



Cape Fear Firebird

The Light of Save the Cape

February 7, 2011

Although North Carolina is relatively expensive in terms of Harbor Maintenance Trust Fund withdrawals, ..., relatively little commercial cargo is shipped on North Carolina waterways.

–Congressional Research Service

The Harbor Maintenance Tax

After our last newsletter on dredging the Cape Fear River, a former official of the North Carolina Department of Environment and Natural Resources called our attention to the Federal Harbor Maintenance Tax, a tax on shippers intended to contribute to the cost of harbor maintenance. This is how it works:

- A tax of \$1.25 per \$1000 of cargo value is collected on imports and domestic waterborne commerce. Exports are not taxed.
- The collections are nominally paid into the Harbor Maintenance Trust Fund. This is just an accounting entry—the funds are not segregated and are not off-budget.
- Funds are disbursed by Congress, project by project, as any other appropriation.

Because an act of Congress is required for each disbursement, all the collections are not disbursed. The Trust Fund had accumulated a balance of about \$5 billion at the end of fiscal year 2009. On a national basis, waterborne commerce more than pays its own operating costs. (Capital costs are a different matter, however.)

That is not to say that all waterborne commerce pays its own expenses. Disbursements to individual states are not in proportion to that state's collections. North Carolina ranks 28th in collections, but 10th in disbursements received. Our Congressional delegation gets the credit.

The Harbor Maintenance Tax and Harbor Maintenance Trust Fund provide a cross-subsidy: busier, deepwater ports, such as Los Angeles, Long Beach, and New York, support the smaller ports, such as Wilmington. Taxable cargoes at the Port of Wilmington provided tax revenues of about \$2.6 million in 2005 (the last year data are available). That has increased, certainly. But the budget for dredging the Cape Fear River for the three years ending fiscal year 2011 averaged \$12.2 million per year. And don't forget the \$533 million cost of deepening the channel to 42 feet.

This may be regarded as inefficient, a misallocation of resources. Or perhaps there are benefits in keeping open smaller ports that are not economically viable. The Port of Wilmington is certainly in that category. And some money goes to dredge channels used only for recreational traffic and fishing boats. In any case, a system that depends on Congressional earmarks for every disbursement is apt to receive some attention in the new Congress.