



Inland Waterways Trust Fund

Overview

The Inland Waterways Trust Fund (IWTF) is a fund in the U.S. Treasury that receives revenues from a tax (also known as the inland waterway user fee) on commercial-barge fuel on federally designated waterways. Approximately 11,000 miles of the nation's 36,000 miles of inland waterways are part of this system and subject to the fuel tax (see **Figure 1**). Pursuant to the Water Resources Development Act of 1986 (WRDA 1986; P.L. 99-662), IWTF monies are subject to appropriation and used to finance construction and major rehabilitation projects on these waterways. IWTF funds are used to match federal appropriations from the General Fund of the Treasury. Overall, expenditures from the IWTF typically make up 5%-15% of total spending by the Army Corps of Engineers (Corps) on federal inland waterways. Regular operations and maintenance costs on these waterways, including dredging and minor lock repairs, are funded entirely from the General Fund.

The Water Resources Reform and Development Act of 2014 (WRRDA 2014; P.L. 113-121) authorized changes to IWTF project planning and delivery, altered the cost-sharing threshold for major rehabilitation projects, and partially exempted one project (Olmsted Locks and Dam Project, on the Ohio River) from IWTF cost sharing. That same year, P.L. 113-295 included among its provisions an increase to the inland waterway fuel tax. These changes have stabilized the IWTF balance and allowed for an overall increase in IWTF-related expenditures on inland waterways (see **Figure 2**). This In Focus discusses the IWTF, inland waterways, and related issues for Congress.

Inland Waterways Background

Annual commercial traffic on the federal inland waterways system (i.e., fuel-taxed waterways designated by Congress and eligible for funding from the IWTF) accounts for 4%-5% of total commercial tonnage shipped in the United States. Although inland waterways are a relatively small part of the nation's freight transportation network, they are an important transportation route in some regions. In some areas that rely on movement of bulk goods, the percentage of commercial tonnage shipped by barge, especially for specific commodities, is high. Along with freight rail, inland waterways are a means of transport for the nation's grain and oilseed exports and for bulk products such as coal, petroleum, chemicals, processed metals, cement, sand, and gravel.

Figure 1. Federal Fuel-Taxed Inland Waterways



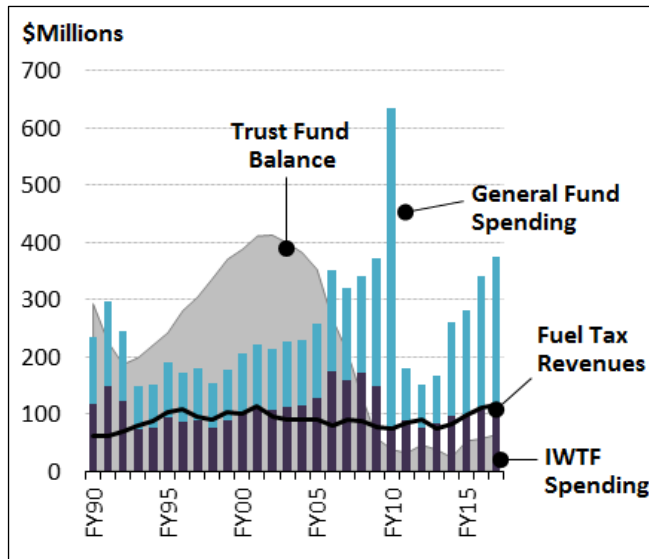
Source: CRS, based on Corps data.

Note: Alaska and Hawaii have no fuel-taxed waterways.

Whereas total freight tonnage for all other modes of domestic shipping has increased in recent years, traffic and tonnage on the inland waterways system has remained relatively flat over the last 20 years. Future inland waterways shipping is expected to increase, albeit at a rate slower than other modes. A primary concern for many commercial waterway users is the age of inland waterways infrastructure and the potential for delays in shipping as this infrastructure deteriorates. Some are concerned that these delays could lead users to turn to other modes of freight transit.

IWTF Financing Trends

Congress established the inland waterways user fee in 1978. WRDA 1986 formally established the system by which these fees are utilized, including the IWTF and the current system of financing inland waterways construction and major rehabilitation projects. Costs for these projects are shared equally between the IWTF and the General Fund, whereas regular waterway operations and maintenance costs are funded entirely from the General Fund. The IWTF balance has varied considerably over time, reaching its highest level in FY2002. Shortly thereafter, IWTF appropriations increased significantly as the George W. Bush Administration requested and Congress appropriated greater investments in IWTF-funded projects. At the same time, fuel tax receipts declined. As a result, the balance fell sharply from FY2005 to FY2010 (see **Figure 2**).

Figure 2. IWTF Financing Trends, FY1990-FY2017

Source: U.S. Army Corps of Engineers data. Graphic by CRS.

Notes: FY2009 and FY2010 reflect American Recovery and Reinvestment Act of 2009 (P.L. 111-5) funding. FY2014 reflects alterations enacted under WRRDA and related legislation.

To stabilize the IWTF balance, Congress has enacted a number of stopgap measures in recent years. For instance, Congress exempted certain projects from IWTF cost sharing under the American Recovery and Reinvestment Act (P.L. 111-5). In appropriations bills from FY2009 to FY2014, Congress limited IWTF spending to the annual amount received in fuel taxes. These limitations had the desired effect of stabilizing the IWTF, but, combined with cost overruns at the Olmsted Project, they also greatly limited the number of new and ongoing projects. More recently, the IWTF balance and overall spending have increased as a result of the changes discussed below.

Proposals and Recent Changes

Inland Waterways Users Board Proposal. In 2010, the Inland Waterways Users Board (IWUB), a federal advisory committee advising the Corps on inland waterways, endorsed a proposal supported by some shipping-industry interests. The IWUB proposed to increase the fuel tax by a maximum of \$0.09 per gallon, and that the federal government increase its share of projects funded, to cover all project costs for dam rehabilitations, as well as other inland waterways rehabilitation projects less than \$100 million (since WRDA 1986, the policy of the federal government had been to fund such costs from the General Fund only when they were less than \$8 million). The IWUB also proposed project-delivery changes aimed at preventing future cost overruns, among other things. Bills to authorize these changes were introduced but not enacted.

WRRDA 2014 Changes. WRRDA 2014 made changes to inland waterways financing but did not alter the fuel tax or add other user fees. It authorized the project-delivery recommendations of the IWUB proposal and made the federal government responsible for paying all rehabilitation costs less than \$20 million (i.e., less than the IWUB's proposed threshold of \$100 million but more than the

previous threshold of \$8 million). WRRDA 2014 also reduced the IWTF cost-sharing requirement for the Olmsted Locks and Dam Project from 50% to 15%. WRRDA 2014 directed additional study by the Corps of new user-fee and revenue options, including studies of the efficiency of revenue collection on the inland waterways system and the potential use of bonds or new fees to finance the IWTF. WRRDA 2014 also authorized a stakeholder roundtable to review and evaluate inland waterways policy alternatives.

Commercial Barge Fuel-Tax Increase. The Tax Increase Prevention Act of 2014 (P.L. 113-295) included among its provisions an increase of \$0.09 (from \$0.20 to \$0.29) per gallon to the inland waterways fuel tax. This increase was generally consistent with the user-fee recommendation of the IWUB proposal and took effect on April 1, 2015. Since enactment of these changes, *new* fuel-tax receipts accruing to the IWTF have been approximately \$25 million per year.

Budget Proposals. Similar to prior Administrations, budget proposals both before and after WRRDA 2014 requested significant increases to inland waterways user fees to provide additional revenues and allow increased spending on inland waterways. These requests have, in most cases, recommended replacing or supplementing the fuel tax with other fees (tolls, licensing fees, etc.). Congress and industry interests have rejected these proposals, concluding that they would impose an unacceptable burden on shippers.

Issues for Congress

The enactment of WRRDA 2014, coupled with the increases to the IWTF fuel tax, has made it possible for Congress to both provide significant appropriations for the Olmsted Project and make available a greater share of the IWTF balance for other qualifying inland waterway projects. Receipt collections have increased marginally, and the trust fund remains subject to discretionary appropriations.

After the Olmsted Project is complete, inland waterway expenditures may decrease, as the unique cost-sharing arrangement for that project will no longer be in effect. Furthermore, despite the aforementioned fuel-tax increase, recent Administration budgets (including the FY2019 budget request) have continued to propose new inland waterway user fees and reduced expenditures on IWTF construction. In considering future proposals, Congress may consider what level of improvements and increased appropriations are warranted, if any; the appropriate cost share between the federal government and users; and the preferred type and amount of user fees. Other topics for consideration include sequencing and funding of individual projects, efficiency of user-fee collections, and addition or deauthorization of the individual waterways system.

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