1. Scope and Summary

This report was prepared by SMΔRT Team in conjunction with the 2013 Planning Associates Program as part of the capstone "Critical Think Product." This report is based on data compiled from a number of sources in an effort to determine the future financial burden to non-federal entities should the federal share of Operation and Maintenance (O&M) at the nation's deep draft ports decline. This report also sought to establish a mechanism by which ports could equitably (for various shippers) capture the additional revenues needed to cover their portion of an increased cost-share, using available recent data related to O&M activities at the Port of Alabama (Fig. 1).

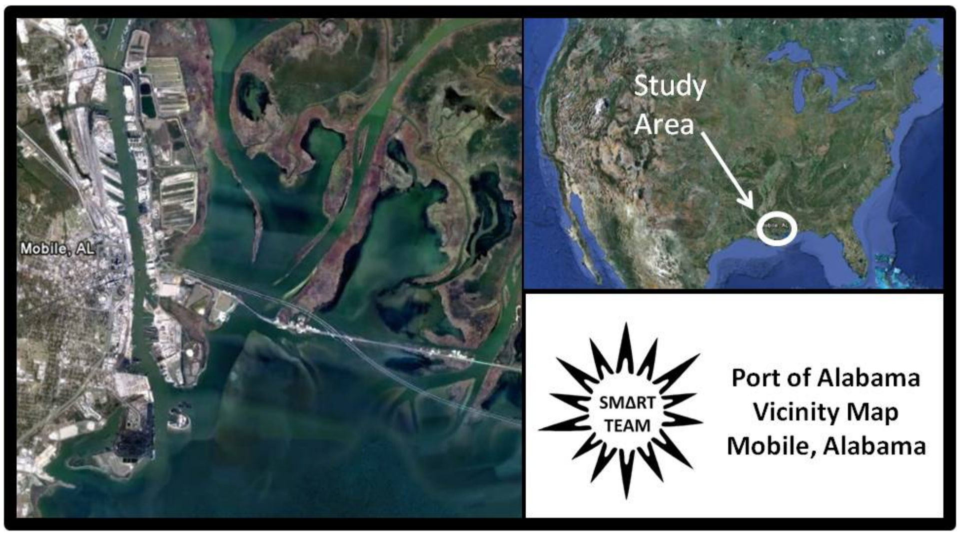

Figure 1. Study Area

2. Problem Description

Due to declining federal budgets, the U.S. Army Corps of Engineers (USACE) is not able to maintain all authorized channels to their authorized depths. Given the nation's long-term financial outlook and current USACE consideration of alternative funding sources, it seemed prudent to explore the possible financial burden to local sponsors should the federal share of O&M decline from its current share of 100 percent for depths of -45 MLLW and shallower.

3. Proposed Solutions

This report focuses on two possible revenue capturing models. The first is a per-tonnage fee based on commodity type, based on an existing tonnage fee on coal currently in place at the Port of Alabama. The second is a three-tiered structure that allocates portions of expected O&M-related revenue needs to *tonnage of goods*, *value of goods*, and *vessel draft*. These three metrics were chosen because when used in conjunction they are anticipated to provide equitable allocation of O&M-related costs to whom the benefits of a federal channel accrue.