

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3766

HTRA

HB 23

642



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James O. Smith
Signature of Camera Operator

10/31/89
Date

HB

23

HOUSE TRANSPORTATION COMMITTEE

INDEX ON

HB 23

"An Act relating to ferries and ferry terminals and establishing the Alaska Marine highway Authority."

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M E M O R A N D U M

February 6, 1986

SUBJECT: Section by section analysis of HB 23, an Act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority

TO: Representative Bette Cato

FROM: George Utermohle
Legislative Counsel

As per your request, the following is a section by section analysis of HB 23, an act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority.

Section 1 The purpose of this bill is to create an Alaska Marine Highway Authority with exclusive authority to operate, manage, construct, and plan facilities of a marine highway system. According to the stated purpose, the Authority is independent of the state government. This is probably an overstatement. The Authority is part of state government, although for some purposes, as a public corporation, it has an independent legal existence.

Section 2 AS 19.70

Chapter 70. Alaska Marine Highway Authority
Article 1. Creation and Organization

19.70.010 The Alaska Marine Highway Authority is created as a public corporation with legal existence independent of the state. The Authority is a separate agency within the Department of Transportation and Public Facilities.

19.70.020 The governor appoints and the legislature confirms seven directors to the Authority. Three directors must be chosen from among representatives of commercial carriers, of the maritime industry and of the tourism

industry. Four directors must be public members; each from a separate region of the state served by the marine highway system (Southeastern Alaska, Prince William Sound, Kodiak Island, and Interior Alaska). Each director serves a four year term but is subject to prior removal by the governor. Each director must sign a written oath to faithfully, impartially, and justly perform his duties. The directors serve without pay but are entitled to travel and per diem expenses.

19.70.030 The directors shall chose a chairman from among themselves. The directors shall also choose a secretary and a treasurer, but the secretary and treasurer need not be directors. Four directors constitute a quorum of the Authority.

19.70.040 The Authority shall employ an executive director. All employees of the Authority except the executive director and the legal counsel, shall be state employees in the state classified service. The Authority may contract for the services of consultants and advisors as necessary.

Article 2. Powers and Duties

19.70.050 The Authority is a corporate entity that can sue and be sued. The Authority is given the powers necessary to conduct business of the marine highway system within and out of the state. As an agency of the state, the budget of the Authority is approved and the funds are appropriated by the legislature. The Authority is given the power to make and enforce bylaws and regulations, but it is unclear whether the Authority is to have rulemaking powers under the Administrative Procedures Act.

The Authority has power to establish rates and tariffs and to modify the routes of the marine highway system, after public hearings are held. The power to establish new routes for the marine highway system is not included in the powers of the Authority.

The Authority does not have the power to issue bonds for the construction of ferries or ferry terminals. The Authority must rely on legislative appropriation for funding of capital projects.

19.70.055 The Authority has a duty to promote the best marine passenger and freight service possible by private and public carriers to Alaskan communities. The Authority is specifically required to obtain prepayment for reservations and maximize the frequency of service to all ports. The bill is unclear on which ports must be served by the Marine Highway System. The Authority must provide access to the reservation system throughout the state and to market the marine highway system throughout the state. The Authority has a mandate to utilize Alaskan facilities and to employ Alaskan residents and Alaskan unions to the maximum extent possible.

19.70.060 The Authority is authorized to use the name "Alaska Marine Highway System."

19.70.070 The Authority and the Department of Transportation and Public Facilities shall prepare a long range plan for the marine highway system. The plan must be updated every five years. The plan and its update are subject to legislative oversight. The exact role of the Legislature in the review and approval of the plan is unclear.

Article 3. Acquisition of Property

19.70.080 The Authority may acquire land, easements, sand, gravel, and other raw materials by purchase, gift, or exchange. The Authority's power to acquire land or raw materials is not impeded by the fact that title to the land or raw materials is vested in the state or an agency of the state, though the significance and rationale of this provision is unclear.

19.70.090 The Authority may acquire land that is not for purposes of the marine highway system, if the land will be used to acquire other land needed for purposes of the marine highway system.

19.70.100 The Authority may abandon its ownership of land that is surplus to its needs. When the Authority abandons land, the land reverts to the owner or the owner's heirs of the land at the time the land was taken. This provision is peculiar in that the Authority has no power of eminent domain and thus cannot take land for marine highway purposes. Other state agencies, such as the Department of Transportation and Public Facilities, do have the power of eminent domain and could take land by eminent domain and

then transfer that land to the Authority. It is unusual that a state agency is given the power to abandon land. The Authority may also transfer its surplus land to the Department of Natural Resources for disposal. The proceeds from the disposal of such surplus lands must be credited to the fund from the funds to purchase the land originally came. The fate of funds received from the disposal of surplus lands that were not purchased by the state is not addressed.

Article 4. Ferry Terminal Facilities

19.70.110 The Authority may construct, purchase, lease, and maintain ferry terminal facilities. Ferry terminal facilities are limited to use by vehicles and passengers that can load and unload under their own power. This limitation prevents the ferry system from offering non-ferry type services such as containerized cargo services. This limitation may also restrict the current practice of loading and unloading vans on a ferry using trucks based at the embarkation and disembarkation ports, without the vans being accompanied by a means to load or unload on its own power.

19.70.120 The Authority may connect ferry terminals with local highway systems. The Authority may build the necessary roadways and other facilities necessary to link a ferry terminal with a local road system.

19.70.130 The Authority may adopt regulations governing public use of ferry terminal facilities. The regulatory power of the Authority is not explicitly subject to the Administrative Procedures Act (AS 44.62). Likewise the Authority is not specifically exempted from the Administrative Procedures Act.

19.70.140 A ferry terminal facility operating on January 1, 1959 is not affected by the provisions of 19.70.110-19.70.140. Such ferry terminals are not restricted to use by passengers and vehicles that load and unload under their own power. The Authority does not have power to issue regulations governing public use of these ferry terminals or to connect these ferry terminals with local road systems.

The power of the Authority over these older ferry terminal facilities is unclear. The Authority may lack authority to repair or maintain these facilities.

Sections 19.70.110-19.70.140 are taken from AS 19.60. AS 19.60 was enacted in 1959 and has not been updated since to reflect current practices of the marine highway system.

Article 5. General Provisions

19.70.150 The Authority shall issue annually a report to the governor and the legislature detailing its income, expenditures, and operations for the prior fiscal year.

19.70.160 A certified public accountant shall audit annually the financial records of the Authority. The legislative auditor has the power to prescribe the form and content of the financial records of the Authority. This is an unusual grant of authority to the legislative auditor in that the legislative auditor can dictate what kinds of financial records the Authority is to keep.

The legislative auditor may inspect the financial records of the Authority at any time.

19.70.170 The Authority is subject to the Executive Budget Act (AS 37.07). The Authority must submit its budget to the Legislature through the Governor. The Authority shall spend its budget only as the budget is appropriated by the legislature.

19.70.180 A vessel of the marine highway system may be named only by act of the legislature. Maritime vessels are to be named after an Alaska glacier and river vessels are to be named after historic vessels that used Alaskan rivers. This provision is derived from AS 19.65.020.

19.70.199 The terms "authority", "capital improvement" and "ferry" are defined.

The term "ferry" means a vessel used in intrastate commerce to carry passengers and self-propelled vehicles. The definition of "ferry" has not changed since it was adopted in 1959.

19.70.200 This act is titled the Alaska Marine Highway Authority Act.

Section 3 The Authority is subject to AS 35.27 which requires a specific proportion of construction costs to be allocated for art in the facility.

Section 4 The terms "building" and "facility" are amended so that any permanent improvement by the Authority is subject to AS 35.27.

Section 5 The term authority in AS 35.27 is defined to mean the Alaska Marine Highway Authority.

Section 6 The directors of the Alaska Marine Highway Authority are subject to the conflict of interest laws (AS 39.50).

Section 7 The Department of Transportation and Public Facilities is not responsible for the planning design construction or maintenance of facilities under the jurisdiction of the Alaska Marine Highway Authority.

Section 8 The Department of Transportation and Public Facilities is not responsible for management, operation, or maintenance of state transportation facilities under the jurisdiction of the Alaska Marine Highway Authority.

Section 9 AS 19.60 relating to ferry terminal facilities is repealed. Most of these same provisions are included in AS 19.70.110-19.70.140 of this bill. Those sections of AS 19.60 not re-enacted in this bill relate to construction and operation of ferry terminals by private enterprise.

AS 19.65 relating to the Alaska Marine Highway system is repealed. The provisions of this chapter are reenacted in this bill as AS 19.70.180.

Section 10 The first directors of the Authority are appointed by the Governor to staggered terms.

GU:mkr
M2:140

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 04/08/86

REQUEST

Bill/Resolution No.: HB 23
 Title: "...establishing the Alaska Marine Highway Authority."
 Sponsor: Cato
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: DOT&PF - AMHS
 BRU: Marine Administration and Marine Facilities Engineering
 Components: Administration and (Engineering) Management

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		371.2	389.8	409.3	429.8	451.3
TRAVEL		113.0	118.7	124.6	130.8	137.3
CONTRACTUAL		407.2	154.6	162.3	170.4	178.9
SUPPLIES		22.5	23.6	24.8	26.0	27.3
EQUIPMENT		33.5				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		947.4	686.7	721.0	757.0	794.8

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		947.4	686.7	721.0	757.0	794.8
FEDERAL FUNDS						
OTHER						
TOTAL		947.4	686.7	721.0	757.0	794.8

POSITIONS :

FULL-TIME		8.0	8.0	8.0	8.0	8.0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See attached

Prepared by: Joe H. Camp, Deputy Commissioner Phone: 465-3950
 Division: Alaska Marine Highway System (AMHS) Date: 04/08/86

Approved by Commissioner: Walter S. Spahr Date: 4-8-86
 Agency: Department of Transportation and P.F.

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 23

HB 23

FISCAL NOTE ANALYSIS

During FY 84, the Department of Transportation and Public Facilities completed a program of reorganization. Basically, the efforts were toward regionalization of the Department and decentralization of the functions within its operation. As a result, Marine Highway System became a "region" or a stand alone operating unit headed by a Deputy Commissioner.

After almost two years of operating at the new level, the Alaska Marine Highway System has shaken-down internally with planned organization adjustments to ensure all functions previously accomplished outside the System are covered. The current organization with a minimum of additional positions would be required for independent operation as the "Alaska Marine Highway Authority". The new positions required are identified on the attached Request for New Position forms.

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

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

The following assumptions were made:

1. The legislation would take effect July 1, 1986.
2. The "Alaska Marine Highway Authority's" time and attendance, personnel, and accounting computer systems will be completed with existing funding and will interface with existing State systems.
3. There would be an annual appropriation for full operating costs of the Authority each year that would include all revenues generated (Program Receipts) and a General Fund subsidy appropriation to cover the balance of costs needed to maintain the currently budgeted level of vessel operating schedules.
4. An inflation factor of five percent has been included for future years beyond FY 87.

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 23

5. The position of Deputy Commissioner would be converted to Executive Director and administrative support would be provided to the Board of Directors by the existing staff and the additional positions requested. No transfers of positions would be made from the Department of Transportation and Public Facilities.
6. The Authority would continue to use:
 - A. State-owned office buildings.
 - B. The State mail system
 - C. The State equipment fleet.
 - D. The statewide purchasing contracts (i.e. fuel).
 - E. "Shared" communications lines.
 - F. Insurance, bonding, etc., as now supplied.
 - G. Legal services from the Attorney General's Office.
7. The Directors of the Authority would meet an average of three days per month, or thirty-six days per year.

DETAIL OF FY 87 COSTS

MARINE ADMINISTRATION BRU

<u>Personal Services</u> - 5 PFT Positions		\$236.8
	Data Processing Manager I	\$ 61.0
	Analyst/Programmer IV	53.3
	Internal Auditor II	46.7
	Information Officer II	46.7
	Mail Clerk Carrier III	29.1
 <u>Travel</u>		 74.0
	Transportation and per diem costs for Internal Auditor II and Information Officer II	9.0
	Transportation and per diem for seven directors to attend monthly meetings (3 days each in various locations statewide)	35.0
	Transportation and per diem for Executive Director, section chiefs, and other staff as required to attend monthly directors' meetings.	30.0

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 23

<u>Contractual Services</u>		\$332.2
Professional Services		\$272.5
Transcription services for directors' meetings	\$ 2.5	
Annual audit by CPA	20.0	
Initial legal services	250.0	
Communication		18.5
Local telephone service for new positions	2.0	
Long distance telephone costs	7.5	
Postage	5.0	
Network connect fees for two new terminals	4.0	
Advertising, Printing and Binding		30.0
Printing of newsletter, including photography, etc.	15.0	
Advertising of directors' meetings	5.0	
Initial printing of stationery	10.0	
Rental for Land, Buildings and Space		11.2
Room rental for directors' meetings	1.2	
Additional office space for new positions	10.0	
<u>Supplies and Materials</u>		12.5
Office & Library Supplies	10.0	
Routine supplies for new positions and directors' meetings		
Data Processing Supplies	2.5	
<u>Equipment</u>		23.5
Office equipment for new positions	3.5	
Data processing equipment for new positions	20.0	
Marine Administration BRU TOTAL		\$679.0

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 23

MARINE FACILITIES ENGINEERING BRU

<u>Personal Services</u> - 3 PFT Positions			\$134.4
		\$ 46.4	
	Maintenance Worker II	88.0	
	2 Maintenance Worker I's		
<u>Travel</u>			39.0
	Transportation and per diem for Maintenance Workers to perform maintenance of terminal facilities	39.0	
<u>Contractual Services</u>			75.0
	Professional Services	50.0	
	Environmental engineering, right-of-way, EEO compliance, etc. (Currently performed by DOT&PF)		
	Minor Repair and Maintenance	25.0	
	Minor repairs beyond the scope of work performed by Maintenance Workers		
<u>Supplies and Materials</u>			10.0
	Repair & Maintenance Supplies	10.0	
	Structural materials and minor tools as needed		
<u>Equipment</u>			10.0
	Outfitting of maintenance shop		
	Marine Facilities Engineering BRU TOTAL		\$268.4

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HR 23

SUMMARY OF FY 87 COSTS

	<u>Marine Administration</u>	+	<u>Marine Fac. Engineering</u>	=	<u>Total</u>
Personal Services	236.8 (5 PFT)		134.4 (3 PFT)		371.2 (8 PFT)
Travel	74.0		39.0		113.0
Contractual Services	332.2		75.0		407.2
Supplies & Materials	12.5		10.0		22.5
Equipment	<u>23.5</u>		<u>10.0</u>		<u>33.5</u>
Totals	679.0	+	268.4	=	947.4

FY 88 COSTS

FY 88 costs include an inflationary increase of 5% after deletion of the following one-time costs:

<u>Contractual Services</u> (Marine Administration BRU)	\$260.0
Initial Legal Fees	\$250.0
Initial Printing Costs	10.0
<u>Equipment</u> (Both BRU's)	33.5

Position Title Data Processing Manager I			No. of Positions 1	Range/Step 21/A	Barg. Unit S	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau	Election District 04	Leg.			
Type of Expenditure			Justification					
1	2	3	<p>Creation of an Authority would require data processing support services which are currently provided by the Department of Transportation and Public Facilities.</p> <p>This position will be responsible for systems maintenance and liaison with the Department of Administration concerning computer resources.</p> <p>Equipment costs include office equipment and necessary computer equipment (terminal, microcomputer, printer, etc.).</p>					
Salary	46,068							
Benefits	14,974							
Premium Pay								
Other								
Total Personal Services		61.0						
Travel								
Contractual		2.5						
Commodities		.5						
Equipment		10.0						
Other								
Total Cost		74.0						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	74.0						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
Alaska Marine Highway System
 BRU Marine Administration
 Component Administration

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FY 87

Position Title Analyst/Programmer IV			No. of Positions 1	Range/Step 19/A	Barg. Unit G	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau	Election District 04		Leg.		
Type of Expenditure			Justification					
Amount			<p>Creation of an Authority would require data processing support services which are currently provided by the Department of Transportation and Public Facilities.</p> <p>This position will be responsible for systems maintenance under the supervision of the Data Processing Manager I.</p> <p>Equipment costs include office equipment and necessary computer equipment (terminal, microcomputer, printer, etc.).</p>					
1	2	3						
Salary	40,032							
Benefits	13,271							
Premium Pay								
Other								
Total Personal Services		53.3						
Travel								
Contractual		2.5						
Commodities		.5						
Equipment		10.0						
Other								
Total Cost		66.3						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	66.3						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
Alaska Marine Highway System
 BRU Marine Administration
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FY 87

Position Title Internal Auditor II			No. of Positions 1	Range/Step 17/A	Barg. Unit G	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau		Election District 04	Leg.		
Type of Expenditure			Justification					
Amount			Creation of an Authority would require internal auditing and review functions to ensure compliance with State statutes. This service is currently provided by the Department of Transportation and Public Facilities.					
1	2	3						
Salary	34,740							
Benefits	11,918							
Premium Pay								
Other								
Total Personal Services		46.7						
Travel		5.0						
Contractual		2.0						
Commodities		1.0						
Equipment		1.0						
Other								
Total Cost		55.7						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	55.7						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
Alaska Marine Highway System
 BRU Marine Administration
 Component Administration

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FY 87

Position Title Information Officer II			No. of Positions 1	Range/Step 17/A	Barg. Unit G	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau		Election District 04	Leg.		
Type of Expenditure			Justificati..					
Amount			Creation of an Authority would require public and media contact services which are currently provided by the Department of Transportation and Public Facilities.					
1	2	3						
Salary	34,740							
Benefits	11,918							
Premium Pay								
Other								
Total Personal Services		46.7						
Travel		4.0						
Contractual		25.0						
Commodities		2.0						
Equipment		1.5						
Other								
Total Cost		79.2						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	79.2						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
Alaska Marine Highway System
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Position Title Mail Clerk Carrier III			No. of Positions 1	Range/Step 09/B	Barg. Unit G	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau		Election District 04	Leg.		
Type of Expenditure			Justification					
Amount			Creation of an Authority would require mail delivery and courier services currently provided by the Department of Transportation and Public Facilities.					
1	2	3						
Salary	20,772							
Benefits	8,343							
Premium Pay								
Other								
Total Personal Services		29.1						
Travel								
Contractual		.5						
Commodities		.5						
Equipment								
Other								
Total Cost		30.1						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	30.1						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
 BRU Alaska Marine Highway System
 Component Marine Administration
Administration

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Position Title Maintenance Worker II			No. of Positions 1	Range/Step 54/A	Barg. Unit LTC	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau	Election District 04		Leg.		
Type of Expenditure			Justification					
Amount			<p>The legislation exempts the Department of Transportation and Public Facilities from maintenance of the facilities operated by the Authority.</p> <p>This position will serve as the lead for a maintenance team required to service Alaska Marine Highway System terminals, building, and docks.</p>					
1	2	3						
Salary	32,391							
Benefits	11,064							
Premium Pay 10 hrs OT/mo.	2,990							
Other								
Total Personal Services		46.4						
Travel		13.0						
Contractual		.5						
Commodities		.5						
Equipment		1.0						
Other								
Total Cost		61.4						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	61.4						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
Alaska Marine Highway System
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Component Management

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Position Title Maintenance Worker I			No. of Positions 1	Range/Step 55/A	Barg. Unit LTC	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau	Election District 04	Leg.			
Type of Expenditure			Justification					
		Amount	<p>The legislation exempts the Department of Transportation and Public Facilities from maintenance of the facilities operated by the Authority.</p> <p>This position is part of a three position maintenance team required to service Alaska Marine Highway System terminals, buildings, and docks.</p>					
1	2	3						
Salary	30,592							
Benefits	10,561							
Premium Pay 10 hrs OT/mo.	2,825							
Other								
Total Personal Services		44.0						
Travel		13.0						
Contractual		.5						
Commodities		.5						
Equipment		1.0						
Other								
Total Cost		59.0						
Funding Source								
Federal Receipts	1002							
G. F. Match	1003							
General Funds	1004	59.0						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.
Alaska Marine Highway System
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Position Title Maintenance Worker I			No. of Positions 1	Range/Step 55A	Barg. Unit ETC	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau		Election District 04	Leg.		
Type of Expenditure			Justification					
Amount			<p>The legislation exempts the Department of Transportation and Public Facilities from maintenance of the facilities operated by the Authority.</p> <p>This position is part of a three position maintenance team required to service Alaska Marine Highway System terminals, buildings, and docks.</p>					
1	2	3						
Salary	30,592							
Benefits	10,561							
Premium Pay 10 hrs OT/mo.	2,825							
Other								
Total Personal Services		44.0						
Travel		13.0						
Contractual		.5						
Commodities		.5						
Equipment		1.0						
Other								
Total Cost		59.0						
Funding Source								
Federal Receipts	1002							
G. E. Match	1003							
General Funds	1004	59.0						
I-A Receipts	1005							
Program Receipts	1028							
CIP Receipts	1061							
Other								

**Request For
New Position**

Agency Dept. of Transportation and P.F.,
Alaska Marine Highway System
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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB - #23

Title: Alaska Marine Highway System Authority

Sponsor: CATO

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: DOT/PF

Program Category Affected: Marine Transportation

ERU, Program or Subprogram(s) Affected: _____

Marine Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
100 PERSONAL SERVICES	346.6	367.4	389.5	412.8	437.6	463.9
200 TRAVEL	123.0	130.4	138.2	146.5	155.3	164.6
300 CONTRACTUAL	417.7	34.7	36.8	39.0	41.3	43.8
400 SUPPLIES	81.8	17.8	18.9	20.0	21.2	22.5
500 EQUIPMENT	50.0	0	5.0	0	5.0	
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	1019.1	550.3	588.4	618.3	660.4	694.8

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	1019.1	550.3	588.4	618.3	660.4	694.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	12	12	12	12	12	12
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary
See attached Justifications

Prepared By: Joe D. Camp
Alaska Marine Highway System

Phone: 465-3955

Date: 01-17-85

Approved by Commissioner: [Signature] Date: 1/22/85
Agency: Department of Transportation & Public Facilities

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor

IV Analysis

During FY 84 Department of Transportation and Public Facilities completed a program of reorganization. Basically, the efforts were toward regionalization of the department and decentralization of the functions within its operation. As a result, Marine Highway System has become a "region" or a stand alone operating unit with four Divisions headed by a Deputy Commissioner.

After almost a year of operating at the new level, Alaska Marine Highway System has "shaken-down" internally with planned organizational adjustments to ensure all functions previously accomplished outside the system are covered. The current organization with a minimum of twelve identified personnel additions would be required for independent operation as "Alaska Marine Highway Authority". The new positions required are identified on the attached Fiscal Note.

No funds for increased operations are being requested in this fiscal note. Any increase in vessel operations would require additional funds whether the system is managed as an authority or under the present organization within Department of Transportation and Public Facilities.

It is assumed the Authority would utilize the State Accounting System where possible just as the current organization will. The Alaska Marine Highway System's FY 86 Capital Budget request includes \$1.0 million for design of the software necessary to enable various accounting, time and attendance, leave accounting, and personnel record keeping functions which are unique to the Marine Highway System to interface with the State accounting system. Additional funds will be requested in the FY 87 C.I.P. Budget to complete this program. These new systems will also complement the Alaska Marine Highway System Computer Reservation System. The requirements will remain the same under the current organization or an authority.

The following assumptions were made:

1. The "Alaska Marine Highway Authority's" time and attendance, personnel, and accounting systems would interface the existing State systems and be compatible.
2. There would be an annual appropriation for full operating costs of the authority each year that would be made up of expected revenue, i.e. programmed receipts, and a general fund subsidy to cover the remainder.

3. Inflation factor of six percent (6) for future years.
4. "Authority" would continue to use:
 - A. State owned office buildings.
 - B. The State Mail System.
 - C. The State equipment fleet.
 - D. The statewide purchasing contracts (i.e. fuel).
 - E. "Shared" communications lines.
 - F. Insurance, bonding, etc., as now supplied.
 - G. Legal service from the Attorney General's office.
5. FY 86 one-time start up funds would be \$260.0 for Legal Services, \$125.0 additional space rental, and \$65.0 for Commodities, i.e., office supplies, etc., and \$50.0 for equipment.
6. No transfers of positions would be made from Department of Transportation and Public Facilities and actual increases would be those identified in each B.R.U. of Alaska Marine Highway System.
7. The Directors of the Authority would meet an average three days per month or thirty-six days per year. Travel and per diem for these meetings are included in the fiscal note.
8. Administrative support would be provided to the Board of Directors from the existing staff.
9. The position of Deputy Commissioner would be converted to Executive Director.
10. The present organization consisting of four Divisions would be retained and the Division Director positions would be converted to the classified service.

HP 23: An Act relating to ferries and ferrv terminals and establishing the Alaska Marine Highway Authority.

The Department of Transportation and Public Facilities is opposed to the creation of an authority to operate the Alaska Marine Highway System. The concept of an authority appears to be to harness the private sector motivations for efficiency with the understanding that an Authority basically is a self-sufficient entity and yet it is envisioned as an Authority with certain powers of the State that private industry does not have, such as the rights of eminent domain and access to government bond markets. In the case of the Marine Highway System, however, revenues amount to approximately 50% of the operating cost, with no contribution to capital requirements. With this large of a reliance on the General Fund, it is constitutionally a mandate that the executive branch maintain more direct control. In fact, an Authority, with an independent board of directors, even to the extent all may be appointed by the Governor, creates an additional administrative layer insulated from the Executive Branch, not responsive to the electorate's mandates as regards to the Executive Branch and yet drawing a significant amount of its operating monies directly from the General Fund. What you have in this case is an entity that is shielded from public pressures of concern vis-a-vis a board of directors that is interjected into the line of command from the Governor and at the same time freed from the private sector incentive for efficiency that was initially envisioned in the concept of Authorities; and because of the large amount of monies drawn from the General Fund yield no approximation to a balance between operating cost and revenues.

The past performance problems associated with the Marine Highway System are well understood by the Governor, the Commissioner, Department of Transportation and Public Facilities and the Deputy Commissioner, Alaska Marine Highway System, all of whom are currently addressing those problems with a measurable degree of success. Additional improvements are being made continually as a result of the recommendations of the Governor's Task Force, the Legislature and the public. Recent changes in the reservation system, the uniform appearance of terminal agents, cost reductions in ship operations and overhaul, additional sailings of vessels and upgrade of radars on vessels are examples of improvements made since the reorganization and elevation of the Marine Highway System to the status of a region within the Department of Transportation and Public Facilities.

We believe the reorganization completed last year has provided the mechanism to continue improvements and accomplish anything an authority would be able to do.

1. POSITION TITLE Computer Manager J				RANGE/STEP 19A	BARG. UNIT S	PAGE/LINE	GOV.	APPROV.	DISAPP.
2. TYPE OF POSITION EDP		STAFF MONTHS 12	RP NUMBER	PCH NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.	
3. ADDITION LEVEL				JUSTIFICATION					
4. ADDITION									
5. PERSONAL SERVICES				Amount					
6. Salary				1					
7. Benefits				2					
8. Supplemental Benefits				3					
9. Fringe Benefits									
10. TOTAL PERSONAL SERVICES				01 41.8					
11. Travel				02 2.0					
12. Contractual				03 2.0					
13. Commodities				04 5.0					
14. Equipment				05					
15. Other									
16. TOTAL COST				50.8					
17. RECEIPT CODE				FUNDING SOURCE					
18. Federal Receipts				1002					
19. G.F. Hatch				1003					
20. General Funds				1004 50.8					
21. I-A Receipts				1005					
22. Program Receipts				1028					
23. Other									
FOR BFM USE ONLY KEY NUMBER									

Creation of an Authority would require the addition of a Computer Section to replace services provided by the Department of Transportation and Public Facilities.

This position will be the Supervisor level for a computer section.

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1.	POSITION TITLE Systems Analyst				RANGE/STEP 18A	DARG. UNIT S	PAGE/LINE	GOV.	APPROV.	DISAP.		
2.	TYPE OF POSITION EDP	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.				
3.	CLASSIFICATION LEVEL				JUSTIFICATION							
4.	TYPE OF FACILITIES				<p>The creation of an Authority would require the addition of a Computer Section to replace services provided by the Department of Transportation and Public Facilities.</p> <p>This position will provide the link between the Alaska Marine Highway System and EDP services.</p>							
	1		2								3	
	PERSONAL SERVICES											
5.	Salary											
6.	Benefits											
7.	Supplemental Benefits											
8.	Fixed Benefits											
9.	TOTAL PERSONAL SERVICES		01								39.0	
10.	Travel		02								2.0	
11.	Contractual		03								2.0	
12.	Commodities		04								5.0	
13.	Equipment		05									
14.	Other											
15.	TOTAL COST										48.0	
16.	RECEIPT CODE	FUNDING SOURCE										
17.		Federal Receipts 1002										
18.		G.F. Hatch 1003										
19.		General Funds 1004		48.0								
20.		I-A Receipts 1005										
21.		Program Receipts 1020										
		Other										
FOR BSM USE ONLY												
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1	POSITION TITLE Information Officer				RANK/STEP 17A	ORG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAP.
2	TYPE OF POSITION Admin.	STAFF MONTHS	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION	ELECTION DISTRICT	LCG.		
3	CONTRIBUTION LEVEL		ADDITION		JUSTIFICATION Creation of an Authority would require the addition of an Information Officer to replace services provided by the Department of Transportation and Public Facilities. This position will provide public and media contact.					
4	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5	Salary									
6	Benefits									
7	Supplemental Benefits									
8	Fixed Benefits									
9	TOTAL PERSONAL SERVICES	01		36.4						
10	Travel	02		4.0						
11	Contractual	03		25.0						
12	Commodities	04		2.0						
13	Equipment	05								
14	Other									
15	TOTAL COST			67.4						
	RECEIPT CODE	FUNDING SOURCE								
16		Federal Receipts 1002								
17		G.F. Hatch 1003								
18		General Funds 1004		67.4						
19		I-A Receipts 1005								
20		Program Receipts 1020								
21		Other								
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1	POSITION TITLE Internal Auditor			RANGE/STEP 16A	ORG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP.
2	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.	
3	CONSIDERATION LEVEL			JUSTIFICATION					
4	TYPE OF EVALUATION			AMOUNT					
	1		2		3				
	PERSONAL SERVICES								
5	Salary								
6	Benefits								
7	Supplemental Benefits								
8	Fixed Benefits								
9	TOTAL PERSONAL SERVICES			01	34.0				
10	Travel			02	5.0				
11	Contractual			03	2.0				
12	Commodities			04	1.0				
13	Equipment			05					
14	Other								
15	TOTAL COST				42.0				
	RECEIPT CODE			FUNDING SOURCE					
16				Federal Receipts 1002					
17				G.F. Hatch 1003					
18				General Funds 1004					
19				I-A Receipts 1005					
20				Program Receipts 1028					
21				Other					
				42.0					
FOR BSM USE ONLY									
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Creation of an Authority would require the addition of an Audit Section to replace services provided by the Department of Transportation and Public Facilities.

This position will provide in-house auditing to assure compliance with State Rules and Regulations.

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1. POSITION TITLE Computer Operator				RANGE/STEP 14A	DEPT. UNIT G	PAGE/LINE	COY.	APPROV.	DISAP.
2. TYPE OF POSITION EDP		STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION	ELECTION DISTRICT	LCG.	
3. ADDITION LEVEL				JUSTIFICATION					
4. TYPE OF EXPENDITURE				Creation of an Authority would require the addition of a Computer Section to replace services provided by the Department of Transportation and Public Facilities.					
5. PERSONAL SERVICES		ADDITION		This position will operate the Alaska Marine Highway System computers.					
6. Salary		1		28.8					
7. Benefits		2							
8. Supplemental Benefits		3							
9. Fixed Benefits		4							
10. TOTAL PERSONAL SERVICES		01		28.8					
11. Travel		02							
12. Contractual		03		.1					
13. Commodities		04		6					
14. Equipment		05							
15. Other									
16. TOTAL COST				29.5					
17. RECEIPT CODE		FUNDING SOURCE							
18. Federal Receipts		1002							
19. G.F. Match		1003							
20. General Funds		1004		29.5					
21. I-A Receipts		1005							
22. Program Receipts		1020							
23. Other									
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1. POSITION TITLE Mail Carrier Clerk III				RANGE/STEP 09A	ORG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAP.
2. TYPE OF POSITION		STAFF MONTHS	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	ICC.	
3. CONTRIBUTION LEVEL				JUSTIFICATION					
4. TYPE OF EXPENDITURE				AMOUNT					
1		2		3					
PERSONAL SERVICES									
5.	Salary								
6.	Benefits								
7.	Supplemental Benefits								
8.	Fixed Benefits								
9.	TOTAL PERSONAL SERVICES		01	21.0					
10.	Travel		02						
11.	Contractual		03	.5					
12.	Commodities		04	.1					
13.	Equipment		05						
14.	Other								
15.	TOTAL COST			21.6					
16. RECEIPT CODE				FUNDING SOURCE					
				Federal Receipts 1002					
				G.F. Hatch 1003					
				General Funds 1004					
				I-A Receipts 1005					
				Program Receipts 1020					
				Other					
				21.6					
FOR BSM USE ONLY									
KEY NUMBER _____									

Creation of an Authority would require the addition of a Mail Section to replace services provided by the Department of Transportation and Public Facilities.

This position will provide the mail delivery link for the Alaska Marine Highway System.

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1	POSITION TITLE Data Processing Assistant			RANGE/STEP 09A	DARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP.
2	TYPE OF POSITION	STAFF MONTHS	RP NUMBER	PCH NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.	
3	CLASSIFICATION LEVEL			ADDITION	JUSTIFICATION				
4	TITLE OF POSITION			Amount	<p>Creation of an Authority would require the addition of a Computer Section to replace services provided by the Department of Transportation and Public Facilities.</p> <p>This position will provide assistance to computer operators.</p>				
5	PERSONAL SERVICES								
5	Salary								
6	Benefits								
7	Supplemental Benefits								
8	Fixed Benefits								
9	TOTAL PERSONAL SERVICES		01	21.0					
10	Travel		02						
11	Contractual		03	.1					
12	Commodities		04	.3					
13	Equipment		05						
14	Other								
15	TOTAL COST			21.4					
16	RECEIPT CODE	FUNDING SOURCE							
17		Federal Receipts 1002							
18		G.F. Match 1003							
19		General Funds 1004		21.4					
20		I-A Receipts 1005							
21		Program Receipts 1020							
22		Other							
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1. POSITION TITLE Data Processing Assistant				2. RANGE/STEP 09A	3. BARG. UNIT G	4. PAGE/LINE	5. COV.	6. APPROV.	7. DISAP.
8. TYPE OF POSITION EDP	9. STAFF MONTHS 12	10. RP NUMBER	11. PCN NUMBER	12. BRU PRIORITY	13. LOCATION AWA	14. ELECTION DISTRICT	15. LEG.		
3. CONTINGENT LEVEL				4. JUSTIFICATION					
5. TYPE OF EXPENDITURE				6. AMOUNT					
1		2		3					
PERSONAL SERVICES									
5.	Salary								
6.	Benefits								
7.	Supplemental Benefits								
8.	Fixed Benefits								
9.	TOTAL PERSONAL SERVICES		01	20.7					
10.	Travel		02						
11.	Contractual		03	.5					
12.	Commodities		04	.1					
13.	Equipment		05						
14.	Other								
15.	TOTAL COST			21.3					
16. RECEIPT CODE				17. FUNDING SOURCE					
				Federal Receipts 1002					
				C.F. Hatch 1003					
				General Funds 1004					
				I-A Receipts 1005					
				Program Receipts 1028					
				Other					
				21.3					
18. FOR BSM USE ONLY									
19. KEY NUMBER									

Creation of an Authority would require the addition of a Computer Section to replace service provided by the Department of Transportation and Public Facilities.

This position will provide assistance to computer operations.

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1. POSITION TITLE Maintenance Foreman				RANGE/STEP WG 55	DEPT. UNIT LTC	PAGE/LINE	GOV.	APPROV.	DISAPP.
2. TYPE OF POSITION		STAFF MONTHS 12	RP NUMBER	PCH NUMBER	BRD PRIORITY	LOCATION	ELECTION DISTRICT	LCC.	
3. ADDITIONAL LEVEL				JUSTIFICATION					
4. TYPE OF EXEMPTION				Amount					
1		2		3					
PERSONAL SERVICES									
5. Salary									
6. Benefits									
7. Supplemental Benefits									
8. Fixed Benefits									
9. TOTAL PERSONAL SERVICES				01		27.0			
10. Travel				02					
11. Contractual				03		.2			
12. Commodities				04		.1			
13. Equipment				05					
14. Other									
15. TOTAL COST						28.2			
16. RECEIPT CODE				FUNDING SOURCE					
17.				Federal Receipts 1002					
18.				G.F. Hatch 1003					
19.				General Funds 1004		28.2			
20.				I-A Receipts 1005					
21.				Program Receipts 1020					
22.				Other					
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1.	POSITION TITLE Maintenance Man	RANGE/STEP WG 56	BARG. UNIT LTC	PAGE/LINE	GOV.	APPROV.	DISAPP.																											
2.	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:15%;">TYPE OF POSITION</td> <td style="width:15%;">STAFF MONTHS 12</td> <td style="width:15%;">RP NUMBER</td> <td style="width:15%;">PCN NUMBER</td> </tr> </table>	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.																									
TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER																															
3.	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:20%;">CONTRIBUTION LEVEL</td> <td style="width:20%;">ADDITION</td> <td style="width:20%;"></td> <td style="width:20%;"></td> </tr> </table>	CONTRIBUTION LEVEL	ADDITION			JUSTIFICATION Creation of an Authority would require the addition of a Maintenance Section to replace services provided by the Department of Transportation and Public Facilities. This position will maintain Alaska Marine Highway System terminals, buildings and docks.																												
CONTRIBUTION LEVEL	ADDITION																																	
4.	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">Type of Expenditure</td> <td style="width:30%;">Amount</td> </tr> <tr> <td style="text-align:center;">1</td> <td style="text-align:center;">2</td> </tr> <tr> <td colspan="2" style="text-align:center;">PERSONAL SERVICES</td> </tr> <tr> <td>Salary</td> <td></td> </tr> <tr> <td>Benefits</td> <td></td> </tr> <tr> <td>Supplemental Benefits</td> <td></td> </tr> <tr> <td>Fixed Benefits</td> <td></td> </tr> <tr> <td>TOTAL PERSONAL SERVICES</td> <td style="text-align:center;">01 24.7</td> </tr> <tr> <td>Travel</td> <td style="text-align:center;">02</td> </tr> <tr> <td>Contractual</td> <td style="text-align:center;">03 .1</td> </tr> <tr> <td>Commodities</td> <td style="text-align:center;">04 1.0</td> </tr> <tr> <td>Equipment</td> <td style="text-align:center;">05</td> </tr> <tr> <td>Other</td> <td></td> </tr> <tr> <td>TOTAL COST</td> <td style="text-align:center;">25.8</td> </tr> </table>	Type of Expenditure	Amount	1	2						PERSONAL SERVICES		Salary		Benefits		Supplemental Benefits		Fixed Benefits		TOTAL PERSONAL SERVICES	01 24.7	Travel	02	Contractual	03 .1	Commodities	04 1.0	Equipment	05	Other		TOTAL COST	25.8
Type of Expenditure	Amount																																	
1	2																																	
PERSONAL SERVICES																																		
Salary																																		
Benefits																																		
Supplemental Benefits																																		
Fixed Benefits																																		
TOTAL PERSONAL SERVICES	01 24.7																																	
Travel	02																																	
Contractual	03 .1																																	
Commodities	04 1.0																																	
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1.	POSITION TITLE Computer Operator				RANGE/STEP 14A	BARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAP.
2.	TYPE OF POSITION EDP	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.		
3.	ADMINISTRATIVE LEVEL				JUSTIFICATION Creation of an Authority would require the addition of a Computer Section to replace services provided by the Department of Transportation and Public Facilities. This position will operate the Alaska Marine Highway System computers.					
4.	TYPE OF EXPENDITURE									
	PERSONAL SERVICES		AMOUNT							
	1	2	3							
5.	Salary									
6.	Benefits									
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES		01	28.8						
10.	Travel		02							
11.	Contractual		03	.1						
12.	Commodities		04	.5						
13.	Equipment		05							
14.	Other									
15.	TOTAL COST			29.4						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		C.F. Hatch 1003								
18.		General Funds 1004		29.4						
19.		I-A Receipts 1005								
20.		Program Receipts 1020								
21.		Other								
FOR BSM USE ONLY KEY NUMBER _____										

REQUEST FOR
NEW POSITION

AGENCY Transportation & Public Facilities

PROGRAM Marine Transportation

BRU Administrative Support

COMPONENT Administrative Support

Page _____ of _____

Revised Date _____

FY 86

HOUSE BILL 23

" AN ACT RELATING TO FERRIES AND FERRY TERMINALS AND ESTABLISHING THE ALASKA MARINE HIGHWAY AUTHORITY."

DURING THE INTERIM OF THE 12TH LEGISLATURE, THE HOUSE TRANSPORTATION COMMITTEE CENTERED ITS EFFORTS ON STUDYING THE DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES. THE COMMITTEE WAS PRESENTED WITH VARIOUS MATERIALS AND INFORMATION RELATING TO TRANSPORTATION AND THERE HAVE BEEN MANY ISSUES THAT NEEDED FURTHER STUDY.

TO ASSIST THE COMMITTEE IN ITS INQUIRY, THE COMMITTEE CONTRACTED KASILOF ASSOCIATES. A PACKAGE OF TRANSPORTATION BILLS WERE INTRODUCED BY THE COMMITTEE THE FOLLOWING SESSION, AND AMONG THEM WAS THE MARINE HIGHWAY AUTHORITY BILL.

THAT BILL, HOUSE BILL 651 MADE IT THROUGH THE HOUSE, IN AND OUT OF SENATE STATE AFFAIRS, BUT DIED IN SENATE FINANCE.

THE FOLLOWING LEGISLATURE - THE THIRTEENTH LEGISLATURE - I INTRODUCED HOUSE BILL 68 - THE MARINE HIGHWAY AUTHORITY BILL, WITH THE CHANGES WHICH IT HAD BEEN THROUGH THE PREVIOUS YEARS. AGAIN, THE MARINE HIGHWAY AUTHORITY BILL MADE IT THROUGH THE HOUSE, WITH CHANGES AND DIED LAST YEAR IN THE SENATE TRANSPORTATION COMMITTEE.

THIS LEGISLATURE - THE FOURTEENTH LEGISLATURE - I HAVE INTRODUCED HOUSE BILL 23 BY DUPLICATING THE FINANCE COMMITTEE SUBSTITUTE AMENDED BY THE HOUSE OF LAST SESSION.

OBVIOUSLY, THIS BILL HAS BEEN AROUND FOR SOME TIME AND HAS BEEN DISCUSSED IN MANY COMMITTEES. THE BILL SETS UP AN AUTHORITY TO MANAGE AND OPERATE THE FERRY SYSTEM. THE LONG TERM GOAL OF THE LEGISLATION AND INTENT BEHIND ITS FORMULATION HAS BEEN TO MOVE TOWARD INCREASED EFFICIENCY AND ACCOUNTABILITY IN THE SYSTEM. IF

THESE TWO ITEMS ARE RECOGNIZED IT WOULD POSSIBLY REDUCE THE
SUBSIDY. THE SYSTEM IS SUBSIDIZED AT THE RATE OF 50 PER CENT OF
ITS OPERATION.

ONE OF THE QUESTIONS THAT HAS COME UP IN THE PAST IS THE LOSS OF
FEDERAL FUNDS FOLLOWING THE ESTABLISHMENT OF THE AUTHORITY.
FEDERAL FUNDS PRESENTLY ARE USED FOR CAPITAL CONSTRUCTION OF THE
FERRIES THEMSELVES. ONCE IN THE PAST, THE DEPARTMENT OF
TRANSPORTATION DID NOT FEEL THAT FEDERAL FUNDING WOULD BE
JEOPARDIZED AS IT COMES INTO THE GENERAL FUND AND IS REALLOCATED OR
APPROPRIATED TO THE MARINE HIGHWAY SYSTEM.

IT IS POSSIBLE THAT THE CREATION OF THE MARINE HIGHWAY AUTHORITY
WILL CAUSE PROBLEMS IN UTILIZATION OF THE FEDERAL-AID HIGHWAY TRUST
FUND MONIES. THE QUESTION IS, DOES THIS MATTER?

THE NEED FOR REPLACEMENT AND EXPANSIONS OF THE MARINE HIGHWAY SYSTEM IS DOCUMENTED BY THE STUDIES CONDUCTED BY THE DEPARTMENT OF TRANSPORTATION. THE CREATION OF THE AUTHORITY AND THE ABILITY OF THAT AUTHORITY TO FINANCE IMPROVEMENT SHOULD STABILIZE THE LONG-RANGE PROGRAM FOR THE FERRY SYSTEM. SINCE NO PORTION OF THE FEDERAL HIGHWAY FUNDS ARE RESERVED FOR THE MARINE HIGHWAY SYSTEM, THERE WILL BE NO EFFECT OTHER THAN A POSSIBLE MINOR REDUCTION DUE TO A SYSTEM MILEAGE REDUCTION. THIS REDUCTION COULD BE ZEROED OUT BY ADDING RESOURCE DEVELOPMENT ROUTES TO THE SYSTEM.

MY REASONING IS FOR PURSUING THIS LEGISLATION YEAR AFTER YEAR IS THAT DOTPF IS A MONOLITHIC MONSTER THAT IS JUST TOO LARGE FOR ONE COMMISSIONER TO HANDLE AND I TRULY FEEL OVERSIGHT WOULD BE BETTER IF IT WERE SEPARATE. WE HAVE A NUMBER OF PEOPLE WHO AGREE WITH ME WHOM YOU WILL HEAR FROM AS WE CONTINUE TO DISCUSS THIS BILL IN FUTURE MEETINGS.

TAKING A SECTIONAL LOOK AT HOUSE BILL 23:

SECTION 1: THE PURPOSE OF THIS ACT IS TO ESTABLISH AN AUTHORITY FOR THE OPERATION, MANAGEMENT, AND PLANNING AND CONSTRUCTION OF FACILITIES FOR THE MARINE HIGHWAY SYSTEM THAT IS INDEPENDENT OF THE STATE GOVERNMENT. THE AUTHORITY SHALL BE THE EXCLUSIVE STATE AGENCY DIRECTLY ASSOCIATED WITH THE OPERATION, MANAGEMENT, PLANNING AND CONSTRUCTION OF FACILITIES FOR THE MARINE HIGHWAY SYSTEM.

SECTION 2: ADDS A NEW CHAPTER 70 TO TITLE 19. AS 19.70.010
ALASKA MARINE HIGHWAY AUTHORITY

ARTICLE 1

THIS SECTION CREATES THE MARINE HIGHWAY AUTHORITY AS A PUBLIC CORPORATION OF THE STATE. THE AUTHORITY IS AN INSTRUMENTALITY OF THE STATE IN THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES BUT HAS A LEGAL EXISTENCE INDEPENDENT OF AND SEPARATE FROM THE STATE AND CONTINUES UNTIL ITS EXISTENCE IS TERMINATED BY LAW.

SECTION 19.70.020 DIRECTORS. THE AUTHORITY CONSISTS OF 7
DIRECTORS APPOINTED BY THE GOVERNOR WITH THE FOLLOWING
QUALIFICATIONS: A REPRESENTATIVE OF COMMERCIAL CARRIERS, A
REPRESENTATIVE OF THE MARITIME INDUSTRY, A REPRESENTATIVE OF THE
TOURISM INDUSTRY AND FOUR MEMBERS OF THE PUBLIC REPRESENTING
REGIONS SERVED BY THE MARINE HIGHWAY - ONE FROM SOUTHEAST, ONE FROM
FROM KODIAK ISLAND, ONE FROM PRINCE WILLIAM SOUND AND ONE FROM THE
INTERIOR. "

MOST LANGUAGE IN THIS SECTION IS FOUND IN EXISTING LAW FOR OTHER
AUTHORITIES OR BOARDS PERTAINING TO QUALIFICATIONS, CONFLICT OF
INTEREST. ETC. DIRECTORS SERVE WITHOUT COMPENSATION, BUT ARE
ENTITLED TO TRAVEL AND PER DIEM EXPENSES.

SECTION 19.70.030 OFFICERS AND QUORUM. THE DIRECTORS ELECT A
CHAIRMAN FROM THEIR NUMBER. THE DIRECTORS SHALL ELECT A SECRETARY
THAT NEED NOT BE ONE OF THE DIRECTORS. FOUR DIRECTORS CONSTITUTE A
QUORUM. MAJORITY MOTIONS OR ACTION MAY BE TAKEN.

SECTION 19.70.040. STAFF. THE AUTHORITY MAY EMPLOY STAFF, MAY CONTRACT FOR SERVICES IN EXERCISING ITS POWERS.

ARTICLE 2 POWERS AND DUTIES

SECTION 19.70.050. POWERS OF THE AUTHORITY SETS OUT POWERS AND OBLIGATIONS OF THE AUTHORITY.

SECTION 19.70.055. DUTIES OF THE AUTHORITY. SETS OUT DUTIES OF THE AUTHORITY.

SECTION 19.70.060. ALASKA MARINE HIGHWAY SYSTEM NAME AUTHORIZED. THE AUTHORITY IS AUTHORIZED TO OPERATE UNDER THAT NAME.

SECTION 19.70.070. COMPREHENSIVE LONG-RANGE PLAN. MANDATES A COMPREHENSIVE LONG RANGE PLAN FOR THE MARINE HIGHWAY SYSTEM THAT SHALL BE UPDATED AT LEAST EVERY FIVE YEARS WHICH REQUIRES LEGISLATIVE APPROVAL OF REVISIONS OR UPDATES .

ARTICLE 3

SECTION 19.70.080 ACQUISITION OF LAND AND EASEMENTS, SETS OUT PROCEDURES THAT THE AUTHORITY UTILIZES TO ACQUIRE PROPERTY.

SECTION 19.870.090 AUTHORITY TO PURCHASE PROPERTY FOR THE PURPOSE OF EXCHANGE ALLOWS THE AUTHORITY TO PURCHASE PROPERTY FOR EXCHANGE.

SECTION 19.70.100 VACATING OF LAND OR RIGHTS IN LAND, THIS SECTION ALLOWS THE AUTHORITY TO VACATE LAND OR USE RIGHTS BY FILING A DEED IN THE APPROPRIATE RECORDING DISTRICT. UPON VACATING, TITLE REVERTS TO PERSONS, HEIRS, SUCCESSORS, OR ASSIGNS IN WHOM IT WAS VESTED AT THE TIME OF THE TAKING. THE AUTHORITY MAY TRANSFER LAND TO THE DEPARTMENT OF NATURAL RESOURCES FOR DISPOSAL, PROCEEDS OF WHICH GO TO THE GENERAL FUND.

ARTICLE 4

SECTION 19.70.110 ACQUISITION AND MAINTENANCE OF FERRY TERMINAL FACILITIES. ALLOW THE AUTHORITY TO CONSTRUCT, PURCHASE, OR LEASE TERMINAL FACILITIES AND REQUIRES THEM TO REPAIR SUCH FACILITIES.

SECTION 19.70.120 CONNECTION OF FACILITIES TO HIGHWAYS. THE AUTHORITY MAY CONNECT FERRY TERMINAL FACILITIES WITH LOCAL HIGHWAY SYSTEM.

SECTION 19.70.130 REGULATIONS AUTHORITY MAY ADOPT REGULATIONS FOR THE USE OF TERMINAL FACILITIES.

SECTION 19.70.140. EXISTING FACILITIES NOT AFFECTED. EXISTING TERMINAL FACILITIES ARE NOT EFFECTED.

ARTICLE 5

SECTION 19.70.150 ANNUAL REPORT. BY JANUARY 15 OF EACH YEAR, THE AUTHORITY SHALL SUBMIT TO THE GOVERNOR AND THE LEGISLATURE A

COMPREHENSIVE REPORT DESCRIBING THE OPERATIONS, INCOME, AND
EXPENDITURES FOR THE PRECEDING FISCAL YEAR.

SECTION 19.70.160 ANNUAL AUDIT RECORDS SHALL BE CHECKED BY A CPA.
ALLOWS LEGISLATIVE AUDITOR TO PRESCRIBE THE FORM AND CONTENT OF
FINANCIAL RECORDS AND HAS ACCESS TO THESE RECORDS AT ANY TIME.

SECTION 19.70.170 BUDGET AND APPROPRIATIONS THE AUTHORITY IS
FUNDED BY THE LEGISLATURE THROUGH THE GOVERNOR BY THE EXECUTIVE
BUDGET ACT. MONEY IS DIRECTLY APPROPRIATED AND MAY BE SPENT AS
AUTHORIZED.

SECTION 19.70.180 NAMING OF VESSEL OF FACILITY. SET GUIDELINES
FOR NAMING

SECTION 19.70.199 DEFINITIONS.

SECTION 3 AS 35.27 APPLICATION TO ALASKA MARINE HIGHWAY AUTHORITY
REQUIRES THE AUTHORITY TO COMPLY TO THIS CHAPTER WITH RESPECT TO
PUBLIC BUILDINGS AND FACILITIES.

SECTION 4-8 OF THE BILL AMENDS EXISTING LAW TO RELATE TO AN
AUTHORITY TO READ "AUTHORITY" INSTEAD OF "DEPARTMENT" GIVING THE
AUTHORITY JURISDICTION IN LAW WHERE THE DEPARTMENT WAS SPECIFIED.

SECTION 9 AS. 19.60.101 - 18.60.70 AND AS 19.65 ARE REPEALED

SECTION 10 SETS OUT APPOINTMENTS FOR THE FIRST DIRECTORS OF THE
ALASKA MARINE HIGHWAY SYSTEM.

Introduced: 1/14/85
Referred: Transportation and
Finance

1 IN THE HOUSE

BY CATO

2

HOUSE BILL NO. 23

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to ferries and ferry terminals and
7 establishing the Alaska Marine Highway Authority."

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

9 * Section 1. PURPOSE. The purpose of this Act is to establish an
10 authority for the operation, management, and planning and construction of
11 facilities for the marine highway system that is independent of the state
12 government. The authority shall be the exclusive state agency directly
13 associated with the operation, management, planning and construction of
14 facilities for the marine highway system.

15 * Sec. 2. AS 19 is amended by adding a new chapter to read:

16 CHAPTER 70. ALASKA MARINE HIGHWAY AUTHORITY.

17 ARTICLE 1. CREATION AND ORGANIZATION.

18 Sec. 19.70.010. ALASKA MARINE HIGHWAY AUTHORITY. The Alaska
19 Marine Highway Authority is established. The authority is a public
20 corporation of the state. The corporation is an instrumentality of
21 the state in the Department of Transportation and Public Facilities
22 but has a legal existence independent of and separate from the state
23 and has continuing succession until its existence is terminated by
24 law.

25 Sec. 19.70.020. DIRECTORS. (a) The authority consists of seven
26 directors appointed by the governor as follows: a representative of
27 commercial carriers, a representative of the maritime industry, a
28 representative of the tourism industry, and four members of the public
29 representing regions served by the marine highway as follows: (1) one

1 member from region one (extending from Dixon Entrance to Skagway); (2)
2 one member from region two (Kodiak Island); (3) one member from region
3 three (Prince William Sound); and (4) one member from region four
4 (Interior Alaska). The appointment of each director is subject to
5 confirmation by the legislature.

6 (b) The directors serve at the pleasure of the governor for
7 four-year terms. Each director shall hold office for the term of the
8 director's appointment and until a successor is appointed and qual-
9 ified. A director is qualified for reappointment. A vacancy in a
10 directorship occurring other than by expiration of term shall be
11 filled in the same manner as the original appointment but only for the
12 unexpired term.

13 (c) The directors must be residents of the state and qualified
14 voters and shall comply with the requirements of AS 39.50 (conflict of
15 interest). Each director before entering upon the director's duties
16 shall take and subscribe to an oath to perform the duties of office
17 faithfully, impartially, and justly to the best of the director's
18 ability. A record of the oath shall be filed with the Office of the
19 Governor.

20 (d) The directors of the authority serve without compensation,
21 but are entitled to travel and per diem expenses as provided in
22 AS 39.20.180.

23 Sec. 19.70.030. OFFICERS AND QUORUM. The directors shall elect
24 one of their number as chairman. The directors shall elect a secre-
25 tary and a treasurer who need not be directors, and the same person
26 may be elected to serve both as secretary and treasurer. The powers
27 of the authority are vested in the directors, and four voting direc-
28 tors of the authority constitute a quorum. Action may be taken and
29 motions and resolutions adopted by the authority at any meeting by the

1 affirmative vote of at least four directors. A vacancy in the direc-
2 torship of the authority does not impair the right of a quorum to
3 exercise all the powers and perform all the duties of the authority.

4 Sec. 19.70.040. STAFF. The authority shall employ an executive
5 director who serves at the pleasure of the authority as its chief
6 administrative officer. The executive director may with the approval
7 of the authority select and employ additional staff as necessary.
8 Employees of the authority other than legal counsel and the executive
9 director are in the classified service under AS 39.25. In addition to
10 its staff of regular employees, the authority may contract for and
11 engage the services of consultants, and professional, technical and
12 financial advisors the authority considers necessary for the purpose
13 of developing information, conducting hearings, studies, investiga-
14 tions or other proceedings, or otherwise exercising its powers.

15 ARTICLE 2. POWERS AND DUTIES.

16 Sec. 19.70.050. POWERS OF AUTHORITY. In addition to other
17 powers granted in this chapter, the authority may

- 18 (1) sue and be sued;
- 19 (2) adopt and alter an official seal;
- 20 (3) make and enforce bylaws and regulations for the conduct
21 of its business and for the use of its services and facilities;
- 22 (4) maintain offices at any place in the state and at
23 places out of the state that are served by the marine highway system;
- 24 (5) subject to appropriation by the legislature, acquire,
25 hold, use and dispose of its income, revenues, funds and money;
- 26 (6) acquire, hold, use, lease, rent, construct and dispose
27 of real and personal property for its purposes;
- 28 (7) operate, maintain, improve, and extend a system of
29 ferries connecting with the public roads and highways of the state and

1 including the boats, vessels, wharves, docks, approaches, landings and
2 appurtenances the authority determines to be necessary or desirable
3 for safe and efficient operation of the ferry system so as to best
4 serve the public;

5 (8) do all acts and things necessary, convenient, or desir-
6 able to carry out the powers expressly granted or necessarily implied
7 in this chapter;

8 (9) establish rates and tariffs, after public hearings;

9 (10) modify routes, after public hearings.

10 Sec. 19.70.055. DUTIES OF AUTHORITY. The authority shall

11 (1) assist the residents, businesses, and communities of
12 the state in obtaining the best and most frequent possible marine
13 passenger and freight service;

14 (2) schedule vessel sailings to maximize the frequency of
15 service to all ports;

16 (3) encourage and integrate with other public and private
17 carriers to the greatest extent possible to provide ferry service
18 within the state and between Alaskan ports and ports outside the state
19 in order to provide maximum service within the state;

20 (4) require pre-payment for reservations;

21 (5) provide reservation access and marketing information
22 throughout the state;

23 (6) encourage vessel construction, maintenance, and service
24 in the state to the greatest extent possible;

25 (7) employ residents of the state to the greatest extent
26 legally possible;

27 (8) recognize Alaska-based unions and employee associations
28 to the greatest extent legally possible.

29 Sec. 19.70.060. "ALASKA MARINE HIGHWAY SYSTEM": NAME

1 AUTHORIZED. The authority is authorized to operate its ferry system
2 under the name "Alaska marine highway system".

3 Sec. 19.70.070. COMPREHENSIVE LONG-RANGE PLAN. The authority,
4 with the cooperation of the Department of Transportation and Public
5 Facilities, shall prepare a comprehensive long-range plan for the
6 development and improvement of the marine highway system and revise
7 and update the plan, subject to legislative approval, at least every
8 five years.

9 ARTICLE 3. ACQUISITION OF PROPERTY.

10 Sec. 19.70.080. ACQUISITION OF LAND AND EASEMENTS. The authori-
11 ty, as part of the cost of constructing, maintaining, or improving a
12 ferry system, may acquire by purchase, gift, or exchange land in fee
13 simple or easements that it considers necessary for present public
14 use, either temporary or permanent, or that it considers necessary and
15 reasonable for the public use. By the same means, the authority may
16 obtain material, including clay, gravel, sand, or rock, or the land
17 necessary to obtain the material, including access to it. The author-
18 ity may so acquire the land or materials notwithstanding the fact that
19 title to it is vested in the state or a department, agency, commis-
20 sion, or institution of the state.

21 Sec. 19.70.090. AUTHORITY TO PURCHASE PROPERTY FOR THE PURPOSE
22 OF EXCHANGE. When a majority of the directors of the authority de-
23 clares that it is in the best public interest of the state to do so,
24 the authority may acquire by purchase, gift, or exchange privately or
25 publicly owned land or an interest in it for the purpose of exchanging
26 it for privately or publicly owned land that the authority is author-
27 ized by law to acquire.

28 Sec. 19.70.100. VACATING OF LAND OR RIGHTS IN LAND. The author-
29 ity may vacate land, or part of it, or rights in land acquired for use

1 in the marine highway system by executing and filing a deed in the
2 appropriate recording district. Upon vacating, title reverts to the
3 persons, heirs, successors, or assigns in whom it was vested at the
4 time of the taking. The authority may transfer land no longer con-
5 sidered necessary for use in the marine highway system to the Depart-
6 ment of Natural Resources for disposal. The proceeds of disposal by
7 the Department of Natural Resources shall be credited to the funds
8 from which the purchase was originally made.

9 ARTICLE 4. FERRY TERMINAL FACILITIES.

10 Sec. 19.70.110. ACQUISITION AND MAINTENANCE OF FERRY TERMINAL
11 FACILITIES. The authority may construct, purchase, or lease ferry
12 terminal facilities at locations it selects for the loading and un-
13 loading of passengers and vehicles under their own power, on and off
14 ferries. The authority shall repair and maintain these facilities.

15 Sec. 19.70.120. CONNECTION OF FACILITIES TO HIGHWAYS. The
16 authority may connect ferry terminal facilities with local highway
17 systems.

18 Sec. 19.70.130. REGULATIONS. The authority may adopt rules and
19 regulations governing the use of ferry terminal facilities by the
20 public that it considers necessary and proper in the public interest.

21 Sec. 19.70.140. EXISTING FACILITIES NOT AFFECTED. A ferry
22 terminal facility in existence and serving the public on January 1,
23 1959, is not affected by AS 19.70.110 - 19.70.140.

24 ARTICLE 5. GENERAL PROVISIONS.

25 Sec. 19.70.150. ANNUAL REPORT. By January 15 of each year, the
26 authority shall submit to the governor and the legislature a compre-
27 hensive report describing the operations, income, and expenditures for
28 the preceding fiscal year.

29 Sec. 19.70.160. ANNUAL AUDIT. The authority shall have its

1 financial records audited annually by a certified public accountant.
2 The legislative auditor may prescribe the form and content of the
3 financial records of the authority and shall have access to those
4 records at any time.

5 Sec. 19.70.170. BUDGET AND APPROPRIATIONS. The authority shall
6 submit its annual budget to the legislature through the governor as
7 provided for state agencies by the Executive Budget Act (AS 37.07).
8 It may expend money directly appropriated by the legislature only as
9 authorized by the legislature.

10 Sec. 19.70.180. NAMING OF VESSEL OR FACILITY. (a) A vessel or
11 facility of the Alaska marine highway system constructed or acquired
12 by the authority under this chapter or AS 19.60 may be given a name
13 only by law.

14 (b) A maritime vessel shall bear the name of an Alaska glacier.

15 (c) A vessel used principally on the inland waterways of the
16 state shall bear the name of an historical vessel that used the rivers
17 of the state.

18 Sec. 19.70.199. DEFINITIONS. In this chapter, unless the con-
19 text requires otherwise,

20 (1) "authority" means the Alaska Marine Highway Authority
21 established by this chapter;

22 (2) "capital improvement" means a project for the construc-
23 tion, rehabilitation, rebuilding, enlarging, or improving of all or
24 any part of the marine highway system, including, without limitation,
25 boats, vessels, wharves, docks, approaches, landings, offices, and
26 appurtenances as determined by the authority to be necessary or desir-
27 able for efficient operation of the marine highway system and to best
28 serve the public;

29 (3) "ferry" means a vessel used in the common carriage of

1 passengers and self-propelled vehicles in intrastate commerce.

2 Sec. 19.70.200. SHORT TITLE. This chapter may be cited as the
3 Alaska Marine Highway Authority Act.

4 * Sec. 3. AS 35.27 is amended by adding a new section to read:

5 Sec. 35.27.025. APPLICATION TO ALASKA MARINE HIGHWAY AUTHORITY.
6 The requirements of this chapter apply to the Alaska Marine Highway
7 Authority. Compliance with this chapter is the sole responsibility of
8 the authority with respect to the public buildings and facilities of
9 the authority.

10 * Sec. 4. AS 35.27.030(2) is amended to read:

11 (2) "building" or "facility" means a permanent improvement
12 constructed by the department or authority; the term

13 (A) includes, but is not limited to,

14 (i) schools, office buildings, and court build-
15 ings;

16 (ii) other buildings which the commissioner deter-
17 mines are designed for substantial public use;

18 (iii) boats and vessels of the marine highway
19 system;

20 (iv) transportation facilities which accommodate
21 traveling passengers;

22 (B) excludes other transportation facilities; [.]

23 * Sec. 5. AS 35.27.030 is amended by adding a new paragraph to read:

24 (5) "authority" means the Alaska Marine Highway Authority.

25 * Sec. 6. AS 39.50.200(b) is amended by adding a new paragraph to read:

26 (48) Alaska Marine Highway Authority (AS 19.70.010).

27 * Sec. 7. AS 44.42.020(a)(1) is amended to read:

28 (1) plan, design, construct and maintain all state modes of
29 transportation and transportation facilities and all docks, floats,

1 breakwaters, buildings and similar facilities, except that the depart-
2 ment is not responsible for planning, design, construction, or mainte-
3 nance of transportation modes or facilities under the jurisdiction of
4 the Alaska Marine Highway Authority;

5 * Sec. 8. AS 44.42.020(a)(7) is amended to read:

6 (7) manage, operate, and maintain state transportation
7 facilities and all docks, floats, breakwaters and buildings, including
8 all state highways, vessels, railroads, pipelines, airports, and
9 aviation facilities, except that the department is not responsible for
10 management, operation, or maintenance of transportation facilities,
11 vessels, or equipment under the jurisdiction of the Alaska Marine
12 Highway Authority;

13 * Sec. 9. AS 19.60.010 - 19.60.070, and AS 19.65 are repealed.

14 * Sec. 10. APPOINTMENT OF FIRST DIRECTORS OF ALASKA MARINE HIGHWAY
15 AUTHORITY. The governor shall designate the terms of the directors of the
16 Alaska Marine Highway Authority first appointed under AS 19.70.020. Of the
17 seven directors first appointed

- 18 (1) two shall serve a term of two years;
19 (2) two shall serve a term of three years;
20 (3) three shall serve a term of four years.

ADMINISTRATION

Purpose and Scope of System:

There is a need to establish guidelines within which the system is operated, expanded and managed that reflect the state's responsibility to meet the needs of Alaskans for surface transportation via the Alaska Marine Highway System (AMHS) between Alaska coastal points and out-of-state connection.

The original concept of the system limited operations to transportation of people, freight and personal vehicles via vessel between ports in Southeast Alaska and to Prince Rupert. This system connected areas where highways did not exist and the cost of highway construction was prohibitive or impossible. As the system developed, service was expanded to points other than those covered by the above criteria (for example: the Seattle run and creation of the Southwest system). Today we have an expanded system that has evolved without "in depth" planning which does not meet reasonable tests for efficiency when viewed from the standpoint of effective use of capital equipment and personnel.

We recommend that guidelines be established to provide criteria covering future expansion of service and quality of service so as to meet the state's responsibility to provide basic marine highway service to the traveling public. In recognition of the

less subject to political pressures and designed to provide continuity is necessary. Three possible alternatives in order of their priority are:

1. Creation of a purely independent public corporation to operate the AMHS.
2. Operation and management of AMHS to be transferred from DOT/PF to an organizational structure similar to that being considered for the Alaska Railroad in HB 512.
3. Continuation of present arrangement under DOT/PF with a policy-making commission at its head with power to select top personnel similar to that now provided for in the Departments of Fish and Game and Education.

In either of the three recommendations above, the policy-making group should consist of seven members; one from the transportation industry, one from the maritime industry, one from the tourism industry, and four members at large. Of the above seven, at least two must be from Region 1, and one each from Regions 2, 3, and 4.

At least six of the above seven must be residents of Alaska. No more than one member may be appointed from outside of Alaska, this non-Alaskan resident member must have at least ten years

Successful and well operated organizations depend on established and open communications between all levels of personnel. Within AMHS there has been and remains a lack of organized communications (input and response) between management and division personnel. This is especially true in the area of ship operations. We recommend the implementation of a formal and open communication plan as soon as practical. In so doing we see an opportunity for personnel on ships and on shore to provide valuable input for decision makers that could eliminate future design and operational problems.

Master Plan:

There is no "in-depth" plan in place to provide for an orderly and a financially feasible approach to future operations of the system. For example, future plans should include plans for vessel replacement, improved scheduling and utilization of vessels, future expansion of system and service, and a feasible financial plan to cover future costs. It has been estimated by marine engineers that the expansion and replacement costs of the AMHS would be one billion dollars over the next 30-40 years.

In order to adequately plan for the future of the System an existing condition inventory of all operating equipment and vessels needs to be accomplished. This should include a general monitoring of both design and construction standards to stress uniformity.

Nickum & Spaulding Associates, Inc.
NAVAL ARCHITECTS -- MARINE ENGINEERS

October 19, 1982

Our Ref: 1148-S/1053A

Mr. Bill Sheffield
201 East 3rd
Anchorage, Alaska 99501

Dear Bill:

Please excuse the delay in my responding to your letter of September 1st. In order to prepare a proper reply, it has been necessary to delve into the ferry system's background and past management philosophy so a proper analysis can be made.

My criticism of the operation of the Alaska Marine Highway System stems from having a direct association with the ferry system from its very beginning. To give a background on why the ferry system came into being and my participation with it, the high cost of air travel caused an adverse effect on the intrastate travel desires of the average Alaskan citizen. In Southeastern and Southwestern Alaska, the lack of interconnecting roads caused the cities to become isolated island communities. Because of this isolation, people acquired an irritability known as "Island Fever". Internal pressures caused by this "island fever" brought about a vigorous search for an effective low cost alternative to expensive air travel. This desire, coupled with ever increasing dependence upon the automobile as a means of transportation, demanded that a feasible highway route be found which would interconnect the principal cities of Alaska. Also, an alternate route had to be found to the arduous Alaska International (ALCAN) Highway running for over eighteen hundred miles through the interior of Canada.

An initial engineering survey determined that the great distances to be traversed, the difficult highway construction, and the many bridges and

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structures which would have to be built to span the countless rivers and inlets, made construction so costly that conventional highways were not economically feasible when considering the sparse population served. It was in response to these pressures that the U.S. Department of Commerce, Bureau of Public Roads, in 1958 sponsored a study prepared by the W.C. Gilman Company of New York.

The resulting report described the feasibility of developing an entirely new transportation concept. Here, the unique transportation demands of Alaska called for innovative action. Southeast Alaska was to be connected together with a "Marine Highway", a ferry system of 500 miles in length.

In this case, the ferry system was to take the place of the highway itself. The vessels would be fitted with overnight sleeping accommodations for passengers and would be designed for international coastwise waters carrying all types of legal highway vehicles.

At its Southern terminus, the Marine Highway would link all of the principal cities of Southeastern Alaska with transcontinental railroads and transcontinental highways at Prince Rupert in British Columbia. At its northern terminus, located at Haines, all of the principal cities of Southeastern Alaska would be connected to existing Southcentral Alaska highway system. This, then, was the long sought after "highway" connection between the isolated cities of Southeastern Alaska and the "rest of the world".

The response to the Gilman report was electric. The ferry system was the alternative to expensive air travel and driving the difficult ALCAN Highway. After statehood, the first legislative action was to seek means of its plan. The State Legislature, through the Department of Transportation, authorized a detailed study to be made. Felix Toner, Walter I were selected and we spent the entire month of November 1959 every potential harbor site in Southeastern Alaska, South-

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western Alaska, along with ports in Northern British Columbia. By using the Gilman Report for projected traffic, we determined the number, type and size of vessels to be used and developed the economic feasibility of the projected system. The study also structured ferry system organization and assisted in selecting the management and operating personnel.

With the Toner, Green and Spaulding study in hand, the newly constituted State Legislature, in 1960, authorized placing a \$22 million general obligation bond issue on the ballot for the voters' decision. \$18 million was set aside for the construction of four new type ferry vessels, together with their necessary terminal facilities. The remaining \$4 million was for the construction of roads. This bond issue envisioned the construction of three identical ferry vessels for operation on the "inside passage" between Prince Rupert, Haines and Skagway, providing service to all of the principal cities in Southeastern Alaska. A fourth smaller coastwise ferry with a special vehicle elevator was to provide service between Homer and Kodiak in Southwest Alaska.

With the strong support of newly elected Governor William Egan, the bond issue was approved by the voters. The construction of these vessels, with service starting in the spring of 1963, marked the true beginning of the Alaska Marine Highway as it is known today.

My firm, Philip F. Spaulding and Associates, designed the three Southeastern ferries and was responsible for contract administration as well as construction supervision.

Service began with the three new ferries MALASPINA, TAKU and MATANUSKA, built by Puget Sound Bridge & Drydock Co. (now Lockheed Shipbuilding Co.) of Seattle, for a total price of \$4,500,000 each. Under our management, the change orders and extras amounted to about 1.5% of the contract price.

The Alaska Ferry System started as the Division of Marine Transportation,

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Department of Public Works. Initially, Mr. Richard Downing was the Commissioner of the Department under Governor Egan, and RADM B.E. Lewellen was Director of the Division of Marine Transportation.

Five-day per week service was instituted between Prince Rupert, Ketchikan, Wrangell, Petersburg, Auk Bay (Juneau), Haines and Skagway, with two days per week service to Sitka.

The original plan of operation called for placing the Sitka terminal at Rodman Bay and connecting it to Sitka by a 35 mile highway. Had this plan been adopted, with the small amount of diversion to this terminal, daily service could have been provided to all of the principal cities in Southeastern Alaska. Estimated highway construction costs were so overwhelming that the plan was abandoned.

With the new ships in service, the location of the Auk Bay terminal was felt to be inconvenient to Juneau, the State Capital. This fact motivated the City to construct a ferry landing in the Gastineau Channel near the center of the Juneau business district. Servicing this terminal with its required dog-leg up Gastineau Channel, caused further diversion of the ferries, which resulted in a lower level of service than originally programmed.

When the M/V TUSTUMENA was completed and delivered by the Christy Corporation of Sturgeon Bay, Wisconsin, for a price of \$3.5 million in June, 1964, the Southwest Alaska ferry service was initiated.

My firm, Philip F. Spaulding & Associates, designed the TUSTUMENA and was responsible for the contract administration and construction supervision. Under our management, the change orders and extras were held to less than 1%. The M/V TUSTUMENA provided the much needed connection between Anchorage, Kodiak, Homer, Seldovia and Seward.

In the first full year of operation, traffic figures for the Southeastern Alaska service surpassed the projected fourth year traffic levels. By

1965, in the summer months, traffic exceeded the system capacity and vehicles were left standing at the terminals for days. In November, 1966, the people of Alaska, in a vote of confidence and support, authorized the sale of \$15.5 million of general obligation bonds to improve and further expand the Alaska Marine Highway. This election resulted in a turnover in State administration however, placing Wally Hickle in the Governor's chair. Richard Downing resigned as the Commissioner of the Department of Public Works and George McClanahan was appointed to take his place. Captain Gregg Mangan had replaced RADM Lewellen two years earlier as Director of the Ferry System, and was reappointed by Governor Hickle at this time.

Captain Gregg Mangan was a professional ferryboat manager who had years of experience in ferryboat operations.

Initially, three new vessels were planned: first, a 385 ft. ocean-going ferry to provide service in Southeastern Alaska with the ability to furnish an inter-tie with the Southwestern service; second, a 290 ft. ice-breaking roll-on/roll-off ferry with limited passenger accommodations to replace the M/V TUSTUMENA in the Southwestern service; and, third, a 193 ft. ferry to replace the M/V CHILKAT on Prince William Sound in South-central Alaska.

It was planned that the versatile M/V TUSTUMENA, because of her vehicle elevator and ability to use existing piers without alteration, could serve the Southeastern Alaska communities of Kake, Angoon, Tenakee, Hoonah and Gustavus in addition to providing feeder service connecting Sitka to the main line at Petersburg or Juneau. It was hoped that the feeder service would release the main line ferries from their diversionary run to Sitka and would permit daily connections to all of the major cities of Southeastern Alaska. The people in Sitka strongly objected to this plan so the large vessels were to still continue service to Sitka. The M/V CHILKAT would connect Hollis and Metlakatla to Ketchikan.

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Plans and Specifications were prepared by Philip F. Spaulding & Associates, and bids were received in 1967, first from shipyards on the 193 ft. ferry, and secondly, for the ocean-going ferry. Jeffboat of Jeffersonville, Indiana was declared the low bidder on the 193 ft. vessel at \$3.2 million. A contract award was made and the resulting M/V BARTLETT, named for the late Senator E.L. (Bob) Bartlett, was delivered to the Alaska Marine Highway System at Seattle in June, 1969. Philip F. Spaulding & Associates were responsible for contract administration and construction supervision, and change orders and extras were about 1.5% of the contract price.

Livingston Shipyard of Orange, Texas was declared the low bidder on the 385 ft. ocean-going ferry at \$10.5 million. However, delivery could not be made for a period of 24 months. As the ferry system was already overloaded during the summer months, and with no apparent relief in sight for two years, Governor Hickle decided that immediate action was necessary. Instead of building the 385 ft. vessel, he purchased the new Norwegian built, Swedish operated vessel, M/V STENA BRITANNICA. She was renamed WICKERSHAM in honor of Judge Wickersham, Alaska's first Territorial Governor. The WICKERSHAM cost the State \$7.5 million and was placed in service in the spring of 1968.

It is interesting to note that prior to placing the WICKERSHAM in service, nearly all operating costs of the ferry system were being paid out of system revenue.

The WICKERSHAM action was taken with the full knowledge of the restrictions of the Jones Act, which prevented transfer of the vessel to the United States registry and also prevented foreign built vessels from operating in domestic trade. The M/V WICKERSHAM was somewhat effective, however, in providing through service from Prince Rupert, Canada, with intermediate stops to Haines and return. With this vessel, however, it was impossible to furnish inter-city connections between the cities of Southeastern Alaska. As soon as the WICKERSHAM was placed in service, George McClanahan resigned as Commissioner of the Department of Public

Works, and the very capable Harold Strandberg, a strong supporter of the Ferry System, was appointed as his successor. Captain Gregg Mangan resigned shortly thereafter, and Captain H.J. "Red" Lockert was appointed to take his place as Director of the Division of Marine Transportation. Captain Lockert was a professional marine man with experience in ship operation. All of those on his staff were men experienced in marine operations as well.

Before the State of Alaska established its Marine Highway System, Governor Egan obtained a commitment from Premier W.A.C. Bennett of British Columbia that the Canadians would improve the highway between Prince Rupert and Prince George to tie into the transcontinental highway system in the United States. The task of rebuilding 450 miles of highway to modern standards with its many bridges was difficult, costly and time consuming. The Province immediately started work; however, it became apparent that road construction would seriously hamper vehicle traffic to Prince Rupert, which in turn would vitally affect the success of the Alaska Marine Highway. Premier Bennett authorized the construction of the M/V QUEEN OF PRINCE RUPERT for \$6.5 million by Victoria Machinery Depot in Victoria. In 1965, the M/V QUEEN OF PRINCE RUPERT was completed and placed in service running between Kelsey Bay on Vancouver Island and Prince Rupert, a distance of 330 miles. By this connecting link, motorists from the "lower forty-eight" could drive the length of Vancouver Island, transfer to the M/V QUEEN OF PRINCE RUPERT for passage to Prince Rupert and then again transfer to the Alaska Marine Highway. In this manner, the highway to Prince George could effectively be bypassed.

Unfortunately, the M/V QUEEN OF PRINCE RUPERT struck a reef late in the tourist season to 1967 and was out of service for seven months being repaired. This placed a great handicap on the Alaska Marine Highway, and pressure was placed on Governor Hickle to divert one of the MALASPINA Class ferries to the Southeast Alaska-Seattle run. Governor Hickle appealed to the U.S. Coast Guard for permission to operate this service. Permission was granted and in December, 1967 the M/V MALASPINA made its

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first passage to Seattle. This service became an immediate success and has become the most profitable segment of the entire system.

Rather than build the 290 ft. ice-breaking ferry, it was decided to lengthen the M/V TUSTUMENA by adding a new 56 ft. mid-body section instead. This action added 25% to the vessel's vehicle capacity and 40% to her sleeping accommodations.

The Plans and Specifications were prepared by Philip F. Spaulding & Associates. Bethlehem Steel Co. of San Francisco, California was the low bidder at \$3 million. The work was accomplished in four months and the vessel was returned to her original Southwest Alaska service in June, 1968.

Philip F. Spaulding & Associates were responsible for contract administration and construction supervision, and the change orders and extras amounted to about 1.5% of the contract price.

When Richard Nixon was elected President of the United States in November, 1968, Wally Hickle was appointed to the President's Cabinet as Secretary of the Interior. He resigned as Governor of Alaska, and Lt. Governor Keith Miller succeeded him in office.

Harold Strandberg continued as Commissioner of the Department of Public Works and Captain "Red" Lockert continued as Director in the Department of Marine Transportation.

In June, 1969, when the M/V BAKTLETT was placed in service on Prince William Sound, the M/V CHILKAT was transferred to Southeastern Alaska, serving Juneau and Hoonah.

The continual growth of traffic on the Alaska Marine Highway demanded a further increase in the system capacity. Again, in November of 1970, with the strong support of Governor Keith Miller, the citizens of Alaska

passed another \$22 million general obligation bond issue to construct more vessels. At the same election, Governor William Egan, the father of the ferry system, was re-elected Governor.

As the Commissioner of the Department of Public Works is politically sensitive, Harold Strandberg resigned and George Easley was appointed by Governor Egan to take his place. The popular and capable Captain "Red" Lockert was re-appointed to the equally politically sensitive position of Director of the Division of Marine Transportation.

With full knowledge of escalating ship construction costs, George Easley and "Red" Lockert, embarked on a \$33 million ship construction program with only \$22 million in the bank. By adroitly juggling funds, by expertly cajoling and persuading the civil engineers controlling Federal Highway money that a ferryboat is entitled to funding in a similar manner as a bridge, and in the belief that the M/V WICKERSHAM could be sold for \$7 million, they authorized the program to proceed.

It was decided that one large ocean-going ferry would be built to replace the M/V WICKERSHAM, which would be retired and sold, and two smaller ferries would be built to provide feeder service in Southeast Alaska. It was also decided the M/V MALASPINA would be lengthened 56 feet and completely refurbished with additional sleeping accommodations to be made more suitable for the Seattle-Southeast Alaska run.

In 1971, my firm, Philip F. Spaulding & Associates, Inc., merged with W.C. Nickum & Sons Company, to form the naval architectural firm of Nickum & Spaulding Associates, Inc. Nickum & Spaulding prepared the contract plans and specifications for the lengthening and refurbishing of the M/V MALASPINA.

Bids were received from shipyards and Willamette Iron & Steel Co. of Portland, Oregon, was declared the low bidder at \$6.7 million.

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In less than five months in the yard, Willamette lengthened the vessel by inserting a new 56 foot midsection and completely refurnished the passenger accommodations. All existing passenger sleeping accommodations were completely stripped out, and eighty-six new prefabricated modular staterooms were installed in 31 working days, providing a total sleeping capacity of 284 persons. The additional length of the vehicle deck permitted the capacity of the vessel to be increased by 24 cars, making the total vehicle capacity 134 standard passenger automobiles. The new mid-body section permitted installing additional crew accommodations for 20 crew, a 96-seat cafeteria, and a special quiet lounge seating 110 persons in aircraft style reclining chairs. The dining salon capacity was increased to 150 persons, and a new cocktail lounge seating 66 persons was fitted. The entire interior decor of the vessel was redone to accent Alaskan scenes and native art.

Whereas Nickum & Spaulding Associates provided the construction supervision, the State changed its policy and contract administration was handled by an appointee of the Commissioner, who had no experience in marine matters whatsoever. Our representative, Merlin Needles, was overruled constantly by the State to the detriment of the project.

Willamette completed the conversion and the MALASPINA returned to service June 6, 1972, in time for the summer tourist season.

Nickum & Spaulding Associates prepared the plans and specifications for two 235 ft. feeder ferries and bids from shipyards were received. Peterson Builders of Sturgeon Bay, Wisconsin, were declared the low bidders at \$6.1 million each.

A contract was awarded to Peterson Builders for one vessel only, as additional money was needed for constructing out-port ferry terminals, and the money set aside for the second vessel was used for that purpose. Due to a change in the law, however, the Peterson vessel was constructed using Federal Highway Funds rather than part of the voter approved \$22 million general obligation bond issue.

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The feeder ferry was completed in November, 1973, and named LeCONTE for the breathtaking LeConte Glacier in Southeast Alaska. This vessel was handed over to the State of Alaska in Seattle on May 5, 1974, after completing an uneventful 10,000 mile delivery voyage from the Great Lakes.

Following the State's change in policy, contract administration was handled by an appointee of the Commissioner and construction supervision was handled by Nickum & Spaulding Associates.

Coincidental with all of this activity, plans and specifications were prepared by Nickum & Spaulding Associates for the 418 ft. ocean-going ferry COLUMBIA, named for the Columbia Glacier in Southcentral Alaska. Bids were received, and Lockheed Shipbuilding & Construction Co. of Seattle was declared the low bidder at \$19.5 million. A contract award was made in February of 1972, with delivery in June of 1974. This vessel was designed to be the queen of the fleet, replacing the M/V WICKERSHAM, and was to have sleeping accommodations for 324 persons, with a service speed of 21 knots. A total of 184 standard automobiles could be carried on two decks.

After the \$19.5 million ship construction contract was awarded to Lockheed, the State of Alaska appealed to the Congress for setting aside provisions of the Jones Act affecting the restrictive operation of the M/V WICKERHSAM in domestic trade until she could be replaced by the new American built vessel. The Congress approved the proposal, so during the construction period of the M/V COLUMBIA, the State was permitted to operate the M/V WICKERHSAM on an unrestricted basis.

Abiding by provisions of the agreement, the M/V WICKERHSAM was sold by the State in March, 1974 to foreign interests for \$7.2 million, and was delivered upon completion of the M/V COLUMBIA.

Detail plan approval and construction supervision was handled by Nickum & Spaulding Associates, however, construction contract administration was handled by an appointee of the Commissioner who was a retired Captain in

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the U.S. Coast Guard with no knowledge of ship construction. The problems with the M/V COLUMBIA stem from the fact that we were directed, over our objections, to write the specifications around a new series of Enterprise diesel engines. Our Specifications called for the main diesel engines brake-mean-effective-pressure not to exceed 225 psi. The Enterprise engine had a B.M.E.P. of 242 psi. We disapproved the engine selection, but were overruled by the State's Representative. These engines had never been used on shipboard before and had not been properly tested. We disapproved the shipyard controllable pitch propeller selection and were overruled by the State's Representative. Through a series of State financed model tests, we were able to prove that the vessel's hull vibrations were caused by cavitation due to faulty propeller design. We disapproved the evaporator (watermaker) selection and were overruled. Two years later the State had to replace the evaporators at their own expense. We were directed by the State's Representative to use extra heavy black iron pipe throughout the vessel which ultimately had to be replaced with copper pipe at the State's expense.

The excessive propeller excited vibration caused certain resonant ship's structure and equipment to vibrate, which in measure, was corrected by the addition of selected structural reinforcement. The shipyard work was at the State's expense, however, the technical work was performed by us at our expense.

In 1973, [redacted] Easley resigned his position as Commissioner and "Tex" Taggart was appointed by Governor Eagan to take his place.

The apparent need for a second LE CONTE Class ferry developed and bids were taken for its construction in the Fall of 1974. Revised plans and specifications were prepared by Nickum and Spaulding Associates as there were slight differences requested purely as cost saving measures. Peterson Builders of Sturgeon Bay, Wisconsin were declared the low bidders at \$7.5 million and Taggart awarded the contract in December 1974 during the last days of his term in office.

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In November of 1974, Jay Hammond was elected Governor which resulted in a complete change in management personnel of the ferry system as well as the departmental structure of the ferry system itself. The Department of Public Works and its Marine Division were eliminated, and the Department of Transportation and Public Facilities was established in its stead. The new Department of Transportation incorporated highways, ferries, harbor facilities, airports, etc. under one department. Don Harris was appointed by the Governor to be the Commissioner and Bill Hudson was appointed by the Governor as Director of the Marine Highway System to take "Red" Lockerts place, who then retired.

The second LE CONTE Class feeder ferry was delivered by Peterson Builders to Seattle in the late Summer of 1977 and named the AURORA. Nickum and Spaulding Associates had the responsibility for working drawing and purchase specifications review, however, contract administration and construction supervision was handled by the State. The change orders and extras amounted to about 1.5% of the contract price. Incidentally, Capt. "Red" Lockert acting in the capacity as a consultant was the State's representative in the shipyard which in great measure was the reason for the small amount of change orders and extras.

Due to the ever increasing traffic and the successful jumboizing of the MALASPINA, in 1976 Nickum and Spaulding Associates were contracted to develop the contract plans and specifications for jumboizing the MATANUSKA. The principal changes between the two ships had to do with the stateroom layout and construction as well as the cocktail lounge and other public spaces. The galley was completely changed and made suitable for cafeteria type food service. Provision was made for female crew and the interior design was changed to be more conservative in its decor.

Six potential bidders were requested to bid with an opening in January 1979. No bids were received because of the specified construction time was too short. Bids were again taken and Willamette Iron and Steel Co. of Portland, Oregon was the low bidder. Their quotation was \$15.2 million and they were awarded the contract in July 1977. It is interesting

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to note that their quotation was 2.26 times as high as their quotation for essentially the same work bid six years before. The work on the MATANUSKA was completed in August 1978, thirteen months after contract award. The vessel's availability for shipyard work was ten months however, which contrasted with five months it took to do the MALASPINA. This fact accents the difficulty in placing work in shipyards and getting work done during this period of rapid escalation.

Contract administration on this project was handled by a civil engineering employee of the Department of Transportation and Public Facilities, Division of Harbor Design and Construction. He had no knowledge of marine work whatsoever. Nickum and Spaulding was responsible for working drawing and purchase specification review, however, construction inspection was handled by State hired consultants. The change orders and extras amounted to 22% of the contract price.

Governor Hammond was reelected to office in November of 1978, and again there was a change in ferry system management. Don Harris resigned as Commissioner for the Department of Transportation and Public Facilities and Bob Ward was appointed by the Governor to take his place. Bill Hudson, who had limited marine experience while he was in the U.S. Coast Guard, was moved to Commissioner of the Department of Administration and Jim Eide was appointed in his place as Director of Maintenance and Operations for the Division of Marine Highway Systems. Jim Eide experience was principally as a city manager with no marine experience.

The remaining ferry of the original three, the TAKU, was now sixteen years old and past due for a refit. By confining the vessel to the Prince Rupert-Southeastern Alaska run and due to escalating shipyard costs it was decided not to jumboize the TAKU but to only refurbish her passenger accommodations and to perform necessary engine and hull repairs.

Again, Nickum and Spaulding Associates prepared the contract plans in 1979, however, in this case, their specification writing was heavily monitored by the State's Division of Harbor Design and Construction civil engineer, and did not reflect N&SA's regular standards.

Seven yards were asked to bid with an opening in November 1979. No bids were received because of the short construction schedule. A second attempt to receive bids was made, however, all quotations were rejected because of a technicality. A third time, bids were taken and Tacoma Boat was the only respondent at \$16.6 million.

A construction contract award was made in June of 1980 to Tacoma Boat-building Company in Tacoma.

The State's Representative, a civil engineer with the Division of Harbor Design & Facilities, had complete charge of the project and State employees performed the construction inspection. Nickum and Spaulding, the designers, were given the opportunity to review the shipyard drawings but had no authority to comment or give advice on contract interpretation.

The refurbishing of the TAKU was the first commercial passenger/vehicle ferry ever undertaken by Tacoma Boat and their Naval Architect, Art Anderson and Associates of Bremerton, had never worked on a project of similar nature before. As it is with shipyards, they seized every opportunity to call for changes or extras to the contract and the State acceded to their demands without consulting with us for our interpretation of the contract in order to give them backup in their arguments against the Shipyard.

The work on the TAKU was completed 14 months after contract award and the contract changes and extras amounted to % of the contract price.

After 21 years of close association with the Alaska Marine Highway and by observing our continually deteriorating position of technical responsibility with the State, has given us cause to reflect on the "why" of all this.

It is interesting to note that we as independent professional naval architects have also suffered the same experience with the State of Washington and their highway and bridge engineer controlled Department of

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Transportation. Here our close relationship with the Washington State Ferry system goes back to Black Ball ferry days prior to the State's acquiring the ferry system in 1952.

After World War II, the Firm W. C. Nickum and Sons designed and supervised construction of the ferries EVERGREEN STATE, TILlicUM and KLAHOWYA, all built by Puget Sound Bridge and Drydock Co. of Seattle (now Lockheed) for the Washington Toll Bridge Authority. Their construction cost was approximately \$2.0 million a piece. They were delivered on time with virtually no extras. W. C. Nickum and Sons designed and supervised construction of the four super Washington State ferries of the Hyak Class, all built by National Steel Co. of San Diego for a cost of \$5.5 million each or a total cost of \$22 million. They were delivered on time with no extras. Nickum and Spaulding Associates designed and supervised the construction of the jumbo ferries SPOKANE and WALLA WALLA, both built by Todd Shipyards of Seattle, for a total cost of \$17.5 million. They were delivered on time and the change orders and extras amounted to about 1-1/4% of the contract price.

All of this work was accomplished in close cooperation with Captain "Spike" Eikum, Manager of the ferry system and Mr. John Sullivan, the system's Port Engineer. These were marine men of a long background of marine operations.

When the State of Washington Department of Transportation was formed by the Legislature after the construction of the ferries SPOKANE and WALLA WALLA, the Department, similar to the State of Alaska, encompassed highways, bridges, airports and ferries and all other related facilities.

The administration of the Washington State Ferry System presently is in the hands of civil engineers with no marine background or experience. The most recent fiasco handled by the Department is the \$106 million contract to build six new 100 car ferries for the Washington State Ferry

System. By political pressure agreed to by the bridge and highway builders, this was to be a shipyard design and build project with a 6% favorable construction differential for in-State shipyards. The State did hire a naval architectural consultant at \$900,000 to advise and supervise construction. He had no experience in ferry boat or passenger ship construction.

The contract award was made to Marine Power & Equipment Co. of Seattle at a price nearly \$7 million higher than the only other bidder who happened to be out-of-state. This precluded the State from receiving \$16 million in Federal UMPTA funds, which meant that the tax payers of the State are actually paying in excess of \$23 million more than they should, not including the excessive interest on the debt. Marine Power & Equipment Co. was a marine salvage firm (junk yard) with no established shipbuilding experience.

The first ferry delivered was the ISSAQUAH, almost a year late, with deficiencies which have caused her to be taken out of service numerous times due to malfunctioning equipment and machinery. Other vessels of the Class have suffered similar fate to such an extent that the State has refused delivery of the sixth vessel, the SEALTH.

Also of significance is the fact that Marine Power & Equipment Co. is suing the State for \$29 million for extras and "lost opportunity".

The point of all of this discussion is to emphasize the fact that operating and building ships requires the experience of marine men who have devoted their lives to the profession. A ship design encompasses the entire spectrum of the engineering profession from structural, and mechanical engineering, through to electrical engineering with all the limiting constraints brought about by dealing with the vicissitudes of the sea and regulatory agencies. A ship's form which dictates its speed and power, as well as seaworthiness, requires a specialized skill unto itself. While providing the accommodations for a vessel, the marine professional