

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

SB 310 cont. - SB 317 653

244

1 (f) Each member, before serving on the commission, shall take
2 and subscribe to an oath to faithfully perform the duties of the
3 office. A record of the oath shall be filed with the Office of the
4 Governor.

5 Sec. 19.65.130. COMPENSATION. The members of the commission
6 serve without compensation, but are entitled to per diem and travel
7 expenses authorized for state boards and commissions under AS 39.20.-
8 180.

9 Sec. 19.65.140. OFFICERS, MEETINGS, AND QUORUM. (a) The mem-
10 bers shall annually elect one of their number as chair.

11 (b) The commission shall meet at a time and place determined by
12 the chair, and at other times and places the chair, or a majority of
13 the commission members, considers necessary.

14 (c) The powers of the commission are vested in the members and
15 four members of the commission constitute a quorum. The commission
16 may take action by the affirmative vote of at least four members. A
17 vacancy in the membership of the commission does not impair the right
18 of a quorum to exercise all the powers and perform all the duties of
19 the commission.

20 Sec. 19.65.150. DUTIES. The commission shall

21 (1) recruit, select, appoint, dismiss, or suspend the
22 director of the division of marine transportation;

23 (2) advise and make recommendations to the director of the
24 marine highway system regarding the operation of the marine highway
25 system, including

26 (A) schedules and tariffs;

27 (B) management, planning, and construction of facili-
28 ties;

29 (C) replacement, refurbishing, and overhaul of

- 1 vessels;
- 2 (D) reviews of short-term and long-term operating and
3 capital costs;
- 4 (3) establish policy for the division of marine transporta-
5 tion;
- 6 (4) submit to the governor and the legislature before the
7 10th day of each regular legislative session a comprehensive report
8 describing the operations and expenditures of the commission and
9 including a summary of recommendations made by the commission under
10 (2) of this section during the preceding year;
- 11 (5) adopt rules of procedure; and
- 12 (6) hold meetings to provide a timely opportunity for the
13 public to comment on the annual operations plan of the marine highway
14 system, including proposed tariff increases or scheduling changes.

15 Sec. 19.65.160. COMPREHENSIVE LONG-RANGE PLAN. The commission,
16 with the cooperation of the Department of Transportation and Public
17 Facilities, shall prepare a comprehensive long-range plan for the
18 development and improvement of the marine highway system and shall
19 revise and update the plan at least every five years. The comprehen-
20 sive long-range plan and revisions and updates of the plan are subject
21 to legislative approval by law.

22 * Sec. 2. AS 39.50.200(b) is amended by adding a new paragraph to read:

23 (50) Alaska Marine Highway System Commission (AS 19.65.100 -
24 19.65.160).

25 * Sec. 3. AS 44.42.040 is amended by adding a new subsection to read:

- 26 (b) The Alaska Marine Highway System Commission shall
- 27 (1) appoint the director of the division of marine trans-
28 portation;
- 29 (2) advise and make recommendations to the director of the

1 marine highway system regarding the operation of the marine highway
2 system;

3 (3) establish policy for the division of marine transporta-
4 tion.

5 * Sec. 4. INITIAL APPOINTMENT OF MEMBERS OF THE ALASKA MARINE HIGHWAY
6 SYSTEM COMMISSION. Notwithstanding AS 19.65.120(b), enacted by sec. 1 of
7 this Act, the terms of the initially appointed members of the Alaska Marine
8 Highway System Commission shall be staggered as set out in AS 39.05.055(4).

9 * Sec. 5. This Act takes effect January 1, 1991.

ALASKA STATE LEGISLATURE

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Senator Lloyd Jones

April 17, 1990

MEMORANDUM

To: Senator Uehling, Co-Chairman
Senator Binkley, Co-Chairman
Senate Finance Committee

From: Senator Jones *LJ*

Subj: CSSB 310

The committee substitute bill SB 310 would establish a seven member commission to hire the director of the Alaska Marine Highway System and set long term policies, as well as give advice and recommendations on operation of the ferries. The system would remain within DOT/PF.

This new measure will give the AMHS a more consistent management structure that is needed to cope with the many challenges and opportunities on the system's horizon. Many serious issues will have to be dealt with in the coming years. Vessel replacement and/or refurbishment, other capital investment necessities, dwindling State revenues that will impact funding for all programs, and long range planning needs are just some of these important concerns.

Replacing the director with every change in the Commissioner of DOT/PF or Governor's office simply does not allow continuity of direction, management or purpose. The director must be assured of the opportunity to not only implement positive changes in the system, but the time and resources to carry them out.

With this in mind, Senator Duncan and I have worked out this committee substitute for SB 310. The new bill combines elements of SB 310 and SB 473, different measures that address the problems of disjointed long term policy and inconsistent management of the Alaska Marine Highway System. We feel that this new legislation is a positive and achievable step towards ensuring a better management function for our ferries.

Marine highway commission proposed

By KIRK McALLISTER

THE JUNEAU EMPIRE

Two Southeast senators have combined forces in an effort to improve management of the Alaska Marine Highway system.

Sen. Jim Duncan, D-Juneau, has introduced a bill (SB473) setting up a ferry commission that would be responsible for general policy and the appointment of the marine highway system director.

Sen. Lloyd Jones, R-Ketchikan, meanwhile, has been working since last year on a bill (SB310) that would set up a Marine Highway Authority that would be an independent entity within state government much like the Alaska Permanent Fund Corp. or the Alaska Railroad Corp.

Duncan and Jones have now apparently joined together behind the commission concept as an initial step towards a separate marine highway authority.

Gov. Steve Cowper has balked at the authority concept because, among other things, it would remove the ferry system from the Department of Transportation and Public Facilities and would negotiate labor contracts separately from other

ALASKA NEWS

state unions that currently must go through the Division of Labor Relations.

But the commission, as envisioned by Duncan and Jones, is a less radical idea than the separate authority concept since the marine highway would remain part of DOT. So for now, Jones has dropped the authority idea and opted to go with Duncan's commission concept.

The commission would be made up of seven members appointed by the governor to five-year, staggered terms. Membership would include the commissioner of the Department of Transportation and Public Facilities, a representative of the tourism industry, the maritime industry, Southeast and Gulf of Alaska residents and a person who represents the interests of the public.

Commissioners would serve without compensation other than per-

dium and travel expenses. Major duties of the panel would include appointing the director of the system, working on schedules and fees, construction of facilities, replacement and overhaul of vessels, produce an annual report on the system for the governor and legislature, establish policy for the system and hold public meetings on the system's operation.

"I think this is a mid-range step designed to bring continuity to the system and more long-range planning," Duncan said. "It should bring stability in the management of the system."

Jones agreed with that assessment saying the appointment of the marine highway system director by the commission would make the position less of a political appointment that would change with changes in administrations.

"Continuity in the management of the system has always been our goal," Jones said. "I see this (the commission bill) as a first step. Establishing an authority is the only way the system will be able to survive in the long term but this is a step in the right direction."

Jim Ayers, current director of the ferry system, said that Gov. Cowper in his State of the State message last month, said a marine highway authority wasn't necessary at this time. The ferry system is facing much tougher and immediate questions than whether the director should be appointed by a commission or an authority established, he said.

"There are major management and financial decisions that need to be addressed," Ayers said. "The system is at a crossroads. We need to make the decisions necessary to keep the system going for the next 20 years."

One of the ships (the Chilkat) in the nine-vessel fleet is currently laid up and may never come back into service because of prohibitive costs, Ayers said. The rest of the fleet is also getting older plus a decision needs to be made about whether small "feeder" vessels should be added to the fleet.

A new master plan study of the system is scheduled to be released next week. Currently, the system generates about \$35 million annually of the \$65 million needed to operate the system.

c. Definitely state in statutes that non-profit agencies providing services not directly related to their main purpose and which are identified as being in direct competition with an existing business or hindering the establishment of a new profit-making business, must either cease providing that particular service to the public or must pay taxes on those services as "unrelated profit-making ventures."

6. The state should stop competing and contract to private labs with the state being more aware of private services that are available and not duplicate.

9. **PROBLEM: EDUCATION/TRAINING**

There is a lack of networking between the education sector and the small business sector as to what programs are needed, the ability of businesses to train employees or have apprentice programs.

RECOMMENDATIONS

1. Provide funding and/or tax credits for an apprentice training program to assist small business to develop an effective and more productive work force.
2. The State Board of Education and State Vocational Education Board should be separated into two boards to better service Alaskan students.
3. The state funded SB191 program similar to the "Job Training Partnership Act" (JTPA) should be expanded with an emphasis on the private sector designing and delivering the training through the RFPO process.

10. **PROBLEM: TRANSPORTATION/MARKETING**

The state does not have a transportation policy.

RECOMMENDATIONS

1.
 - a. Develop a transportation policy that includes highways, ports, airports, barge service and the railroad; and
 - b. Establish one commission each for DOT, Alaska Marine Highway System, and airports similar to the Alaska Railroad to set policy and long range goals. Each should have their own budget with income generated remaining in the department directly related - i.e. gas tax to DOT, airport feed to airports, etc.
2. The Alaska Marine Highway System serves as a vital link to the continental surface transportation network:
 - a. Provide year-round marine highway service to Kodiak, Prince William Sound, Dutch Harbor and all other coastal communities presently served in Southwest Alaska, without lapse.
 - b. The Alaska Marine Highway System should request proposals for emergency replacement vessels immediately upon scheduling of refurbishment.
 - c. Extend the AMHS to include service to Western Alaska.



Greater Ketchikan Chamber of Commerce
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**ALASKA MARINE HIGHWAY SYSTEM
RESOLUTION**

WHEREAS: the Alaska Marine Highway System was created by the people of Alaska to provide a transportation system for and through coastal Alaska; and

WHEREAS: the Alaska Marine Highway System is the primary mode of transportation to towns, villages and cities located along the vast coastline; and

WHEREAS: the economies and the well-being of the people of these communities as well as interior communities, are heavily dependent upon the services provided by the Alaska Marine Highway System; and

WHEREAS: the enhancement of existing industries, such as fisheries, tourism, timber, mining and commerce, is dependent upon adequate and consistent marine transportation; and

WHEREAS: tourism and freight demand for the Alaska Marine Highway System continue to grow, even during the decline of other sectors of the economy; and

WHEREAS: a decrease in the service of the Alaska Marine Highway System causes the economies of coastal communities to slow down and suffer; and

WHEREAS: the Alaska Marine Highway System returns more than 60% of the funds appropriated for its use to the State treasury, after creating jobs and providing services to Alaskans in a myriad of ways; and

WHEREAS: the Alaska Marine Highway System is in dire need of redirection; and

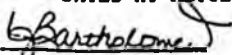
WHEREAS: unless prompt action is taken to address the overall problems of the Alaska Marine Highway System, no amount of maintenance management will prevent the demise of one of Alaska's major assets; and

WHEREAS: because the ferry fleet is an integral part of the Department of Transportation and Public Facilities, its administration and directives are essentially political rather than business oriented; and

WHEREAS: the Alaska Marine Highway System should be permitted to manage its cash flow and operate in a business-like manner, rather than being dependent for 100% of its funding from the General Fund;

THEREFORE, BE IT RESOLVED: the Greater Ketchikan Chamber of Commerce recommends that the Alaska State Chamber of Commerce urge the Alaska State Legislature to establish an Alaska Marine Highway Authority as a public corporation of the State within the Department of Transportation and Public Facilities.

DATED AT KETCHIKAN, ALASKA this 7th day of November, 1989.


L. J. Bartholomew
President
Greater Ketchikan Chamber of Commerce



AKERS REPORT

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1. PROFESSIONAL SERVICE
COMMODITY/SERVICE

DOCUMENT TYPE	3. TRACKING NUMBER	4. DEPARTMENT NUMBER	5. MAIL STOP	6. COMMODITY OR SERVICE CODE NUMBER
ASPS <input type="checkbox"/>				
ITB <input type="checkbox"/>				
CA <input type="checkbox"/>				
PO <input type="checkbox"/>				
DO <input type="checkbox"/>				

CONTRACTOR: _____

ESTIMATED DOLLAR AMOUNT OF THIS PROCUREMENT (INCLUDE ALL RENEWAL OPTIONS): \$ _____

REQUEST FOR ALTERNATE PROCUREMENT (RAP) NUMBER: _____

TYPE OF THE PROCUREMENT: a. COMPETITIVE SEALED BID
b. COMPETITIVE SEALED PROPOSAL
c. LIMITED COMPETITION
d. SOLE SOURCE
e. EMERGENCY

RESULTING IN AN: f. INITIAL CONTRACT
g. AMENDMENT NO. _____
h. OPTION RENEWAL NO. _____

DATE OF AWARD: _____
(MUST BE COMPLETED)

PERIOD OF PERFORMANCE: FROM: _____ TO: _____
(INCLUDE ALL RENEWAL OPTIONS) (MONTH/YEAR) (MONTH/YEAR)

PROCUREMENT AWARDED IN-STATE: YES NO

ITEM OR SERVICE PROVIDED BY PROCUREMENT (What and Where):

PROCUREMENT OFFICER: _____ TELEPHONE: _____

INTRODUCTION

As one aspect of assessing cost control within the Alaska Marine Highway System (AMHS) Acres is undertaking a feasibility study into a maintenance management system (MMS).

The second report in this study is a Component Review of the AMHS that discusses current systems and practices and identifies changes that may be needed in order to enable an MMS to be introduced.

2 - EXECUTIVE SUMMARY

The AMHS is a system in dire need of redirection. Unless prompt action is taken to address its overall problems, no amount of maintenance management will prevent the demise of one of Alaska's major assets - the Marine Highway.

The system cannot be run as an adjunct to the bureaucratic process, dependent for 100% of its funding from the General Fund and not being permitted to manage its cash flow and operate in a business like manner. Unless separation can be achieved from DOTPF the condition of the fleet both physically and in terms of morale will continue to deteriorate.

2.1 - AMHS Management

Management of the AMHS must be established to manage a ferry fleet - not a Federal Highways program. It is essential that adequate expertise, effort and direction be available to run the vessels, which are after all the backbone of the system. A comparison of current management and an outline of an appropriate management structure and justification is provided in section 3.1.

2.2 - Accounting System

Efforts are being made, in which Acres has been involved, to redirect the capture and reporting of financial data within an appropriate chart of accounts. Without the ability to record and analyze cost and revenue data within logical areas, management cannot function.

An overview of an outline chart of accounts, and a discussion of the need for such an organization of cost and revenue capture is provided in section 3.2.

2.3 - Procurement

Unlike roads and terminals, a shipping operation is dynamic and as such requires its managers to respond promptly to operational needs. The procurement system under which the AMHS operates creates both time delays and needless increased costs. There are mechanisms by which the AMHS can meet the prerogatives of state purchasing policy, and at the same time operate the fleet efficiently. Section 3.3 addresses this issue.

2.4 - Current Maintenance Practices

2.4.1 - Ship

Essentially the chief engineers along with the senior heads of departments have had ultimate responsibility for keeping the ships operating. Shore operational staff have been and are unable, because of limited resources, to do other than respond to emergencies and provide temporary band aids to shipboard problems.

Thus each ship has had to develop maintenance procedures that are responsive to the unique needs of the vessel, and the chief engineer's perception of its maintenance requirements. This has been possible only because of the very low turnover of AMH crews. However it has resulted in individually effective policies that are non-portable between vessels, and are only incidentally responsive to the needs of the system as a whole.

2.4.2 - Shore

Shore maintenance requirements are presently limited because of the replacement of existing facilities has only recently been completed. However needs of the newer sophisticated systems will begin to grow in the next 2-3 years and the current organization is unlikely to be able to cope.

Section 3.4 addresses current maintenance practices.

2.5 - Management/Staff Relationships

There is an extraordinary degree of mistrust between ship and shore that has its root in the overall relationship between management and staff.

Ship systems and operations cannot function in isolation from the shore, both are interdependent. There must therefore be an effective dialogue between the two, outside of contract negotiations. Planning forums for the ship to understand managements prerogatives, and the shore to respond to ongoing needs of each vessel are essential.

The division of the two into employer and employee camps must cease and ship personnel be made fully aware that their input to both the short and long term planning process is both understood and appreciated. Section 3.5 expands on the topic.

2.6 - Maintenance Management

A corporate maintenance management system, that is integrated with effective management of the fleet, can materially assist in cost containment and vessel life extension programs.

However, as some other fleet operators have discovered, introduction of maintenance management is just one aspect of a thorough overhaul of the total management system. See Section 3.6.

2.7 - Risk Management

Under normal circumstance Risk Management and maintenance management are only peripherally connected. However in a ferry fleet, because of the human element and the number and complexity of fire and safety systems that must be maintained. The two cannot be separated.

At the present time, the AMHS is piggybacked onto the state Risk Management activity which becomes a part of overhead. As a result of this separation little thought appears to be given within the AMH to the implication to the State of even a minor incident on one of the vessels. Safety and safety systems must be a day to day concern of both deck, stewards engine room and shore management. It should not be considered only when USCG inspection comes around or after an incident, see Section 3.7.

2.8 - Stores

Ship stores are one of the few areas that can reasonably be handled by a bid process. However, as in other areas there must be a counter balance achieved between price and quality. This is particularly important with, for example, food items which are the point of contact with the passenger and an important element in the well being of the crew. If quality is reduced to minimize costs, then complaints will escalate disproportionately to the saving.

Just as in other areas, procurement must be done by qualified people who are able to make, and justify, decisions not to use a low bidder.

2.9 - Spares

The present procurement process is crippling the fleet and leading both to increased direct costs and paperwork. Neither are necessary.

Clear policies must be set out that permit the fleet to operate safely, efficiently and economically, but at the same time maintain the spirit of the state's fair bidding process.

Section 3.9 sets out a recommended policy, without which an MMS cannot function.

Both the spares and the stores function will be seriously impacted by the decision to move terminal operations to Bellingham.

3 - COMPONENT REVIEW

3.1 - AMHS Management

Current management of the AMHS is inadequate to the needs of the fleet and would not be able to gain any benefits from a maintenance management system.

There are three steps needed to save the fleet from an early demise

- 1) separate the AMHS from the DOIPI
- 2) enable AMH to retain revenues
- 3) create a lean, efficient and professional marine management team.

Unless this process can be achieved, and soon, there is little hope for the continuation of an effective fleet, and no hope for an MMS.

3.1.1 - Separation from DOIPI

Because the ferry fleet is an integral part of the Department of Transport and Public facilities, its administration and directives are essentially political rather than business orientated. While the State had access to unlimited funding, this situation did not matter much, funds could be found to implement directives.

However reducing funding while at the same time imposing more and more public burdens on the fleet (e.g KSI) creates intolerable pressures.

The fleet cannot, on the one hand, save money while on the other spend additional sums through state programs. Either greater funds are provided or the AMH must be able to manage itself in a business like manner.

3.1.2 - AMH to Retain Funding

The AMH is remarkable in that given the social obligations of the service, it is able to return close to 60% of its operating costs. By comparison Marine Atlantic, a Crown Corporation in Canada returns less than 40% of its costs.

The AMH may never, because of the social obligation nature, its route and service characteristics, be able to return a profit on operating costs. However it could return better than 70% given the opportunity to manage itself in a business like manner.

An essential part of this is to enable the AMH to retain its revenues. Without that there is no incentive for management to maximize revenue and the current situation will continue to apply - minimize costs at all cost.

There will need to be top up funding by the state, but this top up will be a known and budgeted amount each year. It can be negotiated as part of the agreement to establish a separate entity.

CIP funding can still be utilized for life extension and major refurbishment programs, with the AMH knowing in advance, how much would be available and being able to budget accordingly. The planning process for this work would also benefit from better operational input.

3.1.3 - Create a Lean, Efficient and Professional Marine Management Team

Current management and staffing for administrative purposes is outlined in the organization chart on the following page. From this outline it will be seen that there are only two persons with

direct-marine experience involved in running the maintenance activity of a fleet of nine ageing ferries, plus one person responsible for crewing and deck department.

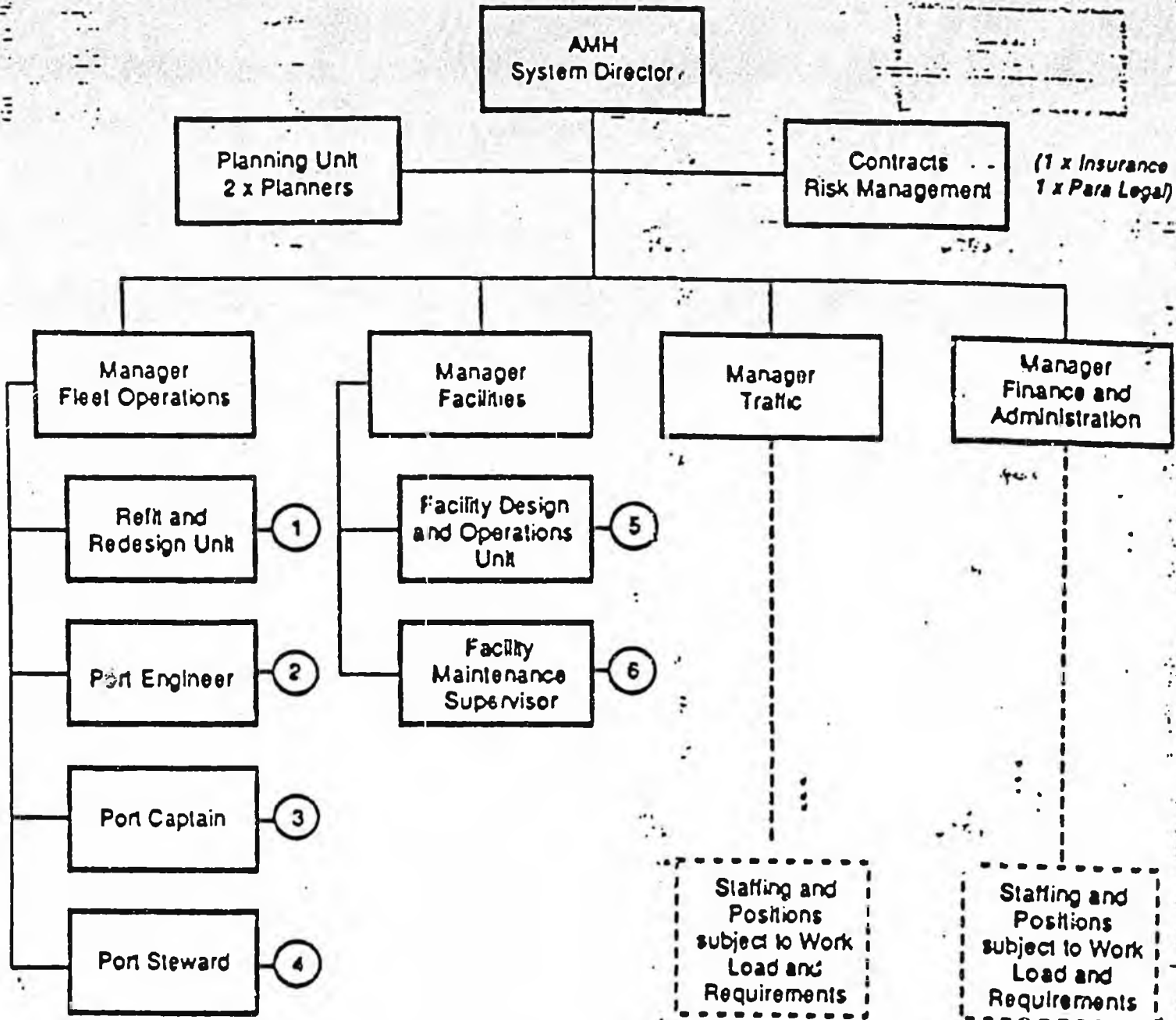
On the other side of the fence there are 5 persons involved in vessel design and construction, only one of whom has any direct qualifications for such activity. There are a further 8 persons there are in shore design and construction.

There are innumerable other persons involved in different support areas, but the basic operation of the fleet comes down to a totally insufficient core group of 5 marine professionals. This group is too small to do other than react to emergencies, it cannot plan for effective future maintenance and operational activity of the fleet. Without reinforcement with good calibre marine professionals it will be unable to support the fleet let alone administer an MMS. Other fleets reviewed relative to their use of MMS consider it important to have no more than three ships assigned to an individual asst. port engineer. A revised management structure and staffing is provided.

Capital projects appear to be developed and progressed without the benefit of any input from the ship involved or operations. Nor is there any effort to undertake a life cycle costing exercise to determine, over time, what the alternatives are and what the least cost solution will be.

At present money is wasted because of a lack of feedback between departments relative to CIP projects, many of which appear to be unnecessary in the form in which they are implemented.

RECOMMENDED FUTURE AMH MANAGEMENT STRUCTURE



① Naval Architect x 1
Marine Engineer x 1

② Assistant Port Engineer SW, based in Valdez
Assistant Port Engineer x 2 in Ketchikan
Procurement x 1 in Ketchikan
Storeman x 1 in Ketchikan
Technical Procurement x 1 in Bellingham

③ Assistant Port Captain x 2
Safety Officer x 1

④ Assistant Port Steward x 2
Hotel Supplies Procurement x 1 in Bellingham

⑤ Civil Engineers x 2
Technical Assistance x 1

⑥ Assistant Facility Supervisors x 2

For any major project, the project team should consist of the ship department head involved, representatives from Port Engineer, Port Captain and Port Steward as appropriate, the CIP project manager, planning and contracts. In this way the CIP project manager has the benefit of operational advice relative to the activity being considered; the implications relative to ship support are fully understood; planning is able to develop a fully built up future cost rationale for different solutions that enable informed choices to be made; contracts have an experienced review panel available to make sure all eventualities are covered, and last, but not least the ship is involved in the process from beginning to end, leading to better relationships between ship and shore.

3.2 - Accounting System and Cost Control

At the present time the AMHS knows how much was spent in any given year, but not the detail of where it was spent. Some sections can be identified - for example fuel and personal services. Some detail is potentially available e.g. Stewards and Purser's supplies, but all detailed data is suspect because of the extraordinary complexity of the coding process for access to AKSAS.

A steamship accounting system is unique only in the sense that it has more relationship with other transportation systems such as air or rail than it does with conventional business accountancy. Thus the chart of accounts for the AMHS must reflect, both on the cost and revenue side, the unique requirements of financial reporting for a ferry fleet.

A logical framework, which need not exceed 7 digits, but can be used at a much higher level, is all that is required to provide managers with realistic data within each department. By integrating this coding system with the MMS, invoices can be readily assigned to the

appropriate department and budget allocation versus actual costs retrieved readily by ship or fleet at any point in time.

Acres has prepared, and submitted on March 22nd a preliminary chart of accounts that uses a logical breakdown of areas to provide the essential detail needed.

These codes may be used in conjunction with AKSAS to enable management to retrieve data on a timely basis and have on-line access to high quality comparative information. Because of the lack of historical data, budgeting for future costs is almost impossible, except on a guesswork basis. Thus a ship orientated cost capture system will assist in identifying areas where excessive costs are involved.

3.3 - Procurement

The current procurement policies mandated for the fleet have imposed a crippling time and paper chase burden on the proper functioning of the AMHS. They also lead to increases - rather than decreases, in the cost of maintenance and operation.

It must be recognized that a ferry fleet operates 365 days each year with many thousands of pieces of equipment that are essential to its safe and effective operation. Much of this equipment is sole source and cannot be bid in a conventional manner. Operations management must therefore be free to make decisions that are in the best interests of the fleet and the state.

This is not to suggest that operations and vessels should have carte blanche to purchase whatever, whenever and wherever, but that there should be a sensible set of policies laid down that are easy to administer and enable the fleet to be operated effectively.

-There must also be a recognition that stores and spares are two different areas. Consumable stores may be planned, while spares and parts are, at the present time totally unplannable. In the future, the introductory of an MMS will increase the proportion of preplanned spares and thus the quantity that can be bid under state procurement policies, but an MMS will never eliminate the need for ship and shore to respond promptly to specific requirements.

There should be an agreed list of sole source vendors for unique items that cannot be bid in a conventional manner. For spares and maintenance on these items it should be agreed that operations has the freedom to order when needed. This sole source listing could be made available on demand and made subject to an appeal process. Examples are MAK engine components and Syncrolifts for the terminals.

There should be an agreement that certain circumstances will preclude the normal bid process. These might be:

- . Ship Safety
- . Ship Certification
- . Ship Scheduling
- . Traffic Emergencies.

Purchasing limits for direct purchase without quote, purchase by telequote, purchase under state purchasing guidelines, must be set at realistic levels and either updated annually to reflect cost increases, or reviewed at no less frequently than 2 year intervals to set new levels.

3.4 - Management/Staff Relationships

Disillusionment of ship crews in management is so great, it is difficult to see how, with the present set up there can be any meaningful dialogue relative to maintenance management. There is,

---rightly or wrongly, a pervasive belief that much of management is ---
unable or unwilling to comprehend the needs of the fleet. --- There
certainly appears to be too little contact between operators and the
fleet (which is understandable given the work pressures they are under) ---
and no contact whatsoever with senior management; planning and
contracts people.

No fleet can effectively operate without regular feed back between ship
and shore. This feed back comes in two forms:

1) Regular meetings of heads of departments

The Chief Stewards meet annually, but Masters, Chief Engineers
and Pursers do not appear to have the opportunity for such
meetings.

2) Riding the vessels

Management must be out in the fleet more to be able to
understand crew positions on issues and appreciate the impact
of what is being planned or considered relative to individual
vessels and the fleet as a whole. Operations must have the
time to be able to do this and so must senior management and
planning.

The concept of ship maintenance requests (SMR's) is good. However
there is too little feed back to the ship relative what will or will
not be implemented and the reasons. In the absence of firm information
it is human nature to think the worst and come, perhaps, to unwarranted
conclusions.

The "Matanouska" experiment in January this year is a step in the right
direction, but does not enable specific policy issues to be addressed
on a departmental basis. While such meetings may have a place in
management/staff relationships they cannot be the sole forum.

Maintenance Management will require detailed discussions at a departmental level both at the concept stage and during implementation, to ensure that the principles are understood and concerns are properly addressed.

The current maintenance efforts are in a state of turmoil because of newly mandated purchasing policies that make it almost impossible for the ships to be maintained in a timely and cost effective manner.

The discussion in section 3.3 of this report on procurement addresses this vital issue.

3.5 - Maintenance Management

3.5.1 - Ship

Maintenance Management on the Alaska Marine Highway currently only exists at the ship level for regular planned maintenance activity. There is no effective preventative maintenance system in place within the system for either ship or shore equipment.

Methods of handling planned maintenance are as numerous on these ships and chief engineers. However, from the simplest blackboard system to the most sophisticated, using PC's, they achieve their purpose of reinforcing the chief engineer's understanding of the machinery and equipment in his care.

However the present ship systems are almost exclusively organized to meet the needs of the engine room and do not extend to deck machinery, Galley, Hotel items etc. Thus there is no comprehensive ship system in the vessels.

Because of the varying degrees of sophistication in planned maintenance activity within the fleet, a full featured MMS introduced across the fleet would be doomed to failure. The approach must be to provide a system that can effectively be used at as simple or as complex a level as the chief and his 1st engineer require and are prepared to support. The incentive must always be there to make use of all the systems capabilities; but it should function adequately even if only the top one or two levels are being used.

While there is some weekly and monthly reporting by engineering crew to management, there is insufficient manpower in head office to undertake even minimal analysis.

There is general acceptance and interest in the possible introduction of a comprehensive system that could, through different attributes, be used widely on the ship. For example Pursers and Stewards departments have indicated that various aspects of their documentary work could readily be "computerized".

An essential starting point for any "planning" exercise is an understanding of the condition of the asset base for which the plans are being formulated. While this is available, in terms of annual inspection reports for marine facilities, nothing is available on the fleet. ABS and USCG inspection reports simply record whether or not the vessel meets statutory criteria for classification or certification purposes, at the point of inspection. They do not offer an opinion and are not part of a planning document.

The AMH needs complete independent condition surveys on each vessel to be able to commence the planning process for both regular maintenance and major refit work. These condition surveys, together with commentaries provided by chief engineers, master, 1st mate, Port

Engineer, Port Captain and Port Steward will provide an essential-basis for ship history files that do not at present exist.

Information derived from these documents enables management to determine corrective maintenance requirements; to bring the vessel up to a "bench mark" condition. Future planned and preventative maintenance and refit activity may then be measured against this benchmark and be planned from it.

Current reporting from the ship is in the form of weekly and monthly reports. If there are major problems while the ship is underway, then a Coast Guard incident report must be filed.

Weekly Report

Non mandatory in terms of content and thus its use as a fleet planning and vessel history document is limited. Current content of the single page (letter size) report includes the following:

- . Personnel Changes
- . Fuel Bunkered
- . Fuel Used
- . Summary of major work undertaken.

Monthly Report

Is mandatory in terms of content, but is primarily fuel orientated with fuel bunkered and location, on hand start and end month, used per day and per mile. Lube oil consumption Engine and Auxiliary running hours. No details are requested on non routine maintenance. Copies of representative monthly and weekly reports are incorporated with this review in the appendices.

Engine Logs

Engine logs are stored in Juneau. These should however be retained in the Port Engineers office in Ketchikan and form part of each vessel's machinery history.

Some monitoring of machinery condition is accomplished through Lubricating oil analysis. However no trend analysis is undertaken within AMH and because of the varying labs involved, consistent histories are not available. If lubricating oil analysis is to be used as a component of machinery condition trends, then consistent comparative histories must be maintained and used.

3.5.2 - Shore

As noted previously facilities conduct an annual condition survey for each terminal. Two maintenance runs are made each year plus any emergency work that is needed by a contract crew from Public Facilities. The crew is part of the group which supports all public buildings within S.E. Region. Regulatory requirements are nominal and involve only OSHA, who inspect infrequently.

Systems involved in the maintenance requirements included Emergency generators, electronic controls, 3 Synchrolift systems, hydraulic systems, coating systems, Cathodic Protection.

A formal MMS that incorporated shoreside equipment would be valuable in being able to generate a maintenance calendar and history for each item. With more sophisticated machinery and equipment now in place, a more comprehensive work order and work description orientated system will be needed that will supercede earlier "lubricate and check" procedures. Facilities maintenance are moving in this direction and will need a formal system within the next 2-3 years as original components wear and require replacement.

3.6 - Risk Management

AMH Marine risk includes standard Hull and Machinery, Pollution, Protection and Indemnity, to \$200 million. There is a \$1 million dollar retention or deductible on each incident, which is self insured by the Department of Risk Management. FY 1990 premium will be \$2.8m which, given the size, age and operating characteristics of the fleet is excellent, although it apparently does not cover full replacement value of the vessels.

In general, maritime law has tended to limit shipping companies liability for loss or damage arising out of a marine incident, in the absence of actual fault or privity on the part of senior management. Historically it has been sufficient for management to be able to demonstrate that it believed it had appointed a competent master, for this limitation of liability to be accepted.

However precedent in recent years, as established (as in the cases of the "Marion", Garden City" and "The Lady Gwendolyn",) has considerably reduced the efficiency of the historic argument. This may be summarized by the UK House of Lords in the case of "The Lady Gwendolyn" wherein it was stated:-

"It seems to me that any company which embarks on the business of shipowning must accept the obligation to ensure efficient management of its ships if it is to enjoy the very considerable benefits conferred by the Statutory right to limitation".

"The Lady Gwendolyn" was the first case in which the responsibilities of management were spelled out, the subsequent cases of the "Marion" and the "Garden City" consolidated the premise into both the need to establish proper controls and to ensure that the requirements of those systems and controls are being followed. For example Exxon will find it hard to limit liability in the Valdez spill because the master was known to have had a "substance abuse" problem.

Risk Management for a ferry fleet and safety, in its broadest sense, go hand in hand. First it is necessary to identify the risk. On the AMHS, with a high proportion of retired people on board at all times and all embarkation/disembarkation via the car deck, there is a very real risk of injury simply in getting on and off the ships. Other matters that can increase risk are:

Hold down chains

Oil, water or ice on decks or lack of, non slip paint

Cramped stairways

Loose or inadequate hand rails

Lack of signage or lighting

Unmarked doorsills and stairways

Loose chairs or tables

Lack of a clear access route for foot passengers

Poor emergency information.

The list is endless, but very real in the ability of a minor defect to create a major claim.

The ship operator must thus minimize those risks that are unavoidable, and seek to diminish the impact of any problem that may occur.

Some measures may be taken to minimize risk and adequately prepare management should a problem occur.

1. Issue, and keep updated on a regular basis, a book of standing instructions for each vessel in the fleet.
2. Keep informed of developments relative to tort or negligence, transportation regulatory matters, and marine and liability assurance.

3. Establish procedures for compiling investigative reports of any incident to ensure a balanced view is available. These procedures should include witness statements and the proper approach to these statements.
4. Hold seminars and workshops on legal and insurance matters for management and senior crew. The Pursers and Stewards departments need to be intimately involved in these discussions.

These seminars should cover personal injury situations as well as vessel collision/stranding and vehicular damage scenarios.

The above commentary has covered, primarily, the risk of passenger injury and the impact on the AMH. However both management and senior deck and engine crew need to be aware of the extent of more conventional coverage for Hull and Machinery damage, Pollution liability and Protection and Indemnity coverage. The same procedures should be followed in terms of keeping informed of developments and making sure that each year the coverage is known and understood.

The AMH should also have instituted a set of formal guidelines relative to operation of the vessels and that these follow Coastguard requirements and specific service characteristics of the route.

Exemplary areas are:

- . Navigation equipment fully functional
- . No port departures on one engine
- . Propeller pitch fully functional
- . Limiting conditions for entrance crossings
- . Limiting conditions for areas of extreme tidal flows.

The best approach to these guidelines is via regular masters and chief engineers meetings, which should be held on an annual basis. In this way operating guidelines can be changed as Coastguard rules change, or service conditions change with new terminals.

3.7 - Stores

Stores are regular consumable items that can be predicted with some certainty, acquired in large volumes and warehoused by the AMH against need.

Examples are:

- | | |
|-------------|---|
| Deck Stores | Paint
Cordage |
| Engine | Rags
Solvents
Lubes and Greases
Nuts, bolts, O rings, clamps |
| Galley | Food Items
Galley and Cafeteria Supplies |
| Stewards | Linens
Soaps
Cleaning Materials |

Budgets can be set and a cost control system readily instituted. In fact many of the existing line items in the AMH module of AKSAS address stores items on each ship in the fleet.

Accounting should have a good knowledge of stores requirements, budget and achievement levels for every vessel over time. Engine stores will require locations to be found and formalized within each ship. See next section for more detail.

3.8 - Spares

The supply of spares in any fleet operation is a major problem that can only be partially resolved by an MMS. With a lack of commonality through the fleet in term of machinery and equipment, it is not really possible to achieve a ~~good~~ a central spares depot as might be desired. However it is possible to achieve some preplanned stocking of essential spares on both a ship by ship basis and a fleet basis.

At present spares are stored on board each ship, except for major items such as spare propellers and tail shafts and some engine and miscellaneous spares which are warehoused in Seattle. There is an urgent need to inventory this equipment and determine what is appropriate to the fleet and what may be sold or traded.

Because of the procurement system thrust on the AMH, there will be a tendency of the ships to overorder (i.e a just in case policy) on major spares items that are critical to ship operation, but which would involved major hassles if ordered on a just in time basis. Thus a sympathetic system relative to spares ordering will in fact reduce costs. The AMH will also have to be prepared for considerable increase in cost and logistical problems relative to spares with the move to Bellingham. Where a supplier or agency could supply material virtually on call in Seattle, the three hour drive to Bellingham will make it necessary for a full day plus travel costs and possibly accommodation costs to be charged against a service call.

Shipboard Spares

Only the "Columbia" has a single custom made stock room for ship board spares. Other ships e.g "Taku" have fabricated locations, but most store spares in many locations. As a result finding a spare part that is known to be on board becomes a major problem.

Each vessel will need to be reviewed relative to available space and parts needs and store rooms fabricated and outfitted. It will not be possible to concentrate everything in one place (there is insufficient space available) without affecting revenue earning space. However much better organization can be provided and the spares and engine stores activity streamlined.

3.9 - Contracts

At the present time contracts prepared by facilities and planning are far too complex and contain a considerable amount of non-essential and inappropriate language. At a rough estimate, in excess of 60% of contract sections are unnecessary relative to a marine job.

On the other hand contract documents prepared by marine operations, while simpler and more to the point, omit many background clauses that provide both guidance and protection relative to shipyard bid work.

The optimum contract is thus somewhat more comprehensive than present operations documents, but significantly less bulky than facilities contracts.

Standard contractual language and formats may be included in an MMS that will ensure a workable document is produced. We would recommend that AMH submit a selection of contract documents to two Consulting Marine Engineering companies for review and preparation of standard clauses relative to work which the AMH has undertaken by outside vendors. In preparing these documents, it should be kept in mind that the more complex and onerous the document, the greater the cost to AMH, without any material improvement in the product.

Contracts should contain clauses relative to:

- . Good workmanship
- . Welder qualification ABS certified or equivalent
- . Adherence to recognized quality standards e.g. AQAP1 or an acceptable quality control manual
- . Paint systems to be applied within manufacturers requirements for surface preparation, humidity and temperature
- . Requirements relative to weld testing (ASTM) for all steel work
- . A realistic approach to liquidated damages. Daily rates should at the very least equate to earning capacity of the ship on a daily basis.

Unless work needs are highly specific, the AMH should avoid, to the extent possible, detailed design or over complex specification relative to shipyard work. Performance language places responsibility with the shipyard and gives the AMH more control in the event of an incomplete or unsatisfactorily completed project.

All contractual shipyard work requires proper supervision to both ensure completion is to satisfactory standards and is either within budget or has minimal overrun. This activity can only be effectively undertaken by qualified marine personnel. Use of contract personnel on a consulting basis is recommended as reinforcement to the Port Engineers Staff. Such involvement should not exceed 2% of contract value and will save more than this amount in eventual costs.

4 - RECOMMENDED ACTION

4.1 - Implementation within 6 Months

- (i) Overhaul procurement process in conjunction with operations to develop a responsive process for obtaining stores and spares that are needed promptly.

The basic criteria have to be:-

- (a) How long will the state procurement process take?
- (b) How soon are the items needed?

If (b) is less than (a) then procurement must proceed via an expedited route.

- (ii) Inventory ship stores and spares in Seattle, Ketchikan and Juneau. Determine what is needed in each location, whether none or more of Seattle spares can be moved to Bellingham or Ketchikan. Request list from ships of all onboard stores and spares by department. Request ships to give details of where and how they could provide proper stores and spares storage.
- (iii) Overhaul ship safety procedures. A knowledgeable senior marine person with the fleet should be designated as safety officer and given time, budget and staff support, to review current procedures and introduce in conjunction with the vessels "Standing orders".
- (iv) Contract for baseline surveys of each ship in the fleet. This activity is essential for any HMS. This activity should cost no more than \$30,000 over all vessels and would include written detailed reports, with recommended remedial action. Work will probably need to be spread over 12 months in order to permit

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dry-dock and afloat inspections. The inspections should determine a current resale value and a replacement value on each vessel and should be undertaken as if the AMH were buying the vessels from a third party and wished to be made aware of all and every identifiable problem relative to each ship.

Implementation as soon as Possible

Reorganize the management structure to be responsive to the needs of running a ferry fleet. This will require more people in marine operations and less in other areas. See management structure.

Commence approaches regarding separation of AMH from DOTPF into state corporation. The Alaska Railroad can be used as a model.

Introduce a simplified accounting system that properly identifies the functional areas of the ferry operation.

Establish a system by which meaningful, regular exchanges between ship and shore can be undertaken.

1 - EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

CAPT. & C/E BENEFITS
DECK CREW BENEFITS
ENGINE CREW BENEFITS
STEWARDS DEPT. BENEFITS
CATERING STAFF BENEFITS

LS - CONTROLLABLE OVERTIME

CONTROLLABLE OVERTIME

CAPT. & C/E OVERTIME
DECK CREW OVERTIME
ENGINE CREW OVERTIME
STEWARDS DEPT. OVERTIME
CATERING STAFF OVERTIME

S - DECK CREW WAGES

DECK CREW WAGES

OFFICERS WAGES
AB WAGES
OS WAGES

LS - ENGINE CREW BENEFITS

ENGINE CREW BENEFITS

ENGINEERS BENEFITS
MECHANICAL ASSISTANTS BENEFITS
OILERS BENEFITS
ELECTRICIANS BENEFITS

ELS - STEWARDS DEPT. OVERTIME

STEWARDS DEPT. OVERTIME

PURSER'S OVERTIME
CLEANING STAFF OVERTIME
OTHER HOTEL STAFF OVERTIME

FOURTH LEVEL - PERISHABLE PRODUCE

15100 PERISHABLE PRODUCE
15110 MEAT
15120 POULTRY
15130 FISH & SEAFOOD
15140 DAIRY PRODUCTS
15150 FRESH FRUITS
15160 FRESH VEGETABLES

TERTIARY LEVEL - RISK MANAGEMENT

16000 RISK MANAGEMENT
16100 P AND I INSURANCE
16200 HULL & MACHINERY
16300 3RD PARTY LIABILITY
16400 CATASTROPHIC RISK
16500 STRIKE INSURANCE
16600 EXCESS LINES

TERTIARY LEVEL - FUEL

17000 FUEL
17100 MAIN ENGINES
17200 AUXILIARIES
17300
17400

FOURTH LEVEL - MAIN ENGINES

17100 MAIN ENGINES
17110 NAVIGATING CONSUMPTION
17120 MANOUVERING CONSUMPTION
17130 IN PORT CONSUMPTION

FOURTH LEVEL - AUXILIARIES

17200 AUXILIARIES
17210 NAVIGATING CONSUMPTION
17220 MANOUVERING CONSUMPTION
17230 IN PORT CONSUMPTION

TERTIARY LEVEL - STATUTORY SURVEY & INSPECTION

18000 STATUTORY SURVEY & INSPECTION
18100 HULL
18200 MACHINERY
18300 ELECTRICAL
18400 PASSENGER SPACES
18500 SAFETY EQUIPMENT
18600 NAVIGATIONAL EQUIPMENT

FOURTH LEVEL - MACHINERY

18200 MACHINERY
18220 TAIL SHAFT SURVEY
18230

SECONDARY LEVELS - SHORE FACILITIES

20000 SHORE FACILITIES
21000 PERSONAL SERVICES
22000 REPAIR & MAINTENANCE
23000 STORES & SUPPLIES (DOCK)
24000 STORES & SUPPLIES (SERVICE AREA)
25000 FOOD SERVICES
26000 RISK MANAGEMENT ALLOCATION
27000 POWER & UTILITIES
28000 STATUTORY SURVEY & INSPECTION
29000

TERTIARY LEVELS - REPAIR & MAINTENANCE

22000 REPAIR & MAINTENANCE
22100 MOORING & FENDERING
22200 PASSENGER & VEHICLE TRANSFER
22300 PASSENGER & VEHICLE WAITING
22400 DOCK DECK & CATWALKS
22500 SUPPORT STRUCTURE
22600 DOCK ACCESS

SECONDARY LEVELS - ADMINISTRATION & PLANNING

40000 ADMINISTRATION & PLANNING
41000 VESSEL OPERATIONS
42000 CUSTOMER SERVICES
43000 SUPPORT SERVICES
44000 BUDGET
45000 PLANNING
46000 SYSTEM DIRECTOR

TERTIARY LEVELS - VESSEL OPERATIONS

41000 VESSEL OPERATIONS
41100 PERSONAL SERVICES
41200 COMMUNICATIONS
41300 OFFICE SUPPLIES, EXPENSES
41400 TRAVEL
41500 OUTSIDE SERVICES
41600

FOURTH LEVELS - PERSONAL SERVICES

41100 PERSONAL SERVICES
41110 PORT CAPTAIN
41120 PORT ENGINEER
41130 PORT STEWARD

TERTIARY LEVELS - SUPPORT SERVICES

43000 SUPPORT SERVICES
43100 PERSONNEL SERVICES
43200 COMMUNICATIONS
43300 OFFICE SUPPLIES, EXPENSES
43400 TRAVEL
43500 OUTSIDE SERVICES
43600

FOURTH LEVELS - PERSONNEL SERVICES

43100 PERSONNEL SERVICES
43110 ADMINISTRATIVE OFFICE
43120 PROCUREMENT & SUPPLY
43130 PERSONNEL & LABOUR RELATIONS
43140 FINANCE
43150 FACILITIES SUPERVISOR
43160

SECONDARY LEVELS - CAPITAL IMPROVEMENT PROJECTS

60000 CAPITAL IMPROVEMENT PROJECTS
61000 VESSELS
62000 SHORE FACILITIES

TERTIARY LEVELS - VESSELS

61000 - VESSELS
61100 HULL, WEATHERDECK SUPERSTRUCTURES
61200 PROPULSION & MANOUVERING
61300 MAIN ENGINES
61400 AUXILIARY MACHINERY
61500 ELECTRICAL
61600 VEHICLE SPACES & ACCESS
61700 PASSENGER SPACES & ACCESS
61800 CREW SPACES
61900 DRY DOCKING

TERTIARY LEVELS - SHORE FACILITIES

62000 SHORE FACILITIES
62100 MOORING & FENDERING
62200 PASSENGER & VEHICLE TRANSFER
62300 PASSENGER & VEHICLE WAITING
62400 DOCK, DECK AND CATWALKS
62500 SUPPORT STRUCTURE
62600 DOCK ACCESS
62700 WAREHOUSE FACILITIES
62800 OFFICES
62900

FOURTH LEVELS - PASSENGER SPACES

61700 PASSENGER SPACES
61700 DINING AREAS
61720 LOUNGES
61730 BARS
61740 GALLEY
61750 STATEROOMS
61760 PUBLIC WASHROOMS
61770 PROMENADE AREAS
61780

FIFTH LEVELS - STATEROOMS

61750 STATEROOMS
61751 PLUMBING
61752 ELECTRICAL
61753 ACCESS
61754 FURNISHINGS & DECORATION
61755 STRUCTURE
61756 STORAGE
61757

SECONDARY LEVELS - REVENUES

7000 REVENUE

71000 SOUTHEAST PASSENGER & VEHICLE REVENUE
72000 SOUTHEAST CABIN REVENUE
73000 SOUTHWEST PASSENGER & VEHICLE REVENUE
74000 SOUTHWEST PASSENGER & VEHICLE REVENUE
75000 VENDING MACHINE REVENUE
76000 VIDEO GAMES REVENUE
77000 CAFETERIA REVENUE
78000 BAR REVENUE
79000 DINING ROOM REVENUE

TERTIARY LEVELS - SOUTHEAST PASSENGER & VEHICLE REVENUE

71000 SOUTHEAST PASSENGER & VEHICLE REVENUE

71100 ITEM ADT: PASSENGER 12 YRS AND OVER REVENUE
71200 ITEM CHD: CHILDREN 6 THROUGH 11 YRS OLD REVENUE
71300 ITEM AMC: ALTERNATIVE MEANS
71400 ITEM 710: VEHICLES UP TO 10 FEET
71500 ITEM 715: VEHICLES UP TO 15 FEET
71600 ITEM 719: VEHICLES UP TO 19 FEET

FOURTH LEVELS - ITEM ADT: PASSENGER 12YRS OLD AND OVER REVENUE

71100 ITEM ADT: PASSENGER 12 YRS OLD AND OVER REVENUE

71110 KETCHIKAN TO PIER 48 SEATTLE REVENUE
71120 KETCHIKAN TO PRINCE RUPERT REVENUE
71130 KETCHIKAN TO STEWARD/HYDER REVENUE
71140 METLAKATLA TO PIER 48 SEATTLE REVENUE
71150 METLAKATLA TO PRINCE RUPERT REVENUE
71160 METLAKATLA TO STEWARD/HYDER REVENUE
71170 METLAKATLA TO KETCHIKAN REVENUE
71180

TERTIARY LEVELS - VENDING MACHINES

75000 VENDING MACHINES
75100 SHIP BORNE MACHINES
75200 TERMINAL/SHARED MACHINES
75300 OFFICE
75400 SHOP/WORK PLACE VENDING MACHINES
75600

FOURTH LEVELS - SHIP BORNE VENDING MACHINES

75100 SHIP BORNE VENDING MACHINES
75110 COFFEE/HOT DRINKS
75120 POP/COLD DRINKS
75130 SANDWICHES
75140 CONFECTIONARY
75150 CIGARETTES
75160

Alaska State Legislature



SENATOR JIM DUNCAN

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

(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR —
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

FOR IMMEDIATE RELEASE
February 12, 1990
Contact: Pete Carran
465-4766

ALASKA MARINE HIGHWAY COMMISSION PROPOSED BY SENATOR DUNCAN

The Director of the Alaska Marine Highway System would be appointed by a five member commission established by Senate Bill 473 introduced today by Senator Jim Duncan of Juneau.

"This approach will provide continuity of management in order to promote efficiency in the operation of the system," Senator Duncan says. "Currently, system management changes with each change in the state administration. This measure is intended to provide an overlapping of system management from one administration to the next. This is a necessary step in order to help ensure sound system management."

Under terms of the measure, commission members are appointed by the Governor to five year terms on a staggered basis. At least three members must be from communities served by the Marine Highway System. The duty of appointing a system director is now the responsibility of the Commissioner of the Department of Transportation and Public Facilities.

Senator Duncan feels the management approach proposed in his bill is better equipped to deal with the important issues now facing the system. "There's a need for long term planning, maintaining an adequate level of funding, improving service including establishing a fast ferry program, and developing a plan for replacement of the fleet. Strong and long term management is needed to deal with these issues."

In addition to appointing a system director, the commission is responsible for advising and making recommendations on schedules and tariffs; management, planning and construction of facilities; replacement, refurbishing, and overhaul of vessels; and operating and capital costs. The measure also directs the commission to conduct public meetings on the operation of the system including proposed tariff increases or scheduling changes and to provide an annual report to the Governor and Legislature.

SOUTHEAST CONFERENCE

P.O. Box 22286

Juneau, Alaska 99802

March 8, 1990

The Honorable Jim Duncan
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, AK 99811

Dear Senator Duncan:

The Southeast Conference, an organization representing the cities and towns of Southeast Alaska, is seriously concerned about the status of our Marine Highway.

Once the pride of ALL Alaskans, the highway has experienced a steady decline in service.

The deterioration is excessive with marine highway vessels on a non-active status more than 50% of the time resulting in a 10% "road closure" in some regions compared to the service offered just three years ago. Imagine what impact this would have on residents throughout interior Alaska if their primary highways suffered the same fate.

But at the same time traffic on Alaska's uniquely different highway increased almost ten percent and generated revenues that subsidized almost sixty percent of it's basic costs - making it Alaska's cheapest major transportation system on a per lane mile basis.

The Marine Highway is Alaska's most important intrastate link, knitting together all Alaskan communities to a surface route that spans 3500 miles from the Aleutian Islands, through Southeast Alaska to its termination in the lower 48. More than 34% of the traffic on the highway are folks traveling to and from westward and interior Alaska.

One of the primary mandates to the state is to provide adequate public transportation for its citizens. Alaska's 1990 budget reflects a 19% DECREASE in general funding during the past 5 years to maintain our Marine Highway. We liken this decision to a "death spiral" for the system.

We are seeking your support to "upgrade" the Highway this legislative session and in order to appraise your constituents of the highway's importance have initiated an information campaign throughout the state (copy attached).

Sincerely,



Ted Ferry, President
Southeast Conference



Grand Camp
Alaska Native Brotherhood

Resolution No. 46

Title: In Support of Senator Jim Duncan's recommendation regarding the Alaska State ferry System

Whereas: Senator Jim Duncan has put together four major recommendations regarding the Alaska Marine Highway system, and

Whereas: Those recommendations will go a long way in the enhancement and improvement of the ferry service in Southeast, Alaska, and

Whereas: Planning for the ferry system needs to occur in order to capitalize on Southeast Alaska's only transportation link to other Alaskan communities and the lower 48, and

Whereas: Senator Duncan's recommendations are:

1. There is a need for long term planning for the Alaska marine highway system,
2. There is a need for adequate level of funding,
3. There is a need to improve ferry service, possibly the establishment of a "fast ferry" program or an increased number of sailings to more adequately serve Southeast, Alaska communities.
4. There is a need to plan for replacement vessels.

Now therefore be it resolved that the Grand Camp Alaska Native brotherhood and the Alaska Native Sisterhood assembled in Hoonah, Alaska strongly support the recommendations of Senator Jim Duncan for improving the Alaska Marine Highway system.

Certification:

I certify that this resolution was adopted at the ANB/ANS convention at Hoonah, Alaska during the week of Nov. 6-11, 1989.

Albert Kookesh
Albert Kookesh
Grand Secretary

Richard Stitt
Richard Stitt
Grand President

March 8, 1990

Letter to the Editor:

To ALL Alaskans,

The longest state operated highway in the U.S.A. is in a serious state of disrepair and in jeopardy of "emergency" closures.

Once the pride of ALL Alaskans, Alaska Marine Highway service has steadily declined.

The deterioration is excessive with marine highway vessels on a non-active status more than 50% of the time resulting in a 10% "road closure" in some regions compared to the service offered just three years ago. Imagine what impact this would have on residents throughout interior Alaska is their primary highways suffered the same fate.

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One of the primary mandates to the state is to provide adequate public transportation for its citizens. Alaska's 1990 budget reflects a 19% DECREASE in general funding during the past 5 years to maintain our Marine Highway. We liken this decision to a "death spiral" for the system.

Please support our efforts to "save" this vital All-Alaska highway by expressing your concern to your elected state officials during this legislative session.



Ted Ferry, President
Southeast Conference

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act . . . establishing the
Alaska Marine Highway Authority
Sponsor: Transportation Committee
Requestor: _____

Agency Affected: DOT&PF/AMHS
BRU: Marine Management
Components: Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	55.8	55.8	55.8	55.8	55.8	55.8
TRAVEL	22.4	34.0	35.7	37.5	39.4	41.4
CONTRACTUAL	149.2	101.1	42.1	44.2	46.4	48.8
SUPPLIES	2.6	2.6	2.7	2.8	2.9	3.0
EQUIPMENT	10.5	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	249.4	132.5	136.3	140.3	144.5	149.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	249.4	132.5	136.3	140.3	144.5	149.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	249.4	132.5	136.3	140.3	144.5	149.0

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See Attached

Prepared by: John Halterman
Division: Alaska Marine Highway System
Approved by Commissioner: *[Signature]*
Agency: _____

Phone: 465-3950
Date: 01/17/90
Date: 1/17/90

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

SB 310

FISCAL NOTE ANALYSIS

No funds for the increased operation of vessels are being requested in this fiscal note. Such an increase would require additional funds whether the System is managed as an Authority or under the present organization within the Department of Transportation and Public Facilities.

The current organization with a minimum of additional positions would be required for independent operation as the "Alaska Marine Highway Authority." The new positions required are identified on the attached Request for New Position forms.

It is assumed the Authority would continue to utilize the State Accounting System and other State computer resources, including those needed to support our Reservations Management System. The requirements will remain the same under the current organization or an Authority.

Additionally, it is assumed the Authority would retain access to the federal funding for capital projects available to DOT&PF at least at historical levels/proportions.

The following assumptions were made:

1. The legislation would take effect July 1, 1990.
2. There would continue to be an annual appropriation for full operating costs of the Authority each year to maintain the currently budgeted level of vessel operating schedules.
3. An inflation factor of five percent has been included for future years beyond FY 91 for all costs other than personal services, which are calculated by PACS at FY 90 rates.
4. The position of System Director would be converted to Executive Director and administrative support would be provided to the Board of Directors by the existing staff and the additional positions requested. No transfers of positions would be made from the Department of Transportation and Public Facilities.

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

5. The Authority would continue to use:
 - A. State-owned office buildings.
 - B. The State mail system.
 - C. The State equipment fleet.
 - D. The statewide purchasing contracts (i.e. fuel).
 - E. "Shared" communications lines.
 - F. Insurance, bonding, etc., as now supplied.
 - G. Legal services from the Attorney General's Office.
 - H. Snow removal at terminals as currently provided by DOT&PF regions.
6. The Directors of the Authority would meet six times a year, replacing the current AMHS Advisory Board. No travel funding is included in this fiscal note on the assumption that currently funded travel and contractual costs for the Advisory Board will be retained within the existing operating budget. However, additional funds are requested for the directors' compensation.
7. Data processing support will no longer be provided by the Information Systems Division of DOT&PF.
8. The maintenance positions and equipment transfers as requested in the AMHS FY 91 budget proposal will be approved.

DETAIL OF FY 89 COSTS

MARINE ADMINISTRATION BRU

<u>Personal Services</u> - 1 PFT Position		\$ 55.8
Analyst/Programmer IV	\$ 55.8	
<u>Contractual Services</u>		\$148.2
Professional Services		\$120.0
Annual audit by CPA	20.0	
Initial legal services	100.0	

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

Contractual Services (Continued)

Communication		2.0
Local telephone service for new position	.5	
Network connect fees for new terminal	1.5	
Advertising, Printing and Binding		15.0
Printing, photography, etc. (Annual and other reports)	5.0	
Initial printing of stationery	10.0	
Rental for Land, Buildings and Space		1.2
Room rental for Directors' meetings	1.2	
Other Expenditures and Services		10.0
Mail clerk services (to be RSA'd to DOT&PF)	10.0	
<u>Supplies and Materials</u>		2.5
Office & Library Supplies	.5	
Routine supplies for new position		
Data Processing Supplies	2.0	
<u>Travel</u>		32.4
Directors' Honoraria	32.4	
(6 directors x 6 meetings x 3 days each @ \$300/day)		
<u>Equipment</u>		10.5
Office equipment for new position	.5	
Data processing equipment for new position	10.0	
Marine Administration BRU TOTAL		<u>\$249.4</u>

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

FY 92 COSTS

FY 92 costs and beyond include an annual inflationary increase of 5% for line items other than personal services after deletion of the following one-time costs in the Marine Administration BRU:

<u>Contractual Services</u>		\$110.0
Initial Legal Fees	\$100.0	
Initial Printing Costs	10.0	
<u>Equipment</u>		10.5

POSITION TITLE Analyst/Programmer IV		NO. OF POSITIONS 1	RANGE/STEP 19/A	BARG. UNIT G
TIME STATUS PFT	STAFF MONTHS 12.0	LOCATION Juneau		ELECTION DISTRICT 04
TYPE OF EXPENDITURE		JUSTIFICATION:		
1	2	Creation of an Authority would require data processing support services which are currently provided by the Department of Transportation and Public Facilities.		
Salary	40,032	This position will be responsible systems maintenance and enhancement of the reservations system (RMS II) and other information systems specific to the Alaska Marine Highway Authority.		
Benefits	15,743	Equipment costs include office equipment and necessary computer equipment (terminal, microcomputer, printer, etc.).		
Premium Pay				
Other				
TOTAL PERSONAL SERVICES	55.8			
Travel				
Contractual	2.0			
Commodities	2.5			
Equipment	10.5			
Other				
TOTAL COST	70.8			
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Funds	1004	70.8		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

REQUEST FOR
NEW POSITION

AGENCY Dept. of Transportation and P.F.
Alaska Marine Highway System

IRU Marine Administration

COMPONENT Administration

FY 91

Page 6 of 6

Revised Date

S

B

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B

SENATE FINANCE COMMITTEE REPORT

DATE: 2/28/90

FURTHER:

DATE TURNED INTO OFFICE: 3/7/90

The Finance Committee considered SB 315

Long-term disability insurance; efd.

and recommended:

[] replace with _____ CS
[] or adopt _____ CS SB 315(LHC)

[] same title
[] new title
[] technical title change (HB only)

[] attached amendment(s)
[] _____ letter of intent adopted

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

[] fiscal note(s) _____

[] zero fiscal note(s) _____

[] appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

[] fiscal note(s) _____

[x] zero fiscal note(s) _____
DCHED 2/7/90
DOA 2/12/90

SIGNING DO PASS:

Handwritten signatures: Mike Keane, Paul Frank, Jim Duncan

OTHER RECOMMENDATIONS:

Handwritten signature: Paul Lehky

1. [Signature] No Pass -- 2. Paul Lehky (DO PASS)

R10 SFC 3-7-90

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CSSB 315 (L&C) (a)
PUBLISH DATE: 2/28/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
Title: An Act relating to long-term BRU: Insurance
care disability insurance; and providing for an effective date
Sponsor: HESS Committee Components: Operations
Requestor: HESS Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary) No fiscal impact in FY 90.

Prepared by: Don Koch, Acting Deputy Director *Don Koch* Phone: 465-2577
Division: Insurance Date: 2/6/90

Approved by Commissioner: Larry Merculieff *Larry Merculieff* Date: 2/7/90
Agency: Department of Commerce & Economic Development

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

Changes in CSSB315 (L&C)
have no fiscal impact.
This fiscal note is
appropriate.

R/O SFC 3-7-90

STATE OF ALASKA
1990 LEGISLATIVE SESSION

Bill Version: CSSB 315 (240) (b)
Publish Date: 2/28/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
Title: An Act relating to long-term BRU: Retirement and Benefits
disability insurance
SPONSOR: Senate HESS Components: Retirement and Benefits
Requestor: _____

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
CONTRACTUAL	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
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REVENUE	0	0	0	0	0	0
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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: (Attach a separate page if necessary)

The long-term care insurance coverage offered to retirees under the Public Employees', Teachers', Judicial, or the Elected Public Officers' Retirement systems are not affected by this bill.

Prepared by: Sally Smith *Sally Smith* Phone: 465-4470
Division: Retirement and Benefits Date: Feb 5, 1990

Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 2/12/90
Agency: Department of Administration

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

Changes in CSSB 315 (240)
have no fiscal impact.
This fiscal note is
appropriate. *sp*



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

87

DEPARTMENT Administration	DIVISION Retirement & Benefits	BILL NUMBER CSSB315	SPONSOR Senate HESS
SHORT TITLE OF BILL An Act relating to long-term Disability Insurance			
DEPARTMENT POSITION Support			
PREPARED BY Sally Smith, <i>Sally Smith</i>	DATE 1-22-90	COMMISSIONER'S SIGNATURE <i>Frank Reaktor</i>	DATE 2/12/90

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Dept. of Commerce	CONSTITUENT GROUP(S) AFFECTED BY BILL Retirees under the Public Employees, Teachers, Judicial, and Elected Public Officers Retirement system.
ORGANIZATIONAL SUPPORT FOR BILL Unknown	ORGANIZATIONAL OPPOSITION TO BILL Unknown

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

This bill establishes a framework around which long-term care insurance policies can be issued.

ANALYSIS OF BILL/PROGRAM EFFECTS

The Department of Administration makes a group long-term care insurance policy available to individuals at the time of their retirement in the systems noted above. The proposed framework would require no changes in this coverage.

AMENDMENTS PROPOSED

2 of 2

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

Original sponsor(s): HESS Committee

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 315 (L&C)

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 long-term care insurance; and
7 providing for an effective date."

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

9 * Section 1. PURPOSE. The purpose of this Act is to promote the public
10 interest and the availability of long-term care insurance policies, to
11 protect applicants for long-term care insurance from unfair or deceptive
12 sales or enrollment practices, to establish standards for long-term care
13 insurance, to facilitate public understanding and comparison of long-term
14 care insurance policies, and to facilitate flexibility and innovation in
15 the development of long-term care insurance coverage.

16 * Sec. 2. AS 21 is amended by adding a new chapter to read:

17 CHAPTER 53. LONG-TERM CARE INSURANCE.

18 Sec. 21.53.010. PROHIBITED SALE OR ADVERTISING. An insurer,
19 hospital or medical service corporation, or a fraternal benefit soci-
20 ety may not advertise, market, sell, deliver, or offer for delivery a
21 long-term care insurance policy unless the policy complies with this
22 chapter, AS 21.18, AS 21.45, the disability insurance requirements
23 imposed under AS 21.51, and, if a group policy, the group disability
24 insurance requirements imposed under AS 21.54.

25 Sec. 21.53.020. DISCLOSURE AND PERFORMANCE STANDARDS. An insur-
26 er, hospital or medical service corporation, or a fraternal benefit
27 society that delivers or issues for delivery a long-term care insur-
28 ance policy may not

29 (1) cancel, fail to renew, or otherwise terminate the

1 policy on the grounds of age or deterioration of the mental or phys-
2 ical health of the insured or certificate holder;

3 (2) include a provision requiring a new waiting period in
4 the event existing coverage is converted to or replaced by a new or
5 another form of disability insurance within the same company, unless
6 there is an increase in benefits voluntarily selected by the insured;
7 or

8 (3) provide coverage only for skilled nursing care, or
9 provide significantly more coverage for skilled care in a facility
10 than is provided for coverage for lower levels of care; evaluation of
11 the coverage provided under this paragraph must be based on the number
12 of days of coverage provided for lower levels of care, when compared
13 to the number of days of coverage provided for skilled care.

14 Sec. 21.53.030. PREEXISTING CONDITIONS. (a) An insurer, hospi-
15 tal or medical service corporation, or a fraternal benefit society
16 may not include, in a long-term care insurance policy or certificate,
17 a definition of "preexisting condition" that is more restrictive than
18 the following: preexisting condition means the existence of symptoms
19 that would cause an ordinarily prudent person to seek diagnosis, care,
20 or treatment, or a condition for which medical advice or treatment was
21 recommended by, or received from a provider of health care services,
22 within six months preceding the effective date of coverage of an
23 insured person.

24 (b) In a long-term care insurance policy or certificate an
25 insurer, hospital or medical service corporation, or a fraternal
26 benefit society may not exclude coverage for a loss or confinement
27 that is the result of a preexisting condition, unless the loss or
28 confinement begins within six months following the effective date of
29 coverage of an insured person.

1 (c) The director may extend the limitation periods established
2 under (a) and (b) of this section for specific age group categories or
3 specific policy forms, if the director finds that the extension is in
4 the best interest of the public.

5 (d) This section does not prohibit an insurer, hospital or
6 medical service corporation, or a fraternal benefit society from using
7 an application form designed to elicit the complete health history of
8 an applicant, and, on the basis of the answers on the application,
9 from applying that insurer's, hospital or medical service corpora-
10 tion's, or fraternal benefit society's established underwriting stan-
11 dards. Unless otherwise provided in the policy or certificate, a
12 preexisting condition, regardless of whether it is disclosed on the
13 application, need not be covered until the waiting period described in
14 (b) of this section expires. A long-term care insurance policy or
15 certificate may not exclude, limit, or reduce, or use waivers or
16 riders of any kind to exclude, limit, or reduce coverage or benefits
17 for specifically named or described preexisting diseases or physical
18 conditions after the waiting period described in (b) of this section,
19 unless the waiver or rider has been specifically approved by the
20 director.

21 Sec. 21.53.040. PRIOR HOSPITAL OR INSTITUTIONAL CARE CONDITIONS
22 PROHIBITED. (a) A long-term care insurance policy may not be de-
23 livered or issued for delivery in this state if the policy conditions
24 eligibility

- 25 (1) on a prior hospitalization requirement;
26 (2) on the receipt of a higher level of institutional care,
27 when care is provided in an institutional setting;
28 (3) for noninstitutional benefits on a prior institutional
29 stay of more than 30 days for which benefits are paid; or

1 (4) on admission to an institutional care facility for the
2 same or a related condition within a period of less than 30 days after
3 discharge from the institution, if the policy provides benefits only
4 following institutionalization.

5 (b) A long-term care insurance policy may contain a limitation
6 or condition on eligibility for benefits, not prohibited in (a) of
7 this section, if the limitation or condition is clearly set out in a
8 separate paragraph of the policy or certificate.

9 Sec. 21.53.050. RIGHT OF RETURN; OUTLINE OF COVERAGE. (a) A
10 long-term care insurance applicant may return a policy within 30 days
11 after delivery and have the premium refunded if, after examination of
12 the policy, the applicant is not satisfied with the policy. A long-
13 term care insurance policy must have a notice prominently printed on
14 the first page of the policy or separately attached stating that the
15 applicant has the right to return the policy within 30 days of its
16 delivery and to have the premium refunded if, after examination of the
17 policy, the applicant is not satisfied with the policy.

18 (b) An insurer, hospital or medical service corporation, or a
19 fraternal benefit society shall deliver an outline of coverage to a
20 prospective applicant for long-term care insurance at the time of
21 initial solicitation by a means that prominently directs the attention
22 of the recipient to the document and its purpose. In the case of
23 agent solicitations, an agent shall deliver the outline of coverage
24 before the presentation of an application or enrollment form. In the
25 case of direct response solicitations, the outline of coverage must be
26 presented in conjunction with an application or enrollment form. The
27 outline of coverage must include

28 (1) a description of the principal benefits and coverage
29 provided in the policy;

1 (2) a statement of the principal exclusions, reductions,
2 and limitations contained in the policy;

3 (3) a statement of the terms under which the policy or
4 certificate, or both, may be continued in force or discontinued,
5 including a reservation in the policy of a right to change the pre-
6 mium; continuation or conversion provisions of group coverage must be
7 specifically described;

8 (4) a statement that the outline of coverage is a summary
9 only, not a contract of insurance, and that the policy or group master
10 policy contain governing contractual provisions;

11 (5) a description of the terms under which the policy or
12 certificate may be returned and premium refunded; and

13 (6) a brief description of the relationship between the
14 cost of care and benefits.

15 (c) A certificate issued under a group long-term care insurance
16 policy that is delivered or issued for delivery in this state must
17 include

18 (1) a description of the principal benefits and coverage
19 provided in the policy;

20 (2) a statement of the principal exclusions, reductions,
21 and limitations contained in the policy; and

22 (3) a statement that the group master policy establishes
23 the governing contractual provisions.

24 Sec. 21.53.060. LONG-TERM CARE BENEFITS UNDER LIFE INSURANCE
25 POLICIES. (a) In addition to the requirements of AS 21.45, at the
26 time of policy delivery, a policy summary shall be included with an
27 individual life insurance policy if the policy or policy rider pro-
28 vides long-term care benefits. In the case of direct response solici-
29 tations, the insurer shall deliver the policy summary upon the appli-

1 cant's request, but regardless of request shall deliver a policy
2 summary not later than the time of policy delivery. The summary must
3 include

4 (1) an explanation of how the long-term care benefits
5 interact with other components of the policy, including deductions
6 from death benefits;

7 (2) an illustration of the amount and length of benefits,
8 and guaranteed lifetime benefits, if any, for each covered person;

9 (3) an explanation of each exclusion, reduction, and limi-
10 tation on long-term care benefits; and

11 (4) if applicable to the policy type,

12 (A) disclosure of the effects of exercising other
13 rights under the policy;

14 (B) disclosure of guarantees related to the long-term
15 care costs of insurance charges; and

16 (C) current and projected maximum lifetime benefits.

17 (b) If a long-term care benefit is paid under a life insurance
18 policy by the acceleration of the policy death benefit, and is in
19 benefit payment status, a monthly report shall be provided to the
20 policyholder. The report must include

21 (1) long-term care benefits paid out during the month;

22 (2) an explanation of changes in the policy, including
23 changes in death benefits or cash values, due to long-term care bene-
24 fits being paid out; and

25 (3) the amount of long-term care benefits remaining.

26 Sec. 21.53.070. GROUP LONG-TERM CARE INSURANCE. Group long-term
27 care insurance coverage may not be offered to a resident of this state
28 under a group policy issued in another state, unless the state in
29 which the policy is issued has statutory or regulatory provisions

1 applicable to group long-term care insurance that are substantially
2 similar to this chapter and the director determines that the issuance
3 of the group policy is not contrary to the best interest of the pub-
4 lic, results in economies of acquisition or administration, and the
5 benefits are reasonable in relation to the premiums charged.

6 Sec. 21.53.080. ORGANIZATIONAL REQUIREMENTS OF ASSOCIATIONS. An
7 insurer, hospital or medical service corporation, or a fraternal
8 benefit society may not issue group long-term care insurance to an
9 association or a trust or the trustee of a fund established, created,
10 or maintained for the benefit of members of one or more associations,
11 unless the association or the insurer of the association files evi-
12 dence with the director that the association has

- 13 (1) a minimum of 100 members;
- 14 (2) been organized and maintained in good faith for pur-
15 poses other than that of obtaining insurance;
- 16 (3) been in active existence for at least one year; and
- 17 (4) a constitution and by-laws that require
 - 18 (A) the association to hold regular meetings not less
19 than annually to further purposes of the members;
 - 20 (B) except for credit unions, the association to
21 collect dues or solicit contributions from members; and
 - 22 (C) the members to have voting privileges and repre-
23 sentation on the governing board and committees.

24 Sec. 21.53.090. REQUIRED REGULATIONS. The director shall adopt
25 regulations regarding the sale of long-term care insurance that pro-
26 vide standards for

- 27 (1) terms of renewability;
- 28 (2) initial and subsequent conditions of eligibility;
- 29 (3) nonduplication of coverage provisions;

- 1 (4) coverage of dependents;
- 2 (5) preexisting conditions;
- 3 (6) termination of insurance;
- 4 (7) continuation or conversion;
- 5 (8) probationary periods, limitations, exceptions, reduc-
- 6 tions, elimination periods, and requirements for replacement.

7 Sec. 21.53.200. DEFINITIONS. In this chapter,

8 (1) "applicant" means in the case of an individual long-

9 term care insurance policy, the person who seeks to contract for

10 benefits, and in the case of a group long-term care insurance policy,

11 the proposed certificate holder;

12 (2) "certificate" means a certificate issued under a group

13 long-term care insurance policy that has been delivered or issued for

14 delivery in this state;

15 (3) "group long-term care insurance" means a long-term care

16 insurance policy, subscriber's contract, or fraternal benefit society

17 certificate that is delivered or issued for delivery in this state and

18 issued to

19 (A) one or more employers or labor organizations, or

20 to a trust or to the trustees of a fund established by one or

21 more employers or labor organizations, or a combination of them,

22 for employees or former employees or a combination of them, or

23 for members or former members or a combination of them, of the

24 labor organization;

25 (B) a professional, trade, or occupational association

26 for its members or former or retired members, or combination of

27 them, if the association is composed of individuals all of whom

28 are or were actively engaged in the same profession, trade, or

29 occupation, and has been maintained in good faith for purposes

1 other than obtaining insurance;

2 (C) an association or a trust or the trustee of a fund
3 established, created, or maintained for the benefit of members of
4 one or more associations;

5 (D) a group other than described in this paragraph if
6 the director determines that the issuance of the group policy is
7 not contrary to the best interest of the public, would result in
8 economies of acquisition or administration, and the benefits are
9 reasonable in relation to the premiums charged;

10 (4) "long-term care insurance" means an individual or group
11 insurance policy, including group and individual life insurance or
12 annuities, a subscriber's contract, fraternal benefit society certifi-
13 cate, or rider advertised, marketed, offered, or designed to provide
14 coverage for not less than 12 consecutive months for each covered
15 person on an expense incurred, indemnity, prepaid, or other basis, for
16 one or more necessary or medically necessary diagnostic, preventive,
17 therapeutic, rehabilitative, maintenance, or personal care services
18 that are provided in a setting other than an acute care unit of a
19 hospital, and includes a policy or rider that provides for payment of
20 benefits based on cognitive impairment or loss of functional capacity;
21 "long-term care insurance" does not include an insurance policy,
22 subscriber's contract, or fraternal benefit society certificate that
23 is offered primarily to provide basic Medicare supplement coverage,
24 basic hospital expense coverage, basic medical-surgical expense cover-
25 age, hospital confinement indemnity coverage, major medical expense
26 coverage, disability income and related asset protection coverage,
27 catastrophic coverage, comprehensive coverage, accident only coverage,
28 specified disease or specified accident coverage, or limited benefit
29 health coverage;

1 (5) "policy" means a contract, subscriber agreement, rider,
2 or endorsement delivered or issued for delivery in this state by an
3 insurer, fraternal benefit society, nonprofit health, hospital or
4 medical service corporation, prepaid health plan, or health mainte-
5 nance organization.

6 * Sec. 3. AS 21.84.590 is amended to read:

7 Sec. 21.84.590. OTHER PROVISIONS APPLICABLE. In addition to the
8 provisions contained in this chapter, the following provisions of this
9 title apply to fraternal benefit societies to the extent applicable
10 and not in conflict with the express provisions of this chapter and
11 the reasonable implications of this chapter:

12 (1) AS 21.03

13 (2) AS 21.06

14 (3) AS 21.09.050 and 21.09.100

15 (4) AS 21.33

16 (5) AS 21.36

17 (6) AS 21.42.290 and 21.42.355

18 (7) AS 21.53

19 (8) AS 21.69.370 and 21.69.640

20 (9) [(8)] AS 21.78

21 (10) [(9)] AS 21.89.060.

22 * Sec. 4. AS 21.87.340 is amended to read:

23 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to the
24 provisions contained or referred to previously in this chapter, the
25 following chapters and provisions of this title also apply with re-
26 spect to service corporations to the extent applicable and not in
27 conflict with the express provisions of this chapter and the reason-
28 able implications of the express provisions, and for the purposes of
29 the application the corporations shall be considered to be mutual

- 1 "insurers":
2 (1) AS 21.03
3 (2) AS 21.06
4 (3) AS 21.09, except AS 21.09.090
5 (4) AS 21.18.010
6 (5) AS 21.18.030
7 (6) AS 21.18.040
8 (7) AS 21.18.120
9 (8) AS 21.21.321
10 (9) AS 21.36
11 (10) AS 21.53
12 (11) AS 21.69.400
13 (12) [(11)] AS 21.69.520
14 (13) [(12)] AS 21.69.600, 21.69.620, and 21.69.630
15 (14) [(13)] AS 21.78
16 (15) [(14)] AS 21.90
17 (16) [(15)] AS 21.42.345 - 21.42.365
18 (17) [(16)] AS 21.89.040
19 (18) [(17)] AS 21.89.060.
20 * Sec. 5. This Act takes effect July 1, 1990.

Alaska State Legislature

SENATOR PAUL FISCHER, Chairman
SENATOR JIM DUNCAN, Vice Chairman
SENATOR AL ADAMS
SENATOR LLOYD JONES
SENATOR TIM KELLY



P.O. BOX V
ROOM 508
STATE CAPITOL
(907) 465-3762

Senate Committee on Health, Education and Social Services

TO: SENATOR RICK UEHLING AND SENATOR JOHNE BINKLEY, CO-CHAIRMEN, SENATE FINANCE COMMITTEE.

FROM: SENATOR PAUL FISCHER, CHAIRMAN, SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE.

DATE: MARCH 2, 1990

RE: SB 315 - LONG TERM CARE INSURANCE.

THIS BILL IS BASED UPON A MODEL ACT DEVELOPED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS. IT ESSENTIALLY ALLOWS PROVIDERS TO DELIVER LONG TERM CARE INSURANCE IN THE STATE OF ALASKA. CERTAIN REQUIREMENTS MUST BE MET IN ORDER TO BE ALLOWED TO DO THIS.

TO DATE, 38 STATES HAVE DEVELOPED SIMILAR VERSIONS OF THIS MODEL ACT. SEVERAL OTHER STATES HAVE SIMILAR MEASURES UNDER CONSIDERATION.

ESSENTIALLY, THIS BILL PROVIDES A METHOD FOR OUR CITIZENRY TO MEET THE NEEDS OF AN AGING POPULATION. MEDICARE CURRENTLY PROVIDES ALMOST NO COVERAGE FOR LONG TERM CARE. MOST COVERAGE FOR LONG TERM CARE COMES OUT OF MEDICAID.

THIS BILL PROVIDES A PRIVATE SECTOR ALTERNATIVE FOR INDIVIDUALS IN NEED OF LONG TERM CARE. IT WOULD ALSO HELP REDUCE PRESSURES ON THE MEDICAID BUDGET.

THIS BILL ENJOYS THE SUPPORT OF THE DEPARTMENT OF COMMERCE, THE HEALTH INSURANCE ASSOCIATION OF AMERICA, AND THE AMERICAN COUNCIL OF LIFE INSURANCE.

A ZERO FISCAL NOTE IS ATTACHED.

I RESPECTFULLY REQUEST THAT THIS MEASURE BE TAKEN UP BY THE SENATE FINANCE COMMITTEE AT ITS EARLIEST POSSIBLE CONVENIENCE.

CSSB 315 (HESS): "An Act relating to long-term care disability insurance; and providing for an effective date."


The department supports this legislation. This bill establishes a specific regulatory framework for insurance contracts that provide for long-term care benefits. It establishes certain standardized contract provisions in order to require certain minimum benefits and to facilitate public understanding and comparison shopping.

Funding of long-term care is a critical issue throughout the nation that impacts all third-party and out-of-pocket payers of medical care for older persons. "Long-term care" is the term that pertains to a continuum of care that ranges from some assistance in the home to the extreme of 24-hour skilled care in a medical facility. Our average population is getting older and is living longer, thus, increasing the likelihood of more people requiring some form of long-term care. Medicare currently provides almost no coverage for long-term care. Medicaid provides the majority of the funding for long-term care nationwide and provides for nearly all of the funding for skilled nursing service care in Alaska. Most Americans are not financially prepared to meet the cost of long-term care in their later years. This results in those people spending down both assets and income in order to qualify for public assistance primarily through Medicaid.

The insurance industry has been slow to develop insurance products to cover this risk. The most important reason for this is the lack of reliable statistical data on which to base rates, coupled with the fact that correct projection of costs far into the future is required and is extremely difficult to accomplish. Although this attitude is changing, the general population has held the misperception that there is little or no need for such coverage and also that, if long-term care is needed, Medicare would provide the necessary benefits.

Without mechanisms such as insurance products to prefund long-term care, publicly-funded care is expected to increase, perhaps to a point beyond that which public resources can readily bear. It is important to encourage the growth of insurance products to help finance long-term care needs. However, this needs to be done in a manner that provides appropriate elements of consumer protection.

SB 315 is based on the National Association of Insurance Commissioners (NAIC) Model Long-Term Care Act. The NAIC is encouraging the adoption of this model by the various states in lieu of federal intervention. Abuses have occurred in other states with a large senior population. These abuses have received Congressional scrutiny, with indications that the federal government should regulate long-term care if the states do not.



Larry Merculieff, Commissioner

Date: 2/7/90

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SENATE FINANCE COMMITTEE REPORT

DATE: 3/22/90

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered

SB 317

"An Act relating to forest resources and practices and to the management of forest lands; and providing for an effective date."

and recommended:

- replace with _____ CS _____ same title
 or adopt _____ CS _____ new title
 attached amendment(s) technical title change (HB only)
 _____ letter of intent adopted

- do pass *Hearings 4-6-90*
 do not pass *4-7-90*
 no recommendation *Bill died in subcommittee:*
 individual recommendations *Binkley, Zharoff, Frank, Pearce.*
 further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:

1. _____ 2. _____

Co-Chairs: Signatures and Recommendations

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

900529 SE / 33
b

Date of 5-DAY NOTICE 3-15-90
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

FIN

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 3-22-90

5/3/89
Mr. President:

RES

Committee considered SB 317

forest resources and practices and to the management of forest lands; efd

and recommended:

- replace with CS SB 317 (Res) same title
- attached amendment(s) and new title
- _____ and report it back as follows
- _____ letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

SB 317
CS 3 FN

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact ^{FTG DNR DEC}
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Curtis Jurgens

[Signature]

Kirk Halford

[Signature]

[Signature]

[Signature] No Rec

Paul Zhanoff No Rec

[Signature] / No Rec
Chair: signature and recommendation

Committee backup attached

Original sponsor(s): Rules/Governor

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 317 (Resources)

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 forest resources and practices
7 and to the management of forest lands; and providing
8 for an effective date."

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

10 * Section 1. AS 38.05 is amended by adding new sections to read:

11 Sec. 38.05.112. FOREST LAND USE PLANS. (a) The department may
12 not sell or harvest timber, except for isolated personal use timber
13 harvest, until a site-specific forest land use plan has been adopted.
14 A forest land use plan is required whether or not a regional or area
15 land use plan under AS 38.04.065(a) or a forest management plan under
16 AS 41.17.230 has been adopted.

17 (b) The commissioner shall base a forest land use plan on the
18 best available data, including information provided by other agencies
19 describing the immediate and long-term effects of individual and
20 collective forest activities on the timber base and on other resources
21 and uses.

22 (c) In addition to the requirements of AS 38.04.065(b), a forest
23 land use plan shall consider

24 (1) commercial timber harvesting, including related activ-
25 ities;

26 (2) harvesting of forest products for personal use;

27 (3) fish and wildlife habitat, including

28 (A) identification and protection of important wild-
29 life habitat;

1 (B) retention of riparian, wetland, and ocean-shore-
2 llae vegetation critical for fish and wildlife habitat; and

3 (C) classification of water bodies according to phys-
4 ical characteristics;

5 (4) uses of forest land for nontimber purposes, including

6 (A) recreation, tourism, and related activities;

7 (B) mining, mining claims, mineral leaseholds, and
8 material extraction;

9 (C) uses of fish and wildlife;

10 (D) agriculture, including grazing; and

11 (E) other resources and uses appropriate to the area,
12 including compatible traditional uses;

13 (5) soil characteristics and productivity;

14 (6) water quality; and

15 (7) watershed management.

16 (d) A management plan prepared by the commissioner must consider
17 and permit the uses described in (c) of this section. If the commis-
18 sioner finds that a permitted use is incompatible with one or more
19 other uses in a portion of a state forest, the commissioner shall
20 affirmatively state in the management plan that finding of incom-
21 patibility for the specific area where the incompatibility is antic-
22 ipated to exist and the time period when the incompatibility is antic-
23 ipated to exist together with the reasons for each finding.

24 Sec. 36.05.113. FIVE-YEAR SALE SCHEDULE. (a) The department
25 shall annually prepare a five-year schedule of timber sales planned on
26 all lands managed by the department. The schedule must be of suffi-
27 cient specificity that it provides a basis for the department to
28 allocate its resources in considering and designing sales and in
29 conducting economic and environmental analyses. The schedule must

1 inform the public and the timber products industry of long-term plans
2 and provide a basis for public comment.

3 (b) Except as provided in (c) of this section, a proposed sale
4 may not be held unless it has been included in the two five-year
5 schedules preceding the sale. This requirement does not apply until
6 one year after the first five-year schedule is prepared under this
7 section.

8 (c) The department may adopt regulations exempting small and
9 emergency sales from the requirements of this section.

10 * Sec. 2. AS 41.17.010 is amended to read:

11 Sec. 41.17.010. DECLARATION OF INTENT. The legislature declares
12 that

13 (1) the forest resources of Alaska are among the most
14 valuable natural resources of the state, and furnish timber and wood
15 products, fish and wildlife, tourism, outdoor recreation, water, soil,
16 air, minerals, and general health and welfare;

17 (2) economic enterprises and other activities and pursuits
18 derived from forest resources warrant the continuing recognition and
19 support of the state;

20 (3) the state has a fundamental obligation to ensure that
21 management of forest resources guarantees perpetual supplies of renew-
22 able resources, provides nonrenewable resources in a manner consistent
23 with that obligation, and serves the needs of all Alaska for the many
24 products, benefits, and services obtained from them;

25 (4) government administration of forest resources should
26 combine professional management services, regulatory measures, and
27 economic incentives in a complementary fashion, and should draw upon
28 the expertise of professional foresters in conjunction with other
29 disciplines;

1 (5) under the leadership of the Department of Environmental
2 Conservation as lead agency, the state should exercise its full re-
3 sponsibility and authority for control of nonpoint source pollution
4 with respect to the Federal Water Pollution Control Act, as amended;

5 (6) subject to AS 41.17.098(c), the provisions of this
6 chapter, and regulations adopted under this chapter, with the approval
7 of the Department of Environmental Conservation, establish the non-
8 point source pollution requirements under state law and sec. 319 of
9 the Clean Water Act for activities subject to this chapter;

10 (7) except for activities subject to AS 16.05.340 or 16.-
11 05.370 and regulations authorized by those sections, this chapter and
12 regulations adopted under this chapter establish the fish habitat
13 protection standards, policies, and review processes under state law
14 [SUBJECT TO 16 U.S.C. 1456(f) (SEC. 307(f) OF THE COASTAL ZONE MANAGE-
15 MENT ACT OF 1972, P.L. 92-583), THE PROVISIONS OF THIS CHAPTER SHALL
16 BE THE BASIS FOR FOREST MANAGEMENT STANDARDS, POLICIES, AND GUIDELINES
17 DEVELOPED UNDER THE ALASKA COASTAL MANAGEMENT ACT].

18 * Sec. 3. AS 41.17.041 is repealed and reenacted to read:

19 Sec. 41.17.041. BOARD OF FORESTRY. (a) The Board of Forestry
20 is established in the Department of Natural Resources, division of
21 forestry.

22 (b) The board is composed of nine members appointed by the
23 governor:

24 (1) a representative of a statewide commercial fishermen's
25 organization;

26 (2) a representative of a Native corporation established
27 under 43 U.S.C. 1601-1628 (Alaska Native Claims Settlement Act);

28 (3) a representative of an environmental organization;

29 (4) a representative of a forest industry trade

1 association;

2 (5) a professional fish or wildlife biologist who is not
3 employed in that capacity by a state, municipal, or federal government
4 agency, except for university employment;

5 (6) a professional forester who is not employed in that
6 capacity by a state, municipal, or federal government agency, except
7 for university employment;

8 (7) a representative of a statewide mining organization;

9 (8) a representative of a statewide recreational organi-
10 zation; and

11 (9) the state forester, who serves ex officio and without a
12 vote.

13 (c) The state forester is the presiding officer of the board and
14 shall, in consultation with the board, establish procedures for sched-
15 uling and organizing board meetings. Seven voting members of the
16 board constitute a quorum. Each decision of the board requires the
17 affirmative vote of each voting member present less one.

18 (d) A board member who is unable to attend a meeting may desig-
19 nate an alternate who possesses the same qualifications as the board
20 member.

21 (e) The division shall serve as staff to the board. The depart-
22 ment, the Department of Fish and Game, and the Department of Environ-
23 mental Conservation shall provide technical staffing and information
24 as needed by the board.

25 * Sec. 4. AS 41.17.047 is repealed and reenacted to read:

26 Sec. 41.17.047. POWERS AND DUTIES OF BOARD. (a) The board
27 shall review and comment to the commissioner on regulations proposed
28 for adoption under this chapter.

29 (b) The board shall provide a forum for representatives of

1 affected interests to discuss and attempt to resolve issues relevant
2 to this chapter and to the forest resources of the state.

3 (c) The board, working with the department, the Department of
4 Environmental Conservation, the Department of Fish and Game, other
5 affected agencies and parties, and the forest-dependent industries,
6 shall conduct an annual survey of research needs related to forest
7 practices. The board shall review research proposals and shall make
8 recommendations to promote research projects that would address these
9 needs to the governor and the legislature.

10 (d) The board shall coordinate the monitoring of the implementa-
11 tion and effectiveness of this chapter, the regulations, and best
12 management practices adopted under this chapter in meeting state water
13 quality standards, fish and wildlife habitat requirements, and other
14 forestry objectives. The board shall report annually to the
15 legislature and the governor on the effectiveness of this chapter and
16 regulations adopted under it, with its recommendations for changes and
17 for needed research and monitoring. The state forester, the
18 Department of Fish and Game, and the Department of Environmental
19 Conservation shall each present an annual report, independantly, to
20 the board on the effectiveness of this chapter, the regulations, and
21 best management practices adopted under this chapter that protect the
22 resources for which they have statutory responsibility, and shall make
23 recommendations for changes to correct procedural or substantive
24 problems. The board shall forward the reports to the legislature as
25 part of its annual report. The board shall hold hearings at least
26 once annually in southeast, southcentral, and interior Alaska for
27 purposes of taking public testimony on the subjects.

28 * Sec. 5. AS 41.17.055(d) is repealed and reenacted to read:

29 (d) The commissioner may develop regulations under this chapter

1 as part of the state program for control of nonpoint source pollution
2 under the Federal Water Pollution Control Act, as amended. However,
3 the Department of Environmental Conservation is the lead agency for
4 water quality and control of nonpoint source pollution under that Act,
5 and the regulations are therefore subject to the approval of the
6 commissioner of environmental conservation.

7 * Sec. 6. AS 41.17.060(b) is amended to read:

8 (b) With respect to state, municipal, and private forest land,
9 the following standards apply:

10 (1) to the maximum extent possible, all applicable data and
11 information of applicable disciplines shall be updated and used in
12 making decisions relative to the management of forest resources;

13 (2) environmentally sensitive areas [AND BEST MANAGEMENT
14 PRACTICES] shall be recognized in the development of regulations and
15 best management practices that are designed to implement [IMPLEMENTA-
16 TION OF ANY] nonpoint source pollution control measures authorized
17 under this chapter;

18 (3) administration of forest land shall consider marketing
19 conditions and other economic constraints affecting the forest land-
20 owner, timber owner, or the operator;

21 (4) to the fullest extent practicable, harvested forest
22 land shall be reforested, naturally or artificially, so as to result
23 in a sustained yield of merchantable timber from that land; if artifi-
24 cial planting is required, silviculturally acceptable seedlings must
25 first be available for planting at an economically fair price in the
26 state; and

27 (5) significant adverse effects of soil erosion and mass
28 wasting on water quality and fish habitat shall be prevented or min-
29 imized.

1 * Sec. 7. AS 41.17.060(c) is amended to read:

2 (c) With respect to state and municipal forest land only, the
3 following standards also apply:

4 (1) forest land shall be administered for the multiple use
5 of the renewable and nonrenewable resources and for the sustained
6 yield of the renewable resources of the land in the manner that
7 [WHICH] best provides for the present needs and preserves the future
8 options of the people of the state;

9 (2) a [ANY] system of allocating predominant uses or values
10 to particular units within a contiguous area of land shall reflect in
11 reasonable proportion the various resources and values present in that
12 area;

13 (3) to the extent its capacity permits, forest land shall
14 be administered so as to provide for the continuation of businesses,
15 activities, and lifestyles that [WHICH] are dependent upon or derived
16 from forest resources;

17 (4) timber harvesting is limited to areas where data and
18 information demonstrate that natural or artificial reforestation
19 techniques will result in the production of a sustained yield of
20 merchantable timber from that area;

21 (5) there may not be [ANY] significant impairment of the
22 productivity of the land and water with respect to renewable re-
23 sources; [AND]

24 (6) [WHERE ECONOMICALLY PRACTICABLE,] allowance shall [MAY]
25 be made for scenic quality in or adjacent to areas of substantial
26 importance to the tourism and recreation industry; and

27 (7) allowance shall be made for important fish and wildlife
28 habitat.

29 * Sec. 3. AS 41.17.070(b) is repealed and reenacted to read:

1 (b) To maintain a record of division decision making for public
2 and agency review, the commissioner shall compile and index each de-
3 cision made under this chapter regarding directives, stop work orders,
4 waivers from requirements, decisions of hearing officers, and deci-
5 sions on appeals. The commissioner shall submit a summary of this
6 record annually to the board.

7 * Sec. 9. AS 41.17.080 is repealed and reenacted to read:

8 Sec. 41.17.080. REGULATIONS. (a) The commissioner may adopt
9 regulations necessary to accomplish the purposes of this chapter under
10 AS 44.62 (Administrative Procedure Act) regarding forest practices
11 such as

- 12 (1) road construction and maintenance, including
13 (A) road location, construction, maintenance, and
14 post-operation management or removal;
15 (B) landing location and construction;
16 (C) drainage structures;
17 (D) material sources and spoil disposal sites;
18 (2) timber harvesting, including
19 (A) timber harvest unit planning and design;
20 (B) felling and bucking;
21 (C) cable yarding, shovel, tractor, and wheeled skid-
22 der systems;
23 (D) landing clean-up;
24 (E) slash disposal;
25 (3) log transfer, sort yards, and storage facilities,
26 including
27 (A) location, design, and construction;
28 (B) maintenance;
29 (C) closure;