



TRANSFORMING FERRIES TO SUCCEED IN THE 21ST CENTURY

Governor Gregoire asked a group of business, nonprofit and government leaders to help her transform Washington government. She posed eight questions to guide the committee's deliberations. With its advice and input from citizens across the state, the Governor recommends the following actions to strengthen the economy and create jobs. Her proposals address the question "Does state government have to perform the activity, or can it be provided by others?"

Washington State Ferries make 180,000 trips and carry 23 million passengers and 10 million cars annually. It is the largest ferry system in the nation, yet remains underfunded year after year.



The ferry system lost a major funding source in 1999, when voters repealed the motor vehicle excise tax, or MVET, through Initiative 695. In fact, our ferry system would be financially sound today if we had not lost more than

\$1.2 billion in excise tax revenue over the past 10 years. Since that time, service has been cut and fares have been raised, including a 20 percent spike in 2000. Service reductions and fare increases have been major contributors to a loss of more than 4.1 million riders since 1999.

To maintain minimum service levels, large subsidies from non-ferry sources have been required. These subsidies have grown from no subsidy in the 1997–99 biennium to an average of \$93.8 million per biennium since the loss of the MVET. The Legislature provided additional capital funding through the 2003 and 2005 revenue packages that totals \$213.6 million to date. Despite slashing \$27.7 million in administrative and other costs, we still face a nearly \$900 million shortfall over the next decade.

A patchwork approach to funding is not feasible. Without major reform, ferry customers and ferry-dependent communities will face continued uncertainty. Now is the time to address the underlying structural and financial issues that challenge this critical piece of our state's transportation infrastructure.

REGIONAL GOVERNANCE OF FERRIES

Last year, Governor Gregoire asked the Passenger Vessel Association (PVA), a national organization of passenger vessel owners and operators, to review ferry operations across North America and identify what could successfully apply to Washington State Ferries.

The models PVA reviewed are:

- » Private operator – Bridgeport & Port Jefferson Steamboat Company
- » Private operator with publicly owned assets – NY Waterway
- » Independent local authority – The Steamship Authority (Massachusetts)
- » Publicly owned corporation – BC Ferries
- » Regional transportation district – Golden Gate Ferry
- » State transportation division – North Carolina Department of Transportation Ferry Division

The PVA report also identified the key challenges of Washington State Ferries, including lack of stable funding, and the Washington State Department of Transportation's complex and diverse responsibilities and diffuse leadership.

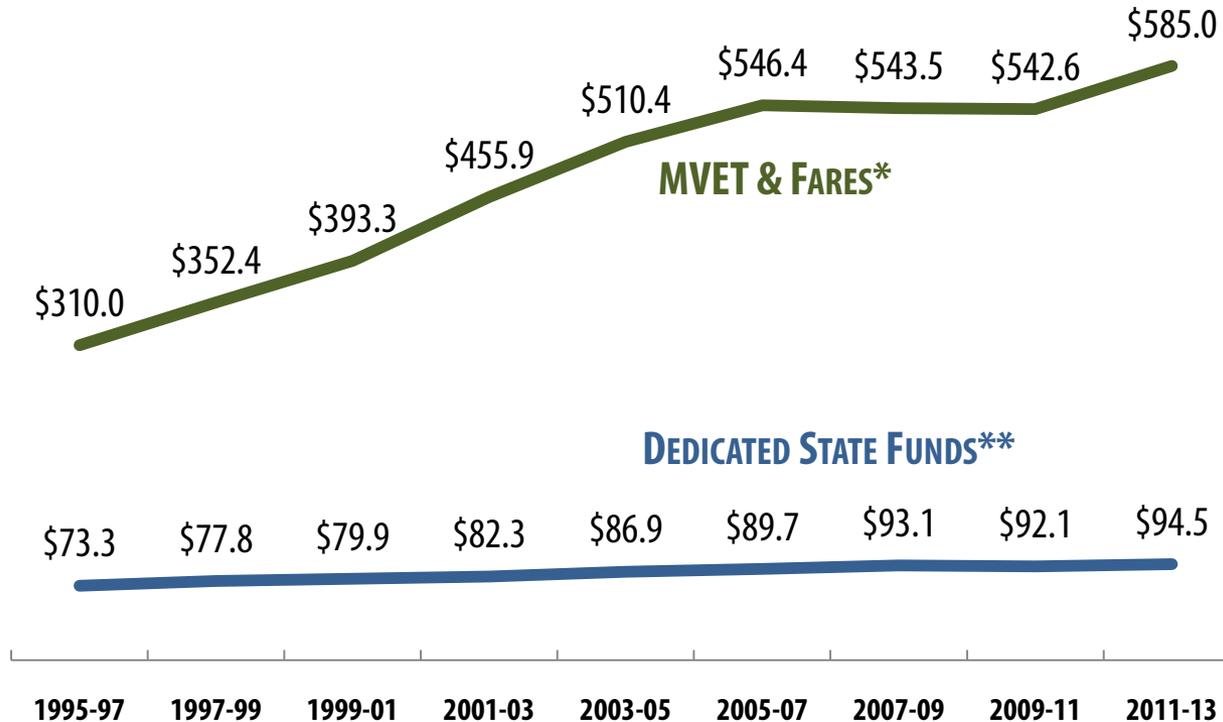
With PVA's analysis and these challenges in mind, the Governor will introduce legislation to create a regional ferry district to operate the ferries. This partnership between the state and regional ferry district offers the best opportunity to deliver services that ferry customers and communities need in a cost-effective way for state taxpayers.

The Governor's proposal would put the district's decision making in the hands of a board directly accountable to customers and communities. The district's funds would come from fares, a state subsidy to pay for a core level of service, and regional taxing authority to ensure service levels are consistent with local and regional needs. In addition:

- » The district would include all western Washington counties now served by ferries.
- » A district board would be elected from areas near current ferry routes and at-large members would be appointed by the Governor.
- » A dedicated and ongoing state subsidy level would be provided.
- » Local taxing authority would be established to ensure service levels are consistent with local and regional needs.

WASHINGTON STATE FERRIES – STATE FUNDING SOURCES

(DOLLARS IN MILLIONS)



* Includes fares and MVET actual and forecasted numbers

** Reflects dedicated operating and capital funds