Alaska Marine Highway System Vessel Overhaul, Annual Certification and Shoreside Facilities Rehabilitation | **FY2027 Request: $27,500,000** | **Reference No: 30624**

AP/AL: Appropriation
Category: Transportation
Location: Statewide
Impact House District: Statewide (HD 1 - 40)
Estimated Project Dates: 07/01/2026 - 06/30/2031

Project Type: Renewal and Replacement
House District: Statewide (HD 1 - 40)
Contact: Dom Pannone
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Brief Summary and Statement of Need:
The Alaska Marine Highway System (AMHS) requires annual maintenance and overhaul on vessels and at terminals, particularly components or systems whose failures impact service in the short term. Annual overhaul of vessels is necessary to pass United States Coast Guard (USCG) inspections, American Bureau of Shipping (ABS) surveys, and obtain a Certificate of Inspection (COI) necessary to operate in revenue service.

Funding:	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total
1076 Marine Hwy	$27,500,000	$27,500,000	$27,500,000	$27,500,000	$27,500,000	$27,500,000	$165,000,000
Total:	$27,500,000	$27,500,000	$27,500,000	$27,500,000	$27,500,000	$27,500,000	$165,000,000

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☐ Phased - underway ☑ Ongoing
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Prior Funding History / Additional Information:
Sec1 Ch12 SLA2025 P8 L18 SB57 $26,400,000
Sec1 Ch8 SLA2024 P16 L29 SB187 $22,000,000
Sec14 Ch1 SLA2023 P93 L16 HB39 $22,000,000
Sec11 Ch1 SLA2022 P93 L8 HB281 $20,000,000
Sec8 Ch1 SLA2021 P79 L15 HB69 $15,000,000
Sec5 Ch8 SLA2020 P67 L27 HB205 $15,000,000
Sec4 Ch3 SLA2019 P15 L18 SB19 $1,400,000
Sec1 Ch19 SLA2018 P10 L8 SB142 $13,500,000
Sec1 Ch1 SLA2017 P8 L8 SB23 $11,000,000
Sec21G Ch1 SLA2017 P24 L14 SB23 $1,000,000
Sec1 Ch2 SLA2016 P7 L19 SB138 $12,000,000
Sec25(d) Ch38 SLA2015 P39 L25 SB26 $10,000,000
Sec1 Ch18 SLA2014 P63 L23 SB119 $12,000,000
Sec1 Ch16 SLA2013 P79 L4 SB18 $10,000,000
Sec1 Ch17 SLA2012 P136 L16 SB160 $10,000,000
Sec7 Ch17 SLA2012 P167 L26 SB160 $5,455,000

Project Description/Justification:

This project encompasses various recurring maintenance tasks, repairs, and improvements for the AMHS vessels. Most of the requested funds are spent within Alaskan shipyards and with local suppliers and vendors.

Overhaul work includes inspections, repairs, maintenance, replacements, preservation, and upgrades that cannot be performed while the vessels are in operation. Each year, an approximately eight-week overhaul period is designated during which each ship is dry-docked and the scheduled work is completed. This work is typically conducted in Alaskan shipyards unless it is part of a Federal Highway Administration (FHWA) or Federal Transit Administration (FTA) project that has been competitively awarded to an out-of-state shipyard.

During overhauls, the AMHS must adhere to the inspection requirements and safety standards of both the ABS for steel-hulled vessels and the USCG. None of this work is discretionary. At the end of the overhaul period, each vessel must pass a rigorous USCG inspection to obtain a COI, subject to quarterly examinations and an annual renewal.

In addition to fulfilling ABS and USCG requirements, the AMHS performs maintenance recommended by equipment manufacturers, along with other essential repairs, replacements, or upgrades as determined by AMHS port engineers in collaboration with vessel engineering management and trusted vendors. A recent shift toward prioritizing asset preservation will help extend the service life of vessels, as deferred maintenance can quickly escalate into more costly repair needs.

The AMHS operates steel vessels in a harsh, corrosive saltwater environment, necessitating rigorous protection to prevent the rapid deterioration of major structural components and equipment, which would lead to costly replacements. Neglecting these maintenance and repair needs risks the loss of ABS classification and the inability to pass the USCG COI examinations. Losing classification would result in higher annual insurance premiums, and without a USCG COI, the AMHS cannot operate its vessels, compromising its mission to provide safe, reliable public transportation.

To ensure operational readiness during emergencies, the AMHS must maintain an inventory of major engine components that can serve as spare parts. Additionally, stocking recurrently needed parts with long lead times, such as sea valves, will help mitigate the risk of extended maintenance periods caused by supply chain delays.

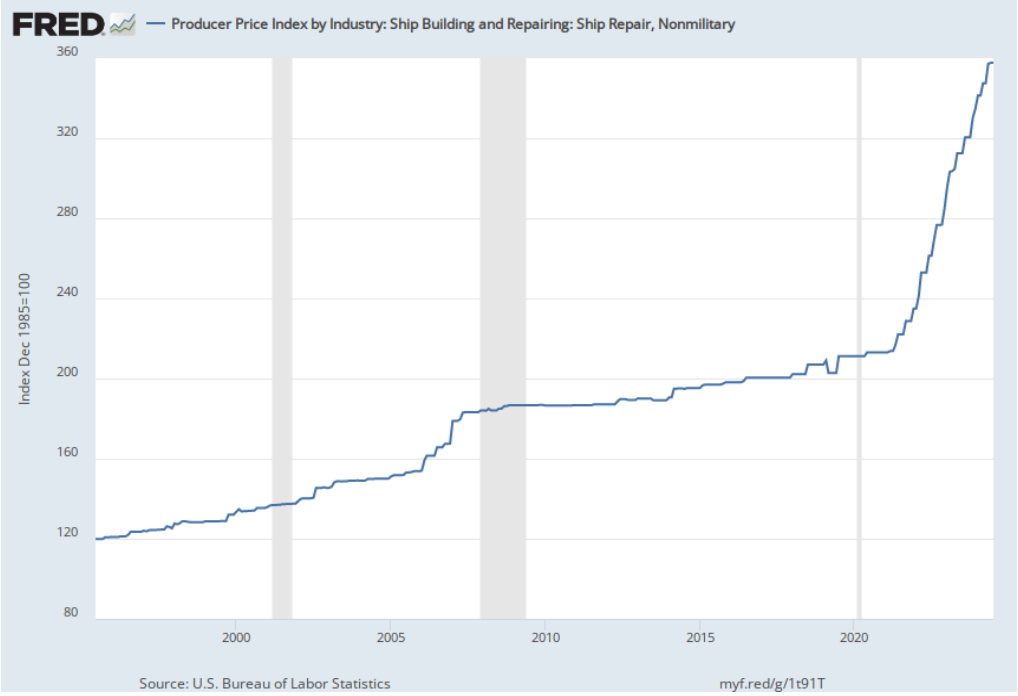
Overhaul work is expensive, with a historical standard baseline of $2 million per vessel. The AMHS currently operates nine vessels, seven of which are at midlife or beyond in their lifecycles, necessitating increasingly intensive maintenance and upgrades.

At midlife (Kennicott and Lituya), systems require significant upgrades, repairs, and replacements as equipment becomes obsolete. Lighting, flooring, furniture, and fixtures begin to wear out, leading to more frequent and costly maintenance. Considerations for refit and repower begin to emerge.

At post-midlife (Aurora, LeConte, Columbia), retained equipment and piping require more frequent and expensive maintenance.

At old-age (Tustumena, Matanuska), refit of mechanical systems is now obsolete. There is an increase in regulatory scrutiny and compliance issues. Structural issues increase in severity. Discovery work becomes significant, and maintenance periods increase in scope and complexity. Significant scope growth and discovery work must be planned for in every maintenance period for vessels of this age.

The attached Saint Louis Federal Reserve Bank graph illustrates the Producer Price Index for the Ship Building and Repair, Non-Military industry from 1995 to 2024. Notably, a sharp increase in prices began in 2021, reflecting the cost pressures AMHS is currently facing.



This funding may also be allocated for terminal maintenance and repairs, as well as equipment and component replacements or rehabilitation projects when favorable bids or parts pricing make it feasible.