
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4791 (as reported without amendment)
Sponsor: Representative Scott Shackleton
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

House Bill 4791 would amend the State Transportation Preservation Act 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 in Sault Ste. Marie. The Soo Locks Fund would be authorized to receive Comprehensive Transportation Fund bond proceeds and other revenues appropriated for a new lock.

Under the bill, beginning with fiscal year (FY) 2000-01 and ending with FY 2049-50, there would be appropriated from the Soo Locks Fund to the Great Lakes Commission an amount necessary to meet Michigan's share of the new lock. Principal and interest in the Fund would not lapse at the close of the fiscal year. The State Treasurer would be responsible for the investment of the Fund. Any remaining balance in the Fund after the State's obligation was fulfilled would lapse to the Comprehensive Transportation Fund.

Proposed MCL 474.617a

BACKGROUND

Currently, there are four locks at Sault Ste. Marie, Michigan, which provide a critical link in the Great Lakes-St. Lawrence Seaway system. The locks are under the jurisdiction of the Federal government, United States Army Corps of Engineers. The four parallel locks consist of two smaller locks (Davis and Sabin) built during World War I and functionally obsolete, one built during World War II (McArthur), and a larger lock (Poe). Following the opening of the Poe Lock in 1969, the Great Lakes fleet began a modernization program to take full advantage of the larger Poe Lock. Today, many vessels are restricted to the Poe. The average tonnage passing through the locks for the 10-year period 1987 through 1996 was 85.5 million tons.

Following extensive study, the U.S. Army Corps of Engineers proposed in 1985 that another Poe-sized lock be constructed to replace the two small, World War I-era locks. In response to the study by the U.S. Army Corps of Engineers, a new large lock at Sault Ste. Marie, Michigan, was authorized in the Water Resources Development Act of 1986 (Public Law 99-162). The legislation authorized the new lock project and set the non-Federal share for construction at 35%. In October 2000, the U.S. Army Corps of Engineers completed a study for the replacement lock, which estimated the final cost at \$225 million.

The eight Great Lakes states asked the Great Lakes Commission to serve as the lead agency for regional coordination for the new lock at Sault Ste. Marie. The Commission initially sought full Federal funding for the new lock, trying to convince Congress that the project's regional and national benefits were significant enough to make an exception to the required 35% cost-

share. In 1996, the combined efforts of the Commission and regional shipping and port interests paid off when Congress changed the pay-back period and the non-Federal share required for the project. The Water Resources Development Act of 1996 (Public Law 104-303) lengthened the repayment period to 50 years from around 35 years and allowed equal payments rather than requiring most of the amount to be paid during construction. This legislation also reduced the non-Federal share by a proportionate amount representing the Canadian-only and overseas tonnage passing through the locks at Sault Ste. Marie. Ultimately, the required non-Federal share was reduced from the standard 35% to 23.8%.

In 1998, the Great Lakes Commission directed its Soo Locks Funding Alternatives Task Force to develop a funding plan for the non-Federal share of the new lock project. With the pieces in place, the Task Force developed its funding plan to meet the non-Federal share of the new lock project, estimated at \$54.1 million of the \$225 million total project cost. The formula for the state cost shares is based on origin and destination tonnage moving through the locks for the representative year 1995. Serving as the fiduciary agent for the states, the Commission will make available to the Federal government the appropriate amount for each year of the pay-back period. States will be required to make 50 equal annual payments to the Commission.

FISCAL IMPACT

The bill would result in State costs associated with the annual appropriation from the Soo Locks Fund to pay Michigan's portion of the lock project. Based on the funding plan developed by the Great Lakes Commission, Michigan's share of the non-Federal portion of the lock project is approximately \$14.1 million. The Governor proposed to fund Michigan's share through a one-time appropriation of \$4.7 million from the Comprehensive Transportation Fund. This appropriation is contained in a fiscal year 2000-01 supplemental, Public Act 281 of 2001. The \$4.7 million appropriation from the Comprehensive Transportation Fund to the Soo Locks Fund (proposed by House Bill 4791) will earn interest annually and the principal and interest earnings will be used to make Michigan's 50 equal annual payments (estimated at \$282,000) to the Great Lakes Commission.

Date Completed: 9-28-01

Fiscal Analyst: C. Thiel