Chenega. Two other boats have been approved by the legislature, but the

governor is holding off on ordering them until he sees "the whole package."

[8:39:27 AM](#)

MR. TORGERSON, in response to several questions, defined the phrase "hot berth" as a ship that is kept ready to go. He offered further details.

[8:41:47 AM](#)

COMMISSIONER BARTON, in response to a question from Representative Gruenberg regarding incidents where foreign objects have been caught in the intake, said intakes are designed to chew up a log, but "short blocks" have been getting caught crosswise. Consideration was made to put a screen on, but it would cost in speed and fuel. He noted that the vessel can operate on full speed with three out of four of its engines.

[8:44:25 AM](#)

REPRESENTATIVE RAMRAS asked how much the state is paying versus how much the unions want, and how much will be needed from the legislature in supplemental funding.

[8:46:05 AM](#)

MR. TORGERSON said the master in the fleet makes approximately \$105,000 to \$115,000 a year, while those on hourly wage make approximately \$13 an hour. Terms have been reached regarding the master, which would include a pay increase of 7 percent the first year, and 6 percent the second and third years. He said he thinks that's the upper limit of what the legislature may approve. He noted that maritime unions do not receive merit increases.

[8:47:55 AM](#)

MR. TORGERSON said the state has maximum flexibility to manage the contracts; "the trigger" is the Coast Guard requirement regarding how many people to have on a vessel.

[8:48:46 AM](#)

MR. TORGERSON, in response to a follow-up question from Representative Ramras, explained that the need for supplemental funding is driven mainly by fuel costs and is approximately \$7.5 million; with labor contracts added, the amount that will be requested from the legislature is approximately \$11.5 million. In response to another follow-up question from Representative Ramras, he said, "We run about 50/50 between fair box and general fund support."

[8:49:32 AM](#)

COMMISSIONER BARTON said things are not "falling down around us," and he expressed pride in the system.

[8:50:31 AM](#)

MR. TORGERSON, in response to a question from Representative Gardner, said the M/V Lituya and the M/V Fairweather, as day boats, are fundamentally the same, but there are different manning levels and different ratings for members on board. In response to a follow-up question from Representative Gardner, he explained that three maritime unions are involved.

[8:51:44 AM](#)

MR. TORGERSON, in response to a request from Chair Seaton, described the differences between the high-speed fast ferries and the K-class vessels. Additional training is required to operate one of the fast ferries, which adds considerable cost to the state.

[8:55:19 AM](#)

COMMISSIONER BARTON said the department is trying to get the high-speed craft code waived and he is "cautiously optimistic" that that will be achieved. He offered details concerning type rating and route rating requirements.

[8:59:00 AM](#)

COMMISSIONER BARTON, in response to a question from Representative Gruenberg, explained the difference between training and Coast Guard certification.

[9:02:08 AM](#)

MR. TORGERSON, in response to a concern expressed by Representative Ramras regarding the amount that is spent exceeding the amount that is budgeted, explained that the cost of fuel is a big part of that. For example, he said the budget for fuel was set at 81 cents [a gallon], but the rise in fuel cost brought that amount to \$1.52 a gallon. The ferry system uses 5,000-6,000 gallons of fuel a day. He offered more examples.

[9:05:59 AM](#)

MR. TORGERSON spoke of the "blended average" in the year's budget. He told the committee that in future presentations he would show the department's plan to make revenue with the proper marketing program. He admitted that this year has been challenging, because the labor problems were not settled.

[9:08:50 AM](#)

COMMISSIONER BARTON, in response to questions from Chair Seaton regarding the M/V Chenega, said the docks will have to be modified to accommodate the fast ferry, and confirmed that that is already funded through the capital project.

[9:10:05 AM](#)

COMMISSIONER BARTON said he would be pleased to return to the committee to offer an overview of the ferry system.

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at [9:10:37 AM](#).