The Florida Senate

PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Commerce Committee

BILL: CS/SB 432

INTRODUCER: Commerce Committee and Senator King

SUBJECT: Transportation and Seaport Funding

DATE: March 20, 2007 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Eichin	Meyer	TR	**Fav/1 amendment**
2.	Pugh	Cooper	CM	**Fav/CS**
3.			FT	
4.			TA	
5.				
6.				

I. Summary:

CS/SB 432 amends s. 311.22, F.S., to reduce the local funds match requirement from 50 percent to 25 percent for dredging projects at ports in certain small counties.

This committee substitute also amends s. 320.20, F.S., to delete the prohibition against refunding two existing seaport-related bond issues to extend their original maturity dates or where the annual debt service would be greater than what is currently being paid. The Florida Seaport Transportation and Economic Development (FSTED) Council proposes that these bonds be extended at least an additional 10 years to primarily help fund port intermodal improvements.

CS/SB 432 amends ss. 311.22 and 320.20, F.S.

II. Present Situation:

Major Seaport Funding

Florida’s 14 public deepwater ports, as listed in s. 403.021(9)(b), F.S., are: Jacksonville, Tampa, Port Everglades, Miami, Port Canaveral, Ft. Pierce, Palm Beach, Port Manatee, Port St. Joe, Panama City, St. Petersburg, Pensacola, Fernandina, and Key West. There are additional privately operated ports and local public ports created by special acts of the Legislature.

In 2006, Florida’s 14 deepwater ports handled nearly $72.6 billion in waterborne international trade and handled 129 million tons of cargo. Several ports also have thriving cruise ship enterprises; an estimated 14.5 million people sailed out of Florida ports in 2006. The cruise industry in 2003 created nearly 131,000 jobs in Florida and accounted for nearly $4.6 billion in direct spending. By 2008, the economic impact of Florida's seaports is projected to be $1.3 billion in annual state and local sales tax revenues and more than 348,000 jobs. A report prepared for the Florida Department of Transportation (FDOT) estimates each dollar of state-level support to seaports yields $6.90 worth of economic and transportation benefits to the state.[1]

In 1990, the Legislature created ch. 311, F.S., establishing the FSTED Program within FDOT to finance seaport projects that improve the movement of people and goods, and otherwise support the interests, purposes, and requirements of Florida's seaports. Section 311.07(2), F.S., directs the transfer from the State Transportation Trust Fund (STTF) a minimum of $8 million annually. These funds are used to provide a 50-50 match with any of Florida's designated deepwater ports for project improvements to seaports including the dredging of channels, harbors, and turning basins.

The FSTED Program is managed by the FSTED Council, which consists of the 14 deepwater port directors, the Executive Director of the Governor's Office of Tourism, Trade, and Economic Development (OTTED), and the secretaries or designees of FDOT and the Department of Community Affairs (DCA). The council is responsible for preparing a 5-year Florida Seaport Mission Plan which defines the goals and objectives of the seaports. Additionally, the FSTED Council meets semi-annually to review project applications submitted by each of the individual seaports and recommends which projects should be forwarded to the agencies for further review and possibly recommended for funding with state funds. The list of FSTED recommended projects is reviewed by OTTED, FDOT, and DCA to ensure each project is consistent with state statutes and local master plans.

Port projects in the mission plan must meet several requirements. State funding cannot exceed 50 percent of the total cost of a project, although 75 percent of the cost of certain waterside dredging improvements related to seaport intermodal access can be paid by the state. In order to be approved, a proposed project must: be found consistent with the seaport's comprehensive master plan and the local government's comprehensive plan; be of demonstrable economic benefit to the State; and be found consistent with FDOT's adopted 5-year work program. Candidate projects to be financed through bondable funding also must meet statutory eligibility and consistency requirements. Projects financed through bondable funding include the following port facilities or port transportation projects at any of the 14 ports listed above:

- The dredging or deepening of channels, turning basins, or harbors.
- Wharves, docks, structures, jetties, piers, storage facilities, cruise terminals, automated people mover systems.
- Vessel tracking systems, container cranes, or other equipment used in the movement of cargo or passengers in international commerce.
- Land to be used for port purposes.
- The acquisition, improvement, enlargement, or extension of existing port facilities.
- Certain environmental protection projects.
- Transportation facilities not otherwise part of FDOT's adopted work program.

[1] "Evaluate Florida's 14 Deepwater Seaports' Economic Performance and the Return on Investment of State Funds," July 2006, Cambridge Systematics.

- Seaport intermodal access projects identified in the 5-year Florida Seaport Mission Plan.
- Construction or rehabilitation of facilities in deepwater ports with operating revenues of $5 million or less, provided that such projects create economic development opportunities, capital improvements, and positive financial returns to the port.

Over the years, FSTED program funding fluctuated from its original $8 million to provide as much as $15 million annually in grants and a guaranteed $25 million annually from motor vehicle registration fees, under s. 320.20, F.S., as debt service to support two bond issues. The bonds, totaling $375.4 million, were issued in 1996 and in 1999 by the Florida Ports Financing Commission (FPFC), created by interlocal agreement among the ports and their local governments under ch. 163, F.S., and s. 320.20, F.S., to help fund the capital projects in the 5-year mission plan. The bond proceeds are "secured" by loans made by the financing commission to the ports for their approved projects in the mission plan. The "loans" are repaid by the $25 million annually deposited in escrow accounts by FDOT.

In 2000, after a critical Florida Auditor General's report on the financing commission's operations, the Legislature amended s. 320.20, F.S., to specify that the state Division of Bond Finance would be responsible for issuing future FSTED bonds. Further, the existing $25 million revenue stream cannot be used to pay debt service on any FSTED bonds other than the 1996 and 1999 issuances or refunding of those original bonds.

<u>Funding for small local ports</u>
In 2005, the Legislature created in s. 311.22, F.S., an additional ports funding program to help finance certain dredging improvements at small ports in counties with a population of less than 300,000 persons based on the last official United States Census and which met environmental permitting and other criteria, but which are not eligible for the existing FSTED funding.

There are at least seven legislatively created port authorities in counties with less than 300,000 population: the Calhoun County Port Authority, the Carrabelle Port District, the Hernando County Port Authority, the Levy County Port Authority, the Manatee Port Authority, the Putnam County Port Authority, and the St. Lucie Port and Airport Authority.

The FSTED Council was directed to develop, by rule, procedures and criteria for evaluating project applications submitted for funding under the new program; the process is similar to that currently in place for the 14 deepwater ports. The grants may be used only to fund projects for dredging or deepening channels, turning basins, or harbors.

Funding to provide a 50-percent state match has been made available the past two years in the General Appropriations Act proviso language. However, FSTED indicates that the eligible small ports have had difficulty raising their share of the match due to unexpected increases in project costs.

III. Effect of Proposed Changes:

Section 1 amends s. 311.22, F.S, to reduce the local match requirement from 50 percent to 25 percent of the costs for dredging or deepening new channels, or turning basins for certain small, local ports.

Section 2 amends s. 320.20, F.S., as follows:

- Expands the type of projects that may be funded with the proposed new bond proceeds, and revises the local matching fund requirements from 50 percent to 25 percent, depending on the type of project. It also specifies that the local matching funds may come from a number of sources (i.e., port funds, federal funds, local funds, or private contributions).
- Requires FSTED to submit to FDOT for review, a list of requested projects to be funded with the new bond proceeds. Project selection and prioritization must be mutually agreed upon by FDOT and FSTED. The approved projects also must be incorporated into FDOT's 5-year work program.
- Removes the prohibition against the existing bonds being refinanced or refunded to a date later than their current 30-year maturity date, which means the existing bonds could be refinanced and the new bond proceeds used for new port projects. Any bonds issued must be issued by the Division of Bond Finance at the request of FDOT. These bonds will not be considered a general obligation of the state. Refunding the existing bond issues and extending their due date another 10 years could generate $60 million for port projects.

Section 3 provides an effective date of July 1, 2007.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The funds generated by extending the existing seaport bonds likely will result in an indeterminate, but marginally positive, impact to the private sector based on the effect of the estimated 6.90 economic multiplier for seaport spending.

C. Government Sector Impact:

Extending the existing bond issues at least another 10 years (to 2026 or 2029, depending on the bond) will not have an immediate fiscal impact on FDOT, since the extension is beyond the agency's 5-Year Work Program and 10-year forecast model.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.