

HB

175

**HOUSE COMMITTEE REPORT**

(7)

Date Referred: March 1, 1991

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/12/91

The TRANSPORTATION Committee considered:

HB 175

HOUSE BILL NO. 175

APPROP: MARINE HWY VESSEL REPLACEMENT FUND

"An Act making an appropriation to the Alaska marine highway system vessel replacement fund; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title  
 be replaced with \_\_\_\_\_ [ ] a new title

[ ] have attached amendments(s)

[  ] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

[  ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	<u>OTHER</u> RECOMMENDATIONS	DNP	NR	AM
<i>Eugene Kubina</i>	<input checked="" type="checkbox"/>				
<i>Ben Simpson</i>	<input checked="" type="checkbox"/>	<i>Earl Phillips</i>		X	
<i>Bill Hudson</i>	<input checked="" type="checkbox"/>	<i>Drew A. Bellman</i>		X	
<i>Jimmy Mack</i>					

*Jimmy Mack*  
 \_\_\_\_\_  
 CHAIRMAN'S SIGNATURE

REPRESENTATIVE  
BEN GRUSSENDORF

P O Box 928  
SITKA, ALASKA 99835  
(907) 747-8458

RULES COMMITTEE  
LEGISLATIVE COUNCIL

DISTRICT 3  
ELFIN COVE  
PELICAN  
PORT ALEXANDER  
SITKA  
TENAKEE

# Alaska State Legislature



House of Representatives  
SPEAKER OF THE HOUSE

WHILE IN JUNEAU  
P O Box V  
JUNEAU, ALASKA 99811  
(907) 485-3824  
(907) 485-3720

## MEMORANDUM

TO: Rep. Richard Foster, Chairman  
Members  
House Transportation Committee

FROM: Rep. Ben Grussendorf

DATE: March 19, 1991

RE: HB 175-Appropriation to the Alaska marine highway system vessel replacement fund

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HB 175 would appropriate \$45 million dollars into the vessel replacement fund which was created by the legislature last session.

The Department of Transportation and Public Facilities estimates that it will cost \$29 million to replace a small, feeder ferry, \$39 million to replace a mid-sized ocean-going vessel and \$102 million to replace a large vessel such as the Columbia. The average age of our fleet is approximately 23 years and it would cost over \$300 million to replace all vessels. In the fleet conditions survey, which was just released by DOT/PF, an estimate for refurbishing our entire fleet to operate through the turn of the century could be as high as \$92 million.

When the vessel replacement fund was established last year, it was anticipated that annual appropriations would be made to the fund. Governor Cowper had included \$45 million in his original budget. Unfortunately, Governor Hickle did not include any funding for this proposal in his current budget.

In your packet you will see letters of support for funding of the replacement fund from communities and businesses including Alaska Electric Light and Power in Juneau, the City and Chamber of Commerce of Haines, Craig, Sitka and Tenakee.



*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: HB 175

APPROVED:

A handwritten signature in black ink, appearing to be "J. G. ...", written over a horizontal line.

TITLE: An Act making an appropriation to  
the Alaska Marine Highway System  
Vessel Replacement Fund; and  
providing for an effective date.

DATE: March 7, 1991

In early 1990, the Alaska Marine Highway System commissioned a survey of the fleet in order to determine the level of investment necessary to maintain the ships in good condition over the next 15 years. The preliminary results show a demand for investment funds in excess of the historical allocation of federal funds. The capitalization of the vessel replacement fund will create an alternative funding source for the fleet, which will allow the Alaska Marine Highway System to continue to meet its mission of providing basic marine transportation to the coastal communities of the state. The Department of Transportation and Public Facilities supports the legislation.

The Alaska Marine Highway System Vessel Replacement Fund was created in 1990 for the purpose of financing the replacement and refurbishment of Alaska Marine Highway System vessels. The Alaska Marine Highway System consists of 8 vessels ranging in age from 14 to 28 years. Each vessel requires periodic refurbishment in order to maintain a safe and adequate level of service. This refurbishment includes all components of the vessels, including hotel and public areas, as well as major mechanical systems. In the last several years, vessel refurbishment projects have been primarily financed with federal highway funds. The system's share of the FHWA funds received by the state has been approximately \$9 million a year.

*For Further Information contact Katy McHugh at 465-3900.*

# AEL&P

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ALASKA ELECTRIC LIGHT AND POWER COMPANY

(907) 586-2222  
612 W. Willoughby Ave., Juneau, AK 99801-1798

February 26, 1991

The Honorable Walter Hickel  
Governor  
State of Alaska  
P.O. Box A  
Juneau, Alaska 99811

Dear Governor Hickel,

This is to express my strong support for an appropriation of at least \$45 million in 1991 to the Alaska Marine Highway System vessel replacement fund.

The Marine Highway System is vital to all of Alaska, not just Southeast Alaska. It's fleet is aging rapidly. An opportunity exists now to put aside some of the windfall revenues coming to the State, in a manner which will spread some of the benefits over many years of service to all Alaskans.

Thank you for considering this very important appropriation.

Very truly yours,

James S. Webb  
President

BCC: REPRESENTATIVE  
FRAN ULMER

**Haines Chamber of Commerce  
Post Office Box 518  
Haines, Alaska 99827**

February 26, 1991

Honorable Walter J. Hickel  
Governor of Alaska  
Office of the Governor  
P. O. Box A  
Juneau, Alaska 99811-0101

Re: Vessel Replacement Funding  
Alaska Marine Highway System

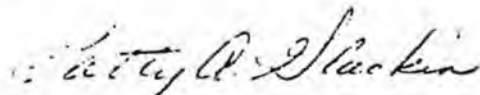
Dear Governor Hickel:

On behalf of the Haines Chamber of Commerce, I urge you to include in your FY92 Capital Budget adequate funds for vessel replacement to the Alaska Marine Highway System. This is an important capital project for all of us who depend on the ferry system.

There can be no doubt as to the importance of the ferry system to the economies of Southeast and Southwest Alaska. The maintenance needs of the aging fleet are well-documented in the Alaska Marine Highway System Plan, as are the growth needs of existing ports of call and demands for expansion of the system.

The enabling legislation is in place. Vessel replacement will be a popular and practical investment in our future.

Sincerely,



Patty A. Glackin  
President

PG/as

cc: Rep. Fran Ulmer ✓



# Prince of Wales Chamber of Commerce

P.O. Box 497  
Craig, Alaska 99921  
907-826-3870

February 26, 1990

Honorable Walter Hickel  
Governor, State of Alaska  
P. O. Box A  
Juneau, AK 99811

Dear Governor,

The Citizens of Prince of Wales Island are heavily dependent on the Marine Transportation System. It transports our food and most other products necessary to our well-being. We also depend heavily on it for individual transportation to professional services (medical, hospital, dental, legal and etc) that are not available to us on the Island. We ship most of the seafood harvested here on the West Coast via the ferry system.

The population of Prince of Wales is now over 7000 year-around with near double of that during the "working season" March to October. We have 5 major communities besides numerous logging camps and small unorganized settlements. We have become very dependent on the ferries to connect us to the services that we need.

You indicated earlier that you wanted to put the State's resources to work by upgrading our aging fleet of ferries and establishing a vessel replacement fund. In your recently submitted budgets you included only \$4 million of the \$7 million that is needed to meet the Division's need for FY 91 and you didn't mention the vessel replacement fund.

We found this alarming considering the condition of the vessels and the 2 day a week schedule that we are struggling with this winter.

The Marine Highway is desperately needed to support the present economy and to provide part of the infrastructure needed if we are to maintain and improve the economy of all of the State, not just Southeast Alaska. We felt you understood how important this Marine link was. Southeastern is not the only one who benefits from this Highway - the entire State does. \$8.4 million of the revenue going into Southcentral is directly attributed to the ferry system.



# Prince of Wales Chamber of Commerce

P.O. Box 497  
Craig, Alaska 99921  
907-826-3870

When you were Governor before, you had the foresight to realize the importance of this transportation link and contributed much to its development. We were expecting the same commitment based on your earlier comments.

It is a State Highway and we urge you to include the funding needed to maintain and upgrade it when you do your next capital budget for Fy 92.

Respectfully,

*Barbara H. Permenter*

Prince of Wales Chamber of Commerce  
Barbara Permenter, President

*cc Frank Turpin, Commissioner  
DOT&F  
Jim Ayres, Director Marine Transportation*

City of Tenakee Springs

RECEIVED  
MAR 11 1991

RESOLUTION 91-13

In the Council  
February 28, 1991

Introduced by the  
Council President

A RESOLUTION REQUESTING THAT FUNDING  
FOR VESSEL REPLACEMENT FOR THE ALASKA MARINE HIGHWAY SYSTEM  
BE INCLUDED IN THE BUDGET FOR FISCAL YEAR 1992

- WHEREAS, money for vessel replacement in the Alaska Marine Highway System has not been included in the capital or supplemental budget bills;
- WHEREAS, the City of Tenakee Springs relies on the Alaska Marine Highway for all transportation needs;
- WHEREAS, maintaining the present fleet is only a part of preserving an ongoing Alaska Marine Highway System; and
- WHEREAS, vessel replacement is a necessary part of an Alaska Marine Highway System that will be responsive to basic transportation needs of many Alaskans and of visitors to Alaska;

THEREFORE BE IT RESOLVED by the Common Council of the City of Tenakee Springs, Alaska to urge that funds for vessel replacement in the Alaska Marine Highway System be included in the appropriate budget bill this fiscal year.

BE IT FURTHER RESOLVED to direct the city clerk to forward Resolution 91-13 to Governor Hickle, Commissioner Turpin, and Legislators Ulmer, Eliason and Grussendorf.

ADOPTED 5 AYES, 2 ABSENT THIS 28TH DAY OF FEBRUARY 1991



*Ruth M. Borger*

Ruth M. Borger, Vice-Mayor  
Acting Council President  
ex officio MAYOR

ATTEST:

*Janice J. Eagle*  
Janice J. Eagle  
City Clerk



# City and Borough of Sitka

304 LAKE STREET . SITKA, ALASKA . 99835

The Honorable Walter Hickel  
Office of the Governor  
P O Box A  
Juneau, Alaska 99811-0101

February 28, 1990

**Re: Vessel Replacement Fund for the Alaska Marine Highway System.**

Dear Governor Hickel:

The Alaska Marine Highway System is critical to Southeast/Coastal Alaskans for basic transportation, economic development and regional interaction. State funding for the system has decreased over the past five years resulting in steadily diminished levels of service to Southeast Alaska.

The City and Borough of Sitka and the Southeast Conference urges the regular commitment of funds to the Vessel Replacement Fund created by the last legislature, which, accumulated over a period of years, will cover capital costs to rebuild or construct new equipment and facilities for the Marine Highway system.

Your second capital budget for FY92, to be introduced in March, is the opportunity to accomplish what you said you'd do when you visited Sitka last fall: "invest in Southeast's economy by putting resources in to rebuilding our aging fleet of ferries."

We call upon your support.

Sincerely,

for Dan Keck, Mayor  
City and Borough of Sitka

cc: Assembly  
Southeast Conference  
Frank Turpin, Commissioner DCTPF  
Lloyd Jones  
Senator Richard 'Dick' Eliason  
Representative Ben Grussendorf



## CITY OF HAINES, ALASKA

P.O. BOX 1049

HAINES, ALASKA 99827

(907) 766-2231 • TOURISM (907) 766-2234 • FAX (907) 766-3179

# COPY

Governor Walter Hickel  
P.O. Box A  
Juneau, AK 99811-0101

February 26, 1991

Re: Alaska Marine Highway System

Dear Governor Hickel:

The Alaska Marine Highway System is the main, and in some places the only, highway in Southeast and many parts of Southwest Alaska. It is a vital year-round transportation link between isolated communities. The system's vessels are old and some are in need of refurbishment or replacement. I see that the new budgets do not include any funding for the refurbishment and replacement necessary for long-term continuous service. The ferry system draft plan dated January, 1990, supports as a priority instituting a vessel refurbishment/replacement program.

The importance of this investment is critical for the health of the whole Alaskan economy. Southeast supplies, via the ferry system, a significant portion of the tourists who go on to Anchorage and Fairbanks.

The Alaska Marine Highway System, when formed shortly after Statehood at the behest of the Southeast Conference, was put into place to be an extension of the State of Alaska road system. The ferry system is a vital road in Southeast, transporting residents, tourists, food, mail, supplies, cars and resources.

Please consider implementing the priority recommendation of the system's long-term plan, as it is practical and necessary. I encourage you to follow through with your statement of last Fall when you said you would invest in Southeast's economy by providing the resources to rebuild our aging fleet of ferries. Maintaining a consistent level of service is crucial.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Frank L. Wallace". The signature is written in dark ink and is positioned above the printed name.

Frank L. Wallace  
Mayor  
CITY OF HAINES



Official Business

# Alaska State Legislature

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

FOR IMMEDIATE RELEASE  
March 1, 1991

Contact:  
Kate Tesar  
465-3824

## ELIASON & GRUSSENDORF PROPOSE FUNDING FOR REPLACING MARINE HIGHWAY VESSELS

JUNEAU--Sitka's Senator Dick Eliason and Rep. Ben Grussendorf today introduced measures in the Senate and House which will appropriate \$45 million to the Alaska marine highway system vessel replacement fund which was established to purchase new ferries or refurbish existing ferries.

"The average age of the ferries in the Alaska Marine Highway System is 22 years," said Senator Eliason, President of the Senate and prime sponsor of SB 155. "The cost of replacing one of the smaller feeder ferries is between \$17 and \$25 million, while the replacement costs of the larger ferries could run as high as \$60 million. In a year where the state may have additional dollars brought in by increased oil prices, I can think of no better investment than continued upgrading of our aging fleet."

Governor Cowper's FY 92 capital budget had originally included \$45 million to begin funding for new ferries, but this item was not included in the latest version of the budget which was recently submitted to the legislature by Governor Hickel.

"The Governor has been talking about funding for large capital projects across the state which will help boost local economies and supply Alaskans with employment," said Rep. Ben Grussendorf, Speaker of the House and prime sponsor of HB 175. "State ferry operations directly or indirectly contribute \$142 million annually to Alaska's economy and generate jobs for 915 Alaskans in 40 communities across the state, ranking it the state's seventh largest employer."

-MORE-

The Alaska Marine Highway system carried over 400,000 passengers and more than 110,000 vehicles last year. The ferries transported to or from the state one of every twelve Alaska visitors last year, with these passengers accounting for one out of every eight visitor dollars spent in Alaska.

Eliason and Grussendorf see this appropriation as the beginning of what could become a series of annual appropriations to the fund. As the cost of replacing ferries increases year after year, it only makes sense to begin funding this savings account so it may accrue interest and grow until vessel surveys are completed and the full costs of replacement or refurbishment of the ferries is known, they said.

SB 155 and HB 175 will be reviewed in the Transportation Committee and Finance Committee in each House.