AAPA HMT Proposal
H&N Committee Briefing

September 27, 2018
AAPA’s HMT Legislative Proposal

• AAPA represents 80 U.S. Ports
• Harbor Maintenance Tax has been a long standing issue for Ports – want to see the tax used for its intended purpose
• Agreement among AAPA members reached in January 2018
• Guaranteed annual use of full HMT Budget Resources – HMT collections and interest on past unappropriated funds
• Legislative language has been drafted
• For the agreement to become legislation Congressional Appropriations and Budget Committees need to understand and support (or not object)
• This proposal is being coordinated with Appropriations Committee staff
Presentation Goals

• Enable Navigation supporters to be able to explain and convince Congressional members to support this legislation

• Recruit Congressional champions from both parties

• Goals achieved by

  • Helping supporters understand AAPA’s HMT approach
  • Providing information to serve as a quick reference
When Appropriators ask ‘Why revise HMT funding?’

• To assure Appropriators have the full amount of HMT revenues automatically available to them each year.
• To consistently use the HMT for its intended purpose like other Transportation modes – Highway and Aviation
• To provide appropriators with more discretion in funds distribution than with other transportation modes
• To take budget cap pressure off of HMT funding
• To provide additional tools for appropriators to fund specific navigation asset groups and geographic regions
• To balance appropriators control with an authorization structure to fix the HMT problems
AAPA’s HMT Appropriation – Present

Appropriations Committee
Energy and Water Subcommittee

President’s Budget Request

302(b) for Energy and Water Appropriation

Corps/Navigation/ HMT funding

Energy and Water Appropriation*

FY19 Coastal Nav O&M Congressional Programmatic Funds:
Navigation Maintenance ($23.9M);
Deep Draft Navigation ($475M);
Emerging Harbors ($54M); and
Donor and Energy Transfer ($50M)

*FY 2019 Energy and Water appropriation is 91% of annual HMT budget revenues

Concern for Congress’ ability to appropriate full HMT revenues in the future

Under current approach Congress gives Administration considerable discretion on programmatic funds distribution
Current Situation: Budget Caps

• Appropriators have been able to fund over 90% of HMT revenues using part of the $10 billion annual additional infrastructure funding from FY 2018 and 2019 budget agreement

• Budget caps place great pressure on Appropriators for achieving full HMT spending

• AAPA’s legislative approach would remove HMT funds from the discretionary spending budget cap, provided the annual revenues were fully appropriated and followed a funding framework.
AAPA HMT Proposal – Funding Framework

1. Use full annual HMT Budget Resources
2. Apply Maintenance and Donor and Energy Transfer (D&ET) funding percentages
3. Assure at least 10% of total HMT budget resources to Emerging Harbors (expands present practice)
4. Assure at least 10% of total HMT budget resources to each of 6 regions (remain consistent with past practice)
5. Implement Phase II and III transitions when appropriate
### Appropriators Programmatic Funding Directives Could Be Expanded Under AAPA Approach

<table>
<thead>
<tr>
<th>Geographic Regions</th>
<th>Navigation Project Groups</th>
<th>Navigation Asset Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>• North Atlantic</td>
<td>• High</td>
<td>• Channels</td>
</tr>
<tr>
<td>• South Atlantic</td>
<td>• Moderate</td>
<td>• Coastal Structures – jetties, breakwaters, groins, etc</td>
</tr>
<tr>
<td>• Gulf of Mexico</td>
<td>• Emerging</td>
<td>• Dredged Material Placement Facilities</td>
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<tr>
<td>• Great Lakes</td>
<td></td>
<td></td>
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<tr>
<td>• North Pacific</td>
<td></td>
<td></td>
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<tr>
<td>• South Pacific</td>
<td></td>
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</tbody>
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Result: Appropriators could use these categories to provide a funding table
AAPA’s HMT Proposal – Spending Structure

3 Phases - Transition as Projects progress to fully maintained

Phase I
90/10
Maint/D&ET

Phase II
85/15
Maint/D&ET

Phase III
80/20
Maint/D&ET

Projects are ‘fully maintained’ per FACA report*

Phase transitions are gradual to avoid reduction in maintenance funding

Maintenance funding includes Emerging Harbor and regional distributions

Donor and Energy Transfer Ports (D&ET) as designated in WRRDA Section 2106

*Corps annually assesses progress towards achieving ‘fully maintained’ status, reporting to FACA that informs Congress
AAPA’s HMT Proposal – Phase Transition

When HMT budget resources exceed $1.58 billion

Phase I
90% Maint, 10% D&ET

HMT Budget Resources up to $1.58 billion distributed 90/10

Phase II
Transition Begins

Amounts over $1.58 B distributed 25% Maint and 75% D&ET until...

Phase II Transition complete when 85% Maint and 15% D&ET achieved

Example: HMT Budget Resources are $1.7 billion

$1.58 billion distributed
$1.422 B Maintenance and $158 M D&ET

$120 million ($1.7-$1.58) distributed $30 M Maint and $90 M D&ET

Total is $1.7 B:
$1.452 B Maintenance $248 M D&ET

Note: This approach is to be applied to the transition into Phase I 90/10 for Maint/D&ET
In AAPA’s proposal Emerging Harbors receive at least 10% of HMT budget resources*

WRRDA requires 10% of FY 2012 HMT funding level to emerging Harbors, $89.9 M

Emerging Harbors is an existing nationwide evaluation

Regional distribution of maintenance funds to assure (6) areas each receive at least 10% of HMT budget resources

This was established to assure historical funding in various regions continues

*10% of HMT budget resources equates to 11.1% of Maint funds in Phase I, 11.8% in Phase II and 12.5% in Phase III
AAPA’s HMT Proposal – Regional $ Basis

<table>
<thead>
<tr>
<th>REGION</th>
<th>FY 2017 O&amp;M $ M</th>
<th>%</th>
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<tbody>
<tr>
<td>Great Lakes</td>
<td>155.1</td>
<td>13</td>
</tr>
<tr>
<td>North Atlantic</td>
<td>203.9</td>
<td>17</td>
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<tr>
<td>South Atlantic</td>
<td>150.5</td>
<td>13</td>
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<tr>
<td>Gulf</td>
<td>302.2</td>
<td>25</td>
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<td>North Pacific</td>
<td>150</td>
<td>12</td>
</tr>
<tr>
<td>South Pacific</td>
<td>131</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>109.3</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>1202</td>
<td>100</td>
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</table>

- Regions are defined in AAPA legislative draft
- 10% per Region agreed upon across AAPA as a funding ‘floor’
- D&ET funding is not part of regional funding calculation
AAPA’s HMT Proposal – Funding Mechanism

How does this work within the Budget Control Act?
What is the pay-for?
Does this score w/CBO?
AAPA’s HMT Legislative Proposal – **Next Steps**

- Educate and Advocate
- Need legislation champions
- Get Appropriations and Budget Committees on board
- Congressional PORTS Caucus presentation
- Grassroots campaign by navigation supporters – ports, companies, associations
- Seek bipartisan support of Congressional members on Dear Colleague letters, etc
- 2019 legislative vehicle – tax bill, infrastructure legislation, next WRDA
- Track Port Reps contacts with Congressional offices and gauge support
AAPA’s Legislative Proposal – 3 Key Take-aways

• Guarantees full use of annual HMT budget resources
• Establishes a funding framework that provides flexibilities for Appropriator distribution decisions
• Addresses Port funding concerns for equitable distribution