Multiple Agency Fiscal Note Summary

Bill Number: 1853 E S HB	**Title:** Passenger ferry service

Estimated Cash Receipts

Agency Name	2003-05		2005-07		2007-09	
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

Local Gov. Courts *						
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.					
Local Gov. Total						

Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	.0	0	0	.0	0	0	.0	0	0
Total	0.0	$0	$0	0.0	$0	$0	0.0	$0	$0

Local Gov. Courts *									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Prepared by: Tom Saelid, OFM	**Phone:** 360-902-0562	**Date Published:** Pending Distribution

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 1853 E S HB	Title: Passenger ferry service	Agency: 140-Department of Revenue

Part I: Estimates

☒ **No Fiscal Impact**

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.

Legislative Contact:		Phone:	Date: 04/03/2003
Agency Preparation:	Don Taylor	Phone: 360-570-6083	Date: 04/07/2003
Agency Approval:	Mary Welsh	Phone: 360-570-6076	Date: 04/07/2003
OFM Review:	Doug Jenkins	Phone: 360-902-0563	Date: 04/08/2003

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.

NOTE: this fiscal note addresses only the impact for the Department of Revenue.

Section 201. Authorizes public transportation benefit areas (PTBAs) which are located on Puget Sound to provide passenger-only ferry service.

Section 202. Authorizes new local revenue sources for PTBAs to provide funding of passenger-ferry service, subject to approval by the voters within the boundaries of the area. These revenue sources include a motor vehicle excise tax (per Section 206), a retail sales/use tax (per Section 207), tolls, charges for advertising, leasing of space, and other activities. Subsection 2 stipulates that the PTBA may contract with the Department of Revenue for administration and collection of these taxes or charges.

Section 207. Adds a new section to the local retail sales and use tax statute (Chapter 82.14 RCW) to allow a PTBA to levy an additional retail sales and use taxes to finance passenger ferry service. A levying PTBA may not include areas currently within a regional transit authority (portions of King, Pierce and Snohomish counties). The maximum rate of such a local sales and use tax is 0.4 percent and the tax would be in addition to all other local sales and use taxes.

Section 208. The local sales and use tax for passenger-ferry service authorized in Section 207 would be administered by the Department of Revenue and the existing administrative requirements would apply to this tax (e.g., retention of up to 2.0 percent of the receipts by the state for collection costs).

Sections 301-312. Part III of the bill authorizes the formation of a new type of local property taxing district: a ferry district. The district must be located in a county with a population in excess of 1,000,000 and the district must border Puget Sound; under these restrictions only King County would be entitled to form a ferry district. The district could be county-wide or cover only a portion of the county. The purpose of the ferry district is limited to providing passenger-only ferry service.

Section 303. A new regular property tax levy is authorized for ferry districts created pursuant to this bill; the maximum rate is $0.75 per $1,000 of assessed value. Pursuant to Section 310, such a regular property tax levy would be first in line for prorationing, if the total local levies exceed statutory maximums. However, pursuant to Section 311, the ferry district levy would be outside the aggregate $5.90 limit for local regular levies.

Section 304. Special property tax levies for operation or capital purposes, limited to one year in duration, are authorized for ferry districts.

Section 403. The bill would be effective immediately upon signature by the Governor.

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.

ASSUMPTIONS/DATA SOURCES

The only revenue source mentioned in Section 202 which is currently administered by the Department of Revenue is the local sales and use tax. Since the Department has no experience in dealing with the other revenue sources mentioned in this section, e.g., tolls, motor vehicle excise taxes, or charges for advertising and leasing of space, it is assumed that the Department would not contract for administration of any of these taxes, other than the local sales and use tax.

Assuming that the local sales tax would be approved by the voters of the PTBA at an election in November, 2003, the earliest that collection of the tax would commence is assumed to be April 1, 2004 because of the notification requirements in existing law. As a result of the two month lag for collection of the tax by retailers and distribution of the local receipts to the PTBA, the earliest that local sales tax revenues would begin accruing to the district is May, 2004. Thus, the district could expect to receive up to eight months of local revenues during calendar year 2004 under this tax.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000): No impact on state revenues.

Local Government, if applicable (cash basis, $000):

LOCAL SALES/USE TAX:

It is not possible to estimate the potential yield of a local sales tax for financing of passenger ferry service by a PTBA, because it is not known which counties might opt to impose the tax. Neither are the extent of the possible PTBA boundaries known nor the rate of the tax which might be adopted. However, it is likely that Kitsap County might qualify for the local sales/use tax under the conditions of this legislation. Currently, the combined state and local retail sales tax which applies in all of Kitsap County is 8.5%. Assuming the existing county-wide PTBA levied the maximum local sales/use tax rate of 0.4% authorized by Section 207 of this bill, the combined sales/use tax rate would rise to 8.9%. This would equal the highest rate currently levied in Washington (in parts of Snohomish County). An additional 0.4% local sales/use tax applied countywide throughout all of Kitsap County would generate roughly $11.8 million annually (full 12 months).

PROPERTY TAX FOR FERRY DISTRICTS:

The new regular property tax levy of up to $0.75 authorized for King County by Section 303 of the bill would generate an estimated $157.4 million per year, based on taxes due and payable in calendar year 2002, assuming that the tax were applied at the maximum rate and throughout all of King County.

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.

(Contact: Miki Gearhart, 570-6127)

The Department does not anticipate incurring any costs associated with the implementation of this legislation. The Department will absorb any incidental costs incurred.

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.

None

Individual State Agency Fiscal Note

Bill Number: 1853 E S HB	Title: Passenger ferry service	Agency: 240-Department of Licensing

Part I: Estimates

☒ **No Fiscal Impact**

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.

Legislative Contact:		Phone:	Date: 04/03/2003
Agency Preparation:	Sam Knutson	Phone: 360-902-3644	Date: 04/03/2003
Agency Approval:	Larry Dzieza	Phone: 360-902-3633	Date: 04/09/2003
OFM Review:	Garry Austin	Phone: 360-902-0564	Date: 04/10/2003

Part II: Explanation

This bill allows for a Public Transportation Benefit Area (PTBA) to be created in specific counties to fund passenger only ferries. PTBAs may impose a motor vehicle excise tax on vehicles at registration renewal and on vehicles previously registered in other states or countries.

Voter approval is required for the motor vehicle excise tax and sales or use tax.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 202 (1) – A Public Transportation Benefit Area (PTBA) may recommend some or all of the following revenue sources to fund a passenger-only ferry:

(a) motor vehicle excise tax;
(b) sales and use taxes;
(c) tolls for passengers or packages, and parking;
(d) charges or fees for advertising, leasing space for services for ferry passengers, or other revenue-generating activities.

Section 202 (2) – Taxes and fees in Section 202 (1) may only be imposed following voter approval in the PTBA. Revenue collected may only be used to fund passenger ferry services. The PTBAs may contract with the Department of Revenue or other appropriate entities for administration and collection of the approved taxes and fees.

Section 206 (1) – Establishes a motor vehicle excise tax up to four-tenths of one percent on all vehicles owned by a resident of the PTBA. The tax is due at vehicle registration renewal and on vehicles previously registered in other states or countries. The tax will not be imposed at the time of sale by a licensed vehicle dealer.

Section 206 (2) – The Department of Licensing will administer and collect the motor vehicle excise tax (Section 206 (1)). The department is authorized to deduct a percentage not to exceed two percent of the taxes collected to cover administration and collection costs.

Section 206 (3) – Any PTBA imposing the motor vehicle excise tax will delay the effective date of the tax for six months to allow the Department of Licensing to implement administration and collection of the tax.

Section 207 – Defines areas that may form a PTBA: (1) Areas that are on the Puget Sound, and (2) Do not include an area where a regional transit authority has been formed.

Section 301 (1) – Authorizes counties with a population of over one million persons that also have a border on Puget Sound to create a Ferry District within the area of the county. The Ferry District may only be created following a public hearing regarding its creation and the county legislative authority determining that it is in the public interest to create the district. The Ferry District is limited to providing passenger-only ferry service.

Section 301 (3) – Ferry Districts are authorized to enter into contracts.

Section 403 – This bill is effective immediately.

As the bill is written the formation of a PTBA in Kitsap County is permissive. Until a newly formed PTBA has a proposed excise tax approved by the voters the Department of Licensing will not know how to estimate revenues and expenditures to the agency. However, a fiscal analysis was conducted under the assumption that an election would be successful in November 2003 and the department would begin collecting revenue by June 2004. Using this assumption the estimated revenues and expenditures are reflected below.

The Department of Licensing will collect the special excise taxes as part of the annual vehicle license registration process. The impacts to the department are based on Kitsap County Transit being the PTBA to impose the special excise tax. The revenues will be distributed back to Kitsap County Transit. In order to implement, administer and collect the fees, the department will need to modify existing computer database systems, hire additional staff, pay additional credit card transaction fees (due to higher fees being charged) and train agents and subagents in the new processes.

Assumptions

(1) The Department of Licensing will enter into a contractual agreement with Kitsap County Transit and will be reimbursed for all administrative expenses necessary to collect and distribute the taxes from the local revenue collected.

(2) The Department of Revenue will provide boundary data to the Department of Licensing with a minimal impact to their current GIS data structure and data transfer process.

(3) It is assumed that voter approval will be secured in November 2003 and that the tax collection will begin in June 2004.

(4) The department contacted Kitsap County Transit to determine the excise tax rate that they would recommend to voters as the bill allows “up to four-tenths of one percent”. Kitsap County Transit said that they would recommend a rate of three-tenths of one percent.

II. B – Cash Receipt Impact

This bill allows PTBAs to impose a special excise tax on the value of a vehicle registered within the area. The department will collect the tax and remit the proceeds to the PTBA.

The department will contract with the PTBA to recover administrative and collection costs. The revenue shown below is what the department will recover from the Motor Vehicle Fund – Local to match expenditures estimated for implementing this bill.

The revenue collected for the excise tax will be reflected in the Local Government Fiscal Note. Those monies are based on Fiscal Year 2003 data showing Kitsap County had 162,426 vehicle registrations with the average value of the vehicles being $8,287.33. The costs for the department’s credit card charges reflected in Section II. C. of this fiscal note are based on nine percent of these vehicles being renewed over the internet with a credit card in Fiscal Year 2004.

Table I – Estimated Local Revenue Receipts to Kitsap County PTBA

	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Excise Tax Revenue	$864,336	$5,246,702	$5,311,940	$5,381,056	$5,453,330	$5,526,449

Cash Receipts	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
GF- State	-	-	-	-	-
GF- Fed	-	-	-	-	-
Motor Vehicle Fund - Local	726,279	104,484	830,763	213,090	230,634
Total Revenue	726,279	104,484	830,763	213,090	230,634

II. C – Expenditures

New functions specific to PTBA Ferries within the Vehicle Services Program would be required for implementation and ongoing operations resulting from this legislation.

This project will require administrative costs for the department to collect and distribute the local revenues. These costs will be reimbursed to the department through the contractual agreement with Kitsap County Transit. Expenditures in this cost recovery include: FTEs with the equipment and associated staff costs, credit card fees, postage, legal services, contract programming, and public notification. These costs are detailed below.

The additional FTEs needed would be responsible for the ongoing maintenance and operation of collecting the excise taxes.

These new FTEs are identified as:

- A Vehicle Services Liaison Officer 2 (0.25 FTE). This FTE would be assigned to the existing Special Projects Unit and would provide oversight and support to agents and subagents required to collect the new taxes.
- A Customer Services Specialist 2 (0.25 FTE). This FTE would be assigned to the existing License Service Unit and would provide support to the general public who would call with questions and inquiries.
- A License Services Manager 1 (LSM1) (0.25 FTE) and a Financial Analyst 1 (0.25 FTE). These FTEs would be assigned to manage the regional transportation funding operations including ongoing maintenance and operation of collecting taxes.
- An Economic Analyst 3 (0.25 FTE) would be required to perform revenue projections, track and forecast revenue collection, and coordinate with the State Treasurer, Department of Transportation, Department of Revenue, and other governmental entities.

In addition to the cost of salary and benefits, other costs have been added which include workstations and furniture, personal computers (including software and licenses), facility rent/lease and utility costs, telephone equipment and line charges, desktop support, employee training and other standard goods and services associated with adding new staff.

Training and travel expenses are provided to conduct a statewide training of the agents, subagents, and auto dealers in Kitsap County. Printing and postage costs are included for the production and mailing out of the training and operation guides.

Internet Payment Option (IPO) credit card costs are included. For purposes of this analysis, the department assumes a three percent annual growth of IPO vehicle registrations each year. Currently, credit card charges are 0.02218 percent of the total transaction. For this fiscal analysis it is assumed that in Fiscal Year 2004 nine percent of all transactions in Kitsap County will be paid using a credit card over the internet. The use of credit cards is expected to increase to 12 percent of all transactions in Fiscal Year 2005. The credit card fee payment will therefore total $15,690 in the 2003-05 Biennium.

Contract programmers (26.0 staff months) will be required to modify existing IT systems. This will be a one-time cost of $583,839 including a ten percent contingency (as recommended by the Department of Information Services). The programming requirements include:

- The Vehicle Field System (VFS) will be modified to define and create new excise tables, pricing modifications and fee screens and update revenue distribution.
- The Voice Interactive Processing System (VIPS) will be changed to accommodate the new tax.

- The Vehicle Headquarters System (VHS) will require new definitions, creation and import of new excise pricing tables, new fee screens, receipts reports, and changes to the revenue distribution. In addition, the tax rate table provided by the Department of Revenue needs to be adjusted and then tested.
- The Vehicle web/client server will require programming and table modifications.
- Quality assurance and testing will be required for all of these programming changes.

Standard computer and communication equipment is included for the contract programmers.

Forty hours of Attorney General (OAG) costs will be required for legal advice, adopting new rules, and amending existing rules. Each time the department modifies a rule, the OAG must be consulted to review the rule change. The provisions of this bill may impact over 29 existing rules.

It is assumed that Kitsap County Transit will conduct a major public information campaign to notify the public of the new excise tax. However, the department will be required to undertake a public information campaign costing $1,000 to cover the cost of press releases and posters for agent/subagent offices impacted by this bill.

In addition to direct program costs, support services costs are included. The standard agency rate for cost of goods and services (supplies and materials, facilities, and training) are included for the Management and Support Services and Information Services programs.

Part III: Expenditure Detail

III. A – Expenditures by Object or Purpose

	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
FTE Staff Years	0.3	1.3	0.8	1.3	1.3
Salaries and Wages	14,017	54,047	68,064	108,094	108,094
Employee Benefits	3,072	12,286	15,358	24,836	24,836
Personal Service Contracts					
Goods and Services	703,190	38,151	741,341	80,160	97,704
Travel	6,000		6,000		
Equipment					
Inter Agency Fund Transfers					
Grants and Subsidies					
Debt Service					
Interagency Reimbursement					
Intra-Agency Reimbursement					
Other					
Total	726,279	104,484	830,763	213,090	230,634

III. A (1) – Detail of Expenditures by Sub-Object for Goods & Services

Object E Breakdown:	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
EA Office Supplies	164	656	820	1,312	1,312
EN Personnel Services	80	320	400	648	648
EB Postage	5,570		5,570		
EB Phone/Fax Install	1,650		1,650		
EB Phone/Fax/DP Lines	2,685		2,685		
EK Facilities Costs	1,729	6,916	8,645	13,832	13,832
EM Attorney Gen Svcs	70	3,560	3,630		
EZ Other Goods & Svcs	102,280	19,794	122,074	62,630	80,174
EQ Equipment - Under $5,000	25,776	6,905	32,681	1,738	1,738
ER DP Cont Programmers	530,763		530,763		
Total Goods & Svcs	670,767	38,151	708,918	80,160	97,704

III. A (2) – Detail of Expenditures by Fund

Additional information about assumptions and impacts is available directly from the Department of Licensing at 902-3633.

III. B – FTE Detail

EXPENDITURE DETAIL – STAFF

Job Classification	Salary	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
License Services Mgr 1	48,792	0.1	0.3	0.2	0.3	0.3
Financial Analyst 1	36,708	0.1	0.3	0.2	0.3	0.3
Customer Serv Spec 2	31,380	0.1	0.3	0.2	0.3	0.3
Veh Serv Liasion Off 1	38,580	0.1	0.3	0.2	0.3	0.3
Economic Analyst 3	58,032	0.1	0.3	0.2	0.3	0.3
Total FTEs		0.3	1.3	0.8	1.3	1.3

III. B – Expenditures by Program (optional)

Program	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
100 - Mgmt & Support Services	45,392	3,213	48,605	13,318	14,415
200 - Information Services	32,423	2,295	34,718	9,513	10,297
300 - Vehicle Services	648,464	98,976	747,440	190,259	205,922
600 - Driver Services					
700 - Business & Professions					
Total	726,279	104,484	830,763	213,090	230,634

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Implementation of the bill will require adopting new rules and amending existing rules regarding the collection of an excise tax on motor vehicles.

Individual State Agency Fiscal Note

Bill Number: 1853 E S HB	Title: Passenger ferry service	Agency: 405-Department of Transportation

Part I: Estimates

☒ **No Fiscal Impact**

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.

Legislative Contact:		Phone:	Date: 04/03/2003
Agency Preparation:	Bill Greene	Phone: 206-515-3761	Date: 04/04/2003
Agency Approval:	Michael Thorne	Phone: 206-515-3401	Date: 04/08/2003
OFM Review:	Tom Saelid	Phone: 360-902-0562	Date: 04/08/2003

Request # 03-108-1

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 101 states that the intent of the legislature is to have the state provide for a transition from state-provided passenger-only service to local service.

There are two permissive sections in this bill that deal with disposition of WSF assets in support of passenger-only ferry service:

Section 203 provides for the conveyance from the state to a qualified public transportation benefit area (PTBA) the assets including passenger ferry vessels and other properties associated with passenger ferry service as full or part consideration for assuming all maintenance and operation obligations and costs required. If the assets are not maintained in accordance with agreed upon standards, they revert to the state.

Section 205 authorizes the PTBA to rent, lease, or purchase passenger-only vessels, related equipment, or terminal space.

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.

The proposal is permissive in the conveyance or lease of assets. The passenger-only ferries were purchased with state and Federal Transit Administration (FTA) grant funds. The FTA has guidance on disposition of federally funded assets and must approve, in advance, the sale, transfer, or lease of any assets. Per FTA guidance, proceeds from the sale of FTA funded assets may be reinvested in another FTA eligible activity. If the vessels are conveyed, the department may potentially not receive an estimated $10.0 to $15.0 million from the sale of the vessels.

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 Governor's 2003-05 Current Law Budget included funding to operate the passenger-only ferries. Subsequently, the Transportation Commission has approved WSF's Strategic Plan that would eliminate funding to operate passenger only ferry service. WSF has presented the plan to the House, Senate, and OFM. Depending on legislative action on WSF's new strategic direction, future funding may not be included in the department's budget for passenger only ferry service.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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.

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Community, Trade and Economic Development

Bill Number: 1853 E S HB	**Title:** Passenger ferry service

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [ ] Cities:
- [ ] Counties:
- [X] Special Districts: PTBAs on Puget Sound
- [X] Specific jurisdictions only: PTBAs on Puget Sound, King County
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: providing passenger-only ferry service
- [ ] Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Keith Maw	Phone: (360) 725-5032	Date: 04/22/2003
Leg. Committee Contact:	Phone:	Date: 04/03/2003
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 04/23/2003
OFM Review: Tom Saelid	Phone: 360-902-0562	Date: 04/24/2003

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill allows certain public transportation benefit areas on the Puget Sound and counties with population over one million to provide passenger-only ferry service.

Section 201, adding a new section to 36.57A RCW, would allow a public transportation benefit area with a boundary on the Puget Sound, defined as extending north to the Canadian border and west to Port Angeles, to implement a passenger-only ferry service. The benefit area must develop an investment plan covering all areas of service provision, including financing of vessels, terminals and routes served, and revenues from all sources. The benefit area may use any of its powers to carry out this purpose, and is granted broad ability to enter into contracts and agreements under 39.10 RCW.

Section 202 sets forth revenue options that may be included in the investment plan. Revenue sources include: motor vehicle excise taxes, sales and use tax, tolls, licensing fees, leasing space, and other revenue-generating activities. Taxes may not be imposed without an affirmative vote of the voters within the boundary of the area voting on a proposition to approve the investment plan and impose the taxes. Taxes may only be spent to implement the plan and must be used for the benefit of the residents of the benefit area. The PTBA may contract administration and collection of the taxes.

Section 203 adds a section to chapter 47.52 RCW that would provide for the conveyance of ferries and other associated properties from WSDOT to PTBAs or county ferry districts. The PTBA or county ferry district must assume all future maintenance and operation obligations and costs. Vessels or properties revert back to WSDOT if not used for provision of passenger-only ferry service.

Section 204 amends RCW 47.60.120 to exempt passenger-only ferry service operated by PTBAs under Section 201 or operated by ferry districts from the ten-mile exclusion rule.

Section 205 amends RCW 47.64.090 to provides that a PTBA operating a passenger-only ferry service with voter approval or a subcontractor of that PTBA may rent, lease, or purchase vessels and related facilities from Washington State Ferries without the restrictions imposed from certain previously-existing labor agreements. Labor contracts will be as provided under chapter 41.56 RCW or the National Labor Relations Board. County ferry districts may also enter into such agreements, with charges to the ferry district at fair market value taking into account the public benefit derived from the ferry service. County ferry districts would be subject to terms of collective bargaining agreements as above, would be required to give preferential treatment of former employees of the state ferry system separated because of ferry service termination, and would be able to determinate answers relating to representation of employees (subject to certain requirements).

Section 206 adds a new section to 82.80 RCW authorizing PTBAs implementing passenger-only ferry services to levy and collect a motor vehicle excise tax of up to 0.40% at time of renewal under 46.16 RCW or at such time a vehicle previously registered in another state is first registered in the state. The tax must be reduced by any MVET imposed under RCW 81.100.060. The tax will not be imposed at the time of sale by a licensed vehicle dealer. The MVET would be administered by the Department of Licensing, and could not come into effect less than 6 months following approval by the voters. PTBAs are also authorized to impose a tax on retail car rentals not to exceed 2.172%. Each of these taxes must be levied in equal percentages of the maximum rate.

Section 207 adds a new section to 82.14 RCW authorizing PTBAs implementing passenger-only ferry services impose a sales and use tax not to exceed 0.4 percent. Voters must also approve this tax. Section 208 requires the PTBA to contract with the Department of Revenue for administration of this tax, at a rate not to exceed 2%.

Section 209 amends RCW 36.57A.010 to define "public transportation service" to include passenger-only ferry service for those PTBAs eligible to provide this service under Section 201 of this act. Section 210 amends RCW 36.57A.100 to include passenger-only ferry service, clarifying the relationship between PTBAs and private service providers.

Section 211 amends RCW 81.84.010, steamboat companies, to require that a service provider holding a certificate of public convenience granted by the Washington Utilities and Transportation Commission for passenger-only ferry service in Puget Sound must commence operation within twenty months of receiving the certificate. Section 212 requires that reasonable notice for an application for a certificate be provided to affected cities, counties, and PTBAs; requires the Commission take into account the interests of public agencies operating or eligible to operate passenger-only ferry service; and prohibits the Commission from considering an application for passenger-only ferry service serving Puget Sound until March 1, 2005, unless the PTBA serving that county agrees to the application. Section 213 provides that the Commission may revoke or alter a certificate for passenger-only ferry service if the holder fails to initiate service within twenty months.

Sections 301 – 309 add new sections to chapter 36.54 RCW, county-owned ferries, concerning the creation and operation of county ferry districts, limited to providing passenger-only ferry service. Section 301 provides that a county with a population over one million persons having a boundary on Puget Sound (King County) may by ordinance create a ferry district including all or any portion of the county, including areas within the corporate limits of any city or town within the county. The county legislative authority, acting ex officio, would compose the governing body of the authority. Section 302 defines the operating authority of the county ferry district to provide passenger-only ferry service and supporting facilities. Section 303 provides that the governing body of the ferry district may levy an ad valorem tax on all property in the district not to exceed seventy-five cents per thousand dollars of property value, to be used only for providing passenger-only ferry service. Section 304 allows the district to impose excess levies for a one year period whenever authorized by the electors of the district. Section 305 requires the preparation of an annual budget. Section 306 requires the county legislative body to make the required levies for the district as a part of general taxes against property in the district. Section 307 directs the county treasurer, as treasurer of the district, to establish a ferry district fund to collect and distribute revenues and provides rules for operations against that fund. Section 308 exempts ferry districts from the provisions of Title 81 RCW, including the Washington Utilities and Transportation Commission and the need to apply for a certificate of public convenience. Section 309 provides that ferry districts could be dissolved in the manner of port districts.

Sections 310-312 amend existing law to provide for collection and administration of the ad valorem tax authorized in Section 303. Section 310 subjects the ferry district tax to the one percent limitation on regular property taxes and places the tax first on the list to be reduced if that limitation is exceeded. Section 311 places the ferry district levy rate outside the $5.90 per $1000 aggregate levy limit. Section 312 allows the ferry district levy to be increased beyond these limits when authorized by the voters.

Section 403 contains an emergency clause, making the act effective immediately.

This analysis is for the engrossed substitute bill. This version differs significantly from the original by clarifying the definition of qualifying PTBAs, extending some provisions to subcontractors, clarifying employee relations, reducing maximum rates and changing the RCW chapters used for authorizing MVET and sales and use taxes, deleting the employer tax, and providing for the establishment and operation of county ferry districts, including an ad valorem tax.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

Indeterminate. This bill allows public transportation benefit areas in several counties or a ferry district in King County the option to operate passenger-only ferry systems. If the PBTA or county ferry district accepts conveyance of ferry vessels and related facilities, it becomes responsible for all associated future maintenance and operation obligations and costs until the conveyed assets are no longer used for providing ferry passenger-only service. Applications for private service could not be accepted by the WUTC before March 1, 2005, without the approval of an affected PTBA or ferry district. This provides an approximate 22-month window for initiation of service. If a county creates a ferry district, the treasurer of that county would establish and administer a dedicated fund.

DISCUSSION

Among eligible PTBAs, only Kitsap Transit has any plans to operate passenger-only ferry service, although it may enter into interlocal agreements to provide services to other jurisdictions. Kitsap Transit's preliminary plan estimates annual operating expenses of approximately $23M and capital expense of $8M per year.

The concept of a county ferry district has been created to provide a mechanism for King County to replace the Washington State Ferry passenger-only service between Vashon and Seattle. Depending upon legislative action, this service could be discontinued as early as June 15, 2003.

DATA SOURCES

Kitsap Transit
Department of Transportation – Washington State Ferries Capital Funding Plan

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Indeterminate. This bill allows public transportation benefit areas in several counties the option to provide passenger-only only ferry service This includes the authority to levy a motor vehicle excise tax and local sales and use tax, each dedicated to expenses included in a passenger-only ferry investment plan. Applications for private service could not be accepted by the WUTC before March 1, 2005, without the approval of an affected PTBA or ferry district. This provides an approximate 22-month window for initiation of service. The bill would also allow King County to create a ferry district and levy an ad valorem tax to support passenger-only ferry service.

DISCUSSION:

PTBAs currently believed eligible include (*added by substitute language)

Kitsap Transit
Island Transit
Jefferson Transit Authority
Mason County Transportation Authority
Skagit Transit*
Whatcom Transportation Authority*

Only Kitsap Transit has any plans to operate passenger-only ferry service, although it may enter into interlocal agreements to provide services to other jurisdictions.

The PTBA would acquire taxation authority for special motor vehicle excise tax not to exceed 0. 4% and local sales and use tax not to exceed 0.4%. Table 1 (attached) shows the revenues that would be generated by the taxes under consideration in the Kitsap Transit Passenger Ferry Plan. Kitsap Transit is moving toward a goal of a 0.3% sales tax and a 0.3% MVET, both requiring voter approval in the November, 2003 election.

The PTBA, after creating the required investment plan and receiving approval by the voters, would be able to generate a variety of additional revenues in support of the passenger-only ferry system. These additional revenues would include fares, express package fees, parking tolls, licensing and advertising fees, leasing space for passenger-related services at terminals, and other revenue-generating activities. Kitsap Transit estimates fare income of $9-10M per year and miscellaneous income of $1M per year. The passenger-only ferry system would also qualify for one-time federal start up funds (passed through the state) of approximately $5M, and may qualify for continuing capital and operating subsidies.

King County has no definite plans for establishing passenger-only ferry service. The bill would provide a possible solution should the Seattle-Vashon passenger-only service be discontinued. The bill is structured broadly enough to support ferry district operations of the Elliot Bay water taxi (serving West Seattle) or Trans-Lake Washington service. If King County were to create a passenger-only ferry district encompassing only Vashon Island, the full levy rate of $0.75 per $1000 against a 2002 assessed valuation of $1,577,783,853 would raise revenues of $1,183,338. Current WSDOT operating costs for the Vashon-Seattle service is approximately $2.5M. Assuming 40% farebox cost recovery, cost of the service would need to be reduced to about $1.9M to be feasible. It is not known if cost reductions of this magnitude can be achieved from smaller vessels and the split-shift, transit-style operations envisioned by Kitsap Transit.

ASSUMPTIONS AND METHODOLOGY:

MVET collections are estimated using the DOL “rule of thumb” ratio for percentage or registered vehicles subject to renewal in a given year and a growth factor used to determine expected number of registered vehicles through 2009.

This analysis assumes passage by the voters of a plan and tax authority in November, 2003. MVET would become effective June 1, 2004, the first full month following the six-month waiting period. Sales and use tax would become effective January 1, 2004.

Future local sales and use tax revenues assumed to remain at CY2002 levels through FY2009.

Sales and use tax collection expenses estimated at DOR customary rate of 1% are shown as a deduction from revenues.

Motor vehicle excise tax collection costs from DOL are shown as deductions from revenues. Analysis assumes 206,583 taxable motor vehicles in FY2003 with an average value of $8287. Of these vehicles, DOL estimates 87.5% are registration renewals. Future growth in tax base from statewide projections of motor vehicle registration increase from DOL/DOT revenue projections.

Vashon Island revenue estimates use the King County Assessor Annual Report, 2002, total valuation for the Vashon School District.

DATA SOURCES:

Department of Licensing
Department of Revenue
Department of Revenue Tax Statistics
Kitsap Transit
King County Transportation
King County Assessor Annual Report 2002

Table 1. Estimated Tax Revenues for Kitsap Transit Passenger-only Ferry

Estimates	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Vehicles (renewals only)	182,518	184,654	186,950	189,382	191,926	194,499
Ferry MVET (0.3%)	$ 378,148	$ 4,590,871	$ 4,647,955	$ 4,708,421	$ 4,771,668	$ 4,835,643
DOL Collection Cost[1]	$ (726,279)	$ (104,484)	$ (106,545)	$ (106,545)	$ (115,317)	$ (115,317)
Net MVET proceeds	**$ (348,131)**	**$ 4,486,387**	**$ 4,541,410**	**$ 4,601,876**	**$ 4,656,351**	**$ 4,720,326**
Taxable sales and use events	$2,754,553,800	$2,754,553,800	$2,754,553,800	$2,754,553,800	$2,754,553,800	$2,754,553,800
Ferry Sales & Use (0.3%)	$ 3,443,192	$ 8,263,661	$ 8,263,661	$ 8,263,661	$ 8,263,661	$ 8,263,661
DOR collection cost (1% of collections)	$ (34,432)	$ (82,637)	$ (82,637)	$ (82,637)	$ (82,637)	$ (82,637)
Net sales and use proceeds	**$ 3,408,760**	**$ 8,181,025**	**$ 8,181,025**	**$ 8,181,025**	**$ 8,181,025**	**$ 8,181,025**
New revenue, cash receipts	**$ 3,060,629**	**$ 12,667,412**	**$ 12,722,435**	**$ 12,782,901**	**$ 12,837,376**	**$ 12,901,351**

1. DOL collection costs from DOL Fiscal Note; FY06-FY09 are annualized from biennial estimates.

Sources: Department of Licensing, Department of Revenue Tax Statistics