

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

March 22, 2022

1:37 p.m.

**MEMBERS PRESENT**

Senator Robert Myers, Chair  
Senator Mike Shower, Vice Chair  
Senator Peter Micciche  
Senator Jesse Kiehl

**MEMBERS ABSENT**

Senator Click Bishop

**COMMITTEE CALENDAR**

SENATE BILL NO. 170

"An Act relating to the Alaska marine highway system; establishing the Alaska Marine Highway Corporation; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 170

SHORT TITLE: MARINE HIGHWAY CORPORATION

SPONSOR(s): TRANSPORTATION

01/21/22	(S)	READ THE FIRST TIME - REFERRALS
01/21/22	(S)	TRA, L&C, FIN
02/17/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)
02/17/22	(S)	Heard & Held
02/17/22	(S)	MINUTE(TRA)
02/22/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)
02/22/22	(S)	Heard & Held
02/22/22	(S)	MINUTE(TRA)
03/17/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)
03/17/22	(S)	Heard & Held
03/17/22	(S)	MINUTE(TRA)
03/22/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

THERESA WOLSTAD, Staff  
Senator Robert Myers  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on the bonds, Alaska Marine Highway Corporation property, and financial provisions of SB 170 on behalf of the committee.

ROB CARPENTER, Deputy Commissioner  
Department of Transportation and Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint on the Alaska Marine Highway System's Bonding, Maintenance and Replacement of Vessels.

ANDY MILLS, Legislative Liaison  
Office of the Commissioner  
Department of Transportation and Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on AMHS infrastructure funding during the hearing on SB 170.

MATT MCLAREN, Business Development Manager  
Marine Highway System  
Department of Transportation and Public Facilities (DOTPF)  
Ketchikan, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on SB 170.

JOHN FALVEY, General Manager  
Marine Highway System  
Department of Transportation and Public Facilities (DOTPF)  
Ketchikan, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on SB 170.

RYAN WILLIAMS, Operations Research Analyst  
Treasury Division  
Department of Revenue  
Juneau, Alaska

**POSITION STATEMENT:** Provided a comparison of the proposed Alaska Marine Highway Corporation financial structure to other state corporations during the hearing on SB 170.

#### **ACTION NARRATIVE**

[1:37:20 PM](#)

**CHAIR ROBERT MYERS** called the Senate Transportation Standing Committee meeting to order at 1:37 p.m. Present at the call to order were Senators Kiehl, Micciche, Shower, and Chair Myers.

**SB 170-MARINE HIGHWAY CORPORATION**

[1:37:51 PM](#)

CHAIR MYERS announced the consideration of SENATE BILL NO. 170 "An Act relating to the Alaska marine highway system; establishing the Alaska Marine Highway Corporation; and providing for an effective date."

[SB 170 was previously heard on 2/17/22, 2/22/22, and 3/17/22.]

[1:38:19 PM](#)

THERESA WOLSTAD, Staff, Senator Robert Myers, Alaska State Legislature, Juneau, Alaska, reviewed the financial provisions in Article 6, Sec. 42.50.500 - 42.50.580 of SB 170. She paraphrased her written testimony, which read:

Financial Provisions. (Article 6. Sec. 42.50.500 - 42.50.580) Page 23.

The board of directors would be responsible for the management of financial and legal obligations of the proposed Alaska Marine Highway Corporation. The board shall appoint a chief executive officer and a chief financial officer of the corporation that serve at the pleasure of the board. The board shall by regulation delegate powers and duties necessary for the management and operation of the corporation to the chief executive officer. However, specific board approval is required for adoption of annual budgets, long-range capital improvement and program plans, to enter into collective bargaining agreements, mortgage or pledge corporation assets, conveyance of entire interest in corporation assets, and to begin a capital project with an estimated completion more than one year or cost of more than \$500,000.

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Three funds of AMHS

SB 170 creates three funds or accounts for use by the proposed corporation: the AMHS Operating Fund, Revenue Accounting Fund, and the Vessel maintenance and replacement account. The AMHS Operating Fund will

consist of money appropriated by legislature. The corporation may use the money for the operation of AMHS without further appropriation and money appropriated to the fund does not lapse. The corporation may request a direct appropriation or grant from the legislature. It is important to note that any Alaska state public corporation's expenditure of income that must be specifically appropriated to a public corporation as to not violate the prohibition against dedicated funds in article IX Section 7, of the Constitution of the State of Alaska.

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MS. WOLSTAD continued to paraphrase her written testimony, which read:

The Revenue Accounting Fund is established as a separate fund in the corporation composed of gross revenue generated from the operation of the AMHS that the corporation shall account for. The legislature may appropriate the gross revenue deposited in the fund to the Alaska marine highway system operating fund. Under Chapter 5 of the Fiscal Procedures Act. (AS 37.05.146 (c)(4)); corporate receipts earned or managed by a state of Alaska public corporation shall be accounted for separately, and appropriations from these program receipts are not made from the unrestricted general fund.

The vessel maintenance and replacement account is created as a separate account in the AMHS operating fund. It will consist of money appropriated to the proposed corporation by the legislature for maintenance and replacement of vessels, and money transferred to the account by the corporation. The corporation may use the money in the account for the maintenance and replacement of vessels without further appropriation.

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Bonds (Article 7. Sec. 42.50.600 - 42.50.710). Page 26.

The proposed corporation would be authorized to issue bonds by resolution of the board. The board shall determine the types and amounts of the bonds that the proposed corporation may issue. Bonds issued by the corporation would not bear the full faith and credit of the State, and its political subdivisions

are not liable for the debts of the corporation. Bonds issued by the corporation are payable from the revenue or assets of the corporation. In addition, the proposed corporation may secure its bonds by obtaining revenue pledges from Federal, Municipal, Corporate, Associations, Institutional, or an Individual person. The proposed AMH corporation would be able to issue debt in a more flexible manner and with limited oversight as compared to other public corporations in the state of Alaska.

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MS. WOLSTAD continued to paraphrase her testimony on SB 170, which read:

Dividends to the State - AS 42.50.580 Page 26.

The proposed corporation under SB 170 shall pay as a dividend to the general fund any amount by which the Alaska Marine highway operating fund exceeds the projected costs of operating the corporation through the next fiscal year. Thus, any excess revenue after the operations, maintenance, and debt service will flow to the State of Alaska from the proposed corporation.

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ROB CARPENTER, Deputy Commissioner, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, began a PowerPoint on the Alaska Marine Highway System Bonding, Maintenance and Replacement of Vessels, AMHS budget, Property and Assets of AMHS, and State Transportation Improvement Program (STIP).

[1:35:09 PM](#)

MR. CARPENTER reviewed slide 2, CY 2023 Governor's Proposed. He stated that the total budget was \$141 million, with \$135 million in federal receipts from the \$200 million program passed in the infrastructure bill [H.R. 3684, Infrastructure Investment and Jobs Act (IIJA)]. He noted the federal IIJA funding for Alaska would be \$200 million per year for the next five years. The administration's plan for "All ships, all the time" means that there are no scheduled budgetary layoffs because the department plans to run the ships as much as possible, except for scheduled maintenance and overhauls.

MR. CARPENTER stated that the \$141 million would provide the necessary funds, using \$5 million from the Alaska Marine Highway System (AMHS) revenue to cover any costs that were not federally eligible.

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SENATOR SHOWER said he was unsure how federal funding would work. He wondered what the state would not be taking advantage of by leaving \$50 million on the table.

MR. CARPENTER explained that the federal funding would appropriate \$200 million annually for rural ferry systems throughout the nation for the next five years. He stated that to qualify for ferry funding, states must have two ports separated by 50 miles, and port cities must have a population of less than 50,000. DOTPF does not believe another ferry system in the country qualifies. He related that anecdotally, the department heard that Puerto Rico might be eligible, but the bill reads explicitly indicates "states."

MR. CARPENTER Stated that the department prepared this proposal before the committee introduced SB 170, so the department planned to fund the operating budget. He admitted that Senator Shower was correct that it leaves about \$60 million on the table. However, he anticipated that DOTPF could plan for capital investment or other actions once the department receives more information on the timing of cash flows.

MR. CARPENTER stated that another step in the planning process was the governor's bill that would remove the Alaska Marine Highway Fund from the General Fund. He explained that the administration would like to collect revenue from the system for future planning and use purposes. He related that the new Alaska Marine Highway Operations Board, which has been moving forward to modernize the fleet, will review the federal funding and the best way to plan how to use the funding.

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SENATOR SHOWER asked if this would replace state operational funds for AMHS over the next five years.

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MR. CARPENTER agreed. He indicated a later slide would discuss the historical funding.

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SENATOR KIEHL related his understanding that AMHS does not have sufficient crew to run all the ships continuously. He wondered whether the department could run nine vessels by calendar 2023.

MR. CARPENTER responded that the department was struggling with old ships and hiring sufficient crew this summer. He said AMHS hopes to run the Columbia, but it does not look good. The department currently has an intensive recruiting campaign underway.

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SENATOR MICCICHE related his understanding that an amendment to the federal infrastructure bill would change the requirement from 50 miles to 20 miles between ports. He asked for the status and if it was a realistic threat.

MR. CARPENTER responded that he was unsure.

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ANDY MILLS, Legislative Liaison, Office of the Commissioner, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, offered his view the amendment to the federal infrastructure bill passed the Senate but not the House. He heard anecdotally that some other areas considered themselves eligible. Still, DOTPF found other ferry systems did not meet the criteria because the ferry run was from one rural port to a park. He noted that DOTPF would work with the federal partner, the Federal Transit Administration, to push back.

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SENATOR SHOWER asked if Alaska had any competition for the funding.

MR. MILLS related his understanding that Rhode Island initially had but determined that a \$12.5 million add-on meant that the state did not consider itself eligible.

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MR. CARPENTER added that DOTPF was waiting for the Notice of Funding Opportunity to provide clarity.

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MR. CARPENTER reviewed slide 3, CY2023 Governor's Proposed Budget.

MR. CARPENTER stated that this slide showed a look back to FY 2019 that shows the authorized budget and the actual

expenditures. He noted the comparisons on slide 3 for the planned weeks of service versus actual weeks of service; the planned port calls, the budgeted revenue versus actual revenue, and the planned fare box recovery compared to the actual fare box recovery.

MR. CARPENTER directed attention to the CY2023 (Calendar Year) Governor's Proposed column, which plans for 362.7 weeks of service, similar to the FY 2019 final authorized plan. Thus, the department believes it is returning to better times. He stated that the planned port calls were 6,300 in the governor's proposed budget compared to 5,900 in FY 2019.

MR. CARPENTER reported that AMHS anticipates revenue of \$53 million. AMHS budgeted revenue of \$48 million in FY 20 and collected \$28 million. It budgeted \$51 million in FY 2021 but only collected \$27 million, leaving unrealized earnings of \$46 million for those two years, which was reimbursed by the Coronavirus Aid, Relief, and Economic Security (CARES) Act or the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA (2020)).

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MR. CARPENTER directed attention to the budget funding sources for previous years. The governor's proposal for FY 2023 is \$135 million in federal funding. However, in prior years the funding is broken out into unrestricted general funds (UGF), designated general funds (DGF), and other fund sources. He pointed out that the UGF portion was \$63 million in FY 2022 and \$54 million in FY 2020. He related that the DGF was essentially the system's revenue, which averaged approximately \$53 million. He directed attention to the last two lines on the table that shows the change of \$23 million over CY 2022 without forward funding. He reminded members that the legislature was able to provide bridge funding to allow the department to move to a calendar year budget. This allowed the department to put out a schedule a year in advance.

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SENATOR SHOWER pointed out that one issue is that vessels are scheduled but not canceled if ridership is down and the vessels are only partially full. He asked whether the budget would show a decrement because of the IIJA funding. He wondered if it would look like the state would save money over the next five years when the federal government provided infrastructure funding. He further asked if the proposal would capture all or a portion of that funding for the future.

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MR. CARPENTER answered that the immediate DOTPF budget would show a reduction of general funds due to the IIJA federal funds replacing state funds. However, he was unsure how the federal funds would be reflected in the overall state budget. In terms of the best use of the \$200 million annual windfall, the department proposed fully funding the operating budget and saving the state funding, essentially banking the revenue into the AMH Fund for future use. The revenue could accumulate, and the AMH system would have a savings account if the federal funding dried up.

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SENATOR SHOWER said he hoped the department would save the money to operate into the future.

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SENATOR MICCICHE asked how the department would propose preserving UGF. He further asked how far the five years of federal funding would affect the AMH service in the future without an additional appropriation. He stated his support for putting it into the AMH Fund if it would result in seven or eight years of operation. He wondered if he foresaw any adjustments to the fee schedule for services that might encourage ridership and cargo on the marine highway. He asked if people would acclimate to the additional service resulting in higher ridership levels and fare box recovery.

MR. CARPENTER noted that the new Alaska Marine Highway Operations Board had met biweekly. He indicated that the board was looking at capital revitalization, how it would occur, what would be needed, and the cost. He emphasized that the \$200 million annual windfall would play directly into it. The board would examine how to invest funds and whether it would result in savings. He said he was hopeful that the board would decide to invest in new ships over time to modernize the fleet to provide reliability. He emphasized that the primary mission is to provide reliable service. He said the board and department are open to suggestions. He said one key piece would be to create a new fund separate from the general fund to ensure that the AMHS receipts don't get swept.

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MR. CARPENTER acknowledged that it was always a challenge to find the sweet spot. Last year the goal was to increase the fare box recovery by 50 percent, with 50 percent in fare box and 50

percent state funds. However, the public tends not to support an increase in fees and tariffs. He indicated that the department's goal is to provide some essential level of service to all communities. He acknowledged that arriving at the sweet spot for the fare box would be tough.

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SENATOR SHOWER noted that ridership had consistently dropped but that cargo was relatively consistent. He noted the planned port calls for CY2023. He said if ridership is down, it relates to operating costs and vessel usage, so running fewer vessels could result in reduced maintenance costs. He asked whether the board was flexible about making changes. He questioned why the ferry would make 6,300 port calls if only 4,000 were justifiable.

MR. CARPENTER pointed out that the car deck had been relatively consistent even though passengers were down substantially. He indicated that the car deck provides the primary source of revenue for the marine highway. It makes sense to tie ships up when not at full or optimal capacity level. However, it is challenging to provide the crew with year-round jobs. He acknowledged that AMHS did not fully utilize the ferries.

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SENATOR MICCICHE suggested that there might be a reverse opportunity by getting Alaskans and tour companies back in love with the Alaska Marine Highway System now that the department has some cushion with the federal funding. He stated that it would be nice to revitalize that ridership. He wondered if there might be creative ways to accomplish that goal rather than to figure out how to squeeze every penny out of each rider and vehicle.

SENATOR MICCICHE said he would leave it to the administration and the board to figure out, but he was interested in those developments as they occur. He suggested feeding the department minutes of the Senate Transportation Committee. He characterized the IIJA funding for ferries as a once-in-a-lifetime opportunity to ignite usage and contracts with tour or cruise companies for passengers not taking additional legs. He offered his view that it could reap long-term benefits.

MR. CARPENTER responded that the department received criticism on its dynamic pricing, so it tried other options, such as running specials on some low routes to generate interest. Although they had mixed results, the marketing team continues to seek opportunities by going to trade shows. He stated that AMHS

has worked to create a buzz. He viewed this as an opportunity to reinvigorate the fleet for the next generation. He indicated that all ideas are welcome. He offered to provide the minutes from the department's Alaska Marine Highway Operations Board (AMHOB) meetings to the committee.

[2:06:25 PM](#)

MR. CARPENTER reviewed slide 4, AMHS Revenue & Weeks of Service FY2014 - CY2023, consisting of a bar chart and line graph. He explained that the bars represent the revenue collected, and the line graph shows the weeks of service provided. He indicated that the 362 weeks in AMHS's FY 2023 proposal was similar to the actuals in FY 2014 and 2015. He directed attention to the drop in revenue in FY 2020 and FY 2021 due to the pandemic.

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MR. CARPENTER directed attention to slide 5, State Funded Overhauls. He stated that AMHS receives an annual capital budget appropriation to maintain its vessels, ranging from \$15-20 million. He explained that AMHS could not use federal funding for routine vessel maintenance. The overhaul consists of annual US Coast Guard and American Bureau of Shipping (ABS) requirements to obtain a Certificate of Inspection to ensure that the vessels are safe to run.

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SENATOR KIEHL stated that besides the general fund (GF) funding, GF match and federal overhaul funding also provide substantial funds to keep the vessels running. He asked for an adjustment to slide 5 figures if it included federal overhaul funding.

MR. CARPENTER indicated that he had developed a slide to show the last 10 years of federal funds, but staff struggled to get the figures precise so he removed that slide. He referred to the \$15-17 million in discretionary funding for ferries from the Federal Highway Administration (FHWA) and additional FHWA funds of about \$250 million for 10 years. He characterized these as major Capital Improvement Program (CIP) projects rather than routine maintenance projects. He acknowledged that keeping the vessels running requires a significant investment.

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SENATOR KIEHL expressed his interest in the total cost of converting AMHS to AMHC, including integrating the overhauls in the Statewide Transportation Improvement Program (STIP) planning process for all fund sources.

SENATOR KIEHL indicated that he had compared the Actuals by Vessel on slide 5 to the Office of Management and Budget (OMB) backup information on state-funded overhauls. He noted that the figures were higher on this chart than OMB. He asked for the source of the additional funds.

MR. CARPENTER responded that the figures represented the actuals, whereas OMB's backup often provides the appropriation levels. He was unsure whether OMB included any supplemental funds. He related that if the department estimated \$15 million but the actual cost was \$18 million, it would request \$3 million in supplemental funding. He stated that the department requested \$20 million this year to avoid those discrepancies.

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MR. CARPENTER reviewed slide 6, Alaska Marine Highway System, An Aging Fleet, showing the date each vessel was built during the Kennedy, Nixon, Clinton, and Trump presidencies.

[2:12:07 PM](#)

SENATOR SHOWER asked where the vessels were built.

MR. CARPENTER answered that most are federal projects, so the projects are competitively bid. He indicated that the two latest ferries were fully state-funded and constructed in the Ketchikan shipyard.

SENATOR SHOWER wondered whether the smaller ferries would be more efficient and if so, they could be built in Alaska.

[2:13:24 PM](#)

SENATOR KIEHL asked whether the department could add the vessels that were not in service, such as the Taku, Chenega, and Fairweather.

MR. CARPENTER agreed the department could do so. Slide 6 only listed the ferries currently owned.

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CHAIR MYERS asked when the Tustumena replacement would happen.

[2:14:13 PM](#)

MR. CARPENTER reviewed slide 7, TRV Construction, regarding the Tustumena replacement. The preliminary design has been completed and the department is currently working on the Construction Manager/General Contractor (CMGC) Request for Proposal (RFP). He explained that the contractor is involved in the final project

design to help avoid mistakes during construction. He reviewed the timeline.

Public notice release January 15th, 2022

- Design by Glosten
- CMGC RFP to be released mid-March 2022
- Public comments occurred in 2014 but truncated comment period will be underway soon.

MR. CARPENTER deferred to Mr. McClaren for the completion date.

[2:16:00 PM](#)

MATT MCLAREN, Business Development Manager, Marine Highway System Department of Transportation and Public Facilities (DOTPF), Ketchikan, Alaska, answered that it is projected for completion in 2027 so long as the CMGC process begins by 2023.

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MR. CARPENTER added that the Tustumena is old.

[2:17:02 PM](#)

MR. CARPENTER expressed a willingness to discuss other topics shown on slide 8: Discussion: Bonding, Property & Assets, STIP. He said he met with the planning division. The proposed corporation would be a publicly-owned entity, making it eligible for STIP funds. It would also qualify for additional federal funds since it is on the National Highway System.

[2:17:52 PM](#)

CHAIR MYERS related his understanding that it would require approval by Federal Transit Administration. He asked what needed to be done for it to be designated.

MR. CARPENTER clarified that he was speaking about FHWA funding. He deferred to Mr. McClaren.

[2:18:41 PM](#)

CHAIR MYERS asked whether the AMHS receives FTA funding.

[2:18:49 PM](#)

MR. MCLAREN agreed AMHS receives some FTA funding. He offered to provide the historical funding amounts.

CHAIR MYERS responded that he was more interested in ensuring that AMHC would be eligible, what federal or state actions needed to occur, and identifying any regulatory or legislative action that would be necessary.

MR. MCCLAREN deferred to Captain Falvey to respond.

[2:20:11 PM](#)

JOHN FALVEY, General Manager, Marine Highway System, Ketchikan, Alaska, asked if he was interested in the federal highway formula funding.

CHAIR MYERS clarified that he wanted to ensure that the new corporation would be eligible for Federal Transit Administration (FTA) funding.

CAPTAIN FALVEY answered he held conversations with the Department of Law about this. He stated that once the corporation was established, it would have access to the same Federal Highway Administration (FHWA) and FTA funds as AMHS.

MR. CARPENTER offered to confirm with the regional FTA administrator what steps would be necessary to make this transition. He clarified that he was discussing the \$200 million rural ferry infrastructure funding.

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SENATOR KIEHL asked how to ensure that AMHC was in meaningful discussions with DOT planning staff who prepared the STIP to ensure that the projects are considered.

MR. CARPENTER said he is concerned. He agreed that there were some benefits to having AMHC within DOTPF, such as the overall intermodal transportation system, but that did not mean it would not occur with a corporation. He stated that the department was in the final interview process to hire a dedicated marine highway planner. The planner will work with the new board to elevate the planning for the Marine Highway System. He envisioned that even under the corporate structure, the position could reside within the planning division at DOTPF. He acknowledged one challenge is the Marine Highway System must compete for limited dollars, given the many transportation needs throughout the state.

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CHAIR MYERS referred to a document that showed AMHS unrestricted revenue by vessel. He recalled a line for non-vessel revenue. He asked for a description of AMHS non-vessel revenue. He noted that it fluctuated, but the FY 2021 figure went up to \$200 million when it had been substantially lower in other years.

[2:25:07 PM](#)

MR. CARPENTER directed attention to page 16 of the [Alaska Marine Highway Fund (AMHF) Annual Financial Report 2021]. He deferred to Mr. McLaren.

CHAIR MYERS referred to the bottom of page 16 that lists a category for Non-Vessel Revenue. He asked for the source of the revenue and whether it was derived from rentals or onboard concessions. He asked about the big jump in FY 2018, FY 2019, FY 2020, and FY 2021.

MR. MCCLAREN responded that non-vessel revenue does not include food. He stated that non-vessel revenue was derived from concessions, facility rental, or reimbursement. However, the revenue is not necessarily tied to an individual vessel. He offered to provide the breakout.

[2:27:01 PM](#)

CHAIR MYERS asked him to identify several examples of recent rentals.

MR. MCCLAREN offered to provide the details for the committee.

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CHAIR MYERS turned to questions on the bonding authority.

[2:28:45 PM](#)

RYAN WILLIAMS, Operations Research Analyst, Treasury Division, Department of Revenue, Juneau, Alaska, stated that he and Deven Mitchell, Debt Manager, had done an initial review of the proposed AMHC compared to other state corporations. He noted that AMHC was more flexible in its ability to issue debt, with less oversight than other corporations. He reviewed similar limitations, stating that the Alaska Industrial Development and Export Authority (AIDEA) has a restriction on issuing bonds over \$25 million in a fiscal year. The University of Alaska has certain restrictions if the annual debt service is over \$2.5 million on a single issuance. He offered his view that it is advisable to place bookends on limitations to issue debt from a credit strategy perspective.

[2:30:01 PM](#)

CHAIR MYERS understood that some limitations would be imposed because the bond market would have requirements. He asked him to address that aspect.

MR. WILLIAMS explained that revenues would secure bonds issued under SB 170 for nearly any purpose, whether it was federal, municipal, corporate, association, institutional, or an individual person. He characterized it as a broad spectrum of revenues, similar to Alaska Railroad Corporation (ARRC) in terms of pledges. He stated that any debt issue would be secured by revenues generated from those bond proceeds or the assets of the agency issuing the bonds.

CHAIR MYERS wondered if the Alaska Marine Highway Corporation (AMHC) wanted to issue \$20 million in bonds, what the bond market would require for assurance that the corporation was solvent. He wondered how that would mesh with the legislature's statutory requirements.

MR. WILLIAMS stated that the legislature would authorize the issuance of bonds by AMHC and provide a disclosure document. For instance, if revenue bonds were issued, the disclosure document would give a detailed description and history of any revenue flowing into the corporation. Typically, revenue pledges have a debt service ratio, and the net revenues should be about 1.25 times the amount of any outstanding debt service payments.

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SENATOR SHOWER asked how the bond market would treat a new corporation.

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MR. WILLIAMS responded that the corporation would provide a detailed write-up on prospective revenue-generating capabilities. For example, the corporation could provide an independent consultant report showing the pro forma revenue projections for bonds issued that historically showed any appropriations and Unrestricted General Funds (UGF) made to the corporation. Thus, AMHC would be a state public corporation, the corporation would provide information about the state in its disclosure document showing the lookback on any transfers to the corporation.

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SENATOR SHOWER asked whether the interest rates would be higher initially or if the bond market would view it as being part of the state.

MR. WILLIAMS offered to respond back to the committee on how it would be structured.

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SENATOR KIEHL recalled he had suggested having bookend or sideboards on the corporation's ability to issue debt. He asked him to discuss better ways or worse ways to do so. He referred to the 2008-2009 crash and recalled parking and development authorities throughout the country had their own ability to bond. When the economy took a dip, those development authorities went bankrupt and defaulted. He acknowledged that it was problematic for an entity such as AMHC to get legislative approval every time it wanted to borrow.

MR. WILLIAMS responded that an issuance cap is one of the most common forms of limitations. He said he also works with the Alaska Municipal Bond Bank Authority (AMBBA), which has a total issuance cap of \$1.7925 billion, with some sub-segments inside the cap, such as regional health organizations that have a cap. He suggested that having an overall cap would provide a ceiling, which would have some understanding of the underlying corporation's revenue for operations. He stated that other limitations would identify who could partner with the corporation. He said AMBBA partners with political subdivisions, including communities throughout Alaska, the University of Alaska, Regional Health Organizations, Joint Action Agencies, and Joint Insurance Associations.

[2:38:51 PM](#)

SENATOR MICCICHE related his understanding that Alaska Housing Finance Corporation (AHFC) is the only public corporation that does not need legislative approval for bonding. He asked whether AHFC has issued bonds.

MR. WILLIAMS answered that AHFC had issued Veterans Mortgage Program Bonds, most recently in 2019. AHFC also issues Capital Project Bonds. He offered to provide a complete list of recent issuances by AHFC to the committee.

[2:39:55 PM](#)

SENATOR MICCICHE asked whether the state has bonded for Alaska Marine Highway capital projects in the past.

MR. WILLIAMS answered no, not to his knowledge.

[2:40:16 PM](#)

SENATOR KIEHL asked whether the state issued Grant Anticipation Revenue Vehicle (GARVEE) Bonds for the Chenega fast ferry.

[2:40:39 PM](#)

MR. CARPENTER deferred to Captain Falvey.

[2:40:54 PM](#)

CAPTAIN FALVEY responded that he does not recall if the fast ferries were bonded. He offered to check and report to the committee.

[2:41:12 PM](#)

SENATOR MICCICHE said he is uncomfortable leaving issuance of bonds wide open, particularly for a new corporation. He noted that only the Aerospace Corporation and AIDEA were capable of issuing bonds. He expressed an interest in knowing more about their limits and whether these limits were based on a proportion of their annual budgets or some other basis, and any logic behind that limit.

[2:42:11 PM](#)

SENATOR KIEHL related his understanding that the Alaska Commission on Postsecondary Education had the authority to issue bonds without legislative approval. He recalled that it had been some time since they had done so. He expressed an interest in their bonding.

[2:42:39 PM](#)

SENATOR MICCICHE expressed an interest in having the [list entitled "SB 170. Establishment of the Alaska Marine Highway Corporation"] updated and adding a column for the history of bonding utilization, so the committee could better understand the bonding.

[2:43:14 PM](#)

CHAIR MYERS stated that the state has 15-17 corporations. He said he did not want to overwhelm the committee with information, so he limited the document to the most relevant corporations, including Alaska Aerospace Corporation, AHFC, AIDEA, and the Alaska Railroad Corporation. He offered to expand the list to include other corporations.

[2:44:18 PM](#)

CHAIR MYERS held SB 170 in committee.

[2:44:48 PM](#)

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 2:44 p.m.