



Realize America's Maritime Promise
Harbor Maintenance Trust Fund Fairness Coalition

HARBOR MAINTENANCE TRUST FUND FAIRNESS INITIATIVE

Monies collected under the Harbor Maintenance Tax should be used for their intended purpose – maintenance dredging of our Nation's ports and harbors – and not simply to mask the federal debt and deficit. The need is particularly acute now, at a time when the volume of trade is exploding and so many federal dredging needs are going unmet.

Background

The Harbor Maintenance Trust Fund (“the Trust Fund”) and its Harbor Maintenance Tax (“the Tax”) were authorized in the Water Resources Development Act of 1986, P.L. 99-662. The purpose of the Tax, a 0.125% *ad valorem* tax levied on cargo imported through federally maintained channels and harbors, is to pay for Army Corps of Engineers operations and maintenance dredging.¹ The Tax is collected by the Bureau of Customs and Border Protection² and directed to the Trust Fund. However, the monies are not immediately eligible for dredging activities. Those monies can only be spent if the funding is actually appropriated by Congress, making the Trust Fund a so-called “earmarked fund.”

The Problem

The problem with the Trust Fund is that far more money is being collected from shippers under the Tax than is actually being spent on dredging projects. In a typical recent year, for example, the Trust Fund collected \$1.3 billion but spent between \$700 and \$800 million. The under-spending problem is so acute that the Trust Fund now has a surplus of more than \$4.7 billion. As such, a significant portion of the Tax revenue is not being used for its intended purpose. Those funds that are collected but not spent on dredging are being held “on the books” for the apparent sole purpose of reducing the size of the federal debt and deficit.

¹ There are a relatively small number of other eligible uses for the Trust Fund monies, including the cost to administer the Trust Fund, costs associated with certain federal agencies and other purposes.

² The Tax is not applied to exports due to a Supreme Court decision in 1998. Therefore, it is only levied on imports and domestic transportation.

Unfortunately, this under-spending comes at a time when there is a desperate need for additional federal operations and maintenance dredging. The U.S. Department of Transportation estimates that world trade, the vast majority of which is transported by ship, will double in the next 20 years. Ships have become bigger, requiring more sustained dredging. Some regions in the United States have maintenance dredging backlogs totaling hundreds of millions of dollars, backlogs that impact both commercial efficiencies and military readiness. One recent publication summarized the situation with the headline, “Waterway Dredging Runs Aground.”

The Proposed Solution

A national coalition of shipping companies, shippers, labor organizations, dredging contractors, ports and other waterway users (“the Coalition”) has come together in an effort to address the inherent unfairness of a system that collects revenues but does not use them for their intended purpose. The Coalition proposes an approach similar to that taken recently with the Highway Trust Fund and the Airport and Airway Trust Fund, where the Congress legislatively enacted “firewalls” around them guaranteeing minimum levels of spending that could only be used to support eligible projects.³ The Coalition also proposes to follow the precedents set in the Highway Trust Fund and Airport and Airway Trust Fund initiatives by including a funding mechanism to ensure revenues into the Trust Fund are expended on an ongoing basis. Such an approach with the Trust Fund would ensure that monies from the Tax would be used for their intended purpose of dredging and not merely for deficit reduction.

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³ The firewall for the Highway Trust Fund was first enacted in 1998, and the firewall for the Airport and Airway Trust Fund was first enacted in 2000.