U.S. Department of Transportation

BUDGET ESTIMATES

FISCAL YEAR 2017

MARITIME ADMINISTRATION

SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2017

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February 9, 2016

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MARITIME ADMINISTRATION

FY 2017 Budget Request

Overview

For FY 2017, the Maritime Administration (MARAD) requests $423.1 million to fund activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, the environment, safety, and mariner training and education. The FY 2017 Budget request will continue to support the Agency's program activities and initiatives advancing Departmental and national objectives for Security and Preparedness, 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 2017 MARAD Budget request is summarized by account as follows:

Operations and Training

The Operations and Training (O&T) request of $194.1 million ($23.0 million above FY 2016 enacted), includes $99.9 million for the United States Merchant Marine Academy (USMMA), $29.6 million for the State Maritime Academies (SMAs), $6.0 million for the National Security Multi-Mission Vessel (NSMV)/School Ship Replacement Program and $58.7 million for MARAD Operations and Programs. This funding will ensure sufficient highly trained merchant mariners are available to serve the economic and national security needs of the Nation and will provide for agency infrastructure, staff and programs. Further details of the O&T request are discussed below by program.

U.S. Merchant Marine Academy (USMMA)

For FY 2017, $99.9 million is requested for the USMMA, $17.4 million above FY 2016 enacted, to continue to support the highest standards of excellence in education for the Midshipmen. This request includes $74.9 million for Academy Operations and $25.1 million for the Capital Asset Management Program (CAMP).

Academy Operations

For FY 2017, $74.9 million is requested for Academy Operations, $10.4 million above FY 2016 enacted. 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 as recommended by the USMMA Advisory Board and to maintain Standards of Training Certification and Watchkeeping (STCW) competencies, an increase of $1.9 million for the modernization of IT infrastructure, an increase of $1.6 million for security upgrades, and $1.3 million above the FY 2016 enacted for a required dry-docking of the T/V KINGS POINTER. Additionally, the request provides necessary funding to support Sexual Assault Response Coordinator (SARC) initiatives to continue the Sexual Assault Prevention and Response Program.

Capital Asset Management Program (CAMP)
The FY 2016 Budget requests $25.1 million for priority capital improvement projects (CIP) and necessary facilities maintenance, repairs and equipment (FMRE) requirements. CIP priorities include: Fulton Hall renovations; Patten, Gibbs, Fulton and Fitch Halls Architecture and Engineering Designs; and seawall repairs. All CIP projects were identified in the Academy's five-year CIP Plan. This request continues the FY 2012 – FY 2016 enacted construct for CAMP, encompassing both CIP and FMRE.

State Maritime Academies (SMAs)
The FY 2017 request includes $29.6 million to provide Federal assistance for education and training of merchant mariners, and supports MARAD's role in the National Response Framework for the continued support of the maintenance and service life extensions of existing training ships.

The exisiting training ships are critical and central to the success of the SMA program. The sea-time experience gained by Cadets training aboard these operating ships is required to become eligible to take the U.S. Coast Guard Merchant Marine Credential (MMC) 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 safe for extended operation at sea as public training vesssels.

National Security Multi-mission Vessel (NMSV)/School Ship Replacement Program
The FY 2017 request includes $6.0 million to fund an independent requirements and alternatives analysis for Cadet training ship needs, specifically the training requirements of the SMAs that MARAD currently supports. The requested amount will fund further evaluation of the training ship requirements including a cost constrained requirements analysis that builds upon other work done across government to meet the training needs as well as ship construction requirements.

MARAD Operations and Programs
For FY 2017, a total of $58.7 million is requested for MARAD Operations and Programs, an increase of $3.6 million above the FY 2016 enacted. The request includes $52.7 million for Headquarters Operations program support requirements, and $6.0 million for program initiatives supporting the agency's core mission including StrongPorts and Maritime Environment and Technical Assistance (META) programs.

Ship Disposal
For FY 2017, $20.0 million is requested for the Ship Disposal program, a $15.0 million increase over FY 2016 enacted. This request includes $9.0 million to support continued obsolete vessel disposal actions, with priority emphasis on the removal of the three remaining ships in the Suisan Bay Reserve Fleet to meet a California Court Consent Decree. This request includes $8.0 million to begin the decommissioning process, including the dismantlement and decontamination of the defueled nuclear power plant on board the former Nuclear Ship (N/S) SAVANNAH, and $3.0 million to maintain the vessel in protective storage. Funding will support ship disposal in an environmentally responsible manner that further reduces the risk of environmental contamination while contributing to the domestic recycling industrial base.

Maritime Security Program

The FY 2017 Budget requests $186.0 million for the 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 $186.0 million will fund $3.1 million for each of the 60 ships enrolled in the program.

Additionally, $25 million is requested for additional direct support payments as a component of the proposal to allow more flexible P.L. 480 Title II food aid responses to food crises. Within this request, at least $1 million will support training and credentialing of U.S. citizen mariners to retain them, and $24 million will be used to provide direct support payments to operators of vessels in foreign trade, separate from MSP payments.

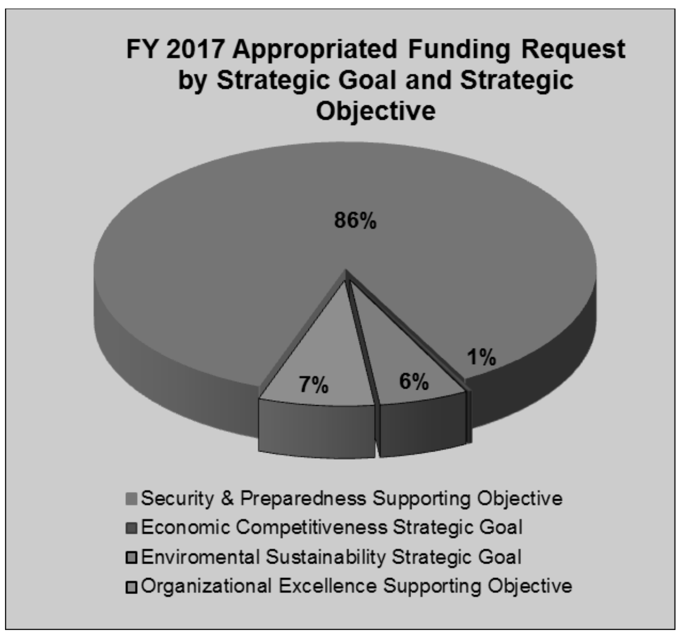
Maritime Guaranteed Loan Program (Title XI)

For FY 2017, $3.0 million is requested for Title XI to support administrative expenses related to Title XI loan portfolio administration. This program promotes the growth and modernization of the U.S. Merchant Marine and U.S. shipyards by providing additional opportunities for vessel construction and modernization. MARAD proposes a cancellation of $5 million in Title XI unobligated balances to be used for other mission-related priorities.

ATTRIBUTION OF APPROPRIATED FUNDS BY STRATEGIC GOAL AND STRATEGIC OBJECTIVE

MARAD's FY 2017 Budget request supports two DOT strategic goals and two supporting objectives. The largest share of the Agency's budget supports DOT's strategic objective for Security and Preparedness. At approximately 86 percent, it is MARAD's primary strategic objective. MARAD's programs improve, strengthen and promote the U.S. marine transportation system to meet national security needs, and provide support in times of national emergency.

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



Approximately six percent of the FY 2017 budget request supports Environmental Sustainability.

One percent is attributed to Economic Competitiveness. MARAD's programs support the growth and modernization of the U.S. maritime industry, and provide ladders of opportunities for all Americans to improve the quality of life.

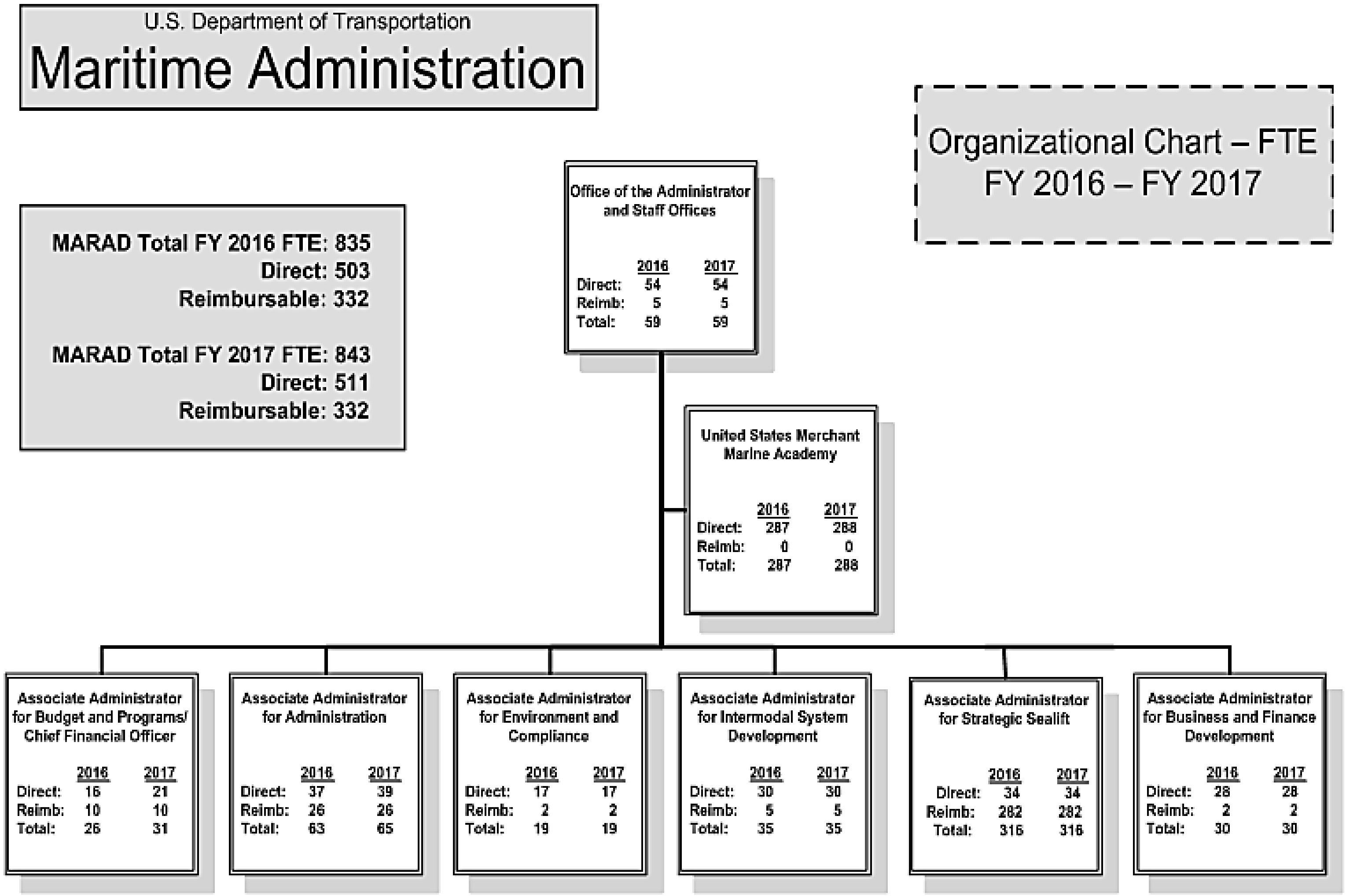
MARITIME ADMINISTRATION
FY 2017 Budget Request Summary
(Dollars in Thousands)

Account/Program	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
OPERATIONS & TRAINING	**148,050**	**171,155**	**194,146**
U.S. Merchant Marine Academy	**79,150**	**82,500**	**99,902**
Academy Operations	64,150	64,500	74,851
Salaries & Benefits	34,390	35,051	35,474
Operating Expenses	29,760	29,449	39,377
Capital Asset Management Program	15,000	18,000	25,051
Capital Improvements	12,000	15,000	20,179
Facilities Maintenance and Repair, Equipment	3,000	3,000	4,872
State Maritime Academies	**18,500**	**33,600**	**29,550**
Student Incentive Program	2,400	2,400	2,400
Direct SMA Support	3,600	3,000	3,000
Fuel Assistance Payments	1,200	1,200	1,800
School Ship Maintenance & Repair	11,300	22,000	22,000
National Security Multi-Mission Vessel Design	-	5,000	-
Mariner Compliance and Training	-	-	350
National Security Multi-Mission Vessel (NSVM)/School Ship Replacement Program	**-**	**-**	**6,000**
MARAD Operations & Programs	**50,400**	**55,055**	**58,694**
Headquarters Operations	47,400	47,055	52,694
Maritime Program Initiatives	3,000	8,000	6,000
StongPorts	-	-	3,000
Maritime Environment & Technical Assistance	3,000	3,000	3,000
Short Sea Transportation (America's Marine Highways)	-	5,000	-
ASSISTANCE TO SMALL SHIPYARDS	**-**	**5,000**	**-**
SHIP DISPOSAL PROGRAM	**4,000**	**5,000**	**20,000**
Ship Disposal	1/	2/	9,000
NS SAVANNAH Decommissioning	-	-	8,000
NS SAVANNAH	1/	2/	3,000
MARITIME SECURITY PROGRAM	**186,000**	**210,000**	**211,000**
Program Expenses	186,000	210,000	186,000 3/
Food Aid Proposal	-	-	25,000
MARITIME GUARANTEED LOAN PROGRAM	**3,100**	**8,135**	**-2,000**
Administrative Expenses	3,100	3,135	3,000
Loan Guarantees	-	5,000	-
Loan Guarantees (Cancellation of Unobligated Balances)			-5,000
TOTAL	**$341,150**	**$399,290**	**$423,146**

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.

2/ The Consolidated Appropriations Act, 2016 provides $5 million lump sum for the Ship Disposal Program account to fund SAVANNAH and Ship Disposal recycling contracts.

3/ The FY 2017 request does not reflect the amount authorized in the Consolidated Appropriations Act, 2016 enacted on December 18, 2015 since there was insufficient time to analyze the new funding levels to support submission with this request.


U.S. Department of Transportation
Maritime Administration
Organizational Chart – FTE
FY 2016 – FY 2017
MARAD Total FY 2016 FTE: 835
Direct: 503
Reimbursable: 332
MARAD Total FY 2017 FTE: 843
Direct: 511
Reimbursable: 332
Office of the Administrator and Staff Offices
2016 2017
Direct: 54 54
Reimb: 5 5
Total: 59 59
United States Merchant Marine Academy
2016 2017
Direct: 287 288
Reimb: 0 0
Total: 287 288
Associate Administrator for Budget and Programs/ Chief Financial Officer
2016 2017
Direct: 16 21
Reimb: 10 10
Total: 26 31
Associate Administrator for Administration
2016 2017
Direct: 37 39
Reimb: 26 26
Total: 63 65
Associate Administrator for Environment and Compliance
2016 2017
Direct: 17 17
Reimb: 2 2
Total: 19 19
Associate Administrator for Intermodal System Development
2016 2017
Direct: 30 30
Reimb: 5 5
Total: 35 35
Associate Administrator for Strategic Sealift
2016 2017
Direct: 34 34
Reimb: 282 282
Total: 316 316
Associate Administrator for Business and Finance Development
2016 2017
Direct: 28 28
Reimb: 2 2
Total: 30 30

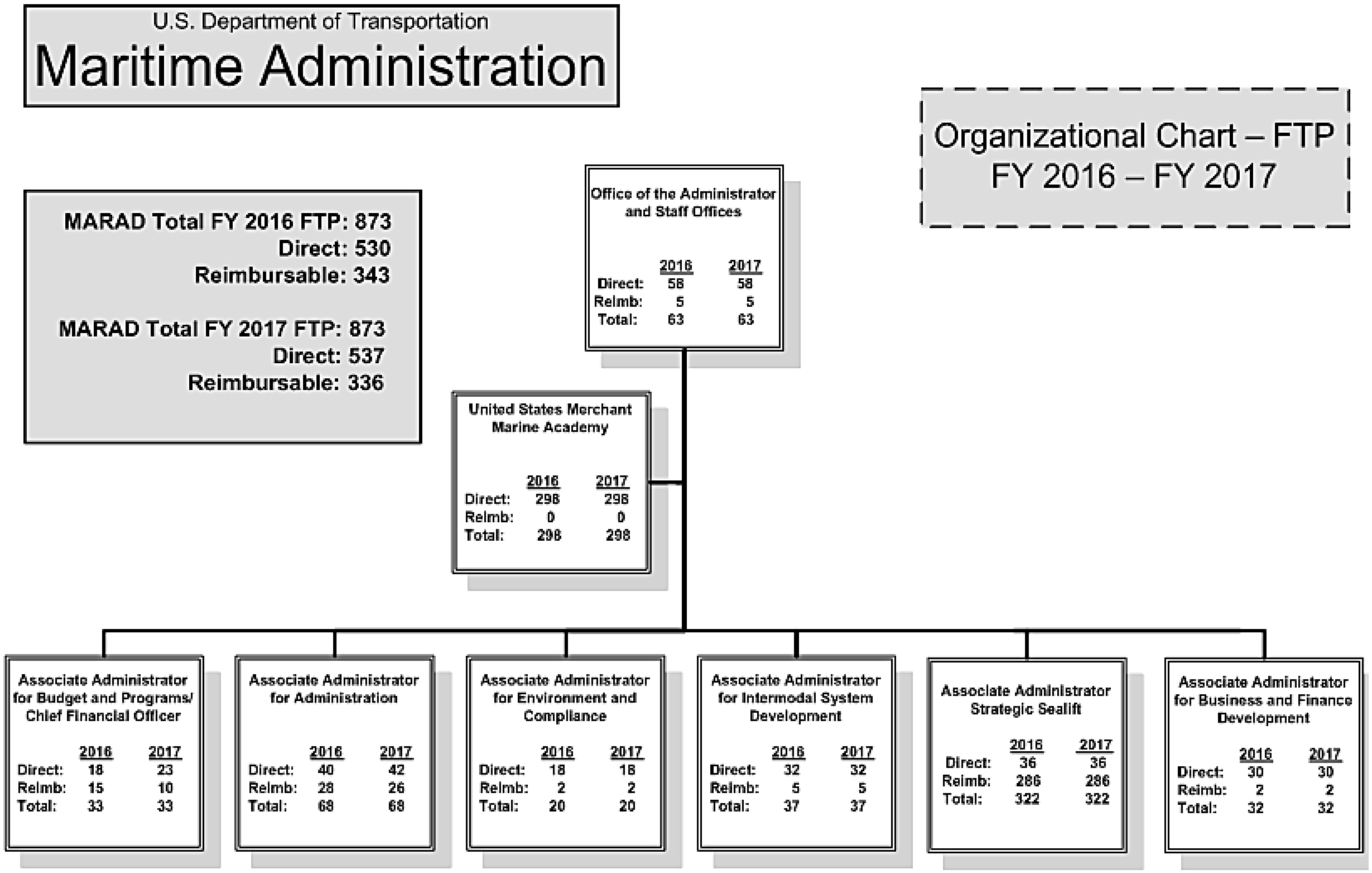

U.S. Department of Transportation
Maritime Administration
Organizational Chart – FTP
FY 2016 – FY 2017
MARAD Total FY 2016 FTP: 873
Direct: 530
Reimbursable: 343
MARAD Total FY 2017 FTP: 873
Direct: 537
Reimbursable: 336
Office of the Administrator and Staff Offices
2016 2017
Direct: 58 58
Reimb: 5 5
Total: 63 63
United States Merchant Marine Academy
2016 2017
Direct: 298 298
Reimb: 0 0
Total: 298 298
Associate Administrator for Budget and Programs/ Chief Financial Officer
2016 2017
Direct: 18 23
Reimb: 15 10
Total: 33 33
Associate Administrator for Administration
2016 2017
Direct: 40 42
Reimb: 28 26
Total: 68 68
Associate Administrator for Environment and Compliance
2016 2017
Direct: 18 18
Reimb: 2 2
Total: 20 20
Associate Administrator for Intermodal System Development
2016 2017
Direct: 32 32
Reimb: 5 5
Total: 37 37
Associate Administrator Strategic Sealift
2016 2017
Direct: 36 36
Reimb: 286 286
Total: 322 322
Associate Administrator for Business and Finance Development
2016 2017
Direct: 30 30
Reimb: 2 2
Total: 32 32

EXHIBIT II-1

FY 2017 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
($000)

ACCOUNT NAME	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
Operations and Training	148,050	171,155	194,146
Assistance to Small Shipyards	-	5,000	-
Ship Disposal Program	4,000	5,000	20,000
Maritime Security Program	186,000	210,000	211,000
Maritime Guaranteed Loan Prog. (Title XI)	5,439	146,256	3,000
Administrative Expenses	3,100	3,135	3,000
Loan Guarantees	-	5,000	-
Subsidy Reestimate	2,339	138,121	-
Gifts and Bequests	2,431	2,000	2,000
SUBTOTAL	**345,920**	**539,411**	**430,146**
Loan Guarantees - Cancellation of Unobligated Balance	-	-	-5,000
TOTALS	**345,920**	**539,411**	**425,146**

EXHIBIT II-2

FY 2017 TOTAL BUDGETARY RESOURCES BY APPROPRIATION
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

ACCOUNT NAME	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
1. Operations and Training			
A. U.S. Merchant Marine Academy	79,150	82,500	99,902
B. State Maritime Academies	18,500	33,600	29,550
C. National Security Multi-Mission Vessel(NSMV)/Schoolship Replacement Program	-	-	6,000
D. MARAD Operations	50,400	55,055	58,694
Subtotal O&T	148,050	171,155	194,146
2. Assistance to Small Shipyards	-	5,000	-
3. Ship Disposal Program			
A. Ship Disposal	N/A	N/A	9,000
B. NS SAVANNAH- Decommissioning	N/A	N/A	8,000
C. NS SAVANNAH	N/A	N/A	3,000
Subtotal Ship Disposal	4,000	5,000	20,000
4. Maritime Security Program	186,000	210,000	211,000
5. Maritime Guaranteed Loans- Title XI			
A. Administrative Expenses	3,100	3,135	3,000
B. Loan Guarantees	-	5,000	-
Subtotal Title XI	3,100	8,135	3,000
SUBTOTAL	**341,150**	**399,290**	**428,146**
6. Loan Guarantees - Cancellation of Unobligated Balance	-	-	-5,000
TOTALS	**341,150**	**399,290**	**423,146**

EXHIBIT II-3
FY 2017 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
MARITIME ADMINISTATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

STRATEGIC GOALS AND OBJECTIVES	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
1. ECONOMIC COMPETIVENESS			
A . Enhance Productivity and Growth			
a. Operational Programs	3,100	18,135	1,000
b. Other: Headquarters Operations 1/	200	970	57
Objective Subtotal	3,300	19,105	1,057
TOTAL - Economic Competiveness	**$3,300**	**$19,105**	**$1,057**
2. ENVIRONMENTAL SUSTAINABILITY			
A . Mitigate Environmental Impacts			
a. Operational Programs	7,000	8,000	23,000
b. Other: Headquarters Operations 1/	502	417	1,309
Objective Subtotal	7,502	8,417	24,309
TOTAL - Environmental Sustainability	**$7,502**	**$8,417**	**$24,309**
3. ORGANIZATIONAL EXCELLENCE			
A. Develop Human Capital			
a. Headquarters Operations 1/		8,470	9,485
B. Improve Information Systems and Financial Mangement			
a. Headquarters Operations 1/		8,470	9,485
C. Other			
a. Headquarters Operations 1/	28,440	11,293	12,647
b. Maritime Safety Initiatives			
TOTAL - Organizational Excellence	**$28,440**	**$28,233**	**$31,616**
4. SECURITY, PREPAREDNESS & OTHER OBJECTIVES			
A. Meet transporation needs for defense readiness			
a. Operational Programs	283,650	326,100	346,452
b. Other: Headquarters Operations 1/	18,258	17,435	19,712
TOTAL - Security, Preparedness, & Other Objectives	**$301,908**	**$343,535**	**$366,164**
GRAND TOTAL	**$341,150**	**$399,290**	**$423,146**

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

EXHIBIT II-4

FY 2017 BUDGET AUTHORITY
MARITIME ADMINISTRATION
Budget Authority
($000)

ACCOUNTS		FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
Operations and Training	D	148,050	171,155	194,146
Assistance to Small Shipyards	D	-	5,000	-
Ship Disposal Program	D	4,000	5,000	20,000
Maritime Security Program	D	186,000	210,000	211,000
Maritime Guaranteed Loan Program	D	3,100	8,135	3,000
Subsidy Reestimate	M	2,339	138,121	-
Gifts and Bequests	M	2,431	2,000	2,000
SUBTOTAL		**345,920**	**539,411**	**430,146**
Loan Guarantees - Cancellation of Unobligated Balance	D	-	-	-5,000
TOTALS		**345,920**	**539,411**	**425,146**
[Mandatory]		4,770	140,121	2,000
[Discretionary]		341,150	399,290	423,146
Proprietary Receipts:				
Maritime Guaranteed Loan Program		-	30,903	-
Gifts and Bequests		2,431	2,000	2,000
Total MARAD RECEIPTS		**2,431**	**32,903**	**2,000**

EXHIBIT II-5

FY 2017 OUTLAYS
MARITIME ADMINISTRATION
($000)

ACCOUNTS		FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
Operations and Training	D	135,413	188,238	210,091
Gifts and Bequests	M	605	2,623	2,300
Special Studies, Services, and Projects	M	513	377	200
Assistance to Small Shipyards	D	2,097	5,262	1,512
Assistance to Small Shipyards, ARRA 1/	D	1,426	-	-
Ship Disposal	D	5,686	5,971	13,971
Maritime Security Program	D	185,086	210,986	213,596
Port of Guam Improvement Enterprise Fund	D	27,723	8,418	-
Ready Reserve Force	D	297	46,984	43,813
Vessel Operations Revolving Fund	D	13,203	12,654	5,000
War Risk Insurance Revolving Fund	D	-254	-	-
Maritime Guaranteed Loan Program	D	3,100	33,422	45,006
Subsidy Reestimate	M	2,339	138,121	-
TOTALS		**377,234**	**653,056**	**535,489**
[Mandatory]		3,457	141,121	2,500
[Discretionary]		373,777	511,935	532,989

EXHIBIT II-6

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

OPERATIONS & TRAINING - USMMA

	FY 2016 Enacted	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	FTE Annualization	Less Two Compensable Days	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
USMMA:											
PERSONNEL RESOURCES	**286.5**			**1.5**					**288**	**-**	**288**
Direct FTE	286.5			1.5					288	-	288
ACADEMY OPERATIONS											
Salaries and Benefits	$35,051	$114	$422	$158	-$271	-	-	-	$35,474	-	$35,474
Academic Dean	4,005	-	-	-	-	-	-	40	4,045	3,830	7,875
Commandant of Midshipmen	11,877	-	-	-	-	-	-	119	11,996	2,089	14,085
Superintendent/Deputy Superintendent	13,567	-	-	-	-	-	-	136	13,703	3,714	17,417
SUBTOTAL	**$64,500**	**$114**	**$422**	**$158**	**-$271**	**-**	**-**	**$295**	**$65,218**	**$9,633**	**$74,851**
CAPITAL ASSET MANAGEMENT PROGRAM											
Capital Improvement Projects	$15,000	-	-	-	-	-	-	-	$15,000	$5,179	$20,179
Facilities Maintenance and Repair, Equipment	3,000	-	-	-	-	-	-	-	3,000	1,872	4,872
SUBTOTAL	**$18,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$18,000**	**$7,051**	**$25,051**
USMMA TOTAL	**$82,500**	**$114**	**$422**	**$158**	**-$271**	**-**	**-**	**$295**	**$83,218**	**$16,684**	**$99,902**

EXHIBIT II-6

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

OPERATIONS & TRAINING - STATE MARITIME ACADEMIES

	FY 2016 Enacted	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	Less Two Compensable Days	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
STATE MARITIME ACADEMIES:										
Student Incentive Program	$2,400	-	-	-	-	-	-	$2,400	-	$2,400
Direct SMA Payment	3,000	-	-	-	-	-	-	3,000	-	3,000
Fuel Assistance Payments	1,200	-	-	-	-	-	-	1,200	600	1,800
School Ship Maintenance & Repair	22,000	-	-	-	-	-	-	22,000	-	22,000
National Security Multi-Mission Vessel Design	5,000	-	-	-	-	-	-	5,000	-5,000	-
Mariner Compliance and Training	-	-	-	-	-	-	-	-	350	350
STATE MARITIME ACADEMIES TOTAL	**$33,600**	**-**	**-**	**-**	**-**	**-**	**-**	**$33,600**	**-$4,050**	**$29,550**

EXHIBIT II-6

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

OPERATIONS & TRAINING - NATIONAL SECURITY MULTI-MISSION VESSEL (NSMV)/SCHOOLSHIP REPLACEMENT PROGRAM

	FY 2016 Enacted	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	Less Two Compensable Days	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
National Security Multi-Mission Vessel										
National Security Multi-Mission Vessel (NSMV)/School Ship Replacement Program	-	-	-	-	-	-	-	-	$6,000	$6,000
NATIONAL SECURITY MULTI-MISSION VESSEL TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$6,000**	**$6,000**

EXHIBIT II-6

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

OPERATIONS & TRAINING - MARAD OPERATIONS & PROGRAMS

	FY 2016 Enacted	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	Less Two Compensable Days	GSA Rent	WCF Increase/ Decrease	1% Inflation/ Deflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
MARAD OPERATIONS AND PROGRAMS:										
PERSONNEL RESOURCES	**190.0**							**190.0**	**6.5**	**196.5**
Direct FTE	190.0							190.0	6.5	196.5
FINANCIAL RESOURCES										
Operating Expenses:										
Salaries and Benefits	$28,586	$93	$344	-$222	-	-	-	$28,801	$978	$29,779
Non-Discretionary Operations	11,310	-	-	-	920	767	113	13,110	714	13,824
GSA Rent	[2,987]	-	-	-	[920]	-	-	[3,907]	-	[3,907]
WCF	[3,863]	-	-	-	-	[767]	-	[4,630]	-	[4,630]
Operations & Travel	1,558	-	-	-	-	-	16	1,574	475	2,049
Information Technology	5,601	-	-	-	-	-	56	5,657	1,385	7,042
Operating Expenses, Subtotal	**$47,055**	**$93**	**$344**	**-$222**	**$920**	**$767**	**$185**	**$49,142**	**$3,552**	**$52,694**
Maritime Program Initiatives:										
StongPorts	-	-	-	-	-	-	-	-	$3,000	$3,000
Short Sea Tranportation (America's Marine Highways)	5,000							5,000	-5,000	-
Maritime Environment and Technology Assistance	3,000	-	-	-	-	-	-	3,000	-	3,000
Program Expenses, Subtotal	**$8,000**	**-**	**-**	**-**	**-**	**-**	**-**	**$8,000**	**-$2,000**	**$6,000**
MARAD OPERATIONS & PROGRAMS TOTAL	**$55,055**	**$93**	**$344**	**-$222**	**$920**	**$767**	**$185**	**$57,142**	**$1,552**	**$58,694**

EXHIBIT II-6

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

ASSISTANCE TO SMALL SHIPYARDS

		Baseline Changes								
	FY 2016 Enacted	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	Less Two Compensable Days	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
PERSONNEL RESOURCES (FTE)	-							-	-	-
Direct FTE	-							-	-	-
FINANCIAL RESOURCES										
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-
Program Expenses	$5,000	-	-	-	-	-	-	$5,000	-$5,000	-
ASSISTANCE TO SMALL SHIPYARDS-TOTAL	**5,000**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**-$5,000**	**-**

EXHIBIT II-6

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

SHIP DISPOSAL PROGRAM

	FY 2016 ENACTED	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	Less Two Compensable Days	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation 1%	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
PERSONNEL RESOURCES (FTE)	**11**							**11**	**-**	**11**
Direct FTE	11							11	-	11
FINANCIAL RESOURCES										
Operating Expenses:										
Salaries and Benefits	$1,846	$6	$22	-$14	-	-	-	$1,860	-	$1,860
Operating Expenses	11	-	-	-	-	-	-	11	-	11
GSA Rent	173	-	-	-	39	-	-	212	-	212
WCF	224	-	-	-	-	28	-	252	-	252
Operating Expenses, Subtotal	**$2,254**	**$6**	**$22**	**-$14**	**$39**	**$28**	**-**	**$2,335**	**-**	**$2,335**
Program Expenses:										
Ship Disposal Program	$179	-	-	-	-	-	-	$179	$6,486	$6,665
NS SAVANNAH Decommissioning	-	-	-	-	-	-	-	-	8,000	8,000
NS SAVANNAH	2,567	-	-	-	-	-	-	2,567	433	3,000
Program Expenses, Subtotal	**$2,746**	**-**	**-**	**-**	**-**	**-**	**-**	**$2,746**	**$14,919**	**$17,665**
SHIP DISPOSAL PROGRAM- TOTAL	**$5,000**	**$6**	**$22**	**-$14**	**$39**	**$28**	**-**	**$5,081**	**$14,919**	**$20,000**

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

	Baseline Changes									
	FY 2016 Enacted	**Annualization of FY 2016 Pay Raise 1.3%**	**FY 2017 Pay Raise 1.6%**	**Less Two Compensable Days**	**GSA Rent**	**WCF Increase/ Decrease**	**Inflation/ Deflation**	**FY 2017 Baseline Estimate**	**Program Increases/ Decreases**	**FY 2017 Request**
PERSONNEL RESOURCES (FTE)	-							-	-	-
Direct FTE	-							-	-	-
FINANCIAL RESOURCES										
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-
Program Expenses	$210,000	-	-	-	-	-	-	$210,000	-$24,000	$186,000
Food Aid Proposal	-	-	-	-	-	-	-	-	25,000	25,000
MARITIME SECURITY PROGRAM - TOTAL	**$210,000**	**-**	**-**	**-**	**-**	**-**	**-**	**$210,000**	**$1,000**	**$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)

	FY 2016 Enacted	Annualization of FY 2016 Pay Raise 1.3%	FY 2017 Pay Raise 1.6%	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
PERSONNEL RESOURCES (FTE)	**15**							**15**	**-**	**15**
Direct FTE	15							15	-	15
FINANCIAL RESOURCES										
Operating Expenses:										
Salaries and Benefits	$2,423	$8	$29	-$18	-	-	-	$2,442	-	$2,442
Operating Expenses	171	-	-	-	-	-	-	171	-	171
GSA Rent	236	-	-	-	-70	-	-	166	-	166
WCF	305	-	-	-	-	-84	-	221	-	221
Operating Expenses, Subtotal	**$3,135**	**$8**	**$29**	**-$18**	**-$70**	**-$84**	**-**	**$3,000**	**-**	**$3,000**
Program Expenses										
Loan Subsidies	5,000	-	-	-	-	-	-	$5,000	-$5,000	-
Program Expenses, Subtotal	**5,000**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**-5,000**	**-**
MARITIME GUARANTEED LOAN PROG. - TOTAL	**$8,135**	**$8**	**$29**	**-$18**	**-$70**	**-$84**	**-**	**$8,000**	**-$5,000**	**$3,000**

1/ MARAD proposes a cancellation of $5 million in unobligated balances in FY 2017.

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

	FY 2016 ENACTED	FY 2017 REQUEST	CHANGE
DIRECT:			
Operations and Training	3,863	4,630	767
Maritime Guaranteed Loan Prog.			
Ship Disposal	224	252	28
(Title XI)	305	221	-84
SUBTOTAL	**4,392**	**5,103**	**711**
REIMBURSABLE:			
Ready Reserve Force	4,014	3,051	-963
SUBTOTAL	**4,014**	**3,051**	**-963**
TOTAL	**8,406**	**8,154**	**-252**

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

DIRECT FUNDED BY APPROPRIATION	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
Operations and Training	434	491	500
Ship Disposal	11	11	11
Assistance to Small Shipyards	2	1	-
SUBTOTAL, DIRECT FUNDED	**447** 1/	**503** 1/	**511** 1/
ALLOCATIONS			
Operation and Training	5	4	4
SUBTOTAL, ALLOCATIONS	**5**	**4**	**4**
REIMBURSEMENTS			
Ready Reserve Force	316	326	326
Operation and Training	2	2	2
SUBTOTAL, REIMBURSEMENTS	**318**	**328**	**328**
TOTAL FTEs	**770**	**835**	**843**

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

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

DIRECT FUNDED BY APPROPRIATION	**FY 2015 ACTUAL**	**FY 2016 ENACTED**	**FY 2017 REQUEST**
Operations and Training	458	517	525
Ship Disposal	12	12	12
Assistance to Small Shipyards	2	1	-
SUBTOTAL, DIRECT FUNDED	**472** 1/	**530** 1/	**537** 1/
ALLOCATIONS			
Operation and Training	5	4	4
SUBTOTAL, ALLOCATIONS	**5**	**4**	**4**
REIMBURSEMENTS			
Ready Reserve Force	309	337	330
Operation and Training	2	2	2
SUBTOTAL, REIMBURSEMENTS	**311**	**339**	**332**
TOTAL POSTIONS	**788**	**873**	**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, [$171,155,000]*$194,146,000*, of which $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]*$6,000,000* shall remain available until expended for National Security Multi-Mission Vessel*/ School Ship Replacement* [design]*program* for State Maritime Academies and National Security, and of which $2,400,000 shall remain available through September 30, [2017]*2018*, for the Student Incentive Program at State Maritime Academies, and of which [$1,200,000]*$1,800,000* shall remain available until expended for training ship fuel assistance payments, and of which [$18,000,000]*$25,051,000* shall remain available until expended for facilities maintenance and repair, equipment, and capital improvements at the United States Merchant Marine Academy, and of which $3,000,000 shall remain available through September 30, [2017]*2018*, for Maritime Environment and Technology Assistance grants, contracts, and cooperative agreement, and of which [$5,000,000]*$3,000,000* shall remain available [until expended for the Short Sea Transportation Program (America's Marine Highways)to make grants for the purposes provided in title 46 sections 55601 (b) (1) and 55601 (b) (3)] *through September 30, 2018 for the StrongPorts pilot grants program: 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, [2016] *2017*, the Administrator of the Maritime Administration shall transmit to the House and Senate Committees on Appropriations the annual 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, 2016.)*

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Merchant Marine Academy	76,414	122,946	99,902
0002 State Maritime Schools	18,128	36,865	29,550
0003 Marad Operations	50,185	55,055	58,694
0004 Other Maritime Programs	55	9,204	-
0005 National Security Multi-Mission Vessel	-	-	6,000
0799 Total direct program	144,782	224,070	194,146
0801 Reimbursable program	6,275	31,885	13,000
0900 Total new obligations	151,057	255,955	207,146
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	65,832	71,800	-
1021 Recoveries of prior year unpaid obligations	2,111	-	-
1050 Unobligated balance (total)	67,943	71,800	-
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	148,050	171,155	194,146
1160 Appropriation, discretionary (total)	148,050	171,155	194,146
Spending auth from offsetting collections, disc			
1700 Collected	6,075	13,000	13,000
1701 Change in uncollected payments, Federal sources	1,185	-	-
1750 Spending auth from offsetting collections, disc - (total)	7,260	13,000	13,000
1900 Budget authority (total)	155,310	184,155	207,146
1930 Total budgetary resources available	223,253	255,955	207,146
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-396	-	-
1941 Unexpired unobligated balance, end of year	71,800	-	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	63,439	61,930	116,647
3010 Obligations incurred, unexpired accounts	151,057	255,955	207,146
3011 Obligations incurred, expired accounts	981	-	-
3020 Outlays (gross)	-145,523	-201,238	-223,091
3040 Recoveries of prior year unpaid obligations, unexpired	-2,111	-	-
3041 Recoveries of prior year unpaid obligations, expired	-5,913	-	-
3050 Unpaid obligations, end of year (gross)	61,930	116,647	100,702

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-29,482	-27,047	-27,047
3070 Change in uncollected pymts, Fed sources, unexpired	-1,184	-	-
3071 Change in uncollected pymts, Fed sources, expired	3,619	-	-
3090 Uncollected pymts, Fed sources, end of year	-27,047	-27,047	-27,047
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	33,957	34,883	89,600
3200 Obligated balance, end of year	34,883	89,600	73,655
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	155,310	184,155	207,146
Outlays, gross:			
4010 Outlays from new discretionary authority	111,993	158,482	178,024
4011 Outlays from discretionary balances	33,530	42,756	45,067
4020 Outlays, gross (total)	145,523	201,238	223,091
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-7,251	-13,000	-13,000
4033 Non-Federal sources	-2,859	-	-
4040 Offsets against gross budget authority and outlays (total)	-10,110	-13,000	-13,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-1,184	-	-
4052 Offsetting collections credited to expired accounts	4,035	-	-
4060 Additional offsets against budget authority only (total)	2,851	-	-
4070 Budget authority, net (discretionary)	148,050	171,155	194,146
4080 Outlays, net (discretionary)	135,413	188,238	210,091
4180 Budget authority, net (total)	148,050	171,155	194,146
4190 Outlays, net (total)	135,413	188,238	210,091

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 $194.1 million includes $99.9 million for the United States Merchant Marine Academy, $29.5 million for the State Maritime Academies, $6.0 million for the National Security Multi-Mission Vessel (NSMV)/School Ship Replacement program and $58.7 million for Maritime Operations and Programs.

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

Object Class Code	Object Class	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Direct obligations:			
	Personnel compensation:			
1111	Full-time permanent	38,793	40,412	41,528
1113	Other than full-time permanent	6,573	6,837	6,932
1115	Other personnel compensation	1,090	1,135	1,157
1119	**Total personnel compensation**	**46,456**	**48,384**	**49,617**
1121	Civilian personnel benefits	14,646	15,253	15,635
1319	Benefits for former personnel	35	41	44
1210	Travel and transportation of persons	1,820	1,864	1,864
1220	Transportation of things	105	112	140
1231	Rental payments to GSA	2,786	2,986	3,784
1233	Communications, utilities & misc. charges	3,578	3,535	4,681
1240	Printing and reproduction	41	40	54
1252	Other services	59,893	78,369	78,280
1260	Supplies and materials	7,964	7,867	9,795
1310	Equipment	2,254	2,358	2,795
1320	Lands and structures	5,201	58,457	25,051
1410	Grants, subsidies and contributions	-	4,800	2,400
1420	Insurance claims and indemnities	4	3	5
1990	**Subtotal , direct obligations**	**144,782**	**224,070**	**194,146**
	Reimbursable obligations:			
2252	Other services	6,275	31,885	13,000
2990	**Subtotal , reimbursable obligations**	**6,275**	**31,885**	**13,000**
9999	**Total new obligations**	**151,057**	**255,955**	**207,146**

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

Operations and Training	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Direct:			
1001 Civilian full-time Equivalent employment	434	491	500
Reimbursable:			
2001 Reimbursable civilian full-time Equivalent employment	2	2	2
Allocation:			
3001 Allocation civilian full-time Equivalent employment	5	4	4
Total Employment	**441**	**497**	**506**

EXHIBIT III-1

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

	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST	CHANGE FY 2016-2017
U.S. Merchant Marine Academy	79,150	82,500	99,902	17,402
State Maritime Schools	18,500	33,600	29,550	-4,050
National Security Multi- Mission Vessel	-	-	6,000	6,000
MARAD Ops. & Programs	50,400	55,055	58,694	3,639
Total, Operations & Training	**148,050**	**171,155**	**194,146**	**22,991**
FTEs				
Direct Funded	434	491	500	9
Reimbursable, allocated, other	7	6	6	-

EXHIBIT III -1a

OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2016 TO FY 2017
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	**Change from FY 2016 to FY 2017 $000**	**Change from FY 2016 to FY 2017 FTE**
FY 2016 PRESIDENT'S BUDGET	**$171,155**	**[491]**
Adjustments to Base		
Annualization of FY 2016 Pay Raise	207	
2017 Pay Raise 1.3%	766	
FTE Annualization	158	[2]
Less Two Compensable Days	-493	
GSA Rent	615	
Working Capital Fund	756	
Non-Salary Inflation (1%)	480	
Subtotal, Adjustments to Base	**$2,489**	
New or Expanded Programs		
Academy Operations	9,633	[-]
Capital Asset Management Program	7,051	
State Maritime Academies	-4,050	
National Security Multi-Mission Vessel	6,000	
MARAD Operations and Programs	3,868	[7]
StongPorts	3,000	
Short Sea Transportation (America Highway Grants)	-5,000	
Subtotal, New or Expanded Program Increases/ Decreases	**$20,502**	
Total FY 2017 Request	**$194,146**	**[500]**

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 objective for Security and Preparedness, and Strategic Goals for Economic Competitiveness, and Organizational Excellence.

USMMA Graduation Rate	**2013**	**2014**	**2015**	**2016**	**2017**
Target	71	72	73	74	75
Actual	67	67 1/	75		
Target Achieved	*x*	*x*	√		

USMMA Overall average GPA (1st Class)	**2013**	**2014**	**2015**	**2016**	**2017**
Target	2.80	2.83	2.90	3.00	3.00
Actual	2.99	3.00	3.00		
Target Achieved	√	√	√		

USCG Licensing Rate on First Attempt (engine)	**2013**	**2014**	**2015**	**2016**	**2017**
Target	85	86	86	86	86
Actual	84	90	90		
Target Achieved	*x*	√	*x*		

USCG Licensing Rate on First Attempt (deck)	**2013**	**2014**	**2015**	**2016**	**2017**
Target	80	81	81	81	81
Actual	78	67	75		
Target Achieved	*x*	*x*	*x*		

USMMA Retention Rate for Returning First Year Students (Plebes) by fiscal year	**2013**	**2014**	**2015**	**2016**	**2017**
Target	85	89	90	90	90
Actual	85	87	90		
Target Achieved	√	*x*	√		

Diversity Graduation Rate	2013	2014	2015	2016	2017
Target	59	65	71	72	73
Actual	69	64 1/	71		
Target Achieved	√	√	√		

State Maritime Academies Number of Graduates	2013	2014	2015	2016	2017
Target	600	657	660	660	660
Actual	658	734			
Target Achieved	√	√			

1/ Indicates revised totals from FY 2016 budget.

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS

FY 2008 - FY 2017
Main Table - ($000)

Fiscal Year	Request	Enacted
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	171,155
2017	194,146	

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 2017 – United States Merchant Marine Academy - Budget Request ($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Academy Operations	64,150	71,306	64,500	74,851	10,351
Capital Asset Management Program	15,000	24,722	18,000	25,051	7,051
Total	**$79,150**	**96,028**	**$82,500**	**$99,902**	**$17,402**

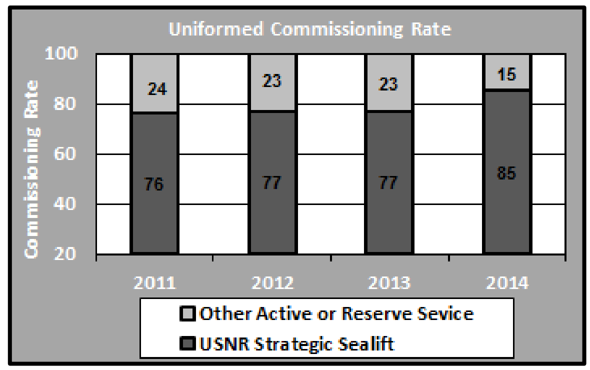
For FY 2017, $99.9 million is requested for the United States Merchant Marine Academy (USMMA), $17.4 million above the FY 2016 enacted level. This request includes $74.9 million for Academy Operations and $25.1 million for the Capital Asset Management Program (CAMP).

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 (DOT) 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 unlimited tonnage or horsepower officer endorsement as 3rd Mate or 3rd Assistant Engineer, and an active duty or reserve commission as an officer in the Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) Corps or the Public Health Service (PHS) Corps) 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 on board commercial and military vessels and enables commercial U.S. shipping companies and the U.S. Navy (Military Sealift Command) an opportunity to provide seamanship and engineering training. Midshipmen are required to have 360 days of sea service during their 4-year education program, to obtain their USCG credential. Shipping companies and the Navy are part of a cooperative effort to ensure that a Midshipman's shore based education is enhanced by the required on-the-job training at sea. The Academy produces 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 source of U.S. Navy Reserve (USNR) Officers and a principal source of new officers for the U.S. Navy's Strategic Sealift Officer (SSO) Program, which maintains a cadre of approximately 2,000 USNR Officers with the necessary training and credentials to operate strategic sealift resources during contingency operations.



One hundred percent of Academy graduates incur a multi-faceted obligation to serve the United States. This obligation includes the requirement to serve for five 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, to maintain a USCG MMC with both an officer and a Standards of Training Certification and Watchkeeping (STCW) endorsement for six years, and to serve as a commissioned officer in a reserve unit of the Armed Services of the United States for eight years (Requirement changed from six to eight years, November 2015[1], beginning with incoming Midshipmen after June 1, 2016). On average, approximately 23 percent of graduates choose to accept active duty commissions in the U.S. Armed Forces or uniformed services in the NOAA or PHS Corps.

Academy funds are used to operate and maintain the instructional training vessels. The training vessel (T/V) KINGS POINTER is an integral part of the academic curriculum, used as a floating classroom to teach Midshipmen how to navigate, operate and maintain a vessel. Funding for T/V KINGS POINTER delivers a cutting-edge program, integrating shore-based lecture sessions with hands-on training and exposure. The vessel makes the academic program truly comprehensive and supports the USMMA's strategic goal of providing advance programs to prepare Midshipmen for leadership and service to the Nation.

This budget request seeks continued funding for the USMMA Sexual Assault Prevention and Response (SAPR) Program. The DOT, MARAD and USMMA leadership are extremely concerned about the safety and well-being of the Midshipmen, faculty and staff at the USMMA and are committed to reducing the number of sexual assaults and incidents of sexual harassment at the USMMA. In the 2014 Defense Manpower Data Center (DMDC) Service Academy Gender Relations (SAGR) survey, an estimated 19-28 women and 8-24 men said that they had suffered some form of sexual assault during Academic Year 2013-2014 (DMDC provides a broad estimate due to wide margins of error from their use of a weighted formula to extrapolate results from a small survey sample to the entire Regiment). While these numbers are statistically unchanged from Academic Year 2011-2012, we believe these occurrences are significantly under reported. Both the number and the flat trend line are unacceptable. The USMMA plans to

[1] National Defense Authorization Act, FY 2016, § 3506

continue to conduct a comprehensive sexual assault prevention program that focuses on training, education, awareness, bystander intervention and leadership development, with the aim of diminishing and/or eliminating sexual harassment and sexual assault from Academy life. Additionally, the Sexual Assault Response Coordinator (SARC) plans to continue to use various instructive approaches to address sexual harassment and sexual assault, including online prevention training, case studies, videos, social media, professional speakers and small group training to maximize each student's ability to comprehend and retain training information. There is already specific training focusing on bystander intervention, risk reduction, cultural competency and safety planning in preparation for students deploying for their first sea year experience.

In FY 2015, the SARC introduced a bystander intervention program called "Green Dot: Bystander Intervention"; developed a Memorandum of Agreement with the Nassau County Rape Crisis Center to assume duties for the 24-hour hotline when the SARC or other academy official is unavailable; expanded the mandatory Plebe (freshmen) sexual assault and sexual harassment indoctrination training from one hour to three hours per person; and restructured the voluntary Sexual Assault Victim Advocate Program to the Victim Advocate (VA) Program. During the past year, the SARC provided mandatory small group training sessions for Midshipmen, faculty and staff, spearheaded recognition of the USMMA's Sexual Assault Awareness Month, and researched database solutions for organizing SAPR record keeping. As a result of these efforts, we believe that the Academy community has a heightened awareness of sexism, sexual harassment and sexual assault prevention and response.

In compliance with the Clery Act, the USMMA also added the prevention education program directed toward dating violence and stalking prevention training for the Class of 2019 and integrated intimate partner violence prevention training with each class throughout the academic year. Adequate funding is necessary to ensure the SAPR program maintains the positive progress achieved over the past few years.

The USMMA is a Federal installation and the overall safety of the school community is a leadership priority. The Academy's phased approach to enhancing security will continue in FY 2017 providing a necessary margin of safety to the Academy buildings and campus. Since the Academy is an open campus, it is imperative to install 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. Additionally, the Department of Transportation's Office of Security conducted security assessments in 2006 and 2012 that identified several deficiencies that need to be addressed. To date, the Academy has implemented dormitory access control for six dormitories, established an initial Security Command Center, installed six emergency call boxes and installed a video surveillance platform with cameras and recorders, and has developed an integrated security system design and installation plan. Current projects anticipated to be completed in FY 2016 include installation of 15 additional emergency call boxes in remaining key areas and improvements to the Command Center; establishing a virtual Public Safety Local Area Network (LAN); expanding the video surveillance platform with three camera per floor in each dormitory and additional cameras in sensitive areas. Projects planned for FY 2017 with the requested funding include replacing the main entrance Vickery Gate security booth, providing for physical access control at the Elmridge Road side entrance, and establishing an Entry Point

Screening to control unrestricted access to the USMMA campus. These projects will significantly improve the security profile of the USMMA campus and also address deficiencies identified in the DOT security assessment report enabling the Academy to meet Federal security standards. This initiative also supports the USMMA's strategic goal of providing a first class infrastructure to support outstanding scholarship.

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 operating 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.

One of the largest requests for funds is $25.1 million for the Capital Asset Management Program (CAMP), which 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 covered by FMRE may involve more planning, oversight, expertise and expense than routine and deferred maintenance, but such work is necessary for the cost effective rehabilitation and repair of such facilities and equipment. The CAMP supports the USMMA's strategic goal of providing a first class infrastructure to support the rigorous academic and professional development curriculum.

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

In FY 2017, the Academy requests $99.9 million and remains focused on maintaining sufficient funding to support mission-essential areas, including security, academics, facilities improvement, and information technology (IT) services. The FY 2017 budget request will allow the Academy to meet its mission of educating and graduating USCG credentialed merchant mariners who will be leaders in the industry. 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 2017 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

For FY 2017, $74.9 million is requested for Academy Operations, $10.4 million above the FY 2016 enacted amount. These requested resources are focused on USMMA mission-essential program requirements and security priorities. The request provides $35.5 million for salaries and benefits and $39.4 million for non-pay operations. The FY 2017 request aligns the budget resources under the respective division and responsibilities as follows:

Salaries and Benefits ($35.5 million)

MARAD requests $35.5 million for salaries and benefits, $0.4 million above FY 2016, to fund the baseline level of 288 full time equivalent (FTE) salaries and benefits. The increase accounts for a 1.6% pay-raise and a baseline adjustment for current services.

Non-pay Operations ($39.4 million)

Non-pay operations are requested at $39.4 million, $9.9 million above the FY 2016 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:

Superintendent/Deputy Superintendent - $17.4 million is requested for the Superintendent/Deputy Superintendent to continue to meet critical operations and administrative support requirements and strategically support the overall operations and functions of the Academy. Of the $3.8 million increase, $1.9 million is required for critical IT hardware upgrades. The Academy's current IT network infrastructure has exceeded its life cycle and, in addition to risk of failure, suffers from vulnerability to intrusion and infection from malware. The current IT servers are between 5-10 years old and are no longer supported by the manufacturers with parts or technical guidance. These servers need to be replaced with equipment that is Internet Protocol Version 6 (IPv6) that complies with the current Federal government standard. Other requirements include the operation and maintenance of a Trusted Internet Connection (TIC), establishment of wireless connectivity for the entire campus, Federal Information Security Management Act (FISMA) compliance audit and documentation review by a third party auditor, and expansion of bandwidth to support further security upgrades. IT services are vital to the Academy's core business functions, teaching methods, learning tools, maintenance systems, security monitoring and regulatory compliance.

$1.6 million of the requested increase is required for the implementation of critical security upgrades to the physical campus. The FY 2017 funding will be used to replace the front Vickery Gate house, provide for physical access control at the Elmridge Road side entrance and utilize Entry Point Screening to control unrestricted access to the USMMA. This will significantly improve the security profile of the USMMA campus. The main entrance to the USMMA is controlled by a manned armed guard booth (Vickery Gate). Vehicles and their occupants are not screened when they enter through this front gate which leads to uncontrolled access to the campus. Additionally, Vickery Gate is not tied into the Access Control System implemented in FY 2014 and security personnel are unable to properly screen authorized or unauthorized individuals. Vickery Gate is well beyond its service life and requires a complete replacement that affords the security systems already installed at the USMMA. The side entrance to the USMMA requires an integrated vehicle and pedestrian entry point screening system. Deploying an Entry Point Screening system will channel all vehicles and individuals through one entry point at Vickery Gate to ensure proper screening of authorized and unauthorized entities. This is a major step to improve the overall state of security at the USMMA. Without the replacement of Vickery Gate, the installation of an Elmridge Road security system and campus-wide Entry Point Screening system, there is significant risk to Midshipman, faculty and staff personal from entities with intent to do harm or destruction such as an incident involving active shooter, destruction by bomb blast or a hostage taking event.

This request also funds the Office of the SARC which supports Academy initiatives to prevent and respond to sexual harassment and sexual assault. The SARC provides training to Midshipmen to raise awareness of sexual assault situations and encourage bystander intervention. An additional $171 thousand is requested to support SARC initiatives, including educational and outreach materials, online sexual assault prevention training, and professional speakers. Effectiveness of the program is measured via surveys and focus groups conducted by the DMDC.

Commandant of Midshipmen - $14.1 million is requested 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 $2.2 million above FY 2016. $581 thousand is for the annual increase associated with existing contractual obligations for food and medical service contracts. Additional funding is required for the deferred maintenance of the T/V GROWLER and the T/V LIBERATOR which is critical to vessel operations and for increased General Agent crew costs. If T/V GROWLER and T/V LIBERATOR are not properly maintained, the USCG could place them out of service, negatively impacting student seamanship education. The request also includes an increase of $1.3 million above FY 2016 for the dry docking of the T/V KINGS POINTER. The dry docking is required to maintain USCG certification to operate the vessel. The requested funding is critical to ensuring that these training vessels are operational for daily, weekend and weeklong training cruises throughout the year, as well as integrating shore-based reading and lecture sessions with hands-on training and exposure to deliver a cutting-edge training program. The Department of Waterfront Operations and Training supports waterfront activities which enable Midshipmen to meet sea year training requirements.

The USMMA Strategic Plan calls for a “Dynamic Campus Culture” and a strategy to offer cultural opportunities locally and regionally that benefit Midshipmen; therefore, the request for the Commandant also includes funding for a new program to support cultural and recreational activities to include cultural tours and performances; outdoor activities; leadership and sexual assault/sexual harassment program activities; and on-campus and exchange activities with other schools and organizations.

Finally, this request will provide support for a new enhanced Alcohol Education Program. This is an online program used by 270 other universities across the country to provide training and awareness of alcohol abuse, additional sexual assault and sexual harassment awareness and prevention training that enhances the existing program, and bystander intervention training. One of the Academy’s top priorities is to be proactive with regard to addressing the risks of alcohol use among 18-25 year olds. The Academy seeks to identify methods to address alcohol use and will look to this funding to supplement and augment the alcohol program already in place on campus. To add further urgency to the need for enhanced alcohol education is the result from the 2013-2014 Service Academy Gender Relations Survey revealing that alcohol was involved in more than half of the sexual assaults that occurred on campus in the 2013-2014 Academic Year. By seeking to reduce student alcohol use, the Academy also hopes to see a similar reduction in sexual assaults in which either the victim or offender or both were drinking alcohol.

Academic Dean - $7.9 million is requested for the Academic Dean to provide resources for the academic departments to ensure continued educational excellence for the Midshipmen. The Offices of Professional Development, Career Services, Library, Registrar and the Physical Education and Athletics Department also fall under the purview of the Academic Dean. The request includes an increase of $3.9 million above FY 2016.

$3.5 million of the requested increase is for educational computing costs, which incorporates the modernization of the Academy's simulator program as recommended by the USMMA Advisory Board to the Secretary of Transportation for the last two years. Funds are necessary to support the modernization of the Academy's full mission bridge and engine simulators because the age of the simulators renders them obsolete for meeting STCW competency requirements established by the STCW Code (Manila 2010 Amendments) that came into force January 1, 2012, as outlined in Title 46, U.S. Code of Federal Regulations. The Academy has had to seek Coast Guard approval for work-arounds to enable Midshipmen to meet STCW engineering competencies; this approval could be revoked if the Coast Guard determines that the Academy has not made a good faith effort to upgrade its full mission engine simulator. The age of the simulators makes them vulnerable to breakdown and the Academy has had to jury-rig the engine simulator just to keep it in operation. Without the requested budget, the Academy will be hampered in its ability to meet its mission, due to inability to teach its accredited curriculum. Midshipmen would need to be sent to sea for longer periods of time just to obtain the required competencies, with the associated government costs and resource strain on the U.S.-flag fleet. The educational budget also includes all of the software and support required by the Midshipman throughout the Academic year. This requested level of funding supports USMMA's vision to offer globally recognized innovative programs and state of the art facilities. The replacement simulators include:

1. Full Mission Engine Simulator ($525,000) – The current machinery control simulator, which is 15-years-old, will be replaced with a Full Mission Engine Simulator.
2. Full Mission Bridge Simulators ($900,000) – The current bridge simulator is more than 16 years old and still uses analog components which are becoming increasingly difficult to service and replace.
3. Building Renovation ($1.4 million) – Renovations are needed to prepare the building that will house the new simulators, including a new load-bearing floor; an upgraded heating, ventilating and air conditioning (HVAC) system; and new electrical wiring and power supplies.

The Regimental program at the Academy is designed to train future leaders. The request for the Academic Dean includes $200 thousand for the addition of a Visiting Chair for Leadership Development. This will provide for a dedicated professional whose primary focus will be to design and implement a leadership development program that takes into account the unique challenges and curriculum at the Academy. This would also help satisfy the Secretary's directive to move leadership to the forefront of the USMMA experience.

This request also supports the Faculty Development and Training. The USMMA Strategic Plan calls for "Cutting-Edge Programs" and "faculty across the Academy who are recognized as global leaders and experts in the maritime field." In any institution, a faculty member gains in stature by performing research, writing papers and presenting them at conferences. Funds will support presentations, conference fees and travel. Additionally, funds will support continuing education for faculty members to maintain valid USCG credentials with the necessary endorsements; increased STCW requirements have mandated increased training needs along with concomitant expense. There is also a need to provide training for faculty members in sexual harassment and sexual assault prevention, cultural and diversity acceptance, safety and other pertinent topics. Funds will support speakers to present these topics.

CAPITAL ASSET MANAGEMENT PROGRAM (CAMP)

MARAD request $25.1 million for CAMP in FY 2017, $7.1 million above the FY 2016 level. 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 covered under FMRE may involve more planning than routine and deferred maintenance. These expenses are necessary to address such repairs and rehabilitation projects in a cost-effective manner. All CIP projects were identified in the Academy's five-year CIP Plan (FY 2016-2020) as follows:

Patten Hall Architectural and Engineering (A&E) Design: $1.5 million
Patton Hall is the Midshipman health clinic. The A&E design will comprise a complete bid package for the facility. The package will include a complete set of drawings for the building as well as cost estimates, statements of work and specifications. The facility design will include full renovations and upgrades and will incorporate facility needs as indicated by the specific requirements for Midshipman health services, the Joint Commission and the facility director.

Gibbs Hall A&E Design: $2 million
Gibbs Hall is the third of four academic buildings 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.

Fitch Hall A&E Design: $1 million

Fitch Hall houses several administrative offices, mechanical and storage spaces, and serves as a central receiving facility for the entire campus. From here all deliveries are received, sorted and sent out to the designated building or office of the 42 buildings on campus. This design will upgrade the delivery receiving area and renovate the office and administrative spaces. It will include a complete bid package, and will comprise a complete set of drawings, cost estimates, statements of work, and other specifications.

Fulton Hall A&E Design: $2 million

Fulton Hall is the main building 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 Marine 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.

Fulton Hall Renovation – Construction: $13 million

Fulton Hall is the fourth academic building to be renovated. The upgrades will improve the fire protection system including installation of a new sprinkler and standpipe system, replacement of the HVAC system, 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 electrical system will be upgraded to include enough power for the loads of an academic building with more technology in use. All interior finish work, lighting and furniture will be modernized and replaced.

Seawall Repairs: $679 thousand

These funds continue the phased approach to restoring the seawall as part of the ongoing effort to improve the USMMA physical plant. With these funds the next section will be replaced according to Executive Order 13690 (Flood Risk Management) while deteriorating areas needing preventive maintenance attention will continue to be restored in order to avoid further deterioration.

Facilities Maintenance, Repair and Equipment (FMRE): $4.9 million

For FY 2017, MARAD requests $4.9 million for FMRE, an increase of $1.9 million from FY 2016 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 the facility heating and cooling plant, major roof repairs to several buildings, and significant plumbing renovations to older facility structures.

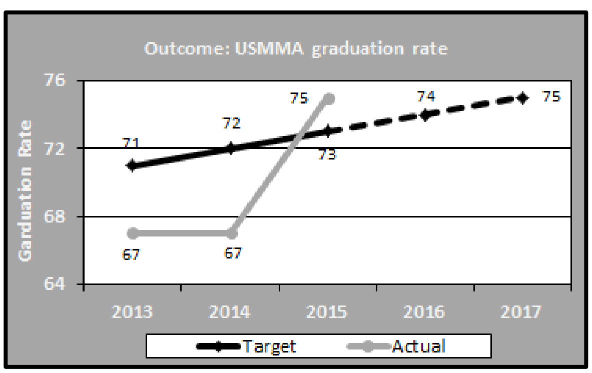
As initially identified by the USMMA Building Evaluation Report (BER), the Academy continues to have a backlog of deferred maintenance in excess of $60 million that will continue to grow without an effective plan in place to reduce the facilities maintenance needs. While CIP plan renovations will gradually relieve some of the deferred maintenance burden, the Academy requires a preventative and corrective maintenance strategy that will service buildings waiting in the CIP queue. The Academy hopes to address this with a Comprehensive Maintenance Contract, which is expected to be ready for implementation in FY 2017.

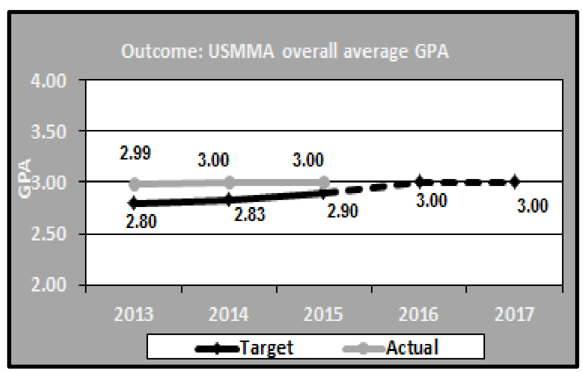
USMMA PERFORMANCE

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.

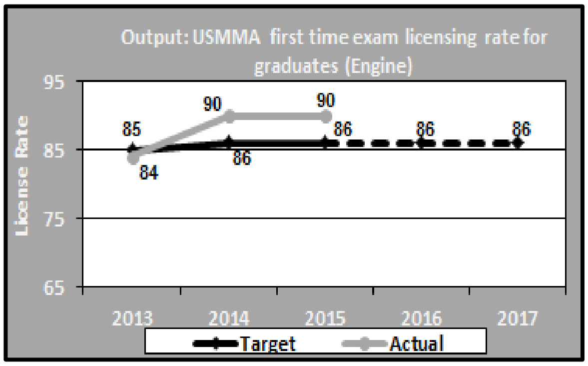
The USCG also evaluates and approves the Academy's training program every five years to ensure that it meets the national and international training requirements to prepare individuals for USCG examination and credentialing to serve on ocean-going vessels of unlimited tonnage and horsepower. USCG and MARAD also perform an in-depth STCW audit at the academy every five years to ensure the quality of USCG approved STCW training, the adherence to those standards continues to be achieved, and that a plan is in place for correcting any nonconformities discovered through external or internal audits. The most recent USCG audit (2010) commended the Academy for the high quality of its professional mariner training program.

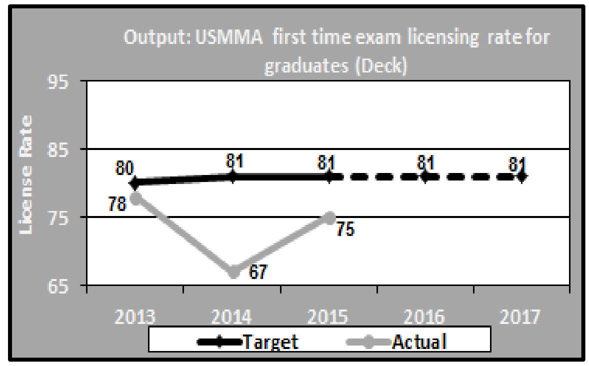
To help ensure the USMMA is graduating highly qualified merchant marine officers, MARAD will work with the Academy towards meeting its self-established performance target for graduation rate, which indicates the percentage of students who graduate within four years after they begin at the Academy. Additionally, for the overall USMMA graduate grade point average (GPA) performance metric, the Academy exceeded the 2015 target of 2.90, with the graduates achieving an overall GPA of 3.00.



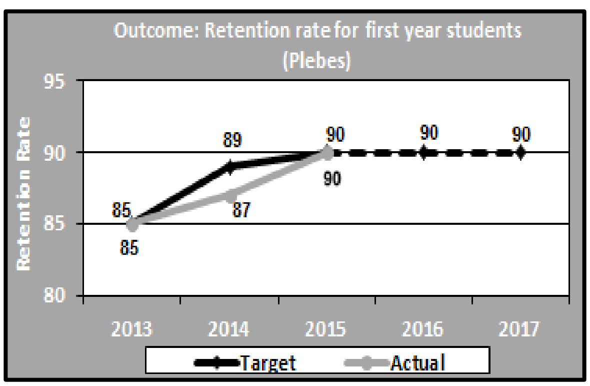


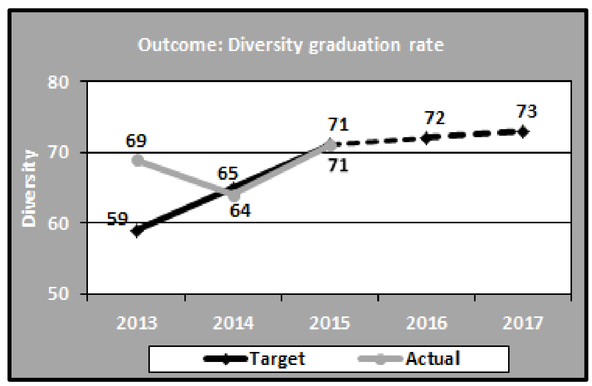
The USMMA continues to graduate USCG credentialed merchant mariners and leaders who will serve America's need for shipboard officers and leaders in the transportation field. To track the progress of this goal, the USMMA tracks the percentage of graduates that pass the USCG licensing exam on the first attempt. 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. While the FY 2015 goal for deck graduates was not met, there was significant improvement from FY 2014, and the Academy plans to continue this upwards trend in FY 2016 by placing additional emphasis in the license preparatory phase on the areas of the 2015 exam where there was a less than desirable pass rate.





The USMMA also tracks and measures the retention rate for returning first year students that continue on for their second year at the Academy, 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 2017 should allow the Academy to reach the lower 70th percentile.

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 of 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. GAO has also confirmed closure in November 2015 of agency actions completed addressing GAO's 2012 recommendation for improved oversight and management of the USMMA Capital Improvement Program.

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 Nation's new highly skilled, entry-level merchant marine officers who hold an unlimited tonnage or horsepower endorsement available to support the U.S. Merchant Marine and national maritime industry infrastructure. Presently, with rare exceptions, all 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 IT 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 international destinations. They ensure that the Nation has a home grown source of manpower in the event that U.S.-flagged ships are required to transport materials to support the Department of Defense. The current skill most needed in the maritime industry is for engineers, which the Academy provides more than any other maritime academy. 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 budget request provides the Nation the capability 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 2017 State Maritime Academies Budget Request
($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Direct SMA Support	3,600	3,000	3,000	3,000	0
Student Incentive Program	2,400	2,400	2,400	2,400	0
Fuel Assistance Payments	1,200	1,800	1,200	1,800	600
Training Ship Maintenance & Repair	11,300	22,000	22,000	22,000	0
National Security Multi-Mission Vessel Design	0	5,000	5,000	0	-5,000
Mariner Compliance and Training	0	350	0	350	350
Total	**$18,500**	**34,550**	**$33,600**	**$29,550**	**$-4,050**

1/ The National Security Multi-Mission Vessel Design has been renamed the National Security Multi-Mission Vessel/School Ship Replacement Program and has been relocated to a different section of the budget request. The program funding request for FY 2017 is $6 million.

For FY 2017, $29.6 million is requested for the State Maritime Academies (SMAs). This request provides Federal assistance to the SMAs for education and training of merchant mariners in support of national security requirements and the U.S. marine transportation system. The budget request provides $3.0 million for direct payments divided equally among each of the six SMAs, $2.4 million for the student tuition assistance program, $1.8 million for fuel assistance payments, $22.0 million for maintenance and repair of the six SMA training ships, and $350.0 thousand for the monitoring of graduates' compliance with service obligations. For FY 2017, the National Security Multi-Mission Vessel Design program activity is moved to the proposed National Security Multi-Mission Vessel (NSMV)/School Ship Replacement Program of the budget request.

What is this Program and Why is it Necessary?

This program provides Federal assistance to the SMAs, to help educate and train mariners and leaders to support the U.S. marine transportation system. Having a viable United States Merchant Marine is essential to the security of the United States by ensuring that the Nation has its own capacity to deploy and resupply its Armed Forces overseas. A vibrant United States

Merchant Marine further assures the United States of critical vessels, jobs, and skills needed for the Nation's transportation infrastructure. Trained United States citizen mariners assure the availability of United States citizens to meet the Nation's maritime needs.

The Merchant Marine Act of 1936, as amended, is the principle Act governing the functions of the Maritime Administration (MARAD), and provides authorities to further the development and maintenance of an adequate and well-balanced American merchant marine to promote the commerce of the United States, and aid in the national defense. This Act further declares that the United States shall have a merchant marine composed of the best-equipped, safest and most suitable types of U.S. constructed vessels, and crewed with trained and efficient citizen personnel.

In accordance with 46 U.S.C. § 1295, MARAD is authorized to provide education and training for U.S. citizens in the interest of the safe and efficient operation of the merchant marine, and provides for cooperation with the U.S. Navy and SMAs to this end. This program provides support to the six SMAs, which produce well-educated, highly trained, and U.S. Coast Guard (USCG) credentialed officers in the U.S. Merchant Marine. These graduates promote the commerce of the United States and aid in the national defense, by serving in the merchant marine and U.S. Armed Forces.

The six SMAs provide students, from across the socio-economic spectrum, an affordable, high quality – Nationally recognized – education, and the necessary training to become USCG credentialed officers in the U.S. Merchant Marine. These six SMAs are: California Maritime Academy in Vallejo, CA; Great Lakes Maritime Academy in Traverse City, MI; Maine Maritime Academy in Castine, ME; Massachusetts Maritime Academy in Buzzards Bay, MA; the State University of New York (SUNY) Maritime College in the Bronx, NY; and Texas A&M Maritime Academy in Galveston, TX. While most SMAs are associated with their state governed university systems, they are all regional academies providing the unique maritime learning opportunities to broader regional areas and partner states.

The SMA request has historically contained two major program areas, education and training, comprised of four supporting program components:

1. Annual direct support to each of the six SMAs (education);
2. Annual direct assistance to SMA students through the Student Incentive Program (SIP) (education);
3. Annual training ship fuel assistance payments (training); and
4. Annual training ship maintenance and repair (training).

The 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 and credential USCG merchant mariner officers and to assist the SMAs in providing the highest quality training. In return, the American taxpayer receives well-educated and trained merchant mariners qualified to fill critical jobs within the maritime industry and provide support for national defense and emergencies. As a condition for receiving these payments, SMA's agree to admit students from other states.

SIP provides funding for the program and 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 currently of $8,000 per year, for a maximum of $32,000 for 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 six 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 MMC 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 eight years. (Requirement changed from six to eight years[1], November 2015, beginning with incoming SMA SIP students after June 1, 2016.)

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 service obligation.

MARAD's Maritime Service Compliance System (MSCS) is used to track fulfillment of both the SIP and U.S. Merchant Marine Academy (USMMA) graduates' service obligation compliance. 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. The existing tracking system is outdated, manpower intensive, not user friendly and needs to be replaced with improvements to more effectively and efficiently monitor graduates' compliance with their service obligation.

In accordance with 46 U.S.C. § 51504 and § 51506, the National Defense Reserve Fleet training ships are on loan from MARAD to each of the six SMAs under a custodial agreement. The quality and length of sea time Midshipmen/Cadets receive aboard the training ships is a critical educational component in qualifying the students to take the USCG MMC examination. Without adequate sea time, students cannot take the required USCG licensing exam. The ships are employed as academic and seagoing laboratories for license coursework and practical hands-on training for the merchant mariner credentialed officer training programs at each maritime academy which cannot be replaced with simulation or classrooms. 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 USCG and environmental requirements. MARAD's policy is to comply with International Maritime Organization (IMO) regulations to the maximum extent practicable.
The Fuel Assistance Payment is to support the cost of fuel for the training ships during the vessel's annual training cruise. Training Ship Maintenance and Repair is provided to offset

[1] National Defense Authorization Act, FY 2016, § 3507

regulatory, statutory and convention surveys, inspections, repair and maintenance; including dry-docking and internal structure exams. This funding is also used for maintenance and repair of mission-critical systems such as galley, habitability infrastructure and accommodations. The Training Ship Maintenance and Repair funds are used for recurring or periodic capital preservation projects, and to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic equipment/machinery failure or loss. This work is particularly important as the training ships age and approach their designed service life. In the interim, MARAD is using the requested funds to address priority maintenance across all the aging training vessels, with priority emphasis on the TS EMPIRE STATE, to ensure that they all meet safety and functional requirements and can stay in service as long as possible. In addition, MARAD is requesting funding within the National Security Multi-Mission Vessel (NSMV)/School Ship Replacement Program in a separate section of the Agency's budget request to determine appropriate next steps to ensure adequate shipboard training capacity is available in the future.

The SMA program is necessary in order to produce sufficient quantity and quality of mariners to support the needs of the United States. The United States merchant marine and the associated marine transportation system serve as the Nation's economic engine; supporting 23 million jobs and generating $4.6 trillion in total economic activity. A strong American merchant marine enables expanding trade and commerce, creating good jobs in the U.S., and is essential to economic growth. In addition to moving bulk cargos and manufactured goods from the Nation's heartland to its seaports, transporting goods globally, and enabling our military to rapidly deploy overseas, the U.S. Merchant Marine supports our Homeland Security as an integral part of the Nation Response Framework (NRF). Even before implementation of the NRF, mariners responded without delay providing passenger sealift from Manhattan, in the aftermath of the 9/11 World Trade Center attacks, and subsequent transportation supporting shiftwork for first responders. Under various directives formalizing national processes for preparedness and response efforts, the U.S. Merchant Marine continues to provide support during emergencies, including Hurricanes Katrina and Rita in 2005, the Deepwater Horizon oil spill response in 2010, and recovery from Hurricane Sandy in 2012.

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

The FY 2017 requested amount of $29.6 million will fund mariner training and sea time requirements to meet new and existing IMO Standards for Training Certification and Watchkeeping (STCW)[1] helping to ensure sufficient highly trained merchant mariners are available to serve the economic and national security needs of the Nation. The requested funds will provide support for the following: Direct SMA Support to each of the schools for maintenance support ($3.0 million), SIP ($2.4 million), Fuel Assistance to each of the six schools ($1.8 million), Training Ship Maintenance and Repair ($22.0 million) to maintain the six SMA

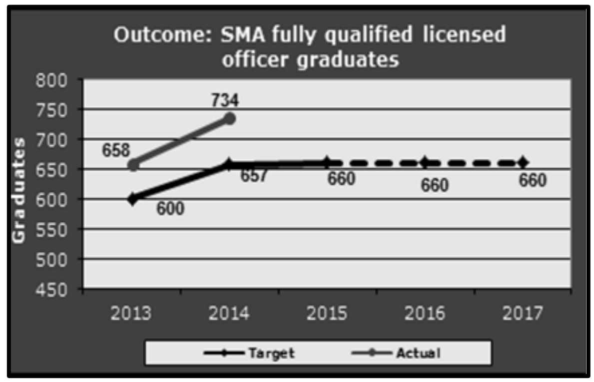
[1] The IMO amended the STCW Convention and STCW Code on June 25, 2010. These amendments entered into force for ratifying countries on January 1, 2012. The USCG published a final rule on December 24, 2013, that implements STCW, including the 2010 amendments. The rule provides for a transition period for the new requirements, to facilitate full compliance with the requirements by January 1, 2017. Mariners must provide proof of completion of the required training to USCG by December 31, 2016 or their STCW endorsement will no longer be valid.

training ships to USCG and IMO compliant condition, and funding for the Mariner Compliance and Training ($350 thousand) to address a critical information technology need in the current system.

DIRECT SMA SUPPORT

MARAD's request of $3.0 million in FY 2017 will provide the maximum authorized level per 46 U.S.C. § 51505 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 Cadet instruction and education.

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 2017, we anticipate over 660 Cadets will graduate from the SMAs with officer endorsements. These graduates support numerous components of the maritime industry.



STUDENT INCENTIVE PROGRAM (SIP)

The FY 2017 request of $2.4 million for the SIP will help support the operations of the program, the goal of which is the enrollment of up to 300 students (current annual stipend of $8,000 for a maximum of four years) at the six SMAs to meet the validated requirements of the U.S. Navy's Sealift Support Officer Program (SSOP), U.S. Army and U.S. National Guard, when combined with the anticipated number of USMMA graduates. The Department of the Navy SSOP has established an annual requirement of at least 220 reserve officers entering the program upon graduation from SMAs and 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 accession requirement. The SIP funding will be used primarily for SIP payments to students. However, a portion of the program funding may 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.

The SIP promotes there being a robust pool of USCG credentialed officers in the U.S. Merchant Marine that is readily available to crew surge government sealift vessels, should normal crewing processes fail[1]. Annually, approximately 23 percent of USMMA graduates and four percent of

[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 to rotate off the ship and a relief is needed. Sometimes, companies are able to arrange for permanent crews with the unions and reliefs are done more routinely. Others use company based unions and run their own crew changes.

all unlimited license SMA graduates enter active duty in the U.S. Armed Forces, and therefore are not commissioned into the reserve component of the SSOP.

The SIP graduates' maritime skills and education are utilized in support of the U.S. Armed Forces through these reserve programs. SIP funding is provided to students to be used for uniforms, books, tuition and subsistence in return for a service obligation. MARAD will continue to work on development and collection of program performance information to assess SIP graduate's compliance with USCG MMC requirements, employment and service obligations in exchange for SIP payments.

MARINER COMPLIANCE AND TRAINING

MARAD requests $350 thousand for initial Maritime Service Compliance System (MSCS) system replacement. The MSCS was developed to provide a web-based 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 SMAs and USMMA, monitoring subsidy payments to SMA SIP students, and maintaining a record of the graduates' fulfillment of their service obligations. The absence of a new system will significantly increase the manpower necessary to monitor student's compliance and decrease the timeliness of taking administration action against those who are not meeting their obligation. Currently insufficient resources exist to process hard copy annual reports and monitor compliance without leveraging technology.

Currently, 99.6 percent of the USMMA and SMA SIP graduates are compliant with their service obligation. MARAD has begun to take action against all of the USMMA and SMA SIP graduates that are not in compliance dating back to the graduating classes of 2012, and will seek to recover the cost of education (USMMA) or the amount received in SIP payments (SMA).

FUEL ASSISTANCE PAYMENTS

This request includes $1.8 million, consistent with FY 2016, which provides the maximum authorized level of $300 thousand for each of the six SMAs for fuel used by the training ships annually. A single bunkering evolution can cost as much as $1.0 million and most SMAs pay well over $1.5 million annually for fuel consumed during training cruises, which are critical to ensure Midshipmen/Cadets obtain the necessary sea time to qualify to for taking the written examination to earn their USCG MMC. To be compliant for operation in the Emission Control Area (ECA) of the United States which extends out 200 nautical miles, the training ships are required to purchase significantly higher cost ultra-low sulfur fuel (requirement went into effect in January 2015 and is currently about 50 percent more expensive than marine diesel fuel), longer sailing periods, consuming more fuel, to meet an increased requirement for at sea training mandated by STCW, and inflation. Although fuel costs across the country are currently low, the overall expense continues to rise for the SMAs, and will become more dramatic if fuel prices rise in the future.

TRAINING SHIP MAINTENANCE & REPAIR

MARAD requests $22.0 million to maintain each ship in a state of good repair, to ensure that safety standards are met, and to comply with environmental requirements, as required by Federal statute in the Merchant Marine Act of 1936. The 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 SMAs and MARAD must continually update the ships systems to remain safe and effective educational platforms. The total number of SMA training ships available directly corresponds with the capability to graduate USCG credentialed officers. The training ships are the single most important element provided by the Federal Government that enables these schools to operate as maritime academies and graduate students qualified to take the USCG licensing examination.

The Department of Transportation, through MARAD, owns and maintains the six training ships on loan to the respective SMAs for the training of credentialed merchant marine officers. Although all of the responsibility and the majority of the costs are borne by MARAD, the requested funds do not cover all expenses, and the SMAs annually spend a significant amount to keep the ships compliant and operational which are specific to each SMA and training ship. They each have their own unique training program which is approved by the USCG to meet STCW requirements. The program is supported by shore based academics and simulators as well as shipboard training installations. Maximizing shipboard training provides additional realism to further improving preparation of Cadets to be credentialed merchant mariner officers.

Training Ship Maintenance and Repair funds are required to offset regulatory, statutory, and convention surveys, inspections, repair and maintenance; including dry-docking and internal structure exams. These funds are also used for routine, non-regulatory maintenance and repair of mission-critical systems such as galley, habitability infrastructure, and accommodations. Additionally, the funds are used for recurring or periodic capital preservation projects, and mission-related capital reinvestment to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic failure or loss. This work is particularly important as the training ships age and approach the end of designed service life.

A reduction in the requested funds will defer maintenance, which could lead to a reduced service life of the ship. If the reduction is significant, it will also prevent major projects, necessary overhaul of auxiliary systems, equipment upgrades or replacements, and other preventative maintenance that extends the service life of the equipment from occurring. Failing to perform necessary annual maintenance and being unable to conduct repairs, always leads to more expensive preventative maintenance or corrective repairs in the future, including the early retirement of a ship. Deferring maintenance also increases the risk to the government, specifically risk of catastrophic failure or loss of equipment or life, and reduction in safety overall. There is also the possibility of failing to meet USCG and IMO regulatory requirements which could result in the ship’s Certificate of Inspection being suspended or revoked which would remove the ship from service until corrected.

The TS EMPIRE STATE is currently operating seven years beyond its designed extended service life and must be maintained in a condition of good repair to ensure the safe operation of the vessel and adequacy of its training function. However, the other training vessels are also aging and also continue to need increased maintenance and repair funding to ensure their safety and viability. In the interim, MARAD is using the requested funds to address priority maintenance across all the vessels, with priority emphasis on the TS EMPIRE STATE, to ensure that they all meet safety and functional requirements and can stay in service as long as possible.

<table>
<tr><th colspan="3">TS EMPIRE STATE – SUNY Maritime College</th></tr>
<tr><td rowspan="3"></td><td>Length overall/Beam/Draft:</td><td>565’ / 76’ / 25’</td></tr>
<tr><td>Speed / Fuel:</td><td>22 knots / IFO-180</td></tr>
<tr><td>Complement: Cadets/Officers/Crew</td><td>666 Cadets/ 122 Crew</td></tr>
<tr><td rowspan="5">The FY 2017 request includes $2.7 million to focus on addressing steel preservation and renewal, and maintaining the vessel in a safe material condition. The 55 year old vessel is seven years beyond its designed extended useful life. The estimated end of useful service life date is 2019.</td><td>Propulsion System:</td><td>Steam Boiler/Turbine</td></tr>
<tr><td>Keel Laid / Age:</td><td>1961/55</td></tr>
<tr><td>Converted to Training Ship:</td><td>1988-1989</td></tr>
<tr><td>Original Designation:</td><td>Break Bulk Cargo Ship</td></tr>
<tr><td>Home Port:</td><td>Ft. Schuyler, Bronx, NY</td></tr>
</table>

<table>
<tr><th colspan="3">TS KENNEDY – Massachusetts Maritime Academy</th></tr>
<tr><td rowspan="3"></td><td>Length overall/Beam/Draft:</td><td>540’ / 76’ / 27.5’</td></tr>
<tr><td>Speed / Fuel:</td><td>20 knots / IFO-180</td></tr>
<tr><td>Complement: Cadets/Officers &Crew</td><td>600 Cadets/110 Crew</td></tr>
<tr><td rowspan="5">The FY 2017 request includes $4.0 million for dry docking, preventative maintenance regulatory fees and support, repairs, service life extensions, improvements, and ship support. The 50 year old ship is five years beyond its designed service life extension. As a result of an extended yard period in 2009 when additional capacity was added and other maintenance was completed, the ship is in reasonably good material condition. The estimated end of service life date is 2025.</td><td>Propulsion System:</td><td>Steam Boiler/Turbine</td></tr>
<tr><td>Keel Laid / Age:</td><td>1966/50</td></tr>
<tr><td>Converted to Training Ship:</td><td>2002/2009</td></tr>
<tr><td>Original Designation:</td><td>Break Bulk Cargo Ship</td></tr>
<tr><td>Home Port:</td><td>Buzzards Bay, MA</td></tr>
</table>

<table>
<tr><th colspan="3">TS GENERAL RUDDER – Texas A&M Maritime Academy</th></tr>
<tr><td rowspan="3"></td><td>Length overall/Beam/Draft:</td><td>224’ / 43’ / 16’</td></tr>
<tr><td>Speed / Fuel:</td><td>11 knots / MDO</td></tr>
<tr><td>Complement: Cadets/Officers/Crew</td><td>50 Cadets/15 Crew</td></tr>
<tr><td rowspan="5">The FY 2017 request includes $800 thousand for preventative maintenance regulatory fees and support, repairs, service life extensions, improvements, and ship support. The estimated end of useful service life date is 2035.</td><td>Propulsion System:</td><td>Diesel Electric</td></tr>
<tr><td>Keel Laid / Age:</td><td>1984/32</td></tr>
<tr><td>Converted to Training Ship:</td><td>2012 delivered</td></tr>
<tr><td>Original Designation:</td><td>Ocean Surveillance</td></tr>
<tr><td>Home Port:</td><td>Galveston, TX</td></tr>
</table>

TS STATE OF MAINE – Maine Maritime Academy

The FY 2017 request includes $12.8 million to procure a main propulsion system, dry docking, preventative maintenance regulatory fees and support, repairs, service life extensions, improvements, and ship support. The 27 year old ship is the sister ship to TS GOLDEN BEAR. However, its propulsion plant (a medium speed diesel engine) is 34 years old and is rapidly nearing the ending of 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 for air emissions. The critical upgrade for this vessel is to change the main propulsion system to a modern diesel propulsion plant. The estimated end of useful service life date is 2025.

Length overall/Beam/Draft:	500' / 72' / 30'
Speed / Fuel:	16 knots/MDO & IFO-180
Complement: Cadets/Officers &Crew	244 Cadets/54 Crew
Propulsion System:	Diesel, Geared Drive
Keel Laid / Age:	1989/27
Converted to Training Ship:	1996-1997
Original Designation:	Oceanographic Research
Home Port:	Castine, ME

TS GOLDEN BEAR – California Maritime Academy

The FY 2017 request includes $1.3 million for preventative maintenance regulatory fees and support, repairs, service life extensions, improvements, and ship support. The estimated end of useful service life date is 2035.

Length overall/Beam/Draft:	500' / 72' / 30.5'
Speed / Fuel:	18 knots / MDO
Complement: Cadets/Officers/Crew	295 Cadets/85 Crew
Propulsion System:	Diesel, Geared Drive
Keel Laid / Age:	1988/28
Converted to Training Ship:	1995-1996
Original Designation:	Oceanographic Research
Home Port:	Vallejo, CA

TS STATE OF MICHIGAN – Great Lakes Maritime Academy

The FY 2017 request includes $400 thousand for preventative maintenance regulatory fees and support, repairs, service life extensions, improvements, and ship support. The 31 year old ship has the capacity it requires to fully support the Great Lakes trade. The fresh water operation results in less maintenance costs.

Length overall/Beam/Draft:	224' / 43' / 16'
Speed / Fuel:	11 knots / MDO
Complement: Cadets/Officers	64 Cadets/9 Crew
Propulsion System:	Diesel Electric
Keel Laid / Age:	1985/31
Converted to Training Ship:	2004
Original Designation:	Ocean Surveillance
Home Port:	Traverse City, MI

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

A strong commercial merchant marine fleet is a long-standing objective of the United States, one that is owned and operated by U.S. citizens, employing U.S. mariners, in high value jobs. The U.S. Merchant Marine is a National Resource; essential for maintaining the sealift capacity required to support economic growth and national defense.

The best strategy to ensure that the United States can provide the National Economic Security and Sealift Support that would be critical in future conflict is a strong commitment to:

- Train highly skilled mariners;
- Support U.S.-flag vessel in commercial operations; and
- Maintaining U.S. shipbuilding capability.

The Secretaries' of Education, Transportation, and Labor – Report on Training and Career Pathways (August 2015), identifies that there are 75,000 employment openings projected over the next 10 years in three of the top maritime jobs which are directly supported by the use of the training vessels. The joint report also indicates that 9 out of 10 high-demand maritime occupations pay above the National median and many jobs have relatively low barriers to entry. The overwhelming majority of job openings in maritime will be for occupations serving on vessels in the merchant marine.

Federal government support of mariner education helps equip future merchant marine officers, providing a high quality, college-level education and technical training. Funding allows MARAD to ensure the U.S. has a continuous supply of capable and well-trained U.S. merchant mariners. The SMAs provide students, from across the socio-economic spectrum, a high quality – nationally recognized – education and the necessary training to become USCG credentialed officers in the U.S. Merchant Marine. Nearly 100 percent of each graduating class is employed within the first three months of graduation and are in quality, high-paying jobs that support the transportation industry. More than 40,000 American vessels of various types, built in American shipyards and crewed by U.S. citizen mariners, operate in U.S. waters in different segments of the industry such as offshore, coastal, inland rivers and the Great Lakes, and in domestic Jones Act trades. This directly creates approximately 82,000 U.S. jobs in the commercial shipbuilding and domestic waterborne transportation industries, and resulted in $34.3 billion in U.S. economic output, $7.2 billion in U.S. labor compensation, and an estimated $2.6 billion in taxes at the Federal, state and local levels, in 2011 (Source: Study by Pricewaterhouse Coopers for the Transportation Institute).

DETAILED JUSTIFICATION

NATIONAL SECURITY MULTI-MISSION VESSEL/SCHOOL SHIP REPLACEMENT PROGRAM

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

FY 2017 National Security Multi-Mission Vessel/School Ship Replacement Program Budget Request ($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
National Security Multi-Mission Vessel/School Ship Replacement Program	0	0	0	6,000	6,000
Total	**$0**	**$0** 1/	**$0**	**$6,000**	**$6,000**

1/ The Consolidated Appropriations Act, 2016 included $5 million for National Security Multi-Mission Vessel Design for State Maritime Academies and National Security.

For FY 2017, $6 million is requested for the National Security Multi-Mission Vessel (NSMV)/ School Ship Replacement Program to conduct an independent requirements and alternatives analysis for Cadet training ship needs, specifically the training requirements of the State Maritime Academies (SMAs) that MARAD currently supports. The requested amount will fund further evaluation of the training ship requirements including a cost constrained requirements analysis that builds upon other work done across government to meet the training needs as well as ship construction requirements. The analysis will also include the assessment and validation of future mariner requirements and anticipated demand, and the impact to the training programs and what will be required to keep pace with the demand. This requirements and alternatives analysis will be done in consultation with other agencies that have experience with ship construction. Upon completion of this analysis, MARAD will conduct an Independent Verification and Validation (IV&V) of the requirements and alternatives analysis.

What is this Program and Why is it Necessary?

While MARAD has completed a feasibility study, an initial analysis of alternatives and a preliminary business case analysis, it is prudent to undertake additional rigorous analysis prior to making a long-term investment decision. The analysis will build upon the previously completed efforts.

The United States is narrowly meeting the current requirement for merchant mariners and must maintain an uninterrupted supply for both current and future needs. The pipeline of USCG credentialed officers is critical to provide crew for commercial and military support vessels, to lead the maritime industry, and in some cases, to serve in our Armed Forces.

In 2014, USMMA and the SMAs graduated approximately 960 unlimited license officers, of which approximately 70 percent went to work aboard ships. Overall enrollment in the unlimited license programs, the same year, was approximately 5,000 Cadets.

MARAD maintains a fleet of U.S. Government owned vessels operated by the SMAs. These vessels are used to train merchant marine officer candidates as part of MARAD's mission to foster a strong U.S.-flag merchant marine. Each SMA training program meets internationally-agreed upon standards followed by the USCG, including sea service time, training, and competency requirements. The MARAD-owned training ships play a central, critical role in these programs. The current fleet of vessels have also supported other U.S. Government agencies in humanitarian assistance and disaster relief roles. The current fleet of vessels range in age, mission capability and material condition. The training ship fleet is aging. For example, the TS EMPIRE STATE, on loan from MARAD and operated by the State University of New York (SUNY) Maritime College, is the oldest training ship in the fleet. This training ship is 55 years old, operating seven years beyond its original designed service life extension. Currently, this training ship has a USCG Certificate of Inspection to be sailed as a public nautical school ship, and is in full Class with the American Bureau of Shipping (ABS) through 2019.

Each of the SMAs operates their respective training ship as part of a USCG-approved training program. They graduate credentialed merchant mariners who undergo a rigorous four-year maritime education and training program, approved by the USCG in accordance with the standards identified in the U.S. Code of Federal Regulations and the International Convention on Standards for Training, Certification, and Watchkeeping (STCW) 1978, as amended. A necessary prerequisite to earning the credential is a minimum of 360 days of experiential learning on board a ship. Although the specific training curriculum may vary from one SMA to another, they all employ a combination of shipboard and shore-side classroom instruction, laboratory training and hands-on learning, thereby integrating the STCW competencies and assessment of student learning throughout the four-year education. Broadly speaking, the SMA training ships are used to achieve two objectives: 1) to allow merchant marine officer candidates to acquire sea service time and 2) to provide students with a modern, realistic and effective real-world learning environment. Shipboard operational training is further reinforced during the normal academic year by using the ship as a floating laboratory while the ship is not on an annual training cruise.

If the TS EMPIRE STATE is taken out of service without having an alternative solution, the overall SMA mariner training program is expected to lose 36 percent of the existing training ship capacity. This will be a major setback to meet the rising national demand for mariners[1].

[1] Skills Training and Career Pathways Report dated August 2015, co-sponsored by the Secretaries of the Department of Transportation, Education and Labor.

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

Building on the previously completed work, the FY 2017 President's Budget requests $6 million to provide a more refined analysis of training ship requirements and replacement options for the school ship replacement program.

The analysis of alternatives will also independently examine the cost and benefits of maintaining training ships from the existing fleet. The requirements analysis will articulate the source of each requirement, whether a specific requirement can be bifurcated and if so how, and the associated cost of each requirement where practicable. The gap analysis will identify and quantify gaps in training ship capacity planning, timelines, and alternative solutions in the event of a delay in replacing the TS EMPIRE STATE. The analysis will continue to draw from the expertise of Federal partners in the maritime community who also have shipbuilding experience, and who rely heavily on the mariners trained by the six SMAs.

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

By providing a robust analysis of the important critical future mariner capacity and training needs, we can identify potential alternatives which will provide the most cost beneficial and effective solutions. This request will identify appropriate and cost-effective steps that can be taken to meet the training needs currently being met through the six school ships that are on loan to the six SMAs.

DETAILED JUSTIFICATION

MARAD OPERATIONS AND PROGRAMS

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

FY 2017 MARAD Operations and Programs Budget Request
($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Headquarters Operations	47,400	50,059	47,055	52,694	5,639
Maritime Program Initiatives:	3,000	4,000	8,000	6,000	-2,000
StrongPorts	*0*	*0*	*0*	*3,000*	*3,000*
Maritime Environment & Technical Assistance (META)	*3,000*	*4,000*	*3,000*	*3,000*	*0*
Short Sea Transportation		*0*	*5,000*		*-5,000*
Total	**$50,400**	**$54,059**	**$55,055**	**$58,694**	**$3,639**

For FY 2017, a total of $58.7 million is requested for MARAD Operations and Programs, $3.6 million above FY 2016 enacted level. The request includes $52.7 million for Headquarters Operations, $3.0 million for the Maritime Environment and Technical Assistance (META) program consistent with the FY 2016 enacted level, and new funding of $3.0 million for the StrongPorts program.

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 and administration of Marine Highway discretionary grants. The office also oversees activities at MARAD's ten gateway offices located regionally 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 (DoD) strategic sealift requirements (e.g. Maritime Security Program and Voluntary International Sealift Agreement). Additional responsibilities include emergency preparedness planning and emergency operations in other maritime civil transportation areas, the administration of the ship disposal program, administration of the cargo preference program, monitoring compliance with the domestic coastwise trade (Jones Act) and small vessel waivers, and administration of maritime labor and training programs. The office is also responsible for providing support to the State Maritime Academies, administration and promotion of the Student Incentive Program (SIP) for tuition assistance, administration of responsibilities with respect to U.S. Merchant Marine Academy (USMMA), SIP undergraduate and graduate service obligations, and training 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. 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 PROGRAM INITIATIVES

Maritime Environmental and Technical Assistance (META) Program

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

For FY 2017, MARAD's META program continues to focus on reducing air pollution from vessels, port and harbor operations, and control of aquatic invasive species. In addition, META continues to explore ways to improve vessel energy efficiency and the use of alternative energy/technology such as biofuels, liquefied natural gas (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, and technology testing and verification. Leveraging resources with the private sector and other government agencies, META's ultimate goal is to identify economically sustainable solutions to emerging maritime environmental challenges. These efforts will inform future regulatory agency efforts to craft effective and practicable environmental requirements for the marine industry, and will also inform industry decision making regarding capital investments necessary to meet current and future environmental requirements.

Ballast Water Management:

In FY 2017, 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 and International Maritime Organization (IMO) compliance testing and associated scientific teams involved with the testing. 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 cost from the hundreds of thousands of dollars to over a million dollars per ship. If systems do not meet U.S. requirements, companies will be subject to fines and penalties and will still need to install approved system retrofits or replacements at significant additional expense. Thus, access to information regarding the efficacy of BWMS will assist industry in making well informed investment decisions.

Air Emissions, Alternative Energy and Efficiency:

During fiscal years 2013 through 2015 META funding has enabled MARAD to sponsor more than a dozen studies and demonstration projects that have focused on alternative fuels, energy conservation and emissions reduction technologies. These projects involve cross collaboration among many public agencies, including the Departments of Defense (DOD), Energy (DOE), Agriculture (DOA), the Environmental Protection Agency, USCG and state agencies and organizations such as the Maryland Department of Transportation, and the Puget Sound Air Quality Agency and several private maritime operating firms which provide the necessary tools that allow for META to recommend cost effective solutions. In the area of biofuels, the MARAD 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. Additional longer term tests are ongoing with the Scripps Institute of Oceanography. In FY 2017, MARAD will expand collaboration with DOD, DOE, and DOA, given mutual interest in developing advanced "drop-in" renewable biofuel for maritime use. At this time, production of these fuels is in its infancy and current prices are high. DOD, DOE and DOA are collaborating to expand production and working with MARAD to study the potential use of the fuels in the maritime industry.

The use of natural gas as a propulsion fuel is being explored in the maritime sector, for both pollution control and economic reasons. Although the decline in oil prices since about October 2014 has reduced the price differential between petroleum-based fuel and LNG on a per-BTU basis, LNG remains slightly lower in cost, and as a result, the economic benefit of switching from fuel oil to natural gas has declined. While natural gas continues to be an attractive fuel for marine propulsion, economic profitability will continue to significantly influence industry decisions on conversion. Multiple U.S.- flag vessel owners have begun either repowering or new ship construction of vessels to operate on LNG or duel fuels for use in the inland, coastwise and non-contiguous trades. Building on the results of MARAD's studies, the agency continues to work with the USCG and other Federal partners and industry to address several key barriers to expanded natural gas usage as marine fuel; in particular, challenges associated with bunkering (vessel refueling), landside gas infrastructure and training requirements. More importantly, MARAD is working with stakeholders to stimulate establishment of small scale LNG projects along the inland waterways and Great Lakes.

MARAD completed a study in FY 2015 on the total fuel cycle emissions of natural gas as a marine fuel as compared to marine diesel fuel. The results showed that while there are tradeoffs when using natural gas, LNG typically resulted in lower emissions for most criteria pollutants, and slightly lower greenhouse gas emissions as compared with conventional marine fuel. MARAD examined the issue of methane slip (and leakage) associated with vessel use of LNG. This analysis looked at the extent of the issue and possible remedies. MARAD also continues to partner on vessel repower and fuel conversion projects of vessels in an effort to foster technology and assess emissions before and after the repower or conversion. Each of these studies serves as a basis for further work on the development of requirements, standards, and technologies to address those challenges.

MARAD continues to collaborate with the Department of Energy (DOE), DOD, ports and other industry stakeholders to demonstrate potential maritime applications of fuel cells for cold ironing (provision of shore-side electric power for vessels at berth) and/or auxiliary power on vessels underway. This work has now expanded to include this type of power for use in marine propulsion, port equipment and as backup or redundant emergency power for port operations. MARAD currently has three fuel cell projects underway. One is to develop a fuel cell that can provide auxiliary power to an ocean going vessel. This project is being undertaken in partnership with DOD and the Massachusetts Maritime Academy, using the Training Ship (TS) *Kennedy* as the test platform. (The fuel cell will not be permanently installed on the TS *Kennedy*.) Another project involves demonstration of a fuel cell powerful enough to provide electrical power to refrigerate up to 20 shipping containers, replacing diesel generators currently used for this purpose. The third project is a study of the feasibility of hydrogen fuel cell powered ferries to operate in San Francisco Bay. Given the significant promise of fuel cells as a non-polluting power source, it is anticipated that fuel cell related work will expand through FY 2017.

Building on FY 2016 efforts, MARAD anticipates investing roughly $2 million in FY 2017 to support pilot and demonstration projects related to air emissions and energy with remaining funding supporting invasive species control projects. The results of these pilot/demonstration projects provide information that is important to maritime industry stakeholders in considering options to reduce air emissions: (1) repowering with more efficient engines; (2) using alternative fuels (such as natural gas); or (3) employing alternative technologies such as hybrid propulsion plant including fuel cells using hydrogen, LNG or logistical fuels. They also provide information on whether different approaches will enable the maritime industry to comply with and exceed more stringent air emissions regulations. With modest investments in public-private partnerships, the META program also supports technology development and deployment, and indirectly, U.S. shipyards where much of the installations work must be accomplished. MARAD will continue efforts to engage the maritime transportation sector and other Federal agencies to keep abreast of emerging technology priorities and issues.

StrongPorts Program
U.S. maritime ports are critical links in the U.S. domestic and international trade supply-chain, serving as the hubs where cargoes are transferred between ocean going vessels, barges, trucks, trains and pipelines. These interactions drive international trade, and through those links, port operations contribute to our nation's Gross Domestic Product. More freight is projected to move through ports in the coming decades, with a 45 percent increase projected for the next 20 years.

Over the last seven years, MARAD has seen firsthand that effective planning is holding back ports from building critical infrastructure projects. The Transportation Investment Generating Economic Recovery (TIGER) grant program has emphasized this need; the Department has awarded over $500 million to ports since the program's inception, but it has also seen that there is often a gap between how ports plan individual infrastructure projects and how they engage in surface transportation system planning with local and regional agencies. This is particularly true for small and medium-sized ports that lack planning staffs and must hire outside firms to conduct planning for them. This lack of port infrastructure plans creates a disconnect between ports and local/regional/state transportation priorities. As a result, ports have difficulty competing for critical resources to improve their infrastructure.

Ports need assistance to plan, finance and construct projects to meet these growing needs, and inaction carries risks that U.S. ports will be unable to build this critical infrastructure. MARAD's StrongPorts Program is designed to support these efforts to improve and modernize infrastructure in ports throughout the United States and to ensure they are capable of meeting our current and future freight transportation needs. As a first step in addressing future port infrastructure requirements, MARAD has proposed a competitive planning grant program to provide 15 planning grants (at a cost of $3 million) to augment the efforts currently underway to help ports with their planning activities.

Planning activities are high risk ventures for small-budget port authorities, and ports are unique among the modes in that they lack public funds for planning activities (see Table 1 below). In an effort to reduce the risk of producing inadequate port infrastructure plans, the Maritime Administration and the American Association of Port Authorities (AAPA) have collaborated to develop a Port Planning and Investment Toolkit[1], which is offered for free to interested ports on the Maritime Administration website. This effort can help ports use their planning funds more effectively, but MARAD has heard from many ports that technical assistance alone is insufficient.[2]

[1] The Port Planning and Investment Toolkit is available at http://www.marad.dot.gov/ports/strongports/port-planning-and-investment-toolkit/.
[2] Most recently during a Port Planning and Investment Toolkit discussion at AAPA's Maritime Economic Development Energy Projects Seminar in February 2015, many of the nation's ports expressed that relatively small planning grants could unlock millions of dollars in private investment by energy companies, private equity firms, and other private investors.

The proposed $3 million competitive planning grant program is one means that MARAD is seeking to meet that planning need. In addition, MARAD has been working with the Build American Transportation Investment Center (BATIC) efforts to help clarify port eligibility for U.S. DOT financing program, including Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation & Improvement Financing (RRIF). The BATIC was created by the Secretary of Transportation in 2014, and the Transportation Innovative Finance Bureau, established by law in the FAST Act, builds on that work. Through these efforts, MARAD and BATIC are providing ports with opportunities to access and leverage low-cost financing and be competitive for other federal transportation aid programs. However, successfully using these opportunities requires good port infrastructure planning, reinforcing the need for the proposed planning grant program.

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

A total of $58.7 million is requested for MARAD Operations and Programs in FY 2017, $3.6 million above FY 2016 enacted levels. The request includes $52.7 million for Headquarters Operations, $3.0 million for META program, and $3.0 million in new funding for the StrongPorts pilot grant program.

HEADQUARTERS OPERATIONS ($52.7 million)

For FY 2017, MARAD requests $52.7 million for Headquarters Operations, an increase of $5.6 million from FY 2016 enacted levels. This increase includes priority information technology (IT) initiatives, Port of Anchorage expansion project litigation expenses, implementation of the Department's consolidated contract writing system, funding for program evaluations, an adjustment for Ready Reserve Force Program (RRF) support staff and overhead costs, and baseline current services adjustments.

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 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 StrongPorts and America's Marine Highway initiative and program grant portfolio; administration of Jones Act and small vessel waivers; and oversight at MARAD's 10 gateway offices located regionally throughout the country. These support the largest ports in the U.S. to provide the Agency day-to-day presence related to the marine transportation system. Funding will also support MARAD's continued efforts to address the 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 FY 2017 request includes the following program increases:

<u>Information Technology Initiatives ($1.4 million)</u>

MARAD requests $1.4 million to initiate an IT Optimization/Modernization Program to re-design MARAD's business processes and modernize its IT systems to improve operating efficiency across all programs. This new program will be accomplished in a phased approach subject to funding and resource availability. Through this program, MARAD hopes to achieve the following benefits/objectives:

- Seek solutions consistent with government-wide Federal Information Technology Acquisition Reform Act (FITARA) goals and objectives;
- Align with Congressional action specific to cost-prohibitive legacy systems; consistent with the Government and Accountability Office's key finding that the government is spending less on modernization of IT and more on operations and maintenance of legacy IT making the government increasingly reliant on antiquated and expensive to maintain systems[3]; MARAD is seeking to reverse this trend;
- Address new Federal cybersecurity mandates, including continuous monitoring;
- Increase MARAD's operational efficiency by minimizing future technology delivery costs while budgets continue to tighten;
- Introduce innovative and cost effective technology solutions to best meet mission work to ensure MARAD's Strategic Goals are met;
- Ensure execution of MARAD's 5-Year IT Strategic Plan;
- Seek new business process re-design opportunities
- Establish authoritative data for timely and effective management decision-making

This funding will allow MARAD to meet cross Government IT initiatives. Without these funds, MARAD may not be able to keep ahead of emerging cybersecurity threats and vulnerabilities, and will compromise data necessary for informed decision making. Additionally, MARAD may experience a loss of vendor support for existing applications and technologies, which will increase service provider and maintenance costs.

<u>Port of Anchorage Litigation ($575 thousand)</u>

The request includes $575 thousand to support ongoing litigation costs related to the Port of Anchorage Expansion Project. These funds are necessary to support MARAD's activities in two related lawsuits. MARAD's participation in these cases, and the expenses MARAD will incur, is court ordered and non-discretionary. The funds will be used to support the production and review of thousands of documents and numerous depositions across the country.

<u>Contract Writing System Conversion ($575 thousand)</u>

The requested funds will support Agency compliance with the Department's mandatory contract writing system consolidation conversion and interface to the central accounting system. The Department is converting the various modal standalone instances of the contract writing system into a single system and interfacing the system with the centralized accounting system. MARAD

[3] Government Accountability Office, High Risk Series (Feb. 2015) (GAO-15-290).

is currently scheduled for conversion in FY 2017. The new system will provide an integrated procurement management infrastructure (procedures, systems, and reporting capabilities) to improve mission support of the wide range of DOT acquisitions. The request will fund application and hosting services, telecommunications, systems development, IT security, help desk and accounting support, and training for the system conversion.

Program Evaluation ($210 thousand)

The request includes an increase of $210 thousand to conduct an objective and rigorous net impact evaluation in FY 2017 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 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. The agency seeks to utilize the evaluation results to maximize future performance outcomes for the program.

RRF Technical Adjustment ($1.2 million)

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 non-salary 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 will continue to be necessary to ensure appropriate assignment of costs. As a result of this analysis, it has been determined that RRF non-salary overhead costs are approximately $5.6 million ($961K below the historical $6.5 million estimate), and that support staff requirements are approximately 42.3 FTE (6.5 FTE below the prior estimate of 48.8 support staff FTE.). Based on an average cost per FTE of approximately $150K, this reduces the RRF-funded support FTE cost by $978K, consequently reducing the overall RRF support staff FTE and non-salary overhead contribution by $1.9 million. This amount is adjusted by GSA rent, WCF and current services adjustments to MARAD Operations. As a consequence of this analysis, the MARAD Operations budget request will require technical upward adjustments netting to $1.2 million in FY 2017. (Note: The net amount includes GSA Rent, WCF, and current services adjustments to the overall budget request).

Current services adjustments ($1.6 million)

An additional $1.6 million is required in FY 2017 to fund current services adjustments primarily related to the pay-raise, GSA rent and WCF cost increases. These are non-discretionary costs that must be paid and due to the significant amount, this increase cannot be covered by MARAD's currently available resources.

MARITIME PROGRAM INITIATIVES ($6 million)

Maritime Environment and Technical Assistance (META) ($3 million)

MARAD requests $3 million in FY 2017, consistent with the FY 2016 request, for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. The MARAD FY 2017 program will build upon ongoing and anticipated 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 2017 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 auxiliary power and propulsion
- The development of requirements, codes and standards, and technologies to address ships and marine applications

The FY 2017 funding level is requested because of the uniqueness and complexity of both the projects being conducted and the marine operating environment. Vessels, unlike may motor vehicles, are not mass produced; vessel sizes and operations differ widely from passenger ferries, tug and tow boats, offshore support vessels, bulk carriers, to container vessels; vessel ages can span 30 years or more; and many vessels operate in offshore environments were safety and reliability of technologies take on special importance. These and other variables require that technologies be properly scaled and adapted for safe use on different vessel types and rigorously tested. Further, for example, technologies or fuels that can be used aboard new vessels may not be suitable for use or retrofit to older vessels. Set against the substantial costs of many of these technologies – on the order of millions of dollars per vessel -- industry requires certainty that its investments show appropriate results. Under the circumstance, developing new or adapting/scaling existing technologies, performing in-situ testing, in a range of operating conditions, and conducting state-of-the-art research in new areas, such as fuel cells for marine application is both challenging and costly. This experience is reflected in the lack of U.S. certified ballast water treatment systems despite nearly ten years of testing and tens of millions of dollars in investments.

By design, collaboration with EPA, USCG, NOAA, DOD and other Federal agencies is a key part of the META program. Through that collaboration, the interested agencies can avoid duplication of effort, build upon other efforts and collaborate and leverage resources on projects of mutual interest. Many META projects help inform domestic and international policy decisions on maritime environmental matters.

Strong Ports Program ($3 million)

For FY 2017, MARAD requests $3.0 million to support DOT's new StrongPorts Program to fund a pilot program of competitive port planning grants. These planning grants will be an important tool to help ports, states and regional planning bodies develop more investment grade strategies that are both practical and that attract Federal, State, local and private financing. The requested amount would fund about 15 grants at an estimated $200 thousand each (plus about $40 thousand local match each, or about 20 percent), while significantly raising port awareness of improved planning opportunities. These planning grants would be issued in partnership with the BATIC as an early step in the engagement process. In the event that there are no future rounds of TIGER grants with planning grant provisions, this may be the only vehicle by which to fund port planning efforts. The current lack of available funding for planning is unique to ports, as all other public authorities are eligible for some form of planning support (see Table 1 below). These planning grants are intended to help facilitate a project's competitiveness for public assistance, such as the TIGER Grants, and Transportation Infrastructure Finance and Innovation Act (TIFIA) and/or Railroad Rehabilitation and Improvement Financing (RRIF) loans.

Table 1: Eligibility of Public Entities for Pre-Planning and Planning Funds by Infrastructure Type

Project Type	Pre-Planning State/Federal Funds Eligible?	Planning State/Federal Funds Eligible?	Competitiveness Across Types (in % TIGER)
Ports	No	No	12%
Highway[4]	Yes	Yes	33.1%
Transit[5]	Yes	Yes	28.4%

The performance of the StrongPorts planning grants will be measured using the same methodology of tracking schedules and milestones as is utilized for the TIGER Planning Grants which were awarded in 2010 and 2014. Additionally, reporting on these StrongPorts planning grant measures will be mandatory. When negotiating those agreements, MARAD and the grant recipients will determine project schedules, deliverables and milestones, such as levels of stakeholder involvement, which are necessary for the successful execution of the planning grants. Additionally, as part of this pilot planning grant program, specific milestones that identify possible public/private partnerships as well as potential for use of DOT credit programs as part of the financing strategies will be included. Program performance measures will track adherence to the schedules and attainment of the milestones, thereby helping to ensure that the plans are timely and well informed.

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

MARAD's Headquarters Operations funds the agency administrative infrastructure, including operating expenses 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 support

[4] Planning Discretionary and Formula Programs under MAP-21 include the Metropolitan & Statewide Planning and NonMetropolitan Transportation Planning Grants.

[5] Planning Discretionary and Formula Programs under MAP-21 and SAFETEA-LU includes: Section 20005(b) Pilot Program for Transit-Oriented Development Planning, Alternatives Analysis Grant, Bus Efficiency Enhancements Research and Demonstration (BEERD) Projects, National Research and Technology Program (5312), Research, Development, Demonstration and Deployment Projects, Transit Cooperative Research Program (5315), University Transportation Centers Program (TEA-21 5505), and Metropolitan & Statewide Planning (5303, 5304, 5305).

infrastructure for programs advancing DOT's goals and initiatives supporting National Security Preparedness, Economic Competitiveness, Environmental Sustainability, and Organizational Excellence.

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, have far exceeded $15 million. The funding will further enable MARAD to leverage the collaborative partnerships.

The MARAD collaborative efforts will help the USCG and the American Bureau of Shipping to develop pertinent regulatory and classification codes and standards for marine applications, such as the International Code for Low Flash Point Gas Fueled Ships, which are expected to be adopted by the IMO and, once ratified by the member states, will be applicable to the international maritime industry.

The budget proposal for the port planning grant pilot is intended to help remove investment barriers to port infrastructure and, combined with Administration and DOT initiatives such as the Transportation Innovative Financing Bureau, would be the most likely approach to minimize Federal spending while closing the funding gap for port infrastructure projects. Port infrastructure projects are not currently eligible for funding assistance for planning. This proposal is to establish a pilot program of discretionary planning funds, requiring a minimum 20 percent match from the awardee. By addressing planning, stakeholder engagement, operational and capital financing and project management, these programs will help to further increase capacity and efficiency of the maritime transportation.

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ASSISTANCE TO SMALL SHIPYARDS

[To make grants to qualified shipyards as authorized under section 54101 of title 46, United States Code, as amended by Public Law 113-281, $5,000,000 to remain available until expended: *Provided*, That the Secretary shall issue the Notice of Funding Availability no later than 15 days after enactment of this Act: *Provided further*, That from applications submitted under the previous proviso, the Secretary of Transportation shall make grants no later than 120 days after enactment of this Act in such amounts as the Secretary determines: *Provided further*, That not to exceed 2 percent of the funds appropriated under this heading shall be available for necessary cost of grant administration.] *(Department of Transportation Appropriations Act, 2016.)*

MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1770-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Obligations by program activity:			
0001	Grants for Capital Improvement for Small Shipyards	342	5,562	-
0900	Total new obligations	342	5,562	-
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance available, Oct 1	904	562	-
1050	Unobligated balance (total)	904	562	-
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	-	5,000	-
1160	Appropriation, discretionary (total)	-	5,000	-
1930	Total budgetary resources available	904	5,562	-
	Memorandum (non-add) entries:		-	
1941	Unexpired unobligated balance, end of year	562	-	-
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	5,656	2,475	2,774
3010	Obligations incurred, unexpired accounts	342	5,562	-
3020	Outlays (gross)	-3,523	-5,262	-1,512
3050	Unpaid obligations, end of year	2,475	2,774	1,262
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	5,656	2,475	2,774
3200	Obligated balance, end of year	2,475	2,774	1,262
	Budget authority and outlays, net:			
	Discretionary:			
	Outlays, gross:			
4010	Outlays from new discretionary authority	-	4,250	-
4011	Outlays from discretionary balances	3,523	1,012	1,512
4080	Outlays, net (discretionary)	3,523	5,262	1,512
4180	Budget authority, net (total)	-	5,000	-
4190	Outlays, net (total)	3,523	5,262	1,512

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 2017.

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

Object Class Code	Object Class	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Direct Obligations:			
1111	Full-time permanent	249	300	-
1115	Other personnel compensation	6	10	-
1119	**Total personnel compensation**	255	310	-
1121	Civilian personnel benefits	70	80	-
1210	Travel and transportation of persons	7	10	-
1252	Other services	10	15	-
4100	Grants, claims and subsidies	-	5,147	-
9999	**Total Obligations**	**342**	**5,562**	**-**

EMPLOYMENT SUMMARY

Assistance to Small Shipyards	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Direct:			
1001 Direct civilian full-time equivalent employment	2	1	-
Total Employment	**2**	**1**	**-**

EXHIBIT III-1

ASSISTANCE TO SMALL SHIPYARDS
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST	CHANGE FY 2016-2017
Assistance to Small Shipyards	-	5,000	-	-5,000
Total, Assistance to Small Shipyards	**-**	**5,000**	**-**	**-5,000**
FTEs				
Direct Funded	2	1	-	-1
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2016 TO FY 2017
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	**Change from FY 2016 to FY 2017 $000**	**Change from FY 2016 to FY 2017 FTE**
FY 2016 Base	**$5,000**	**[1]**
Adjustments to Base	**-**	
Subtotal, Adjustments to Base	**-**	
New or Expanded Programs		
Assistance to Small Shipyards Grants	-5,000	[-1]
Subtotal, New or Expanded Program Increases/ Decreases	**-$5,000**	**[-]**
Total FY 2017 Request	**-**	**[-]**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS

FY 2008 - FY 2017
Main Table - ($000)

Fiscal Year		Request	Enacted	
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		-	5,000	
2017		-	-	

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.

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SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, **[**$5,000,000**]***$20,000,000,* to remain available until expended*, of which $8,000,000 shall remain available until expended for the decommissioning of the Nuclear Ship Savannah. (Department of Transportation Appropriations Act, 2016.)*

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

Identification code 69-70-1768-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Ship Disposal	4,445	1,435	10,900
0002 N.S. Savannah	2,738	3,000	3,000
0003 NSS Decomissioning	-	-	8,000
0900 Total obligations	7,182	4,435	21,900
Budgetary resources available for obligation			
1000 Unobligated balance: Brought forward, October 1	4,257	1,335	1,900
1021 Recoveries of prior year unpaid obligations	261	-	-
1050 Unobligated balance (total)	4,518	1,335	1,900
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	4,000	5,000	20,000
1160 Appropriation, discretionary (total)	4,000	5,000	20,000
1900 Budget authority (total)	4,000	5,000	20,000
1930 Total budgetary resources available	8,518	6,335	21,900
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	1,335	1,900	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	2,371	3,607	2,071
3010 Obligations incurred, unexpired accounts	7,182	4,435	21,900
3020 Outlays (gross)	-5,686	-5,971	-13,971
3040 Recoveries of prior year unpaid obligations, unexpired	-261	-	-
3050 Unpaid obligations, end of year (gross)	3,607	2,071	10,000

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

	Identification code 69-70-1768-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2,371	3,607	2,071
3200	Obligated balance, end of year	3,607	2,071	10,000
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	4,000	5,000	20,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	1,168	2,500	10,000
4011	Outlays from discretionary balances	4,518	3,471	3,971
4020	Outlays, gross (total)	5,686	5,971	13,971
4070	Budget authority, net (discretionary)	4,000	5,000	20,000
4080	Outlays, net (discretionary)	5,686	5,971	13,971
4180	Budget authority, net (total)	4,000	5,000	20,000
4190	Outlays, net (total)	5,686	5,971	13,971

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 2017, the Ship Disposal program requests $20 million which includes $9 million to support continued obsolete vessel disposal, $8 million for the decommissioning of the Nuclear Ship (N.S.) Savannah, and $3million for maintaining the N.S. Savannah in protective storage.

MARITIME ADMINISTRATION
SHIP DISPOSAL
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Direct obligations:			
11110	Full-time permanent	1,178	1,217	1,376
11510	Other personnel compensation	13	21	21
1119	**Total personnel compensation**	**1,190**	**1,258**	**1,417**
1121	Civilian personnel benefits	365	381	460
1210	Travel and transportation of persons	37	42	44
1231	Rental payments to GSA	161	173	212
1232	Non-Fed-Rental paymnts to others-Other real property	473	480	500
1233	Communications, utilities & misc. charges	27	28	28
1251	Advisory and assistance services	2,238	-	15,552
1253	Other goods and services from Federal Sources	248	250	270
1254	Operation and maintenance of facilities	2,442	1,807	3,400
1269	Supplies and materials	2	2	3
9999	**Subtotal new obligations**	**7,182**	**4,435**	**21,900**

EMPLOYMENT SUMMARY TABLE

Ship Disposal	FY 2015 Actual	FY 2016 Enacted	FY 2016 Request
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 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST	CHANGE FY 2016-2017
Ship Disposal	4,000	5,000	20,000	15,000
Total	**4,000**	**5,000**	**20,000**	**15,000**
FTEs				
Direct Funded	11	11	11	11
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2016 TO FY 2017
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	Change from FY 2016 to FY 2017 $000	Change from FY 2016 to FY 2017 FTE
FY 2016 Base	**$5,000**	**[11]**
Adjustments to Base		
Annualization of 2016 Pay Raise	6	
2017 Pay Raise 1.3%	22	
Less Two Compensable Days	-14	
GSA Rent	22	
Working Capital Fund	28	
Subtotal, Adjustments to Base	**64**	
New or Expanded Programs		
Ship Disposal	6,503	**[-]**
NS SAVANNAH Decommissioning	8,000	
NS SAVANNAH	433	
Subtotal, New or Expanded Program Increases/ Decreases	**$14,936**	**[-]**
Total FY 2017 Request	**$20,000**	**[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	**2013**	**2014**	**2015**	**2016**	**2017**
Target	15	15	10	6	6
Actual	17	12	8		
Target Achieved	√	*x*	*x*		

Ratio of vessels removed in the National Defense Reserve Fleet (NDRF)	**2013**	**2014**	**2015**	**2016**	**2017**
Target	N/A	1.0	1.0	1.0	1.0
Actual	N/A	1.0	1.0		
Target Achieved	N/A	√	√		

Cumulative number of SBRF vessels removed annually.	**2013**	**2014**	**2015**	**2016**	**2017**
Target	32	38	44	50	57
Actual	44	52	54		
Target Achieved	√	√	√		

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL

FY 2008 - FY 2017
Main Table - ($000)

Fiscal Year	Request	Enacted
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	5,000
2017	20,000	

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 2017 Ship Disposal Program Budget Request
($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Ship Disposal		5,000		9,000	
NS SAVANNAH Decommissioning	0	0	0	8,000	8,000
NS SAVANNAH		3,000		3,000	
Total	**$4,000** 1/	**$8,000**	**$5,000** 2/	**$20,000**	**$15,000**

1/ The Consolidated and Further Continuing Appropriations Act, 2015 provided $4 million to the Ship Disposal Program for disposal of NDRF vessels.
2/ The Consolidated Appropriations Act, 2016 provided $5 million to the Ship Disposal Program for disposal of NDRF vessels.

For FY 2017, $20.0 million is requested for the Ship Disposal Program, $15.0 million above FY 2016 enacted level. The request includes $9.0 million for disposal of the remaining three vessels in the Suisun Bay Reserve Fleet (SBRF) to comply with the April 2010 California Court Consent Decree requirement to remove all 57 non-retention vessels by October 1, 2017. The Ship Disposal Program will also continue the Maritime Administration's priority emphasis on the disposal of the worst condition non-retention vessels in the National Defense Reserve Fleet (NDRF). Additionally, $8.0 million is requested to begin decommissioning (DECON) of the NSS. DECON is the dismantlement and decontamination of the defueled nuclear power plant on board the former NSS in accordance with the Nuclear Regulatory Commission (NRC) requirements. The request also includes $3.0 million to maintain the Nuclear Ship SAVANNAH (NSS) 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. The program includes disposal of 57 non-retention vessels from the SBRF by October 1, 2017 to comply with the April 2010 California Court Consent Decree. By the end of FY 2015, 54 vessels have been removed from the SBRF for disposal and three vessels remain for removal by the end of FY 2017.

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. 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 40 U.S.C. § 548 of the Federal Property and Administrative Services Act of 1949) and has custody of a fleet of non-retention ships owned by the Federal government. These include obsolete merchant ships moored at National Defense Reserve Fleet (NDRF) sites or other Federal 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 of sufficient value to merit the cost of further preservation, MARAD arranges for their responsible disposal, on a worst-first basis, in accordance with former 16 U.S.C. § 5405(c) of the National Maritime Heritage Act, as amended, now recodified at 54 U.S.C. § 308704 and § 3502 of P.L 106-398, the National Defense Authorization Act, Fiscal Year 2001.

Vessels are domestically recycled and only at MARAD qualified recycling facilities. Additionally, MARAD manages compliance with historic reviews and documentation requirements prior to the dismantlement/ recycling of its non-retention vessels.

Other vessel disposal options include donation, artificial reefing, deep-sinking or sale for re-use. However, these are not realistic vessel disposal actions due to their high cost and the length of time it takes to accomplish hazardous material remediation. The Agency does not anticipate using these vessel disposal actions in the future.

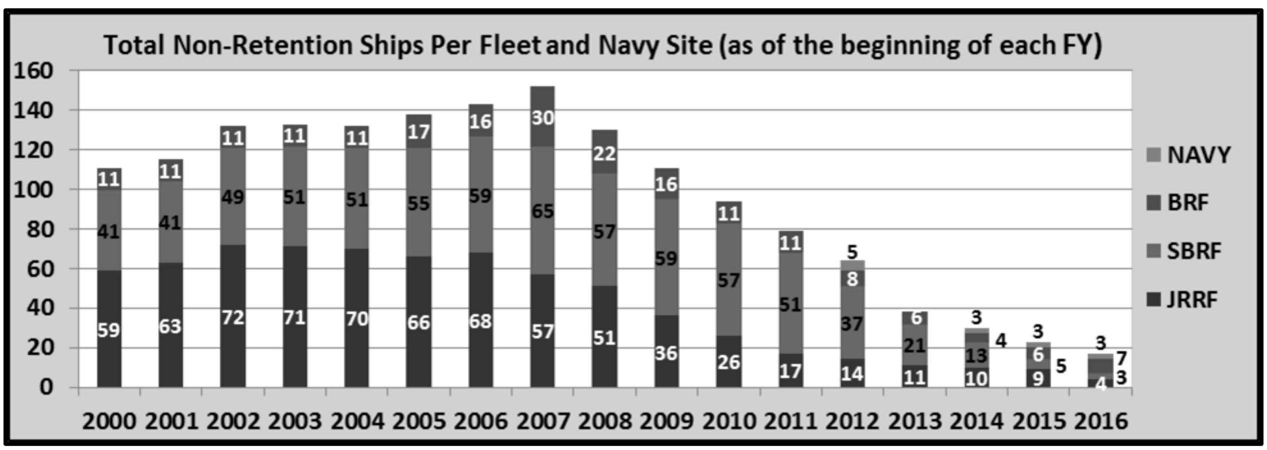
From FY 2001 through FY 2015 the program has removed and properly disposed of 217 non-retention vessels from the various fleet sites. In 2011, MARAD renewed a Memorandum of Agreement with the U.S. Navy to dispose of its non-combatant auxiliary vessels. Additionally, the U.S. Coast Guard and MARAD are exploring the feasibility of recycling decommissioned cutters through the Ship Disposal Program.

The Ship Disposal Program is necessary because 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 (PCBs) 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 NDRF fleet sites to different bio-geographic locations for vessel disposal through recycling or artificial reefing is a complex and costly dimension of the program.

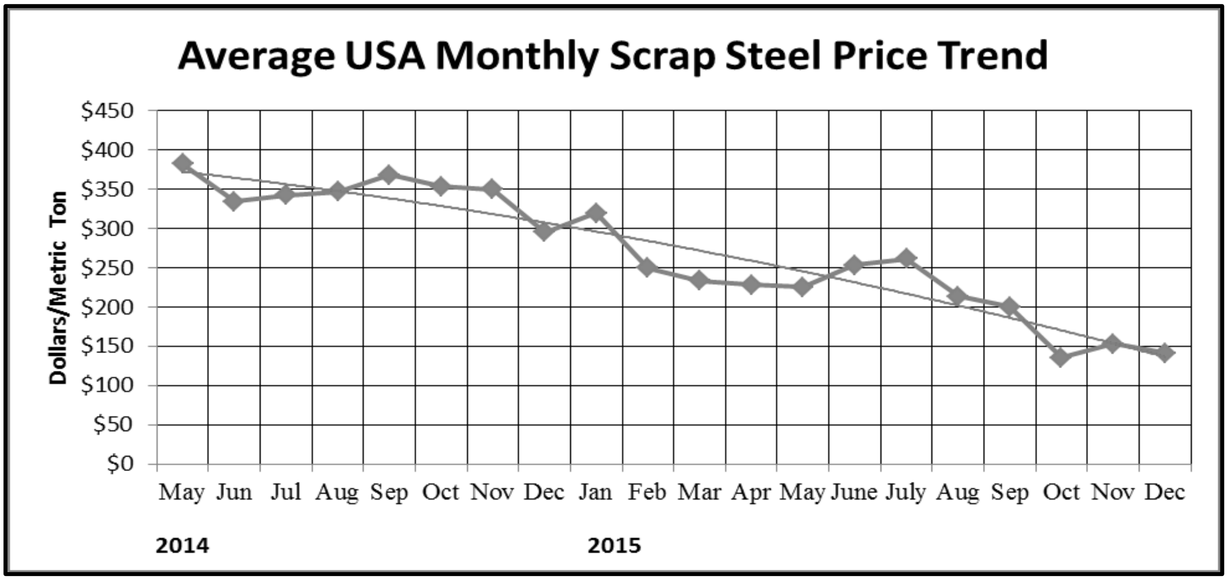
Newly downgraded vessels that have reached the end of their useful life enter the disposal queue as non-retention vessels and are disposed of as expeditiously as possible to minimize environmental risk. It is critical that the rate of vessel removal for disposal continues to meet or exceed the rate at which the ships are added to the disposal inventory. Pursuing 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 below.

At the beginning of FY 2015, MARAD had custody of approximately 23 obsolete vessels awaiting disposal. This is an historic low in the number of obsolete vessels maintained by MARAD. In FY 2015, MARAD removed eight vessels for disposal from the NDRF fleet sites with two vessels downgraded to non-retention and added to the inventory during the year. At the beginning of FY 2016, MARAD had 17 obsolete ships awaiting disposal. MARAD targets for disposal a total of six non-retention vessels from the fleet sites in FY 2016, which will leave only 13 non-retention vessels in the queue for disposal after the anticipated downgrade of an additional two ships to non-retention status.



It is anticipated that approximately two to four ships per year will be downgraded to non-retention status and added to the disposal queue in FY 2017 and beyond. Resources must be in place to weather the volatile scrap steel market to continue disposing of an equal number of non-retention vessels annually to minimize environmental risk and prevent a reversal of the performance trends achieved since FY 2007.

Reduced economic growth in China and other global economies has resulted in weak demand for steel products. The result is scrap steel prices have plummeted to less than $150 per ton, a level not seen in the preceding ten years. The low scrap steel price has shifted the environment from the sale of MARAD non-retention vessels to using MARAD's appropriated funds for the procurement of ship recycling services. The domestic scrap steel market has been in a downward spiral since its peak in January 2014. The current low price of scrap steel makes it uneconomical for ship recyclers to recycle MARAD non-retention vessels without award of a service contract to subsidize costs. The graph below shows the trend in scrap steel prices since the $380 per ton price level in May 2014 to the low of $135 per ton on October 13, 2015. [1] Recent scrap steel prices were approximately $140 - $145 per ton.



Recovery in domestic scrap steel prices is not expected in the near term as continued downward pressure from the slowing of the Chinese economy, weak domestic economy, lower commodity prices, a strong dollar and uncertainty regarding interest rates. Short term price fluctuations are expected and will be subject to short term supply and demand in the scrap metal markets. Significant scrap steel price recovery is not forecasted until late 2016 and possibly into 2017 with scrap steel prices remaining in a narrow range of approximately $150 - $250 per ton. As of December 31, 2015, the average price of USA scrap steel was approximately $142 per ton.

After a long period of vessel sales, the drop in scrap steel prices resulted in MARAD purchasing recycling services for two SBRF vessels in May 2015, leaving three vessels remaining to be removed. The steep decline in the price of recycled steel, increased cost to procure ship recycling services and termination of two recycling SBRF recycling service contracts[2] will result in FY 2015 carryover funding of approximately $902 thousand. This sum is insufficient to procure recycling services for a single SBRF vessel. Given the steep decline in the price of scrap

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[1] Source data for the Average USA Monthly Scrap Steel Price Trend chart is compiled from: The Scrap Register (http://www.scrapregister.com); Recycler's World, (http://www.recycle.net); Steel Insight (http://www.steel-insight.com); and United States Steel Corporation (https://www.ussteel.com).

[2] In July 2015 MARAD terminated for cause two SBRF ship recycling service contracts when the offeror, after contract award, cancelled the contracts unilaterally, citing insufficient financing by which to complete the dismantlement of the vessels. MARAD had sufficient funding to re-procure, on a best value basis, only one of the two terminated SBRF vessels. The $902 thousand carryover is the result of MARAD cancellation of the dry-dock contract and retained funds from not re-procuring the third vessel.

steel and industry forecast, available funding along with the anticipated carryover will not be enough to procure dry-docking and recycling services for the removal of any SBRF vessels in FY 2016. MARAD estimates the cost of dry-docking and vessel disposal for a single SBRF vessel in FY 2017 will be approximately $2.3 million per vessel.[3] Without the requested funding, MARAD will be unable to recycle the remaining three SBRF vessels before the deadline in the consent decree.

NUCLEAR SHIP SAVANNAH (NSS)

The NSS was designated a National Historic Landmark (NHL) in 1991, and is the only DOT directly-owned and managed historic landmark property. The NSS program is a discrete MARAD legacy facility awaiting decommissioning in protective storage at its current location in Baltimore, MD. 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 Nuclear Regulatory Commission (NRC). Licensing by the NRC is a continuum that begins with concept and construction, continues through operations and shutdown, and ends with remediation, dismantlement and license termination. NSS currently exists in the post shutdown protective storage phase of this lifecycle; a condition shared by several other commercial plants nationwide. The NRC allows a maximum of 60 years from permanent shutdown, which occurred in 1971, to license termination. Therefore, all NSS actions for license termination must be completed by December 2031. A close analog to MARAD's NSS program is the Department of Energy's (DOE) Environmental and Legacy Management program, under which the DOE's portfolio of shutdown radiological sites and nuclear facilities is managed until dismantlement, disposal, remediation and site restoration are completed.

The NSS program is necessary because compliance with NRC license requirements is not discretionary, even for Federal licensees. Federal licensees are subject to the same non-compliance enforcement actions as commercial licensees, which may include violations, fines and civil penalties against licensee personnel. MARAD maintains a contemporary, performance-based licensee organization that provides the institutional competency to manage the regulatory compliance of the NSS. This includes resources to provide the broad spectrum of surveillance, monitoring and radiological protection programs that ensure the safety and health of the public and the environment. Funding to support the resources required to maintain the NSS in protective storage and carry out regulatory license activities will need to be funded by MARAD until decommissioning and license termination is completed. The overhead cost is kept to a minimum by constant evaluation and adoption of nuclear industry best practices; the application of decommissioning experience from all relevant sources, and use of interagency and intra-agency partnerships to avoid unnecessary duplication of effort and cost. Rigorous internal controls are employed to ensure that the focus on minimizing waste and duplication is maintained.

The NSS funding basis is the NRC license, which requires a cognizant and proficient nuclear licensee organization that is capable of protecting the health and safety of the environment and the public. This is the primary condition for NRC licensing under the Atomic Energy Act of

[3] For FY 2017 Single ship SBRF dry-dock costs are estimated at $775 thousand and ship recycling costs are estimated at $1.5 million.

1954, as amended, and must be maintained over the entire license lifecycle. MARAD will employ this same organization, expanded by additional direct and contract staff, to carry out the decommissioning and license termination project. In the interim, MARAD will manage the NSS nuclear facility (which includes the ship itself as the primary boundary element) in protective storage. Indefinite deferral of decommissioning is not permitted under statute or regulation. Until such time as decommissioning and license termination are physically completed, MARAD and by extension the Department of Transportation will remain responsible for the NSS as a legacy asset.

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. Since the advent of the current NSS licensee organization and oversight program, no NRC inspection has resulted in any findings of safety significance.

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

The FY 2017 request of $20 million includes $9.0 million for the dry-docking and disposal of the remaining three vessels in the SBRF along with disposal of the worst condition vessels from the Beaumont Reserve Fleet (BRF) and the James River Reserve Fleet (JRRF). The request also includes $3.0 million to maintain the NSS in protective storage and carry out MARAD's basic license activities. Additionally, $8.0 million is requested to begin the decommissioning (DECON) of the NSS to address the legacy requirement to close the lifecycle of the NSS nuclear facility.

SHIP DISPOSAL

The FY 2017 request of $9.0 million will fund removal of the three remaining SBRF vessels as required by the California Court Consent Decree prior to the October 1, 2017 deadline. This funding will allow MARAD to meet its legal obligations of the consent decree and avoid further potential litigation with the plaintiffs, the Natural Resources Defense Council, for non-compliance. Dry-docking and recycling services for the three SBRF vessels amount to $6.7 million, and $2.3 million is requested for salaries and overhead expenses of the ship disposal program.

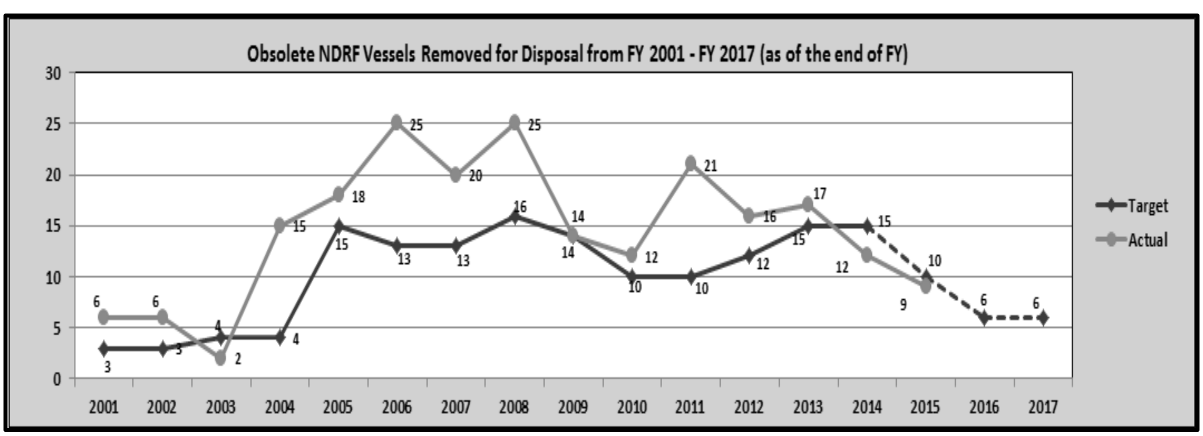
Ship disposal contracts are awarded through a combination of competitive vessel sales and the purchase of ship recycling and aquatic species mitigation services. Declining scrap steel prices, an uncertain market outlook for sustained price recovery, the closing of the largest ship recycler and increased U.S. Navy ship recycling awards will impact the ability of the program to continue ship recycling solely through competitive vessel sales. The program emphasis will remain on removing the remaining three vessels from the SBRF before the consent decree deadline, and vessels that are high priority for disposal. In the absence of competitive vessel sales, the purchase of recycling services and the cost of environmental risk mitigation to ensure full compliance with National Invasive Species Act (NISA), and dry-docking of SBRF vessels are included in the request and covered in the service contracts awarded through competitive service procurements.

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 sites until removed for recycling. Supported by industry projections on the price of scrap steel, current industry capacity, and projected Navy vessel awards, it is anticipated that disposal costs overall will increase through much of FY 2016 and into FY 2017.

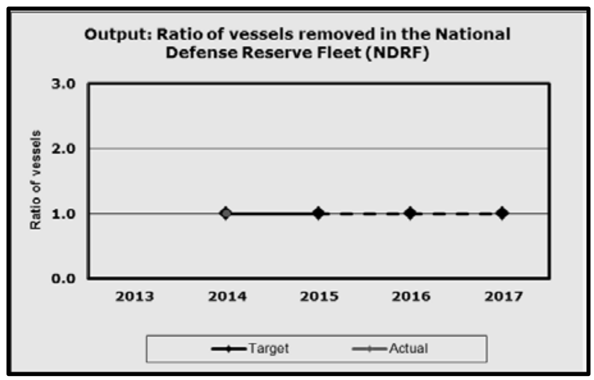
Additionally, scrap steel prices are uncertain with falling demand in China driving the decline in price. The level of competition and available capacity will decrease significantly as a result of the following factors: bankruptcy of the largest MARAD qualified ship recycler in Brownsville, TX; the loss of technical qualification by the smaller MARAD qualified ship recycling facilities due to financial constraints; the arrival of the fourth U.S. Navy aircraft carrier in Brownsville for recycling in July 2015; the unique characteristics of each vessel owing to size, configuration and amounts of hazardous materials contained within the vessel; and the award for recycling by the Defense Logistics Agency (DLA) of six Navy combatant vessels to qualified recycling facilities in Louisiana. The aircraft carriers have a two year period of performance and as such, are expected to increase MARAD's cost through reduced competition to dispose of ships in FY 2017. In comparison, a single aircraft carrier is equivalent to the tonnage of approximately 8 to 10 average size non-retention vessels in the Ship Disposal Program. As such, MARAD, Navy and DLA all utilize the same ship recycling facilitates in Texas and Louisiana. DLA plans to issue additional ship recycling solicitations for up to 15-20 Navy combatant vessels during the next two years.

MARAD manages the Ship Disposal Program in concert with several performance measures, including annual ratio and output targets for vessel removals. The accompanying graph includes actual program output and targets for obsolete NDRF vessel removals from FY 2001 through FY 2017. In addition to the three SBRF ships planned for removal in FY 2017, three BRF/JRRF vessels are planned for removal through competitive sales or procurement of recycling services.

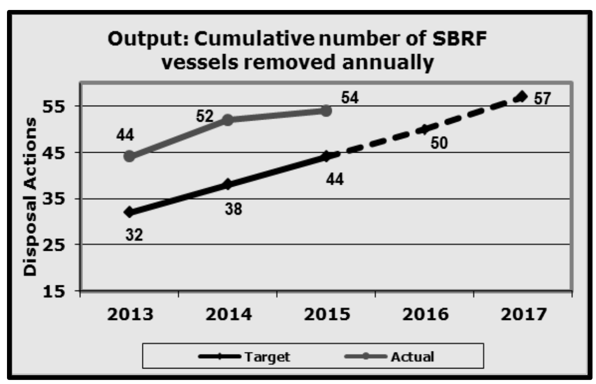
Since FY 2001, MARAD has exceeded the ship removal target by an average of 4.1 vessels per year over the 16 year period, with the exception of FYs 2003, 2014 and 2015. The target level in FY 2015 was not attained due to reduced participation by MARAD qualified ship recyclers, reduced competition and available recycling capacity, and the steep decline in the price of scrap steel which reduced participation in MARAD ship sales offers and resulted in limited funds to procure ship recycling services in a declining sales market.



From a macro level, the total number of MARAD obsolete ships awaiting disposal in FY 2016 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 NDRF fleet sites. The continuing trend in the reduction in the annual vessel removal targets 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. Other factors that influenced the target and results include; volatility in the scrap steel markets, the loss of available recycling industrial capacity, the competition resulting from the Navy's award of aircraft carriers; and the DLA's award of combatant vessels and plans for additional award of aircraft carriers pending to qualified recycling facilities used by both Navy and MARAD.



The strategic objective of mitigating the environmental impact of the non-retention vessels is based on the goal of reducing the risk of environmental contamination from the storage of non-retention vessels in the NDRF. The metric quantifies the annual and long-term progress made by the program to reduce the environmental risks posed by holding non-retention ships in the NDRF. The goal is achieved by maintaining an annual ratio of 1.0 by removing more non-retention vessels for disposal than are designated for disposal in a fiscal year.



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. At the FY 2017 requested level, MARAD will meet the target for removal of all the removal of all 57 vessels from the SBRF as required by the consent decree.

Fluctuations in the actual per ship disposal costs, as a result of scrap steel price volatility along with regulatory, industry capacity, competition, appropriations and market factors, will affect the number of ships that can be disposed. All ship disposals will continue to utilize only MARAD qualified and regulatory compliant recycling facilities in FY 2017. There are currently no pending artificial reefing requests, deep-sinking exercises (Navy), donations or sales of vessels for re-use.

NUCLEAR SHIP SAVANNAH (NSS) DECOMMISSIONING (DECON)
The FY 2017 NSS DECON request of $8.0 million is a new request to begin the decommissioning project that addresses the legacy requirement to close the lifecycle of the NSS nuclear facility. All commercially licensed nuclear power facilities, regardless of ownership,

must eventually undergo DECON. At the present time there are no technical or administrative benefits to deferring DECON and license termination. Consequently, MARAD is seeking to transition from protective storage to DECON, and thereby avoid future costs and environmental risks that are technically unnecessary. Until DECON is completed, MARAD must continue the current protective storage program at annual costs of approximately $3 million. MARAD has spent approximately $37.5 million since 2004 for protective storage and dry-docking of NSS, as well as relocation (James River Reserve Fleet to Baltimore). Funding DECON now benefits the federal government by cost savings through future cost avoidance of the protective storage costs.

Extended protective storage is one method to reduce eventual DECON costs by allowing the natural process of radioactive decay to reduce a facility's radiological inventory, thus reducing industrial controls and cost. Because the NSS nuclear facilities are radiologically stable, continued protective storage cannot reduce future DECON costs, and therefore provides no tangible benefit. Instead, it is a costly ongoing administrative requirement.

Continued protective storage, in addition to providing no tangible technical benefit, increases the risk of future environmental or radiological events. Any ship, even when securely berthed, is at risk in the marine environment. Catastrophic losses may occur from extreme weather events such as hurricanes; collisions with other marine craft; or external events such as sabotage. Although the radiological risk posed by NSS is low, it is not zero, and can only be eliminated by completing DECON in accordance with NRC requirements.

As proposed, the NSS DECON is a three-phase, seven-year decommissioning project estimated to cost $131 million and must be completed by December 2031. Because there is no technical benefit to deferring DECON, and because DECON is an inevitable outcome, it makes sense to perform the work at the earliest possible opportunity and eliminate future spending requirements. DECON beginning in FY 2017 over a seven year period is projected to provide $63 million in cost avoidance as compared to beginning DECON in FY 2024 (the latest the project can begin). The cost avoidance results from:

- Project escalation costs of $32 million. In FY 2024 DECON is projected to require $163 million vs. $131 million in FY 2017.
- Protective storage cost avoidance of $ 27 million from FY 2023 – FY 2031.
- Dry-dock cost avoidance of $4 million for radiologically controlled areas remediation. (Regardless of DECON, a maintenance dry-docking estimated at $ 7 million is required however both maintenance and DECON dry-docking could be combined).

The NSS decommissioning and license termination project has been developed and refined based on commercial nuclear industry best practices, and makes use of the substantial decommissioning experience that exists in that industry.

Phase I of the project requires substantial characterization support, engineering and planning with concurrent NRC licensing approval, and is completed with a dry-docking. Phase II involves the heavily industrial dismantlement activities of demolition and decontamination inside the radiologically controlled areas. Phase III does not begin until the Phase II dismantlement is complete. This phase is required for the NRC to conduct independent confirmatory activities prior to license termination, and requires a much lower MARAD effort and cost in that year.

N.S. SAVANNAH Decommissioning Project Cost Estimate ($000)
Based on Seven-Year Production Schedule

	Phase I		Phase II				Phase III	Estimated Total
Cost Estimate by Phase	$23,300		$100,100				$7,600	$131,000
Cost Estimate by Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	
	8,000	15,300	25,100	25,000	25,000	25,000	7,600	$131,000

The FY 2017 requested funding of $8 million provides for commencement of discrete tasks which initiate decommissioning, establish protocols, prepare ship systems and establish baseline information available for the planning of follow-on decommissioning phases.

The following major discrete Phase I activities include:

- Prepare and submit NRC license amendment to proceed with DECON,
- Establishment of environmental monitoring program,
- Ship preparations for DECON (vessel accesses, heavy lift capability, ventilation, lighting, firefighting, stability control and ballasting), security, fire detection and alarm systems,
- Reactor compartment/containment vessel insulation removal, and
- Characterization of radiologically controlled areas and adjacent spaces.

The total project cost is based on MARAD's site-specific decommissioning cost estimate (DCE), as reported to the NRC effective as of December 31, 2014. For the purpose of the FY 2017 budget request, the 2014 basis DCE has been escalated to a 2017 basis and applied uniformly over the three project phase using the NRC escalation formula defined at 10 CFR 50.75(c)(2), and the most recent formula factor data available. The factor data is drawn from a variety of government sources (e.g., Bureau of Labor Statistics), and varies from year to year.

NUCLEAR SHIP SAVANNAH (NSS) PROTECTIVE STORAGE

The FY 2017 request of $3.0 million is required to maintain the vessel in protective storage and carry out MARAD's basic license 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 required until DECON is completed and there is no statutory or regulatory recourse to forgive basic NRC licensing requirements. NRC organic legislation (Atomic Energy Act of 1954, as amended; Energy Policy Act of 1992, as amended) does not exempt Federal licensees from obligations once a facility license is issued. As a Federal licensee, MARAD by definition meets its financial assurance and financial protection requirements through appropriations and the full faith and credit of the United States.

The NSS program funding request in FY 2017 includes all costs associated with the protective storage program, exclusive of salaries and general overhead as these are included in the ship disposal activities funding request. The primary component of the request is license compliance and radiological protection. These are contract services provided by experienced commercial nuclear professionals, with work scopes defined by NRC's contemporary protective storage requirements. Other components of the request include ship husbandry and custodial care, and decommissioning planning. These are key elements of the comprehensive license compliance program, and are established at levels necessary to ensure the physical safeguarding and protection of the ship as the primary boundary of the nuclear facilities contained within. This scope cannot be reduced, and no savings are possible without sacrificing major elements of the licensing program, which would jeopardize NRC licensing compliance and could result in the imposition of violations, civil fines and penalties against MARAD personnel or contractors.

The protective storage program contained in the request is the minimum that MARAD must accomplish each year until DECON is completed. Based on current statutory, regulatory and license conditions, NSS decommissioning and license termination must be completed by December 2031.

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 external factors such as 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 while managing risks associated with the external factors. 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 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 U.S. Merchant Marine Academy and six State Maritime Academies.

The NSS exists as a legacy facility and must be managed and maintained in conformance with applicable statutory and regulatory 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 though protective storage. Protective storage, a deferred decommissioning methodology approved by the NRC, is required but only as an interim step. Indefinite deferral of decommissioning is not permitted under statute or regulation. Until such time as decommissioning and license termination are physically completed, MARAD and by extension DOT, will remain responsible for the NSS as a legacy asset.

Funding DECON now benefits the public by cost savings through future cost avoidance. DECON and NRC license termination of the NSS will result in the end of the requirement for a nuclear licensee organization, continuous protective storage, deferred decommissioning activities, and the associated costs. Additionally, continued protective storage increases the risk of possible environmental or radiological events. Funding the request to initiate DECON of the NSS promotes environmental leadership in cleaning up NDRF vessels and radiologic materials.

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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, [$210,000,000]*$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 2017 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, 2016.)*

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1711-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Obligations by program activity:			
0001	Maritime Security Program	186,000	210,000	186,000
0002	Food Aid Carrier Mariner Support	-	-	25,000
0900	Total new obligations	186,000	210,000	211,000
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	153	152	152
1050	Unobligated balance (total)	153	152	152
	Budget authority:			
	Appropriations, discretionary			
1100	Appropriation	186,000	210,000	211,000
1160	Appropriation, discretionary (total)	186,000	210,000	211,000
1900	Budget authority total (disc. and mand.)	186,000	210,000	211,000
1930	Total budgetary resources available	186,153	210,152	211,152
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	152	152	152
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	17,286	18,200	17,214
3010	Obligations incurred, unexpired accounts	186,000	210,000	211,000
3020	Outlays (gross)	-185,086	-210,986	-213,596
3050	Unpaid obligations, end of year (gross)	18,200	17,214	14,618
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	17,286	18,200	17,214
3200	Obligated balance, end of year (net)	18,200	17,214	14,618
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	186,000	210,000	211,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	168,648	195,300	196,230
4011	Outlays from discretionary balances	16,439	15,686	17,366
4020	Outlays gross, (total)	185,086	210,986	213,596
4070	Budget authority, net (discretionary)	186,000	210,000	211,000
4080	Outlays, net (discretionary)	185,086	210,986	213,596
4180	Budget authority, net (total)	186,000	210,000	211,000
4190	Outlays, net (total)	185,086	210,986	213,596

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 2017 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. The Maritime Administration requests $186 million for the Maritime Security program base. Additionally, $25 million is requested, 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 Code	Object Class	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Direct obligations:			
1410	Grants, subsidies and contributions	186,000	210,000	211,000
9999	**Total, New Obligations**	**186,000**	**210,000**	**211,000**

EXHIBIT III-1

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

	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST	CHANGE FY 2016-2017
Maritime Security Program	186,000	210,000	211,000	1,000
Total	**186,000**	**210,000**	**211,000**	**1,000**
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2016 TO FY 2017
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	Change from FY 2016 to FY 2017 $000	Change from FY 2016 to FY 2017 FTE
FY 2016 Base	**$210,000**	**[-]**
Adjustments to Base	**-**	
Subtotal, Adjustments to Base	**-**	
New or Expanded Programs		
Program Expenses	-24,000	[-]
Food Aid Proposal	25,000	
Subtotal, New or Expanded Program Increases/ Decreases	**$1,000**	**[-]**
Total FY 2017 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 objective for Security and Preparedness and Strategic Goals for Economic Competitiveness.

Ship capacity for roll-on/roll-off ships enrolled in MSP meeting DoD requirements	**2013**	**2014**	**2015**	**2016**	**2017**
Target	2.6	3.0	2.9	2.9	2.9
Actual	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)	**2013**	**2014**	**2015**	**2016**	**2017**
Target	110.0	126.0	120.0	120.0	126.0
Actual	126.0	126.0			
Target Achieved	√	√			

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

Ship operating days enrolled in the MSP available to meet DOD needs	**2013**	**2014**	**2015**	**2016**	**2017**
Target	19,200	19,200	19,200	19,200	19,200
Actual	21,794	22,050	21,659		
Target Achieved	√	√	x		

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM

FY 2008 - FY 2017
Main Table - ($000)

Fiscal Year	Request	Enacted
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	210,000
2017	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 2017 Maritime Security Program Budget Request
($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Maritime Security Program	186,000	186,000	210,000	186,000 /1	-24,000
Food Aid Proposal	0	25,000	0	25,000	25,000
Total	**$186,000**	**$211,000**	**$210,000**	**$211,000**	**$1,000**

1/ The FY 2017 request does not reflect the amount authorized in the Consolidated Appropriations Act, 2016 enacted on December 18, 2015 since there was insufficient time to analyze the new funding levels to support submission with this request.

For FY 2017, a total of $211 million is requested for the Maritime Security Program (MSP) account, an increase of $1.0 million from the FY 2016 enacted level. Within this total, $186 million is included for the MSP program. 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 a component of the proposal to allow more flexible P.L. 480 Title II food aid responses to food crises. Within this request, at least $1 million will support training and credentialing of U.S. citizen mariners to retain them, and $24 million will be used to provide direct support payments to operators of vessels in foreign trade, separate from MSP payments.

What is this Program and Why is it Necessary?

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 followed a more costly operating differential subsidy (ODS) 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 or foreign-flag registry in the absence of MSP support. These actions would have resulted in the Department of Defense (DoD) relying on more open or foreign-flag registry vessels to meet their sealift requirements. 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.

The MSP provides the 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) modified and extended the MSP from FY 2016 through FY 2025.

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 as commercially viable and the U.S. Transportation Command as militarily useful. It should be noted that a benefit of the MSP is the requirement to replace vessels due to age-out limits; this results in newer vessels that often operate more efficiently. Since 2006, when the program was reauthorized, MSP operators have replaced older vessels with 57 newer vessels. The average age of the current 60 vessels is 13.2 years old as compared to 13.5 years old in 2006.

If the proposal to allow more flexible P.L. 480 Title II food aid 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 maintain some number of U.S.-flag vessels and prevent additional lost jobs for actively sailing mariners. Maintaining these jobs will help ensure adequate mariners that are readily available to support crewing of the government surge sealift vessels in the Ready Reserve Force (RRF) when activated.

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

MARITIME SECURITY PROGRAM

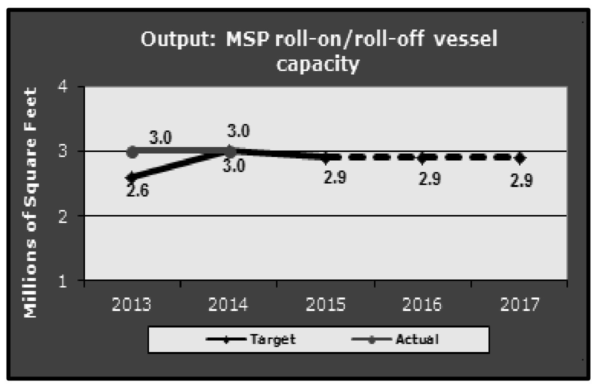
The FY 2017 MSP request of $186 million will provide a payment of $3.1 million for each of the 60 vessels enrolled in the program. (Note: The Consolidated Appropriations Act, enacted on December 18, 2015, changes the authorized annual level for each vessel in FY 2017 to $4.99 million.)

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 our military forces to deliver the necessary supplies and equipment needed to support, protect and defend our Nation when called upon.

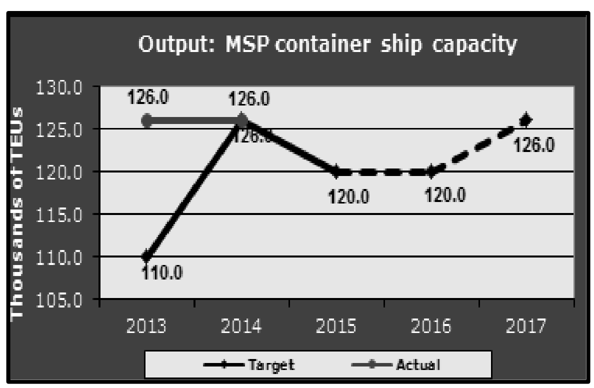
It is important to note that MSP ships continue to carry the bulk of military supplies and equipment moving into and out of Afghanistan in support of U.S. troops. The MSP carriers were a critical part of drawdown plans for the U.S. military in support of Operation ENDURING FREEDOM. The MSP also supports the U.S. Secretary of Transportation's priority for safety and national security of the American public.

MARAD commissioned an impact evaluation[1] that 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 evaluation 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.

The impact evaluations also indicated that the absence of the MSP would result in a significant reduction in the number of U.S.-flag ships. Not having the required number of vessels available for military use when needed could have an adverse impact on national security priorities. Additionally, the MSP fleet provides employment for 2,400 U.S. Merchant Mariners, each year to meet the Nation's needs to crew government-owned reserve sealift vessels in the RRF when activated.



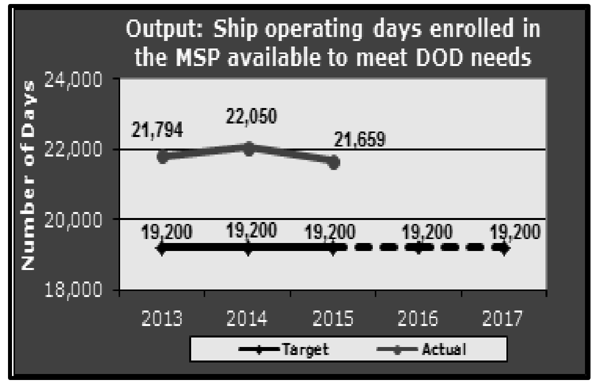
Beginning with FY 2014, MARAD revised the MSP targets for roll-on/roll-off vessel capacity and container ship capacity to reflect anticipated vessel capacity. For FY 2017, we anticipate meeting the target of 2.9 million square feet of roll-on/roll-off vessel capacity. Vessel capacity is committed by MSP carriers to DOT/DoD's emergency preparedness sealift readiness program.



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

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

The MSP emphasizes the importance of a strong partnership with the commercial maritime industry to maintain an international presence in foreign commerce. MARAD monitors operating days on a monthly basis for each of the 60 vessels enrolled in the program to verify that MSP ships were operating as required. MARAD met the annual target of 19,200 operating days for FY 2015, reporting a total of 21,659 days for all vessels. The program has met the annual target each year since FY 2010.



P.L. 480 TITLE II FOOD AID PROPOSAL

MARAD's FY 2017 request includes an additional $25 million for supplemental stipends to ensure that the current number of militarily useful ships, including those that contribute to sealift readiness by employing deep-sea qualified mariners, will remain in the U.S.-flag international fleet and to incentivize mariners to maintain their unlimited deep ocean credentials. This funding will mitigate the potential impact on mariner jobs and certain U.S. flag vessels that could accompany efforts to provide more flexibility in emergency food assistance 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 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 supporting mariners to be available to meet both the economic and national security needs of the nation. Of the funds, at least $1 million will be used to support training programs to retain and advance U.S. citizen mariners for critical occupations. The remaining $24 million of the funds will be used to provide direct stipend payments to operators of vessels in foreign trade, separate from MSP payments.

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

The MSP supports 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. Vessels enrolled in the MSP benefit the American public by providing a United States presence in international commerce while supporting DoD in times of war or national emergency. The MSP continues to provide support to maintain logistic management services, port terminal facilities and intermodal assets of commercial ship operators to meet national defense and other emergency sealift requirements.

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 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Obligations by program activity:			
0801	Ready Reserve Force (Reimbursable)	348,743	350,000	335,000
0900	Total new obligations	348,743	350,000	335,000
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	24,937	39,804	39,804
1021	Recoveries of prior year unpaid obligations	17,497	-	-
1050	Unobligated balance (total)	42,433	39,804	39,804
	Budget authority:			
	Spending authority from offsetting collections, disc.			
1700	Collected	319,841	350,000	335,000
1701	Change in uncollected payments, Federal sources	35,845	-	-
1750	Spending auth from offsetting collections, disc - (total)	355,686	350,000	335,000
1930	Total budgetary resources available	398,119	389,804	374,804
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	-9,571	-	-
1941	Unexpired unobligated balance, end of year	39,804	39,804	39,804
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	156,114	147,785	100,801
3010	Obligations incurred, unexpired accounts	348,743	350,000	335,000
3011	Obligations incurred, expired accounts	3	-	-
3020	Outlays (gross)	-336,879	-396,984	-378,813
3040	Recoveries of prior year unpaid obligations, unexpired	-17,497	-	-
3041	Recoveries of prior year unpaid obligations, expired	-2,698	-	-
3050	Unpaid obligations, end of year	147,785	100,801	56,988

MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1710-0-1-054	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-63,610	-63,293	-63,293
3070	Change in uncollected pymts, Fed sources, unexpired	-35,845	-	-
3071	Change in uncollected pymts, Fed sources, expired	36,163	-	-
3090	Uncollected pymts, Fed sources, end of year	-63,293	-63,293	-63,293
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	92,503	84,493	37,508
3200	Obligated balance, end of year	84,493	37,508	-6,305
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	355,686	350,000	335,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	224,270	315,000	301,500
4011	Outlays from discretionary balances	112,609	81,984	77,313
4020	Outlays, gross (total)	336,879	396,984	378,813
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	-336,575	-350,000	-335,000
4033	Non-Federal sources	-7	0	0
4040	Offsets against gross budget authority and outlays (total)	-336,582	-350,000	-335,000
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	-35,845	-	-
4052	Offsetting collections credited to expired accounts	16,741	-	-
4060	Additional offsets against budget authority only (total)	-19,104	-	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	297	46,984	43,813
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	297	46,984	43,813

MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION

Object Class Code	Object Class	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
	Reimbursable obligations:			
2111	Full-time permanent	19,764	26,182	26,968
2113	Other than full-time permanent	-	-	-
2115	Other personnel compensation	1,319	1,587	1,635
2119	**Total personnel compensation**	21,083	27,769	28,602
2121	Civilian personnel benefits	8,653	8,930	9,198
2210	Travel and transportation of persons	634	738	738
2220	Transportation of things	15	9	9
2231	Rental payments to GSA	3,038	2,486	1,989
2232	Rental payments to others	11,520	14,377	13,574
2233	Communications, utilities, and miscellaneous charges	8,484	7,293	7,231
2240	Printing	119	200	190
2251	Advisory and assistance services	2,843	1,712	1,626
2252	Other services from non-Federal sou	1,017	642	610
2253	Other goods and services from non-Federal sources	7,352	6,536	6,507
2254	Operation and maintenance of facili	254,442	243,692	230,604
2256	Medical Care	48	-	-
2257	Operation and maintenance of equip	4,347	4,326	4,209
2263	Supplies and materials	22,581	29,756	28,459
2310	Equipment	2,318	1,532	1,455
2320	Land and structures	250	-	-
9999	**Total new obligations**	**348,743**	**350,000**	**335,000**

MARITIME ADMINISTRATION
READY RESERVE FORCE
EMPLOYMENT SUMMARY

Ready Reserve Force	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Reimbursable:			
2001 Reimbursable civilian full-time Equivalent employment	316	326	326
Total Employment	**316**	**326**	**326**

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Indentification code 69-70-4303-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Obligations by program activity:			
0801	Vessel operations	27,217	20,500	20,500
0900	Total new obligations	27,217	20,500	20,500
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	59,185	41,516	36,016
1021	Recoveries of prior year unpaid obligations	2,220	-	-
1050	Unobligated balance (total)	61,405	41,516	36,016
	Budgetary authority:			
	Spending authority from offsetting collections, discretionary:			
1700	Collected	12,831	15,000	15,000
1701	Change in uncollected payments, Federal sources	-5,503	-	-
1750	Spending auth from offsetting collections, disc (total)	7,328	15,000	15,000
1930	Total budgetary resources available	68,733	56,516	51,016
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	41,516	36,016	30,516
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	9,429	8,392	1,238
3010	Obligations incurred, unexpired accounts	27,217	20,500	20,500
3020	Outlays (gross)	-26,034	-27,654	-20,000
3040	Recoveries of prior year unpaid obligations, unexpired	-2,220	-	-
3050	Unpaid obligations, end of year	8,392	1,238	1,738
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-6,429	-926	-926
3070	Change in uncollected pymts, Fed sources, unexpired	5,503	-	-
3090	Uncollected pymts, Fed sources, end of year	-926	-926	-926
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3,000	7,466	312
3200	Obligated balance, end of year	7,466	312	812
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	7,328	15,000	15,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	6,511	13,500	13,500
4011	Outlays from discretionary balances	19,523	14,154	6,500
4020	Outlays, gross (total)	26,034	27,654	20,000
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	-5,503	-	-
4033	Non-Federal sources	-7,328	-15,000	-15,000
4040	Offsets against gross budget authority and outlays (total)	-12,831	-15,000	-15,000
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	5,503	-	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	13,203	12,654	5,000
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	13,203	12,654	5,000

VESSSEL OPERTIONS 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. Direct appropriations for the disposal of obsolete government-owned merchant vessels are provided to the Ship Disposal account.

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
OBJECT CLASSIFICATION

Object Class Code	Object Class	FY 2015 Actual	FY 2016 Request	FY 2017 Request
	Reimbursable obligations:			
2111	Full-time Permanent	-	-	-
2210	Travel and transportation of persons	5	5	5
2251	Advisory and assistance services	90	89	89
2252	Other services from non-Federal sources	2,930	2,901	2,901
2253	Other goods and services from non-Federal sources	485	480	480
2254	Operation and maintenance of facilities	12,519	12,395	12,395
2257	Operation and maintenance of equipment	-	-	-
2260	Supplies and materials	2,248	2,226	2,226
2310	Equipment	2,429	2,405	2,405
2440	Refunds	6,511	-	-
9999	**Total new obligations**	**27,217**	**20,500**	**20,500**

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MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4302-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Obligations by program activity:			
0001	General Administration	-	-	-
0900	Total new obligations	-	-	-
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	47,709	47,963	47,963
1050	Unobligated balance (total)	47,709	47,963	47,963
	Budget authority:			
	Appropriations, discretionary:			
1700	Collected	254	-	-
1750	Spending auth from offsetting collections, disc (total)	254	-	-
1900	Budget authority (total)	254	-	-
1930	Total budgetary resources available	47,963	47,963	47,963
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	47,963	47,963	47,963
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	100	100	-
3010	Obligations incurred, unexpired accounts	-	-	-
3020	Outlays (gross)	-	-100	-
3050	Unpaid obligations, end of year (gross)	100	-	-
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	100	100	-
3200	Obligated balance, end of year (net)	100	-	-
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	254	-	-
4010	Outlays from new discretionary authority	-	-	-
4011	Outlays from discretionary balances	-	100	-
4020	Outlays, gross (total)	-	100	-
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources			
4031	Disc: Offsets, BA and OL: collect, Int, Fed secur	-254	-	-
4040	Outlays, net (total)	-254	-	-

MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-4302-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Additional offsets against gross budget authority only:			
4080 Outlays, net (discretionary)	-254	100	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-254	100	-
Memorandum (non-add_ entries:			
5000 Total Investments, SOY: Federal securities: Par value	42,637	42,685	42,685
5001 Total Investments, EOY: Federal securities: Par value	42,685	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.

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MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

(INCLUDING CANCELLATION AND TRANSFER OF FUNDS)

For the [cost of guaranteed loans, as authorized, $8,135,000 of which $5,000,000 shall remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: *Provided further*, That not to exceed $3,135,000 shall be available for] administrative expenses to carry out the guaranteed loan program, *$3,000,000*[which] shall be transferred to and merged with the appropriations for "Operations and Training", Maritime Administration*: Provided, That of the unobligated balance of funds made available for obligation under Public Law 114-113, $5,000,000 are hereby permanently cancelled*. *(Department of Transportation Appropriations Act, 2016.)*

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

(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2015 ACTUALS	FY 2016 ENACTED	FY 2017 REQUEST
	Obligations by program activity:			
0702	Loan guarantee subsidy	788	42,006	-
0707	Reestimates of loan guarantee subsidy	2,188	128,506	-
0708	Interest on reestimates of loan guarantee subsidy	151	9,614	-
0709	Administrative Expenses	3,100	3,135	3,000
0900	Total new obligations	6,227	183,262	3,000
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	42,794	42,006	5,000
1001	Discretionary unobligated balance brought fwd, Oct 1	42,794	42,006	5,000
	Budget authority:			
	Appropriations, discretionary			
1100	Appropriation	3,100	8,135	3,000
1131	Unobligated balance of appropriations permently reduced	-	-	-5,000
1160	Appropriation, discretionary (total)	3,100	8,135	-2,000
	Appropriations, mandatory:			
1200	Appropriation	2,339	138,121	-
1260	Appropriations, mandatory (total)	2,339	138,121	-
1900	Budget authority (total)	5,439	146,256	-2,000
1930	Total budgetary resources available	48,233	188,262	3,000
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	42,006	5,000	-
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	30,288	31,076	42,006
3010	Obligations incurred: unexpired accounts	6,227	183,262	3,000
3020	Outlays (gross)	-5,439	-172,332	-45,006
3050	Unpaid obligations, end of year	31,076	42,006	-
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	30,288	31,076	42,006
3200	Obligated balance, end of year	31,076	42,006	-
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	3,100	8,135	-2,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	3,100	8,135	3,000

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

(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2015 ACTUALS	FY 2016 ENACTED	FY 2017 REQUEST
4011	Outlays from discretionary balances	-	26,075	42,006
4020	Outlays gross, (total)	3,100	34,210	45,006
4070	Budget authority, net (discretionary)	3,100	8,135	-2,000
4080	Outlays, net (discretionary)	3,100	34,210	45,006
	Mandatory:			
4090	Budget authority, gross	2,339	138,121	-
	Outlays, gross:			
4100	Outlays from new mandatory authority	2,339	138,121	-
4160	Budget authority, net (mandatory)	2,339	138,121	-
4170	Outlays, net (mandatory)	2,339	138,121	-
4180	Budget authority, net (total)	5,439	146,256	-2,000
4190	Outlays, net (total)	5,439	172,331	45,006

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM 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 $3 million in resources for the administrative expenses of the program, including management of the loan portfolio which has $1.4 billion in loan guarantees and 30 guarantee contracts.

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

Object Class Code	Object Class	FY 2015 ACTUALS	FY 2016 ENACTED	FY 2017 REQUEST
1252	Other services	3,100	3,135	3,000
1410	Grants, subsidies, and contributions	3,127	180,127	-
9999	**Total New Obligations**	**6,227**	**183,262**	**3,000**

EXHIBIT III-1

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

	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST	CHANGE FY 2016-2017
Maritime Guaranteed Loan Program	3,100	8,135	3,000	-5,135
Total	**3,100**	**8,135**	**3,000**	**-5,135**
FTEs				
Direct Funded 1/	[15]	[15]	[15]	[15]
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2016 TO FY 2017
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

ITEM	Change from FY 2016 to FY 2017 $000	Change from FY 2016 to FY 2017 FTE
FY 2016 Base	**$8,135**	**[15]**
Adjustments to Base		
Annualization of 2016 Pay Raise 1%	8	
2017 Pay Raise 1.3%	29	
Additional Compensable Day	-18	
GSA Rent	-81	
Working Capital Fund	-73	
Subtotal, Adjustments to Base	**-135**	
New or Expanded Programs		
Loan Subsidies	-5,000	
Subtotal, New or Expanded Program Increases/ Decreases	**-$5,000**	**[-]**
Total FY 2017 Request	**$3,000**	**[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	**2013**	**2014**	**2015**	**2016**	**2017**
Target	90.25	90.50	90.75	91.00	91.25
Actual	90.40	90.88	91.66		
Target Achieved	√	√	√		

Percentage of financial reviews documented w/in 30 days of receipt of financial reports	**2013**	**2014**	**2015**	**2016**	**2017**
Target	100	100	100	100	100
Actual	100	100	60		
Target Achieved	√	√	*x*		

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM

FY 2008 - FY 2017
Main Table - ($000)

Fiscal Year		Request		Enacted	
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 2008 - FY 2017
Main Table - ($000)

Fiscal Year		Request	Enacted
2012	Guarantee Subsidy	-	-
	Administration	3,740	3,740
	Rescission of FY 2009/2010 Unobligated Balances	-	-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		5,000
	Administration	3,135	3,135
	TOTAL	**3,135**	**8,135**
2017	Guarantee Subsidy	-	-
	Administration	3,000	-
	Rescission of Unobligated Balance	-5,000 5/	-
	TOTAL	**-2,000**	**-**

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 rescision 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.

5/ Includes $5 million rescinded in P.L. 114-100.

DETAILED JUSTIFICATION

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

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

FY 2017 Maritime Guaranteed Loan Program (Title XI) Budget Request
($000)

Program Activity	FY 2015 Actual	FY 2016 President's Budget	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Administrative Expenses	3,100	3,135	3,135	3,000	-135
Loan Guarantees	0	0	5,000	-5,000 1/	0
Total	**$3,100**	**$3,135**	**$8,135**	**$3,000**	**-$135**

1/ MARAD proposes a cancellation of $5 million in unobligated balances in FY 2017.

For FY 2017, $3.0 million is requested for the Maritime Guaranteed Loan Program (Title XI) administrative expenses, a decrease of $135 thousand from the FY 2016 enacted level. Funding will support staff salaries to manage the current $1.45 billion loan portfolio in compliance with Federal Credit Reform Act requirements. Additionally, MARAD proposes a cancellation of $5 million in Title XI unobligated balances to be used for MARAD's other mission-related priorities.

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 that may be otherwise unavailable to ship owners.

The Administration is not requesting further funds for credit subsidy and the amount requested for this program pertains only to administration of the existing program and portfolio. 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.

MARAD has executed 111 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 $1.45 billion in outstanding loan guarantees and 30 individual loan guarantee contracts.

MARAD issued one letter of commitment for an approved loan guarantee application in FY 2015. The current available loan subsidy amount is $42 million, and is estimated to support approximately $518 million in Title XI loan guarantees. MARAD expects to obligate most of the remaining $42 million in subsidy in FY 2016.

Title XI Loan Guarantees

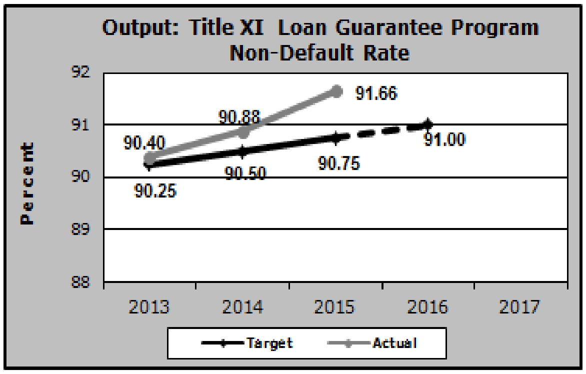
Fiscal Year	Loan Guarantee Contracts	Loan Guarantee Amount
1993	2	$47,278,000
1994	5	$148,643,000
1995	13	$294,621,000
1996	16	$713,590,000
1997	9	$164,769,000
1998	11	$502,350,620
1999	10	$1,224,372,500
2000	12	$785,516,000
2001	11	$690,788,000
2002	8	$225,347,000
2003	3	$305,356,000
2004	3	$173,838,000
2005	1	$139,731,000
2009	2	$310,260,000
2010	1	$22,544,000
2011	2	$593,976,000
2012	0	$0
2013	0	$0
2014	1	$324,630,000
2015	1	$12,000,000
	111	**$6,679,610,120**

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 dry-docks. Some 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.

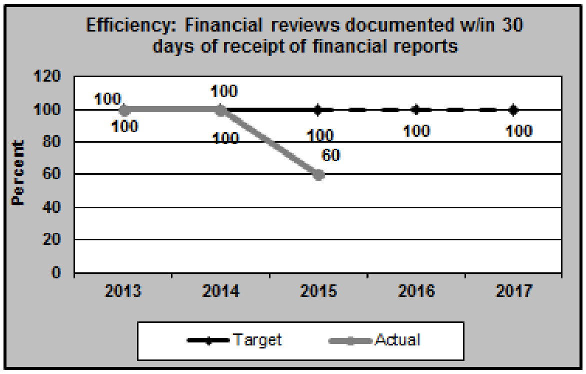
Why Do We Need to Fund the Program at the Requested Level?

For FY 2017, the requested amount of $3.0 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 asset management of the $1.45 billion loan portfolio. Proper monitoring of the loan portfolio is critical to reducing the government costs associated with default and maintenance expenses.

Over the last 10 years, MARAD has issued commitments for eight applications. MARAD monitors Title XI program performance measures, including the non-default rate, with a target of achieving a rate of 91.25 percent by FY 2017. With new loan guarantees of $12 million in FY 2015 and no defaults since February 2010, the program expects to exceed the FY 2015 target of 90.75 percent.



MARAD also tracks efficiency of the program's financial review process. MARAD did not meet the target for completing financial report reviews within 30 days of receipt for FY 2015. MARAD identified deficiencies in the financial review process and implemented a more robust review requirement for FY 2015 that impacted review times. However, MARAD expects to meet the financial review target for FY 2016 and subsequent years.



Additionally, MARAD is working to update its Title XI program risk evaluation tool in FY 2016.

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

Funding will support staff salaries for monitoring the existing portfolio to ensure compliance with loan guarantee requirements, and continuing to implement a more robust review and monitoring process to minimize the chance of default on existing loan guarantees. These new processes in place will improve operating and program efficiency and effectiveness for monitoring the Title XI loan guarantee portfolio.

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

(In thousands of dollars)

	Identification code 69-4304-0-1-054	FY 2015 ACTUALS	FY 2016 ENACTED	FY 2017 REQUEST
	Obligations by program activity:			
	Credit program obligations			
0711	Default claim payments on principal	-	275,990	24,528
0712	Default claim payments on interest	-	12,000	3,000
0713	Payment of interest to Treasury	-	2,000	1,000
0715	Default related activities	-	20,000	10,000
0742	Downward reestimate paid to receipt account	23,028	12,405	-
0743	Interest on downward reestimate	16,727	18,498	-
0900	Total new obligations	39,755	340,893	38,528
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	231,544	200,908	53,063
1021	Recoveries of prior year unpaid obligations	-	-	-
1050	Unobligated balance (total)	231,544	200,908	53,063
	Spending authority from offsetting collections, mandatory:			
1800	Collected	9,119	193,048	69,912
1801	Change in uncollected payments, Federal sources		-	-
1825	Spending authority from offsetting collections applied to repay debt		-	-
1850	Spending auth from offsetting collections, mand (total)	9,119	193,048	69,912
1900	Financing authority (total)	9,119	193,048	69,912
1930	Total budgetary resources available	240,663	393,956	122,975
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	200,908	53,063	84,447
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	-458	-458	64,445
3010	Obligations incurred, unexpired accounts	39,755	340,893	38,528
3020	Financing disbursements (gross)	-39,755	-275,990	-24,528
3040	Ob Bal: Recov, prior year unpaid obs, unexp accts	-	-	-
3050	Unpaid obligations, end of year	-458	64,445	78,445
	Memorandum (non-add) entries			
3100	Obligated balance, start of year (net)	-458	-458	64,445
3200	Obligated balance, end of year (net)	-458	64,445	78,445

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

(In thousands of dollars)

	Identification code 69-4304-0-1-054	**FY 2015 ACTUALS**	**FY 2016 ENACTED**	**FY 2017 REQUEST**
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	9,119	193,048	69,912
	Financing disbursements:			
4110	Financing disbursements, gross	39,755	275,990	24,528
	Offsets against gross financing authority and dispursements: (total):			
	Offsetting collections (collected) from:			
4120	Payments from program account- Upward Reestimate	-2,339	-138,120	-
4122	Interest on univested funds	-6,767	-	-
4123	Loan Repayment	-13	-54,928	-69,912
4130	Offsets against gross financing auth and disbursements (total)	-9,119	-193,048	-69,912
4160	Financing authority, net (mandatory)	-	-	-
4170	Outlays, net (mandatory)	30,636	82,942	-45,384
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	30,636	82,942	-45,384

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING ACCOUNT

Program and Performance Statement

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

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

	Identification code 69-4304-0-3-999	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
	Position in respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	12,000	514,400	-
2150	Total guaranteed loan commitments	12,000	514,400	-
	Cummlative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	1,731,841	1,427,060	1,423,329
2231	Disbursements of new guaranteed loans	-	332,010	514,400
2251	Repayments and prepayments	-304,781	-54,928	-69,912
	Adjustments:			
2262	Terminations for Default that result in acquisition of property	-	-280,813	-36,230
2290	Outstanding, end of year	1,427,060	1,423,329	1,831,587
2299	Guaranteed amount of guaranteed loans outstanding, end of year	1,427,060	1,423,329	1,831,587

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

	Identification code 69-4304-0-3-999	FY 2014 ACTUAL	FY 2015 ACTUAL
	ASSETS:		
	Federal assets:		
1101	Fund balance with Treasury	230,905	201,341
	Investments in US securities:		
1106	Receivables, net	11,206	-
1999	Total assets	242,111	201,341
	LIABILITIES:		
	Non-federal liabilities:		
2204	Liabilities for loan guarantees	242,111	201,341
4999	Total liabilities and net position	242,111	201,341

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MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-5560-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Obligations by program activity:			
0001	Port of Guam Improvement Enterprise Fund	3,497	3,655	-
0801	Reimbursable program	1,000	317	-
0900	Total new obligations	4,497	3,971	-
	Budgetary resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	7,810	3,971	-
1021	Recoveries of prior year unpaid obligations	658	-	-
1050	Unobligated balance (total)	8,468	3,971	-
	Budget authority:			
	Appropriations, discretionary:			
1930	Total budgetary resources available	8,468	3,971	-
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3,971	-	-
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	29,644	5,760	1,313
3010	Obligations incurred, unexpired accounts	4,497	3,971	-
3020	Outlays (gross)	-27,723	-8,418	-
3040	Recoveries of prior year unpaid obligations, unexpired	-658	-	-
3050	Unpaid obligations, end of year (gross)	5,760	1,313	1,313
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-1,313	-1,313	-1,313
3070	Change in uncollected pymts, Fed sources, unexpired	-	-	-
3090	Uncollected pymts, Fed sources, end of year	-1,313	-1,313	-1,313

MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-5560-0-1-403	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	28,331	4,447	-
3200	Obligated balance, end of year (net)	4,447	-	-
	Budget authority and outlays, net:			
	Discretionary:			
	Outlays, gross:			
4011	Outlays from discretionary balances	27,723	8,418	-
4020	Outlays gross, (total)	27,723	8,418	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	27,723	8,418	-
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	27,723	8,418	-

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

Object Class Code	**Object Class**	**FY 2015 Actual**	**FY 2016 Enacted**	**FY 2017 Request**
1210	Travel and transportation of persons	66	70	-
1253	Other purchases of goods and svcs from Gov't	1,567	2,200	-
1320	Lands and structures	1,864	701	-
41.0	Grants, claims and subsidies			
1990	**Subtotal, direct obligations**	**3,497**	**2,971**	**-**
	Reimbursable Obligations:			
2253	Other purchases of goods and svcs from Gov't	1,000	1,000	-
2990	**Subtotal, reimbursable obligations**	**1,000**	**1,000**	**-**
9999	**Total New Obligations**	**4,497**	**3,971**	**-**

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MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-8547-0-1-403	**FY 2015 Actual**	**FY 2016 Enacted**	**FY 2017 Request**
	Obligations by program activity:			
0001	Gifts and Bequests	1,478	2,000	2,000
0002	Special Studies	524	1,035	-
0900	Total new obligations	2,002	3,035	2,000
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	4,097	4,570	3,535
1021	Recoveries of prior year unpaid obligations	45	-	-
1050	Unobligated balance (total)	4,141	4,570	3,535
	Budget authority:			
	Appropriations, mandatory:			
1201.01	Appropriation Special Studies, Service & Products (8547)	-	-	-
1201.02	Appropriation Gifts & Bequests (8503)	2,431	2,000	2,000
1260	Appropriations, mandatory (total)	2,431	2,000	2,000
1900	Budget authority (total)	2,431	2,000	2,000
1930	Total budgetary resources available	6,572	6,570	5,535
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4,570	3,535	3,535
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	735	1,575	1,610
3010	Obligations incurred, unexpired accounts	2,002	3,035	2,000
3011	(Obligations incurred, unexpired accounts	0	0	0
3020	Outlays (gross)	-1,118	-3,000	-2,500
3040	Recoveries of prior year unpaid obligations, unexpired	-45	-	-
3050	Unpaid obligations, end of year	1,575	1,610	1,110
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	735	1,575	1,610
3200	Obligated balance, end of year (net)	1,575	1,610	1,110

	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	2,431	2,000	2,000
	Outlays, gross:			
4100	Outlays from new mandatory authority	-	2,000	1,500
4101	Outlays from mandatory balances	1,118	1,000	1,000
4110	Outlays, gross (total)	1,118	3,000	2,500
4160	Budget authority, net (mandatory)	2,431	2,000	2,000
4170	Outlays, net (mandatory)	1,118	3,000	2,500
4180	Budget authority, net (total)	2,431	2,000	2,000
4190	Outlays, net (total)	1,118	3,000	2,500

MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
OBJECT CLASSIFICATION
($000)

Object Class Code	**Object Class**	**FY 2015 Actual**	**FY 2016 Enacted**	**FY 2017 Request**
	Direct obligations:			
1210	Travel and transportation of persons	80	60	90
1240	Printing and reproduction	8	13	19
1252	Other services	1,111	1,500	1,500
1253	Other goods and services from Federal Sources	524	1,000	237
1260	Supplies and materials	207	257	257
1310	Equipment	72	99	149
9999	**Total, new obligations**	**2,002**	**2,929**	**2,252**

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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 *54 U.S.C. § 308704*, section 3502, or otherwise authorized under the Federal Acquisition Regulation. *(Department of Transportation Appropriations Act, 2016.)*

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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)

	FY 2014	FY 2015
Appropriated Funds		
Operations and Training	148,003	148,050
Assistance to Small Shipyards	-	-
Ship Disposal Program	4,800	4,000
Maritime Security Program	186,000	186,000
Maritime Guaranteed Loan Program (Title XI)	38,500	3,100
Subtotal, Appropriated Funds	**377,303**	**341,150**
Other Budget Authority:		
Maritime Guaranteed Loan Programs - Subsidy Reestimate	33,357	2,339
Subtotal, Other Budget Authority	**33,357**	**2,339**
Non-appropriated Funds:		
Vessel Operations Revolving Fund	9,505	6,156
Ready Reserve Force	372,309	355,714
Operations and Training	2,514	2,570
Gifts and Bequests	834	2,431
OST Allocations	64,643	75,905
Non-Appropriated Fund Instrumentalities (NAFIs)	124	115
Subtotal, Non-Appropriated Funds	**449,929**	**442,890**
Total Funds	**860,589**	**786,379**

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 2015, while the agency's appropriations totaled $341 million, the following table illustrates that the total funds received was $786 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 $74 million in FY 2015 for grants and $1.6 million for administrative oversight of Marine Highway projects, including projects in Virginia, Washington, Louisiana, New Jersey, South Carolina and Alaska.

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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