



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2016

**MARITIME
ADMINISTRATION**

**SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS**

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2016

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**MARITIME ADMINISTRATION
FISCAL YEAR 2016 BUDGET REQUEST
Congressional Justification**

**SECTION ONE
OVERVIEW**



February 2, 2015

MARITIME ADMINISTRATION

FY 2016 Budget Request

Overview

For FY 2016, the Maritime Administration (MARAD) requests \$406.8 million to fund activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, the environment, safety, and education. The FY 2016 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. This level of funding will provide ladders of opportunities for all Americans resulting in better jobs, enhanced educational choices, and more options to improve the quality of life.

The FY 2016 MARAD Budget request is summarized by account as follows:

Operations and Training

The Operations and Training (O&T) request of \$184.6 million (\$36.6 million above FY 2015), includes \$96.0 million for the U.S. Merchant Marine Academy (USMMA), \$34.6 million for the SMAs, and \$54.1 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 2016, \$96.0 million is requested for the USMMA, \$16.9 million above FY 2015. This request includes \$71.3 million for Academy Operations and \$24.7 million for the Capital Asset Management Program.

Academy Operations

For FY 2016, \$71.3 million is requested for Academy Operations, \$7.2 million above FY 2015. The request is focused on USMMA mission-essential program requirements and security priorities, including an increase of \$3.5 million for necessary upgrades to the Academy's simulator program. The request also includes an increase of \$1.6 million for Food Service and Medical Service contracts as well as additional funding for training vessel requirements. Additionally, the request provides funding to support Sexual Assault Response Coordinator (SARC) initiatives to continue sexual assault prevention.

Capital Asset Management Program (CAMP)

The FY 2016 Budget requests \$24.7 million for priority capital improvement projects (CIP) and necessary facilities maintenance, repairs and equipment (FMRE) requirements. CIP priorities include Gibbs and Melville Hall Architecture and Engineering Designs, Gibbs Hall renovation, and Fulton Hall Architecture and Engineering Design. All CIP projects were identified in the Academy's five-year CIP Plan. This request continues the FY 2012 – FY 2015 enacted construct for CAMP, encompassing both CIP and FMRE.

State Maritime Academies (SMAs)

\$34.6 million, \$16.1 million above FY 2015, is requested for enhanced support of the SMAs for maintenance and service life extensions of existing training ships. This request also includes \$5 million for planning and design of a National Security Multi-Mission Vessel (NSMV) to support training at State University of New York (SUNY) Maritime College.

The existing academy training ships are critical and central to the success of the SMA program. The seetime experience gained by cadets training aboard these operating ships is required to become eligible to take the United States Coast Guard licensing examination to become an officer in the U. S. Merchant Marine. The average age of all training ships is 37 years old and the ships will require extensive renovations to remain sea worthy. The initial focus is on replacement of the 53-year-old Training Ship (TS) EMPIRE STATE operated by SUNY Maritime College. This is the oldest SMA training ship and will reach the end of its service life in 2019.

Once constructed and operational, the new NSMV ship will be readily available for deployment to support requirements for national security, as well as Department of Homeland Security (DHS) and Department of Defense (DoD) emergency and humanitarian missions, as was done following the Hurricanes Katrina and Rita (2005), Superstorm Sandy Relief (2012) and the Somalia DoD mission (1993).

MARAD Operations and Programs

For FY 2016, a total of \$54.1 million is requested for MARAD Operations and Programs, an increase of \$3.7 million above the FY 2015. The request includes \$50.1 million for Headquarters Operations program support requirements and \$4 million for energy and environmental technology initiatives supporting the Maritime Environment and Technology Assistance Program, designed to enhance maritime sustainability and affordability. The FY 2016 program will build upon ongoing FY 2015 initiatives, focusing on areas such as reducing air pollution from vessel and port operations, invasive species control through ballast water and underwater hull husbandry, improved and diversified marine propulsion systems and increased energy efficiency at sea.

Ship Disposal

For FY 2016, \$8 million is requested for the Ship Disposal program, a \$4.0 million increase over FY 2015. This request includes \$5 million to support continuing obsolete vessel disposal actions with priority emphasis on disposing of the worst condition non-retention National Defense Reserve Fleet (NDRF) vessels in MARAD's three reserve fleet sites. This budget request reflects the current projection that the Ship Disposal account will not have a carryover of funding from previous appropriations. This request also includes \$3.0 million to maintain the Nuclear Ship SAVANNAH in protective storage.

Maritime Security Program

The FY 2016 Budget requests \$186 million for the Maritime Security Program (MSP) 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. The \$186 million authorized level will fund \$3.1 million for each of the 60 ships enrolled in the program.

Food Aid Reform

\$25 million is also included within the MSP account for a new initiative aimed at mitigating the impact on mariner jobs and certain vessels resulting from proposed program reform to P.L. 480 Title II food aid. This new initiative will provide direct support to vessel operators to preserve mariner employment on U.S. flag vessels and identify other measures to encourage retention of U.S. mariners and vessels, separate from the Maritime Security Program.

Maritime Guaranteed Loan Program (Title XI)

The FY 2016 Budget requests \$3.1 million to support salaries and expenses related to Title XI loan portfolio administration.

ATTRIBUTION OF APPROPRIATED FUNDS BY STRATEGIC GOAL

MARAD's FY 2016 Budget request supports three DOT strategic goals. The largest share of the Agency's budget supports DOT's Economic Competitiveness goal. MARAD's programs develop and promote a vital and viable U.S. Merchant Marine, through expanded economic opportunities for U.S. flag vessels. At approximately 89 percent, it is MARAD's primary strategic goal.

Seven percent is attributed to Organizational Excellence and support for operating programs.

Approximately 3 percent of the FY 2016 budget request supports Environmental Sustainability.



MARITIME ADMINISTRATION
FY 2016 Budget Request Summary
(Dollars in Thousands)

<u>Account/Program</u>	<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>
OPERATIONS & TRAINING	148,003	148,050	184,637
U.S. Merchant Marine Academy	<u>79,500</u>	<u>79,150</u>	<u>96,028</u>
Academy Operations	<u>63,500</u>	<u>64,150</u>	<u>71,306</u>
Salaries & Benefits	34,000	34,390	35,051
Operating Expenses	29,500	29,760	36,255
Capital Asset Management Program	<u>16,000</u>	<u>15,000</u>	<u>24,722</u>
Capital Improvements	12,000	12,000	20,000
Facilities Maintenance and Repair, Equipment	4,000	3,000	4,722
State Maritime Academies	<u>17,300</u>	<u>18,500</u>	<u>34,550</u>
Student Incentive Program (SIP)	2,400	2,400	2,400
Direct SMA Support	3,000	3,600 ^{1/}	3,000
Fuel Assistance Payments	600	1,200	1,800
School Ship Maintenance & Repair	11,300	11,300	22,000
National Security Multi-Mission Vessel Design	0	0	5,000
Mariner Compliance and Training	0	0	350
MARAD Operations & Programs	<u>51,203</u>	<u>50,400</u>	<u>54,059</u>
Headquarters Operations	48,203	47,400	50,059
Maritime Program Initiatives	<u>3,000</u>	<u>3,000</u>	<u>4,000</u>
Maritime Environment & Technical Assistance	3,000	3,000	4,000
SHIP DISPOSAL PROGRAM	<u>4,800</u>	<u>4,000</u>	<u>8,000</u>
Ship Disposal	2,000	2/	5,000
NS SAVANNAH	2,800	2/	3,000
MARITIME SECURITY PROGRAM	<u>186,000</u>	<u>186,000</u>	<u>211,000</u>
Program Expenses	186,000	186,000	186,000
Food Aid Reform	0	0	25,000
MARITIME GUARANTEED LOAN PROGRAM			
Title XI Program	<u>38,500</u>	<u>3,100</u>	<u>3,135</u>
Administrative Expenses	3,500	3,100	3,135
Loan Guarantees	35,000	0	0
TOTAL	\$377,303	\$341,150	\$406,772

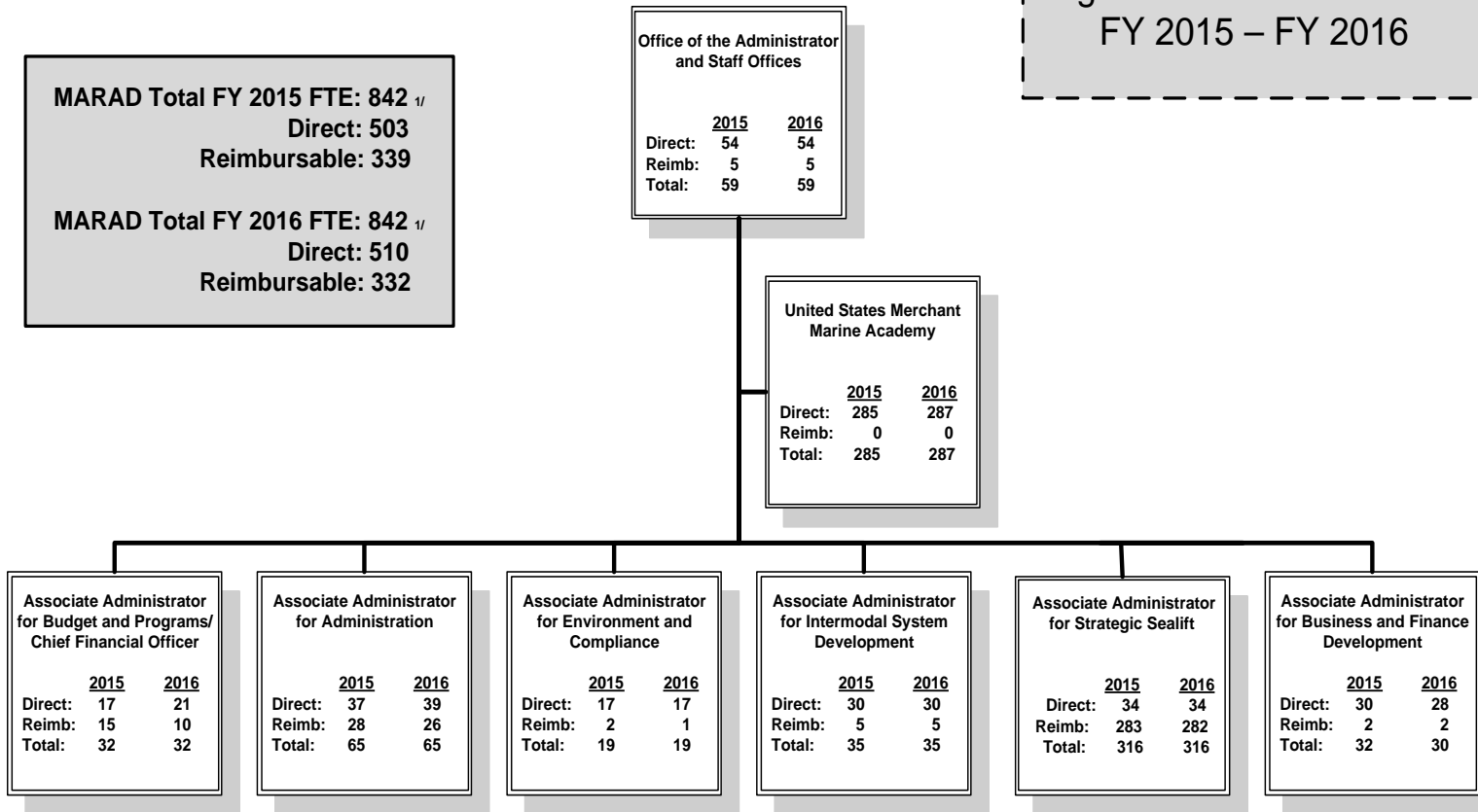
1/ The FY 2015 National Defense Authorization Act includes \$3.6 million for SMA direct payments, which provides an increase in FY 2015 authorized level by \$600K per 46 U.S.C. 51505.

2/ The Consolidated and Further Continuing Appropriations Act, 2015 provides \$4 million lump sum for the Ship Disposal Program account to fund SAVANNAH and Ship Disposal recycling contracts.

U.S. Department of Transportation

Maritime Administration

Organizational Chart – FTE
FY 2015 – FY 2016



1/ Totals may not add due to rounding.

U.S. Department of Transportation

Maritime Administration

Organizational Chart – FTP
FY 2015 – FY 2016

MARAD Total FY 2015 FTP: 872 ^{1/}
Direct: 529
Reimbursable: 343

MARAD Total FY 2016 FTP: 874 ^{1/}
Direct: 537
Reimbursable: 336

**Office of the Administrator
and Staff Offices**

	<u>2015</u>	<u>2016</u>
Direct:	58	58
Reimb:	5	5
Total:	63	63

**United States Merchant
Marine Academy**

	<u>2015</u>	<u>2016</u>
Direct:	295	298
Reimb:	0	0
Total:	295	298

**Associate Administrator
for Budget and Programs/
Chief Financial Officer**

	<u>2015</u>	<u>2016</u>
Direct:	18	23
Reimb:	15	10
Total:	33	33

**Associate Administrator
for Administration**

	<u>2015</u>	<u>2016</u>
Direct:	40	42
Reimb:	28	26
Total:	68	68

**Associate Administrator
for Environment and
Compliance**

	<u>2015</u>	<u>2016</u>
Direct:	18	18
Reimb:	2	2
Total:	20	20

**Associate Administrator
for Intermodal System
Development**

	<u>2015</u>	<u>2016</u>
Direct:	32	32
Reimb:	5	5
Total:	37	37

**Associate Administrator
Strategic Sealift**

	<u>2015</u>	<u>2016</u>
Direct:	36	36
Reimb:	286	286
Total:	322	322

**Associate Administrator
for Business and Finance
Development**

	<u>2015</u>	<u>2016</u>
Direct:	32	30
Reimb:	2	2
Total:	34	32

^{1/} Totals may not add due to rounding.

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EXHIBIT II-1**FY 2016 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>
Operations and Training	148,003	148,050	184,637
Ship Disposal Program	4,800	4,000	8,000
Maritime Security Program	186,000	186,000	211,000
Maritime Guaranteed Loan Prog. (Title XI)	<u>71,857</u>	<u>5,439</u>	<u>3,135</u>
Administrative Expenses	3,500	3,100	3,135
Loan Guarantees	35,000	-	-
Subsidy Reestimate	33,357	2,339	-
Gifts and Bequests	834	1,000	1,000
TOTALS	411,494	344,489	407,772

EXHIBIT II-2**FY 2016 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT****MARITIME ADMINISTRATION****Appropriations, Obligation Limitations & Exempt Obligations****(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>
1. Operations and Training			
A. U.S. Merchant Marine Academy	79,500	79,150	96,028
B. State Maritime Academies	17,300	18,500	34,550
C. MARAD Operations	51,203	50,400	54,059
Subtotal O&T	148,003	148,050	184,637
2. Ship Disposal Program			
A. Ship Disposal	2,000	1,550	5,000
B. NS SAVANNAH	2,800	2,450	3,000
Subtotal Ship Disposal	4,800	4,000	8,000
3. Maritime Security Program	186,000	186,000	211,000
4. Maritime Guaranteed Loans (Title XI)			
A. Administrative Expenses	3,500	3,100	3,135
B. Loan Guarantees	35,000	-	-
Subtotal Title XI	38,500	3,100	3,135
TOTALS	377,303	341,150	406,772

EXHIBIT II-3
FY 2016 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

STRATEGIC GOALS AND OBJECTIVES	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
1. ECONOMIC COMPETITIVENESS			
<u>A . Enhance Productivity and Growth</u>			
a. Operational Programs	224,500	189,100	214,135
b. Other: Headquarters Operations 1/	11,921	12,934	13,425
Objective Subtotal	236,421	202,034	227,560
<u>B . Create Dynamic Workforce</u>			
a. Operational Programs	96,800	97,650	130,578
b. Other: Headquarters Operations 1/	6,741	5,577	6,110
Objective Subtotal	103,541	103,227	136,688
TOTAL - Economic Competiveness	\$339,962	\$305,261	\$364,248
2. ENVIRONMENTAL SUSTAINABILITY			
<u>A . Mitigate Environmental Impacts</u>			
a. Operational Programs	7,800	7,000	12,000
b. Other: Headquarters Operations 1/	619	449	489
Objective Subtotal	8,419	7,449	12,489
TOTAL - Environmental Sustainability	\$8,419	\$7,449	\$12,489
3. ORGANIZATIONAL EXCELLENCE			
<u>A. Develop Human Capital</u>			
a. Headquarters Operations 1/			9,011
<u>B. Improve Information Systems and Financial Management</u>			
a. Headquarters Operations 1/			9,011
<u>C. Other</u>			
a. Headquarters Operations 1/	28,922	28,440	12,014
TOTAL - Organizational Excellence	\$28,922	\$28,440	\$30,035
GRAND TOTAL	\$377,303	\$341,150	\$406,772

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

EXHIBIT II-4**FY 2016 BUDGET AUTHORITY
MARITIME ADMINISTRATION****Budget Authority
(\$000)**

ACCOUNTS		FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Operations and Training	D	148,003	148,050	184,637
Ship Disposal Program	D	4,800	4,000	8,000
Maritime Security Program	D	186,000	186,000	211,000
Maritime Guaranteed Loan Program				
Administrative Expenses	D	3,500	3,100	3,135
Loan Guarantees	D	35,000	-	-
Subsidy Reestimate	M	33,357	2,339	-
Gifts and Bequests	M	834	1,000	1,000
TOTALS		411,494	344,489	407,772
[Mandatory]		34,191	3,339	1,000
[Discretionary]		377,303	341,150	406,772
Proprietary Receipts:				
Maritime Guaranteed Loan Program		14,112	39,755	-
Gifts and Bequests		834	1,000	1,000
Total MARAD RECEIPTS		14,946	40,755	1,000

EXHIBIT II-5

FY 2016 OUTLAYS
MARITIME ADMINISTRATION
(\$000)

ACCOUNTS		<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>
Operations and Training	D	155,322	218,232	179,147
Gifts and Bequests	M	835	1,000	1,000
Special Studies, Services, and Projects	M	-80	4,832	-
Assistance to Small Shipyards	D	12,532	3,707	-
Assistance to Small Shipyards, ARRA 1/ Ship Disposal	D	1,342	1,426	-
	D	9,664	8,628	6,000
Maritime Security Program	D	169,160	190,418	209,250
Port of Guam Improvement Enterprise Fund	D	9,404	36,141	-
Ready Reserve Force	D	27,461	111,493	1,448
Vessel Operations Revolving Fund	D	7,769	20,000	3,000
War Risk Insurance Revolving Fund	D	-130	-	-100
Maritime Guaranteed Loan Program	D	3,500	77,721	3,135
Subsidy Reestimate	M	33,357	2,339	-
TOTALS		<u>430,136</u>	<u>675,937</u>	<u>402,880</u>
[Mandatory]		34,112	8,171	1,000
[Discretionary]		396,024	667,766	401,880

EXHIBIT II-6

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

OPERATIONS & TRAINING - USMMA

Baseline Changes

	FY 2014 Enacted	FY 2015 Enacted	Annualization of 2015 Pay Raise 1%	2016 Pay Raise 1.3%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
USMMA:											
<u>PERSONNEL RESOURCES</u>	285	285							285	1.5	286.5
Direct FTE	285	285							285	1.5	286.5
<u>ACADEMY OPERATIONS</u>											
Salaries and Benefits	\$34,000	\$34,390	\$86	\$336	\$133	-	-	-	\$34,945	\$106	\$35,051
Academic Dean	3,805	4,014	-	-	-	-	-	40	4,054	3,446	7,500
Commandant of Midshipmen	11,010	10,057	-	-	-	-	-	101	10,158	2,437	12,595
Superintendent/Deputy Superintendent	14,685	15,689	-	-	-	-	-	157	15,846	314	16,160
SUBTOTAL	\$63,500	\$64,150	\$86	\$336	\$133	-	-	\$298	\$65,003	\$6,303	\$71,306
<u>CAPITAL ASSET MANAGEMENT PROGRAM</u>											
Capital Improvement Projects	12,000	12,000	-	-	-	-	-	-	12,000	8,000	20,000
Facilities Maintenance and Repair, Equipment	4,000	3,000	-	-	-	-	-	-	3,000	1,722	4,722
SUBTOTAL	\$16,000	\$15,000	-	-	-	-	-	-	\$15,000	\$9,722	\$24,722
USMMA TOTAL	\$79,500	\$79,150	\$86	\$336	\$133	-	-	\$298	\$80,003	\$16,025	\$96,028

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 2014 Enacted	FY 2015 Enacted	Annualization of 2015 Pay Raise 1%	2016 Pay Raise 1.3%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
STATE MARITIME ACADEMIES:											
Student Incentive Program	\$3,600	\$2,400	-	-	-	-	-	-	\$2,400	-	\$2,400
Direct SMA Payment	2,400	3,600	-	-	-	-	-	-	3,600	-600	3,000
Fuel Assistance Payments	-	1,200	-	-	-	-	-	12	1,212	588	1,800
School Ship Maintenance & Repair	11,300	11,300	-	-	-	-	-	113	11,413	10,587	22,000
National Security Multi-Mission Vessel Design	-	-	-	-	-	-	-	-	-	5,000	5,000
Mariner Compliance and Training	-	-	-	-	-	-	-	-	-	350	350
STATE MARITIME ACADEMIES TOTAL	\$17,300	\$18,500	-	-	-	-	-	\$125	\$18,625	\$15,925	\$34,550

EXHIBIT II-6

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

OPERATIONS & TRAINING - MARAD OPERATIONS & PROGRAMS

Baseline Changes											
	FY 2014 Enacted	FY 2015 Enacted	Annualization of 2015 Pay Raise 1%	2016 Pay Raise 1.3%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
MARAD OPERATIONS AND PROGRAMS:											
PERSONNEL RESOURCES	190	190							190	6.5	196.5
Direct FTE	190	190							190	6.5	196.5
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$28,000	\$28,132	\$70	\$275	\$109	-	-	-	\$28,586	\$978	\$29,564
Non-Discretionary Operations	10,720	11,310	-	-	-	564	326	113	12,313	-164	12,149
GSA Rent	[2,617]	[2,786]	-	-	-	[564]	-	-	[3,350]	-	[3,350]
WCF	[4,245]	[4,285]	-	-	-	-	[326]	-	[4,611]	-	[4,611]
Operations & Travel	3,541	1,957	-	-	-	-	-	20	1,977	308	2,285
Information Technology	5,942	6,001	-	-	-	-	-	60	6,061	-	6,061
Operating Expenses, Subtotal	\$48,203	\$47,400	\$70	\$275	\$109	\$564	\$326	\$193	\$48,937	1,122	\$50,059
Maritime Program Initiatives:											
Maritime Environment and Technology Assistance	\$3,000	\$3,000	-	-	-	-	-	-	\$3,000	\$1,000	\$4,000
Program Expenses, Subtotal	\$3,000	\$3,000	-	-	-	-	-	-	\$3,000	1,000	\$4,000
MARAD OPERATIONS & PROGRAMS TOTAL	\$51,203	\$50,400	\$70	\$275	\$109	\$564	\$326	\$193	\$51,937	\$2,122	\$54,059

EXHIBIT II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(\$000)

SHIP DISPOSAL PROGRAM

Baseline Changes

	FY 2014 Enacted	FY 2015 Enacted	Annualization of 2015 Pay Raise 1%	2016 Pay Raise 1.3%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
PERSONNEL RESOURCES (FTE)	11	11							11	-	11
Direct FTE	11	11							11	-	11
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$1,798	\$1,816	\$5	\$18	\$7	-	-	-	\$1,846	-	\$1,846
Operating Expenses	29	11 1/	-	-	-	-	-	-	11	-	11
GSA Rent	73	161 1/	-	-	-	26	-	-	187	-	187
WCF	100	248 1/	-	-	-	-	10	-	258	-	258
Operating Expenses, Subtotal	\$2,000	\$2,236	\$5	\$18	\$7	\$26	10	-	\$2,302	-	\$2,302
Program Expenses:											
Ship Disposal Program	-	-	-	-	-	-	-	-	-	\$2,698	\$2,698
NS SAVANNAH	2,800	1,764	-	-	-	-	-	-	1,764	1,236	3,000
Program Expenses, Subtotal	\$2,800	\$1,764	-	-	-	-	-	-	\$1,764	\$3,934	\$5,698
SHIP DISPOSAL PROGRAM- TOTAL	\$4,800	\$4,000	\$5	\$18	\$7	\$26	\$10	-	\$4,066	\$3,934	\$8,000

1/ Funding for operating expenses, GSA Rent, and WCF expenses will be funded out of Ship Disposal carryover. Thus the FY 15 enacted level will provide \$2 million for the Ship Disposal and \$2 million for the N.S. Savannah.

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

	Baseline Changes										
	FY 2014 Enacted	FY 2015 Enacted	Annualization of 2015 Pay Raise 1%	2016 Pay Raise 1.3%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
<u>PERSONNEL RESOURCES (FTE)</u>	-	-							-	-	-
Direct FTE	-	-							-	-	-
<u>FINANCIAL RESOURCES</u>											
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-	-
Program Expenses	\$186,000	\$186,000	-	-	-	-	-	-	\$186,000	-	\$186,000
Food Aid Reform	-	-	-	-	-	-	-	-	-	25,000	25,000
MARITIME SECURITY PROGRAM - TOTAL	\$186,000	\$186,000	-	-	-	-	-	-	\$186,000	\$25,000	\$211,000

EXHIBIT II-6

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

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

Baseline Changes											
	FY 2014 Enacted	FY 2015 Enacted	Annualization of 2015 Pay Raise 1%	2016 Pay Raise 1.3%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
PERSONNEL RESOURCES (FTE)	15	15							15	-	15
Direct FTE	15	15							15	-	15
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$2,361	\$2,385	\$6	\$23	\$9	-	-	-	\$2,423	-	\$2,423
Operating Expenses	595	157	-	-	-	-	-	2	159	-55	104
GSA Rent	208	220	-	-	-	36	-	-	256	-	256
WCF	336	338	-	-	-	-	14	-	352	-	352
Operating Expenses, Subtotal	\$3,500	\$3,100	\$6	\$23	\$9	\$36	\$14	\$2	\$3,190	-\$55	\$3,135
Program Expenses											
Loan Subsidies	\$35,000	-	-	-	-	-	-	-	-	-	-
Program Expenses, Subtotal	\$35,000	-	-	-	-	-	-	-	-	-	-
MARITIME GUARANTEED LOAN PROG. - TOTAL	\$38,500	\$3,100	\$6	\$23	\$9	\$36	\$14	\$2	\$3,190	-\$55	\$3,135

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

	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>	<u>CHANGE</u>
DIRECT:			
Operations and Training	4,285	4,611	326
Maritime Guaranteed Loan Prog. (Title XI)	338	352	14
Ship Disposal	248	258	10
SUBTOTAL	<u>4,871</u>	<u>5,221</u>	<u>350</u>
REIMBURSABLE:			
Ready Reserve Force	4,014	3,051	-963
SUBTOTAL	<u>4,014</u>	<u>3,051</u>	<u>-963</u>
TOTAL	8,885	8,272	-613

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

<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>
Operations and Training	446	490	499
Ship Disposal	11	11	11
Assistance to Small Shipyards	2	2	-
SUBTOTAL, DIRECT FUNDED	459 1/	503 1/	510 1/
<u>ALLOCATIONS</u>			
Operation and Training	4	4	4
SUBTOTAL, ALLOCATIONS	4	4	4
<u>REIMBURSEMENTS</u>			
Ready Reserve Force	326	333	326
Operation and Training	2	2	2
SUBTOTAL, REIMBURSEMENTS	328	335	328
TOTAL FTEs	791	842	842

1/ Direct funded FTEs includes 15 FTE for the Title XI Program.

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

<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>
Operations and Training	462	515	525
Ship Disposal	12	12	12
Assistance to Small Shipyards	2	2	-
SUBTOTAL, DIRECT FUNDED	476 1/	529 1/	537 1/
 <u>ALLOCATIONS</u>			
Operation and Training	4	4	4
SUBTOTAL, ALLOCATIONS	4	4	4
 <u>REIMBURSEMENTS</u>			
Ready Reserve Force	317	337	330
Operation and Training	2	2	2
SUBTOTAL, REIMBURSEMENTS	319	339	332
 TOTAL POSTIONS	799	872	873

1/ Direct funded FTPs includes 16 FTP for the Title XI Program.

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, [~~\$148,050,000~~]~~\$184,637,000~~, of which [~~\$11,300,000~~]~~\$22,000,000~~ shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, *and of which \$5,000,000 shall remain available until expended for National Security Multi-Mission Vessel design for State Maritime Academies and National Security*, and of which \$2,400,000 shall remain available through September 30, [~~2016~~]~~2017~~, for the Student Incentive Program at State Maritime Academies, [and of which \$1,200,000 shall remain available until expended for training ship fuel assistance payments,] and of which [~~\$15,000,000~~]~~\$24,722,000~~ shall remain available until expended for facilities maintenance and repair, equipment, and capital improvements at the United States Merchant Marine Academy, *and of which \$4,000,000 shall remain available through September 30, 2017, for Maritime Environment and Technology Assistance grants, contracts, and cooperative agreement: 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 States 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.[: Provided further, That not later than January 12, 2015, the Administrator of the Maritime Administration shall transmit to Congress the biennial survey and report on sexual assault and sexual harassment at the United States Merchant Marine Academy as required pursuant to section 3507 of Public Law 110–417.]*
(*Department of Transportation Appropriations Act, 2015.*)

**MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:			
0001 Merchant Marine Academy	70,852	116,813	96,028
0002 State Maritime Schools	18,506	21,145	34,550
0003 Marad Operations	51,034	50,400	54,059
0004 Other Maritime Programs	956	8,598	-
0799 Total direct program	141,348	196,956	184,637
0801 Reimbursable program	6,978	29,926	13,000
0900 Total new obligations	148,326	226,882	197,637
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	58,365	65,832	-
1021 Recoveries of prior year unpaid obligations	444	-	-
1050 Unobligated balance (total)	58,809	65,832	-
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	148,003	148,050	184,637
1160 Appropriation, discretionary (total)	148,003	148,050	184,637
Spending auth from offsetting collections, disc			
1700 Collected	4,249	13,000	13,000
1701 Change in uncollected payments, Federal sources	3,652	-	-
1750 Spending auth from offsetting collections, disc - (total)	7,901	13,000	13,000
1900 Budget authority (total)	155,904	161,050	197,637
1930 Total budgetary resources available	214,713	226,882	197,637
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-555	-	-
1941 Unexpired unobligated balance, end of year	65,832	-	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	78,282	63,440	59,090
3010 Obligations incurred, unexpired accounts	148,326	226,882	197,637
3011 Obligations incurred, expired accounts	1,665	-	-
3020 Outlays (gross)	-161,070	-231,232	-192,147
3040 Recoveries of prior year unpaid obligations, unexpired	-444	-	-
3041 Recoveries of prior year unpaid obligations, expired	-3,319	-	-
3050 Unpaid obligations, end of year (gross)	63,440	59,090	64,581

**MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-27,408	-29,483	-29,483
3070 Change in uncollected pymts, Fed sources, unexpired	-3,652	-	-
3071 Change in uncollected pymts, Fed sources, expired	1,577	-	-
3090 Uncollected pymts, Fed sources, end of year	-29,483	-29,483	-29,483
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	50,874	33,957	29,607
3200 Obligated balance, end of year	33,957	29,607	35,098
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	155,904	161,050	197,637
Outlays, gross:			
4010 Outlays from new discretionary authority	108,638	138,843	169,941
4011 Outlays from discretionary balances	52,432	92,389	22,205
4020 Outlays, gross (total)	161,070	231,232	192,147
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-5,905	-13,000	-13,000
4033 Non-Federal sources	156	-	-
4040 Offsets against gross budget authority and outlays (total)	-5,749	-13,000	-13,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-3,652	-	-
4052 Offsetting collections credited to expired accounts	1,499	-	-
4060 Additional offsets against budget authority only (total)	-2,153	-	-
4070 Budget authority, net (discretionary)	148,003	148,050	184,637
4080 Outlays, net (discretionary)	155,321	218,232	179,147
4180 Budget authority, net (total)	148,003	148,050	184,637
4190 Outlays, net (total)	155,321	218,232	179,147

OPERATIONS AND TRAINING

Program and Performance Statement

The appropriation for Operations and Training provides funding for staff at headquarters and field offices to administer and direct Maritime Administration operations and programs. Maritime Administration operations includes 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 \$184.6 million includes \$96 million for the United States Merchant Marine Academy, \$34.6 million for the State Maritime Academies, and \$54.1 million for Maritime Operations and Programs.

**MARITIME ADMINISTRATION
OPERATIONS AND TRAINING (O&T)
OBJECT CLASSIFICATION
(\$000)**

Object Class Code	Object Class	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Direct obligations:			
	Personnel compensation:			
1111	Full-time permanent	38,313	40,335	41,767
1113	Other than full-time permanent	6,568	6,812	6,963
1115	Other personnel compensation	1,166	1,218	1,252
1119	Total personnel compensation	46,047	48,365	49,982
1121	Civilian personnel benefits	13,482	14,157	14,628
1319	Benefits for former personnel	121	112	122
1210	Travel and transportation of persons	1,986	1,877	2,192
1220	Transportation of things	113	114	139
1231	Rental payments to GSA	3,755	2,786	3,350
1233	Communications, utilities & misc. charges	3,649	3,665	4,321
1240	Printing and reproduction	35	36	44
1252	Other services	54,432	68,013	72,848
1260	Supplies and materials	6,283	7,457	7,406
1310	Equipment	2,111	2,203	2,303
1320	Lands and structures	4,493	45,612	24,722
1410	Grants, subsidies and contributions	4,675	2,400	2,400
1420	Insurance claims and indemnities	167	159	179
1990	Subtotal , direct obligations	141,349	196,956	184,637
	Reimbursable obligations:			
2252	Other services	6,977	29,926	13,000
2990	Subtotal , reimbursable obligations	6,977	29,926	13,000
9999	Total new obligations	148,326	226,882	197,637

**MARITIME ADMINISTRATION
OPERATIONS AND TRAINING (O&T)
EMPLOYMENT SUMMARY**

Operations and Training		FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Direct:				
1001	Civilian full-time Equivalent employment	446	490	499
Reimbursable:				
2001	Reimbursable civilian full-time Equivalent employment	2	2	2
Allocation:				
3001	Allocation civilian full-time Equivalent employment	4	4	4
	Total Employment	452	496	505

EXHIBIT III-1

OPERATIONS AND TRAINING
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST	CHANGE FY 2015-2016
U.S. Merchant Marine Academy	79,500	79,150	96,028	16,878
State Maritime Schools	17,300	18,500	34,550	16,050
MARAD Ops. & Programs	51,203	50,400	54,059	3,659
Total, Operations & Training	148,003	148,050	184,637	36,587
FTEs				
Direct Funded	490	490	499	9
Reimbursable, allocated, other	-	6	6	-

EXHIBIT III -1a

**OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2015 TO FY 2016
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	<u>Change from FY 2015 to FY 2016 \$000</u>	<u>Change from FY 2015 to FY 2016 FTE</u>
FY 2015 PRESIDENT'S BUDGET	\$148,050	[490]
Adjustments to Base		
Annualization of FY 2015 Pay Raise	156	
2016 Pay Raise 1.3%	611	
Additional Compensable Day	242	
GSA Rent	564	
Working Capital Fund	326	
Non-Salary Inflation (1%)	<u>616</u>	
Subtotal, Adjustments to Base	\$2,515	
New or Expanded Programs		
Academy Operations	6,303	[2]
Capital Asset Management Program	9,722	
Direct SMA Support	-600	
Fuel Assistance Payments	588	
Schoolship Maintenance & Repair	10,587	
National Security Multi-Mission Vessel (NSMV)	5,000	
Mariner Service Compliance System	350	
MARAD Operations and Programs	1,122	[6.5]
Maritime Environment and Technology Assistance	1,000	
Subtotal, New or Expanded Program		
Increases/ Decreases	\$34,072	
Total FY 2016 Request	\$184,637	[499]

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	2012	2013	2014	2015	2016
Target	70	71	72	73	74
Actual	70	67	71		
Target Achieved	√	x	x		

USMMA Overall average GPA (1st Class)	2012	2013	2014	2015	2016
Target	2.77	2.80	2.83	2.90	3.00
Actual	2.89	2.99	3.00		
Target Achieved	√	√	√		

USCG Licensing Rate on First Attempt (deck)	2012	2013	2014	2015	2016
Target	79	80	81	81	81
Actual	80	78	67		
Target Achieved	√	x	x		

USCG Licensing Rate on First Attempt (engine)	2012	2013	2014	2015	2016
Target	84	85	86	86	86
Actual	78	84	90		
Target Achieved	x	x	√		

USMMA Retention Rate for Returning First Year Students (Plebes) by fiscal year	2012	2013	2014	2015	2016
Target	xxx	85	89	90	90
Actual	88	88	85		
Target Achieved		√	x		

Diversity Graduation Rate	2012	2013	2014	2015	2016
Target	55	59	65	71	72
Actual	59	69	68		
Target Achieved	√	√	√		

State Maritime Academies Number of Graduates	2012	2013	2014	2015	2016
Target	592	600	657	660	660
Actual	642	658	734		
Target Achieved	√	√	√		

**MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS**

**FY 2007 - FY 2016
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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 ^{1/}
2012	161,539	156,258
2013	146,298	148,085 ^{2/}
2014	152,168	148,003
2015	148,400	148,050
2016	184,637	

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

2/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

UNITED STATES MERCHANT MARINE ACADEMY (USMMA)

What is the Request and What Funds Are Currently Spent on the Program?

FY 2016 – United States Merchant Marine Academy - Budget Request (\$000)

Program Activity	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Difference from FY 2015
Academy Operations	63,500	64,150	71,306	7,156
Capital Asset Management Program	16,000	15,000	24,722	9,722
Total	\$79,500	\$79,150	\$96,028	\$16,878

For FY 2016, \$96.0 million is requested for the United States Merchant Marine Academy (USMMA), \$16.9 million above FY 2015. This request includes \$71.3 million for Academy Operations and \$ 24.7 million for the Capital Asset Management Program (CAMP).

What is this Program and Why is it Necessary?

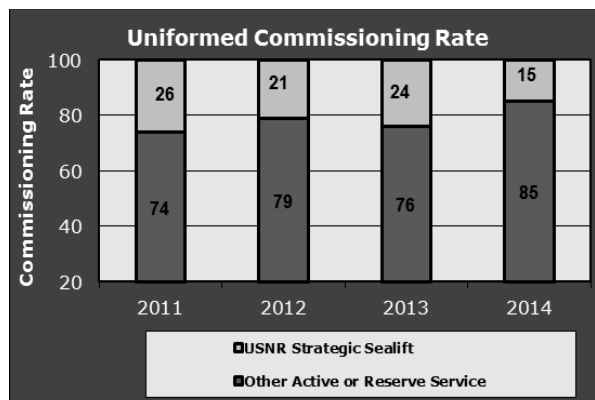
USMMA is an accredited institution of higher education operated by the U.S. Department of Transportation and MARAD. As set forth in its Strategic Plan 2012-2017, the mission of the Academy is to educate and graduate U.S. Coast Guard (USCG) credentialed merchant mariners and leaders of exemplary character who will serve America's maritime 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 merchant mariner credential (MMC) with an officer endorsement, the highest level of officer endorsement, 3rd Mate or 3rd Assistant Engineer, and an active duty or reserve commission as an officer in the Armed Forces or uniformed services of the United States. The Academy's mission directly contributes to national defense and homeland security and supports its economic competitiveness by contributing to a viable and dynamic merchant marine workforce.

In addition, the Academy's shipboard training program exposes Midshipmen to life at sea and enables U.S. shipping companies and the U.S. Navy (Military Sealift Command) an opportunity to provide seamanship training. Midshipmen spend 300 days of their 4-year education program at sea, as part of the Academy's sea training program. Shipping companies and the U.S. Navy are part of a cooperative effort to ensure that a midshipman's shore based education is enhanced by on-the-job training at sea. The Academy provides USCG credentialed mariners with officer endorsements whose service in maritime commerce and in support of the U.S. Armed Forces

contributes to the economic, defense and homeland security interests of our Nation. The Academy is a major source of U.S. Navy Reserve (USNR) Officers and a principal source of new officers for the U.S. 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 a USCG Credential with an officer and Standards of Training Certification and Watchkeeping (STCW) endorsement for 6 years, to serve as a commissioned officer in a reserve unit of the Armed Services of the United States for 6 years, and to serve for 5 years as a merchant marine officer aboard U.S. documented vessels or on active duty in the Armed Forces or uniformed services of the United States. Approximately 25 percent of graduates choose to accept active duty commissions in the U.S. Armed Forces or uniformed services, National Oceanographic and Atmospheric Administration (NOAA) or the Public Health Service (PHS) Corps.



Base funds are used in accordance with the strategic plan to provide a campus environment conducive to the education of aspiring mariners. In FY 2016, the Academy anticipates a number of accomplishments facilitated by appropriated funds. The training vessel T/V KINGS POINTER, delivered to the Academy in April 2014, is an integral part of the academic curriculum, used as a floating classroom to teach both deck and engineering Midshipmen how to navigate and operate a vessel. Funding for T/V KINGS POINTER delivers a cutting-edge program, integrating shore-based reading and lecture sessions with hands-on training and exposure. T/V KINGS POINTER makes the academic program truly comprehensive.

The Academy's phased approach to enhancing security will continue in FY 2016 providing a necessary margin of safety to buildings newly renovated under the goal of creating a first-class infrastructure. Since the Academy has an open campus, it is imperative to purchase equipment and create infrastructure that will help the Academy's Department of Public Safety monitor the comings and goings of people who enter Academy grounds. Projects for FY 2016 include the redesign of Vickery Gate, which is the front line for campus intrusion. The access card control system, implemented in the barracks in 2014, will be expanded to all remaining Academy buildings. There will be an enhancement of the campus video surveillance system, to include upgraded network connections, and the addition of an automatic perimeter intrusion detection system. Expenditures on security will enable the Academy to meet Federal security standards as outlined by the Department of Transportation (DOT).

As part of the Academy Operations request, the Commandant of Midshipmen budget supports the living expenses for a Midshipman population of approximately 1,000 students, as well as all

ancillary administrative services associated with running an institution of higher learning. Midshipmen living expenses include uniforms, food services, and health services as well as workers compensation insurance. The budget request for the Academic Dean supports the academic expenses, and includes funding for academic departments as well as textbooks, training vessels, the library and computer simulation equipment. The budget request for the Superintendent/Deputy Superintendent supports the administrative expenses, and includes support functions such as procurement, sexual assault response, admissions, security, personnel and information technology services. These lists are not all inclusive, but are representative of the costs of doing business as a school.

One of the largest requests for funds is in the Capital Asset Management Program (CAMP). The CAMP was initially enacted by Congress in FY 2012 and contains two components; Capital Improvement Projects (CIP), and Facility Maintenance, Repair and Equipment (FMRE). CIP projects are capital investments to accomplish major facility and system improvements. Examples include renovating infrastructure constructed prior to and during World War II to meet current/future requirements and incorporating modern technology into antiquated systems such as sewer, water and electricity. The purpose of FMRE component is to accomplish routine maintenance, deferred maintenance and to repair and rehabilitate facilities and equipment as required. Repair and rehabilitation projects may involve more planning than routine and deferred maintenance.

Why Do We Need to Fund The Program At The Requested Level?

In FY 2016, the Academy remains focused on maintaining a sufficient base to support mission-essential areas, including security, academics, facilities improvement, and information technology (IT). The FY 2016 budget request will allow the Academy to meet its mission of educating and graduating licensed merchant marine leaders. To achieve its mission, the Academy must provide the highest caliber of academic study with quality faculty members, state of the art learning facilities, and IT support.

The FY 2016 request is designed to enable USMMA 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. USMMA graduates are critical to ensuring a consistent supply of capable, highly-trained U.S. Merchant Mariners, available to crew U.S. flag vessels and support national economic needs and defense strategic mobility.

ACADEMY OPERATIONS: \$71.3 million

For FY 2016, \$71.3 million is requested for Academy Operations, \$7.2 million above the FY 2015 level. These requested resources are focused on USMMA mission-essential program requirements and security priorities. The request provides \$35.0 million for salaries and benefits and \$36.3 million for non-pay operations. The FY 2016 request aligns the budget resources under the respective division and responsibilities as follows:

Salaries and Benefits: \$35.0 million

MARAD requests \$35.0 million for salaries and benefits, \$0.7 million above FY 2015, to fund 298 FTP/287 FTE. This request includes half year funding of \$184,000 (1.5 FTE) for three new positions recommended to the Secretary of Transportation by the USMMA Advisory Board as follows:

- Leadership Program Manager, GS-13/14. The Academy must develop a comprehensive approach to leadership development that addresses synergies between academic and regimental student experiences. This position will develop and maintain a leadership program for Midshipmen that help enhance students' understanding of leadership and acquiring the skills necessary for exercising leadership effectively.
- Student Life Support Staff (2 positions), GS-9/11. The USMMA aspires to have a vibrant, diverse and inclusive culture to attract and educate maritime leaders who excel. Midshipmen feel that campus culture is lacking in several areas. These positions will build and maintain a positive campus culture through increased student life opportunities such as leadership development, improved cultural programs, on campus weekday and weekend activities as well as modern fitness programs.

Based on analysis of current hiring plans and anticipated hiring dates within the payroll projection model, the USMMA is not able to hire these three positions out of currently available resources because the addition of these new positions cannot be fully annualized within the Academy's anticipated payroll budget for FY 2015. Consequently, the requested new FY 2016 resources are necessary in order to initiate these recruitments.

Non-pay Operations: \$36.3 million

Non-pay operations are requested at \$36.3 million, \$6.5 million above the FY 2015 level. This will provide the necessary resources for USMMA to meet the mission-critical requirements for the Academic Dean, Commandant of Midshipmen, and Superintendent/Deputy Superintendent as follows:

- **\$16.2 million** is requested for Superintendent/Deputy Superintendent to continue to meet critical operations and administrative support requirements and strategically support the overall operations and functions of the Academy. Funds will support requirements in IT and Security for upgrades to the IT hardware and renewal of software licenses and to continually fund a phased upgrade of the security on campus. Additional funding will ensure compliance with the Federal Information Management Security Act (FISMA). Requirements include the installation of a Trusted Internet Connection (TIC), wireless networks in the midshipmen barracks, FISMA compliance audit and documentation review by a third party auditor and lifecycle replacement of desktop computing equipment. Information technology is vital to the Academy's business functions, teaching methods and learning tools. This line item also funds the Office of the Sexual Assault Response Coordinator (SARC), which supports Academy initiatives to continue sexual assault prevention. The SARC provides training to midshipmen to raise awareness of sexual assault situations and bystander intervention. The requested funding

will be used to support SARC initiatives, including providing educational materials, an online sexual assault prevention training, and professional speakers. Effectiveness of the program is measured via surveys and focus groups conducted by the Defense Manpower Data Center (DMDC).

- **\$12.6 million** is requested for Commandant of Midshipmen to fund the activities related to the day-to-day operations of the Midshipmen such as food and health services, textbooks and uniforms. The request includes an increase of \$1.6 million above FY 2015 for existing contractual obligations of the Food Service and Medical Service contracts as well as additional funding for the Department of Waterfront Operations and Training for maintenance of the T/V KINGS POINTER, the T/V GROWLER and the T/V LIBERATOR and increased General Agent crew costs. It is essential that the vessels are operational for daily, weekend, and weeklong training trips throughout the year. The FY 2015 budget request for maintenance, repair and operation of the T/V KINGS POINTER was developed by USMMA in 2013. At that time, the vessel was still undergoing conversion and full maintenance requirements were not fully developed. For this reason, necessary repair and maintenance items are delayed until FY 2016. Waterfront activities play a large role in Midshipmen training to meet all requirements for graduation.
- **\$7.5 million** is requested for the Academic Dean to provide resources for the academic departments to ensure continued educational excellence for the Midshipmen. The request includes an increase of \$3.5 million above FY 2015 for educational computing costs. The increase will fund necessary upgrades to the Academy's simulator program as recommended to the Secretary of Transportation by the USMMA Advisory Board. The USMMA vision includes offering globally recognized innovative programs and state of the art facilities. Compared to conventional training, simulators offer a more structured method of building high levels of competence. Several simulator platforms are at the end of their useful life and without these upgrades, the Academy will be unable to teach its accredited curriculum.

CAPITAL ASSET MANAGEMENT PROGRAM (CAMP): \$24.7 million

\$24.7 million is requested for CAMP in FY 2016, \$9.7 million above FY 2015. The CAMP was initially enacted by Congress in FY 2012 and contains two components; Capital Improvement Projects (CIP), and Facility Maintenance, Repair and Equipment (FMRE). CIP projects are capital investments to accomplish major facility and system improvements. Examples include renovating infrastructure constructed prior to and during World War II to meet current/future requirements and incorporating modern technology into antiquated systems such as sewer, water and electricity. The purpose of FMRE funds is to accomplish routine and deferred maintenance, and to repair and rehabilitate facilities and equipment as required, including unplanned emergency capital repairs. Repair and rehabilitation projects may involve more planning than routine and deferred maintenance. All CIP projects were identified in the Academy's five-year CIP Plan as follows:

Gibbs and Melville Halls Architecture and Engineering Design: \$3.0 million

Gibbs Hall is the third of four academic halls scheduled for modernization and renovation. Gibbs Hall houses the Departments of Math and Science and requires specialized spaces for physics labs and other scientific areas. This design will incorporate input from the Math and Science Department faculty in order to ensure that their needs are fully addressed and the key requirements are considered before final design is complete. The design will include a complete set of drawings, cost estimates, statements of work and specifications. This facility's design will include full renovation and upgrades. Melville Hall is a former visiting officer's quarters (condemned due to fire code violations) and community club. Renovation is intended to restore the visitor's quarters to full service to accommodate visitors from MARAD/DOT and VIPs. Included in the renovation will be restoration of the ground floor kitchen, large dining room, sitting room and beverage area as well as the entire basement supporting infrastructure. The restored Melville Hall will provide a facility that Land and Delano Halls cannot, and is a formal dining area for Midshipmen to celebrate holiday events, hold sponsor dinners, conduct meetings and hear lectures. In addition, Melville Hall will serve the staff and faculty by providing a place for conferences, department social activities and special lunches/dinners for faculty, staff, Midshipmen and alumni. These activities promote camaraderie and boost Midshipmen, faculty, and staff morale.

Gibbs Hall Renovation – Construction: \$15.0 million

Upgrades throughout the building will improve the fire protection system including installation of a new sprinkler and standpipe system, replacement of the heating and air conditioning systems, complete interior and exterior painting, and upgrading the classroom technology systems. Additionally, the complete renovation of the classroom sections of the building will provide new flooring, ceiling replacement, and exterior paint. The chillers will also be replaced with corrosion controlled units to prevent salt air deterioration. The electrical system will be upgraded to include enough power for the loads of an academic building with more technology in use. All interior finishes, lighting, and furniture will be modernized and replaced.

Fulton Hall Architecture and Engineering: \$2.0 million

Fulton Hall is the main hall for the Department of Marine Engineering and the final of four academic buildings to be restored as part of the Academic renovation plan. This design will incorporate feedback from the Engineering Department to help determine the needs and requirements of the classrooms, laboratories, offices and simulator spaces. The final design will include a full set of drawings, cost estimates, statements of work, and other required specifications.

Facilities Maintenance, Repair and Equipment (FMRE): \$4.7 million

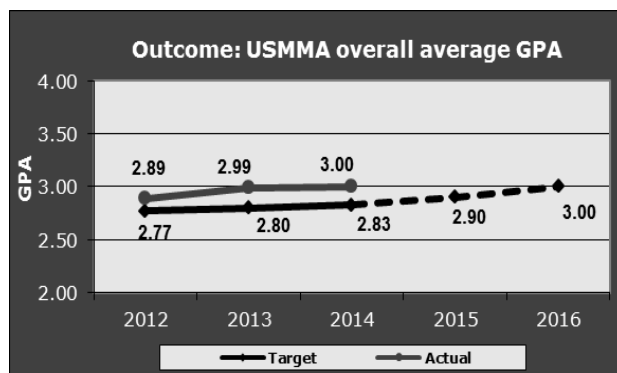
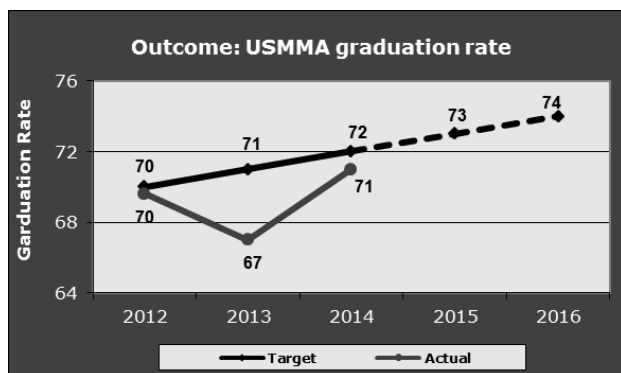
For FY 2016, MARAD requests \$4.7 million for Facilities Maintenance, Repairs and Equipment, with a no-year period of availability for obligation, consistent with the FY 2012 – FY 2015 enacted. The USMMA requests \$2 million for routine maintenance. An additional \$2.7 million is requested to fund larger required projects such as upgrades and repairs to elevators exceeding their life expectancy, campus wide replacement and repairs of commercial grade garage doors and generator replacements for various buildings.

As initially identified by the USMMA Building Evaluation Report (BER), the Academy continues to have a backlog of deferred maintenance in excess of \$65 million that will continue to grow without an effective plan in place to reduce the facilities maintenance needs. A new Facility Management Officer has been hired to resolve this issue and is currently developing a comprehensive facilities management plan and program that will address the staffing and maintenance needs of the campus. As this new program gets developed, additional funding will be required in the out years to effectively and efficiently reduce the deferred maintenance backlog.

USMMA PERFORMANCE

From a performance management perspective, 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.

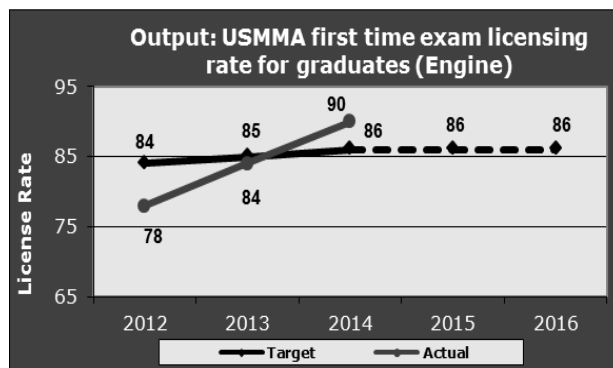
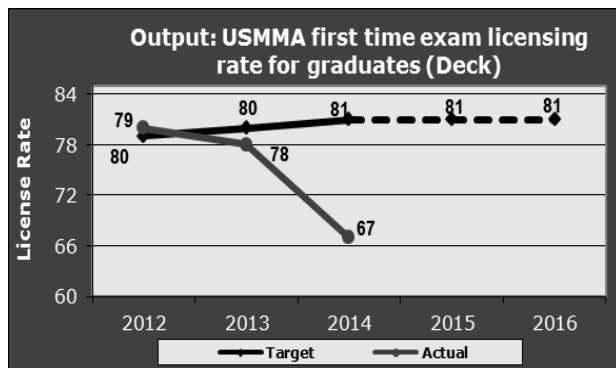
The USCG also formally examines the Academy's training program every five years to ensure that it meets the national and international training requirements to prepare individuals for USCG examination and credentialing to serve on ocean-going vessels of unlimited tonnage and horsepower. The most recent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



To help ensure the USMMA is graduating highly qualified merchant marine officers, MARAD will work with the Academy towards meeting the performance target for graduation rate, which indicates the percentage of students who graduate within four years after they begin at the Academy. Additionally, for the overall USMMA graduate grade point average (GPA) performance metric, the Academy exceeded the 2014 target of 2.83, with the graduates achieving an overall GPA of 3.00.

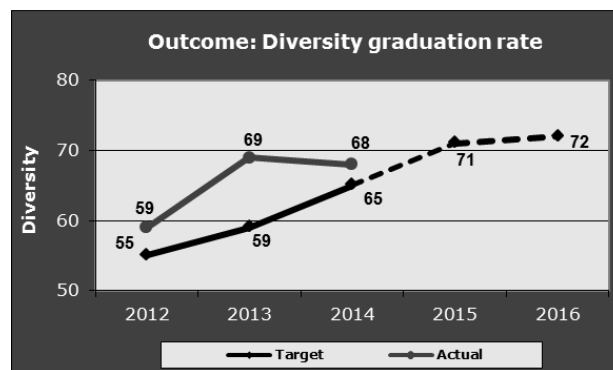
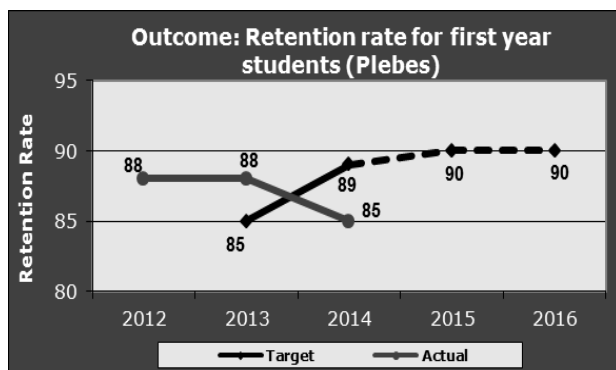
The USMMA continues to graduate USCG credentialed merchant mariners and leaders who will serve America's need for shipboard officers and leaders in the transportation field. To track the

progress of this goal, the USMMA tracks the percentage of graduates that pass the USCG licensing exam the first time. The Academy anticipates meeting the target for graduates that pass the exam for 3rd Mate or 3rd Assistant Engineer as part of their obligation of the program.



The USMMA also tracks and measures the retention rate for returning first year students that return to the Academy for their second year, and anticipate that the retention rate will remain steady through the out years between 85 to 90 percent. The retention rate metric plays an important role in achieving the goal of attracting high quality students.

In FY 2012, the Academy's Strategic Plan for 2012-2017, identified a robust recruitment and retention program to encourage a diverse population of Midshipmen, faculty and staff. This includes establishment of an effective system for campus engagement that promotes a diverse and inclusive community. These targets are intended to monitor and improve the efforts to achieve a diverse campus environment for the purpose of providing a challenging learning setting and personal growth opportunities. The diversity graduation rate will indicate whether appropriate actions in recruiting and mentoring a diverse student cohort have been taken. The USMMA target for 2016 should allow the Academy to reach the lower 70th percentile.



Additionally, MARAD has developed new performance measures to assess the USMMA program related to a graduate's compliance with their post-graduation service obligation to include service/employment, maintaining their USCG credentials, and military service obligations.

Strengthening internal controls at the Academy has been and continues to be an area of priority emphasis for the agency. MARAD implemented a broad range of effective corrective actions, controls, and process improvements resulting in the Government Accountability Office's (GAO) confirmation of closure for all 47 recommendations identified in the USMMA in audit report GAO-09-635, UNITED STATES MERCHANT MARINE ACADEMY: Internal Control Weaknesses Resulted in Improper Sources and Uses of Funds: Some Corrective Actions Are Under Way. MARAD's actions remediating the conditions identified by GAO have included issuance of new policies and guidance, establishment of new procedures, and implementation of new controls and control activities.

What benefits will be provided to the American Public through this request?

The budget request will allow USMMA to meet its mission of educating and graduating USCG credentialed merchant mariners and leaders of exemplary character who will serve America's marine transportation and defense needs in peace and war. The Academy graduates one quarter of the new highly skilled, entry-level merchant marine officers who hold the highest level of officer endorsement available to support the U.S. Merchant Marine and national maritime industry infrastructure. Presently, 100 percent of these graduates are commissioned on active duty or into a reserve unit of the Armed Services or other uniformed services of the United States and provide a guaranteed source of mariners to crew government owned surge sealift vessels when activated. To achieve its mission, the USMMA must provide the highest caliber of academic study with quality faculty members, state of the art learning facilities and information technology support.

Academy graduates help fuel the Nation's economy by serving on the ships that transport American products from coast to coast or to and from foreign shores. They ensure that the Nation has a home grown source of manpower in the event that U.S. flagged ships are required to transport war materials. The current skill most needed in the maritime industry is for engineers, which the Academy provides more than any other maritime school. Above all, USMMA graduates are known for their work ethic, drive, intelligence and perseverance. They are solid citizens who will serve as leaders in business, politics or the military. This request must be funded so the Nation is able to sustain a viable merchant marine capable of ensuring America's maritime interests are preserved, both for economic sustainability and national security.

**DETAILED JUSTIFICATION
STATE MARITIME ACADEMIES**

What is the Request and What Funds Are Currently Spent on the Program?

**FY 2016 State Maritime Academies Budget Request
(\$000)**

Program Activity	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Difference from FY 2015
Student Incentive Program	2,400	2,400	2,400	0
Direct SMA Support	3,000	3,600 1/	3,000	-600
Fuel Assistance Payments	600	1,200	1,800	600
School Ship Maintenance & Repair	11,300	11,300	22,000	10,700
National Security Multi-Mission Vessel Design	0	0	5,000	5,000
Mariner Compliance and Training	0	000	350	350
Total	\$17,300	\$18,500	\$34,550	\$16,050

1/ The FY 2015 National Defense Authorization Act includes \$3.6 million for SMA direct payments, which provides an increase of \$600 thousand from the FY 2015 authorized level per 46 U.S.C. 51505.

For FY 2016, \$34.6 million is requested for the State Maritime Academies (SMAs), a \$16.1 million increase above FY 2015, to provide direct support payments to each of the six SMAs, student tuition assistance, fuel assistance payments, maintenance and repair of the six academy training ships, and continue tracking mariner training and compliance requirements. A portion of this increase is for the planning and design of a National Security Multi-Mission Vessel (NSMV) to support the replacement of the 53-year-old Training Ship (TS) EMPIRE STATE. The ability to extend the service life of the TS EMPIRE STATE beyond 2019 for continued operation would be dependent on the success of the American Bureau of Shipping (ABS)/U.S Coast Guard (USCG) inspections in 2019. This initial \$5 million request will fund short-term planning activities, including study of requirements alternatives, cost-tradeoffs, cost analysis, schedule, acquisitions strategy, and vessel design; and long-term planning activities, including study of program delivery strategy and production timetables for the incremental replacement of the current academy training ships.

Additionally, an increase of \$10.7 million is included for school ship maintenance to extend the service life of the remaining training ships.

What is this Program and Why is it Necessary?

In accordance with the declaration of policy of the Merchant Marine Act of 1936, as amended, MARAD is the Federal agency charged with fostering the development and ensuring the maintenance of the U.S. Merchant Marine and the American maritime industry. This Act further declared it to be national policy to have a U.S. Merchant Marine composed of the best-equipped, safest and most suitable types of U.S. constructed vessels and manned with trained and efficient citizen personnel. To fulfill one of its key statutory mandates, MARAD provides support through this program to the six SMAs which produce highly trained, U.S. Coast Guard (USCG) credentialed officers in the U.S. Merchant Marine. These graduates ensure we have a cadre of well-educated and trained merchant mariners in the event of a contingency or national emergency.

The six SMAs provide students the opportunity to receive a high quality education and the necessary training to become USCG credentialed Merchant Marine Officers. They are: California Maritime Academy in Vallejo, CA; Great Lakes Maritime Academy in Traverse City, MI; Texas A&M Maritime Academy in Galveston, TX; Maine Maritime Academy in Castine, ME; Massachusetts Maritime Academy in Buzzards Bay, MA; and State University of New York (SUNY) Maritime College in the Bronx, NY.

While most SMAs are associated with their state governed university systems, they provide the unique maritime learning opportunities to broader regional areas and partner states. The Department of the Navy Strategic Sealift Officer Program (SSOP) has established an annual requirement of at least 220 reserve officers entering SSOP upon graduation from SMAs and the United States Merchant Marine Academy (USMMA). Based on the current number of graduates entering SSOP from USMMA, approximately 70-75 SMA graduates are required annually to meet the total SSOP requirement. The SMAs continue to graduate the majority of new highly skilled, merchant marine officers who hold a USCG credential with the highest entry-level officer endorsement available to support our U.S. Merchant Marine and national maritime industry infrastructure.

The U.S. Merchant Marine supports our Nation beyond transporting goods globally and enabling our military to rapidly deploy overseas. Services provided to our homeland security by U.S. Merchant Mariners and U.S. flagged ships include providing passenger sealift from Manhattan in the aftermath of the 9/11 World Trade Center attacks; providing berthing and feeding for first responders and relief workers in the wake of Hurricanes Katrina and Rita in 2005 and recovery from Super Storm Sandy in 2012; as well as providing emergency response to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico.

The U.S. Merchant Marine and maritime industry remain ready to support America's economic, defense and security requirement when needed. These benefits depend on the SMA educated mariners, especially after gaining years of experience. Because of this, the SMAs are valuable partners to the Department of Defense, Department of Homeland Security/Federal Emergency Management Agency and other Federal agencies.

The SMA request has historically contained four major program components: (1) Annual direct assistance to SMA students through the Student Incentive Program (SIP); (2) Annual direct assistance

to each of the six SMAs for maintenance; (3) Annual direct training school ship fuel assistance payments; and (4) School ship maintenance and repair. This request also includes funding for the vessel planning and design to support replacement of the TS EMPIRE STATE. Funding for improvements to monitoring graduates' compliance with their service obligation is also requested.

SIP provides financial assistance to selected full-time students at the SMAs to obtain a maritime education that includes a Bachelor's degree and a USCG Merchant Mariner Credential (MMC) with an officer endorsement. SIP students receive an annual stipend of \$8,000 for a maximum of four years in return for post-graduation service obligations. The graduates of SIP also serve in a reserve component of the U.S. Armed Forces for eight years or serve on active duty in the U.S. Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) or the Public Health Service (PHS)) following graduation. Students must graduate, obtain a USCG Credential with an officer endorsement and fulfill the following service obligation requirements:

1. Report annually to MARAD on fulfillment of their service obligation, until completed.
2. Maritime Employment for three years. Priority is to sail on their credential aboard a U.S. Flag vessel.
3. Maintain a valid USCG MMC with an officer endorsement for at least six years.
4. Serve as a commissioned officer in a reserve component of the U.S. Armed Forces for at least six years.

Graduates may also fulfill items 2 and 4 above by serving on active duty as a commissioned officer in the U.S. Armed Services or as a NOAA or PHS officer. Additionally, the U.S. Army and National Guard have identified billets in the Army Reserve and the National Guard where SIP graduates can utilize their maritime skills and education to meet their obligation.

MARAD's Maritime Service Compliance System (MSCS) is used to track fulfillment of both the SIP and USMMA graduates' service obligation compliance requirements. These obligations allow MARAD to ensure that sufficient mariners will be available to crew the Nation's government sealift ships, including MARAD's 46 Ready Reserve Force vessels, in times of national emergency.

MARAD's Direct SMA Support program provides assistance to the six SMAs for maintenance and support needed to maintain high quality facilities and assist with maintaining state of the art technology for training. Base funds help offset the increasing cost to train USCG qualified merchant mariner officers, including the cost of fuel for the training vessels in order to receive hands-on training at sea, and to assist the SMAs in providing the highest quality training. In return, the American taxpayer receives a well-educated and trained merchant mariner working to sustain the maritime industry and provide support for national defense and emergencies

In accordance with 46 U.S.C. 51501 and 51504, the National Defense Reserve Fleet academy training ships are loaned from MARAD to each of the six SMAs under a custodial agreement. The quality and length of sea time the students receive aboard the school ship training vessels is a critical educational component in qualifying the students to take the USCG MMC examination. 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 maritime academy. MARAD is mandated by law to maintain each ship in a state of good repair to ensure that high standards of safety are maintained for all Midshipmen/Cadets and personnel on the ships and to be compliant with environmental requirements. MARAD's policy is to comply with International Maritime Organization (IMO) regulations to the maximum extent practicable.

Why Do We Need to Fund the Program at the Requested Level?

The FY 2016 requested amount of \$34.6 million will provide support for the following: SIP (\$2.4 million), direct support to the schools for maintenance support (\$3 million), and school ship fuel (\$1.8 million), funding to maintain the six academy training ships in USCG and IMO compliant condition (\$22 million), vessel planning and design for a National Security Multi-Mission Vessel (\$5 million) and improve monitoring of graduates' service obligation and compliance reporting capabilities (\$350 thousand). This request is necessary to fund mariner training and sea time requirements to help ensure sufficient highly trained merchant mariners are available to meet new IMO Standards for Training Certification and Watchkeeping (STCW) as well as serving the economic and national security needs of the Nation.

Student Incentive Program (SIP)

The FY 2016 request of \$2.4 million for the SIP is consistent with FY 2015. This funding will help support the enrollment of students at the six SMAs to meet the validated requirements of the U.S. Navy's SSOP, U.S. Army and U.S. National Guard, when combined with the USMMA graduates. The SIP funding will be used primarily for the payment of SIP to students. However, a portion of the funding will be used to promote student awareness and participation in the SIP program. The costs of administering the SIP and monitoring service obligations are funded from the Operations and Training appropriation. SIP ensures a robust pool of U.S. Merchant Marine officers to crew surge vessels, should normal crewing processes fail¹. Annually, approximately 25 percent of USMMA graduates and four percent of all unlimited license SMA graduates enter active duty in the U.S. Armed Forces, and therefore are not commissioned into the reserves.

The graduates' maritime skills and education are utilized in support of the U.S. Armed Forces through these reserve programs. SIP is provided to students to be used for uniforms, books, tuition and subsistence in return for a service obligation. These funds may also be used to promote awareness of the SIP and the availability of funds as necessary to ensure full enrollment.

MARAD will continue to work on developing new performance metrics to assess SIP graduate's compliance with USCG MMC licensing, employment and service obligations in exchange for SIP payments.

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.

Direct SMA Support

MARAD's request of \$3 million in FY 2016, a decrease of \$600,000 from FY 2015, will provide the maximum authorized level for maintenance and support of \$500 thousand to each of the six SMAs. The academies rely on these funds to help implement increasing domestic and international training requirements which increase the overall costs to train mariners. These funds also strengthen the ability of SMAs to maintain high quality facilities and assist in maintaining state of the art technology for teaching Cadets.

The program effectively uses Federal resources in a well-defined, cost-shared partnership with the SMAs to produce highly qualified officers for the U.S. Merchant Marine. The program has met performance targets for graduates who hold a USCG MMC each year. For FY 2016, we anticipate over 660 Cadets will graduate from the SMAs as licensed officers.



Fuel Assistance Payments

This request also includes \$1.8 million, an increase of \$600 thousand from FY 2015, to provide an offset for increased costs resulting from new regulations for the use of higher quality fuel and longer operating periods for SMA training vessels. This additional increase will provide the maximum authorized level of \$300 thousand for each of the six SMAs for fuel used by the training vessels annually. A single bunkering evolution can cost as much as \$1 million and most SMAs pay well over \$1.5 million annually for fuel for their training cruises, which are critical to ensure Cadets obtain the necessary sea time to qualify for a USCG MMC. Fuel costs are expected to increase again in the future, that coupled with the requirement to purchase higher cost ultra-low sulfur fuel starting in 2015 (currently 50 percent more expensive than marine diesel fuel) to be compliant for operation in the Emission Control Area of the United States which extends out 200 nautical miles, combined with an increase in the required at sea training for the Cadets mandated by STCW, places a burden on the SMAs and significantly increases the cost to train mariners.

School Ship Maintenance & Repair

MARAD requests \$22 million, which is an increase of \$10.7 million from the FY 2015 level for School Ship Maintenance and Repair. The requested \$22 million will maintain the academy training ships (which are Federal assets loaned to the SMAs) in a USCG and IMO compliant condition and in a state of "good repair" as required by Federal statute in the Merchant Marine Act of 1936. This requested amount will also help to extend the service life of five of the six SMA training ships.

The DOT, via MARAD, owns and maintains the six SMA training ships provided to the respective academies for the training of licensed merchant marine officers. Annually, the six SMA training ships provide for approximately 123,000 Cadet sea-days. While conducting international voyages, the vessels are functional laboratories providing the students with critical

hands on training in navigation and engineering. This at sea training is not only valuable for preparing the students for their careers at sea, but is also mandatory for them to get their USCG credential.

Funding for maintenance of the academy training ships is necessary to keep them in good repair in order to meet the regulatory requirements and to be consistent with the Department's goals for safety and environmental sustainability. Without the requested funds for SMA training ship maintenance and repair, it would not be possible to meet USCG and IMO regulatory requirements and maintain all the ships in a safe and seaworthy condition. Reductions in this request would directly risk the safety of the Cadets and crew, and hamper MARAD's ability to comply with local, state, Federal and international environmental regulations, and negatively affect the mariner academic program. Failure to comply with these regulations could result in fines, or the ship's Certificate of Inspection being suspended or revoked.

The academy training ships are also required to be in full compliance with USCG, American Bureau of Shipping (ABS) and, to the maximum extent practicable, IMO statutes, rules and regulations. The academy training ships must continually update their systems to remain as safe and effective educational platforms. Requested funding will adequately address academy training ship safety needs, environmental requirements and regulatory compliance until the academy training ships can be replaced. The total number of SMA training ships available directly corresponds with the capability to graduate USCG credentialed officers.

The TS EMPIRE STATE is currently operating six years beyond its designed extended service life and is not a suitable candidate for another service life extension. The remaining vessels in the SMA training ship fleet can be maintained at the requested annual level of \$22 million.

National Security Multi-Mission Vessel

MARAD requests \$5 million in funding to fund the planning and design of a National Security Multi-Mission Vessel (NSMV) with the goal of ultimately replacing the TS EMPIRE STATE. The proposed NSMV would provide a modern, functional, environmentally compliant vessel. The NSMV could be readily deployed to support multiple Department of Homeland Security national security missions and Department of Defense (DoD) emergency and humanitarian missions while serving as a training platform.

There is a need for MARAD to develop program requirements and delivery strategy for its training ship program. The current ships play a critical role in providing the necessary sea time which Cadets and Midshipmen need to qualify for domestic USCG endorsements and are the primary means by which more than two thirds of unlimited licensed, U.S. mariners are trained each year. The ships are an important element of the SMA training program and curricula.

The average age of the SMA training vessels is 37 years old. The entire fleet is rapidly approaching the end of its service life, and some of the ships will not be viable much longer without a substantial increase in maintenance funding. The oldest ship, TS EMPIRE STATE, is 53 years old and operating beyond its planned service life and not a suitable candidate for another service life extension.

1. TS EMPIRE STATE



- School: SUNY Maritime College (SUNY MC)
- Location: Bronx, NY
- Annual Number of Licensed Graduates (as of 2012): 230
- Capacity: 788 (682 Cadets)
- Built: 1962
- Original Service End Date: 2009

The vessel is 53 years old and is six years beyond its designed extended useful life. Maintenance funding at the requested level is expected to support vessel operations only through 2019. The ability to extend the service life beyond 2019 for continued operation would be dependent on the success of the ABS/USCG inspections in 2019, which are part of the major five-year drydocking requirement. Most of the immediate funding will be focused on addressing steel preservation and renewal, and maintaining the vessel in a safe material condition.

2. TS KENNEDY



- School: Massachusetts Maritime Academy (MMA)
- Location: Buzzards Bay, MA
- Annual Number of Licensed Graduates: 130
- Ship Capacity: 710 (600 cadets)
- Built: 1967
- Service End Date: 2025 (at the requested maintenance level)

The TS KENNEDY is 48 years old and is beyond a ship's normal useful life. However, this vessel recently went through two funded shipyard conversion periods, a "Major Conversion" period from 2001 to 2003 in Mobile, AL and another "Conversion Completion" period from 2009 to 2010 in Buzzards Bay, MA. As a result of this work, the vessel is in good material condition. The overall plan is to extend the vessel service life to 2025. Doing so will also allow MARAD and the SMAs to maintain and operate at least one training vessel with a steam propulsion plant in support of National Security. This vessel will provide the mariner training needed for the current steam propulsion RRF vessels until they are recapitalized. Necessary work to extend the service life of this vessel includes re-tubing the two steam propulsion boilers, upgrading habitability areas, and replacing critical internal steel and piping systems.

3. TS STATE of MAINE



- School: Maine Maritime Academy (MMA)
- Location: Castine, ME
- Annual Number of Licensed Graduates: 95
- Ship Capacity: 298 (234 cadets)
- Built: 1990
- Service End Date: 2031 (at the requested maintenance level)

The TS STATE of MAINE (a sister ship to California Maritime Academy's TS GOLDEN BEAR) is currently 25 years old. However, its propulsion plant (a medium speed diesel engine) is 33 years old and is rapidly nearing the ending of its service life. Repairs and procurement of spare parts are increasingly expensive and difficult. The main engine and auxiliary diesel generator engines do not meet either international or EPA regulations concerning air emissions. The critical upgrade for this vessel is to change the main propulsion system to a modern and "green" diesel electric plant. Engineering for this project will include a similar design for the TS GOLDEN BEAR. In addition, revitalization plans include upgrades for the ship's habitability areas to increase capacity and to preserve and, as required, replace critical internal steel and piping systems. If the requested level of maintenance funding is not provided, this vessel will have priority over the TS KENNEDY for recapitalization.

4. TS GOLDEN BEAR



- School: California Maritime Academy (CMA)
- Location: Vallejo, CA
- Annual Number of Licensed Graduates: 115
- Ship Capacity: 380 (331 cadets)
- Built: 1989
- Service End Date: 2037 (at the requested maintenance level)

The TS GOLDEN BEAR is currently 26 years old. However, its propulsion plant (two medium speed diesel engines) is 28 years old and is nearing the end of its service life. Contributing to the maintenance challenges of this vessel, only six units of this specific class of engine were delivered by the original equipment manufacturer, Enterprise Corporation, who is now out of business. Similar to the TS STATE OF MAINE, it is increasingly expensive and difficult to repair and to procure spare parts for these engines. The engines do not meet either international or EPA regulations concerning air emissions. The plan is to re-engine the plant to a modern and “green” diesel electric plant after completing TS STATE OF MAINE, which will extend the vessel’s service life for about 20 years. Engineering for the new engine project will be included in the similar effort for the TS STATE OF MAINE. Additionally, planned preservation and replacement of critical internal steel and piping systems will be accomplished, as well as revitalization and upgrades to the ship’s habitability areas.

5. TS GENERAL RUDDER



- School: Texas A&M Maritime Academy (TMA)
- Location: Galveston, TX
- Annual Number of Licensed Graduates: 75
- Capacity: 50 cadets
- Built: 1984
- Service End Date: 2043 (at the requested maintenance level)

The TS GENERAL RUDDER is currently 31 years old. Finding a suitable replacement training vessel for the Texas A&M Maritime Academy (TMA) has been a high priority in the Academy Training Ship Program. For 6 years (2005 to 2012), TMA was the only SMA without an operating training ship. In January of 2012, the TV KINGS POINTER was transferred to TMA and was formally renamed “TS GENERAL RUDDER” in June 2012. While this transfer was a step in the right direction for TMA, the current capacity of the RUDDER is only 50 cadets. This puts severe training limitations on TMA with its growing licensed Cadet Corps. As a direct result, approximately 160 TMA cadets had to make other arrangements for sea time in the summer of 2014 to obtain their required “at sea” training. A near-term cost effective option for TMA would be to upgrade the RUDDER to a greater berthing capacity, so it can be a more capable training vessel. This might include adding a 75-foot long mid-body to increase cadet capacity and enhance training support features. A substantial portion of the requested maintenance level funding is expected to be applied to this vessel for capacity improvements.

6. TS STATE of MICHIGAN



- School: Great Lakes Maritime Academy (GLMA)
- Location: Traverse City, MI
- Annual Number of Licensed Graduates: 30
- Ship Capacity: 73 (63 cadets)
- Built: 1985
- Service End Date: 2034 (at the requested maintenance level)

The TS STATE of MICHIGAN can remain a small training ship, because of the small number of graduates needed to support the Great Lakes trade. The vessel is mostly operated in fresh water resulting in less maintenance costs. It is currently 30 years old, and its propulsion plant (diesel electric) does not meet either international or EPA regulations concerning air emissions. The maintenance plan for this vessel includes providing a new main engine system that upgrades it to a modern and “green” diesel electric plant, which would extend the vessel’s service life for about another 20 years. This would include providing new dual fuel engines that are capable of burning either diesel fuel or natural gas and overhauling the two electric propulsion motors. Also included is the cost to upgrade the ship’s habitability areas, to expand training labs, to upgrade the lifesaving apparatus and to replace critical internal steel and piping systems.

Mariner Compliance and Training

MARAD requests \$350 thousand for Maritime Service Compliance System (MSCS) enhancements. The MSCS was developed to provide an online method for graduates with post-graduation service obligation requirements to report their compliance to MARAD. The system was also designed to assist MARAD in monitoring and documenting student's enrollment status while attending the maritime academies, monitoring subsidy payments to SMA SIP students, and maintaining a record of the graduates' fulfillment of their service obligations. This funding is needed to further develop the MSCS to improve its reporting capability and develop new performance measures to monitor the graduate's service obligation.

Increasing the MSCS reporting capability will significantly decrease the manpower necessary to monitor student's compliance and increase the timeliness of tracking and following up with those who do not fulfill their obligation. Funding will also implement improvements that would make the system more user-friendly and encourage graduates to submit their reports electronically.

What benefits will be provided to the American Public through this request?

The United States is a maritime Nation that includes 28,000 miles of coast lines and navigable rivers and waterways and surrounded by oceans on three sides and the inland ocean of the Great Lakes on the fourth side. America depends on its U.S. maritime industry and U.S. Merchant Marine to move cargo and goods by maritime transportation systems throughout the country and the world. The U.S. maritime industry successfully moves cargo and goods more cost effectively and environmentally friendly on a per ton basis compared to movement by truck or rail. Over 90 percent of our Nation's exports and imports move on ships. This industry is vital for our national defense, national security and national industrial base. Our maritime industry supports shipyard manufacturing and repair, shipping infrastructure and highly trained U.S. Merchant Mariners to support DoD military sealift requirements to transport equipment and supplies around the world. The SMA Program ensures that competent U.S. Merchant Mariners are available for the safe movement of cargo and goods on ships, working in ports and shipyards, as well as shipping infrastructure. These graduates support numerous components of the maritime industry.

The SMA program supports the training of merchant marine officers to provide them with technical and general college-level skills. Funding allows MARAD to ensure the U.S. has a consistent supply of capable and well-trained merchant mariners.

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 more than two thirds of the entry-level licensed mariners trained annually that begin working in various positions within the maritime industry.

DETAILED JUSTIFICATION

MARAD OPERATIONS AND PROGRAMS

What is the Request and What Funds Are Currently Spent on the Program?

FY 2016 MARAD Operations and Programs Budget Request (\$000)

Program Activity	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Difference from FY 2015
Headquarters Operations	48,203	47,400	50,059	2,659
Maritime Program Initiatives:	3,000	3,000	4,000	1,000
<i>Maritime Environment & Technology Assistance (META)</i>	<i>3,000</i>	<i>3,000</i>	<i>4,000</i>	<i>1,000</i>
Total	\$51,203	\$50,400	\$54,059	\$3,659

For FY 2016, a total of \$54.1 million is requested for the MARAD Operations and Programs, \$3.7 million above FY 2015. The request includes \$50.1 million for Headquarters Operations and \$4.0 million for the Maritime Environment and Technology Assistance. In 2014, MARAD conducted a thorough analysis of the headquarters' support staff FTE and overhead costs allocated to the Ready Reserve Force (RRF) program. The RRF program is funded by reimbursement from the Department of Defense. This analysis examined whether MARAD Headquarters costs were consistent with the RRF level of service use. As a result of this analysis, the MARAD Operations and Programs request will require a net increase of approximately \$1.2 million for FY 2016.

What is this Program and Why is it Necessary?

Headquarters Operations

The MARAD Operations and Programs 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 staff, and administrative support for the following program areas:

The Office for Intermodal System Development provides agency support for national port infrastructure modernization programs, deepwater port and offshore programs, as well as development and oversight of marine highway initiatives. The office also oversees activities at MARAD's ten gateway offices located at the largest ports throughout the U.S. to provide the Agency's day-to-day presence related to the marine transportation system.

The Office for Strategic Sealift administers national security related programs that provide commercial and government-owned shipping capability in times of national emergency and to meet the Department of Defense strategic sealift requirements (e.g. Maritime Security Program and Voluntary International Sealift Agreement). Additional responsibilities include the administration of the ship disposal program, administration of the cargo preference program, Jones Act and small vessel waivers, along with maritime labor and training. The office is also responsible for State Maritime Academies', serving as a liaison to the administration, promotion of the Student Incentive Program (SIP), administration of responsibilities with respect to United States Merchant Marine Academy (USMMA), SIP undergraduate and graduate service obligations, and school ship maintenance and repair.

The Office for Business and Finance Development provides support on broad national maritime policies and programs; including maritime loan guarantee program, capital construction and reserve fund, marine insurance and marine war risk insurance activities, and programs related to U.S. shipbuilders, ship repairers and suppliers.

The Office of Environment and Compliance supports the U.S. merchant maritime industry by providing support in four key areas: environmental compliance, maritime environmental sustainability and demonstration projects, vessel security, and maritime transportation safety. In the environmental compliance and sustainability areas, the Office facilitates compliance with applicable requirements, and promotes the adoption of more efficient, economical and environmentally friendly maritime energy technology and practices. In the security area, the Office participates in development of international and U.S. vessel security requirements, develops counter-piracy and related security training and assistance programs, and coordinates with government and industry stakeholders to ensure maritime domain awareness. In the safety area the Office participates in developing international, U.S. and classification society safety regulations and norms, and provides maritime industry perspective on safety related research sponsored by DOT and other organizations.

MARAD operations and programs contribute to Departmental strategic objectives for Economic Competitiveness, Security and Preparedness and Environmental Sustainability. The request also funds agency administrative support and logistics activities and "Organizational Excellence" initiatives, including: Human Resources; Financial Management and Budget; Information Technology and Open Government; Legal Counsel; Acquisitions, Plans and Policy and Office of International Activities.

Maritime Environment and Technology Assistance (META) Program

The Office of Environment and Compliance is responsible for administering the Maritime Environment and Technology Assistance (META) program, which is the principal federal effort that focuses on environmentally sustainable initiatives within the commercial maritime sector.

For FY 2016, MARAD's META program will build upon FY 2015 initiatives, which focus on reducing air pollution from vessels, port and harbor operations, and control of aquatic invasive species. In addition, META continues to improve vessel energy efficiency through the use of alternative energy/technology such as biofuels, LNG, and fuel cells. META activities are carried out primarily through cooperative agreements and partnerships with government agencies, industry, academia, regulatory and classification societies, and other maritime stakeholders.

Projects typically include feasibility analyses, demonstrations, technology testing, and verification. The primary goal is to leverage resources and identify economically sustainable solutions to emerging maritime environmental challenges. These efforts will assist maritime industry stakeholders with necessary policy and regulatory data that is critical in determining appropriate levels of both current and future capital investments.

Ballast Water Management:

In FY 2016, META will continue to build upon and implement a key MARAD initiative, by measuring the effectiveness of multiple commercial ballast water management systems (BWMS). This is critical for preventing the spread of non-native aquatic species in rivers, lakes, and coastal waters. Funding will be used to maintain the three MARAD supported BWMS testing facilities necessary for U.S. Coast Guard (USCG) certification, International Maritime Organization (IMO) compliance testing, and associated scientific teams. Each facility has received approval to conduct testing as part of the independent lab system for U.S. type approval of BWMS. Many recent tests at these facilities have demonstrated that laboratory prototypes often do not perform as anticipated in harsh marine environments. Installation of ballast water treatment systems can run from the hundreds of thousands of dollars to over a million dollars per ship. If systems do not meet US requirements, companies will be subject to fines and penalties and still need to install expensive system retrofits or replacements. Thus, access to information regarding the efficacy of systems, will assist industry in making well informed investment decisions.

Vessel Energy Efficiency:

META funding has enabled a host of studies and projects that have focused on alternative fuels, energy conservation, and emissions reduction technologies. These projects involve cross collaboration among many public and private agencies, which provide the necessary tools that allow for META to recommend cost effective solutions. In the area of biofuels, the Agency has completed and published reports on performance tests, emission analysis, and studies of a new generation of renewable fuels for use in commercial marine engines. The results of these tests showed that blends of biofuel and ultra-low sulfur diesel fuel outperformed pure ultra-low sulfur fuel in reducing air and underwater sound emissions, without decreased engine performance or engine degradation. Additional longer term tests are ongoing with the Scripps Institute of Oceanography. In FY 2014 – FY 2015, MARAD will expand collaboration with the Departments of Defense, Energy and Agriculture, and with ports, given these entities' mutual interest in developing advanced "drop-in" renewable biofuel for maritime use.

The use of natural gas as a propulsion fuel is being explored in the maritime sector. Currently, natural gas is significantly less expensive than marine diesel fuel and is cleaner burning. As a result, multiple U.S. flag vessel owners have announced plans to repower or build new ships that operate on liquefied natural gas (LNG) for use in the inland, coastwise and non-contiguous trades. MARAD has been investigating the use of natural gas as a maritime fuel beginning with feasibility studies focused on the Great Lakes and the upper inland waterway system. Based upon the results of those studies, and with input from the U.S. Coast Guard, other federal partners and industry, MARAD looked at several key barriers to expanded natural gas usage in marine fuel; in particular, challenges associated with bunkering (vessel refueling), landside gas infrastructure, and training requirements.

MARAD also evaluated the total fuel cycle emissions of natural gas as a marine fuel as compared to marine diesel fuels. The total fuel cycle analysis quantified emissions from the point of extraction (i.e. the production well), through the transport chain, to the end user (i.e. vessels). The analysis showed that there are trade-offs when using natural gas. However, the use of LNG typically resulted in lower emissions for most criteria pollutants, and slightly lower greenhouse gas emissions as compared with conventional marine fuel. During FY 2015, MARAD will continue to examine the issue of methane slip (leakage) associated with vessel use of LNG, to determine the extent of the issue and possible remedies. MARAD has partnered on several vessels, repower, and fuel conversion projects in an effort to foster technology and assess emissions before and after the repower or conversion. One of those projects is the conversion of an oceangoing container ship to LNG. Each of these studies serves as a basis for further work on the development of requirements, standards, and technologies to address those challenges.

Fuel cells for marine power generation show great promise. MARAD has collaborated with the Department of Energy (DOE), DOD, ports, Sandia National Laboratory, and other industry stakeholders to demonstrate potential maritime applications of fuel cells for cold ironing (provision of shore-side electric power to a vessel at berth) and/or auxiliary power on vessels underway. This work has now expanded to include these types of power use in marine propulsion, port equipment, and as backup or redundant emergency power for port operations. MARAD sponsored a project to demonstrate the use of a fuel cell to replace diesel generators to power refrigerated containers in port and onboard vessels underway and demonstrations of fuel cells for vessel auxiliary power for hybrid power operations. It is anticipated that fuel cell related work will continue and expand through FY 2016.

Building on efforts initiated in FY 2014 and ongoing through FY 2015, MARAD continues to support pilot projects related to air emissions and energy. The maritime industry has provided greater incentives to owners/operators to repower to (1) more efficient engines; (2) use alternative fuels (such as natural gas); or (3) employ alternative technologies such as hybrid propulsion plant including fuel cells using hydrogen, LNG or logistical fuels. This will enable the maritime industry to comply with and exceed recently enacted, more stringent air emission regulations. This also permits the maritime industry to continue to operate as an energy and carbon efficient mode of transportation. The incentives also indirectly support technology development and deployment, and U.S. shipyards, where much of the installation work must be accomplished. Finally, with the reissuance of rigorous environmental standards in the EPA's Vessel General Permit, MARAD will expand efforts in FY 2016 to address other key environmental challenges, such as oil-water separator effluent. MARAD will continue efforts to engage the maritime transportation sector and other Federal agencies to solicit emerging technology priorities and project ideas through contracts, cooperative agreements and memorandums of understanding.

Why Do We Need to Fund the Program at the Requested Level?

For FY 2016, MARAD is requesting \$54.1 million for MARAD Operations and Programs, \$3.7 million above FY 2015. This total includes \$50.1 million for Headquarters Operations and \$4 million for Maritime Environment and Technology Assistance.

MARAD Headquarters Operations

For FY 2016, MARAD requests \$50.1 million for Headquarters Operations, an increase of \$2.7 million from FY 2015. This increase includes inflationary current services adjustments, new funding for program evaluations, and an adjustment for RRF support staff and overhead costs.

Funds requested for Headquarters Operations will support staffing and operations for the Environment and Compliance, Intermodal System Development, Strategic Sealift, and Business and Finance Development offices, as well as U.S. Merchant Marine Academy (USMMA) oversight and administration of State Maritime Academy support funds. Operational program support includes oversight of energy and environmental technology initiatives designed to enhance maritime sustainability and affordability; oversight and facilitation of licensing new deepwater ports off the Nation's coasts; oversight of America's Marine Highway initiative and program grant funded projects; administration of Jones Act and small vessel waivers; and oversight at MARAD's 10 gateway offices located in critical areas of the largest ports through the U.S. to provide the Agency day-to-day presence related to the marine transportation system. Funding will also support MARAD's efforts to address the growing threat of piracy through education, training and international outreach.

These funds further support the agency's legal, human resources, acquisitions, information technology, financial and management services, as well as non-discretionary operating requirements including General Service Administration (GSA) rent and the Department's working capital fund (WCF) expenses for centrally managed general administrative services.

The request also includes \$210 thousand to conduct an objective and rigorous net impact evaluation in FY 2016 of the Assistance to Small Shipyards grants program. The focus of the evaluation will be to (1) evaluate the net impact in micro- and macro-economics of the Assistance to Small Shipyards program, (2) examine other comparable Federal programs to identify methodologies or best practices in order to enhance future program decisions, and (3) identify possible alternative strategies or operating models.

Additionally, the FY 2016 request includes \$150 thousand to perform a comprehensive analysis of MARAD facilities management including its internal operating and support processes and procedures, its external interfaces with policy-making, reviewing, and supporting entities. The focus of the evaluation includes the following: (1) assess the MARAD administrative services and facilities management program's efficiency and effectiveness, as well as compliance with all applicable laws, regulations and guidance; (2) identify any proven efficient and effective actions (technology, process, procedures, etc.) of other agencies (Federal, state, or local) of comparable size and structure that can be adopted by the program office as an operating model; and (3) examine alternative and/or additional innovative strategies, either in technology, materials, process and procedures. For both evaluations, the agency seeks to utilize the evaluation results to maximize future performance outcomes for the programs.

In 2014, MARAD conducted a thorough analysis of the support staff FTE as well as overhead costs charged to RRF program to ensure these costs were appropriate with RRF level of service use. This review was conducted through a cooperative effort between both RRF and MARAD Headquarters' CFO staff and management.

Historical overhead costs for RRF of \$6.5 million were last calculated in 2008. MARAD notes that although these costs were based on a line by line analysis at that time, the historical accounting treatment in budget execution was to charge the full \$6.5 million to GSA Rent and WCF costs to streamline administrative accounting procedures. Payroll labor distribution between MARAD Operations and RRF funds was historically updated on a rolling basis; however, a comprehensive periodic analysis is necessary to ensure appropriate assignment of costs. RRF currently supports approximately 48.8 support staff FTE out of 333 total program FTE.

As result of this analysis it was determined that the MARAD Operations budget request be increased by \$1.2 million in FY 2016 to be consistent with the RRF level of service use.

Maritime Environment and Technology Assistance

MARAD request \$4 million in FY 2016, an increase of \$1 million from FY 2015, for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. The MARAD FY 2016 program will build upon ongoing and anticipated FY 2015 initiatives, focusing on areas such as reducing air pollution from vessels and port operations, invasive species control through ballast water and underwater hull husbandry, improved and diversified marine propulsion systems and increased energy efficiency at sea. Funding at the FY 2016 level will support the accomplishment of:

- Advancement of ballast water treatment technology, compliance monitoring tools, and methods for managing/mitigating hull fouling.
- Demonstration projects and testing to analyze marine air emissions reduction, alternative fuels, and energy conservation technologies/methods.
- Further work on fuel cells for use as shore power, in port related equipment, as back-up power for ports and for ship axillary power and propulsion.
- The development of requirements, codes and standards, and technologies to address ships and marine applications.

The increase in funding in FY 2016 is necessary because of the uniqueness and complexity of both the projects being conducted and the marine operating environment. Because of the specialization of the maritime sector, the size of the vessels, and environment in which vessels operate, developing new technologies, performing in-situ testing, and conducting state-of-the-art research is very costly. For example, the cost of the development and application of fuel cells and emission reduction technologies for marine vessels quickly runs into several millions of dollars to fund.

Because MARAD is one of the few Federal agencies working specifically on environmental issues for the commercial maritime sector, overall funding is limited. Even though MARAD has successfully leveraged its limited funding in the past, some projects have been postponed or stretched out over multiple funding years. For example, the additional increase in FY 2016 would allow MARAD to:

- Expand the scope for a major intermodal LNG transportation corridor study;
- Implement more shipboard testing of fuel cells.
- Commence biofuel testing for fuel cells.
- Further a feasibility study for use of alternative technology on ballast water barge.
- Complete a database for environmental regulations for US and select foreign ports.
- Upgrade and modify to ballast water testing facilities.

These projects have a direct impact on domestic and international policy decisions that the META projects support.

What benefits will be provided to the American Public through this request?

MARAD's Headquarters Operations funds the agency infrastructure and professional staff working on MARAD operating missions, support programs, and initiatives. As such, Headquarters Operations contributes to operational program effectiveness, and providing the leadership, management, and administrative infrastructure for programs advancing agency goals and initiatives supporting Economic Competitiveness, Environmental Sustainability, and Organizational Excellence.

MARAD's request for evaluation will provide recommendations to strengthen program performance results. Independent program evaluations can be key resources in determining whether agency programs are achieving their intended outcomes as effectively as possible, and at the lowest possible cost to the American public. Through independent program evaluation of operating and support programs, it will help the agency to identify program methodology and areas of improvements. In addition, the real-time data analytics resulted from program evaluation can support the agency management in decision making, and aid in future budget formulation and justification.

The META initiative supports economic, public health, and environmental benefits. Economic benefits are realized through partnering and leveraging resources as well as developing more efficient technologies and practices. Health and environmental benefits are realized by supporting efforts to reduce harmful air emissions and water releases.

Since the inception of the META initiative, MARAD has partnered with other Federal agencies in this effort. Other Federal agencies, mainly EPA, DOE and the U.S. Navy, have contributed funding or in-kind resources totaling over \$15 million. In-kind contributions and funding support via cooperative agreements with other stakeholders, in particular the maritime industry, has far exceeded \$15 million. The additional funding will enable MARAD to further leverage the collaborative partnerships.

The MARAD collaborative efforts will help the Coast Guard and ABS develop pertinent regulatory and classification codes and standards for marine applications, such as the

International Code for Low Flash Point Gas Fueled Ships (IGF), which will be adopted by the International Maritime Organization and, once ratified by the member states, will be applicable to the international maritime industry.

Marine related air emissions are the source of significant human health and environmental justice concerns in and around ports and the Nation's waterways. By FY 2030, maritime industry vessel air emission reductions are expected to reduce nitrogen oxide emissions by 80 percent and particulate matter by 85 percent, which equates to the prevention of 12,000 – 31,000 premature deaths annually. As demonstrated with landside transportation over the past 20-30 years, Federal incentives for emissions reductions not only support significant public health benefits but also provide a significant return on financial investment. Energy conservation and use of alternative renewable fuels support the sustainability of marine operations. Likewise, non-indigenous aquatic species threaten ecosystems, fisheries and industrial systems while costing hundreds of millions of dollars annually for eradication, restoration and equipment repairs. Certainty in the effectiveness of ballast water treatment technologies, air emissions reduction technologies, alternative fuels and energy efficiency measures is vital to private investment in costly and emerging technologies, as well as innovation. The potential significant benefits for human health and the environment provide unique opportunities for public-private partnerships and collaboration.

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**MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1770-0-1-403		FY 2014	FY 2015	FY 2016
		Actual	Enacted	Request
Obligations by program activity:				
0001	Grants for Capital Improvement for Small Shipyards	324	903	-
0900	Total new obligations	324	903	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance available, Oct 1	1,227	903	-
Budget authority:				
Appropriations, discretionary:				
1160	Appropriation, discretionary (total)	-	-	-
1930	Total budgetary resources available	1,227	903	-
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	903	-	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	19,206	5,656	1,426
3010	Obligations incurred, unexpired accounts	324	903	-
3020	Outlays (gross)	-13,874	-5,133	-
3050	Unpaid obligations, end of year	5,656	1,426	1,426
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	19,206	5,656	1,426
3200	Obligated balance, end of year	5,656	1,426	1,426
Budget authority and outlays, net:				
Discretionary:				
Outlays, gross:				
4011	Outlays from discretionary balances	13,874	5,133	-
4080	Outlays, net (discretionary)	13,874	5,133	-
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	13,874	5,133	-

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 2016.

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

Object Class Code	Object Class	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Direct obligations:			
1111	Full-time permanent	246	250	-
1119	Total personnel compensation	246	250	-
1121	Civilian personnel benefits	65	68	
1210	Travel	9	7	-
1252	Other services	-	579	-
1310	Equipment	4	-	-
9999	Total Obligations	324	903	-

EMPLOYMENT SUMMARY

		FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Assistance to Small Shipyards			
Direct:				
1001	Direct civilian full-time equivalent employment	2	2	-
	Total Employment	2	2	-

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS**

**FY 2007 - FY 2016
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2007		-	-
2008		-	10,000
2009	Appropriation	-	17,500
	ARRA 1/	-	100,000 1/
2010		-	15,000
2011		-	9,980 2/
2012		-	9,980
2013		-	9,458 3/
2014		-	-
2015		-	-
2016		-	

1/ This amount includes \$2 million 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.

3/ This amount reflects FY 2013 sequestration reductions.

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [~~\$4,000,000~~] \$8,000,000, to remain available until expended.

(Department of Transportation Appropriations Act, 2015.)

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-1768-0-1	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:			
0001 Ship Disposal	6,220	4,983	4,050
0002 N.S. Savannah	2,995	2,940	3,000
0900 Total new obligations	9,215	7,923	7,050
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance: Brought forward, October 1	7,328	4,257	334
1021 Recoveries of prior year unpaid obligations	1,344	-	-
1050 Unobligated balance (total)	8,672	4,257	334
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	4,800	4,000	8,000
1160 Appropriation, discretionary (total)	4,800	4,000	8,000
Total budgetary resources			
1930 available	13,472	8,257	8,334
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	4,257	334	1,284
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	4,164	2,371	1,666
3010 Obligations incurred, unexpired accounts	9,215	7,923	7,050
3020 Outlays (gross)	-9,664	-8,628	-6,000
3040 Recoveries of prior year unpaid obligations, unexpired	-1,344	-	-
3050 Unpaid obligations, end of year	2,371	1,666	2,716

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-1768-0-1	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Memorandum (non-add) entries:			
Obligated balance, start of			
3100 year	4,164	2,371	1,666
Obligated balance, end of			
3200 year	2,371	1,666	2,716
<hr/>			
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	4,800	4,000	8,000
Outlays, gross:			
Outlays from new			
4010 discretionary authority	1,217	2,000	4,000
Outlays from discretionary			
4011 balances	8,448	6,628	2,000
4020 Outlays, gross (total)	9,664	8,628	6,000
Budget authority, net			
4070 (discretionary)	4,800	4,000	8,000
4080 Outlays, net (discretionary)	9,664	8,628	6,000
4180 Budget authority, net (total)	4,800	4,000	8,000
4190 Outlays, net (total)	9,664	8,628	6,000

SHIP DISPOSAL

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 U.S. Environmental Protection Agency. In FY 2016, the Ship Disposal program requests \$8 million which includes \$5 million to support continued obsolete vessel disposal, and \$3 million for maintaining the NS Savannah in protective storage.

**MARITIME ADMINISTRATION
SHIP DISPOSAL
OBJECT CLASSIFICATION
(\$000)**

Object Class Code	Object Class	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Direct obligations:			
1111	Full-time permanent	1,297	1,376	1,395
1115	Other personnel compensation	20	21	21
1119	Total personnel compensation	1,316	1,397	1,416
1121	Civilian personnel benefits	395	419	425
1210	Travel and transportation of persons	49	44	42
1231	Rental payments to GSA	348	73	73
1233	Communications, utilities & misc. charges	121	108	103
1251	Advisory and assistance services	2,560	2,278	2,177
1253	Other goods and services from Federal Sources	100	89	85
1254	Operation and maintenance of facilities	4,313	3,503	2,718
1257	Operation and maintenance of equipment	6	5	5
1260	Supplies and materials	5	5	4
1310	Equipment	1	1	1
9999	Subtotal new obligations	9,215	7,923	7,050

EMPLOYMENT SUMMARY TABLE

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Ship Disposal			
Direct:			
1001 Direct civilian full-time equivalent employment	11	11	11
Total Employment	11	11	11

EXHIBIT III-1

SHIP DISPOSAL

Summary by Program Activity

**Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST	CHANGE FY 2015-2016
Ship Disposal	4,800	4,000	8,000	4,000
Total	4,800	4,000	8,000	4,000
FTEs				
Direct Funded	11	11	11	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2015 TO FY 2016
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2015 to FY 2016 <u>\$000</u>	Change from FY 2015 to FY 2016 <u>FTE</u>
FY 2015 Base	\$4,000	[11]
Adjustments to Base		
Annualization of 2015 Pay Raise	5	
2016 Pay Raise 1.3%	18	
Additional Compensable Day	7	
GSA Rent	26	1/
Working Capital Fund	<u>10</u>	<u>1/</u>
Subtotal, Adjustments to Base	\$66	
 New or Expanded Programs		
Ship Disposal	2,698	[0]
NS SAVANNAH	<u>1,236</u>	
Subtotal, New or Expanded Program		
Increases/ Decreases	\$3,934	[-]
 Total FY 2016 Request	\$8,000	[11]

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 NDRF vessels removed for disposal	2012	2013	2014	2015	2016
Target	12	15	15	10	8
Actual	16	17	12		
Target Achieved	√	√	x		

Cumulative number of SBRF vessels removed annually.	2012	2013	2014	2015	2016
Target	28	32	38	44	50
Actual	36	44	52		
Target Achieved	√	√	√		

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL**

**FY 2007 - FY 2016
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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 ^{1/}
2012	18,500	5,500
2013	10,000	5,212 ^{2/}
2014	2,000	4,800
2015	4,800	4,000
2016	8,000	

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

2/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

SHIP DISPOSAL PROGRAM

What is the Request and What Funds Are Currently Spent on the Program?

FY 2016 Ship Disposal Program Budget Request (\$000)

Program Activity	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Difference from FY 2015
Ship Disposal	2,000		5,000	
N.S. SAVANNAH (NSS)	2,800		3,000	
Total	\$4,800	\$4,000 ^{1/}	\$8,000	\$4,000

1/ The Consolidated and Further Continuing Appropriations Act, 2015 provides \$4 million lump sum for the Ship Disposal Program account to fund SAVANNAH and Ship Disposal recycling contracts.

For FY 2016, \$8.0 million is requested for the Ship Disposal Program, \$4.0 million above FY 2015. The request includes \$5.0 million for the Ship Disposal program to continue the Maritime Administration's (MARAD) priority emphasis on disposal of the worst condition non-retention National Defense Reserve Fleet (NDRF) vessels, and \$3.0 million to maintain the Nuclear Ship SAVANNAH (NSS), a National Historic Landmark vessel, in protective storage.

What is this Program and Why is it Necessary?

MARAD's Ship Disposal program contributes to the Department of Transportation's (DOT) goal for environmental sustainability and strategic objective for reduction of water pollution from DOT-owned transportation assets, services and facilities. This program will conduct ship disposal, primarily through dismantling/recycling, for obsolete, Federally-owned, merchant-type vessels in an environmentally responsible manner that further reduces the risk of environmental contamination while contributing to the domestic recycling industrial base. The program is comprised of two essential areas: the removal and disposal of obsolete (non-retention) ships owned by the Federal government, and the maintenance, safeguarding and management of the NSS, a National Historic Landmark. The NSS is a specific DOT facility, subject to Federal facility compliance for environmental (including radiological) and historic stewardship.

Ship Disposal

MARAD is the disposal agent for Federal government owned merchant-type vessels totaling 1,500 gross tons or greater (as required by Section 3502 of the National Heritage Act as amended) and has custody of a fleet of non-retention ships owned by the Federal government. These include obsolete merchant ships moored at NDRF sites that, while part of the NDRF, are not assigned to the Ready Reserve Force (RRF) or otherwise designated for a specific purpose. When ships are determined to be no longer useful for defense or humanitarian relief missions,

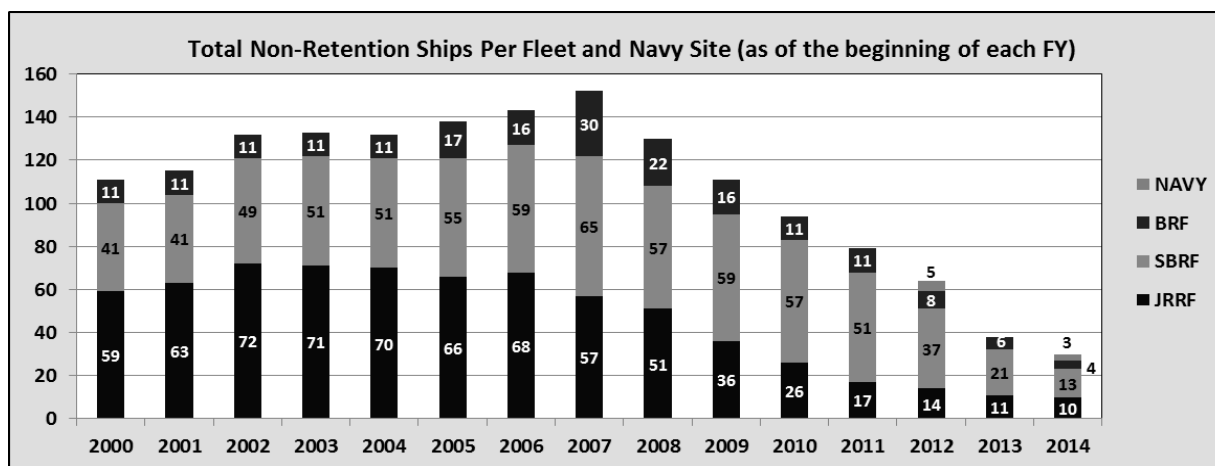
MARAD arranges for their responsible disposal, either through the sale of the vessels or the purchase of recycling services on a worst-first basis, as identified in Section 203 of the Federal Property and Administrative Services Act of 1949. Additionally, MARAD manages compliance with historic reviews and documentation requirements prior to dismantling/recycling or other disposition such as donation, artificial reefing, deep-sinking or sale for re-use. In 2011, MARAD renewed a Memorandum of Agreement with the U.S. Navy to dispose of its non-combatant auxiliary vessels. The U.S. Coast Guard and MARAD are exploring the feasibility of recycling decommissioned cutters through the Ship Disposal Program.

Surplus ships pose a risk to the surrounding environment and require proper disposal methods. This is due to the presence of onboard hazardous materials such as residual fuel, asbestos, radioactive material, solid polychlorinated biphenyls and exfoliating paint/coatings in the ships' systems or structure. Proper custodianship of MARAD's non-retention vessels requires compliance with environmental requirements to ensure measures are taken to eliminate environmental risks associated with vessel storage and arrest deterioration of obsolete vessels awaiting disposal. Environmental cleanup costs after a hazmat discharge incident are far higher than the cost of proper and timely disposal. Disposal of deteriorating obsolete ships lessens environmental risk and avoids unnecessary cleanup costs.

In addition to environmental risks, the Agency must manage the risk associated with the spread of non-indigenous aquatic species. Transferring obsolete ships from the fleet sites to different bio-geographic locations for vessel disposal through recycling or artificial reefing is a complex and costly dimension of the program.

At the close of FY 2014, MARAD had custody of an historic low number of obsolete vessels that are not yet under contract for disposal as shown on the following graph. In FY 2015 and FY 2016, that historic low number is anticipated to continue to decrease slightly as the number of vessels removed annually for disposal exceeds the number of vessels expected to be downgraded and added to the non-retention inventory.

Newly downgraded vessels that have reached the end of their useful life enter the disposal queue as non-retention vessels. It is critical that the rate of vessel removals for disposal continues to meet or exceed the rate at which the ships are added to the disposal inventory.



An annual vessel removal rate that exceeds the rate of ships entering the disposal queue has markedly decreased the number of ships awaiting disposal since 2007 as shown in the graph above. It is anticipated that approximately four to six ships per year will be downgraded to non-retention status and added to the disposal queue in FY 2015 and FY 2016. Resources must be in place to dispose of an equal number of non-retention vessels annually to prevent a reversal of the trends achieved since 2007 to minimize environmental risk.

The Ship Disposal program base budget in FY 2015 consists of costs associated with ship disposal Full Time Equivalent (FTE) salaries, contract/project monitoring costs that assure vessels are properly disposed, contractor support and administrative funds (including training and travel). Due to industry and market conditions, the base budget level only provides funding for the disposal of non-retention vessels from the James River Reserve Fleet (JRRF) and Beaumont Reserve Fleet (BRF) provided they can be sold through a competitive bid process. The base budget level of funding does not include the costs associated with the purchase of ship recycling services for vessels from any of the fleet sites that do not sell, or for the removal of any Suisun Bay Reserve Fleet (SBRF) vessels. Each SBRF vessel requires additional funding to pay for drydocking and hull cleaning prior to towing the vessels to facilities in Texas and Louisiana for recycling to prevent the introduction of invasive species. Prior year carryover funding in FY 2015 will allow for purchasing of recycling and drydock services for up to three SBRF vessels. However, significant carryover funding is not anticipated into FY 2016.

NSS

The NSS is a discrete MARAD legacy facility and project. The world's first nuclear-powered merchant ship is a retention status asset assigned to the NDRF and its activities and maintenance are actively licensed and inspected by the U.S. Nuclear Regulatory Commission (NRC). MARAD has held an operating license from the NRC (and predecessor Atomic Energy Commission) for the NSS nuclear facility since 1965. The NSS was designated a National Historic Landmark in 1991 and is the only DOT directly-owned and managed historic landmark property.

Conceived in the 1950s as part of President Eisenhower's "Atoms for Peace" program, the NSS was designed, constructed and operated as a joint research and development project of MARAD and the former Atomic Energy Commission. The joint program ended in 1965 with full title and responsibility for future actions assigned to MARAD. The NSS was in service until 1970; its nuclear fuel was removed in 1971; and operation was permanently terminated in 1973. The immediate dismantlement of the nuclear plant was considered in 1973-74, but was rejected in favor of a plan to mothball the ship and its onboard nuclear facility for a period of about 50 years with the presumption it could be dismantled at greatly reduced risk and cost. However, subsequent review and actual decommissioning experience by the U.S. Navy have shown that deferring dismantlement of the nuclear plant has actually significantly increased cost. To remain in compliance with its NRC license requirements, MARAD established and maintains a contemporary, performance-based licensee organization that provides the institutional competency to manage the regulatory compliance of the NSS. This includes the resources necessary to provide the broad spectrum of surveillance, monitoring and radiological protection programs that ensure the safety and health of the public and the environment. The primary requirement is the NRC license, which dictates a cognizant and proficient nuclear licensee

organization that is capable of protecting the health and safety of the environment and the public. MARAD will carry out the decommissioning and license termination project when it is approved and funded. In the interim, the Agency will manage the NSS nuclear facility (which includes the ship itself as the primary boundary element) in protective storage, a deferred decommissioning methodology approved by the NRC. The regulatory deadline to complete decommissioning and license termination is December 3, 2031. Indefinite deferral of decommissioning is not permitted under statute or regulation. Until such time as decommissioning and license termination are physically completed, MARAD will remain responsible for the NSS as a legacy asset.

The NSS program existing base budget consists of costs associated with the current protective storage program activities. This includes license compliance, ship husbandry and custodial care, decommissioning planning, and historic preservation consistent with the regulatory and license compliance of the NRC. This budget level is the minimum necessary to meet all NRC requirements and maintain the vessel in protective storage. No substantial savings are possible without sacrificing major elements of the licensing program, which would jeopardize NRC licensing compliance.

Why Do We Need to Fund the Program at the Requested Level?

The FY 2016 request includes \$5.0 million for the Ship Disposal program to continue MARAD's priority emphasis on disposal of the worst condition non-retention NDRF vessels, and \$3.0 million to maintain the NSS in protective storage.

Ship Disposal

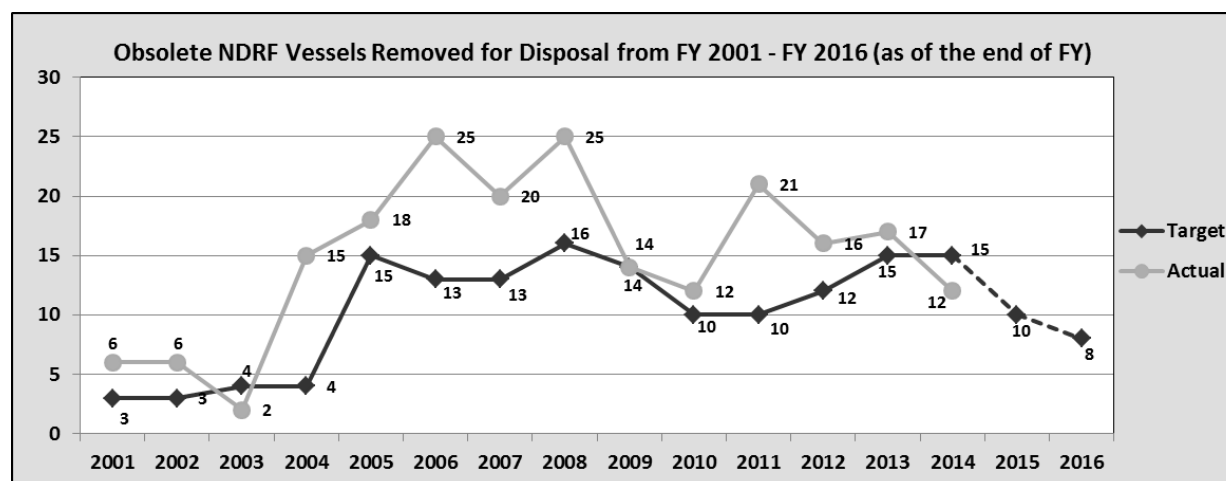
The FY 2016 request of \$5.0 million, which will allow removal of obsolete ships from the government-owned merchant vessels located in the JRRF, SBRF and BRF primarily through competitive vessel sales. The program emphasis will remain on vessels that are high priority for disposal. Additionally, MARAD anticipates the disposal of the remaining SBRF vessels through vessel sales and fund the significant cost to comply with the SBRF drydocking and hull cleaning requirements. The removal of the remaining SBRF vessels in FY 2016 will complete the requirement for the agency to remove all 57 SBRF ships identified for removal in the 2010 California court ordered settlement and consent decree.

Unlike the last several years, a significant carryover of unexpended ship disposal funds is not anticipated into FY 2016 to defray the cost of purchasing recycling services for vessels that do not sell and the cost to drydock SBRF vessels prior to recycling. Significant costs related to vessel towing and compliance with the National Invasive Species Act (NISA) and Clean Water Act (CWA) will continue to be incurred in particular for the removal of SBRF ships that require drydocking for the cleaning of marine growth from the underwater hulls. Current SBRF drydocking cost estimates are approximately \$600 thousand per ship, and that amount is included in the request for the remaining two SBRF vessels to be removed in FY 2016. The cost of environmental risk mitigation to ensure full compliance with NISA and for testing and containment requirements related to the CWA for JRRF and BRF vessels removed will be included and covered in contracts awarded through competitive sales.

For vessels that are not able to be sold for recycling as a result of scrap metal market volatility, increasing regulatory compliance, rising fuel prices or a low level of competition, the request level will cover the purchase of limited recycling services in the amount of approximately \$1 million. The variability of factors affecting ship disposal costs was evident when three ships, that did not sell, were awarded recycling contracts in FY 2014. The resulting total disposal cost to purchase recycling services for just these three SBRF vessels totaled over \$3.4 million. The request level will allow the purchase of limited recycling services and provide limited program flexibility in the event of volatile scrap steel prices and increasing costs related to towing (fuel costs) and compliance with Federal and local environmental regulations.

MARAD also maintains an agreement with the U.S. Navy to recycle decommissioned, non-combatant vessels that will be held in Navy inactive ship maintenance facilities until removed for recycling. Supported by industry projections on the price of scrap steel, it is anticipated that disposal costs overall will remain at FY 2014 levels through FY 2015 and FY 2016. However, the level of competition and available capacity will decrease significantly as a result of the U.S. Navy award of recycling contracts for three of their aircraft carriers in FY 2014 and FY 2015, which have a two year period of performance and, as such, are expected to increase MARAD's cost to dispose of ships in FY 2016. In comparison, a single aircraft carrier is equivalent to the tonnage of approximately 8 to 10 average size MARAD non-retention vessels.

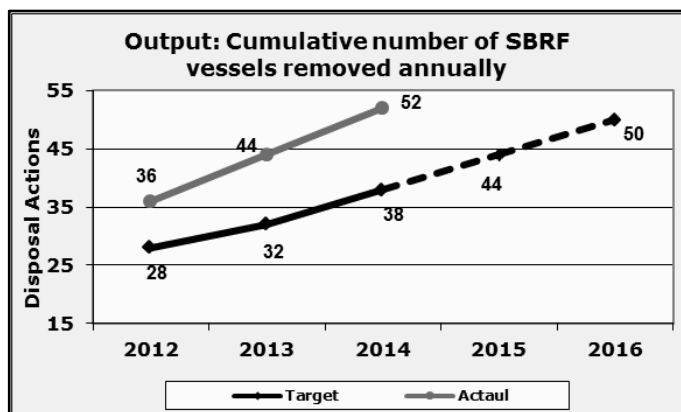
MARAD manages the Ship Disposal Program in concert with several performance measures, including annual targets for vessel removals. The accompanying graph includes actual program output and targets for obsolete NDRF vessel removals from FY 2001 through FY 2016. Since FY 2001, MARAD has exceeded the ship removal target by an average of 4.4 vessels per year over the 14 year period, with the exception of FY 2003 and FY 2014. In FY 2014 the Agency did not make the target of 15 vessels removed owing to a decrease in domestic recycling capacity available to MARAD, and a decrease in competition for MARAD recycling contracts, and the length of recycling acquisition cycles. Funding at the request level will allow removal for disposal of approximately 8 additional vessels in FY 2016.



From a macro level, the total number of MARAD obsolete ships awaiting disposal in FY 2015 not yet under contract is at a historic low. Additionally, the annual rate of vessel removals has outpaced the average number of vessels added to the disposal queue for the last 10 years, and all

non-retention ships designated as a high disposal priority have been removed from MARAD's three fleet sites. MARAD's targets for removal of eight vessels from the NDRF in FY 2016 is conditional upon the competitive sale of the majority of those ships including the removal of the last two SBRF ships identified in the consent decree. The reduction of the FY 2016 target of vessels removed relative to the higher FY 2015 target is due primarily to the significant decrease in the number of obsolete vessels awaiting disposal and the low number of vessels being downgraded annually to non-retention status. However, the loss of available recycling industrial capacity and competition resulting from the Navy's award of three aircraft carriers for disposal in FY 2014 and FY 2015, along with the two additional aircraft carrier awards in FY 2015 and FY 2016 to qualified recycling facilities used by MARAD has significantly influenced the reduced performance targets.

The graph shows the target and actual figures for the removal of Suisun Bay obsolete ships as annual cumulative totals. The targets reflect the requirements of the consent decree, which have been exceeded each year since FY 2010. MARAD plans to remove three SBRF ships in FY 2015. With funding at the requested amount in FY 2016, it is anticipated MARAD will be able to remove the final two SBRF vessels, thereby completing the court ordered requirement to remove all 57 SBRF ships well before required completion by the end of FY 2017.



Significant fluctuations in 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 2015 and FY 2016. It is anticipated that all ship disposals will continue to follow the best practices of domestic dismantling and recycling facilities. There are currently no pending artificial reefing requests, deep-sinking exercises (Navy), donations or sales of vessels for re-use.

NSS

The FY 2016 request includes \$3 million for the NSS, and provides the resources necessary to maintain the vessel in protective storage and carry out MARAD's basic NRC licensed activities. This includes, but may not be limited to, layberth services, NRC license technical services, radiological protection, facility management and maintenance. Funding to maintain protective storage and manage basic license activities of the NSS is necessary regardless of whether the vessel is going through decommissioning. As a legacy project, there are no quantifiable contemporary performance measures for the NSS. Instead, MARAD's license management performance is measured on a qualitative basis as indicated by the results of inspections and oversight by the NRC. MARAD's most recent NRC inspection resulted in no findings of safety significance.

What benefits will be provided to the American Public through this request?

Consistent annual funding for the Ship Disposal program is the most effective strategy to sustain program performance during unpredictable market fluctuations for scrap steel, fuel and periods of limited industrial capacity, all of which has a significant effect on the cost of obsolete vessel disposal. Funding at the requested level will ensure the continued removal of non-retention vessels at an annual rate that is equal to or greater than the number of obsolete ships designated for disposal. Maintaining a consistent rate of obsolete ship removal is necessary to reduce reserve fleet operating costs, mitigate environmental risks common with aging ships and ensure that a costly backlog of obsolete ships does not accumulate at MARAD's fleet sites.

Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding harm to the environment, but also in terms of program efficiency. Environmental cleanup costs after a hazard material discharge incident are often far higher than the cost of proper and timely disposal. Proper custodianship of these vessels ensures that measures are taken to eliminate environmental risks associated with vessel storage and arrest deterioration for those obsolete vessels awaiting disposal.

Other tangible benefits include the continued sale of vessels for recycling that returns sales proceeds to MARAD which are then used to fund the maintenance, repair and improvement of vessels in the NDRF; the preservation and presentation of maritime heritage property through the National Maritime Heritage Grants Program; and, expenses incurred by the United States Merchant Marine Academy and six state maritime academies.

The NSS exists as a legacy facility, and must be managed and maintained in conformance with specific requirements. The primary requirement is the NRC license which, until terminated, dictates a cognizant and proficient nuclear licensee organization that is capable of protecting the health and safety of the environment and the public through protective storage. The regulatory deadline to complete decommissioning and license termination is December 3, 2031.

Funding will allow MARAD to remain in compliance with its NRC license requirements and maintain a contemporary, performance-based licensee organization that provides the institutional competency to manage and maintain the NSS and to carry out the decommissioning and license termination project when funded. Funding will also provide the resources necessary to accomplish the broad spectrum of surveillance, monitoring and radiological protection programs that ensure the safety and health of the public and the environment.

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, [\$186,000,000,]\$211,000,000, to remain available until expended[.], *of which \$25,000,000 is to support retention of merchant mariners in the United States merchant marine: Provided, That these funds shall only be available to the extent that any fiscal year 2016 legislation is enacted that permits at least 25 percent of funds appropriated for Title II of the Food For Peace Act (P.L. 83–480), as amended, to be used for monetary awards for emergency programs: Provided further, That at least \$1,000,000 of these funds shall be used to support training programs to retain and advance U.S. citizen mariners for critical positions as determined by the Secretary of Transportation in consultation with the Commandant of the Coast Guard: Provided further, That up to \$24,000,000 of the remaining funds shall be used for other support to mariners, such as providing payments to operators of vessels and foreign trade separate from Maritime Security Program payments, on such terms and conditions as the Secretary of Transportation may determine in consultation with the Secretary of Defense: Provided further, That the use of up to \$24,000,000 for other support to mariners, such as providing payments to vessel operators separate from Maritime Security Program payments, shall be implemented through regulations promulgated by the Secretary of Transportation in consultation with the Secretary of Defense.*
(Department of Transportation Appropriations Act, 2015.)

**MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
PROGRAM AND FINANCING**

(In thousands of dollars)

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Identification code 69-1711-0-1-054			
Obligations by program activity:			
0001 Maritime Security Program	185,952	186,153	186,000
0002 Food Aid Carrier Mariner Support	-	-	25,000
0900 Total new obligations (object class 41.0)	185,952	186,153	211,000
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	-	153	-
1021 Recoveries of prior year unpaid obligations	105	-	-
1050 Unobligated balance (total)	105	153	-
Budget authority:			
Appropriations, discretionary			
1100 Appropriation	186,000	186,000	211,000
1160 Appropriation, discretionary (total)	186,000	186,000	211,000
1930 Total budgetary resources available	186,105	186,153	211,000
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	153	-	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	599	17,285	13,020
3010 Obligations incurred, unexpired accounts	185,952	186,153	211,000
3020 Outlays (gross)	-169,160	-190,418	-209,250
3040 Recoveries of prior year unpaid obligations, unexpired	-105	-	-
3050 Unpaid obligations, end of year	17,285	13,020	14,770
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	599	17,285	13,020
3200 Obligated balance, end of year	17,285	13,020	14,770
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	186,000	186,000	211,000
Outlays, gross:			
4010 Outlays from new discretionary authority	169,160	172,980	196,230
4011 Outlays from discretionary balances	-	17,438	13,020
4020 Outlays gross, (total)	169,160	190,418	209,250
4070 Budget authority, net (discretionary)	186,000	186,000	211,000
4080 Outlays, net (discretionary)	169,160	190,418	209,250
4180 Budget authority, net (total)	186,000	186,000	211,000
4190 Outlays, net (total)	169,160	190,418	209,250

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 2016 Budget proposes international food aid reform that would increase flexibility within P.L. 480 Title II emergency programs, which could, over time, reduce overall volumes of agricultural commodities available for transport on U.S.-flag vessels. Therefore, the Budget requests an additional \$25 million, as a component of this reform, for support to mariners and vessel operators in foreign trade and to accelerate the training and credentialing of mariners in occupations deemed critical to sustain a balanced and capable U.S. citizen merchant marine.

**MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
OBJECT CLASSIFICATION
(\$000)**

Object				
Class		FY 2014	FY 2015	FY 2016
<u>Code</u>	<u>Object Class</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
	Direct obligations:			
1410	Grants, subsidies and contributions	185,952	186,153	211,000
9999	Total, New Obligations	185,952	186,153	211,000

EXHIBIT III-1

MARITIME SECURITY PROGRAM
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

	<u>FY 2014</u> <u>ACTUAL</u>	<u>FY 2015</u> <u>ENACTED</u>	<u>FY 2016</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2015-2016</u>
Maritime Security Program	<u>186,000</u>	<u>186,000</u>	<u>211,000</u>	<u>25,000</u>
Total	<u>186,000</u>	<u>186,000</u>	<u>211,000</u>	<u>25,000</u>
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2015 TO FY 2016
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2015 to FY 2016 <u>\$000</u>	Change from FY 2015 to FY 2016 <u>FTE</u>
FY 2015 Base	\$186,000	[-]
Adjustments to Base	<u>0</u>	
Subtotal, Adjustments to Base	\$0	
 New or Expanded Programs		
Food Aid Reform	<u>25,000</u>	[-]
Subtotal, New or Expanded Program		
Increases/ Decreases	\$25,000	[-]
 Total FY 2016 Request	\$211,000	[-]

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	2012	2013	2014	2015	2016
Target	2.6	2.6	3.0	2.9	2.9
Actual	3.0	3.0	3.0		
Target Achieved	√	√	√		

(r) Our FY 2014 and FY 2015 targets are revised to reflect anticipated vessel capacity.

Ship capacity for container ships enrolled in MSP meeting DoD requirements (in thousands)	2012	2013	2014	2015	2016
Target	110.0	110.0	126.0	120.0	120.0
Actual	119.0	126.0	126.0		
Target Achieved	√	√	√		

(r) Our FY 2014 and FY 2015 targets are revised to reflect anticipated vessel capacity.

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM**

**FY 2007 - FY 2016
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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 ^{1/}
2012	174,000	174,000
2013	184,000	160,289 ^{2/}
2014	208,000	186,000
2015	211,000	186,000
2016	211,000	

1/ Includes 0.2% across the board rescision of \$348K as per P.L.112-55.

2/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

MARITIME SECURITY PROGRAM

What is the Request and What Funds Are Currently Spent on the Program?

FY 2016 Maritime Security Program Budget Request (\$000)

Program Activity	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Difference from FY 2015
Maritime Security Program	186,000	186,000	186,000	0
Food Aid Reform	0	0	25,000	25,000
Total	\$186,000	\$186,000	\$211,000	\$25,000

For FY 2016, a total of \$211 million is requested for the Maritime Security Program (MSP) account, \$25 million above the FY 2015 enacted level.

Within the total, \$186 million is included for the base MSP program at the full authorized level of 60 vessels, each funded at \$3.1 million. This funding is essential to maintain 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.

Additionally, \$25 million is requested for additional direct support payments as part of proposed reforms to P.L. 480 Title II food aid. These funds, if the reforms are enacted, will provide a transition year in FY 2016 to establish a multi-year program. This funding will mitigate some of the potential impact to mariner jobs and certain vessels in order to provide more flexibility in emergency food assistance to reach two million more people without additional food aid funding. Most P.L. 480 Title II food aid would still use U.S. commodities, at least half of which will be transported on U.S. flag ships; however, flexibility in Title II emergency response may affect the volume of food assistance commodities purchased in the United States. This new initiative will seek to preserve mariner employment on U.S. flag vessels and encourage retention of U.S. mariners and vessels, separate from the MSP. This funding is also essential to ensuring sufficient mariners are available to meet both the economic and national security needs of the nation. At least \$1 million of the funds will be used to support training programs to retain and advance U.S. citizen mariners for critical occupations. Up to \$24 million of the remaining funds will be used to provide direct stipend payments to operators of vessels in foreign trade, separate from MSP payments.

What is this Program and Why is it Necessary?

The MSP provides the Department of Defense (DoD) with assured access to privately-owned and operated U.S. flag ships and intermodal facilities, while sustaining a base of U.S. Merchant Mariners to support national security requirements during armed conflict or national emergency. The MSP acknowledges the importance of a strong partnership with the commercial maritime industry to maintain an international presence in foreign commerce. The Maritime Security Act of 2003 authorizes up to 60 ships for MSP through FY 2015. The National Defense Authorization Act of 2013 (H.R. 4310) extends the MSP from FY 2016 through FY 2025. Supporting staff salaries and benefits are funded by MARAD's Operations and Training account.

Program accomplishments anticipated in FY 2016 include activities to monitor the agreements with the ship owners to retain the ships enrolled in the program. In addition, MARAD will approve changes in MSP contracts that maintain or 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 militarily useful and commercially viable.

The MSP is necessary in order to ensure 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 support. These actions would have resulted in DoD relying on more open-flag registry vessels with foreign crews. The program also ensures that the global 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, the Voluntary Intermodal Sealift Agreement program for dry cargo vessels and the Voluntary Tanker Agreement program for liquid tanker vessels.

If P.L. 480 Title II food aid reform is enacted, the \$25 million will support training programs for U.S. citizen mariners for critical occupations and provide direct stipend payments to operators of vessels in foreign trade, separate from the MSP. These payments will increase the number of U.S. flag vessels and create additional jobs for actively sailing mariners. The increase in jobs will help ensure adequate mariners are readily available to support crewing of the government surge sealift vessels in the RRF when activated.

Why Do We Need to Fund the Program at the Requested Level?

Maritime Security Program

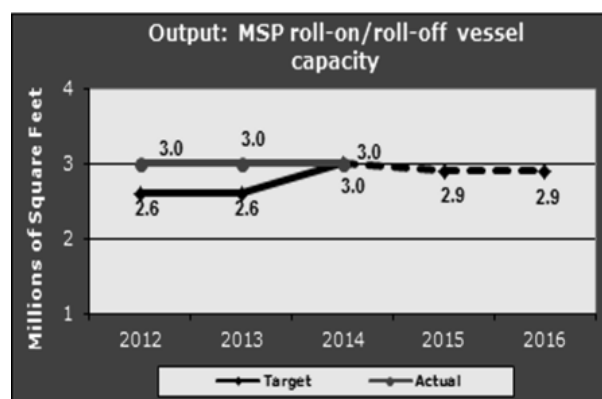
The FY 2016 MSP request of \$186 million will support the full authorization level for the MSP, 46 U.S.C. 53106, which provides for the authorized annual level of \$3.1 million for each of the 60 vessels enrolled in FY 2012 through FY 2018. The authorized annual level for each vessel increases in FY 2019 through FY 2021 to \$3.5 million and in FY 2022 through FY 2025 to \$3.7 million.

The emphasis of the MSP is to provide sustainment sealift capacity to the U.S. Armed Forces in the event of armed conflict or national emergency which requires humanitarian assistance and disaster response. It is important to note that MSP ships continue to carry the bulk of military supplies and equipment moving into and out of Afghanistan in support of U.S. troops. The MSP carriers are a critical part of drawdown plans for the U.S. military regarding Operation ENDURING FREEDOM. The MSP also supports the U.S. Secretary of Transportation's priority for safety and national security of the American public. The MSP ensures that the United States has a fleet of U.S. flag vessels controlled by U.S. citizens designed to provide critical sealift and intermodal support to the U.S. military in time of crisis. These MSP vessels are the backbone of the sealift capability needed by military forces to deliver the necessary supplies and equipment needed to support, protect and defend the nation when called upon.

An impact evaluation¹ was conducted in FY 2009 to determine the program's effectiveness and its impact on the U.S. flag presence in international commerce, U.S. flag ocean-going ships, crew members and military usefulness. The project team determined 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 ocean-going 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 2,400 U.S. Merchant Mariners. A reduction in the authorized level of funding would result in a reduction in the fleet and lead to a loss of employment for U.S. mariners and a reduction in the number of U.S. mariners available to crew government surge sealift vessels when activated.

Beginning with FY 2014, MARAD revised the MSP targets for roll-on/roll-off vessel capacity and container ship capacity to reflect anticipated vessel capacity. For FY 2016, we anticipate meeting the target of 2.9 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.



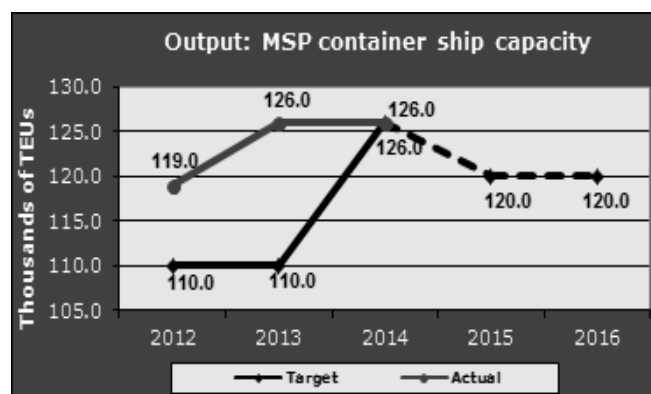
¹ Econometrica Inc., Maritime Security Program Impact Evaluation, July 2009.

With the full authorized 60 vessels enrolled and operating in the MSP, MARAD anticipates meeting the target of 126,000 containership 20-foot equivalent units (TEUs) by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels.

Additionally, MARAD currently manages programs to retain and advance U.S. citizen mariners for critical positions such as the electrician apprentice program which MARAD, labor and industry all agree has been hugely successful.

Food Aid Reform

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.



What benefits will be provided to the American Public through this request?

Vessels enrolled in the MSP benefit the American public by providing a United States presence in international commerce and also support to DoD in time of war or national emergency. The MSP meets MARAD's core mission to improve, strengthen and promote the U.S. marine transportation system to meet the economic, environmental and security needs of the Nation.

By ensuring the continued availability of the MSP fleet, the Nation is assured that a core fleet of U.S. flag vessels will be available to support national security, economic and homeland security and humanitarian needs in the event of natural disaster. In addition, the MSP fleet provides employment for skilled U.S. mariners and other maritime workers each year to meet the Nation's needs to crew government owned reserve sealift vessels when activated.

**MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1710-0-1-054	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:			
0801 Ready Reserve Force (Reimbursable)	395,252	375,526	356,714
0900 Total new obligations	395,252	375,526	356,714
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	24,545	24,937	20,606
1021 Recoveries of prior year unpaid obligations	27,798	-	-
1050 Unobligated balance (total)	52,343	24,937	20,606
Budget authority:			
Spending authority from offsetting collections, disc.			
1700 Collected	341,553	371,195	356,714
1701 Change in uncollected payments, Federal sources	30,176	-	-
1750 Spending auth from offsetting collections, disc - (total)	371,729	371,195	356,714
1930 Total budgetary resources available	424,072	396,132	377,320
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-3,883	-	-
1941 Unexpired unobligated balance, end of year	24,937	20,606	20,606
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	183,680	156,113	48,951
3010 Obligations incurred, unexpired accounts	395,252	375,526	356,714
3011 Obligations incurred, expired accounts	162	-	-
3020 Outlays (gross)	-388,437	-482,688	-358,162
3040 Recoveries of prior year unpaid obligations, unexpired	-27,798	-	-
3041 Recoveries of prior year unpaid obligations, expired	-6,746	-	-
3050 Unpaid obligations, end of year	156,113	48,951	47,503
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-59,508	-63,610	-63,610
3070 Change in uncollected pymts, Fed sources, unexpired	-30,176	-	-
3071 Change in uncollected pymts, Fed sources, expired	26,074	-	-
3090 Uncollected pymts, Fed sources, end of year	-63,610	-63,610	-63,610
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	124,172	92,503	-14,659
3200 Obligated balance, end of year	92,503	-14,659	-16,107

**MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1710-0-1-054	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	371,729	371,195	356,714
Outlays, gross:			
4010 Outlays from new discretionary authority	257,999	334,076	321,043
4011 Outlays from discretionary balances	130,438	148,613	37,120
4020 Outlays, gross (total)	388,437	482,688	358,162
 Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-360,971	-371,195	-356,714
4033 Non-Federal sources	-5	-	-
4040 Offsets against gross budget authority and outlays (total)	-360,976	-371,195	-356,714
 Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-30,176	-	-
4052 Offsetting collections credited to expired accounts	19,422	-	-
4060 Additional offsets against budget authority only (total)	-10,754	-	-
 4070 Budget authority, net (discretionary)	-	-	-
 4080 Outlays, net (discretionary)	27,461	111,493	1,448
 4180 Budget authority, net (total)	-	-	-
 4190 Outlays, net (total)	27,461	111,493	1,448

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- REIMBURSABLE**

Object Class Code	Object Class	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
	Reimbursable obligations:			
2111	Full-time permanent	25,923	26,182	26,968
2115	Other personnel compensation	1,571	1,587	1,635
2119	Total personnel compensation	27,494	27,769	28,602
2121	Civilian personnel benefits	8,842	8,930	9,198
2210	Travel and transportation of persons	839	738	738
2220	Transportation of things	10	10	9
2231	Rental payments to GSA	1,506	2,486	1,989
2232	Rental payments to others	16,073	15,528	14,553
2233	Communications, utilities, and miscellaneous charges	8,271	7,885	7,735
2240	Printing	230	217	204
2251	Advisory and assistance services	1,969	1,853	1,746
2252	Other services from non-Federal sources	738	695	654
2253	Other goods and services from non-Federal sources	7,516	7,074	6,965
2254	Operation and maintenance of facilities	280,808	263,794	247,704
2257	Operation and maintenance of equipment	4,975	4,683	4,512
2263	Supplies and materials	34,218	32,206	30,543
2310	Equipment	1,761	1,658	1,562
9999	Total new obligations	395,252	375,526	356,714

**MARITIME ADMINISTRATION
READY RESERVE FORCE
EMPLOYMENT SUMMARY**

Ready Reserve Force		FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Direct:				
Reimbursable:				
2001	Civilian full-time equivalent employment	326	333	326
Total Employment		326	333	326

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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 2014 Actual	FY 2015 Enacted	FY 2016 Request
Budget authority and outlays, net:				
4000	Budget authority, gross	5,975	20,000	20,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	5,822	18,000	18,000
4011	Outlays from discretionary balances	13,667	22,000	5,000
4020	Outlays, gross (total)	19,489	40,000	23,000
Offsets against gross budget authority and outlays:				
4030	Federal sources	-2,189	-	-
4033	Non-Federal sources	-9,531	-20,000	-20,000
4040	Offsets against gross budget authority and outlays (total)	-11,720	-20,000	-20,000
Additional offsets against gross budget authority only:				
Change in uncollected pymts, Fed sources, unexpired				
4050		5,745	-	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	7,769	20,000	3,000
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	7,769	20,000	3,000
5090	Unexpired unavailable balance, SOY: Offsetting collections	912,999	912,999	912,999
5092	Unexpired unavailable balance, SOY: Offsetting collections	912,999	912,999	912,999

VESSEL OPERATIONS 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**

Object Class Code	Object Class	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Reimbursable obligations:			
2210	Travel and transportation of persons	7	-	-
2220	Transportation of things	-	-	-
2231	Rental payments to GSA	-	-	-
2232	Rental payments to others	-	-	-
2233	Communications, utilities, and miscellaneous charges	-	-	-
2251	Advisory and assistance services	72	126	92
2252	Other services from non-Federal sources	2,026	3,532	2,579
2253	Other goods and services from non- Federal sources	2,157	5,503	4,018
2254	Operation and maintenance of facilities	4,197	12,560	9,170
2257	Operation and maintenance of equipment	937	-	-
2260	Supplies and materials	22	38	28
2310	Equipment	1,516	2,359	1,723
2320	Land and structures	3,656	621	453
2410	Grants	5,600	10,461	7,637
9999	Total new obligations	20,190	35,200	25,700

**MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING**

(In thousands of dollars)

Indentification code 69-70-4303-0-1-403		FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:				
0801	Vessel operations	20,190	35,200	25,700
0900	Total new obligations	20,190	35,200	25,700
Budgetary Resources:				
1000	Unobligated balance brought forward, Oct 1	73,553	60,098	44,898
1021	Recoveries of prior year unpaid obligations	760	-	-
1050	Unobligated balance (total)	74,313	60,098	44,898
Budgetary authority:				
Spending authority from offsetting collections,				
1700	Collected	11,720	20,000	20,000
1701	Change in uncollected payments, Federal sources	-5,745	-	-
1725				
Spending auth from offsetting collections precluded		250	-	-
from obligation (limitation on obligations)		-	-	-
1750	Spending auth from offsetting collections, disc (total)	5,975	20,000	20,000
1930	Total budgetary resources available	80,288	80,098	64,898
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	60,098	44,898	39,198
Change in obligated balance:				
3000	Unpaid obligations, brought forward, Oct 1	9,489	9,429	4,629
3010	Obligations incurred, unexpired accounts	20,190	35,200	25,700
3020	Outlays (gross)	-19,489	-40,000	-23,000
Recoveries of prior year unpaid obligations,				
3040	unexpired	-760	-	-
3050	Unpaid obligations, end of year	9,429	4,629	7,329
Uncollected payments:				
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-12,174	-6,429	-6,429
3070	Change in uncollected pymts, Fed sources, unexpired	5,745	-	-
3090	Uncollected pymts, Fed sources, end of year	-6,429	-6,429	-6,429
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	-2,686	3,000	-1,800
3200	Obligated balance, end of year	3,000	-1,800	900

**MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-4302-0-3-403		FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:				
0001	General Administration	100	-	-
0900	Total new obligations (object class 25.1)	100	-	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	47,629	47,709	47,909
Budget authority:				
Appropriations, discretionary:				
1700	Collected	180	200	200
1750	Spending auth from offsetting collections, disc (total)	180	200	200
1930	Total budgetary resources available	47,809	47,909	48,109
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	47,709	47,909	48,109
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	50	100	-
3010	Obligations incurred, unexpired accounts	100	-	-
3020	Outlays (gross)	-50	-100	-
3050	Unpaid obligations, end of year (gross)	100	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	50	100	-
3200	Obligated balance, end of year (net)	100	-	-
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	180	200	200
4010	Outlays from new discretionary authority	-	-	-
4011	Outlays from discretionary balances	50	-	-
4020	Outlays, gross (total)	50	-	-
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources			
4031	Disc: Offsets, BA and OL: collect, Int, Fed secur	-180	-200	-200
4040	Outlays, net (total)	-180	-200	-200

**MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-4302-0-3-403	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Additional offsets against gross budget authority only:			
4080 Outlays, net (discretionary)	-130	-200	-200
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-130	-200	-200
Memorandum (non-add_ entries:			
5000 Total Investments, SOY: Federal securities:			
Par value	42,660	42,637	42,637
5001 Total Investments, EOY: Federal securities:			
Par value	42,637	43,100	43,100

WAR RISK INSURANCE 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 stand by program.

**MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
OBJECT CLASSIFICATION
(\$000)**

Object		FY 2014	FY 2015	FY 2016
Class		<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
<u>Code</u>	<u>Object Class</u>			
	Direct obligations:			
1251	Advisory and assistance services	100	-	-
9999	Total, new obligations	100	-	-

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

(INCLUDING TRANSFER OF FUNDS)

For necessary administrative expenses of the maritime guaranteed loan program, [\$3,100,000] \$3,135,000 shall be paid to the appropriations for "Maritime Administration-Operations and Training".

(Department of Transportation Appropriations Act, 2015.)

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

(In thousands of dollars)

Identification code 69-1752-0-1-403	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Obligations by program activity:			
0702 Loan guarantee subsidy	30,288	42,086	-
0707 Reestimates of loan guarantee subsidy	28,736	2,188	-
0708 Interest on reestimates of loan guarantee subsidy	4,621	151	-
0709 Administrative Expenses	3,500	3,100	3,135
0900 Total new obligations	67,145	47,525	3,135
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	38,082	42,795	709
Discretionary unobligated balance brought fwd,			
1001 Oct 1	38,082	42,795	
Budget authority:			
Appropriations, discretionary			
1100 Appropriation	35,000	-	-
1100 Appropriation	3,500	3,100	3,135
1160 Appropriation, discretionary (total)	38,500	3,100	3,135
Appropriations, mandatory:			
1200 Appropriation	33,357	2,339	-
1260 Appropriations, mandatory (total)	33,357	2,339	-
1900 Budget authority (total)	71,857	5,439	3,135
1930 Total budgetary resources available	109,939	48,234	3,844
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	42,795	709	709
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	-	30,288	
3010 Obligations incurred: unexpired accounts	67,145	47,525	-
3020 Outlays (gross)	-36,857	-77,813	-
3050 Unpaid obligations, end of year	30,288	-	-
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	-	30,288	-
3200 Obligated balance, end of year	30,288	-	-

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

(In thousands of dollars)

Identification code 69-1752-0-1-403	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	38,500	3,100	3,135
Outlays, gross:			
4010 Outlays from new discretionary authority	3,500	3,100	3,135
4011 Outlays from discretionary balances	0	72,374	-
4020 Outlays gross, (total)	3,500	75,474	3,135
4070 Budget authority, net (discretionary)	38,500	3,100	3,135
4080 Outlays, net (discretionary)	3,500	75,474	3,135
Mandatory:			
4090 Budget authority, gross	33,357	2,339	-
Outlays, gross:			
4100 Outlays from new mandatory authority	33,357	2,339	-
4160 Budget authority, net (mandatory)	33,357	2,339	-
4170 Outlays, net (mandatory)	33,357	2,339	-
4180 Budget authority, net (total)	71,857	5,439	3,135
4190 Outlays, net (total)	36,857	77,813	3,135

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING ACCOUNT

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, then 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 \$1.6 billion in loan guarantees and 38 guarantee contracts.

MARITIME ADMINISTRATION
MARITIME GUARANTEED LOAN PROGRAM
OBJECT CLASSIFICATION
(\$000)

Object Class Code	Object Class	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
1252	Other services	3,500	3,100	3,135
1410	Grants, subsidies, and contributions	63,645	44,425	-
9999	Total New Obligations	67,145	47,525	3,135

EXHIBIT III-1

MARITIME GUARANTEED LOAN PROGRAM Summary by Program Activity Appropriations, Obligation Limitations, and Exempt Obligations (\$000)

	<u>FY 2014 ACTUAL</u>	<u>FY 2015 ENACTED</u>	<u>FY 2016 REQUEST</u>	<u>CHANGE FY 2015-2016</u>
Maritime Guaranteed Loan Program	<u>38,500</u>	<u>3,100</u>	<u>3,135</u>	<u>35</u>
Total	38,500	3,100	3,135	35
FTEs				
Direct Funded 1/	[15]	[15]	[15]	-
Reimbursable, allocated, c	-	-	-	-

EXHIBIT III -1a

**MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2015 TO FY 2016
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2015 to FY 2016 <u>\$000</u>	Change from FY 2015 to FY 2016 <u>FTE</u>
FY 2015 Base	\$3,100	[15]
Adjustments to Base		
Annualization of 2015 Pay Raise 1%	6	
2016 Pay Raise 1.3%	23	
Additional Compensable Day	9	
GSA Rent	36	
Working Capital Fund	14	
Inflation	2	
Subtotal, Adjustments to Base	\$90	
New or Expanded Programs		
Operating Expenses	-55	
Subtotal, New or Expanded Program Increases/ Decreases	-\$55	[-]
Total FY 2016 Request	\$3,135	[15]

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	2012	2013	2014	2015	2016
Target	90.00	90.25	90.50	90.75	91.00
Actual	90.00	90.40	90.88		
Target Achieved	√	√	√		

Percentage of financial reviews documented w/in 30 days of receipt of financial reports	2012	2013	2014	2015	2016
Target	95	100	100	100	100
Actual	100	100	100		
Target Achieved	√	√	√		

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM**

**FY 2007 - FY 2016
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
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	- 1/	3,408
	Rescission of Unobligated Balance	-	-
	TOTAL		8,408
2009	Guarantee Subsidy	-	-
	DOD Transfer		48,000
	Administration	3,531	3,531
	Rescission of Unobligated Balance	-	-
	TOTAL	3,531	51,531
2010	Guarantee Subsidy	-	5,000
	DOD Transfer		29,912
	Administration	3,630	4,000
	Rescission of Unobligated Balance	-	-
	TOTAL	3,630	38,912
2011	Guarantee Subsidy	-	4,990 2/
	DOD Transfer		40,000
	Administration	3,688	3,992 2/
	Rescission of Unobligated Balance	-	-
	TOTAL	3,688	48,982

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM**

**FY 2007 - FY 2016
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2012	Guarantee Subsidy	-	-
	Administration	3,740	3,740
	Rescission of FY 2009/2010 Unobligated	-	-35,000 3/
	TOTAL	3,740	-31,260
2013	Guarantee Subsidy	-	-
	Administration	3,750	3,544 4/
	Rescission of Unobligated Balance	-	-
	TOTAL	3,750	3,544
2014	Guarantee Subsidy	-	35,000
	Administration	2,655	3,500
	TOTAL	2,655	38,500
2015	Guarantee Subsidy	-	-
	Administration	3,100	3,100
	TOTAL	3,100	3,100
2016	Guarantee Subsidy	-	-
	Administration	3,135	-
	TOTAL	3,135	-

Footnotes (Actual Dollars - not in thousands):

1/ 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.

2/ Includes 0.2% across the board rescission of \$8K as per P.L.112-55.

3/ Includes \$35 million rescinded in P.L.112-55 against FY 2009 and FY 2010 balances.

4/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

What is the Request and What Funds Are Currently Spent on the Program?

FY 2016 Maritime Guaranteed Loan Program (Title XI) Budget Request (\$000)

Program Activity	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Difference from FY 2015
Administrative Expenses	3,500	3,100	3,135	35
Loan Guarantees	35,000	0	0	0
Total	\$38,500	\$3,100	\$3,135	\$35

For FY 2016, \$3.1 million is requested for the Maritime Guaranteed Loan Program (Title XI). This request will support administrative expenses consistent with FY 2015 to provide staff salaries and expenses needed for review of pending loan guarantee applications and to manage the current \$1.6 billion loan portfolio in compliance with Federal Credit Reform Act requirements.

What is this Program and Why is it Necessary?

The primary purpose of the Maritime Guaranteed Loan program is to promote the growth and modernization of the U.S. Merchant Marine and U.S. shipyards by providing additional opportunities for vessel construction and modernization to include repowering. New modern vessels improve safety as the U.S. flag fleet is recapitalized, new tonnage is added, and the shipyards benefit by improving efficiency with each new built vessel. The program enables owners of eligible vessels and shipyards to obtain long-term financing with attractive terms and stable interest rates.

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, oceanographic research vessels, floating power barges, floating oil rigs and support vessels, and floating drydocks. Supported efforts include the purchase and installation of new technologies that reduce the impact of ship operations on the environment. These new technology purchases support engines that produce less pollution and alternative fuel propulsion systems such as natural gas, biofuel technologies, scrubbers, ballast water treatment technologies, and technologies designed to reduce the impact of vessel discharges.

MARAD has executed 110 loan guarantee contracts since credit reform in 1993, totaling \$6.7 billion in loan guarantees. The program loan portfolio reached a high of \$4 billion in 2002. The program currently has \$1.6 billion in outstanding loan guarantees and 38 individual loan guarantee contracts.

MARAD issued one letter of commitment for an approved loan guarantee application in FY 2014. As a result, MARAD currently has \$42.8 million in available loan subsidy funds sufficient to support approximately \$428 million in Title XI loan guarantees. MARAD anticipates approving three additional loan guarantee applications with the remaining available subsidy during FY 2015. One application is already approved and anticipated to require approximately \$550,000 of subsidy. Additionally, two pending Title XI applications are under review to build two vessels, and reconstruct two other vessels to allow them to run on liquefied natural gas (LNG).

<i>Title XI Loan Guarantees</i>		
Fiscal Year	Loan Guarantee Contracts	Loan Guarantee Amount
1993	2	\$47,278,000
1994	5	\$148,643,000
1995	13	\$294,621,000
1996	16	\$713,590,000
1997	9	\$164,769,000
1998	11	\$502,350,620
1999	10	\$1,224,372,500
2000	12	\$785,516,000
2001	11	\$690,788,000
2002	8	\$225,347,000
2003	3	\$305,356,000
2004	3	\$173,838,000
2005	1	\$139,731,000
2009	2	\$310,260,000
2010	1	\$22,544,000
2011	2	\$593,976,000
2014	1	\$324,630,000
110		\$6,667,610,120

Funds supporting administrative expenses enable the Title XI program to comply with the Federal Credit Reform Act and the Department of Transportation Inspector General (DOTIG) and Government Accountability Office (GAO) recommendations on portfolio and asset management.

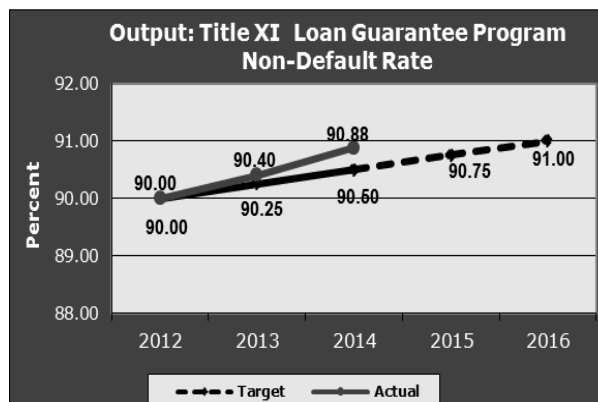
The Maritime Guaranteed Loan Program promotes the growth and modernization of the U.S. Merchant Marine and U.S. shipyards. The program enables owners of eligible vessels and shipyards to obtain long-term financing on terms and conditions that might not otherwise be available for projects that are technically, financially and economically sound. Vessels financed by the Title XI program directly contribute towards the national defense and national emergency capability of the United States, as well as the ability of the Nation to carry its domestic waterborne commerce.

Why Do We Need to Fund the Program at the Requested Level?

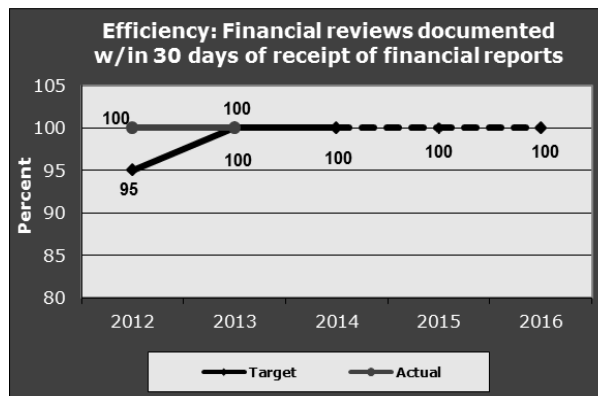
For FY 2016, the requested amount of \$3.1 million for Title XI will support administrative expenses, staff salaries and benefits as well as operating maintenance expenses, facilitating compliance with the Federal Credit Reform Act and the DOTIG and GAO recommendations on application processing and management of the \$1.6 billion loan portfolio. The financial management review process will allow MARAD to increase its effectiveness in monitoring the Title XI loan guarantee portfolio. Proper monitoring of the loan portfolio is critical to reducing the government costs associated with default and maintenance expenses.

In FY 2014, MARAD initiated a new Title XI program risk rating system, which is presently under review and approval before transitioning to the new system. MARAD management continues to review procedures for ways to further enhance program efficiency and support collaboration with other program offices.

The Agency monitors Title XI program performance measures, including the non-default rate, with a target of achieving a rate of 91.00 percent by FY 2016. With new loan guarantees of \$325 million in FY 2014 and no defaults since February 2010, the program exceeded the FY 2014 target of 90.50 percent, and reported a non-default rate of 90.88 percent.



The Agency also tracks efficiency of the program's financial review process. MARAD expects to meet the target for completing financial report reviews within 30 days of receipt through FY 2016. During FY 2014, MARAD completed all required financial reviews within the 30 day target, and expects to continue this trend through FY 2016.



In FY 2015, MARAD expects to complete a Title XI program impact evaluation. The Agency is evaluating the findings to support program performance decisions and improve operating program efficiency and effectiveness for monitoring the current Title XI loan guarantee portfolio of \$1.6 billion.

What benefits will be provided to the American Public through this request?

Title XI supports financing for the growth and modernization of the U.S. maritime industries to produce world class vessels that benefit our national and economic security, and the environment. The top priority for consideration of vessel types for the Title XI program is in support of national defense, federal emergency assistance, liquefied natural gas (LNG) powered or dual-use vessels. MARAD's approved Title XI applications have a positive economic influence by providing direct impacts to include jobs, labor income, and Gross Domestic Product (GDP) within the shipbuilding and repairing industry. The indirect impacts are reflected in jobs, labor income and GDP occurring throughout the supply chain linked to shipbuilding.

MARAD does not track employment. However, according to methodology from the White House Council of Economic Advisors, one job is created for every \$92,000 of federal spending. MARAD economists estimate that the \$325 million of Title XI guarantees for the application approved in FY 2014 will provide ladders of opportunity for many low-income residents, as many U.S. shipyards are located in low-income communities. This supports 3,533 jobs, of which 2,261 are direct (64 percent) and 1,272 are induced (36 percent). Additionally, shipbuilding capacity is a critical component of the U.S. industrial base. It helps to maintain a skilled labor force and implements modern technology, while supporting a diverse supply chain in multiple industries not regularly thought of as part of the maritime industry.

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Obligations by program activity:				
Credit program obligations				
0711	Default claim payments on principal	-	40,110	48,262
0712	Default claim payments on interest	-	3,000	3,000
0713	Payment of interest to Treasury	1,130	1,000	1,000
0715	Default related activities	87	10,000	10,000
0742	Downward reestimate paid to receipt account	4,567	23,028	-
0743	Interest on downward reestimate	9,545	16,727	-
0900	Total new obligations	15,329	93,865	62,262
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	231,363	231,545	257,680
1021	Recoveries of prior year unpaid obligations	-	-	-
1050	Unobligated balance (total)	231,363	231,545	257,680
Spending authority from offsetting collections, mandatory:				
1800	Collected	52,511	120,000	152,267
1801	Change in uncollected payments, Federal sources	-	-	-
1825	Spending authority from offsetting collections applied to repay debt	-37,000	-	-
1850	Spending auth from offsetting collections, mand (total)	15,511	120,000	152,267
1900	Financing authority (total)	15,511	120,000	152,267
1930	Total budgetary resources available	246,874	351,545	409,947
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	231,545	257,680	347,685
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	-458	-458	83,407
3010	Obligations incurred, unexpired accounts	15,329	93,865	62,262
3020	Financing disbursements (gross)	-15,329	-10,000	-10,000
3040	Ob Bal: Recov, prior year unpaid obs, unexp accts	-	-	-
3050	Unpaid obligations, end of year	-458	83,407	135,669
Memorandum (non-add) entries				
3100	Obligated balance, start of year (net)	-458	-458	83,407
3200	Obligated balance, end of year (net)	-458	83,407	135,669

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

(In thousands of dollars)

		FY 2014	FY 2015	FY 2016
		ACTUAL	ENACTED	REQUEST
Identification code 69-4304-0-1-054				
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	15,511	120,000	152,267
Financing disbursements:				
4110	Financing disbursements, gross	15,330	10,000	10,000
Offsets against gross financing authority and disbursements: (total):				
Offsetting collections (collected) from:				
4120				
	Payments from program account- Upward Reestimate	-33,357	-2,339	-
4122	Interest on uninvested funds	-8,774	-	-
4123	Loan Repayment	-10,380	-117,661	-152,267
4130	Offsets against gross financing auth and disbursements (total)	-52,511	-120,000	-152,267
4160	Financing authority, net (mandatory)	-37,000	-	-
4170	Outlays, net (mandatory)	-37,181	-110,000	-142,267
4180	Budget authority, net (total)	-37,000	-	-
4190	Outlays, net (total)	-37,181	-110,000	-142,267

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

Identification code 69-4304-0-3-999		FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Position in respect to appropriations act limitation on commitments:				
2131	Guaranteed loan commitments exempt from limitation	324,630	454,000	-
2150	Total guaranteed loan commitments	324,630	454,000	-
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year	1,731,841	1,731,841	2,027,877
2231	Disbursements of new guaranteed loans	-	454,000	-
2251	Repayments and prepayments	-	-117,854	-152,267
Adjustments:				
2262	Terminations for Default that result in acquisition of property	-	-40,110	-48,262
2290	Outstanding, end of year	1,731,841	2,027,877	1,827,348
2299	Guaranteed amount of guaranteed loans outstanding, end of year	1,731,841	2,027,877	1,827,348

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

Identification code 69-4304-0-3-999		FY 2013 ACTUAL	FY 2014 ACTUAL
ASSETS:			
Federal assets:			
1101	Fund balance with Treasury	230,905	230,905
	Investments in US securities:		
1106	Receivables, net	<u>11,206</u>	<u>11,206</u>
1999	Total assets	242,111	242,111
LIABILITIES:			
Non-federal liabilities:			
2204	Liabilities for loan guarantees	<u>242,111</u>	<u>242,111</u>
4999	Total liabilities and net position	242,111	242,111

**MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-5560-0-2-403	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:			
0001 Port of Guam Improvement Enterprise Fund	33,785	7,810	-
0900 Total new obligations	33,785	7,810	-
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	41,564	7,810	-
1021 Recoveries of prior year unpaid obligations	31	-	-
1050 Unobligated balance (total)	41,595	7,810	-
Budget authority:			
Appropriations, discretionary:			
1930 Total budgetary resources available	41,595	7,810	-
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	7,810	-	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	5,294	29,644	-
3010 Obligations incurred, unexpired accounts	33,785	7,810	-
3020 Outlays (gross)	-9,404	-37,454	-
Recoveries of prior year unpaid obligations,			
3040 unexpired	-31	-	-
3050 Unpaid obligations, end of year	29,644	-	-
Uncollected payments:			
Uncollected pymts, Fed sources, brought			
3060 forward, Oct 1	-1,313	-1,313	-
Change in uncollected pymts, Fed sources,			
3070 unexpired	-	1,313	-
3090 Uncollected pymts, Fed sources, end of year	-1,313	-	-

**MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-5560-0-2-403	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	3,981	28,331	-
3200 Obligated balance, end of year	28,331	-	-
Budget authority and outlays, net:			
Discretionary:			
Outlays, gross:			
4011 Outlays from discretionary balances	9,404	36,141	-
4020 Outlays gross, (total)	9,404	36,141	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	9,404	36,141	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	9,404	36,141	-

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

Object Class Code	Object Class	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Direct Obligations:			
1210	Travel and transportation of persons	86	20	-
1253	Other purchases of goods and svcs from Gov't	1,578	365	-
1320	Lands and structures	32,120	7,425	-
1990	Subtotal, direct obligations	33,785	7,810	-
9999	Total New Obligations	33,785	7,810	-

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**MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-8547-0-1-403		FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Obligations by program activity:				
0001	Special Studies	138	2,538	-
0002	Gifts and Bequests	741	2,558	1,000
0900	Total new obligations	879	5,097	1,000
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	3,831	4,097	-
1021	Recoveries of prior year unpaid obligations	311	-	-
1050	Unobligated balance (total)	4,142	4,097	-
Budget authority:				
Appropriations, mandatory:				
1201	Appropriation Special Studies, Service & Products (8547)	834	-	-
1201	Appropriation Gifts & Bequests (8503)	-	1,000	1,000
1260	Appropriations, mandatory (total)	834	1,000	1,000
1930	Total budgetary resources available	4,976	5,097	1,000
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	4,097	-	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	921	735.08	-
3010	Obligations incurred, unexpired accounts	879	5,096.85	1,000
3020	Outlays (gross)	-755	-5,831.93	-1,000
3040	Recoveries of prior year unpaid obligations, unexpired	-311	-	-
3050	Unpaid obligations, end of year	735	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	921	735	-
3200	Obligated balance, end of year (net)	735	-	-

Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	834	1,000	1,000
	Outlays, gross:			
4100	Outlays from new mandatory authority	-	1,000	1,000
4101	Outlays from mandatory balances	755	4,832	-
4110	Outlays, gross (total)	755	5,832	1,000
4160	Budget authority, net (mandatory)	834	1,000	1,000
4170	Outlays, net (mandatory)	755	5,832	1,000
4180	Budget authority, net (total)	834	1,000	1,000
4190	Outlays, net (total)	755	5,832	1,000

**MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
OBJECT CLASSIFICATION
(\$000)**

Object Class Code	Object Class	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
	Direct obligations:			
1210				
	Travel and transportation of persons	124	60	60
1240	Printing and reproduction	11	66	13
1252	Other services	292	2,352	413
1253	Other goods and services from Federal Sources	139	805	158
1254	Operation and maintenance of facilities	0	0	0
1257	Operation and maintenance of equipment	0	0	0
1260	Supplies and materials	226	1,308	257
1310	Equipment	87	506	99
9999	Total, new obligations	879	5,097	1,000

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ADMINISTRATIVE PROVISIONS—MARITIME ADMINISTRATION

SEC. 170. Notwithstanding any other provision of this Act, *in addition to any existing authority*, 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 remain 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.

SEC. 171. None of the funds available or appropriated in this Act shall be used by the United States Department of Transportation or the United States Maritime Administration to negotiate or otherwise execute, enter into, facilitate or perform fee- for-service contracts for vessel disposal, scrapping or recycling, unless there is no qualified domestic ship recycler that will pay any sum of money to purchase and scrap or recycle a vessel owned, operated or managed by the Maritime Administration or that is part of the National Defense Reserve Fleet: *Provided*, That such sales offers must be consistent with the solicitation and provide that the work will be performed in a timely manner at a facility qualified within the meaning of section 3502 of Public Law 106–398: *Provided further*, That nothing contained herein shall affect the Maritime Administration's authority to award contracts at least cost to the Federal Government and consistent with the requirements of 16 U.S.C. 5405(c), section 3502, or otherwise authorized under the Federal Acquisition Regulation.

(Department of Transportation Appropriations Act, 2015.)

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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. 50111(b)), 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)

	<u>FY 2013</u>	<u>FY 2014</u>
<u>Appropriated Funds</u>		
Operations and Training	148,085	148,003
Assistance to Small Shipyards	9,458	-
Ship Disposal Program	5,212	4,800
Maritime Security Program	160,289	186,000
Maritime Guaranteed Loan Program (Title XI)	3,544	38,500
Subtotal, Appropriated Funds	326,588	377,303
<u>Other Budget Authority:</u>		
Ocean Freight Differential	46,532	-
Maritime Guaranteed Loan Programs - Subsidy Reestimate	11,242	33,357
Subtotal, Other Budget Authority	57,774	33,357
<u>Non-appropriated Funds:</u>		
Vessel Operations Revolving Fund	17,163	9,505
Ready Reserve Force	351,715	372,309
Operations and Training	1,501	2,514
Gifts and Bequests	617	834
OST Allocations	103,191	64,643
Non-Appropriated Fund Instrumentalities (NAFIs)	272	124
Subtotal, Non-Appropriated Funds	474,459	449,929
Total Funds	858,821	860,589

The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. The agency receives funds via interagency agreements, gifts and bequests and allocations to support the programs of a number of Departments and agencies, including the Department of Defense/U.S. Navy, and others. In FY 2014, while the agency's appropriations totaled \$377 million, the following table illustrates that the total funds received was \$861 million.

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) receives 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.

Ready Reserve Force Fund

This account includes funds appropriated to the National Defense Sealift Fund (NDSF) and provided by Department of Defense to MARAD on a reimbursable basis for support of the Ready Reserve Force (RRF) and National Defense Reserve Force (NDRF). In addition to the NDSF appropriation for the RRF, receipts from the Mission Defense Agency; Army Corps of Engineers; US Coast Guard and National Oceanographic and Atmospheric Administration are received into this account.

Operations & Training

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. Gifts and bequests received by MARAD are predominantly for the U.S. Merchant Marine Academy (USMMA).

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, region or the nation. The Secretary's program provided \$63 million in FY 2014 for grants and \$1.6 million

for administrative oversight of Marine Highway projects, including projects in Delaware, Maryland, Maine, Minnesota, Mississippi, New York, Oregon and Texas.

Non-Appropriated Fund 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 policy, laws and regulations. USMMA NAFIs provide or assist the USMMA in providing programs and services primarily for USMMA students and personnel that are not otherwise funded through Congressional appropriations. As fiscal entities, NAFIs operate on a self-supporting basis and maintain custody of and control over funds received or generated from operations, with USMMA and MARAD oversight.

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