

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

February 15, 2022

1:13 p.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Sara Hannan, Vice Chair
Representative Louise Stutes
Representative Harriet Drummond
Representative Tom McKay
Representative Kevin McCabe

MEMBERS ABSENT

Representative Mike Cronk

OTHER MEMBERS PRESENT

Representative James Kaufman

COMMITTEE CALENDAR

PRESENTATION: ALASKA MARINE HIGHWAY OPERATIONS BOARD: MOVING FORWARD

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KATHERINE KEITH, Change Management Director
Alaska Marine Highway Operations Board
Department of Transportation and Public Facilities
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled "Alaska Marine Highway Operations Board: Moving Forward."

DOM PANNONE, Director
Division of Administrative Services
Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled "Alaska Marine Highway Operations Board: Moving Forward."

ACTION NARRATIVE

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CHAIR GRIER HOPKINS called the House Transportation Standing Committee meeting to order at 1:13 p.m. Representatives Hopkins, Hannan, Stutes, Drummond, McKay, and McCabe were present at the call to order.

**PRESENTATION: Alaska Marine Highway Operations Board:
Moving Forward**

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CHAIR HOPKINS announced that the only order of business would be a presentation on the Alaska Marine Highway System operations.

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KATHERINE KEITH, Change Management Director, Alaska Marine Highway Operations Board (AMHOB), Department of Transportation and Public Facilities (DOT&PF), offered the PowerPoint presentation, titled "Alaska Marine Highway Operations Board: Moving Forward" [hard copy included in the committee packet]. She provided an overview of the topics to be discussed, including information about AMHOB's kickoff meeting, short term goals, long term planning, capital projects, proposed operating budget for fiscal year 2023 (FY 23), and staffing shortages.

MS. KEITH stated that as a result of House Bill 63 [passed during the Thirty-Second Alaska State Legislature] there is a focus on creating a short-term plan, long-term plan, and performance goals in collaboration with DOT&PF. She stated that the board is composed of Deputy Commissioner Rob Carpenter, along with eight public members, a union representative, and an Alaska Native organization representative. The committee also includes two members appointed by the governor, two members appointed by the speaker of the house, and two members appointed by the senate president. She stated that terms are staggered and set by statute. She stated that the kickoff meeting on February 11, 2022, had been organizational in nature, and board members unanimously voted for Shirly Marquardt as Chair and Wanetta Ayers as Vice Chair. [Biographies detailing the professional experience of board members can be found on slide 6.]

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MS. KEITH stated that AMHOB members prioritize comprehensive long-term fleet planning so preparations can be made for recommendations on capital funding. She expressed the opinion that making decisions is difficult without a long-term plan, so the board works to establish systemic-performance measures to help identify progress in the short and long term. She acknowledged that staffing shortages and governance issues exist. In regard to low-emission electric ferries, she discussed potential federal funding from the Infrastructure Investment and Jobs Act (IIJA). She stated that AMHOB has recurring biweekly virtual meetings, and there is a significant amount of public participation, with the kickoff meeting having over 1,000 viewers.

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MS. KEITH, in response to a question from the committee, stated that she is the liaison for direct information inquiries. She stated that DOT&PF personnel are welcome to contact members of the board directly, but members of the public are encouraged to access its website. This prevents the board from being overwhelmed with similar data requests.

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MS. KEITH supplied current vessel updates including: the Tazlina is crewed and began sailing on February 4; the competitive bidding process for the Tustumena replacement vessel will begin in March; the federal capital improvement project to install crew quarters on the Hubbard has begun; and Prince Rupert is on target as a port on May 1.

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MS. KEITH detailed the current fleet status which includes four vessels currently in service. She stated that the Aurora is in Prince William Sound; the Lituya is going back and forth between Metlakatla and Ketchikan; the Tazlina is providing service to Northern Panhandle communities; and the Matanuska is travelling between Alaska and Bellingham. She stated that the federally funded projects for the Tustumena and the Hubbard have started, while the LeConte, Columbia, and Kennicott are in their state-funded overhauls.

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MS. KEITH, in response to Representative McCabe, provided an update on the Malaspina's status. She agreed that the estimated cost of \$500,000 per year to maintain the Malaspina in layup is significant. The vessel is currently being prepared for disposal, and a list of auction items still needs to be completed. She stated that a document has been prepared with the cost estimates for the Malaspina, along with best-interest findings. After verification the document can be shared with the committee; however, she could not provide a date for this. She assured the committee that removing the Malaspina as a state asset is a top priority.

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MS. KEITH detailed some short-term goals of AMHOB, which include contracting a recruitment specialist to address staffing issues; creating an operational schedule for FY 23 by the end of February; meeting recruitment targets by March 1 to sail the Columbia; partnering with unions to address staffing issues; wrapping up union negotiations by March 31; creating a FY 23 business plan by the end of March; and having the Columbia sailing to Prince Rupert by May. She added that this sailing will involve a lengthy process of hiring about 100 workers, who will need training and certification by the U.S. Coast Guard.

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MS. KEITH gave an outline of the FY 23 short term funding plans. She addressed the operating budget, the marine highway fund, the general fund, and federal funds, which includes the Statewide Transportation Improvement Plan (STIP).

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DOM PANNONE, Administrative Services Director, Department of Transportation and Public Facilities, continued the presentation on slide 14 and discussed the governor's proposed operating budget for AMHS, FY 23, which, is \$141,754,000. This accounts for the maximum service provided, which is approximately the same service provided in FY 19. He stated that \$135 million of this amount would come from IIJA, under Section 71103, which designates funds for essential ferry services for rural communities. He stated that \$200 million is made available annually from this new program; however, \$5 million of the budget is allocated for items which would not be funded federally, such as marketing, food sales, and alcohol sales. He

added that other funds listed in the budget are for capital improvement and engineering projects.

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MR. PANNONE discussed the figures on slide 15, comparing FY 19, FY 20, and FY 21 budgets with the FY 22 management plan and the governor's proposed budget for FY 23. He pointed out that there is a significant increase in the planned port of calls and planned weeks of service. This creates a \$23 million increase to the operating budget. He advised that unexpected circumstances may decrease the number of planned weeks of service.

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MR. PANNONE described the graph on slide 16, which shows the annual revenue and actual weeks of services going back to FY 14. He pointed out that there was a significant drop off in 2020 and 2021. He stated that \$41 million of revenue is projected for the current fiscal year, and then \$53 million is projected for FY 23, with the expectation that travel will return to normal. He stated that \$5 million is in the operating budget and \$20 million in the overhaul budget. Any amount more than the budgeted needs would be deposited in the AMHS fund and remain there until further action is taken.

MR. PANNONE, in response to comments from the committee, emphasized that millions of dollars go into building highways, and he expressed the opinion that this will never break even. He continued that a responsibility exists to provide a marine highway system for access to small villages, some of which lack airports. He concluded that the ferry system should be treated as a federal highway. He suggested that a correlation exists between early schedule access and increased usage of AMHS, and this results in increased revenue.

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MS. KEITH said that AMHS currently has a \$144 million program, half of which is supplied by the state and the other half by federal funds. A large portion of this is for construction projects, including the Hubbard and the Lituya. She stated that AMHS has approximately \$40.1 million programmed for shoreside projects, with a balance of remaining work of \$17.6 million. A large portion of shoreside projects involve federal funding, with some state funds currently being used for Prince Rupert.

The Tustumena replacement vessel will be designed by Glosten, a marine engineering firm. She stated that further public review will begin again soon because the last public comments occurred in 2014.

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MS. KEITH said that AMHOB wants to focus on long-term planning, including a 20-year fleet-optimization plan. This plan will be discussed at the next meeting. She explained that a 20-year business and operations draft had been completed in the past by consultants, but she advised that creating a plan with knowledge of current conditions is important. There is currently a five-year engineering masterplan which projects the timing for state-funded overhauls and federally funded projects. She stated that this document shows planned projects which are not yet funded, as the plan is only a suggestion of what it will take to continue to offer service through AMHS in the years ahead. She stated that creating a five-year engineering masterplan requires an understanding of a year-by-year maintenance list for each vessel. She stated that Glauson has been hired to come up with a list which outlines the costs and prioritizes the projects for each vessel. She referred to slide 22, describing that the items in red represent either urgent work or items costing over \$1 million. She pointed out that items in green represent upgrades or lifecycle costs, which are less urgent and require less funding. She concluded that the total recommended work would cost approximately \$224 million.

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MS. KEITH mentioned that, pertaining to IIJA, AMHS is preparing for potential funding by creating partnerships with communities and looking into prospects for low-emission ferries. She expressed concern about the viability of the technology of electric ferries in Alaskan waters; however, she stated that assurances have been given concerning certain routes. After determining the viable routes, AMHOB can consider addressing the port infrastructure requirements, and then low-emission projects could potentially move forward. She asserted that funding through IIJA presents the opportunity for AMHS to move the fleet forward without a heavy reliance on fossil fuels. Currently the newer vessels in the fleet are diesel-hybrid vessels and are not in the same category as electric vessels, which are being considered under the Federal Transit Administration's electric or low-emitting ferry pilot program.

Representative Hannan commented that the community of Skagway is interested in funding for an electric ferry to provide service between Haines and Skagway.

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MS. KEITH referred to slide 24, which referenced staffing shortages. When service levels were reduced in FY 19, many employees left AMHS. She argued that keeping a consistent ferry schedule is key to retaining employees. She pointed out that there are several positions with a current vacancy rate of around 60 percent, adding that over 250 entry level stewards will need to be hired. Currently AMHS is running its winter schedule with significant staffing holdovers and vacation denials. She expressed the opinion that this does not help crew morale. She indicated that there is competition for stewards with the cruise ship industry as well. She said that if staffing goals are not met by March 1, the Columbia will not be available for operation by May 1. Even though a recruitment specialist is working to fill these positions, she said, it can take three to four months for an unqualified hire to get training for a new position. Also, there is a financial requirement on behalf of the new hire to get certifications.

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MS. KEITH said AMHOB is helping to prioritize the many obstacles that AMHS is facing currently. Some opportunities for improvement include modernizing the fleet, improving staff morale by increasing communication, redefining service levels based on current needs of communities, and teaming up with other departments for success.

MS. KEITH pointed out that slide 27 provides AMHOB contact information, including an online option for public input.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:37 p.m.