

MULTIMODAL FREIGHT TRANSPORTATION SYSTEM IMPROVEMENT TASK FORCE

Minutes of the 2nd Meeting of the 2023 Interim

August 1, 2023

Call to Order and Roll Call

The 2nd meeting of the Multimodal Freight Transportation System Improvement Task Force was held on August 1, 2023, at 3:00 PM in Room 149 of the Capitol Annex. Senator Jason Howell, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jason Howell, Co-Chair; Representative Suzanne Miles, Co-Chair; Senator Jimmy Higdon, Senator Brandon J. Storm, Representative John Blanton, Representative Chris Freeland, Representative Tom Smith, and Representative Ashley Tackett Laferty.

Guests: Jennifer Kirchner, Executive Director, Kentuckians for Better Transportation (KBT); Brian Wright, Chairman, Kentucky Association of Riverports (KAR), President and CEO, Owensboro Riverport; Greg Curlin, Vice Chairman, KAR, Port Director, Hickman-Fulton Co. Riverport Authority; and Amanda Davenport, Executive Director, Lake Barkley Partnership for Economic Development, Member, Water Transportation Advisory Board - Eddyville Riverport Operations.

LRC Staff: Ashley Nash, John Snyder, Dana Fugazzi, and Christina Williams.

Approval of July 18, 2023, Minutes

The minutes from the July 18, 2023, meeting were approved.

Introduction of Special Guests

Chairman Jason Howell introduced his daughter, Mary Browder to the task force.

Owensboro Riverport and Issues Specific to Larger Riverports

Jennifer Kirchner, Executive Director, KBT, and Brian Wright, Chairman, KAR, President and CEO, Owensboro Riverport, briefed the task force on issues specific to Kentucky's larger riverports. Any governmental unit by act of its legislative body or two or more units acting jointly and with approval of the Kentucky Transportation Cabinet (KYTC) may establish a riverport authority. The Kentucky Public Riverport Authorities are established under Kentucky law with powers and duties prescribed by KRS 65.510 to 65.650. Authority members are appointed by local executives; the mayor, judge executive, or both. Currently, there are 10 public riverport authorities in Kentucky. Seven of those are active and operational in the movement of goods. Three are developing and have authorities in place but are not yet fully operational. A map was shown to illustrate the location of the active and developing riverports. Over 80 of the 120 counties are considered within reasonable travel distance to the riverports.

Kentucky's waterways create value by enabling the Commonwealth to trade with the world. In 2018, Kentucky traded over 89 million tons of freight using inland waterways, valued at over \$18 billion. About 79 percent of Kentucky's waterborne trade (by tonnage) is exchanged with trading partners outside of the Commonwealth. Kentucky's waterborne transportation system overall

saves approximately 2.3 billion vehicle-miles of travel (VMT) and over 43 million vehicle-hours of travel (VHT) each year in ground transportation costs. Kentucky's supply chains are highly dependent on Kentucky's waterways.

Since 2013, the Commonwealth has supported the riverport industry through the Kentucky Riverport Improvement (KRI) Grant Program, which has a current budget allocation of \$500,000 annually. The KRI funds are a General Fund appropriation in the KYTC budget and require a 50 percent local match. The KRI applications are due each year in May for the next fiscal year (FY) and funds must be used by the end of the FY or they are returned to the General Fund. There is no carryover. Funding can be used for new construction, repairs, or replacement of docks, wharves, equipment, port storage facilities, roadways and railroads, other onsite improvements, and related professional services. Funds may not be used on routine maintenance, port operations, plans, or studies. Riverports are unable to use state grant funds as a match for federal grants.

Based on the KYTC study in 2018 for asset preservation, there is \$12.3 million needed in increased annual state funding to continue investment and compete with surrounding states. A chart was shown that illustrated the investment by surrounding states into their riverports. Kentucky has 10 public riverports with a state investment of \$500,000 annually. Ohio has eight riverports with a state investment of \$20 million, a recent increase from \$12 million. Missouri has 15 riverports with a state investment of \$12 million annually plus \$30 million as a one-time gift of American Rescue Plan Act (ARPA) funds in FY 2023. Illinois has 19 riverports with a state investment of \$150 million annually. Indiana and Tennessee do not have state grant programs.

All currently active ports in Kentucky were built in the early 1970's and preservation needs are based on "business as usual" today. Each of the Kentucky ports are similar in base commodities, such as fertilizer and grain, but additional commodities handled are based on the location to certain industries. Examples of asset preservation include: a grain conveyor at Hickman, with a replacement cost of \$4.5 million; river mooring cells to dock barges in Paducah, with a cost of \$669,000; and heavy lift equipment in Owensboro at a cost of \$900,000. To optimize port efficiency and expand markets to attract new anchor tenants and service new industries, modernization and expansion is needed. Some examples of that include: the building of an additional terminal warehouse in Henderson at a cost of \$2 million; rebuilding a new cargo dock in Louisville at a cost of \$8 million; and a 50-acre rail site development in Owensboro at a cost of \$1 million.

Mr. Wright updated the task force on the Owensboro Riverport Authority, which was chartered in 1966 by the City of Owensboro. From 2022 to 2023 the riverport had a short ton inbound volume of 1.2 million. On barge there were 657,000 short tons over 438 barges that came into the port, the equivalent of about 27,000 trucks. There were 230,000 short tons that came into the port on rail on 2,300 rail cars, the equivalent of 96,000 trucks. There were 329,000 short tons that came into the riverport on 13,700 trucks. The key commodities handled in Owensboro are grain, dry and liquid fertilizer, salt, aluminum, copper, steel, paper, and graphite. Revenue generation for the Owensboro Riverport includes rates for the public use of equipment, and the leasing of facilities and land. Revenue is also generated on a per ton throughput based on tonnage and commodity type.

The Owensboro Riverport supports economic development in many ways, one of which is the addition of 131 jobs to a local auto chassis manufacture through port utilization and

infrastructure upgrade. The riverport was also a Better Utilizing Investments to Leverage Development (BUILD) Grant recipient for “last mile” highway upgrades enhancing multiple local industries access. Mr. Wright stated the 2018 Economic Impact Study showed an estimation of the total economic impact of the Owensboro riverport to be approximately \$16.1 million of total output, \$8.6 million of labor income, and support for 197 jobs annually. When analyzing the last six years, it is estimated that the annual impact of the Owensboro Riverport operations to the City of Owensboro is, on average, \$13.8 million of total output, \$7 million of labor income, and support for 161 jobs annually throughout the region.

Ms. Kirchner presented a proposal to the task force for a \$15 million one-time allocation to address asset preservation, with no required match. Ms. Kirchner added she believes it is important to increase annual sustainable funding. There is currently a state commercial watercraft property tax, which Ms. Kirchner suggested be used as a sustainable revenue mechanism for riverports. She added some preliminary figures showing that amount to be approximately \$5 to \$6 million annually. A one-time allocation only makes sense if it is coupled with sustaining annual funding. Similarly, using the currently unfunded Riverport Financial Assistance Trust Fund (KRS 174.210), which requires only a 20 percent local match and does not require all grants to be spent in one year (compared to the KRI grant program that requires a 50 percent local match and has no carry over provisions), could be helpful in expanding the state support for Kentucky’s riverports.

Representative John Blanton expressed his support for the \$15 million request and the need to increase annual funding. In response to a question asked by Representative Blanton, Ms. Kirchner stated the commercial watercraft property taxes are on barges and other vessels used for commercial purposes.

In response to a question asked by Co-Chair Miles, Ms. Kirchner stated they are evaluating eligibility of the matching gap funding provided through House Bill 9 of the 2023 regular session of the General Assembly. Co-Chair Miles added if funding could be carried over, it could be banked towards larger projects. In response to a follow-up question asked by Co-Chair Miles, Mr. Wright stated there are statistics that compare safety and accidents between barge, rail, and truck, however he does not have those exact numbers, but when compared per ton mile traveled, barge is deemed the safest.

In response to a question asked by Co-Chair Miles concerning safety issues on riverways, Mr. Wright stated there are federal concerns on the M70 marine highway, as well as the M55, which is on the Mississippi River. He added the locks and dams have to be maintained and many are currently backlogged with maintenance repairs. When the Olmstead lock was launched replacing lock 52 and 53, it was done so just as locks 52 and 53 were beginning to fail routinely to the point of shutting down navigation. Mr. Wright stated such instances will continue to occur, and that the dollar amount to maintain those locks and dams is significant when compared to other types of infrastructure improvement. Mr. Wright added however, when droughts occur, Kentucky has a benefit of having locks and dams to maintain a pool of water, causing minimal impact. For that reason, the locks and dams are critical and important for the efficacy of river travel and trade.

In response to a question asked by Representative Smith, Mr. Wright stated on a national level for container movement, Kentucky is many times not an option due to many shippers only allowing containers to leave major port areas for a certain number of days, and the time it takes

for those shipments to reach Kentucky ports often exceeds that allotted timeframe. He added St. Louis is currently attempting to initiate a program that includes a faster shuttle boat for container movement on the inland river system. Mr. Wright added the sheer volume needed to fill barges up to their entirety for those runs to and from the larger ports is also an issue that Kentucky faces. In response to a follow-up question asked by Representative Smith, Mr. Wright stated most of Kentucky's riverports have an active foreign trade zone.

In response to a question asked by Chairman Howell, Mr. Wright stated one of the challenges with rail and container movement is that a Kentucky riverport cannot remove a container off of a rail chassis or place a container back on a rail chassis, that must be done by employees of the rail line at those locations. He added Riverport employees have the ability to remove containers off of the river, unload them, load them, and return them to the river, but they cannot touch the rail portion of the shipments. In response to a follow-up question, Mr. Wright stated if there was a demand for a larger volume of goods being shipped, there is a possibility to coordinate with the rail line to have an employee placed at the port to oversee the loading and offloading of the rail chassis.

In response to a question asked by Chairman Howell concerning economic development of particular communities with riverports, Mr. Wright expressed the importance the aluminum industry has on the Owensboro community. Last year the Owensboro Riverport handled a record tonnage of aluminum. Owensboro services products for major companies such as Commonwealth Rolled Products, Southwire, and Logan Aluminum. Mr. Wright stated the Owensboro Riverport ships approximately 1,500 tons a day and in order to ship that amount, local drivers are needed to make approximately three round trip runs per day, which equates to 60 to 90 trucks of employed drivers. Mr. Wright stated to his knowledge it has not been discussed to build on the relative density of aluminum production in the particular area to recruit additional users, suppliers, and manufacturers of aluminum products, adding there is a big opportunity to do so. As a major aluminum consumer, Kentucky's riverports have the London Metal Exchange and the Chicago Mercantile Exchange as backstops for the aluminum commodity, because aluminum is market driven and traded frequently.

Riverports also support local economic development through the movement of commodities, the ability to handle different products on the river, and the ability to have rail connections at sites. Mr. Wright gave an example of heavy steel pipe being brought in on rail that was to be transferred and moved for usage on a job for a gas company. Due to permitting needs and the difficulty of moving the pipe by truck, the pipe needed to be moved by barge or rail. Mr. Wright gave another example of economic development, the transport of copper. Copper comes from the far west and there is an inventory system made to be closer to the Midwest to supply end-users.

In response to a question asked by Chairman Howell concerning action needed in order to help Owensboro meet increasing demands, Mr. Wright stated they typically evaluate improvements needed internally, then look outward. He added there are some major aluminum consumers throughout the state that are looking for other ways they can connect statewide to grow their business long-term. He added it is his perspective that there needs to be better communication through the Cabinet for Economic Development (CED) and to let the riverports help, to the best of their ability. in order to connect larger riverports with industries across the Kentucky. Mr. Wright stated CED reaches out to the riverport not for capacity issues, rather, for potential land usage, or for river/rail combination use. He added in regard to utilizing existing capacity at

riverports across the state, he is unsure if the level of understanding is there for Kentuckians to know what those riverport capacities are. Mr. Wright added that more education and awareness would address the issue so that collectively as a state, we can learn how to utilize multimodal transit.

In response to a question asked by Chairman Howell concerning businesses using riverport equipment, Mr. Wright stated the equipment could be used for an hourly rate, and the riverport has specialized operators that run the equipment with that company's supervision. He added the riverport may also tandem lift a larger piece with a third-party company utilizing the riverport's crane and operator.

In response to a question asked by Co-Chair Miles, Mr. Wright stated there is a reactive strategy taken to economic development of the riverports, but not necessarily a proactive strategy.

In response to a question asked by Chairman Howell, Mr. Wright stated there needs to be clear direction on how economic development is tied into the riverports and multimodal transport, and how investments could be made to benefit the Commonwealth. Ms. Kirchner stated the KAR and KBT have started discussions, but for long term results, it is going to take a bigger perspective to define how that should look.

Riverport Operations and Issues Specific to Smaller Riverports

Amanda Davenport, Executive Director, Lake Barkley Partnership for Economic Development, Member, Water Transportation Advisory Board - Eddyville Riverport Operations and Greg Curlin, Vice Chairman, KAR, Port Director, Hickman-Fulton Co. Riverport Authority briefed the task force on riverport operations and issues specific to smaller riverports.

The Eddyville Riverport and Industrial Development Authority (ERIDA) was established in 1976 by the cities of Eddyville and Kuttawa, and Lyon County. In 2002, the riverport combined with the Industrial Development Authority, making ERIDA, the only board in Kentucky to own and operate both the riverport and industrial park. The riverport industrial aspects focus on agriculture, maritime operations, and tourism, and directly supports 200 jobs. The riverport indirectly supports 3,200 agriculture jobs. The industrial park focuses on trucking and chemicals, with target industries in electronic vehicles (EV), plastics, and small manufacturing. The leasing of facilities and land, as well as per ton throughput charges generate revenue for the port. From 2019 to 2021, \$1.6 million in capital investment was received; \$900,000 at the riverport, and \$700,000 at the industrial park. In 2021, the Port Infrastructure Development Program (PIDP) Small Port Grant of \$6.1 million was received including \$5.9 million in federal funds with \$1.2 million in local match funding.

Ms. Davenport stated the riverport hinterland industrial aspects include a chemical complex in Calvert City, Ascend Elements in Hopkinsville, Envision Battery in Bowling Green, BlueOvalSK Battery in Glendale, and BlueOval City in Stanton, Tennessee. In conclusion, Ms. Davenport stated Kentucky Riverports are in a perfect position to continue the growth of record-breaking economic development projects across all regions and industries in Kentucky.

In response to a question asked by Representative Freeland, Ms. Davenport stated ERIDA is in the process of attempting to acquire property from the U.S. Corps of Engineers to obtain more waterfront by cutting an inlet. She added that the inlet is a better way to utilize the space as it allows use of the land already owned and creating more water frontage without having to go

through the Corps. She added that Eddyville is unique in that it is on a lake and not on a river. Because of that, fluctuating water levels and currents are not as much of an issue therefore they are able to operate differently than other ports on bigger rivers.

In response to a question asked by Chairman Howell, Ms. Davenport stated cutting an inlet involves digging a large trench and cutting some rock to create a large, engineered hole. This inlet will be big enough to hold approximately three barges. She added they are not far enough along in the process to be able to identify businesses for possible usage of the inlet, however, one of their tenants is a barge construction facility and it may prove beneficial to relocate them to the inlet.

In response to a question asked by Chairman Howell, Ms. Davenport stated Eddyville is a very small city, but because of its location to I-69 and I-24 there is access to a population of approximately 800,000. Therefore, when industrial prospects arise workforce availability is not a significant challenge because of road access. Because there is both rail and the river access, ERIDA can compete for bigger scale projects that most communities that size would never acquire.

In response to a question asked by Co-Chair Howell, Ms. Davenport stated when a company wants to bring a project into Kentucky, they express their needs and then the state project manager with CED sends those leads out to the communities that are able to meet those needs. The company then compares sites not only across Kentucky, but across multiple states before one is chosen. She added another advantage Eddyville has is a lower cost of living because of it being a rural community.

Mr. Curlin stated a majority of business at the Hickman Riverport is the loading of grain and other agriculture products. Funding for the riverport, which was established in 1977, is mostly spent on maintenance, and growth has been difficult for the port due to lack of opportunities. Mr. Curlin stated Hickman Riverport supplies goods to industries, and they own their own crane which was replaced in 2012. Hickman sees approximately 1.3 million tons annually rotating through the riverport. Contributing to that tonnage is the neighboring agricultural company and a grain company close by.

Because of the location of the Hickman Riverport on the Mississippi River, dredging is used, and locks and dams are not present. The disadvantage is that there is silt or sand present. The riverport collaborates with the U.S. Army Corps of Engineers out of Memphis, Tennessee to keep the harbor open. The U.S. Coast Guard and a ferry are also present at the port.

Mr. Curlin stated the riverport has a crane and a second conveyor that cannot currently be utilized at the same time, and that issue needs to be resolved. He stated business is turned away based on the inability to operate those two things simultaneously. He reiterated that CED does not reach out to the riverport for opinions on how to best serve the community or how to bring more industry in. He stated CED asks what the riverports are capable of, and they do their best at completing those tasks.

Mr. Curlin stated there are industries in Hickman or Fulton County that require products to be loaded off the river such as steel wire or electrodes that require petroleum coke. He added the

Hickman Riverport is not a good fit for a company looking to be established for economic development because the resources are not currently there. The riverport does have access to rail and road, specifically access to I-69 and a Union City connection in Tennessee. Mr. Curlin stated there is short line rail into the riverport, but that it could be improved.

Mr. Curlin stated the upgrade to their conveyor is the first priority and the second priority is warehousing, as requests are consistently being made for warehousing needs. Hickman Riverport does not handle aluminum, but most other materials and products are handled there on a small scale. The riverport directly employs 12 people. He added his personal job duties may include helping drive a forklift on a barge one day and being in a meeting the next. Hickman Riverport has applied for the PIDP grant like Eddyville and Paducah have previously and they are looking forward to the possibility of receiving that grant funding to help with the conveyor upgrade.

In response to a question asked by Representative Smith, Mr. Curlin stated the PIDP grant is an 80 percent, 20 percent match and they are focusing on how to fund that.

In response to a question asked by Chairman Howell concerning the conveyor belt upgrade needs, Mr. Carlin stated Cargill is needing the upgrade. Cargill has been there for approximately 30 years and they are behind due to running a smaller belt. He added the belt is approximately 1,200 feet long and spans a long distance across I-94 to the river. It is an extremely important piece of equipment and they must have security that there will be an upgrade, or they may look elsewhere to continue their operation. The conveyor belt used to handle eight million bushels and now handles over 18 million bushels, showing an increased demand, but the ability to meet that demand must be met.

In response to a question asked by Chairman Howell, Mr. Curlin stated the KRI Grants are used by the riverports, but the timeframe riverports have from when they receive the grants to the time the money must be spent is not enough time for a big project to be completed. Because of this, it is impossible to put any funds toward the conveyor upgrade project because that project will take approximately two to three years to complete. Mr. Curlin added companies are wanting to issue longer-term contracts, and currently the contract terms are limited to 20 years.

In response to a question asked by Chairman Howell, Mr. Curlin stated the use of older equipment has caused the funding received to be used for maintenance rather than for investing in new equipment. Ms. Kirchner added that rearranging the allocation of funds and investing in the riverports makes good sense and is good policy.

In response to a question asked by Representative Blanton, Ms. Kirchner stated the \$500,000 allocation from the KRI grant program has been that same amount since 2013, and that the Riverport Financial Assistance Trust Fund was established but never funded.

In response to a question asked by Chairman Howell, Mr. Curlin stated Hickman is one of three still water ports on the Mississippi River. He added safety is a big advantage to being a still water port because current is not as much of an issue as a main water channel.

Adjournment

With no further business to come before the task force, Chairman Howell adjourned the meeting at 4:59 P.M.