CERTIFICATION OF ENROLLMENT

**ENGROSSED HOUSE BILL 1846**

Chapter 429, Laws of 2023

(partial veto)

68th Legislature

2023 Regular Session

STATE FERRIES—VESSEL PROCUREMENT

EFFECTIVE DATE: May 11, 2023

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| Passed by the House April 18, 2023  Yeas 94 Nays 3  LAURIE JINKINS  **Speaker of the House of Representatives**  Passed by the Senate April 14, 2023  Yeas 47 Nays 0  DENNY HECK  **President of the Senate** | CERTIFICATE  I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1846** as passed by the House of Representatives and the Senate on the dates hereon set forth.  BERNARD DEAN  Chief Clerk |
| Approved May 11, 2023 9:56 AM with the exception of section 1, which is vetoed. | May 15, 2023 |
| JAY INSLEE  **Governor of the State of Washington** | **Secretary of State**  **State of Washington** |

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**ENGROSSED HOUSE BILL 1846**

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AS AMENDED BY THE SENATE

Passed Legislature - 2023 Regular Session

**State of Washington 68th Legislature 2023 Regular Session**

**By** Representatives Fey, Barkis, Lekanoff, Ramel, Hutchins, Tharinger, and Caldier

AN ACT Relating to addressing vessel procurement at the Washington state ferries; amending RCW 47.60.810, 47.60.835, 47.60.010, and 47.56.030; adding a new section to chapter 47.60 RCW; creating a new section; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  Washington's marine highways provide vital transportation links between communities. Citizens, businesses, and visitors depend on the state's ferry system to provide safe, dependable auto and passenger service in order to conduct daily life and commerce activities. To maintain the integrity of this vital transportation link and to preserve the everyday conduct of individual and commercial activities, the state must act immediately to procure new hybrid-electric vessels in a timely and efficient manner.

Washington state values strong environmental and workplace standards, including surface water management, and the legislature intends that any contracts awarded through the vessel procurement process align with these values.

NEW SECTION. **Sec.**  A new section is added to chapter 47.60 RCW to read as follows:

(1)(a) The department shall contract for the acquisition of up to five new hybrid diesel-electric ferry vessels that can carry up to 144 vehicles, using a one or two contract procurement approach to potentially accelerate vessel delivery.

(b) The Washington state ferries shall make available the design for the 144 vehicle hybrid electric Olympic class vessel to potential bidders. Incentives may be awarded by the department to bidders who offer design modifications that:

(i) Lower the minimum number of crew needed to staff the vessel in accordance with United States coast guard requirements;

(ii) Incorporate materials, technologies, or other features that lower life-cycle maintenance and operations costs;

(iii) Accelerate the proposed delivery schedule; or

(iv) Make other improvements determined to be beneficial by the department. The Washington state ferries may allow for exceptions of the 144 vehicle capacity of the vessel design in cases where efficiencies outlined in (b)(i) or (ii) of this subsection are met.

(2)(a) The contract or contracts must be for a minimum of two vessels, with options for up to five vessels in total, and are exempt from the requirements set forth in RCW 47.60.810 through 47.60.824.

(b) The contract or contracts may employ the following procurement methods:

(i) Design-build procedure as authorized under chapter 39.10 RCW;

(ii) Design-bid-build as authorized under chapter 39.04 RCW or an equivalent process allowed in statute as determined by the department; or

(iii) Lease with an option to buy in accordance with RCW 47.60.010. The terms of any plan to pursue a lease with an option to buy agreement must be approved by the governor and appropriate committees of the legislature and are subject to the availability of amounts appropriated for this specific purpose.

(c) To the extent possible, the department shall establish and apply evaluation criteria beyond low price to meet best value objectives.

(d) The department must award a credit of 13 percent of the bid price for bid proposals for vessels constructed in the state of Washington, which must be adjusted to reflect the proportion of the construction of the vessels that occurs within the state. This credit represents the:

(i) Amount of economic and revenue loss to the state of Washington from constructing vessels outside the state of Washington, as indicated by the Washington institute for public policy study regarding Washington state ferry vessel procurement dated December 2016; and

(ii) Additional costs of transport, potential delay, and owner oversight incurred for construction at shipyards located outside the state of Washington.

(e) The department must require that contractors meet the requirements of RCW 39.04.320 regarding apprenticeships or other state law or federal law equivalents, where such equivalents exist.

(f) The department must require that contractors meet the requirements of chapter 90.48 RCW regarding water pollution control or other state law or federal law equivalents, where such equivalents exist.

(3) For contracts eligible for the use of federal funds, contractors must comply with federal disadvantaged business enterprise targets as outlined by the federal agency awarding funds.

(4) Contractors located in the state of Washington must meet the requirements of RCW 47.60.835, the small business enterprise enforceable goals program.

(5) The department shall employ third-party experts that report to the Washington state ferries to serve as a supplementary resource. The third-party experts contracted by the Washington state ferries shall:

(a) Perform project quality oversight and report to the transportation committees of the legislature and the office of financial management on a semiannual basis on project schedule, risks, and project budget;

(b) Assist with the management of change order requests;

(c) Advise on contract and technical matters; and

(d) Possess knowledge of and experience with inland waterways, Puget Sound vessel operations, the propulsion system of the new vessels, and Washington state ferries operations.

**Sec.**  RCW 47.60.810 and 2019 c 431 s 1 are each amended to read as follows:

(1) ((~~The~~)) Except as otherwise provided in section 2 of this act, the department shall use a modified request for proposals process when purchasing new auto ferries, except for new 144-auto ferries purchased through an option on a contract executed before July 6, 2015, whereby the prevailing shipbuilder and the department engage in a design and build partnership for the design and construction of the auto ferries. The process consists of the three phases described in subsection (3) of this section.

(2) Throughout the three phases described in subsection (3) of this section, the department shall employ an independent owner's representative to serve as a third-party intermediary between the department and the proposers, and subsequently the successful proposer. However, this representative shall serve only during the development and construction of the first vessel constructed as part of a new class of vessels developed after July 6, 2015. The independent owner's representative shall:

(a) Serve as the department's primary advocate and communicator with the proposers and successful proposer;

(b) Perform project quality oversight;

(c) Manage any change order requests;

(d) Ensure that the contract is adhered to and the department's best interests are considered in all decisions; and

(e) Possess knowledge of and experience with inland waterways, Puget Sound vessel operations, the propulsion system of the new vessels, and Washington state ferries operations.

(3) The definitions in this subsection apply throughout RCW 47.60.812 through 47.60.822.

(a) "Phase one" means the evaluation and selection of proposers to participate in development of technical proposals in phase two.

(b) "Phase two" means the preparation of technical proposals by the selected proposers in consultation with the department.

(c) "Phase three" means the submittal and evaluation of bids, the award of the contract to the successful proposer, and the design and construction of the auto ferries.

(4) The department may modify an existing option contract executed prior to July 6, 2015, to allow for the purchase of up to five additional 144-auto ferries, for a total of nine 144-auto ferries. The department must execute a new modification to an existing option contract for each of the additional five ferries.

**Sec.**  RCW 47.60.835 and 2019 c 431 s 2 are each amended to read as follows:

(1) ((~~To increase small business participation in ferry vessel procurement~~)) In the absence of federal funding and the applicability of the disadvantaged business enterprise program, to increase race and gender-neutral participation of small and diverse businesses in ferry procurement, the Washington state department of transportation's office of equal opportunity and civil rights shall develop and monitor a state small business enterprise enforceable goals program. Pursuant to this program, the office shall establish contract goals for ferry vessel procurement. The contract goal is defined as a percentage of the contract award amount that the prime contractor must meet by subcontracting with small business enterprises. The enforceable goal for all ferry vessel procurement contracts will be set by the office. Prime contractors unable to meet the enforceable ((~~goal~~)) goals must submit evidence of good faith efforts to meet the contract ((~~goal~~)) goals to the small business enterprise enforceable goals program. The department, in collaboration with the office of equal opportunities and civil rights will develop contractual remedies should the contractor not make good faith efforts.

(2) Small business enterprises intending to benefit from the small business enterprise enforceable goals program established in subsection (1) of this section must meet the definition of "small business" in RCW 39.26.010 and must be certified as a "small business enterprise" by the Washington state office of minority and women's business enterprises. Prime contractors will enter all subcontractor payments into the office's diversity management and compliance system. The office of equal opportunity and civil rights shall monitor program performance.

**Sec.**  RCW 47.60.010 and 2015 3rd sp.s. c 14 s 2 are each amended to read as follows:

The department is authorized to acquire by lease, charter, contract, purchase, condemnation, or construction, and partly by any or all of such means, and to thereafter operate, improve, and extend, a system of ferries on and crossing Puget Sound and any of its tributary waters and connections thereof, and connecting with the public streets and highways in the state. However, any new vessel planning, construction, purchase, analysis, or design work must be consistent with RCW 47.60.810, except as otherwise provided in section 2 of this act. The system of ferries shall include such boats, vessels, wharves, docks, approaches, landings, franchises, licenses, and appurtenances as shall be determined by the department to be necessary or desirable for efficient operation of the ferry system and best serve the public. Subject to RCW 47.56.820, the department may in like manner acquire by purchase, condemnation, or construction and include in the ferry system such toll bridges, approaches, and connecting roadways as may be deemed by the department advantageous in channeling traffic to points served by the ferry system. In addition to the powers of acquisition granted by this section, the department is empowered to enter into any contracts, agreements, or leases with any person, firm, or corporation and to thereby provide, on such terms and conditions as it shall determine, for the operation of any ferry or ferries or system thereof, whether acquired by the department or not.

The authority of the department to sell and lease back any state ferry, for federal tax purposes only, as authorized by 26 U.S.C., Sec. 168(f)(8) is confirmed. Legal title and all incidents of legal title to any ferry sold and leased back (except for the federal tax benefits attributable to the ownership thereof) shall remain in the state of Washington.

**Sec.**  RCW 47.56.030 and 2015 3rd sp.s. c 14 s 7 are each amended to read as follows:

(1) Except as permitted under chapter 47.29 or 47.46 RCW:

(a) Unless otherwise delegated, and subject to RCW 47.56.820, the department of transportation shall have full charge of the planning, analysis, and construction of all toll bridges and other toll facilities including the Washington state ferries, and the operation and maintenance thereof.

(b) The transportation commission shall determine and establish the tolls and charges thereon.

(c) Unless otherwise delegated, and subject to RCW 47.56.820, the department shall have full charge of planning, analysis, and design of all toll facilities. The department may conduct the planning, analysis, and design of toll facilities as necessary to support the legislature's consideration of toll authorization.

(d) The department shall utilize and administer toll collection systems that are simple, unified, and interoperable. To the extent practicable, the department shall avoid the use of toll booths. The department shall set the statewide standards and protocols for all toll facilities within the state, including those authorized by local authorities.

(e) Except as provided in this section, the department shall proceed with the construction of such toll bridges and other facilities and the approaches thereto by contract in the manner of state highway construction immediately upon there being made available funds for such work and shall prosecute such work to completion as rapidly as practicable. The department is authorized to negotiate contracts for any amount without bid under (e)(i) and (ii) of this subsection:

(i) Emergency contracts, in order to make repairs to ferries or ferry terminal facilities or removal of such facilities whenever continued use of ferries or ferry terminal facilities constitutes a real or immediate danger to the traveling public or precludes prudent use of such ferries or facilities; and

(ii) Single source contracts for vessel dry dockings, when there is clearly and legitimately only one available bidder to conduct dry dock-related work for a specific class or classes of vessels. The contracts may be entered into for a single vessel dry docking or for multiple vessel dry dockings for a period not to exceed two years.

(f) Any new vessel planning, construction, purchase, analysis, or design work must be consistent with RCW 47.60.810, except as otherwise provided in section 2 of this act.

(2) The department shall proceed with the procurement of materials, supplies, services, and equipment needed for the support, maintenance, and use of a ferry, ferry terminal, or other facility operated by Washington state ferries, in accordance with chapter 43.19 RCW except as follows:

(a) When the secretary of the department of transportation determines in writing that the use of invitation for bid is either not practicable or not advantageous to the state and it may be necessary to make competitive evaluations, including technical or performance evaluations among acceptable proposals to complete the contract award, a contract may be entered into by use of a competitive sealed proposals method, and a formal request for proposals solicitation. Such formal request for proposals solicitation shall include a functional description of the needs and requirements of the state and the significant factors.

(b) When purchases are made through a formal request for proposals solicitation the contract shall be awarded to the responsible proposer whose competitive sealed proposal is determined in writing to be the most advantageous to the state taking into consideration price and other evaluation factors set forth in the request for proposals. No significant factors may be used in evaluating a proposal that are not specified in the request for proposals. Factors that may be considered in evaluating proposals include but are not limited to: Price; maintainability; reliability; commonality; performance levels; life-cycle cost if applicable under this section; cost of transportation or delivery; delivery schedule offered; installation cost; cost of spare parts; availability of parts and service offered; and the following:

(i) The ability, capacity, and skill of the proposer to perform the contract or provide the service required;

(ii) The character, integrity, reputation, judgment, experience, and efficiency of the proposer;

(iii) Whether the proposer can perform the contract within the time specified;

(iv) The quality of performance of previous contracts or services;

(v) The previous and existing compliance by the proposer with laws relating to the contract or services;

(vi) Objective, measurable criteria defined in the request for proposal. These criteria may include but are not limited to items such as discounts, delivery costs, maintenance services costs, installation costs, and transportation costs; and

(vii) Such other information as may be secured having a bearing on the decision to award the contract.

(c) When purchases are made through a request for proposal process, proposals received shall be evaluated based on the evaluation factors set forth in the request for proposal. When issuing a request for proposal for the procurement of propulsion equipment or systems that include an engine, the request for proposal must specify the use of a life-cycle cost analysis that includes an evaluation of fuel efficiency. When a life-cycle cost analysis is used, the life-cycle cost of a proposal shall be given at least the same relative importance as the initial price element specified in the request of proposal documents. The department may reject any and all proposals received. If the proposals are not rejected, the award shall be made to the proposer whose proposal is most advantageous to the department, considering price and the other evaluation factors set forth in the request for proposal.

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

**--- END ---**

Passed by the House April 18, 2023.

Passed by the Senate April 14, 2023.

Approved by the Governor May 11, 2023, with the exception of certain items that were vetoed.

Filed in Office of Secretary of State May 15, 2023.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Section 1, Engrossed House Bill No. 1846 entitled:

"AN ACT Relating to addressing vessel procurement at the Washington state ferries."

Section 1 is an intent section that expresses the environmental and labor values of our state. The bill includes a 13 percent in-state credit which is designed to reflect the environmental and labor values of our state in the procurement process. As a result, Section 1 is not necessary.

For these reasons I have vetoed Section 1 of Engrossed House Bill No. 1846.

With the exception of Section 1, Engrossed House Bill No. 1846 is approved."