

**Hearing Before the U.S. House Committee on Transportation and Infrastructure
Subcommittee on Water Resources and Environment**

The Cost of Doing Nothing: Why Full Utilization of the Harbor Maintenance Trust Fund
and Investment in Our Nation's Waterways Matter

April 10, 2019

Comments for the Record
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HVC-210, Capitol Visitor Center

9:30 AM

Fixing our nation's infrastructure is one of the highest priorities for Congress, the Administration and the American people. We commend Chairman DeFazio for his leadership on this issue. Ports are a critical part of our U.S. economy. America's seaport activity accounts for 26 percent of the economy, supports nearly 31 million U.S. jobs and provides \$378 billion in annual federal, state and local tax revenues. Our nation depends on seaports to support our standard of living in every category of economic activity including U.S. manufacturing, agriculture and overseas deployment of the U.S. military. In addition, the amount of freight moved in the U.S. is projected to grow 15 percent by 2045, and America's trade volume is expected to quadruple after 2030.

Landside and waterside investments are critical to building America's 21st century seaport infrastructure. The American Association of Port Authorities (AAPA) has highlighted \$66 billion in federal need over the next decade for port-related infrastructure. About half of that need, \$33.8 billion, is for waterside investments. \$27.6 billion is needed to maintain our deep-draft navigation channels, paid for by releasing the \$9.5 billion balance in the Harbor Maintenance Trust Fund (HMTF) and approximately \$1.8 billion in annual Harbor Maintenance Tax (HMT) revenues. There is also a great need to modernize or deepen deep-draft navigation channels to serve the current size of vessels using our ports. AAPA calls for an investment of \$6.2 billion, of which \$3.1 billion is the federal share of the 15 current Congressionally authorized construction channel improvements approved by this Committee. Another \$3.1 billion is the federal share of projects undergoing feasibility studies. We appreciate this Committee's commitment to passing water resources legislation on a two-year schedule and hope this can continue in the future.

Another critical part of fixing our nation's seaport infrastructure relates to passing a long-term funding solution for port maintenance. As noted above, the majority of the federal waterside needs relate to maintaining our nation's ports. The HMT is paid by shippers to ensure our nation's ports are well maintained. Unfortunately, while the 2014 Water Resources Reform and Development Act (WRRDA) and the 2016 Water Infrastructure Improvements for the Nation Act (WIIN) put us on a path to full use, Congress is still short of fully using current HMT revenues, and there is no plan to spend down the \$9.5 billion balance in the HMTF. We appreciate that the FY 2019 Corps of Engineers appropriations provided the Corps of Engineers 91 percent of HMT revenues. This is up from 50 percent when WRRDA 2014 was passed. However, it is unclear if Congress can continue to increase funding from the HMTF without a funding solution that provides a mechanism to allow for the spending of prior year collections of the HMT.

Now is the time to provide a long-term funding solution for port maintenance. One that makes full use of the HMT more permanent. It is also important to address the underlying problems with the HMT. This includes addressing tax fairness and cargo diversion problems. To aid you in building a stronger system, AAPA has developed a comprehensive proposal that is based on four pillars to fix the system:

- Full use of HMT revenues;
- A funds distribution framework that makes permanent and expands donor and energy transfer port funding, as well as expands the allowable in-water use of these funds;
- Minimum regional funding assurances based on historic funding; and
- Emerging harbors funding that updates the provisions in WRRDA 2014 and WIIN 2016 to guarantee no less than 10 percent to these harbors.

This proposal is based on years of discussion within the Association. The goal was to bring together ports that wanted a sustainable way to ensure full use of future HMT revenues with ports who wanted a more equitable funding structure. What resulted is a funding structure that provides benefits for all ports.

This is a U.S. port industry proposal to fix a broken system. It is a comprehensive proposal that allows 100 percent of taxes collected from shippers to be provided to our nation's seaport infrastructure and support our international competitiveness. It is a long-term solution that fixes an unequal system and addresses the health and well-being of our seaport water highways that are critical to competitively exporting U.S. goods and delivering raw material components and consumer products to Americans. HMT collections to restore and maintain U.S. water highways complement the \$155 billion in port related capital investments planned by local public ports and their private sector partners to assure safe and efficient freight movement.

To give you a bit of perspective on how this proposal was developed, the U.S. members of the AAPA debated the usage and fairness of the HMT for years. In early 2013, our members agreed to Water Resources Guiding Principles including reforms to the HMT. We were happy to see that many of these principles were reflected in the final WRRDA 2014 and WIIN 2016.

Discussions about HMT reform, however, continued in our Association for the next five years, as the principles did not include specific recommendations on how to achieve the principles. In January 2018, AAPA leadership adopted a policy agreement that was developed by the broad membership. It was based on the original principles, and also incorporated provisions from WRRDA and WINN related to funding being received by emerging ports and energy transfer ports. In crafting this agreement, AAPA was careful to balance the interests of our entire membership. Interests from each port stakeholder group were at the table and included in the AAPA agreement: maintenance ports, regional ports, smaller ports, donor ports and energy transfer ports. What emerged from those negotiations was a partnership to advocate together for a broad reform package that would incorporate all the pillars noted above. By joining forces on a joint proposal developed by those responsible for ensuring the continued success of our nation's marine infrastructure, AAPA members remain hopeful that they can secure Congressional support to fix the most glaring problems with the HMT.

This AAPA agreement includes a funds distribution framework that continues to make traditional maintenance the highest priority. At the first stage, the agreement provides 90 percent for maintenance and 10 percent for donor and energy transfer ports. Within the donor and energy transfer ports allocation, 80 percent would be distributed to donors and 20 percent to energy transfer ports. The rationale for this ratio is that large donor ports do not require much maintenance, while all energy transfer ports use HMT for traditional maintenance. For example, large donor ports account for 50 percent of HMT revenues, but receive less than two percent in return.

During the AAPA debate, there was considerable discussion about when donors should get more funds. While maintenance was a priority, the group agreed to increase the donor funding now in order to increase support for full use of the HMT and provide these ports with flexibility at the port level to ensure their ongoing competitiveness by building on provisions first established in WRRDA 2014.

We appreciate the staunch support of full use of the HMT by Chairman DeFazio and other members of the Committee, and we are thankful that Senator Shelby, Chairman of the Senate Appropriations Committee, has found a mechanism to encourage full use outside of the budget caps. AAPA is supportive of this mechanism and urges it to be broadened to include all the pillars of the AAPA agreement. We believe this broader, comprehensive legislative solution is not only possible, but creates the best chance to achieve full use in this Congress, and we urge you to give strong consideration to the AAPA framework. As I noted above, this framework balances the needs of all ports.

I have attached a summary of the full AAPA agreement for your review. AAPA looks forward to working with both the House and the Senate in crafting a solution that fully reforms the HMT.

Attachment

A Long-Term Funding Solution for Port Maintenance

GOOD FOR PORTS, GOOD FOR THE NATION



FOR U.S. PORTS, MAINTENANCE IS THE HIGHEST PRIORITY

Responsible for over a quarter of United States GDP and nearly 31 million American jobs, a well-maintained port system is vital to the manufacturers, exporters and farmers who count on U.S. ports to move their products to market. Eliminating the diversion of Harbor Maintenance Tax (HMT) funds away from their intended purpose is important to ensure a steady flow of U.S. goods to international markets.

A PORT INDUSTRY SOLUTION TO FIX A BROKEN SYSTEM

After years of underutilizing the HMT, guaranteeing funds collected are dedicated to the U.S. Army Corps of Engineers (Corps) will result in the long-term sustainability of our nation's harbor maintenance needs.

The port industry has agreed on a fair and equitable framework that guarantees full use of the HMT by the Corps, ensures year-to-year funding sustainability and provides the most efficient use of collected harbor maintenance funds.

ENSURING TAX FAIRNESS

The port industry has agreed on a plan that creates a budget incentive to spend 100 percent of the tax paid by shippers to our ports, while providing no additional tax burden on the industry or taxpayers. It assures a fair, equitable and reliable way to ensure the health of this critical part of America's transportation infrastructure.

Under this plan, HMT yearly revenues would be appropriated to the Corps. The plan includes several funding phases to prioritize maintenance, while providing more equity for all ports.

AAPA'S HARBOR MAINTENANCE FRAMEWORK

- A comprehensive solution that provides 100% of taxes collected from shippers to our nation's seaport infrastructure and international competitiveness.
- A long-term solution that fixes an unfair system and addresses the health and wellbeing of our seaport water highways that are critical for delivering goods to Americans.
- All HMT collections to restore and maintain U.S. water highways complement the \$155 billion in port-related capital investments planned to assure safe and efficient freight movement.
- A fair and equitable approach that enables water transportation cost savings to be fully realized by American consumers and U.S. exporters competing in the global marketplace.



- **Six U.S. port regions receive a minimum of 10% of HMT collections for maintenance of high, moderate and emerging harbors – protecting historic shares.**
- **Emerging harbors nationwide would receive a minimum of 10% of HMT collections.****

** Emerging harbors are defined as those harbors that handle less than 1 million tons of cargo annually.

Support the AAPA plan to restore and fully maintain the nation's water highways – with no new taxes!



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A Long-Term Funding Solution for Port Maintenance

GOOD FOR PORTS, GOOD FOR THE NATION

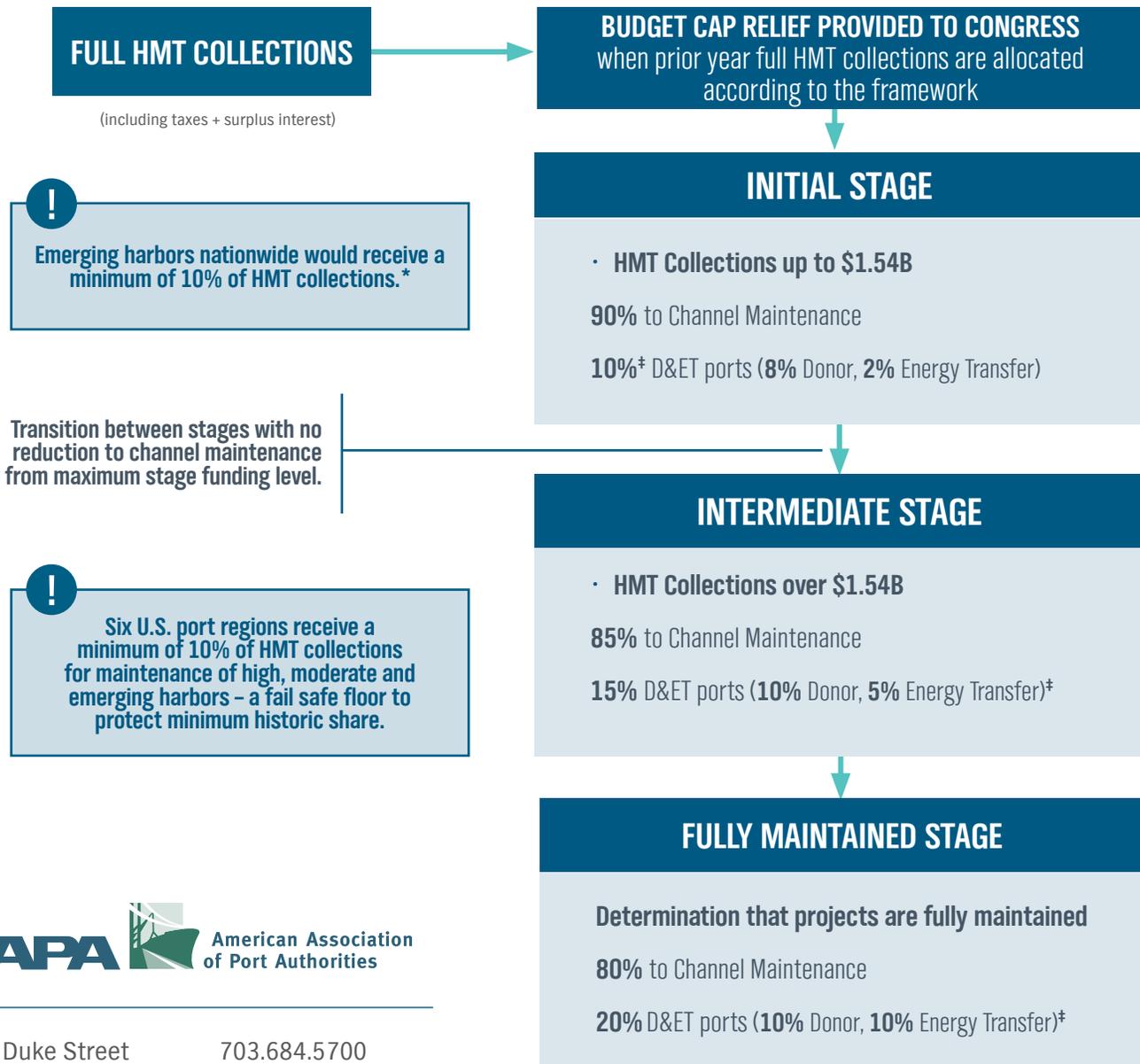


After years of underutilizing Harbor Maintenance Tax (HMT), a comprehensive solution that dedicates full use of the annual revenues to the U.S. Army Corps of Engineers (Corps) will result in the long-term sustainability of our nation's harbor maintenance needs.

The port industry has agreed on a fair and equitable framework that provides full use of the HMT by the Corps, ensures year-to-year funding sustainability and assures the most efficient use of collected harbor maintenance funds. Under this plan, the prior year's HMT revenues would be appropriated to the Corps.

FOR U.S. PORTS, MAINTENANCE IS THE HIGHEST PRIORITY.

A 3-stage plan to restore and fully maintain the nation's water highways using existing revenues – NO NEW TAXES



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* Emerging harbors are defined as those harbors that handle less than 1 million tons of cargo annually.
† Expand HMT eligible uses