



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #773

Harbor Assistance Program (Transportation -- Local Transportation Assistance)

[LFB 2023-25 Budget Summary: Page 633, #6]

CURRENT LAW

The Department of Transportation (DOT) does not own any harbors, but does operate the harbor assistance program, which provides grants for improvements to commercial ports 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 existing appropriation from the transportation fund (\$651,000 annually) 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 138 grants totaling \$204.6 million through the program. The Department indicates that the majority of project awards are used to support freight, while smaller proportions are used for shipbuilding, ferries, and commercial fishing.

2. Wisconsin's most recent state freight plan, published in March, 2018, states that in 2013,

more than 28 million tons, or approximately five percent of Wisconsin's freight by weight worth over \$2 billion was transported by and through ports and waterway facilities. However, the report indicates that the Mississippi River and Great Lakes are underutilized for freight, and estimates that the Great Lakes System is operating at about half its potential capacity, due primarily to the type of commodities traditionally transported by water and the lack of connections between Wisconsin ports and harbors and other modes of transportation, such as freight rail and highways. The report recommended continuing to provide state assistance for harbor improvements to bolster the state's maritime freight sector. The Department is also currently working on a new state freight plan, which is scheduled to be completed in 2023.

3. Past recommendations to the Legislature and the Governor have noted the potential of harbor improvements to create shipping efficiencies for many state businesses and that without increased harbor investment, conditions at the state's commercial ports would 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, these past recommendations have included a recommended biennial level of funding of \$17.0 million for the harbor assistance program.

4. The 2021-23 budget provided \$16,287,600 over the biennium for harbor assistance grants, composed of \$15,300,000 in transportation fund-supported, general obligation bonds and \$651,000 SEG annually from the transportation fund, of which \$493,800 is used to fund harbor projects and \$157,200 SEG is used to fund the administrative costs of the program.

5. The amount of bonding authorized for the program since 1980 totals \$167.3 million. The following table shows the total funding for harbor improvement projects since the 2013-15 biennium. The average amount of new harbor assistance bonding provided in the past five biennia is equal to \$18.1 million and total funding for the program has averaged \$22.4 million, including the appropriation of SEG funds. 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 was 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>
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
2021-23	<u>987,600</u>	<u>15,300,000</u>	<u>16,287,600</u>
Total	\$21,338,000	\$90,500,000	\$111,838,000
Average	\$4,267,600	\$18,100,000	\$22,367,600

6. Table 2 provides information on the how much of the \$167.3 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 \$0.9 million in unencumbered bonding authority as of April, 2023, and also has uncommitted SEG funds of \$2.4 million (expected as of July 1, 2023).

TABLE 2

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

Existing Bonding	
Total Bonding Authorized	\$167.3
Less Bonds Obligated Through Spring, 2023	<u>141.0</u>
Authorized, Unissued Bonding	\$26.3
Use of Unissued Bonding	
Less Project Funding Encumbered	\$15.6
Less Approved, Unencumbered Projects	<u>9.8</u>
Unused Bonding Available	\$0.9
Uncommitted 2021-23 SEG Funds	<u>\$2.4</u>
Remaining Uncommitted Funds	\$3.3

7. Table 3 provides a listing of the two most recent award cycles for the harbor assistance program projects that received funding. In total, the Department received requested funding of \$50,869,600 in the two most recent award cycles, of which \$15,615,000 (30.7%) was able to be funded.

TABLE 3**2021 and 2022 Harbor Assistance Program Awards**

<u>Recipient</u>	<u>Location</u>	<u>Awarded</u>
2021 Award Cycle		
Port of Milwaukee	Milwaukee	\$1,175,000
De Long Co. Inc.	Milwaukee	3,381,000
Port of Green Bay	Green Bay	1,100,000
Hanke Terminals	La Crosse	2,000,000
Port of Kewaunee	Kewaunee	249,000
C. Reiss Coal	Superior	<u>1,500,000</u>
Subtotal		\$9,405,000
2022 Award Cycle		
Briess Malt	Manitowoc	\$1,000,000
FJ Roberts	La Crosse	1,170,000
Hanke Terminals	La Crosse	200,000
Holcim Cement	Green Bay	1,200,000
Port of Milwaukee	Milwaukee	540,000
City Centre	Manitowoc	900,000
Brown County	Port of Green Bay	1,000,000
U.S. Venture	Green Bay	<u>200,000</u>
Subtotal		\$6,210,000
Total		\$15,615,000

8. As stated previously, demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. Table 4 shows that under the Department's current, three-year harbor assistance program plan (2024 through 2026), projects totaling \$108.6 million in costs could be funded if sufficient resources were available, of which \$89.0 million could be funded in the 2023-25 biennium.

TABLE 4**Harbor Assistance Program State Funding Requests - Three-Year Plan**

<u>Harbor/Port</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>3-Year Total</u>
Bayfield	\$0	\$4,500,000	\$0	\$4,500,000
La Crosse	99,200	0	4,000,000	4,099,200
Milwaukee	15,323,000	25,260,000		40,583,000
Prairie du Chien	1,000,000	2,250,000	1,500,000	4,750,000
Superior	9,440,000	25,000,000	10,500,000	44,940,000
Washington Island	<u>3,600,000</u>	<u>2,500,000</u>	<u>3,600,000</u>	<u>9,700,000</u>
Total	\$29,462,200	\$59,510,000	\$19,600,000	\$108,572,200

9. The harbor assistance program was provided \$16,287,600 for harbor grants in the 2021-23 biennium. Assembly Bill 43/Senate Bill 70 would provide \$16,000,000 in transportation fund-supported, general obligation bonds, as well as an increase of \$2,000,000 SEG annually to base level project funding of \$493,800 SEG for the program in 2023-25. Thus, total harbor grant funding under the bill would be \$20,987,600, or \$4,700,000 (28.9%) higher than the previous biennium. This level of growth in the program would appear to be warranted given program demand, the funding levels recommended under previous transportation studies, inflationary demands in the program in recent years, and the need to maintain and upgrade commercial port infrastructure in the state. Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of the recommended bonding would be \$166,300 SEG in 2024-25. When fully issued, the annualized debt service to be paid from the transportation fund associated with the \$16.0 million in bonding under this alternative would be an estimated \$1,283,900 SEG. [Alternative 1]

10. As mentioned previously, the Department received funding requests totaling \$50,869,600 for the 2021 and 2022 harbor assistance program grant cycles, of which \$15,615,000 (30.7%) received funding. Given the \$88,972,200 in funding requested from the program for the 2024 and 2025 program cycles, the Committee could provide \$19,027,000 in transportation fund-supported, general obligation bonds and an additional \$2,000,000 SEG annually. These funds could be used alongside the \$493,800 annually base level SEG project funding, and \$3.3 million in remaining uncommitted funds that are already available for the program to again provide funding corresponding to 30.7% of total funding requested. Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of the bonds would be \$197,800 SEG in 2024-25. When fully issued, the annualized debt service to be paid from the transportation fund associated with the \$19.0 million in bonding under this alternative would be an estimated \$1,526,800 SEG. [Alternative 2]

11. Excluding additional funds provided for specific projects in 2017-19 and 2019-21, funding provided for harbor assistance grants over the past five biennia has averaged \$15.9 million per biennium. In addition, the transportation fund has limited revenues available, while significant demand exists related to transportation projects and infrastructure in the 2023-25 biennium. Given these considerations, the Committee could choose not to provide the additional \$2,000,000 SEG recommended under the bill for harbor projects. This decision would retain the recommended bonding under the bill, resulting in a program funding level of \$17.0 million in the biennium. Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be \$166,300 SEG in 2024-25. This could maintain a level of growth in the program while limiting funding demands on the transportation fund and providing a funding level consistent with those recommended in past studies. [Alternative 3]

12. The Committee could also choose to maintain the program's 2021-23 funding level by providing \$15,300,000 in new bonds for the program. Along with base level SEG funds of \$493,800 for harbor projects, this would provide a level of funding consistent with average program funding over the past five biennia (\$15.9 million). However, this level of funding may not compensate for inflationary costs in the program that may have occurred recent years, and would also maintain a level of program funding below those recommended under previous DOT studies. Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these

bonds would be \$159,000 SEG in 2024-25. 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 \$1,227,700 SEG. [Alternative 4]

13. If the Committee has concerns about funding demands on the transportation fund, as well as the need to supply state harbor assistance funds for commercial ports, it could also choose to take no action. Only the \$1.0 million (\$0.5 million annually) in base level grant funding and the \$3.3 million in uncommitted existing funding (see Table 2) would remain available for program awards in the 2021-23 biennium. [Alternative 5]

ALTERNATIVES

1. Provide \$2,000,000 SEG annually and authorize \$16,000,000 BR in transportation fund-supported, general obligation bonds for the harbor assistance program in the 2023-25 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$166,300 in 2024-25. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,283,900.

ALT 1	Change to Base
BR-SEG	\$16,000,000
SEG	<u>4,166,300</u>
Total	\$20,166,300

2. Provide \$2,000,000 SEG annually and authorize \$19,027,000 BR in transportation fund-supported, general obligation bonds for the harbor assistance program in the 2023-25 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$197,800 in 2024-25. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,526,800.

ALT 2	Change to Base
BR-SEG	\$19,027,000
SEG	<u>4,197,800</u>
Total	\$23,224,800

3. Authorize \$16,000,000 BR in transportation fund-supported, general obligation bonds for the harbor assistance program in the 2023-25 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$166,300 in 2024-25. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,283,900.

ALT 3	Change to Base
BR-SEG	\$16,000,000
SEG	<u>166,300</u>
Total	\$16,166,300

4. Authorize \$15,300,000 BR in transportation fund-supported, general obligation bonds for the harbor assistance program in the 2023-25 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$159,000 in 2024-25. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,227,700.

ALT 4	Change to Base
BR-SEG	\$15,300,000
SEG	<u>159,000</u>
Total	\$15,459,000

5. Take no action.

Prepared by: Peter Mosher

