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SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/13/92

FURTHER: Finance

Date of 5-Day Notice: 1-23-92
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: 1-28-92

Transportation Committee considered SENATE BILL NO. 324

"An Act relating to a report on earnings of the Alaska marine highway system fund."

and recommends:

replace with _____ CS _____

same title
 new title
 technical
title change
(HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____
Senate Transportation Comm.

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:
zero fiscal notes _____

fiscal notes _____

DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten signature] DO PASS
Chair: Signature and Recommendation



Alaska State Legislature

SENATOR JIM DUNCAN

P. O. BOX V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:

VICE CHAIR –
FINANCE
VICE CHAIR –
STATE AFFAIRS
RULES
BUDGET & AUDIT
ETHICS REFORM

To: Senator Curt Menard
Chair, Senate Transportation Committee

From: Senator Jim Duncan

Subject: Hearing for Senate Bills 324 and 325

Date: January 13, 1991

I request the earliest possible hearing for Senate Bills 324 and 325 by the Senate Transportation Committee.

SB 325 makes provisions for the interest income earned by the Alaska Marine Highway Fund to be devoted to replacing vessels and upgrading support facilities. Under terms of the bill the interest income earned this fiscal year would be evenly divided between the Vessel Replacement Fund and support facilities. The total interest income in Fiscal Year 93 would be devoted to the Vessel Replacement Fund. In both cases these appropriations are subject to legislative appropriation.

This legislation is a continuation of the effort two years when the Legislature approved a bill setting up the fund to ensure the Alaska Marine Highway System is as financially self-sustaining as possible. The argument was used then that the use of the funds by the system will encourage efficiency in operations which should result in greater revenues and expanded service. The very same argument applies to the use of the fund's interest income by the system.

Senate Bill 324 works in tandem with Senate Bill 325 and requires the Department of Revenue to submit an annual report to the Legislature on earnings of the Alaska Marine Highway Fund.

Your favorable consideration of my request is appreciated.



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: SB 324/SB 325

APPROVED:

TITLE: Earnings Report: Marine
Highway System Fund

DATE: January 24, 1992

SB 324 requires the Department of Revenue to report to the Legislature: the earnings of the Alaska Marine Highway System fund during the prior fiscal year, as well as a projection of the fund's earnings for the next fiscal year.

SB 325 makes an appropriation of the fiscal year 1992 earnings of the Alaska Marine Highway System Fund as follows:

- 50% to the Alaska Marine Highway System Vessel Replacement fund; and
- 50% to the Alaska Marine Highway System for facilities improvements and consolidations.

SB 325 also appropriates the fiscal year 1993 earnings of the Alaska Marine Highway System Fund to the Alaska Marine Highway Vessel Replacement Fund.

The Alaska Marine Highway System Fund has been in place for two years. During this time, the AMHS has been able to generate revenues consistent with those projected at the time of the legislation's passage. While the concept of returning the earnings of the AMHS fund to the vessel replacement fund was discussed, it was decided to defer this issue.

Since then the AMHS has undertaken an extensive analysis of the condition of the vessels in the fleet. The results have shown an ambitious program of refurbishment is required to maintain a consistent level of service to the communities served by the AMHS. It has become clear that a variety of funding sources must be utilized if this plan is to succeed. Certainly, the most important source of funds are those available from the Federal Highway Administration. Because of this it is prudent to make annual contributions to the AMHS Vessel Replacement Fund in order to assure adequate financing of needed vessel improvements is available.

The mechanism of returning the interest earned by the AMHS Fund is a fair way to approach this problem. The management of the system is responsible for generating

For Further Information contact Katy McHugh at 465-3900.

BILL NO: SB 324/325

TITLE: Earnings Report: Marine Highway System Fund

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revenues from the operation of the system. Without vessels operating in good condition, the system's revenue needs may not be met, thus lowering the amount of interest earned by the fund. Thus, an incentive is created to operate efficiently in order to create adequate financing for vessel improvements. This concept moves the AMHS toward the goal of operating as much like a business as possible while still reserving the discretion of the Legislature and Executive to ultimately determine what level of support the AMHS requires.

The Department of Transportation and Public Facilities supports the passage of SB 324 and SB 325.