

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE TRANSPORTATION STANDING COMMITTEE
SENATE TRANSPORTATION STANDING COMMITTEE**

February 18, 2010

1:03 p.m.

MEMBERS PRESENT

HOUSE TRANSPORTATION

Representative Peggy Wilson, Chair
Representative Kyle Johansen
Representative Cathy Engstrom Munoz
Representative Max Gruenberg
Representative Pete Petersen

SENATE TRANSPORTATION

Senator Albert Kookesh, Chair
Senator Linda Menard, Vice Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Joe Paskvan

MEMBERS ABSENT

HOUSE TRANSPORTATION

Representative Craig Johnson, Vice Chair
Representative Tammie Wilson

SENATE TRANSPORTATION

COMMITTEE CALENDAR

MARINE TRANSPORTATION ADVISORY BOARD

- HEARD

AMHS UPDATE

- HEARD

HOUSE BILL NO. 329

"An Act relating to the transportation infrastructure fund, to local public transportation, to motor fuel taxes, and to the

motor vehicle registration fee; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 329

SHORT TITLE: DEDICATED TRANSPORT FUND/PUB TRANSPORT

SPONSOR(s): TRANSPORTATION

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|----------|-----|---------------------------------|
| 02/05/10 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/05/10 | (H) | TRA, FIN |
| 02/09/10 | (H) | TRA AT 1:00 PM CAPITOL 17 |
| 02/09/10 | (H) | Heard & Held |
| 02/09/10 | (H) | MINUTE(TRA) |
| 02/11/10 | (H) | TRA AT 1:00 PM CAPITOL 17 |
| 02/11/10 | (H) | Heard & Held |
| 02/11/10 | (H) | MINUTE(TRA) |
| 02/18/10 | (H) | TRA AT 1:00 PM BUTROVICH 205 |

WITNESS REGISTER

ROBERT VENABLES, Member
Marine Transportation Advisory Board (MTAB)
Haines, Alaska

POSITION STATEMENT: Presented an overview of the Marine Transportation Advisory Board (MTAB).

JIM BEEDLE, Deputy Commissioner of Marine Operations
Marine Highway System (AMHS)
Department of Transportation & Public Facilities (DOT/PF)
Juneau, Alaska

POSITION STATEMENT: Provided an update on the Alaska Marine Highway System (AMHS).

JAMES CANTOR, Chief Assistant Attorney General - Statewide
Section Supervisor
Transportation Section
Department of Law (DOL)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of the AMHS Update.

REBECCA ROONEY, Staff
Representative P. Wilson
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented the changes contained in the proposed committee substitute, on behalf of the prime sponsor, the House Transportation Committee, chaired by Representative P. Wilson.

BRIAN KANE, Attorney
Legislative Legal Counsel
Legislative Legal and Research Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 329.

FRANK RICHARDS, Deputy Commissioner
Office of the Commissioner
Department of Transportation & Public Facilities (DOT/PF)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 329.

CAPTAIN JOHN FALVEY, General Manager
Ketchikan Office
Marine Highway System (AMHS)
Ketchikan, Alaska

POSITION STATEMENT: Presented a PowerPoint overview during the AMHS Update.

ACTION NARRATIVE

[1:03:10 PM](#)

CHAIR PEGGY WILSON called the joint meeting of the House and Senate Transportation Standing Committees to order at 1:03 p.m.

[1:03:41 PM](#)

Senators Menard, Meyer, and Kookesh and Representatives Petersen and P. Wilson were present at the call to order. Senators Paskvan and Davis and Representatives Johansen, Munoz, and Gruenberg arrived as the meeting was in progress.

[1:03:51 PM](#)

Marine Transportation Advisory Board

1:04:29 PM

CHAIR P. WILSON announced that the first order of business would be a presentation by the Marine Transportation Advisory Board.

1:05:37 PM

ROBERT VENABLES, Member, Marine Transportation Advisory Board (MTAB), related that the MTAB is a voluntary board. He remarked that he came to Juneau to attend this hearing by traveling on the Alaska Marine Highway System (AMHS). He introduced two other MTAB members: Maxine Thompson, Angoon; and Patrick Owen, Juneau. He commented that the MTAB members are saddened at the loss of J.C. Conley, who was a strong advocate for the AMHS and recently died. He characterized the MTAB as a committed group focused on marine transportation issues.

1:07:48 PM

MR. VENABLES paraphrased from a prepared statement, as follows [original punctuation provided]:

Our board appreciates the opportunity to stand before you today and give an overview of its efforts. MTAB was established in 2003 by Administrative Order and put into Alaska State Statute in 2008 under AS 01.10.070(c). Our board has been focused on meeting the many challenges of our unique marine transportation system. With AMHS staff we have worked to identify tools in order to improve scheduling, system efficiency and mobility in Southeast, Prince William Sound, and Southwest Alaska.

It is proven that dependable and sustainable transportation systems are vital to economic growth and stability in rural Alaska. We strongly support the mission of the Alaska Marine Highway System to provide safe, reliable, and cost effective marine transportation throughout the coastal regions of our state. The economic, cultural, educational and health benefits to our communities served by AMHS are extremely important to our quality of life. MTAB worked closely with AMHS staff to establish long range scheduling and the past two years have proven that this approach is working as the anticipated increase in ridership by Alaska users became a reality.

MR. VENABLES added that more importantly, the reliability of the schedules and predictability of the system has improved, with the exception of the old vessels that still break down and cause unforeseen problems. Customer satisfaction is up significantly and ridership has followed.

MR. VENABLES continued, paraphrasing from a written statement [original punctuation provided]:

The first section of the MTAB statute establishes that DOT&PF, shall in consultation with MTAB, prepare a long range plan for the development and improvement of the Alaska Marine Highway System. Each region encompassing AMHS routes has its own long range plan for transportation and so we have been attempting to work with DOT&PF planners on these regional plans. Currently the Southeast [Alaska] Transportation Plan (SATP) is up for its 5-year review. Correspondence with the commissioner and DOT&PF planners have been ongoing; however, to this date an established day to sit down and work with DOT&PF on a draft SATP has not been determined. As per statute (and our understanding of legislative intent), [MTAB] expects to be part of DOT's work effort concerning the goals of marine transportation regional plans, prior to the final drafts being sent out to the public.

[1:10:04 PM](#)

CHAIR P. WILSON explained that she participated in the enabling legislation for the MTAB. She recalled the one important aspect was for the AMHS to be in consultation with MTAB.

MR. VENABLES, in response to Chair P. Wilson, stated that has not yet happened, but the SATP planners are represented here today.

[1:10:41 PM](#)

MR. VENABLES continued, paraphrasing from a written statement [original punctuation provided]:

Under statute the board may issue reports and recommendations in consultation with DOT&PF and submit to the department and the governor a strategic plan which includes the mission, core values, objectives, initiatives, and performance goals of the Alaska

Marine Highway System. Strong and consistent public input from multiple teleconferences from organizations such as Southeast Conference, the Southwest Municipal Conference, the Alaska Municipal League as well as several Native organizations have helped give our board a clear direction to follow. From this input and MTAB meetings the past three years we have established short term and long term goals. These recommendations have been presented to Commissioner von Scheben and Governor Parnell.

1:10:58 PM

MR. VENABLES continued, paraphrasing from a written statement [original punctuation provided]:

SHORT TERM GOALS

1) Operating the M/V Kennicott on full schedule May through September. The current schedule has the M/V Kennicott operating Cross Gulf 2-weeks-on-2-weeks-off in the summer. This only allows for one trip a month out the Aleutian Chain by the M/V Tustumena. There has been a public outcry from the seven Aleutian Island communities that the current schedule does not come close to serving their needs (see attached letters). Additional service to the Chain has been a top priority for MTAB for the past 3 years. Following are the costs associated with this recommendation both for FY 2011 and what would be a FY2010 Supplemental. The administration has committed to an additional spring run for the Kennicott and the following costs do not take that run into account.

FY 10 MTAB Requested Supplemental for Kennicott Service

\$1,385,000-Total Supplemental Authority
\$800,000-General Fund
\$585,000-Alaska Marine Highway Fund

FY 11 MTAB Requested Service Enhancements to Governor Budget

\$2,122,500-TOTAL Additional Authority
\$1,600,000-Alaska Marine Highway Fund
\$522,500-General Fund

1:13:11 PM

MR. VENABLES reported the anticipated return from the \$500,000 in General Funds (GF) is a good return for vital services for the transportation needs of communities in the Aleutian Chain. He continued, paraphrasing from a written statement, relating the MTAB's second recommendation [original punctuation provided]:

2) Additional funding allowing the fast vehicle ferry (M/V) Fairweather to operate on a full seven day a week schedule during the spring (May/June) of 2010. Unforeseen mechanical issues with the Fairweather have caused funding shortfalls to allow for this much-needed service. This service was established with a commitment to long-range scheduling 3 years ago and is very important to the Northern Panhandle (including Sitka and outlying villages). There is a major concern about the engines problems on both the Fairweather and the M/V Chenega. At its December meeting the [MTAB] Board voted to request that the legislature and commissioner of the Department of Transportation consider a vehicle for the state to order replacement engines for the Fairweather and the Chenega. The engine problems are being worked on by AMHS, the Administration and the Department of Law. The fast ferries are an integral part of the current and future operations of AMHS. The public, especially in Prince William Sound and the Northern Panhandle, has a unique and strong appreciation for these vessels and their ability to transport cars and people over a long distance in a short period of time. It looks like costs associated with operating the Fairweather in 2010 for May/June are being resolved by AMHS and the Administration.

[1:15:11 PM](#)

MR. VENABLES continued, paraphrasing from a written statement, relating the third short-term recommendation [original punctuation provided]:

3) MTAB has requested that an additional \$60M [million] be added to the AMHS Vessel Replacement Fund. AMHS has embarked on a much-needed vessel replacement project (Alaska Class Ferry Project) that has very strong public support. The project is critical to insure long rang[e] operations of AMHS and

to fulfill the mission of AMHS itself. This process can be easily followed by looking it up on the Alaska Class Ferry information on the AMHS website. The vessel replacement fund currently has \$60 million in it - thanks to your efforts, and it is extremely important that we continue to put additional money into this fund as we replace our aging marine highway fleet. The administration has taken steps through the STIP process to insure that adequate funding will be available to begin the process of building new vessels.

1:16:10 PM

MR. VENABLES continued, paraphrasing from a written statement, relating the long-term goals [original punctuation provided]:

LONG TERM GOALS

1) Forward funding of AMHS operations to allow for continued schedule consistency and successful marketing strategy.

MR. VENABLES remarked that this has been an effective effort for the system over the past two years.

2) A long term strategy to mitigate high fuel prices that negatively affect the system's ability to provide reliable service.

3) Maintenance and operational costs continue to increase system wide, and need addressed in order to meet the mission of AMHS, now and in the future.

4) The vessel replacement fund should be funded at a level that allows for DOT&PF to move forward with the design and construction of new, fuel efficient vessels. As an added value these vessels should be designed to require less crew to operate which could bring future labor costs down.

In closing, Marine Transportation Advisory Board members acknowledge the complexities of providing a safe, reliable and efficient marine transportation system and we cannot expect to be able to satisfy each coastal community's wants and needs. We thank you for your leadership and guidance, and believe that with your continued direction and the expertise of the AMHS

management, MTAB can continue to help guide improvements that will benefit Alaskans.

[1:17:57 PM](#)

MR. VENABLES referred to handouts in members' packets that identify the AMHS's staff who participated in rescue activities, well beyond their duties to provide transportation services. Often the AMHS's staff efforts represent the last line of public safety support, he stated. He applauded their work. He commented that the next MTAB meeting will be in Juneau on March 9, 2010. He concluded by thanking members for the opportunity to present.

[1:18:49 PM](#)

REPRESENTATIVE GRUENBERG recalled engine problems with two ferries, the M/V Chenega and M/V Fairweather. He understood the engine problems are being addressed by the AMHS and the DOT&PF. He asked whether the engines have ever worked.

MR. VENABLES deferred to the DOT&PF commissioner to discuss the issue.

REPRESENTATIVE GRUENBERG stated that he wants to be certain this matter is addressed.

[1:20:12 PM](#)

REPRESENTATIVE MUNOZ asked whether the MTAB has given any consideration to the efficiencies and impact the Lynn Canal Highway would give to the rural operation of the transportation system.

MR. VENABLES responded that the Southeast Alaska Transportation Plan (SATP) is the appropriate vehicle for the discussion to occur. He clarified that the MTAB focuses on the operational aspects of the Alaska Marine Highway System (AMHS) and what the system needs as a whole. He expressed that there may be road lengths interspersed within the system, but the primary attention must be given to the aging fleet. He acknowledged that the MTAB has not yet held extensive discussions on issues, but he believed those would occur during the SATP process. In response to Chair P. Wilson, he reported that the SATP is one of three regional plans in the state.

[1:21:38 PM](#)

SENATOR KOOKESH asked for him to identify members of the MTAB and the relationship between the MTAB board and DOT&PF's staff.

MR. VENABLES named other members of the MTAB: Mike Korsmo, Skagway, Board Chair; Shirley Marquardt, Unalaska, Vice-Chair; Cathie Roemmich, Juneau, at-large member; Clay Koplun, Cordova, representing Prince William Sound and Kenai Peninsula; vacant seat in Ketchikan, formerly held by Mr. Conley; Maxine Thompson, Angoon, representing Southeast Alaska; Gerry Hope, representing Sitka, Petersburg, and Wrangell; Patrick Owen, representing labor unions of the AMHS; himself - Robert Venables, representing the Northern Southeast communities of Haines, Juneau, and Skagway; Seth Church, Fairbanks, member-at-large; and Mark Eliason, Anchorage, who is a travel and tourism specialist. The MTAB's chief interaction is with the DOT&PF's deputy commissioner, who also provides a staff person to the MTAB.

[1:23:37 PM](#)

MR. VENABLES characterized the information flow as very good between Captain Falvey and the MTAB. He thought that the MTAB forces the opportunity for disclosure, with respect to the AMHS happenings, and the MTAB acts as a conduit for information to/from the public. The MTAB can also make recommendations and pass them on to the legislature or the administration, as appropriate, he stated.

AMHS Update

[1:24:22 PM](#)

CHAIR P. WILSON announced that the final order of business would be to have an update by the AMHS.

[1:24:57 PM](#)

JIM BEEDLE, Deputy Commissioner of Marine Operations, Marine Highway System (AMHS), Department of Transportation & Public Facilities (DOT/PF), introduced Captain Falvey. He applauded Captain Falvey's management of the system.

MR. BEEDLE discussed the AMHS's three C's: Commitment, Consistency, and Customer Service within the AMHS [slide 2]. He pointed out that the summer schedule was published last October, although this is risky since the AMHS will not know the amount

budgeted for the AMHS until July 1, 2010. The early publishing significantly helps the public plan their travel to Alaska and within Alaska.

[1:26:55 PM](#)

MR. BEEDLE explained that FY 2011 will be the third year that the AMHS has provided a consistent schedule. He elaborated that developing the schedule is a complicated process since some vessels are upgraded by capital improvement projects (CIBs) so it is difficult to plan and varies year to year. This year the AMHS will have additional rules for FY 2010, Safety of life at sea (SOLAS) regulations to implement, which are required for international travel. The M/V Kennicott will be on layup for a Capital Improvement project to meet the SOLAS regulations. He indicated that customer service is very important to the AMHS, which has maintained a 96 percent customer satisfaction rate since 2006.

[1:28:52 PM](#)

MR. BEEDLE discussed the vessel operation costs by fiscal year and detailed the changes in vessels [slide 3]. In 2004, the AMHS added the M/V Lituya and M/V Fairweather. In 2005, the M/V Chenega was added. Factors that affected costs include contract negotiations and fuel costs, which went up drastically between 2004 and 2006. From 2006 to 2007, three new vessels were added but the AMHS's budget also was out of control so measures were taken to remedy the issue. In 2008, the AMHS decreased its service and the M/V Columbia did not run to Bellingham all year. Currently, the M/V Columbia is laid up four months a year in the winter due to decreased traffic. The AMHS runs one fast ferry four days a week in the winter. The M/V LeConte was turned into a day ferry to serve Juneau. The AMHS made additional cuts to expenses and took the second summer vessel off the Bellingham run, which is working well, he stated.

[1:31:21 PM](#)

REPRESENTATIVE GRUENBERG recalled engine problems on the M/V Fairweather and the M/V Chenega. He understood the engines have never worked right. He asked for a status report.

MR. BEEDLE responded that that the legal issues are ongoing, but the lawsuit will not progress until appropriations for legal fees are made.

REPRESENTATIVE GRUENBERG recalled that the House Finance Subcommittee for the Department of Law is currently holding briefings, but has not yet had a request for funding the legal issues mentioned.

MR. BEEDLE, in response to Representative Gruenberg, understood the issue and assured him requests are forthcoming. He related that the warranties on M/V Fairweather expire at the end of May so any action will happen prior to then.

REPRESENTATIVE GRUENBERG asked to be briefed on the issue outside the committee meeting and welcomed legislators to participate.

[1:34:16 PM](#)

JAMES CANTOR, Chief Assistant Attorney General - Statewide Section Supervisor, Transportation Section, Department of Law (DOL), reported that the Department of Law has been in negotiations with the manufacturers of the engines in the shipyards and they have attempted some repairs. He related that there is a high likelihood the state will file litigation prior to the statute of limitations deadline.

MR. CANTOR, in response to Representative Gruenberg, answered that he was not prepared to provide the potential the amount of damages. He stated that the state is continuing to try to negotiate the matter and he remains hopeful for resolution of the matter. However, he reported that the state may end up in litigation on the issue.

[1:35:24 PM](#)

REPRESENTATIVE GRUENBERG expressed interest in holding additional discussions with Mr. Cantor and Mr. Beedle outside the meeting so as to not take up committee time on this issue.

[1:35:43 PM](#)

MR. BEEDLE continued his update. Only one vessel on the Bellingham route has worked well so the second vessel, the M/V Malaspina, was moved to serve Lynn Canal. He remarked that even though Juneau residents loved the fast ferry to Haines and Skagway, the fast ferry could not make the connection to Skagway, which indicated to the AMHS that freight required a larger vessel for that run. Thus, the M/V Malaspina serves Lynn Canal and the fast ferry now serves Sitka. He remarked that

local people have come rely on the fast ferries. He applauded Captain Falvey's efforts to keep the ships running despite persistent engine problems. He reported that the AMHS has provided consistent service levels and more Alaskans are traveling on the ferries.

1:38:27 PM

CAPTAIN JOHN FALVEY, General Manager, Ketchikan Office, Marine Highway System (AMHS), began his update by pointing out the improvements to AMHS [slide 4]. He applauded his dedicated reservation staff and related that customer satisfaction is at a ten year high per a recent survey. He summarized the improvements to the AMHS, including installing fuel efficiency systems to the ferries, efficiency improvements, customer service improvements, and new vessel construction.

1:40:17 PM

CAPTAIN FALVEY elaborated on the fuel efficiency systems currently installed on the M/V Aurora, the M/V Tustumena, and the M/V Matanuska [slide 5]. He explained the system provides 10 - 14 percent fuel savings. Fuel is costly and he likened the power-management system fuel-savings system as similar to the airline technology. The sophisticated system is satellite based, and synchronizes the engines to manage the power of the ship, which saves 10 - 14 percent in fuel costs. The AMHS receives live data and readouts from the system, which is very accurate.

1:41:59 PM

CAPTAIN FALVEY anticipated adding the efficiency systems to the M/V Kennicott, the M/V Columbia, the M/V Taku, and the M/V LeConte by next winter. The project is federally funded, he added.

1:42:35 PM

CAPTAIN FALVEY related that Phase I of the project provides satellite communications to vessels and internet connections for shipboard passengers using laptops and smart phones in Phase II [slide 6]. However, marine broadband is complex, he stated. Thus far, the initial provider did not work well enough as it did not provide a high enough quality. In response to Representative Gruenberg, he answered that the initial system was in place for about two to three years and the services were

rented. He said the AMHS let the contract run out, then let another request for proposal (RFP) and selected a new provider. He anticipated the AMHS will be happy with the new provider since the contract is with a well-known broadband provider.

1:44:57 PM

CAPTAIN FALVEY detailed the satellite hardware [slide 6]. He stated that currently the hardware is installed on seven ships: the M/V Malaspina, M/V Matanuska, M/V Columbia, M/V Kennicott, M/V Aurora, M/V Tustumena, and M/V Lituya. He anticipated that the satellite hardware will be installed in the coming year on the M/V LeConte and the M/V Taku. The project will establish communications in two phases, initially for the officers and crew for ship to shore communications. One initial mistake was attempting to provide broadband service for both the ship business and customers. Next year customers will be added, but the AMHS will not charge for the service and will provide the service as a marketing tool.

1:46:52 PM

CAPTAIN FALVEY outlined the new AMHS reservation system [slide 7]. He reported that the AMHS is in the process of building a new reservation system. The old system was an in-house home-built system. Currently, about 30 percent of the reservations are conducted on-line. He anticipated that the new system will be more "user friendly." The AMHS hired a subcontractor to examine the system in order to identify technology gaps that need to be addressed before moving forward. He indicated that the AMHS needs service 24 hours a day, and in doing so, can enhance operations, such as to coordinate which cabins can be presold or sold on the ships.

1:49:22 PM

CAPTAIN FALVEY detailed the Phase II: Review of AMHS Customer Service [slide 7]. Phase II will be completed in April 2010. He explained that the AMHS reservation system and the terminals have been reorganized since they are related. The AMHS is in the process of finishing writing the traffic manual, which needed to be updated. The new policy and procedure manual is updated and is ready to enter Phase III, which entails the actual purchase of new reservation system. The AMHS will likely hire a professional to assist in selecting the equipment designed to assist the AMHS, which will include a scheduling module.

1:52:00 PM

CAPTAIN FALVEY briefed members on AMHS Terminal Improvements in Angoon, Annette Bay, and Hoonah [slide 8]. He offered that the AMHS will have new dock facilities in Angoon by December 2010 to accommodate fast ferries. In Annette Bay, the new docking facility will be completed in the fall of 2010, to accommodate the M/V Lituya and the Prince of Wales class vessels. In Hoonah, the uplands and new terminal will be completed in September 2010, and stimulus funds will provide for new docking structures to be completed in February 2011. Minor projects include a new warehouse in Homer, as well as the AMHS's consideration of purchasing the facility at Prince Rupert, and conducting right-of-way work in Haines. He anticipated additional upgrades will follow.

1:54:04 PM

CAPTAIN FALVEY reported the progress to the Alaska Class Ferry [slide 9]. He related that the preliminary design phase is complete as of 12/31/09. The ferries will hold 500 passengers and up to 60 vehicles, equipped with a standard engine and reduced crew quarters, which were added to avoid the 12-hour day schedule restriction required by U.S. Coast Guard regulations. It is possible the AMHS may be able to complete one run to Prince Rupert, overnight there and return the next day. The vessels will be able to use many of the existing ferry terminals. He offered his belief that this class of vessels was a product of the strong steering committee and public input. The final design should be completed by late summer.

1:56:24 PM

CAPTAIN FALVEY discussed an innovative procurement method to develop a request for proposal (RFP) to bring in a shipyard now during the design phase to accommodate the specifics of the shipyard. This will help reduce risk and he characterized the process as "a good way to go."

CAPTAIN FALVEY discussed the AMHS Southwest traffic [slide 10]. He stated that the Southwest route "did not bump as badly with ridership" and even had increases in Southwest Alaska. The route ridership was up 4 percent in passenger traffic and up 11 percent for vehicle traffic. Prior to this year, the AMHS had increasing ridership over three years, but due to the economy was reduced to 1981 levels this year. He related that targeted

marketing, accommodating locals with more convenient schedules, and round trip discounts in winter months has increased the ridership.

[2:00:04 PM](#)

CAPTAIN FALVEY emphasized the AMHS's focus for 2011 [slide 11]. He related that the AMHS has been installing new evacuation systems, including a slide system, and providing training. The AMHS's marketing staff promotes the AMHS to enhance the awareness of the ferry as a unique Alaskan travel experience for residents and visitors [slide 12]. Staff attends major travel shows and also rebuilt the AMHS's website last year. He related that 460,000 people have since visited the website.

[2:01:50 PM](#)

SENATOR KOOKESH would like to know how passenger fares are determined. For example, to stop in Chenega Bay costs significantly more, 75 percent more, than travel between Whittier and Cordova.

MR. BEEDLE reported that a rate study has been posted to the AMHS website. He related that the study is comprehensive and he hopes to implement the recommendations in the study. The rate study indicates which fares are too high and which ones are too low.

[2:03:46 PM](#)

SENATOR MEYER related that as a resident from Southcentral Alaska he does not know as much about the AMHS as he would like to know. He said he traveled to Ketchikan to see the ferry being built that will serve Anchorage and the Mat-Su Valley. He asked if the shipyard has the ability to build the Alaska Class Ferries and whether the state is utilizing its assets.

MR. BEEDLE responded that the Alaska Ship and Drydock (ASD) facility believes that its bid can be competitive and the shipyard is aware of the RFP.

SENATOR MEYER asked about the 5 percent preference for in state bidders.

MR. BEEDLE answered that there is an in state preference, but in this case the project is set up as half federal and half state

funding, so the federal rules will apply. He related that the in state preference does not apply to this project.

2:06:04 PM

SENATOR MENARD commented that in May 2010 the World Expo will be held in Shanghai, China, and Alaska would like to have a presence beginning in May 2010 and spanning a three-month period. She related that the U.S. is building a \$61 million pavilion and this year, exported \$733 million. She hoped that DOT&PF would participate and 192 countries will be represented.

MR. BEEDLE offered to pass the information on to the AMHS marketing person.

CAPTAIN FALVEY related that the marketing staff has a very aggressive travel schedule, especially this time of year.

SENATOR MENARD remarked that billions of people will attend this expo.

2:08:31 PM

CHAIR P. WILSON asked for a report on the coordination between MTAB and DOT&PF.

MR. BEEDLE responded that the two groups work well together, and the input from MTAB is important to the AMHS. He remarked that state agencies sometimes need to change and the MTAB knows "how to push."

CHAIR P. WILSON commented that she is excited about the efforts.

2:09:18 PM

REPRESENTATIVE JOHANSEN assured members that he is working hard to find a way to construct the new AMHS vessel at the shipyard in Alaska, not only because it is in Ketchikan, but since it is a state-owned asset operated by a local company.

MR. BEEDLE related that he has asked the same question and has found that as long as federal money is involved federal rules apply. He stated that in the event the project is 100 percent state funded, that the legislature can direct the DOT&PF to build the project. Currently this project is in the design process, but noted the construction process is separate so the rules could change.

CAPTAIN FALVEY offered that the ASD in Ketchikan is excited about the process. He reported that Washington State uses all state funds to build their ferries.

[2:12:13 PM](#)

CHAIR P. WILSON adjourned the joint House and Senate Transportation Standing Committee meeting at 2:12 p.m. She related that the House Transportation Standing Committee will meet after a short break.

[2:18:09 PM](#)

CHAIR WILSON called the House Transportation Standing Committee to order at 2:18 p.m. Present at the call to order were Representative Gruenberg, Petersen, Wilson and Johansen. Representative Munoz arrived as the meeting was in progress.

HB 329-DEDICATED TRANSPORT FUND/PUB TRANSPORT

CHAIR P. WILSON announced that the final order of business would be HOUSE BILL NO. 329, "An Act relating to the transportation infrastructure fund, to local public transportation, to motor fuel taxes, and to the motor vehicle registration fee; and providing for an effective date."

[2:18:20 PM](#)

CHAIR P. WILSON explained that a new committee substitute has been prepared.

REPRESENTATIVE JOHANSEN made a motion to adopt a proposed committee substitute, labeled 26-LS1207\N, Kane, 2/18/10, as the working document.

[2:19:32 PM](#)

REPRESENTATIVE GRUENBERG objected for the purpose of discussion.

[2:19:38 PM](#)

REBECCA ROONEY, Staff, Representative P. Wilson, Alaska State Legislature, on behalf of Representative P. Wilson, stated that explained changes contained in Version N. She explained that the first change removed legislative intent. Another bill will be vehicle for appropriation of the proposed \$1 billion

endowment to the proposed Alaska Transportation Infrastructure Fund (ATIF), she stated.

[2:20:24 PM](#)

MS. ROONEY referred to page 2, line 5 of Version N. She reported that the committee previously discussed removing the Watercraft Fuel Tax Account (WFTA) from the bill since it may appear that the Fisheries Business Tax Account (FBTA) was the only revenue source for the Municipal Harbor Facility Grant Fund (MHFGF). Thus, the WFTA was replaced with the ATIF. On page 2, lines 19-22, the committee previously discussed the beginning as July 1, 2011 instead of April 1, 2011, to coincide with the start of fiscal year. She referred to page 3, to the allocation of funds between modes, noting the committee previously discussed the desire for more flexibility between the transportation modes. She referred to page 3, line 13, which was changed to read..."not to exceed" to allow the legislature the ability to increase and decrease appropriations between the transportation mode, which would allow additional funding for a runway erosion issue or other issue that may require additional funding to be addressed.

[2:22:36 PM](#)

MS. ROONEY referred to page 4, line 10, to the composition of the Transportation Infrastructure Fund Advisory Council (ATIFAC) which was increased to 10 members. Some committee members suggested that the legislature's Transportation Committee Chairs might have too large a role. Thus, paragraphs 4 and 5 added two additional legislators to be appointed by the leadership instead of the Chairs of the House and Senate Transportation Standing Committees. The bill adds two legislators from urban and rural districts to ensure the representation of expertise in different modes. The DOT&PF commissioner's position was deleted, but his/her three deputy commissioners were added since they are responsible for surface transportation, aviation, and the AMHS.

[2:24:10 PM](#)

MS. ROONEY referred to page 4, lines 24-31, which is the bill drafter's first attempt to capture legislators from urban and rural districts.

CHAIR P. WILSON expressed her intention to hold HB 329 over today.

[2:26:21 PM](#)

MS. ROONEY referred to page 5, line 7 of Version N. The date was changed to October 15 to allow the report from the ATIFAC to mesh with the DOT&PF's budget timeframe. Additionally, the ATIFAC's report will be submitted to governor as well as the legislature to help alleviate the issue of the separation of powers. This disparity comes into play since having legislators on the council basically gives the legislature both the power to affect the suggested list of projects as well as choose the actual projects that receive funding.

[2:27:04 PM](#)

MS. ROONEY referred to page 9, lines 22 and 29, and indicated the dates were changed to reflect the beginning of the fiscal year.

CHAIR P. WILSON referred to page 9, line 25 of proposed Section 15 of Version N, which read, "If, under sec. 13 of this Act, AS 44.42.020(a)(17), enacted by sec. 9 of this Act, takes effect immediately under AS 01.10.070(c)." This means that this bill would take effect only if the results of the joint resolution [HJR 42] passes and the voters pass the constitutional amendment, she stated.

[2:28:22 PM](#)

REPRESENTATIVE GRUENBERG related a series of concerns and suggestions. He referred to page 4, of Version N, to the composition of the ATIFAC, which would consist of four legislators. He expressed concern that members would be majority members and no provision was made for minority members. He related that two legislators should represent communities with small populations and two legislative members were not described. He asked for consideration for urban areas and the population that uses the public transit systems. He referred to page 5, line 3, which refers to AS 39.20.180. He asked whether that was the correct statute or if the travel and per diem should correspond to a statute in Title 24. He also referred to page 5, line page 7, to capital projects and suggested flexibility to cover items such as higher fuel costs or operating expenses instead of restricting the recommendations to capital projects.

[2:32:06 PM](#)

REPRESENTATIVE GRUENBERG suggested that the sponsor specifically consider an alternate plan for a statute in case the constitutional amendment for the dedicated transportation fund does not pass. If that happened, the committee would need to start a new process to develop an alternate plan which would take time. If an alternate plan were incorporated into the bill, it would ensure that transportation issues could be funded.

[2:33:28 PM](#)

REPRESENTATIVE JOHANSEN referred to page 2, lines 1-9, of Version N. He was unsure whether the Fisheries Business Tax should be included.

CHAIR P. WILSON answered the Fisheries Business Tax is an existing tax. She explained that she wanted the flexibility to use the tax for the proposed ATIF.

REPRESENTATIVE JOHANSEN referred again to proposed Section 2 and to the appropriations to the Municipal Harbor Facility Grant Fund. This proposed section allows the legislature to appropriate to the proposed ATIF, deletes the reference to the Watercraft Fuel Tax Account, and "out of the blue" states, "and from Fisheries Business Tax collected under AS 43.75.015 after payments to municipalities are made..." He suggested that any of a hundred funds from the general fund could be deposited to the Municipal Harbor Facility Grant Fund. He asked why the Fisheries Business Tax is singled out since the legislature may make other appropriations to the fund. He also remarked that this tax is collected under AS 43.75.150, but payments are made to municipalities under AS 43.75.130.

CHAIR P. WILSON explained that the state is in the process of fixing harbors and allowing local municipalities to take over ownership. She commented that municipalities will not take over harbors until the repairs are made. She recalled that about 29 harbors have not yet been transferred or fixed and this mechanism may provide a method to repair the state's harbors.

REPRESENTATIVE JOHANSEN agreed but maintained his concern.

CHAIR P. WILSON offered to flag areas of concern that members have on the bill.

[2:37:10 PM](#)

REPRESENTATIVE JOHANSEN referred to page 3, lines 6-8 of Version N, and read, "An appropriation from the fund may not be made to a project for which federal money has been allocated..." He referred to page 3, line 13, which read, "...shall be distributed..." He asked for clarification since one is "may" and the other is "shall."

CHAIR P. WILSON explained that she sought flexibility. State funded projects can move more quickly through the process, yet there might be times the legislature may wish to use federal funds. She expressed her intent to limit the amount of the fund that could be used for capital projects.

[2:38:47 PM](#)

BRIAN KANE, Attorney, Legislative Legal Counsel, Legislative Legal and Research Services, Legislative Affairs Agency, explained that "may not" and "shall not" basically mean the same thing. He referred to page 3, line 6, and explained that the state is limited to making an appropriation for matching funds for a federally funding project. Additionally, federal matching funds cannot exceed 10 percent of the appropriations for any given year.

[2:40:29 PM](#)

CHAIR P. WILSON stated she did not know if federal projects always require matching funds. She asked whether it would be clearer if it read that an appropriation from the fund "cannot or shall not" be made instead of "may not."

REPRESENTATIVE GRUENBERG agreed that "cannot" is a clearer term. He suggested the sponsor consider discussing this further with the bill drafter. He stated that "may not" is likely the normal term in the drafting manual but in this instance is confusing.

[2:41:39 PM](#)

REPRESENTATIVE JOHANSEN referred to page 3, lines 12-13, which read, "Appropriations made from the fund for capital projects for transportation and related facilities shall be distributed based on amounts not to exceed the following percentages..." He asked whether the dedicated fund, which sets specific parameters for allocation of funds between transportation modes, would challenge the decision-making process of the legislature.

MR. KANE responded that he did not believe the program would challenge the appropriation process. He stated the determination was the resolution would place into the constitution a provision for a dedicated fund for transportation and related facilities. The proposed language in HB 329 sets the allocation to ensure money is spread out for transportation needs such as roads, ferries, and transit. However, in any given year the entirety of the fund would not be appropriated for only one project. The legislature could still appropriate 80 percent of the available funding for road and surface transportation funding and not appropriate any funds to other types of transportation projects.

[2:43:40 PM](#)

REPRESENTATIVE JOHANSEN referred to page 3, lines 12-15 of Version N and asked what would happen if the legislature chose to appropriate 85 percent instead of 80 percent for roads and surface transportation.

MR. KANE answered that based on the language that the statute would not allow the legislature to spend beyond these percentages from the proposed Transportation Infrastructure Fund (ATIF), but the legislature could appropriate additional funds from another fund such as the general fund (GF).

[2:44:19 PM](#)

REPRESENTATIVE GRUENBERG pointed out that this is an authorization bill and the legislature cannot appropriate beyond the manner authorized. He referred to page 3, line 25, of Version N. He expressed discomfort with the current percentages of allocation from the dedicated transportation fund. However, he suggested that the 20 percent referred to in this paragraph is intended for "public" transportation. He further suggested that it should read, "...projects related to local community public transportation and transit..." to be certain the intent is crystal clear. He referred to page 3, line 7, and offered that it may be appropriate to refer to capital projects in this instance.

[2:45:49 PM](#)

REPRESENTATIVE MUNOZ referred to page 3, lines 17-18, of Version N and asked whether municipal airports are eligible for up to 25 percent for aviation projects.

MS. ROONEY responded that she believed that all airports could apply for the funds.

[2:46:20 PM](#)

CHAIR P. WILSON recalled that the Juneau International Airport is owned by the City and Borough of Juneau and that Juneau receives a portion of the aviation fuel tax.

REPRESENTATIVE MUNOZ agreed that the Juneau International Airport receives 60 percent of the aviation fuel tax. She referred to page 3, to paragraph 5, which allows for the inclusion of other community transportation projects, and asked why municipal airports would be excluded under paragraph 2.

CHAIR P. WILSON offered her belief that public transportation could include airports.

[2:47:51 PM](#)

REPRESENTATIVE MUNOZ asked whether the 25 percent allocation for aviation could include municipal airports.

MR. KANE answered he was not aware of another provision in statute that would prohibit municipal airports from receiving any type of appropriations so he assumed airports would be eligible for appropriations under this paragraph as well as under the public transportation provision.

[2:48:50 PM](#)

REPRESENTATIVE MUNOZ referred to page 3, paragraph 4, and asked whether the 20 percent allocation for harbor projects would be deposited into Municipal Harbor Facility Fund.

MR. KANE related that these are ceiling percentages for allocation from the proposed fund, but no specific percent is required to be deposited into the Municipal Harbor Facility Grant Fund. There is also another option for projects related to harbor facilities and state-owned marine facilities as well as the Municipal Harbor Facility Grant Fund. As much as 20 percent can be deposited directly into the grant fund, but the allocation cannot exceed the 20 percent, he stated.

[2:49:46 PM](#)

REPRESENTATIVE MUNOZ referred to the composition and make-up of the ATIFAC. She asked how the creation of another DOT&PF review team would impact the department and whether this council would create a duplication of effort. She also expressed concern about inclusion of legislators on that team since this is a statewide project fund. She suggested that legislators would naturally focus on own areas. She asked the committee to consider an amendment to the composition of the ATIFAC. She indicated she would also like the DOT&PF to comment.

CHAIR P. WILSON clarified that this would not represent a duplication of efforts since the Statewide Transportation Improvement Program (STIP) relates to federally funded projects.

REPRESENTATIVE MUNOZ maintained she would like to hear from the DOT&PF on this matter of creating another panel.

CHAIR P. WILSON remarked that some constituents do not believe the public's concerns are addressed in the current process. This option would have someone directly representing the constituency in the process.

[2:52:21 PM](#)

FRANK RICHARDS, Deputy Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities (DOT/PF), stated that the DOT&PF provided a packet for members to identify the project evaluation boards that the DOT&PF currently has in place for surface transportation highway, aviation, and harbors projects. The process for each of the boards is similar, although the criterion differs slightly. He related that the DOT&PF would welcome another board to address state projects. The inclusion of public members or legislators would also be welcome for their viewpoint and perspective. The DOT&PF welcomes this participation to ensure that the process is an open and transparent process.

[2:53:42 PM](#)

REPRESENTATIVE PETERSEN recalled prior committee discussion. He further recalled that the committee thought having the Chair of the House and Senate Transportation Committees might have too much influence in the process. He was not certain if that issue has been addressed.

CHAIR P. WILSON recalled that the Chairs of the Transportation Standing Committees initially would appoint legislators to serve

on the advisory committee, but a provision has been expanded in Version N to allow the leadership of each body to appoint legislative members.

REPRESENTATIVE PETERSEN said he thought the DOT&PF process worked well, but he expressed concern that having the legislative members on the advisory committee might be creating another "committee of committees." He said he also thought another layer of bureaucracy might slow down the process.

[2:55:37 PM](#)

REPRESENTATIVE JOHANSEN referred to page 4, line 18, of Version N, and asked whether the commissioner's designee is another DOT&PF employee or if the commissioner can appoint anyone to serve.

MR. RICHARDS responded that the commissioner's designee has always has been a DOT&PF person.

MR. KANE offered his belief that in each instance a DOT&PF designee has been filling in for the commissioner the designee has been a DOT&PF employee. He offered to research this further.

[2:57:43 PM](#)

REPRESENTATIVE JOHANSEN remarked that an appointed legislator could be a minority member of the legislature.

CHAIR P. WILSON commented that it could be transportation chair.

REPRESENTATIVE GRUENBERG stated that it would be unlikely legislature leadership would appoint a minority legislative member to serve.

MR. KANE, in response to Chair P. Wilson, stated that the appointment process to decide which legislators will serve on boards and commissions has usually been left to the discretion of the leadership of the legislature. He offered to check into this further.

[3:00:11 PM](#)

REPRESENTATIVE GRUENBERG referred to page 3, to paragraphs 1 through 5, and asked whether surface transportation includes public transportation. He thought that surface transportation

would relate to rolling stock, which would be public and real property in the sense of roads. He also thought it might allow for projects such as a bus barn. He wanted to be certain that the language in paragraph 1 indicates that the dedicated transportation fund could be used for bus barn or a roundhouse for the railroad. He asked for clarification and to flag the issue for the sponsor to contemplate.

CHAIR P. WILSON remarked that all of the state projects are for the public.

MR. KANE suggested that the legislature could define that the allocation for distribution from the proposed ATIF could be defined as specific or in broad terms.

[3:03:16 PM](#)

MS. ROONEY related that the discussions for the allocations were limited to roads and the means of conveying vehicles. The reason for the inclusion of paragraphs specified for local community public transportation and transit is because these items were specifically separate from roads and surface transportation category.

REPRESENTATIVE GRUENBERG commented that he could envision at some point the need for a bus barn.

CHAIR P. WILSON offered her belief that a bus barn project would be covered under the allocation in paragraph 5, which allows funds to be used for projects related to local community public transportation and transit. In further response to Representative Gruenberg, she explained that the Alaska Railroad Corporation is specifically not listed since it is a separate entity. This fund is not for Alaska Railroad Corporation projects, she stated.

REPRESENTATIVE GRUENBERG strongly suggested that this "be put in black and white" as it is not clear in the specific language.

REPRESENTATIVE JOHANSEN suggested that the sponsor should also consider how the Anchorage Metropolitan Area Transportation Solutions (AMATS) and the Fairbanks Metropolitan Area Transportation Solutions (FMATS) process fits together.

REPRESENTATIVE GRUENBERG agreed. He remarked that as Southcentral grows a rail commuter system may be needed and he

would like the dedicated transportation fund to be used for that purpose.

[HB 329 was held over.]

[3:11:39 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:11 p.m.