CREATE GOOD JOBS BY MOVING THE HARBOR MAINTENANCE TRUST FUND OFF-BUDGET

With the Panama Canal expansion project complete, U.S. East and Gulf Coast ports are seeing an increased demand for their services as new, larger ships enter the market for cargo shipping. However, as ports seek to remain competitive in a global marketplace, the design failures of the Harbor Maintenance Trust Fund (HMTF) continue to hold back needed investments to keep ports active. TTD calls on Congress to end the harbor maintenance backlog that chokes off economic activity by taking the Trust Fund off budget.

Our ports are a unique component of transportation infrastructure system that facilitate U.S. and international trade and are responsible for $4.6 trillion in annual economic activity – approximately 26 percent of the entire U.S. economy. From a jobs perspective, port activity generates over 23 million jobs throughout the nation and sustains well over a million jobs for port-specific employment in the longshore, dredging construction, and trucking industries.

The 2016 completion of the Panama Canal's Third Set of Locks Project has created a near and long-term surge in demand for East and Gulf Coast port calls. By doubling the canal's capacity and increasing its depth, the project has led to a greater number of new, large ships – commonly known as Neopanamax and Post Panamax – and created increased interest in moving cargo directly to U.S. Gulf and East coasts. This increased demand, coupled with the growth in ship size, have created great opportunity but also increased strain. New port depth requirements of at least 50 feet require substantial financial outlays to meet dredging needs. At present, only six East and Gulf ports are capable of accommodating these news ships. More broadly, full navigation channels at our Nation's 59 busiest ports are available less than 35 percent of the time. According to the U.S. Corps of Engineers, meeting constructed widths and depths of all federal navigation projects will require $20.3 billion over the next decade; deepening port depths to meet neo and post panamax ships only increases these already unmet costs. Compounding this problem is an increase in overall shipping volume, with economic forecasts showing a 45 percent freight traffic increase by 2045.

Amid this backdrop, the primary federal means for funding port dredging needs – the HMTF – is failing to meet demand because of the unique budgetary treatment of the Trust Fund. In 1986, Congress established the Harbor Maintenance Tax – a 0.125 fee levied on imported cargo – in order to pay for "the eligible operations and maintenance costs associated with commercial navigation of all harbors." However, the HMTF – unlike other federal trust funds, including the Highway Trust Fund – may only be utilized with an appropriation by Congress. Rather than simply appropriating the amount of money collected by the HMT directly to harbor maintenance, Congress has diverted a significant portion of that revenue to other parts of the federal budget.

Under current budget rules, the HMTF revenue is scored as federal receipts, and Trust Fund expenditures are scored as current-year expenditures. As a result, when a surplus of funding exists – as it has since 2003 – the money has been used to help balance the budget or meet other needs. This backwards system in which taxes levied on shippers to pay for harbor needs are redirected to other, non-germane priorities has resulted in as little as half of HMT funds actually being spent on harbor maintenance.

Recent Congressional developments have helped move the ball forward on reform. Section 2101 of the Water Resources Reform and Development Act of 2014 set targets for appropriators in order to increase HMTF expenditures. This brought long-overdue focus to the problems plaguing the Trust Fund; however, the targets are non-binding and have allowed appropriators to ignore spending levels set by the bill. More recently, section 108 of the 2016 House WRDA bill moved the Trust Fund from the discretionary budget to mandatory spending to ensure all taxes are returned to harbor maintenance needs. This provision, which TTD endorsed, was stripped from the bill, allowing the status quo to continue. Thankfully, Representatives Peter DeFazio (D-OR) and Mike Kelly (R-PA) introduced bipartisan bill, H.R. 1908 – the Investing in America: Unlocking the Harbor Maintenance Trust Fund Act – that would guarantee money intended to dredge the nation's coastal and inland commercial ports would go toward harbor maintenance.

This bill should be the centerpiece of any water resources reauthorization or broader infrastructure package considered by Congress this session. By moving the program "off budget" as a mandatory spending item, the bill would provide a 29 percent increase in harbor maintenance funding and unleash an additional $18 billion above baseline spending over the next 10 years. This would ensure all federal commercial harbors would be dredged to their fully allowed widths and depths. The bill would also preserve Congress' authority to appropriate additional funds for harbor maintenance needs from the outstanding $9 billion balance sitting in the Trust Fund. Taken together, this commonsense approach ensures all harbor maintenance dollars are spent on their intended purpose and the growing needs of our East and Gulf Coast ports are met.

As the United States seeks to assert itself in a 21st century global economy, the competitive strength of our ports is central to meeting market demand for trade. For our ports – particularly those in the East and Gulf coasts – the federal government needs to provide greater resources for harbor maintenance. By moving the Harbor Maintenance Trust Fund off budget, we can accomplish these goals while simultaneously creating good-paying jobs in the longshore and port dredging industries.

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