
ENGROSSED SUBSTITUTE HOUSE BILL 2358

State of Washington

60th Legislature

2007 Regular Session

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

READ FIRST TIME 3/5/07.

1 AN ACT Relating to state ferries; amending RCW 47.06.140,
2 47.60.290, and 47.60.330; adding new sections to chapter 47.60 RCW;
3 creating new sections; repealing RCW 47.60.150 and 47.60.326; and
4 providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** The legislature finds from the 2007
7 Washington state ferries financing study that the state has limited
8 information on state ferry users and markets. Accurate user and market
9 information is vital in order to find ways to maximize the ferry
10 systems' current capacity and make the most efficient use of citizens'
11 tax dollars. The legislature further finds that maximizing capacity
12 means finding methods of shifting ridership from peak periods, where
13 the system is near capacity, to nonpeak periods, where there is ample
14 capacity. Therefore, it is the intent of the legislature that
15 Washington state ferries be given the tools necessary to maximize
16 existing capacity and make the most efficient use of existing assets
17 and tax dollars.

1 **Sec. 2.** RCW 47.06.140 and 1998 c 171 s 7 are each amended to read
2 as follows:

3 (1) The legislature declares the following transportation
4 facilities and services to be of statewide significance: The
5 interstate highway system, interregional state principal arterials
6 including ferry connections that serve statewide travel, intercity
7 passenger rail services, intercity high-speed ground transportation,
8 major passenger intermodal terminals excluding all airport facilities
9 and services, the freight railroad system, the Columbia/Snake navigable
10 river system, marine port facilities and services that are related
11 solely to marine activities affecting international and interstate
12 trade, and high-capacity transportation systems serving regions as
13 defined in RCW 81.104.015. The department, in cooperation with
14 regional transportation planning organizations, counties, cities,
15 transit agencies, public ports, private railroad operators, and private
16 transportation providers, as appropriate, shall plan for improvements
17 to transportation facilities and services of statewide significance in
18 the statewide multimodal plan. Improvements to facilities and services
19 of statewide significance identified in the statewide multimodal plan
20 are essential state public facilities under RCW 36.70A.200.

21 (2) The department of transportation, in consultation with local
22 governments, shall set level of service standards for state highways
23 and state ferry routes of statewide significance. Although the
24 department shall consult with local governments when setting level of
25 service standards, the department retains authority to make final
26 decisions regarding level of service standards for state highways and
27 state ferry routes of statewide significance. In establishing level of
28 service standards for state highways and state ferry routes of
29 statewide significance, the department shall consider the necessary
30 balance between providing for the free interjurisdictional movement of
31 people and goods and the needs of local communities using these
32 facilities. When setting the level of service standards under this
33 section for state ferry routes, the department may allow for a standard
34 that is adjustable for seasonality.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 47.60 RCW
36 to read as follows:

1 The definitions in this section apply throughout this chapter
2 unless the context clearly requires otherwise.

3 (1) "Capital plan" means the state ferry system plan as described
4 in RCW 47.06.050(2).

5 (2) "Capital project" has the same meaning as used in budget
6 instructions developed by the office of financial management.

7 (3) "Commission" means the transportation commission created in RCW
8 47.01.051.

9 (4) "Improvement project" has the same meaning as used in budget
10 instructions developed by the office of financial management. All
11 improvement work scheduled for a specific terminal constitutes one
12 project. New vessel acquisitions must be defined as improvement
13 projects.

14 (5) "Life-cycle cost model" means that portion of a capital asset
15 inventory system which, among other things, is used to estimate future
16 preservation needs.

17 (6) "Maintenance cost" has the same meaning as used in budget
18 instructions developed by the office of financial management.

19 (7) "Preservation project" has the same meaning as used in budget
20 instructions developed by the office of financial management.

21 (8) "Route" means all ferry sailings from one location to another,
22 such as the Seattle to Bainbridge route or the Port Townsend to
23 Keystone route.

24 (9) "Sailing" means an individual ferry sailing for a specific
25 route, such as the 5:00 p.m. sailing from Seattle to Bremerton.

26 NEW SECTION. **Sec. 4.** A new section is added to chapter 47.60 RCW
27 to read as follows:

28 (1) The department shall conduct a survey to gather data on ferry
29 users to help inform level of service, operational, pricing, planning,
30 and investment decisions. The survey must include, but is not limited
31 to:

32 (a) Recreational use;

33 (b) Vehicle customer use;

34 (c) Freight and goods movement demand;

35 (d) Reactions to potential operational and pricing strategies
36 described under section 5 of this act and RCW 47.60.290; and

37 (e) Impacts on local communities.

1 (2) The survey must be developed with input from ferry advisory
2 committees.

3 (3) The survey must be updated periodically and maintained to
4 support the development and implementation of adaptive management of
5 ferry services.

6 NEW SECTION. **Sec. 5.** A new section is added to chapter 47.60 RCW
7 to read as follows:

8 (1) The department shall develop operational strategies to ensure
9 existing assets are fully utilized and to guide future investment
10 decisions. These operational strategies must, at a minimum:

- 11 (a) Recognize the unique characteristics of each route;
- 12 (b) Use data from the current survey conducted under section 4 of
13 this act;
- 14 (c) Be consistent with vehicle level of service standards;
- 15 (d) Use a life-cycle cost analysis that considers capital and
16 operating costs and the most efficient balance between these costs; and
- 17 (e) Use methods of collecting fares that maximize efficiency and
18 achieve revenue management control.

19 (2) In developing operational strategies, the following, at a
20 minimum, must be considered:

- 21 (a) The feasibility of using reservation systems;
- 22 (b) Methods of shifting vehicular traffic to other modes of
23 transportation;
- 24 (c) Methods of improving on-dock operations to maximize efficiency
25 and minimize operating and capital costs;
- 26 (d) A cost-benefit analysis of remote holding versus over-water
27 holding;
- 28 (e) Methods of reorganizing holding areas and minimizing on-dock
29 employee parking to maximize dock size available for customer vehicles;
- 30 (f) Schedule modifications;
- 31 (g) Efficiencies in exit queuing and metering; and
- 32 (h) Interoperability with other transportation services.

33 (3) Operational strategies must be reevaluated periodically and, at
34 a minimum, be reevaluated before developing a new capital plan.

35 **Sec. 6.** RCW 47.60.290 and 1983 c 3 s 136 are each amended to read
36 as follows:

1 ~~((Subject to the provisions of RCW 47.60.326,))~~ (1) The department
2 ~~((is hereby authorized and directed to))~~ shall annually review
3 ~~((tariffs and charges as))~~ fares and pricing strategies applicable to
4 the operation of the Washington state ferries ~~((for the purpose of~~
5 ~~establishing a more fair and equitable tariff to be charged passengers,~~
6 ~~vehicles, and commodities on the routes of the Washington state~~
7 ~~ferries))~~.

8 (2) Beginning in 2008, the fares and pricing strategies developed
9 by the department must:

10 (a) Consider the feasibility of options for using pricing and
11 operational strategies developed under section 5 of this act to level
12 vehicle peak demand and to increase off-peak ridership;

13 (b) Recognize the unique characteristics of each route;

14 (c) Use data from the current survey conducted under section 4 of
15 this act;

16 (d) Be developed with input from affected ferry users by public
17 hearing, by review with the affected ferry advisory committees, and by
18 other methods of gathering input;

19 (e) Be developed using data gathered from the survey conducted in
20 section 4 of this act;

21 (f) Consider all possible cost reductions;

22 (g) Keep fare schedules as simple as possible;

23 (h) Consider fair and equitable fares to be charged to passengers,
24 vehicles, and commodities; and

25 (i) Generate the amount of revenue required by the biennial
26 transportation budget.

27 (3) Fares and pricing strategies must be adopted by rule, under
28 chapter 34.05 RCW, by the commission, according to the following
29 schedule:

30 (a) Each year the department shall provide the commission a report
31 of its review of fares and pricing strategies, with recommendations for
32 the revision of fares for the ensuing year;

33 (b) In October of each year, beginning in 2008, the commission
34 shall adopt by rule fares and pricing policies for the ensuing year.
35 The schedule may initially be adopted as an emergency rule if necessary
36 to take effect on, or as near as possible to, the month of October.

37 (4) The commission may adopt fares that are effective for more or

1 less than one year for the purposes of transitioning to the fare
2 schedule in subsection (3) of this section.

3 (5) The rules developed by the commission in subsection (3) of this
4 section must give the department sufficient flexibility to develop and
5 implement options to level vehicle peak demand and increase off-peak
6 ridership.

7 (6) A citizen advisory committee is created to advise the
8 department and the commission on matters related to changes in ferry
9 fares. The governor shall appoint nine members to the committee, which
10 must include members of the ferry advisory committee executive board.
11 Members of the committee shall serve without receiving compensation.
12 The department and the commission shall consult with the citizen
13 advisory committee before proposing and adopting fares.

14 (7) The commission may increase ferry tolls included in the
15 schedule of charges adopted under this section by a percentage that
16 exceeds the fiscal growth factor.

17 (8) The commission may not raise fares until the fare rules contain
18 pricing strategies developed under subsection (2) of this section.

19 (9) Using sound business judgment, the chief executive officer of
20 the ferry system may authorize the use of promotional, discounted, and
21 special event fares to the general public and commercial enterprises
22 for the purpose of maximizing capacity use and the revenues collected
23 by the ferry system. The department shall report to the commission a
24 summary of the promotional, discounted, and special event fares offered
25 during each fiscal year and the financial results from these
26 activities.

27 (10) Fare revenues and other revenues deposited in the Puget Sound
28 ferry operations account created in RCW 47.60.530 may not be used to
29 support the Puget Sound capital construction account created in RCW
30 47.60.505, unless the support for capital is separately identified in
31 the fare.

32 **Sec. 7.** RCW 47.60.330 and 2003 c 374 s 5 are each amended to read
33 as follows:

34 (1) Before a substantial change to the service levels provided to
35 ferry users, the department shall consult with affected ferry users by
36 public hearing, by review with the affected ferry advisory committees,
37 and by other methods of gathering input.

1 ~~(2) Before ((a substantial expansion or curtailment in the level of~~
2 ~~service provided to ferry users, or a revision in the schedule of ferry~~
3 ~~tolls or charges)) adding or eliminating a ferry route, the department~~
4 ~~((of transportation)) shall consult with affected ferry users and~~
5 ~~receive legislative approval. ((The consultation shall be: (a) By~~
6 ~~public hearing in affected local communities; (b) by review with the~~
7 ~~affected ferry advisory committees pursuant to RCW 47.60.310; (c) by~~
8 ~~conducting a survey of affected ferry users; or (d) by any combination~~
9 ~~of (a) through (c).)~~

10 ~~Promotional, discount, and special event fares that are not part of~~
11 ~~the published schedule of ferry charges or tolls are exempt. The~~
12 ~~department shall report an accounting of all exempt revenues to the~~
13 ~~transportation commission each fiscal year.~~

14 ~~(2) There is created a ferry system productivity council consisting~~
15 ~~of a representative of each ferry advisory committee empanelled under~~
16 ~~RCW 47.60.310, elected by the members thereof, and two representatives~~
17 ~~of employees of the ferry system appointed by mutual agreement of all~~
18 ~~of the unions representing ferry employees, which shall meet from time~~
19 ~~to time with ferry system management to discuss means of improving~~
20 ~~ferry system productivity.~~

21 ~~(3) Before increasing ferry tolls the department of transportation~~
22 ~~shall consider all possible cost reductions with full public~~
23 ~~participation as provided in subsection (1) of this section and,~~
24 ~~consistent with public policy, shall consider adapting service levels~~
25 ~~equitably on a route by route basis to reflect trends in and forecasts~~
26 ~~of traffic usage. Forecasts of traffic levels shall be developed by~~
27 ~~the bond covenant traffic engineering firm appointed under the~~
28 ~~provisions of RCW 47.60.450. Provisions of this section shall not~~
29 ~~alter obligations under RCW 47.60.450. Before including any toll~~
30 ~~increase in a budget proposal by the commission, the department of~~
31 ~~transportation shall consult with affected ferry users in the manner~~
32 ~~prescribed in (1)(b) of this section plus the procedure of either~~
33 ~~(1)(a) or (c) of this section.)~~

34 NEW SECTION. Sec. 8. A new section is added to chapter 47.60 RCW
35 to read as follows:

36 (1) Appropriations made for the Washington state ferries capital
37 program may not be used for maintenance costs.

1 (2) Systemwide and administrative capital program costs shall be
2 allocated to specific capital projects using a cost allocation plan
3 developed by the department. Systemwide and administrative capital
4 program costs shall be identifiable.

5 NEW SECTION. **Sec. 9.** A new section is added to chapter 47.60 RCW
6 to read as follows:

7 (1) The department shall maintain a life-cycle cost model on
8 capital assets such that:

9 (a) Available industry standards are used for estimating the life
10 of an asset, or department-adopted standard life cycles are used when
11 industry standards are not available; and

12 (b) Standard estimated life is adjusted for asset condition when
13 inspections are made.

14 (2) The life-cycle cost model shall be used in estimating future
15 system preservation costs.

16 (3) Preservation funding requests shall only be for items in the
17 life-cycle cost model or items that are justified according to criteria
18 developed by the department.

19 (4) Preservation funding requests that exceed five million dollars
20 must be accompanied by a predesign study that includes all elements
21 required by the office of financial management.

22 (5) Appropriations made for preservation projects shall be spent
23 only on preservation projects when warranted by the asset condition.

24 NEW SECTION. **Sec. 10.** A new section is added to chapter 47.60 RCW
25 to read as follows:

26 The department shall develop terminal design standards that adhere
27 to the following:

28 (1) Vehicle level of service standards as described in RCW
29 47.06.140;

30 (2) Operational strategies as described in section 5 of this act;

31 (3) Pricing strategies as described in RCW 47.60.290;

32 (4) Life-cycle costs and the most efficient balance between capital
33 and operating costs are considered;

34 (5) A recognition of the unique characteristics of each route and
35 of each terminal host community; and

1 (6) Ongoing maintenance, operations, and preservation costs are
2 minimized to the greatest extent possible.

3 NEW SECTION. **Sec. 11.** A new section is added to chapter 47.60 RCW
4 to read as follows:

5 The capital plan must adhere to the following:

- 6 (1) A current ridership demand forecast;
- 7 (2) Vehicle level of service standards as described in RCW
8 47.06.140;
- 9 (3) Operational strategies as described in section 5 of this act;
- 10 (4) Pricing strategies as described in RCW 47.60.290; and
- 11 (5) Terminal design standards as described in section 10 of this
12 act.

13 NEW SECTION. **Sec. 12.** A new section is added to chapter 47.60 RCW
14 to read as follows:

15 (1) Terminal improvement project funding requests must adhere to
16 the capital plan.

17 (2) Requests for terminal improvement design or construction
18 funding must be submitted with a predesign study that includes all
19 elements required by the office of financial management.

20 (3) The predesign study must also:

21 (a) Separately identify basic terminal elements essential for
22 operation and their costs;

23 (b) Separately identify additional elements to provide ancillary
24 revenue and customer comfort and their costs;

25 (c) Include construction phasing with options that are consistent
26 with forecasted ridership increases;

27 (d) Identify additional elements requested by local governments and
28 the cost and proposed funding source of those elements;

29 (e) Identify multimodal elements and the cost and proposed funding
30 source of those elements;

31 (f) Identify all contingency amounts; and

32 (g) Adhere to the department's capital plan.

33 NEW SECTION. **Sec. 13.** A new section is added to chapter 47.60 RCW
34 to read as follows:

1 (1) The joint legislative audit and review committee shall assess
2 and report as follows:

3 (a) Audit the implementation of the cost allocation methodology
4 evaluated under chapter . . . (House Bill No. 1094), Laws of 2007, as
5 it exists on the effective date of this section, assessing whether
6 actual costs are allocated consistently with the methodology, whether
7 there are sufficient internal controls to ensure proper allocation, and
8 the adequacy of staff training; and

9 (b) Review the assignment of preservation costs and improvement
10 costs for fiscal year 2009 to determine whether:

- 11 (i) The costs are capital costs;
- 12 (ii) The costs meet the statutory requirements for preservation
13 activities and for improvement activities; and
- 14 (iii) Improvement costs are within the scope of legislative
15 appropriations.

16 (2) The report on the evaluations in this section is due by January
17 31, 2010.

18 (3) This section expires December 31, 2010.

19 NEW SECTION. **Sec. 14.** (1) The legislature shall provide a review
20 of the following:

21 (a) The operational strategies developed under section 5 of this
22 act;

23 (b) The pricing strategies developed under RCW 47.60.290. In
24 developing these strategies, the one-way fare policy in effect on some
25 routes shall be evaluated;

26 (c) The criteria developed by the department of transportation as
27 a justification for preservation funding requests under section 9 of
28 this act;

29 (d) The survey of ferry customers under section 4 of this act;

30 (e) The reestablishment of the vehicle level of service standards
31 as described in RCW 47.06.140. In reestablishing the standards,
32 consideration shall be given to whether boat wait is the appropriate
33 measure;

34 (f) The terminal design standards developed under section 10 of
35 this act; and

36 (g) The long range capital plan developed under section 11 of this
37 act.

1 (2) This section expires June 30, 2009.

2 NEW SECTION. **Sec. 15.** The following acts or parts of acts are
3 each repealed:

4 (1) RCW 47.60.150 (Fixing of charges--Deposit of revenues) and 2003
5 c 374 s 3, 1999 c 94 s 26, & 1990 c 42 s 405; and

6 (2) RCW 47.60.326 (Schedule of charges for state ferries--Review by
7 department, factors considered--Rule making by commission) and 2005 c
8 270 s 1, 2003 c 374 s 4, 2001 1st sp.s. c 1 s 1, 1999 c 94 s 27, 1990
9 c 42 s 406, 1983 c 15 s 25, & 1981 c 344 s 5.

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