

HB

651



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

MEMORANDUM

TO: Senator Bill Ray, Chairman, Senate Transportation Committee
Senator Ed Dankworth, Co-chairman, Senate Finance
Senator Don Bennet, Co-chairman, Senate Finance

FROM: Senator Vic Fischer, Chairman, Senate State Affairs

RE: CSHB 651, "An Act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority", and CSHB 654, "An Act relating to the Department of Transportation and Public Facilities and establishing the Board of Transportation and Public Facilities at the head of the department".

DATE: May 11, 1981

Attached is a brief resume of DOTPF Commissioner Bob Ward's testimony on both bills.

The State Affairs Committee members gave both bills negative recommendations.



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

MEMORANDUM

TO: Senator Vic Fischer

FROM: Bob Williams, Staff

RE: A recap of testimony by Commissioner Bob Ward on CSHB 651, "An Act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority", and CSHB 654, "An Act relating to the Department of Transportation and Public Facilities and establishing the Board of Transportation and Public Facilities at the head of the department".

DATE: May 10, 1982

On May 7, 1982, Mr. Bob Ward Commissioner of the Department of Transportation and Public Facilities testified before the Senate State Affairs Committee, first stating that even though he (DOTPF) had consistently opposed HB 651 in every committee which the bill has been heard, he had "gotten absolutely no place..."

CSHB 651, an Act which creates the Alaska Marine Transportation Authority, is a House priority bill.

Commissioner Ward then elaborated on three general problems he and the Administration have with the bill. These are:

1) the Authority created under CSHB 651 has none of the power authorities generally have, nor should they,

2) the bill would add new positions and increase DOTPF's operating budget at a time when the Department was trying to trim costs, and

3) it is pointless to re-organize the Department on the eve of a two term Administration.

Commissioner Ward then stated that the DOTPF has not suggested language or amendments to improve the bills, because "...we don't think they are any good to start with..."

Commissioner Ward was referring to CSHB 654 as well as CSHB 651. CSHB 654 creates the "Board of Transportation".

Problem 1 -- What is an Authority. Ward said basically that CSHB 651 creates an Authority, but doesn't give it any power. He then compared it to the Port of Seattle Authority.

The Port of Seattle (POS) is an authority which runs the Seattle port, but not the ferry system. According to Ward, the POS has the "awesome" power to tax. No existing authority in Alaska has that power, nor, says Ward, "do we want them to".

Ward then says there are different types of Authorities, but all have some ability to raise capital. (Note: This would generally be either through taxation, rate setting, or revenue bonds.) Ward continued by maintaining that if he has had any success in testifying on

this bill it was in eliminating the provision allowing the authority to sell revenue bonds.

Ward explained that presently the ferry system does not generate enough revenue from fares to pay the operating cost or debt service. About one-half of the funds come from the general fund. (Note: Hence, the Authority couldn't sell revenue bonds unless their balance sheet were improved, or there was some sort of "Covenant" or statutory guarantee to insure that bond holders would be paid off in spite of operating losses.)

Finally, Ward said that, since the Authority would be subject to the Executive Budget Act and since the Authority has no power to generate its own capital, you don't really even have an authority if the bill were enacted.

Problem 2 --- the Fiscal Note. HB 651 would cost approximately \$2.25 million in the first year (F.Y. 83), but fall to about \$1.0 million in F.Y. 84. There are some initial start-up costs that would not be incurred after the first year.

The Authority would require an additional 22 employees, to accomplish "exactly" what the current Division does.

Ward was particularly acrimonious on this point, because it is a time when DOTPF's operating budget is being "held down tightly". Ward said they actually expect to have a lower operating budget next year.

Problem 3 --- Why reorganize a Department on the eve of a two term administration? Ward basically said that no matter who is elected, they will have their own ideas on how to organize and manage DOTPF. There is absolutely no point in re-organizing DOTPF at this time.

Senator Bradley then asked for Commissioner Ward's position on CSHB 654, the bill creating the Transportation Board.

Ward reiterated his point on Problem 3, leave organization and management of DOTPF to the next Administration. He added that if both CSHB 651 and CSHB 654 passed the state would have the "unique experience of a board running a board".

Ward also stated that a Board of Transportation would represent an erosion of Executive power and is not the sort of thing contemplated by the Alaska state constitution.