



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #648

Harbor Assistance Program Bonding (Transportation -- Local Transportation Assistance)

CURRENT LAW

The Department of Transportation's (DOT) harbor assistance program provides grants for improvements to harbor facilities on Lake Michigan, Lake Superior, and the Mississippi River system. Eligible projects include dockwall and disposal facility improvements, dredging and dredged material disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. Both publicly and privately owned harbor facilities that serve freight or passenger vessels are eligible for assistance. State funds provide up to 80% of the cost of the project, while the project applicant must pay the remaining cost. The state share is paid either from an appropriation from the transportation fund or from the proceeds of general obligation bonds provided for the program. The 2013-15 budget provided \$16,887,600 over the biennium for making grants, an amount that consists of \$15,900,000 in transportation fund-supported, general obligation bonds and an appropriation of \$493,800 SEG annually from the transportation fund. Debt service on the bonds is paid from the transportation fund.

GOVERNOR

Under the Governor's budget recommendations, base year grant funding of \$493,800 SEG annually would be provided. No additional bonding authority would be provided.

DISCUSSION POINTS

1. The harbor assistance program has been making grants since 1980 to improve transportation access to the state's waterways on Lake Superior, Lake Michigan, and the Mississippi River. DOT indicates that there are 29 ports in the state that are potentially eligible for funding.

Grants have been funded primarily with transportation fund-supported, general obligation bonds, although the program also has a transportation fund appropriation for making grants. The total amount of bonding authorized for the program since that time is equal to \$92.7 million. Although the Department estimates that \$5.7 million in unencumbered bonding authority currently remains, it anticipates awarding the balance of these funds by the end of 2014-15.

The following table shows the total funding for harbor improvement projects since the 2001-03 biennium

TABLE 1

Harbor Assistance Program Grant Funding

<u>Biennium</u>	<u>SEG Appropriation</u>	<u>Bonding Authorization</u>	<u>Total Funding</u>
2001-03	\$1,000,000	\$3,000,000	\$4,000,000
2003-05	1,000,000	3,000,000	4,000,000
2005-07	1,000,000	12,700,000	13,700,000
2007-09	1,000,000	12,700,000	13,700,000
2009-11	987,600	12,700,000	13,687,600
2011-13	987,000	10,700,000	11,687,600
2013-15	987,600	15,900,000	16,887,600
2015-17*	987,600	0	987,600

* Amounts proposed in the bill.

2. The Governor's recommendation for 2015-17 would represent a \$15.9 million decrease from the amount provided for the program in 2013-15. However, the administration believes that "there is sufficient previously authorized bonding authority to allow harbor projects to continue in the 2015-17 biennium."

3. Table 2 provides information on the how much of the \$92.7 million in existing bonding for the harbor assistance projects has been spent, how much has been committed to be spent, and how much currently remains uncommitted.

TABLE 2

**Existing Bonding and Commitments
(\$ in Millions)**

Existing Bonding	
Total Bonding Authorized	\$92.7
Less Bonds Obligated Through Spring, 2015	<u>-73.9</u>
Authorized, Unissued Bonding	\$18.8
Use of Unissued Bonding	
Projects With Funding Encumbered	-\$13.1
Anticipated Encumbrances for 2015 Projects	<u>-5.7</u>
Remaining Uncommitted Bonding	\$0.0

4. The Wisconsin Transportation Finance and Policy Commission noted that harbor improvements have the potential to create shipping efficiencies for many state businesses and that without increased harbor investment, conditions at the state's commercial ports will deteriorate. Consequently, the Commission recommended that funding be increased by \$2.6 million annually from a base level of \$5.9 million annually (or to a biennial level of funding equal to about \$17.0 million). Based on this recommendation and anticipated program demand, the Department requested the same level of general obligation bonding authority for 2015-17 as was provided in 2013-15 (\$15.9 million). When added to base year SEG funding, total harbor assistance funding under the Department's request would have been equal to \$16.9 million (or roughly equivalent to the amount recommended by the Commission).

5. Demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. The attachment reflects the applications for funding and the award amounts received by the program since the 2013 award cycle. In 2013 and 2014, grant applicants requested \$48.2 million of harbor assistance funding and received \$21.1 million in grants.

6. Although DOT indicates that \$5.7 million of program bonding authority remains unencumbered, applicants for the 2015 award cycle, scheduled for completion in May, 2015, have requested funding equal to \$10.4 million. Therefore, DOT anticipates that no bonding authority will remain unencumbered and be available for new program applicants in 2015-17. Remaining program funding for harbor assistance grants would be equal to \$493,800 SEG annually in 2015-17.

7. The average amount of new harbor assistance bonding provided in the past five biennia has been \$12.9 million. Instead of the Governor's recommendation, the Committee could decide to provide new, transportation fund-supported, general obligation bonding authority in an amount equal to this average level of funding. Although this amount would not fully fund the Transportation Finance and Policy Commission's recommendation for the program, the funding would enable the state to continue to support harbor infrastructure improvement projects in 2015-17 at a level consistent with past practice. Estimated debt service would be \$119,300 SEG in 2016-17, rising to \$0.9 million SEG annually once the bonds are fully issued. [Alternative #2]

8. Due to concerns about the transportation fund's ongoing revenue issues and the extensive use of long-term borrowing for the highway program included in the bill, revenue increases or program reductions, or a combination of both, may have to be made. If the Committee believes that some additional bonding for the harbor assistance program is warranted, but not at past levels, a lower level of bonding could be approved. For example, a bonding level of \$6.0 million, when combined with base SEG funding, would provide total resources equal to about one-half of the average for the past five biennia. Estimated debt service would be \$55,500 SEG in 2016-17 and \$0.4 million SEG annually once the bonds are fully issued. [Alternative #3]

9. Users of the harbor system do not pay taxes or fees that directly support the transportation fund. For instance, commercial vessels do not pay the state motor vehicle fuel tax and do not pay fees for use of harbor facilities that are received by the transportation fund. In addition, estimated motor vehicle fuel tax and the registration fees paid by motorboat owners are deposited to the conservation fund. Therefore, some have contended the bonds issued by the harbor assistance program should be general fund-supported. This option was identified for consideration by the Joint Committee on Transportation Needs and Finance (commonly referred to as the "Road to the Future Committee") in its 2006 final report. The Committee could decide to provide the program with general fund-supported, general obligation bonding authority. [Alternative #4]

ALTERNATIVES

1. Approve the Governor's recommendation (which would provide base funding of \$493,800 SEG annually for harbor projects, with no additional bond authorization for the program in 2015-17).

2. Modify the Governor's recommendation and provide \$12,900,000 in transportation fund-supported, general obligation bonding authority for the harbor assistance program (this level of bonding authority would be equal to the average amount of new harbor assistance bonding provided in the past five biennia). Total program funding available for grants would be equal to \$13,887,600 in 2015-17. Increase estimated debt service payments by \$119,300 SEG in 2016-17 to reflect this action (debt service would increase to \$925,000 SEG annually once the bonds have been fully issued).

ALT 2	Change to Bill
BR	\$12,900,000
SEG	<u>119,300</u>
Total	\$13,019,300

3. Modify the Governor's recommendation and provide \$6,000,000 in transportation fund-supported, general obligation bonding authority for the harbor assistance program (this level of bonding authority, when combined with base year funding of \$493,800 SEG annually, would provide total resources equal to about one-half of the average for the past five biennia). Total program funding available for grants would be equal to \$6,987,600 in 2015-17. Increase estimated debt service payments by \$55,500 SEG in 2016-17 to reflect this action (debt service would

increase to \$430,200 SEG annually once the bonds have been fully issued).

ALT 3	Change to Bill
BR	\$6,000,000
SEG	<u>55,500</u>
Total	\$6,055,500

4. Modify the Governor's recommendation and provide one of the following levels of general fund-supported, general obligation bonding authority for the harbor assistance program:

a. \$12,900,000 (estimated debt service payments would be equal to \$119,300 GPR in 2016-17 and \$925,000 GPR annually once the bonds have been fully issued).

ALT 4a	Change to Bill
BR	\$12,900,000
GPR	<u>119,300</u>
Total	\$13,019,300

b. \$6,000,000 (estimated debt service payments would be equal to \$55,500 GPR in 2016-17 and \$430,200 GPR annually once the bonds have been fully issued).

ALT 4b	Change to Bill
BR	\$6,000,000
GPR	<u>55,500</u>
Total	\$6,055,500

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Attachment

ATTACHMENT

Harbor Assistance Program Project Submissions 2013-15 Award Cycles

<u>Project Title</u>	<u>Location</u>	<u>Amount Requested</u>	<u>Funding Provided*</u>
2013 Award Cycle			
City of Oconto, Dredging	Oconto	\$1,520,300	\$1,258,100
City of Centre Dredging	Manitowoc	279,000	279,000
Southwind Marine, LLC, Dry Dock Facility	Milwaukee	1,955,900	1,955,900
City of Washburn, Travelift Facility	Washburn	500,000	500,000
Noble Petro, Petroleum Facility	Green Bay	3,056,200	3,056,200
St. Mary's Cement, Dredging	Manitowoc	476,000	476,000
Town of Washington, Dredging**	Washington Island	7,081,500	5,182,900
Racine County, Dredging ***	Racine County	0	700,000
Burger Boats, Dockwall Rehab	Manitowoc	<u>15,800,100</u>	<u>1,195,100</u>
Subtotal		\$30,668,900	\$14,603,100
2014 Award Cycle			
US Oil, Jones Island, Petroleum Shipping Rehabilitation	Milwaukee	\$4,045,600	\$0
Bay Shipbuilding, New Dockwall	Sturgeon Bay	9,325,100	2,309,000
City of Superior, Fraser Dockwall Rehabilitation	Superior	2,912,100	2,912,100
City of Two Rivers, Dredging and Seawall Project	Two Rivers	<u>1,278,900</u>	<u>1,278,900</u>
Subtotal		\$17,561,700	\$6,500,000
2015 Award Cycle			
Marinette Marine, Dockwall Rehabilitation	Marinette	\$256,000	---
City of Superior, Dockwall Rehabilitation	Superior	2,796,000	---
City of Two Rivers, Seawall Rehabilitation	Two Rivers	650,000	---
US Oil, Jones Island, Petroleum Shipping Rehabilitation	Milwaukee	2,870,400	---
Bay Shipbuilding, New Dockwall	Sturgeon Bay	2,649,400	---
St. Mary's Cement, Dockwall Rehabilitation	Manitowoc	<u>1,183,900</u>	<u>---</u>
Subtotal		\$10,405,800	---
Total		\$58,636,400	\$21,103,100

*The Department plans to award the remaining \$5,692,400 in bond authority in the 2015 award cycle, bringing the total funding provided from to \$26,797,500. The remaining SEG appropriation balance of \$1,496,100 has been committed to the City of Superior, Fraser dockwall rehabilitation project, which was awarded in 2014, and will be encumbered before the end of 2014-15.

**Earmarked in 2013 WI Act 20.

***Earmarked in 2013 WI Act 20, without requiring an application.