

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 30, 2017

1:31 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator David Wilson
Senator Dennis Egan

MEMBERS ABSENT

Senator Anna MacKinnon
Senator Click Bishop

COMMITTEE CALENDAR

OVERVIEW: PORTS & HARBORS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MICHAEL LUKSHIN, State Ports & Harbors Engineer
Division of Statewide Design & Engineering Services
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Presented an overview of Alaska's ports and harbors.

ACTION NARRATIVE

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CHAIR BERT STEDMAN called the Senate Transportation Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Egan, Wilson, and Chair Stedman.

OVERVIEW: PORTS & HARBORS

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CHAIR STEDMAN announced an overview of Ports and Harbors by the Alaska Department of Transportation and Public Facilities (DOTPF).

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MICHAEL LUKSHIN, State Ports & Harbors Engineer, Division of Statewide Design & Engineering Services, Department of Transportation and Public Facilities (DOTPF), presented an overview of Alaska's ports and harbors.

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MR. LUKSHIN began by showing a map of commercial, private, and public ports and harbors in Alaska, of which there are over 500. He said DOTPF only tracks the publically-owned facilities. He listed the users of ports and harbors: commercial and recreational fishers and boaters, freight and fuel tug operators, tourism-related charters, and subsistence hunters and fishers. Numerous facilities are unable to maintain or repair aging infrastructure due to lack of local funding and waning state revenue.

He noted that Alaska lacks a deep water Arctic port, which is a barrier to providing infrastructure necessary to develop Alaska's resources and carry out national strategic goals in the region.

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MR. LUKSHIN discussed the purpose of ports and harbors:

Provide for the movement of people and the transfer of goods and services between coastal destinations and other transportation modes (airports, ferries, trucks)

Provide access to nearby and distant Alaskan villages and communities;

Enhance the mobility of a dynamic fishing fleet;

Provide a safe harbor for commercial fishermen, marine operators, and recreational users;

Provide a waterway portal for the public's benefit.

He commented that there are 43,000 miles of coastline and most Alaskans live within ten miles of the coast.

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MR. LUKSHIN provided details about why Alaska needs ports and harbors:

Over 62,000 vessels of all types use our waterways. Alaska does not title boats.

Alaska's fish management system and limited entry areas and high capital investment in the fishing fleet require mobility for maximum efficiency.

Harbors are spaced and sized to minimize travel time, fuel, spoilage, and safety cost factors to ensure a productive fleet.

Weather is a significant risk for vessels in transit or engaged in fishing in Alaska's waters.

Public demands access to the waterways for recreational and cultural pursuits.

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MR. LUKSHIN provided DOTPF's perspective:

DOT&PF works with local government to provide navigation improvements in Alaska

DOT&PF established to manage across all modes

Federal funding is still controlled by mode: air (FAA), highways (FHWA), transit (FTA), railroad (FRA), marine (Corps of Engineers)

For federal projects, we only spend the necessary state funds to match Corps projects. Funds are limited due to earmarks

Most port and harbor projects are funded entirely with state funds.

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He described what the State Ports and Harbors Engineer does:

Manages DOT&PF investments in navigation projects.

Maximizes federal investment in Alaska's marine infrastructure.

Provides policy and guidance to regional functions (i.e., planning, design, construction, maintenance and operations).

Maintains database of conditions of DOT&PF harbor facilities and prioritizes harbor M&O projects.

Assists local government with their water transportation needs, providing technical and financial assistance.

Administers the 50/50 matching Municipal Harbor Facility Grant program.

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MR. LUKSHIN said DOTPF is the largest harbor owner of harbor facilities in the state. There are at least 132 harbor facilities statewide and 102 were built by the state in the 1960s and 1970s. Today, DOTPF manages only 20 harbors and 20 seaplane floats because they have transferred most of them to municipalities.

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MR. LUKSHIN turned to harbor maintenance and operations:

Deferred maintenance backlog = \$15.7 million

No dedicated M&O staff

\$80K harbor maintenance allocation in SLA16

Average facility age = 29 years, oldest is 66 years old

Most major harbor maintenance projects cost \$1 million

Recently replaced DOT&PF harbor facilities: Hyder (2010), Port Alexander Inner (2011), Kasaan (2012), Tenakee (2014), Naukati (2014), Elfin Cove Outer (2016), Baranof (2016)

In construction: Port Alexander Outer (2017)

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SENATOR EGAN noted that when he was the mayor of Juneau, the state transferred harbors to the City and Borough of Juneau for

10 cents on the dollar and now Juneau must maintain them. He asked how Port Alexander will afford to maintain its harbor.

MR. LUKSHIN responded that Port Alexander would collect user fees to maintain its harbor. This project will leave them with brand new facilities with a 30 to 40 year design life. They could also use the harbor facility grant program to maximize local contributions.

SENATOR EGAN pointed out that the deferred maintenance fund is nearly depleted.

MR. LUKSHIN reiterated that Port Alexander must accept user fees. He said DOTPF is not doing deferred maintenance in other places; all available funds will be invested in Port Alexander.

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CHAIR STEDMAN noted many user groups use Port Alexander and they are able to generate funds to pay for their own facilities. The smaller communities have a hard time accepting that the state will not build new harbors for free. The matching grant fund could help them. For example, Gustavus may not be able to maintain a harbor, but Port Alexander is a commercial harbor.

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MR. LUKSHIN explained how harbor facilities are preserved:

Transfer of ownership is the most efficient way for these assets to be preserved because it:

Promotes local ownership of the facility and the responsibility to advocate locally for preservation and quality of facility.

Strengthens the State's position that fees must cover all expenses, including capital replacement.

Reduces the long term state burden to preserve and make improvements.

State to local ownership is an objective that satisfies the administration and legislature.

He stated that to date, there have been 82 harbor transfers. He showed a graph of transfers per year and which ones are locally owned and which are DOTPF harbors. He said the first transfer was to Klawock.

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CHAIR STEDMAN asked about Klawock.

MR. LUKSHIN said it was the first transfer they did in 1986.

CHAIR STEDMAN noted that their dock already needs an upgrade.

MR. LUKSHIN replied that Klawock has not contacted DOTPF.

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SENATOR EGAN commented that the municipalities had to pay to upkeep the "free" harbors.

CHAIR STEDMAN requested more information about the harbor matching grant fund and how facility requests are ranked. He said it has been a subject of great discussion.

MR. LUKSHIN said he would address that shortly.

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MR. LUKSHIN remarked that Juneau received seven harbors in 2003 as part of a general obligation bond, along with \$7 million. He agreed with Senator Egan that it was not enough.

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MR. LUKSHIN spoke of types of local government assistance:

Deferred maintenance and transfer (AS 35.10.120), a formal resolution declaring local government's intent to take over harbor ownership from DOT&PF

Bond debt service for certain named port and harbor projects (AS 29.60.700) for Matanuska-Susitna Borough, Valdez, Akutan, False Pass, Unalaska, Fairbanks North Star Borough, Fairbanks, Chignik, Nome

Municipal Harbor Facility Grant (AS 29.60.800), a State 50/50 matching grant program

Corps of Engineer projects (AS 35.10.090), which requires a formal letter asking for technical and financial assistance. Federal funding varies depending on depth and the Corps is 100 percent responsible for any maintenance dredging.

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CHAIR STEDMAN asked for more details on the bond debt service. He wondered if the Fairbanks and North Slope Borough projects were for the Chena River.

MR. LUKSHIN explained that they were unique pieces of statute. The Fairbanks North Slope Borough project was for Eielson Airforce Base school maintenance and upgrades and the City of Fairbanks project was for the fire station headquarters replacement. They were contained in the same legislation as the harbor and port projects.

CHAIR STEDMAN said they were not port programs, but part of a political package.

MR. LUKSHIN added that the Mat-Su Borough project was for Port Mackenzie.

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MR. LUKSHIN described the harbor facility grant program:

Purpose: State funding for Small Boat Harbors

State money only for construction projects

State provides 50/50 matching funds with a maximum of \$5 million per municipality per year and a minimum state match of \$50,000

Projects locally inspired and managed

Competitive process

He explained that the grant program is the most successful harbor program. Once the grant program has been used, the harbor moves from tier one to tier two status. Over time, the grant program will ensure that all harbors compete equally. The department allows for local control on projects. A highlight of the grant program is the fast delivery timeframe; municipalities don't have to wait for planning or design work.

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CHAIR STEDMAN referred to Senator Egan's concern about the inequities related to previously transferred harbors and floats. He provided a historical perspective of the transfer, the lack of a deferred maintenance program, and the need for a harbor grant. He said the legislature enacted a 50/50 matching grant harbor program and a plan for municipalities to charge user fees

after that. He noted that the originally transferred harbors have the first options for the grant. Communities also have the option to build their own harbors. If they go to the state for monies, they must run their harbor as an enterprise fund, maintain it, and have a sinking reserve. Rate increases to users have caused some objections.

He noted that small communities can build their own docks. He used Port Alexander as an example of a community that made use of the grant. He thought the program worked well and he hoped it would be in Governor Walker's budget. The old system was not working any more.

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SENATOR EGAN agreed. He described the problem that when harbors were transferred they were in disrepair and they became a burden on the municipalities. He noted that there is a very long waiting list for the grant. He reported that the American Society of Civil Engineers recently gave Alaska a D plus on harbors. He asked Mr. Lukshin what DOTPF's solution is for getting that grade up to a C.

MR. LUKSHIN replied "more investment and higher fees."

CHAIR STEDMAN said at least the state is going in the right direction from F minus to a D plus. He described the huge improvements recently made to harbors and did not understand the reasoning behind the low grade.

He asked for information about the matching grant list.

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MR. LUKSHIN explained that DOTPF received seven applications for this year's harbor facility matching grant program. They had an aggregate total of \$18.1 million. DOTPF ranked the projects; the highest ranked project was from Wrangell for \$5 million, followed by Sitka for \$5 million. Next, were five tier two projects - Sitka, Valdez, Ketchikan, Kake, and Skagway. He noted these are requests from the state and the municipalities provide an equal match for a total of \$36 million.

SENATOR EGAN commented that most of the projects are in Senator Stedman's district.

CHAIR STEDMAN said it is very costly to build your own dock and drive your own pilings - \$40,000 or more per dock. It costs more

to stay in Juneau, but less than if he had to build his own dock.

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MR. LUKSHIN continued with a map that showed the location of harbor facilities funded by the Municipal Harbor Facility Grants. The program has broad support from the coastal community as demonstrated by yearly resolutions. He provided the data on the grants and local matches, which equaled \$169.9 million of local match offered by municipalities. They have authorized 37 grants this year.

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MR. LUKSHIN addressed one Corps of Engineers project using the positive benefit-to-cost ratio for the Arctic Deep Draft Port Study:

In 2011, entered into a cooperative joint agreement to investigate and conduct a study for a deep water port in the Arctic. They identified fourteen sites for in-depth study and three sites were short listed and studied in-depth.

Point Spencer/Port Clarence, requires new 27 mile road at cost of \$137.2 million

Port of Nome

Cape Riley (Teller), new 5.5 mile road at a cost of \$13.7 million

The preferred alternative is to expand the Port of Nome. They will extend a causeway 2,150 feet and build a 450 foot long dock. They will deepen port to -28 feet and the ration will be B/C = 1.75.

The Corps suspended the project in October 2015 after Shell Oil discontinued its oil and gas exploration activities in the Arctic.

He noted that the current Water Infrastructure Improvements for the Nation Act would help Nome and provide hope for this project to happen.

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CHAIR STEDMAN drew attention to the problem of floats in Sitka having invasive species underneath. He asked if DOTPF has an answer for that issue.

MR. LUKSHIN said he has heard about it, but it seems to be unique to each harbor.

CHAIR STEDMAN said it is also in Ketchikan and they are trying to figure out how widespread it is. It has huge impacts for damage to harbors and would be expensive to fix. Crescent Harbor, which is on the list to be redone, is one of them. He thought it needed to be looked into.

MR. LUKSHIN agreed to do so.

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CHAIR STEDMAN said another issue is derelict vessels in harbors. SB 92 is in another committee and addresses that problem. Another problem is live-aboards, but he did not think the state had requirements for them.

MR. LUKSHIN thought it was a local issue.

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CHAIR STEDMAN asked about the availability of funds for ports from the federal FAST Act Grant Program.

MR. LUKSHIN offered to help find information about it.

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SENATOR EGAN asked for information about unfunded needs of harbors.

MR. LUKSHIN said he could provide that information.

CHAIR STEDMAN requested more information on the Harbor Matching Grant Fund.

MR. LUKSHIN offered to provide that information.

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There being no further business to come before the committee, Chair Stedman adjourned the Senate Transportation Standing Committee at 2:20 p.m.