



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #613

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

Base Agency

[LFB 2017-19 Budget Summary: Page 440, #4]

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 2015-17 budget provided \$14,187,600 over the biennium for making grants, an amount that consists of \$13,200,000 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

Authorize \$14,100,000 in transportation fund-supported, general obligation bonds for the harbor assistance program, which provides grants for making capital improvements to harbors on the Great Lakes or the Mississippi River system.

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.

2. The total amount of bonding authorized for the program since that time is equal to \$105.9 million. The following table shows the total funding for harbor improvement projects since the 2007-09 biennium. The average amount of new harbor assistance bonding provided in the past five biennia is equal to \$13.0 million and total funding for the program has averaged \$14.0 million, including the SEG appropriation.

TABLE 1

Harbor Assistance Program Grant Funding

<u>Biennium</u>	<u>SEG Appropriation</u>	<u>Bonding Authorization</u>	<u>Total Funding</u>
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	<u>987,600</u>	<u>13,200,000</u>	<u>14,187,600</u>
Total	\$4,949,800	\$65,200,000	\$70,150,400
Average	\$990,000	\$14,030,100	\$13,040,100

3. Table 2 provides information on the how much of the \$105.9 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. The Department has awarded all but \$0.4 million in unencumbered bonding authority as of December, 2016, and has uncommitted SEG funds of \$0.5 million (expected as of July 1, 2017).

TABLE 2

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

Existing Bonding	
Total Bonding Authorized	\$105.9
Less Bonds Obligated Through Spring, 2017	<u>89.7</u>
Authorized, Unissued Bonding	\$16.2
Use of Unissued Bonding	
Projects with Funding Encumbered	\$15.8
Plus Approved, Unencumbered Projects	<u>0.0</u>
Unissued Bonding Available	\$0.4
Uncommitted 2015-17 SEG Funds	<u>\$0.5</u>
Remaining Uncommitted Funds	\$0.9

4. The Governor's recommendation of \$15.1 million (\$14.1 million bonds, \$1.0 million SEG) in funding for the 2017-19 biennium for the harbor assistance program would represent a \$0.9 million increase from the amount provided for the program in 2015-17. The recommendation is equal to the amount of bonding and total program funding that DOT submitted in its 2017-19 budget request.

5. Given the existing \$16.2 million balance of authorized, unissued bonding (as spring 2017), it is unlikely that the \$14.1 million in bonds recommended by the Governor would be issued during the biennium as a delay often exists between when a project is awarded funding and when the bonds for that project are issued. Although no debt service in the biennium would be specifically associated with the issuance of the recommended bonding under the bill, the authorized bonding would be needed in order for the Department to enter into contracts for additional projects in the 2017-19 biennium. When fully issued, the annualized debt service to be paid from the transportation fund associated with the \$14.1 million recommended increase in bonding would be an estimated \$1.1 million.

6. Demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. Attachment 1 lists the amounts of project funding requested and awarded through the program since the 2013 award cycle. Of the total \$81.0 million requested, \$42.0 million, or 51.9% of the total amount, has been provided (through both the statutory application process and earmarks). Program planning information from DOT, shown in Attachment 2, indicates that the harbor assistance program has identified a total of \$36.8 million in "high priority" (urgent or economically significant) harbor project funding requests for the 2017 and 2018 program award cycles, which could be funded in the 2017-19 biennium. This compares to total potential harbor assistance funding requests identified by DOT equal to \$80.6 million during the same award cycles.

7. In January, 2013, the Wisconsin Transportation Finance and Policy Commission, in making transportation finance recommendations to the Legislature and the Governor, 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. In recognition of these observations, the Commission recommended a biennial level of funding equal to approximately \$17 million. Subsequently, under 2015 Act 55, DOT was required to undertake a similar study of methods for improving the transportation fund's solvency and program funding levels. The Department's findings in this regard were submitted in a report (the Solvency Study) to the Joint Committee on Finance in December, 2016. This report included three potential transportation funding scenarios and descriptions of the expected impact of these scenarios on transportation infrastructure in the state. While DOT did not recommend a particular level of funding, the Department outlined the following three potential funding levels for harbor assistance: (a) \$1.3 million per biennium; (b) \$14.5 million per biennium; and (c) \$17.2 million per biennium.

8. The Governor recommended \$15.1 million in biennial resources for the harbor assistance program. This funding level is somewhat similar to the \$14.5 million described in one of the funding scenarios identified in the Solvency Study. Over the 2017-19 biennium, this alternative would fund 41.0% of the \$36.8 million in high priority harbor project funding requests identified by DOT. Given that this level of funding reflects DOT's 2017-19 budget request and is only slightly higher than the amount provided in the 2015-17 biennium and the average over the last five biennia, the Governor's recommended level of funding would be seen as appropriate. [Alternative A1]

9. The Solvency Study funding scenario that would provide harbor assistance funding equal to \$17.2 million is essentially equivalent to the Transportation Finance and Policy Commission's recommendation of \$17 million per biennium. Over the 2017-19 biennium, this alternative (\$16.2 million in bonds and \$1.0 million in SEG) would fund 46.7% of the \$36.8 million in high priority harbor project funding requests identified by DOT. A January, 2014, report by DOT's Bureau of Planning and Economic Analysis indicated that "each year, Wisconsin ports handle over 30 million tons of cargo valued at over \$2.4 billion" and that harbors are vital to the "transport of coal, iron ore, broken stone, chemicals or fertilizers, heavy machinery, wind energy components, agricultural commodities, cement, road salt and other goods." Given the important role of harbors in the transportation of commercial goods, as noted by the Commission and DOT, providing a higher level of program funding, as compared to the Governor's recommendation, may be preferable. [Alternative A2] When fully issued, the annualized debt service to be paid from the transportation fund associated with the \$16.2 million in bonding under this alternative would be an estimated \$1.3 million.

10. Due to concerns about the transportation fund's ongoing solvency issues, 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 \$7.0 million or one-half of the average harbor program resources for the past five biennia. This amount would be higher than the lowest funding scenario identified in the Solvency Study, but would fund only 19.0% of the \$36.8 million in high priority projects in the biennium. [Alternative A3] When fully issued, the annualized debt service to be paid from the transportation fund associated with the \$6.0 million in bonding under this alternative would be an estimated \$482,000.

11. As noted above, the lowest level of harbor funding described in the Solvency Study

would provide \$1.3 million in the biennium. This scenario's funding level would be nearly the same as deleting the Governor's 2017-19 recommended bonding (\$14.1 million) and leaving intact the program's base funding of \$1.0 million in the biennium. Combined with the remaining program resources of \$0.9 million, total available funding would be \$1.9 million in 2017-19. Over the 2017-19 biennium, this alternative would fund 5.2% of the \$36.8 million in high priority harbor project funding requests identified to date by DOT. [Alternative A4]

12. Although harbor infrastructure provides economic benefits to the state, users of the harbor system do not pay taxes or fees that directly support the transportation fund through activities occurring at those ports. 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 that 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 substitute the use of general fund-supported, general obligation bonds under any of the alternatives described in this paper. [Alternatives B1 thru B3]

ALTERNATIVES

A. Transportation Fund-Supported Bonding

1. Approve the Governor's recommendation (which would provide \$14,100,000 in transportation fund-supported, general obligation bonds, plus base funding of \$493,800 SEG annually for harbor projects). Total new program funding available for grants would be equal to \$15,087,600 in 2017-19. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1.1 million.

ALT A1	Change to	
	Base	Bill
BR-SEG	\$14,100,000	\$0

2. Modify the Governor's recommendation and provide \$16,200,000 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). With base funding of \$493,800 SEG annually, total new program funding available for grants would be equal to \$17,187,600 in 2017-19. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1.3 million.

ALT A2	Change to	
	Base	Bill
BR-SEG	\$16,200,000	\$2,100,000

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). With base funding of \$493,800 SEG annually, total program funding available for grants would be equal to \$6,987,600 in 2015-17. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$482,000.

ALT A3	Change to	
	Base	Bill
BR-SEG	\$6,000,000	- \$8,100,000

4. Delete provision. A total of \$1.9 million in program resources (\$0.5 million in base SEG funding annually and \$0.9 million in existing funding) would be available in 2017-19.

ALT A4	Change to	
	Base	Bill
BR-SEG	\$0	- \$14,100,000

B. General Fund-Supported Bonding

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:

1. \$14,100,000 (estimated debt service payments would be equal \$1.1 million GPR annually once the bonds have been fully issued). With base funding of \$493,800 SEG annually, total new program funding available for grants would be equal to \$15,087,600 in 2017-19.

ALT B1	Change to	
	Base	Bill
BR-GPR	\$14,100,000	\$14,100,000
BR-SEG	<u>0</u>	<u>-14,100,000</u>
Total	\$14,100,000	\$0

2. \$16,200,000 (estimated debt service payments would be equal \$1.3 million GPR annually once the bonds have been fully issued). With base funding of \$493,800 SEG annually, total new program funding available for grants would be equal to \$17,187,600 in 2017-19.

ALT B2	Change to	
	Base	Bill
BR-GPR	\$16,200,000	\$16,200,000
BR-SEG	<u>0</u>	<u>-14,100,000</u>
Total	\$16,200,000	\$2,100,000

3. \$6,000,000 (estimated debt service payments would be equal \$482,000 GPR annually once the bonds have been fully issued). With base funding of \$493,800 SEG annually, total new program funding available for grants would be equal to \$6,987,600 in 2015-17.

ALT B3	Change to	
	Base	Bill
BR-GPR	\$6,000,000	\$6,000,000
BR-SEG	<u>0</u>	<u>- 14,100,000</u>
Total	\$6,000,000	- \$8,100,000

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Attachments

ATTACHMENT I

Harbor Assistance Program Project Submissions 2013 thru Partial 2017 Award Cycles

<u>Project Title</u>	<u>Location</u>	<u>Amount Requested</u>	<u>Funding Awarded</u>	<u>Funding Awarded as % of Request</u>
2013 Award Cycle				
City of Oconto, Dredging	Oconto	\$1,520,300	\$1,258,100	
City Centre, Dredging	Manitowoc	279,000	279,000	
Southwind Marine, LLC, Dry Dock Facility	Milwaukee	1,955,900	1,955,900	
Town 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 ¹	Washington Island	7,081,500	5,182,900	
Racine County, Dredging ²	Racine County	700,000	700,000	
Burger Boats, Dockwall Rehabilitation	Manitowoc	<u>15,800,100</u>	<u>1,195,100</u>	
Subtotal		\$31,369,000	\$14,603,200	46.6%
2014 Award Cycle				
Bay Shipbuilding, New Dockwall	Sturgeon Bay	\$9,325,100	\$2,309,000	
City of Superior, Frasier 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		\$13,516,100	\$6,500,000	48.1%
2015 Award Cycle				
Two Rivers, Seawall Rehab for Commercial Fishing	Two Rivers	\$650,000	\$584,000	
Bay Shipbuilding Dockwall Rehabilitation	Sturgeon Bay	2,649,416	2,649,416	
US Oil, Jones Island, Petroleum Shipping Facility	Milwaukee	2,870,400	2,870,400	
Kewaunee Harbor Restoration ³	Kewaunee	4,220,000	4,220,000	
St. Mary's Cement Dockwall Rehabilitation	Manitowoc	1,183,920	1,183,920	
Marinette Marine Dockwall Rehabilitation	Marinette	256,028	256,028	
City of Port Washington Seawall Rehabilitation ⁴	Port Washington	425,000	425,000	
La Crosse County Hintgen Island Stabilization ⁴	La Crosse	483,640	483,640	
City of Superior Elevator O	Superior	<u>2,796,000</u>	<u>0</u>	
Subtotal		\$15,534,404	\$12,672,404	81.6%

<u>Project Title</u>	<u>Location</u>	<u>Amount Requested</u>	<u>Funding Awarded</u>	<u>Funding Awarded as % of Request</u>
2016 Award Cycle				
S.S. Badger, Landing Wall Repairs ⁴	Manitowoc	\$3,149,000	\$2,000,000	
RGL Holdings, Inc., Shoreside/Waterside Structural and Safety Improvements	Green Bay	2,117,350	2,000,000	
1311 Spring, LLC, New Dockwall and Dredging	Manitowoc	3,013,372	3,000,000	
Bay Shipbuilding, New Dockwall and Dredging	Sturgeon Bay	7,070,514	0	
City of Oconto – Sediment Collector Bed Load Interceptor System	Oconto	2,250,986	0	
City of Port Washington – Breakwater Repair	Port Washington	<u>1,749,252</u>	<u>0</u>	
Subtotal		\$19,350,474	\$7,000,000	36.2%
2017 Award Cycle (to date)				
F.J. Roberts Co., Inc. Dockwall Repairs ⁴	La Crosse	\$1,241,632	\$1,241,632	100.0%
Total Requested/Awarded		\$81,011,610	\$42,017,236	51.9%

¹ 2013 WI Act 20 earmark

² 2013 WI Act 20 earmark; without requiring application

³ 2015 WI Act 55 earmark; notwithstanding eligibility and match

⁴ Emergency application outside normal grant cycle

ATTACHMENT 2

High Priority Harbor Projects Identified by DOT

<u>Port Community/Owner</u>	<u>DOT Project description</u>	<u>Anticipated Grant Request</u>
2017 Award Cycle		
Brown County	Graymont north dock wall rehabilitation	\$856,000
La Pointe	Town dock power service, lighting, paint	120,000
Manitowoc	Car ferry lakefront dock wall rehabilitation, dredging, loading ramp redesign, ADA	800,000
Manitowoc - City Centre	City Centre dockwall construction at Consumers Inc. property	2,080,000
Marinette	Dredge Menominee River at Marinette Fuel & Dock	2,246,500
Milwaukee	Pier/berth channel improvements	800,000
Oconto	Replacement buoys	4,000
Port Washington	North breakwater improvements Sections A, B and C	2,154,000
Sturgeon Bay - Bay Shipbuilding	Construct new dockwall at Berth 1	5,520,000
Superior	Elkhorn Equipment dockwall Phase 2	<u>2,000,000</u>
Subtotal		\$16,580,500
2018 Award Cycle		
Brown County	Green Bay Harbor navigation channel deepening	\$10,879,612
La Pointe	Town dock widening and lengthening, ramp addition and lighting upgrade	1,788,800
Manitowoc	Expand dock/sheet wall along City Centre "Peninsula" property	1,000,000
Milwaukee	Fender and tie up improvements	400,000
Port Washington	South breakwater improvements to Section A	1,000,000
Superior	Elkhorn Equipment dockwall Phase 3	2,000,000
Two Rivers	Surge protection structure	<u>3,200,000</u>
Subtotal		\$20,268,412
Total		\$36,848,912