North Carolina’s Ports will be recognized for our self-sustaining operations.
~ State Ports Authority Mission Statement

We cannot repeat the mistakes and the failed tax–and–spend policies of our predecessors.
~ Phil Berger, President Pro Tempore of the State Senate

Conservatism, Where Art Thou?

In a State legislature that prides itself on its conservative principles and fiscal responsibility, Senator Bill Rabon has sponsored a bill, S217, to subsidize the State Ports Authority to the extent of $35 million per year. The bill would divert revenues from the sales tax on car rentals from the General Fund to a special fund for capital improvements at the ports. That’s in addition to the $75 million earmarked for the ports in the House budget proposal.

Let’s put that $35 million in context: The State Ports Authority’s total revenues in fiscal 2014 were about $39.2 million, slightly less than expenses of $40.7 million. This is in the usual order of magnitude of ports revenues and expenses over the years. Operating income is usually, but not always, positive, and the Ports Authority has generally been self-sustaining.

The State Ports Authority has occasionally received grants from the State, and has its own authority to contract debt and issue bonds. But we cannot say those grants and debt authority have been used wisely. Indeed, the current Ports administration inherited a fiscal mess from past excess.

In 2006, the State Ports Authority borrowed $30 million to buy a property near Southport, intending to build a huge new deepwater port. The property was then valued by the County tax assessor at $4.7 million. That spending was followed by $20 million for studies and debt service. The project failed; the resulting $50 million remains a liability on the Ports’ balance sheet, a reminder of the bureaucratic hubris that rushed into a plan for a deepwater port where the water is not deep.

A year later, the Ports Authority bought four container cranes for Wilmington, sized for ships too large to reach the port. The State provided half of the $33.2 million cost. But the Ports Authority used that money for something else and financed the full cost of the cranes with a long-term lease. That $33 million obligation joined the $50 million on the liability side of the balance sheet, which now constitutes a major part of the Port Authority’s $92 million debt. The $6 million required to service that debt every year deprives the Ports Authority of the ability to improve its facilities.

So our Senator wishes to betray his and his colleagues’ conservative principles by rewarding the Ports’ profligacy by throwing more money at them. Every year.

Will that $35 million be used wisely? In a word, “no.” We have seen the Ports Authority’s new Strategic Plan, witnessed its development, and it reminds us entirely too much of the mistakes of 2006 and 2007. We’ll explore that in the next newsletter.