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HOUSE FISCAL AGENCY

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HB4791 AS INTRODUCED

Sponsor
Committee

Rep. Scott Shackleton
HOUSE APPROPRIATIONS

Analyst(s) Hamilton, William

Completed 6/6/01

State Fiscal Impact

Cost	None
Revenues	None

Local Fiscal Impact

Cost	None
Revenues	None

Summary - House Bill 4791 would amend PA 210 of 1976 by adding section 17a to establish a Soo Locks Fund within the Comprehensive Transportation Fund. This new fund would be used to provide Michigan's share of the non-federal share of the construction cost of a new lock on the St. Mary's River at Sault Ste. Marie.

The Governor's recommended supplemental appropriations for the current year (SB 283), would make a one-time appropriation of \$4.7 million from the Comprehensive Transportation Fund to the Soo Locks Fund created under this bill. Principal and interest earnings from the initial \$4.7 million deposit would provide funding for fifty annual payments needed for the state's share of project cost. The bill provides carry-forward authority for fund interest earnings.

The bill has no direct fiscal impact in the usual sense. It would increase state "costs" to the extent that it provides for the expenditure of funds to the Great Lakes Commission over 50 years. However, this expenditure would help secure federal funding of approximately \$170 million for the construction of a new lock at Sault Ste. Marie.

MEMORANDUM



DATE: July 9, 2001
TO: House Committee on Appropriations
FROM: William E. Hamilton
RE: HB 4791 – Soo Locks Fund

Purpose - This memo analyzes the fiscal impacts of House Bill 4791, a bill to establish a Soo Locks Fund within the Comprehensive Transportation Fund. HB 4825 was referred to the House Committee on Appropriations on May 17, 2001.

Summary - House Bill 4791 would amend PA 210 of 1976 by adding section 17a to establish a Soo Locks Fund within the Comprehensive Transportation Fund. This new fund would be used to provide Michigan's share of the non-federal share of the construction cost of a new lock on the St. Mary's River at Sault Ste. Marie.

Background – There are currently four locks at Sault Ste. Marie which allow the passage of ships from Lake Superior through the St. Mary's River and on to the lower Great Lakes. According to the Great Lakes Commission, the average annual tonnage moved through the locks for the ten-year period 1987-1996 was 85.5 million tons – primarily iron ore, grains, and coal. Although there are four locks, only one lock, the Poe lock (opened in 1969), is large enough to accommodate much of the Great Lakes fleet. The Great Lakes Commission estimates that two-thirds of the carrying capacity of the U.S. flag fleet is restricted to the Poe lock.

The Water Resources Development Act of 1986 (PL 99-662) authorized and directed the Secretary of the Army to construct a new lock adjacent to the existing lock in Sault Ste. Marie. The Act also provided for cost sharing between federal and non-federal sources.

The total cost of construction for the new lock, based on an Army Corps of Engineers report, is estimated to be between \$200.0 million and \$225.0 million. The non-federal share of this project would be \$54.0 million. The eight Great Lakes states have agreed to divide the non-federal share based on origin/destination tonnage shipped through the locks. Michigan's share would be 26.3% of the non-federal share or \$14.0 million. The federal government has agreed to allow the states to pay the non-federal share interest-free over fifty-years.

The Great Lakes Commission is a bi-national agency of the eight Great Lakes states plus Ontario and Quebec. It was established by joint legislative action of the Great Lakes states in 1955 through the Great Lakes Basin Compact, and was granted congressional assent in 1968. The Great Lakes Commission will serve as the project coordinator and "local sponsor" in relation to the federal government. It is expected that the Great Lakes Commission will execute an agreement with the federal government for construction of the lock, and the Commission will then enter into agreements with the Great Lakes states to provide for each state's share of the funding. Governor Engler sent a letter of commitment to the Great Lakes Commission in December of 2000.

Conclusion - The Governor's recommended supplemental appropriations for the current year (SB 283), would make a one-time appropriation of \$4.7 million from the Comprehensive Transportation Fund to the Soo Locks Fund created under this bill. Principal and interest earnings from the initial \$4.7 million deposit would provide funding for fifty annual payments needed for the state's share of project cost. The bill provides carry-forward authority for fund interest earnings.

The bill has no direct fiscal impact in the usual sense. It would increase state "costs" to the extent that it provides for the expenditure of funds to the Great Lakes Commission over fifty years. However, this expenditure would help secure federal funding of approximately \$170.0 million for the construction of a new lock at Sault Ste. Marie.

If you have any questions please call me at 3-8080.