

**HB**

**439**

STATE OF ALASKA  
THE LEGISLATURE

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POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

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Mary Van Nimwegen

HB 439

House Transportation

2/8/90



# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

### LETTER OF INTENT - HB 439

It is the intent of the House Transportation Committee in establishing the Alaska Marine Highway System fund, that monies in this fund be used for unforeseen cost increases due to variable expenses such as fuel increases, unanticipated repairs etc. Monies in the fund may also be utilized to meet new market opportunities where the revenues will be adequate to substantially cover the operational costs.

These funds are not intended to be used to arbitrarily increase the service level above that which has been approved in the budgeting process.

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 24, 1990

The Honorable Sam Cotten  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska marine highway system. The bill addresses concerns that all Alaskans share regarding the importance of the ferry system in the state's commerce, the efficient use of the system's resources, and the ability of the system to provide stable or enhanced service to the public.

The Alaska marine highway system has been an administrative unit of the Department of Transportation and Public Facilities since the department's creation in 1977. Before 1977, the marine highway system was a division of the Department of Public Works. However, throughout the system's more than 25 years of life, there have not been specific statutory provisions that set out the expectations that the legislative and executive branches of government, as well as the public, have for the system nor that set out clear goals for the system. One purpose of the attached bill is to address these concerns.

In proposed AS 19.65.050(a) are legislative findings that the marine highway system is a vital link in the state's economic well being, requiring consistent levels of funding and prudent management. The purpose of the bill is set out in proposed AS 19.65.050(b). Under this bill, managers and employees of the system will be provided an incentive and mechanism to manage the system efficiently by allowing it to effectively use its operating revenue, although that revenue is, under other sections of the bill, subject to annual appropriation, and the bill does not violate the Alaska Constitution's art. IX, sec. 7, prohibition of "dedicated funds." Furthermore, the legislature recognizes the need for consistent levels of funding, within constitutional limits, to allow predictable levels of service. The legislative intent for the marine highway system operations is set out in proposed AS 19.65.050(c).

The system's managers are expected to accurately plan, schedule, and budget for the operations of the ferry system. The specific goals stated for the system, among others, are to increase revenue consistent with the public interest and to stabilize levels of service to the communities the system serves.

Proposed AS 19.65.060 creates the Alaska marine highway system fund as a special account in the general fund. The new "fund" is to be the repository of all operating revenue that the system generates, consistent annual general fund appropriations for operations, and whatever additional appropriations the legislature might make to the fund. All money in this fund is subject to annual appropriation. It is not a dedicated fund.

Proposed AS 19.65.070 requires depositing all Alaska marine highway system revenue into the Alaska marine highway system fund. The system managers are also required (1) to report to the legislature all revenue generated during the previous fiscal year, (2) to report the revenue actually generated during the current fiscal year and estimate the revenue that will be generated during the remainder of the current fiscal year, (3) to estimate revenue to be generated during the succeeding fiscal year, and (4) to state the amount of the difference between previous revenue projections and revenue actually generated.

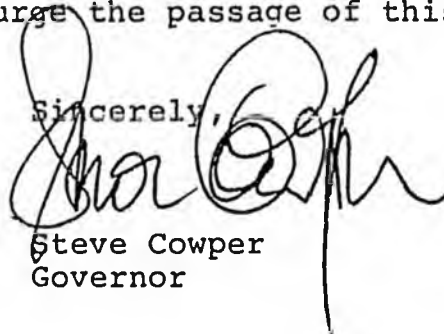
In proposed AS 19.65.080, an annual appropriation mechanism is created for the marine highway system. Under this section, commencing in fiscal year 1992, it is anticipated that the legislature will appropriate money from the Alaska marine highway system fund for the system's annual operations. Furthermore, the bill acknowledges that the legislature has the discretion to appropriate additional money to the system fund (i.e., the special account in the general fund) from the general fund.

This legislation represents a sharp departure from the past. Previously, there has been no articulated role for the marine highway system, and no expression either of commitment by the legislature to maintain service at an adequate level, nor of the need to hold the system's management accountable for decisions that result in what the public perceives as a decline in the level of service.

With this bill, I intend to provide Alaskans with transportation benefits by creating a mechanism that establishes a predictable funding base and allows or encourages management to generate cost savings and increase revenue performance from the operation of the system, with the Alaskan users of the system receiving the direct benefit from those actions. By developing a business

approach, and establishing accountability in a way that is constitutionally valid, we provide management, employees, and users with necessary tools to respond to immediate and long-term challenges facing the Alaska marine highway system. I believe that the ultimate result of the passage of this bill will be a consistent level of funding from the general fund, and consistent and improved levels of service to the public. I therefore urge the passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the word "Sincerely,".

Steve Cowper  
Governor

REQUEST: FISCAL NOTE

Revision Date:  
Title: An Act relating to the Alaska Marine Highway System  
Sponsor: Rules Committee  
Requestor: Governor

Agency Affected: DOT&PF  
BRU: Alaska Marine Highway System  
Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(SEE ATTACHED)

Prepared by: Ron Lind  
Division: Plans, Programs, and Budget

Phone: 465-2171  
Date:

Approved by Commissioner: Mark S. Hickey *MSH*  
Agency: Department of Transportation and Public Facilities

Date: 1/5/90

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

## BILL ANALYSIS

- \* 1 The total operating and capital needs of the Alaska Marine Highway System will not be changed by this bill. The actual amounts appropriated may change because of the more direct connection between the earnings and funding.
- \* 2 Beginning July 1, 1990 the gross revenue of the Alaska Marine Highway System will be deposited in a special account in the General Fund, the Alaska Marine Highway Fund, instead of the unrestricted General Fund revenue account. We have not depicted this as an expenditure or a revenue reduction since the same level of funds are being collected and they are just being held for use during FY 92. This impact does not occur in any subsequent year and is needed as a one time action to establish a workable fund balance.
- \* 3 The sources of funding used for the appropriations to the Alaska Marine Highway System will change for FY 92. The source will become the Alaska Marine Highway System Fund instead of the General Fund.

FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Department of Revenue  
 Title: Relating to the Alaska Marine Highway System BRU: Treasury  
 Sponsor: Rules Committee Components: \_\_\_\_\_  
 Requestor: Transportation & Finance

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>37,110.7</b>	<b>38,756.4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** The figures reflect projected total ferry system revenues which would be deposited in the Alaska Marine Highway System Fund, and subsequently available for appropriation.

Prepared By: Bob Elliott *BE* Phone: 465-2350  
 Division: Treasury Date: February 5, 1990

Approved by Commissioner: *[Signature]* Date: 2/5/90  
 Agency: Department of Revenue

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

*Note: Dollar estimate by D.O.T. / Marine Highways. H*

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Department of Revenue  
 Title: Alaska Marine Highway System, BRU: Treasury  
its funding, and budget  
 Sponsor: Rules by Request of the Governor Components: \_\_\_\_\_  
 Requestor: House Transportation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: attach a separate page for analysis.

Fiscal year 1990 effect is zero.

Prepared By: Milt Barker MB  
 Division: Treasury  
 Approved by Commissioner: \_\_\_\_\_  
 Agency: Department of Revenue

Phone: 465-2350  
 Date: \_\_\_\_\_  
 Date: 2/1/90

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: An Act relating to the AK. Marine Hwy. System, its funding and its budget.  
 Sponsor: Rules Committee  
 Requestor: Governor Cowper

Agency Affected: Department of Admin. BRU: Central Administration  
 Components: Finance

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY91	FY92	FY93	FY94	FY95	FY96
PERSONAL SERVICES	-0-					
TRAVEL	-0-					
CONTRACTUAL	-0-					
SUPPLIES	-0-					
EQUIPMENT	-0-					
LAND & STRUCTURES	-0-					
GRANTS, CLAIMS	-0-					
MISCELLANEOUS	-0-					
<b>TOTAL OPERATING</b>	<b>-0-</b>					
<b>CAPITAL</b>	<b>-0-</b>					
<b>REVENUE</b>	<b>-0-</b>					

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER	-0-					
<b>TOTAL</b>	<b>-0-</b>					

**POSITIONS:**

FULL-TIME	-0-					
PART-TIME	-0-					
TEMPORARY	-0-					

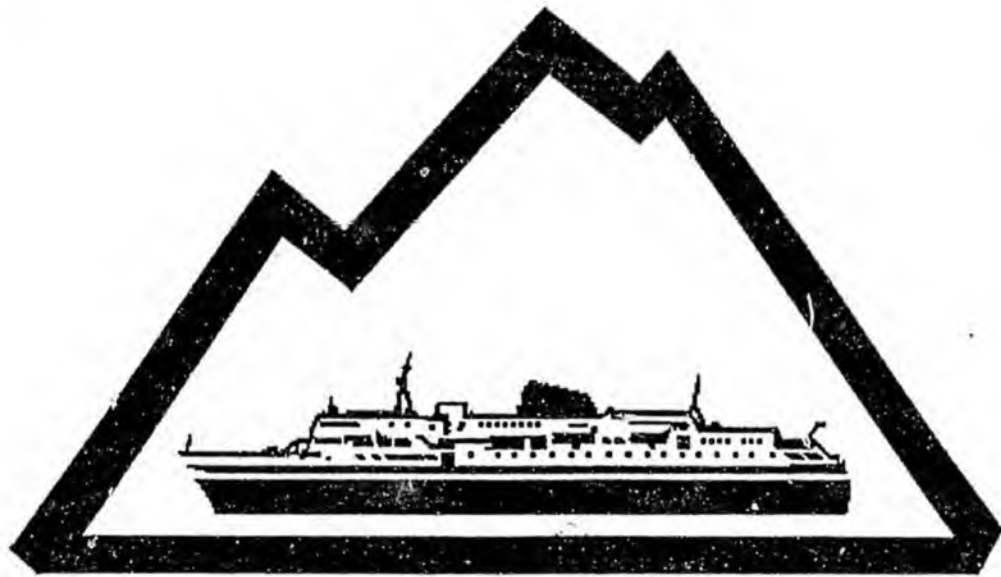
**ANALYSIS :** (Attach a separate page if necessary)

No Additional appropriation for the Division of Finance is anticipated to be required. The only involvement of the Division of Finance is to establish the Alaska Marine Highway System Fund as an account in the General Fund. Required reporting and administration of the fund will be under the control of the Ak. Marine Hwy. System.

Prepared by: Keith Busch, Director *KB* Phone: 465-2240  
 Division: Finance Date: 12/19/89

Approved by Commissioner: Frank Baxter *FB* Date: 12/26/89  
 Agency: Department of Administration

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)



**ALASKA MARINE HIGHWAY SYSTEM**

**TRANSPORTATION COMMITTEE PRESENTATION**

**DRAFT**

FEBRUARY 7, 1990

# DRAFT

## TABLE 1

## AMHS VESSEL INFORMATION

	TAKU	MATANUSKA	MALASPINA	COLUMBIA	LECONTE	BARTLETT	TUSTUMENA	CHILKAT	AURORA
DATE COMPLETED	1963	1963	1963	1974	1974	1969	1964	1957	1977
LENGTH	352	408	408	418	235	193	296	100	235
BEAM	74	74	74	85	57	53	59	35	57
DRAFT	15	15	15	17	13	13	15	8	13
TONNAGE	2458	3029	2928	3946	1328	933	2174	256	1281
HORSEPOWER	8000	8000	8000	12350	4300	3468	3600	730	4300
CREW	42	50	50	66	24	24	37	7	24
PASS CAPACITY (SUMMER)	500	500 746	516 750	522 970	250	170	220 325	65 82	250
STATEROOMS	44	112	86	91	0	0	27	0	0
BERTH CAPACITY	106	256	274	312	0	0	58	0	0
VEH CAPACITY	105	120	120	170	47	38	50	15	47
MAX # OF VANS	10	21	21	22	10	13	12	1	10

# DRAFT

TABLE 2

DOLLARS BY COMPONENT

Component	(1) FY89 ACTUALS	(2) FY90 PROJECTED	(3) FY91 ESTIMATE	
Marine Admin	\$2,352.0	\$2,210.4	\$2,352.8	(without budget analyst position)
Cus Ser Mngmt	2,422.3	2,521.3	2,567.7	(without \$250.0 marketing funds)
Ops Mngmnt	771.3	891.4	981.6	
MFE Mngmnt	434.6	339.6	464.5	
Marine CIP*	1,261.5	1,387.9	1,224.7	
Sub-total	\$7,241.7	\$7,350.6	\$7,591.3	
SE Shore	\$2,567.4	\$2,618.4	\$2,627.6	
SW Shore	680.2	790.3	780.0	
SE Vssl Op/Ov	45,943.5	46,228.9	46,747.3	(Vssl Ops represents FY90 service
SW Vssl Op/Ov	9,359.7	9,205.0	9,251.0	with about 1/2% cost increase)
Sub-total	\$58,550.8	\$58,842.6	\$59,405.9	
Total AMHS	\$65,792.5	\$66,193.2	\$66,997.2	

\*GF funding not required for this component

# DRAFT

TABLE 3a

## WEEKS OF SERVICE

	FY89 ACTUAL	FY90 PROJECTED	FY91 ESTIMATE
	-----	-----	-----
COLUMBIA	15.3	19.0	19.0
MATANUSKA	45.0	43.5	44.1
MALASPINA	42.9	32.0	27.9
TAKU	33.6	43.0	43.9
	-----	-----	-----
SE MAINLINE	136.8	137.5	134.9
AURORA	39.4	44.5	44.1
L. CONTE	44.9	44.0	45.4
CHILKAT	14.6	0.0	0.0
	-----	-----	-----
SE FEEDER	98.9	88.5	89.5
	=====	=====	=====
SE VSSLS	235.7	226.0	224.4
TUSTUMENA*	38.4	38.5	38.5
BARTLETT	42.5	43.5	44.1
	-----	-----	-----
SW VSSLS	80.9	82.0	82.6
	=====	=====	=====
TOTAL AMHS	316.6	308.0	307.0

\*includes alternative service during Tustumena refurb

TABLE 3b

## TRAFFIC AND REVENUES

	FY89 ACTUALS	FY90 PROJECTED	FY91 ESTIMATE
	-----	-----	-----
AMHS TRAFFIC			
PASSENGERS	395,000	391,000	394,000
VEHICLES	105,000	106,000	107,000
AMHS REVENUE*	\$35,837.0	\$34,800.0	\$37,100.0

\*does not include op bdgt CIP revenues

# DRAFT

TABLE 4

## VESSEL COSTS

	(1)		(2)		(3)	
	FY89 ACTUALS TOTAL	OVERHAUL*	FY90 PROJECTED TOTAL	OVERHAUL*	FY91 ESTIMATE TOTAL	OVERHAUL*
COLUMBIA	6,175.9	943.9	7,013.1	966.4	7,258.2	
MATANUSKA	8,856.9	528.0	9,206.5	542.4	9,337.5	
MALASPINA	8,548.9	407.2	7,647.1	588.3	7,677.7	
TAKU	7,106.4	613.0	8,604.2	730.9	8,647.2	
AURORA	4,251.0	358.2	4,718.9	347.2	4,742.5	
LECONTE	5,014.9	568.7	4,809.7	364.7	4,833.7	
CHILKAT	304.1	60.4	1.6	0.0	1.6	
ALL VSSLS	5,685.4	11.5	4,227.8	10.0	4,248.9	
TOTAL SE	45,943.5	3,490.9	46,228.9	3,549.9	46,747.3	3,585.1
TUSTUMENA	5,198.8	463.2	4,882.0	382.4	4,906.4	
BARTLETT	3,329.0	282.3	3,662.0	250.8	3,680.3	
ALL VSSLS	831.9	0.1	661.0	5.0	664.3	
TOTAL SW	9,359.7	745.6	9,205.0	638.2	9,251.0	704.6
SE & SW TOT	55,303.2	4,236.5	55,433.9	4,188.1	55,998.3	4,289.7

\*overhaul operating funds only: SIP not included

# DRAFT

TABLE 5

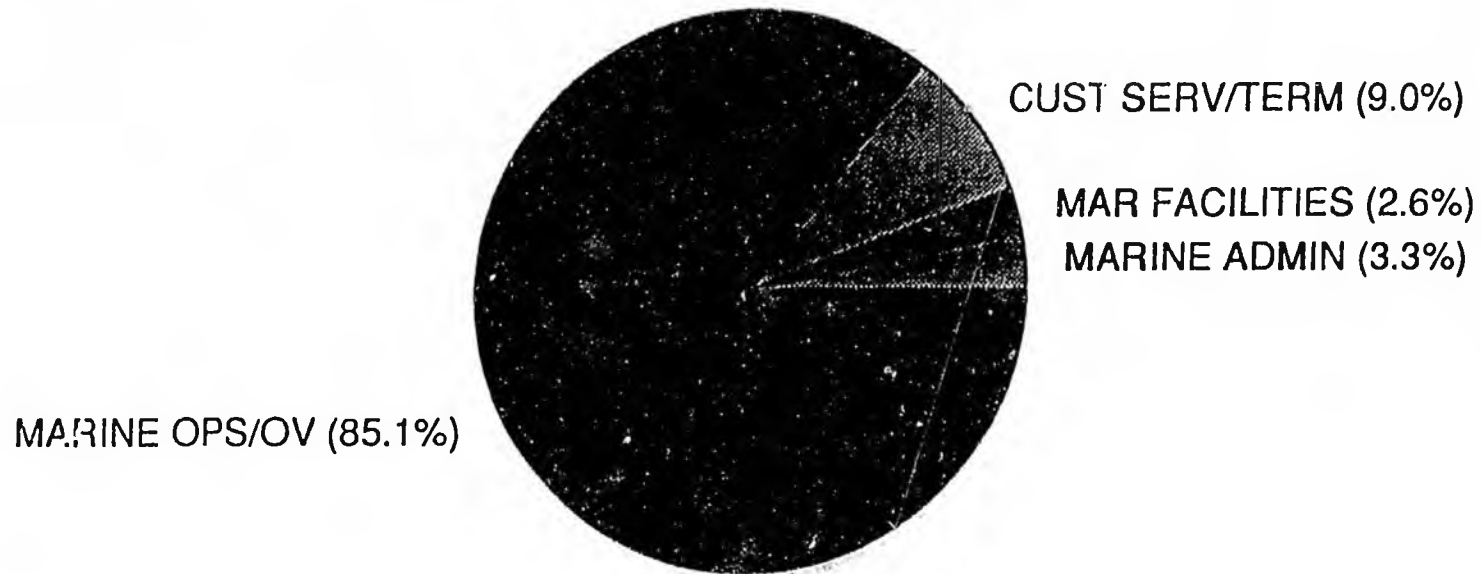
## PERSONNEL BY COMPONENT

Component	(1)			(2)			(3)		
	FY89 PFT	ACTUALS PPT	TOT	FY90 PFT	PROJECTED PPT	TOT	FY91 PFT	ESTIMATE PPT	TOT
Marine Admin	46	1	47	44	1	45	46	1	47
Cus Ser Mngmt	16	17	33	15	17	32	15	17	32
Ops Mngmnt	14	0	14	14	0	14	15	0	15
MFE Mngmnt	5	0	5	3	0	3	5	0	5
Marine CIP	21	0	21	20	0	20	17	0	17
Sub-total	102	18	120	96	18	114	98	18	116
SE Shore	23	16	39	23	15	38	19	15	34
SW Shore	3	2	5	3	2	5	3	2	5
SE Vssl Op/Ov	518	109	627	518	109	627	518	109	627
SW Vssl Op/Ov	63	35	98	63	35	98	63	35	98
Sub-total	607	162	769	607	161	768	603	161	764
Total AMHS	709	180	889	703	179	882	701	179	880

**DRAFT**

**TOTAL AMHS OPERATING BUDGET**

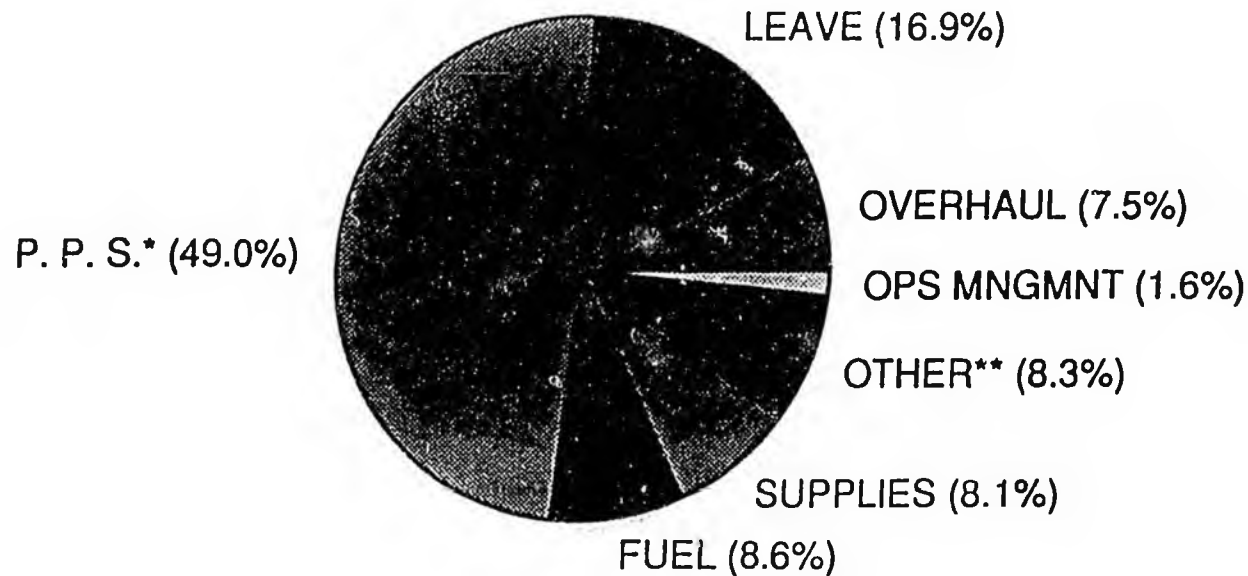
FY 90 Total = \$66,193,200\*



# DRAFT

## SE and SW VESSEL OPERATIONS

FY90 Total = \$56,325,300



\*P. P. S. = Productive (Non-Leave) Personal Services

\*\*Includes travel, risk management and non-overhaul contractual and equipment

# MEMORANDUM

## STATE OF ALASKA Department of Transportation and Public Facilities

TO: Alison Elgee, Director  
Division of Budget Review  
Office of Management & Budget

DATE: February 5, 1990

FILE NO:

TELEPHONE NO: 465-3900

FROM: Mark S. Hickey, Commissioner  
Department of Transportation  
and Public Facilities

SUBJECT: AMHS Revised Supplemental Budget Request

In September, 1989, the AMHS was asked to calculate the amount of funding required to bring the M/V Columbia, M/V LeConte and M/V Tustumena out of lay up and back into service. The estimated cost for bringing these vessels into service is \$1,567,000. AMHS now has additional information that gives a clearer FY 90 financial picture of the entire system based on the first six months of operating expenditures/obligations and FY 89 actuals. It should be noted that because of the variable nature of certain costs in the AMHS (overhaul, leave usage, fuel) any estimate or projection is always subject to the impact of these variables.

Based on an analysis of this additional information, we now anticipate a need for supplemental funds in the amount of \$3,250,000. This supplemental includes \$1,000,000 for increased overhaul costs' as a capital fund request for our FY 90 AMHS Improvements Appropriation. It also includes \$2,250,000 operating funds to cover increased operating costs and the service level mentioned above. These funds are needed in order to operate the currently published schedule, which is essentially the same level of service provided in FY 89.

We are confident that the vessel weeks of operation above those previously authorized for FY 90 will generate \$2,250,000 in revenues, thus our request is for this amount in program receipts authority and the balance of \$1,000,000 in CIP general funds. Again, this is a conservative projection of expenditures with the understanding there are still four vessel overhauls to be completed. While we have encumbered contract amounts, change orders for unpredictable serious problems could cause some added costs.

If these funds are not forthcoming we will be required to severely reduce our operating schedule accordingly. AMHS would be forced to keep the M/V Columbia and M/V Malaspina out of service until at

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Overhaul costs are defrayed through appropriations in the operating and capital budgets, depending on the nature of the respective expenditures which fall into each category.

least the first week in July. In addition both the M/V LeConte and the M/V Tustumena would be placed in lay-up until at least late April. These actions would have a serious effect on our revenues, the communities which benefit from our service, as well as the confidence of the travelling public.

As you know, the AMHS experiences a number of variable costs. While some of these may be characteristic of other operating units within the department, such as the cost of fuel, others, such as vessel overhaul and personal services, have a dramatic effect on the Marine Highway System and vary by hundreds of thousands of dollars.

Each year every vessel in the fleet must undergo an annual overhaul. This is necessary to meet Coast Guard and American Bureau of Shipping standards. Due to the age and complexity of the vessels it is not possible to predict accurately the cost of each overhaul. When conditions are found which require repair, the vessel cannot sail unless those are complete. This is further compounded by the pervasive presence of asbestos which increases the costs tremendously. It is the case that these overhaul expenditures that are now running grossly over budget will cause absorption of funds that would otherwise go to operations. Therefore, vessels will be repaired but without the supplemental there would be inadequate funds to sail.

Additionally, in most other agencies personnel who are on leave are not replaced; work is allocated among remaining staff. This is not possible in AMHS. Due to Coast Guard and service level manning requirements, personnel who are on leave must be replaced. The difficulty in predicting leave usage, combined with the high accrual rates in marine bargaining unit contracts, have an extreme effect on AMHS budget projections.

A comparison of the original authorizations and projected expenditures for each AMHS component follows. In addition we have shown a breakdown of the comparative costs of operation and overhaul of each vessel in the fleet between fiscal year 1989 and our published schedule for fiscal year 1990. Finally, we have shown the comparable weeks of service for FY 89, for our original authorization, and for the schedule that is currently published; along with the estimated additional revenues associated with this level of service.

As can be seen in the tables that follow, the anticipated shortfall is confined to the vessel operation components. Examples of the changes which have occurred to create these conditions are discussed in the paragraphs following the tables; however, it is important to note that a portion of these costs have been included in the original \$1,567,000 estimate of the amount needed to bring the Columbia, LeConte and Tustumena back into service.

**COMPARISON OF FY 89 ACTUALS, FY 90 AUTHORIZED & FY 90 PROJECTED**  
(figures are shown in \$000's)

Component	FY 89 ACTUALS	FY 90 AUTHORIZED	FY 90 PROJECTED	DIFFERENCE
Marine Admin	\$2,352.0	\$2,210.4	\$2,210.4	\$0.0
MFE Mngmnt	434.6	339.6	339.6	0.0
Cus Ser Mngmt	2,422.3	2,521.3	2,521.3	0.0
Ops Mngmnt	771.3	891.4	891.4	0.0
Marine CIP	1,261.5	1,387.9	1,387.9	0.0
<b>Sub-total</b>	<b>\$7,241.7</b>	<b>\$7,350.6</b>	<b>\$7,350.6</b>	<b>\$0.0</b>
SE Shore	\$2,567.4	\$2,620.0	\$2,618.4	\$1.6
SW Shore	680.2	789.5	790.3	(0.8)
SE Vssl Op/Ov	45,943.5	44,465.5	46,228.9	(1,763.4)
SW Vssl Op/Ov	9,359.7	8,717.6	9,205.0	(487.4)
<b>Sub-total</b>	<b>\$58,550.8</b>	<b>\$56,592.6</b>	<b>\$58,842.6</b>	<b>(\$2,250.0)</b>
Total Op Bdgt	\$65,792.5	\$63,943.2	\$66,193.2	(\$2,250.0)
Overhaul SIP	\$1,242.0	\$530.0	1,530.0	(\$1,000.0)
Total Operating and SIP Supplemental Request.....				(\$3,250.0)

**COSTS BY VESSEL (in \$000's)**

	FY 89 ACTUALS	FY 90 PROJECTED
TAKU	\$7,106.4	\$8,604.2
MALASPINA	8,548.9	7,647.1
CHILKAT	304.1	1.6
AURORA	4,251.0	4,718.9
COLUMBIA	6,175.9	7,013.1
LECONTE	5,014.9	4,809.7
MATANUSKA	8,856.9	9,206.5
ALL VESSELS*	5,685.4	4,227.8
<b>TOTAL SE</b>	<b>\$45,943.5</b>	<b>\$46,228.9</b>
TUSTUMENA	\$5,198.8	\$4,882.0
BARTLETT	3,329.0	3,662.0
ALL VESSELS*	831.9	661.0
<b>TOTAL SW</b>	<b>\$9,359.7</b>	<b>\$9,205.0</b>
<b>SE &amp; SW TOTAL</b>	<b>\$55,303.2</b>	<b>\$55,433.9</b>

\*Examples of "All Vessels" costs are risk management, certain benefits, and miscellaneous expenditures not attributable to a specific vessel, such as utility expenses at AMHS terminals. AMHS has improved the methods used to collect and allocate "All Vessels" expenditures by vessel (cost center). This change decreased "All Vessels" in FY 90 and appropriately spread costs to the respective vessels.

**WEEKS OF OPERATION**

	FY 89 ACTUAL <sup>1</sup>	FY 90 AUTHORIZED	FY 90 PUBLISHED SCHEDULE	ADDITIONAL REVENUE <sup>2</sup> (\$000's)
COLUMBIA	15.3	15.0	19.0	\$1,625.0
MATANUSKA	45.0	43.5	43.5	
MALASPINA	42.9	31.0	32.0	\$255.0
TAKU	33.6	43.0	43.0	
SE MAINLINE	136.8	132.5	137.5	\$1,880.0
AURORA	39.4	44.5	44.5	
LECONTE	44.9	38.5	44.0	\$150.0
CHILKAT	14.6	0.0	0.0	
SE FEEDER	98.9	83.0	88.5	\$150.0
SE VESSELS	235.7	215.5	226.0	\$2,030.0
TUSTUMENA	38.4	34.0	38.5	\$220.0
BARTLETT	42.5	43.5	43.5	
SW VESSELS	80.9	77.5	82.0	\$220.0
TOTAL AMHS	316.6	293.0	308.0	\$2,250.0

The following paragraphs provide examples of the changes which have occurred to contribute to the anticipated budget shortfall.

Vessel Overhaul

Actual and estimated overhaul costs have increased by approximately \$1,000,000 over budget. This estimate assumes FY 90 overhaul costs to be \$3,243,000 in operating funds, and an additional \$1,530,000 in System Improvement funds. This figure is subject to change due to the uncertainty associated with meeting Coast Guard and American Bureau of Shipping standards and operating requirements.

<sup>2</sup> These are the actual weeks of service in FY 89, as opposed to the original planned schedule which was altered due to overhaul problems.

<sup>3</sup> The actual FY 89 revenues were \$35.2 million. FY 90 revenues have been difficult to predict due to the impact of the oil spill and potential strike threats. However, confidence in this estimate is based on successful marketing by the Bellingham terminal, and the high level of interest and reservations to date for the schedules of the three additional vessels funded by this supplemental request.

Health Benefit Premiums

The FY 90 budget passed by the Legislature assumed the monthly premiums for each marine bargaining unit to be substantially lower than that currently experienced. The estimated shortfall resulting from health benefit premiums is approximately \$810,000. (See the attached spreadsheet for details on the calculation of this shortfall.) The following table summarizes the difference in premium costs between budgeted and actual.

	AMOUNT BUDGETED PER PREMIUM	ACTUALS JUL-NOV PER PREMIUM	ACTUALS DEC-JUN PER PREMIUM
IBUP	\$308.14	\$432.00	\$386.19
MMP	322.47	449.07	386.19
MEBA	345.51	485.26	426.29

Other Personal Services Items

-PERS increase from 9.65% to 10.02%

-Combined leave usage for IBUP in the Southeast System is up 12% from the same period in FY 89. Vacation leave has increased 11.8% and sick leave has increased 13.3%. Initial data indicates little change in leave usage for MEBA and MM&P. but complete information is not yet available due to programming changes currently underway.

-Leave and overtime are up in the Southwest System, although not at the same levels as Southeast, with the exception of MEBA, which is showing personal leave increases of 22.6% and overtime up 29.5%.

Fuel

Although prices were lower than projected earlier in the year, they are now rapidly increasing. We expect them to exceed budget projections by a small margin.

Summary

The variable nature of these expenses has combined to create a serious impediment to providing the level of ferry service expected by Alaskans. We feel these current estimates are as accurate as can be determined with the available information. Until there is a funding mechanism which allows for the significant swings experienced in vessel overhaul requirements, fuel costs, and leave usage, we will continue to see these variations in expenditures.

Therefore, we are requesting additional authorization for FY 90 as follows:

Operating funds as Program Receipts	\$2,250,000
AMHS Improvement funds as GF	<u>1,000,000</u>
Total request	\$3,250,000

DETAIL ON CALCULATION OF HEALTH PREMIUM BUDGETED SHORTFALL  
FY90 BUDGET PREMIUMS COMPARED TO FY90 ACTUAL & ESTIMATED PREMIUMS

BUDGETED HEALTH BENEFIT PAYMENTS

	-----IBUP-----			-----MEBA-----			-----MHP-----			TOTAL AMHS
	PREMIUM AMOUNT	NO. OF PREMIUMS	TOTAL IBUP	PREMIUM AMOUNT	NO. OF PREMIUMS	TOTAL MEBA	PREMIUM AMOUNT	NO. OF PREMIUMS	TOTAL MHP	
JUL	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
AUG	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
SEP	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
OCT	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
NOV	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
DEC	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
JAN	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
FEB	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
MAR	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
APR	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
MAY	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177
JUN	308.14	518	159,617	345.51	74	25,568	322.47	62	19,993	205,177

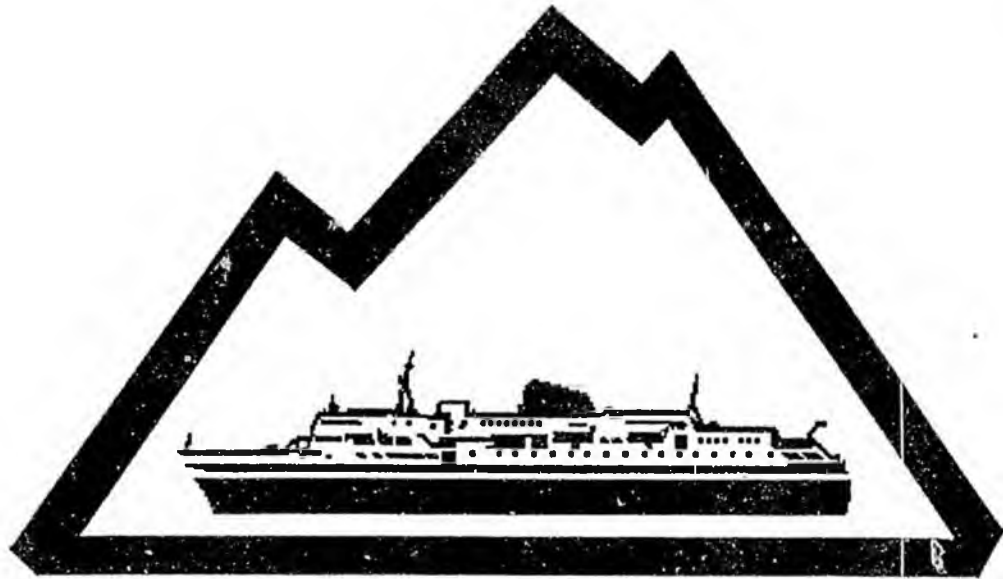
TOTAL BUDGETED HEALTH BENEFIT PAYMENTS > 2,462,129

ACTUAL PAYMENTS TO DATE (JUL-JAN) WITH ESTIMATE FOR FEB-JUN

	-----IBUP-----			-----MEBA-----			-----MHP-----			TOTAL AMHS
	PREMIUM AMOUNT	NO. OF PREMIUMS	TOTAL IBUP	PREMIUM AMOUNT	NO. OF PREMIUMS	TOTAL MEBA	PREMIUM AMOUNT	NO. OF PREMIUMS	TOTAL MHP	
JUL	432.00	486	209,952	485.26	73	35,424	449.07	68	30,537	275,913
AUG	432.00	561	242,352	485.26	75	36,395	449.07	71	31,884	310,630
SEP	432.00	588	254,016	485.26	75	36,395	449.07	70	31,435	321,845
OCT	432.00	582	251,424	485.26	74	35,909	449.07	68	30,537	317,870
NOV	432.00	578	249,696	485.26	74	35,909	449.07	68	30,537	316,142
DEC	386.19	542	209,315	426.29	74	31,545	386.19	68	26,261	267,121
JAN	386.19	496	191,550	426.29	76	32,398	386.19	69	26,647	250,595
FEB	386.19	509	196,571	426.29	74	31,545	386.19	68	26,261	254,377
MAR	386.19	502	193,867	426.29	74	31,545	386.19	68	26,261	251,674
APR	386.19	472	182,282	426.29	74	31,545	386.19	68	26,261	240,088
MAY	386.19	445	171,855	426.29	74	31,545	386.19	68	26,261	229,661
JUN	386.19	463	178,806	426.29	74	31,545	386.19	68	26,261	236,612

ACTUAL AND ESTIMATED ACTUAL HEALTH BENEFIT PAYMENTS > 3,272,530

DIFFERENCE BETWEEN BUDGETED AND ACTUAL > (810,401)



**ALASKA MARINE HIGHWAY SYSTEM**

**HOUSE BILL 439**

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 24, 1990

The Honorable Sam Cotten  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska marine highway system. The bill addresses concerns that all Alaskans share regarding the importance of the ferry system in the state's commerce, the efficient use of the system's resources, and the ability of the system to provide stable or enhanced service to the public.

The Alaska marine highway system has been an administrative unit of the Department of Transportation and Public Facilities since the department's creation in 1977. Before 1977, the marine highway system was a division of the Department of Public Works. However, throughout the system's more than 25 years of life, there have not been specific statutory provisions that set out the expectations that the legislative and executive branches of government, as well as the public, have for the system nor that set out clear goals for the system. One purpose of the attached bill is to address these concerns.

In proposed AS 19.65.050(a) are legislative findings that the marine highway system is a vital link in the state's economic well being, requiring consistent levels of funding and prudent management. The purpose of the bill is set out in proposed AS 19.65.050(b). Under this bill, managers and employees of the system will be provided an incentive and mechanism to manage the system efficiently by allowing it to effectively use its operating revenue, although that revenue is, under other sections of the bill, subject to annual appropriation, and the bill does not violate the Alaska Constitution's art. IX, sec. 7, prohibition of "dedicated funds." Furthermore, the legislature recognizes the need for consistent levels of funding, within constitutional limits, to allow predictable levels of service. The legislative intent for the marine highway system operations is set out in proposed AS 19.65.050(c).

The system's managers are expected to accurately plan, schedule, and budget for the operations of the ferry system. The specific goals stated for the system, among others, are to increase revenue consistent with the public interest and to stabilize levels of service to the communities the system serves.

Proposed AS 19.65.060 creates the Alaska marine highway system fund as a special account in the general fund. The new "fund" is to be the repository of all operating revenue that the system generates, consistent annual general fund appropriations for operations, and whatever additional appropriations the legislature might make to the fund. All money in this fund is subject to annual appropriation. It is not a dedicated fund.

Proposed AS 19.65.070 requires depositing all Alaska marine highway system revenue into the Alaska marine highway system fund. The system managers are also required (1) to report to the legislature all revenue generated during the previous fiscal year, (2) to report the revenue actually generated during the current fiscal year and estimate the revenue that will be generated during the remainder of the current fiscal year, (3) to estimate revenue to be generated during the succeeding fiscal year, and (4) to state the amount of the difference between previous revenue projections and revenue actually generated.

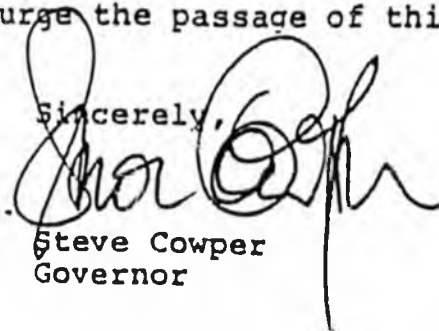
In proposed AS 19.65.080, an annual appropriation mechanism is created for the marine highway system. Under this section, commencing in fiscal year 1992, it is anticipated that the legislature will appropriate money from the Alaska marine highway system fund for the system's annual operations. Furthermore, the bill acknowledges that the legislature has the discretion to appropriate additional money to the system fund (i.e., the special account in the general fund) from the general fund.

This legislation represents a sharp departure from the past. Previously, there has been no articulated role for the marine highway system, and no expression either of commitment by the legislature to maintain service at an adequate level, nor of the need to hold the system's management accountable for decisions that result in what the public perceives as a decline in the level of service.

With this bill, I intend to provide Alaskans with transportation benefits by creating a mechanism that establishes a predictable funding base and allows or encourages management to generate cost savings and increase revenue performance from the operation of the system, with the Alaskan users of the system receiving the direct benefit from those actions. By developing a business

approach, and establishing accountability in a way that is constitutionally valid, we provide management, employees, and users with necessary tools to respond to immediate and long-term challenges facing the Alaska marine highway system. I believe that the ultimate result of the passage of this bill will be a consistent level of funding from the general fund, and consistent and improved levels of service to the public. I therefore urge the passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper". The signature is written in a cursive style with a large initial "S" and a long, sweeping tail that extends downwards and to the right.

Steve Cowper  
Governor

AB  
72

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 439

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska marine highway system,  
7 its funding and its budget; establishing the Alaska  
8 marine highway system fund; and providing for an  
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 19.65 is amended by adding new sections to read:

12 ARTICLE 2. ALASKA MARINE HIGHWAY SYSTEM FUND AND BUDGET.

13 Sec. 19.65.050. LEGISLATIVE FINDINGS, PURPOSE, AND INTENT. (a)

14 The legislature finds that

15 (1) the Alaska marine highway system is an essential part  
16 of the state transportation system, and that it warrants continued and  
17 predictable state support;

18 (2) many communities' economies are dependent on a steady  
19 and stable marine highway system service level;

20 (3) the state's tourism industry is greatly enhanced by a  
21 dependable marine highway transportation network; and

22 (4) efficient and prudent management of the system will  
23 benefit the state's economy and foster economic development.

24 (b) It is the purpose of AS 19.65.060 - 19.65.100 to

25 (1) enable the Alaska marine highway system to manage and  
26 operate in a manner that will enhance performance and accountability  
27 by allowing the system to account for and spend its generated revenue.

28 (2) provide the management tools necessary to efficiently  
29 operate the Alaska marine highway system;

1 are not one-year appropriations and the balances of which do not lapse  
2 under AS 37.25.010.

3 (b) Nothing in this chapter exempts money deposited into the  
4 Alaska marine highway system fund from the requirements of the Execu-  
5 tive Budget Act (AS 37.07) or dedicates that money for a specific  
6 purpose.

7 Sec. 19.65.070. REVENUE ACCOUNTING. (a) The Alaska marine  
8 highway system shall account for and remit to the Department of Reve-  
9 nue in accordance with AS 37.10.050 all gross revenue generated from  
10 the operation of the Alaska marine highway system during each annual  
11 operating cycle. The money shall then be deposited in the Alaska  
12 marine highway system fund.

13 (b) The Alaska marine highway system shall submit a written  
14 report to the legislature, no later than the 10th day of each regular  
15 legislative session, regarding the previous annual operating cycle.  
16 The report shall identify

17 (1) gross revenue generated during the previous annual  
18 operating cycle;

19 (2) gross revenue generated during the current annual  
20 operating cycle and an estimate of gross revenue for the remainder of  
21 the current annual operating cycle;

22 (3) projections of the gross revenue to be generated during  
23 the next annual operating cycle; and

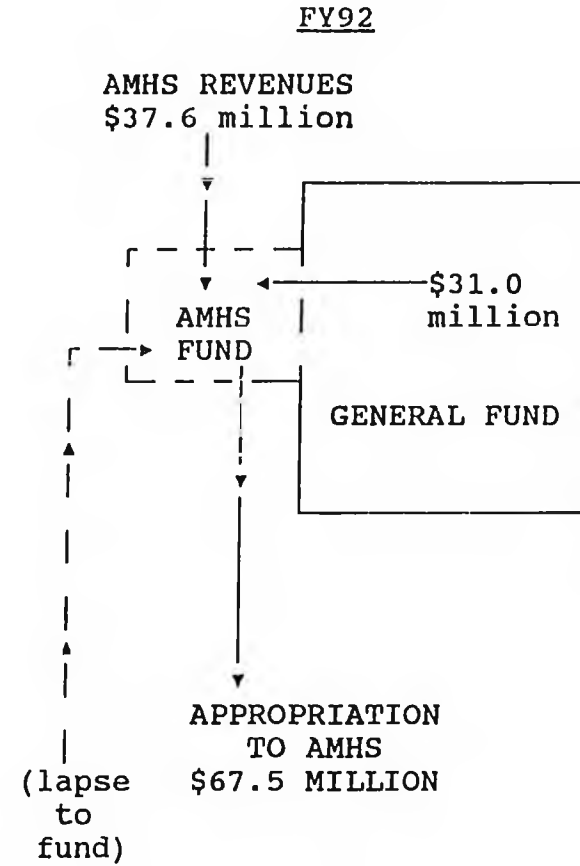
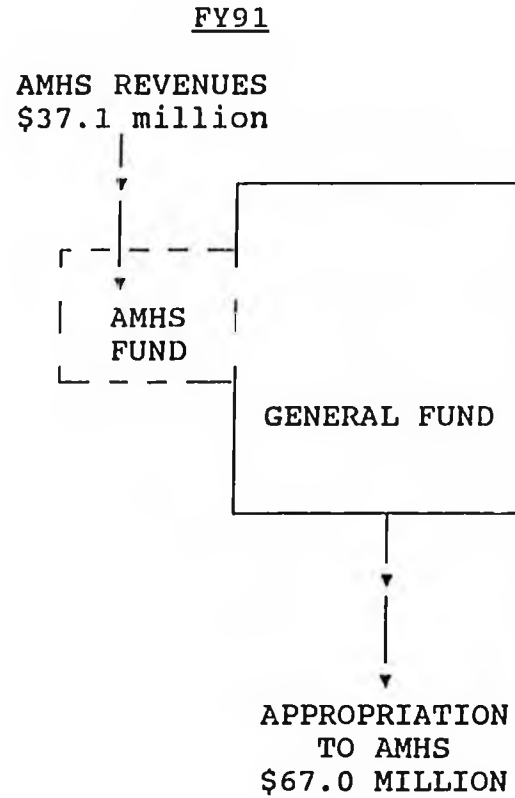
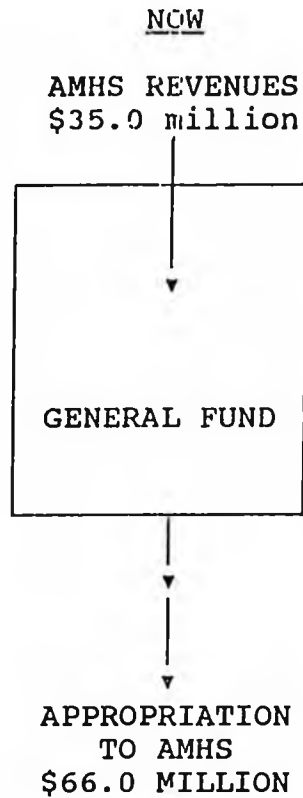
24 (4) the difference between previous gross revenue estimates  
25 prepared under this section and the revenues actually generated.

26 Sec. 19.65.080. ANNUAL APPROPRIATION. (a) Commencing with  
27 appropriations for the fiscal year that begins July 1, 1991, on an  
28 annual basis and under the Executive Budget Act (AS 37.07), the legis-  
29 lature may appropriate amounts from the Alaska marine highway system

1 \* Sec. 2. This Act takes effect July 1, 1990.

2

DRAFT EXAMPLE  
HOUSE BILL 439



DRAFT EXAMPLE

HOUSE BILL 439

AMHS FUND

100% FUNDING  
LEVEL

Sec. 19.65.080(b)

AVAILABLE FOR CAPITAL OR OTHER FUNDING

RESERVED FOR EMERGENCIES/SUPPLEMENTAL APPROPRIATIONS



# Representative Bette Cato, Chair House Transportation Committee

SUBJECT OF MEETING:

DATE:

PLACE:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
						Y	N	
William Cummings	DOT/PP	Dept. of Law, <del>Room B-1</del> K Juneau, 99801, Mail Stop 0301		789-2316	465-3603	Y	N	Questions posed regarding HB439
S. Penelope G. Smith	Sen. Zharoff	Box 1 Inu AK 99801			465-3473	(Y)	N	SR55 - Answer questions
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	



# Representative Bette Cato, Chair House Transportation Committee

SUBJECT OF MEETING:

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NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
William Cummings	DOT/PF	Dept. of Law, Bx K. Juneau Mail Stop 0300			465-3603	Y	N	HB 437 Questions Pended
Arthur Peterson	law	as above			465-3600	Y	N	HB 437
SIM AYERS						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	