U.S. Department of Transportation

BUDGET ESTIMATES

FISCAL YEAR 2014

MARITIME ADMINISTRATION

SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2014

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2014

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MARITIME ADMINISTRATION
FISCAL YEAR 2014 BUDGET REQUEST
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SECTION ONE
OVERVIEW

April 10, 2013

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MARITIME ADMINISTRATION
FY 2014 Budget Request

Overview

For FY 2014, the President requests $365 million for the Martime Administration (MARAD) , $15 million above the FY 2012 enacted level. The FY 2014 Budget request will continue to support the agency's coordinated program of activities and initiatives advancing Departmental and National objectives for Economic Competitiveness, Environmental Sustainability, and Organizational Excellence.

The FY 2014 request includes continued funding investment for the U.S. Merchant Marine Academy (USMMA) including priority capital improvement projects totaling $14 million. The request also highlights a new port infrastructure development initiative within the Operations and Training (O&T) account and new funding within the Maritime Security Program (MSP) to effect food aid program reforms proposed in the State Department Budget.

The FY 2014 MARAD Budget request is summarized by account as follows:

Operations and Training

The Operations and Training (O&T) request of $152.2 million, includes $81.3 million for the United States Merchant Marine Academy (USMMA), $17.1 million for the State Maritime Academies (SMAs), and $53.8 million for MARAD Operations and Programs. Further details of the O&T request are discussed below by program:

U.S. Merchant Marine Academy

For FY 2014, the President's Budget request for the USMMA is $81.3 million. This request includes $67.3 million for Academy Operations. $14 million is requested for the Capital Improvement Program.

Academy Operations

The FY 2014 President's Budget requests $67.3 million to allow the Academy to provide the highest caliber of academic study with state of the art learning facilities for the Nation's future merchant marine officers and maritime transportation professionals. For FY 2014, MARAD requests a two-year period of availability for obligation for Facilities Maintenance, Repairs and Equipment funding of $4 million. Maintaining a dedicated multi-year funding source for these requirements provides the flexibility to address emerging priority repairs and equipment replacement as needs occur and allows facilities maintenance planning across fiscal years.

Capital Improvement Program (CIP)

The FY 2014 President's Budget requests $14 million for the USMMA CIP priority projects, as reflected in the 5 year CIP plan, including the design of Samuels and Bowditch Halls renovation, construction phase of Samuels Hall renovation, construction and upgrades of Zero Deck, and the first phase of a multi-phased renewal of the Academy seawall.

State Maritime Academies (SMAs)
$17.1 million, consistent with FY 2012 enacted, is requested to support the SMAs, including direct support payments to each of the six schools, student tuition support, and maintenance and repair of the schoolships.

MARAD Operations and Programs
The President's Budget requests $53.8 million for MARAD Operations and Programs to continue to provide operational support for the agency's programs, maintain environmental program activities, advance a new port infrastructure development program, and to support Nuclear Ship SAVANNAH requirements.

Port Infrastructure Development
The President's FY 2014 request highlights a new Port Infrastructure Development Program, with a request for $2 million. The new program will support development of guidelines and planning for port infrastructure improvements and master plans, including implementation of a pilot grant program to help ports determine optimal effective investment strategies.

Environmental Sustainability
For FY 2014, $2 million is requested for enhancing maritime environment and technology assistance program initiatives aimed at addressing marine transportation environmental sustainability and energy impacts.

Nuclear Ship SAVANNAH
The FY 2014 budget requests $2.8 million for Nuclear Ship SAVANNAH, providing for the continuation of support activities including nuclear license compliance, radiological protection, ship husbandry and custodial care, decommissioning planning and preparation, and historic preservation.

Ship Disposal
The FY 2014 budget requests $2 million to support continued obsolete vessel disposal actions, with priority emphasis on the worst condition non-retention vessels in MARAD's three reserve fleet sites. (An additional $2.8 million is requested in the O&T account for continued preservation and licensed activities associated with the retention vessel N.S. (Nuclear Ship) SAVANNAH (NSS), previously funded under the Ship Disposal account.)

Maritime Security Program
$208 million is requested in FY 2014 for the Maritime Security Program (MSP). The request includes $183 million to ensure the maintenance of a commercial fleet capable of supporting a U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to these commercial vessels, intermodal facilities and mariners and $25 million for a new food aid program reform initiative.

Food Aid Reform
$25 million is included for a new initiative that will provide a transition year in FY 2014 to establish a multi-year program to mitigate some of the potential impact on sealift capacity and mariner billets from reductions in the volume of food assistance commodities purchased in the United States due to proposed food aid program reforms. This new initiative will seek to

preserve mariner employment on U.S.-flag militarily-useful vessels and identify other innovative means to encourage retention of U.S. mariners and vessels, within but separate from the Maritime Security Program.

Maritime Guaranteed Loan Program (Title XI)

$2.7 million is requested to maintain staff salaries and benefits for administration for the Maritime Guaranteed Loan Program (Title XI) loan portfolio.

National Ocean Policy

The National Ocean Policy provides a framework for Federal agencies to work together to pursue common marine stewardship goals for the oceans, coasts, and Great Lakes. The Ocean Policy also provides for engagement with the State, Tribal, and local authorities, regional governance structures, non-governmental organizations, the public, and the private sector. The Maritime Administration (MARAD), along with the Department of Transportation (DOT), provides subject matter expertise and participates in several National Ocean Policy implementation plan actions that include: an analysis of ocean and coastal economic statistics and jobs; developing of future oceans workforce requirements, education and research; supporting identification of legal/policy barriers to implementing the ocean policy and improving arctic environmental response management efforts, along with other coast management planning. The National Ocean Policy improves the coordination of these efforts between federal agencies, as well as State, Local and Tribal authorities, to better focus fiscal and cooperative efforts.

ATTRIBUTION OF APPROPRIATED FUNDS BY STRATEGIC GOAL

MARAD's appropriated budget supports three DOT strategic goals. The largest share of the agency budget request for FY 2014 supports programs advancing a vital and viable merchant marine, a competitive transportation system, expanded opportunities for business, and Economic Competitiveness. At approximately 90%, it is by far the agency's primary strategic goal.

Approximately 2% of the 2014 appropriated budget request supports Environmental Sustainability outcomes.

Approximately 8% is attributed to Organizational Excellence and support for operating programs.

(The following table summarizes the FY 2014 request by appropriations account and detailed justifications are provided in the "Budget Request by Appropriations Account" section of the document.)

MARITIME ADMINISTRATION
FY 2014 Budget Request Summary
(Dollars in Thousands)

Account/Program	FY 2012 ENACTED	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
OPERATIONS & TRAINING	156,258	157,214	152,168
U.S. Merchant Marine Academy	85,168	85,689	81,268
Academy Operations	62,268	62,649	67,268
Payroll & Operations	62,268	62,649	63,268
Facilities Maintenance, Repairs & Equipment 1/	-	-	4,000
Capital Improvement Program 2/	22,900	23,040	14,000
State Maritime Academies	17,100	17,205	17,100
Student Incentive Payments (SIP)	2,400	2,415	2,400
Direct SMA Support	3,600	3,622	3,600
School Ship Maintenance & Repair	11,100	11,168	11,100
MARAD Operations & Programs	53,990	54,320	53,800
Headquarters Operations	48,990	49,290	47,000
Maritime Program Initiatives	5,000	5,030	6,800
Port Infrastructure Development			2,000
Environmental Sustainability	4,000	4,024	2,000
NS Savannah	-	-	2,800
MARVIEW 3/	1,000	1,006	-
ASSISTANCE TO SMALL SHIPYARDS	9,980	10,041	-
SHIP DISPOSAL PROGRAM	5,500	5,534	2,000
Ship Disposal	2,500	2,515	2,000
NS SAVANNAH	3,000	3,018	-
MARITIME SECURITY PROGRAM	174,000	175,065	208,000
MARITIME GUARANTEED LOAN PROGRAM			
Title XI Program	3,740	3,763	2,655
Administrative Expenses	3,740	3,763	2,655
Loan Guarantees			
TOTAL	**$349,478**	**$351,617**	**$364,823**

1/ New two-year availability funding line item in Academy Operations for FY 2014.

2/ Includes $5.9M for facilities maintenance, repairs and equipment in FY 2012 and $5.936M in FY 2013.

3/ Includes an additional $900K in IT Support in HQ Operations in FY 2012 and 2013.

U.S. Department of Transportation

Maritime Administration

Organizational Chart - FTE

FY 2013 – FY 2014

MARAD Total FY 2013 FTE: 840
Direct: 507
Reimbursable: 333

MARAD Total FY 2014 FTE: 840
Direct: 507
Reimbursable: 333

Office of the Administrator and Staff Offices

	2013	2014
Direct:	56 FTE	56 FTE
Reimb:	4 FTE	4 FTE
Total:	60 FTE	60 FTE

United States Merchant Marine Academy

	2013	2014
Direct:	285 FTE	285 FTE
Reimb:	0 FTE	0 FTE
Total:	285 FTE	285 FTE

Associate Administrator for Budget and Programs/Chief Financial Officer

	2013	2014
Direct:	14 FTE	14 FTE
Reimb:	16 FTE	16 FTE
Total:	30 FTE	30 FTE

Associate Administrator for Administration

	2013	2014
Direct:	40 FTE	40 FTE
Reimb:	30 FTE	30 FTE
Total:	70 FTE	70 FTE

Associate Administrator for Environment and Compliance

	2013	2014
Direct:	16 FTE	16 FTE
Reimb:	3 FTE	3 FTE
Total:	19 FTE	19 FTE

Associate Administrator for Intermodal System Development

	2013	2014
Direct:	32 FTE	32 FTE
Reimb:	0 FTE	0 FTE
Total:	32 FTE	32 FTE

Associate Administrator for National Security

	2013	2014
Direct:	21 FTE	21 FTE
Reimb:	280 FTE	280 FTE
Total:	301 FTE	301 FTE

Associate Administrator for Business and Workforce Development

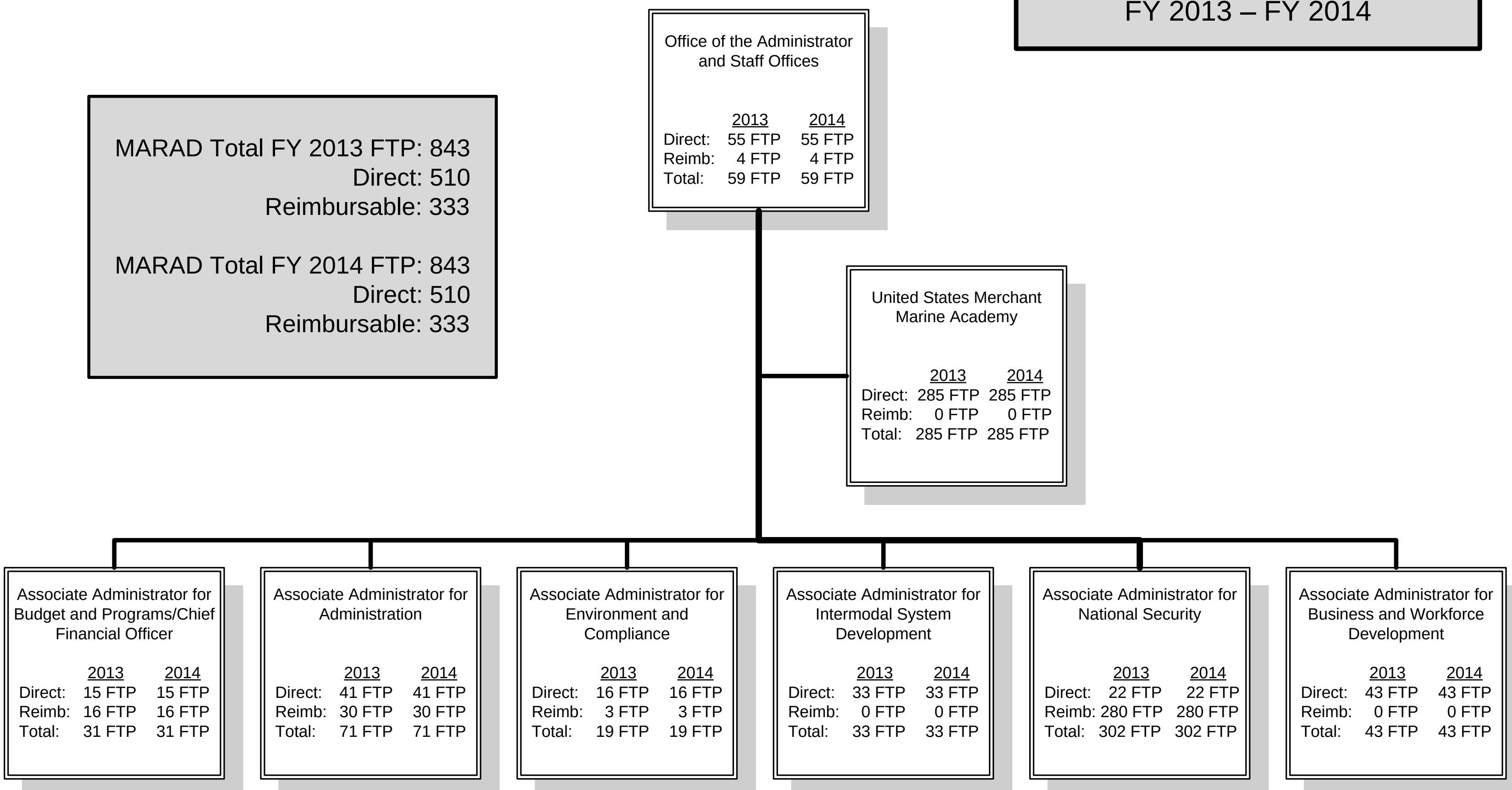
	2013	2014
Direct:	43 FTE	43 FTE
Reimb:	0 FTE	0 FTE
Total:	43 FTE	43 FTE

U.S. Department of Transportation

Maritime Administration

Organizational Chart - FTP

FY 2013 – FY 2014



U.S. Department of Transportation

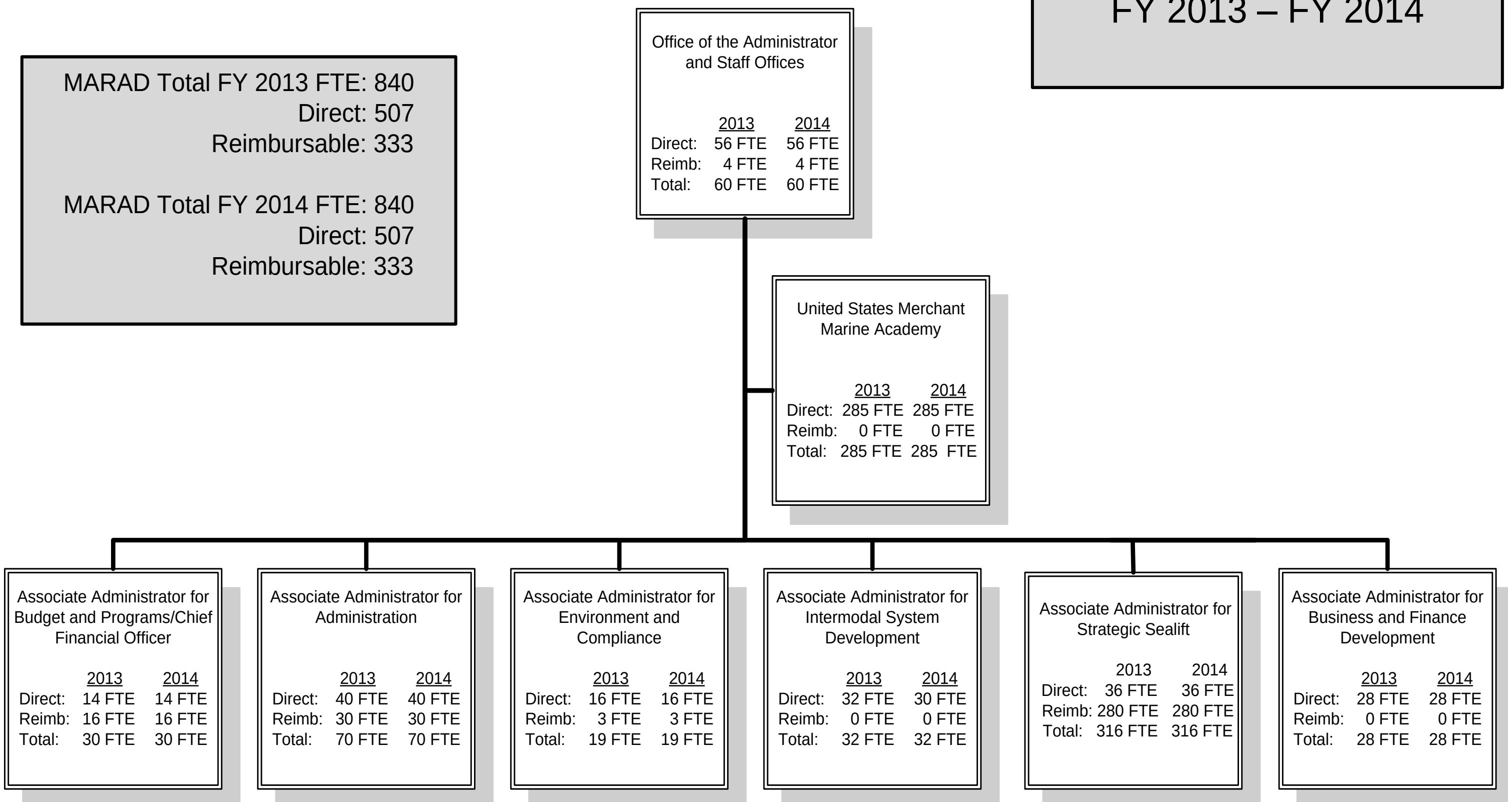
Maritime Administration

PROPOSED
Organizational Chart – FTE

FY 2013 – FY 2014

MARAD Total FY 2013 FTE: 840
Direct: 507
Reimbursable: 333

MARAD Total FY 2014 FTE: 840
Direct: 507
Reimbursable: 333



U.S. Department of Transportation

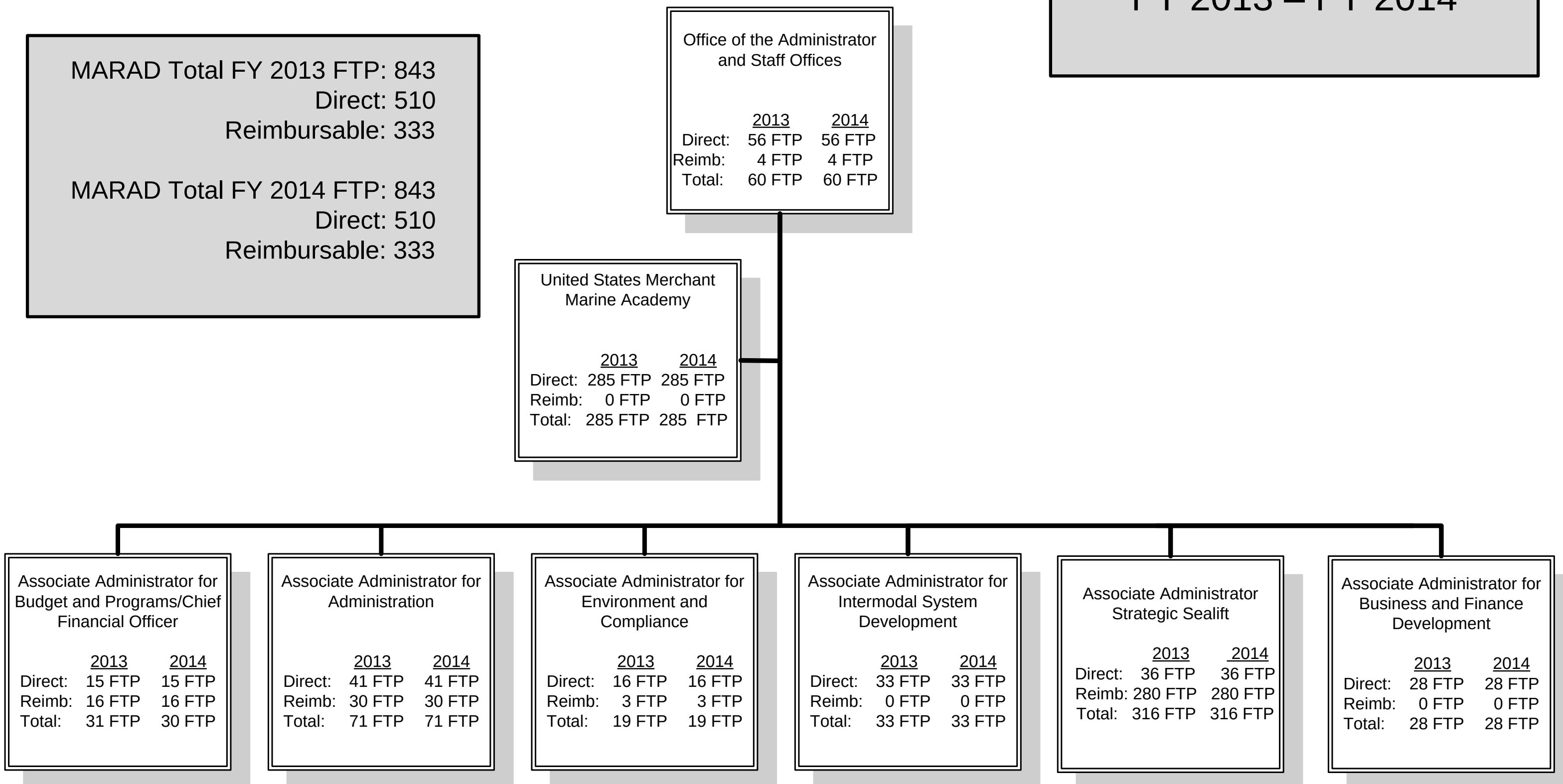
Maritime Administration

PROPOSED
Organizational Chart – FTP

FY 2013 – FY 2014

MARAD Total FY 2013 FTP: 843
Direct: 510
Reimbursable: 333

MARAD Total FY 2014 FTP: 843
Direct: 510
Reimbursable: 333



MARITIME ADMINISTRATION

Reorganization Proposal

The Maritime Administration (MARAD) recommends reorganization of the agency as outlined below and as presented on the proposed organizational charts. The reorganization does not result in any net changes to FTE/FTP levels. Major changes to the organizational chart presented in the FY 2014 Budget request are as follows:

- The Associate Administrator for Business and Workforce Development is being renamed as Associate Administrator for Business and Finance Development and is reduced by 15 positions to realign the following offices to the Associate Administrator for Strategic Sealift.
    - Office of Cargo Preference and Domestic Trade
    - Maritime Workforce Development Office
- The Associate Administrator for National Security is being renamed as Associate Administrator for Strategic Sealift. As mentioned above, this office is increased by 15 positions due to the realignment of the workforce development and cargo preference functions. The following two positions are also being established under the Associate Administrator for Strategic Sealift:
    - Director, Office of Cargo and Commercial Sealift which is currently the SES-level Director of the Office of Cargo Preference and Domestic Trade.
    - Director, Office of Federal Sealift which combines the three GS 15-level offices currently under the Associate Administrator for National Security.
- There are no changes to the other offices.

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EXHIBIT II-1

FY 2014 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
($000)

ACCOUNT NAME	**FY 2012 ENACTED**	**FY 2013 CR ANNUALIZED**	**FY 2014 REQUEST**
Operations and Training	156,258	157,214	152,168
Operations and Training (Transfer)	5,086	-	-
Operations and Training Rescission of Unobligated Balances	-980	-	-
Assistance to Small Shipyards	9,980	10,042	-
Ship Disposal Program	5,500	5,534	2,000
Maritime Security Program	174,000	175,065	208,000
Ocean Freight Differential	-	102,000	50,000
Maritime Guaranteed Loan Prog.(Title XI)	46,447	15,005	2,655
Administrative Expenses	3,740	3,763	2,655
Subsidy Reestimate	42,707	11,242	-
Maritime Guaranteed Loan Programs (Unobligated Balance Cancelation)	-35,000	-	-
Gifts and Bequests	1,227	1,200	1,000
TOTALS	**362,518**	**466,060**	**415,823**

EXHIBIT II-2

FY 2014 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

ACCOUNT NAME	FY 2012 ENACTED	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
1. Operations and Training			
A. U.S. Merchant Marine Academy	85,168	85,689	81,268
B. State Maritime Academies	17,100	17,205	17,100
C. MARAD Operations	53,990	54,320	53,800
Subtotal O&T	156,258	157,214	152,168
2. Assistance to Small Shipyards	9,980	10,041	-
3. Ship Disposal Program			
A. Ship Disposal	2,500	2,515	2,000
B. NS SAVANNAH	3,000	3,018	-
Subtotal Ship Disposal	5,500	5,534	2,000
4. Maritime Security Program	174,000	175,065	208,000
5. Maritime Guaranteed Loans (Title XI)			
A. Administrative Expenses	3,740	3,763	2,655
TOTALS	**349,478**	**351,617**	**364,823**

EXHIBIT II-3
FY 2014 BUDGET REQUEST BY STRATEGIC GOAL AND PERFOMANCE GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

STATEGIC & PERFOMANCE GOALS by Performance Measures	FY 2012 ENACTED	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
1. ECONOMIC COMPETIVENESS			
A . Maximizing economic returns			
a. Operational Programs	276,268	277,959	308,368
b. Headquarters Operations*	18,058	18,168	18,241
Subtotal Performance Goal	294,326	296,127	326,609
B . Expand opportunities for businesses			
a. Operational Programs	13,720	13,804	2,655
b. Headquarters Operations*	950	956	157
Subtotal Performance Goal	14,670	14,760	2,812
TOTAL - Economic Competiveness	**$308,996**	**$310,888**	**$329,421**
2. ENVIRONMENTAL SUSTAINABILITY			
A . Reduce pollution/adverse environmental effects in DOT facilities			
a. Ship Disposal Program	5,500	5,533	4,800
b. Headquarters Operations*	353	355	284
Subtotal Performance Goal	5,853	5,888	5,084
B . Reduced pollution impacts on ecosystems			
a. Environmental Sustainability	4,000	4,024	2,000
b. Headquarters Operations*	235	237	118
Subtotal Performance Goal	4,235	4,261	2,118
TOTAL - Environmental Sustainability	**$10,088**	**$10,148**	**$7,202**
3. ORGANIZATIONAL EXCELLENCE			
A. MARAD Operations and Programs			
a. Headquarters Operations*	29,394	29,575	28,200
b. MARVIEW	1,000	1,006	0
Subtotal Performance Goal	30,394	30,581	28,200
TOTAL - Organizational Excellence	**$30,394**	**$30,581**	**$28,200**
GRAND TOTAL	**$349,478**	**$351,617**	**$364,823**

* Headquarters Operations includes overhead costs funded within the MARAD Operations and Programs Account spread proportionately across goal areas.

EXHIBIT II-3-a
FY 2014 BUDGET REQUEST BY DOT OUTCOMES
MARITIME ADMINISTRATION
($000)

DOT Outcome	Program	FY 2014 Request
SAFETY		
Reduction in injuries and fatalities		
Improved safety experience		
Other		
STATE OF GOOD REPAIR		
Increased percentage of highways in good condition		
Increased percentage of bridges in good and fair condition		
Increased percentage of transit assets in good condition		
Increased percentage of airport runways		
ECONOMIC COMPETITIVENESS		
Maximize economic returns	U.S. Merchant Marine Academy	**81,268**
	State Maritime Academies	**17,100**
	Maritime Security Program	**208,000**
	Port Infrastructure Development	**2,000**
Competitive transportation system		
Advance U.S. transportation interests around the world		
Expanded opportunities for businesses	Title XI Loan Program	**2,655**
Other	Headquarters Operations*	**17,798**
LIVABLE COMMUNITIES		
Convenient and affordable choices		
Improved public transit experience		
Improved networks that accommodate pedestrians/bicycles		
Improved access for people with disabilities and older adults		
Other		
ENVIRONMENTAL SUSTAINABILITY		
Reduced carbon/emissions and improved energy efficiency and reduced dependence on oil		
Reduced pollution impacts on ecosystems	Environmental Sustainability	**2,000**
Environmentally sustainable practices and transportation		
Environmentally sustainable practices in DOT services/facilities	Ship Disposal	**2,000**
	NS SAVANNAH	**2,800**
Other	Headquarters Operations*	**402**
ORGANIZATIONAL EXCELLENCE		
Other	Headquarters Operations*	**28,200**
	MarView	
OVERHEAD PROGRAMS/FUNCTIONS DISTRIBUTED TO PROGRAMS		
TOTAL		**364,823**

*Funded within MARAD Operations and Programs Account.

EXHIBIT II-4

FY 2014 BUDGET AUTHORITY
MARITIME ADMINISTRATION
Budget Authority
($000)

ACCOUNTS		**FY 2012 ENACTED**	**FY 2013 CR ANNUALIZED**	**FY 2014 REQUEST**
Operations and Training	D	156,258	157,214	152,168
Operations and Training - Transfer	D	5,086	-	-
Operations and Training- Unob. Bal. Rescission	D	-980	-	-
Assistance to Small Shipyards	D	9,980	10,042	-
Ship Disposal Program	D	5,500	5,534	2,000
Maritime Security Program	D	174,000	175,065	208,000
Ocean Freight Differential	M	-	102,000	50,000
Maritime Guaranteed Loan Program	D	3,740	3,763	2,655
Subsidy Reestimate	M	42,707	11,242	-
Maritime Guaranteed Loan Program (Unobligated Balance Cancelation)	D	-35,000	-	-
Gifts and Bequests	M	1,227	1,200	1,000
TOTALS		**362,518**	**466,060**	**415,823**
[Mandatory]		43,934	114,442	51,000
[Discretionary]		318,584	351,618	364,823
Proprietary Receipts:				
Maritime Guaranteed Loan Program		55,338	37,354	-
Gifts and Bequests		1,227	1,200	1,000
Total MARAD RECEIPTS		**56,565**	**38,554**	**1,000**

EXHIBIT II-5

FY 2014 OUTLAYS
MARITIME ADMINISTRATION
($000)

ACCOUNTS		**FY 2012 ENACTED**	**FY 2013 CR ANNUALIZED**	**FY 2014 REQUEST**
Operations and Training	D	149,704	237,780	162,383
Gifts and Bequests	M	584	1,200	1,200
Special Studies, Services, and Projects	M	15,263	6,651	1,289
Assistance to Small Shipyards	D	8,717	28,746	-
Assistance to Small Shipyards, ARRA 1/	D	4,250	5,088	-
Ship Disposal	D	13,242	11,913	3,871
Maritime Security Program	D	181,706	186,143	205,695
Port of Guam Improvement Enterprise Fund	D	1,185	48,755	-
Ocean Freight Differential	M	47,383	135,000	50,000
Ready Reserve Force	D	-28,178	100,828	52,000
Vessel Operations Revolving Fund	D	-6,895	-596	900
War Risk Insurance Revolving Fund	D	-153	-	-
Maritime Guaranteed Loan Program	D	12,260	41,845	2,655
Subsidy Reestimate	M	42,708	11,242	-
TOTALS		441,776	814,595	479,993
[Mandatory]		105,938	154,093	52,489
[Discretionary]		335,838	660,502	427,504

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

Operations & Training-Summary

	FY 2013 CR Annualized	Baseline Changes: 2014 Pay Raise 1.0%	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation	FY 2014 Baseline Estimate	Program Increase/ Decrease	FY 2014 Request
O&T PERSONNEL RESOURCES	**496**					**496**	**3** 1/	**499**
Direct FTE	**496**					**496**	**3**	**499**
USMMA:								
PERSONNEL RESOURCES	**285**					**285**	**-**	**285**
Direct FTE	285					285	-	285
ACADEMY OPERATIONS								
Salaries and Benefits	$34,146	$256	-	-	-	$34,402	-$564	$33,838
Midshipman Program	10,164	-	-	-	51	10,215	-415	9,800
Instructional Program	3,642	-	-	-	18	3,660	40	3,700
Program Direction & Administration	7,450	-	-	-	37	7,487	943	8,430
Campus Operating Requirements (COR)	7,247	-	-	-	36	7,283	217	7,500
Facilities Maintenance, Repair & Equipment 2/	-	-	-	-	-	-	4,000	4,000
SUBTOTAL	**$62,649**	**$256**	**-**	**-**	**$142**	**$63,047**	**$4,221**	**$67,268**
CAPITAL IMPROVEMENT PROGRAM								
Capital Improvements	$17,104	-	-	-	-	$17,104	-$3,104	$14,000
Facilities Maintenance, Repair & Equipment	5,936	-	-	-	30	5,966	-5,966	-
SUBTOTAL	**$23,040**	**-**	**-**	**-**	**-**	**$23,070**	**-$9,070**	**$14,000**
USMMA TOTAL	**$85,689**	**$256**	**-**	**-**	**$142**	**$86,117**	**-$4,849**	**$81,268**
STATE MARITIME ACADEMIES:								
Direct SMA Support	$3,622	-	-	-	$18	$3,640	-$40	$3,600
Student Incentive Payments	2,415	-	-	-	-	2,415	-15	2,400
School Ship Maintenance and Repair	11,168	-	-	-	56	11,224	-124	11,100
STATE MARITIME SCHOOLS TOTAL	**$17,205**	**-**	**-**	**-**	**$74**	**$17,279**	**-$179**	**$17,100**
MARAD OPERATIONS & PROGRAMS:								
PERSONNEL RESOURCES	**190**					**190**	**3** 1/	**193**
Direct FTE	190					190	3	193
FINANCIAL RESOURCES								
Operating Expenses:								
Salaries and Benefits	$29,269	$220	-	-	-	$29,489	-$1,489	$28,000
Non- Discretionary Operations	8,806	-	527	1,208	44 1/	10,585	618	11,203
GSA Rent	[2,339]	-	[527]	-	-	[2,866]	[-]	[2,866]
WCF	[3,271]	-	-	[1,208]	-	[4,479]	[-]	[4,479]
Discretionary Operations & Travel	4,060	-	-	-	20	4,080	-2,225	1,855
Information Technology	7,155	-	-	-	36	7,191	-1,249	5,942
Operating Expenses, Subtotal	**$49,290**	**$220**	**527**	**1,208**	**$100**	**$51,345**	**-$4,345**	**$47,000**
Maritime Program Expenses:								
Environmental Sustainability	$4,024	-	-	-	-	$4,024	-$2,024	$2,000
MARVIEW	1,006	-	-	-	-	1,006	-1,006	-
NS SAVANNAH	-	-	-	-	-	-	2,800	2,800
Port Infrastructure Development	-	-	-	-	-	-	2,000	2,000
Program Expenses, Subtotal	**$5,030**	**-**	**-**	**-**	**-**	**$5,030**	**$1,770**	**$6,800**
MARAD OPERATIONS & PROGRAMS TOTAL	**$54,320**	**$220**	**$527**	**$1,208**	**$100**	**$56,375**	**-$2,575**	**$53,800**
GRAND TOTAL O&T	**$157,214**	**$476**	**$527**	**$1,208**	**$316**	**$159,771**	**-$7,603**	**$152,168**

1/ Marad Operations and Programs was increased by 3 FTEs to reflect the transfer of the N.S. SAVANNAH from the Ship Disposal Program.
2/ New 2-year funding availability line item for FY 2014.

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

Operations & Training-USMMA

		Baseline Changes							
	FY 2013 CR Annualized	**2014 Pay Raise 1.0%**	**Annualization of FTE**	**GSA Rent**	**WCF**	**0.5% Inflation/ Deflation**	**FY 2014 Adjusted Base**	**Program Increase/ Decrease**	**FY 2014 Request**
USMMA:									
PERSONNEL RESOURCES	**285**		**-**				**285**	**-**	**285**
Direct FTE	285		-				285		285
ACADEMY OPERATIONS									
Salaries and Benefits	$34,146	$256	-	-	-	-	$34,402	-$564	$33,838
Midshipman Program	10,164	-	-	-	-	51	10,215	-415	9,800
Instructional Program	3,642	-	-	-	-	18	3,660	40	3,700
Program Direction & Administration (PDA)	7,450	-	-	-	-	37	7,487	943	8,430
Campus Operating Requirements (COR)	7,247	-	-	-	-	36	7,283	217	7,500
Facilities Maintenance, Repairs & Equipment	-	-	-	-	-	-	-	4,000	4,000
SUBTOTAL	**$62,649**	**$256**	**-**	**-**	**-**	**$143**	**$63,047**	**$4,221**	**$67,268**
CAPITAL IMPROVEMENT PROGRAM									
Capital Improvements	$17,104	-		-	-	-	$17,104	-$3,104	$14,000
Facilities Maintenance, Repairs & Equipment 1/	5,936	-	-	-	-	30	5,966	-5,966	-
SUBTOTAL	**$23,040**	**-**	**-**	**-**	**-**	**-**	**$23,070**	**-$9,070**	**$14,000**
USMMA TOTAL	**$85,689**	**$256**	**-**	**-**	**-**	**$143**	**$86,117**	**-$4,849**	**$81,268**

1/ New 2-year funding availability line item for FY 2014 within Academy Operations.

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

Operations & Training-State Maritime Academies

		Baseline Changes							
	FY 2013 CR Annualized	2014 Pay Raise 1%	One Additional Compensable Day	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2014 Baseline Estimate	Program Increase/ Decrease	FY 2014 Request
STATE MARITIME ACADEMIES:									
Direct SMA Support	$3,622	-	-	-	-	$18	$3,640	-$40	$3,600
Student Incentive Payments	2,415	-	-	-	-	-	2,415	-15	2,400
School Ship Maintenance & Repair	11,168	-	-	-	-	56	11,224	-124	11,100
STATE MARITIME ACADEMIES TOTAL	**$17,205**	**-**	**-**	**-**	**-**	**$74**	**$17,279**	**-$179**	**$17,100**

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

Operations & Training-MARAD Operations & Programs

	FY 2013 CR Annualized	Baseline Changes: 2014 Pay Raise 1.0%	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2014 Baseline Estimate	Program Increase/ Decrease	FY 2014 Request
MARAD OPERATIONS & PROGRAMS:									
PERSONNEL RESOURCES	**190**						**190**	**3 1/**	**193**
Direct FTE	190						190	3	193
FINANCIAL RESOURCES									
Operating Expenses:									
Salaries and Benefits	$29,269	$220	-	-	-	-	$29,489	-$1,489	$28,000
Non-Discretionary Operations	8,806	-	-	527	1,208	44	10,585	618	11,203
GSA Rent	[2,339]	-	-	[527]	-	-	[2,866]	[-]	[2,866]
WCF	[3,271]	-	-	-	[1,208]	-	[4,479]	[-]	[4,479]
Discretionary Operations & Travel	4,060	-	-	-	-	20	4,080	-2,225	1,855
Information Technology	7,155	-	-	-	-	36	7,191	-1,249	5,942
Operating Expenses, Subtotal	**$49,290**	**$220**	**-**	**$527**	**$1,208**	**$100**	**$51,345**	**-$4,345**	**$47,000**
Maritime Program Initiatives:									
Environmental Sustainability	$4,024	-	-	-	-	-	$4,024	-$2,024	$2,000
MARVIEW	1,006	-	-	-	-	-	1,006	-1,006	-
NS Savannah	-	-	-	-	-	-	-	2,800	2,800
Port Infrastructure Development	-	-	-	-	-	-	-	2,000	2,000
Program Expenses, Subtotal	**$5,030**	**-**	**-**	**-**	**-**	**-**	**$5,030**	**$1,770**	**$6,800**
MARAD OPERATIONS & PROGRAMS TOTAL	**$54,320**	**$220**	**-**	**$527**	**$1,208**	**$100**	**$56,375**	**-$2,575**	**$53,800**

1/ Marad Operations and Programs was increased by 3 FTEs to reflect the transfer of the N.S. SAVANNAH from the Ship Disposal Program.

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

ASSISTANCE TO SMALL SHIPYARDS

		Baseline Changes						
	FY 2013 CR Annualized	**2014 Pay Raise 1%**	**GSA Rent**	**WCF**	**0.5% Inflation/ Deflation**	**FY 2014 Baseline Estimate**	**Program Increase/ Change**	**FY 2014 Request**
PERSONNEL RESOURCES (FTE)	-					-	-	-
Direct FTE	-					-	-	-
FINANCIAL RESOURCES								
Salaries and Benefits	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-
Program Expenses	10,041	-	-	-	-	10,041	-10,041	-
ASSISTANCE TO SMALL SHIPYARDS - TOTAL	**$10,041**	**-**	**-**	**-**	**-**	**$10,041**	**-$10,041**	**-**

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

SHIP DISPOSAL PROGRAM

		Baseline Changes						
	FY 2013 CR Annualized	**2014 Pay Raise 1%**	**GSA Rent**	**WCF**	**0.5% Inflation/ Deflation**	**FY 2014 Baseline Estimate**	**Program Increase/ Decrease**	**FY 2014 Request**
PERSONNEL RESOURCES (FTE)	**11**					**11**	**-3** 1/	**8**
Direct FTE	11					11	-3	8
FINANCIAL RESOURCES								
Operating Expenses:								
Salaries and Benefits	$1,658	$12	-	-	-	$1,670	-456	$1,214
Operating Expenses	117	-	-	-	1	118	-	118
GSA Rent	106		-27	-	-	79	-	79
WCF	149	-	-	-26	-	123	-	123
Operating Expenses, Subtotal	**$2,030**	**$12**	**-$27**	**-$26**	**$1**	**$1,990**	**-$456**	**$1,534**
Program Expenses:								
Ship Disposal	$486	-	-	-	2	$488	-$22	$466
NS SAVANNAH	3,018	-	-	-	15	3,033	-3,033	-
Program Expenses, Subtotal	**$3,504**	**-**	**-**	**-**	**$17**	**$3,521**	**-$3,055**	**$466**
SHIP DISPOSAL PROGRAM- TOTAL	**$5,534**	**$12**	**-$27**	**-$26**	**$18**	**$5,511**	**-$3,511**	**$2,000**

1/ The Ship Disposal Program was reduced by 3 FTEs to reflect the transfer of the N.S. SAVANNAH to Marad Operations and Programs within the Operations and Training account.

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

MARITIME SECURITY PROGRAM

	FY 2013 CR Annualized	Baseline Changes: 2014 Pay Raise 1%	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation	FY 2014 Baseline Estimate	Program Increase/ Change	FY 2014 Request
PERSONNEL RESOURCES (FTE)	-					-	-	-
Direct FTE	-					-	-	-
FINANCIAL RESOURCES								
Salaries and Benefits	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-
Program Expenses	$175,065	-	-	-	-	$175,065	$7,935	$183,000
Additional Target Stipends/Mariner Retention Incentives (Food Aid Reform)	-	-	-	-	-	-	25,000	25,000
MARITIME SECURITY PROGRAM - TOTAL	**$175,065**	**-**	**-**	**-**	**-**	**$175,065**	**$32,935**	**$208,000**

EXHIBIT II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

	FY 2013 CR Annualized	Baseline Changes: 2014 Pay Raise 1%	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2014 Baseline Estimate	Program Increase/ Decrease	FY 2014 Request
PERSONNEL RESOURCES (FTE)	**21**					**21**	**-**	**21**
Direct FTE	21					21	-	21
FINANCIAL RESOURCES								
Operating Expenses:								
Salaries and Benefits	$2,869	$22	-	-	-	$2,891	-$236	$2,655
Operating Expenses	407	-	-	-	-	407	-407	-
GSA Rent	203	-	-203	-	-	-	-	-
WCF	284	-	-	-284	-	-	-	-
Operating Expenses, Subtotal	**$3,763**	**$22**	**-$203**	**-$284**	**-**	**$3,298**	**-$643**	**$2,655**
Program Expenses								
Loan Subsidies	-	-	-	-	-	-	-	-
Program Expenses, Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
MARITIME GUARANTEED LOAN PROG. - TOTAL	**$3,763**	**$22**	**-$203**	**-$284**	**-**	**$3,298**	**-$643**	**$2,655**

EXHIBIT II-7
WORKING CAPITAL FUND
MARITIME ADMINISTRATION
($000)

	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGE
DIRECT:			
Operations and Training	3,271	4,479	1,208
Maritime Guaranteed Loan Prog. (Title XI)	284	-	-284
Ship Disposal	149	123	-26
SUBTOTAL	**3,704**	**4,602**	**898**
REIMBURSABLE:			
Ready Reserve Force	3,789	3,963	174
SUBTOTAL	**3,789**	**3,963**	**174**
TOTAL	**7,493**	**8,565**	**1,072**

EXHIBIT II-8
MARITIME ADMINISTRATION
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS

	FY 2012 ENACTED		FY 2013 CR ANNUALIZED		FY 2014 REQUEST	
DIRECT FUNDED BY APPROPRIATION						
Operations and Training	464		496		499	1/
Ship Disposal	11		11		8	1/
SUBTOTAL, DIRECT FUNDED	**475**	2/	**507**	2/	**507**	2/
REIMBURSEMENTS/ALLOCATIONS/OTHER						
Ready Reserve Force	321		333		333	
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**321**		**333**		**333**	
TOTAL FTEs	**796**		**840**		**840**	

1/ The Ship Disposal Program was reduced by 3 FTEs to reflect the transfer of the N.S. SAVANNAH to Marad Operations and Programs within the Operations and Training account.
2/ Direct funded FTEs includes 21 FTE for the Title XI Program.

EXHIBIT II-9
MARITIME ADMINISTRATION
RESOURCE SUMMARY - STAFFING
FULL-TIME PERMANENT POSITIONS

DIRECT FUNDED BY APPROPRIATION	**FY 2012 ENACTED**		**FY 2013 CR ANNUALIZED**		**FY 2014 REQUEST**	
Operations and Training	499		499		502	1/
Ship Disposal	11		11		8	1/
SUBTOTAL, DIRECT FUNDED	**510**	2/	**510**	2/	**510**	2/
REIMBURSEMENTS/ALLOCATIONS/OTHER						
Ready Reserve Force	333		333		333	
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**333**		**333**		**333**	
TOTAL POSTIONS	**843**		**843**		**843**	

1/ The Ship Disposal Program was reduced by 3 FTPs to reflect the transfer of the N.S. SAVANNAH to Marad Operations and Programs within the Operations and Training account.
2/ Direct funded FTPs includes 21 FTP for the Title XI Program.

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OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, [$146,298,000] *$152,168,000*, of which *$11,100,000* shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, and of which *$2,400,000* shall remain available through September 30, [2014] *2015* for Student Incentive Program payments at State Maritime Academies, *and of which $4,000,000 shall remain available through September 30, 2015 for facilities maintenance, repairs, and equipment at the United States Merchant Marine Academy*, and of which [$10,000,000] *$14,000,000* shall remain available until expended for capital improvements at the United States Merchant Marine Academy, *and of which $1,700,000 shall remain available until expended for port planning grants, and of which $2,800,000 shall remain available until expended for custodial care and historic preservation of the N.S. Savannah*: *Provided*, That amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation or the Assistant Secretary for Budget and Programs: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United State Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of the Maritime Administration shall hold all allotments made by the Secretary of Transportation or the Assistant Secretary for Budget and Programs under the previous proviso: *Provided further*, That 50 percent of the funding made available for the United States Merchant Marine Academy under this heading shall be available only after the Secretary, in consultation with the Superintendent and the Maritime Administrator, completes a plan detailing by program or activity how such funding will be expended at the Academy, and this plan is submitted to the House and Senate Committees on Appropriations.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-70-1750-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0001	Merchant Marine Academy	100,397	107,395	83,768
0002	State Maritime Schools	17,308	20,841	17,100
0003	Marad Operations	53,829	54,320	53,800
0004	Other Maritime Programs	2,132	10,685	-
0799	Total direct program	173,666	193,241	154,668
0801	Reimbursable program	11,434	42,264	28,000
0900	Total new obligations	185,100	235,505	182,668
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance available, start of year	49,425	53,702	3,393
1011	Unobligated balance transferred from other accounts	68	-	-
1021	Unobligated balance: Prior Year Recoveries	20,604	-	-
1029	Other balances withdrawn	-	-18	-
1050	Unobligated balance (total)	70,097	53,684	3,393
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	156,258	157,214	152,168
1121	Appropriation transferred from other accounts	5,086	-	-
1131	Appropriation permanently reduced	-980	-	-
1160	Appropriation, discretionary (total)	160,364	157,214	152,168
1700	Collected	7,661	28,000	28,000
1701	Change in uncollected payments, Federal sources	3,137	-	-
1750	Spending auth from offsetting collections, disc - (total)	10,798	28,000	28,000
1900	Budget authority (total)	171,162	185,214	180,168
1930	Total budgetary resources available	241,259	238,898	183,561
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	-2,457	-	-
1941	Unexpired unobligated balance, end of year	53,702	3,393	893
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	93,555	96,776	66,501
3010	Obligations incurred, unexpired accounts	185,100	235,505	182,668
3011	Obligations incurred, expired accounts	7,493	-	-
3020	Outlays (gross)	-160,932	-265,780	-190,383
3040	Recoveries of prior year unpaid obligations, unexpired	-20,603	-	-
3041	Recoveries of prior year unpaid obligations, expired	-7,837	-	-
3050	Unpaid obligations, end of year (gross)	96,776	66,501	58,786

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-70-1750-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-23,522	-24,232	-24,232
3070 Change in uncollected pymts, Fed sources, unexpired	-3,136	-	-
3071 Change in uncollected pymts, Fed sources, expired	2,426	-	-
3090 Uncollected pymts, Fed sources, end of year	-24,232	-24,232	-24,232
Memorandum (non-add) entries:			
3100 Obligated balance, start of year (net)	70,033	72,544	42,269
3200 Obligated balance, end of year (net)	72,544	42,269	34,554
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	171,162	185,214	180,168
4010 Outlays from new discretionary authority	117,891	161,632	157,343
4011 Outlays from discretionary balances	43,041	104,148	33,040
4020 Outlays, gross (total)	160,932	265,780	190,383
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-8,123	-28,000	-28,000
4033 Non-Federal sources	-3,104	-	-
4040 Offsets against gross budget authority and outlays (total)	-11,227	-28,000	-28,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-3,136	-	-
4052 Offsetting collections credited to expired accounts	3,566	-	-
4060 Additional offsets against budget authority only (total)	430	-	-
4070 Budget authority, net (discretionary)	160,364	157,214	152,168
4080 Outlays, net (discretionary)	149,705	237,780	162,383
4180 Budget authority, net (total)	160,364	157,214	152,168
4190 Outlays, net (total)	149,705	237,780	162,383

OPERATIONS AND TRAINING

Program and Performance Statement

The appropriation for Operations and Training provides funding for staff at headquarters and gateway offices to administer and direct Maritime Administration operations and training programs. Maritime Administration operations include planning for coordination of U.S. maritime industry activities under emergency conditions; technology assessments calculated to achieve advancements in ship design, construction and operation; and port and intermodal development to increase capacity and mitigate congestion in freight movements. Maritime training programs include the operation of the U.S. Merchant Marine Academy and financial assistance to the six State maritime academies.

The Operations and Training Budget request of $152 million includes $81 million for the United States Merchant Marine Academy, $17 million for the State Maritime Academies, and $54 million for Maritime Operations and Programs at headquarters, storage of the obsolete nuclear-powered cargo-passenger ship NS Savannah, and MARAD gateway offices.

MARITIME ADMINISTRATIOI
OPERATIONS AND TRAINING (O&T)
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Direct obligations:			
1111	Full-time permanent	38,557	42,570	41,407
1113	Other than full-time permanent	6,018	6,545	6,473
1115	Other personnel compensation	1,114	1,221	1,197
1119	**Total personnel compensation**	**45,690**	**50,336**	**49,077**
1121	Civilian personnel benefits	11,880	13,079	12,761
1210	Travel and transportation of persons	2,305	1,754	1,491
1220	Transportation of things	214	200	195
1231	Rental payments to GSA	2,670	2,339	2,866
1233	Communications, utilities & misc. charges	4,174	4,252	3,806
1240	Printing and reproduction	10	9	9
1252	Other services	65,516	71,339	55,229
1260	Supplies and materials	5,960	7,276	5,932
1310	Equipment	4,615	4,873	4,418
1320	Lands and structures	30,596	32,969	16,484
1410	Grants, subsidies and contributions	36	4,815	2,400
1990	**Subtotal , direct obligations**	**173,666**	**193,241**	**154,668**
	Reimbursable obligations:			
2252	Other services	11,434	42,264	28,000
2990	**Subtotal , reimbursable obligations**	**11,434**	**42,264**	**28,000**
9999	**Total new obligations**	**185,100**	**235,505**	**182,668**

Employment Summary

Operations and Training	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
Direct:			
1001 Civilian full-time Equivalent employment	464	496	499
Total Employment	**464**	**496**	**499**

EXHIBIT III-1

OPERATIONS AND TRAINING

Summary by Program Activity

Appropriations, Obligation Limitations, and Exempt Obligations

($000)

	FY 2012 ENACTED		FY 2013 CR ANNUALIZED		FY 2014 REQUEST		CHANGE FY 2012-2014	
U.S. Merchant Marine Academy	85,168		85,689		81,268		-3,900	
State Maritime Schools	17,100		17,205		17,100		-	
MARAD Ops. & Programs	53,990		54,320		53,800		-190	
Total, Operations & Training	**156,258**		**157,214**		**152,168**		**-4,090**	
FTEs								
Direct Funded	464	1/	496	1/	499	1/	35	2/
Reimbursable, allocated, other	-		-		-		-	

1/ The Direct FTE includes the 21 FTEs associated with the Title XI Program.

2/ Marad Operations and Programs was increased by 3 FTEs to reflect the transfer of the N.S. SAVANNAH from the Ship Disposal Program.

EXHIBIT III -1a

OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2013 TO FY 2014
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	**Change from FY 2013 to FY 2014**	**Total**
FY 2013 CR Annualized		
Operations and Training		**$157,214**
Adjustments to Base		
2014 Pay Raise (1%)	476	
GSA Rent	527	
WCF	1,208	
Non-Salary Inflation (0.5%)	346	
Subtotal, Adjustments to Base	**$2,557**	**$2,557**
New or Expanded Programs		
USMMA Merchant Marine Academy	-1,745	
Capital Improvement Program	-3,104	
Direct SMA Support	-40	
Student Incentive Payments	-15	
School Ship Maintenance & Repair	-124	
MARAD Operations	-4,345	
Environment Sustainability	-2,024	
MarView	-1,006	
NS SAVANNAH	2,800	
Port Infrastructure	2,000	
Subtotal, New or Expanded Program Increases/ Decreases	**-$7,603**	**-$7,603**
Total FY 2014 Request		**$152,168**

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS
MARITIME ADMINISTRATION

Annual Performance Results and Targets

The Maritime Administration tracks the following agency performance measures, which support the DOT Strategic Goals for Economic Competitiveness and Organizational Excellence.

USMMA Graduation Rate	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	70	71	72
Actual	66	65	70		
Target Achieved			√		

USMMA Overall average GPA (1st Class)	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	2.77	2.80	2.83
Actual	xxx	2.94	2.89		
Target Achieved			√		

USCG Licensing Rate on First Attempt (deck)	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	79	80	81
Actual	76	71	80		
Target Achieved			√		

USCG Licensing Rate on First Attempt (engine)	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	84	85	86
Actual	93	82	78		
Target Achieved			***x***		

USMMA Retention Rate for Returning First Year Students (Plebes) by fiscal year	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	xxx	85	85
Actual	91	89	88		
Target Achieved					

Diversity Graduation Rate	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	55	59	63
Actual	67	69	59		
Target Achieved			√		

State Maritime Academies Number of Graduates	**2010**	**2011**	**2012**	**2013**	**2014**
Target	484	520	592	600	657
Actual	575	545	642		
Target Achieved	√	√	√		

Ports assisted in development of infrastructure master plan	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	xxx	xxx	10
Actual	xxx	xxx	xxx	xxx	
Target Achieved					

Number of aquatic invasive species mitigation processes investigated	**2010**	**2011**	**2012**	**2013**	**2014**
Target	1	1	2	2	4
Actual	1	1	2		
Target Achieved	√	√	√		

Number of air emissions/alternative fuel projects initiated	**2010**	**2011**	**2012**	**2013**	**2014**
Target	1	2	4	4	3
Actual	1	2	4		
Target Achieved	√	√	√		

Note: Port Infrastructure Development is a newly initiated pilot program for FY 2014.

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS

FY 2005 - FY 2014
Main Table - ($000)

Fiscal Year	Request	Enacted
2005	109,300	106,952 1/
2006	113,650	136,027 2/
2007	115,830	111,522
2008	115,276	121,992
2009	117,848	123,360
2010	152,900	149,750
2011	164,353	151,447 3/
2012	161,539	156,258
2013	146,298	148,085
2014	152,168	

1/ Includes Working capital fund of $1,650,000 plus $875,824 rescinded in P.L.108-447.

2/ Includes the Hurricanes Supplemental Appropriation of $7,500,000

3/ Includes 0.2% across the board rescision of $304K as per P.L.112-55.

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Justification for the United States Merchant Marine Academy (USMMA)

($000) Program Activity	FY 2012 Enacted	FY 2013 CR Annualized	FY 2014 Request	Change FY 2012-FY 2014
Academy Operations	62,268	62,649	67,268	5,000
Pay & Operations	*62,268*	*62,649*	*63,268*	*1,000*
Facilities Maintenance, Repair & Equipment (FMRE)			*4,000*	*4,000*
Capital Improvement Program	22,900[1/]	23,040	14,000	-8,900
Total	**$85,168**	**85,689**	**81,268**	**-$3,900**

1/ For FY 2012 FMRE was enacted at $5.9 million as no-year funding within the capital improvement account, the FY 2013 level is $5.936 million, and for FY 2014 FMRE is requested as two-year funding within Academy Operations.

I. Budget Request

What is the request and what will we get for the funds?

For FY 2014, $81.3 million is requested for the United States Merchant Marine Academy (USMMA), $3.9 million below FY 2012. This request includes $67.3 million for Academy Operations, $5 million above FY 2012, to fund program needs and current services requirements. $14.0 million is requested for the Capital Improvement Program, $8.9 million below FY 2012, but $5.9 of that difference was used for operating maintenance projects, so the comparable difference is $3 million less than 2012.

In FY 2014, the Academy remains focused on maintaining a sufficient base to support mission-essential areas. The FY 2014 investments will allow the Academy to effectively achieve its core responsibilities of providing the highest caliber of academic study with state of the art learning facilities for the Nation’s future merchant marine officers and maritime transportation professionals.

The request for the Academy maintains continuity for priority areas, including: academics, midshipman quality of life, facilities improvement, and continuing progress in administrative areas. The Academy is also dedicated to their concerted effort towards improving business processes by strengthening internal controls, continuously mitigating risks, while also augmenting transparency, and enhancing the effectiveness of administrative support activities.

ACADEMY OPERATIONS: $67.3 million

For FY 2014, $67.3 million is requested for Academy Operations, $5 million above FY 2012, of which $4 million results from moving facilities maintenance, repairs and equipment to Academy Operations from the Capital Improvement Program in FY 2014. These requested resources are focused on USMMA mission-essential program requirements and security priorities. The request provides $33.8 million for salaries and benefits, $29.4 million for non-pay operations and $4.0 million for a new two-year funding availability line item in Academy Operations for facilities maintenance, repairs and equipment.

Salaries and Benefits: $33.8 million

MARAD requests $33.8 million for salaries and benefits. This request will support the continued baseline level of 285 FTE, 3 FTE above FY 2012, due to annualization of the 5 maintenance positions partially funded in FY 2012.

Non-pay Operations: $29.4 million
Non-pay operations are requested at $29.4 million, $945,000 above FY 2012. This will provide the necessary resources for USMMA to meet the mission-critical requirements for Midshipmen Program, Instructional Program, Program Direction and Administration, and Campus Operating Requirements support as discussed below:

- $9.8 million is requested for the Midshipman Program to support the overall welfare of the Regiment by providing the day-to-day provisions required to educate the Midshipmen including supplies, health services, food services, uniforms, licensure and credentials, and textbooks.

- $3.7 million is requested for the Instructional Program to provide resources directed toward continued improvements within the academic divisions and to ensure continued educational excellence for the Midshipmen. This request includes a program decrease of $181,000 achieved through the upgrade of various Math and Physics lab equipment in FY 2012.

- $8.4 million is requested for Program Direction and Administration (PDA) to continue to meet critical operations and administrative support requirements and strategically support the overall operations and functions of the Academy. This request includes a program increase of $509,000 to fund an enhanced armed guard contract as recommended by the Department. This armed guard contract would greatly increase the ability of the Academy to provide appropriate levels of security and access control and an initial response to various contingencies, including an active shooter on campus.

- $7.5 million is requested for Campus Operating Requirements to fund the activities related to the day-to-day operations of the Academy. This includes the janitorial contract, the Safety Environmental Protection Office, Academy-wide utilities contracts and other significant operational activities. This request includes a program increase of $319,000 above FY 2012 to fund the higher cost of utilities.

Facilities Maintenance, Repairs and Equipment: $4 million
For FY 2014, MARAD requests $4.0 million for Facilities Maintenance, Repairs and Equipment, as a new line item within Academy Operations with a two-year period of availability for obligation. Maintaining a dedicated funding source for these activities makes good business sense as a portion of these requirements are for major physical plant emergencies or very high priority mission-related physical plant projects that emerge during the fiscal year due to facility deterioration that requires immediate resolution to correct a safety hazard, to ensure the continued use of a building or structure, or to ensure continuation of a mission-related program. These repairs are often unpredictable. Maintaining a multi-year funding source for these requirements, as well as routine facilities maintenance, provides the flexibility to meet priority needs as they occur and allows facilities maintenance planning across fiscal years, whereas one-year funds may need to be spent on lesser priorities in order to prevent fiscal year-end lapse of funds.

CAPITAL IMPROVEMENT PROGRAM (CIP)

$14.0 million is requested for CIP in FY 2014, $8.9 million below FY 2012, but $5.9 of that difference was used for operating maintenance projects, so the comparable difference is $3 million less than 2012. These funds will be allocated to the following priority projects as identified in the Academy's Five-Year Capital Improvement Program Plan as follows:

Zero Deck Renovation- Construction ($5.5 million): The Zero Deck renovation will provide upgrades to the major mechanical rooms and installation of modern heating and cooling systems where necessary. Additionally, the replacement of sanitary piping throughout and upgrade of electrical service and fire alarm suppression and sprinklers will complete the final phase of infrastructure replacement in multiple dormitories (including Jones and Barry Halls). As part of this renovation, Zero Deck will be upgraded. This upgrade will include all corridor lighting, flooring, ceiling, signage and interior finishes (lighting fixtures, furniture, all office/club/storage spaces where necessary). (Note: Prior year balances derived from project savings and recoveries will be used to fully fund this project at the $8 million total estimate.)

Samuels Hall Renovation – Construction ($6 million): The Samuels Hall renovation will be the first construction portion of the renovations to the academic halls. This will include the replacement of roof and parapet and upgrade of mechanical room. The heating and cooling systems, along with the electrical and plumbing services will also be modernized. All classrooms will receive improvements to technology capabilities, and updated interior finishes, and throughout Samuels Hall the lighting, flooring, ceiling and furniture will be modernized and improved.

Samuels/Bowditch Hall Renovation Architectural and Engineering Designs ($2 million): Samuels and Bowditch Halls are academic buildings that house the Humanities/English and the Department of Marine Transportation/Nautical Science and Navigation departments respectively. These are the first of four academic buildings that will be renovated to improve the academic environment on the USMMA campus. The architecture and engineering design will be comprised of complete and separate bid packages for each facility. These packages will include a complete set of drawings for each building as well as cost estimates, statements of work and specifications. These two facilities designs will include full renovations and upgrades and will incorporate facility needs as indicated by the specific academic divisions who utilize these areas.

Seawall Repairs ($500,000: This is one phase of an ongoing multi-year phased approach this project will work on repairing the most critical areas of the seawall in order for the entire wall to regain its structural integrity while also maintaining other areas as a preventative measure to avoid further erosion. This phase will concentrate on the gunite portion of the seawall as it has the most severe deterioration. The seawall provides protection for the USMMA waterfront and campus from the tides and waves from the Long Island Sound. Beginning at the far southern corner near the Prosser Boat House and extending along the waterfront area to the end of the property line is the gunite-coated seawall (specialized mortar), which is a total of 1,000 feet in length. In some cases the 6" gunite coating has been completely displaced exposing the original concrete seawall. Several of the reinforcing bars are exposed and rusting and need to be replaced, while some of the areas are currently at a point of complete failure.

Why do we want/need to fund this program at the requested level?
The FY 2014 Budget request is designed to enable the Merchant Marine Academy to perform its core function of educating and training the nation's future merchant marine officers and maritime transportation professionals while also bringing Academy operations in line with federal standards, improving campus security and modernizing aging facilities. Specifically:

The Academy Operations budget pays living expenses for a midshipman population of approximately 1,000 students as well as their academic program and all ancillary administrative services associated with running an institution of higher learning. Midshipmen living expenses include uniforms, textbooks, food services, health services and workers compensation. Academic expenses include funding for academic departments as well as training vessels, the library, and computer simulation equipment. Administrative expenses include support functions such as procurement, sexual assault response, admissions, security, personnel and information technology services. These lists are not all inclusive, but representative of the costs of doing business as a school.

One of the largest requests for funds is in the Capital Improvement Program. This is because campus infrastructure has not been adequately managed and maintained to support the Academy mission. Most buildings on the 82-acre campus were constructed before or during World War II, and the need for capital reinvestment in the aging infrastructure is readily apparent. While the main mess hall and nearly all the midshipmen barracks have or are being renovated, there are several other structures on campus that are in need of significant restoration and updating to remain serviceable and safe. This includes all of the academic buildings and important student services areas such as Zero Deck and the waterfront. The Capital Improvement Program is the primary program to support and ensure that these important upgrades for safety and infrastructure occur and improvements that enhance the quality of life and academic excellence continue.

II. Program Performance

What is the program?
The U.S. Merchant Marine Academy is an accredited institution of higher education operated by the U.S. Department of Transportation and the Maritime Administration. As set forth in its strategic plan, the mission of the Academy is to educate and graduate licensed merchant mariners and leaders of exemplary character who will serve America's marine transportation and defense needs in peace and war.

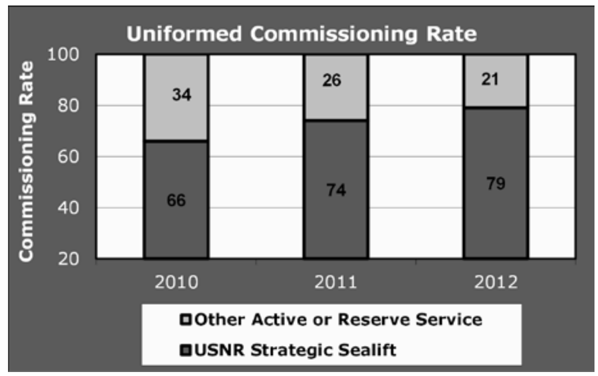
The Academy offers a four-year maritime-focused program, centered on rigorous academic and practical technical training, that leads to a Bachelor of Science degree, a USCG license as 3rd Mate or 3rd Assistant Engineer, and a commission in the U.S. Navy Reserve (or other uniformed service). The Academy's mission directly contributes to national defense and homeland security and supports its economic competitiveness by contributing to a viable and robust merchant marine.

In addition, the Academy's shipboard training program provides benefits for U.S. shipping companies, the U.S. Navy, and other armed forces. They help facilitate the Academy's shipboard training program by which all midshipmen spend 300 days of their 4-year education program at sea, as part of the Academy's internship program. These shipping companies and armed forces provide support by providing personnel for training and education in military specialties.

Why is this particular program necessary?

The Academy provides USCG licensed merchant marine officers whose service in maritime commerce and in support of our armed forces contributes to the economic, defense and homeland security interests of the United States. The Academy is a major source of U.S. Navy Reserve Officers and a principal source of new officers for the Navy's Strategic Sealift Officer Program, which maintains a cadre of more than two thousand USNR officers with the appropriate training and licenses to operate strategic sealift resources during wartime.

One hundred percent of Academy graduates incur a multi-faceted obligation to serve the United States. This obligation includes the requirement to maintain one's merchant mariner license for 6 years, to serve as a reserve officer in one of the armed forces for 8 years, and to be employed for 5 years aboard a U.S. flagged ship or on active duty in a uniformed service. In a typical year, approximately 25 percent of graduates choose to accept active duty commissions in the uniformed services.

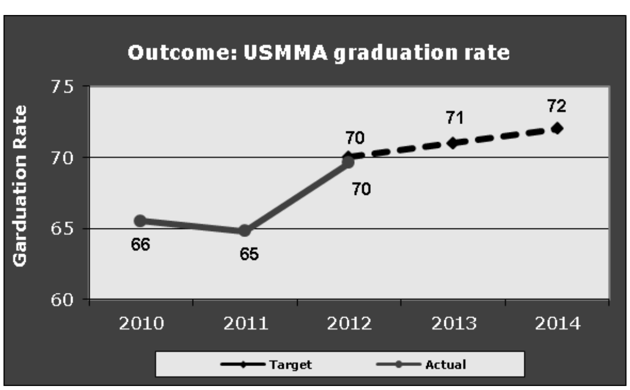


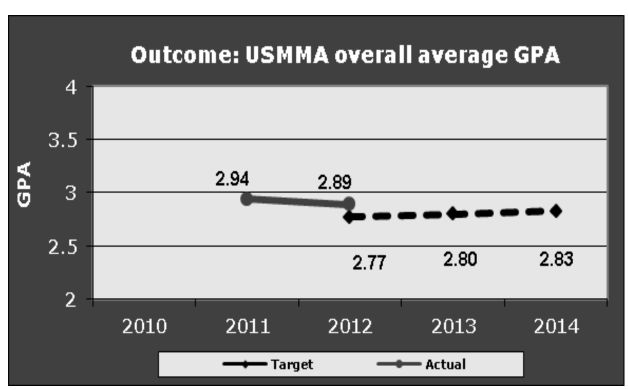
How do you know the program works?

As a degree-granting institution of higher education, the Academy is reviewed periodically by external accrediting groups. These comprehensive, independent evaluations by the Middle States Commission on Higher Education (MSCHE) and the Accreditation Board for Engineering and Technology (ABET) document USMMA's record of academic excellence.

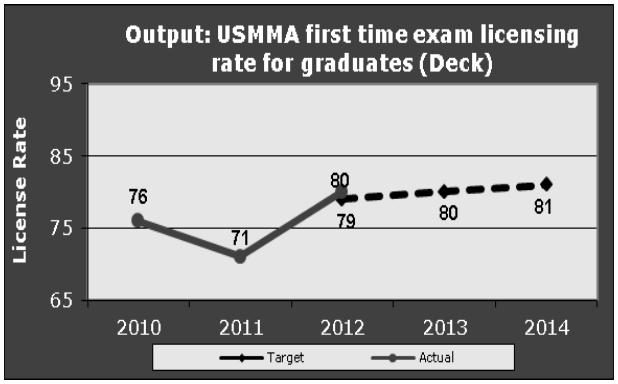
The USCG also formally examines the Academy's training program every five years to ensure that it meets the federal and international requirements to prepare individuals for examination and licensure to serve on ocean-going vessels of unlimited tonnage and horsepower. The most recent USCG audit (2010) commended the Academy for the high quality of its professional mariner and licensing program.

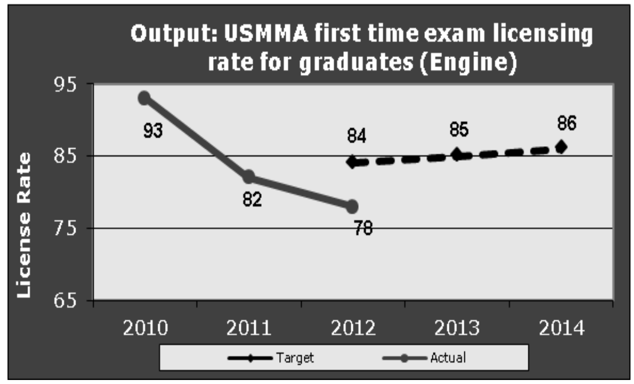
To help ensure we are graduating highly qualified merchant marine officers, MARAD will work towards meeting our performance target for graduation rate, which indicates the percentage of students who graduated within the four years they attended the Academy. Additionally, we have identified a new measure in FY 2013 for measuring grade point average (GPA) of the graduates and anticipate meeting our target of 2.83 in FY 2014.



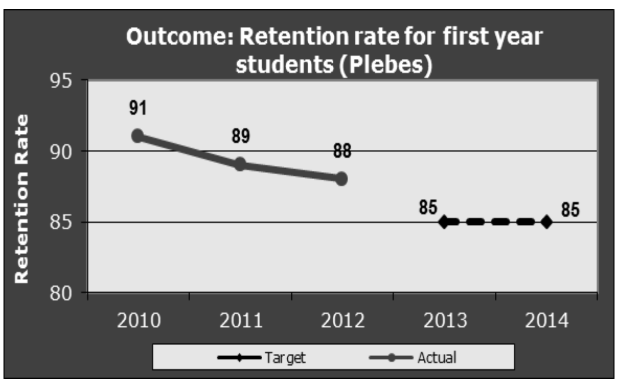


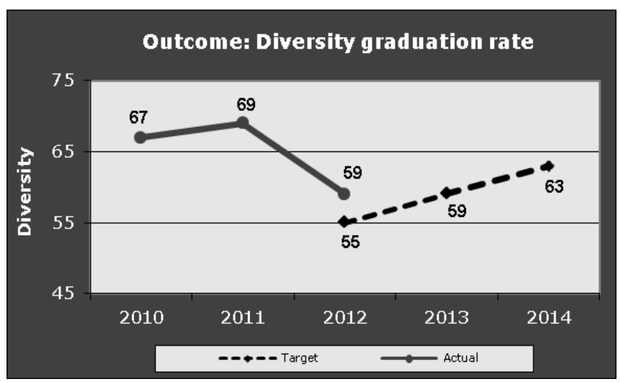
We continue to graduate licensed merchant mariners and leaders who will serve America's marine transportation as shipboard officers and as leaders in the transportation field to support the needs of the nation. To track our progress in support of this goal, we identified new measures in FY 2012-2013 to help us track the progress of percentage of graduates that pass the USCG licensing exam the first time. We anticipate meeting our target for graduates that pass the exam for 3rd Mate or 3rd Assistant Engineer as part of their obligation of the program.





For FY 2013, we also created a new performance measure on retention rate for returning first year students that return to the Academy for their second year, and anticipate meeting our target for FY 2014 of 85 percent. The retention rate metric plays an important role in achieving the goal of attracting high quality students. Also new in FY 2012 we identified in the Academy's strategic plan, a robust recruitment and retention program for a diverse population of midshipmen, faculty





and staff will be developed. This includes the establishment of an effective system for campus engagement that promotes a diverse and inclusive community. These targets are intended to monitor and improve efforts to achieve a diverse campus environment that provides a challenging learning setting and personal growth opportunities for all students, beginning with the 2010-2011 academic year. MARAD expects to meet or exceed our target for FY 2014.

Additionally, MARAD will work to develop new performance metrics to assess the USMMA program related to a graduate's compliance with licensing, employment, and military service obligations in exchange for a maritime education.

Funding History:

($000) USMMA Operations 1/	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	

						FY 2014
Requested	53,208	59,057	63,120	64,183	67,253	67,268
Enacted	53,208	59,057	58,939	62,268	59,011	

($000) Capital Improvement Program 2/	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Requested	8,150	15,391	30,900	28,885	10,000	14,000
Enacted	8,150	15,000	14,970	22,900	21,702	

1/ Includes $5.936M for facilities maintenance, repairs and equipment in FY 2013 & $4M in 2014.
2/ Includes $5.9M for facilities maintenance, repairs and equipment in FY 2012.

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Justification for the State Maritime Academies

Program Activity ($000)	FY 2012 Enacted	FY 2013 CR Annualized	FY 2014 Request	Change FY 2012–FY 2014
Student Incentive Payments	2,400	2,415	2,400	0
Direct SMA Support	3,600	3,622	3,600	0
SMA School Ship Maintenance	11,100	11,168	11,100	0
Total	**$17,100**	**17,205**	**$17,100**	**$0**

I. Budget Request

What is the request and what will we get for the funds?
For FY 2014, $17.1 million is requested for the State Maritime Academies (SMAs), which is consistent with FY 2012 level. This amount is the minimum level necessary for safety related maintenance, repairs and upgrades to support critical training ship requirements as well as funding direct support to State Maritime Academies and to students through student incentive payments.

The SMA program comprises three major program components: (1) annual direct assistance to each of the six state maritime academies for maintenance and support; (2) the Student Incentive Payments (SIP) program; (3) SMA training ship maintenance and repair.

Student Incentive Payments (SIP)
$2.4 million is requested for the SIP program, consistent with the FY 2012 level. This funding will help support the enrollment of 300 students at the SMAs to receive SIP payments of $8,000 each for one year, which equates to 75 graduates each year enrolled in the SIP program. This level has been identified by the U.S. Naval Strategic Sealift Officer (SSO) Program, U.S. Army and U.S. National Guard as meeting the requirements of their reserve program. These reserve programs have been identified as programs where graduates' maritime skills and education can be utilized in support of the Armed Forces of the United States. SIP payments are provided to students to be used for uniforms, books, tuition, and subsistence in return for a service obligation. Students must graduate, obtain a USCG Credential, and fulfill the following service obligation:

1. Report annually to MARAD on fulfillment of their obligation, until completed.
2. Sail for 3 years or obtain approval to work 3 years in a significantly maritime related shore-side job that meets the national security needs of the nation.
3. Maintain a valid USCG Merchant Mariner Credential with a license endorsement for at least 6 years (credential must be renewed or upgraded at least once as USCG credentials are only valid for five years).
4. Serve as a commissioned officer in a U.S. Armed Forces Reserve for at least 6 years.

Graduates may also fulfill items number two and four through active duty service as an officer in an armed service of the U.S. or the National Oceanic and Atmospheric Administration for three years.

Direct SMA Support
MARAD requests $3.6 million, consistent with the FY 2012 funding level, for direct support assistance to the SMAs. This request will provide the maximum authorized level of $0.5 million for maintenance and operations support to each of the six state academies in FY 2014 for a total of $3.0 million. The academies rely on these funds to help offset the increasing costs

to train mariners to both U.S. and international training standards. These funds strengthen the ability of SMAs to maintain a cadre of well-qualified faculty and state of the art technology for teaching cadets.

MARAD also requests $600,000 to provide support for fuel costs for SMA training vessels. Training cruises, which involve significant fuel costs, play a critical role in training mariners at the SMA to ensure cadets obtain the necessary sea time to qualify for a U.S. Coast Guard license. As the cost of fuel remains high, this places a burden on the academies and significantly increases the cost to train mariners.

SMA School Ship Maintenance

The maintenance concept for the school ships is based on experience gained from the Ready Reserve Force program, which maintains vessels at a layberth location for periodic military use with short notice. The key to this maintenance plan is to find deficiencies that are not readily apparent because the vessel is not constantly operated as it was designed to in its original commercial service.

Since the school ships only go to sea once each year for an extended period, their maintenance follows a particular routine, and the framework for this routine is set by regulatory requirements. Before a ship goes on its annual cruise, a very thorough safety inspection is done by the U.S. Coast Guard that results in a renewed Certificate of Inspection. The American Bureau of Shipping (ABS) also does an annual inspection to verify vessel classification of the hull, machinery and loadline. ABS does a more formal intermediate survey every two and a half years and a special survey every five years. So, various maintenance activities occur from the end of one cruise to the beginning of another.

Deficiency inspections are performed throughout the year to maintain a record of items that might have to be corrected and new regulatory requirements, such as the recent changes to Clean Water Act requirements, are scheduled.

Preventative maintenance is done to lessen the likelihood that critical equipment, systems and the hull will have a failure at a critical point such as during the annual cruise.

Repairs are done to equipment and systems that have been observed to fail or nearly so. This can be determined by observing reduced output capacity rates, overheated bearings, breakdown of electric motor winding insulation, leaks in piping, cracks in hull structures, pitting of hull plates, hot electrical connections, and the drawing excessive electrical current. On older ships, a decision must be made when repairing obsolete equipment that is no longer supported by a manufacturer, because the repair cost goes up when parts and components have to be sourced and maybe fabricated. It may be better to invest in new equipment at a higher cost if the life of the vessel supports it.

Service life extension items are typically deferred when maintenance money is scarce and when strategic plans are being developed that indicate an entire ship may be replaced. An older ship could be in a situation where most of its equipment, systems, and structure have major deficiencies, which means the entire ship should be replaced.

Currently, the average age of the training ship fleet is 34 years. The largest and oldest training ship, EMPIRE STATE at SUNY Maritime College, is 51 years old. MARAD and the Coast

Guard place a high priority on ensuring the safety of hundreds of cadets on these older ships and pay close attention to safety standards.

The schools are responsible for providing a training environment that produces quality licensed mariners and the current model of keeping a ship at the school supports this well. Recent and near-term international standards improvements have caused a greater need for the hands-on training provided by the school ships. The equivalent sea time the cadets receive while the ships are located at their pier facility helps to qualify them for taking the license exam. The schools have also invested in simulators that provide some experience, which can be built upon by going to sea.

The request of $11.1 million will maintain the ships loaned to the academies in a safe condition and “in good repair” as required by Federal statute, in the Merchant Marine Act of 1936. All of the school ships serve as floating dormitories, classrooms, and training labs for approximately 123,000 cadet sea-days each year. The following are the most important issues facing each school relative to their ship needs.

- California Maritime Academy, Vallejo, CA - TS GOLDEN BEAR: The last drydocking was accomplished in August 2008, and the next drydocking is scheduled for August 2013. The vessel is 24 years old and is due for a mid-life recapitalization program that is deferred to 2015. Recapitalization needs include new propulsion and electrical generation diesel engines, and upgrades to the vessel’s berthing and habitability compartments.

- Maine Maritime Academy, Castine, ME - TS STATE of MAINE: The last drydocking was accomplished in August 2012, and the next drydocking is scheduled for August 2017. The vessel is 23 years old and is due for a mid-life recapitalization program that is deferred to 2015. Recapitalization needs include new propulsion engines and electrical generation diesel engines, and upgrades and expansion to the vessel’s berthing and habitability compartments.

- Texas Maritime Academy, Galveston, TX - TS GENERAL RUDDER: The last drydocking was accomplished in July 2011, and the next drydocking is scheduled for July 2014. The vessel is 29 years old and was transferred to Texas Maritime Academy (TMA) in 2012. It is currently being refurbished, expanded and upgraded to accommodate TMA operational training requirements.

- Great Lakes Maritime Academy, Traverse City, MI - TS STATE of MICHIGAN: The last drydocking was accomplished in July 2009, and the next drydocking is scheduled for July 2015. The vessel is 28 years old and operates in the Great Lakes where drydockings are required once every six years. It was converted in 2004 and does not require any major upgrades or modifications in the near-term.

- Massachusetts Maritime Academy, Buzzards Bay, MA - TS KENNEDY: The last drydocking was accomplished in July 2012, and the next drydocking is scheduled for July 2015. The vessel is a 46 year old steam ship that was renovated in 2003, giving it a 20-year service life extension. A $10 million upgrade was accomplished in 2009 to expand the berthing capacity. It is one of the largest training ships, having a 600 cadet capacity.

- SUNY Maritime College, Bronx, NY - TS EMPIRE STATE: The last drydocking was accomplished in December 2011, and the next drydocking is scheduled for December 2014. The vessel is a 51 year old steam ship that was converted in 1989 and is beyond its projected 20-year extended service life. It is the largest training ship, having a 650 cadet capacity. There is much concern about the possibility of losing the ship as a training platform and the impact it would have on the program mission. Successful completion of the upcoming drydocking and regulatory inspections will absorb much of the FY14 funding.

Why do we want/need to fund this program at the requested level?
Funding at this level will provide the minimum necessary support to the six SMAs to ensure a sufficient supply of highly-trained U.S. merchant marine officers are available to meet the national security and economic needs of the nation. The SIP program ensures a robust pool of merchant marine officers to crew surge vessels, should normal crewing processes fail[1]. The direct payments will assist with offsetting the increasing operational costs of the academies, and ensure SMAs can continue to provide the highest level of training. Funding for maintenance and repairs of SMA school ships is necessary for MARAD to meet the safety and regulatory requirements for Academy training vessels.

The Department of the Navy Strategic Sealift Reserve (SSR) has established an annual requirement of at least 220 reserve officers entering the SSR upon graduation from SMA and United States Merchant Marine Academy (USMMA). Based on the current number of graduates entering the SSR from USMMA, an estimated 70-75 of graduates from the SMAs are necessary annually to meet the total SSR requirement. Additionally, the U.S. Army and National Guard have identified billets within the Army Reserve and the National Guard where graduates of the SIP program can utilize their maritime skills, education, and meet their obligation. The requested funding level will allow MARAD to enroll 300 cadets, 75 in each class, which will meet the requirements identified by armed services' reserve programs, including USMMA graduates. Annually 20-30 percent of SMA and USMMA graduates enter the US armed forces on active duty, and therefore are not commissioned into the reserves.

Funding for maintenance of the SMA school ships is necessary to meet the regulatory requirements for the training vessels, to be consistent with the Department's goals for safety, state of good repair and environmental sustainability. Without the requested funds for school ship maintenance and repairs, it would not be possible to maintain all the ships in a safe and seaworthy condition and meet the regulatory requirements. A reduction in this request would directly put at risk the safety of the cadets and crew, hamper the agency's ability to comply with local, state, federal and international environmental regulations and will have negative implications on the academic program. Annually, the six State Maritime Academy school ships provide for approximately 123,000 cadet sea days.

II. <u>Program Performance</u>

What is the program?
The State Maritime Academy program supports the training of merchant marine officers at state

[1] The normal process for crewing a vessel involves calling for specific billets on a particular ship at a union hall when a crewmember is due for vacation and a relief is needed. Sometimes, companies are able to arrange for permanent crews with the unions and reliefs are done more routinely. Other companies use company based unions and run their own crew changes.

maritime academies. To ensure the U.S. has a consistent supply of capable and well-trained merchant mariners, the Maritime Administration provides federal funding to six state maritime academies: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, the State University of New York Maritime College, and Texas Maritime Academy. This federal funding supplements the SMA's state government funding, which comprises the majority of the funds. For FY 2014, we anticipate approximately 657 students in the license program will graduate from the maritime academies.

The SIP Program provides financial assistance to selected full-time students at the SMAs. SIP students receive an annual stipend of $8,000 for a maximum of four years in return for post-graduation service obligations. These obligations help MARAD assure that sufficient mariners will be available to crew the nation's sealift ships, including MARAD's NDRF and RRF vessels, in times of national emergency.

MARAD's Direct SMA Support Program provides assistance to the six state maritime academies for maintenance and support. These funds help offset the increasing cost to train U.S. Coast Guard qualified merchant mariner officers and to assist the academies in providing the highest level of training.

In accordance with 46 U.S.C. 51501 and 51504, the school ships are loaned under a custodial agreement. This is a cooperative program between the SMAs and MARAD, and the vessels are vital components of the program. The ships are employed as academic and seagoing laboratories for license coursework and practical hands-on training for the merchant mariner licensed officer training programs at each academy.

MARAD is mandated by law to maintain each ship in a state of good repair, to ensure that high standards of the safety are maintained for all cadets and personnel on the ships, and be compliant with environmental requirements. MARAD's policy is to comply with international (IMO) regulations to the maximum extent practicable.

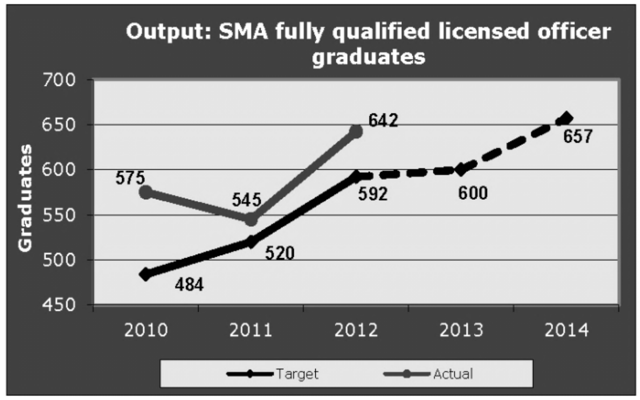
Why is this particular program necessary?
The Merchant Marine Act of 1936 declared it to be a national priority to establish an American merchant marine and directed that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States." To meet this requirement, the Act created a federal structure for state maritime academies, directed a partnership between the state academies and the Navy and authorized the Secretary of Transportation to use the state academies "to provide for the education and training of citizens of the United States who are capable of providing for the safe and efficient operation of the merchant marine of the United States at all times and as a naval and military auxiliary in time of war or national emergency."

Federal support of mariner education helps ensure highly qualified personnel are trained annually to maintain the nation's pool of skilled merchant mariners. These mariners are needed to safely operate U.S.-flag vessels that contribute to the economic competitiveness of our nation, and perform critical maritime-related functions in a national emergency. The SMA program contributes over half of the entry-level licensed mariners trained annually that begin working in various positions within the maritime industry.

Additionally the SIP program ensures enrollment of graduates into the U.S. Navy, the U.S. Army, and the U.S. National Guard reserve programs in support of the armed forces of the

United States. Members of the U.S. Navy Strategic Sealift Reserve program are also available to crew surge vessels in an extreme shipping emergency affecting national defense.

How do you know the program works?
The program effectively uses federal resources in a well-defined, cost-shared partnership with the state maritime academies to produce highly qualified officers for the U.S. merchant marine. The program has met performance targets for graduates who hold a USCG Credential as a merchant mariner each year.



The program has been able to maintain all six school ships in full ABS Class with a Certificate of Inspection issued by the USCG. These ships have successfully completed their scheduled training cruises within planned schedules, ensuring that all embarked cadets achieved necessary sea time for their respective merchant marine office licensing requirements, totaling approximately 123,000 cadet sea days each year. The previous Texas Maritime Academy ship was in need of extensive repairs and was retired in 2005. The school received its replacement vessel, TS GENERAL RUDDER, in January 2012, which is now being upgraded for future training cruises.

Additionally, MARAD will work to develop new performance metrics to assess the SMA program related to a graduate's compliance with licensing, employment, and military service obligations in exchange for a maritime education.

Funding History:

($000) Student Incentive Program	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	800	2,000	2,000	2,400	2,400	2,400
Enacted	1,600	2,150	2,146	2,400	2,274	

($000) Direct SMA Support	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	1,881	2,400	2,000	3,600	2,545	3,600
Enacted	2,400	2,550	2,545	3,600	3,412	

($000) School Ship Maintenance & Repair	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	8,306	11,240	11,007	11,100	11,100	11,100
Enacted	10,500	11,240	11,218	11,100	10,519	

Justification for MARAD Operations and Programs

($000) **Program Activity**	**FY 2012 Enacted**	**FY 2013 CR Annualized**	**FY 2014 Request**	**Change FY 2012-FY 2014**
Headquarters Operations	48,990	49,290	47,000	-1,990
MARAD Programs	<u>5,000</u>	<u>5,030</u>	<u>6,800</u>	<u>1,800</u>
Port Infrastructure Development	*0*	*0*	*2,000*	*2,000*
Environmental Sustainability	*4,000*	*4,024*	*2,000*	*-2,000*
N.S. Savannah 1/	*0*	*0*	*2,800*	*2,800*
MarView Program 2/	*1,000*	*1,006*	*0*	*-1,000*
Total	**$53,990**	**$54,320**	**$53,800**	**-190**

1/ NS Savannah had previously been funded in the Ship Disposal account at $3M annually.
2/ Included as part of Headquarters Operations IT at $1.9 million in FY 2011; HQ Ops will continue to fund MarView IT support at $900,000 in FY 2012 & 2013 to maintain the $1.9 million baseline.

I. Budget Request

What is the request and what will we get for the funds? For FY 2014, the President requests $53.8 million for MARAD Operations and Programs, a decrease of $190 thousand from the FY 2012 level. The request includes $47 million for Headquarters Operations and $6.8 million for program initiatives supporting the agency's core mission, including: Port Infrastructure Development ($2 million); Environmental Sustainability ($2 million); and N.S. Savannah ($2.8 million).

MARAD Operations and Programs primarily support the agency's headquarters program operations staffing and administrative infrastructure. A very substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), as well as information technology (IT) requirements. For IT management in FY 2014, MARAD has identified areas of reduction to reinvest in opportunities for improved operational efficiency through implementation of new initiatives (e.g., Cloud and SOA) aligned with the MARAD Enterprise Architecture.

Port Infrastructure Development

MARAD's FY 2014 request includes a total of $2 million to support the new Port Infrastructure Development program. Funds requested will support development of guidelines and planning for port infrastructure improvements and master plans, including $1.7 million within the total for implementation of a pilot planning grant program to help ports determine optimal effective investment strategies.

The Nation's gateway ports[1] are vital to the U.S. economic recovery but some of the port facilities we rely on to move essential commodities are in a declining state of repair and the current climate of eroding revenues and tight credit can stall infrastructure projects when they are needed most. While the Federal government has historically taken a largely "hands off" stance regarding port development and expansion, the maritime industry is calling for help. Two recent reports by the American Society of Civil Engineers have highlighted the state of our Nation's ports, concluding that a continued level of investment at current levels will cost 178,000 jobs/year and $4 trillion by 2040, and giving our ports an overall grade of "C" in its most recent report card.

[1] Maritime ports only, including sea ports and inland river ports.

Port infrastructure development legislation (Section 50302 of title 46 U.S.C.) enacted in February 2010 authorizes MARAD to assist in the improvement of port facilities to help ensure continued economic development and national security. It directs the Secretary of Transportation, through the Maritime Administrator, to establish a port infrastructure development program for the improvement of port facilities.

In response to the legislation, MARAD conducted extensive stakeholder engagement to identify the key issues and solutions to develop the new program's framework. Based on the input received, freight requirements of the new MAP-21 legislation and ongoing work by the Interagency Task Force on Ports, MARAD has constructed a three-category programmatic framework upon which the program will be built.

The program objective is to improve the condition, efficiency and capacity of America's ports to meet the economic needs of the Nation while minimizing unintended consequences that interfering with the balance of competition between ports.

Pending the availability of funds, MARAD, in partnership with stakeholders, will develop a set of port investment planning guidelines for public release and available for any ports that opt to adopt them in their planning process. Concurrently our Gateway Offices will work with ports to help them integrate port planning with that of the MPO and State DOTs, when requested.
Should funding be available, MARAD will establish a competitive planning grant program to assist the maximum number of ports possible in developing or upgrading their plans utilizing the port investment planning guidelines.

The program will be fully implemented via public release and activation of a web site that describes the program and how interested parties can participate.

Environmental Sustainability

$2 million is requested in FY 2014 for enhancing maritime environment and technology assistance program initiatives aimed at addressing marine transportation environmental sustainability and energy impacts. The MARAD FY 2014 program will build on expected FY 2013 accomplishments and continue our work toward the reduction of port and vessel air pollution. In addition, MARAD will continue to implement initiatives to reduce the agency's carbon footprint, advance ballast water treatment technologies, and develop aquatic invasive species mitigation methods.

Maritime Environment and Technology Assistance: For a number of years, the Agency has been working on multiple activities directed at emerging marine transportation environmental issues such as vessel air emissions and ballast water discharges. These activities are part of cooperative collaboration among several Federal agencies, industry, and academia to focus resources on making progress to address these crucial maritime issues. The Administration proposes to continue this multi-year cooperative collaborative initiative in an effort to further maritime environmental research, technology development, testing and verification.

Testing and verification of ballast water treatment technology remains a key component of the initiative in FY 2014 as additional technologies come to market. Funding would be used to maintain the three MARAD supported ballast water treatment technology facilities for US Coast Guard and IMO compliant testing, and the scientific team. Building on our initial work in hull fouling, MARAD would continue efforts to develop hull husbandry best management practices and demonstrate technologies for in-water hull cleaning and make those results publicly available.

MARAD has worked to expand coverage in vessel air emissions and energy use. In FY 2012, the Agency completed a demonstration and study of a new generation of biofuels for use in marine engines. This project was in collaboration among MARAD, Navy, Army Corps of Engineers (all of which are moving toward the use of alternative fuels), industry, and academia. Based upon the initial results of the demonstration, additional studies are planned. The Agency also completed the first phase of a broad study on the feasibility of using liquefied natural gas (LNG) for vessels plying the Great Lakes. The results of the study will serve as a basis for further work, and as a model for the evaluation of other potential markets for LNG, such as marine highways.

In FY 2012, MARAD funded pilot/demonstration projects and further studied assistance/incentives or cost sharing for US vessel operators. The effort was carried out to offset a portion of the cost of re-engineering/repowering to encourage early compliance or going beyond compliance with regulations and otherwise reduce air emissions and boost energy efficiency. This work will continue through FY 2013. Based on experience gained from this project, as well as the information gained in our Great Lakes LNG study, MARAD will continue efforts in FY 2014 to advance the vessel emission reduction pilot/demonstration program, with the ultimate goal of determining the public benefit of an annual maritime-specific emissions reduction incentive program. By providing greater incentives to owners/operators to repower to more efficient engines, use alternative fuels (such as natural gas), or employ alternative technologies such as hybrid engines, the maritime industry will be able to comply with and exceed the recently enacted, more stringent air emission regulations as well as continue to operate as an energy and carbon efficient mode of transportation. The incentives would also indirectly support technology development and deployment as well as US shipyards where much of the installation work must be accomplished.

In FY 2014, MARAD will continue efforts towards greater environmental sustainability of the maritime industry. This includes engaging the maritime transportation sector and sister Federal agencies to solicit emerging technology priorities and project ideas.

N.S. SAVANNAH
$2.8 million is requested for the N.S. SAVANNAH, which is a decrease of $200 thousand from the FY 2012 enacted level previously funded within the Ship Disposal account. The requested amount will allow continuation of support activities including nuclear license compliance, radiological protection, ship husbandry/custodial care, decommissioning planning and preparation, and historic preservation. These activities represent the minimum statutory and regulatory obligations imposed by the continued retention of the vessel. As a licensed and regulated nuclear power facility, MARAD must maintain this level of activity until such time as the facility is remediated and dismantled to permit termination of the license. The NSS, the world's first nuclear powered merchant ship, is a vessel currently in retention status whose operations and retention is licensed and actively regulated by the U.S. Nuclear Regulatory Commission (NRC).

The maintenance and safeguarding of the NSS is a discrete project funded within the Operations and Programs account and is comprised of two program dimensions, license compliance and decommissioning, both of which are performed under the cognizance of the NRC. License compliance is a continuous program that provides the contemporary institutional competency that the NRC requires to manage and maintain the NSS. This includes the resources necessary to provide the broad spectrum of surveillance, monitoring and radiological protection programs necessary to ensure the safety and health of the public and the environment.

The NRC-regulated and defined decommissioning program is also a continuous process, that begins when a licensed nuclear power plant is removed from service and ends when the NRC license is terminated after the facility has been remediated and dismantled. SAFSTOR, an intermediate protective storage period, may be included in the decommissioning process beginning at permanent cessation of operations. The maximum time period allowed for license termination is 60 years. The decommissioning program, estimated at $100.65 million (2012 constant dollars), must be completed by the end of FY 2031, in accordance with applicable statutory and regulatory requirements.

Why do we want/need to fund this program at the requested level?
Funding at the 2014 request level is needed to support the agency's headquarters program operations staffing and administrative infrastructure. A substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), information technology requirements, grant administration, and environmental sustainability initiatives. Funding at the 2014 level will support the accomplishment of:

- Developing, in partnership with key sector stakeholders, general analytical, planning and performance measures aimed at advocating for ports and marine transportation that benefits the entire MTS at the national and regional levels.
- Establish optional guidelines to assist ports to assess and manage their infrastructure needs.
- Conduct research to quantify, in macro terms, the return on investment in marine transportation to more fully inform State and regional decisions.
- Support up to10-15 grants for dedicated port planning pilot program.
- Advancement of ballast water treatment technology and methods for managing/mitigating hull fouling.
- Demonstration projects to test and analyze marine air emissions reduction, alternative fuels, and energy conservation technologies and methods.
- Energy audits and new renewable energy investments, consistent with EO 13514.

II. Program Performance

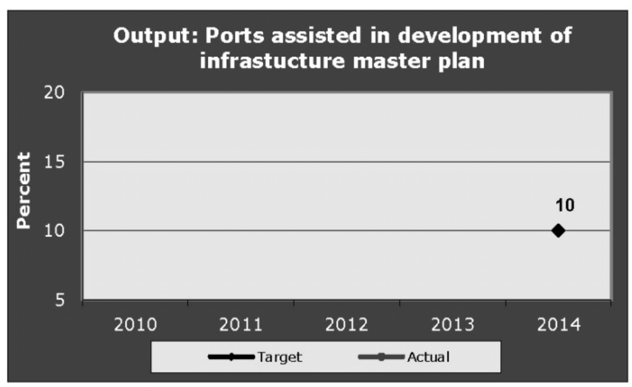
What is the program?
MARAD Operations and Programs supports the base program operations and staffing levels in the operating program areas of Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development. As such, MARAD Operations and Programs contribute to Departmental strategic objectives for Economic Competitiveness and Environmental Sustainability. The request also funds agency administrative support and logistics activities and Organizational Excellence initiatives, including: Human Resources; Financial Management; Information Technology and Open Government; Legal Counsel; and Acquisitions.

The NSS was designated as a National Historic Landmark in 1991 and is the only directly-owned and managed landmark property in the DOT inventory. As Federal owners and stewards of a National Historic Landmark, MARAD pursues all NSS activities in full conformance with the statutory requirements of the National Historic Preservation Act of 1966, as amended, and in a manner that is consistent with the objectives of the Preserve America and Save America's Treasures executive orders.

Why is this particular program necessary?
The MARAD Operations and Program account funds Headquarters Operations providing the agency infrastructure and professional staff working on MARAD operating missions, support programs and program initiatives. MARAD Operations and Programs provide program and administrative support (including staffing) for the following program areas:

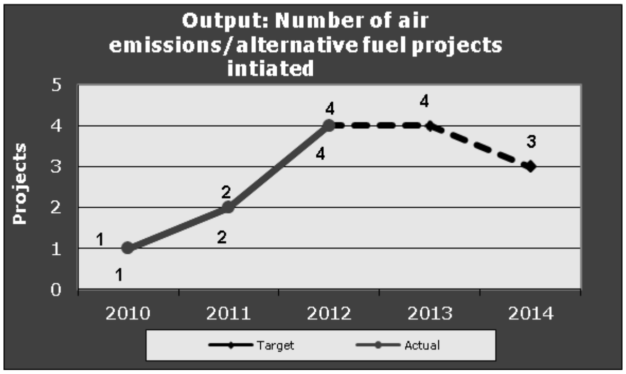
- Environment and Compliance: Maritime Safety, Security and Environment.
- Intermodal System Development: Marine Highways, Port Infrastructure Development, Deepwater Ports and Offshore Activities, Gateways.
- National Security: Maritime Security Program, Ship Disposal, Schoolship Maintenance and Repair, Strategic Ports, Voluntary International Sealift Agreement (VISA).
- Business and Workforce Development: Ocean Freight Differential, State Maritime Academies, National Export Initiative.
- Human Capital Management: Human Resources Strategy, Staff Acquisition, Employee Performance Management, Leadership and Employee Development.
- Information Technology Management: Open Government, IT Infrastructure Operations and Maintenance, System and Application Development and Maintenance, Information Security/Assurance/Privacy, Record and Knowledge Management, Enterprise Architecture, and Information/Data Sharing.
- Financial Management: Budget, Accounting, Program Performance and Internal Controls, and Funds Control.
- Acquisitions Management.
- Legal Counsel.
- Administrative Programs and Management Services.

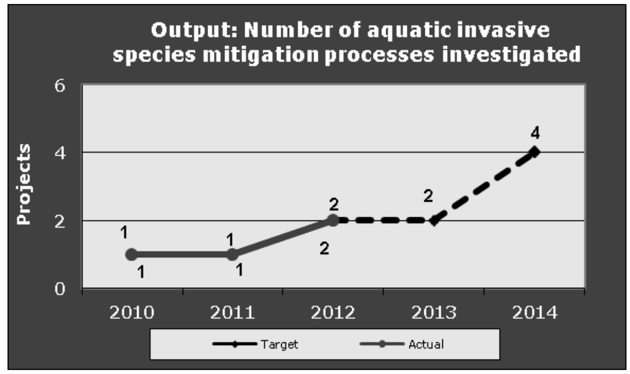
How do you know the program works?
For Ports Infrastructure Development, funding for FY 2014 will allow us to assist ports in developing their port infrastructure master plan, which is an important prerequisite to any infrastructure improvements to the ports and their near-port connectors. This will allow them to identify appropriate funding (private equity, bonding, Federal programs, etc.) and determine the most effective investment strategies.



The goal for FY 2014 is to generate 10 new port planning cycles via the competitive port planning grant pilot program while incorporating the port investment planning guidelines (also in the 2014 budget) to ensure actionable results. Future year measures can track actual port investments that result from the plans that were developed in 2014.

For the Environmental Sustainability program, we anticipate meeting the FY 2014 target for air emissions/alternative fuel projects initiated. The data acquired from these projects will help determine the public benefit of a federal cost-sharing program. To increase program data accessibility, data will be made publicly available so that ship owners can make informed decisions for equipment and fuel selection.





We also anticipate meeting our FY 2014 target of six aquatic invasive species mitigation processes investigated. The projects will lead to the development of technologies and/or practices for mitigating the spread of ship-mediated invasions.

Funding History:

($000) MARAD Operations and Programs	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Requested	45,503	62,812	59,753	51,371	53,000	53,800
Enacted	47,502	59,753	55,641	53,990	51,166	

($000) NS SAVANNAH 1/	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Requested	3,000	3,000	3,000	3,046	3,046	2,800
Enacted	3,000	3,000	2,994	3,000	2,843	

1/ Prior to FY 2014, funding for the NS SAVANNAH was provided within the Ship Disposal Program.

MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1770-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0001	Grants for Capital Improvement for Small Shipyards	9,980	10,465	-
0002	Administrative Expenses	16	810	-
0900	Total new obligations	9,996	11,275	-
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	826	1,234	-
1021	Recoveries of prior year unpaid obligations	424	-	
1050	Unobligated balance (total)	1,250	1,234	
	Budgetary authority:			
	Appropriations, discretionary			
1100	Appropriation	9,980	10,041	-
1160	Appropriation, discretionary (total)	9,980	10,041	-
1900	Budget authority (total)	9,980	10,041	-
1930	Total budgetary resources available	11,230	11,275	-
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1,234	-	-
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	25,954	22,559	-
3010	Obligations incurred, unexpired accounts	9,996	11,275	-
3020	Outlays (gross)	-12,967	-33,834	-
3040	Recoveries of unpaid prior year obligations, unexp accts	-424	-	-
3050	Unpaid obligations, end of year	22,559	-	-
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	25,954	22,559	-
3200	Obligated balance, end of year	22,559	-	-
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	9,980	10,041	-
	Outlays, gross:			
4010	Outlays from new discretionary authority	65	10,041	-
4011	Outlays from discretionary balances	12,902	23,793	-
4020	Outlays, gross (total)	12,967	33,834	-
4070	Budget authority, net (discretionary)	9,980	10,041	-
4080	Outlays, net (discretionary)	12,967	33,834	-
4180	Budget authority, net (total)	9,980	10,041	-
4190	Outlays, net (total)	12,967	33,834	-

ASSISTANCE TO SMALL SHIPYARDS

Program and Performance Statement

The National Defense Authorization Act of 2006 authorized the Maritime Administration to make grants for capital and related improvements at eligible shipyard facilities that will foster efficiency, competitive operations, and quality ship construction, repair, and reconfiguration. Grant funds may also be used for maritime training programs to enhance technical skills and operational productivity in communities whose economies are related to or dependent upon the maritime industry. No new funds are requested for 2014.

MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Direct obligations:			
21.0	Travel	16	-	-
25.3	Other goods and services from Federal Sources	-	1,234	-
41.0	Grants, subsidies, and contributions	9,980	10,041	-
99.0	**Subtotal, direct obligations**	9,996	11,275	-

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS
FY 2005 - FY 2014
Main Table - ($000)

Fiscal Year		Request	Enacted	
2004		0	0	
2005		0	0	
2006		0	0	
2007		0	0	
2008		0	10,000	
2009	Appropriation	0	17,500	
	ARRA*	0	100,000	1/
2010		0	15,000	
2011		0	9,980	2/
2012		0	9,980	
2013		0	9,458	
2014		0		

1/ Within the above amount $2 million was transferred to the Operations and Training account for administrative oversight.

2/ Includes 0.2% across the board rescision of $20K as per P.L.112-55.

* American Recovery and Reinvestment Act of 2009. (ARRA)

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [$10,000,000] *$2,000,000,* to remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-70-1768-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0001	Ship Disposal	9,579	11,636	8,300
0900	Total obligations	9,579	11,636	8,300
	Budgetary resources available for obligation			
1000	Unobligated balance available, start of year	15,647	12,402	6,300
1021	Unobligated balance: Prior Year Recoveries	834	-	-
1050	Unobligated balance (total)	16,481	12,402	6,300
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	5,500	5,534	2,000
1160	Appropriation, discretionary (total)	5,500	5,534	2,000
1900	Budget authority (total)	5,500	5,534	2,000
1930	Total budgetary resources available	21,981	17,936	8,300
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	12,402	6,300	-
	Change in obligated balance:			
	Obligated balance, start of year (net):			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	7,637	3,140	2,863
3020	Obligated balance, start of year (net)	7,637	3,140	2,863
3030	Obligations incurred, unexpired accounts	9,579	11,636	8,300
3040	Outlays (gross)	-13,242	-11,913	-3,871
3080	Recoveries of prior year unpaid obligations, unexpired	-834	-	-
	Obligated balance, end of year (net):			
3090	Unpaid obligations, end of year (gross)	3,140	2,863	7,292
3100	Obligated balance, end of year (net)	3,140	2,863	7,292
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	5,500	5,534	2,000
4010	Outlays from new discretionary authority	7,486	2,767	500
4011	Outlays from discretionary balances	5,756	9,146	3,371
4020	Outlays, gross (total)	13,242	11,913	3,871
4070	Budget authority, net (discretionary)	5,500	5,534	2,000
4080	Outlays, net (discretionary)	13,242	11,913	3,871
4180	Budget authority, net (total)	5,500	5,534	2,000
4190	Outlays, net (total)	13,242	11,913	3,871

SHIP DISPOSAL PROGRAM

Program and Performance Statement

The Ship Disposal program provides resources to properly dispose of obsolete government-owned merchant ships maintained by the Maritime Administration in the National Defense Reserve Fleet. The Maritime Administration contracts with domestic shipbreaking firms to dismantle these vessels in accordance with Guidelines set forth by the Environmental Protection Agency.

MARITIME ADMINISTRATION
SHIP DISPOSAL
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Direct obligations:			
1111	Full-time permanent	1,481	1,288	943
11.3	Other than full-time permanent	1	1	1
1115	Other personnel compensation	18	16	12
11.8	Special personnel services payments	0	0	0
1119	**Total personnel compensation**	**1,501**	**1,305**	**955**
1121	Civilian personnel benefits	406	353	259
13.0	Benefits for former personnel			
1210	Travel and transportation of persons	61	80	57
22.0	Transportation of things	7	10	7
23.2	Rental payments to others	198	106	79
24.0	Printing and reproduction	1	1	1
1251	Advisory and assistance services	191	253	179
1252	Other services	24	32	23
1253	Other goods and services from Federal Sources	1,159	1,531	1,087
1254	Operation and maintenance of facilities	6,023	7,957	5,647
1260	Supplies and materials	5	7	5
1310	Equipment	1	1	1
9999	**Subtotal , direct obligations**	**9,578**	**11,636**	**8,300**

Employment Summary

	Ship Disposal	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
Direct:				
1001	Civilian full-time Equivalent employment	11	11	8
	Total Employment	**11**	**11**	**8**

EXHIBIT III-1

SHIP DISPOSAL
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

	FY 2012 ENACTED	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGE FY 2012-2014	
Ship Disposal	5,500	5,534	2,000	-3,500	
Total	**5,500**	**5,534**	**2,000**	**-3,500**	
FTEs					
Direct Funded	11	11	8	-3	1/
Reimbursable, allocated, other	-	-	-	-	

1/ The Ship Disposal Program was reduced by 3 FTEs to reflect the transfer of the N.S. SAVANNAH to Marad Operations and Programs within the Operations and Training account.

EXHIBIT III -1a

SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2013 TO FY 2014
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	**Change from FY 2013 to FY 2014**	**Total**
FY 2013 CR Annualized		
Ship Disposal		**$5,534**
Adjustments to Base		
2014 Pay Raise (1%)	12	
WCF	-27	
GSA Rent	-26	
Non-Salary Inflation (0.5%)	18	
Subtotal, Adjustments to Base	**-$23**	**-$23**
New or Expanded Programs		
Ship Disposal	-478	
NS SAVANNAH	-3,033	
Subtotal, New or Expanded Program Increases/ Decreases	**-$3,511**	**-$3,511**
Total FY 2014 Request		**$2,000**

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS
MARITIME ADMINISTRATION

Annual Performance Results and Targets

The Maritime Administration tracks the following agency performance measures, which support the DOT Strategic Goal for Environmental Sustainability.

Obsolete vessels removed from the NDRF for subsequent disposal	**2010**	**2011**	**2012**	**2013**	**2014**
Target	10	10	12	15	15
Actual	12	21	16		
Target Achieved	√	√	√		

Obsolete NDRF vessel disposal actions completed	**2010**	**2011**	**2012**	**2013**	**2014**
Target	17	15	10	17	16
Actual	21	16	18		
Target Achieved	√	√	√		

Removal of Suisun Bay Reserve Fleet non-retention ships on an annual basis.	**2010**	**2011**	**2012**	**2013**	**2014**
Target	10	19	28	32	38
Actual	11	26	36		
Target Achieved	√	√	√		

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL
FY 2005 - FY 2014
Main Table - ($000)

Fiscal Year	Request	Enacted	
2004	11,422	16,115	1/
2005	21,616	21,443	2/
2006	21,000	20,790	
2007	25,740	20,790	
2008	20,000	17,000	
2009	18,000	15,000	
2010	15,000	15,000	
2011	10,000	14,970	3/
2012	18,500	5,500	
2013	10,000	5,212	
2014	2,000		

1/ Includes $95,645 rescinded in P.L.108-199.

2/ Includes $172,928 rescinded in P.L.108-447.

3/ Includes 0.2% across the board rescision of $30K as per P.L.112-55.

Justification for the Ship Disposal Program

($000) Program Activity	FY 2012 Enacted	FY 2013 CR Annualized	FY 2014 Request	Change FY 2012–FY 2014
Ship Disposal	2,500	2,516	2,000	-500
NS Savannah 1/	3,000	3,018		-3,000
Total	**$5,500**	**$5,534**	**$2,000**	**-$3,500**

1/ For FY 2014 NS Savannah funds are requested in the MARAD Operations and Programs section.

I. Budget Request

What is the request and what will we get for the funds?
By law, 40 U.S.C. § 548, MARAD is the disposal agent for government-owned merchant vessels and vessels capable of being converted to merchant type vessels. All of the vessels in the National Defense Reserve Fleet (NDRF) are disposed pursuant to this authority. For FY 2014, $2.0 million is requested for the Ship Disposal Program. This level of funding, which includes a modest $500 thousand decrease over the FY 2012 enacted level, will support continued obsolete vessel disposal actions, with priority emphasis on the worst condition non-retention vessels in MARAD's three reserve fleet sites.

Funding for the N.S. SAVANNAH (NSS) in FY 2014 has been realigned to the MARAD Operations and Training account, which contains the funding request and justification for the NSS for FY 2014. The Ship Disposal Program will manage the custodial care and compliance of this NDRF obsolete nuclear ship as a regulated nuclear power facility and National Historic Landmark.

Ship Disposal
The FY 2014 request will allow continued expedited removal of obsolete ships from the government-owned merchant vessels, which comprise the National Defense Reserve Fleet, with emphasis on vessels that are a high disposal priority, most of which remain in the Suisun Bay Reserve Fleet (SBRF). With the requested funding level, MARAD will be able to remove for disposal up to 15 obsolete ships from all three fleet sites in FY 2014. The requested funding level is consistent with the requirements of the court ordered settlement with California.

Significant costs related to vessel towing and compliance with the National Invasive Species Act (NISA) and Clean Water Act (CWA) will continue into FY 2014 in particular for removal of SBRF ships that require drydocking for the cleaning of marine growth from the underwater hulls. The California lawsuit was settled on April 14, 2010 with a signed and court approved Consent Decree. Subsequently, the majority of obsolete vessels removed for disposal in FY 2010 and 2011 were from the SBRF, with the average per ship cost to drydock, tow, and recycle obsolete SBRF ships at $952 thousand. In FY 2012, a strong scrap steel market resulted in the sale of 16 non-retention vessels for recycling including 10 vessels from the SBRF. As a result, the average per ship disposal cost for SBRF ships in FY 2012 was limited to the cost to drydock the vessels, which averaged $498 thousand per ship. In FY 2013, it is anticipated that approximately 8 ship disposals will also be from the SBRF. If the scrap steel market and fuel costs remain at mid-FY 2012 levels through FY 2013 and into FY 2014, funding at the request level will allow for the removal of approximately 15 obsolete ships from our inventory in 2014, which will include approximately 6 SBRF vessels. The FY 2014 request will also continue to cover the cost of environmental risk mitigation to ensure compliance with NISA and for testing and containment requirements related to the CWA. MARAD's environmental risk mitigation activities will allow ship disposal to continue in full compliance with NISA and the CWA and will also lessen the environmental risk at the fleet sites and recycling facilities.

The Consent Decree commits MARAD to the drydocking and removal of a minimum of 38 SBRF ships by the end of FY 2014. With an average per ship drydock cost of $498,000, the requested funding level is projected to allow the Agency to exceed the Consent Decree requirements of SBRF vessels removed. If disposal costs do not increase significantly over 2012 levels, the 6 SBRF ships (and 15 vessels overall) projected to be removed in FY 2014 with the requested level of funding will allow the continued, steady reduction in the total number of non-retention ships in MARAD's three reserve fleet sites. That total number of vessels is currently 35, which is an historic low.

MARAD also has an agreement with the U.S. Navy to sell for recycling six decommissioned, non-combatant vessels that will be held in Navy inactive ship maintenance facilities until removed for recycling. Three of the six Navy vessels have already been removed for disposal. The FY 2014 request is based on the assumption, supported by industry projections on the price of scrap steel, that disposal costs overall will remain at FY 2012 levels through FY 2013 and FY 2014. With this assumption, a $6.3 million carryover into FY 2014 is estimated at this time, which combined with the $2.0 million request will allow the expedited removal of additional obsolete ships from MARAD's three fleet sites as well as provide program flexibility in the face of volatile scrap steel prices and increasing costs related to towing (fuel) and compliance with environmental regulations. Fluctuations in the actual per ship disposal costs, as a result of regulatory, industry or market factors, will affect the number of ships that can be disposed of in FY 2013 and FY 2014.

It is anticipated that all ship disposals in FY 2012 and 2013 will be through domestic dismantling/recycling. There are currently no pending artificial reefing requests, deep-sinkings (Navy), donations or sales for re-use.

Why do we want/need to fund this program at the requested level?
Significant costs related to obsolete vessel towing and compliance with the National Invasive Species Act (NISA) and Clean Water Act (CWA) will continue into FY 2014 as vessel removals will include a significant number of SBRF ships. FY 2014 ship disposals, based on vessel condition, will continue from all three MARAD fleet sites and funding at this level will allow for the removal of approximately 15 ships from inventory including 6 SBRF vessels and cover the costs related to risk mitigation for compliance with NISA and CWA, as well as lessen the environmental risk at the fleet sites and recycling facilities. Consistent annual funding is the most effective strategy to sustain program performance during unpredictable market fluctuations for scrap steel and fuel, which both have a significant effect on the cost of obsolete vessel disposal.

II. Program Performance

What is the program?
MARAD's Ship Disposal program contributes to the reduction of water pollution from DOT-owned transportation assets, services and facilities, and supports environmental sustainability. The program will conduct ship recycling for obsolete, Federally-owned, merchant-type vessels in an environmentally responsible manner that further reduces the risk of environmental contamination. The program comprises of two essential areas; the removal and disposal of obsolete ships owned by

the Federal government and the unique regulated custodial care of the obsolete NDRF nuclear ship SAVANNAH (NSS) until decommissioned and available for other disposition by the Agency (e.g. donation). The Ship Disposal Program base budget consists of ship disposal funds, salaries and benefits, contractor support, administrative funds (including training and travel) and monitoring costs associated with assuring vessels are properly disposed.

Ship Disposal

MARAD is the U.S. government's disposal agent for Federal government owned merchant-type vessels 1,500 gross tons or more (as required by Section 3502 of the National Heritage Act) and has custody of a fleet of obsolete ships owned by the Federal government. These include obsolete merchant ships moored at NDRF sites that, while all are part of the NDRF, are not assigned to the Ready Reserve Force (RRF) or otherwise designated for a specific purpose. When ships are no longer considered useful for defense or aid missions, MARAD arranges for their responsible disposal, on a worst-first basis, as identified by Section 203 of the Federal Property and Administrative Services Act of 1949. In addition, MARAD manages compliance with historic reviews and documentation requirements prior to disposal or other disposition (e.g. donation). In 2011, MARAD renewed a Memorandum of Agreement with the Navy to dispose of its non-combatant auxiliary vessels; and, the U.S. Coast Guard and MARAD are exploring the feasibility of recycling decommissioned cutters through the Ship Disposal program.

Due to the presence of onboard hazardous materials such as residual fuel, asbestos, radioactive material, solid polychlorinated biphenyls (PCBs) and exfoliating paint/coatings in the ships' systems or structure, surplus ships pose a risk to the surrounding environment and must be disposed of properly. Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding environmental harm, but also in terms of reducing costs. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal. In addition to environmental risks at MARAD fleet sites associated with onboard hazardous materials, the risk associated with the spread of non-indigenous aquatic species when transferring obsolete ships from the fleet sites to other bio-geographic locations for vessel disposal through recycling or artificial reefing is a complex and costly dimension of the program.

MARAD has custody of approximately 35 obsolete vessels that are not yet under contract for disposal. These obsolete ships are located at the James River site in Virginia (10 ships), the Suisun Bay site in California (17 ships), the Beaumont site in Texas (5 ships) and 3 decommissioned Navy Vessels located in Hawaii and Pennsylvania. MARAD expects to remove for disposal a total of 8 vessels from the SBRF in FY 2013 and six in 2014.

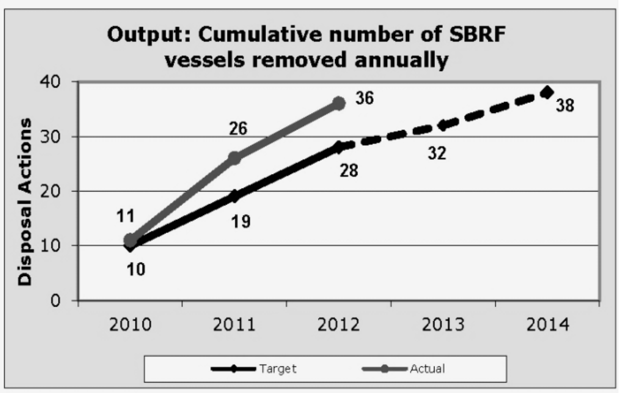
Why is this particular program necessary?

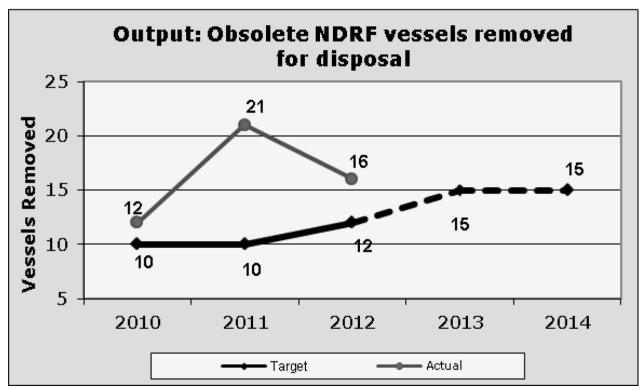
Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding harm, but also in terms of program efficiency. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal. Newly downgraded vessels that have reached the end of their useful life enter the disposal queue as non-retention (obsolete) vessels on an annual basis. It is critical that the rate of vessel removals for disposal continues to exceed the rate at which the ships are added to the disposal inventory. This is an annual program performance measure which has exceeded the goal every year since 2004. It is anticipated that approximately three to five ships per year will be downgraded to non-retention status and added to the disposal queue in FY 2013 and 2014. Lastly, proper custodianship of these vessels requires compliance with environmental requirements to ensure that measures are taken to eliminate environmental risks associated with vessel storage and arrest deterioration for those obsolete vessels awaiting disposal.

How do you know the program works?

MARAD manages the Ship Disposal Program in concert with several performance measures, including annual targets for vessel removals and disposals, which have been met or exceeded the last seven years. The accompanying graphs include actual program outputs for obsolete vessel removals and completions from FY 2010 - FY 2014. Vessel completions generally lag behind vessel removals by six to twelve months and are dependent on the available resources and production throughput of each facility awarded recycling contracts. The target and actual figures for the removal of Suisun Bay obsolete ships in the graph below are annual cumulative totals. The targets reflect the requirements of the California Consent Decree, which have been exceeded each year since FY 2010.

From a macro level, the total number of MARAD obsolete ships awaiting disposal, and not yet under contract, is 35 -- which is an historic low. Additionally, the annual rate of vessel removals has outpaced the average number of vessels added to the disposal queue for the last eight years, and all non-retention ships designated as a high disposal priority have been removed from the three fleet





sites. MARAD has established a target for FY 2014 of removing 15 vessels from the NDRF. This includes the removal of 6 SBRF ships, which exceeds the number required by the judicial consent decree.

Funding History:

($000) Ship Disposal	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	15,000	12,000	7,000	12,954	7,000	2,000
Enacted	12,000	12,000	11,976	2,500	2,369	

MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, [$184,000,000] *$208,000,000,* to remain available until expended, of which *$25,000,000 is to mitigate the impact on sealift capacity available to the Department of Defense under 46 U.S.C. 53102 of any fiscal year 2014 legislation that appropriates international food assistance funding for the headings "International Disaster Assistance", "Development Assistance", and the "Emergency Food Assistance Contingency Fund" in lieu of any new appropriation under Title II of the Food For Peace Act (Public Law 83–480), as amended: Provided, That these funds shall be used to address potential mariner losses due to reductions in the transportation of food assistance cargo on U.S.-flag vessels below the levels resulting from section 100124 of Public Law 112–141: Provided further, that for any funds used to preserve mariner employment on militarily-useful vessels not enrolled in the Maritime Security Program fleet, priority shall be given, in consultation with the Department of Defense, to eligible vessels under 46 U.S.C. 53102(b): Provided further, That these funds may be used to reimburse eligible costs for mariners to retain and or renew active United States Coast Guard issued merchant mariner credentials for unlimited oceans service on government or commercial ocean-going sealift vessels: Provided further, That such eligible costs shall be limited to mariner certifications to retain or renew active unlimited oceans credential status: Provided further, That these funds shall be made available to vessel owners, vessel operators, and mariners under terms and conditions established in regulations promulgated by the Secretary of Transportation in consultation with the Secretary of Defense.*

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

MARITIME ADMINISTRATION
MARITIME SECURITY PAYMENTS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1711-0-1-403	**FY 2012 Actual**	**FY 2013 CR Annualized**	**FY 2014 Request**
	Obligations by program activity:			
0001	Maritime Security Payments	186,000	175,894	211,000
0900	Total new obligations	186,000	175,894	211,000
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	15,829	3,829	3,000
	Budget authority:			
	Appropriations, discretionary			
1100	Appropriation	174,000	175,065	208,000
1160	Appropriation, discretionary (total)	174,000	175,065	208,000
1930	Total budgetary resources available	189,829	178,894	211,000
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3,829	3,000	-
	Change in obligated balance:			
	Obligated blance, start of year (net):			
3000	Unpaid obligations, brought forward, Oct 1	15,209	19,503	9,254
3010	Obligations incurred, unexpired accounts	186,000	175,894	211,000
3020	Outlays (gross)	-181,706	-186,143	-205,695
3050	Unpaid obligaations, end of year	19,503	9,254	14,559
	Obligated balance, end of year (net):			
3090	Unpaid obligations, end of year (gross)	19,503	9,254	14,559
3100	Obligated balance, end of year (net)	19,503	9,254	14,559
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	174,000	175,065	208,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	167,625	162,810	193,440
4011	Outlays from discretionary balances	14,081	23,333	12,255
4020	Outlays gorss, (total)	181,706	186,143	205,695
4070	Budget authority, net (discretionary)	174,000	175,065	208,000
4080	Outlays, net (discretionary)	181,706	186,143	205,695
4180	Budget authority, net (total)	174,000	175,065	208,000
4190	Outlays, net (total)	181,706	186,143	205,695

MARITIME SECURITY PROGRAM

Program and Performance Statement

The Maritime Security Program provides direct payments to U.S. flag ship operators engaged in foreign commerce to partially offset the higher operating costs of U.S. registry. The purpose of the program is to establish and sustain a fleet of active ships that are privately owned, commercially viable, and militarily useful to meet national defense and other emergency sealift requirements. Participating operators are required to make their ships and commercial transportation resources available upon request by the Secretary of Defense during times of war or national emergency. Commercial transportation resources include ships, logistics management services, port terminal facilities, and U.S. citizen merchant mariners to crew both commercial and government-owned merchant ships.

The 2014 Budget requests $183 million, to combine with the expected account balance, to fully fund the authorized per vessel stipends of $3.1 million. The 2014 Budget proposes international food aid reform that is expected, over time, to reduce overall volumes of preference cargoes for agricultural commodities. Therefore, the Budget requests an additional $25 million for supplemental stipends to ensure that the current number of militarily useful ships remain in the Maritime Security Program and to incentivize mariners to maintain their unlimited deep ocean credentials.

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Direct obligations:			
1410	Grants, subsidies and contributions	186,000	175,894	211,000
9999	**Subtotal , direct obligations**	**186,000**	**175,894**	**211,000**

EXHIBIT III-1

MARITIME SECURITY PROGRAM

Summary by Program Activity

Appropriations, Obligation Limitations, and Exempt Obligations

($000)

	FY 2012 ENACTED	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGE FY 2012-2014
Maritime Security Program	174,000	175,065	208,000	34,000
Total	**174,000**	**175,065**	**208,000**	**34,000**
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2013 TO FY 2014
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	**Change from FY 2013 to FY 2014**	**Total**
FY 2013 CR Annualized		
Maritime Security Payments		**$175,065**
Adjustments to Base	0	
Subtotal, Adjustments to Base	**$0**	**$0**
New or Expanded Programs		
Program Expenses	7,935	
Additional Target Stipends/Mariner Retention Incentives (Food Aid Reform)	25,000	
Subtotal, New or Expanded Program Increases/ Decreases	**$32,935**	**$32,935**
Total FY 2014 Request		**$208,000**

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS
MARITIME ADMINISTRATION

Annual Performance Results and Targets

The Maritime Administration tracks the following agency performance measures, which support the DOT Strategic Goal for Economic Competitiveness.

Ship capacity for roll-on/roll-off ships enrolled in MSP meeting DoD requirements	**2010**	**2011**	**2012**	**2013**	**2014**
Target	2.6	2.6	2.6	2.6	2.6
Actual	3.0	3.0	3.0		
Target Achieved	√	√	√		

Availability of DoD-required shipping capacity, complete with crews	**2010**	**2011**	**2012**	**2013**	**2014**
Target	94	94	94	94	94
Actual	96	97	97		
Target Achieved	√	√	√		

Ship capacity for container ships enrolled in MSP meeting DoD requirements	**2010**	**2011**	**2012**	**2013**	**2014**
Target	110.0	110.0	110.0	110.0	110.0
Actual	116.0	116.0	118.0		
Target Achieved	√	√	√		

Ship operating days enrolled in the MSP were actually operating in US foreign commerce and available to meet DOD's requirements	**2010**	**2011**	**2012**	**2013**	**2014**
Target	19,200	19,200	19,200	19,200	19,200
Actual	21,436	21,557	21,593		
Target Achieved	√	√	√		

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM
FY 2005 - FY 2014
Main Table - ($000)

Fiscal Year	Request	Enacted
2004	98,700	98,118 1/
2005	98,700	97,910 2/
2006	156,000	154,440
2007	154,440	154,440
2008	154,440	156,000
2009	174,000	174,000
2010	174,000	174,000
2011	174,000	173,652 3/
2012	174,000	174,000
2013	184,000	160,289
2014	208,000	

1/ Includes $582,330 rescinded in P.L.108-199.

2/ Includes $789,600 rescinded in P.L.108-447.

Justification for Maritime Security Program

($000) Program Activity	FY 2012 Enacted	FY 2013 CR Annualized	FY 2014 Request	Change FY 2012-FY 2014
Maritime Security Program	174,000	175,065	183,000	9,000
Additional Target Stipends/Mariner Retention Incentives (Food Aid Reform)	0	0	25,000	25,000
Total	**$174,000**	**$175,065**	**$208,000**	**$34,000**

I. Budget Request

What is the request and what will we get for the funds?
For FY 2014, a total of $208 million in new budget authority is requested for the Maritime Security Program (MSP) account, $34 million above FY 2012.

Within the total, $183 million is included for the base MSP program, $3 million less than the authorized level. The difference is projected to be funded by program recoveries of unpaid obligations (funds obligated but unpaid and recovered in 2014). These recoveries are estimated annually at $4 million and are realized by MARAD's ensuring that vessel operators comply with the terms and conditions of an MSP enrollment contract. This funding is essential to the maintenance of a commercial fleet capable of supporting a U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to these commercial vessels, intermodal facilities and mariners.

The FY 2014 request also includes $25 million for a new initiative that will provide a transition year in FY 2014 to establish a multi-year program to mitigate some of the potential impact on sealift capacity and mariner billets from reductions in the volume of food assistance commodities purchased in the United States due to proposed food aid program reforms. This new initiative will seek to preserve mariner employment on U.S.-flag militarily-useful vessels and identify other innovative means to encourage retention of U.S. mariners and vessels, within but separate from the MSP.

Funds will be used to preserve mariner employment on militarily useful vessels not enrolled in the MSP fleet with priority given to eligible vessels under 46 U.S.C. 53102(b) in consultation with the Department of Defense (DOD). These funds may be used to reimburse eligible costs for mariners to retain and or renew active United States Coast Guard issued merchant mariner credentials for unlimited ocean service on government or commercial ocean-going sealift vessels.

Why do we want/need to fund this program at the requested level?
The emphasis of the MSP program is to provide sustainment sealift capacity to the military in time of war or National emergency. It is important to note that MSP ships are carrying the bulk of military supplies and equipment in support of U.S. troops in and out of Afghanistan. Presently 95 percent of the cargo to and from Afghanistan is carried by MSP carriers per the U.S. Transportation Command 2012 annual report. The MSP carriers are a critical part of drawdown plans for the U.S. military regarding OPERATION ENDURING FREEDOM.

The authorization for the MSP, 46 U.S.C. 53106, provides for the authorized level of $3.1 million for each of the 60 vessels enrolled in FY 2013 through FY 2018, and increases out through FY

2025. This funding is essential to the maintenance of an MSP fleet capable of supporting U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to commercial vessels, and intermodal facilities and mariners.

The additional funding included in proposed food aid program reform will provide a vehicle to support sustainment of a qualified pool of citizen merchant mariners through vessels' stipends, mariner credentialing, and apprentice training. This will also help ensure sustainment of an adequate labor pool to be readily available to support crewing government Ready Reserve Force sealift ships when needed.

II. Program Performance

What is the program?
MSP provides DOD with assured access to privately-owned and operated U.S. flag ships and intermodal facilities, and sustains a base of U.S. merchant mariners to support National security requirements during war or National emergency. MSP also acknowledges the importance of a strong partnership with the commercial maritime industry to maintain an international presence in foreign commerce. In FY 2014, the budget base consists solely of funds to make payments to MSP ship operators. The Maritime Security Act of 2003 authorizes up to 60 ships for MSP. Supporting staff salaries and benefits are funded by the Operations and Training account (Maritime Administration (MARAD) Operations and Programs). No new Full Time Equivalent (FTE) positions are being requested.

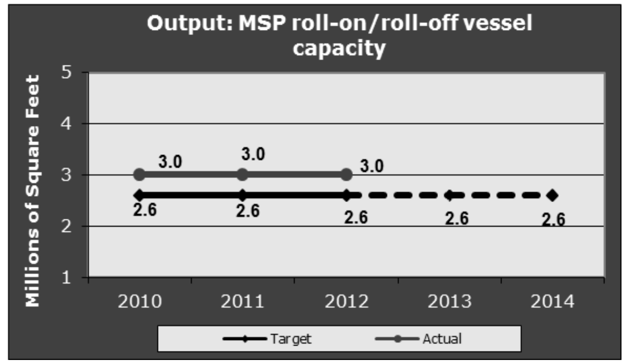
Program accomplishments anticipated in FY 2014 include activities to monitor the agreements with the ship owners to maintain the ships enrolled in the program. In addition, MARAD will approve changes in MSP contracts that improve the quality of the MSP fleet to ensure the retention of modern and efficient ships and U.S. citizen crews. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessel available.

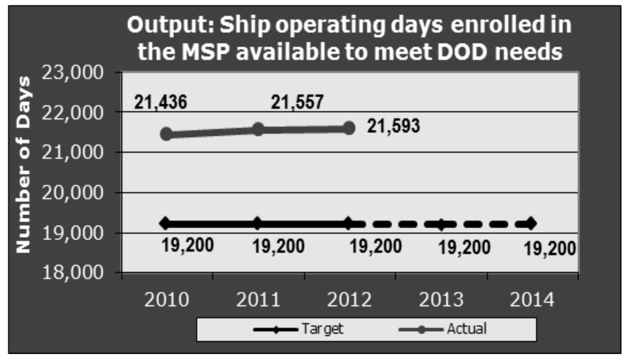
The additional funding proposed as part of food aid program reforms provides a stipend for militarily useful vessels, mariner's credential support, and apprentice training for key merchant mariner skill sets (e.g. electricians, refrigeration maintenance, and pumpmen).

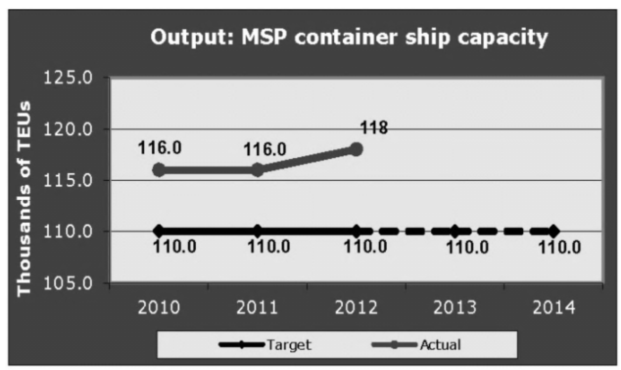
Why is this particular program necessary?
The Maritime Security Act of 2003 authorizes up to 60 ships for the MSP. The MSP ensures that the United States will have a fleet of active, commercially viable, militarily useful, privately owned U.S.-flag vessels to maintain a United States presence in international commercial shipping, while also meeting National defense and other security requirements.

Created by the Maritime Security Act of 1996, the MSP replaced a more costly operating differential subsidy program with fixed annual payments to induce U.S.-flag carriers to retain their U.S.-flag registry. These same carriers indicated that U.S.-flag ships would have left the U.S.-flag fleet for open-flag registry in the absence of MSP. These actions would have resulted in the DOD relying on more open-flag vessels with foreign crews. The program also ensures that the intermodal assets of current U.S.-flag ship operators will be readily available to DOD. This is a mandatory requirement for entry into the MSP that carriers commit both vessel capacity and intermodal resources to MARAD's emergency preparedness programs, which are the Voluntary Intermodal Sealift Agreement program for dry cargo vessels and/or the Voluntary Tanker Agreement program for tankers.

The additional funding proposed as part of food aid reform is necessary due to a loss of food aid cargo normally reserved for U.S. flag vessels. The initiative will mitigate the potential negative impact on U.S. mariners and vessels to support U.S. security and national defense.







How do you know the program works?
An impact evaluation was conducted in FY 2009 and found the program to be effective. The purpose of the evaluation was to determine the program's effectiveness and its impact on the U.S. flag presence in international commerce, U.S.-flag ocean-going ships and crew members and military usefulness. The project team found that current management procedures and processes used by MARAD are generally appropriate and effective for carrying out the objectives of the MSP. One of the key findings was that the MSP clearly has a positive impact on the number of U.S. commercial oceangoing cargo vessels available for military use.

Without the MSP, there would be a significant reduction in the number of U.S.-flag ships. Additionally, the MSP fleet provides employment for 2,700 U.S. merchant mariners, so a reduction in the fleet would result in a loss of employment for U.S. mariners.

In FY 2014, we anticipate meeting or exceeding the target of 2.6 million square feet of roll-on/roll-off vessel capacity. Vessel capacity is committed by MSP carriers to DOT/DoD's emergency preparedness sealift readiness program. While MARAD is currently exceeding the target, the target may need to be revised if the commercial viability of the RO/RO fleet changes in the future. MSP ship operators are required to operate their ships for a minimum of 320 days a year in order to be in compliance with the program and receive full MSP payments. We anticipate meeting the performance goal of 19,200 ship operating days for the vessels enrolled in MSP operating in U.S. foreign commerce during FY 2014 as we continue to monitor the agreements with the ship owners to ensure compliance with the terms and conditions in MSP contracts.

Additionally, MARAD anticipates meeting or exceeding the target of 110,000 containership twenty foot equivalent units (TEUs) by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels.

Funding History:

($000) **Maritime Security Program (MSP)**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
MSP Requested	174,000	174,000	174,000	174,000	184,000	183,000
Additional Target Stipends/Mariner Retention Incentives (Food Aid Reform) Requested	0	0	0	0	0	25,000
Enacted 1/	174,000	174,000	173,652	174,000	$160,289	

1/ Authorized level raised from $174M to $186M in FY 2012.

MARITIME ADMINISTRATION
OPERATING-DIFFERENTIAL SUBSIDIES
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1709-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	822	10,746	-
1021	Recoveries of prior year unpaid obligations	9,924	-	-
1050	Unobligated balance (total)	10,746	10,746	-
	Budget authority:			
	Appropriations, discretionary			
1930	Total budgetary resources available	10,746	10,746	-
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	10,746	-	-
	Change in obligated balance:			
	Obligated blance, start of year (net):			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	9,924	-	10,746
3020	Obligated balance, start of year (net)	9,924	-	10,746
3090	Unpaid obligations, end of year (gross)	9,924	10,746	10,746
3100	Obligated balance, end of year (net)	9,924	10,746	10,746
	Budget authority and outlays, net:			
	Discretionary:			
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-	-	-

OPERATING-DIFFERENTIAL SUBSIDIES

Program and Performance Statement

This program has been replaced by the Maritime Security Program. Final settlement of open contracts to close financial accounts was accomplished in 2013 and the remaining balance in the account was returned to the Treasury.

MARITIME ADMINISTRATION
OCEAN FREIGHT DIFFERENTIAL
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1751-0-1-054	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0001	Ocean Freight Differential - 20% Excess Freight	37,862	128,000	50,000
0002	Ocean Freight Differential - Incremental	9,465	6,000	-
0003	Ocean Freight Differential - Intrest to Treasury	-	1,000	-
0900	Total new obligations	47,327	135,000	50,000
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	79,651	32,336	-
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation	142,675	135,000	50,000
1236	Appropriation applied to repay debt	-142,604	-135,000	-50,000
1260	Appropriations, mandatory (total)	71	-	-
	Borrowing authority, mandatory:			
1400	Borrowing authority	-59	102,664	50,000
1440	borrowing authority, mandatory (total)	-59	102,664	50,000
1900	Budget authority (total)	12	102,664	50,000
1930	Total budgetary resources available	79,663	135,000	50,000
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	32,336	-	-
	Change in obligated balance:			
	Obligated blance, start of year (net):			
3000	Unpaid obligations, brought forward, Oct 1	68	12	12
3010	Obligations incurred, unexpired accounts	47,327	135,000	50,000
3020	Outlays (gross)	-47,383	-135,000	-50,000
3050	Unpaid obligations, end of year (gross)	12	12	12
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	68	12	12
3200	Obligated balance, end of year (net)	12	12	12
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	12	102,664	50,000
	Outlays, gross:			
4100	Outlays from new mandatory authority	-	102,664	50,000
4101	Outlays from mandatory balances	47,382	32,336	-
4110	Outlays gross	47,382	135,000	100,000
4160	Budget authority, net (mandatory)	12	102,664	50,000
4170	Outlays, net (mandatory)	47,382	135,000	50,000
4180	Budget authority, net (total)	12	102,664	50,000
4190	Outlays, net (total)	47,382	135,000	50,000

OCEAN FREIGHT DIFFERENTIAL

Program and Performance Statement

Ocean freight differential (OFD) is the amount reimbursed when the difference in ocean freight cost between U.S. flag vessels and foreign flag vessels exceeds 20 percent of specified program costs. When the Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) transport certain government-sponsored food aid shipments to international beneficiaries, the cargo preference provisions in 46 U.S.C. 55305 require that at least 50 percent of this cargo be shipped on U.S. flag vessels. The Maritime Administration (MARAD) is required to reimburse USDA and USAID for certain ocean freight costs associated with this U.S. flag vessel preference 46 U.S.C. 55316. The payment of this differential by the shipping agencies expands cargo opportunities, thereby encouraging ship operators to retain U.S. flag registry.

USDA and USAID pay all ocean shipping costs for international food assistance through the Commodity Credit Corporation. In any fiscal year in which shipping costs exceed 20 percent of total program costs (total shipping costs plus total value of commodities shipped), MARAD is required to reimburse shipping costs to the extent that they exceed 20 percent of the total program costs. The Commodity Credit Corporation receives these reimbursements from MARAD and returns them to USDA and USAID to fund additional food assistance procurements. MARAD is funded by mandatory appropriation of new borrowing authority commensurate with estimates for freight differential reimbursement in the budget year.

OCEAN FREIGHT DIFFERENTIAL

Program and Performance Statement

Funding estimates for new borrowing authority are reduced to an appropriation commensurate with estimated freight differential reimbursement declines that will result from the food aid program reform requested for P.L. 480 Title II food aid. The reduction shown is an upper bound estimate based on full implementation of the reform. The reform shifts P.L. 480 Title II food aid funding to accounts that, while subject to a 50 percent cargo preference rate on goods shipped from the U.S., are not subject to the provisions of 46 U.S.C. 5316(b)(1)(B), which provides for the reimbursement by the Maritime Administration to the United States Agency for International Development (USAID) of any amount by which freight is more than 20 percent of the combined commodity and freight costs on all P.L. 480 Title II shipments. While substantial levels of U.S. food will still be shipped by both the United States Department of Agriculture and by the USAID on U.S. flag vessels under the reform, when the reform is enacted, USAID will no longer receive freight differential reimbursements.

EXHIBIT III-1

OCEAN FREIGHT DIFFERENTIAL
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGE FY 2013-2014
Ocean Freight Differential	175,000	135,000	50,000	-85,000
Total	**175,000**	**135,000**	**50,000**	**-85,000**
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

OCEAN FREIGHT DIFFERENTIAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2013 TO FY 2014
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	**Change from FY 2013 to FY 2014**	**Total**
FY 2013 CR Annualized		
Ocean Freight Differential		**$135,000**
Adjustments to Base	0	
Subtotal, Adjustments to Base	**$0**	**$0**
New or Expanded Programs		
Program Expenses	-85,000	
Subtotal, New or Expanded Program Increases/ Decreases	**-$85,000**	**-$85,000**
Total FY 2014 Request		**$50,000**

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS
MARITIME ADMINISTRATION

Annual Performance Results and Targets

The Maritime Administration tracks the following agency performance measures, which support the DOT Strategic Goal for Economic Competitiveness.

Percentage of food aid preference cargo carried by U.S.-flag vessels	**2010**	**2011**	**2012**	**2013**	**2014**
Target	78%	78%	78%	50%	50%
Actual	81%	79%	85%		
Target Achieved	√	√	√		

($000) Program Activity	FY 2012 Enacted	FY 2013 CR Annualized	FY 2014 Request	Change FY 2012–FY 2014
Ocean Freight Differential	175,000	102,000	50,000	-125,000
Total	**$175,000**	**$102,000**	**$50,000**	**-$125,000**

I. Budget Request

What is the request and what will we get for the funds?
It is estimated that $50 million in new borrowing authority will be needed to fund the Ocean Freight Differential (OFD) program for FY 2014. OFD funds are not requested in annual appropriations, but are provided via a permanent indefinite borrowing authority commensurate with estimates for budget year freight differential requests from U.S. Department of Agriculture (USDA).

Why do we want/need to fund this program at the requested level?
Pursuant to 46 U.S.C. §55316(e), these funds are required by MARAD to reimburse the Department of Agriculture's Commodity Credit Corporation to offset certain differential costs to ship humanitarian food aid cargo on U.S.-flag vessels instead of foreign-flag vessels in accordance with the Food Security Act of 1985.

As of July 6, 2012, Public Law 112-141, H.R. 4348, the Moving Ahead for Progress in the 21st Century Act (MAP-21), reduces the tonnage share of United States (U.S.) funded agricultural exports (food aid) that U.S.-flag vessels can carry on a preference basis from a 75 percent minimum share to a 50 percent share. Previously the Food Security Act of 1985 had increased the preference share from 50 percent to 75 percent. MAP-21 now returns the program to the original 50% level. By reducing the required U.S.-flag participation from 75% back to the original 50% level, MAP-21 has, in fact, eliminated the 25% Incremental Freight Differential. The wording in the revised legislation has been corrected to reflect that change.

However MAP-21 did not repeal the 20% Excess Cost Differential payment, which has been significantly higher than the Incremental Freight Differential for the last few years.

The 20% Excess Cost Differential was created by the Food Security Act of 1985 to reimburse the agencies when the cost of ocean transportation and OFD exceeded 20 percent of the total cost of the commodity being shipped together with the cost of ocean transportation and OFD.

On this basis, the above requested funding level reflects an estimate only for the 20% Excess Cost Differential for the budget year.

II. Program Performance

What is the program?
When the USDA and the U.S Agency for International Development (USAID) provide food assistance to overseas beneficiaries, cargo preference laws now mandate that at least 50 percent of

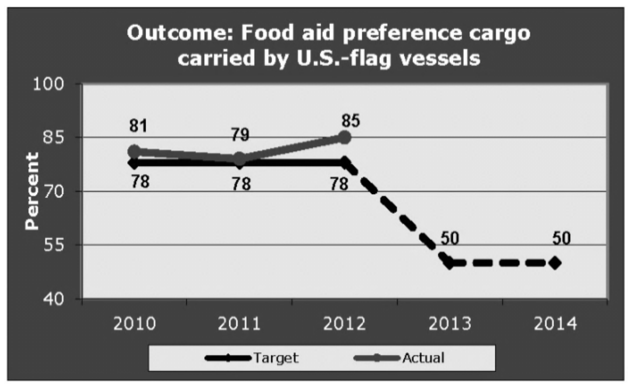
the total tonnage be shipped on U.S.-flagged vessels. MARAD is also mandated to reimburse these U.S. government agencies through the program for the 20% Excess Cost Differential payment.

The primary goal of the cargo preference program is to support U.S. national defense by providing a privately owned commercial U.S.-flag fleet that is prepared to offer critical logistic support to the Department of Defense, especially in times of conflict. By using the commercial U.S.-flag fleet, the military avoids having to incur the cost of providing their own DOD vessels which would mostly remain under-utilized between conflicts. The use of the commercial fleet as opposed to dedicated DOD vessels has been found to be much more cost effective. The cargo preference program also contributes to the Department of Transportation's economic competitiveness goal.

Why is this particular program necessary?
Congress recognizes that a cargo preference policy is a fundamental support program for the U.S. Merchant Marine. Because U.S. ships are typically more costly to operate as compared to some competing non-U.S.-flag operations, a reimbursement regime was created to offset some of those cost differentials.

How do you know the program works?
For FY 2013 and 2014, we are revising our targets to align with MAP 21 requirements.

In FY 2014, we anticipate meeting or exceeding our new target of 50 percent of food aid preference cargo carried by U.S.-flag vessels. Additionally, we will work to implement a new measure to better align with the MAP 21 requirements.



Funding History:

($000) Ocean Freight Differential	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	175,000	175,000	175,000	175,000	150,000	50,000
Enacted	175,000	175,000	175,000	175,000	102,000	

MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-70-1710-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0801	Ready Reserve Force	394,987	345,592	345,592
0900	Total new obligations	394,987	345,592	345,592
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	42,557	20,673	35,081
1021	Recoveries of prior year unpaid obligations	9,090	-	-
1050	Unobligated balance (total)	51,647	20,673	35,081
	Budget authority:			
	Spending auth from offsetting collections, discretionary:			
1700	Collected	343,479	360,000	360,000
1701	Change in uncollected payments, Federal sources	20,534	-	-
1750	Spending auth from offsetting collections, disc (total)	364,013	360,000	360,000
1930	Total budgetary resources available	415,660	380,673	395,081
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance end of year	20,673	35,081	49,489
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	136,438	198,392	83,156
3010	Obligations incurred, unexpired accounts	394,987	345,592	345,592
3020	Outlays (gross)	-323,439	-460,828	-412,000
3040	Recoveries of prior year unpaid obligations, unexpired	-9,090	-	-
3041	Recoveries of prior year unpaid obligations, expired	-521	-	-
3050	Unpaid obligations, end of year	198,392	83,156	16,748
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-70,322	-82,237	-82,237
3070	Change in uncollected pymts, Fed sources, unexpired	-20,534	-	-
3071	Change in uncollected pymts, Fed sources, expired	8,619	-	-
3090	Uncollected pymts, Fed sources, end of year	-82,237	-82,237	-82,237
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	66,116	116,155	919
3200	Obligated balance, end of year	116,155	919	-65,489
	Budget authority and outlays, net			
	Discretionary:			
4000	Budget authority, gross	364,013	360,000	360,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	213,356	324,000	324,000
4011	Outlays from discretionary balances	110,083	136,828	88,200
4020	Outlays, gross (total)	323,439	460,828	412,200
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	-351,616	-360,000	-360,000
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	-20,534	-	-
4052	Offsetting collections credited to expired accounts	8,137	-	-

MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-70-1710-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
4060	Additional offsets against budget authority only (total)	-12,397	-	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	-28,178	100,828	52,200
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-28,178	100,828	52,200

READY RESERVE FORCE

Program and Performance Statement

The Ready Reserve Force fleet (RRF) is comprised of government-owned merchant ships within the National Defense Reserve Fleet that are maintained in an advanced state of surge sealift readiness for the transport of cargo to a given area of operation to satisfy combatant commanders' critical war fighting requirements. Resources for RRF vessel maintenance, activation and operation costs, as well as RRF infrastructure support costs and additional Department of Defense/Navy- sponsored sealift activities and special projects, are provided by reimbursement from the National Defense Sealift Fund.

MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION

($000)

Object Class Code	Object Class	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Reimbursable obligations:			
2111	Full-time permanent	19,811	23,360	24,119
2113	Other than full-time permanent	587	692	714
2115	Other personnel compensation	1,339	1,579	1,631
2119	**Total personnel compensation**	21,737	25,631	26,464
2121	Civilian personnel benefits	7,945	9,369	9,673
2210	Travel and transportation of persons	1,025	870	867
2220	Transportation of things	11	9	9
2231	Rental payments to GSA	1,972	2,710	2,537
2232	Rental payments to others	15,660	13,282	13,240
2233	Communications, utilities, and miscellaneous charges	9,648	8,183	8,157
2240	Printing	494	419	418
2251	Advisory and assistance services	2,553	2,166	2,159
2252	Other services from non-Federal sources	803	681	679
2253	Other goods and services from non-Federal sources	5,457	4,628	4,613
2254	Operation and maintenance of facilities	273,210	231,724	230,999
2257	Operation and maintenance of equipment	4,316	3,660	3,649
2260	Supplies and materials	11,366	9,640	9,610
2310	Equipment	2,556	2,168	2,161
2320	Land and structures	35,904	30,452	30,356
9999	**Total new obligations**	**394,656**	**345,592**	**345,592**

Employment Summary

	Ready Reserve Force	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
Reimbursable:				
2001	Civilian full-time equivalent employment	321	333	333
	Total Employment	**321**	**333**	**333**

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MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Indentification code 69-70-4303-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0801	Vessel operations	22,372	25,000	25,000
0900	Total new obligations	22,372	25,000	25,000
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	52,312	59,092	54,092
1021	Recoveries of prior year unpaid obligations	7,172	-	-
1050	Unobligated balance (total)	59,484	59,092	54,092
	Budgetary authority:			
	Spending authority from offsetting collections, discretionary:			
1700	Collected	26,426	20,000	11,000
1701	Change in uncollected payments, Federal sources	-4,446	-	-
1750	Spending auth from offsetting collections, disc (total)-Computed totals	21,980	20,000	11,000
1930	Total budgetary resources available	81,464	79,092	65,092
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	59,092	54,092	40,092
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	19,158	14,828	20,828
3010	Obligations incurred, unexpired accounts	22,372	25,000	25,000
3020	Outlays (gross)	-19,531	-19,000	-11,900
3040	Recoveries of prior year unpaid obligations, unexpired	-7,172	-	-
3050	Unpaid obligations, end of year	14,828	20,828	33,928
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-20,334	-15,888	-15,888
3070	Change in uncollected pymts, Fed sources, unexpired	4,446	-	-
3090	Uncollected pymts, Fed sources, end of year	-15,888	-15,888	-15,888
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	-1,176	-1,061	4,940
3200	Obligated balance, end of year	-1,061	4,940	18,040
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	21,980	20,000	11,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	546	18,000	9,900
4011	Outlays from discretionary balances	19,531	1,000	2,000
4020	Outlays, gross (total)	20,077	19,000	11,900
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	-4,020	-19,596	-11,000
4033	Non-Federal sources	-22,406	-	-
4040	Offsets against gross budget authority and outlays (total)	-26,426	-19,596	-11,000
	Additional offsets against gross budget authority only:			

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Indentification code 69-70-4303-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
4050	Change in uncollected pymts, Fed sources, unexpired	4,446	-	-
4070	Budget authority, ne (discretionary)	-	-	-
4080	Outlays, net (discretionary)	-6,895	-596	900
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-6,895	-596	900

VESSEL OPERATING REVOLVING FUND

Program and Performance Statement

This fund is authorized for the receipt of sales proceeds from the disposition of obsolete government-owned merchant vessels. Direct appropriations for the disposal of obsolete government-owned merchant vessels are provided to the Ship Disposal account.

The Maritime Administration is authorized to reactivate, maintain, operate, and deactivate government-owned merchant vessels comprising the National Defense Reserve Fleet (NDRF) and the Ready Reserve Force (RRF), a subset of the NDRF. Resources for RRF vessel maintenance, preservation, activation and operation costs, as well as RRF infrastructure support costs and additional Department of Defense/Navy-sponsored sealift activities and special projects, are provided by reimbursement from the Department of Defense National Defense Sealift Fund. Through fiscal year 2010, interagency agreement transactions to fund and administer these programs were reflected in this fund. Beginning in fiscal year 2011, these interagency agreement transactions are instead reflected in the RRF account.

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
OBJECT CLASSIFICATION

($000)

Object Class Code	**Object Class**	**FY 2012 Actual**	**FY 2013 CR Annualized**	**FY 2014 Request**
	Reimbursable obligations:			
2254	Operation and maintenance of facilities	14,772	17,674	17,674
2257	Operation and maintenance of equipment	1,576	1,302	1,302
2410	Grants, subsidies, and contributions	6,024	6,024	6,024
9999	**Total new obligations**	**22,372**	**25,000**	**25,000**

MARITIME ADMINISTRATION

WAR RISK INSURANCE REVOLVING FUND

PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4302-0-1-403	**FY 2012 Actual**	**FY 2013 CR Annualized**	**FY 2014 Request**
	Obligations by program activity:			
0001	General Administration	67	-	-
0900	Total new obligations	67	-	-
	Obligations by program activity:			
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	47,252	47,405	47,405
1020	Adjustment of unobligated bal brought forward, Oct 1	-	-	-
1050	Unobligated balance (total)	47,252	47,405	47,405
	Spending authority from offsetting collections, discretionary:			
1700	Collected	220	-	-
1701	Change in uncollected payments, Federal Sources	-	-	-
1750	Spending auth from offsetting collections, disc (total)	220	-	-
	Budget authority:			
	Appropriations, discretionary			
1930	Total budgetary resources available	47,472	47,405	47,405
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	47,405	47,405	47,405
	Budget authority and outlays, net:			
	Discretionary:			
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-	-	-
	Memorandum (non-add_ entries:			
5000	Total Investments, SOY: Federal securities:			
	Par value	44,121	28,735	44,735
5001	Total Investments, EOY: Federal securities:			
	Par value	28,735	44,735	45,000

WAR RISK REVOLVING FUND

Program and Performance Statement

The Maritime Administration is authorized to insure against war risk loss or damage to maritime operators until commercial insurance can be obtained on reasonable terms and conditions. This insurance includes war risk hull and disbursements interim insurance, war risk protection and indemnity interim insurance, second seamen's war risk interim insurance, and the war risk cargo insurance standby program.

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT (INCLUDING TRANSFER OF FUNDS)

For [the] necessary administrative expenses of the maritime guaranteed loan program, [$3,750,000] *$2,655,000* shall be paid to the appropriation for "Operations and Training", Maritime Administration.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

MARITIME ADMINISTRATION

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0702	Loan guarantee subsidy	823	38,082	-
0707	Reestimates of loan guarantee subsidy	30,763	4,551	-
0708	Interest on reestimates of loan guarantee subsidy	11,945	6,690	-
0709	Administrative Expenses	3,740	3,763	2,655
0900	Total new obligations	47,271	53,086	2,655
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	62,257	27,516	-
1021	Recoveries of prior year unpaid obligations	1,081	10,566	-
1050	Unobligated balance (total)	63,338	38,082	-
	Budget authority:			
	Appropriations, discretionary			
1100	Appropriation	3,740	3,763	2,655
1131	Unobligated balance of appropriations permanently reduced	-35,000	-	-
1160	Appropriation, discretionary (total)	-31,260	3,763	2,655
	Appropriations, mandatory:			
1200	Appropriation	42,708	11,241	-
1260	Appropriations, mandatory (total)	42,708	11,241	-
1700	Collected:	40,000	-	-
1701	Change in uncollected payments,Federal Sources:	-40,000	-	-
1900	Budget authority (total)	11,448	15,004	2,655
1930	Total budgetary resources available	74,786	53,086	2,655
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	27,516	-	-
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	59,345	10,567	-
3010	Obligations incurred: unexpired accounts	47,271	53,086	2,655
3020	Outlays (gross)	-94,968	-53,086	-2,655
3040	Recoveries,of prior year unpaid obligations, unexpired	-1,081	-10,567	-
3050	Unpaid obligations, end of year	10,567	-	-
	Uncollected payments:			
3060	Uncollected payments: Fed sources, brought forward, Oct 1	-40,000	-	-
3070	Change, uncolectedl cust pymts, Fed Sources, unexp	40,000	-	-
3090	Uncollected pymts, Fed sources, end of year	-	-	-

MARITIME ADMINISTRATION
MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	19,345	10,567	-
3200	Obligated balance, end of year	10,567	-	-
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	-31,260	3,763	2,655
	Outlays, gross:			
4010	Outlays from new discretionary authority	3,740	3,763	2,655
4011	Outlays from discretionary balances	48,520	38,082	-
4020	Outlays gross, (total)	52,260	41,845	2,655
	Offsets against gross budget auhtority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal source	-40,000	-	-
4040	Offssets against gross BA and outlays (Total)	-40,000	-	-
	Additional offsets against gross budget			
4050	Change in uncollected pymts, Fed. sources, unexpired	40,000	-	-
4060	Additional offsets against BA only (total)	40,000	-	-
4070	Budget authority, net (discretionary)	-31,260	3,763	2,655
4080	Outlays, net (discretionary)	12,260	41,845	2,655
	Mandatory:			
4090	Budget authority, gross	42,708	11,241	-
	Outlays, gross:			
4100	Outlays from new mandatory authority	42,708	11,241	-
4160	Budget authority, net (mandatory)	42,708	11,241	-
4170	Outlays, net (mandatory)	42,708	11,241	-
4180	Budget authority, net (total)	11,448	15,004	2,655
4190	Outlays, net (total)	54,968	53,086	2,655

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM

Program and Performance Statement

The Maritime Guaranteed Loan (Title XI) program provides for a full faith and credit guarantee of debt obligations issued by U.S or foreign ship owners to finance or refinance the construction, reconstruction, or reconditioning of U.S.-flag vessels or eligible export vessels in U.S. shipyards; or for a full faith and credit guarantee of debt obligations issued by U.S. shipyard owners to finance the modernization of shipbuilding technology at shipyards located in the United States.

As required by the Federal Credit Reform Act of 1990, this account also includes the subsidy costs associated with loan guarantee commitments made in 1992 and subsequent years which are estimated on a present value basis. The account also reflects the administrative expenses of the program which are estimated on a cash basis. Funds for administrative expenses are appropriated to this account, the n paid to the Maritime Administration's Operations and Training account. This appropriation will provide resources for the administrative expenses of the program, including management of the loan portfolio which has $2 billion in loan guarantees and 46 guarantee contracts.

No new subsidy funds for loan guarantees are requested for 2014.

EXHIBIT III-1

MARITIME GUARANTEED LOAN PROGRAM

Summary by Program Activity

Appropriations, Obligation Limitations, and Exempt Obligations

($000)

	FY 2012 ENACTED	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGE FY 2012-2014
Maritime Guaranteed Loan Program- Administrative Exp.	3,740	3,763	2,655	-1,085
Total	**3,740**	**3,763**	**2,655**	**-1,085**
FTEs				
Direct Funded 1/	[21]	[21]	[21]	[-]
Reimbursable, allocated, other	[-]	[-]	[-]	[-]

1/ The FTEs displayed here are merged into the Operations and Training Account in Exhibit II-8.

EXHIBIT III -1a

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2013 TO FY 2014
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	Change from FY 2013 to FY 2014	Total
FY 2013 CR Annualized		
Title XI Admin. Exp.		**$3,763**
Adjustments to Base		
2014 Pay Raise (1%)	22	
GSA Rent	-203	
WCF	-284	
Subtotal, Adjustments to Base	**-$465**	**-$465**
New or Expanded Programs		
Salaries and Benefits	-236	
Operating Expenses	-407	
Subtotal, New or Expanded Program Increases/ Decreases	**-643**	**-$643**
Total FY 2014 Request	**-$1,108**	**$2,655**

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS
MARITIME ADMINISTRATION

Annual Performance Results and Targets

The Maritime Administration tracks the following agency performance measure, which supports the DOT Strategic Goal for Economic Competitiveness.

Title XI Loan Guarantee Program non-default rate	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	xxx	90.00%	90.25%	90.50%
Actual	88.00%	90.00%	90.00%		
Target Achieved			√		

Financial reviews documented w/in 30 days of receipt of financial reports	**2010**	**2011**	**2012**	**2013**	**2014**
Target	xxx	90%	95%	100%	100%
Actual	xxx	100%	100%		
Target Achieved		√	√		

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM
FY 2005 - FY 2014
Main Table - ($000)

Fiscal Year		Request		Enacted	
2005	Guarantee Subsidy	-		-	
	Administration	4,764		4,726	
	Rescission of Unobligated Balance	-		-	
	TOTAL	4,764		4,726	1/
2006	Guarantee Subsidy	-		5,000	2/
	Administration	3,526		4,085	
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,526		9,085	
2007	Guarantee Subsidy	-		-	
	Administration	3,317		4,085	
	Rescission of Unobligated Balance	(2,068)		-	
	TOTAL	3,317		4,085	
2008	Guarantee Subsidy	-		5,000	
	Administration	-	3/	3,408	
	Rescission of Unobligated Balance	-		-	
	TOTAL			8,408	
2009	Guarantee Subsidy	-		-	
	Administration	3,531		3,531	
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,531		3,531	
2010	Guarantee Subsidy	-		5,000	
	Administration	3,630		4,000	
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,630		9,000	
2011	Guarantee Subsidy	-		4,990	4/
	Administration	3,688		3,992	4/
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,688		8,982	
2012	Guarantee Subsidy	-		-	
	Administration	3,740		3,740	
	Rescission of Unobligated Balance	-		-35,000	5/
	TOTAL	3,740		-31,260	
2013	Guarantee Subsidy	-		-	
	Administration	3,750		3,544	
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,750		3,544	
2014	Guarantee Subsidy	-			
	Administration	2,655			
	Rescission of Unobligated Balance	-			
	TOTAL	2,655			

Footnotes (Actual Dollars - not in thousands):
1/ Includes $38,112 rescinded in P.L.108-447.
2/ Transferred from Highway Priority Projects (Section 113).

3/ MARAD did not request any direct appropriated funding to administer the Title XI program during FY 2008. Instead, MARAD proposed to transfer $3.422 million of the unobligated balance in the Maritime Guaranteed Loan Program Account and merge it with the appropriation for Operations and Training.
4/ Includes 0.2% across the board rescision of $8K as per P.L.112-55.
5/ Includes $35 million rescinded in P.L.112-55.

Justification for the Maritime Guaranteed Loan Program (Title XI)

($000) Program Activity	FY 2012 Enacted	FY 2013CR Annualized	FY 2014 Request	Change FY 2012–FY 2014
Administrative Expenses	3,740	3,763	2,655	-1,085
Total	**$3,740**	**$3,763**	**$2,655**	**-$1,085**

I. Budget Request

What is the request and what will we get for the funds? For FY 2014, $2.7 million is requested for staff salaries and benefits for the administration of the Maritime Guaranteed Loan Program (Title XI), $1.1 million below the FY 2012 level within the Title XI account. However, for FY 2014, operating expenses and overhead for the Title XI program formerly funded in this account are moved to the MARAD Operations and Training account, therefore there is no change to the baseline amount for Title XI administrative costs in FY 2014. The number of positions funded is sufficient to maintain adequate resources for current responsibilities in loan administration, reporting and new loan administration due diligence. No new loan subsidy funds are requested for additional ship construction loan guarantees in 2014. The administrative funding will enable the Title XI program to manage the $1.8 billion loan portfolio and perform critical credit reform reporting requirements, such as the annual re-estimating process for each of the outstanding loan guarantee contracts. Proper monitoring of the loan portfolio is critical to reducing the Government costs associated with default and maintenance expenses.

Why do we want/need to fund this program at the requested level?
The funding at this level will support the administrative expenses to comply with the Federal Credit Reform Act and the Department of Transportation Inspector General (DOTIG) and Government Accountability Office (GAO) recommendations on portfolio management. MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio and in the management of assets acquired through borrower default. The agency currently provides program oversight of a portfolio comprising 40 contracts totaling $1.8 billion in loan guarantees. The requested level will fund administrative expenses to enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio and asset management.

II. Program Performance

What is the program?
The Maritime Guaranteed Loan program promotes and sustains the U.S. shipbuilding and ship repair industries and supports the preservation and maintenance of a U.S. merchant marine. This is accomplished by providing enhanced financing opportunities with a full faith and credit guarantee from the U.S. Government of private sector debt obligations incurred by U.S. ship owners for the purpose of financing vessels constructed, reconstructed or reconditioned in U.S. shipyards. In 1993, the program was extended to include U.S. shipyard modernization projects and financing for foreign ship owners for vessels constructed in U.S. shipyards.

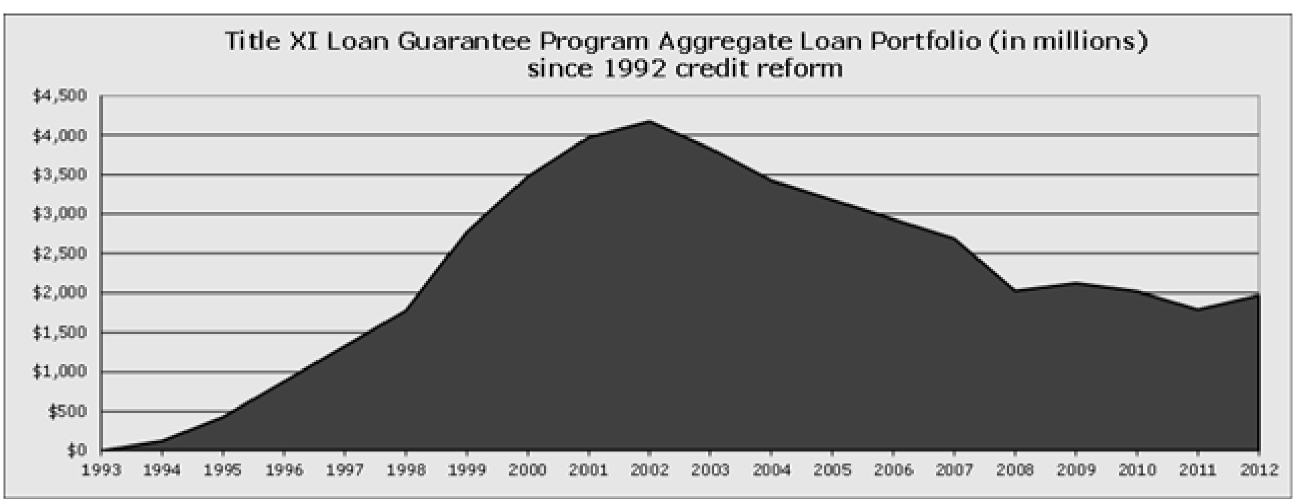
Vessels eligible for Title XI assistance generally include commercial vessels such as passenger ferries, bulk carriers, container ships, product and chemical tankers, towboats, barges, dredges,

Title XI Loan Guarantees

Fiscal Year	Loan Guarantee Contracts	Loan Guarantee Amount	Default Contracts	Net Default Amount
1993	2	$47,278,000	0	$0
1994	5	$148,643,000	0	$0
1995	13	$312,401,000	3	$98,492,162
1996	16	$713,590,000	2	$69,055,338
1997	9	$164,769,000	2	$49,059,125
1998	11	$502,350,620	0	$0
1999	10	$1,224,372,500	1	$179,892,028
2000	12	$785,516,000	1	$50,872,755
2001	11	$690,788,000	1	$29,963,171
2002	8	$225,347,000	1	$33,031,022
2003	3	$305,356,000	0	$0
2004	3	$173,838,000	0	$0
2005	1	$139,731,000	1	$99,978,910
2009	2	$310,260,000	0	$0
2010	1	$22,544,000	0	$0
2011	2	$594,944,000	0	$0
2012				
	109	$6,361,728,120	12	$610,344,511

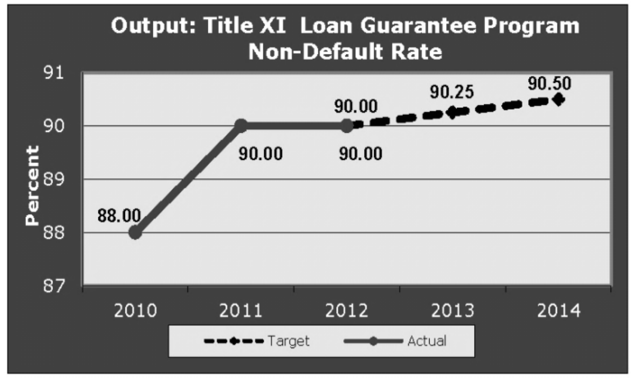
oceanographic research vessels, floating power barges, offshore oil rigs and support vessels, and floating drydocks. Eligible shipyard modernization projects generally include proven technologies, and proven techniques and processes designed to improve shipbuilding and related industrial production which contributes to advancing U.S. shipbuilding state-of-the-art.

MARAD has issued 109 contracts since credit reform in 1993, totaling $6.4 billion in loan guarantees. During this time, twelve participants in the program have defaulted on their loan agreements. The program loan portfolio reached $4 billion in 2002. As mentioned above, the program currently has $1.8 billion in loan guarantees outstanding and 40 individual loan guarantee contracts. No new loan approvals were issued for projects in FY 2012.

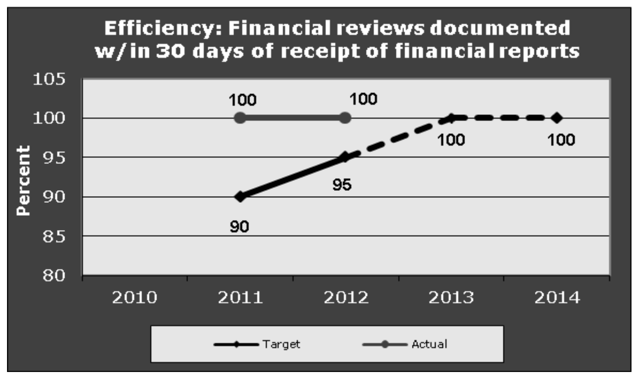


Why is this particular program necessary?
The Maritime Guaranteed Loan Program promotes the growth and modernization of the U.S. merchant marine and U.S. shipyards by enabling owners of eligible vessels and shipyards to obtain long-term financing on terms and conditions that might not otherwise be available for projects that are technically, financially and economically sound. Shipbuilding capacity is a critical part of the nation's infrastructure. All companies in the Title XI portfolio undergo periodic financial reviews and companies with higher potential for default receiving additional monitoring by the program.

How do you know the program works?
The agency manages to Title XI program performance measures, including the Title XI loan guarantee portfolio non-default rate, with a target of achieving a rate of 90.50% by FY 2014. This is a new measure for the MARAD Title XI program for FY 2014. With new loan guarantees of $594 million in FY 2011 and no defaults since February 2010, the program is tracking along with the target for FY 2012. The agency also tracks efficiency of the program's financial review process.



MARAD will continue to improve the effectiveness of monitoring the Title XI loan guarantee portfolio of $1.8 billion, and expects to meet or exceed our target for FY 2014 of completing financial reviews of the financial reports within 30 days of receipt. During FY 2011 and FY 2012 MARAD has completed all required financial reviews within the 30 day target.



Funding History:

($000) Maritime Guaranteed Loans (Title XI) – Administrative Expenses	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	3,531	3,630	3,688	3,740	3,750	2,655
Enacted	3,531	4,000	3,992	3,740	3,544	

($000) Loan Subsidies	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Requested	0	0	0	0	0	0
Enacted	0	5,000	4,990	1/	0	

1/ Enacted rescission of $35M in carryover funding in FY 2012.

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MARITIME ADMINISTRATION
MARITIME GUARANTEED LOAN (Title XI) FINANCING ACCOUNT
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4304-0-1-054	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
	Credit program obligations			
0711	Default claim payments on principal	-	31,796	36,000
0712	Default claim payments on interest	-	1,000	1,000
0713	Payment of interest to Treasury	4,194	5,000	12,000
0715	Default related activities	630	10,000	10,000
0742	Downward reestimate paid to receipt account	28,000	19,572	-
0743	Interest on downward reestimate	27,339	17,783	-
0900	Total new obligations	60,164	85,151	59,000
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	195,390	249,259	232,704
1021	Recoveries of prior year unpaid obligations	18	-	-
1050	Unobligated balance (total)	195,408	249,259	232,704
	Financing authority			
	Borrowing authority, mandatory:			
1400	Borrowing authority	18,000	20,000	-
1440	Borrowing authority, mandatory (total)	18,000	20,000	-
	Spending authority from offsetting collections, mandatory:			
1800	Collected	181,014	48,596	-
1801	Change in uncollected payments, Federal sources	-	-	-
1825	Spending authority from offsetting collectionsapplied to repay debt	-85,000	-	-
1850	Spending auth from offsetting collections, mand (total)	96,014	48,596	-
1900	Financing authority (total)	114,014	68,596	-
1930	Total budgetary resources available	309,422	317,855	232,704
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	249,259	232,704	173,704
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1,498	586	57,141
3010	Obligations incurred, unexpired accounts	60,164	85,151	59,000
3020	Financing disbursements (gross)	-61,076	-28,596	-
3050	Unpaid obligations, end of year	586	57,141	116,141
	Memorandum (non-add) entries			
3100	Obligated balance, start of year (net)	1,498	586	57,141
3200	Obligated balance, end of year (net)	586	57,141	116,141

MARITIME ADMINISTRATION
MARITIME GUARANTEED LOAN (Title XI) FINANCING ACCOUNT
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4304-0-1-054	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	114,014	68,596	-
	Financing disbursements:			
4110	Financing disbursements, gross	61,076	28,596	-
4120	Payments from program account- Upward Reestimate	-91,228	-48,596	-
4122	Interest on univested funds	-11,284	-	-
4123	Loan repayment	-78,502	-	-
4130	Offsets against gross financing auth and disbursements (total)	-181,014	-48,596	-
4160	Financing authority, net (mandatory)	-67,000	20,000	-
4170	Outlays, net (mandatory)	-119,938	-20,000	-
4180	Budget authority, net (total)	-67,000	20,000	-
4190	Outlays, net (total)	-119,938	-20,000	-

MARITIME GUARANTEED LOAN FINANCING ACCOUNT
STATUS OF GUARANTEED LOANS
(In thousands of dollars)

	Identification code 69-4304-0-3-999	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Estimate
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	-	-	-
2150	Total guaranteed loan commitments	-	-	-
2199	Guaranteed amount of guaranteed loan commitments	-	-	-
2210	Outstanding start of year	1,788,909	1,966,363	1,952,408
2231	Disbursements of new guaranteed loans	593,976	421,000	-261,214
2251	Repayments and prepayments	-416,522	-390,788	-
2262	Adjustiments: Terminations for default	-	-44,167	-45,139
2290	Outstanding end of year	1,966,363	1,952,408	1,646,055
	Memorandum:			
2299	Amount of guaranteed loans outstanding end of year	1,966,363	1,952,408	1,646,055

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING PROGRAM

Program and Performance Statement

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from Maritime Guaranteed Loan (Title XI) program loan guarantee commitments in 1992 and subsequent years. The amounts in this account are a means of financing and are not included in the budget totals.

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING ACCOUNT
BALANCE SHEET
(In thousands of dollars)

	Identification code 69-4304-0-3-999	FY 2011 Actual	FY 2012 Actual
	ASSETS:		
	FEDERAL ASSETS:		
1101	Fund balance with Treasury	196,889	249,827
1106	Receivables, net	71,135	4,801
1999	Total assets	268,024	254,628
	LIABILITIES:		
2204	Non-Federal liabilities: liabilities for loan guarantees	268,024	254,628
2999	Total liabilities	268,024	254,628
4999	Total liabilities and net position	268,024	254,628

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MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-5560-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0001	Port of Guam	2,184	48,302	-
0900	Total new obligations	2,184	48,302	-
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	50,365	48,302	-
1021	Recoveries of prior year unpaid obligations	121	-	-
1050	Unobligated balance (total)	50,486	48,302	-
	Spending authority from offsetting collections, discretionary:			
1700	Collected	66	-	-
1701	Change in uncollected payments, Federal Sources	-66	-	-
1750	Spending auth from offsetting collections,	-	-	-
1930	Total budgetary resources available	50,486	48,302	-
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	48,302	-	-
	Change in obligated balance:			
	Obligated blance, start of year (net):			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	759	1,571	1,118
3010	Obligations incurred: Unexpired	2,184	48,302	-
3020	Outlays (gross)	-1,251	-48,755	-
3040	Recoveries, prior year unpaid obs, unexpired	-121	-	-
3050	Unpaid obligations, end of year	1,571	1,118	1,118
	Uncollected payments:			
3060	Uncollected customer payments brought forward Oct. 1	-1,387	-1,321	-1,321
3070	Change in uncollected pymts, Fed sources, unexpired	66	-	-
3090	Uncollected pymts, Fed sources, end of year	-1,321	-1,321	-1,321
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	-628	250	-203
3200	`Obligated balance, end of year (net)	250	-203	-203
	Budget authority and outlays, net:			
	Outlays, gross:			
4010	Outlays from new discretionary authority	-	-	-
4011	Outlays from discretionary balances	1,251	48,755	-
4020	Outlays gorss, (total)	1,251	48,755	-
	Offsetting collections (collected) from:			
4050	Change in uncollected pymts, Fed sources, unexpired	-66	-	-
4052	Offsetting collections credited to expired accounts	-	-	
4060	Additional offsets against gross budget authority only (total)	-66	-	-
4080	Outlays, net (discretionary)	1,185	48,755	-
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	1,185	48,755	-

MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
1253	Other purchases of goods and svcs from Gov't	2,184	48,302	-
1990	**Subtotal , direct obligations**	**2,184**	**48,302**	**-**

MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-8547-0-1-403	FY 2012 Actual	FY 2013 CR Annualized	FY 2014 Request
	Obligations by program activity:			
0001	Special Studies	12,032	1,200	834
0002	Gifts and Bequests	-	1,000	1,621
0100	Total direct program - Subtotal (running)	12,032	2,200	2,455
0900	Total new obligations (object class 25.3)	12,032	2,200	2,455
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	15,435	4,655	3,004
1021	Unobligated balance: Prior Year Recoveries	25	-	-
1050	Unobligated balance (total)	15,460	4,655	3,004
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (8547)	-	-	-
1201	Appropriation (8503)	1,227	549	1,200
1260	Appropriations, mandatory (total)	1,227	549	1,200
1900	Budget authority (total)	16,687	5,204	4,204
1930	Total budgetary resources available	16,687	5,204	4,204
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4,655	3,004	1,749
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	14,247	10,408	4,757
3010	Obligations incurred, unexpired accounts	12,032	2,200	2,455
3020	Outlays (gross)	-15,846	-7,851	-2,489
3040	Recoveries of prior year unpaid obligations, unexpired	-25	-	-
3050	Unpaid obligations, end of year	10,408	4,757	4,723
3100	Obligated balance, start of year (net)	14,247	10,408	4,757
3200	Obligated balance, end of year (net)	10,408	4,757	4,723
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	1,227	549	1,200
	Outlays, gross:			
4100	Outlays from new mandatory authority	-	1,200	1,200
4101	Outlays from mandatory balances	15,846	6,651	1,289
4110	Outlays, gross (total)	15,846	7,851	2,489
4160	Budget authority, net (mandatory)	1,227	549	1,200
4170	Outlays, net (mandatory)	15,846	7,851	2,489
4180	Budget authority, net (total)	1,227	549	1,200
4190	Outlays, net (total)	15,846	7,851	2,489

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ADMINISTRATIVE PROVISIONS—MARITIME ADMINISTRATION

SEC. 170. Notwithstanding any other provision of this Act, the Maritime Administration is authorized to furnish utilities and services and make necessary repairs in connection with any lease, contract, or occupancy involving Government property under control of the Maritime Administration: *Provided*, That payments received therefor shall be credited to the appropriation charged with the cost thereof and shall be available until expended: *Provided further*, That rental payments under any such lease, contract, or occupancy for items other than such utilities, services, or repairs shall be covered into the Treasury as miscellaneous receipts.

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REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS

The Department of Defense Authorization Act for 2001, Public Law 106-398, contains the following annual reporting requirement:

> **SEC. 3506. REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS.**
> *The Maritime Administration, in its annual report to the Congress under section 208 of the Merchant Marine Act, 1936 (46 U.S.C. App. 1118), and in its annual budget estimate submitted to the Congress, shall state separately the amount, source, intended use, and nature of any funds (other than funds appropriated to the Administration or to the Secretary of Transportation for use by the Administration) administered, or subject to oversight, by the Administration.*

The following "Non-appropriated Funds" section of the table and narrative explanation below fulfills this reporting requirement:

Comprehensive Maritime Administration Funding Summary
(Including Funds Not Appropriated to MARAD)
($000)

	FY 2011		FY 2012
Appropriated Funds			
Operations and Training	157,197		156,258
Assistance to Small Shipyards	9,980		9,980
Ship Disposal Program	14,970		5,500
Maritime Security Program	173,652		174,000
Maritime Guaranteed Loan Program (Title XI)	8,982		3,740
Subtotal, Appropriated Funds	**364,781**		**349,478**
Other Budget Authority:			
Ocean Freight Differential	175,000		175,000
Maritime Guaranteed Loan Programs - Subsidy Reestimate	82,426		42,707
Subtotal, Other Budget Authority	**257,426**		**217,707**
Non-appropriated Funds:			
Vessel Operations Revolving Fund	8,176		31,500
Ready Reserve Force	408,836		362,313
Operations and Training	9,219		11,684
Maritime Guaranteed Loan Program (Title XI)	40,000	1/	-
Gifts and Bequests	1,212		1,227
Special Studies, Services, and Projects	23,000		-
OST Allocations	94,540		134,212
Non-Appropriated Funding Instrumentalities (NAFIs)	7,604		6,661
Subtotal, Non-Appropriated Funds	**592,587**		**547,597**
Total Funds	**1,214,794**		**1,114,782**

1/ Includes reimbursable funding provided to MARAD from the Department of Defense per P.L. 112-10.

The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. MARAD receives funds via interagency agreements, transfers and allocations to support the programs of a number of Departments and agencies, including Department of Defense (DOD)/U.S. Navy, Federal Transit Administration (FTA), and others. In FY 2012, while the agency's appropriations totaled $349 million, the table above illustrates that the total program scope was over $1.1 billion.

Following are descriptions of program activities supported by funding not appropriated directly to MARAD:

Vessel Operations Revolving Fund

The Vessel Operations and Revolving Fund (VORF) receive receipts attributable to the sale of obsolete vessels in the National Defense Reserve Fleet (NDRF) that are scrapped or sold and receive collections of rental payments for the Port of New Orleans.

Operations & Training

FTA transferred $5.086 million to MARAD to support the Hawaii port project in FY 2012. MARAD provides federal oversight and coordination of port projects, to act as a central procurement organization, leveraging federal and non-federal funding resources, and streamlining the environmental review and permitting process. Reimbursements are derived from interagency agreements to support the programs of a number of Federal Agencies. Reimbursable activity in this account also includes collections received by the agency.

Gifts and Bequests

MARAD receives gifts and bequests from external contributors, individuals and organizational donors. The agency receives restricted and unrestricted gifts and bequests. Restricted gifts specify the purpose for the contributed funding. Unrestricted gifts can be applied to agency priorities. The large share of gifts and bequests received by MARAD are for the USMMA.

Special Studies, Services and Projects

MARAD may receive funding from non-Federal sources, including states, municipalities, and private entities for collaborative, cost-sharing efforts advancing maritime missions. Notably, in FY 2011, MARAD received $23 million from the Port of Anchorage Municipality for the redevelopment and expansion of the port facility. No funds were received in FY 2012.

OST Allocations

The Office of the Secretary of Transportation (OST) can allocate funds for MARAD programs. For instance, the TIGER (Transportation Investment Generating Economic Recovery) Discretionary Grant Program was included in the Recovery Act to spur a national competition for innovative, multi-modal and multi-jurisdictional transportation projects that promise significant economic and environmental benefits to an entire metropolitan area, as region or the nation. The Secretary's program provided $132.9 million in FY 2012 for grants and $1.3 million for administrative oversight of Marine Highway projects, including projects in Alabama, California (2), Florida (2), Indiana, Louisiana, New Jersey (2), Oklahoma, and Texas (2).

Non-Appropriated Funding Instrumentalities (NAFIs)

U.S. Merchant Marine Academy (USMMA) NAFIs are organizational entities integral to MARAD operating under the authority of the U.S. Government in accordance with applicable regulations. USMMA NAFIs act in their own name to provide or to assist the USMMA in providing programs and services primarily for USMMA students and personnel that are not otherwise funded through Congressional appropriations. NAFIs operate on a self-support basis in accordance with policy and all requirements of law and regulations. As fiscal entities, NAFIs maintain custody of and control over funds received or generated from operations, with USMMA and MARAD oversight.

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