



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #779

Harbor Assistance Program (DOT -- Local Transportation Assistance)

Bill Agency

[LFB 2007-09 Budget Summary: Page 538, #6]

CURRENT LAW

The Department of Transportation (DOT) administers the harbor assistance program, which provides grants for making capital improvements to harbors on the Great Lakes or the Mississippi River system. Eligible projects include dockwall and disposal facility construction, repair, maintenance, or rehabilitation, dredging and dredged material disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. Both publicly and privately owned harbors that serve freight or passenger vessels (including both ferries and cruise ships) are eligible for assistance. Projects are selected primarily using a cost-benefit analysis, where the economic impact of the project is compared to its projected cost. State funds provide up to 80% of the cost of the project, while the local sponsor must pay the remaining 20%. 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 2005-07 biennial budget act provided \$500,000 SEG annually and \$12,700,000 in bonds for making grants. Debt service on the bonds is paid from the transportation fund.

GOVERNOR

Provide \$12,700,000 in general obligation bonding authority for the harbor assistance program, to bring the total, cumulative bonding authority for the program to \$53,400,000. Create a SEG-L appropriation for the harbor assistance program to reflect contributions toward the cost of a harbor improvement project provided by a local unit of government or other source.

DISCUSSION POINTS

1. The total amount of funding available in the 2007-09 biennium under the bill for making harbor assistance grants would be \$13,700,000, which is composed of \$12,700,000 in bonds and \$500,000 SEG annually in the harbor assistance appropriation. This is the same amount that was available during the 2005-07 biennium. The harbor assistance program provisions in the 2005-07 biennial budget act differed from the Governor's proposal for the 2007-09 biennium, however, in that the act earmarked \$8,100,000 for two specific harbor improvement projects, leaving \$5,600,000 available for projects under the Department's normal project selection process. Under the bill, no funds would be earmarked for specific projects.

2. With the exception of the 2005-07 biennium and the 1999-01 biennium, funding for the harbor assistance program has generally been \$4,000,000 per biennium (\$500,000 SEG annually and \$3,000,000 in bonds) since the 1993-95 biennium. Like in the 2005-07 biennial budget, the 1999-01 budget included a higher bond authorization for harbor projects (\$7,000,000) and required the Department to award two grants, totaling \$4,800,000.

3. To be eligible for harbor assistance, a project must be identified in a three-year harbor improvement plan. Those plans are prepared annually by harbor program participants. For the most recent plans submitted to the Department, there are a total of 37 improvement projects identified for possible construction in 2008 and 2009, with a total estimated state share of \$50.3 million. Of these, the local governments or port authorities rated 16 as highest priority, totaling \$15.3 million. Consequently, even if the total funding of \$13,700,000 in the bill is maintained, the potential demand for projects would exceed available funding.

4. Since no particular harbor improvement projects are identified for funding under the bill, the Committee could decide to provide the same level of funding as was provided last biennium for all other, non-earmarked harbor projects. This would result in a reduction of \$8,100,000 in new bonding authority for the program, from \$12,700,000 to \$4,600,000. This would still be an increase over the level of bonding that has typically been provided over the past several biennia when no particular project is earmarked for funding.

5. In its budget request for the harbor assistance program, DOT requested bonding authority of \$4,000,000. Providing this level of bonds would be a decrease of \$8,700,000, relative to the bill.

6. Debt service on harbor assistance program bonds is paid from a sum-sufficient, transportation fund appropriation. The following table shows the debt service payments on harbor program bonds over the past ten years. When fully issued, debt service on the bonds proposed under the bill would be \$1.0 million annually, bringing the total, annual debt service to \$2.7 million. Due to a delay between when projects are approved and when debt service payments begin, the administration does not assume a debt service impact in the 2007-09 biennium for the bonds authorized by the bill. Under this assumption, the increased debt service would first occur in 2009-10.

<u>Fiscal Year</u>	<u>Harbor Bond Debt Service</u>
1997-98	\$824,500
1998-99	936,300
1999-00	1,067,800
2000-01	1,178,300
2001-02	1,240,100
2002-03	1,305,500
2003-04	1,349,800
2004-05	1,229,500
2005-06	1,493,600
2006-07*	1,658,800

*2006-07 figure is an estimate.

7. The percentage of gross transportation fund revenues needed for paying transportation fund debt service has grown over the past decade, from 7.2% in 1996-97 to an estimated 10.6% in 2006-07. Harbor debt service, however, is a relatively small part of the total. Without the harbor bond debt service, the percentage of transportation fund revenues needed for total debt service payments would be reduced to 10.5% in 2006-07.

8. Transportation fund revenues are collected from a variety of transportation users, through the collection of road-related taxes and fees, railroad company ad valorem taxes, and aeronautical taxes and fees. Users of harbor facilities do not directly pay any tax or fee that is deposited in the transportation fund. For this reason, one option that the Joint Committee on Transportation Needs and Financing (commonly called the "Road to the Future Committee") identified for consideration in its 2006 final report was using general fund revenues for the program, instead of transportation fund revenues. If the Joint Committee on Finance decided to adopt this alternative, the conversion would apply to both the payment of debt service and the current SEG appropriation for program administration and making grants. Total SEG savings (and increased GPR appropriations) would be \$2,408,000 in 2007-08 and \$2,430,600 in 2008-09.

ALTERNATIVES TO BILL

A. Harbor Assistance Program Funding Level

1. Approve the Governor's recommendation to provide \$12,700,000 in general obligation bonding authority for the harbor assistance program, to bring the total, cumulative bonding authority for the program to \$53,400,000, and create a SEG-L appropriation for the harbor assistance program to reflect contributions toward the cost of a harbor improvement project provided by a local unit of government or other source.

ALT A1	Change to Bill Revenue	Change to Base Revenue
BR	\$0	\$12,700,000

2. Modify the Governor's recommendation by deleting \$8,100,000 in bonding authority, to provide a total of \$4,600,000 in new bonding authority, the same amount of bonding authority provided during the 2005-07 biennium, net of the amount for earmarked projects.

ALT A2	Change to Bill Revenue	Change to Base Revenue
BR	- \$8,100,000	\$4,600,000

3. Modify the Governor's recommendation by deleting \$8,700,000 in bonding authority, to provide a total of \$4,000,000 in new bonding authority, the amount of bonding authority requested by the Department in its 2007-09 biennial budget request.

ALT A3	Change to Bill Revenue	Change to Base Revenue
BR	- \$8,700,000	\$4,000,000

4. Delete provision.

ALT A4	Change to Bill Revenue	Change to Base Revenue
BR	- \$12,700,000	\$0

B. Harbor Assistance Program Funding Source

1. Modify the bill to convert the funding source for the harbor assistance program from the transportation fund to the general fund. Delete \$2,408,000 SEG in 2007-08 and \$2,430,600 SEG in 2008-09 and provide an equal amount of GPR to reflect this change.

ALT B1	Change to Bill Funding	Change to Base Funding
SEG	- \$4,838,600	- \$4,838,600
GPR	<u>4,838,600</u>	<u>4,838,600</u>
Total	\$0	\$0

2. Maintain current law.

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