

Port Funding Opportunities for Alabama



Executive Summary

In recent years, port financing models have become increasingly open to private funding, expanding investment opportunities for both the private sector and local governments wishing to construct and maintain port facilities. In Alabama, both the State Port Authority and municipal governments are authorized to construct and maintain port facilities. While there is no program that provides consistent funding to port facilities in the state, some funding has been made available through bond programs established by Article XI, Section 219.04 of the Alabama Constitution. The amendment authorizes the issuance of general obligation bonds for the purpose of promoting economic development and industrial recruitment in this state and providing funds to municipal governments for infrastructure improvements. In addition to these local resources, a range of port funding opportunities open up at the federal level, both intermittently and on an annual basis. The Environmental Protection Agency (EPA) maintains a database of available port funding on their website, a sample of which is included in this report.

Introduction

Port authorities around the world have for many years relied heavily on contributions and subsidies from national governments around the world for building or improving basic port infrastructure. The general infrastructure of landlord ports (facilities where the port authority owns the wharves but rents or leases them to a terminal operator) typically was financed jointly by the government and the port authority, and the terminal superstructure and equipment by private operators. Today, whether government entities finance basic port infrastructure depends largely on the government's economic policies. For example, if ports are considered part of the general transport infrastructure of the country, then port investments may be considered to promote the national interest. Research shows that in a majority of top container ports the public sector (either the national government or the public port authority) is responsible for creating and maintaining basic port infrastructure.¹ However, an increasing role of private enterprise in the port sector has begun to directly influence both port management and operations, as well as the way capital projects are financed.

When considering financing of operational infrastructure, port authorities have a number of options from which to choose. For service ports (those which focus on the realization of port authority interests as opposed to predominantly private or shareholder interests)², governments will usually finance the main infrastructure.

For landlord ports made up of self-contained terminals, investment in the terminal is usually financed by the terminal concessionaire or the lessee, while the port provides the land. The port may also provide the quay wall (earth-retaining structures used to dock floating vessels and transfer goods) with the land, but, increasingly, private concessionaires have been willing to invest in this infrastructure.

Other financial arrangements are also common. For example, a port authority may have access to lower interest rate loans than a private sector operator. In this case, the authority has the option to issue tax-free port revenue and general obligation bonds. Both give ports access to capital markets; the former relies on the revenues generated by operation of the new facility to repay debt, the latter assures purchasers of the debt that the government will make good on any repayments should revenues from operation of the new facility prove inadequate.³

Port Authority in Alabama

The Code of Alabama establishes the Alabama State Port Authority as a state agency responsible for promoting, supervising, controlling, managing, and directing state docks.⁴ The State Port Authority, in the process of operating or maintaining seaports and riverports within the state may acquire, lease, and hold piers, docks, warehouses, and other structures and facilities needed to aid commerce at the port.⁵ All harbors and seaports within the state are operated in the name of the State Port Authority,⁶ but municipalities are also authorized to construct and maintain port facilities independently.⁷

The Port Authority does not receive any support from the State of Alabama, but rather the ports are dependent on their own revenues to fulfill monetary obligations for operations and capital spending.⁸ While there is no program that provides consistent funding to port facilities in the state, some funding has been made available through bond programs.

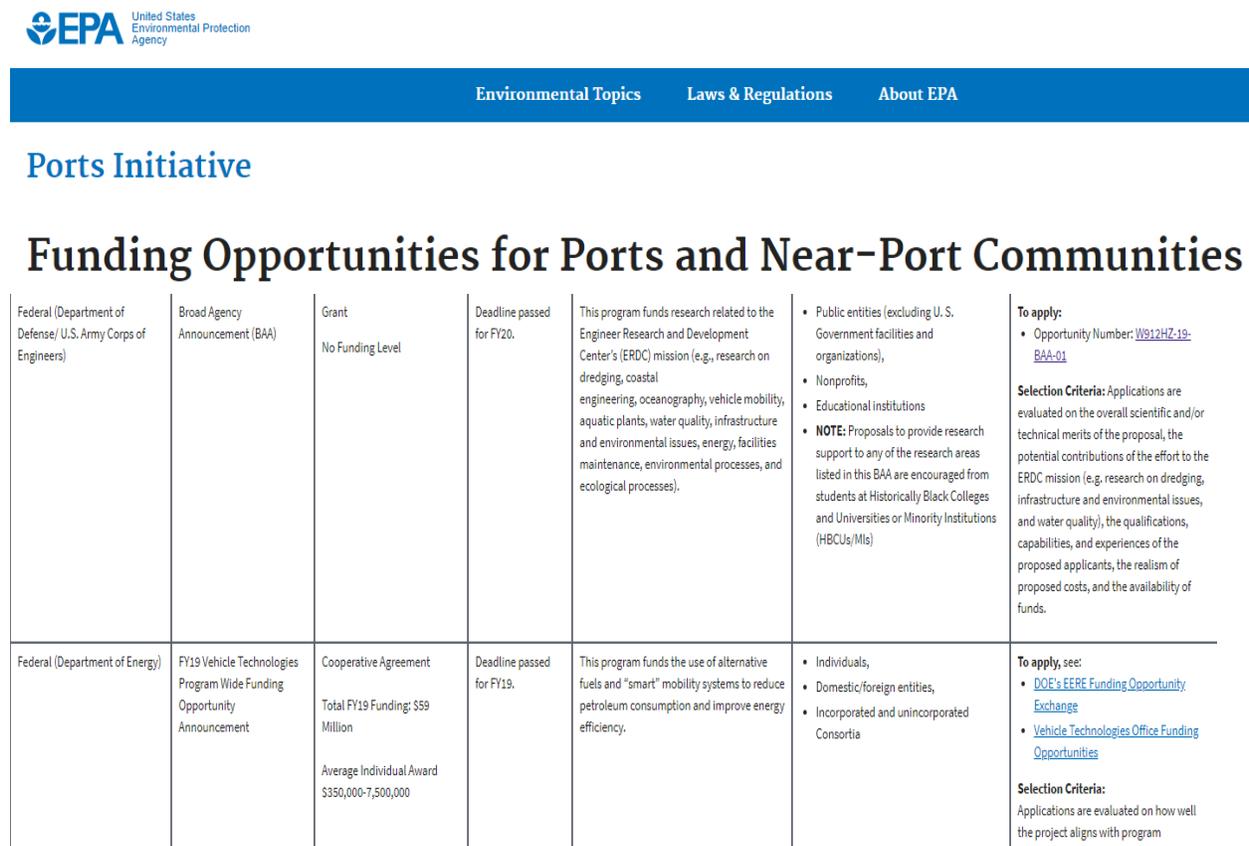
Article XI, Section 219.04 of the Alabama Constitution establishes the County and Municipal Government Capital Improvement Trust Fund and the Alabama Capital Improvement Trust Fund.⁹ These funds were created to receive a redistribution of the Oil and Gas Capital Payments previously paid into the Alabama Trust Fund under Article XI, Section 219.02 of the Alabama Constitution. The amendment also authorizes the issuance of general obligation bonds in an aggregate principal amount not exceeding \$350 million (increased in 2007 to \$750 million) for the purpose of:

- Making substantial capital improvements to the state dock facilities at the Port of Mobile.
- Promoting economic development and industrial recruitment in this state.
- Providing the local government match monies required to issue federal grant revenue bonds for road and bridge improvements.
- Providing funds to municipal governments for infrastructure improvements.¹⁰

The Alabama State Docks Capital Credit Project also provides indirect funding to port facilities in the state.¹¹ Capital credits are available to be applied to income tax liability generated by income from a project with written approval from the Governor of Alabama, the finance director of Alabama, and the Alabama State Port Authority. The state docks credit is available for each year for 20 years and is administered by the Alabama Department of Revenue. Operations must be conducted on the premises in which the State Port Authority has an ownership or possessory interest.¹²

Opportunities: Current and Revolving

A range of port funding opportunities exists at the federal (and sometimes a local) level, both intermittently and on an annual basis. A few of these opportunities accept applications on a rolling basis, and many more open application windows in the spring and early summer of each year that a notice of funding is issued. The Environmental Protection Agency maintains a database of available port funding on their website (<https://www.epa.gov/ports-initiative/funding-opportunities-ports-and-near-port-communities>), a sample of which is included below as Figure 1. Figures 2 and 3 are individual grant and apportionment opportunities currently listed.



The screenshot shows the EPA website's 'Ports Initiative' section. It features a navigation bar with 'Environmental Topics', 'Laws & Regulations', and 'About EPA'. Below this is a blue header for 'Ports Initiative' and a main heading 'Funding Opportunities for Ports and Near-Port Communities'. A table lists two funding opportunities:

Federal (Department of Defense/ U.S. Army Corps of Engineers)	Broad Agency Announcement (BAA)	Grant No Funding Level	Deadline passed for FY20.	This program funds research related to the Engineer Research and Development Center's (ERDC) mission (e.g., research on dredging, coastal engineering, oceanography, vehicle mobility, aquatic plants, water quality, infrastructure and environmental issues, energy, facilities maintenance, environmental processes, and ecological processes).	<ul style="list-style-type: none"> Public entities (excluding U. S. Government facilities and organizations), Nonprofits, Educational institutions NOTE: Proposals to provide research support to any of the research areas listed in this BAA are encouraged from students at Historically Black Colleges and Universities or Minority Institutions (HBCUs/MIs) 	<p>To apply:</p> <ul style="list-style-type: none"> Opportunity Number: W912HZ-19-BAA-01 <p>Selection Criteria: Applications are evaluated on the overall scientific and/or technical merits of the proposal, the potential contributions of the effort to the ERDC mission (e.g. research on dredging, infrastructure and environmental issues, and water quality), the qualifications, capabilities, and experiences of the proposed applicants, the realism of proposed costs, and the availability of funds.</p>
Federal (Department of Energy)	FY19 Vehicle Technologies Program Wide Funding Opportunity Announcement	Cooperative Agreement Total FY19 Funding: \$59 Million Average Individual Award \$350,000-7,500,000	Deadline passed for FY19.	This program funds the use of alternative fuels and "smart" mobility systems to reduce petroleum consumption and improve energy efficiency.	<ul style="list-style-type: none"> Individuals, Domestic/foreign entities, Incorporated and unincorporated Consortia 	<p>To apply, see:</p> <ul style="list-style-type: none"> DOE's EERE Funding Opportunity Exchange Vehicle Technologies Office Funding Opportunities <p>Selection Criteria: Applications are evaluated on how well the project aligns with program</p>

Figure 1: Sample of EPA Port Funding Opportunities: <https://www.epa.gov/ports-initiative/funding-opportunities-ports-and-near-port-communities>.

Department of Commerce/ Economic Development Administration: FY20 Economic Development Assistance Programs/Public Works Program			
Funding Type & Amount	Deadline	Purpose	Selection Criteria
Grant Individual Awards: \$100,000-\$3 Million	Applications accepted on an ongoing basis.	This program helps distressed communities build, design, or construct infrastructure and facilities to advance bottom-up economic development goals.	To apply: View Region-Specific Grant Application Information View Grant Opportunity Details Selection Criteria: Applications are evaluated on, amongst other criteria, how well the project aligns with a current Comprehensive Economic Development Strategy (CEDS) or Economic Development Administration (EDA) priority (e.g. promoting job creation and economic prosperity through enhancing environmental quality and developing and implementing green products, processes, places, and buildings as part of the green economy) and the project’s ability to create or retain long-term high-quality jobs.

Figure 2: Grant opportunity from <https://www.epa.gov/ports-initiative/funding-opportunities-ports-and-near-port-communities>.

Department of Transportation: Metropolitan Planning Program through the FAST Act for the Metropolitan Transportation Plan			
Funding Type & Amount	Deadline	Purpose	Selection Criteria
Apportionment Total FY18 Funding: \$343 Million Total FY19 Funding: \$350 Million	Not listed	These funds are used by Metropolitan Planning Organizations (MPOs) for multimodal transportation planning and programming.	To apply, see: MTP website Metropolitan Planning FAST Act Fact Sheet Funding is allocated to states and MPOs, who then select projects. Selection Criteria: Applications must identify how the metropolitan area will manage and operate a multi-modal transportation system to meet the region’s economic, transportation, development, and sustainability goals for a 20+ year planning horizon, while remaining fiscally constrained.

Figure 3: Apportionment opportunity from <https://www.epa.gov/ports-initiative/funding-opportunities-ports-and-near-port-communities>.



Conclusion

Multiple port funding opportunities exist, both through financial incentives within the State of Alabama and at the federal level. Funding availability may depend on the nature and function of the proposed port infrastructure. Federal grant and apportionment opportunities are available both on a rolling basis and annually as application windows open up. A great number of these financing options are monitored and updated by the EPA on its port funding website database. The EPA website is a useful and comprehensive resource as it also includes many local funding opportunities as they become available.

Acknowledgement

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¹ Public-Private Infrastructure Advisory Facility, “Alternative Port Management Structures and Ownership Models,” (https://ppiaf.org/sites/ppiaf.org/files/documents/toolkits/Portoolkit/Toolkit/module3/port_finance.html) (last visited June 3, 2020).

² *Ibid.*

³ *Ibid.*

⁴ Code of Alabama § 33-1-2.

⁵ Code of Alabama §§ 33-1-12; 33-1-12.1.

⁶ Code of Alabama § 33-1-24.

⁷ Code of Alabama § 11-47-14.1.

⁸ Texas A&M Transportation Institute, “Survey of State Funding Practices for Coastal Port Infrastructure,” at 32, (May 2015) (<https://static.tti.tamu.edu/tti.tamu.edu/documents/PRC-15-51-F.pdf>).

⁹ Alabama Const. Art. XI, Sec. 219.04.

¹⁰ “Survey of State Funding Practices for Coastal Port Infrastructure,” *supra* n. 7 at 33.

¹¹ Code of Alabama § 40-18-240 *et seq.*

¹² “Survey of State Funding Practices for Coastal Port Infrastructure,” *supra* n. 7 at 34.