

State of Alaska
FY2023 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 one vessel in long-term layup, and 16 state-owned terminals with over 666 shipboard budgeted positions and approximately 128 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.
- 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 2021

- Provided 200 total operating weeks of service and transported nearly 87,000 passengers and 45,000 vehicles safely to their destinations while generating over \$28,000.0 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.
- Completed the new reservations system project and contract and currently in the final stages of fine tuning the use of handheld scanners for passengers moving on and off the ships.
- Completed vessel condition surveys for all operating vessels. Surveys contain the detailed condition of each ship.
- Managed state overhauls for eight vessels at Vigor Alaska LLC's Ketchikan ship repair facility.
- Implemented successful COVID-19 mitigation plan to keep vessels operating safely during the COVID-19 pandemic.
- Sale of the fast ferries Fairweather and Chenega, and two spare engines.

Key RDU Challenges

- Working to increase traffic volumes, system utilization, and revenues to offset a greater percentage of the 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 projects during 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. The COVID-19 pandemic has also created a difficult situation for AMHS while trying to hire new passenger service workers. The concern about COVID-19 while being constantly exposed to the public on AMHS ships has discouraged many new applicants.
- Continue to provide as many operating weeks of service as possible.
- Keeping vessel crews and two ships SOLAS certified for future calls at the international port of Prince Rupert, British Columbia.
- Operating changes, 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 Department of Environmental Conservation regulations, which include the vessels, terminal stormwater runoff permits, terminal wastewater requirements, and vessel stack emissions, and new

requirements from the Centers for Disease Control and Prevention.

- 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. AMHS has drafted a very aggressive mitigation plan, which the ships crews are following. AMHS has worked closely with State Public Health officials and has responded very well to positive COVID-19 cases that have occurred.
- Shoreside employee telework to-date has gone very smoothly with a percentage of employees electing to telework either full-time or part-time. All required work is being completed.

Significant Changes in Results to be Delivered in FY2023

- Providing basic essential transportation services to the entire system using fewer ships at a lower cost, to stay within budgetary constraints, and increase capacity utilization.
- 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 affect 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. Management is also in the design phase for a mobile application for use on smart phones.

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

All dollars shown in thousands

	FY2021 Actuals				FY2022 Management Plan				FY2023 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
Formula Expenditures None.												
Non-Formula Expenditures												
Marine Vessel Operations	71,815.1	1,080.1	978.7	73,873.9	60,014.5	0.0	72,538.6	132,553.1	5,000.0	0.0	97,820.6	102,820.6
Marine Vessel Fuel	9,216.5	0.0	0.0	9,216.5	7,796.3	0.0	16,830.5	24,626.8	0.0	0.0	20,905.9	20,905.9
Marine Engineering Overhaul	1,468.8	296.4	0.0	1,765.2	164.6	1,086.4	3,567.0	4,818.0	0.0	713.5	2,311.1	3,024.6
Reservations and Marketing	539.2	0.0	0.0	539.2	0.0	0.0	904.7	904.7	0.0	0.0	1,700.0	1,700.0
Marine Shore Operations	1,087.3	0.0	53.1	1,140.4	142.1	0.0	2,102.4	2,244.5	0.0	0.0	1,513.0	1,513.0
Vessel Operations Management	6,147.2	0.0	36.4	6,183.6	450.1	0.0	11,151.4	11,601.5	0.0	0.0	7,679.8	7,679.8
	3,289.0	148.7	54.2	3,491.9	259.7	221.9	5,673.4	6,155.0	0.0	146.2	3,964.3	4,110.5
Totals	93,563.1	1,525.2	1,122.4	96,210.7	68,827.3	1,308.3	112,768.0	182,903.6	5,000.0	859.7	135,894.7	141,754.4

Marine Highway System
Summary of RDU Budget Changes by Component
From FY2022 Management Plan to FY2023 Governor

All dollars shown in thousands

	<u>Unrestricted</u> <u>Gen (UGF)</u>	<u>Designated</u> <u>Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal</u> <u>Funds</u>	<u>Total Funds</u>
FY2022 Management Plan	63,401.6	5,425.7	1,308.3	112,768.0	182,903.6
One-time items:					
-Marine Vessel Operations	-54,588.8	-5,425.7	0.0	-72,538.6	-132,553.1
-Marine Vessel Fuel	-7,796.3	0.0	0.0	-16,830.5	-24,626.8
-Marine Engineering	-164.6	0.0	-1,086.4	-3,567.0	-4,818.0
-Overhaul	0.0	0.0	0.0	-904.7	-904.7
-Reservations and Marketing	-142.1	0.0	0.0	-2,102.4	-2,244.5
-Marine Shore Operations	-450.1	0.0	0.0	-11,151.4	-11,601.5
-Vessel Operations Management	-259.7	0.0	-221.9	-5,673.4	-6,155.0
Adjustments which continue current level of service:					
-Marine Engineering	0.0	0.0	-10.7	-13.2	-23.9
-Reservations and Marketing	0.0	0.0	0.0	-18.9	-18.9
-Marine Shore Operations	0.0	0.0	0.0	-95.7	-95.7
-Vessel Operations Management	0.0	0.0	-1.2	-66.3	-67.5
Proposed budget increases:					
-Marine Vessel Operations	0.0	5,000.0	0.0	97,820.6	102,820.6
-Marine Vessel Fuel	0.0	0.0	0.0	20,905.9	20,905.9
-Marine Engineering	0.0	0.0	724.2	2,324.3	3,048.5
-Overhaul	0.0	0.0	0.0	1,700.0	1,700.0
-Reservations and Marketing	0.0	0.0	0.0	1,531.9	1,531.9
-Marine Shore Operations	0.0	0.0	0.0	7,775.5	7,775.5
-Vessel Operations Management	0.0	0.0	147.4	4,030.6	4,178.0
FY2023 Governor	0.0	5,000.0	859.7	135,894.7	141,754.4