

# THE BOND BUYER

## Port authorities would benefit from House-passed bill

By

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Legislation overwhelmingly passed by the House 296 to 109 on Monday would free up as much as \$10 billion of federal funding for dredging and other harbor maintenance projects for the nation's ports.

Although the funding would not directly fund capital projects that are financed by bond issuances, the money would provide a new level of assurance for port authorities that the dredging projects which are fundamental to their continued operation will be completed expeditiously.

One example is the Massachusetts Port Authority, which is currently partnering with the U.S. Army Corps of Engineers to widen and deepen Boston Harbor for a new generation of Neo-Panamax cargo ships that have been visiting East Coast and Gulf Coast ports since the Panama Canal was widened and deepened.

Neo-Panamax ships, which dwarf the container ships of the past, currently are limited to using Boston Harbor at high tide, but will be able to pass through 24 hours a day once the dredging project is completed.

David Bannard, a partner at Kaplan Kirsh & Rockwell in Boston who serves as bond counsel to Massport, said the Port of Boston has experienced "a really significant uptick in cargo through-put in the last three or four years."

The money currently sits in the federal Harbor Maintenance Trust Fund where the unobligated balance is subject to federal spending caps.

The bill passed Monday waives those spending caps.

The significance for Massport of the House-passed legislation if it becomes law, Bannard said, "is the security that the project will be completed on time, because if there aren't sufficient HMT funds out there, what they have to do is either constrain the project and put it out over more years, which obviously ends up being more expensive, or they curtail it."



House Transportation and Infrastructure Committee Chairman Peter DeFazio, D-Ore., said during Monday's floor debate on the bill that President Trump supports the bill even though his proposed budget did not. **Bloomberg News**

The Port Authority of New York and New Jersey issued a statement Tuesday expressing a similar position.

“A sustainable funding source for harbor maintenance is critical to the health of the Port of New York and New Jersey and the economic activity it supports,” a spokesman said in an email. “Full and automatic use of the Harbor Maintenance Tax revenue is beneficial for the port’s long-term navigational infrastructure needs and to accommodate the Neo-Panamax vessels that regularly call the port’s six marine terminals. This is the first step in an effort to advance tax fairness.”

Senate Appropriations Committee Chairman Richard Shelby, R-Ala., also supports waiving the budget caps for this purpose but faces opposition from Senate Budget Committee Chairman Mike Enzi, R-Wyo.

Shelby may try to insert the House-passed bill into the 2020 budget for the U.S. Army Corps of Engineers, said Susan Monteverde, vice president of government relations at the American Association of Ports Authority in Alexandria, Va.

Monteverde said she doesn't anticipate the legislation would affect bond ratings.

"This is federal government money," Monteverde said. "This is not port authority money and it's only for maintenance projects. Where you might see some bonding is for deepening projects occasionally, but that's not what this is."

If the legislation becomes law, the House and Senate appropriations committees still would be required to agree on how much of the Harbor Maintenance Trust Fund would be used each year.

"This doesn't really mandate that they spend the money, but it provides a budget cap adjustment," Monteverde said. "What it does is set up a mechanism that encourages them to meet the needs of our nation's harbors."

House Transportation and Infrastructure Committee Chairman Peter DeFazio, D-Ore., said during Monday's floor debate on the bill that President Trump supports the bill even though his proposed budget did not.

DeFazio said that during a meeting with Trump on infrastructure he told the president about the situation.

"I said, 'We have \$10 billion, Mr. President, sitting in the bank ready to be spent on infrastructure needs at our ports,' " DeFazio recounted. "He turned to [National Economic Council Director] Larry Kudlow and he says, 'Spend that money.' That is where the president stands."

The Harbor Maintenance Trust Fund is funded by the Harbor Maintenance Tax of \$1.25 per \$1,000 of cargo moving through coastal and Great Lakes ports.

This tax provides half of federal expenditures on harbor maintenance, such as dredging to maintain a harbor's depth, with the general fund covering the other half, according to the nonpartisan Congressional Research Service.

The general fund also pays 100% of the federal share of harbor improvements, such as deepening a harbor.

Projects to deepen harbors with federal funds require specific congressional approval and, in many cases, a state or local financial contribution, according to CRS. About a third of HMTF expenditures is used for cargo ports, with the remainder spent to maintain recreational and fishing harbors or on other government activities.