

HOUSE FINANCE COMMITTEE  
February 14, 2022  
1:32 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Bryce Edgmon  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen  
Representative Steve Thompson  
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Rob Carpenter, Deputy Commissioner, Department of Transportation and Public Facilities; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities, Office of Management and Budget, Office of the Governor; John Binder, Deputy Commissioner, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Ryan Anderson, Commissioner, Department of Transportation and Public Facilities; Wolfgang Junge, Director, Department of Transportation and Public Facilities, Central Region; Matt McLaren, Business Development Manager,

Alaska Marine Highway System, Department of Transportation and Public Facilities.

SUMMARY

HB 281      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 281 was HEARD and HELD in committee for further consideration.

HB 282      APPROP: MENTAL HEALTH BUDGET

HB 282 was HEARD and HELD in committee for further consideration.

PRESENTATION: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair Merrick reviewed the agenda for the meeting.

^PRESENTATION: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[1:33:33 PM](#)

ROB CARPENTER, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself. He indicated Mr. Ryan Anderson was online to make some opening remarks.

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RYAN ANDERSON, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), thanked the committee for hearing the presentation which would cover three focus areas of the Department of Transportation and Public Facilities (DOT). He read a list of testifiers that were online and in the room. He was excited about where the department was headed and proud to share its progress.

Co-Chair Merrick relayed that the committee would be hearing about the Statewide Transportation Improvement Program (STIP) in the next meeting.

Mr. Carpenter turned the presentation over to Mr. Dom Pannone.

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DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, explained he would be giving a high-level overview of the FY 23 governor's budget, the impacts of the federal COVID-19 relief fund, and an overview of the Alaska Marine Highway System (AMHS) and its budget.

Mr. Pannone began with slide 3. He relayed that the FY 23 governor's budget included a reduction of \$76.9 million from FY 22 and a \$60.4 million decrease in unrestricted general funds (UGF). The state continued to use the federal COVID-19 relief funds to displace UGF. The federal funds came from the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2021, and the American Rescue Plan Act (ARP). There was a significant service level increase for AMHS and funds from the Infrastructure Investment and Jobs Act (IIJA) were used to help fund AMHS.

Mr. Pannone turned to slide 4 which included a graph tracking the budget's history by fund type. The graph compared the final authorized budget amounts which included any supplementals. He noted there was an overall reduction in UGF for AMHS. There was a significant spike in FY 22 authority amounts due to forward funding for AMHS including an additional six months of authority, and the transfer of the public building fund and leasing components from the Department of Administration (DOA) to DOT.

Mr. Pannone continued to slide 5 which compared the FY 22 management plan and the governor's proposed FY 23 budget. He highlighted the one time forward funding for AMHS and the \$135 million in federal funding for AMHS. The combined funding largely replaced the \$61 million of UGF in the AMHS budget which accounted for the 45 percent reduction in UGF.

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Representative LeBon asked whether the federal funding amount for AMHS was known or if it was still to be determined.

Mr. Pannone responded that there was \$200 million annually available in funding through IIJA. The program had not been established yet and DOT was anticipating the details to be released later in the year. The department believed that Alaska would receive a large portion of the funding. The department calculated the price to run a full schedule for AMHS, which was represented on the slide.

Representative LeBon asked if the state would make up for difference if the funding fell short.

Mr. Pannone had a future slide that would provide more detail.

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Representative Josephson asked if the administration was asking for an adjustment to FY 22 as funded.

Mr. Pannone responded that there was no request for additional funding for FY 22. He had offered the slide simply as a comparison.

Representative Johnson wanted more information on IIJA, the new federal program that would supply a significant amount of funding to Alaska. She wondered how the \$135 million of AMHS federal funding was calculated.

Mr. Pannone responded that part of the funds were intended to provide rural ferry service. To be eligible, a state needed to provide ferry service to two rural communities at a population of 50,000 or less that were at least 50 sailing miles apart. Very few states qualified, and he expected Alaska to receive a significant portion of the funding.

Representative Johnson asked if a portion of the \$135 million funding was sourced from the \$200 million from IIJA.

Mr. Pannone responded in the affirmative.

Representative Johnson asked if the funding was expected to be recurring.

Mr. Pannone clarified that it was a five-year program.

Mr. Carpenter added that the program was a new highway act for the nation. It was common for highway acts to reinitiate at the end of a five-year period.

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Mr. Pannone continued to slide 6 which showed the results delivery unit (RDU) funding level comparison. He highlighted a few elements of the budget. There would be a reduction of about \$400,000 through the Office of Information Technology (OIT). There was also a \$20.3 million reduction of federal funding reversals and a reduction of \$11.5 million for duplicate authority for the Division of Facilities Services (DFS). There was an increase to AMHS services and there were no budgetary layoffs.

Mr. Pannone moved to slide 7 which showed the composition of the department's FY 23 budget. The left column showed the department's funding sources and the right showed the fund classifications.

Co-Chair Merrick asked if the slides could be adjusted to reflect the current committee substitute. She did not think the numbers on the slide were applicable.

Mr. Carpenter responded that he could adjust the slides. However, he thought that the numbers would remain conceptually the same.

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Mr. Pannone moved to slide 8 which offered some conceptual perspective on contractual services and commodity budgets. Almost \$200 million was budgeted for contractual services for DOT and almost \$80 million was budgeted for commodities. He wanted to highlight the exposure to market forces within the budget, such as inflation and consumer price index (CPI) increases.

Mr. Pannone moved to slide 9 which showed workforce trends and highlighted a significant increase in overtime depicted in blue. This was largely due to the significant number of winter events in the state coupled with a high number of vacancies. He clarified that the graphs represented equipment personnel.

Mr. Pannone advanced to slide 10 which showed the vacant positions department-wide. The vacancies had a cascading effect into other operations within the state. The highlighted line at the bottom showed the total vacancies for 2022.

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Representative Johnson asked if there was data available that compared Alaska's wages to nationwide wages. She wanted to get a sense of where the state's workforce was most vulnerable.

Mr. Carpenter replied that the chart illustrated the rising concern that DOT had regarding the lack of a skilled workforce. It was affecting not only state agencies, but the private sector as well. There was a concern that the state could not compete nationwide. He had conversations with the Alaska Gasline Development Corporation (AGDC) that indicated that it had too many contracts and not enough employees to complete the work. It was an issue he was very concerned about and wanted to make sure the state could deliver a solution.

Representative Johnson thought the workforce issue was a statewide concern. She suggested conducting an overview of Alaska's workforce and how it was doing as compared to the rest of the nation. She heard concerns about the state of the workforce in all sectors and thought it was a large issue.

Representative Rasmussen noted that there was a reduction in vacant positions from January 2020 to July 2020. She asked what had caused the reduction. She asked for a graph of the vacancy trends over the last five years.

Mr. Pannone could not speak to the reason for the reduction in vacancies. He would get that information to the committee at a later date, in addition to the five-year vacancy trends.

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Representative Edgmon hoped there would be a more detailed presentation regarding Alaska's workforce. He asked Mr. Carpenter what he thought was causing the state's increased vacancies. He did not believe the vacancies would go away.

Mr. Carpenter thought that everyone across the nation had similar questions as Representative Edgmon. There was always natural attrition and difficulty in recruiting within DOT. He thought the recruitment and training programs were perhaps not as attractive as they used to be. The department was concerned and was working to address the issue. A successful change to attract employees and reduce turnover was implementing a two weeks on two weeks off schedule for workers on the Dalton Highway. He reassured the committee that the department was doing everything it could to address the problem.

Representative Rasmussen asked if state laws allowed for 17-year-olds to do heavy equipment and commercial driver's license (CDL) training. She suggested that age restrictions in statute might need to change.

Mr. Carpenter deferred to Mr. Wolfgang Junge.

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WOLFGANG JUNGE, DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, CENTRAL REGION (via teleconference), asked for the question to be repeated.

Representative Rasmussen restated her question.

Mr. Junge responded that he was not aware of any statutes that precluded minors from testing or training for a CDL. He would supply additional information to the committee.

Representative Carpenter appreciated the data from DOT. He was surprised that the data was being shown without further explanation and he thought the data showed there was a management problem. He wanted more information on why the vacancy problem was happening. He understood that there was a problem but did not understand the details of the problem or what the legislature should do to respond.

Mr. Carpenter indicated that the presentation was a high-level overview. He thought Mr. Junge could offer more details about the situation.

Mr. Junge relayed that many of the vacancies began in 2006 when the benefits changed for Tier III and Tier IV state employees. After the state became a matching employer,

benefits became transferable after five years and therefore employees were not incentivized to stay in their positions for longer than five years.

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Representative LeBon asked if there was a regional impact pattern that could be identified.

Mr. Carpenter indicated that it was more difficult to recruit new employees in the rural areas of the state. He relayed the department had implemented mission critical pay in certain areas where it was extremely difficult to recruit and retain employees.

Representative LeBon noted that the number of vacant positions was listed at 390 on slide 10. He asked what percentage of the total number of positions the figure represented.

Mr. Pannone responded that there were roughly 2,800 total full-time positions in DOT.

Co-Chair Merrick asked for a definition of mission critical pay.

Mr. Carpenter responded that it was a type of incentive. He deferred to Mr. Junge for additional detail.

Co-Chair Merrick asked Mr. Junge to respond.

Mr. Junge explained that was an incentive pay that was devised in collaboration with unions for staffing in remote areas. For example, it had been difficult to keep the Bethel Airport staffed, so the department offered a flexible schedule, free housing, and mission critical pay in the form of a bonus as an incentive for prospective employees.

Co-Chair Merrick asked if there was a formula for determining mission critical pay.

Mr. Junge would get back to the committee with the formula.

Vice-Chair Ortiz asked if the 2,800 aforementioned positions included the Alaska Marine Highway System (AMHS).

Mr. Pannone indicated that the department had budgeted for 3,393 positions total. He explained that 2,964 positions were full-time and 794 positions were budgeted for AMHS.

Vice-Chair Ortiz asked for clarification that the 2,800 was not inclusive of AMHS.

Mr. Pannone replied that the total number of budgeted positions was 3,393 and included the 794 AMHS positions. The AMHS positions were not included on slide 10. There would be roughly 2,600 budgeted positions if the AMHS positions were excluded.

Vice-Chair Ortiz asked how many vacancies there were within AMHS.

Mr. Pannone responded that there was a slide later in the presentation that would answer the question.

[2:10:19 PM](#)

Representative Thompson asked about future projections. He wondered if incoming federal dollars from the Build Back Better Act would create a larger problem in the future.

Mr. Carpenter reported that the department was concerned with the competitiveness of the state with the private sector.

Representative Rasmussen asked if there was room to increase wages in order to reduce overtime. She thought employees would be making similar overall wages already by combining lower wages and overtime pay.

Mr. Carpenter did not know if the department had done such an analysis but would get back to her.

Representative Rasmussen asked if the state had considered putting the positions out to bid for contract work.

Mr. Carpenter responded that the department already contracted in rural areas and implemented contracts in more urban areas when it was deemed necessary.

Mr. Pannone answered that the department had looked at the cost analysis of overtime hours. The department was in the process of looking at the numbers again.

Representative Rasmussen thought it would be interesting to look at the overall compensation package for an employee as compared to a contractor. She thought that the state could pay contractors more and still receive a cost savings. She assumed that the state did not offer benefits to contractors.

Mr. Pannone indicated the department could contract out services when necessary. The state did not negotiate benefits with contractors.

Mr. Junge responded that over 80 percent of the state's rural airports were currently maintained by contractors. Service contracts were direct fees and there were no benefit packages available.

Representative Rasmussen wondered how much more expensive it would be to hire a contractor than to hire a state employee. She was trying to offer a creative solution.

Mr. Pannone replied that contracting was sometimes not successful. He offered to provide some cost comparisons to the committee.

Representative Josephson added that when the Department of Environmental Conservation (DEC) had positions it could not fill, it simply canceled the positions and no longer asked for funding for the positions. He asked if the department had considered doing something similar.

Mr. Carpenter responded that all vacant positions were identified needs for the department. The heavy equipment operator positions were in high demand and only represented a portion of DOT's vacancies.

Representative Josephson asked if there were additional vacancies.

Mr. Carpenter responded that he had not yet addressed vacancies at AMHS.

Mr. Pannone clarified that the department column on slide 10 included all vacancies department-wide apart from AMHS.

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Mr. Pannone continued to slide 11 to explain the increase in overtime through mission critical incentive pay. He explained that he would provide the committee the formula on how the pay amount was determined. The slide showed a table of filled and vacant positions across various districts in the state. Every district experienced a 15 to 30 percent vacancy rate, except Dalton which was only 3 percent. He reminded that DOT implemented a two-week on, two-week off schedule in order to attract more potential employees in Dalton. It drew talent pools into that district and employee satisfaction had increased. He added that the state utilized contracting when there was an extreme weather event and an unexpected need for more employees.

Mr. Pannone continued to slide 12 which addressed extreme weather events. The department had asked for another \$1 million in the FY 21 supplemental for a reappropriation for emergency weather events. The department was again requesting an additional \$4.6 million in the FY 22 supplemental for a reappropriation of funds for emergency weather and catastrophic events. The appropriation would allow for the DOT to absorb the expenditure spikes related to unprecedented events, which would allow the department to deliver consistent levels of service without sacrificing other amenities. The use of the funds would be restricted for contained and defined events for costs above what was budgeted. He indicated that capital appropriation also encouraged fiscal constraint and conservation of funds.

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Representative Rasmussen asked why it was a capital appropriation.

Mr. Pannone explained it was a capital appropriation because it was a multi-year investment back into infrastructure. It allowed the department to retain the financial buffer because it would not expire at the end of a fiscal year.

Representative Rasmussen asked for a more detailed breakdown of what kinds of infrastructure would be paid for with the requested \$4.6 million.

Mr. Pannone moved to slide 13 to answer the question. The slide showed an in-depth breakdown of how the \$4.6 million

would be appropriated. He offered the example of the Sterling Highway Landslide, which was an unforeseen weather event. The department would evaluate costs whenever extreme weather events took place.

Representative Rasmussen commented that the appropriations seemed to be a mix between personnel and capital expenses. She hoped for more transparent budgeting for the public.

Mr. Pannone responded that the personnel would be billing time directly to the capital appropriations. He offered reassurance that all events would be reportable.

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Representative Thompson explained that when he was the mayor of Fairbanks, he hired employees for snow removal through the unions rather than through the state. He thought there seemed to be a hang-up on how the state managed its employees. He questioned why the state had employees throughout the entire summer when the employees did not seem to be needed.

Mr. Carpenter reported that full-time and year-round work was critical for maintaining and retaining employees. He could not speak to the situation specifically but hoped that the state was not employing people to do useless work.

Co-Chair Merrick thought that operators doing snow removal in the winter would be running construction projects in the summer.

Mr. Carpenter responded in the affirmative.

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Mr. Pannone moved to slide 14 to show the impacts of federal funding in the operating budget. He noted there were four pieces of federal legislation that impacted the budget: CARES, CRRSAA, ARP, and IIJA. The DOT received the funding from three federal partners: the Federal Highway Administration (FHA), the Federal Transit Administration (FTA), and the Federal Aviation Administration (FAA).

Co-Chair Merrick indicated Co-Chair Foster had joined the meeting.

Mr. Pannone continued to slide 15 which illustrated the federal funds the state had received and how the funds were classified.

Mr. Pannone advanced to slide 16 which showed direct federal COVID-19 relief funding and the associated funding timelines. It also showed any remaining balances for the funds, which would be available for appropriation in 2024.

Mr. Pannone indicated slide 17 showed a high-level account of all funds that had been received from the state's three federal partners. The chart showed the main uses for each type of funding. There was about \$18 million in federal funding that was displacing UGF in the operating budget.

Mr. Pannone turned to slide 18 which showed the federal funding comparison by fund source. He explained that the IIJA funding increase was due to the rural ferry service program, and relief funding for COVID remained roughly the same. The CRRSAA funding was utilized mostly to forward-fund AMHS.

Mr. Pannone advanced to the bar charts on the slide 19 which showed a federal funds comparison by results delivery unit (RDU). Some AMHS funds under the design and engineering category were swapped for federal dollars and were now being swapped back because the federal dollars were no longer available.

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Representative Edgmon asked what the department was doing to prepare for the incoming federal funding.

Mr. Pannone responded that IIJA was intended for capital and would impact the department's service improvement plan. He explained that he would be detailing the plan in the following day's committee meeting. He could provide additional details in the following meeting.

Mr. Carpenter responded that the department was crafting strategies and plans for the incoming funds. However, the process was still in the early stages.

Representative Edgmon would hold his more detailed questions for the following day. He thought many people would have questions about the preparations for the federal

funds. He suggested that DOT would be the agency most impacted by the funds.

Mr. Carpenter agreed that DOT was the most impacted. He noted there were new programs proposed in the bill in addition to changes to existing programs. The department's goal was to have a presentation by the administration on the overall approach to the IIJA.

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Mr. Carpenter moved to the topic of AMHS on slide 20. He noted there were several recommendations that came out of the AMHS working group. One suggestion was forward funding the budget in order to make the ferry schedule more reliable. Another significant event was that the Tustumena Replacement Vessel was ready to go to construction. Additionally, the Hubbard vessel would be out of construction in October of 2022. Another highlight was that the state was working towards returning service to Prince Rupert. The department was working with the Canadian government in order to expand sailing destinations. The DOT was also recruiting for a marine highway planner who would be specifically dedicated to AMHS. He shared that the Marine Highway Operations Board (MHOB) recently met for the first time with the intent to have a more business minded focus and address strategic planning for AMHS. The department brought in an expert on organizational business change who worked as a liaison to MHOB and AMHS.

Representative Edgmon asked who the new chair of MHOB was. He also wondered if the Marine Transportation Advisory Board (MTAB) was now in a defunct status.

Mr. Carpenter relayed that Shirley Marquardt was the new chair of MHOB and MTAB had been repealed.

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Mr. Carpenter moved to the pie chart on slide 21 which showed the operating expenses in FY 21 for AMHS. He noted that staff wages made up for 75 percent of the costs.

Mr. Carpenter continued to slide 22 to show the actual revenue collections and the sources of the revenue collections. The amount generated in 2021 was significantly

smaller than normal due to the pandemic. He noted that 82 percent of sales were generated through tickets.

Co-Chair Merrick asked whether stateroom sales were mostly occupied during "normal" years.

Mr. Carpenter responded that it depended on the route. The staterooms were almost always full on long-haul routes.

Mr. Carpenter continued to the FY 23 proposed budget on slide 23. The department was aiming to have all ships running at all times. There were no cost-saving layoffs in the budget and all ships would be running a schedule at all times apart from annual required overhaul periods.

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Vice-Chair Ortiz asked Mr. Carpenter to return to the previous slide. He asked if there was a breakdown as to passenger ticket sales and naval ticket sales.

Mr. Carpenter thought a representative from AMHS might know the answer.

MATT MCLAREN, BUSINESS DEVELOPMENT MANAGER, ALASKA MARINE HIGHWAY SYSTEM, DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES (via teleconference), would provide the breakdown to the committee.

Vice-Chair Ortiz wondered if DOT was moving forward with dynamic pricing in relation to the operating revenues.

Mr. Carpenter responded that the department still had dynamic pricing in place. He was aware that it was not a popular structure and MHOB would be looking at alternatives.

Vice-Chair Ortiz returned to slide 23. He wondered how realistic of a goal was it to run all of the ships at all times.

Mr. Carpenter agreed that planned schedules were not always followed. He thought Vice-Chair Ortiz was correct in that it might not be realistic.

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Representative Rasmussen had not seen anything in the presentation that addressed the costs of the Malaspina vessel. She wondered if there was a cost breakdown for the Malaspina.

Mr. Carpenter thought there was a monthly fee of about \$30,000 to maintain the Malaspina.

Mr. McLaren indicated the cost ranged from \$30,000 to \$35,000 depending on the time of year.

Representative Rasmussen asked if the department had considered selling the Malaspina.

Mr. Carpenter responded that the department was evaluating the issue. He hoped something would be completed soon.

Representative Rasmussen would like a more realistic timeline. Constituents regularly reached out to her about the vessels and she wanted to have more concrete information to offer.

Mr. Carpenter added that there were some things the department simply could not talk about.

Representative Rasmussen asked if the state had looked at contracting with private companies. She suggested that the state could utilize pull tabs or something similar.

Mr. Carpenter believed the collective bargaining unit prohibited contracting out bar services. The department was currently in negotiations with all three involved unions.

Representative Rasmussen asked if pull tabs had been discussed.

Mr. Carpenter responded that he was not familiar with the subject but thought "floating casinos would be great."

Representative Thompson noted that the ferries ceased bar service and closed the gift shops about six years ago. He wondered why vendors were not brought in to provide the services. He had heard that the bartenders and gift shop operators on the ferries were being paid \$100,000 per year. He was told that nothing could be changed because it was a union contract. One year after the bars and gift shops were closed, the bartenders and the gift shop operators were

still being paid because their union contracts prevented them from being fired. He had been trying to renegotiate the contracts for years. He did not understand why the bars on the ferries could not make money. He thought it would be especially profitable for a vendor to offer bar service during tourist season.

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Representative LeBon relayed that he had the same questions as Representatives Thompson and Rasmussen. He understood the barrier of collective bargaining agreements, but thought the situation was frustrating. He thought the bars and gift shops on the vessels were a substantial enhancement to the sailing experience.

Representative Thompson noted that AMHS still had inventory of whiskies, wines, and gift shop merchandise in a warehouse.

Representative Josephson referred to slide 23 and asked whether the sort of funding for AMHS through the federal government was unprecedented.

Mr. Carpenter responded in the affirmative.

Representative Josephson asked if IIJA expressly allowed operating monies to be used for ferries.

Mr. Carpenter replied that the department believed the money was intended for the operation of rural ferries. He thought the money could be used for capital as well, but he was still waiting for more guidance.

Representative Josephson understood that the funds outlined on slide 23 were available for FY 23 and were not waiting for additional guidance.

Mr. Carpenter responded that there had been a bit of a delay. It was expected that a notice of funding opportunity would be released in April of 2022. The department was expecting to receive a grant around October of 2022 and to receive actual cash in December of 2022. He clarified that IIJA was effective in FY 22 that there was \$200 million allocated for FY 22 and for FY 23.

Representative Josephson suggested that the struggle to fund AHMS was over until FY 26 or FY 27 in which time the state would return to having an unstable funding source.

Mr. Carpenter was hopeful that the program would be permanent. He reiterated that DOT had not seen much competition for rural ferry system funds and expected that Alaska would receive the funding for the next five years and beyond. It was also expected that AMHS would be able to save money and use it in the future.

[2:59:04 PM](#)

Mr. Carpenter moved to slide 24 which compared the FY 23 budget proposal to the authorized budgets of the last few years. The chart illustrated where the governor's budget fell within the planned weeks of service. He relayed that roughly 362 weeks of service and 6,300 port calls were proposed. The goal was to return service to the level it was at in 2019. The slide also had a funding source breakdown at the bottom.

Representative Rasmussen asked if there a slide that showed the actual weeks of service.

Mr. Carpenter thought there was a slide later in the presentation. He advanced to slide 27 to show the revenues collected in conjunction with actual weeks of service. He highlighted that the collected revenues in FY 20 and FY 21 were lower than projected due to the pandemic. There were 203 weeks of service in FY 20 and 200 weeks in FY 21.

Representative Rasmussen asked how significantly vessel mechanical issues impacted the actuals. She thought a graph that went further back in time than the one on slide 27 would be helpful.

Mr. Carpenter would get back to her with an answer.

[3:03:52 PM](#)

Mr. Pannone advanced to slide 25 which showed the forward funded budget scenario. He pointed to the rows at the bottom of the slide and explained that row four showed the time frame for the proposed budget. Row three showed the appropriations for the current year's budget. The requested funding of \$142 million would be implemented on January 1,

2023. Rows one and two showed where in time the operating schedules for AMHS were and when the schedules would be released.

Representative Edgmon asked how the AMHS replacement fund would fit into the picture.

Mr. Pannone responded that the unobligated balances within the replacement fund were swept. The fund was largely intended for capital and did not necessarily have an impact on the operating budget. However, the \$22 million match funding for the Tustumena replacement vessel remained in the operating budget.

Representative Edgmon asked whether the state would see measured amounts in the capital budget.

Mr. Pannone responded that the unappropriated amount that was swept was no longer available. There was no proposal for the legislature to reappropriate the funds back into the vessel replacement fund.

Representative Edgmon asked if it would be possible to capitalize the fund at a much higher rate.

Mr. Pannone responded that the AMHS fund balance would grow and the revenues collected would not be expended to operate the system.

Representative Edgmon wondered if there would be an opportunity to create an essential air service using the IIJA funds. He assumed he was not asking the question to the right people.

Mr. Carpenter agreed that he was not the right person for the question. He thought the intent of the \$200 million fund was to provide an essential service to rural communities. The structure of the program was up to the legislature and the administration.

Representative Edgmon understood that an essential air service would not be precluded.

Mr. Carpenter responded that it would not be precluded to his knowledge.

[3:09:50 PM](#)

Representative Josephson thought that federal monies were not sweepable according to the United States Supreme Court.

Vice-Chair Ortiz asked if it was expected that Alaska would receive more than the \$135 million that was budgeted.

Mr. Carpenter was hopeful that Alaska would receive more because the competition for the funding was limited. There were not many other states that met the qualifications.

Co-Chair Merrick asked if Maine was one of the other states.

Mr. Carpenter thought that Maine qualified initially, but he was not sure if it did anymore.

Vice-Chair Ortiz asked how much consideration was given to the issue of the aging fleet if the state received only the budgeted \$135 million. He wondered if it would be wise to reduce the number of weeks of service to save more money for capital expenditures. He wondered if the fleet issues would be considered.

Mr. Carpenter replied that the money was announced not long ago. The aging fleet was the number one priority for MHOB. He was more than willing to work with the legislature on how to use the funding.

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Mr. Carpenter advanced to slide 26 which showed a graph of the generated revenue and other fund sources of AMHS back to 1992. The pink bar represented generated revenue and the blue bar represented other funding sources. The gold line showed the fare box recovery rate, which indicated what portion of the revenues was covered by the system. He highlighted that in the last two years, the state had funded the budget with federal money. Revenues were still being collected but were not being expended. He surmised that revenues had historically been a higher portion of the budget than in more recent years.

Representative Edgmon noted that he had chaired the DOT budget subcommittee a few years ago, and at that time 45 percent of the AMHS budget was funded through UGF. He acknowledged that there had been efforts to reduce the

percentage over the years. He suggested that the structure of AMHS had always been an issue.

Mr. Carpenter understood Representative Edmon's point.

Representative Edgmon thought Mr. Carpenter might have been the source of the referenced data.

Mr. Carpenter skipped to slide 28 which showed the state's historical overhaul appropriations. He explained that every ship went into overhaul every year for maintenance.

[3:19:27 PM](#)

Representative Rasmussen understood that the graph on slide 28 showed the state only had one vessel that was taken out of service in FY 19 and there were four taken out of service in FY 21.

Mr. Carpenter responded that the four vessels that were taken out of service in FY 21 were either sold or in the process of being sold.

Representative Rasmussen asked how the state would meet the projected number of weeks of service with fewer vessels.

Mr. Carpenter deferred to Mr. Pannone.

Mr. Pannone thought the ships that had been sold had been out of service already and he did not think there would be an impact.

Mr. McLaren responded that the Hubbard and Tazlina vessels were back in service which was helpful. He relayed that AMHS would only be down one ship from FY 19 because multiple vessels had been sold or had been out of service for a while.

[3:22:14 PM](#)

Mr. Carpenter turned to slide 29 to discuss the staffing trends within AMHS. He relayed that there was a large discrepancy between the amount of employees who were hired and the amount of employees who left. There were 255 vacancies for entry-level stewards alone.

Representative Rasmussen wondered about the certification requirements for entry-level employees. She wondered if there were more requirements than there used to be.

Mr. Carpenter did not believe the state had implemented any additional requirements.

Mr. McLaren relayed that there were certain federal requirements to which AMHS needed to adhere. However, none of the requirements were new. The state made sure that new staff was trained before working on the ships. Due to an increased number of employees leaving, there had been a loss in employee experience and there were many shoreside vacancies as well which impacted the training process.

Representative Rasmussen asked whether the state was working with the unions on scheduling. It was her understanding that there had been an issue between the state and the unions regarding scheduling. It had been suggested that the unions take over the scheduling process.

Mr. Carpenter responded that Representative Rasmussen was speaking to union dispatch. He could not speak to the topic in detail but knew that there was some collaboration going on with the unions.

[3:26:35 PM](#)

Co-Chair Foster indicated the meeting would be ending soon.

Representative Johnson asked where the vacant positions were being advertised.

Mr. Carpenter responding that recruitment efforts had been aggressive. The department was working with the Department of Labor and Workforce Development and there were advertisements running in the local news and across all social media platforms.

Mr. Carpenter moved to the AMHS staffing targets on slide 30. The main fleet required 24 positions to be filled in order to run successfully. If the Tazlina and Columbia vessels were added to the schedule, 166 positions needed to be filled. The real challenge was that all positions needed to be filled by March 1, 2022 in order for the vessels to be operational.

Representative Rasmussen asked if there was information on what would happen if the staffing needs were not met.

Mr. Carpenter would follow-up with the information.

Representative LeBon returned to the subject of airport maintenance. He asked how common it was for airports to be under private contract. He wondered if it was possible to see one of the contracts. He questioned whether union labor was utilized to uphold the contracts.

[3:30:57 PM](#)

JOHN BINDER, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, responded that private contracts were an important tool for the department. The decision to contract labor instead of utilizing DOT staff was dependent on the type of airport that needed employees. Hub airports had a much higher certification requirement and were usually staffed by DOT employees because it was easier to ensure that they were properly trained. Certification requirements were much lower at non-hub airports and employees were often contracted out in these locations. The state provided the equipment and storage for the facility but did not offer retirement or benefits to contract employees. He was happy to provide a copy of the contracts.

Representative LeBon asked if any of the contractors had union employees.

Mr. Binder responded that very few were unionized. He indicated that many employees were individuals who had a business license and had maintained the airports for years.

Representative LeBon commented that it would be interesting to see a detailed breakdown of the airports with contract agreements.

Mr. Binder indicated he would be happy to provide the requested information.

[3:33:43 PM](#)

Representative Thompson recalled an incident where a driver plowed the road leading to the airport but was not permitted to plow the airport runway.

Mr. Binder would need more details on the where and when the incident occurred to comment.

Representative Carpenter asked if the projected costs for the Malaspina was the finalized "all-in" cost or if there would be other expenses like insurance or risk-management.

Mr. Carpenter responded that he thought the cost would be all-in but was unsure about the risk-management part.

Mr. McLaren responded that the cost did not include risk management. He noted that risk-management costs had decreased in recent years. He could provide the breakdown of costs to the committee.

Representative Carpenter thought the information would be helpful. He also asked how many collective bargaining contracts were currently active.

Mr. Carpenter asked if Representative Carpenter was specifically talking about AMHS.

Representative Carpenter responded in the affirmative.

Mr. Carpenter was not certain but would provide the information to the committee.

Representative Carpenter wondered when the negotiations began on the collective bargaining contracts.

Mr. Carpenter responded that it was recent, but he would get back to the committee with further detail.

Representative Josephson noted that in 2019, the Silvertip Maintenance Station was closed. He asked if motor fuel tax receipts were trending up or down.

Mr. Pannone thought the question should be answered by the Department of Revenue. He offered reassurance that DOT was making sure the revenues would be enough to fund the budget.

[3:38:22 PM](#)

Representative Josephson asked what sort of flexibility the department had to fund maintenance stations through other funding sources.

Mr. Pannone replied that federal highways dollars provided the funding for the maintenance stations. The type of funds that could be used for maintenance stations were not limited. Motor fuel tax was also not limited to any specific use and could be freely appropriated by the legislature.

Vice-Chair Ortiz reviewed the agenda for the following day.

#

ADJOURNMENT

[3:39:32 PM](#)

The meeting was adjourned at 3:39 p.m.