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**Transportation Committee**

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**E2SSB 5862**

**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 Summary of Engrossed Second Substitute Bill**

- Extends the deadline for submitting a business plan to operate a passenger-only ferry between Kingston and Seattle to November 1, 2007.
- Extends the deadline for submitting a business plan to operate a passenger-only ferry between Vashon and Seattle to November 1, 2007; requires operations to begin by July 1, 2008; and prohibits operations by state employees or agencies.
- Removes the requirement that the Department of Transportation (DOT) give priority in the ferry grant program to continuing existing passenger-only ferry 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.
- Effective July 1, 2008, a waiver is no longer necessary to operate a ferry within 10 miles of a ferry crossing provided by the Washington State Ferries, nor is the Washington State Ferries prevented from 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 passenger-only ferry services from the state sales and use tax.

**Hearing Date:** 3/26/07

**Staff:** David Munnecke (786-7315).

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*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.*

**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 system 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.

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.

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

**Summary of 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 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, and may not include operations by state employees or agencies.

Effective July 1, 2008, a waiver from 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 services is exempt from the state sales and use tax.

**Appropriation:** None.

**Fiscal Note:** Available.

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