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## Transportation Committee

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### ESSB 5742

**Brief Description:** Providing funding and cost saving measures for the Washington state ferry system.

**Sponsors:** Senate Committee on Transportation (originally sponsored by Senators Haugen, Ranker and Shin).

#### Brief Summary of Engrossed Substitute Bill

- Creates the Capital Vessel Replacement Account (Account).
- Requires the Washington State Transportation Commission to impose a vessel replacement surcharge of 25 cents on each ferry fare.
- Directs revenues collected from the surcharge to be deposited into the Account to be used for the purchase or construction of ferry vessels and to pay principal and interest on bonds authorized for construction or purchase of ferry vessels.
- Exempts fuel purchased by the Washington State Ferries (WSF) and county-owned ferries from state sales and use tax.
- Abolishes the Marine Employees Commission (MEC) and moves the functions of the MEC to the Public Employment Relations Commission.
- Increases the threshold amount for apprenticeship utilization on WSF public works projects from \$2 million to \$5 million.

**Hearing Date:** 4/13/11

**Staff:** Debbie Driver (786-7143).

#### **Background:**

The Washington State Department of Transportation Ferries Division (WSF) operates and maintains ferry vessels and terminals, constructs terminals, and acquires vessels. The system

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serves eight Washington counties and one Canadian province through 22 vessels and 20 terminals.

### **Pricing Policies**

The Washington State Transportation Commission (Transportation Commission) adopts the WSF fares and pricing policies by rule.

### **Sales & Use Tax and Fuel**

In general, fuel used for purposes other than for the propulsion of a motor vehicle on public highways is not subject to the state motor vehicle fuel tax or special fuel tax. However, such fuel is subject to the state retail sales and use tax. Fuel used for urban passenger transportation systems, and fuel used for passenger-only-ferry services are exempt from the state retail sales and use tax. Fuel used for the WSF system and for county-owned ferry systems is not exempt from the state retail sales and use tax.

In 2009-11 the WSF purchased over 34 million gallons of fuel and paid just under \$8 million in sales and use tax.

### **Marine Employees' Commission**

The state bargains with ferry employee organizations under the Marine Employees' Collective Bargaining Act (MECBA) over wages, hours, working conditions, and insurance. The MECBA is administered by the Marine Employees' Commission (MEC). The MEC adjudicates complaints, grievances, and disputes between labor and management arising from ferry system operations, provides impasse mediation, determines bargaining units, certifies fair representation organizations, and certifies issues for arbitration when parties remain at impasse.

The Public Employment Relations Commission (PERC) administers and enforces other public sector collective bargaining laws in Washington. The PERC was created in 1975 and originally had the MECBA under its jurisdiction. Prior to 1975, the MEC had administered ferry employee collective bargaining, but it was disbanded in 1975. In 1983 the MEC was re-established, and ferry employee collective bargaining was removed from the PERC's jurisdiction and transferred to the MEC.

### **Grievance Arbitration Procedures**

Under the MECBA, a collective bargaining agreement may provide procedures for the consideration of ferry employee grievances and of disputes over the interpretation and application of existing agreements. The procedures must provide for the invoking of arbitration only with the approval of the ferry employee organization.

### **Joint Transportation Commission Budget Proviso Study**

A budget proviso in the 2010 Supplemental Transportation Budget directed the Joint Transportation Committee (JTC) to conduct a comparison of the processing time of labor-related grievances and hearings at the PERC and the MEC, and investigate whether the necessary expertise exists at the PERC to administer the grievances and hearings currently administered by the MEC. The report concluded that:

- the PERC processes unfair labor practice and grievance arbitration decisions faster than the MEC; and

- the PERC has the necessary expertise to administer the grievances and hearings currently administered by the MEC.

### **Apprenticeship Utilization**

State agencies under the Governor's authority must require that apprentices enrolled in state-approved apprenticeship training programs participate in public works projects. This requirement was originally established in an executive order issued in 2000, and later codified in legislation enacted in 2005. Public works by the Washington State Department of Transportation (WSDOT) were exempt from these requirements until legislation enacted in 2006 made them subject to slightly different apprenticeship utilization requirements. For public works by the WSDOT estimated to cost \$2 million dollars or more, at least 15 percent of the labor hours must be performed by apprentices.

### **Puget Sound Ferries Operations Account**

Operating expenditures for Washington State Ferries are paid from the Puget Sound Ferries Operations Account. Funds deposited into the account include ferry fare revenues.

### **Summary of Bill:**

The Capital Vessel Replacement Account (Account) is created. The Transportation Commission must impose a 25-cent surcharge on every ferry fare sold; the proceeds of which are deposited into the Account. Expenditures from the Account must be by appropriation and may only be used for the construction or purchase of ferry vessels and to pay the principal and interest on bonds authorized for the construction or purchase of ferry vessels. Expenditures from the Account must first be used to support the construction or purchase, including any financing costs, of a ferry vessel capable of carrying at least 144 vehicles.

Effective July 1, 2013, fuel purchased for the WSF vessels and by county-owned ferry systems for use in ferry vessels are exempt from the state retail sales and use tax.

The MEC is abolished and the duties and responsibilities of the MEC are transferred to the PERC. The grievance arbitration procedures are modified. Rather than invoking arbitration only with the approval of the employee organization, arbitration may only be invoked if both the employee organization and management agree.

The contract threshold amount for apprenticeship utilization requirements on WSF public works is increased. On WSF public works estimated to cost \$6 million or more, apprentices must perform no less than 15 percent of the labor hours.

Outdated language regarding usages of the Puget Sound Ferries Operations Account is removed and ferry fares are added as a fund deposited into the account.

**Appropriation:** None.

**Fiscal Note:** Available.

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