

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2759 HB	<b>Title:</b> Ferry vessel construction	<b>Agency:</b> 405-Department of Transportation
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

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Request # #14-057-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 3 of this bill requires an owner's representative to serve as an intermediary between the department and the proposers of design-build vessel projects. The bill sets requirements for the role of the intermediary including the management of change order requests.

Section 4 requires a fixed price contract that meets a "best life-cycle value" for purchase, operations, maintenance and disposal of a specific vessel and removes a requirement that the vessel be constructed within the boundaries of Washington State. It also requires all vessel design specifications to comply with the international convention for the safety of life at sea (SOLAS) as administered by the US Coast Guard.

Section 5 requires that the department include in the legislative appropriation request up to a five percent contingency, which will be held in reserve status until the Office of Financial Management approves the expenditure. One-half of any remaining contingency must be provided by the department to the contractor if the project is completed under the original budget and by the original delivery date.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The financial impacts under this bill are indeterminate because it is not possible to estimate the impact of removing the 'Build in Washington' requirement for vessel construction.

Under section 3, an owner's representative for construction of one vessel would involve consultant fees for a period up to 24 months. Assuming one qualified, full-time consultant at a rate of \$150 per hour, for 3,200 hours, the cost would be \$480,000. There would be savings in staff time for performing contract management; however, there would still be the need for construction inspectors and staff to manage the owner representative contract.

Under section 4, removing the 'Build in Washington' requirement may result in more competitive bids. However, any out of state shipyard bidding on the work would have to transport the finished ferry to Puget Sound. If the construction took place in a shipyard in another state, it would be necessary for WSF to station an inspection team on site. The project would be eligible for federal grant funds; however, it's unknown whether grants applied to vessel construction would result in fewer funds available for vessel preservation.

In addition, the requirement for all vessel design specifications to comply with the international convention for the safety of life at sea (SOLAS) for new vessels would cost an estimated 15% more than non-SOLAS vessels. SOLAS vessels require additional lifesaving equipment, structural fire protection, firefighting equipment, and emergency generator capacity. In addition annual drydocking is required for SOLAS vessels, compared to

regular vessels which have a requirement of two drydockings every five years. Extra crew is required and passenger capacity is reduced.

Under section 5, a five percent contingency is sufficient for construction of a vessel with a known design such as another 144-car Olympic class ferry. It would not be sufficient for a new vessel design, particularly if it uses liquefied natural gas for propulsion.

### **Part III: Expenditure Detail**

### **Part IV: Capital Budget Impact**

NONE

### **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*