

# SENATE BILL REPORT

## SB 5992

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As of March 28, 2019

**Title:** An act relating to state ferry funding.

**Brief Description:** Concerning state ferry funding.

**Sponsors:** Senators Nguyen, Lovelett, Sheldon, Hobbs and Randall.

**Brief History:**

**Committee Activity:** Transportation: 3/27/19.

### Brief Summary of Bill

- Increases the the capital surcharge on all ferry tickets by \$0.50, and single full fare tickets by \$1.00.
- Allows for the extension of an existing construction contract to build up to five more 144-car vessels.
- Requires information on vessels constructed or purchased with revenue from the surcharges to be publicly posted.

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** Hayley Gamble (786-7452)

**Background:** The Washington State Department of Transportation (DOT), Ferries Division (WSF) operates and maintains ferry vessels and terminals, constructs terminals, and acquires vessels. The system serves eight Washington counties and one Canadian province through 23 vessels and 20 terminals.

The Washington State Transportation Commission (Commission) sets WSF fares and pricing policies by rule. The Commission must impose a \$0.25 surcharge on every ferry fare sold, per legislation enacted in 2011. Proceeds from the surcharge are deposited into the Capital Vessel Replacement Account (Account). The expenditures from the Account are by appropriation only and may be used only for the construction or purchase of ferry vessels and to pay the principal and interest on bonds authorized for the construction or purchase of ferry

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vessels. A transfer reflecting excess fund balance from the Account to the Connecting Washington account is allowable for funding ferry terminal construction and preservation.

Both walk-on and vehicle ferry riders may purchase multiple-use passes to use on the ferry system, which are currently discounted by approximately 20 percent over the price of a single full fare ticket.

WSF entered into a contract to construct up to four 144-car vessels in December 2007 and this contract is still open. In 2015, legislation passed revising vessel procurement requirements for WSF. Changes include if initial bids on a new vessel are greater than 5 percent above the DOT engineers' estimate for the project, all bids must be rejected and a new request, not subject to build-in-Washington requirements, must be issued. Any options for additional 144-car vessels executed on the 2007 contract prior to July 6, 2015, were exempt from the new vessel contracting requirements.

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

**Summary of Bill (Proposed Substitute):** DOT may modify an existing option contract executed prior to July 6, 2015, to allow for the purchase of up to five additional class 144-auto ferries, for a total of nine 144-auto ferries.

The Commission is directed to impose a \$0.75 surcharge, an increase of \$0.50, on every one-way and round-trip ferry fare sold, including multiride and monthly pass fares. The Commission is also directed to impose an additional \$0.50 vessel replacement surcharge, for a total surcharge of \$1.25, only on one-way and round-trip full fare tickets.

Information on vessels constructed or purchased with revenue from the surcharges must be publicly posted, including, but not limited to, on the Commission website.

**Appropriation:** None.

**Fiscal Note:** Requested on March 26, 2019.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill takes effect on October 1, 2019.

**Staff Summary of Public Testimony on Proposed Substitute:** PRO: The ferry system unions are in support of this bill. We do believe a flat rate fee may be more preferable in the out years. We would like to see nine vessels built. This bill would allow for the purchase of up to five new Olympic class vessels. Older ferries need to be replaced. The Olympic class vessel allows interchangeability within the fleet. New vessels would be engineered for hybrid propulsion, which have lower maintenance costs. Each ferry built generates up to 560 direct jobs and 1300 indirect jobs. Ferry ridership is expected to grow to 32 million riders and new vessels are needed. The most important part of the WSF Long Range Plan for riders is replacement vessels. Current vessels are unreliable and goods and people get delayed. Extending the Vigor contract is the quickest way to get new vessels. We support the change

in the substitute bill, but the fare increase is a heavy lift. We need to avoid the steel-electric bloodbath.

OTHER: Nichols Brothers is a boat builder on Whidbey Island and employees around 300 people. The current contract has been in place since 2007 and Nichols Brothers did subcontract on that contract. However, we would like the chance for a competitive bid process and to bid on the new vessels. This would give a fair opportunity for other builders to bid on this.

**Persons Testifying:** PRO: Senator Joe Nguyen, Prime Sponsor; Gordon Baxter, IBU International Organization of Masters, Mates and Pilots, PSMTTC; Jill Mackie, Vigor; Walt Elliott, Ferry Advisory Executive Council; Dave Hoogerwerf, Ferry Advisory Executive Council.

OTHER: Jeff DeVere, Nichols Brothers Boat Builders, Contract Lobbyist.

**Persons Signed In To Testify But Not Testifying:** No one.