

**State of Alaska**  
**FY2022 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 connect the state to Canada and the lower 48. The Alaska Marine Highway System (AMHS) keeps Alaska moving by providing direct transportation service and by operating and maintaining a wide network of infrastructure afloat and ashore.

### Core Services

- Oversee the operation of nine vessels, along with three vessels in long-term layup, and 16 state-owned terminals with over 650 shipboard budgeted positions and approximately 100 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 145,000 passengers and 55,000 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 2020

- Provided 203.0 total operating weeks of service and transported nearly 145,000 passengers and nearly 55,000 vehicles safely to their destinations while generating just under \$30 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 travel to Canadian ports.
- Continued to fine-tune the new reservation system, specifically the hand scanning of passengers on and off the ships, started the process of bringing online self-service kiosks at selected staffed terminals.
- Completed vessel condition surveys for all operating vessels. Surveys contain the detailed condition of each ship.
- Managed state overhauls for seven vessels at Vigor Alaska LLC's Ketchikan ship repair facility.
- Implemented new tariffs and a tariff formulizing and leveling process to become more self-sustaining.
- Completed the M/V Matanuska repower and major conversion project at Vigor Shipyard in Portland, Oregon.
- Completed major steel replacement and re-certification of the M/V LeConte.
- Commenced required steel repair needed for re-certification of M/V Aurora.

### Key RDU Challenges

- Increasing traffic volumes, system 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. The reduction in the operating schedules during the winter months has also created high turnover of unlicensed vessel crew.
- Reduction of shoreside staff due to recent budget reductions resulting in increased workload being distributed amongst existing employees.
- Continue to provide as many operating weeks of service as possible, given reduced budgets.
- Keeping vessel crews and two ships SOLAS certified for future calls at the international port of Prince Rupert, British Columbia.
- 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 stormwater runoff permits, terminal wastewater requirements, and new requirements from the Centers for Disease Control and Prevention.
- Commencing the process of the sale of the FVF Chenega and FVF Fairweather.
- Operating in a very challenging COVID-19 environment.

### **COVID-19 Response and Telework Challenges**

- COVID-19 response has proven to be very challenging aboard the ships. A very extensive mitigation plan has been drafted and is being followed by the vessel crews. AMHS has still experienced four COVID-19 related situations, two of which have stopped ships from operating for a period of time, resulting in lost revenue.
- Shoreside employee telework to date has gone very smoothly. All required work is being completed, and a high percentage of employees have chosen to telework either full-time or part time.

### **Significant Changes in Results to be Delivered in FY2022**

- Providing basic essential transportation services to the entire system using fewer ships and at a lower cost to stay within budgetary constraints.
- The evolution of the AMHS fleet make-up with the addition of the new Alaska Class Ferries will drive decisions on use of operating and 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 and the Juneau Reservation Center. This system will be expanded to include chip and pin credit/debit card readers. Management is also in the design phase for a mobile application for use on smart phones.

<b>Contact Information</b>
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**Marine Highway System  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2020 Actuals				FY2021 Management Plan				FY2022 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	71,603.3	5,938.8	0.0	77,542.1	76,006.2	0.0	0.0	76,006.2	72,606.7	0.0	0.0	72,606.7
Marine Vessel Fuel	8,174.9	0.0	0.0	8,174.9	16,417.8	0.0	0.0	16,417.8	12,702.2	0.0	0.0	12,702.2
Marine Engineering Overhaul	1,103.1	715.9	0.0	1,819.0	1,723.1	703.6	0.0	2,426.7	1,761.8	705.6	0.0	2,467.4
Reservations and Marketing	321.0	0.0	0.0	321.0	603.1	0.0	0.0	603.1	603.1	0.0	0.0	603.1
Marine Shore Operations	1,101.6	105.6	0.0	1,207.2	1,343.4	0.0	0.0	1,343.4	1,385.6	0.0	0.0	1,385.6
Vessel Operations Management	5,894.8	105.0	0.0	5,999.8	7,521.4	0.0	0.0	7,521.4	7,711.0	0.0	0.0	7,711.0
	3,352.5	266.5	0.0	3,619.0	3,547.5	146.4	0.0	3,693.9	3,655.7	147.1	0.0	3,802.8
<b>Totals</b>	<b>91,551.2</b>	<b>7,131.8</b>	<b>0.0</b>	<b>98,683.0</b>	<b>107,162.5</b>	<b>850.0</b>	<b>0.0</b>	<b>108,012.5</b>	<b>100,426.1</b>	<b>852.7</b>	<b>0.0</b>	<b>101,278.8</b>

**Marine Highway System  
Summary of RDU Budget Changes by Component  
From FY2021 Management Plan to FY2022 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>FY2021 Management Plan</b>	<b>54,011.0</b>	<b>53,151.5</b>	<b>850.0</b>	<b>0.0</b>	<b>108,012.5</b>
<b>Adjustments which continue current level of service:</b>					
-Marine Vessel Operations	1,195.8	3,743.0	0.0	0.0	4,938.8
-Marine Vessel Fuel	0.0	-3,715.6	0.0	0.0	-3,715.6
-Marine Engineering	0.0	38.7	2.0	0.0	40.7
-Reservations and Marketing	0.0	42.2	0.0	0.0	42.2
-Marine Shore Operations	0.5	189.1	0.0	0.0	189.6
-Vessel Operations Management	0.0	108.2	0.7	0.0	108.9
<b>Proposed budget decreases:</b>					
-Marine Vessel Operations	-3,589.0	-4,749.3	0.0	0.0	-8,338.3
<b>FY2022 Governor</b>	<b>51,618.3</b>	<b>48,807.8</b>	<b>852.7</b>	<b>0.0</b>	<b>101,278.8</b>