

H B

6551

CS HB 651

5/6/81

AK Marine Hwy Authority

Comm. Ward - opposes - no amend.
bills not good

1. Authority in general -

"Port of Seattle" - different then
↳ has authority to tax
Authority in AK has ~~to~~ no authority to
tax

- using revenue bonds for own
capitol - taken out

2. Independent authority has no
independance

3 current budget under \$60 million
only generates \$30 million

3. Would still require appropriations

4. Would do exactly same thing as
currently exists but would need
more people

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
DEPUTY COMMISSIONER - ADMINISTRATION

hold do not
State of Alaska BC.
JAY S. HAMMOND, GOVERNOR

(907) 465-3900

POUCH Z
JUNEAU, ALASKA 99811

February 22, 1982

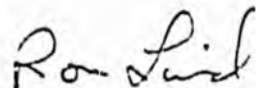
Honorable Bette M. Cato, Chairman
House Transportation Committee
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Representative Cato:

Your assistant requested that we answer the question "would an authority as proposed in House Bill 651, be eligible to receive federal highway construction funds as a pass through from the designated State agency?" The simple answer is "we assume that they would be eligible to receive pass through funding." The authority would need to have an organization and financial system which met all of the requirements of the federal program.

Since there is not a category of federal funding set aside for marine construction, the use of funds for their purpose reduces the amounts available for other projects. We do not believe it would be in the State of Alaska's best interest to require the authority to meet all of the federal requirements. In the projected future, there should be a sufficient level of state funds available to provide State project funds if the legislature and the governor agree.

Sincerely,



Ron B. Lind
Deputy Commissioner

Bill Analysis by Rep. Bette Cato's office

HB 651

"An Act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority"

Sec. 1 Purpose : The purpose of this act is to establish an authority for the operation, management, and planning and construction of facilities for the marine highway system that is independent of state government. The authority shall be the exclusive state agency directly associated with the operation, management, planning and construction of facilities for the marine highway system.

Sec. 2 Adds a new chapter 70 to title 19; AS 19.70.010, ALASKA MARINE HIGHWAY AUTHORITY.

This section creates the Marine Highway Authority as a public corporation of the state. The corporation is an instrumentality of the state in the Department of Transportation and Public Facilities but has a legal existence independent of and separate from the state and continues until its existence is terminated by law.

Sec. 19.70.020. DIRECTORS Directors, consists of seven directors, the commissioner of DOT/PF, ex-officio, (non-voting), and six directors appointed by the governor with the following qualifications; a representative of commercial carriers, representative of the maritime industry, a representative of the tourism industry, and three members of the public representing regions, Region 1, southeast Alaska, Kodiak, Region 2, and Region 3, southcentral (Prince William Sound).

Most language in this section is boilerplate "board" language pertaining to qualifications, conflict of interest... Directors serve without compensation, but are entitled to travel and per diem expenses.

Sec. 19.70.030 OFFICERS AND QUORUM The directors elect a chairman from their number. The directors shall elect a secretary that need not be one of the directors. Four directors constitute a quorum. Majority motions or action may be taken.

Sec. 19.70.040 STAFF The authority may employ staff, may contract for services in exercising it's powers.

Sec. 19.70.050 POWERS OF THE AUTHORITY Sets out powers and obligations of the authority.

Sec. 19.70.060 authorizes the name for the system; "ALASKA MARINE HIGHWAY SYSTEM."

Sec. 19.70.070 COMPREHENSIVE LONG RANGE PLAN, mandates a comprehensive long range plan for the marine highway system that shall be updated at least every five years.

Sec. 19.70.080 ACQUISITION OF LAND AND EASEMENTS, sets out procedures that the authority utilizes to acquire property.

Sec. 19.70.090 AUTHORITY TO PURCHASE PROPERTY FOR THE PURPOSE OF EXCHANGE allows the authority to purchase property for exchange.

Sec. 19.70.100 VACATING OF LAND OR RIGHTS IN LAND, This section allows the authority to vacate land or use rights by filing a deed in the appropriate recording district.. Upon vacating, title reverts to persons, heirs, successors, or assigns in whom it was vested at the time of the taking. The authority may transfer land tot he Department of Natural Resources for disposal, proceeds of which go to the General Fund.

Sec. 19.70.110. ANNUAL REPORT. By March 1 of each year, the authority shall submit to the governor and the legislature a comprehensive report describing the operations, income, and expenditures for the preceding calendar year.

ords shall be checked
these records at any

ND APPROPRIATIONS The authority is funded by legislature through the governor by the Executive Budget Act (AS 37.07) Money is directly appropriated and may be spent as authorized.

Sec. 19.70.140 PUBLIC RECORDS; OPEN MEETINGS. Subject the authority to open meetings and public records.

Sec. 19.70.150 NAMING OF VESSEL OR FACILITY sets guidelines for naming

Sec. 19.70.160 DEFINITIONS should be self explanatory.

Sec. 3 AS 19.60.010 and following sections of the bill are amended to read "authority" instead of "Department" giving the authority jurisdiction in law where the department had been specified.

No other substantive changes have been made in this bill

TESTIMONY ON CS HB 648, CS HB 649, CS HB 651,
CS HB 652 and CS HB 654

My name is Walter B. Parker. I am a resident of Anchorage, Alaska residing at 3724 Campbell Airstrip Road. I have been active in Alaskan transportation operations and planning since 1946.

CS HB 651

I support the concept of the Marine Highway Authority and believe it could work well with a restructured DOT. I believe the Authority could have financing options available that would be more difficult to achieve as a regular state agency.

If the legislature elects to establish this Authority I would urge to allow for a reasonable break in period. It will not be possible for the Authority to impress itself overnight on the old operation and the real gains make take five years or longer to achieve.

In passing, it would seem that board members of the Authority should receive the same compensation as other major state boards.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. CSHB 651 - Establishing the Alaska Marine
Title Highway Authority
Requested by House Transportation Date 3/26/82

II. FISCAL DETAIL
Agency Affected Department of Transportation & Public Facilities
Program Category Affected Transportation
BRU, Program, Or Subprogram(s) Affected _____
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		925.4				
200 TRAVEL		92.3				
300 CONTRACTUAL		708.8				
400 COMMODITIES		107.3				
500 EQUIPMENT		621.5				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		2455.3	1342.9	1437.7	1539.2	1877.9

FUNDING (Thousands of Dollars)

GENERAL FUND		2230.3	1094.6	1169.0	1255.0	1573.7
FEDERAL FUNDS						
OTHER (Specify Source)						
CIP		<225.0>	<248.3>	<268.7>	<284.2>	<304.2>

POSITIONS

FULL TIME		22	22	22	22	22
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This fiscal note shows the net expected cost to the State under the attached assumptions. Costs for FY 84 reflect the deletion of one time items and addition of inflation at 7%.

The assumptions used in this fiscal note do not have the authority utilizing its full powers for separation and therefore have reduced the costs. If additional authority is desired, the costs would increase.

Before accurate costs can be determined for this bill, a substantial amount of time should be devoted to determining the requirements for separation of duties from the State system as well as estimating the amount of autonomy the authority would desire.

IV. DATE 3/31/82 PREPARED BY RON LIND
AGENCY DOT/PE
PHONE 465-3900
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)
33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSHB 651 - Establishing the Alaska Marine
 Title Highway Authority
 Requested by House Transportation Date 3/26/82

II. FISCAL DETAIL
 Agency Affected Department of Transportation & Public Facilities
 Program Category Affected Marine Transportation
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		2086.5	2232.6			
200 TRAVEL		92.3	99.6			
300 CONTRACTUAL		787.4	260.7			
400 COMMODITIES		110.0	64.2			
500 EQUIPMENT		621.5	15.0			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		3697.7	2672.1	2859.9	3060.9	3506.2

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		3697.7	2672.1	2859.9	3060.9	3506.2
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		56.0	56.0	56.0	56.0	56.0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Additions required to the Marine Transportation budget.

See attachments.

IV. DATE 3/31/82 PREPARED BY Row Lind
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

I. REQUEST
 Bill/Resolution No. CSHB 557/651 - Establishing the Alaska Marine
 Title Highway Authority
 Requested by House Transportation Committee Date 3/26/82

II. FISCAL DETAIL
 Agency Affected Department of Transportation and Public Facilities
 Program Category Affected Transportation
 ERY, Program, Or Subprogram(s) Affected various-See Analysis
 (Note: If more than one budget component is affected, separate line-item
 amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		<1161.1>				
200 TRAVEL		0				
300 CONTRACTUAL		<72.4>				
400 COMMODITIES		<2.7>				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		<1242.2>	<1329.2>	<1422.2>	<1521.7>	<1623.3>

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		<1017.2>	<1030.9>	<1156.5>	<1237.5>	<1324.1>
FEDERAL FUNDS						
OTHER (Specify Source)		<225.0>	<248.3>	<268.7>	<284.2>	<304.2>

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		<34>	<34>	<34>	<34>	<34>
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Identifies costs and positions dedicated to Marine Transportation under current systems. (See attached).

IV. DATE 3/31/82 PREPARED BY Rene Lind
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

	<u>Personal Services</u>	<u>Travel</u>	<u>Contractual</u>	<u>Commodities</u>	<u>Equipment</u>	<u>Total</u>	<u>General Fund</u>	<u>Other</u>	<u>PFT</u>	<u>Man Mos</u>
S.E. Design and Construction	275.0	-	-	-	-	275.0	50.0	225.0	5	60
Info. Systems	40.0	-	67.4	-	-	107.4	107.4	-	1	12
Support Services	796.1	-	10.0	2.5	-	808.6	808.6	-	26.5	318
S.E. Region	50.0	-	1.0	.2	-	51.2	51.2	-	1.5	18
	<u>1161.1</u>	<u>0</u>	<u>78.4</u>	<u>2.7</u>	<u>0</u>	<u>1242.2</u>	<u>1017.2</u>	<u>225.0</u>	<u>34.0</u>	<u>408</u>

CSH865

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III. ANALYSIS

There are administrative and organizational topics not specifically addressed in either House Bill No. 651, "An Act relating to ferry and ferry terminals and establishing the Alaska Marine Highway Authority", or House Bill No. 661, "An Act establishing the Alaska Marine Highway Authority". Since the proposed legislation is similar in each of these bills, we are making the following assumptions in preparation of fiscal notes for each bill.

1. There is no offsetting credit taken for the expenditure of earned revenue to support the cost of operation of "Alaska Marine Highway Authority". In actuality, the initial cost would be the same if funding came from a direct appropriation for the full cost of operations from the legislature with earned revenue returned to the General Fund, or if earned revenue was expended with an appropriation to support the shortfall.
2. It is assumed the "Alaska Marine Highway Authority's" Payroll, Personnel, and Accounting systems would feed into the existing State systems to insure checks and balances, and would eliminate the necessity of creating a duplicate system.
3. We have assumed that initial start-up costs will be fully funded by the Legislature.
4. It is assumed the "Authority's" funding would be at the Division level and allocated to operating components as set out in its budget.
5. We have assumed a General Fund Subsidy for the difference between the total operating cost and the expected revenue for each fiscal year. We have further assumed that the total amount authorized would be available at the beginning of each fiscal year to allow the "Authority" to plan operations for each year.

6. The same inflation factor would apply to the "Authority's" budget request as followed by State agencies. We have assumed it to be seven percent (7%) for the fiscal note.
7. Initially the "Authority" would continue direct involvement with the State in the following:
 - A. Occupancy of a State owned office building.
 - B. Continued support from the State mail system.
 - C. Access to the State equipment fleet.
 - D. Access to the Statewide purchasing contract (i.e., fuel).
 - E. Continued use of "shared" communications lines through Department of Administration, Division of Communications.
 - F. Continued insurance, bonding, etc., as now supplied through Department of Administration, Division of Risk Management.
 - G. Legal service from the Attorney Generals' office.
8. We have assumed that Department of Transportation and Public Facilities transferred employees would bring their own equipment and that equipment for the proposed thirty (30) new hire employees would be \$76.5.
9. We have assumed the "Authority" would require its own computer services for reservations, cost accounting, dispatching vessels crews, and payroll input; and that one time costs would be \$545.0 for hardware and \$250.0 for software.
10. Assuming expansion, the first year shows one time start-up funds for Contractual \$543.6; (Software \$250.0; Legal Services \$200.0; Additional Space Rental \$93.6); and \$50.0 Commodities (primarily office supplies).

Summary - 200 - 500 Accounts: Of \$1623.0 shown for the first year, \$1145.6 is a first time start-up cost. Yearly maintenance of all 200 through 500 Accounts would be around \$475.0 per year.

11. Of the \$2036.5 increase in Personal Services, \$1172.4 is assumed to be positions already within the Department of Transportation and Public Facilities performing similar services in Finance, Supply, Payroll, Design and Construction, and Personnel for the Division of Marine Highway Systems. The actual increase then would be \$914.1 for Personal Services to fund eight (8) upgraded positions and twenty-four (24) new positions.

<u>MHS</u> <u>EXISTING</u>	<u>DOT</u> <u>TRANSFERS</u>	<u>NEW</u> <u>POSITIONS</u>	<u>TOTAL</u> <u>POSITIONS</u>
PFT 35	PFT 32	PFT 24	PFT 92
PPT 4			PPT 4

This is a total of ninety-two (92) Permanent Full Time and four (4) Permanent Part Time Administrative positions, with a total of thirty-one (31) Supervisors (Range 18 and above) and sixty-five (65) support positions to operate and supervise nine vessels (725 employees) and twenty-six Shore Facilities (twenty-eight (28) Permanent and twenty-three (23) Permanent Part Time employees). No increase has been made in Vessel or Shore Facility Personnel.

Approximately \$225,000 of CIP funded positions are proposed to be general funded because they would be considered more operational.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

To: Vic

From: Bob

Re: CSHB 651 and CSHB 654, Rough Notes --- Subject to Change

Date: 5/4/81

CSHB 651 by Cato (House Transportation) creates the "Alaska Marine Transportation Authority". The authority would be a public corporation of the state.

The "Authority" would consist of 8 directors. Seven of these would be appointed by the Governor, subject to confirmation by the Legislature. The 8th director would be the Commissioner of DOTPF, and would be a non voting ex officio member.

Not including ARCC, there are six government corporations in Alaska, the Municipal Bond Bank Authority, ASHA, AHFC, AIDA CFAB and the APA. All of these public corporations were originally created for specific purposes related to financing.

A recent report done for the Legislative Budget and Audit Committee by the Institute of Public Administration entitled Alaska's Public Corporations a Framework for Assesment, January 1982, says the new debt to be issued by Alaska's six public corporations during 1982 will exceed \$1.0 billion.

This is more than the total general obligation (voter approved) debt of the entire state issued since statehood. The G.O debt as of 6/30/80 was \$1.1 billion.

Technically, bonds or debt incurred by a public corporation are not guaranteed by the state. The debt is, for the most part, revenue bonds. But, to quote the LBA report,

"Nevertheless, history has proven that should the repayment of any of these bonds run into difficulty, it is indeed the state government that would be held responsible by the bond market."

The Authority created under CSHB 651 will not, and in fact cannot incur debt. However, that is one of the primary reasons to create an authority. The other is to make it autonomous or insulate it from the normal bureaucracy.

CSHB 651 accomplishes only the second point. The bill separates the Division of Marine Highways from the DOTPF, but does not give it the normal power of an Authority.

Rep. Cato's office maintains that the Division of Marine Transportation is not responsive to the public's needs, and that it needs to be separated from DOTPF. However, an Authority is more insulated from the public than a Division, and certainly more immune to public pressure. Going back to the LBA report it states,

"...important development decisions (especially distribution and pricing of transportation, energy, housing and industrial capitalization) could become separated from legitimate political institutions based on voter support."

In other words, an Authority may become less responsive to public pressure than the Division of Marine Highways.

Although the Marine Highway Authority does not have the power to sell bonds it does have considerable power in other regards. One power of particular interest is contained in AS 19.70.050 (9) which allows the Authority to establish rates and tariffs.

Right now the Division of Marine Transportation operates under a generally agreed upon rule that the Legislature will subsidize about 50% of the operating costs through general fund appropriations. The rest of the funds come from program receipts. Under CSHB 651 the directors of the authority can unilaterally change this policy, although the Authority is subject to the Executive Budget Act.

To conclude, the Authority created under CSHB 651 does not have the power to incur debt, which is normally one reason to create an authority. Also, it may actually exacerbate the problem of public accountability, by insulating the Authority from the normal political process.

Regarding CSHB 654, as mentioned, the Commissioner of DOTPF would be an ex officio Director of the Authority. Under provisions of CSHB 654, a companion bill by the sponsor, the Commissioner of DOTPF would not be appointed by the Govenor, but rather by a "Board of Transportation.

The members of the Board of Transportation would be appointed by the Govenor subject to approval by the Legislature. They in turn would choose the Commissioner. The Commissioner would not have to be approved by the Legislature.

Hence, under CSHB 651 you would have an 8 member Authority making decisions relating to Marine Highways with one member, the Commissioner appointed by a seven member board which oversees the Department. And, the Board under AS 44.42.021 (b) (11) of CSHB 654 must,

"supervise and maintain all state ... vessels"

DOTPF maintains that CSHB 654 will create another layer of bureacracy, and when combined with CSHB 651 it becomes confusing and there is an overlap of responsibility.

BOB---- GOOD. A MAJOR PROBLEM WITH
AUTHORITIES IS THAT THEY ARE NOT
RESPONSIVE TO PUBLIC!

LEG BUDGET&AUDIT DID A REPORT EARLY IN
YEAR ON PUBLIC CORPORATE BODIES. PLS
CHECK AND SEE WHAT WOULD BE RELEVANT
HERE... ALSO PLS INQUIRE ZIEGLER AND
ELIASON WHETHER THEY HAVE ANY STRONG
INTEREST IN THIS IDEA. VIC 5-3 EVE

To: Vic
From: Bob
Re: CSHB 651

Date: 5/3/82

CSHB 651 by Cato creates the "Alaska Marine Highway Authority".

There are basically two reasons to create an Authority, 1) to allow a degree of autonomy from the normal bureaucracy, and 2) provide a favorable means of financing major construction projects.

CSHB 651 accomplishes only point 1. The bill makes the now Division of Marine Transportation a separate legal entity, separate and apart from the DOTPF.

Normally, an Authority would have the power to sell revenue bonds. Revenue bonds are secured by the viability of the project itself. However, program receipts currently cover only half of the Division's operating expenses (not debt service). This would not be enough income to secure a revenue bond.

Hence, unless the Legislature wants to give this Authority considerably more latitude in financing options, the power to sell revenue bonds is superfluous. Nobody would buy them.

Cato's office supports this bill for vague reasons, saying the Division of Marine Transportation is unresponsive to the public. I'm not exactly clear how an Authority would solve this problem.

DOTPF says the "net" first year cost of this legislation would be \$2,455,300. This includes some non-recurring start-up expenses. So, the cost for F.Y. 84 would fall to \$1,342,900.

DOTPF says they have assumed that the Authority would eventually be completely autonomous. I believe the implication is that this means there is some duplicative administrative costs.

The authority would require 22 new positions, and would get 34 positions transferred from the Division of Marine Transportation. That Division currently has 651 full-time employees.

DOTPF does not support the bill.

Walt Parker supports the concept of a Marine Highway Authority, and believes it could work well with a "restructured DOT". He was not clear about exactly how DOTPF should be restructured, or if Cato's bills are what he has in mind.

One final note: Authorities are normally created when there is a lost of construction that needs to be done fast. Like the Power Authority (dams) and the Housing Authority (houses).

Does anyone envision a lot of new capital construction associated with the ferry system? I believe most of its duties are more operation and maintenance than new construction.