AAPA Funding Solution – FAQs

1. **What is the Harbor Maintenance Tax (HMT)?**

   The Water Resources Development Act (WRDA) of 1986 enacted the Harbor Maintenance Tax (HMT) and was intended to fund 100% of the Operations and Maintenance of deep draft federal navigation channels administered by the U.S. Army Corps of Engineers (Corps) and the St. Lawrence Seaway. It is an ad valorem tax on certain imported and domestic cargo, and cruise ship passengers that equals 0.125% of the value of the cargo. It was originally applied to exported cargo, however the Supreme Court ruled that collecting HMT on exports was unconstitutional. Collected funds are first placed in the General Treasury and then credited to the Harbor Maintenance Trust Fund.

2. **What is the full HMT revenue?**

   HMT revenues is a term created by Congress in WRDA 2014 to establish appropriations targets for HMT spending to maintain our harbors. It includes prior year HMT collections plus interest on the Harbor Maintenance Trust Fund that currently has a $9 billion balance. In Fiscal Year 2017, HMT revenues totaled $1.472 billion.

3. **What is the existing funding process?**

   HMT payments are collected by Customs, deposited into the General Treasury and credited to the Harbor Maintenance Trust Fund. The Corps then receives funds for channel operation and maintenance through the annual Congressional appropriations process. Congress could but is not presently appropriating full HMT collections each year.

4. **What is the problem and why did AAPA create a solution?**

   Decades of partially appropriating the HMT collections left navigation channels across the country with depth and width restrictions, requiring ships to move freight inefficiently. This inefficiency has resulted in increased transportation costs that affect U.S. exports competitiveness in the global marketplace and increases the cost of imports to U.S. consumers. Permanent full use of annual HMT collections in the future years is estimated to enable channels to be restored to proper maintenance levels for safe and efficient freight movement.

5. **What is an HMT "donor port" and why are they receiving special funds?**

   Over half of the HMT collections are generated at donor ports that have naturally deep channels and require little to no traditional maintenance. The AAPA solution provides tax fairness, enabling donor ports to receive a small portion of HMT funds for related waterside infrastructure work or to respond to competitiveness challenges from non-U.S. ports that do not charge the HMT.

6. What is an "emerging harbor"?

In WRDA 2014 and 2016 Congress enacted legislation that provided 10% of HMT spending to emerging ports. They also established 3 categories of navigation projects based on commercial cargo per year: high commercial use (greater than 10 million tons), moderate commercial use (from 1 to 10 million tons) and emerging harbors (less than 1 million tons). Congress set aside funds for emerging harbors because they believe they represent an important segment of our economy. For example, emerging harbors enable transport of key raw materials to be used in U.S. manufacturing of steel and aluminum. Other examples include serving as docking for seafood processing facilities, support of Coast Guard search and rescue stations and subsistence harbors in isolated areas like Alaska and Hawaii.

In the AAPA agreement, the emerging harbors 10% distribution was established IN ACCORDANCE WITH CURRENT LAW to ensure that an adequate amount of collections go towards maintaining smaller ports. Emerging harbors represent an important segment of our economy. For example, emerging harbors enable transport of key raw materials to be used in U.S. manufacturing of steel and aluminum. Other examples include serving as docking for seafood processing facilities, support of Coast Guard search and rescue stations and subsistence harbors in isolated areas like Alaska and Hawaii.

7. What is an 'energy transfer' port?

WRRDA 2014 established the Donor and Energy Transfer Ports Program. Energy transfer qualification criteria established key energy ports associated with petroleum products, natural gas, coal, wind and solar energy components and biofuels to receive additional funding along with the donor ports for specific expanded uses in support of commercial navigation.

8. How would the emerging harbor and regional funding requirements be calculated in the AAPA agreement?

The Corps of Engineers would perform two independent evaluations when making funds distribution decisions as part of their annual work plan. First, they would assure 10% of the HMT revenues are being applied to emerging harbors. This is done on a nationwide, not regional basis. Second, it would ensure that each of 6 geographic regions receives at least 10% of the HMT dredging funds. The emerging harbor funds distribution process has been in place for several years and AAPA is proposing it be continued in its funding solution.

9. What are the 6 regions and why should each receive a minimum of 10% of HMT collections?

The regions are: North Atlantic, South Atlantic, North Pacific, South Pacific, Great Lakes and Gulf of Mexico. The 10% for each region assures historical funding distributions. Note: South Atlantic includes Puerto Rico and U.S. Caribbean; North Pacific includes Alaska; South Pacific includes Hawaii and Pacific Territories and the Gulf includes inland ports not included in the boundaries of the Inland Waterway Trust Fund. These correspond with the Corps of Engineers Division boundaries.

10. What is AAPA's position on use of the $9 billion HMT surplus?

AAPA's legislative solution focuses on permanent use of full annual HMT collections (including interest on the HMTF) going forward. As a separate action, AAPA advocates for the $9 billion HMT surplus to be a part of any future infrastructure investment legislation. The taxes were collected for a specific purpose and they should be used to accelerate restoration of the navigation channels and associated assets--jetties and dredged material placement facilities. Properly maintaining these channels expedites transportation cost savings and coupled with ports $155 billion in capital investments for dockside and terminal improvements enables job growth and economic growth.