

ALASKA LEGISLATURE

1591

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

For example: Typically high risk families show an incidence of reports to the Division of Family and Youth Services of 47% (Henry Kempe et. al studies), early results from current Healthy Families programs show reports to the Division of Family and Youth Services have dropped to 12%. Additional performance indicators have been developed and will continue to be monitored as the program matures.

Family and Youth Services Formula Programs

Healthy communities require services for children in need of aid, particularly for those in State custody. Within the Division of Family and Youth Services two different formula programs exist to provide these services.

Foster Care:

Children are placed in foster care only when their safety is threatened in their own homes and there is no other alternative available other than out of home placement. For FY98 the Governor's budget shows a growth rate of 4.5% for an increase of \$832.4. This is one of the primary safety nets for children who are abused and neglected.

Subsidized Adoption & Guardianship:

This program provides permanent homes for hard to place children who have been in permanent custody of the department for not less than one year. These are primarily children with physical, mental, or emotional disturbances who are recognized as high risk. The budget is based on a caseload growth of 11.4% for a cost of \$403.1 GF. Without this increase the department will be unable to place into permanent homes those children who are the hardest to serve.

COMPASS-Community Partnerships for Access, Support, and Solutions

Started in FY97, this initiative of the Children's Cabinet is continued in the FY98 budget. COMPASS stands for **COM**munity **P**artnerships for **A**ccess, **S**olutions and **S**uccess. The grants are for communities to plan for the delivery of integrated education, health and social services. Working with the Danforth Foundation a process has been established to provide assistance to communities for integrated planning.

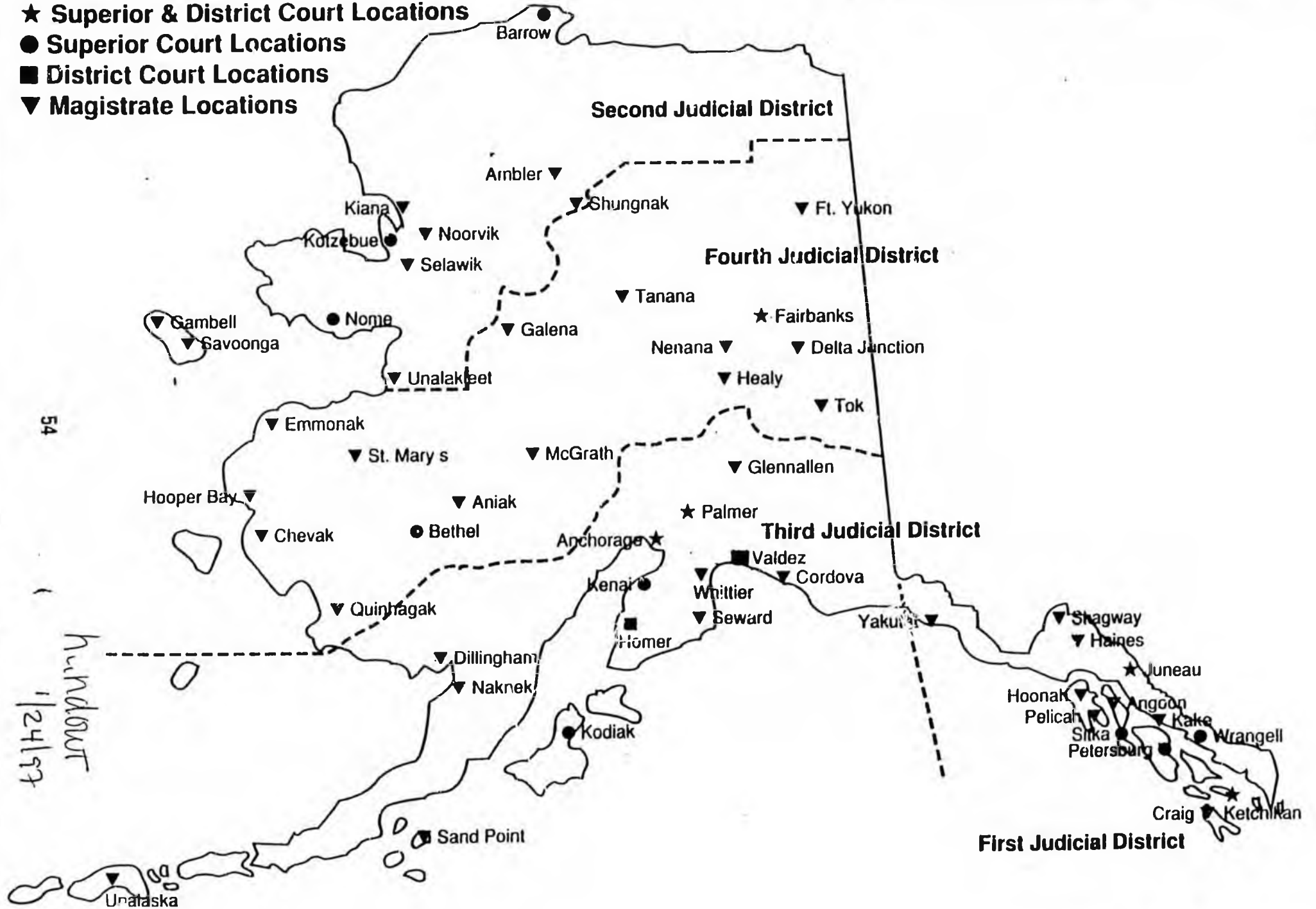
Thirteen different communities have received approval to continue in phase I of the program: Alakanuk, Fairbanks, Fairview, Kake, Kotzebue, Koyukuk, Mat-Su, Muldoon, Nome, Petersburg, Tanana, Tok and Yakutat. Phase I is a technical assistance phase and phase II is the implementation phase.

Alaska Children's Trust

FY98 is the first year that funds from the Alaska Children's Trust have been included in the state budget. \$390.0 is in the budget to further the goals of the Trust to support projects, that aid in the prevention of child abuse and neglect, exploitation, and delinquency, through grants.

ALASKA COURT LOCATIONS

- ★ Superior & District Court Locations
- Superior Court Locations
- District Court Locations
- ▼ Magistrate Locations



**Alaska Court System
FY 97 Operating Budget**

<u>Budget Category</u>	<u>Funding Amount</u>	<u>Percentage of Budget</u>
Personal Services	\$37,034,800	77.2%
<i>Classification</i>	<i>Positions</i>	<i>Costs</i>
<i>(PFTs & PPTs)</i>	<i>#</i>	<i>%</i>
Clerical - ranges 6 - 14	422	61.2%
Law clerk - ranges 13 - 15	52	7.5%
Semi-professional - ranges 15 - 20	48	6.7%
Manager - ranges 21 and above	37	5.4%
Magistrate	58	8.4%
Judge	74	10.7%
Totals	689	100.0%
<i>(Note on Costs: when salaries and benefits for Magistrates and Judges are excluded, Clerical salaries and benefits represent over 66% of the remaining personal services budget)</i>		
Travel	908,400	1.9%
Case-related travel (27%), jury meals and lodging (28%), administrative travel (20%) and employee training (25%)		
Contractual	8,833,800	18.4%
Jury, witness & professional fees (17%), space rental (24%), equipment rental (6%), subscriptions (11%), telephone & postage (12%), repairs & maintenance (22%) and other (8%)		
Supplies	792,400	1.6%
Office and library supplies		
Equipment	248,700	0.5%
Replacement office and courtroom equipment		
Leasehold Improvements	186,600	0.4%
Minor remodeling, painting and carpeting		
Total Budget	\$48,054,700	100.0%

Alaska Court System
FY 98 Operating Budget Request

FY 97 Authorized Budget	<i>(345 PFTs, 44 PPTs & 21 NPPs)</i>	\$48,104,700
Adjustment for 1.5% cost-of-living increase for FY 98		563,900
Transfer of certain vital statistics functions including 4 PFTs and grant funding to Department of Health & Social Services		<u>(243,000)</u>
FY 98 Adjusted Base		48,425,600
FY 98 Increments	<i>(an increase of 6.3% over the FY 98 adjusted base) (requesting 12 PFTs & 6 PPTs. Total of 18 new positions)</i>	<u>3,028,400</u>
FY 98 Request	<i>(653 PFTs, 50 PPTs & 21 NPPs)</i>	<u><u>\$51,454,000</u></u>

FY 98 Increments Summary *(organized by budget request unit)*

Statewide

Reduce personal services underfunding **\$475,600**

Personal services is severely underfunded. The Office of Management and Budget recommends that underfunding range from 4% to 7%. The court system's average underfunding is over 8%, which results in a shortfall of nearly \$3,000,000. The funding shortage requires the court to hold vacant positions open for 30 days, which delays the processing of cases and reduces service to the public. The court is requesting additional personal services funding to reduce the vacancy factor to 7%.

Appellate Courts

New positions

Systems Analyst, Anchorage, 18A, permanent full-time **65,000**

The Appellate Courts have led the rest of the court system in automating case processing. With computerization, these courts have not needed additional clerical staff to process their growing caseloads, but help is needed to maintain the computer systems.

Enhancements to computerized case management system **37,500**

Funding for equipment maintenance, software licensing and equipment replacement for the Appellate offices in Anchorage, Juneau and Fairbanks.

Alaska Court System
FY 98 Operating Budget Request

Administration

New positions **\$309,500**

Assistant Clerk, Anchorage, 8A, permanent part-time **\$17,000**

The court system is deluged with paperwork from the Executive Branch's retirement incentive program. Additionally, the heavy use of external recruitments has increased inquiries and the number of applications significantly.

Administrative Assistant, Anchorage, 12A, permanent full-time **\$41,800**

Improve efficiency of the professional staff in the Personnel Office.

Network Systems Analyst, Anchorage, 18A, permanent full-time **\$63,300**

and

Network Systems Analyst, Anchorage, 18A, permanent full-time **\$63,300**

With the Legislature's emphasis on computerizing the courts, heavy demands are placed on the court's computer services staff. Administrative staff has statewide responsibility for maintaining computer equipment and training and assisting computer users. This is a request for two positions.

Federal Compliance Officer, Anchorage, 16A, permanent full-time **\$56,200**

Monitor compliance with federal mandates and pursue federal grant funds for justice projects. Coordinate justice funding projects with the Executive Branch.

Facilities Supervisor, 20A, Anchorage, permanent full-time **\$67,900**

Staff position to monitor facility projects and the operation and maintenance of court facilities. The court system operates in 58 locations statewide.

Improve courthouse security statewide

1,431,800

Provide funding for 22 additional Department of Public Safety Court Security Officers (CSO). The growing number of domestic violence hearings and other potentially dangerous situations has raised concerns about the safety of the public and court staff. CSOs can be present for all potentially violent hearings, such as those involving out-of-custody defendants, domestic violence, contested divorces and other violent persons or situations.

Alaska Court System
FY 98 Operating Budget Request

Administration (continued)

Equipment funding for the Print Shop and Law Library **\$36,500**

The court system operates a high volume print shop that saves hundreds of thousands of dollars annually over the cost of commercial printing. Certain machines need replacement. The Law Library serves a growing number of pro per litigants, which necessitates the purchase of additional public seating and shelving.

Trial Courts

New positions **406,900**

First District

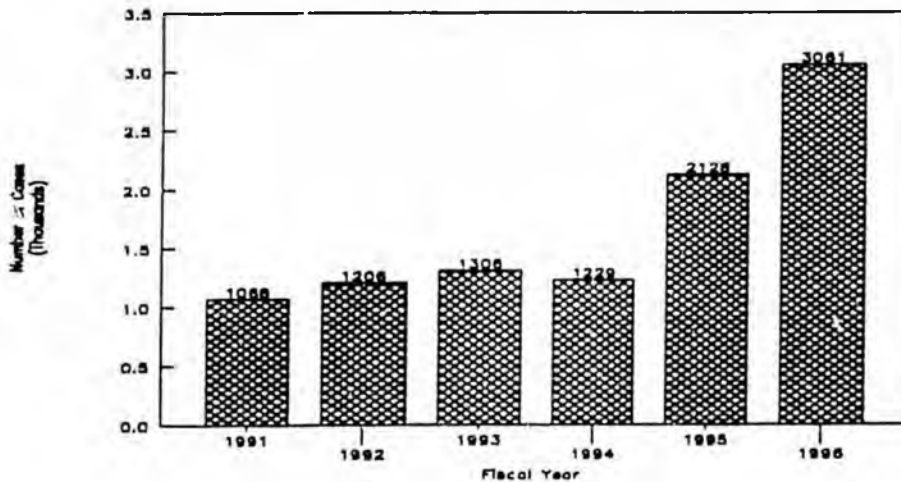
Library Assistant I, Juneau, 8A, permanent part-time **\$17,000**

The court has supported this function with temporary employees for the past 17 years. There is a high turnover rate for temporaries and permanent staff wastes time training new employees. The court has requested this position for many years.

Civil Clerk, Juneau, 10A, permanent full-time **\$37,700**

The position will provide support to the civil division. The Juneau district court civil caseload has increased 297% in the last four years and 77% in fiscal year 1996. Currently, the court has been using a vacant position from another court to cover the workload. In order to maintain service and process these cases in a timely manner, the new position is necessary.

Juneau Trial Courts
 Other Civil & Domestic Relations



Alaska Court System
FY 98 Operating Budget Request

Trial Courts (continued)

New positions (continued)

Third District

Law Clerk, Palmer, 13D, permanent full-time **\$53,600**

Position to support new superior court judge. Palmer is one of the busiest courts in the state, which reflects the dramatic increase in the area's population. Felony filings have increased 71% and other civil filings have increased 28% over the last four years.

Computer Clerk, Anchorage, 12A, permanent full-time **\$42,900**

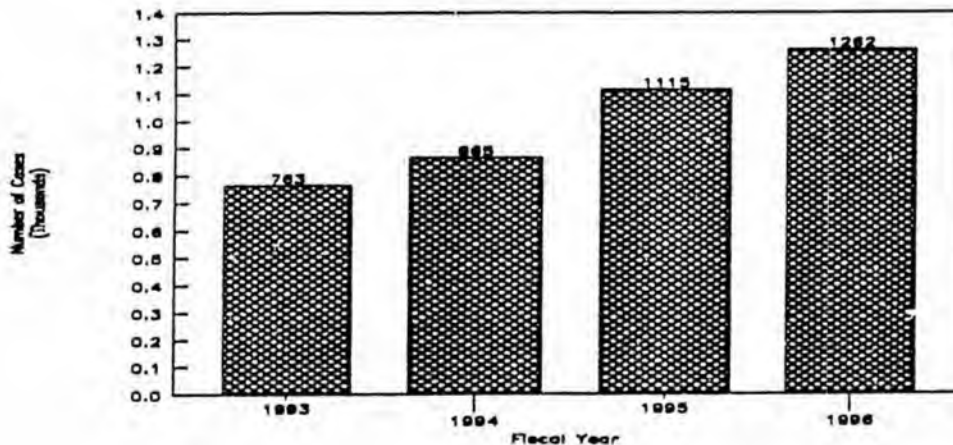
In recent years, the Legislature has recognized the need for fully automated courts and the related need for technical coordination between criminal justice agencies. Emphasis in this area has produced many benefits, including decreasing the need for new clerical positions while improving service to the public. To gain the fullest advantages of technology, additional computer staff is needed.

Family Court Master, Anchorage, 24A, permanent full-time **\$90,600**
and

In-Court Clerk, Anchorage, 12A, permanent full-time **\$41,800**

The case filings in the Family and Children's court have grown significantly over the last four years. New domestic violence laws required many more hearings.

Anchorage Trial Courts
Children's Matters Filings



Alaska Court System
FY 93 Operating Budget Request

Trial Courts (continued)

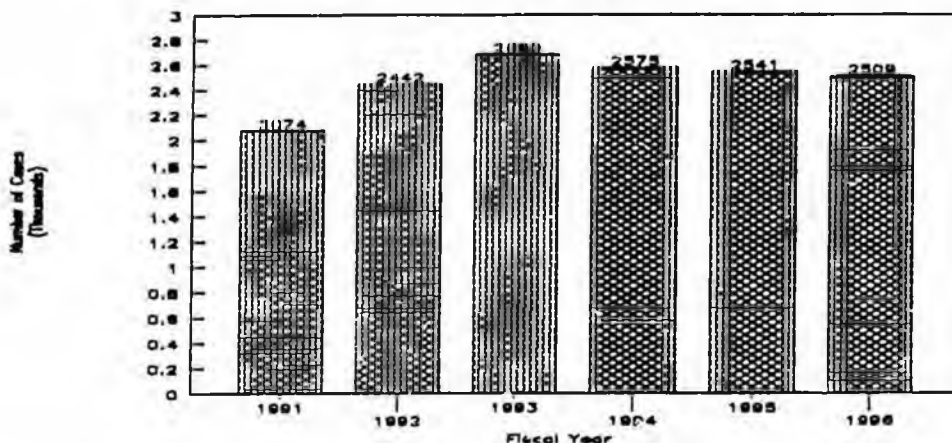
New positions (continued)

Third District

Domestic Violence Clerk, Anchorage, 10A, permanent full-time **\$37,700**

The expansion of Anchorage police force has greatly increased the number of domestic relations interventions. Clerk will provide assistance to the petitioners, which will allow the magistrate to attend to judicial proceedings.

Anchorage Trial Courts
 Domestic Violence Filings



Fourth District

Court Clerk I, Fourth District, 8A, permanent part-time **\$12,100**

With growing clerical needs in several Fourth Judicial District courts, this position will be used to augment staffing where most needed. Currently, the court with the greatest need is Bethel.

Supporting All Districts to comply with federal mandates

Standing Master, Anchorage, 24A, permanent part-time, 5 months **\$36,800**
and

In-Court Clerk, Anchorage, 12A, permanent part-time, 5 months **\$17,900**
and

Court Clerk II, Anchorage, 10A, permanent part-time, 6 months **\$18,800**

During the most recent session, legislation was passed which requires license revocation in the event that an individual is delinquent in child support payments. This law applies to certain occupational licenses and driver's licenses. The licensee may request a judicial review for these revocations.

Alaska Court System
FY 98 Operating Budget Request

Trial Courts (continued)

Unfunded Rent increases **\$87,300**

Since 1990, cost-of-living adjustments have increased space rents in the following locations: Aniak, Cordova, Galena, Haines, Homer, Hoonah, Kiana, Naknek, Petersburg, Sand Point, Unalakleet and Unalaska

Operations and maintenance funding for the Kenai Trial Courts **40,000**

The Kenai Trial Courts are underfunded for operation and maintenance of the facility. The shortfall is due to under-estimating the costs of operations during the planning of the facility.

Increase juror fees by \$2.50 to \$27.50 a day **103,000**

The current \$25 a day allowance for jury duty has not changed since 1981 despite a nearly 50% increase in the CPI. Jurors must pay for parking, child care, transportation and other costs while serving. Jury service impacts over 25,000 Alaskans each year. The court system has requested an increase in the fee to \$30 a day for many years. We are now requesting an incremental increase of 10% to \$27.50. The court will continue to request additional funding until the rate is increased to \$30 a day.

New equipment **15,300**

Funding for a replacement mail processor in Fairbanks

Leasehold improvements **20,000**

Funding to build separate witness and jury deliberation rooms in Delta Junction.

Total FY 98 Increments **\$3,028,400**

- (1) impose, as a condition of making the order, that the client give security, in form and amount to be directed, to satisfy the lien when determined in an action;
- (2) summarily inquire into the facts on which the claim of a lien is founded, and determine it; or
- (3) direct the trial of the controversy by a jury, or refer it, and upon the verdict or report determine it as in other cases. (§ 54-6-8 ACLA 1949)

NOTES TO DECISIONS

Security for release of files. — In cases where the attorney did not terminate the relation, the client cannot compel the attorney, or former attorney, to deliver up papers or documents on which the attorney has a retaining lien, unless the client pays the amount due the attorney, or furnishes adequate security for the payment of what may be due or subsequently found to be due the attorney. *Miller v. Paul*, 615 P.2d 615 (Alaska 1980).

Where the adequacy of the lien is not contested, courts have provided for a lien against the eventual proceeds of a lawsuit as security for turning over files in an attorney's possession. *Miller v. Paul*, 615 P.2d 615 (Alaska 1980).

In determining what constitutes adequate security for relinquishment, the trial court should consider a number of factors and set forth the basis for the decision. *Miller v. Paul*, 615 P.2d 615 (Alaska 1980).

Factors to be weighed in determining what security, if any, should be required for release of files should include, among others (a) whether there was just cause for discharging the attorney; (b) whether the

attorney initiated the withdrawal; (c) the client's ability to provide security or to pay the fee; (d) the importance of the files to the client; (e) the ethical obligations of an attorney; (f) whether the fee is disputed, and, if so, the reasonable amount of any lien to be charged; (g) whether the amount due the attorney is contingent or fixed; and (h) whether part of the sum due is for costs advanced by the attorney which may justify reimbursement before ordering release of the files. *Miller v. Paul*, 615 P.2d 615 (Alaska 1980).

A trial court may exercise its discretion in determining whether it is just to require a client's home to be encumbered as a condition for release of an attorney's files under certain circumstances. However, only in an extreme case would the requirement of encumbering a home be justified. Under AS 09.35.090 (now see AS 09.38.010), the Alaska legislature has, with certain exceptions, exempted homesteads from judicial sale, evincing a policy in favor of preserving rights to a homestead. *Miller v. Paul*, 615 P.2d 615 (Alaska 1980).

Quoted in *In re Sea Catch, Inc.*, 36 Bankr. 226 (Bankr. D. Alaska 1983).

Article 3. Commissioner of Public Safety.

Section

100. Duty of the commissioner in the supreme court
110. Duty of the commissioner in the court of appeals, the superior court, and district courts

Section

120. General authority and duty of the commissioner
130. Assistance for commissioner
140. Definitions

Sec. 22.20.100. Duty of the commissioner in the supreme court. The commissioner is the executive officer of the supreme court and shall serve and execute all process issued by the supreme court or a justice of the supreme court, and shall attend the supreme court, and has the authority necessary for the execution of these duties. (§ 2 ch 95 SLA 1960; am § 21 ch 71 SLA 1972)

Sec. 22.20.110. Duty of the commissioner in the court of appeals, the superior court, and district courts. When required by the supreme court, and except as otherwise provided in AS 18.66.160, the commissioner shall serve and execute all process issued by the court of appeals, the superior court, and the district courts; attend to and wait upon grand and petit juries; maintain order; attend the sessions of the courts; and exercise the power and perform the duties concerning all matters within the jurisdiction of the courts as may be assigned. The commissioner is the executive officer of the court of appeals, the superior court, and district courts. (§ 3 ch 95 SLA 1960; am § 17 ch 12 SLA 1980; am § 2 ch 27 SLA 1986; am § 37 ch 64 SLA 1996)

Effect of amendments. — The 1986 amendment inserted "and except as otherwise provided in AS 25.35.040," in the first sentence and made minor punctuation changes throughout the section.

The 1996 amendment, effective July 1, 1996, made a section reference substitution near the beginning of the first sentence.

Sec. 22.20.120. General authority and duty of the commissioner. The authority necessary for the lawful performance of the duties of execution of service of process, seizure and detention of property, the sale of property forfeited or levied upon, and arrest of persons, in connection with civil matters, is vested in the commissioner. Any court of the state issuing any process may direct the process for execution of service to the commissioner or the designee of the commissioner. (§ 4 ch 95 SLA 1960; am § 22 ch 71 SLA 1972)

Legislative history reports. — For report on ch. 71, SLA 1972 (HCSSB 383 am H), see 1972 House Journal, p. 898.

Sec. 22.20.130. Assistance for commissioner. (a) The commissioner shall be assisted in the execution of the authority and duty vested by AS 22.20.100 — 22.20.140 by members of the division of state troopers or Alaska state constabulary who the commissioner designates. The commissioner is responsible on official bond for the acts of all persons designated under this subsection. The persons designated under this subsection have the same authority and duty granted to the commissioner and are subject to orders of the courts of the state in the same manner as the commissioner. They are responsible to the commissioner and to the courts, and shall be executive officers of the courts.

(b) The commissioner has the responsibility of providing sufficient personnel to effectively execute the authority and duty vested by AS 22.20.100 — 22.20.140, and shall adopt the necessary regulations within the Department of Public Safety for the efficient direction, control and discipline of the members designated by the commissioner under this section. (§ 5 ch 95 SLA 1960; am § 10 ch 117 SLA 1968)

Sec. 22.20.140. Definitions. In AS 22.20.100 — 22.20.140

- (1) "commissioner" means the commissioner of public safety;
- (2) "district courts" includes sessions presided over by a magistrate;
- (3) "process" means any summons, writ, process, order, or subpoena. (§ 1 ch 95 SLA 1960; am § 34 ch 8 SLA 1971)

Article 4. Judicial Council.

Section

200. DNA evidence information

Effective dates. — Section 1, ch. 10, SLA 1995, which enacted this article, took effect January 1, 1996.

Sec. 22.20.200. DNA evidence information. The judicial council shall periodically review and distribute information relevant to the technical, legal, and scientific use of deoxyribonucleic acid (DNA) profiles in criminal proceedings to

- (1) judges and magistrates;
- (2) the Department of Law;
- (3) the Public Defender Agency;
- (4) the office of public advocacy. (§ 1 ch 10 SLA 1995)

Editor's notes. — Section 3, ch. 10, SLA 1995 provides that this section "applies to all convictions occurring on or after January 1, 1996 for a crime against a person, as that term is defined in AS 44.41.035."

Agency

Overviews:

Governor ;

DOT

40
HF IN

FILE

**OFFICE OF THE GOVERNOR
FY98 Operating Request**

**Commissions & Special
Offices BRU
1760.7**

FED 122.8
GF 1231.0
I/A 406.9

**Human Rights
Commission
18 PFT 1 PPT Anchorage**

**Human Resource
Investment Council
4 PFT Anchorage**

**Executive Operations
BRU
8772.6**

FED 110.0
GF 8657.7
GF/PR 4.9

**Executive Office
51 PFT 2 Tmp Juneau
7 PFT 1 Tmp Anchorage
3 PFT Fairbanks
6 PFT 1 Tmp Wash. DC**

**Governor's House
4 PFT Juneau**

Contingency Fund

**Lieutenant Governor
10 PFT 1 Tmp Juneau**

**Equal Employment
Opportunity
4 PFT Anchorage**

**Office of Management &
Budget BRU
6549.5**

FED 2690.0
GF/MTCH 1297.7
GF 2561.8

**Office of Management &
Budget
25 PFT 2 PPT Juneau**

**Governmental Cooro.
17 PFT 1 Tmp Juneau
7 PFT Anchorage**

**Elective Operations
BRU
1984.6**

GF 1984.6

**Elections
12 PFT Juneau
5 PFT Anchorage
2 PFT 1 PPT Fairbanks
2 PFT Nome**

**Gen/Prim Elections
1 PFT Juneau
14 Tmps. Statewide**

**OFFICE OF THE GOVERNOR
FY98 Budget Request Summary**

BRU	FY97 Authorized	PCNs	FY98 Base	PCNs	FY98 Request	PCNs	Inc/Dec.
Commissions & Spec. Offices							
HRC	121.1 Fed 1,093.4 GF	17 PFT 1 PPT	122.8 Fed 1,111.2 GF	17 PFT 1 PPT	122.8 FED 1,231.0 GF	18 PFT 1 PPT	0.0 119.8 GF 1 PFT
AHRIC	161.3 Fed 240.7 VA	4 PFT	0.0 Fed 406.9 VA	4 PFT	0.0 Fed 406.9 VA	4 PFT	0.0 0.0
Executive Operations							
Exec. Office	102.8 Fed 7,629.2 GF 9.8 GF/PR	68 PFT 4 Tmp	102.8 Fed 6,744.9 GF 4.9 GF/PR	67 PFT 4 Tmp	110.0 Fed 6,725.4 GF 4.9 GF/PR	67 PFT 4 Tmp	7.2 Fed (19.5) GF * 0.0
Gov. House	345.6 GF	4 PFT	322.6 GF	4 PFT	322.6 GF	4 PFT	0.0
Cont. Fund	650.0 GF		450.0 GF		450.0 GF		0.0
Lt. Governor	949.3 GF	10 PFT 1 Tmp	884.2 GF	10 PFT 1 Tmp	882.2 GF	10 PFT 1 tmp	(2.0) GF *
North Slope	472.9 GF		0.0 GF		0.0 GF		0.0
EEO	308.0 GF	4 PFT	277.7 GF	4 PFT	277.5 GF	4 PFT	(0.2) GF *
Management & Budget							
OMB	0.0 GF		2,481.3 GF	25 PFT 2 PPT	2,352.1 GF	25 PFT 2 PPT	(121.5) GF (7.7) GF *
OOD	565.9 GF	4 PFT 1 PPT	0.0 GF		0.0 GF		0.0
DBR	1,099.6 GF	13 PFT	0.0 GF		0.0 GF		0.0

OFFICE OF THE GOVERNOR - continued

BRU	FY97 Authorize	PCNs	FY98 Base	PCNs	FY98 Request	PCNs	Inc/Dec.
Management & Budget (continued)							
DAMS	780.7 GF	7 PFT 1 PPT	0.0 GF		0.0 GF		0.0
DGC	3,071.0 Fed 1,521.3 GF/Mt 482.9 GF	25 PFT 1 Tmp	2,875.5 Fed 1,513.1 GF/Mt 260.4 GF	25 PFT 1 Tmp	2,690.0 Fed 1,297.7 GF/Mt 209.7 GF	24 PFT 1 Temp	(185.5) Fed (1) PFT (215.4) GF/Mt (43.7) GF (7.0) GF *
Elective Operations							
Elections	1,646.1 GF	21 PFT 1 PPT	1,669.5 GF	21 PFT 1 PPT	1,667.9 GF	21 PFT 1 PPT	(1.6) GF *
Gen/Prim	2,212.0 GF	1 PFT 43 Tmp	2,215.4 GF	1 PFT 43 Tmp	316.7 GF	1 PFT 14 Tmp	(1,895.6) GF (3.1) GF * (29) Tmp
Department Totals:	23,463.6	178 PFT 4 PPT 49 Tmp	21,443.2	178 PFT 4 PPT 49 Tmp	19,067.4	178 PFT 4 PPT 20 Tmp	(2,375.8) (29) Tmp
Funding Source	3,456.2 Fed 1,521.3 GF/Mt 18,235.6 GF 9.8 GF/Pr 240.7 I/A		3,101.1 Fed 1,513.1 GF/Mt 16,417.2 GF 4.9 GF/Pr 406.9 I/A		2,922.8 Fed 1,297.7 GF/Mt 14,435.1 GF 4.9 GF/Pr 406.9 I/A		(178.3) Fed (95.6) GF/Mt (206.3) GF (1,895.6) GF (Gen/Prim)

* Department total Business Efficiencies Reduction (41.1) GF

**State of Alaska
Department of Transportation and Public
Facilities**

FY98 Budget Overview



January 1997

**Tony Knowles, Governor
Joseph L. Perkins, Commissioner**

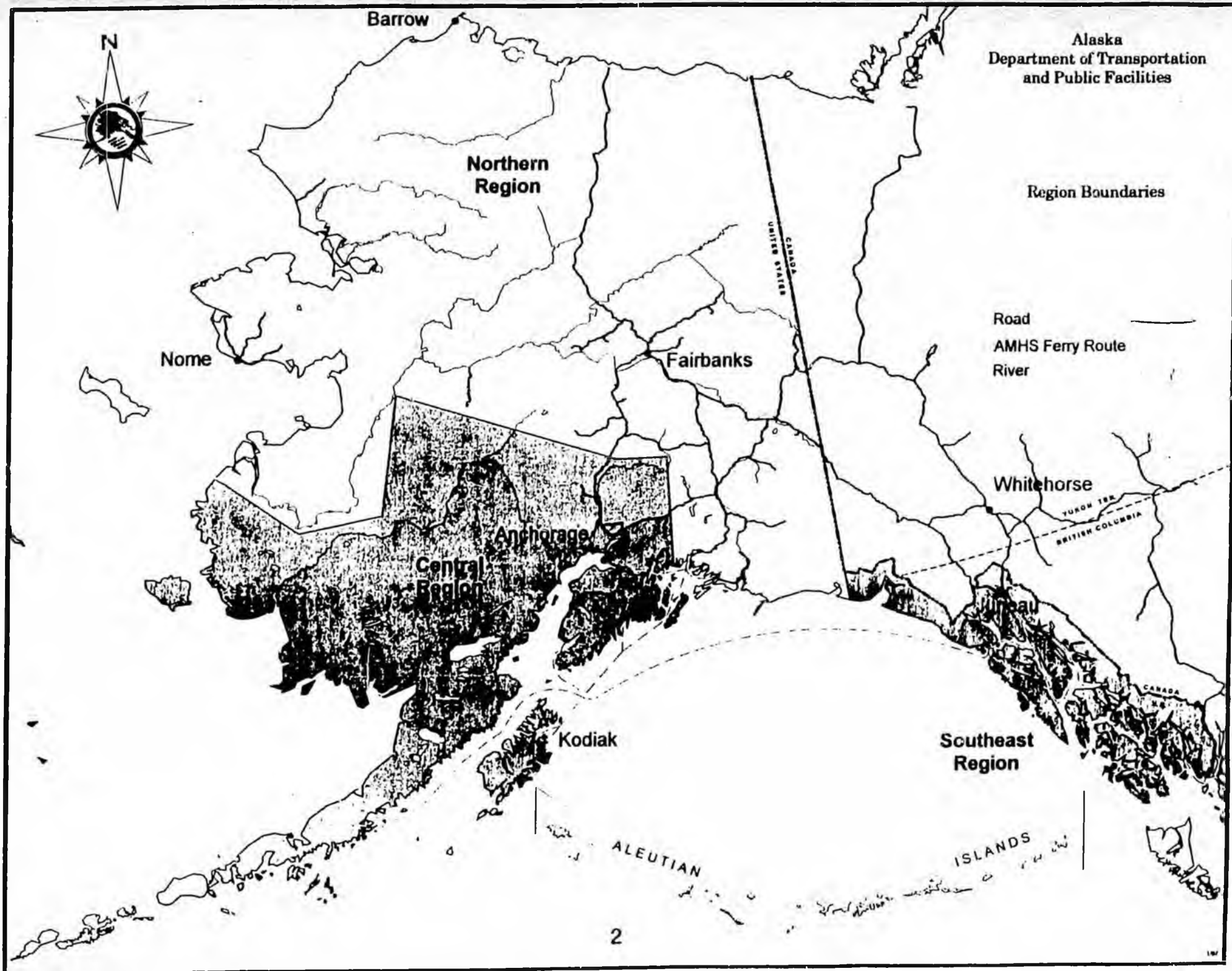
Table of Contents

	Page
Department's Mission Statement	1
Map of Region Boundaries	2
Department Organizational Chart	3
Department Organization and Duties	4
Region and System Fact Sheets	7
ADOT&PF Responsibilities	12
Amazing Transportation Facts	13
Budget Information	
FY97 Capital and Operating Budget - Total Funds by Function	14
FY98 Operating Budget by Fund Source	15
FY98 Operating Budget - General Funds by Function	16
FY83 - FY98 General Fund Operating Budget Comparison	17
FY85 - FY98 Operating Budget Authorized Positions	18
FY98 Positions by Function	19
FY97 Authorized/FY98 Governor's Request Comparison	20
FY97 and FY98 Reductions and Costs Absorbed	21

Department of Transportation and Public Facilities

Mission:

Improve the quality of life for Alaskans by cost effectively providing, operating and maintaining safe, environmentally sound and reliable transportation systems and public facilities. Special emphasis will be given to utilizing meaningful public involvement and creating working partnerships with other entities.



**Department of Transportation and Public Facilities
DESCRIPTION OF ORGANIZATION AND DUTIES**

The following is a general description of the major divisions and offices within the Department:

Office of the Commissioner

Commissioner's Office is responsible for the executive leadership and direction of the department, to provide policy contact with the public, and to provide the department liaison with the Legislature. Within this office is the Office of the Disadvantaged Business Enterprise/External Equal Employment Opportunity (DBE/EXEEO) which promotes the participation of minority and women contractors, employees and trainees on federal contracts. DBE also monitors Americans with Disabilities Act compliance. The Internal Review Office evaluates department programs, assists in the annual single audit of agency operations, reviews concessions and grantees, and performs contract pre-award evaluations, final audits of consultant contracts, and system audits of utility companies.

Administrative Services Division

Statewide Administrative Services is responsible for policies and procedures for accounting, personnel, payroll, operating budget, procurement and information processing systems. The Division also handles billing of federal agencies, develops the cost allocation plan, processes procurement bids, maintains local and wide area network systems, and administers the internal EEO program including preparation of the annual Affirmative Action Plan.

The Headquarters State Equipment Fleet (SEF) is responsible for establishing and monitoring rental rates for state equipment, providing policy direction and guidance for equipment repair, use and replacement, monitoring the Highway Working Capital Fund, procuring the state fleet, and disposing of excess equipment.

Division of Planning

Statewide Planning is responsible for coordination and submission of the department's capital program, tracking and obligating Federal Highway Administration funding, providing federally required statistical, cartographic and other technical services, and gathering and disseminating information concerning Alaska transportation systems.

Division of Statewide Aviation, Leasing & Airport Administration

Statewide Aviation is responsible for developing and implementing aviation policy; coordinating statewide Aviation Capital Improvement Program; insuring airports are in compliance with FAA regulations for certification, security, environmental compliance, and safety; developing policies and regulations for airport right-of-way acquisition and certification; and developing airport leasing policies and setting lease rates.

Division of Engineering and Operations

Engineering and Operations provides uniform statewide policy and management oversight for design, construction, maintenance, and environmental issues relating to highways, airports, harbors and buildings. The Division also provides support and technical assistance to the regions for all capital improvement projects especially related to bridge design, inspection and management, materials quality control and inspections, foundation investigations, pavement management, harbors, right of way appraisal reviews, environmental reviews and assessments. Additionally, this Division coordinates statewide research projects and provides training and educational services for private and government transportation professionals.

Regional Offices

There are three regional offices within the state. They are located in Anchorage (Central), Fairbanks (Northern) and Juneau (Southeast). Each office contains the following areas of responsibility:

Administrative services including processing of accounting, personnel, payroll, and procurement transactions, mail services, and regional budget development.

Planning sections identify and analyze potential capital projects within the region, develop regional capital programs, conduct public involvement and local government coordination activities, review and comment on statewide policy development, the Statewide Transportation Plan, and the Statewide Transportation Improvement Program, collect highway data for federal monitoring and reporting, and monitor and close-out capital projects.

Engineering management sections provide general management and administrative support for capital projects including reporting, budget control, contract management, protection of state title and land interests, and insuring compliance with Federal requirements. These sections also address right of way issues as requested by the public.

Design and construction (CIP) sections oversee the design and construction of safe, environmentally sound, and cost effective capital projects. This is accomplished either through department staff or contract management.

Highways and aviation maintenance and operations (M&O) sections are responsible for maintenance of the highway and rural airport systems and their related facilities. This includes summer (e.g., brushing, grading, pothole repair, chip sealing, etc.), winter (e.g., snow removal, deicing, etc.) and full year activities (e.g., airport lighting, airport rescue and firefighting, etc.).

Facilities maintenance sections are responsible for the upkeep of state owned facilities. This includes utilities, janitorial services, emergency repairs, snow removal, elevator maintenance, major maintenance, and routine scheduled and preventative maintenance. This section also manage contracts for renovations and remodeling to accommodate changed program needs.

Leasing and property management sections are responsible for lease property at rural airports, building permit applications related to leases and concessions, appraisals, and lease of state harbors to political subdivisions.

State equipment fleet sections are responsible for maintenance, fuel, and parts for all state vehicles whether rented from the Highway Working Capital Fund or maintained on a reimbursable basis.

International Airports

Anchorage and Fairbanks International Airports form the Alaska International Airport System and provide commercial and general aviation airport facilities and services on a 24 hour, 365 days a year basis. This includes providing maintenance of runways, taxiways, aircraft and vehicle parking areas, roadways, equipment, terminal buildings and other associated buildings. The airports also provide aircraft rescue and firefighting, structural firefighting, emergency medical services, traffic control, communications, maintenance, terminal services, financial management, marketing and development of long term airport land and facility maintenance and use plans.

The International Airports Controller's Office is responsible for developing consistent financial policy for the Alaska International Airport System (AIAS), setting uniform rates and fees in accordance with the current Airport-Airline Operating Agreement, monitoring the financial activity of AIA and FIA, coordinating the annual audit of the International Airport Revenue Fund, and providing technical management and maintenance of the AIAS computer systems.

Alaska Marine Highway System

The Marine Highway System is responsible for the management of the state's ferry fleet. The administration of this system includes planning, schedule development, budget preparation, oversight of information systems, revenue collection, finance and accounting, procurement of goods and services, labor relations and contract negotiations, personnel and dispatch.

The shore operations section is responsible for management of passenger and terminal operations, reservations, ticketing, crewing for the eight (8) vessels, on-board service inspections, safety and regulatory requirements, training, and schedule management.

The engineering section manages the maintenance programs for the vessels, terminals and other shore facilities, provides technical support for long range planning, project control, annual vessel overhauls, material inspection and quality assurance, and assures compliance with federal specifications.

Vessel operations oversees the piloting, docking, loading and unloading, mechanical operations and repairs, food service, laundry, cleaning and general administration on the vessels.

CENTRAL REGION

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

The Regional Director and the region-wide functions of Planning, Administrative Services, Design and Construction, Maintenance and Operations, and Leasing and Property Management are located in Anchorage

CENTRAL REGION FACTS AND FIGURES

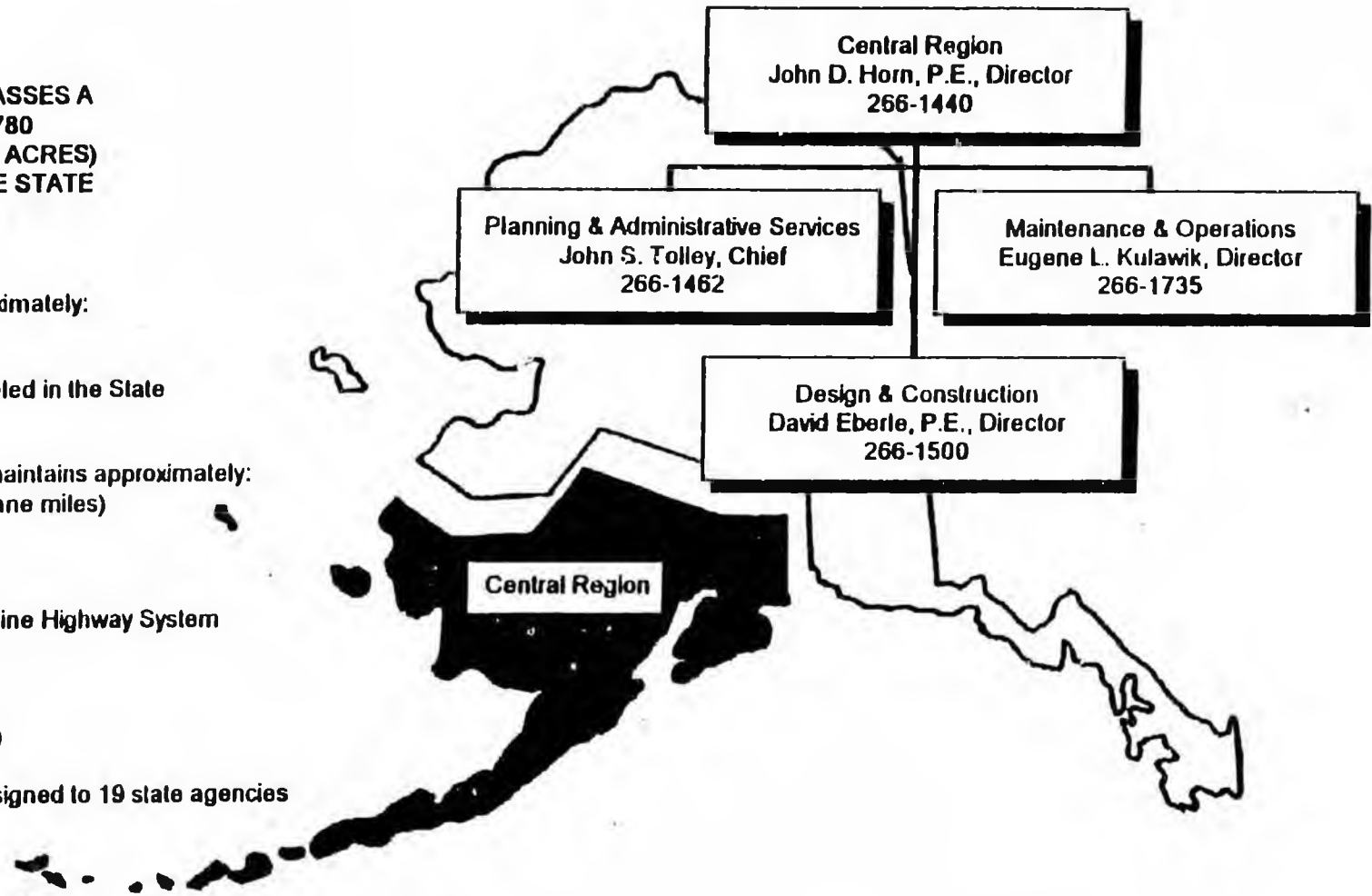
CENTRAL REGION ENCOMPASSES A GEOGRAPHIC AREA OF 181,780 SQUARE MILES (117 MILLION ACRES) WHICH IS LARGER THAN THE STATE OF CALIFORNIA.

Central Region includes approximately:

- * 28% of Alaska's land area
- * 65% of State's population
- * 64% of the vehicle miles traveled in the State

Central Region operates and maintains approximately:

- 1,900 miles of roads (4,495 lane miles)
 - 60% are paved
 - 12% are urban roads
 - 75% are rural roads
 - 12% are on the Alaska Marine Highway System
- 202 public buildings
- 227 bridges
- 20 harbors
- 103 airports (819 lane miles)
 - 11 certificated airports
- 3,411 pieces of equipment assigned to 19 state agencies



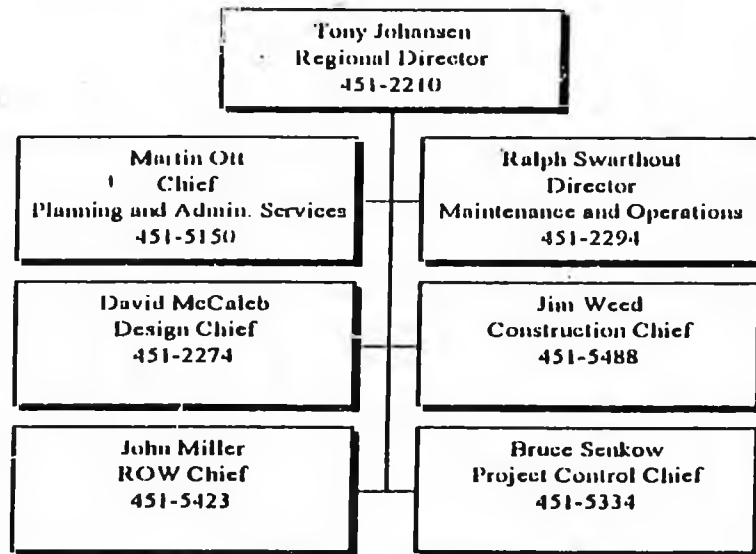
Central Region Communities include:

Anchorage	Chenega	Dillingham	King Cove	Palmer	St. George	Ugashik
Aniak	Chevak	Homer	King Salmon	Sand Point	St. Paul	Unalaska
Alka	Chignik	Iliamna	Kodiak	Seward	Talkeetna	Wasilla
Bethel	Cold Bay	Kenai	McGrath	Soldotna	Togiak	Willow

Northern Region Facts and Figures

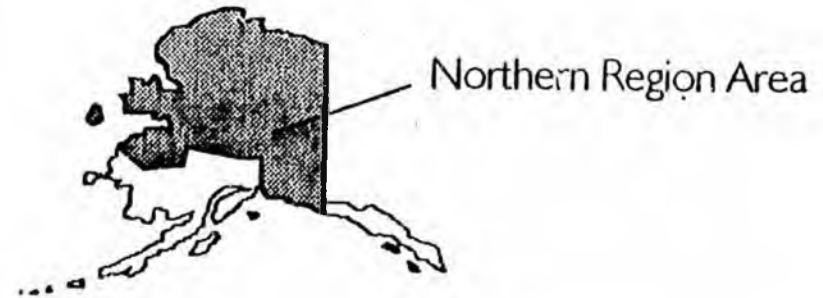
The Regional Director and the region wide functions of Planning, Administrative Services, Design and Construction, Maintenance and Operations, and Airport Leasing are located in Fairbanks. There are also district offices in Nome and Valdez.

Northern Region Organizational Chart



Typical Communities:

Anderson	Deadhorse	Galena	Nome	Savoonga
Alakanuk	Delta Jct.	Gambell	North Pole	Selawik
Barrow	Eagle	Glennallen	Pilot Stn.	Stebbins
Cantwell	Emmonak	Kotzebue	Pt. Hope	Tok
Central	Fairbanks	Manley	Ruby	Unalakleet
Cordova	Ft. Yukon	Nenana	St. Mary's	Valdez



Northern Region encompasses 416,000 square miles (266 million acres) which is larger than the combined states of California, Nevada and Arizona.

Northern Region includes approximately:

- 65% of Alaska's land area
- 24% of the State's population
- 60% of Alaska's state-maintained road miles

Northern Region Maintenance Responsibilities

Northern Region maintains and operates approximately:

3,400 miles of roads

- 42% are paved
- 57% are unpaved roads
- 1% are on the National Highway System

350 public buildings

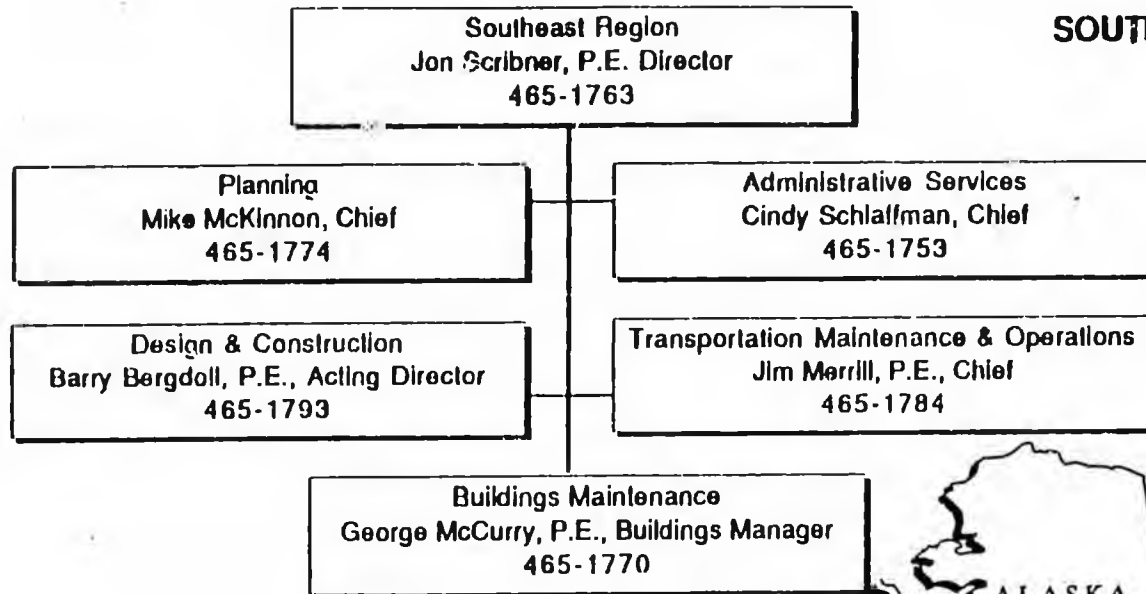
411 bridges

106 airports

2,600 pieces of equipment

SOUTHEAST REGION DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

The Regional Director and the regionwide functions of Planning, Administrative Services, Design and Construction, Maintenance and Operations, and Airport Leasing are located in Juneau. Maintenance has 11 stations located throughout Southeast Region.



SOUTHEAST REGION FACTS AND FIGURES:

Southeast Region encompasses approximately

- 42,000 square miles of land area including extensive inland waterways

Southeast Region maintains and operates approximately:

- 539 center-line miles of roads (1,285 lane miles)
- 43 public buildings (1 million square feet)
- 55 harbors/dock
- 6 non-certified airports
- 5 certified airports
- 32 seaplane floats
- 950 pieces of equipment
- 120 bridges



Communities Served:

Angoon
Craig
Gustavus

Haines
Hoonah
Hydaburg

Hyder
Juneau
Kake

Saxman
Whale Pass
Excursion Inlet
Pelican

Ketchikan
Klawock
Klukwan

Port Protection
Point Baker
Myers Chuck

Mellakata
Petersburg
Sitka

Elfin Cove
Tenakee Springs
Baranof Warm Springs

Skagway
Thorne Bay
Wrangell

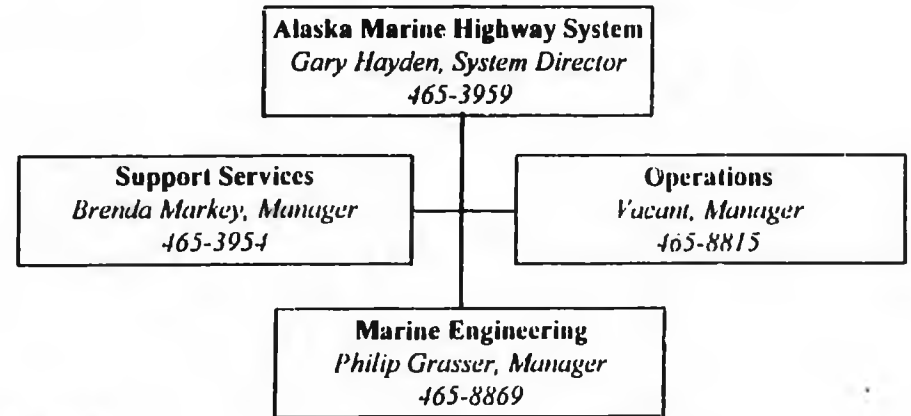
Yakutat

ALASKA MARINE HIGHWAY SYSTEM

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

- **8 vessels**
 - » 4 Mainline Southeast
 - » 2 Feeder Routes
 - » 2 Southwest/Southcentral
- **New vessel under construction**
 - » Delivery expected May 1998
 - » Capable of serving southeast & southwest ports
- **35 ports**
 - » Representing 110,000 Alaskans
 - » Southern terminus at Bellingham, Washington
 - » Links to Canada at Stewart & Prince Rupert, B.C.
- **3,700 route miles**
 - » 1,911 miles designated National Highway System

The Director and the system-wide functions of Support Services, Operations, and Marine Engineering are located in Juneau.



Southwest Alaska Communities Served

Akutan, Chenega Bay, Chignik, Cold Bay, Cordova, False Pass, Homer, King Cove, Kodiak and Borough area, Port Lions, Sand Point, Seldovia, Seward, Tatitlek / Ellamar, Unalaska / Dutch Harbor, Valdez, Whittier, Yakutat



Southeast Alaska Communities Served

Angoon, Bellingham, Haines and Borough area, Hollis (serving Coffman Cove, Craig, Hydaburg, Kasaan, Klawock, Thorne Bay, Whale Pass & other POW Island communities), Hoonah, Hyder, Juneau and Borough area, Kake, Ketchikan and Borough area, Metlakatla and Annette Island, Pelican, Petersburg (serving Kupreanof), Sitka and Borough area, Skagway, Tenakee Springs, Wrangell

Other U.S. and Canadian ports

Bellingham, Washington; Prince Rupert, B.C., Stewart, B.C.

ALASKA INTERNATIONAL AIRPORT SYSTEM
Department of Transportation & Public Facilities

ANCHORAGE INTERNATIONAL AIRPORT
 266-2525

Anchorage International Airport
Morton Plumb, Director

Aviation Operations
Corky Caldwell, Manager

Passengers enplaned (FY96) 2,050,660
 Passenger aircraft landings 55,474
 Cargo aircraft landings 26,552

Passenger Operations include:

Alaska Airlines	America West	Continental Airlines	Delta Air Lines	Era Aviation
Frontier Flying Service	Northwest Airlines	Peninsula Airways	Reno Air	Reeve Aleutian
South Central Air	United Airlines	Yute	Aeroflot	Air China
Asiana Airlines	Cathay Pacific	China Airlines	Eva Air	Korean Air
Rich Int'l Airways	Sun Country Airlines	Balair	Condor	World Airways

Cargo Operations include:

Alaska Airlines	Empire Airlines	Era Aviation	Northern Air Cargo	South Central Air
Air China	Air Hong Kong	American Transport	Asiana Airlines	Atlas Air
Cathay Pacific	China Air	Eva Air	Evergreen Int'l	Federal Express
Japan Airlines	Korean Air	Nippon Cargo	Northwest Airlines	Polar Air Cargo
Singapore Airlines	Southern Air Trans	United Parcel Service		

FAIRBANKS INTERNATIONAL AIRPORT
 474-2507

Fairbanks International Airport
Doyle Ruff, Manager

Aviation Operations
Jim Forenzi, Manager

Passengers enplaned (FY96) 377,556
 Passenger aircraft landings 21,916
 Cargo aircraft landings 6,751

Passenger Operations include:

Air North	Alaska Airlines	Delta	Frontier Flying Service	Larry's
Northwest Airlines	Reno Air	Tanana Air	Warbelows	Wrights Air Service
40 Mile Air				

Cargo Operations include:

Air France	Cargolux	Lufthansa
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ALASKA INTERNATIONAL AIRPORT SYSTEM

John Unger, Controller
 266-2541

ADOT&PF Responsibilities

Roads and Highways

- 2,100 Miles of National Highway System
- 3,500 Miles state and community roads
- 900 bridges
- 14,400 lane miles

Airports

Operate 266 airports including:

- 2 International Airports
- 25 certificated airports (30+ passenger aircraft)
- 102 seaplane bases

Buildings

- 625 Buildings
- 3 million square feet

Alaska Marine Highway System

- 8 vessels; 1 under construction
- 35 ports
- 3,700 route miles

Ports and Harbors

- 97 harbor facilities
- 10,700 mooring slips

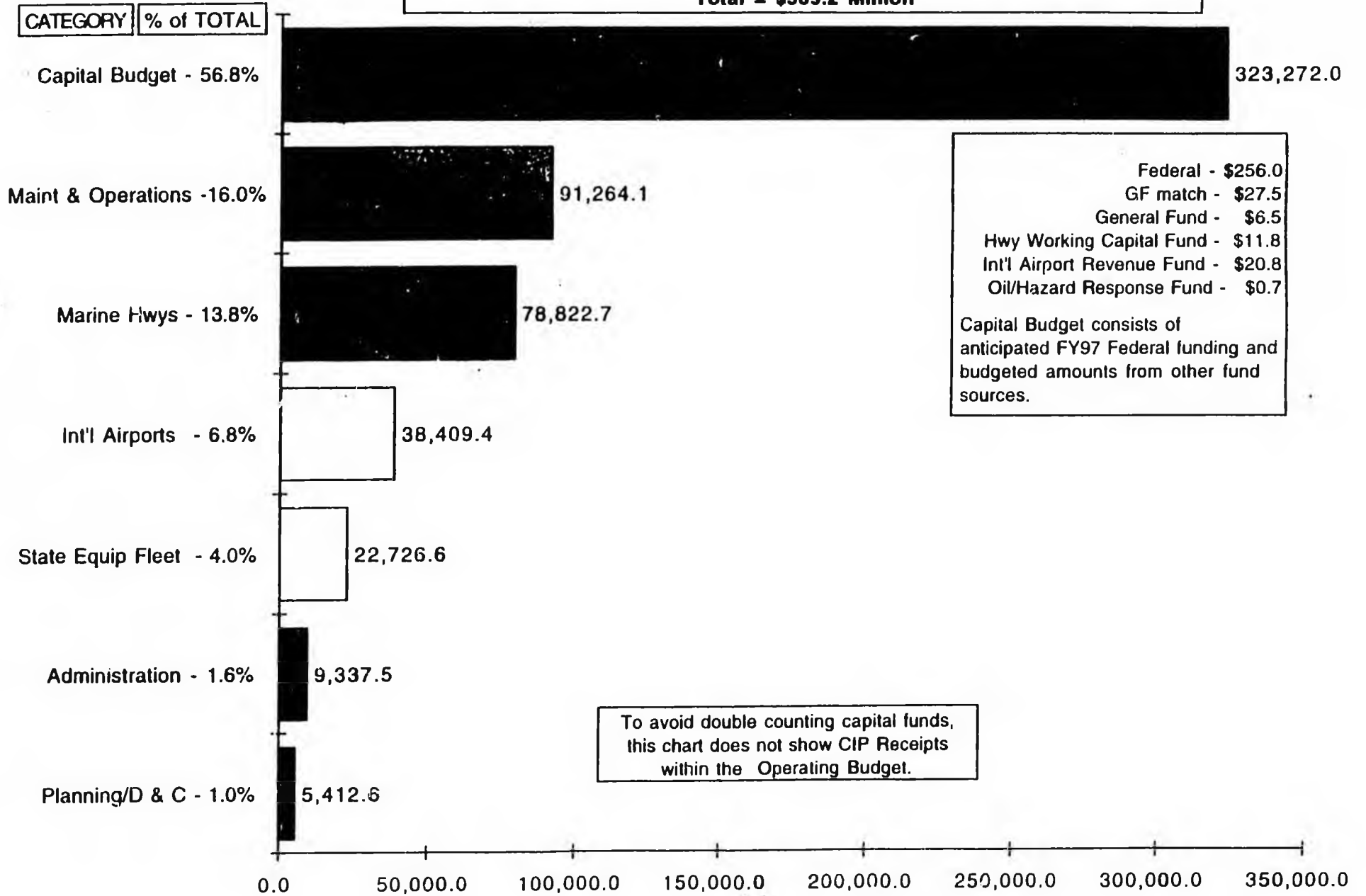
State Equipment Fleet

- 5,500 vehicles
- 1,500 heavy equipment units

Amazing Transportation Facts

- Alaska DOT&PF maintains 40% of roads in state.
- National average- state DOT maintains 20% of roads in the state.
- 30% of Alaskans live in areas not connected to road system.
- 80% of Alaska's roads are gravel.
- Alaska is twice as large as Texas, but it's population and road mileage compare more closely to Vermont.
- Alaska has 23 miles of road per 1,000 population.
- U.S. average is 15 miles of road per 1,000 population.
- Alaska has 42 square miles of land per 1 mile of highway.
- The U.S. average is 1 square mile of land per 1 mile of highway.
- Alaska and Rhode Island are the only two states without a state funded transportation construction program.
- Alaska has 13% of the total national commuter airline departures.
- Alaska has 6.5 times as many commuter departures per capita as U.S. average.
- Anchorage International Airport is #2 in U.S. for tonnage of international freight landed.
- Fairbanks International Airport is #9 in U.S. for tonnage of international freight landed.
- Alaska seaports account for 10 of the 150 largest seaports measured in US export dollars.
- Alaska has no state funded harbor construction program.
- Alaska has no state funded airport construction program.
- Alaska has received \$4.7 billion in federal highway construction dollars since statehood.
- Alaska has received over \$875 million in federal funding for airports since statehood.

Department of Transportation & Public Facilities
FY97 CAPITAL & OPERATING BUDGET - TOTAL FUNDS *
 Total = \$569.2 Million



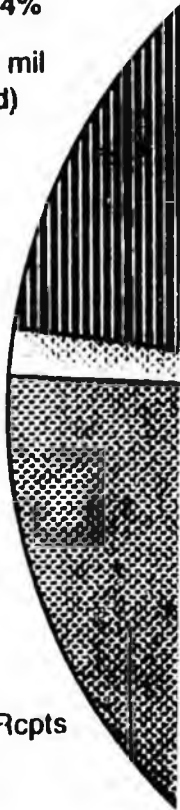
FY98 OI

AK Marine Hwy Fund
\$76.4 = 22.4%

(AMHF includes \$28.6 mil
deposit from Gen Fund)

I/A Rcpts
\$4.8 = 1.4%

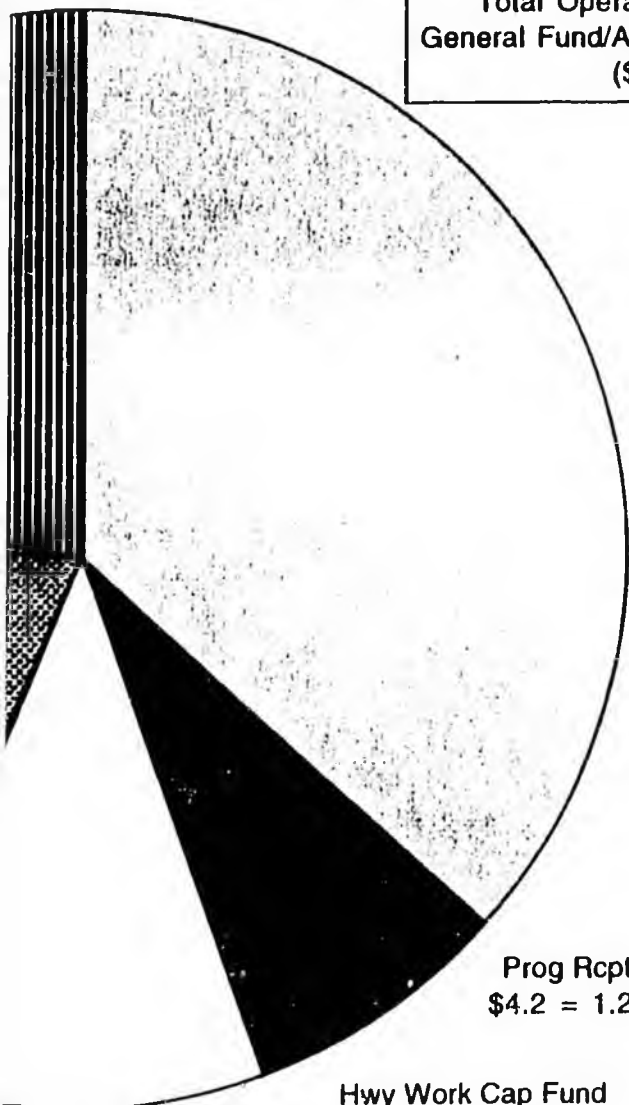
Capital Improve Prog Rcpts
\$66.3 = 19.5%



\$

Transportation & Public Facilities
TOTAL FUNDS BY FUND SOURCE

Total Operating Budget = \$340.5
 General Fund/All Program Rcpts = \$128.8
 (\$ in Millions)



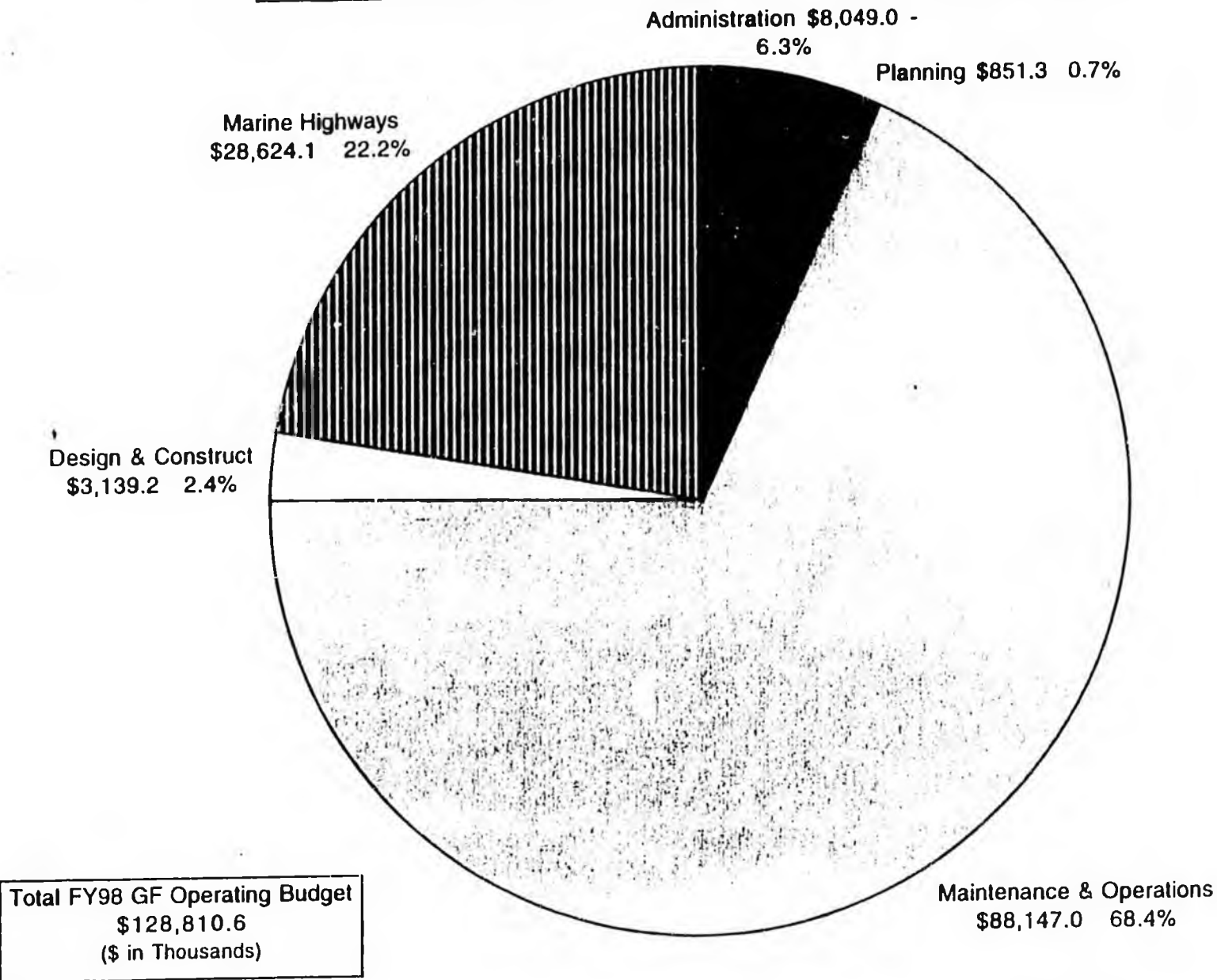
General Funds
 \$124.6 = 36.6%
 (GF includes \$28.6 mil deposit to Marine Hwy Fund)

Prog Rcpts (Desig PR \$3.8 = 1.1%
 \$4.2 = 1.2% GF/PR \$0.4 = 0.1%)

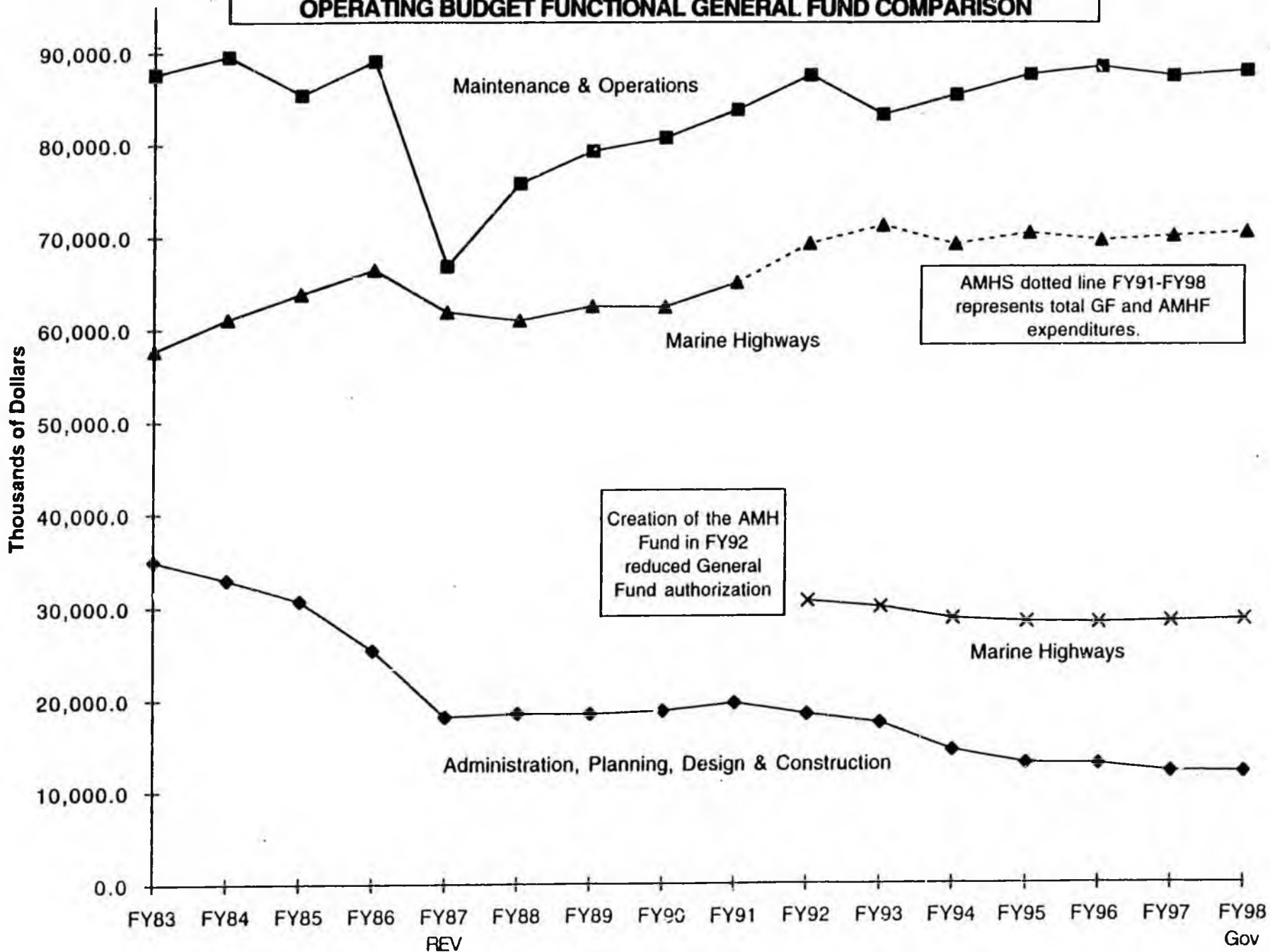
Hwy Work Cap Fund
 \$22.7 = 6.7%

Airport Rev Fund
 \$40.5 = 11.9%

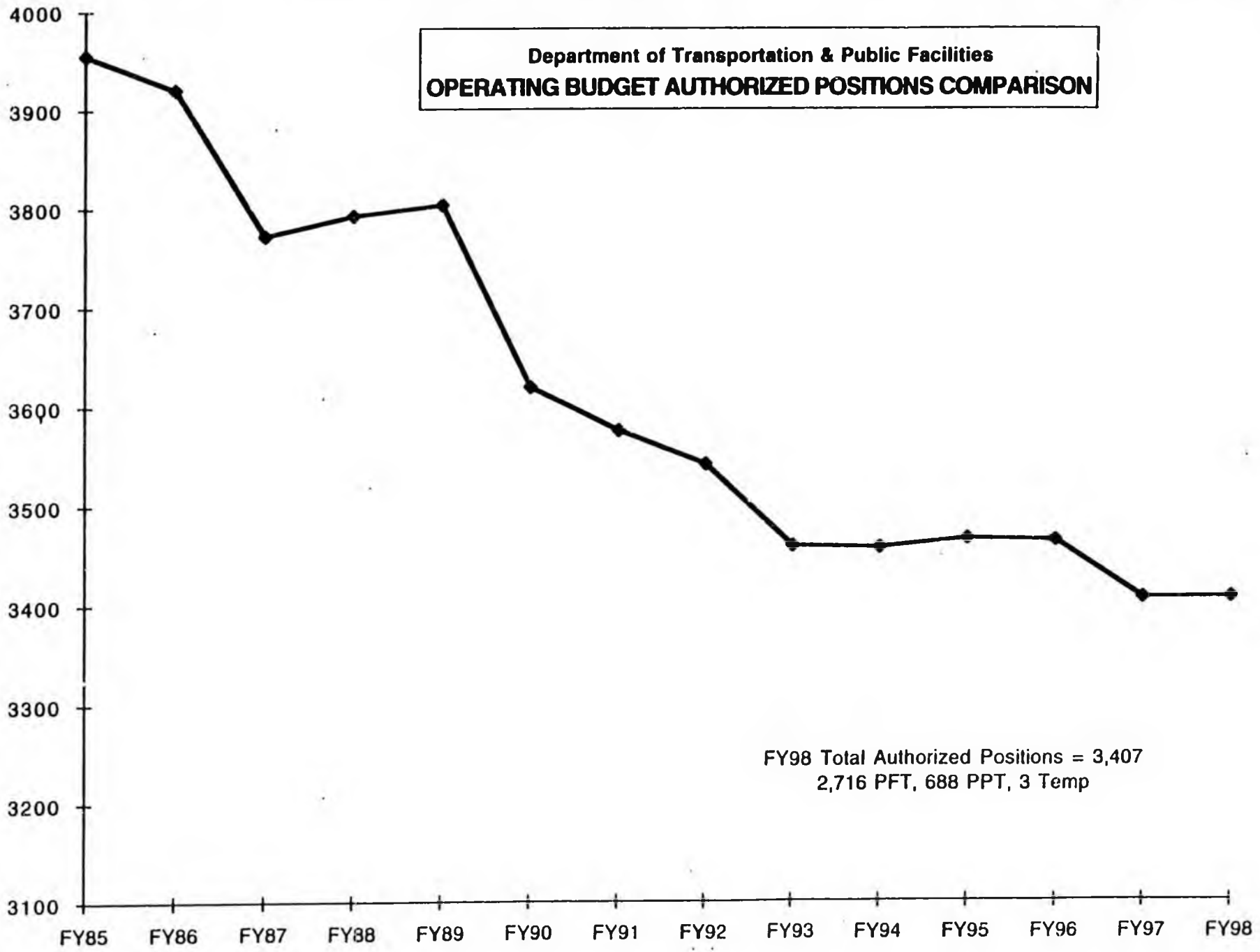
Department of Transportation & Public Facilities
FY98 GENERAL FUND OPERATING BUDGET BY FUNCTION



**Department of Transportation & Public Facilities
OPERATING BUDGET FUNCTIONAL GENERAL FUND COMPARISON**



**Department of Transportation & Public Facilities
OPERATING BUDGET AUTHORIZED POSITIONS COMPARISON**



FY98 Total Authorized Positions = 3,407
2,716 PFT, 688 PPT, 3 Temp

FUNCTION

% of TOTAL

Design & Construct - 29.2%

Marine Hwys - 26.0%

Maint & Operations - 19.9%

Int'l Airports - 12.0%

State Equip Fleet - 5.5%

Administration - 5.0%

Planning - 2.4%

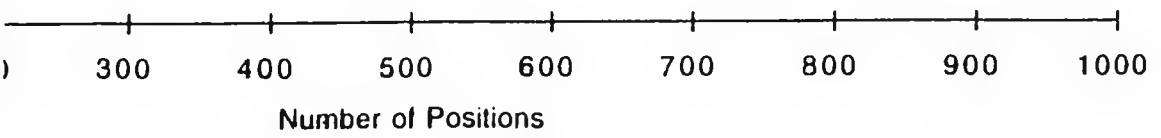
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**Department of Transportation & Public Facilities
FY98 GOVERNOR'S BUDGET POSITIONS**



37

**Total Positions 3,407
(2,716 PFT + 688 PPT/Seasonal + 3 Temp)**



**Department of Transportation & Public Facilities
FY97--FY98 COMPARISON**

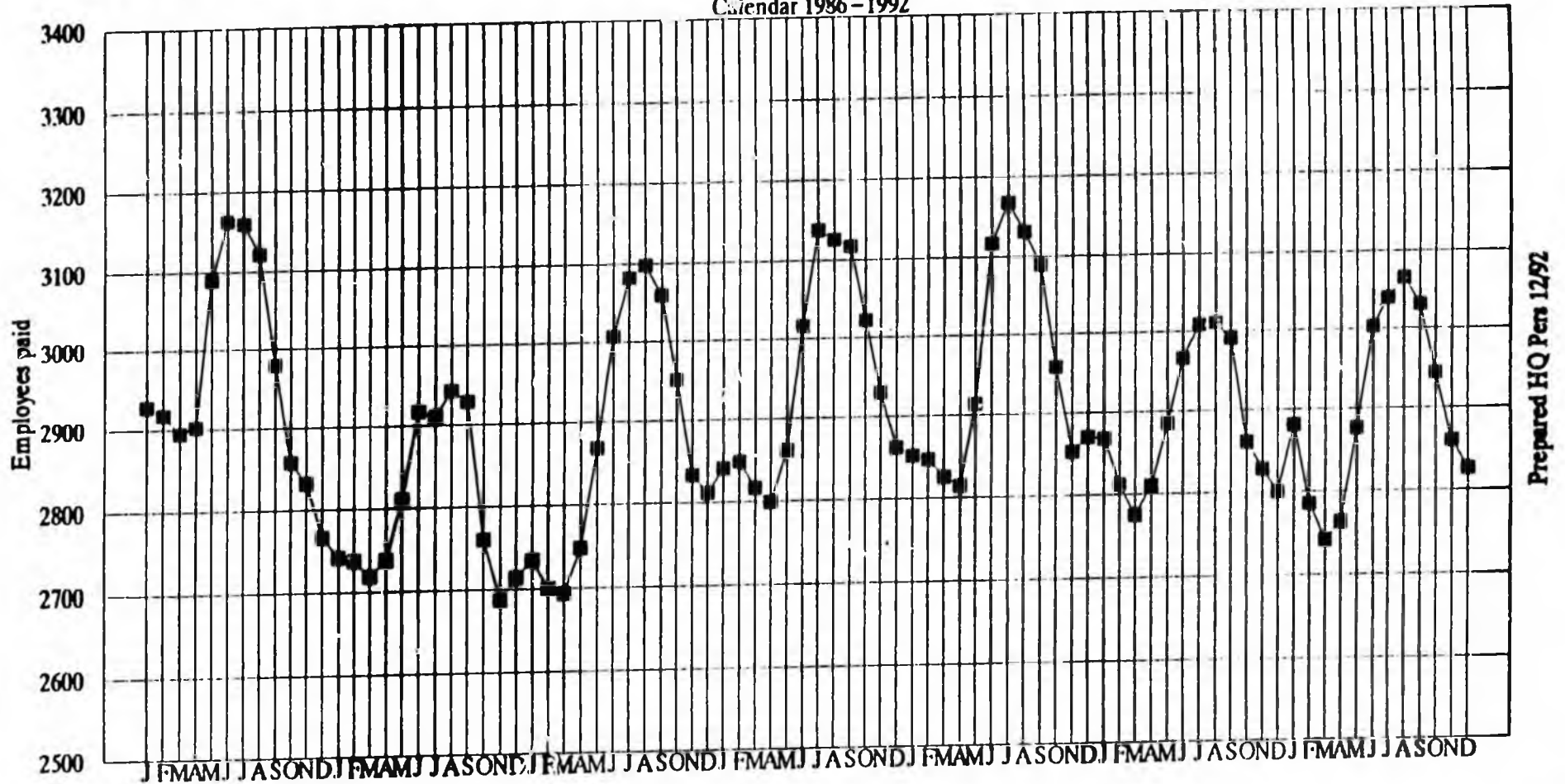
	<u>GF/PR</u>	<u>TOTAL</u>	
FY97 Authorized	128,179.0	339,612.0	
Adjusted for double-counting AMHS Stabilization			311,178.8
FY98 Salary Adjustment	1,021.7	3,087.7	
FY98 Health premium adjustment	299.5	943.3	
Leasing transfer to AMHS from Dept of Administration	11.8	11.8	
AMHF excess authorization		(3,000.0)	
SUBTOTAL BASE ADJUSTMENTS	1,333.0	1,042.8	
"Better Business Practices"	(100.2)	(100.2)	
Administrative Efficiencies General Fund reduction	(100.0)	(100.0)	
Reduce GF support in various headquarters, planning and engineering components	(137.0)	(137.0)	
Reduce traffic signal maintenance contract in Anchorage area	(68.6)	(68.6)	
Reduce utility expenses and facility maintenance in Central region	(127.4)	(127.4)	
Reduce snow removal response time in Southeast	(65.8)	(65.8)	
Reduce energy consumption and ground maintenance at Southeast facilities	(60.2)	(60.2)	
Eliminate winter maintenance contract at Clear Airport	(22.9)	(22.9)	
Delete winter maintenance on the Elliott Hwy. (close maint. station in winter)	(176.1)	(176.1)	
AMHS efficiencies: delete 2 shoreside positions, combine duties of 2 vessel positions, not fill one admin position due to new reservation computer system	(344.0)	(688.0)	
Reduce CIP Rcpts (AMHS)		(54.8)	
SUBTOTAL FY98 DECREMENTS	(1,202.2)	(1,601.0)	
Rural airport maintenance (Designated Pgm Rcpts)	200.8	200.8	
Implement rural airport fees and regulations (Designated Pgm Rcpts)	300.0	300.0	
Interagency Rcpts for airport leasing activities, SEF mechanic and admin. support		230.8	
Anchorage Int'l Arpt: contract guard service, 3 electricians, leasing officer, Lake Hood operations, bird control		617.3	
Fairbanks Int'l Arpt: operations position		75.0	
SUBTOTAL FY98 INCREMENTS	500.8	1,423.9	
FY98 Governor	128,810.6	340,477.7	
Adjusted for double-counting AMHS Stabilization			311,853.6

Department of Transportation & Public Facilities
REDUCTIONS AND COSTS ABSORBED IN FY97 AND FY98 OPERATING BUDGET (GENERAL FUNDS)

<u>FY97</u>	<u>FY98</u>	
		Maintenance and Operations
810.0	805.0	Unfunded fixed cost increases (e.g. utilities, parts)
815.0	600.0	Unfunded increased costs of new and expanded facilities (e.g. new snow removal equipment building, additional lane miles to maintain)
385.0		M&O general and unallocated reductions
79.4		Decertification of the Aniak airport
429.1		Convert airport snow removal equipment to Federal capital replacement
275.8		Reduce salt and sand usage for winter road maintenance through more efficient application method
260.0		Reduction in janitorial services for state facilities
	785.3	The following actions are being taken to redirect funding to rural airports to meet FAA safety requirements: ~eliminate contract snow removal on Anchorage Hillside roads and reduce contract snow hauling in Anchorage ~reduce winter equipment rental contracts, increasing snow removal time, in Anchorage, Matsu, Kenai ~reduce snow removal time on category IIIB routes in Southeast ~eliminate winter maintenance on Nabesna Road, MP11--42 ~eliminate winter maintenance at Goose Bay Airport and Tazlina Airport ~convert snow removal equipment from full replacement to federal replacement status at Deadhorse & Barrow ~reduce summer maintenance on the Nome-Council, Kougarok & Bob Blodgett roads (231 gravel road miles)
		Alaska Marine Highway System
236.8	363.5	Wage and health insurance increases absorbed in the Alaska Marine Highway System
419.7		Increased Risk Management charges absorbed within AMHS Fund
579.2		GF reduction in the AMHS
240.0	244.0	"Unearned wages" for vessel employees
		Other Reductions
139.4		Reductions to Dept. of Administration core services that were transferred to DOT&PF in FY97
851.5		General Fund reduction for administrative efficiencies in various headquarters, planning and engineering components
243.6		Underfunding of FY97 COLA (RIP reduction assessed in FY97)
	1,202.2	FY98 Budget General Fund Decrements
	140.9	Underfunding of FY97 COLA (no impact until FY98)
5,764.5	4,140.9	FY97 and FY98 Reductions and Costs Absorbed within the Operating Budget

A C T I V E , P A I D D O T & P F E M P L O Y E E S

Calendar 1986-1992



Prepared HQ Pers 12/92

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1986
FY95
\$1,242 B

1786
\$100M
Total employees 3,407

Alaska
Railroad
Corporation

HFIN

FILE

ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Finance



P.O.Box 113200
Juneau, AK 99811-3200
(907) 465-3795
FAX (907) 463-4885

MEMORANDUM

DATE: January 28, 1997

TO: Representative Terry Martin
House Finance Committee

FROM: Mike Greany, Legislative Fiscal Analyst
Division of Legislative Finance

BY: Dave Tonkovich, Fiscal Analyst
Division of Legislative Finance

SUBJECT: State Appropriations to the Alaska Railroad

A handwritten signature in black ink, appearing to be "Mike Greany", written over the "FROM" line of the memorandum.

At your request we've prepared a list of state appropriations to the Alaska Railroad:

SLA84, Ch. 171, Sec. 319 (Department of Commerce and Economic Development)

Alaska Railroad Acquisition	\$22,271,000 GF
Alaska Railroad Capital Equipment and Improvements	6,000,000 GF
Railroad Working Capital Fund	4,900,000 GF

SLA90, Ch. 208, Sec 145

Locomotives, Rolling Stock, and associated equipment cost (Associated with Wishbone Hill Coal Project)	\$9,000,000 Railbelt Energy
---	-----------------------------

Alaska Railroad Corporation

Financial Audits

- The financial affairs of the Alaska Railroad Corporation are audited annually by a public accounting firm. The corporation typically receives a "clean" opinion on its financial statements.

Performance Audits

- Alaska statute also requires the corporation to have an annual performance audit conducted by a recognized railroad management expert. This audit is conducted presently by Mercer Management Consulting and is presented to the Board of Directors of the corporation annually.

Significant Special Audits

Ship Creek Redevelopment Follow-up, November 17, 1994

- This audit was conducted to follow up on the findings and conclusions we made in our original review (1992) of this project. Several of the issues we initially raised appeared to have been satisfactorily resolved. Our concern in this review was whether the development would be successful.
- The redevelopment project had yielded little construction to date. None of the four centerpiece projects envisioned had commitments in place.

Anchorage Gravel Activities, July 3, 1996

- The report addresses our concerns that the Alaska Railroad Corporation's (ARRC) agreement with the Flamingo Brothers Partnership to market and extract gravel from the corporation's Anchorage property may not have been in the best interest of the corporation.
- ARRC's public procurement process was not followed. In the corporation's opinion, the gravel agreement was the disposal of real property and therefore, not subject to its procurement rules. We believe it was a commodity sale that should have been subject to the provisions of those rules.
- ARRC's real estate leases are inappropriately offered on a "first come, first served" basis.
- ARRC's justification of the project was unclear.

- ARRC's lack of public process excluded the community.
- We recommended ARRC improve its monitoring of employee conflict of interest disclosure statements.

Chena Landings Development, August 20, 1996

- This audit reviewed ARRC's management of the development project related to utility procurement, leasing, and public amenities.
- The utility project was delayed by planning and design difficulties.
- Request for proposal criteria and evaluation procedures were inadequate.
- The corporation lacked documentation regarding project development planning.
- Leases are not competitively offered; ARRC inappropriately uses a "first come, first served" approach to leasing property.

Ongoing or Pending Audits

Alaska Railroad Corporation, Equipment Purchases/Disposals

Alaska Railroad Corporation, Real Estate Appraisal Methodology

Auditor Observations

The Alaska Railroad Corporation has been under the "legislative microscope" for the last few years. The Audit Division has conducted five audits of the corporation since 1992 and has one audit in progress and another pending. Of those seven audits, two deal with rail operations, and five involve the corporation's management of real estate.

During the interim, the Legislative Budget and Audit Committee also pursued a greater understanding of the corporation and its assets. We believe that it is important that the Legislature understand the operation of the corporation and be aware of issues that impact its operation. The Legislative Budget and Audit Committee appears to be the appropriate vehicle currently available to provide that oversight.

The Alaska Railroad Corporation finds itself in an unenviable position. On one hand, it is operating under a statutory mandate to generally manage the corporation on a self-sustaining basis. On the other hand, as a corporation wholly owned by the State, the corporation must be

held to certain standards of openness and public accountability. It is in this vein that we often find ourselves at odds with the corporation. We believe that as long as the corporation is owned by the public, public accountability must come first.

We also believe that the corporation can be run in an efficient manner and still uphold those public accountability standards. Management by corporate officers and policy direction by the board of directors should strive for the appropriate balance. In our opinion, we have seen recent signs of improvement in this effort by the board, primarily through our contact with the chairman. We are hopeful that the appointment of a new chief executive officer will further foster these goals.

Without going into great detail on issues we remain concerned about regarding the Alaska Railroad Corporation, we offer these summary observations and would be happy to discuss them further with any member or committee of the Legislature. They are in no particular order of significance.

- The corporation's budget is not subject to the Executive Budget Act. We see no reason why the corporation should be exempt or even whether constitutionally, it can be. Similarly, significant federal funds have been received by the corporation for capital rehabilitation and improvements without any legislative oversight.
- The corporation has shown a profit for the last two fiscal years (calendar year end). Total net income for 1996 (unaudited) and 1995 was \$8.0 million and \$7.9 million, respectively. The net income from operations represented \$4.0 million and \$4.1 million, respectively. Approximately half of the corporation's income is generated from management of its real estate. The majority of this real estate is considered non-rail use property.
- A much talked about concern is deferred maintenance, however, little is factually known about the extent or estimated cost of that maintenance. We believe that a serious discussion needs to take place. It is possible, or even likely, that without the federal funding authorized the last two years (\$10 million per year) the railroad's income statement would look significantly different. Neither the financial statements nor the notes to the financial statements reflect any estimate of the amount of deferred maintenance.
- An observation that is important to understanding the fragile nature of the corporation's financial health is its dependence on two major customers. As disclosed in the notes to the financial statements for 1995, these two customers accounted for 45% of the corporation's revenue. The corporation's existence is dependent on those two customers.
- Through a combination of statute and corporation rules, the salary of railroad employees is confidential and therefore can not be disclosed to the public. Statute provides that the corporation may by rule designate and withhold public disclosure of matters of a

privileged or proprietary nature. Statute goes on to describe matters as including personnel records. Corporation rules include salary as a personnel record.

- Alaska Statute 42.40.260(b) requires the annual report of the corporation to include an analysis of potential sale arrangements whereby the corporation may be transferred into private ownership. The corporation has not pursued sale discussions with potential or interested buyers. The corporation has gone so far as to notify interested parties that the Board of Directors is not interested in selling the railroad.
- Statute requires the corporation to have an annual performance audit conducted by a recognized railroad expert to assure that the railroad is being managed and operated effectively and efficiently. There are two reports generated from this review. A confidential report is produced for the use of railroad management. A public version of the report is issued that does not go into nearly as much detail. We recommend that the legislature annually request a confidential briefing on the detail version of the performance report.

Governor Bill Sheffield
Pouch A
Juneau, AK. 99811

Senator Jalmar Kerttula
President, Alaska State Senate
Pouch V
Juneau, AK. 99811

Representative Joe Hayes
Speaker, Alaska House of Representatives
Pouch V
Juneau, AK. 99811

Gentlemen:

Enclosed herewith is the Interim Report of the Alaska Railroad Transfer Advisory Commission. This report is the product of ten months of public hearing, deliberation, and intensive analysis of the alternatives for management and operation of the Alaska Railroad after transfer from the federal government has been accomplished.

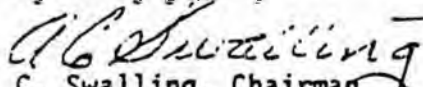
The Commission met a total of nine times in Anchorage, Fairbanks and Juneau. The Commission listened to over fifty hours of public testimony from individuals and groups from literally every corner of the State of Alaska. In addition, we have analyzed almost 1,000 pages of documents and submissions from interested individuals and groups.

In fulfillment of our legislatively mandated duties, we hereby formally tender this report to you for your consideration during the coming months as the transfer of the Alaska Railroad approaches. We hope you will find it helpful not only for the specific recommendation it contains but as a source of information about the wishes, desires and hopes of the people of the State of Alaska.

It should be mentioned that not all Commission members share each and every view expressed within this document. The combination of the change in State Administrations and the convening of the State Legislature made it difficult for the public officials on the Commission to attend all sessions. In many cases, the views expressed in the Interim Report represent an attempt by the Commission to summarize for your consideration consensus opinions heard again and again during public testimony. We feel this provides you with the full benefit of this information as it was expressed to us.

On behalf of the entire commission, I would like to thank you for the opportunity of serving the people of the State in this most important and worthwhile endeavor.

Very truly yours,


A.C. Swalling, Chairman
Alaska Railroad Transfer Advisory Commission

EXECUTIVE SUMMARY

The Alaska Railroad Transfer Advisory Commission met a total of nine times in Anchorage, Fairbanks and Juneau. The Commission listened to over fifty hours of public testimony and heard from over fifty individuals and groups regarding all aspects of the transfer of the Alaska Railroad from federal to state control. This Executive Summary is a compilation of the major policy recommendations of the Commission and a list of specific changes pending state legislation which the Commission feels are most important.

I--POLICY RECOMMENDATIONS OF THE COMMISSION

1. The railroad should eventually be owned and/or operated by private industry. Almost unanimously those testifying before the Commission felt strongly that it was in the best interests of the people of the State of Alaska and the best interests of the railroad to plan for the eventual transfer of the ownership and/or operation of the railroad to private industry.
2. Plans for expansion of the railroad should begin immediately. The Commission recommends the immediate preparation and filing of five right-of-way applications: (1) to Delta, (2) to Canada, (3) to Kenai, (4) to Beluga, (5) to Tanana and Kobuk/Ambler.
3. The railroad should cooperate with local governments. The Commission urges the State not to compete with local governments in the operation of railroad-related facilities, such as ports, which are historically operated by local governments.
4. The railroad should expand into connecting services by contracting with private enterprise. The Commission urges that the policy of the Alaska Railroad should be that, to the maximum extent possible, expansion should occur by contracting private enterprise and by not competing in a service area previously provided by private industry.
5. The interim operation of the railroad should be conducted by an independent authority under a separate department on a temporary basis. The Commission feels that the short term management of the railroad is critical to the overall future of the railroad and the state. Therefore, the Commission recommends the creation of an independent authority under a separate department of state government on a temporary basis as provided for in Article III, Section 22 of the Alaska Constitution.

6. State oversight of the railroad should be kept at a minimum. The Commission recommends that only the bare minimum of oversight consistent with good public policy be provided for in the legislation and that the legislation specifically provide for a public process so that policy determinations made by the board are based upon adequate public input.

7. Alaska railroad mineral rights should be preserved. The Commission recommends that any authority or private operator of the railroad should be able to utilize all subsurface resources and railroad land for railroad purposes without any restriction as to ownership or use of those resources which might otherwise be applicable under existing state law.

8. Additional appropriation for the Commission. The Commission feels that to adequately fulfill its legislative mandate between the date of this interim report and the final transfer of the Alaska Railroad to the State, an appropriation in the amount of \$75,000.00 is essential. This amount will provide the Commission with the ability to hire the necessary staff and incur necessary operational expenses so that a final report can be prepared.

II--SPECIFIC RECOMMENDATIONS FOR CHANGES IN PENDING STATE LEGISLATION

In the body of the report, the Commission makes numerous recommendations for specific changes in SB10, pending state legislation accepting transfer of the railroad. However, in this Executive Summary the Commission would like to call attention to a few specific matters which it considers to be critical.

1. The Commission urges that a seven-member board of commissioners be established for the railroad authority. Balanced geographic distribution for the board is critical and the Commission recommends that at least two members be from areas served by the railroad north of Windy Pass and at least two from south of Windy Pass.

2. If consistent with law, the Commission recommends that the Commissioner of Transportation and Public Facilities be a non-voting member of the authority.

3. The Commission recommends that a representative from the employee bargaining units and the general manager of the Alaska Railroad be non-voting members of the board of Commissioners.

4. Consistent with federal legislation, all bargaining agreements should be honored and maintained for a period of time until renegotiation can be accomplished smoothly and without disruption of rail service.

ALASKA RAILROAD CORPORATION

Corporate Address: P.O. Box 107500, Anchorage, Alaska 99510
327 W. Ship Creek Avenue, Anchorage, Alaska 99501

265-2403

FAX 258-1456

Kathryn Thomas
PO Box 3005
Kenai, AK

December 27, 1996

Dear Kathryn,

As you may be aware, the chamber recently adopted a resolution concerning the Alaska Railroad submitted by the lobbyist representing Montana Rail Link. As chairman of the board of directors for the Alaska Railroad Corporation, I would like you to keep in mind three important points as we come into this Legislative session:

- The Alaska Railroad is not a state agency;
- The Alaska Railroad does not take a subsidy from the state;
- The Alaska Railroad makes money.

In 1995, the Railroad earned an \$8 million profit. In 1996, I expect the line will earn more than \$7 million. We have been able to do that by providing good service, using professional railroad management, and aggressively using our assets to increase revenues. We accomplished all this without taking a nickel – not for operating, not for capital, not for labor contracts or benefits – not a single nickel from the state treasury since the purchase 12 years ago. Our employees are not state workers and are not part of the state retirement system. Our labor contracts are in place, long-term, and independent of the state employee unions.

The Alaska Railroad is managed by a board of Alaskans. The operators are professional railroaders. The money the railroad makes is earned in Alaska, and stays in Alaska. Our balance sheet is rock-solid, and we have excellent access to capital for expansion. The bottom line is that the railroad is safe, profitable, professional, and Alaskan.

Very truly yours,



Bill Sheffield
Chairman of the Board
Alaska Railroad Corporation

FY 1996

Oct 1 - Sept 30th

109 STAT. 446

PUBLIC LAW 104-50—NOV. 15, 1995

PUBLIC LAW

seq.) and 49 U.S.C. 24909, \$115,000,000, to remain available until September 30, 1998.

RHODE ISL

RAILROAD REHABILITATION AND IMPROVEMENT PROGRAM

The Secretary of Transportation is authorized to issue to the Secretary of the Treasury notes or other obligations pursuant to section 512 of the Railroad Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210), as amended, in such amounts and at such times as may be necessary to pay any amounts required pursuant to the guarantee of the principal amount of obligations under sections 511 through 513 of such Act, such authority to exist as long as any such guaranteed obligation is outstanding: *Provided*, That no new loan guarantee commitments shall be made during fiscal year 1996.

For the costs associated on the Northeast Corridor Rhode Island, with sufficient freight cars, \$1,000,000 to 1 or its designee on a dollar until expended: *Provided*, funds, the Providence and into an agreement with the or the Federal Railroad Ad: up to the first \$6,000,000 action initiated by the P& with Amtrak relating to the Davisville and Central Fall freight operations.

NATIONAL MAGNETIC LEVITATION PROTOTYPE DEVELOPMENT

GRANTS TO THE NATIONAL

(LIMITATION ON OBLIGATIONS)

(INCLUDE)

(HIGHWAY TRUST FUND)

None of the funds in this Act shall be available for the planning or execution of the National Magnetic Levitation Prototype Development program as defined in subsections 1036(b) and 1036(d)(1)(A) of the Intermodal Surface Transportation Efficiency Act of 1991.

To enable the Secretary the National Railroad P: U.S.C. 24104, \$635,000,00 of which \$305,000,000 shall be for mandatory passenger: be for transition costs \$230,000,000 shall be for up to \$15,000,000 of the for capital improvements: be transferred to the No *Provided further*, That commitments shall not be made *further*, That none of the for lease or purchase of of vehicle operators for president of the Corporation vehicles for those officers:

NEXT GENERATION HIGH SPEED RAIL

For necessary expenses for Next Generation High Speed Rail studies, corridor planning, development, demonstration, and implementation, \$19,205,000, to remain available until expended: *Provided*, That funds under this head may be made available for grants to States for high speed rail corridor design, feasibility studies, environmental analyses and track and signal improvements.

TRUST FUND SHARE OF NEXT GENERATION HIGH SPEED RAIL

FEDERAL T

(LIQUIDATION OF CONTRACT AUTHORIZATION)

ADMIN

(HIGHWAY TRUST FUND)

For grants and payment of obligations incurred in carrying out the provisions of the High Speed Ground Transportation program as defined in subsections 1036(c) and 1036(d)(1)(B) of the Intermodal Surface Transportation Efficiency Act of 1991, including planning and environmental analyses, \$7,118,000, to be derived from the Highway Trust Fund and to remain available until expended: *Provided*, That none of the funds in this Act shall be available for the implementation or execution of programs the obligations for which are in excess of \$5,000,000.

For necessary administration's program United States Code, §42,C

ALASKA RAILROAD REHABILITATION

To enable the Secretary of Transportation to make grants to the Alaska Railroad, \$10,000,000 shall be for capital rehabilitation and improvements benefiting its passenger operations.

For necessary expenses 5311, and 5336, to remain *Provided*, That no more shall be available for the funds provided under than \$400,000,000 may 49 U.S.C. 5336(d): *Providing* assistance provided areas of less than 200,0

FEDERAL FUNDING

ALASKA RAILROAD REVOLVING FUND

ESTIMATES

APPROPRIATIONS

1975	\$6,500,000	1975	\$6,031,000
1976	0	1976	9,000,000
1977	6,000,000	1977	6,000,000
1978	3,000,000	1978	3,000,000
1979	3,000,000	1979	9,300,000
1980	5,000,000	1980	6,500,000
1981	10,640,000	1981	10,640,000
1981 (Supp.)	2,000,000	1981 (Supp.)	2,000,000
1982	6,160,000	1982	6,160,000
1983	0	1983 (2nd Cont. Res.)	7,600,000
1984	0	1984	0



THE TIES THAT BIND ALASKA



The Alaska Railroad

**PRESENTATION TO THE ALASKA
LEGISLATURE
JOINT COMMITTEES ON FINANCE AND
TRANSPORTATION**

**JANUARY 30, 1997
JUNEAU, ALASKA**

Before the committees

- Governor Bill Sheffield, Chairman,
Alaska Railroad Corporation Board of Directors
- Senator John Binkley, Board of Directors
- Patricia Dunn, Vice President, Finance and Administration,
Alaska Railroad Corporation
- Evan McKinney, Vice President, Maintenance, and Engineering

Order of presentation

- Mission, objectives, historical background (Governor Sheffield)
- Current business setting (Ms. Dunn)
- Five-year strategic outlook (Mr. McKinney)
- Summary of legislative issues (Governor Sheffield)

EXECUTIVE SUMMARY

The Alaska Railroad is a professionally-run, self-sustaining railroad serving ports and communities from the Gulf of Alaska to Fairbanks. Owned by the State of Alaska since 1985, the Railroad overseen by a seven-member board of directors appointed by the Governor and confirmed by the Legislature.

Under this management and ownership arrangement created and approved by the Legislature in 1984, the Alaskans maintain control of Southcentral Alaska's principal transportation corridor, retain 38,000 acres of land transferred from the federal government, and have the revenues needed to operate, maintain, and expand the line.

The Railroad is operated by professional railroad managers, requires no subsidies from the state treasury, and has no state employees.

HISTORICAL OVERVIEW

Purpose The Alaska Railroad was built by the United States government between 1914-23 as a way to open up and develop Alaska's westward Interior. It served as the focal point for the development of Anchorage and the Matanuska Valley, the Interior's mining districts' link to ocean transportation, a vital carrier of World War II troops and supplies, and principal freight line from tidewater during the Cold War construction boom and construction of the Trans-Alaska Pipeline.

It remains one of the state's oldest and most important pieces of infrastructure for transportation and economic development.

Alaska control In the early 1980s the United States no longer considered the Alaska Railroad an important federal asset and sought to sell it. The State of Alaska saw an opportunity to gain Alaska control of the line.

The Legislature approved acquisition of the line in 1984 specifically because:

- The Railroad "is an essential part of the state's transportation network that may, unless preserved by state action, cease to be a transportation option in Alaska." (AS 42.40)

The intent was to bring the line under Alaska ownership and direction, keep the profits in-state, assure that the line had the resources to operate safely and efficiently, and make sure the Railroad continued to serve Alaska businesses and communities as an engine of community development and economic growth.

The transfer took place January 5, 1985.

Purchase agreement The State paid the United States \$22.271 million cash for the Railroad's track, rolling stock, and 38,000 acres of land. The United States also retained \$10.978 million in the Railroad's cash-on-hand, in exchange for also accepting significant past liabilities.

As part of the purchase agreement, the Legislature replaced the nearly \$11 million in operating capital, bringing the total cost to just under \$34 million.

Note: The Railroad has *neither requested nor received* any additional state money outside of the agreement and legislation approved by the Legislature in 1984.

Public ownership, private management In bringing the Railroad under state control, the Legislature specifically created a structure that would avoid the liabilities and limitations of traditional public management, while maintaining the accountability of public ownership.

The Alaska Railroad Corporation Act of 1984 created a state corporation that is:

- *Accountable* to the Governor and Legislature through appointment and confirmation of board members;
- *Professionally operated* by railroad managers who have the flexibility to negotiate their own labor contracts with professional railroad workers;
- *Self-sustaining* through retention of all profits generated by the enterprise.

This 12-year-old arrangement is one of the few examples of a situation in which government is, indeed, run like a business. The Alaska Railroad Corporation has the flexibility to meet the needs of its customers (such as refiners, tour companies, and construction operations) and earn a profit, which helps support vital public transportation services that do not pay their way, and would otherwise be dropped by an exclusively private, profit-centered operation.

Note: Since 1984, the line has earned and reinvested \$102 million in maintenance and expansion of Railroad facilities.

The structure also provides that major and minor expansion of Railroad operations — from line extensions to leasing of Railroad land — are viewed not just by how much money they may make for the corporation, but whether the action is consistent with community and state development goals and opportunities. This, in turn, is consistent with the findings of the Legislature expressed in the Alaska Railroad Corporation Act of 1984.

MANAGEMENT

The management structure of the Railroad is designed so that it may respond quickly to service and customer needs, changes in the economy, or business opportunities, while being accountable to the state's elected leadership and the public.

Board of directors As noted above, the Railroad is managed by a seven-member board of directors appointed by the Governor and confirmed by the Legislature.

The board is configured, by law, so that:

- At least one member has substantial railroad management experience;
- One member represents the railroad's employee unions;
- Each judicial district of the state is represented on the board;
- At-large appointees have substantial business management experience in Alaska.

The intent is to have business, railroad business, and public policy interests all on the board. With this mix, it is possible for the board to make wise railroad business decisions, but with the leavening provided by broad Alaska public policy perspectives.

Operations The board has the authority to hire a professional, chief executive officer outside the ranks of the state personnel system and political supporters, or even outside of Alaska itself. Pay and other contract terms are negotiated according to professional standards in the industry. The CEO serves at the pleasure of the board.

All other members of the management team are hired according to the judgment and the needs of the CEO and the board. Performance is measured on merit, not longevity or classification. Railroad managers are paid at industry standards, out of the Railroad's own revenues.

The Railroad has had two CEOs under state ownership: Frank Turpin, who came to the Railroad after extensive upper-level management experience in the oil industry, and Robert Hatfield, a professional railroad executive.

Mr. Hatfield recently accepted a similar position with a railroad Outside. The board is conducting a national search for a replacement.

Labor The labor force at the Alaska Railroad consists of 470 fulltime workers (seasonal employees bring the total to around 600 in the summer). Most are represented by one of five labor unions.

In 1996 the Railroad completed negotiations with all five unions and long-term contracts are in place. Over time, the unions have demonstrated a willingness and ability to work cooperatively with management on contract measures that ensure the Railroad's safety, service objectives, and profitability.

The Legislature and the state treasury make no contributions to Railroad payroll, benefit packages, or retirement and pension programs.

Railroaders *are not* part of the public employee personnel system or the state public employee bargaining units.

Railroaders *are not* part of the state retirement and benefits system.

BUSINESS

Profit The Alaska Railroad earned more than \$8 million in 1996, the line's second straight year of record profit. Current projections estimate a 1997 profit of \$7.3 million.

In 12 years under state ownership, the Railroad has earned a profit nine times. The only years in which it lost money were 1986 (primarily due to a weak economy in the state overall, plus costs incurred after serious Southcentral floods that wiped out bridges and washed out or weakened the roadbed), and 1993-4, during a scheduled management restructuring. The restructuring, which resulted in the elimination of a number of middle management positions, also resulted in one-time costs related to severance pay and other related matters.

Financially healthy In addition to the profits posted the last two years, other indicators further buttress the Railroad's financial good standing:

- Increase in cash balances for the last three years;
- Decrease in current liabilities due to improved cash flow;
- No short-term borrowing in 1996;
- Significant reductions in long-term debt in 1996, with more than half of the long-term debt scheduled to be paid off in 1997;
- Improved equity position through improved earnings;
- Significant increases in fixed assets.

The Railroad's accounting is done in accordance with accepted accounting principles and railroad industry practices. KPMG Peat Marwick audits the Railroad's financial records.

Self-sustaining By law, the Railroad's profits are retained by the line and reinvested in capital improvements, maintenance, and other business needs.

Because the Railroad — like other rail lines — is a capital-intensive business (locomotives, roadbed maintenance and repair, and other asset maintenance), the Legislature specifically allocated operating profits to the Railroad so that it could be maintained without state subsidy.

The profits generated by money-making aspects of the business (real estate, freight, and contract passenger car pulls) allow the Railroad to pay for operations that are important to Alaskans, but that lose money.

Under current law, the Railroad may request an appropriation from the Legislature to subsidize services that do not pay for themselves. **The Railroad has never asked for or received subsidies, relying instead on its profits to sustain services that don't support themselves.**

Access to capital The Railroad is a public/private hybrid, which gives the corporation a variety of options for both operating and capital loans. In addition to work with lending institutions directly on traditional business financing, the Railroad has options to issue bonds (with Legislative approval) and seek direct appropriations (which it has not chosen to do).

As a public entity, it also has the benefit of access to tax-exempt financial instruments.

Freight The health of the Railroad mirrors the health of the Alaska economy. Fully 75 percent of the Railroad's business is in hauling freight such as gravel, oilfield supplies and chemicals, groceries and consumer goods (linked to the Railroad's barge connections to Seattle).

- A third of the Railroad's freight revenue comes from hauling MAPCO Alaska petroleum products from North Pole to Anchorage under a 20-year contract that expires in 2013;

- The Railroad hauls Usibelli coal from Healy to Fairbanks for heat and power generation, as well as coal exported from Seward to Korea under a contract that expires in 1998.

Passenger service About 15 percent of the Railroad's income comes from passenger services, primarily tourism-related pull contracts and seasonal service. In addition to the contract pulls for Holland America and Princess Tours, the Railroad operates seasonal general passenger service to Fairbanks and Seward.

The Railroad is adding Anchorage-Whittier service this summer, working in tandem with the day cruise tour boat businesses that operate out of Whittier.

The Railroad also provides year-round service for Whittier, using the shuttle system from Portage, and for roadless areas north of Talkeetna. The Hurricane Turn and Anchorage-Fairbanks Local (winter) are the only flag-stop services in the country, providing access and freight hauling for individuals and families along the line to the Interior.

Real estate While accounting for only 7 percent of total Railroad annual revenues, **on a percentage basis, real estate contributes more to net income — literally, the bottom line — than rail operations do.** The simple explanation is that real estate leases do not carry the same capital-intensive maintenance and repair costs as rail operations do.

Because of its contribution to the bottom line, real estate revenue from the 36,000 acres of land owned by the Railroad is a critical piece of the corporation's overall health. **It is difficult to envision any owner — public or private — able to earn a profit and provide the full range of services now provided by the Railroad without real estate revenues.**

Fair-market-value leases on Railroad land along the provide the bulk of the real estate revenue, along with revenue generated by the Whittier and Seward docks, and various permits.

SAFETY, MAINTENANCE, ENVIRONMENT

The Railroad's programs in these areas are a mix of solid, standard industrial practice, and initiatives generated by specific public or community concern.

Safety Safety for employees, customers, and neighbors of the Railroad is the line's principal operating priority. The Railroad's health and safety manager is the only company employee, other than the vice presidents, who reports directly to the Chief Executive Officer.

The Railroad has a wide variety of on-going, high-priority safety, training and education programs for employees.

The Railroad conducts a variety of programs — some of them supported by employees on their own time — to educate people about safety hazards such as walking or snowmachining on the tracks, failing to pay attention at crossings, and other potential hazards.

Well maintained We believe the Railroad's assets and roadbed are in better shape than they were at transfer, largely due to almost \$100 million in maintenance work and capital improvement under state ownership.

The Railroad spends \$11 million a year on maintenance of 660 miles of track, 192 bridges, 75 crossing signals, the roadbed, and other assets. An additional \$9 is invested in maintenance of the cars and locomotives. Almost half of the Railroad's fulltime workforce is primarily involved in maintenance and repair.

This \$100 million investment has come at no cost to the general fund and has required no state appropriations from the Legislature.

This money has come from the line's operating revenues.

The Railroad is maintained above and beyond Federal Railroad Administration requirements. And because the Railroad carries passengers as well as freight, the entire line is maintained to the higher, passenger-grade safety and operations standards.

Safety and maintenance are directly linked. Yearly improvements include:

- Installation of 40,000 ties;
- Replacement of 20,000 linear feet of mainline rail;
- Place 60,000 cubic yards of ballast (gravel)
- Surface 150-200 miles of mainline track
- Conduct \$1.2 million in repairs and upgrades to bridges.

Cleaner Under state ownership, the Railroad is seeking out and meeting higher standards of environmental protection, compliance, and efficiency.

The Railroad has removed tanks and soil at 60 former underground storage sites, voluntarily limits and controls air emissions in Anchorage, and does not use herbicides to control vegetation — a rarity in the industry. **This is in direct response to public concerns.**

Much of the post-1989 federal and state oil spill response regulation does not apply to railroads. Nonetheless, the Alaska Railroad has upgraded its spill response capabilities with response vans in Anchorage and Fairbanks, and with 12 caches of equipment and material along the line. Twenty-five key employees are trained in spill response organization and techniques — not just for oil and refined products, but in hazardous materials as well.

The Railroad also has an aggressive set waste management and reduction policies intended to eliminate certain additions to the waste stream, and to reuse materials whenever possible. For example, used ties are chipped and shipped to utility systems in Fairbanks to generate power.

Outreach and involvement While the Railroad has consistently maintained community partnerships and sponsorships through donations of cash and tickets, Railroad Week activities, and other outreach efforts, we believe that communication and outreach is an area in which the Alaska Railroad can use improvement.

Particularly, the line's managers and board need to make a stronger and more consistent effort to keep the Legislature informed, as well as work with community leaders and local governments.

FIVE-YEAR STRATEGIC OUTLOOK

Another profit for 1997 Current projections suggest that 1997 net income will be \$7.3 million. This is a conservative figure that assumes freight revenue and expenses to similar to 1996, but that passenger service will increase with the addition of new service to Whittier. Increases in leasing and permitting activities will increase real estate revenues by approximately \$500,000.

New service to Whittier and Girdwood In response to the growth of the day cruise tour business in Prince William Sound, the Railroad is adding daily round-trip service to Whittier from Anchorage. While the current Whittier Shuttle is safe and dependable, the new service is targeted more for visitor industry needs and demands, and will complement the existing service.

Passenger depots in Fairbanks, Denali Park, Talkeetna, Anchorage, Girdwood and Seward will be upgraded, replaced, or added.

New locomotive fleet The Railroad will phase out its older locomotives over the next few years, resulting in cleaner, more cost-effective, and more efficient service. Newer, more advanced, more powerful engines will allow us to use less fuel, have fewer locomotives, and reduce locomotive maintenance expenses.

The Railroad will use conventional business financing — not legislative appropriations — to acquire this new technology.

Systematic reduction of the Railroad's long-term debt over the last few years (including 1997), set the stage for the Railroad's ability to make this new investment.

Traffic management and communication upgrades A series of technology-based upgrades to the traffic control and separation system will improve safety, reduce operating costs, and more effectively manage train movement.

This year, the Railroad will also begin working with the State of Alaska to upgrade the Parks Highway microwave link from analog to digital.

New barge service The Railroad's current contract for rail-barge service between Alaska and Seattle expires next year. After extensive review of proposals, the Railroad has selected a company that will build new barges, use new technology, move more freight in the same time, with fewer sets of equipment.

Port and dock facilities Both Whittier and Seward are targeted for significant improvements in the dock and port facilities to meet community needs and growth of the visitor industry.

Near-term rail expansion Three opportunities for expansion of the Alaska Railroad are developing:

- Extending a line from downtown to the Anchorage International Airport would eliminate bus transfers of visitors, providing better service for passengers and for major contractors;
- Adding a spur into Girdwood and the Alyeska Prince resort would serve the expanding tourist destination opportunities there;
- Development of coal deposits at Sutton would be enhanced by extension of the line from Palmer to Wishbone Hill.

Long-term rail expansion Three long-term opportunities for expansion are developing:

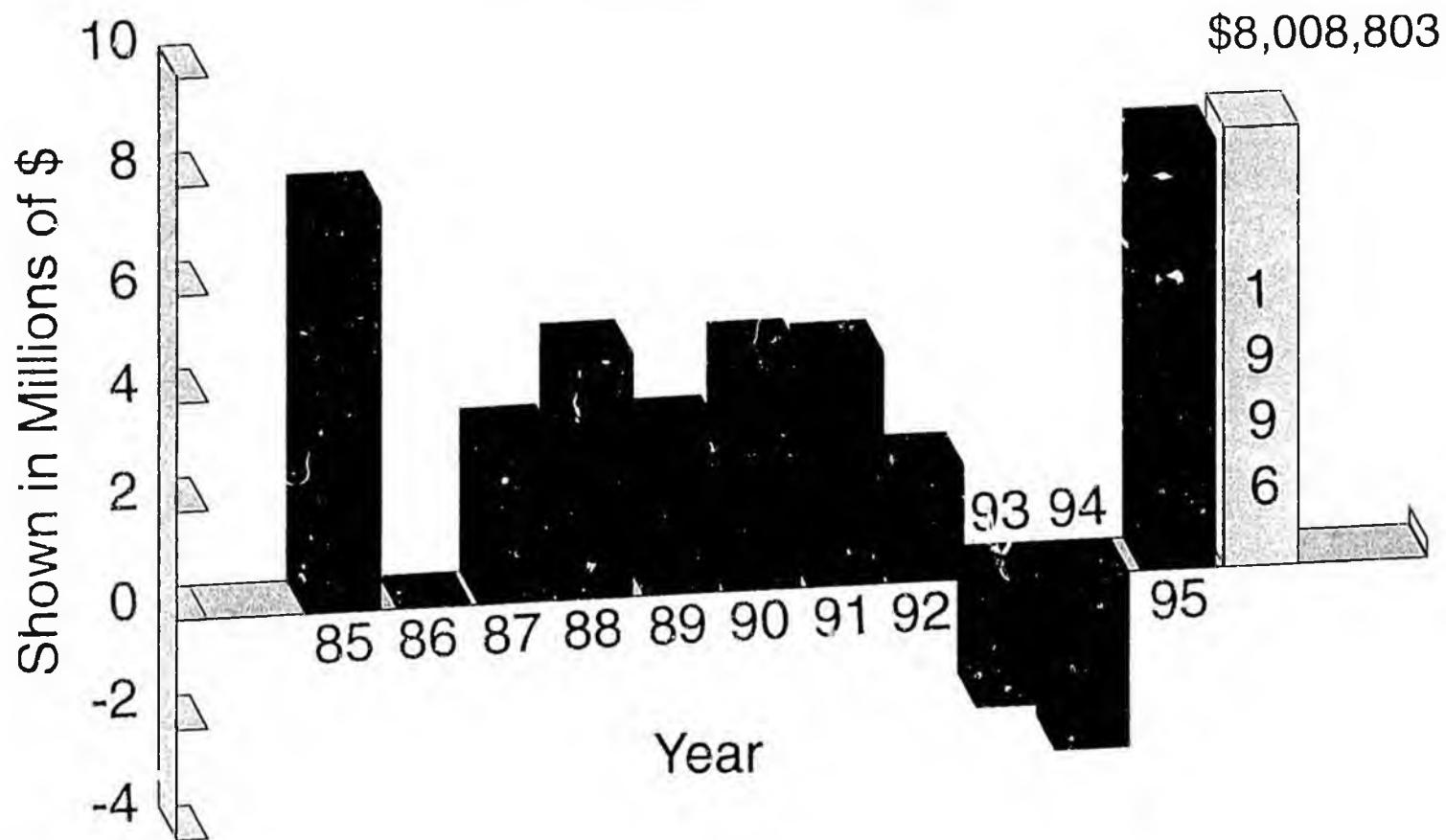
- Access to Kantishna via rail would cost more up-front than a road, but would likely to a better alternative from the standpoint of the environment and park management goals;
- Partnerships with mining interests could lead to expansion from Nenana to the Northwest Arctic;
- A rail link from Fairbanks to the pipeline corridor during construction and operation of a North Slope natural gas pipeline is an attractive expansion option from the Railroad's standpoint.

In all cases, expansion will occur when market conditions will support it, when communities and other public interests have their concerns met, and when revenue from operations will support the expanded line.

The Alaska Railroad's status positions the line to play a key role in the development agreements with both business and public agencies, gain access to public and private financing, and be responsive to public and legislative concerns.

Alaska Railroad Corporation

Annual Profit



Un-audited

Alaska Railroad Corporation

1997 Projected Revenue

