



Legislative Fiscal Bureau

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October 2, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 325: Harbor Assistance Grant to the City of Green Bay

Assembly Bill (AB) 325 was introduced on July 3, 2019 and referred to the Assembly Committee on Transportation. On September 24, 2019, the bill passed the Committee on a vote of 9 Ayes and 5 Noes.

SUMMARY OF BILL

Assembly Bill 325 would require the Department of Transportation (DOT) to make a harbor assistance grant to the City of Green Bay in 2019-20, notwithstanding the current eligibility criteria for the harbor assistance grant program. Specify that the grant to the City would be for harbor improvements related to the port expansion and for the relocation of coal piles. DOT would be allowed to pay for the costs of the grant from existing funds in the Department's harbor assistance program continuing transportation fund (SEG) appropriation or the SEG-supported, general obligation bonding authorization. No additional funds would be appropriated to fund the grant.

FISCAL ESTIMATE

DOT's harbor assistance program is primarily funded with SEG-supported bonding, but the program also has a SEG appropriation, which supplements the program's bonding authority. The bonding is used to fund the "bond eligible" components of harbor improvement projects. "Bond eligible" costs typically includes the components of a project that are tangible, capital improvements, that are considered public improvements or costs related to the improvement of state resources, such as the waters of the state. Improvements directly benefitting a private entity are not "bond eligible" costs. For the 2019-21 biennium, the harbor assistance program received \$32.0 million in bonding of which \$15.8 million is anticipated to be needed to fund a portion of an estimated \$29.0 million grant to a municipality in which a shipbuilder in the state is conducting operations. DOT is required to give this grant priority, notwithstanding the eligibility requirements of the program. During

deliberations on the 2019-21 biennial budget, the administration indicated that this grant priority requirement was intended to provide a grant to the City of Marinette for improvements related to Marinette Marine, a subsidiary of the Fincantieri Marine. If all of the \$15.8 million in bonding set aside for the Marinette harbor project is needed, \$16.2 million in bonding would remain available to the program in the biennium to fund the "bond eligible" components of other harbor assistance project awards in the biennium.

The program's SEG appropriation is used to supplement grants made from the program's bonding authority, and pay for costs that are not "bond eligible." The SEG appropriation is funded at \$13,850,000 in 2019-20 and \$651,000 2020-21. However, during 2019-21 budget deliberations, it was estimated that \$13,200,000 million SEG provided in 2019-20 would likely be needed to fund the components of the Marinette harbor project that would not be "bond eligible" costs. After accounting for this \$13.2 million SEG funding, the harbor assistance program is appropriated \$651,000 SEG annually remaining for other projects awarded funding in the 2019-21 biennium, which has been the typical amount of SEG funding provided to the program in recent biennia.

In addition, DOT indicates that \$2.1 million SEG was carried into 2019-20 in the continuing appropriation balance, which means that total SEG funding available in the biennium is \$3.4 million (\$0.65 million annually plus \$2.1 million carry-in balance). However, DOT also indicates that the Department has already awarded \$2.2 million SEG in 2019-20, which reduces that amount of SEG available to assist with grant awards in the biennium to \$1.2 million. Further, DOT indicates that for the December, 2019, award cycle, the Department currently has eight grant applications (Bayfield, Manitowoc, Milwaukee (four), Port Washington, and Superior) totaling \$19.7 million, in addition to the Marinette project. SEG funding would be needed to fund the costs of any components of these projects that would not be "bond eligible."

AB 325 would require DOT to award a \$1.5 million grant to the City of Green Bay for harbor improvements related to the port expansion and the relocation of coal piles. DOT's fiscal estimate to the bill notes that the relocation of coal piles would not be a "bond eligible" cost, and such costs would have to be paid from the SEG appropriation. However, it does not appear that the \$1.5 million in funding would be used to fund the relocation of coal piles. Local officials indicate that the \$1.5 million actually is needed to cover the professional services related to site planning and a preliminary concept study. However, similar to DOT's concern regarding coal pile relocation costs, site planning and concept studies are typically not "bond eligible" costs, at least on an up-front basis. Bond proceeds may be allowed to eventually be used to replenish these initial planning and study costs when the subsequent improvements to the property are made. However, general obligation bond proceeds could not be used fund to front the costs of completing such plans or studies.

Therefore, it is likely, that in the early years of the Green Bay harbor project, SEG funding would be needed to cover the \$1.5 million in planning and study costs identified by local officials. However, the \$1.5 million required to be provided under the bill would exceed the \$1.2 million that remains available in the program's SEG appropriation for the biennium. As a result, DOT would not have sufficient SEG funding to fund these costs. In addition, DOT would not have any SEG funds available to meet any costs for other project applications the Department would receive in the biennium that are not "bond eligible" costs.

DOT indicates that the City of Marinette submitted an application for their harbor project, and the Department is working with the Department of Administration Capital Finance to determine the amount of "bond eligible" costs in the project's cost breakdown. If the actual mix of project costs results in more costs being "bond eligible" costs than additional available bonding could be used to supplant some of the \$13.2 million SEG anticipated for the Marinette project under Act 9. While not known at this time, this scenario would result in additional SEG being available to fund the proposed Green Bay project, or other harbor project awards in the biennium.

Under Act 9, the transportation fund is projected to end the 2019-21 biennium with a \$42.7 million balance. If the Committee is concerned about the amount of SEG available to fund the Marinette and Green Bay projects, as well as have SEG funding available to supplement other harbor project awards in the biennium, the Committee could amend the bill to appropriate additional, one-time, SEG funding in 2019-20. The projected 2019-21 ending balance of the transportation fund would be reduced by the amount appropriated.

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