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Senate Closes In on Water Infrastructure Deal

- Behind-scenes negotiations are under way in the U.S. Senate on the Water Resources Development Act, which governs Army Corps of Engineers projects. A deal could even be struck this week, but slippage is likely. Meanwhile, the House has yet to produce their own bill.
- WRDA could be relevant to companies involved in marine infrastructure projects and shipping, including Great Lakes Dredge & Dock (GLDD), Kirby Corp. (KEX), Orion (ORN), URS, and Tutor Perini (TPC). The cost of the bill is not precisely defined, but is probably close to \$12 billion over ten years.
- We're cautiously optimistic that WRDA will be enacted this year - perhaps 55% odds. Most intriguing right now is the disposition of the Harbor Maintenance Trust Fund. Congress could agree to increase federal spending on dredging and related activities by hundreds of millions of dollars - as much as a 50% increase over current spending.

Senate Schedule: WRDA in Line Behind Gun Control

The U.S. Senate could pass the Water Resources Development Act (WRDA) as early as next week or the week after. The main threat to consideration this week is how much time is consumed by the gun control debate.

Other complicating factors include the unveiling of both President Obama's budget on Wednesday (April 10) and - potentially - the Gang of 8 immigration deal. Neither will be brought to the floor of the Senate this week, but either could put Senate action on hold, or stir up votes on non-binding resolutions that similarly disrupt legislative activity. As always, the Senate schedule is subject to change on short notice.

Cutting a Deal on the Harbor Maintenance Trust Fund

Projects funded under WRDA in addition to dredging include flood control, beach erosion control and shoreline protection, hydroelectric power, recreation, water supply, environmental protection, restoration and enhancement, and fish and wildlife mitigation.

Annual federal spending on harbor maintenance is roughly \$800 million (ten-year projection table from the Joint Committee on Taxation [here](#)), with revenues from the cargo excise tax coming in at roughly \$1.8 billion - a gap projected to widen. Members of Congress representing ports want all revenues spent there - rather than used by the appropriations committees to offset other federal spending.

Senate leaders are in the process of negotiating the next steps on WRDA right now. The committee language would give all \$1 billion to harbor

Tickers:

GLDD, KEX, ORN, URS, and TPC.

maintenance, which probably won't happen. Our rough guess is that 1/3 of a billion in incremental annual spending would go to additional harbor maintenance - dredging and the like - with another 1/3 going to other Army Corps of Engineers projects and the last 1/3 going to other projects. The rumors we've heard on how close a deal have gone back and forth between optimistic and pessimistic. Our guess is that these precise numbers - and how tightly worded the language is - is the major hurdle right now.

Again, current federal spending from this account is in the \$800 million range. So an additional \$300 million in matchable federal funds for companies competing for these projects could be a nice bump.

Background, Courtesy of Senate Finance

Here's a description from a Senate Finance Committee report:

The Harbor Maintenance Trust Fund generally is limited to financing the operations and maintenance costs for federally-authorized public harbors and channels for commercial navigation incurred by the U. S. Army Corps of Engineers. Harbor Maintenance Trust Fund expenditures have principally been for operations and maintenance costs of access channels to deep-draft harbors, i.e., dredging expenses and not channel deepening projects.

A 0.125-percent excise tax is imposed on the value of commercial cargo loaded or unloaded at taxable United States ports and on charges for transportation of passengers to or from such ports.

The tax generally is imposed on all cargo (other than exports) and passengers that are loaded or unloaded at U.S. ports, defined as any channel or harbor in the United States that is open to public navigation.

Previous Notes on This Topic

- [April Looks Big for Water Infrastructure Bill](#) - April 3, 2013
- [Marine Infrastructure: Senate WRDA Draft Could Appear This Week](#) (Capital Alpha Outlook) - March 18, 2013
- [Transportation Programs Face Nasty Squeeze in DC](#) - March 14, 2013
- [Maritime Trade Will Be a Focus in 2013](#) (Transportation Infrastructure: Thoughts from the Chamber's Conference) - February 13, 2013

Relevant Stocks

GLDD, KEX, ORN, URS, and TPC.

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