



THE INTERNATIONAL PROPELLER CLUB *of the United States*

An international business network dedicated
to the promotion of the maritime industry,
commerce and global trade.

Dredging



BACKGROUND:

Prior to 1986, dredging of ports and channels in the United States was funded out of general revenues of the United States (such as income taxes). In 1986 Congress established a dedicated funding source for these projects by assessing a tax on goods imported and exported from the United States at a rate of 0.125% (or \$1.25 per \$1,000). In 1997 the U.S. Supreme Court struck down the tax on exports as unconstitutional and in violation of Article I, § 9, cl. 5, which states:

"No Tax or Duty shall be laid on Articles exported from any State." What remains is a tax on imports.

All of the revenues collected from the Harbor Maintenance Tax (HMT) are deposited into the Harbor Maintenance Trust Fund (HMTF). There is currently more than \$9.3 billion in the Trust Fund. In Fiscal Year 2017, \$1.5 billion was collected in HMT revenue. However, the full amount of taxes collected annually is not spent for its intended purposes due to limitations placed on the Congressional Budgeting and Appropriations process.

Amounts collected in the HMTF are used to pay for 100% of the operations and maintenance (O&M) costs of channels that are up to 50 feet deep. A non-Federal sponsor (such as a port) is responsible for paying for 50% of the O&M cost for projects greater than 50 feet deep. The HMTF only pays for the O&M costs for the channels into a port – but does not pay for the cost of dredging into berths. That is the responsibility of the port or terminal operator. The Federal share of funding for new construction, such as deepening a channel from 45 to 55 feet, is funded out of the general revenues of the Federal Treasury – not the HMTF.

All new projects are initiated by a feasibility study conducted by the Army Corps of Engineers. The feasibility study includes both the engineering feasibility of the proposed project as well as an economic analysis of the cost/benefit of the project. Once this is complete, it is submitted to Congress for their consideration.

ISSUES BEFORE CONGRESS:

Full use of HMTF: Due to spending ceilings on the Federal appropriations process, the amounts collected and deposited in the HMTF are not fully spent. There are several proposals before Congress to address this issue. On October 28, 2019, the House of Representatives passed [H.R. 2440](#) to address the spending caps on domestic spending that limits the full appropriation of funds in the HMTF. (For additional information see [House Report 116-136](#).) H.R. 2440 is currently pending in the Senate before the Senate Budget Committee.

Allocation of HMTF spending: There have been various bills before Congress to change the way the HMTF is allocated and to expand the uses of the fund.

The top 15 ports in the U.S. in terms of HMT revenues collect 75% of the money in the HMTF. The Ports of Los Angeles and Long Beach collect approximately 25% of the HMT revenues.

However, many of these ports need little funding for O&M dredging. Ports such as these “donate” more money into the HMTF than they receive back.

The American Association of Port Authorities (AAPA) has developed a proposal to address these issues. Their proposal will provide for:

- Full use of HMT revenues.

- Donor and Energy Transport Ports (established in 2014) would receive 10% of HMT funds. This would help provide additional funding to Donor Ports that can be used for related waterside infrastructure.
- 6 geographic regions would receive at least 10% of the HMT dredging funds.
- Guaranteed minimum funding of 10% of revenues for both emerging (smaller) ports (established in 2014) and the Great Lakes System.

CONGRESSIONAL ACTION:

The House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works typically pass a Water Resources Development Act (WRDA) on a 2-year cycle. These Committees are currently developing a bill for 2020.

On January 9, 2020 the Subcommittee on Water Resources of the House Committee on Transportation and Infrastructure held a hearing to begin this process by receiving testimony from the Army Corps of Engineers. To watch the hearing or read the testimony click here: [WRDA January 2020 hearing.](#)

On February 27, 2020, the Subcommittee on Water Resources held a hearing to receive testimony from Members of Congress concerning their recommendations for WRDA 2020 legislation. To watch the hearing or read the testimony click here: [WRDA February 2020 hearing.](#)

It is unclear when this legislation will be developed due to the fact that Congress is not holding hearings due to the corona virus pandemic.