

Harbor Maintenance Tax

Background

Prior to 1986, maintenance of federal channels was 100 percent at federal expense. However, as a result of the 1986 Water Resources Development Act, users of federal navigation channels pay into a trust fund an ad valorem tax of 0.125 percent on imports and domestic waterborne shipments between U.S. ports to provide a source of non-federal revenue to perform maintenance dredging. The federal government has not fully utilized the funds for needed maintenance dredging. Rather, it has allowed a large surplus to build up in the trust fund in order to mask the federal deficit or fund other programs not related to ports.

Today's Issue

As a result of federal under-investment, federal channels now have available on average less than 35 percent of the authorized and required channel dimensions. Users have paid sufficient annual revenue into the fund to cover the need. However, today a surplus of more than \$5.6 billion exists in the fund, with annual revenue of more than \$1.4 billion and growing. The annual need for maintenance dredging, which is in the range of \$1.3 to \$1.6 billion, according to the Army Corps of Engineers, is comparable to the funds collected. However, over the past five years, annual expenditures for channel maintenance have averaged less than \$800 million, creating the surplus and leaving users with inadequately maintained channels. Fiscal Year 2009 saw only a temporary increase from stimulus bill funds, which expired in September 2010. Fiscal

Year 2011 has been a challenge as a result of Continuing Resolutions limiting Corps spending on dredging. The net result is increased costs for waterborne transportation users, higher prices to consumers, and reduced competitiveness of U.S. exports in the global marketplace. Jobs and income produced are adversely impacted as well.

The Solution

The Congress must honor its pledge to maintain the nation's ports and harbors with the revenue provided by users. This can be accomplished through a shift in funding priorities in both the Congress and the Administration, given that annual revenue is available, or through legislation that would require that the annual harbor maintenance tax revenue be made fully available to the Army Corps of Engineers for maintenance dredging and related purposes in its annual appropriation.

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