

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 31, 2016

1:06 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Shelley Hughes, Co-Chair
Representative Benjamin Nageak
Representative Dan Ortiz

MEMBERS ABSENT

Representative Charisse Millett
Representative Louise Stutes
Representative Matt Claman

COMMITTEE CALENDAR

HOUSE BILL NO. 292

"An Act relating to the Alaska marine highway system fund."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 292

SHORT TITLE: MUNI CONTRIBUTIONS TO AK MARINE HWY

SPONSOR(S): REPRESENTATIVE(S) KITO

02/03/16	(H)	READ THE FIRST TIME - REFERRALS
02/03/16	(H)	TRA, FIN
03/31/16	(H)	TRA AT 1:00 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE KITO

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 292.

MIKE LESSMAN, Legislative Liaison

Office of the Commissioner

Department of Transportation & Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 292.

MIKE NEUSSL, Deputy Commissioner
Office of the Commissioner
Department of Transportation & Public Facilities (DOTPF)
POSITION STATEMENT: Testified during the hearing on HB 292.

ROBERT VENABLES, Chair
Marine Transportation Advisory Board
Department of Transportation & Public Facilities (DOTPF)
POSITION STATEMENT: Testified during the hearing on HB 292.

JAN WRENTMORE, Chair
Skagway Borough Ad-Hoc Marine Highway Committee
Skagway, Alaska
POSITION STATEMENT: Testified during the hearing on HB 292.

ACTION NARRATIVE

[1:06:07 PM](#)

CO-CHAIR NEAL FOSTER called the House Transportation Standing Committee meeting to order at 1:06 p.m. Representatives Ortiz, Nageak, Hughes and Foster were present at the call to order.

HB 292-MUNI CONTRIBUTIONS TO AK MARINE HWY

[1:06:28 PM](#)

CO-CHAIR FOSTER announced that the only order of business would be HOUSE BILL NO. 292, "An Act relating to the Alaska marine highway system fund."

[1:004 PM](#)

REPRESENTATIVE KITO, Alaska State Legislature, as prime sponsor of HB 292, explained that the proposed legislation would provide statutory authority for municipalities to voluntarily contribute to a fund that would go towards support for the Alaska Marine Highway System (AMHS). In its one-line simplicity, he said the bill seeks, via Section 1, to add a line to the AMHS fund (fund) to include money contributed to the fund by a municipality. The Department of Transportation & Public Facilities (DOTPF) has expressed concern that there would not be an expectation that a community would provide revenue in order to guarantee certain levels of transit service, he reported and said that any community could provide contributions in acknowledgement of the importance for state ferry service; not only those being served by AMHS. He opined that this was an opportunity for DOTPF to go

out and work with communities. He explained that a specific project or role for the funding is not anticipated; however, DOTPF will be relied on to identify areas of need.

1:08:40 PM

REPRESENTATIVE KITO shared that the Southeast Conference [formed in 1958 with a mission to undertake and support activities that promote strong economies, healthy communities and a quality environment in Southeast Alaska] could tap the funding to identify sources of revenue for a management study of AMHS. He opined that the proposed legislation may serve as a tool to bring Alaskan communities together to consult with DOTPF; akin to being a shareholder. The department could utilize the interaction to bring those communities to the table when they were considering schedule changes, levels of service, or rate changes. A committee could be engaged to create a sounding board for communities to voice ideas and concerns in the AMHS planning process. He said such a relationship may get contributors and the department conversing over issues which could be formalized through a memorandum of agreement (MOA) or a memorandum of understanding (MOU); thus ensuring contributor/shareholder engagement in AMHS activities and DOTPF decisions.

REPRESENTATIVE KITO said that although the state and AMHS are facing financial hardships, there may be opportunities in the future to work through an MOU to identify, and transition to, alternative funding sources. Currently the state is in flux trying to stabilize AMHS, identify efficiencies and decrease reliance on state subsidies while increasing revenues recovered through fares.

1:11:53 PM

CO-CHAIR HUGHES asked whether there had been any interest expressed by communities to contribute to an AMHS fund.

1:12:20 PM

REPRESENTATIVE KITO responded that conversations have been held with the Alaska Municipal League (AML) and representatives from various communities. At this point, he reported, all have shown an interest and noted possible benefits that HB 292 could affect. Concerns have also been expressed regarding the possibility of decreased state funding to contributing communities. He indicated that no community has specifically

requested this legislation and stressed his intent to use it as a means for engaging/uniting communities and AMHS. He noted that Lieutenant Governor Byron Mallot had talked about having a summit to bring together representatives from different areas for a potential discussion about the future of AMHS. Thus arose the idea for this bill: a mechanisms for municipalities to have a more formal role in AMHS planning, and agency engagement.

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CO-CHAIR HUGHES reported having recently attended a meeting of the Southeast Conference. She stated her understanding that under the proposed legislation Southeast Conference would have to "put money in the bucket" in order to have a seat at the table. She opined that the department should have the benefit of hearing from a community regardless of whether or not a locale has the means to contribute funding. She asked for clarification of the sponsor's intent to create a special group of AMHS fund contributors.

REPRESENTATIVE KITO replied that it would be up to the department to determine community involvement. He explained that DOTPF receives input from the Marine Transportation Advisory Board (MTAB) and conducts public meetings in communities. He explained that contributors to the fund should have the opportunity to be in direct communication with the department, and that the opportunity could also provide openings for other communities to be engaged in the process. It is not anticipated that the proposed legislation will create an exclusionary process.

CO-CHAIR HUGHES said it would seem optimal for DOTPF to have open communications with all of the communities.

1:15:52 PM

REPRESENTATIVE ORTIZ asked whether the sponsor envisions the funds to be used in any way which the department considers reasonable. He asked whether potential donations could go directly into the operations fund.

REPRESENTATIVE KITO answered that HB 292 allows DOTPF the latitude to create its own structure for the benefit of AMHS. He offered his assumption that it would be very difficult for the department to utilize contributions to replace existing operating funds; however, if special ferry service was needed during certain times of year, or other services not identified

in the annual budget, the department could approach the shareholders regarding support of such events. He noted that the described relationship reminds him of the Juneau community foundation in which individuals propose ideas to the board, when seeking funding. He surmised that DOTPF could set up a panel to generate ideas, make proposals to the shareholders, and request authorization to utilize the available funds contributed to benefit AMHS.

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REPRESENTATIVE KITO said that upon a recent constituent visit he was presented with an idea of marketing for AMHS. He pointed out that marketing would direct attention to AMHS but funded is not available due to the state's declining revenue. He offered his presumption that specific, promotional ideas could be brought to the proposed, such as purchasing a stateroom to support the presence of a United States Forest Service (USFS) interpreter aboard a ferry.

[1:19:46 PM](#)

CO-CHAIR HUGHES questioned whether a community that gives a sizable amount in any given year might expect an increase in service, and asked whether DOTPF would be obligated under such a situation.

REPRESENTATIVE KITO explained that the intent of the proposed legislation is not to give community preference, but rather generate funding to be used for the betterment of AMHS. He said DOTPF has prepared language to clarify the intent and descriptive application, to avoid any confusion.

CO-CHAIR HUGHES expressed interest in the level of community response and whether letters of support have been received. Further, she questioned whether previously mentioned, clarifying language set forth by DOTPF, has been generally disseminated.

REPRESENTATIVE KITO answered that support letters have not been received and that the necessity for inclusion of the DOTPF, additional language is being discussed.

CO-CHAIR HUGHES described a previously testified to situation of a school district that covers the costs of additional services received from ferry permanently stationed in its community. She asked to know how that community funding is handled with DOTPF.

Additionally, she asked how the department would view large contributions from communities and possible expectations.

[1:24:27 PM](#)

MIKE LESSMAN, Legislative Liaison, Office of the Commissioner, Department of Transportation & Public Facilities (DOTPF), answered that the department has interpreted HB 292 as a means for municipalities to make voluntary contributions to the aforementioned fund. He said the agency recognizes the potential for a community to invoke expectations based on contribution levels and, thus, the department submitted the clarifying language to the sponsor for possible inclusion in a committee substitute (CS).

CO-CHAIR HUGHES inquired about the unique situation described, which the community/school district pays for extra services.

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MIKE NEUSSL, Deputy Commissioner, Office of the Commissioner, answered that the community in question is Metlakatla, which typically receives service from the Motor Vessel (MV) Lituya five days a week. Occasionally, service is desired on the two off days. He explained that rather than put that expense on the state or decline the request, the department entered into an arrangement with Annette Island School District (AISD), which guarantees district reimbursement of costs including fuel and crew overtime. He explained that he has approved three of these requested runs and that the unique arrangement has worked well for Metlakatla, as the MV Lituya is regularly docked in the community, during its two off days. The revenue receipt structure is through standard channels for ticket sales and other funding to the marine highway fund.

CO-CHAIR HUGHES asked whether the department thought additional language was necessary, since Metlakatla is already paying into a similar fund.

MR. NEUSSL replied that the payment from AISD went in to an existing fund, as a fee for a service. He offered his understanding that HB 292 proposes a contribution fund without attachment for direct services; simply a means to contribute support for the AHMS.

CO-CHAIR HUGHES clarified that currently, statute allows for fee based contributions, but unless the proposed language is added, donation based contributions are not allowed.

MR. NEUSSL concurred. He said AMHS currently receives funds based on the provision of direct services.

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CO-CHAIR HUGHES conjectured on contributing communities responding with expectations for additional service, and she requested departmental assurance that the Metlakatla scenario would not be considered a precedent, as such.

MR. NEUSSL answered that the department does not view the Metlakatla scenario as a precedent. He said the department talked with Representative Kito about amending HB 292 to include language stating there would be no service guarantee associated with the contribution of funds. Any funding source directed towards AMHS, with the potential to supplement the reduced general funds, will be helpful in operating the ferry system. He opined that the proposed legislation appears to be a good means for generating funds outside of the general fund.

[1:30:46 PM](#)

CO-CHAIR HUGHES emphasized the importance of considering unintended consequences when creating legislation. She pondered whether a community giving money to an AMHS fund, set up under HB 292, might hear about (Metlakatla) paying a fee for a service and request a service in return for its donation. She asked whether that might happen and surmised that it could already happen.

[1:31:45 PM](#)

MR. NEUSSL agreed that the possibility to purchase services exists and concurred with the potential outfall of HB 292 to generate competition among communities, which he said the department would have to manage. Currently, when a special service request is received, the department conducts an evaluation which includes: the number of people the change will serve, impacts on the published schedule, and other considerations for an alteration. He said a number of communities would like to have special runs for various events, but the Metlakatla situation is entirely unique. He explained that the weekly, two day lay-up in Metlakatla allows for changes

in service to be made more easily than in the communities where service is provided by vessels operating on a twenty-four hour, seven days a week basis. Further, he said the MV Lituya has the lowest fuel burn rate with the smallest crew, making it the department's least expensive vessel to operate. He explained that all the other vessels are larger and more expensive to operate, which are important factors when considering a change request.

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REPRESENTATIVE ORTIZ asked about the nature of the extra runs conducted for Metlakatla.

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MR. NEUSSL responded that the runs are to transport students for school events. Students require access to Ketchikan for airline flights, which may fall outside of the regularly scheduled ferry service.

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REPRESENTATIVE ORTIZ stated that he was aware of the need for special runs for school events, and provided an example of the Alaska School Activities Association (ASAA), Region V Basketball Tournament. In the past, AMHS had been able to accommodate its schedule for special events, and predicted that it would no longer be able to do so given a decline in funding. He asked whether the passage of HB 292 would offer relief in this regard.

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CO-CHAIR FOSTER passed the gavel to Co-Chair Hughes.

[1:36:25 PM](#)

MR. NEUSSL responded that, with funding constraints and downsizing, AMHS will find it increasingly difficult to accommodate special event requests. He said that the department would like to support special events, such as the Southeast Alaska State Fair in Haines, but that he was uncertain how many communities would willingly contribute. The proposition to pull a vessel out of lay-up and schedule a run is expensive. He surmised that not many communities would be willing and able to cover the cost of gathering a crew, stocking the boat with provisions, and getting it to the right location.

1:38:55 PM

CO-CHAIR HUGHES opened public testimony.

1:39:15 PM

ROBERT VENABLES, Chair, Marine Transportation Advisory Board (MTAB), said that the proposed legislation had not been thoroughly vetted by MTAB, and opined that HB 292 speaks to the heart of what is being seen throughout communities, in regards to the sponsor's intent for increasing community engagement. He said that finding mechanisms to facilitate that level of engagement is a worthy consideration. He stated that MTAB is dedicated to the development of a strategic plan to take discussions to the next level. The board has been considering all revenue streams - federal, state, and local - to discover ways to engage communities. He referred to the USFS onboard interpreters that previously provided talks en route, and speculated it could be something communities would want to support and bring back to AMHS. He surmised that there are ways to explore the means for utilizing opportunities.

CO-CHAIR HUGHES asked about the MTAB meeting schedule and whether HB 292 has been, or will be, an agenda topic.

MR. VENABLES replied that MTAB is tentatively scheduled to meet following the legislative session and HB 292 will, for the first time, be on the agenda for discussion.

CO-CHAIR HUGHES asked about the effectiveness and ability for MTAB to enact solutions to the funding shortage while maintaining ferry services.

1:43:09 PM

MR. VENABLES explained that prior to being adopted into statute, MTAB's mission was to collaboratively provide oversight and integration with development and operations; that oversight did not happen. Currently, the primary role of MTAB is to act as a liaison to the department. He explained that, statutorily, MTAB is only allowed to conduct two primary tasks: advising on the hire of the marine transportation operations manager/deputy commissioner, and aiding the department with the integration of the development of long-range plans. He described the past few years as frustrating because DOTPF's Southeast transportation plan has not been updated in years. He continued, as follows:

We have provided some input but it's such a political arena that ... it's really hard to get any traction when you're going from one session to the next or one administration to the next. Which again brings us full circle to why Southeast Conference really thinks there needs to be a process and a product and a plan that is kind of an arm's length from that political atmosphere.

1:45:00 PM

CO-CHAIR HUGHES offered her understanding that the Southeast Conference might make some recommendations for improvements. She asked whether MTAB would also be making suggestions.

MR. VENABLES answered yes, and reported that the Southeast Conference was represented at the last MTAB meeting [November 2015], and made a presentation showing its intent, and the need for improvements. He shared his expectation that MTAB will become involved with any advancement intentions. He explained that the Southeast Conference expects to lead the initial ground effort, with hopes for extending beyond its purview of Yakutat/Cordova south to Metlakatla, to reach out across the state and ensure all stakeholders and user groups of AMHS are helping to shape the ferry system's future.

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REPRESENTATIVE ORTIZ offered his understanding that the MTAB board consists of members from across Alaska and asked whether it deals with issues outside of the AMHS.

MR. VENABLES answered that MTAB's reach does not extend beyond AHMS, and the MTAB is a diverse group of community and business leaders from across the state.

REPRESENTATIVE ORTIZ rephrased to ask whether there is regular cooperation and communication between the Southeast Conference and MTAB other than through the involvement of Mr. Venables.

MR. VENABLES replied that his position facilitates cooperation between the two agencies, such that it provides a forum for marine transportation organizations to be heard and present information, in a public and formal manner, to DOTPF. He explained that anyone is free to work directly with DOTPF, and the department has been receptive to hearing from communities

and individuals. He said that there are times when communities, individuals, and organizations, desire a formalized communication method with the department.

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JAN WRENTMORE, Chair, Skagway Borough Ad-Hoc Marine Highway Committee, shared her understanding that communities making contributions could not expect to receive extra services. She asked, hypothetically, whether a community choosing to support the AMHS public marketing program, could make a contribution directed to that specific request.

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MR. NEUSSL agreed to provide that information to the committee following the next meeting of the MTAB.

CO-CHAIR HUGHES announced that public testimony would remain open.

[HB 292 was held over.]

[1:52:22 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:52 p.m.