



MARLOWE & COMPANY

GOVERNMENT AFFAIRS CONSULTANTS

Memo

To: Marlowe & Company Clients
From: Toby Hicks, Legislative Aide
Re: Harbor Maintenance Trust Fund Expenditures
Date: March 22, 2010

Executive Summary

The Harbor Management Trust Fund (HMTF) was created in 1986 to fund the U.S. Army Corps of Engineers' (Corps) routine harbor operations and maintenance (O&M) activities. This fund is sustained by the Harbor Management Tax (HMT) that is currently levied at 0.125% of cargo value. Large inequities exist between the majority payers of the HMT and the majority users of the HMTF. These disparities are mainly due to shipping being concentrated in select deep water ports while very little cargo value is shipped into shallow water ports across the county. This national-level trust fund system may promote some inefficiency but also provides a user-financed funding mechanism to maintain ports and the substantial contribution they make to the U.S. economy.

Overview of HMTF revenues and expenditures

In recent years HMTF expenditures have stayed fairly consistent while HMTF collections and port maintenance needs have increased. Therefore the available amount in the HMTF is increasing. Despite this, Congress is using the HMTF "surplus" to fund O&M projects. This has led to a surplus of \$915,585,094 in 2009 when the HMT netted \$1,626,426,155 while only \$710,841,061 was spent from the HMTF.ⁱ Additional O&M expenditures are needed as the Corps estimates that two-thirds of each year full channel dimensions are not usable in the 59 U.S. harbors with the highest usage rates.ⁱⁱ Organizations like Realize America's Maritime Promise have sprung up to promote more closely matched HMTF spending with HMT revenue.ⁱⁱⁱ However, the reluctance on the part of Congress is based on congressional rules that count the use of HMTF funds as increased expenditures that will put them over the limit imposed by the congressional Budget Resolution.

About 80% of HMTF spending goes directly to O&M dredging. The other 20% funds a plethora of activities including the St. Lawrence Seaway Development Corporation operation, the administrative costs of collecting the HMT, channel surveying related to navigation, maintaining an emergency

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dredging ship on standby, clearing aquatic weeds, maintaining harbor breakwater and jetties, and even the maintenance of certain bridges and locks.

HMT revenue is heavily concentrated on a few ports. The 15 largest ports by tonnage account for 75% of all HMT annual revenue and the top 25 account for 85% of HMT funds. Similarly, since the tax is levied by cargo value and not by tonnage, the majority of HMT funding comes from a few types of imports. The top fifteen commodities account for 82% of HMT funding, and oil imports alone account for a full 34% of funding.

Extreme HMTF Cases

The most expensive project using HMTF expenditures is the Mississippi river from Baton Rouge to the Gulf of Mexico. This channel requires 8.3% of HMTF expenditures, and the state of Louisiana accounts for a full 19.5% of HMTF expenditures including the Mississippi channel.

Additional outliers to this system are the shipping channels that have high expenses and low cargo volume or low expenses and high cargo volume. In the high expense and low cargo volume category there is the Oregon Inlet in North Carolina's Outer Banks, Yaquina Bay and Harbor in Oregon, Grays Harbor in Washington, Humbolt Harbor in California, and others. These ports are some of the most expensive to maintain while at the same time contribute very little to the HMTF. On the other end of the spectrum are the ports that are relatively inexpensive to maintain per ton of cargo such as the Los Angeles/Long Beach, Seattle/Tacoma, or Boston ports. For the purposes of comparison, Humbolt Harbor and Grays Harbor have O&M costs of \$4.94 and \$6.16 per ton of cargo respectively while the Los Angeles/Long Beach and Sea/Tac ports cost less than \$0.01 and \$0.02 per ton of cargo.

Legislative Activity

In the 111th Congress there have been several bills put forward with amendments to the HMTF. Notably Rep. Laura Richardson (CA-37) has put forward both H.R. 3447 and H.R. 2355 either one of which would contain major modifications to the system. These bills would allow the Corps to use HMTF funds without needing an appropriation from Congress and increase the tax to 0.4375% from the current 0.125% respectively. Neither bill has advanced beyond initial committee review. Additionally, multiple Senate and House bills have been introduced to repeal the HMTF on all Great Lakes shipping.

In FY2010 Congress provided funding for a pilot program studying whether non-cargo ships can finance the dredging requirements of their harbors. The results have not yet been released.

For further information on this issue, please contact your Marlowe & Company team leader or email legislation@marloweco.com

ⁱ Richardson, Laura. (2009). H.R. 3447 bill text. Retrieved from <http://www.opencongress.org/bill/111-h3447/text>.

ⁱⁱ USACE. (2009). FY2010 budget justification.

ⁱⁱⁱ Realize America's Maritime Promise (RAMP). Retrieved from <http://www.ramphmtf.org/>.

^{iv} Frittelli, John. (2010). Harbor maintenance trust fund expenditures. Congressional Research Service, January 25, 2010.