

HOUSE BILL REPORT

E2SSB 5862

As Reported by House Committee On:
Transportation

Title: An act relating to passenger-only ferry service.

Brief Description: Regarding passenger-only ferry service.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Rockefeller, Poulsen, Kohl-Welles and Kline).

Brief History:

Committee Activity:

Transportation: 3/26/07, 3/30/07 [DPA].

Brief Summary of Engrossed Second Substitute Bill
(As Amended by House Committee)

- Extends the deadline for submitting a business plan to operate a passenger-only ferry (POF) between Kingston and Seattle to November 1, 2007.
- Extends the deadline for submitting a business plan to operate a POF between Vashon and Seattle to November 1, 2007, and requires operations to begin by July 1, 2008.
- Removes the requirement that the Department of Transportation (DOT) give priority in the ferry grant program to existing POF routes if grant funding is used as matching funds.
- Requires the DOT to make the state passenger ferries Snohomish and Chinook available for sale by June 1, 2007.
- Expands the uses to which a ferry district can put property tax revenues to include improvements to ferry vessels and dock facilities and shuttle services between the ferry terminal and landside improvements directly related to the provision of POF service.

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.

- Grants county ferry districts the ability to incur indebtedness and issue bonds to finance the construction, purchase, and preservation of POF vessels and associated terminals.
- Removes, effective July 1, 2008, the requirement for a waiver to operate a ferry within 10 miles of a ferry crossing provided by the Washington State Ferries, and the restriction on Washington State Ferries offering ferry service that would infringe on a franchised ferry service.
- Exempts fuel purchased by a public transportation benefit area or a county ferry for POF services from the state sales and use tax.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended. Signed by 21 members: Representatives Clibborn, Chair; Flannigan, Vice Chair; Jarrett, Ranking Minority Member; Appleton, Armstrong, Curtis, Dickerson, Hailey, Hankins, Hudgins, Lovick, Rodne, Rolfes, Sells, Simpson, Springer, B. Sullivan, Takko, Upthegrove, Wallace and Wood.

Staff: David Munnecke (786-7315).

Background:

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. The Washington State Ferries System (WSF) currently pays the state retail sales and use tax on the fuel used for propelling ferries. Fuel used for urban passenger transportation systems is exempt from both the motor vehicle fuel tax and the state retail sales and use tax. Ferries do not meet the definition of urban passenger transportation systems and so are exempt from the motor vehicle fuel tax but not the state retail sales and use tax.

In 2006, the Department of Transportation (DOT) was directed to establish a grant program that provides operating or capital grants for passenger-only ferries (POF). Priority is to be given to continuing existing POF routes if grant funding is used as matching funds. The DOT is to sell two of its ferries, the Chinook and Snohomish, once the Governor approves a business plan for a county ferry district to assume the Seattle/Vashon POF route.

The WSF is directed to continue the Seattle/Vashon POF route until a county ferry district takes it over. A county ferry district proposing to provide a Seattle/Vashon POF route must submit a business plan to the Governor and the Legislature by November 1, 2006. The proposal must include beginning operations on the Seattle/Vashon POF route no later than July 1, 2007.

County ferry districts may only use the revenue derived from any property tax that the district imposes for:

- providing ferry services, including the purchase, lease, or rental of ferry vessels and dock facilities;
- the operation and maintenance of ferry vessels and dock facilities; and
- related personnel costs.

A Public Transportation Benefit Area (PTBA) seeking grant funding for a Seattle/Kingston POF route must submit a business plan to the Governor and the Legislature by November 1, 2006.

The operation of any ferry operation within 10 miles of a ferry crossing provided by the WSF is prohibited, unless the operator receives a waiver from the Washington Utilities and Transportation Commission (WUTC).

Summary of Amended Bill:

The deadline for a PTBA seeking grant funding for a Kingston/Seattle POF route to submit a business plan to the Governor and the Legislature is extended to November 1, 2007.

The requirement that the DOT give priority in the ferry grant program to continuing existing POF routes if grant funding is used as matching funds is removed. The WSF is directed to make the POF vessels, Chinook and Snohomish, available for sale by June 1, 2007.

The WSF is directed to continue the Seattle/Vashon POF route until another entity takes it over. The deadline for submitting a business plan to the Governor and the Legislature for the operation of the route is extended from November 1, 2006, to November 1, 2007. The business plan must include beginning operations on the route by July 1, 2008.

The uses to which a ferry district can put property tax revenues is expanded to include improvements to ferry vessels and dock facilities and providing shuttle services between the ferry terminal and landside improvements directly related to the provision of POF service. County ferry districts are also granted the ability to incur indebtedness and issue bonds to finance the construction, purchase, and preservation of POF vessels and associated terminals.

Effective July 1, 2008, a waiver from the WUTC is no longer necessary to operate a ferry within 10 miles of a ferry crossing provided by the WSF, provided it is operated in a manner that will not interfere with the safe operation of the WSF ferries. The WSF can also offer ferry service that would infringe on a franchised ferry service, without first acquiring the franchisee's rights to the route.

Fuel purchased by a PTBA or a county ferry for POF service is exempt from the state sales and use tax.

Amended Bill Compared to Engrossed Second Substitute Bill:

The prohibition on state employees or agencies conducting operations on the Vashon/Seattle route is removed.

The uses to which a ferry district can put property tax revenues is expanded to include improvements to ferry vessels and dock facilities and providing shuttle services between the ferry terminal and landside improvements directly related to the provision of POF service. County ferry districts are also granted the ability to incur indebtedness and issue bonds to finance the construction, purchase, and preservation of POF vessels and associated terminals.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately, except section 8, relating to removing the restriction on operating a ferry service within 10 miles of a Washington State Ferries route, which takes effect July 1, 2008.

Staff Summary of Public Testimony:

(In support) This bill requires the sale of the Washington State Ferries' fast POF boats before the boats depreciate any further. It also eliminates the sales tax on fuel used in POF boats in order to treat POF service in the same fashion as other transit services.

While the ballot measure giving Kitsap Transit the sales tax authority needed to provide POF service failed, Kitsap Transit still hopes to continue low-wake research and may seek a grant to continue the research.

(Opposed) None.

Persons Testifying: Senator Kilmer, prime sponsor; and Richard Hayes, Kitsap Transit.

Persons Signed In To Testify But Not Testifying: None.