

FINAL BILL REPORT

E2SSB 5862

C 223 L 07
Synopsis as Enacted

Brief Description: Regarding passenger-only ferry service.

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

Senate Committee on Transportation
Senate Committee on Ways & Means
House Committee on Transportation

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 are 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 (WSDOT) 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. WSDOT 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.

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 Legislature by November 1, 2006. The proposal must include beginning operations on the Seattle/Vashon POF route no later than July 1, 2007.

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

Current law prohibits the operation of any ferry operation within ten miles of a ferry crossing provided by WSF, unless the operator receives a waiver from the Washington Utilities and Transportation Commission (WUTC). Any ferry operator assuming the operation and maintenance of a ferry or ferry system by rent, lease, or charter from WSF is bound by WSF's contractual obligations. The WUTC is prohibited from considering any applications for waivers that include King County until July 1, 2007.

Summary: Fuel purchased by a PTBA or a County Ferry for POF services is exempt from the state sales and use tax.

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

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 is extended from November 1, 2006, to November 1, 2007. The business plan must include beginning operations on the route by July 1, 2008, and may not include operations by state employees or agencies.

The uses in 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.

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

Votes on Final Passage:

Senate	45	3	
House	96	2	(House amended)
Senate	45	3	(Senate concurred)

Effective: April 27, 2007