

H.R. 1908
Investing in America:
Unlocking the Harbor Maintenance Trust Fund
Introduced by
Ways and Means Committee Member Mike Kelly and
T&I Committee Ranking Member Peter DeFazio
April 5, 2017

EXECUTIVE SUMMARY

H.R. 1908, the “Investing in America: Unlocking the Harbor Maintenance Trust Fund Act”, provides more than \$18 billion in investment for our Nation’s coastal and inland harbors over the next decade without raising one more dime in taxes.

This **bipartisan bill** ensures the use of the Harbor Maintenance Trust Fund for its intended purpose—maintaining our commercial harbors—instead of using the funds to hide the size of the budget deficit. By taking the Trust Fund off budget and allowing the expenditure of Harbor Maintenance Tax revenues collected each year, the legislation provides more than \$18 billion over the next decade, which is a **29 percent increase** in investment and will enable the U.S. Army Corps of Engineers to dredge **all** Federal commercial harbors to their constructed widths and depths. The bill also **preserves Congress’ authority to appropriate additional funds** for harbor maintenance needs from the existing \$9 billion balance in the Trust Fund.

HARBOR MAINTENANCE BACKLOG

According to the U.S. Army Corps of Engineers (Corps), full navigation channels at our Nation’s busiest 59 ports are available less than 35 percent of the time—and the conditions of our midsize and emerging harbors are far worse. With the opening of the expanded Panama Canal in June 2016, larger container ships will increasingly call on East and Gulf Coast ports, and the dredging needs of our ports will continue to grow.

In January 2017, the Corps estimated the total cost to achieve and maintain constructed widths and depths of all Federal navigation projects is **\$20.3 billion** over the next decade. This estimate includes:

- \$11.0 billion—to achieve full dimensions in the next five years (\$2.2 billion annually); and
- \$9.3 billion—to maintain these dimensions for an additional five years (\$1.9 billion annually).

Moreover, total Corps navigation needs are likely higher. The Corps’ \$20.3 billion estimate includes additional expenses related to navigation work (e.g., construction of dredged material placement facilities and other navigation infrastructure). However, this estimate does not likely include all necessary jetty and breakwater work or other needs identified by ports to maintain and expand harbor use nationwide.

HARBOR MAINTENANCE TRUST FUND

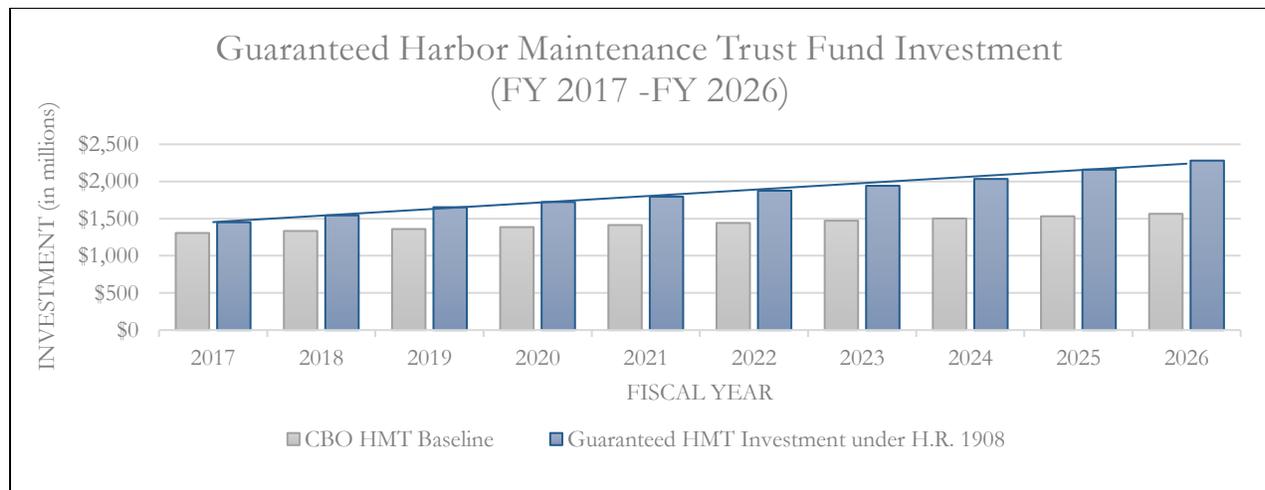
In 1986, Congress enacted the Harbor Maintenance Tax to recover the operation and maintenance dredging costs for commercial ports from maritime shippers. The Harbor Maintenance Tax is directly levied on importers and domestic shippers using coastal or inland ports as a 0.125 percent *ad valorem* tax on the value of imported cargo (e.g., \$1.25 per \$1,000 value)¹ and is typically passed along to U.S. taxpayers on the purchase of imported goods or services. These revenues are deposited into a Harbor Maintenance Trust Fund within the U.S. Treasury from which Congress currently appropriates funds to the Corps for harbor maintenance dredging.

The Harbor Maintenance Trust Fund collects far more revenues from shippers than Congress has appropriated to the Corps to maintain our harbors, with approximately **\$9 billion in already collected revenues sitting idle in the U.S. Treasury**. As a result, shippers continue to honor their commitment to pay for promised maintenance activities that the Federal Government then fails to carry out. To be clear, there are sufficient funds in the Trust Fund to meet the maintenance dredging needs of all Federally-authorized ports. The problem is that these funds, which were collected for this express purpose, are diverted to hide the size of the budget deficit.

According to the Congressional Budget Office (CBO), the Harbor Maintenance Trust Fund will collect \$18.5 billion in new revenues over the next decade—in addition to the estimated \$8.8 billion in previously collected but unspent revenues in the Trust Fund. Yet, according to CBO, Federal appropriations from the Trust Fund over the next decade are only expected to total \$14.3 billion, and would result in the balance of the Trust Fund doubling—reaching \$17.2 billion in fiscal year 2026.² Under this scenario, the maintenance needs of commercial ports will continue to go unmet.

INVESTING IN AMERICA: UNLOCKING THE HARBOR MAINTENANCE TRUST FUND

H.R. 1908 **provides more than \$18 billion from the Harbor Maintenance Trust Fund** over the next decade for the intended purposes of maintaining our commercial harbors.



¹ The Harbor Maintenance Tax initially applied to both imported and exported goods; however, in 1998, the U.S. Supreme Court unanimously held that imposition of the tax on exported goods was a violation of the U.S. Constitution.

² Even if Congress appropriates the discretionary targets outlined in the Water Resources Reform and Development Act of 2014 (P.L. 113-121), the balance of the Harbor Maintenance Trust Fund continues to increase from its current level.

As the bar chart above demonstrates, the bill provides significant additional funds to the Corps to address the backlog of maintenance dredging needs of our commercial ports. If Congress simply dedicates the expected receipts to the Trust Fund over the next decade for their intended purposes, **we will invest more than \$18 billion** in our critical port and harbor needs—and all of this work could be performed without raising one dime more in taxes. At the same time, Congress may continue to appropriate funds from the almost \$9 billion balance in the Trust Fund to ensure the Corps has sufficient funds to address all identified annual maintenance needs.

The *Unlocking the Harbor Maintenance Trust Fund Act* honors our long-term commitment to U.S. shippers and taxpayers, maintains and improves the competitiveness of U.S. businesses and industry, and creates and sustains thousands of additional construction jobs and jobs dependent on a vibrant and efficient marine transportation system.³

**H.R. 1908, THE INVESTING IN AMERICA:
UNLOCKING THE HARBOR MAINTENANCE TRUST FUND ACT**

To honor the Federal commitment to U.S. shippers and taxpayers, to ensure the competitiveness of U.S. commercial harbors, and to create and sustain thousands of jobs, H.R. 1908:

- Provides more than \$18 billion in infrastructure investment for our Nation’s coastal and inland harbors over the next decade without raising one more dime in taxes;
- Takes the Harbor Maintenance Trust Fund off budget; and
- Preserves Congress’ authority to appropriate additional funds for harbor maintenance needs from the existing \$9 billion balance in the Trust Fund.

³ According to a 2014 American Society of Civil Engineers (ASCE) report, if the U.S. simply maintains its current levels of investment in its marine transportation system, by 2020, there will be an estimated 738,000 fewer jobs in the U.S.— jobs that will be lost due to America’s lack of competitiveness in global trade and because U.S. households will be spending more for the imported goods and commodities moving within the U.S. along its inland waterways. That number increases to potential job losses of 1.4 million jobs by 2040. *See* http://www.asce.org/airports_inland_waterways_and_marine_ports_report/