

# SENATE BILL REPORT

## SB 5862

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As Reported By Senate Committee On:  
Transportation, February 26, 2007  
Ways & Means, March 5, 2007

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

**Brief Description:** Addressing passenger-only ferry service funding.

**Sponsors:** Senators Kilmer, Rockefeller, Poulsen, Kohl-Welles and Kline.

**Brief History:**

**Committee Activity:** Transportation: 2/26/07 [DPS-WM, DNP, w/oRec].  
Ways & Means: 3/05/07 [DP2S, w/oRec].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** That Substitute Senate Bill No. 5862 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

**Minority Report:** Do not pass.

Signed by Senators Benton and Sheldon.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Murray, Vice Chair and Holmquist.

**Staff:** Janice Baumgardt (786-7319)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5862 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Carrell, Fairley, Hatfield, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Roach, Rockefeller and Tom.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Honeyford, Parlette and Schoesler.

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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.*

**Staff:** Dean Carlson (786-7305)

**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 of Bill:** The bill as referred to committee not considered.

**Summary Of Recommended Substitute As Passed Committee (Transportation):** WSF is directed to notify the State Treasurer of the amount of sales and use tax paid by the WSF on the purchase of ferry vessel fuel for the preceding calendar quarter. The State Treasurer is required to transfer, quarterly, an amount equal to the amount indicated by the WSF into the passenger ferry account, which is used for ferry grants. 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 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.

Effective July 1, 2008, a waiver from WUTC is no longer necessary to operate a ferry within ten miles of a ferry crossing provided by WSF, provided it is operated in a manner that will not interfere with the safe operation of WSF ferries.

**EFFECT OF CHANGES MADE BY RECOMMENDED SECOND SUBSTITUTE AS PASSED COMMITTEE (Ways & Means):** The provision for the transfer of sales taxes paid by the state ferry system to the passenger only ferry account is removed. The sales tax exemption for PTBA and county run ferry systems is removed.

**Appropriation:** None.

**Fiscal Note:** Requested on February 23, 2007.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony (Transportation):** PRO: This bill adds the flexibility to encourage additional passenger-only-ferry services. This values the taxpayers for selling the POF vessels soon, because they continue to go down in value.

**Persons Testifying (Transportation):** PRO: Senator Kilmer, prime sponsor; Nels J. Sultan, Dan Brown, Kingston Express Association; Jeanne Cushman, Kitsap Transit.

**Staff Summary of Public Testimony (Ways & Means):** None.

**Persons Testifying (Ways & Means):** No one.