AMENDED IN ASSEMBLY JUNE 6, 2012

Senate Joint Resolution No. 15

Introduced by Senators DeSaulnier and Fuller
(Coauthors: Senators Lieu and Strickland)
(Coauthors: Assembly Members Brownley, Huffman, Bonnie Lowenthal, Monning, and Wieckowski)

September 7, 2011

Senate Joint Resolution No. 15—Relative to Harbor Maintenance Tax.

LEGISLATIVE COUNSEL'S DIGEST

SJR 15, as amended, DeSaulnier. Harbor Maintenance Tax: Harbor Maintenance Trust Fund surplus.

This measure would urge the President and the Congress of the United States to significantly increase federal funding from the Harbor Maintenance Trust Fund surplus for navigational improvements and continued operational and maintenance dredging in those federal channels that serve California's ports such that these expenditures equal the amounts contributed by California, to halt adding to the surplus in the Harbor Maintenance Trust Fund, and to recognize the role of California's ports in contributing the greatest share of the Harbor Maintenance Tax revenues. This measure would also memorialize the Legislature's support of efforts by California's congressional delegation to obtain an equitable share of all federal port and goods movement infrastructure funding and would encourage those representatives to support measures that will fund the security and facilitation of commercial activity at California's ports.

Fiscal committee: no.

WHEREAS, The State of California is committed to protecting and preserving its ports, and those employed in and around the ports; and

WHEREAS, California supports the safe and reliable transportation of goods into and through the state; and

WHEREAS, California serves as an international commerce gateway between the nation and most of its trade partners and, according to the Kyser Center for Economic Research, over $500 billion in goods ~~annually~~ are moved *annually* into or out of California via all transportation modes; and

WHEREAS, California is the single largest trading entity in the United States, and three of the five largest volume container ports in the United States are located in California; and

WHEREAS, California's ports are responsible for $8 billion of the $20 billion that the United States Customs and Border Protection collects annually in fees and duties, and none of this revenue is reinvested in the state's or country's system for moving goods because customs fees are deposited in the United States General Fund; and

WHEREAS, California's three largest ports facilitate some 40 percent of the nation's maritime trade by value, totaling approximately $375 billion annually; and

WHEREAS, California's ports, harbors, and businesses that depend on federal channels and breakwaters contribute an estimated $40 billion per year to national economic output, 1.6 million jobs, and $21 billion in annual personal income to the United States economy; and

WHEREAS, California has invested billions of dollars raised by private and public sectors, including hundreds of millions of dollars in cost sharing with the United States Army Corps of Engineers to deepen navigation channels, into the development of a ~~world-class~~ *world class* public port infrastructure that is dependent on the proper maintenance of federal navigational channels and breakwaters for which the Congress of the United States created a special tax to fund all of the maintenance; and

WHEREAS, Prior to 1986, maintenance of federal channels was all funded at federal expense; however, as a result of the ~~1986~~ Water Resources Development Act *of 1986*, users of federal navigation channels now pay an ad valorem tax, the Harbor Maintenance Tax, of 0.125 percent on imports and domestic waterborne shipments between United States ports, and this revenue is placed in the Harbor Maintenance Trust Fund to provide a source of nonfederal revenue for funding all of the operations and maintenance dredging necessary to keep navigational channels at proper depths and dimensions; and

WHEREAS, The federal government has not fully utilized the funds available in the Harbor Maintenance Trust Fund for needed maintenance dredging, and, instead, it has allowed a large surplus to build up in the trust fund in order to mask the federal deficit or fund other programs unrelated to ports; and

WHEREAS, The United States Army Corps of Engineers reports that at the nation's 59 busiest ports the full channel dimensions are only available 35 percent of the time and that, based on continued ~~less-than-optimal~~ *less than optimal* funding, critical navigation channels will only be dredged to 20 percent of full channel dimensions; and

WHEREAS, With annual revenue more than $1.4 billion and growing, while the annual need for maintenance dredging is in the range of $1.3 billion to $1.6 billion, the amount of need is comparable to the funds collected and would not produce a sizeable surplus; however, over the past five years, because annual expenditures for channel maintenance have averaged less than $800 million, users have been left with inadequately maintained channels, and a surplus of more than $5.6 billion exists in the Harbor Maintenance Trust Fund; and

WHEREAS, The net results of the surplus and inadequately maintained channels are increased costs for waterborne transportation users, increased greenhouse gas emissions, higher prices to consumers, and reduced competitiveness of United States exports in the global marketplace, ultimately costing those states that rely on trade the most for economic development, precious jobs, and income; and

WHEREAS, The President of the United States, recognizing that 95 percent of the world's customers live outside the United States, has created a National Export Initiative to double the country's total exports in five years, leading to the creation of 2 million new jobs; and

WHEREAS, The National Export Initiative will lead to increased sales of California agricultural and manufactured products if these products can be shipped in a reliable, timely, and cost-effective manner; and

WHEREAS, The Congress of the United States must honor its pledge to maintain the nation's ports and harbors with the revenue provided by users, and the Harbor Maintenance Trust Fund should be fully utilized for its intended purpose of maintaining federal navigation channels and not for any additional uses; and

WHEREAS, Developing and maintaining federal navigation channels is the most historically federal mission of all the missions of the United States Army Corps of Engineers, such that, today, maintaining our federal channels to their authorized and required dimensions remains a critical part of maximizing the contributions the United States Army Corps of Engineers and seaports make to our national economy, the nation's economic security, and competitiveness in world trade; and

WHEREAS, Although California's ports facilitate the cargo value that generates over 30 percent of the Harbor Maintenance Tax revenues, expenditures for California state projects made out of the Harbor Maintenance Trust Fund from federal fiscal year 2005 to fiscal year 2008 averaged only 4 percent of the total revenue collected; and

WHEREAS, Even though only the nation's top two container seaports, in Los Angeles and Long Beach, are presently dredged to their authorized dimensions, Los Angeles and Long Beach are still likely to receive less than a penny in benefits out of the Harbor Maintenance Trust Fund per dollar contributed by them to the fund in Harbor Maintenance Tax revenues; and

WHEREAS, Despite the sizable contributions to the Harbor Maintenance Trust Fund by port activities in the State of California and the large surplus that remains in the fund, the need for additional operations and maintenance dredging continues to persist in harbors throughout California; and

WHEREAS, The present Congress of the United States has introduced House Resolution 104 and Senate Resolution 412, which have called for a solution to the surplus in the Harbor Maintenance Trust Fund by ensuring that the annual revenue collected would be fully used for maintaining the nation's ports and harbors navigational channels at their authorized and required depths and widths and by protecting harbor maintenance taxes already collected for their intended purpose; now, therefore, be it

Resolved by the Senate and the Assembly of the State of California, jointly, That the Legislature respectfully urges the President and the Congress of the United States to significantly increase federal funding from the Harbor Maintenance Trust Fund surplus for navigational improvements and continued operational and maintenance dredging in those federal channels that serve California's ports such that these expenditures equal the amounts contributed; and be it further

Resolved, That the Legislature urges the President and the Congress of the United States to enact House Resolution 104 or Senate Resolution 412 to end further contribution to the surplus in the Harbor Maintenance Trust Fund and to recognize the unique role played by California's ports in generating and contributing the greatest share of the Harbor Maintenance Tax revenues; and be it further

Resolved, That the Legislature supports the efforts by California's congressional delegation to obtain an equitable share of all federal ports and goods movement infrastructure funding generally and further encourages those representatives to support measures that will guarantee that California has the funds necessary to secure and facilitate commercial activity at its many ports; and be it further

Resolved, That the Secretary of the Senate transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, to each Senator and Representative from California in the Congress of the United States, to the Secretaries of the United States Department of Defense and of the United States Department of Transportation, and to the author for appropriate distribution.

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