



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #596

Harbor Assistance Program (Transportation -- Local Transportation Assistance)

[LFB 2021-23 Budget Summary: Page 574, #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. Debt service on the bonds is paid from the transportation fund.

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. Since 1980, the Department has awarded 132 grants totaling \$195.2 million through this program.

2. The 2019-21 budget provided \$46.2 million over the biennium for making grants, composed of the following: (a) \$32.0 million in transportation fund-supported, general obligation bonds; (b) \$13.2 million SEG in one-time funding from the transportation fund; and (c) the

appropriation of \$493,800 SEG annually in project funding from the transportation fund. In addition, the program is provided funding of \$157,200 SEG annually from the transportation fund to fund the administrative costs of the program. Of this amount, the 2019-21 biennial budget act required DOT to give priority to municipalities in which a shipbuilder is conducting operations, which was intended to apply to Marinette Marine (up to \$29.0 million of the 2019-21 funding for the program could be awarded under this provision).

3. The amount of bonding authorized for the program since 1980 totals \$152.0 million. The following table shows the total funding for harbor improvement projects since the 2011-13 biennium. The average amount of new harbor assistance bonding provided in the past five biennia is equal to \$17.2 million and total funding for the program has averaged \$21.4 million, including the SEG appropriation. The \$4.2 million in SEG funding indicated in the table for 2017-19, includes \$3.2 million SEG provided in 2017-18 to fund a statutory earmark for Fincantieri Bay Shipbuilding in Door County to complete a dockwall construction and dredging project. Of the \$46.2 million provided in 2019-21, a provision of the 2019-21 biennial budget earmarked up to \$29.0 million in program funding for Marinette Marine. As a result, \$17.2 million in program funding was generally available in the 2019-21 biennium, which would be a similar funding level to previous biennia.

TABLE 1

Harbor Assistance Program Grant Funding

<u>Biennium</u>	<u>SEG Appropriation</u>	<u>Bonding Authorization</u>	<u>Total Funding</u>
2011-13	\$987,600	\$10,700,000	\$11,687,600
2013-15	987,600	15,900,000	16,887,600
2015-17	987,600	13,200,000	14,187,600
2017-19	4,187,600	14,100,000	18,287,600
2019-21	14,187,600	32,000,000	46,187,600
Total	\$21,338,000	\$85,900,000	\$107,238,000
Average	\$4,267,600	\$17,180,000	\$21,447,600

4. Table 2 provides information on the how much of the \$152.0 million in authorized 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 \$0.7 million in unencumbered bonding authority as of April, 2021, and has uncommitted SEG funds of \$0.3 million (expected as of July 1, 2021).

TABLE 2

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

Existing Bonding	
Total Bonding Authorized	\$152.0
Less Bonds Obligated Through Spring, 2021	<u>-125.5</u>
Authorized, Unissued Bonding	\$26.5
Use of Unissued Bonding	
Less Project Funding Encumbered	-\$21.5
Less Approved, Unencumbered Projects	<u>- 4.3</u>
Unissued Bonding Available	\$0.7
Uncommitted 2019-21 SEG Funds	<u>\$0.3</u>
Remaining Uncommitted Funds	\$1.0

5. Table 3 provides a listing of the two most recent award cycles for the harbor assistance program projects that received funding aside from the \$29 million in funding specifically provided Fincantieri Marinette Marine. In total, the Department received requested funding of \$41,444,680 in the two most recent award cycles, of which \$19,119,892 (46.1%) was able to be funded.

TABLE 3**2019 and 2020 Harbor Assistance Program Awards**

<u>Recipient</u>	<u>Location</u>	<u>Awarded</u>
2019 Award Cycle		
DeLong Co.	Milwaukee	\$4,900,000
City Centre	Manitowoc	2,247,740
Apostle Island Marina	Bayfield	2,051,400
U.S. Oil	Milwaukee	1,500,000
City of Superior - Fraser Shipyard	Superior	500,000
Port of Milwaukee	Milwaukee	200,000
St. Mary's Cement	Milwaukee	<u>193,600</u>
Subtotal		\$11,592,740
2020 Award Cycle		
C. Reis Coal	Superior	\$1,500,000
City Centre	Manitowoc	1,250,000
DeLong Co.	Milwaukee	1,250,000
Port of Milwaukee	Milwaukee	1,246,664
Badger Car Ferry	Manitowoc	720,000
Viking Cruises	Milwaukee	500,000
Commercial Fishing	Bell / Cornucopia	460,568
Prairie Sand & Gravel and Gavilon Grain	Prairie du Chien	250,000
Sartre Tugboat Fleet	Sturgeon Bay	249,920
KCS Boats & Commercial Fishermen	Oconto	<u>100,000</u>
Subtotal		\$7,527,152
Total		\$19,119,892

6. Demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. For example, of the \$56.4 million requested from harbors and ports for the 2020 funding cycle, DOT was only able to fund \$6.8 million. As shown in the following table, under the Department's current, three-year harbor assistance program plan (2020 through 2022), projects totaling \$165.3 million in costs could be funded if sufficient resources were available.

TABLE 4

Harbor Assistance Program State Funding Requests -- Three-Year Plan

<u>Harbor / Port</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>3-Year Total</u>
Bayfield	\$2,051,400	\$0	\$0	\$2,051,400
Green Bay	15,316,000	10,000,000	39,320,000	64,636,000
Kewaunee	0	2,700,000	0	2,700,000
La Crosse	0	0	2,480,000	2,480,000
Manitowoc	2,799,200	5,280,000	9,220,000	17,299,200
Milwaukee	35,061,500	4,640,000	4,640,000	44,341,500
Oconto	955,100	2,400,000	0	3,355,100
Prairie du Chien	0	2,396,000	1,200,000	3,596,000
Sturgeon Bay	249,900	880,000	0	1,129,900
Superior	0	16,000,000	6,500,000	22,500,000
Two Rivers	<u>0</u>	<u>0</u>	<u>1,200,000</u>	<u>1,200,000</u>
Total	\$56,433,200	\$44,296,000	\$64,560,000	\$165,289,200

7. Aside from the \$29.0 million required to be provided to Fincatieri Marinette Marine, the harbor assistance program was provided \$17.2 million for other grants in the 2019-21 biennium. The Governor's recommendation of \$15.3 million in transportation fund-supported, general obligation bonds along with the \$0.5 million SEG annually in base grant funding for the 2021-23 biennium for the harbor assistance program would represent a \$0.9 million (5.2%) decrease from the amount generally provided for the program in 2019-21. Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be \$402,600 SEG in 2022-23. When fully issued, the annualized debt service to be paid from the transportation fund associated with the \$15.3 million in bonding under this alternative would be an estimated \$1,227,800 SEG. [Alternative 1]

8. In January, 2013, the Wisconsin Transportation Finance and Policy Commission, in making 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. Similarly, past analysis from DOT's Bureau of Planning and Economic Analysis indicates that "each year, Wisconsin 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." In recognition of these significant transportation system functions, this Commission recommended a biennial level of funding of \$17.0 million. A similar funding level for the harbor assistance program (\$17.2 million per biennium) was also considered as part of DOT's transportation fund Solvency Study in 2016. The Committee could choose to provide the \$17.2 million in funding recommended by these studies, which would require \$16.2 million in new bonding authority, in addition to the \$1.0 million in base level SEG grant funding for the program. This would increase base level debt service by \$426,300 in 2022-23. Once fully issued, annualized, estimated debt service on the transportation

fund-supported bonds would equal \$1,300,000 SEG. [Alternative 2]

9. As indicated earlier (see Table 1), over the past five biennia, the harbor assistance program has averaged \$21.5 million in funding for grants made under the program including those that were earmarked by legislation. To provide this level of funding for the main harbor assistance program, the Committee could consider providing \$20.5 million in SEG-supported bonding in the biennium. Along with the base funding of \$1.0 million SEG (\$0.5 million annually), a total of \$21.5 million would be provided. This would increase base level debt service by \$539,400 in 2022-23. Once fully issued, annualized, estimated debt service on the transportation fund-supported bonds would equal \$1,645,000 SEG. Given the important role of harbors in the transportation of commercial goods, the program's unfunded demand, and that the total program funding would be similar to the recommended levels, this funding level may be seen as appropriate. [Alternative 3]

10. Under the base level funding currently included in the substitute amendment to Assembly Bill 68/Senate Bill 111, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Governor's recommendations reduced SEG funding to the state highway improvement program and replaced that funding with bonding. Further, while the 2019-21 budget increased revenues to the transportation fund, the coronavirus pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. The Committee already took action to reduce transportation fund appropriations, including adopting standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these actions and slightly higher estimated revenues, prior to Committee actions on the remainder of the transportation budget the estimated 2022-23 ending balance is -\$32.3 million. Thus, the availability of SEG funding to support debt service on bonds issued to fund harbor assistance grants could be limited.

11. Bonding has often been used as the means of funding the gap between DOT infrastructure programs needs and available revenues. Consequently, the amount of annual transportation fund revenues needed to support annual debt service is seen as a measure of the transportation fund's solvency. Given the adverse effects on transportation fund revenue due to the coronavirus pandemic, which in turn may require more bonding to fulfill other programmatic needs, some may have concerns regarding the continued authorization of additional bonds and thus increasing the amount of future SEG revenues needed to pay debt service. If the Committee shares this concern, it could take no action. Only the \$1.0 million (\$0.5 million annually) in base level grant funding and the \$1.0 million in uncommitted existing funding (see Table 2) would remain available for program awards in the 2021-23 biennium. [Alternative 4]

ALTERNATIVES

1. Authorize \$15,300,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the harbor assistance program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$402,600 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,227,800 SEG.

ALT 1	Change to Base Funding
BR-SEG	\$15,300,000
SEG	<u>402,600</u>
Total	\$15,702,600

2. Authorize \$16,200,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the harbor assistance program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$426,300 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,300,000 SEG.

ALT 2	Change to Base Funding
BR-SEG	\$16,200,000
SEG	<u>426,300</u>
Total	\$16,646,300

3. Authorize \$20,500,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the harbor assistance program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$539,400 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,645,000 SEG.

ALT 3	Change to Base Funding
BR-SEG	\$20,500,000
SEG	<u>539,400</u>
Total	\$21,039,400

4. Take no action.

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