

**State of Alaska**  
**FY2020 Governor's Operating Budget**

**Department of Transportation/Public Facilities**  
**Marine Highway System**  
**Results Delivery Unit Budget Summary**

## Marine Highway System Results Delivery Unit

### Contribution to Department's Mission

Provide safe, secure, reliable, and efficient transportation of people, goods, and vehicles throughout Alaska and connects the state to Canada and the lower 48. Alaska Marine Highway System (AMHS) keeps Alaska moving by providing direct customer service and by operating and maintaining a wide network of infrastructure afloat and ashore.

### Core Services

- Oversee the operation of nine vessels, along with one vessel in long-term layup, and 16 state-owned terminals with over 650 shipboard budgeted positions and over 150 shoreside employees.
- Transport people, goods, and vehicles to and from 35 ports along 3,500 track miles from Bellingham, Washington, through Southeast Alaska, across the Gulf of Alaska to Prince William Sound and South Central Alaska, to Kodiak Island, the Alaska Peninsula, and out the Aleutian Island Chain to Unalaska.
- Conduct annual fleet and terminal condition surveys to develop functional operational assessments and provide technical information necessary for long-range planning of capital improvements and maintenance.
- Operate a central reservations office and 16 state-owned ferry terminals providing shelter and booking services for nearly 300,000 passengers and 100,000 vehicles per year.
- Maintain, repair, refurbish, and upgrade vessel and terminal facilities in compliance with stringent federal and state regulations in cooperation with numerous partner agencies.

### Major RDU Accomplishments in 2018

- Provided 317.5 total operating weeks of service and transported nearly 300,000 passengers and nearly 100,000 vehicles safely to their destinations while generating \$46.6 million in revenue.
- Maintained the International Safety of Life at Sea (SOLAS) certifications required for two AMHS vessels, the M/V Matanuska and M/V Kennicott, allowing them to operate to Canadian ports.
- Successfully lobbied the United States Coast Guard to modify the latest SOLAS exemption for the M/V Malaspina to service Prince Rupert while the M/V Matanuska is being repowered.
- Continue to fine-tune the new reservation system, especially the hand scanning of passengers on and off the ships.
- Complete vessel condition surveys for all operating vessels. Surveys contain the detailed condition of each ship.
- Signed a new vessel satellite communication contract.
- Managed state overhauls for eight vessels at Vigor Alaska LLC's Ketchikan, Alaska ship repair facility.
- Continue implementing new increased tariffs and a tariff formulizing and leveling process to become more self-sustaining.

### Key RDU Challenges

- Increasing traffic volumes, capacity utilization, and revenues to offset a greater percentage of the system's operating costs while still providing essential service.
- Due to the increasing age of the fleet, it is becoming increasingly difficult to maintain on-time and on-budget delivery of the ships during yearly capital improvement project shipyard overhauls.
- The system continues to lose vessel staff due to retirements and staff seeking other job opportunities. This is especially an issue with unlicensed vessel staff.
- Continue to provide as many operating weeks of service possible, given reduced budgets.
- Keeping vessel crews and two ships SOLAS certified to call at the international foreign port of Prince Rupert.
- The operating changes and increased reporting requirements and costs to comply with Environmental Protection Agency Vessel General Permits for 22 possible types of incidental vessel discharges.
- Recruitment and retention of deck officers with pilotage qualifications.
- Complying with increased environmental regulations, which include the vessels, terminal run off water permits, terminal wastewater requirements, and new requirements from the Center for Disease Control.

### Significant Changes in Results to be Delivered in FY2020

- Results Based Alignment is the primary tool used to quantify outcomes (not activities), drive decision-making and determine program and service priorities within the Department of Transportation and Public Facilities.
- Providing basic essential transportation services to the entire route structure using fewer ships and at less cost to stay within budgetary constraints.
- The evolution of the AMHS fleet makeup with the addition of the new Alaska Class Ferries will drive decisions on use of overhaul funds. Decisions about fleet make up and utilization will impact overhaul priorities and schedules. The layup of vessels to support operational realities will incur costs for preservation and stewardship.
- The new reservations system has been installed at all terminals. This system will be expanded to include chip and pin credit/debit card readers.

Contact Information
<p><b>Contact:</b> Shirley Marquardt, AMHS Executive Director <b>Phone:</b> (907) 228-6848 <b>E-mail:</b> shirley.marquardt@alaska.gov</p>

**Marine Highway System  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2018 Actuals				FY2019 Management Plan				FY2020 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
<b>Formula Expenditures</b> None.												
<b>Non-Formula Expenditures</b>												
Marine Vessel Operations	101,805.8	133.5	0.0	101,939.3	100,011.9	0.0	0.0	100,011.9	100,011.9	0.0	0.0	100,011.9
Marine Vessel Fuel	18,895.4	0.0	0.0	18,895.4	20,593.4	0.0	0.0	20,593.4	20,593.4	0.0	0.0	20,593.4
Marine Engineering Overhaul	1,474.0	1,237.7	0.0	2,711.7	1,677.0	1,626.0	0.0	3,303.0	1,694.7	1,650.7	0.0	3,345.4
Reservations and Marketing	1,594.0	0.0	0.0	1,594.0	1,647.8	0.0	0.0	1,647.8	1,647.8	0.0	0.0	1,647.8
Marine Shore Operations	1,565.2	0.0	0.0	1,565.2	1,976.3	0.0	0.0	1,976.3	2,009.7	0.0	0.0	2,009.7
Vessel Operations Management	7,620.0	0.0	0.0	7,620.0	8,026.0	0.0	0.0	8,026.0	8,185.8	0.0	0.0	8,185.8
	3,934.2	132.9	0.0	4,067.1	4,143.1	267.7	0.0	4,410.8	4,447.1	271.2	0.0	4,718.3
<b>Totals</b>	<b>136,888.6</b>	<b>1,504.1</b>	<b>0.0</b>	<b>138,392.7</b>	<b>138,075.5</b>	<b>1,893.7</b>	<b>0.0</b>	<b>139,969.2</b>	<b>138,590.4</b>	<b>1,921.9</b>	<b>0.0</b>	<b>140,512.3</b>

**Marine Highway System  
Summary of RDU Budget Changes by Component  
From FY2019 Management Plan to FY2020 Governor**

*All dollars shown in thousands*

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
<b>FY2019 Management Plan</b>	<b>86,005.5</b>	<b>52,070.0</b>	<b>1,893.7</b>	<b>0.0</b>	<b>139,969.2</b>
<b>Adjustments which continue current level of service:</b>					
-Marine Engineering	0.0	17.7	24.7	0.0	42.4
-Reservations and Marketing	0.0	33.4	0.0	0.0	33.4
-Marine Shore Operations	2.2	157.6	0.0	0.0	159.8
-Vessel Operations Management	0.0	304.0	3.5	0.0	307.5
<b>FY2020 Governor</b>	<b>86,007.7</b>	<b>52,582.7</b>	<b>1,921.9</b>	<b>0.0</b>	<b>140,512.3</b>