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“The Harbor Maintenance Trust Fund and the Need to Invest in the Nation’s Ports”

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Thank you Chairman Boxer, Ranking Member Vitter, and Senators for this opportunity to testify on behalf of the Port of Los Angeles, the California Association of Port Authorities (CAPA), and the California Marine Affairs and Navigation Conference (CMANC). I am Michael Christensen, Deputy Executive Director of Development for the Port of Los Angeles. I oversee the capital improvement program, engineering and construction divisions, and environmental management division at America’s largest container port, the Port of Los Angeles. The Port of Los Angeles, together with its neighbor, the Port of Long Beach, handles over 40% of all containerized imports entering the United States. Last year, we handled approximately \$311 billion worth of cargo. This cargo supports approximately 900,000 regional jobs and nearly \$40 billion in annual wages and tax revenues. Nationally, this trade reaches every congressional district in the United States and supports more than 3.5 million jobs. We are not tax supported; instead our revenue is derived from fees from a variety of shipping services.

I am testifying today on behalf of the California Association of Port Authorities, which is comprised of the state’s eleven publicly-owned, commercial ports and is dedicated to maintaining a vigorous and vital port industry in California. I also serve as the Chair of the California Marine Affairs and Navigation Conference, a consortium of California harbors and ports, large and small, and marine interest groups dedicated to optimizing California maritime benefits by supporting the maintenance and improvement of California harbors, ports and navigation projects.

We appreciate the purpose of this hearing as the Harbor Maintenance Tax (HMT) is a critical source of funding for our system of ports and harbors and is essential to keeping our nation competitive in the global economy. With the “Sense of Congress” in support of full use of the HMT that was included in MAP-21 and the changes contemplated in the draft Water Resources Development Act (WRDA), we are encouraged by the steps being taken to improve the HMT.

The maintenance that is funded by the Harbor Maintenance Trust Fund (HMTF) supports a well-functioning navigation system that includes port and harbors accommodating containers, bulk goods, agricultural products, automobiles and fisheries, and serve as critical harbors of refuge. This system not only supports jobs in operations and maintenance, but it facilitates trade that supports jobs throughout the supply chain, reduces transportation costs for American businesses, and keeps prices lower for American consumers.

For these reasons, the California ports support the following:

- 1) Full utilization of HMT revenues for Operations & Maintenance (O&M) purposes;
- 2) Prioritization of HMT funds for use on traditional O&M purposes, including maintenance of federal navigation channels, disposal sites, selected in-water projects (that is, breakwaters, jetties, and groins), and studies;
- 3) More equitable return of HMT funds to the system of ports in California; and
- 4) A cost-share formula for maintenance that reflects the current cargo fleet.

First, we believe HMTF should be fully used for O&M purposes. Appropriations from the HMTF have lagged behind receipts for several years leaving a surplus and deferring maintenance on our nation's system of ports and harbors. Achievement of full use of the HMTF should be an additive in nature. That is, in a given fiscal year, the guarantee of full utilization should not be achieved by taking funds from other U.S. Army Corps priorities. We commend you for including both the "full utilization" and "additive" principles in the draft Water Resources Development Act of 2012 (WRDA).

Furthermore, we do not support use of HMT funds for new construction, including widening, deepening, and new landside projects. Such projects are worthy and essential for our national freight system, and for that reason, we believe the policies that govern funding for such projects should be formed within the context of a national freight policy discussion, not the HMT.

We support a more equitable allocation framework within WRDA. Even if HMT funds are fully utilized for O&M, we believe efforts should be made to increase the funding returned to systems that contribute large amounts to the Harbor Maintenance Trust Fund. One of the reasons we believe in this approach is because users, not ports, pay the Harbor Maintenance Tax. The users of our California ports system, for example, have a reasonable expectation that the money they pay will return to maintain the system of ports and harbors they use. This is not currently the case. In FY 2011, the California ports accounted for 32% (\$431 million) of all Harbor Maintenance Trust Fund receipts (\$1.35 billion). Yet, the California ports system received an average return of 8% (\$54 million). According to the report by the Congressional Research Service, "Harbor Maintenance Trust Fund Expenditures" (January 10, 2011), the Port of Los Angeles alone generated 13.7% of all Harbor Maintenance Trust Fund (HMTF) revenues in 2005, yet it received essentially none of these funds in return.

Based on these facts, we believe an equitable return should be a part of any HMT reform effort. In fact, the American Association of Port Authorities (AAPA) recently adopted an "equity

principle” as part of their HMT reform platform. A funding framework that recognizes two key considerations – the total level of contribution made and the level of funding returned – is helpful and we thank you for including this within the language of the draft WRDA bill.

One of the challenges of achieving a more equitable return is that there are limited O&M uses for HMT funds. The California ports acknowledge the priority that should be given to traditional O&M purposes, but we support application of HMT funds for additional O&M uses. Specifically, we support use of funds for maintenance berth dredging and associated sediment disposal. This provision would allow coastal deep-water ports, like Los Angeles, that don’t experience the same level of siltation as estuarine ports to access slightly more funding. Again, we commend you for including this technical correction to the definition of O&M within the draft WRDA bill.

Lastly, I want to thank you on behalf of all California ports and harbors for supporting a change in the cost share point for maintenance dredging. The 1986 Water Resources Development Act reflects the cargo fleet of the mid-1980s and we are appreciative of your efforts to include language in the draft WRDA that would help to modernize cost-share formulas to reflect today’s international cargo fleet.

In conclusion, thank you again Chairwoman Boxer and Ranking Member Vitter for prioritizing WRDA authorization and allowing me the opportunity to provide testimony on behalf of California ports and harbors. I would like to reiterate our support for full HMT utilization for O&M purposes, equitable return, and updating of cost-share formulas. As you continue to work on reforms to the Harbor Maintenance Tax, the California ports would like to offer our continued assistance and support. I am available for any additional questions.

END TESTIMONY