

SENATE BILL REPORT

ESHB 2358

As Reported By Senate Committee On:
Transportation, April 2, 2007

Title: An act relating to state ferries.

Brief Description: Regarding state ferries.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Rolfes, Strow, Appleton, Seaquist, VanDeWege, Lantz, Flannigan, Roberts, Cody, Green, Eickmeyer, Jarrett and Kessler).

Brief History: Passed House: 3/10/07, 90-7.

Committee Activity: Transportation: 3/26/07, 4/02/07 [DPA, DNP].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended.

Signed by Senators Haugen, Chair; Marr, Vice Chair; Swecker, Ranking Minority Member; Berkey, Clements, Delvin, Jacobsen, Kauffman and Spanel.

Minority Report: Do not pass.

Signed by Senators Benton, Holmquist, Kilmer and Sheldon.

Staff: Janice Baumgardt (786-7319)

Background: Level of Service Standards: Washington State Department of Transportation (WSDOT) sets the level of service standards on highways and state ferry routes of statewide significance.

Fares: WSDOT must review fares annually by getting input from Ferry Advisory Councils (FACs). Ferry fare recommendations are made yearly by WSDOT to the Transportation Commission (Commission). The Commission adopts fares by rule. Before including increased fares in a budget proposal, WSDOT must hold a public hearing and either work with affected FACs or conduct a survey of affected users. State law lists items that WSDOT and the Commission may, but are not required, to consider when setting fares.

Changes to Service Levels: Before substantial changes may be made to service levels, WSDOT must consult with affected users, consider all possible cost reductions, and consider adapting service levels equitably on a route-by-route basis. The Ferry System Productivity Council is established and directed to meet periodically to discuss ways to improve ferry system productivity.

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.

Capital Program: The state-owned facilities component of the statewide transportation plan must include a state ferry system plan. The plan must: (1) include service objectives for routes; (2) forecast demand; (3) develop investment strategies that consider regional and statewide needs, support local use plans, and assure that ferry services are fully integrated with other transportation services; (4) provide for the preservation of capital assets based on lowest life-cycle cost methods; (5) be consistent with the regional transportation plans for areas served by Washington State Ferries (WSF); and (6) be developed in conjunction with the FACs.

2006 Legislation: In the 2006 transportation budget, the Joint Transportation Committee (JTC) was directed to conduct a study of WSF. The study was to facilitate legislative policy discussions and decisions regarding WSF. The study made recommendations which are listed under the Summary of Proposed Substitute section.

Summary of Engrossed Substitute Bill: Level of Service Standards: The WSDOT may adjust ferry level of service standards for seasonality.

Survey of Users: The WSDOT must conduct a survey of ferry users to inform level of service, operational, pricing, planning, and investment decisions. Information is to be gathered on recreational users, vehicles, and freight; reactions to possible operational and pricing strategies; and impacts on local communities. The survey must be developed with input from FACs. The survey must be updated periodically, and maintained to support adaptive management of ferry services.

Operational Strategies: The WSDOT must develop operational strategies that must, at a minimum: (1) recognize that each route and ferry community is unique; (2) use data from a current customer survey; (3) be consistent with vehicle level of service standards; (4) use a life-cycle cost analysis that considers capital and operating costs and the most efficient balance between these costs; and (5) include methods of collecting fares that maximize efficiency and achieve revenue management control. Specific strategies must be considered.

Fares: The WSDOT must review fares annually by using data from a current survey of users and input from affected ferry users. Beginning in 2008, the date by which the Commission must adopt fares for the following year is changed from April to October. The Commission is allowed to adopt fares that are in effect for more or less than one year to facilitate transitioning to the new schedule.

Fares must be developed in consultation with affected ferry users by public hearing, review with affected FACs, and other methods of gathering input. A Citizen Advisory Committee is created to advise the WSDOT and the Commission on fares.

Fares and pricing strategies must be developed so that they: (1) recognize each route is unique; (2) use data from a current customer survey; (3) are developed with input from affected ferry users; (4) keep fare schedules as simple as possible; (5) develop options to use pricing to level vehicle peak demand and to increase off-peak ridership; (6) consider equitable fares to be charged passengers, vehicles, and commodities; (7) give the WSDOT sufficient flexibility to develop and implement options to level vehicle peak demand and increase off-peak ridership; and (8) beginning in 2008, generate the amount of revenue required by the biennial transportation budget.

The Commission may not raise ferry fares until pricing strategies developed by the WSDOT are incorporated into the Commission's fare rules.

Revenues in the Puget Sound Ferry Operations Account may not be used to support the Puget Sound Capital Construction Account unless that support is identified on fares.

Changes to Service Levels: The WSDOT must receive legislative approval before adding or deleting an entire ferry route. Before substantial changes to the service levels are made, the WSDOT must consult with affected ferry users by public hearing, through FACs, and other methods of gathering input.

Terminal Design Standards: The WSDOT must develop terminal design standards that find the most efficient balance between capital and operating investments, recognize that ferry routes are unique, and adhere to standards and strategies adopted by the WSDOT and the Commission.

Capital Program: Capital projects are defined.

Preservation Program: The WSDOT must maintain a life-cycle cost model to be used in estimating future capital preservation costs. Appropriations made for preservation costs may only be spent for capital costs that have a documented need or are justified according to criteria developed by the agency. Preservation funding requests that exceed \$5 million per project must be accompanied by a pre-design study that meets the Office of Financial Management (OFM) requirements.

The WSF capital plan must be based on a current ridership demand forecast, vehicle level of service standards, and must adhere to standards and strategies adopted by the WSDOT. Funding requests for terminal improvement projects must be based on the capital plan. Design and construction funding requests for terminal improvement projects must include a pre-design study that meets the OFM requirements and includes various other elements.

The Joint Legislative Accountability and Review Committee (JLARC) must audit capital expenditures made by the WSF to ensure they follow an approved cost allocation plan, all expenditures meet the definition of capital, preservation expenditures show documented need for the expenditure, and improvement expenditures are within the scope of legislative appropriations. The report on this evaluation is due by January 31, 2010.

Legislative Review: The Legislature must review the following:

- reestablishment of the vehicle level of service standards;
- survey of ferry customers;
- operational and pricing strategies;
- criteria developed by the WSDOT as a justification for preservation funding requests;
- terminal design standards; and
- ferries long-range capital plan.

EFFECT OF CHANGES MADE BY RECOMMENDED STRIKING AMENDMENT(S) AS PASSED COMMITTEE (Transportation): The following changes are made:

- The Commission implements the survey of ferry customers with input from WSF and is updated at least every two years.

- WSF developed operational strategies are to be reviewed by the Commission. WSDOT and the Commission are required to make joint recommendations to the Legislature for improved operational strategies.
- The long-range capital plan is to be adopted by the Commission.
- Language creating a Citizen Advisory Committee to advise WSF and the Transportation Commission on matters related to ferry fares is removed.
- Language requiring new operational strategies to be developed before ferry fares can be increased is removed.
- Additional direction is given regarding the Life Cycle Cost Model (LCCM) that WSF is directed to maintain. Preservation funding requests may only be for items included in the LCCM.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The long term health and viability of Washington State Ferries is extremely important to those who are dependent on ferries. This provides a firm foundation to begin addressing the financial problems facing the ferry system.

CON: Increased ferry fares make it difficult for residents to afford living on the islands.

OTHER: The Transportation Commission should be more involved in the process of developing the strategies WSF is directed to develop as in the Senate bill. The public should be involved in the survey.

Persons Testifying: PRO: Doug MacDonald, Washington State Department of Transportation.

CON: Marilyn Omev, Vashon Community Council.

OTHER: Dick Ford, Bob Distler, Transportation Commission; Walt Elliott, Ferry Advisory Committees' Executive Committee.