

HOUSE BILL REPORT

ESHB 2358

As Passed Legislature

Title: An act relating to state ferries.

Brief Description: Regarding state ferries.

Sponsors: By House Committee on Transportation (originally sponsored by Representatives Rolfes, Strow, Appleton, Seaquist, VanDeWege, Lantz, Flannigan, Roberts, Cody, Green, Eickmeyer, Jarrett and Kessler).

Brief History:

Committee Activity:

Transportation: 2/27/07, 3/2/07 [DPS].

Floor Activity:

Passed House: 3/10/07, 90-7.

Senate Amended.

Passed Senate: 4/4/07, 40-8.

House Refuses to Concur.

Senate Amended.

Passed Senate: 4/20/07, 47-1

House Concurred.

Passed House: 4/20/07, 93-5.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Makes various changes to the statutes regarding Washington State Ferries, including level of service standards, fare setting, and the department's capital program.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Clibborn, Chair; Flannigan, Vice Chair; Jarrett, Ranking Minority Member; Appleton, Campbell, Dickerson, Eddy, Hailey, Hudgins, Lovick, Rodne, Rolfes, Sells, Springer, B. Sullivan, Takko, Upthegrove and Wood.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 6 members: Representatives Armstrong, Ericksen, Hankins, Kristiansen, Simpson and Wallace.

Staff: Teresa Berntsen (786-7301).

Background:

The Washington State Department of Transportation (WSDOT) Ferries Division operates and maintains ferry vessels and terminals, constructs terminals, and acquires vessels. The system serves eight Washington counties and one Canadian province through 28 vessels and 20 terminals. The Washington State Ferries (WSF) also operates a maintenance facility at Eagle Harbor.

Level of Service Standards:

The WSDOT sets the level of service standards for state ferry routes of statewide significance.

Fares:

The WSDOT reviews fares annually and makes recommendations to the Transportation Commission (Commission). The Commission must adopt fares by rule.

When reviewing fares, the WSDOT must solicit input from local community groups, consult with affected ferry users, and give notice of the review to Ferry Advisory Committees (FACs). The makeup of FACs is established in state law. The WSDOT may solicit input from affected ferry users by holding a public hearing in affected communities, working with affected FACs, conducting a survey of affected users, or a combination. State law lists items that may be considered when setting fares.

Changes to Service Levels:

Before making substantial changes to service levels, the WSDOT must consult with affected users, consider all possible cost reductions, and consider adapting service levels equitably on a route-by-route basis. The Ferry System Productivity Council is established and directed to meet periodically to discuss ways to improve ferry system productivity.

Transportation Plan:

The state-owned facilities component of the statewide transportation plan must include a state ferry system plan. The plan must: (1) include service objectives for routes; (2) forecast demand; (3) develop investment strategies that consider regional and statewide needs, support local use plans, and assure that ferry services are fully integrated with other transportation services; (4) provide for the preservation of capital assets based on lowest life-cycle cost methods; (5) be consistent with the regional transportation plans; and (6) be developed in conjunction with the FACs.

2006 Ferries Finance Study:

In the 2006 transportation budget, the Joint Transportation Committee (JTC) was directed to conduct a finance study of the state ferry system. The study was to facilitate legislative policy discussions and decisions regarding the WSF. The study made recommendations in the

following areas: conducting a market survey, developing operational and pricing strategies, capital expenditures, long-range capital planning, and the ferries capital improvement program.

Summary of Engrossed Substitute Bill:

Level of Service Standards: The WSDOT may adjust ferry level of service standards for seasonality. Survey of Users: The WSDOT must conduct a survey of ferry users to inform level of service, operational, pricing, planning, and investment decisions. Information is to be gathered on recreational users, vehicle and walk-on customers, freight movement, and reactions to possible operational strategies and pricing policies. The Commission must provide an opportunity for FACs to provide input into the survey. The survey must be updated at least every two years and maintained to support adaptive management of ferry services.

Operational Strategies: The WSDOT must develop, and the Commission must review, operational strategies that must at a minimum: (1) recognize that each travel shed is unique; (2) use data from a current customer survey; (3) be consistent with vehicle level of service standards; (4) use a life-cycle cost analysis that considers capital and operating costs and the most efficient balance between these costs; and (5) include methods of collecting fares that maximize efficiency and achieve revenue management control. Fares and Pricing Policies:

The WSDOT must review fares and pricing policies annually using data from a current survey of users and input from affected ferry users. Beginning in 2008, the date by which the Commission must adopt fares for the following year is changed from April to September 1. Beginning in 2008, fares and pricing policies must be developed so that they: (1) recognize each route is unique; (2) use data from a current customer survey; (3) are developed with input from affected ferry users; (4) generate the amount of revenue required by the biennial transportation budget; (5) consider impacts on users, capacity, and local communities; (6) keep fare schedules as simple as possible; and (7) consider options for using pricing to level vehicle peak demand and increase off-peak ridership. The Commission may not raise ferry fares until the fare rules contain pricing policies, or until September 1, 2009, whichever is later.

Revenues in the Puget Sound Ferry Operations Account may not be used to support the Puget Sound Capital Construction Account unless that support is identified on fares. Changes to

Service Levels: The WSDOT must receive legislative approval before adding or deleting an entire ferry route. Before substantial changes to the service levels are made, the WSDOT must consult with affected ferry users by public hearing and by review with affected FACs.

Terminal Design Standards: The WSDOT must develop terminal design standards that choose the most efficient balance between capital and operating investments and that adhere to operational strategies and vehicle level of service standards. Capital Program: Capital projects are defined.

The capital plan must adhere to a current ridership forecast, operational strategies, vehicle level of service standards, and terminal design standards. The WSDOT must maintain a life-cycle cost model on capital assets. The life of an asset must be estimated using available industry standards or department-adopted standards when industry standards are not available. All assets in the life-cycle cost model must be inspected and updated at least every

three years. Funding requests for terminal improvement projects must be based on the capital plan. Funding requests for terminal improvement projects, and preservation projects over \$5 million, must include a pre-design study that meets the Office of Financial Management requirements and includes various other elements. The Joint Legislative Accountability and Review Committee must: (1) audit the implementation of the cost allocation methodology developed by the WSDOT, and (2) review the WSDOT's assignment of preservation and improvement costs for fiscal year 2009. The report on these evaluations is due by January 31, 2010.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The long-term health and viability of the ferry system is of utmost importance to ferry communities. This bill introduces major changes to the way the ferry system operates and plans, in order to improve the long term viability of the system, find stable funding, and provide fares that ferry communities can afford. Further clarification of the how the bill contemplates the market survey using forecasted data is needed. The new fare schedule from April to October should not specify the day of the month, and a transition period should be provided.

(With concerns) Concrete legislative guidance is needed on two key policy issues: how much revenue is to be raised from fares, and how the Legislature wants the Department of Transportation (WSDOT) to use pricing to spread demand off of peak periods. The Department has technical concerns which were submitted to the prime sponsor. The bill reduces rider and public input into fare discussions. Rider and public input should be provided into the development of operational strategies and the market survey. This bill deletes the provisions for fair and equitable fares, the use of tariff route equity, and the requirement for the WSDOT to consider cost reductions before setting fares. Peak hour pricing is unfair to commuters, who pay for the majority of the system and do not have flexibility on when they must be at work. Reservation systems will put a burden on low income commuters. The move from setting fares from October to April removes the Legislature's ability to influence the fares. The bill contains no metrics to indicate success or failure. Ridership has been lost because of rising fares, many of which are low-income commuters. Ferries are a mass transit system and should be run and funded as such. The legislation should contain a dedicated funding source for ferries. The legislation places a significant amount of executive control in the Transportation Commission (Commission), which is asking too much of the commissioners, none of whom have ferry experience. The Legislature should consider having the Commission manage highways, and create another

body to manage ferries that has members who are familiar with managing mass transit systems.

The Edmonds terminal project has been in the works for quite a while, with state and local money committed, and should not be delayed through the requirements contained in the legislation.

(Opposed) None.

Persons Testifying: (In support) Representative Rolfes, prime sponsor; and Paul Parker, Washington State Transportation Commission.

(With concerns) Doug MacDonald, Washington State Department of Transportation; Debbi Lester, Ferry Community Partnership; Mike Doubleday, City of Edmonds; Walt Elliott, Ferry Advisory Committee Executive Committee; and Dennis Cziske, Kingston Ferry Advisory Committee.

Persons Signed In To Testify But Not Testifying: None.