

**State of Alaska**  
**FY2017 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**

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

**Core Services**

- Operate up to eleven roll-on/roll-off passenger and vehicle ferries during the summer season and as few as four ships during the fall, winter and spring season with weeks of operation tailored to meet the needs of the traveling public and communities while maximizing revenue and controlling costs.
- Transport people, goods, and vehicles to and from 35 ports along 3,500 route miles from Bellingham, Washington and out the Aleutian Island chain to Unalaska.
- Operate a central reservations office and 16 state owned ferry terminals providing shelter and booking services for over 319,000 passengers and 108,000 vehicles per year.
- Manage over 840 shipboard budgeted crew positions and over 150 shoreside employees.
- 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 2015**

- Provided 378 total operating weeks of service and transported 319,000 passengers and 108,000 vehicles safely to their destinations while generating \$53.5 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 visit Canadian ports.
- Commenced Tustumena replacement vessel design process with expected completion in December 2015.
- Completed engine replacement projects on M/V Columbia, M/V Fairweather, and M/V Chenega.
- Commenced construction on two Alaska Class Ferries at Vigor Ketchikan Shipyard utilizing the Construction Manager/General Contractor process.
- Contracted and designed a new AMHS reservation and manifest system for implementation beginning in December 2015

**Key RDU Challenges**

- Construction of two new dayboat Alaska Class Ferries under the terms of the negotiated agreement.
- Increasing traffic volumes, capacity utilization, and revenues to offset a greater percentage of operating costs while still providing essential service.
- Completing scheduled maintenance on time and on budget despite extensive discovery work found on aging vessels.
- Identifying and programming construction funding for a new vessel to replace the M/V Tustumena.
- Obtaining a SOLAS waiver for the M/V Malaspina to provide more flexibility for scheduling service at the port of Prince Rupert.

**Significant Changes in Results to be Delivered in FY2017**

- Results Based Budgeting will be used to develop performance measures that quantify outcomes (not activities) as well as determine priorities.
- Provide basic essential transportation services to the entire route structure using fewer ships and at less cost to stay within budgetary constraints.

**Contact Information**

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

*All dollars shown in thousands*

	FY2015 Actuals				FY2016 Management Plan				FY2017 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	111,808.1	307.6	0.0	112,115.7	109,210.5	0.0	0.0	109,210.5	100,947.2	0.0	0.0	100,947.2
Marine Vessel Fuel	26,401.0	0.0	0.0	26,401.0	27,513.6	0.0	0.0	27,513.6	22,556.5	0.0	0.0	22,556.5
Marine Engineering Overhaul	2,154.6	981.3	0.0	3,135.9	1,664.6	1,697.1	0.0	3,361.7	1,562.9	1,697.1	0.0	3,260.0
Reservations and Marketing	1,585.4	0.0	0.0	1,585.4	1,647.8	0.0	0.0	1,647.8	1,647.8	0.0	0.0	1,647.8
Marine Shore Operations	2,393.7	0.0	0.0	2,393.7	2,015.5	0.0	0.0	2,015.5	2,036.4	0.0	0.0	2,036.4
Vessel Operations Management	8,307.4	0.0	0.0	8,307.4	7,817.7	0.0	0.0	7,817.7	7,833.8	0.0	0.0	7,833.8
	4,815.8	133.8	0.0	4,949.6	3,887.7	136.3	0.0	4,024.0	3,952.4	136.3	0.0	4,088.7
<b>Totals</b>	<b>157,466.0</b>	<b>1,422.7</b>	<b>0.0</b>	<b>158,888.7</b>	<b>153,757.4</b>	<b>1,833.4</b>	<b>0.0</b>	<b>155,590.8</b>	<b>140,537.0</b>	<b>1,833.4</b>	<b>0.0</b>	<b>142,370.4</b>

**Marine Highway System  
Summary of RDU Budget Changes by Component  
From FY2016 Management Plan to FY2017 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>FY2016 Management Plan</b>	<b>96,660.3</b>	<b>57,097.1</b>	<b>1,833.4</b>	<b>0.0</b>	<b>155,590.8</b>
<b>One-time items:</b>					
-Marine Vessel Fuel	0.0	-2,600.0	0.0	0.0	-2,600.0
<b>Adjustments which continue current level of service:</b>					
-Marine Vessel Operations	920.8	311.8	0.0	0.0	1,232.6
-Marine Engineering	0.0	-101.7	0.0	0.0	-101.7
-Reservations and Marketing	0.0	20.9	0.0	0.0	20.9
-Marine Shore Operations	0.0	16.1	0.0	0.0	16.1
-Vessel Operations Management	0.0	64.7	0.0	0.0	64.7
<b>Proposed budget decreases:</b>					
-Marine Vessel Operations	-5,392.0	-4,103.9	0.0	0.0	-9,495.9
-Marine Vessel Fuel	0.0	-2,357.1	0.0	0.0	-2,357.1
<b>FY2017 Governor</b>	<b>92,189.1</b>	<b>48,347.9</b>	<b>1,833.4</b>	<b>0.0</b>	<b>142,370.4</b>