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COMMERCIAL MARITIME INDUSTRY

Updated Information on Federal Assessments

Statement of John H. Anderson, Jr., Director, Transportation Issues, Resources, Community, and Economic Development Division

Mr. Chairman and Members of the Subcommittee:

We are here today to summarize the information from our recently issued report to you on federal assessments—user fees, taxes, and other charges—levied on the commercial maritime industry.[1] Our recent report updated information in a 1993 report on these assessments.[2] The commercial maritime industry includes vessel owners and operators, and shippers (importers and exporters) that move commodities by vessels engaged in domestic and international commerce. One of the assessments is the Harbor Maintenance Tax that funds virtually all maintenance dredging of U.S. ports. Revenues collected from this tax are placed in the Harbor Maintenance Trust Fund.

Our statement today will provide information on (1) the federal agencies that levied assessments in fiscal year 1998 compared with fiscal 1991, the number of assessments levied, and the amounts they collected; (2) who pays the assessments and in which funds they were deposited in fiscal years 1991-1998; and (3) new federal assessments that have been recently proposed. In addition, our testimony provides information on the current status of the Harbor Maintenance Trust Fund, and the projected annual balances of the fund.

In summary, we found that:

- Eleven different federal agencies currently levy 124 different assessments on the commercial maritime industry. These assessments include fees such as customs duties, ship registry fees, commercial fishing fees, and inspection charges. In fiscal year 1998, these assessments totaled nearly $22 billion compared to over $18 billion in fiscal year 1991. The Customs Service collected by far the largest portion—almost $21 billion.
- Shippers (importers and exporters) pay the largest portion of the assessments, more than $20 billion of the total $22 billion. Vessel owners and operators paid about $1 billion, and various other parties paid the rest.[3] From fiscal year 1991 through fiscal 1998, the amounts paid by shippers increased by 17 percent, while the amounts paid by owners and operators increased by 46 percent. Most of the money collected is not earmarked for

[1] Commercial Maritime Industry: Updated Information on Federal Assessments (GAO/RCED-99-260, Sept., 16, 1999)

[2] Maritime Industry: Federal Assessments Levied on Commercial Vessels (GAO/RCED-93-65FS, Mar. 5, 1993). This report included information on the assessments levied in fiscal years 1989 through 1991 and an estimate for 1992.

[3] Other parties includes individuals such as borrowers, brokers, and individual passengers.

specific purposes. About $20 billion of the total revenues generated in fiscal year 1998 was deposited directly into the General Fund of the U.S. Treasury. Another $995 million was used to reimburse agencies or private service providers for the services they provided (issuing permits, conducting inspections, physical services and other related activities). The remaining $762 million was deposited into three federal trust funds to be appropriated in future years to agencies for designated services.

- Two new federal assessments have been proposed. The administration is proposing a Harbor Services User Fee as a replacement for the existing Harbor Maintenance Tax. Unlike the Harbor Maintenance Tax, which is paid by the shippers, foreign trade zone users, or operators of the vessel, only vessel operators would pay the proposed fee. Another proposal by the National Oceanic and Atmospheric Administration would establish a fee for granting permits for fishing in federally managed fisheries.
- At the end of fiscal year 1998, the Harbor Maintenance Trust Fund had a balance of $1.3 billion. The balance is projected by the U.S. Army Corps of Engineers to increase to $2.5 billion in fiscal year 2004.

Federal Assessments on the Commercial Maritime Industry Totaled Nearly $22 Billion in Fiscal Year 1998

Eleven federal agencies currently levy 124 assessments, up slightly from the 119 levied in fiscal 1992. While these overall numbers are similar, the intervening years saw considerable change in the specific assessments. More specifically, since fiscal year 1992, 50 new assessments were levied, 45 assessments were deleted, and 44 were substantively changed. Although the specific assessments levied on the commercial maritime industry are different from those levied in 1992, the distribution of who pays the assessments and what specific funds receive the collections from the assessments remain—with some exceptions—much the same as we reported in 1993.

The 11 federal agencies collected about $22 billion in assessments on the commercial maritime industry in fiscal year 1998. The Customs Service collected about $21 billion, or 96 percent, of this amount. The 10 other agencies each collected an average of $90 million in fiscal year 1998.[4] Overall, the collections for fiscal year 1998 were about $3.7 billion above fiscal 1991 levels, although assessments were relatively constant for the 3-year period 1996-98. Substantial changes in maritime assessment-related

[4]The 10 agencies are the Animal, Plant, and Health Inspection Service, Department of Agriculture; Centers for Disease Control and Prevention, Department of Health and Human Services; Coast Guard, Department of Transportation; Federal Communications Commission; Federal Maritime Commission; Grain Inspection and Packers Stockyards Administration, U.S. Department of Agriculture; Internal Revenue Service, Department of the Treasury; Maritime Administration, Department of Transportation; National Marine Fisheries Association, National Oceanic and Atmospheric Administration, Department of Commerce; and the Panama Canal Commission.

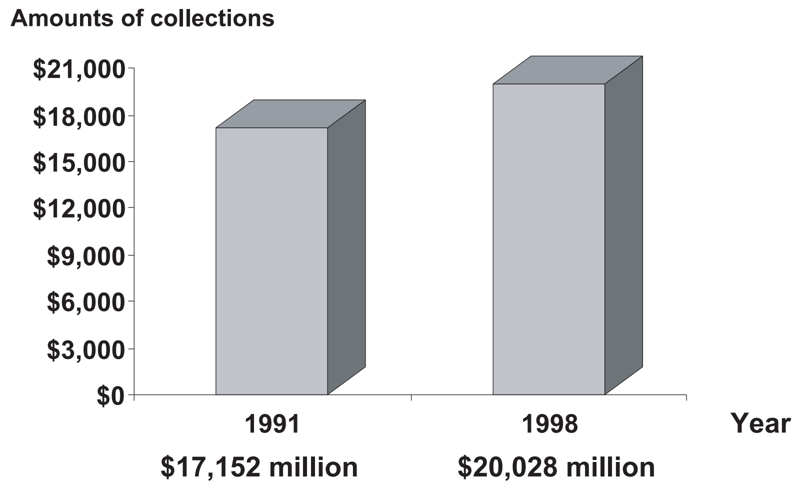
collections occurred for some agencies. For example, collections by the Coast Guard and the Animal, Plant, and Health Inspection Service rose almost sevenfold and fivefold respectively from fiscal year 1991 to fiscal 1998, while collections by the Internal Revenue Service and the Federal Communications Commission fell by 61 and 63 percent, respectively, during the same period. These changes occurred for various reasons, such as the addition or deletion of assessments or substantive changes made to the assessments levied.

Shippers Pay the Largest Portion of the Assessments and Proceeds Go to the General Fund

Although vessel owners and operators are the responsible parties for most of the 124 specific assessments, the total payments they make for these assessments are small relative to the total payments made by shippers. Vessel owners or operators are exclusively responsible for 85 of the 124 assessments. By contrast, shippers have exclusive responsibility for only four assessments. The revenues collected, however, from these four assessments totaled more than $20 billion of the approximately $22 billion collected in fiscal year 1998. Customs duties—which are not specific to the maritime industry but extend to others who import and export goods—accounted for nearly all of the $20 billion.

As shown in figure 1, the amount paid by shippers increased by about $2.9 billion or 17 percent, from fiscal year 1991 to fiscal 1998.

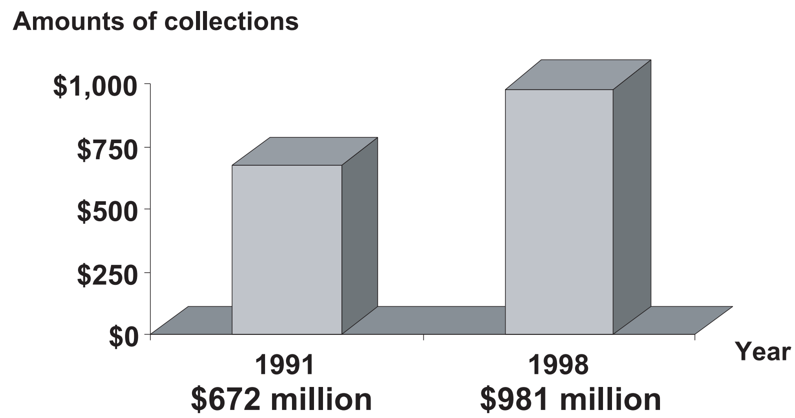
Figure 1: Collections from Shippers in Fiscal Years 1991 and 1998 (Dollars in Millions)



Note: This graph encompasses collections from shippers only. It does not include collection amounts from the "shippers or other" category which totaled $382,176,000 in 1991 and $648,951,000 in 1998.

As shown in figure 2, vessel owners and operators paid about $1 billion in assessments in fiscal year 1998, which was 46 percent or about $309 million more than in fiscal 1991.

Figure 2: Collections from Vessel Owners and Operators in Fiscal Years 1991 and 1998 (Dollars in Millions)

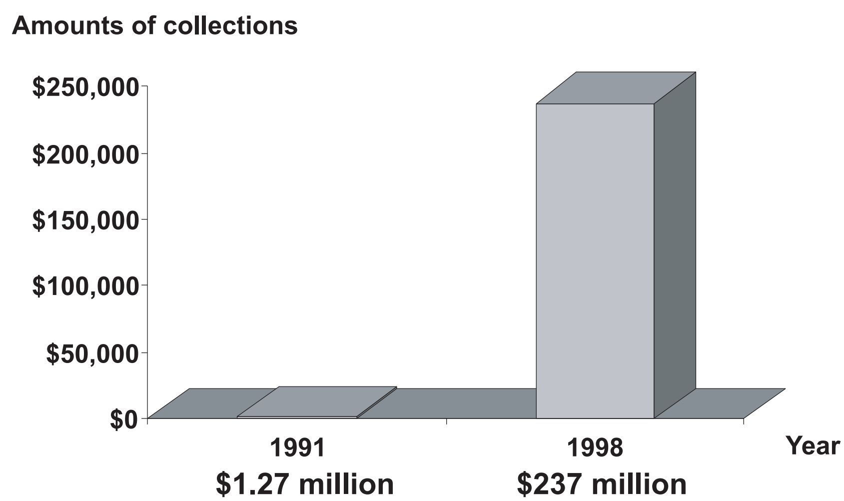


Note: This graph encompasses collections from vessel owners or operators only. It does not include collection amounts from the "vessel owner or operator, shipper, or other" category which totaled $666,000 in 1991 and $989,000 in 1998.

Payments made by "others,"[5] while a relatively small portion of the total, increased from almost $1.3 million in fiscal year 1991 to about $237 million in fiscal year 1998 as shown in figure 3.

[5]Others in this instance include borrowers, brokers, and individual passengers.

Figure 3: Collections from “Others” in Fiscal Years 1991 and 1998 (Dollars in Millions)



Most assessments—74 of the 124—and the vast majority of the amounts collected—over $20 billion—are deposited in the U.S. Treasury’s General Fund and are appropriated for the general support of federal activities. Another 46 assessments generate about $995 million to reimburse agencies or private-service providers for expenses incurred in providing a service. Services range from physical services, such as tug service through the Panama Canal, to administrative services, such as the Customs Service’s processing of documents for vessels desiring entry into the United States directly from a foreign port. Three other assessments generate $762 million for three trust funds[6], and one assessment generates revenues for a revolving fund.[7]

[6]The three assessments that generate revenue deposited in trust funds are the Inland Waterways Fuel Tax, which funds inland waterway projects of the U.S. Army Corps of Engineers; the Leaking Underground Storage Tank Tax, used to carry out leaking underground storage tank cleanup activities by the Environmental Protection Agency; and the Harbor Maintenance Tax collected by the Customs Service, which funds the U.S. Army Corps of Engineers and the St. Lawrence Seaway Development Corporation’s operation and maintenance costs.

[7]The War Risk Revolving Fund is specifically used for enabling vessels to continue to trade in a national emergency.

Two New Federal Assessments Have Been Recently Proposed

Two federal assessments on the commercial maritime industry have been recently proposed. The administration's proposal to replace the Harbor Maintenance Tax with a Harbor Services User Fee has been introduced as a congressional bill, H.R. 1947. The administration characterizes the proposed Harbor Services User Fee as a "cost-based user fee" that would be assessed on commercial vessel operators on the basis of the type, capacity, movement, and operational characteristics of the vessel. Collections would be deposited in a Harbor Services Fund. According to the Presidents' fiscal year 2000 budget, the implementation of this new fee is estimated to raise, on average, $980 million annually through fiscal 2004. The balance currently in the Harbor Maintenance Trust Fund would be transferred to the Harbor Services Fund.

The National Oceanic and Atmospheric Administration (NOAA) has proposed the other assessment—the Central Registry for Limited Access Permits Fee. This fee would pay for a permit to allow fishing on federally managed fisheries. NOAA's general fund account for expenses incurred in providing a service would receive any revenues generated by the assessment.

Also, under another bill, H.R. 1260, the Harbor Maintenance Tax would be repealed, and would be replaced by using funds from the General Fund of the U.S. Treasury. Under still another bill, H.R. 111, the Harbor Maintenance Trust Fund would be retained, but taken off budget.

Status and Projected Annual Balances of the Harbor Maintenance Trust Fund

In March 1998, the Supreme Court ruled that the export-related portion of the Harbor Maintenance Tax violated the constitution's provision prohibiting taxes on exports. Subsequently, members of the Congress expressed concern that funds supplied only from a tax on imports would be insufficient for funding the maintenance and operations of U.S. ports. However, if the import portion of the tax remains intact, and if revenue projections from the U.S. Army Corps of Engineers prove to be correct, the balance in the Harbor Maintenance Trust Fund should be sufficient to sustain these operations. Figures prepared by Corps staff place the fiscal year 1998 trust fund balance at $1.3 billion. And, from fiscal year 1999 through fiscal 2004, projected revenues from import fees are expected to rise to about $920 million, while projected expenditures are expected to rise to about $750 million. If these projections prove correct, the resulting fund balance will be about $2.5 billion in fiscal year 2004.

This concludes our prepared remarks, Mr. Chairman. We would be pleased to respond to any questions that you or other Subcommittee Members may have.

Contact and Acknowledgements

For future contacts regarding this testimony, please call John H. Anderson, Jr. at (202) 512-2834. Individuals making key contributions to this testimony included Anne Cangi, Steven Gazda, and Randall Williamson.

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