



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2015

MARITIME ADMINISTRATION

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

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2015

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**MARITIME ADMINISTRATION
FISCAL YEAR 2015 BUDGET REQUEST
Congressional Justification**

OVERVIEW

March 4, 2014

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MARITIME ADMINISTRATION

FY 2015 Budget Request Overview

For FY 2015, the Maritime Administration (MARAD) requests \$658.3 million to fund activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, the environment, safety, and education. MARAD's total request includes a \$291 million transfer from the Department of Defense (DoD) for program administration of the Ready Reserve Force (RRF) and National Defense Reserve Fleet (NDRF). The FY 2015 Budget request will continue to support the agency's coordinated program of activities and initiatives advancing Departmental priorities and National objectives for Economic Competitiveness, Environmental Sustainability, Organizational Excellence, and Security and Preparedness.

The FY 2015 MARAD Budget request is summarized by account as follows:

Operations and Training

The Operations and Training (O&T) account request of \$148.4 million, includes \$79.8 million for the USMMA, \$17.7 million for the State Maritime Academies (SMAs), and \$51.0 million for MARAD Operations and Programs. Further details of the O&T request are discussed below by program:

U.S. Merchant Marine Academy

For FY 2015, \$79.8 million is requested for the USMMA, \$290 thousand above FY 2014. This request includes \$65.3 million for Academy Operations and \$14.5 million for the Capital Improvement Program.

Academy Operations

The FY 2015 Academy Operations request of \$65.3 million will support the Academy towards providing the highest caliber of academic study with state of the art learning facilities to educate the Nation's future merchant marine officers and maritime transportation professionals. The Academy remains focused on maintaining a sufficient base budget to support mission-essential areas. The FY 2015 request will enable the Academy to meet its core mission of educating and graduating U.S. Coast Guard licensed merchant mariners and leaders of exemplary character who will serve America's marine transportation and defense needs in both peace and war.

Capital Improvement Program (CIP)

\$14.5 million is requested for the CIP in FY 2015, highlighting \$13.0 million for Bowditch Hall, the first academic building scheduled for renovation, as identified in the Academy's five-year CIP Plan. The request also includes \$1.5 million for major capital repairs and equipment replacement including campus-wide elevator repairs necessary for continued safe operations and roof replacements for the most severely deteriorated structures.

State Maritime Academies (SMAs)

For FY 2015, a total of \$17.7 million, \$350 thousand above FY 2014, is requested to support the SMAs, including direct support payments to each of the six schools, student tuition assistance, and maintenance and repairs of the six schoolships. The requested increase is necessary to support mariner training and compliance requirements.

MARAD Operations and Programs

For FY 2015, a total of \$51.0 million is requested for MARAD Operations and Programs. The request includes \$48.0 million to maintain program support activities and \$3 million to continue energy and environmental technology initiatives designed to enhance maritime sustainability and affordability, focusing on areas such as vessel and port air pollution reduction, invasive species control through ballast water and underwater hull husbandry, improved and diversified marine propulsion systems and increased energy efficiency at sea.

Ship Disposal

For FY 2015, \$4.8 million is requested for the Ship Disposal program, consistent with FY 2014. MARAD's priority emphasis will continue to be disposing the worst condition non-retention NDRF vessels. A discrete project funded within the Ship Disposal account is maintenance and safeguarding of the Nuclear Ship SAVANNAH (NSS), a National Historic Landmark.

Maritime Security Program

The FY 2015 President's Budget requests \$186 million for the Maritime Security Program (MSP) to ensure the maintenance of a commercial fleet capable of supporting a U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to these commercial vessels, intermodal facilities and mariners. The \$186 million authorized level will fund \$3.1 million for each of the 60 ships enrolled in the program.

Food Aid Reform

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

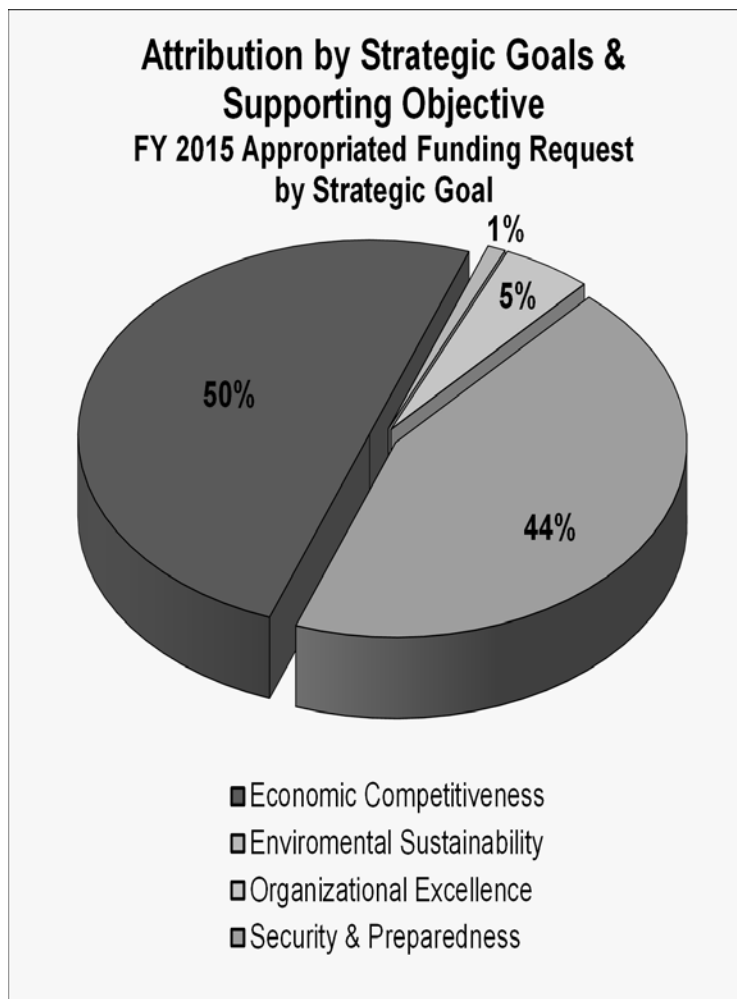
Maritime Guaranteed Loan Program (Title XI)

The FY 2015 Budget requests \$3.1 million for salaries and expenses related to Title XI loan portfolio administration.

Ready Reserve Force (RRF)

The FY 2015 request reflects a direct transfer of \$291 million from the DoD to support the RRF and NDRF government owned merchant ships that provide surge sealift capacity and transport DoD cargo in the event of a war or national emergency.

ATTRIBUTION OF APPROPRIATED FUNDS BY STRATEGIC GOAL



MARAD's FY 2015 budget request supports three DOT strategic goals and one supporting objective. The largest share of the Agency's budget supports the Department's Economic Competitiveness goal. MARAD's programs develop and promote a vital and viable U.S. Merchant Marine, through expanded economic opportunities for U.S. flag vessels. At approximately 50 percent, it is MARAD's primary strategic goal.

Programs aligned with DOT's Security & Preparedness supporting objective are supported by funds provided separately by the Department of Defense for the Ready Reserve Force (RRF) and the National Defense Reserve Fleet (NDRF). Approximately 44 percent of the FY 2015 budget request supports Security & Preparedness.

Approximately 5 percent is attributed to Organizational Excellence and support for operating programs.

One percent of MARAD's budget request supports Environmental Sustainability.

MARITIME ADMINISTRATION
FY 2015 Budget Request Summary
(Dollars in Thousands)

<u>Account/Program</u>	<u>FY 2013 ACTUAL 1/</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>
OPERATIONS & TRAINING	148,085	148,003	148,400
U.S. Merchant Marine Academy	<u>81,787</u>	<u>79,500</u>	<u>79,790</u>
Academy Operations	<u>60,085</u> 2/	<u>63,500</u>	<u>65,290</u>
Salaries & Benefits	33,382	34,000	34,390
Operating Expenses	26,703	29,500	30,900
Capital Improvement Program	<u>21,702</u>	<u>16,000</u>	<u>14,500</u>
Capital Improvements	16,111	12,000	13,000
Major Capital Repairs & Equip. Replacement	5,591	4,000	1,500
State Maritime Academies	<u>16,206</u>	<u>17,300</u>	<u>17,650</u>
Student Incentive Payments (SIP)	2,274	2,400	2,400
Direct SMA Support	3,412	3,600	3,600
School Ship Maintenance & Repair	10,520	11,300	11,300
Mariner Compliance and Training	0	0	350
MARAD Operations & Programs	<u>50,092</u> 2/	<u>51,203</u>	<u>50,960</u>
Headquarters Operations	45,353	48,203	47,960
Maritime Program Initiatives	<u>4,739</u>	<u>3,000</u>	<u>3,000</u>
Maritime Environment & Tech Assist	3,791	3,000	3,000
MAR VIEW	948	0	0
ASSISTANCE TO SMALL SHIPYARDS	9,458	0	0
SHIP DISPOSAL PROGRAM	<u>5,212</u>	<u>4,800</u>	<u>4,800</u>
Ship Disposal	2,369	2,000	2,000
NS SAVANNAH	2,843	2,800	2,800
MARITIME SECURITY PROGRAM	<u>160,289</u>	<u>186,000</u>	<u>211,000</u>
Program Expenses	160,289	186,000	186,000
Food Aid Reform	0	0	25,000
MARITIME GUARANTEED LOAN PROGRAM			
Title XI Program	<u>3,544</u>	<u>38,500</u>	<u>3,100</u>
Administrative Expenses	3,544	3,500	3,100
Loan Guarantees	0	35,000	0
READY RESERVE FORCE	[302,923] 3/	[299,025] 3/	291,000 4/
TOTAL	\$326,588	\$377,303	\$658,300

1/ This column includes FY 2013 sequestration reductions.

2/ Includes reallocation of \$1.074 million from Marad Ops to Academy Ops to cover sequestration shortfalls.

3/ Funds provided by reimbursement from the Department of Defense.

4/ Reflects a transfer from the Department of Defense beginning in FY 2015.

Organizational Chart---FTE

U.S. Department of Transportation
Maritime Administration

FY 2014- FY 2015

MARAD Total FY 2014 FTE	842
Direct	507
Reimbursable	335
MARAD Total FY 2015 FTE	842
Direct	840
Reimbursable	2

Office of the Administrator and Staff Offices		
	2014	2015
Direct	54	59
Reim.	5	0
Total	59	59

United States Merchant Marine Academy		
	2014	2015
Direct	285	285
Reim.	0	0
Total	285	285

Associate Administrator for Budget and Programs/ Chief Financial Officer			Associate Administrator for Administration			Associate Administrator for Environment and Compliance			Associate Administrator for Intermodal System Development			Associate Administrator for Strategic Sealift			Associate Administrator for Business and Finance Development		
	2014	2015		2014	2015		2014	2015		2014	2015		2014	2015		2014	2015
Direct	17	32	Direct	37	65	Direct	17	19	Direct	34	35	Direct	34	316	Direct	30	30
Reim.	15	0	Reim.	28	0	Reim.	2	0	Reim.	1	0	Reim.	283	0	Reim.	2	2
Total	32	32	Total	65	65	Total	19	19	Total	35	35	Total	316	316	Total	32	32

Organizational Chart---FTP

U.S. Department of Transportation
Maritime Administration

FY 2014- FY 2015

MARAD Total FY 2014 FTP	872
Direct	533
Reimbursable	339
MARAD Total FY 2015 FTP	872
Direct	870
Reimbursable	2

Office of the Administrator and Staff Offices		
	2014	2015
Direct	58	63
Reim.	5	0
Total	63	63

United States Merchant Marine Academy		
	2014	2015
Direct	295	295
Reim.	0	0
Total	295	295

Associate Administrator for Budget and Programs/ Chief Financial Officer			Associate Administrator for Administration			Associate Administrator for Environment and Compliance			Associate Administrator for Intermodal System Development			Associate Administrator for Strategic Sealift			Associate Administrator for Business and Finance Development		
	2014	2015		2014	2015		2014	2015		2014	2015		2014	2015		2014	2015
Direct	18	33	Direct	40	68	Direct	18	20	Direct	36	37	Direct	36	322	Direct	32	32
Reim.	15	0	Reim.	28	0	Reim.	2	0	Reim.	1	0	Reim.	286	0	Reim.	2	2
Total	33	33	Total	68	68	Total	20	20	Total	37	37	Total	322	322	Total	34	34

EXHIBIT II-1

**FY 2015 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>
Operations and Training	148,085	148,003	148,400
Assistance to Small Shipyards	9,458	-	-
Ship Disposal Program	5,212	4,800	4,800
Maritime Security Program	160,289	186,000	211,000
Ocean Freight Differential	46,532	92,600	-
Maritime Guaranteed Loan Prog.(Title XI)	<u>14,786</u>	<u>71,856</u>	<u>3,100</u>
Administrative Expenses	3,544	3,500	3,100
Loan Guarantees	0	35,000	-
Subsidy Reestimate	11,242	33,356	-
Gifts and Bequests	617	1,000	1,000
Ready Reserve Force	[302,923] 1/	[299,025] 1/	291,000 2/
TOTALS	384,979	504,259	659,300

1/ Funds provided by reimbursement from the Department of Defense.

2/ Reflects a transfer from the Department of Defense beginning in FY 2015.

EXHIBIT II-2

**FY 2015 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>
1. Operations and Training			
A. U.S. Merchant Marine Academy	81,787	79,500	79,790
B. State Maritime Academies	16,206	17,300	17,650
C. MARAD Operations	50,092	51,203	50,960
Subtotal O&T	<u>148,085</u>	<u>148,003</u>	<u>148,400</u>
2. Assistance to Small Shipyards	9,458	-	-
3. Ship Disposal Program			
A. Ship Disposal	2,369	2,000	2,000
B. NS SAVANNAH	2,843	2,800	2,800
Subtotal Ship Disposal	<u>5,212</u>	<u>4,800</u>	<u>4,800</u>
4. Maritime Security Program	160,289	186,000	211,000
5. Maritime Guaranteed Loans (Title XI)			
A. Administrative Expenses	3,544	3,500	3,100
B. Loan Guarantees	-	35,000	-
6. Ready Reserve Force	<u>[302,923]</u> 1/	<u>[299,025]</u> 1/	<u>291,000</u> 2/
TOTALS	326,588	377,303	658,300

1/ Funds provided by reimbursement from the Department of Defense.

2/ Reflects a transfer from the Department of Defense beginning in FY 2015.

EXHIBIT II-3
FY 2015 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

STRATEGIC GOALS AND OBJECTIVES	FY 2013 ACTUAL	FY 2014 PRESIDENT'S ENACTED	FY 2015 REQUEST
1. ECONOMIC COMPETITIVENESS			
<u>A . Enhance Productivity and Growth</u>			
a. Operational Programs	173,291	224,500	214,100
b. Other: Headquarters Operations*	11,216	13,153	12,862
Objective Subtotal	184,507	237,653	226,962
<u>B . Create Dynamic Workforce</u>			
a. Operational Programs	97,993	96,800	97,440
b. Other: Headquarters Operations*	6,342	5,671	5,854
Objective Subtotal	104,335	102,471	103,294
TOTAL - Economic Competitiveness	\$288,842	\$340,124	\$330,255
2. ENVIRONMENTAL SUSTAINABILITY			
<u>A . Mitigate Environmental Impacts</u>			
a. Operational Programs	9,003	7,800	7,800
b. Other: Headquarters Operations*	583	457	469
Objective Subtotal	9,586	8,257	8,269
TOTAL - Environmental Sustainability	\$9,586	\$8,257	\$8,269
3. ORGANIZATIONAL EXCELLENCE			
<u>A. Develop Human Capital</u>			
a. Headquarters Operations*			8,633
<u>B. Improve Information Systems and Financial Mangement</u>			
a. Headquarters Operations*			8,633
b. Maritime Domain Awareness	948	0	0
<u>C. Other</u>			
a. Headquarters Operations*	27,212	28,922	11,510
b. Maritime Safety Initiatives			
TOTAL - Organizational Excellence	\$28,160	\$28,922	\$28,776
4. SECURITY, PREPARENESS & OTHER OBJECTIVES			
A. Meet transportation needs for defense readiness			
a. Operational Programs			291,000
TOTAL - Security, Preparedness, & Other Objectives	[\$302,923]	[\$299,025]	\$291,000 **
GRAND TOTAL	\$326,588	\$377,303	\$658,300

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

** Reflects a non-expenditure transfer from the Department of Defense beginning in FY 2015 in lieu of Department of Defense reimbursements.

EXHIBIT II-4

**FY 2015 BUDGET AUTHORITY
MARITIME ADMINISTRATION**

**Budget Authority
(\$000)**

<u>ACCOUNTS</u>		<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>
Operations and Training	D	148,085	148,003	148,400
Assistance to Small Shipyards	D	9,458	-	-
Ship Disposal Program	D	5,212	4,800	4,800
Maritime Security Program	D	160,289	186,000	211,000
Ocean Freight Differential	M	46,532	92,600	-
Maritime Guaranteed Loan Program				
Administrative Expenses	D	3,544	3,500	3,100
Loan Guarantees	D	-	35,000	-
Subsidy Reestimate	M	11,242	33,356	-
Gifts and Bequests	M	617	1,000	1,000
Ready Reserve Force	D	<u>[302,923]</u> ^{1/}	<u>[299,025]</u> ^{1/}	<u>291,000</u> ^{2/}
TOTALS		<u>384,979</u>	<u>504,259</u>	<u>659,300</u>
[Mandatory]		58,391	126,956	1,000
[Discretionary]		326,588	377,303	658,300
Proprietary Receipts:				
Maritime Guaranteed Loan Program		37,335	14,112	-
Gifts and Bequests		<u>617</u>	<u>1,000</u>	<u>1,000</u>
Total MARAD RECEIPTS		<u>37,952</u>	<u>15,112</u>	<u>1,000</u>

^{1/} Funds provided by reimbursement from the Department of Defense.

^{2/} Reflects a transfer from the Department of Defense beginning in FY 2015.

EXHIBIT II-5**FY 2015 OUTLAYS
MARITIME ADMINISTRATION
(\$000)**

ACCOUNTS		FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Operations and Training	D	162,930	179,241	176,740
Operations and Training, ARRA	D	35	-	-
Gifts and Bequests	M	777	3,709	1,000
Special Studies, Services, and Projects	M	10,150	2,044	-
Assistance to Small Shipyards	D	10,499	16,838	400
Assistance to Small Shipyards, ARRA 1/	D	2,320	2,768	-
Ship Disposal	D	9,263	9,449	9,243
Maritime Security Program	D	182,725	173,578	209,250
Port of Guam Improvement Enterprise Fund	D	3,006	45,545	-
Ocean Freight Differential	M	78,505	92,900	-
Ready Reserve Force	D	-28,551	112,217	327,400
Vessel Operations Revolving Fund	D	-12,835	17,988	8,500
War Risk Insurance Revolving Fund	D	-258	-175	-225
Maritime Guaranteed Loan Program	D	3,544	68,100	11,582
Subsidy Reestimate	M	11,242	33,356	-
TOTALS		<u>433,352</u>	<u>757,558</u>	<u>743,890</u>
[Mandatory]		100,674	132,009	1,000
[Discretionary]		332,678	625,549	742,890

EXHIBIT II-6

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

Operations & Training-Summary

	Baseline Changes								
	FY 2014 Enacted	Annualization of 2014 Pay Raise 1%	2015 Pay Raise 1%	GSA Rent	WCF	1.0% Inflation/ Deflation	FY 2015 Baseline Estimate	Program Increase/ Decrease	FY 2015 Request
Direct FTE Totals	475						475	-	475
Direct FTE	475						475	-	475
USMMA:									
PERSONNEL RESOURCES	285						285	-	285
Direct FTE	285						285	-	285
ACADEMY OPERATIONS									
Salaries and Benefits	\$34,000	\$85	\$256	-	-	-	\$34,341	\$49	\$34,390
Academic Dean	3,805	-	-	-	-	38	3,843	57	3,900
Commandant of Midshipmen	11,010	-	-	-	-	110	11,120	-120	11,000
Superintendent/Deputy Superintendent	14,685	-	-	-	-	147	14,832	1,168	16,000
SUBTOTAL	\$63,500	\$85	\$256	-	-	\$295	\$64,136	\$1,154	\$65,290
CAPITAL IMPROVEMENT PROGRAM									
Capital Improvements	\$12,000	-	-	-	-	-	\$12,000	\$1,000	\$13,000
Facilities Maintenance, Repairs & Equipment	4,000	-	-	-	-	-	4,000	-2,500	1,500
SUBTOTAL	\$16,000	-	-	-	-	-	\$16,000	-\$1,500	\$14,500
USMMA TOTAL	\$79,500	\$85	\$256	-	-	\$295	\$80,136	-\$346	\$79,790
1/\$2.5 million is included within the Superintendent/Deputy Superintendent line for Facility Maintenance & Repairs in FY 2015.									
STATE MARITIME ACADEMIES:									
Direct SMA Support	\$3,600	-	-	-	-	\$36	\$3,636	-\$36	\$3,600
Student Incentive Payments	2,400	-	-	-	-	-	2,400	-	2,400
School Ship Maintenance & Repair	11,300	-	-	-	-	113	11,413	-113	11,300
Mariner Service Compliance System	-	-	-	-	-	-	-	350	350
STATE MARITIME ACADEMIES TOTAL	\$17,300	-	-	-	-	\$149	\$17,449	\$201	\$17,650
MARAD OPERATIONS & PROGRAMS:									
PERSONNEL RESOURCES	190						190	-	190
Direct FTE	190						190	-	190
FINANCIAL RESOURCES									
Operating Expenses:									
Salaries and Benefits	\$28,000	\$70	\$211	-	-	-	\$28,281	-\$149	\$28,132
Non-Discretionary Operations	10,720	-	-	185	298	107	11,310	-	11,310
GSA Rent	[2,617]	-	-	[185]	-	-	[2,801]	[-]	[2,802]
WCF	[4,245]	-	-	-	[298]	-	[4,528]	[-]	[4,543]
Operations & Travel	3,541	-	-	-	-	35	3,576	-1,709	1,867
Information Technology	5,942	-	-	-	-	59	6,001	650	6,651
Operating Expenses, Subtotal	\$48,203	\$70	\$211	\$185	\$298	\$201	\$49,168	-\$1,208	\$47,960
Maritime Program Initiatives:									
Maritime Environment and Technology Assistance	\$3,000	-	-	-	-	-	\$3,000	-	\$3,000
Program Expenses, Subtotal	\$3,000	-	-	-	-	-	\$3,000	-	\$3,000
MARAD OPERATIONS & PROGRAMS TOTAL	\$51,203	\$70	\$211	\$185	\$298	\$201	\$52,168	-\$1,208	\$50,960
GRAND TOTAL	\$148,003	\$155	\$467	\$185	\$298	\$645	\$149,753	-\$1,353	\$148,400

EXHIBIT II-6

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

Operations & Training-USMMA

	Baseline Changes								
	FY 2014 Enacted	Annualization of 2014 Pay Raise 1%	2015 Pay Raise 1%	GSA Rent	WCF	1.0% Inflation/ Deflation	FY 2015 Baseline Estimate	Program Increase/ Decrease	FY 2015 Request
USMMA:									
<u>PERSONNEL RESOURCES</u>	285						285	-	285
Direct FTE	285						285	-	285
<u>ACADEMY OPERATIONS</u>									
Salaries and Benefits	\$34,000	\$85	\$256	-	-	-	\$34,341	\$49	\$34,390
Academic Dean	3,805	-	-	-	-	38	3,843	57	3,900
Commandant of Midshipmen	11,010	-	-	-	-	110	11,120	-120	11,000
Superintendent/Deputy Superintendent 1/	14,685	-	-	-	-	147	14,832	1,168	16,000
SUBTOTAL	\$63,500	\$85	\$256	-	-	\$295	\$64,136	\$1,154	\$65,290
<u>CAPITAL IMPROVEMENT PROGRAM</u>									
Capital Improvements	\$12,000	-	-	-	-	-	\$12,000	\$1,000	\$13,000
Major Capital Repairs & Equipment	4,000	-	-	-	-	-	4,000	-2,500	1,500
SUBTOTAL	\$16,000	-	-	-	-	-	\$16,000	-\$1,500	\$14,500
USMMA TOTAL	\$79,500	\$85	\$256	-	-	\$295	\$80,136	-\$346	\$79,790

1/\$2.5 million is included within the Superintendent/Deputy Superintendent line for Facility Maintenance & Repairs in FY 2015.

EXHIBIT II-6

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

Operations & Training-State Maritime Academies

	<u>Baseline Changes</u>							
	FY 2014 Enacted	2015 Pay Raise 1%	GSA Rent	WCF	1.0% Inflation/ Deflation	FY 2015 Baseline Estimate	Program Increase/ Decrease	FY 2015 Request
<u>STATE MARITIME ACADEMIES:</u>								
Direct SMA Support	\$3,600	-	-	-	\$36	\$3,636	-\$36	\$3,600
Student Incentive Payments	2,400	-	-	-	-	2,400	-	2,400
School Ship Maintenance & Repair	11,300	-	-	-	113	11,413	-113	11,300
Mariner Compliance and Training	-	-	-	-	-	-	350	350
STATE MARITIME ACADEMIES TOTAL	\$17,300	-	-	-	\$149	\$17,449	\$201	\$17,650

EXHIBIT II-6

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

Operations & Training-MARAD Operations & Programs

	Baseline Changes								
	FY 2014 Enacted	Annualization of 2014 Pay Raise 1%	2015 Pay Raise 1%	GSA Rent	WCF	1.0% Inflation/ Deflation	FY 2015 Baseline Estimate	Program Increase/ Decrease	FY 2015 Request
<u>MARAD OPERATIONS AND PROGRAMS:</u>									
<u>PERSONNEL RESOURCES</u>	190						190	-	190
Direct FTE	190						190	-	190
<u>FINANCIAL RESOURCES</u>									
<u>Operating Expenses:</u>									
Salaries and Benefits	\$28,000	\$70	\$211	-	-	-	\$28,281	-\$149	\$28,132
Non-Discretionary Operations	10,720	-	-	185	298	107	11,310	-	11,310
GSA Rent	[2,617]	-	-	[185]	-	-	[2,802]	[-]	[2,802]
WCF	[4,245]	-	-	-	[298]	-	[4,543]	[-]	[4,543]
Operations & Travel	3,541	-	-	-	-	35	3,576	-1,709	1,867
Information Technology	5,942	-	-	-	-	59	6,001	650	6,651
Operating Expenses, Subtotal	\$48,203	\$70	\$211	\$185	\$298	\$201	\$49,168	-\$1,208	\$47,960
<u>Maritime Program Initiatives:</u>									
Maritime Environment and Technology Assistance	\$3,000	-	-	-	-	-	\$3,000	-	\$3,000
Program Expenses, Subtotal	\$3,000	-	-	-	-	-	\$3,000	-	\$3,000
MARAD OPERATIONS & PROGRAMS TOTAL	\$51,203	\$70	\$211	\$185	\$298	\$201	\$52,168	-\$1,208	\$50,960

EXHIBIT II-6

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

SHIP DISPOSAL PROGRAM

Baseline Changes

	FY 2014 Enacted	Annualization of 2014 Pay Raise 1%	2015 Pay Raise 1%	GSA Rent	WCF	1.0% Inflation/ Deflation	FY 2015 Baseline Estimate	Program Increase/ Decrease	FY 2015 Request
<u>PERSONNEL RESOURCES (FTE)</u>	11						11	-	11
Direct FTE	11						11	-	11
<u>FINANCIAL RESOURCES</u>									
<u>Operating Expenses:</u>									
Salaries and Benefits	\$1,798	\$4	\$14	-	-	-	\$1,816	-	\$1,816
Operating Expenses	29	-	-	-	-	-	29	-18	11
GSA Rent	73	-	-	-	-	-	73	-	73
WCF	100	-	-	-	-	-	100	-	100
Operating Expenses, Subtotal	\$2,000	\$4	\$14	\$0	\$0	\$0	\$2,018	-\$18	\$2,000
<u>Program Expenses:</u>									
NS SAVANNAH	2,800	-	-	-	-	-	2,800	-	2,800
Program Expenses, Subtotal	\$2,800	-	-	-	-	-	\$2,800	-	\$2,800
SHIP DISPOSAL PROGRAM- TOTAL	\$4,800	\$4	\$14	\$0	\$0	\$0	\$4,818	-\$18	\$4,800

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

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

EXHIBIT II-6

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

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

	Baseline Changes								
	FY 2014 Enacted	Annualization of 2014 Pay Raise 1%	2015 Pay Raise 1%	GSA Rent	WCF	1% Inflation/ Deflation	FY 2015 Baseline Estimate	Program Increase/ Decrease	FY 2015 Request
<u>PERSONNEL RESOURCES (FTE)</u>	15						15	-	15
Direct FTE	15						15	-	15
<u>FINANCIAL RESOURCES</u>									
<u>Operating Expenses:</u>									
Salaries and Benefits	\$2,361	\$6	\$18	-	-	-	\$2,385	-	\$2,385
Operating Expenses	595	-	-	-	-	-	595	-424	171
GSA Rent	208	-	-	-	-	-	208	-	208
WCF	336	-	-	-	-	-	336	-	336
Operating Expenses, Subtotal	\$3,500	\$6	\$18	\$0	\$0	-	\$3,524	-\$424	\$3,100
<u>Program Expenses</u>									
Loan Subsidies	35,000	-	-	-	-	-	35,000	-35,000	-
Program Expenses, Subtotal	\$35,000	-	-	-	-	-	\$35,000	-\$35,000	\$0
MARITIME GUARANTEED LOAN PROG. - TOTAL	\$38,500	\$6	\$18	\$0	\$0	-	\$38,524	-\$35,424	\$3,100

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

	<u>FY 2014 REQUEST</u>	<u>FY 2015 REQUEST</u>	<u>CHANGE</u>
DIRECT:			
Operations and Training	4,245	4,543	298
Maritime Guaranteed Loan Prog. (Title XI)	336	336	0
Ship Disposal	100	100	0
SUBTOTAL	<u>4,681</u>	<u>4,979</u>	<u>298</u>
REIMBURSABLE:			
Ready Reserve Force	<u>3,963</u>	<u>4,014</u>	<u>51</u>
SUBTOTAL	<u>3,963</u>	<u>4,014</u>	<u>51</u>
TOTAL	8,644	8,993	349

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

	FY 2013 ENACTED	FY 2014 ENACTED	FY 2015 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Operations and Training	468	490	490
Ship Disposal	11	11	11
Assistance to Small Shipyards	-	2	2
Ready Reserve Force	-	-	333 ^{2/}
SUBTOTAL, DIRECT FUNDED	479 ^{1/}	503 ^{3/}	836 ^{3/}
 <u>ALLOCATIONS</u>			
Operation and Training	2	4	4
SUBTOTAL, ALLOCATIONS	2	4	4
 <u>REIMBURSEMENTS</u>			
Ready Reserve Force	328	333	-
Operation and Training	2	2	2
SUBTOTAL, REIMBURSEMENTS	330	335	2
 TOTAL FTEs	811	842	842

1/ Direct funded FTEs includes 13 FTE for the Title XI Program.

2/ RRF FTEs are funded from a transfer from DOD in FY 2015.

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

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

<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>
Operations and Training	484	515	515
Ship Disposal	11	12	12
Assistance to Small Shipyards	-	2	2
Ready Reserve Force	-	-	337 ^{2/}
SUBTOTAL, DIRECT FUNDED	495 ^{1/}	529 ^{3/}	866 ^{3/}
 <u>ALLOCATIONS</u>			
Operation and Training	2	4	4
SUBTOTAL, ALLOCATIONS	2	4	4
 <u>REIMBURSEMENTS</u>			
Ready Reserve Force	328	337	-
Operation and Training	2	2	2
SUBTOTAL, REIMBURSEMENTS	330	339	2
 TOTAL POSTIONS	827	872	872

1/ Direct funded FTPs includes 13 FTP for the Title XI Program.

2/ RRF FTPs are direct due to funding transferred from DOD in FY 2015.

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

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OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, [\$148,003,000] \$148,400,000, of which \$11,300,000 shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, and of which \$2,400,000 shall remain available through September 30, [2015]2016, for the Student Incentive Program [payments] at State Maritime Academies, and of which [\$16,000,000]\$14,500,000 shall remain available until expended for facilities maintenance and repair, equipment, and capital improvements at the United State Merchant Marine Academy, and of which \$3,000,000 shall remain available through September 30, 2016 for Maritime Environment and Technology Assistance grants, contracts, and cooperative agreements: *Provided*, That amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation or the Assistant Secretary for Budget and Programs: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United State Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of the Maritime Administration shall hold all allotments made by the Secretary of Transportation or the Assistant Secretary for Budget and Programs under the previous proviso: *Provided further*, That 50 percent of the funding made available for the United States Merchant Marine Academy under this heading shall be available only after the Secretary, in consultation with the Superintendent and the Maritime Administrator, completes a plan detailing by program or activity how such funding will be expended at the Academy, and this plan is submitted to the House and Senate Committees on Appropriations[: *Provided further*, That the Administrator shall submit a report to the House and Senate Committees on Appropriations within 90 days of the date of enactment of this Act detailing the current and future impacts of reductions in government impelled cargo on the U.S. Merchant Marine as a result of changes to cargo preference requirements included in the Bipartisan Budget Act of 2013, the Moving Ahead for Progress in the 21st Century Act (MAP-21), the historical reductions in the P.L. 480 title II Food for Peace program, and the winding down of the wars in Iraq and Afghanistan: *Provided further*, That the Secretary of Transportation and the Administrator, in collaboration with the Department of Defense, shall further develop a national sealift strategy that ensures the long-term viability of the U.S. Merchant Marine]. (*Department of Transportation Appropriations Act, 2014.*)

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

(In thousands of dollars)

Identification code 69-70-1750-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:			
0001 Merchant Marine Academy	76,821	108,711	79,790
0002 State Maritime Schools	16,993	20,872	17,650
0003 Marad Operations	49,873	51,203	50,960
0004 Other Maritime Programs	1,076	9,553	-
0799 Total direct program	144,763	190,339	148,400
0801 Reimbursable program	10,844	44,029	28,000
0900 Total new obligations	155,607	234,368	176,400
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance available, start of year	53,702	58,365	-
1011 Unobligated balance transferred from other accounts	-	-	-
1021 Unobligated balance: Prior Year Recoveries	1,905	-	-
1029 Other balances withdrawn	-	-	-
1050 Unobligated balance (total)	55,607	58,365	-
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	156,258	148,003	148,400
1121 Appropriation transferred from other accounts	-	-	-
1130 Appropriations permanently reduced	-8173	-	-
1131 Unobligated balance of appropriation permanently reduced	-18	-	-
1160 Appropriation, discretionary (total)	148,067	148,003	148,400
1700 Collected	5,639	28,000	28,000
1701 Change in uncollected payments, Federal sources	5,342	-	-
1750 Spending auth from offsetting collections, disc - (total)	10,981	28,000	28,000
1900 Budget authority (total)	159,048	176,003	176,400
1930 Total budgetary resources available	214,654	234,368	176,400
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-682	-	-
1941 Unexpired unobligated balance, end of year	58,365	-	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	96,776	76,699	103,825
3010 Obligations incurred, unexpired accounts	155,607	234,368	176,400
3011 Obligations incurred, expired accounts	1,108	-	-
3020 Outlays (gross)	-171,182	-207,241	-204,740
3040 Recoveries of prior year unpaid obligations, unexpired	-1,905	-	-
3041 Recoveries of prior year unpaid obligations, expired	-3,706	-	-
3050 Unpaid obligations, end of year (gross)	76,699	103,825	75,485

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

(In thousands of dollars)

Identification code 69-70-1750-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-24,233	-27,408	-27,408
3070 Change in uncollected pymts, Fed sources, unexpired	-5,342	-	-
3071 Change in uncollected pymts, Fed sources, expired	2,167	-	-
3090 Uncollected pymts, Fed sources, end of year	-27,408	-27,408	-27,408
Memorandum (non-add) entries:			
3100 Obligated balance, start of year (net)	72,542	49,290	76,417
3200 Obligated balance, end of year (net)	49,290	76,417	48,077
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	159,048	176,003	176,400
4010 Outlays from new discretionary authority	107,528	153,803	154,140
4011 Outlays from discretionary balances	63,654	53,439	50,600
4020 Outlays, gross (total)	171,182	207,241	204,740
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-7,247	-28,000	-28,000
4033 Non-Federal sources	-970	-	-
4040 Offsets against gross budget authority and outlays (total)	-8,217	-28,000	-28,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-5,342	-	-
4052 Offsetting collections credited to expired accounts	2,578	-	-
4060 Additional offsets against budget authority only (total)	-2,763	-	-
4070 Budget authority, net (discretionary)	148,067	148,003	148,400
4080 Outlays, net (discretionary)	162,965	179,241	176,740
4180 Budget authority, net (total)	148,067	148,003	148,400
4190 Outlays, net (total)	162,965	179,241	176,740

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 training 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 \$148.4 million includes \$79.8 million for the United States Merchant Marine Academy, \$17.7 million for the State Maritime Academies, and \$50.9 million for Maritime Operations and Programs.

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

Object Class Code	Object Class	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
	Direct obligations:			
1111	Full-time permanent	38,071	39,693	40,003
1113	Other than full-time permanent	7,234	7,294	7,375
1115	Other personnel compensation	664	675	682
1119	Total personnel compensation	45,969	47,662	48,060
1121	Civilian personnel benefits	13,860	14,339	14,462
1210	Travel and transportation of persons	1,811	1,812	1,895
1220	Transportation of things	142	210	169
1231	Rental payments to GSA	2,735	2,617	2,802
1233	Communications, utilities & misc. charges	3,746	4,758	4,389
1240	Printing and reproduction	18	73	21
1252	Other services	51,760	61,631	48,035
1260	Supplies and materials	5,530	5,671	5,475
1310	Equipment	2,602	3,541	2,592
1320	Lands and structures	14,184	39,751	14,500
1410	Grants, subsidies and contributions	2,405	8,274	6,000
1990	Subtotal , direct obligations	144,763	190,339	148,400
	Reimbursable obligations:			
2252	Other services	10,844	44,029	28,000
2990	Subtotal , reimbursable obligations	10,844	44,029	28,000
9999	Total new obligations	155,607	234,368	176,400

Employment Summary

Operations and Training		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Direct:				
1001	Civilian full-time Equivalent employment	468	490	490
Reimbursable:				
2001	Reimbursable civilian full-time Equivalent employe	2	2	2
Allocation:				
3001	Allocation civilian full-time Equivalent employment	2	4	4
Total Employment		472	496	496

EXHIBIT III-1

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

	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>	<u>CHANGE FY 2014-2015</u>
U.S. Merchant Marine Academy	81,787	79,500	79,790	290
State Maritime Schools	16,206	17,300	17,650	350
MARAD Ops. & Programs	<u>50,092</u>	<u>51,203</u>	<u>50,960</u>	<u>-243</u>
Total, Operations & Training	148,085	148,003	148,400	397
FTEs				
Direct Funded	468 ^{1/}	490 ^{2/}	490 ^{2/}	-
Allocations	2	4	4	-
Reimbursable	2	2	2	-

1/ The Direct FTE includes the 13 FTEs associated with the Title XI Program.

2/ The Direct FTE includes the 15 FTEs associated with the Title XI Program.

EXHIBIT III -1a

**OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

ITEM	Change from FY 2014 to FY 2015	Total
FY 2014 Enacted		
Operations and Training		\$148,003
Adjustments to Base		
Annualization of FY 2014 Pay Raise	155	
2015 Pay Raise (1%)	467	
GSA Rent	185	
WCF	298	
Non-Salary Inflation (0.5%)	645	
Subtotal, Adjustments to Base	\$1,750	\$1,750
New or Expanded Programs		
USMMA Merchant Marine Academy	1,154	
Capital Improvement Program	-1,500	
Direct SMA Support	-36	
School Ship Maintenance & Repair	-113	
Mariner Service Compliance System	350	
MARAD Operations	-1,208	
Subtotal, New or Expanded Program		
Increases/ Decreases	-\$1,353	-\$1,353
Total FY 2015 Request		\$148,400

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

USMMA Graduation Rate	2011	2012	2013	2014	2015
Target	xxx	70	71	72	73
Actual	65	70	67		
Target Achieved		√	x		

USMMA Overall average GPA (1st Class)	2011	2012	2013	2014	2015
Target	xxx	2.77	2.80	2.83	2.90
Actual	2.94	2.89	2.99		
Target Achieved		√	√		

USCG Licensing Rate on First Attempt (deck)	2011	2012	2013	2014	2015
Target	xxx	79	80	81	81
Actual	71	80	78		
Target Achieved		√	x		

USCG Licensing Rate on First Attempt (engine)	2011	2012	2013	2014	2015
Target	xxx	84	85	86	86
Actual	82	78	84		
Target Achieved		x	x		

USMMA Retention Rate for Returning First Year Students (Plebes) by fiscal year	2011	2012	2013	2014	2015
Target	xxx	xxx	85	89	90
Actual	89	88	88		
Target Achieved			√		

Diversity Graduation Rate	2011	2012	2013	2014	2015
Target	xxx	55	59	65	71
Actual	69	59	69		
Target Achieved		√	√		

State Maritime Academies Number of Graduates	2011	2012	2013	2014	2015
Target	520	592	600	657	660
Actual	545	642	658		
Target Achieved	√	√	√		

Number of aquatic invasive species mitigation processes investigated	2011	2012	2013	2014	2015
Target	1	2	2	4	4
Actual	1	2	2		
Target Achieved	√	√	√		

Number of air emissions/alternative fuel projects initiated	2011	2012	2013	2014	2015
Target	2	4	4	3	3
Actual	2	4	5		
Target Achieved	√	√	√		

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

**FY 2006 - FY 2015
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2006	113,650	136,027 ^{1/}
2007	115,830	111,522
2008	115,276	121,992
2009	117,848	123,360
2010	152,900	149,750
2011	164,353	151,447 ^{2/}
2012	161,539	156,258
2013	146,298	148,085 ^{3/}
2014	152,168	148,003
2015	148,400	

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

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

3/ This amount reflects FY 2013 sequestration reductions.

Justification for the United States Merchant Marine Academy (USMMA)

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Academy Operations	60,085	63,500	65,290	1,790
Capital Improvement Program	21,702	16,000	14,500	-1,500
Total	\$81,787	\$79,500	\$79,790	\$290

I. Budget Request

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

For FY 2015, \$79.8 million is requested for the United States Merchant Marine Academy (USMMA), \$290 thousand above FY 2014. This request includes \$65.3 million for Academy Operations, \$1.8 million above FY 2014, to fund academic and operational program requirements and current services adjustments. Additionally, this request includes \$14.5 million for the Capital Improvement Program (CIP), \$1.5 million less than FY 2014.

The FY 2015 Academy budget request was formulated based on the new organizational structure per Maritime Administrative Order (MAO) 150-1 dated April 3, 2012. The MAO organized the Academy into three major divisions under the Deputy Superintendent, the Academic Dean and the Commandant of Midshipmen. The FY 2015 request aligns the budget resources under the respective new division and responsibilities as described below.

In FY 2015, the Academy remains focused on maintaining a sufficient base to support mission-essential areas. The budget request will allow the Academy to meet its mission of educating and graduating licensed merchant mariners and leaders of exemplary character who will serve America's marine transportation and defense needs in peace and war. The Academy graduates one quarter of the new highly skilled, entry-level merchant marine officers who hold a U.S. Coast Guard (USCG) unlimited tonnage credential, the highest level of license endorsement available to support our U.S. Merchant Marine and national maritime industry infrastructure. Presently, 100 percent of these graduates are commissioned on active duty or into a reserve unit of the Armed Services or other uniformed services of the United States and provide a guaranteed source of mariners to crew government owned surge sealift vessels when activated. To achieve its mission, USMMA must provide the highest caliber of academic study with quality faculty members, state of the art learning facilities and information technology support.

The request for USMMA maintains continuity for priority areas, including academics, security, facilities improvement, and information technology. The Academy is also dedicated to improvement of business processes by strengthening internal controls to continuously mitigate risks, while also enhancing transparency and the effectiveness of administrative support activities.

ACADEMY OPERATIONS: \$65.3 million

For FY 2015, \$65.3 million is requested for Academy Operations, \$1.8 million above FY 2014. These requested resources are focused on USMMA mission-essential program requirements and security priorities. The request provides \$34.4 million for salaries and benefits and \$30.9 million for non-pay operations.

Salaries and Benefits: \$34.4 million

MARAD requests \$34.4 million for salaries and benefits, \$390 thousand above FY 2014, to maintain the baseline level of 285 full-time equivalent (FTE) work-years.

Non-pay Operations: \$30.9 million

Non-pay operations are requested at \$30.9 million, \$1.4 million above FY 2014. 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 discussed below (note: this request includes \$2.5 million for facilities operating maintenance and repairs previously included within the no-year account in FY's 2012, 2013 and 2014):

- \$16.0 million is requested for Superintendent/Deputy Superintendent to continue to meet critical operations and administrative support requirements and strategically support the overall operations and functions of the Academy. The Offices of Civil Rights, Risk Management, Admissions and External Affairs report directly to the Superintendent. The Academy staff support functions of the Sexual Assault Response Coordinator, Assistant Chief Financial Officer for Academy Operations and Academy Counsel report directly to the Administrator of MARAD, and also report indirectly to the Superintendent/Deputy Superintendent. The Deputy Superintendent is responsible for coordinating Academy-wide operations to include Procurement, Public Works, Security, Capital Improvement, Information Technology and Human Resources. The office also oversees the effective coordination between the academic, administrative, and regimental divisions. Within this total, \$2.5 million is included for routine facilities operating maintenance and repairs. The physical deterioration to Academy facilities and equipment due to advanced age and usage requires constant maintenance and care to avoid safety hazards and ensure the continued use of buildings and the consistency of mission-related programs. Maintaining a dedicated funding source for routine facilities operating maintenance and repairs is critical to meeting the Academy's operational and academic requirements.
- \$10.9 million is requested for Commandant of Midshipmen to fund the activities related to the day-to-day operations of the Midshipmen. The Commandant serves as the Dean of Students and is responsible for developing, administering, and directing the regimental program at the Academy. The Commandant also manages the Departments of Naval Science, Armed Services Liaison Officers, Ethics, Music, Chaplain, Health Services, Food Services and Waterfront Operations and Training.
- \$4.0 million is requested for the Academic Dean to provide resources for the academic departments to ensure continued educational excellence for the Midshipmen. The Physical Education and Athletics Department, Office of Professional Development and

Career Services, Library and Office of the Registrar also fall under the Academic Dean. This request includes funding for faculty training and development in accordance with accreditation requirements of the Middle States Commission on Higher Education. The Academic Dean is responsible for providing an education necessary to qualify midshipmen to receive their Bachelor of Science Degree in accordance with standards of the Middle States Commission on Higher Education. The USMMA mariner education program underwent a comprehensive review and a new curriculum was implemented in FY 2014 in accordance with the provisions of the 2010 Manila Amendments to the Standards of Training, Certifications and Watchkeeping Convention (STCW), and the USCG Final Rule. The Dean ensures all students receive the technical education necessary to qualify to serve as licensed merchant marine officers in accordance with USCG requirements.

CAPITAL IMPROVEMENT PROGRAM (CIP)

\$14.5 million is requested for CIP in FY 2015, \$1.5 million below FY 2014. These funds include \$13 million for Bowditch Hall renovation as identified in the Academy's five-year CIP Plan and \$1.5 million for major capital repairs and equipment replacement as follows:

Bowditch Hall Renovation – Construction (\$13 million): The Bowditch Hall is the first academic building renovation. The Hall houses the Marine Transportation Department and the requested funds will replace or repair the roof and parapet, and upgrade and install the heating and cooling systems on all floors. This will include the installation of improved cooling systems for the top floor where major navigation simulators are housed, as well as the numerous servers and computer systems that must remain in a controlled temperature environment. Plumbing and electrical systems will be replaced and upgraded and corridor lighting improved. All finishes, flooring, ceilings, lighting fixtures and new furniture will be modernized as appropriate for the needs of the Marine Transportation Department.

Major Capital Repairs and Equipment Replacement – (\$1.5 million): Maintaining a dedicated funding source for planned as well as unplanned and emergency major capital repairs and equipment replacement makes good business sense. Because of facility deterioration due to age, emergencies and unforeseen mission-related physical plant projects emerge during the fiscal year and require immediate resolution. Maintaining a dedicated funding source for these unpredictable requirements provides the flexibility to meet critical needs as they occur.

Planned major capital repair/equipment replacement activities include the repair and/or replacement of the elevators across the USMMA. This will include full replacement of hydraulics and possible cab replacement for the most seriously degraded elevator, as well as provide replacement of parts for elevators throughout the Academy. This work is part of an ongoing effort of preventive capital maintenance and reinvestment in the USMMA physical plant, and is necessary for the continued safe operation of the elevators.

Additionally, these funds will support continued roof repair and replacements. Several of the roofing systems at USMMA are approaching the end of their expected useful lives and will need to be replaced or substantially repaired. This project allows for the most severely degraded roofs

to be replaced with a new system and will help maintain the USMMA physical plant as part of ongoing efforts to prevent further deterioration to Academy's structures.

Why do we want/need to fund this program at the requested level?

The FY 2015 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.

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

One of the largest requests for funds is in the Capital Improvement Program (CIP). Most buildings on the 82-acre campus were constructed before or during World War II, and the need for capital reinvestment in the aging infrastructure has been readily apparent. Since this requirement was initially identified, the main mess hall and nearly all the midshipmen barracks have been or are being renovated. A ribbon cutting ceremony for Rogers Hall was held in August 2013. Though major renovations have been successfully completed, there are still several other structures on campus that require significant restoration and updating to remain serviceable and safe. This includes all of the academic buildings and important student services areas such as Zero Deck and the waterfront. The CIP is the primary program to support and ensure that these important upgrades for safety and infrastructure occur and improvements that enhance the quality of life and academic excellence continue.

II. Program Performance

What is the program?

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

The Academy offers a four-year maritime-focused program, centered on rigorous academic and practical technical training, that leads to a Bachelor of Science degree, a USCG credential with a license endorsement as 3rd Mate or 3rd Assistant Engineer, and an active duty or reserve commission as an officer in an Armed Services or uniformed service of the United States. The Academy's mission directly contributes to national defense and homeland security and supports

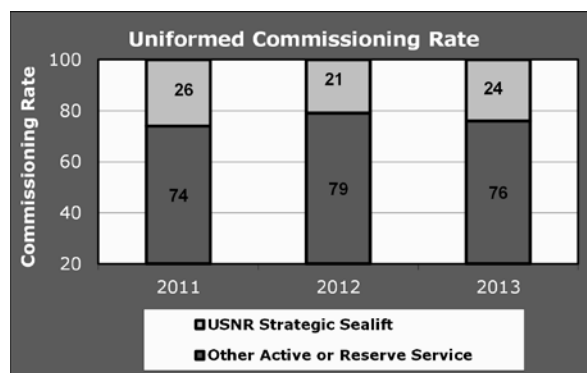
its economic competitiveness by contributing to a viable and dynamic merchant marine workforce.

In addition, the Academy's shipboard training program exposes midshipmen to life at sea and enables U.S. shipping companies and the U.S. Navy an opportunity to provide seamanship training. Midshipmen spend 300 days of their 4-year education program at sea, as part of the Academy's sea training program. Shipping companies and the U.S. Navy are part of a cooperative effort to ensure that a midshipman's shore based education is enhanced by on-the-job training at sea.

Why is this particular program necessary?

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

One hundred percent of Academy graduates incur a multi-faceted obligation to serve the United States. This obligation includes the requirement to maintain a USCG Credential with a license and STCW endorsement for 6 years, to serve as a commissioned officer in a reserve unit of the Armed Services of the United States for 6 years, and to serve for 5 years as a merchant marine officer aboard U.S. documented vessels or on active duty in an armed or uniformed service of the United States. On average, approximately 24 percent of graduates choose to accept active duty commissions in the armed or uniformed services.

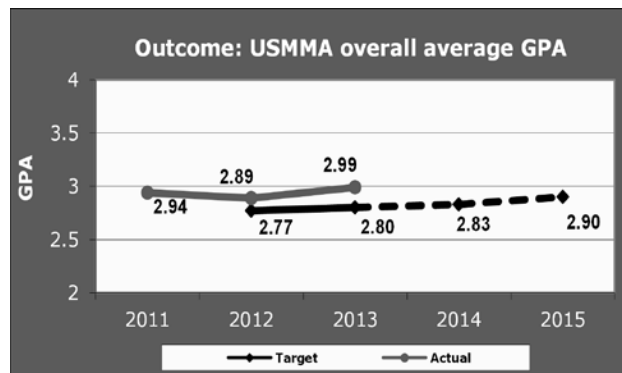
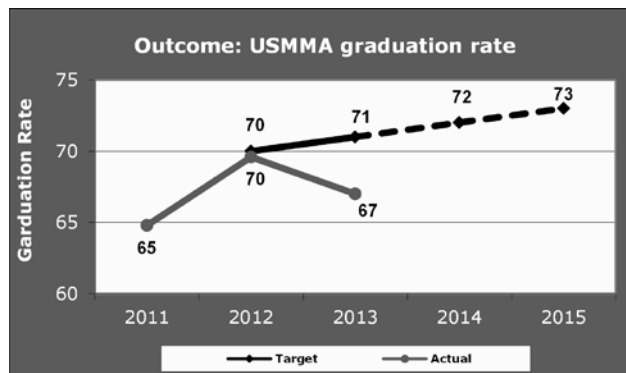


How do you know the program works?

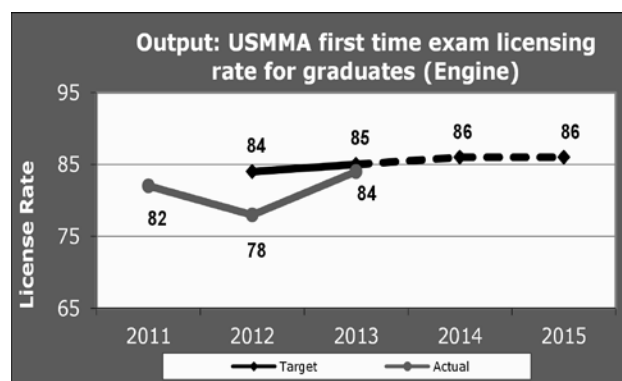
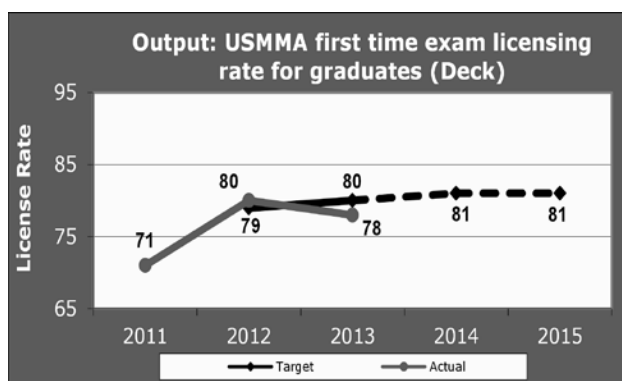
As a degree-granting institution of higher education, the Academy is reviewed periodically by external accrediting groups. These comprehensive, independent evaluations by the Middle States Commission on Higher Education (MSCHE) and the Accreditation Board for Engineering and Technology (ABET) document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

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

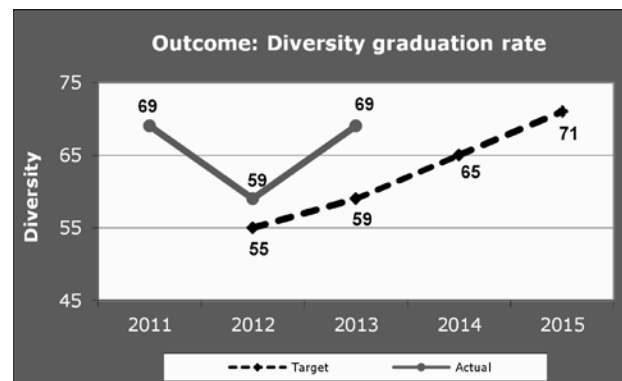
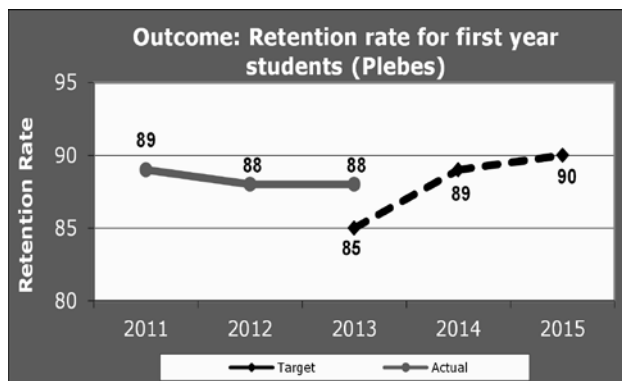
To help ensure we are graduating highly qualified merchant marine officers, MARAD will work with the Academy towards meeting our performance target for graduation rate, which indicates the percentage of students who are graduated within the four years they attended the Academy. Additionally, for our measure reporting the overall grade point average (GPA) of the graduates, we exceeded our 2013 target of 2.80, with our graduates achieving an overall GPA of 2.99.



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



For FY 2012, we also created a new performance measure on retention rate for returning first year students that return to the Academy for their second year, and anticipate 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.



Also new in FY 2012, we identified in the Academy’s strategic plan a robust recruitment and retention program for a diverse population of midshipmen, faculty and staff. 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 our efforts to achieve a diverse campus environment for the purpose of providing a challenging learning setting and personal growth opportunities. The graduation rate will tell us if we are doing the right things in recruiting and mentoring a diverse student cohort. Our target for 2015 should keep us in the upper 60s percentile.

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

Strengthening internal controls at the Academy has been and continues to be an area of priority emphasis for the agency. Prior to 2013, MARAD implemented a broad range of effective corrective actions, controls, and process improvements resulting in the Government Accountability Office’s (GAO) confirmation of closure for 46 of 47 recommendations identified for 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.

The remaining open recommendation, “to develop a risk-based internal control system for the institution”, was addressed by MARAD in FY 2013 by developing and issuing the first ever-published “USMMA Internal Control Program Plan (ICPP)”. The GAO acknowledged the USMMA ICPP as responsive to the last remaining open recommendation.

Funding History:

(\$000) USMMA Operations	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	59,057	63,120	64,183	67,253	67,268	65,290
Enacted	59,057	58,939	62,268	60,085 1/	63,500	

(\$000) Capital Improvement Program	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	15,391	30,900	28,885	10,000	14,000	14,500
Enacted	15,000	14,970	22,900	21,702	16,000	

1/ Includes reallocation of \$1.074 million from MARAD Operations and Programs to Academy Operations to cover sequestration shortfalls.

Justification for the State Maritime Academies

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Student Incentive Payments	2,274	2,400	2,400	0
Direct SMA Support	3,412	3,600	3,600	0
School Ship Maintenance & Repair	10,520	11,300	11,300	0
Mariner Compliance and Training			350	350
Total	\$16,206	\$17,300	\$17,650	\$350

I. Budget Request

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

For FY 2015, \$17.650 million is requested for the State Maritime Academies (SMAs), an increase of \$350 thousand from the FY 2014 enacted level. This increase is necessary to improve monitoring of graduates' service obligation and improve compliance reporting capabilities. This request will also support mariner training and sea time requirements to help ensure sufficient highly trained merchant mariners are available to meet the economic and national security needs of the nation.

MARAD is the federal agency charged with fostering the development and encouraging the maintenance of the U.S. Merchant Marine and the U.S. maritime industry, in accordance with the declaration of policy of the Merchant Marine Act of 1936, as amended. This Act further declared it to be national policy to have a U.S. Merchant Marine manned by a trained and efficient citizen personnel. To fulfill one of its key statutory mandates, MARAD provides support to the six SMAs who produce highly trained, USCG credentialed officers in the U.S. Merchant Marine. The SMA request has historically contained three major program components: (1) annual direct assistance to SMA students through the Student Incentive Payments (SIP) program; (2) annual direct assistance to each of the six SMAs for the schools operating maintenance and support and school ship fuel; and (3) and school ship maintenance. This request also includes a new funding initiative for mariner compliance.

There are six SMAs in the United States that provide the opportunity to receive a high quality education and the necessary training to become U.S. Coast Guard (USCG) credentialed Merchant Marine Officers. While most SMAs are associated with their state governed university systems, they provide the unique maritime learning opportunities to broader regional areas and partnered states. SMAs graduate 77 percent of the new highly skilled, entry-level merchant marine officers who hold a USCG credential with the highest level of license endorsement available in order to support our U.S. Merchant Marine and national maritime industry infrastructure—an unlimited tonnage license endorsement to support our U.S. Merchant Marine

and national maritime industry infrastructure. These graduates help ensure a consistent supply of capable and highly-trained U.S. Merchant Mariners available to crew U.S. flag vessels and support national economic needs and defense strategic mobility.

The United States is a maritime nation, surrounded by oceans on three sides and the inland ocean of the Great Lakes on the fourth side. America depends on its U.S. maritime industry and U.S. Merchant Marine to move cargo and goods by maritime transportation systems around the country and the world, more cost effectively and environmentally sound on a per ton basis, than by trucks and rails. Ninety-five percent of our nation's exports and imports move on ships. This industry is vital for our national defense, national security and national industrial base. Our maritime industry supports shipyard manufacturing and repair, shipping infrastructure and highly trained U.S. Merchant Mariners to support DOD military sealift requirements to transport equipment and supplies around the world. Recent service to our homeland security by U.S. Merchant Mariners and U.S. ships include providing passengers sealift from Manhattan in the aftermath of the 9/11 World Trade Center attacks; providing berthing and feeding for first responders and relief workers in the wakes of the 2005 Hurricanes Katrina and Rita as well as the 2012 Super Storm Sandy; and providing emergency response to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. The U.S. Merchant Marine and maritime industry are always on-call to support America's economic, defense and security needs. They are valuable partners to the Department of Defense, Department of Homeland Security, Federal Emergency Management Agency and other federal agencies.

Student Incentive Payments (SIP)

\$2.4 million is requested for the SIP program, consistent with the FY 2014 enacted amount. This funding will help support the enrollment of 300 students at the SMAs to receive SIP payments of \$8,000 each for one year, which equates to 75 graduates each year enrolled in the SIP program. This 75-graduate level has been validated by the U.S. Naval Strategic Sealift Officer (SSO) Program, U.S. Army and U.S. National Guard as meeting the requirements of their reserve officer program when combined with USMMA graduates. The graduates' maritime skills and education can be utilized in support of the U.S. Armed Forces through these reserve programs. SIP is provided to students to be used for uniforms, books, tuition and subsistence in return for a service obligation. These funds may also be used to promote awareness of the SIP program and the availability of funds as necessary to ensure full enrollment. Students must graduate, obtain a USCG Credential, and fulfill the following service obligation:

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

Graduates may also fulfill paragraphs 2. and 4. above through active duty service as an officer in the U.S. Armed Services or the National Oceanic and Atmospheric Administration uniformed service for three years.

Direct SMA Support

MARAD requests \$3.0 million, consistent with the FY 2014 enacted amount, for direct support assistance to the six SMAs. This request will provide the maximum authorized level of \$500 thousand for operating maintenance and support to each of the six state academies in FY 2015. 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 a cadre of well-qualified faculty and state of the art technology for teaching cadets.

MARAD also requests \$600 thousand, consistent with the FY 2014 enacted amount to provide support for fuel costs for SMA training vessels. This request will provide \$100 thousand for each of the six state academies for fuel used by the training vessels in FY 2015. Each academy pays over \$1 million annually for fuel for their training cruises, which are critical to ensure cadets obtain the necessary sea time to qualify for a USCG credential. The continued high cost of fuel, combined with an increase in the required at sea training, places a burden on the academies and significantly increases the cost to train mariners. Increased environmental requirements have also increased costs as academies are forced to use a more expensive low sulfur fuel to meet air emission standards.

School Ship Maintenance & Repair

The requested amount of \$11.3 million will support maintenance to provide for safely operating the six training vessels in FY 2015. This funding will directly support a priority of the U.S. Secretary of Transportation (“Safety”) by ensuring the overall safety of the School Ship Program. The Department of Transportation, via MARAD, owns and maintains six SMA training vessels (or “school ships”). MARAD provides these school ships to the six respective SMAs for the training of licensed merchant marine officers, as follows: California Maritime Academy in Vallejo, CA; Great Lakes Maritime Academy in Traverse City, MI; Texas A&M Maritime Academy in Galveston, TX; Maine Maritime Academy in Castine, ME; Massachusetts Maritime Academy in Buzzards Bay, MA; and SUNY Maritime College in Bronx, NY. Annually, the six SMA training school ships provide for approximately 123,000 cadet sea days.

As vessel owner, MARAD is responsible for maintenance to support safe vessel operations, to maintain the vessels in a safe condition and in a state of “good repair” as required by federal statute in the Merchant Marine Act of 1936. The school ships are also required to be in full compliance with USCG, American Bureau of Shipping (ABS) and, to the maximum extent practicable, International Maritime Organization (IMO) statutes, rules and regulations. School ships, operating in the harsh open-ocean environment, must continually update their systems to remain safe and effective educational platforms. School ships must also comply with federal (Environmental Protection Agency (EPA)), state and international environmental regulations, in support of the Department’s goal for environmental sustainability. The training ships are approaching the end of their useful lives, and as they have aged, the costs of ship maintenance repair and spare parts procurement have increased significantly.

Maintenance Funding Summary by School Ship

1. TS EMPIRE STATE



Background:

- School: SUNY Maritime College (SUNY MC)
- Location: Bronx, NY
- Annual Number of Licensed Graduates (as of 2012): 229
- Capacity: 788 (682 Cadets)
- Built: 1962
- Original Service End Date: 2009

Annual Maintenance & Repairs (M&R) projected in 2015: \$1.2 million

- Pre-cruise work package: \$400,000
- Steel work: \$200,000
- Habitability items/re-decking: \$200,000
- Regulatory Body M&R: \$400,000

The vessel is 52 years old and is four years beyond its former 20-year service life extension. Maintenance funding will only be expected to support vessel operations through 2018. No service life extension is planned for this ship because its advanced age dictates that it needs to be the first one replaced. An ABS survey is being completed and the preliminary indication is that the vessel will be taken out of service by 2019. Continued operation until then will be dependent on the success of the regulatory body (ABS/USCG) inspections in November 2014. The ship is due for a major five-year drydocking in the first quarter of FY 2015, which is expected to be funded and awarded in FY 2014. Until then, the near-term funding will be focused on addressing steel preservation/renewal and maintaining the vessel in a safe material condition.

2. TS KENNEDY



Background:

- School: Massachusetts Maritime Academy (MMA)
- Location: Buzzards Bay, MA
- Annual Number of Licensed Graduates: 126
- Ship Capacity: 710 (600 cadets)
- Built: 1968
- Projected Service End Date: 2028 (with a fully funded asset renewal program)

Annual Maintenance and Repairs (M&R) projected in 2015: \$3.3 million

- Five year drydocking (with ABS Special Surveys): \$2.5 million
- Steel work: \$100,000
- Habitability items/re-decking: \$100,000
- Pre-cruise work package: \$300,000
- Regulatory Body M&R: \$300,000

The TS KENNEDY will be 47 years old in FY 2015, but it went through two Congressionally-funded shipyard conversion periods: a “Major Conversion” period from 2001-2003 in Mobile, AL, and another “Conversion Completion” period from 2009-2010 in Buzzards Bay, MA. As a result of the conversion work, the vessel is in good material condition. Maintaining the TS KENNEDY in a safe material condition allows MARAD and the SMAs to maintain and operate at least one training vessel with a steam propulsion plant. Maintaining steam and diesel propulsion training vessels provides flexibility to the academies to provide both diesel and steam marine engineering training platforms to engineering license program cadets, which is a critical near-term need for national security since many of the Government’s Ready Reserve Force vessels have steam propulsion plants.

3. TS STATE of MAINE



Background:

- School: Maine Maritime Academy (MMA)
- Location: Castine, ME
- Annual Number of Licensed Graduates: 93
- Ship Capacity: 298 (234 cadets)
- Built: 1990
- Projected Service End Date: 2030 (with a fully funded asset renewal program)

Annual Maintenance and Repairs (M&R) projected in 2015: \$1.5 million

- Underwater Inspection in lieu of Drydocking (UWILD): \$250,000
- Pre-cruise work package: \$600,000
- Habitability items: \$250,000
- Regulatory Body M&R: \$400,000

The TS STATE of MAINE is a sister ship to California Maritime Academy's TS GOLDEN BEAR and is currently 24 years old. However, its propulsion plant (a medium speed diesel engine) is 33 years old and is rapidly nearing the ending of its service life. Maintenance and procurement of spare parts is increasingly expensive and difficult. The main engine and auxiliary diesel generator engines do not meet international or EPA regulations for air emissions. The critical need for this vessel is to re-engine the main propulsion system to a modern and "green" diesel-electric plant. Another requirement in the mid-term is to upgrade the ship's habitability areas and replace critical internal steel and piping systems.

4. TS GOLDEN BEAR



Background:

- School: California Maritime Academy (CMA)
- Location: Vallejo, CA
- Annual Number of Licensed Graduates: 113
- Ship Capacity: 380 (331 cadets)
- Built: 1989
- Projected Service End Date: 2030 (with a fully funded asset renewal program)

Annual Maintenance and Repairs (M&R) projected in 2015: \$1.5 million

- Pre-cruise work package: \$600,000
- Steel work: \$200,000
- Habitability items: \$300,000
- Regulatory Body M&R: \$400,000

The TS GOLDEN BEAR is currently 25 years old, however, its propulsion plant (two medium speed diesel engines) is 27 years old and is rapidly nearing the ending of its service life. A contributing factor to the maintenance challenges of this vessel is that only six of this specific make/model of engine were delivered by the original equipment manufacturer, the defunct Enterprise Corporation. Similar to the TS STATE of MAINE, it is increasingly expensive and difficult to procure spare parts for these engines. The engines do not meet either international or U.S. EPA regulations for air emissions. The critical element for this vessel is to re-engine the main propulsion system to a modern and “green” diesel-electric plant. Another requirement in the mid-term is to upgrade the ship’s habitability areas and replace critical internal steel and piping systems.

5. TS GENERAL RUDDER



Background:

- School: Texas A&M Maritime Academy (TA&MMA)
- Location: Galveston, TX
- Annual Number of Licensed Graduates: 56
- Capacity: 50 cadets
- Built: 1984
- Projected Service End Date: 2030 (with a fully funded asset renewal program)

Annual Maintenance and Repairs (M&R) projected in 2015: \$1.8 million

- Vessel system upgrades: \$1.1 million
- Pre-cruise work package: \$200,000
- Habitability items: \$400,000
- Regulatory Body M&R: \$100,000

After the TS TEXAS CLIPPER II was taken out of service in 2005 for maintenance reasons, providing a replacement ship was a high priority in the School Ship Program. For the following six years, the TA&MMA was without an operating training ship. In January 2012, the small TV KINGS POINTER was transferred to TA&MMA, and it was renamed the “TS GENERAL RUDDER” in June 2012. While this transfer was a step in the right direction, the current capacity of the GENERAL RUDDER is only 50 cadets. This small capacity imposes severe training limitations on TA&MMA and does not fully support its growing licensed cadet corps. For the 2013 training cruise, approximately 96 TMA cadets joined the second of two summer training cruises of the TS EMPIRE STATE to obtain their required “at sea” training. A cost effective option for TA&MMA in the mid to long-term is the conversion and upgrade of the GENERAL RUDDER to a greater capacity and more capable training vessel. This upgrade includes adding a 75-foot long mid-body to increase cadet capacity and enhancing training support features.

6. TS STATE of MICHIGAN



Background:

- School: Great Lakes Maritime Academy (GLMA)
- Location: Traverse City, MI
- Annual Number of Licensed Graduates: 25
- Ship Capacity: 65 (55 cadets)
- Built: 1985
- Projected Service End Date: 2030 (with a fully funded asset renewal program)

Annual Maintenance and Repairs (M&R) projected in 2015: \$2 million

- Five year drydocking (with ABS Special Surveys): \$1.6 million
- Pre-cruise work package: \$200,000
- Regulatory Body M&R: \$200,000

Since this ship will continue to be the smallest training ship and it operates in fresh water in the Great Lakes, the cost to extend the service life of this vessel is correspondingly less. The TS STATE of MICHIGAN is currently 29 years old. However, its propulsion plant (a diesel electric plant) engines are 30 years old and they do not meet either international or U.S. EPA regulations for air emissions. The overall plan for this vessel in the mid to long-term is to re-engine the plant with a modern and “green” diesel electric plant that has dual fuel engines (capable of burning either diesel fuel or natural gas) and to overhaul the two electric propulsion motors. With this upgrade and modernization, the ship will not need to be replaced in the foreseeable future.

Mariner Compliance and Training

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

Why do we want/need to fund this program at the requested level?

Funding at this level will provide the minimum necessary support to the six SMAs to ensure a sufficient supply of highly-trained U.S. Merchant Marine officers are available to meet the national security and economic needs of the nation. The SIP ensures a robust pool of merchant marine officers to crew surge vessels, should normal crewing processes fail¹. Enhancements to MSCS will enable MARAD to more closely monitor graduates' service obligation and improve compliance reporting capability.

The direct payments will assist with offsetting the increasing operational costs of the academies, and ensure SMAs can continue to provide the highest level of training. Funding for fuel will assist the SMAs by offsetting increasing fuel costs and environmental requirements. Funding for maintenance and repairs of SMA school ships is necessary for MARAD to meet the safety and regulatory requirements for SMA training vessels.

The Department of the Navy Strategic Sealift Reserve (SSR) has established an annual requirement of at least 220 reserve officers entering the SSR upon graduation from SMA and United States Merchant Marine Academy (USMMA). Based on the current number of graduates entering the SSR from USMMA, approximately 70-75 annual SMA graduates are necessary to meet the total SSR requirement. Additionally, the U.S. Army and National Guard have identified billets within the Army Reserve and the National Guard where SIP graduates can utilize their maritime skills and education and also meet their obligation. The requested funding level will allow MARAD to enroll 300 cadets, 75 in each class, which will meet the requirements identified by U.S. Armed Services Reserve programs, including USMMA graduates. Annually approximately 25 percent of USMMA graduates and 4 percent of SMA graduates enter active duty in the U.S. Armed Forces, and therefore are not commissioned into the reserves.

Funding for maintenance of the SMA school ships is necessary to meet the regulatory requirements for the training vessels, to be consistent with the Department's goals for safety, state of good repair and environmental sustainability. Without the requested funds for school ship maintenance and repairs, it would not be possible to maintain all the ships in a safe and seaworthy condition and meet the regulatory requirements. A reduction in this request would

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

directly put at risk the safety of the cadets and crew, hamper MARAD's ability to comply with local, state, federal and international environmental regulations and will have negative implications on the academic program.

II. Program Performance

What is the program?

The SMA program supports the training of merchant marine officers at state maritime academies. To ensure the U.S. has a consistent supply of capable and well-trained merchant mariners, MARAD provides federal funding to six SMAs: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, the State University of New York Maritime College, and Texas A&M Maritime Academy. This federal funding supplements the SMA's state government funding, which comprises the majority of the funds. For FY 2015, we anticipate over 660 cadets will graduate from the SMAs as licensed officers. However, only SIP graduates have a service obligation which requires them to sail with the U.S. Merchant Marine for three years or serve in the U.S. Armed Forces.

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

MARAD's Direct SMA Support program provides assistance to the six SMAs for maintenance and support. These funds help offset the increasing cost to train USCG qualified merchant mariner officers, including the cost of fuel for the training vessels, and to assist the academies in providing the highest level of training.

In accordance with 46 U.S.C. 51501 and 51504, the school ships are loaned under a custodial agreement. This is a cooperative program between the SMAs and MARAD, and the vessels are vital components of the program. The quality and length of sea time these students receive aboard these vessels is a critical educational component in qualifying these students to take the USCG merchant marine officer examination. The ships are employed as academic and seagoing laboratories for license coursework and practical hands-on training for the merchant mariner licensed officer training programs at each academy. MARAD is mandated by law to maintain each ship in a state of good repair, to ensure that high standards of safety are maintained for all cadets and personnel on the ships, and to be compliant with environmental requirements. MARAD's policy is to comply with international (IMO) regulations to the maximum extent practicable.

Cadets attending an SMA may participate in the SIP and receive annual stipends. In return for federal financial support, these graduates incur a post-graduation service obligation. These obligations help MARAD assure that sufficient mariners will be available for commercial commerce and to crew sealift ships in times of a national emergency. The MSCS is used to track fulfillment of both the SIP and United States Merchant Marine Academy graduates' service obligation compliance requirements.

Why is this particular program necessary?

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

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

Additionally the SIP program ensures enrollment of graduates into the U.S. Navy, the U.S. Army, U.S. Air Force, U.S. Coast Guard and the U.S. National Guard reserve programs in support of the U.S. Armed Forces. Members of the U.S. Navy Strategic Sealift Reserve program are also available to crew surge vessels in an extreme shipping emergency affecting national defense.

Increasing the MSCS reporting capability will significantly decrease the manpower necessary to monitor student’s compliance and increase the timeliness of tracking and following up with those who do not fulfill their obligation. Funding will also implement improvements that would make the system more user-friendly and encourage graduates to submit their reports electronically. Additionally, this funding will enable MARAD to report on new performance measures identified by OMB to better manage program results.

How do you know the program works?

The program effectively uses federal resources in a well-defined, cost-shared partnership with the state maritime academies to produce highly qualified officers for the U.S. Merchant Marine. The program has exceeded performance targets for graduates who hold a USCG Credential as a merchant mariner each year.

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



replacement vessel, TS GENERAL RUDDER, in January 2012, which is now being upgraded for future training cruises.

Additionally, MARAD will work to develop new performance metrics to assess the SMA program related to a graduate's compliance with licensing, employment, and military service obligations in exchange for a maritime education. Funding for MSCS will support MARAD's ability to report on new performance measures on graduate's compliance identified by OMB.

Funding History:

(\$000) Student Incentive Program	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	2,000	2,000	2,400	2,400	2,400	2,400
Enacted	2,150	2,146	2,400	2,274	2,400	

(\$000) Direct SMA Support	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	2,400	2,000	3,600	2,545	3,600	3,600
Enacted	2,550	2,545	3,600	3,412	3,600	

(\$000) School Ship Maintenance & Repair	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	11,240	11,007	11,100	11,100	11,300	11,300
Enacted	11,240	11,218	11,100	10,520	11,300	

(\$000) Mariner Compliance and Training	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested						350
Enacted						

Justification for MARAD Operations and Programs

(\$000)				
Program Activity	FY 2013 ^{1/} Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Headquarters Operations	45,353	48,203	47,960	-243
Maritime Program Initiatives:	4,739	3,000	3,000	0
<i>Maritime Environment & Technology Assistance</i>	<i>3,791</i>	<i>3,000</i>	<i>3,000</i>	<i>0</i>
Total	\$50,092	\$51,203	\$50,960	\$-243

1/ Includes reallocation of \$1.074 million from Headquarters Operations to Academy Operations to cover sequestration shortfalls.

I. Budget Request

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

For FY 2015, a total of \$51 million is requested for MARAD Operations and Programs, \$243 thousand below the FY 2014 enacted level. The request includes \$48 million for Headquarters Operations and \$3 million to continue the Maritime Environment and Technology Assistance.

MARAD Headquarters Operations

The FY 2015 MARAD Operations request of \$48 million will continue to fund MARAD's headquarters' program office management and support functions and administrative infrastructure. These funds will support staffing and operations for the Environment and Compliance, Intermodal System Development, Strategic Sealift, and Business and Finance Development offices, as well as U.S. Merchant Marine Academy (USMMA) oversight and administration of State Maritime Academy support funds. Operational program support includes: oversight of energy and environmental technology initiatives designed to enhance maritime sustainability and affordability; oversight and facilitation of licensing new deepwater ports off the Nation's coasts; oversight of America's Marine Highway initiative and program grant funded projects; administration of Jones Act and small vessel waivers; and oversight at MARAD's 10 gateway offices located in critical areas of the largest ports through the U.S. to provide Agency day-to-day presence related to the marine transportation system. Funding will also support MARAD's efforts to address the growing threat of piracy through education, training and international outreach.

These funds further support the agency's legal, human resources, acquisitions, information technology, financial and management services, as well as non-discretionary operating requirements including General Service Administration (GSA) rent and the Department's working capital fund (WCF) expenses for centrally managed general administrative services. An increase of \$350,000 is also included for website redesign and maintenance for FY 2015.

The request also includes \$300 thousand to procure commercial web-based maritime domain awareness services for use by MARAD, the DOT Security Office, and other DOT modal offices. These services would afford a comprehensive view of the global Marine Transportation System (MTS), including detailed information about commercial vessels worldwide, port facilities,

intermodal sites etc. Services would be provided via a web-based tool that integrates and displays real time data to monitor the condition and performance of the MTS.

The proposed services would also indicate the readiness of the U.S. flag fleet's ability to meet national security requirement, affording accessibility to information for all vessels in the Maritime Security Program and the Voluntary Intermodal Sealift Agreement program. This would enable MARAD to estimate the time required to reach a load port to meet Department of Defense delivery requirements. The tool must also track the U.S. flag fleet in real time, to quickly evaluate their availability to respond to preference cargo requirement. The tool would also be used during emergency incidents, such as hurricanes and earthquakes, to monitor weather patterns, advise shipping regarding possible re-routing, and support response and recovery efforts.

For FY 2015, \$100 thousand is also requested to support a Liquefied Natural Gas (LNG) safety study. MARAD formed an internal Task Force in FY 2013 to promote the use of LNG as a propulsion fuel. This effort resulted in funding two projects leveraging funds from multiple sources to repower inland vessels with LNG powered engines. Another project funded a study to provide solutions to the issues involved with LNG bunkering. These projects are scheduled to be completed in FY 2014. Data from these projects will be used to identify LNG safety issues related to the use of LNG as a fuel. The FY 2015 LNG Safety Study will analyze LNG safety issues and provide safety recommendations.

Maritime Environment and Technology Assistance

\$3 million is requested in FY 2015 for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. The MARAD FY 2015 program will build upon ongoing and anticipated FY 2014 initiatives, focusing on areas such as reducing air pollution from vessel and port operations, invasive species control through ballast water and underwater hull husbandry, improved and diversified marine propulsion systems and increased energy efficiency at sea.

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

Testing and verification of ballast water treatment technology remains a key component of the initiative in FY 2015 as additional technologies come to market and as key regulatory compliance dates approach. Funding will be used to maintain the three MARAD supported ballast water treatment technology facilities for U.S. Coast Guard (USCG) and International Maritime Organization (IMO) compliant testing, and associated scientific teams. Building on our initial work in aquatic species invasion risks through hull fouling, MARAD will continue efforts to identify hull husbandry best management practices and demonstrate technologies for in-water hull cleaning and make those results publicly available.

MARAD has worked to expand its coverage in port and vessel air emissions and energy use in light of fuel and marine engine requirements, anticipated increases in vessel fuel costs, and demands for cleaner port communities. In FY 2012 and FY 2013, the Agency completed demonstrations and studies of a new generation of biofuels for use in commercial marine engines. Those projects were

collaborations among MARAD, U.S. Navy, U.S. Army Corps of Engineers (all of which are moving toward the use of alternative fuels), National Oceanic Atmospheric Administration (NOAA), industry, and academia and employed the MARAD school ship State of Michigan. Based upon the initial results of the demonstration, additional studies are planned. In FY 2013, the Agency also completed the first phase of a broad study on the feasibility of using natural gas for vessels plying the Great Lakes. Based upon the results of that study and input from USCG and other Federal partners, and industry, MARAD initiated additional work to look at several key barriers to expanded natural gas usage in marine fuel, in particular challenges associated with bunkering (vessel refueling) and landside natural gas infrastructure.

In the past year alone, several U.S. flag ship owners have announced plans to repower or build new ships to burn liquefied natural gas for use in the inland, coastwise, and non-contiguous trades. Others have announced plans to explore the possibility seriously.

In addition, in FY 2013 MARAD began collaboration with Department of Energy, Sandia National Laboratory, and industry to demonstrate potential maritime applications of fuel cells for cold ironing (provision of shoreside electric power to a vessel at berth) and/or auxiliary power. It is anticipated that this work will continue through FY 2015.

In FY 2014, work continues to support MARAD's funded pilot/demonstration projects related to air emissions and energy and further studied assistance/incentives or cost sharing for U.S. vessel operators. The effort was carried out to offset a portion of the cost of re-engineering and/or repowering vessels, to boost energy efficiency and reduce emissions below anticipated future U.S. and international requirements. By providing greater incentives to owners/operators to repower to more efficient engines, use alternative fuels (such as natural gas), or employ alternative technologies such as hybrid engines, the maritime industry will be able to comply with and exceed recently enacted, more stringent air emission regulations as well as continue to operate as an energy and carbon efficient mode of transportation. The incentives would also indirectly support technology development and deployment, and U.S. shipyards, where much of the installation work must be accomplished.

In FY 2015, MARAD will continue efforts towards greater environmental sustainability of the maritime industry. This includes engaging the maritime transportation sector and sister Federal agencies to solicit emerging technology priorities and project ideas through contracts, cooperative agreements, and memorandums of understanding.

Finally, with the FY 2013 issuance of more rigorous environmental standards in the Environmental Protection Agency's Vessel General Permit, MARAD anticipates the need to expand its efforts to address other key environmental challenges, such as oily water separators and stack scrubber discharges.

Why do we want/need to fund this program at the requested level?

Funding at the FY 2015 request level is needed to support the agency's headquarters program operations staffing and administrative infrastructure. A substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the Department's WCF for centrally managed administrative and security services, information technology requirements, grant administration, and environmental sustainability initiatives. Funding at the FY 2015 level will support the accomplishment of:

- Advancement of ballast water treatment technology and methods for managing/mitigating hull fouling.
- Demonstration projects to test and analyze marine air emissions reduction, alternative fuels, and energy conservation technologies and methods.
- Energy audits and new renewable energy investments, consistent with Executive Order 13514.
- Advancement of commercial web-based maritime domain awareness services that will provide a web-based tool that integrates and displays real-time data to monitor the condition and performance of the MTS.
- LNG safety study that will analyze safety issues and provide safety recommendations.

II. Program Performance

What is the program?

MARAD Operations and Programs account supports the base program operations and staffing levels for the entire agency, except for funding for personnel performing work in connection with the National Defense Reserve Fleet, the United States Merchant Marine Academy, and the Title XI Maritime Guaranteed Loan program. Among the programs funded here are the program offices for Environment and Compliance, Intermodal System Development, Strategic Sealift, and Business and Finance Development. The Office for Environment and Compliance provides agency support to help ensure compliance with applicable environmental laws and regulations. The office also provides marine transportation stakeholder support and assistance on emerging marine transportation environmental issues.

The Office for Intermodal System Development provides agency support for national port infrastructure modernization programs, deepwater port and offshore programs, as well as oversight of marine highway initiatives. The office also oversees activities at our 10 gateway offices located in critical areas of the largest ports throughout the U.S. to provide the Agency's day-to-day presence related to the marine transportation system.

The Office for Strategic Sealift administers national security related programs that provide commercial and government-owned shipping capability in times of national emergency and to meet the Department of Defense strategic sealift requirements. Other responsibilities include the administration of Jones Act and small vessel waivers and maritime labor and training. 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, cargo preference programs, marine insurance and marine war risk insurance activities, and programs related to U.S. shipbuilders, ship repairers and suppliers.

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; Information Technology and Open Government; Legal Counsel; and Acquisitions.

Why is this particular program necessary?

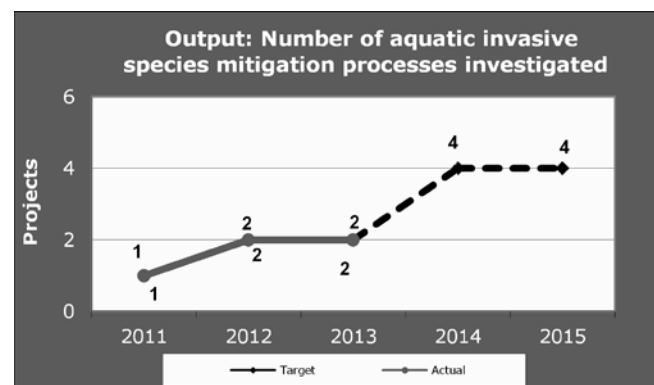
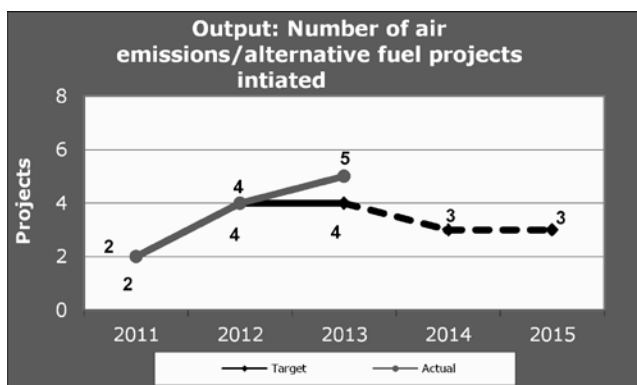
The MARAD Operations and Program account funds Headquarters Operations providing the agency infrastructure and professional staff working on MARAD operating missions, support programs and program initiatives. MARAD Operations and Programs provide program and administrative support (including staffing)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

- Environment and Compliance: Maritime Safety, Security and Environment, maritime advisories, cruise vessel security and safety training program certification, combat global piracy.
- Intermodal System Development: Marine Highways Designation Program, Port Infrastructure Development, Deepwater Ports and Offshore Activities, Gateway Office Director representative at ten major ports.
- Strategic Sealift: Maritime Security Program, Ship Disposal, Schoolship Maintenance and Repair, Strategic Ports, Voluntary International Sealift Agreement (VISA), State Maritime Academies liaison.
- Business and Finance Development: National Export Initiative.
- Human Capital Management: Human Resources Strategy, Employee Performance Management, Leadership and Employee Development.
- Information Technology Management: Open Government, IT Infrastructure Operations and Maintenance, System and Application Development and Maintenance, Information Security/Assurance/Privacy, Record and Knowledge Management, Enterprise Architecture, and Information/Data Sharing.
- Financial Management: Budget, Accounting, Program Performance and Internal Controls, and Funds Control.
- Acquisitions Management.
- Legal Counsel.
- Administrative Programs and Management Services including plans and policy office and office of international activities.

How do you know the program works?

For the Environmental Sustainability program, we anticipate meeting the FY 2015 target for air emissions/alternative fuel projects initiated. Data obtained will be made publicly available so that shipowners can make informed decisions for equipment and fuel selection.

We also anticipate meeting our FY 2015 target of four aquatic invasive species mitigation processes investigated. The projects will lead to the development of technologies and/or practices for mitigating the spread of ship-mediated invasions.



Additionally, the agency is working on the development of an agency-wide evaluation plan to implement in the coming fiscal years. The new plan will help to prioritize evaluation resources on

mission important programs and federal-wide management functions to improve program results. The plan will emphasize application of evaluation methodologies to identify actionable activities to maximize the tangible and intangible impacts of agency programs.

Funding History:

(\$000) MARAD Operations and Programs	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	62,812	59,753	51,371	53,000	53,800	50,960
Enacted	59,753	55,641	53,990	50,092 1/	51,203	

1/ Includes reallocation of \$1.074 million from MARAD Operations and Programs to Academy Operations to cover sequestration shortfalls.

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

(In thousands of dollars)

Identification code 69-1770-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	Grants for Capital Improvement for Small Shipyards	9,458	-	-
0002	Administrative Expenses	10	400	400
0900	Total new obligations	9,468	400	400
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	1,234	1,226	826
1021	Recoveries of prior year unpaid obligations	2	-	-
1050	Unobligated balance (total)	1,236	1,226	826
Budgetary authority:				
Appropriations, discretionary				
1100	Appropriation	9,980	-	-
1130	Appropriation permanently reduced	-522	-	-
1160	Appropriation, discretionary (total)	9,458	-	-
1930	Total budgetary resources available	10,694	1,226	826
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	1,226	826	426
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	22,559	19,206	-
3010	Obligations incurred, unexpired accounts	9,468	400	400
3020	Outlays (gross)	-12,819	-19,606	-400
3040	Recoveries of unpaid prior year obligations, unexp accts	-2	-	-
3050	Unpaid obligations, end of year	19,206	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	22,559	19,206	-
3200	Obligated balance, end of year	19,206	-	-
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	9,458	-	-
Outlays, gross:				
4010	Outlays from new discretionary authority	3	-	-
4011	Outlays from discretionary balances	12,816	19,606	400
4020	Outlays, gross (total)	12,819	19,606	400
4070	Budget authority, net (discretionary)	9,458	-	-
4080	Outlays, net (discretionary)	12,819	19,606	400
4180	Budget authority, net (total)	9,458	-	-
4190	Outlays, net (total)	12,819	19,606	400

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 2015.

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

Object Class Code	<u>Object Class</u>	FY 2013 <u>Actual</u>	FY 2014 <u>Enacted</u>	FY 2015 <u>Request</u>
	Direct obligations:			
21.0	Travel	10	400	400
25.3	Other goods and services from Federal Sources	-	-	-
41.0	Grants, subsidies, and contributions	9,458	-	-
99.0	Subtotal, direct obligations	<u>9,468</u>	<u>400</u>	<u>400</u>

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

**FY 2006 - FY 2015
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2006		-	-
2007		-	-
2008		-	10,000
2009	Appropriation	-	17,500
	ARRA 1/	-	100,000 2/
2010		-	15,000
2011		-	9,980 3/
2012		-	9,980
2013		-	9,458 4/
2014		-	-
2015		-	

1/ American Recovery and Reinvestment Act of 2009. (ARRA)

2/ This amount includes \$2 million transferred to the Operations and Training account for administrative oversight.

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

4/ This amount reflects FY 2013 sequestration reductions.

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, \$4,800,000, to remain available until expended.
(Department of Transportation Appropriations Act, 2014.)

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-70-1768-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:			
0001 Ship Disposal	8,648	7,052	2,647
0002 N.S. Savannah	2,840	3,229	3,000
0900 Total obligations	11,488	10,281	5,647
Budgetary resources available for obligation			
1000 Unobligated balance: Brought forward, October 1	12,401	7,328	1,847
1021 Recoveries of prior year unpaid obligations	1,202	-	-
1050 Unobligated balance (total)	13,604	7,328	1,847
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	5,500	4,800	4,800
1130 Appropriations permanently reduced	-288	-	-
1160 Appropriation, discretionary (total)	5,212	4,800	4,800
1900 Budget authority (total)	5,212	4,800	4,800
1930 Total budgetary resources available	18,816	12,128	6,647
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	7,328	1,847	1,000
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	3,141	4,164	4,996
3010 Obligations incurred, unexpired accounts	11,488	10,281	5,647
3020 Outlays (gross)	-9,263	-9,449	-9,243
3040 Recoveries of prior year unpaid obligations, unexpired	-1,202	-	-
3050 Unpaid obligations, end of year (gross)	4,164	4,996	1,400
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	3,141	4,164	4,996
3200 Obligated balance, end of year	4,164	4,996	1,400
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	5,212	4,800	4,800
Outlays, gross:			
4010 Outlays from new discretionary authority	1,421	2,400	2,400
4011 Outlays from discretionary balances	7,842	7,049	6,843
4020 Outlays, gross (total)	9,263	9,449	9,243

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-70-1768-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
4070	Budget authority, net (discretionary)	5,212	4,800	4,800
4080	Outlays, net (discretionary)	9,263	9,449	9,243
4180	Budget authority, net (total)	5,212	4,800	4,800
4190	Outlays, net (total)	9,263	9,449	9,243

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 2015, the Ship Disposal program requests \$4.8 million which includes \$2 million to support continued obsolete vessel disposal, \$2.8 million for maintaining the NS Savannah in protective storage.

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

Object Class Code	Object Class	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
	Direct obligations:			
1111	Full-time permanent	1,298	1,322	1,353
1115	Other personnel compensation	4	4	4
1119	Total personnel compensation	1,302	1,326	1,357
1121	Civilian personnel benefits	436	444	454
13.0	Benefits for former personnel			
1210	Travel and transportation of persons	68	61	27
23.1	Rental payments to GSA	287	106	109
1251	Advisory and assistance services	1,870	1,661	737
1252	Other services	2	2	1
1253	Other goods and services from Federal Sources	163	144	64
1254	Operation and maintenance of facilities	7,354	6,532	2,896
1260	Supplies and materials	5	4	2
1310	Equipment	1	1	-
9999	Subtotal , direct obligations	11,488	10,281	5,647

Employment Summary

	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Ship Disposal			
Direct:			
1001 Direct civilian full-time equivalent employment	11	11	11
Total Employment	11	11	11

EXHIBIT III-1

SHIP DISPOSAL

Summary by Program Activity

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

	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>	<u>CHANGE FY 2014-2015</u>
Ship Disposal	5,212	4,800	4,800	-
Total	5,212	4,800	4,800	-
FTEs				
Direct Funded	11	11	11	-
Allocations	-	-	-	-
Reimbursable	-	-	-	-

EXHIBIT III -1a

SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)

	Change from FY 2014 to FY 2015	Total
<u>ITEM</u>		
FY 2014 Enacted		
Ship Disposal		\$4,800
Adjustments to Base		
Annualization of FY 2014 Pay Raise	4	
2014 Pay Raise (1%)	14	
Subtotal, Adjustments to Base	18	18
New or Expanded Programs		
Operating Expenses	-18	
Subtotal, New or Expanded Program		
Increases/ Decreases	-18	-18
Total FY 2015 Request		\$4,800

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	2011	2012	2013	2014	2015
Target	10	12	15	15	10
Actual	21	16	17		
Target Achieved	√	√	√		

Cumulative number of SBRF vessels removed annually.	2011	2012	2013	2014	2015
Target	19	28	32	38	44
Actual	26	36	44		
Target Achieved	√	√	√		

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL**

**FY 2006 - FY 2015
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2006	21,000	20,790
2007	25,740	20,790
2008	20,000	17,000
2009	18,000	15,000
2010	15,000	15,000
2011	10,000	14,970 ^{1/}
2012	18,500	5,500
2013	10,000	5,212 ^{2/}
2014	2,000	4,800
2015	4,800	

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

2/ This amount reflects FY 2013 sequestration reductions.

Justification for the Ship Disposal Program

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Ship Disposal	2,369	2,000	2,000	0
NS SAVANNAH	2,843	2,800	2,800	0
Total	\$5,212	\$2,800	\$4,800	\$0

I. Budget Request

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

MARAD is the disposal agent for government-owned merchant vessels and vessels capable of being converted to merchant type vessels per 40 U.S.C. § 548. MARAD disposes of non-retention vessels in the National Defense Reserve Fleet (NDRF), either through the sale of the vessels or the purchase of recycling services.

For FY 2015, \$4.8 million is requested for the Ship Disposal Program consistent with FY 2014. This request provides \$2 million for program salaries and benefits. Due to market conditions, it is anticipated that this amount of funding will provide only enough money for the disposal of non-retention vessels from the James River Reserve Fleet (JRRF) and Beaumont Reserve Fleet (BRF) resulting from competitive vessel sales. It is anticipated that given current conditions, the funding in this request will not be used for the purchase of ship recycling services for vessels from any of the fleet sites that do not sell or for the removal costs of any Suisun Bay Reserve Fleet (SBRF) vessels because SBRF vessel disposals require drydocking and hull cleaning. MARAD's disposal efforts and priority will continue to be on the worst condition non-retention NDRF vessels in JRRF and BRF sites at the requested level. This initiative primarily supports the Department's goal for environmental sustainability, and advances safety, a top priority of the Secretary of Transportation.

A discrete project funded within the Ship Disposal account is maintenance and safeguarding of the Nuclear Ship SAVANNAH (NSS), a National Historic Landmark vessel. The NSS, the world's first nuclear powered merchant ship, is a legacy asset assigned to the NDRF in retention status whose activities and maintenance is actively licensed and inspected by the U.S. Nuclear Regulatory Commission (NRC). The FY 2015 request includes \$2.8 million to maintain the vessel in protective storage. While funding at this level does not allow MARAD to begin dismantling, removing and properly disposing of residual nuclear facilities (a regulated process collectively known as decommissioning), this resource-intensive requirement is a near-term concern and the agency is developing formal decommissioning project execution plans and multi-year budget estimates.

Ship Disposal

The FY 2015 request will allow removal of obsolete ships from the government-owned merchant vessels located in the JRRF and BRF through competitive vessel sales. While

emphasis will remain on vessels that are a high disposal priority, MARAD will be unable to remove SBRF vessels because of market conditions and the cost to comply with the SBRF drydocking and hull cleaning requirements. While funds are not available for SBRF vessels, the agency's compliance in meeting the requirements of the court ordered settlement removal schedule will not be in jeopardy because MARAD is currently two years ahead of the consent decree vessel removal schedule.

A \$1.8 million carryover of unexpended FY 2014 ship disposal funds into FY 2015 is estimated at this time, which combined with the \$2.0 million request will cover program administrative costs and allow the continued removal of 10 additional obsolete ships through competitive sales from MARAD's JRRF and BRF sites. The total number of obsolete vessels not yet under contract and awaiting disposal is currently 25, which is an historic low.

The request level and projected carryover, however, will not allow the purchase of recycling services or provide program flexibility in the face of volatile scrap steel prices and increasing costs related to towing (fuel) and compliance with federal and local environmental regulations. Fluctuations in the actual per ship disposal costs, as a result of regulatory, industry or market factors, will affect the number of ships that can be disposed of in FY 2014 and FY 2015.

Significant costs related to vessel towing and compliance with the National Invasive Species Act (NISA) and Clean Water Act (CWA) will be incurred in particular for the 2014 removal of SBRF ships that require drydocking for the cleaning of marine growth from the underwater hulls. Current SBRF drydocking cost estimates are approximately \$600 thousand per ship and are not included in the request. MARAD expects to remove for disposal a total of 8 vessels from the SBRF in FY 2014 and none in FY 2015.

The cost of environmental risk mitigation to ensure full compliance with NISA and for testing and containment requirements related to the CWA for JRRF and BRF vessels removed will be included and covered in contracts awarded through competitive sales.

For vessels that are not able to be sold for recycling as a result of scrap metal market volatility, increasing regulatory compliance, rising fuel prices or a low level of competition, the request level will not cover the purchase of recycling services. The variability of factors that affect ship disposal costs is seen in the fact that three of the first five ships awarded in recycling contracts in FY 2014 did not sell. As a result, the total disposal cost to purchase recycling services for the three SBRF vessels was over \$3.4 million. MARAD also continues its agreement with the U.S. Navy to recycle decommissioned, non-combatant vessels that will be held in Navy inactive ship maintenance facilities until removed for recycling. The Navy added three additional vessels in FY 2014 for disposal by MARAD. Supported by industry projections on the price of scrap steel, it is anticipated that disposal costs overall will remain at FY 2013 levels through FY 2014 and FY 2015, although the level of competition and available capacity is expected to decrease as a result of the Navy award of recycling contracts for three aircraft carriers in FY 2014 and 2015.

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

N.S. SAVANNAH (NSS)

The FY 2015 request 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 decommissioning. For the NSS, there is no technical reason to continue to defer the multi-year decommissioning project and seek license termination. The NSS nuclear facility is radiologically stable; meaning that virtually all short-lived isotopes have decayed substantially and the current curie content of activated components and contamination will not change appreciably over the course of the next 50 years. This indicates that the technical scope of industrial dismantling and waste disposal will not change in the future. From a total cost perspective, there are many non-technical factors that will increase the future cost of decommissioning, such that continued deferral of this project can only increase its total cost to the Government, with no corresponding benefit. Without decommissioning, MARAD must continue to maintain the NSS in protective storage, and maintain the staff necessary to carry out its licensed activities. These staff costs and the protective storage program are contained in the baseline request of \$2.8 million.

Why do we want/need to fund this program at the requested level?

Dependent on competitive vessel sales, ship disposals in FY 2015 will continue from the JRRF and BRF sites and funding at this level will allow for the removal of up to 10 ships from inventory, and cover the costs related to risk mitigation for compliance with NISA and CWA, as well as lessen the environmental risk at the fleet sites and recycling facilities. Consistent annual funding is the most effective strategy to sustain program performance during unpredictable market fluctuations for scrap steel and fuel and limited industrial capacity, all of which has a significant effect on the cost of obsolete vessel disposal.

The funding requested for the NSS provides the resources necessary to carry out MARAD's basic licensed activities, which include, but may not be limited to, layberth services, NRC license technical services, radiological protection, facility management and maintenance.

II. Program Performance

What is the program?

MARAD's Ship Disposal program contributes to the reduction of water pollution from DOT-owned transportation assets, services and facilities, and supports environmental sustainability. The program will conduct ship recycling for obsolete, federally-owned, merchant-type vessels in an environmentally responsible manner that further reduces the risk of environmental contamination. The program comprises of two essential areas; the removal and disposal of obsolete ships owned by the federal government, and management of the NSS as a specific DOT facility subject to federal facility compliance for environmental (including radiological) and historic stewardship. MARAD has held an operating license from the Nuclear Regulatory Commission (and predecessor Atomic Energy Commission) for the NSS nuclear facility since 1965. The NSS was designated a National Historic Landmark in 1991 and is the only DOT directly owned and managed historic landmark property. The Ship Disposal program base budget consists of ship disposal funds, salaries and benefits, contractor support, administrative funds (including training and travel) and monitoring costs associated with assuring vessels are properly disposed.

Ship Disposal

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

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

MARAD currently has custody of approximately 25 obsolete vessels that are not yet under contract for disposal. By the end of FY 2014 that number is anticipated to be 20 obsolete ships, located at the James River site in Virginia (9 ships), the Suisun Bay site in California (5 ships), the Beaumont site in Texas (2 ships) and 4 decommissioned Navy Vessels located in Hawaii and Pennsylvania. MARAD expects to remove for disposal a total of 8 vessels from the SBRF in FY 2014, with 5 vessels remaining in the queue for future disposal beyond FY 2015. .

N.S. SAVANNAH (NSS)

The NSS is a discrete MARAD legacy facility and project. Conceived in the 1950s as part of President Eisenhower's "Atoms for Peace" program, the NSS was designed, constructed and operated as a joint research and development project of MARAD and the former Atomic Energy Commission. The joint program ended in 1965 with full title and responsibility for future actions assigned to MARAD. The NSS continued to operate until 1970; its nuclear fuel was removed in 1971; and operation was permanently ceased in 1973. The immediate dismantlement of the nuclear plant was considered in 1973-74, but rejected. Instead, a plan was developed to mothball the ship and its onboard nuclear facility for a period of about 50 years, after which time it presumably could be dismantled at greatly reduced risk and cost. The

specific prescriptive methodology for that program was discredited based on actual decommissioning experience in the intervening timeframe; although the basic process does exist today in the NRC's contemporary, performance-based SAFSTOR methodology (SAFSTOR is an alternative to decommissioning in which the nuclear facility is *safely stored*).

The NSS was chartered to the State of South Carolina for use as a museum ship from 1981-1994; MARAD retained basic ownership and license responsibilities during the charter period. After 1994, the ship was stored in MARAD's JRRF in accordance with the circa 1974 plan. To remain in compliance with its NRC license requirements, MARAD established and maintains a contemporary, performance-based licensee organization that provides the institutional competency to manage and maintain the NSS. This includes the resources necessary to provide the broad spectrum of surveillance, monitoring and radiological protection programs that ensure the safety and health of the public and the environment. The organization is also designed to carry out the decommissioning and license termination project. Finally, it seamlessly integrates the direct historic stewardship responsibilities required of MARAD under the National Historic Preservation Act and similar presidential executive orders into all of the above activities.

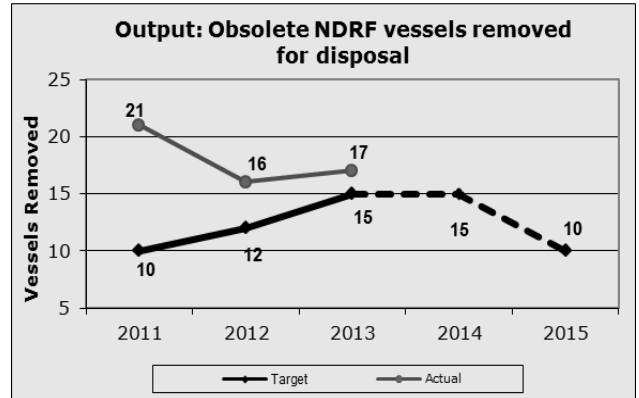
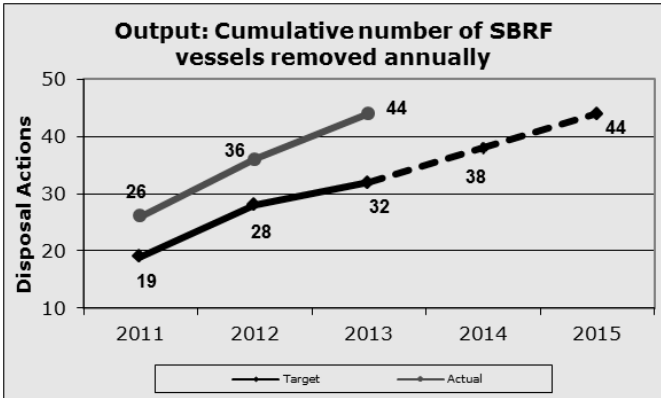
Why is this particular program necessary?

Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding harm, but also in terms of program efficiency. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal. Newly downgraded vessels that have reached the end of their useful life enter the disposal queue as non-retention (obsolete) vessels on an annual basis. It is critical that the rate of vessel removals for disposal continues to exceed the rate at which the ships are added to the disposal inventory. This ratio is an annual program performance measure which MARAD has achieved every year since 2004. It is anticipated that approximately three to five ships per year will be downgraded to non-retention status and added to the disposal queue in FY 2014 and 2015. Lastly, proper custodianship of these vessels requires compliance with environmental requirements to ensure that measures are taken to eliminate environmental risks associated with vessel storage and arrest deterioration for those obsolete vessels awaiting disposal.

The NSS exists as a legacy facility, and must be managed and maintained in conformance with the specific requirements that apply to it. The primary requirement is the NRC license, which dictates a cognizant and proficient nuclear licensee organization that is capable of protecting the health and safety of the environment and the public. This organization will carry out the decommissioning and license termination project when it is approved and funded; in the interim, it will manage the NSS nuclear facility (which includes the ship itself as the primary boundary element) in protective storage. Protective storage is a deferred decommissioning methodology approved by the NRC, 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 will remain responsible for the legacy asset.

How do you know the program works?

MARAD manages the Ship Disposal Program in concert with several performance measures, including annual targets for vessel removals and disposals, which have been met or exceeded since 2005. The accompanying graphs include actual program outputs for obsolete vessel removals from FY 2011-FY 2015 for SBRF vessels and the NDRF as a whole. The target and actual figures for the removal of Suisun Bay obsolete ships in the graph below on the left are annual cumulative totals. The targets reflect the requirements of the consent decree, which have been exceeded each year since FY 2010.



From a macro level, the total number of MARAD obsolete ships awaiting disposal, and not yet under contract is 25, which is an historic low. Additionally, the annual rate of vessel removals has outpaced the average number of vessels added to the disposal queue for the last nine years, and all non-retention ships designated as a high disposal priority have been removed from the three fleet sites. MARAD has established a target for FY 2015 of removing 10 vessels from the NDRF conditional upon the competitive sale of that number of ships. This total does not include the removal of any SBRF ships, due to the cost of drydocking and cleaning the hulls of marine growth prior to the tow of the vessels to recycling facilities in Texas and Louisiana. The reduction of the FY 2015 target to 10 total NDRF vessels removed from the 2014 target of 15 is due primarily to the significant decrease in the number of obsolete vessels awaiting disposal, the level of funding in this request, the loss of available industrial capacity and competition resulting from the award of three Navy aircraft carriers for disposal in FY 2014 and FY 2015 to MARAD qualified recycling facilities.

As a legacy project, there are no quantifiable contemporary performance measures for the NSS. Instead, MARAD's license management performance is measured on a qualitative basis as indicated by the results of inspections and oversight by the NRC. MARAD's most recent NRC inspection resulted in no findings of safety significance.

Funding History:

(\$000) Ship Disposal	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	12,000	7,000	12,954	7,000	2,000	2,000
Enacted	12,000	11,976	2,500	2,369	2,000	

(\$000) SAVANNAH Base	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	3,000	3,000	3,046	3,000	2,800	2,800
Enacted	3,000	2,994	3,000	2,843	2,800	

MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, [\$186,000,000/ \$211,000,000, to remain available until expended, *of which \$25,000,000 is to mitigate the impact to the domestic merchant marine: Provided, That these funds shall only be available to the extent that any fiscal year 2015 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 in 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, 2014.)

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

(In thousands of dollars)

Identification code 69-1711-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	Maritime Security Program	167,347	186,000	186,000
0002	Food Aid Carrier Mariner Support	-	-	25,000
0900	Total new obligations	167,347	186,000	211,000
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	3,829	-	-
1021	Recoveries of prior year unpaid obligations	3,527	-	-
1050	Unobligated balance (total)	7,356	-	-
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	174,000	186,000	211,000
1130	Appropriations permanently reduced	-13,711	-	-
1131	Unobligated balance of appropriation permanently reduced	-299	-	-
1160	Appropriation, discretionary (total)	159,991	186,000	211,000
1900	Budget authority total (disc. and mand.)	159,991	186,000	211,000
1930	Total budgetary resources available	167,347	186,000	211,000
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	-	-	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	19,504	599	13,020
3010	Obligations incurred, unexpired accounts	167,347	186,000	211,000
3020	Outlays (gross)	-182,725	-173,578	-209,250
3040	Recoveries of prior year unpaid obligations, unexpired	-3,527	-	-
3050	Unpaid obligations, end of year (gross)	599	13,020	14,770
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	19,504	599	13,020
3200	Obligated balance, end of year (net)	599	13,020	14,770
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	159,991	186,000	211,000

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

(In thousands of dollars)

Identification code 69-1711-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
	Outlays, gross:			
4010	Outlays from new discretionary authority	167,242	172,980	196,230
4011	Outlays from discretionary balances	15,483	598	13,020
4020	Outlays gross, (total)	182,725	173,578	209,250
4070	Budget authority, net (discretionary)	159,991	186,000	211,000
4080	Outlays, net (discretionary)	182,725	173,578	209,250
4180	Budget authority, net (total)	159,991	186,000	211,000
4190	Outlays, net (total)	182,725	173,578	209,250

MARITIME SECURITY PAYMENTS

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 2015 Budget proposes international food aid reform that is expected, over time, to reduce overall volumes of preference cargoes for agricultural commodities. Therefore, the Budget requests an additional \$25 million for supplemental stipends to ensure that the current number of militarily useful ships remain in the Maritime Security Program and to incentivize mariners to maintain their unlimited deep ocean credentials

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

Object				
Class		FY 2013	FY 2014	FY 2015
<u>Code</u>	<u>Object Class</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
	Direct obligations:			
1410	Grants, subsidies and contributions	167,346	186,000	211,000
9999	Total, New Obligations	167,346	186,000	211,000

EXHIBIT III-1

MARITIME SECURITY PROGRAM

Summary by Program Activity

Appropriations, Obligation Limitations, and Exempt Obligations

(\$000)

	FY 2013	FY 2014	FY 2015	CHANGE
	ACTUAL	ENACTED	REQUEST	FY 2014-2015
Maritime Security Program	160,289	186,000	211,000	25,000
Total	160,289	186,000	211,000	25,000
FTEs				
Direct Funded	-	-	-	-
Allocations	-	-	-	-
Reimbursable	-	-	-	-

EXHIBIT III -1a

**MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

ITEM	Change from FY 2014 to FY 2015	Total
FY 2014 Enacted		
Maritime Security Payments		\$186,000
Adjustments to Base	-	
Subtotal, Adjustments to Base	-	-
New or Expanded Programs		
Sealift Capacity and Mariner Retention Program (Food Aid Reform Enactment)	25,000	
Subtotal, New or Expanded Program Increases/ Decreases	\$25,000	\$25,000
Total FY 2015 Request		\$211,000

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

Ship capacity for roll-on/roll-off ships enrolled in MSP meeting DoD requirements	2011	2012	2013	2014	2015
Target	2.6	2.6	2.6	2.6	2.6
Actual	3.0	3.0	3.0		
Target Achieved	√	√	√		

Ship operating days enrolled in the MSP were actually operating in US foreign commerce and available to meet DOD's requirements	2011	2012	2013	2014	2015
Target	19,200	19,200	19,200	19,200	19,200
Actual	21,557	21,593	21,794		
Target Achieved	√	√	√		

Ship capacity for container ships enrolled in MSP meeting DoD requirements	2011	2012	2013	2014	2015
Target	110.0	110.0	110.0	110.0	110.0
Actual	116.0	119.0	126.0		
Target Achieved	√	√	√		

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

**FY 2006 - FY 2015
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2006	156,000	154,440
2007	154,440	154,440
2008	154,440	156,000
2009	174,000	174,000
2010	174,000	174,000
2011	174,000	173,652 ^{1/}
2012	174,000	174,000
2013	184,000	160,289 ^{2/}
2014	208,000	186,000
2015	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.

Justification for the Maritime Security Program

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Maritime Security Program	160,289	186,000	186,000	0
Food Aid Reform			25,000	25,000
Total	\$160,289	\$186,000	\$211,000	\$25,000

I. Budget Request

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

For FY 2015, a total of \$211 million is requested for the Maritime Security Program (MSP) account, \$25 million above the FY 2014 enacted level.

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

Additionally, \$25 million is requested for additional direct support payments as part of proposed reforms to P.L. 480 Title II food aid. These funds, if the reforms are enacted, will provide a transition year in FY 2015 to establish a multi-year program. This funding will mitigate some of the potential impact to mariner jobs and certain vessels in order to provide more flexibility in emergency food assistance to reach two million more people without additional food aid funding. Most P.L. 480 Title II food aid would still use U.S. commodities, at least half of which will be transported on U.S. flag ships; however, flexibility in Title II emergency response may affect the volume of food assistance commodities purchased in the United States. This new initiative will seek to preserve mariner employment on U.S. flag vessels and encourage retention of U.S. mariners and vessels, separate from the MSP. This funding is also essential to ensuring sufficient mariners are available to meet both the economic and national security needs of the nation. At least \$1 million of the funds will be used to support training programs to retain and advance U.S. citizen mariners for critical occupations. Up to \$24 million of the remaining funds will be used to provide direct stipend payments to operators of vessels in foreign trade, separate from MSP payments.

Why do we want/need to fund this program at the requested level?

The emphasis of the MSP is to provide sustainment sealift capacity to the military in of the event of armed conflict or national emergency which requires humanitarian assistance and disaster response. It is important to note that MSP ships are carrying the bulk of military supplies and equipment in and out of Afghanistan in support of U.S. troops. The MSP carriers are a critical part of drawdown plans for the U.S. military regarding Operation ENDURING FREEDOM. The

MSP also supports the U.S. Secretary of Transportation's priority for safety and national security of the American public. The MSP ensures that the United States has a fleet of U.S. flag vessels controlled by U.S. citizens designed to provide critical sealift and intermodal support to the U.S. military in time of crisis. These MSP vessels are the backbone of the sealift capability needed by military forces to deliver the necessary supplies and equipment needed to support, protect and defend the nation when called upon.

The authorization for the MSP, 46 U.S.C. 53106, provides for the authorized annual level of \$3.1 million for each of the 60 vessels enrolled in FY 2013 through FY 2018. The authorized annual level for each vessel increases in FY 2019 through FY 2021 to \$3.5 million, and in FY 2022 through FY 2025 to \$3.7 million.

II. Program Performance

What is the program?

The MSP provides the Department of Defense (DOD) with assured access to privately-owned and operated U.S. flag ships and intermodal facilities, and sustains a base of U.S. Merchant Mariners to support national security requirements during armed conflict or national emergency. The MSP also acknowledges the importance of a strong partnership with the commercial maritime industry to maintain an international presence in foreign commerce. The Maritime Security Act of 2003 authorizes up to 60 ships for MSP through FY 2015. The National Defense Authorization Act of 2013 (H.R. 4310) extends the MSP from FY 2016 through FY 2025. Supporting staff salaries and benefits are funded by the Operations and Training account (MARAD Operations and Programs). No new full time equivalent (FTE) positions are being requested.

Program accomplishments anticipated in FY 2015 include activities to monitor the agreements with the ship owners to retain the ships enrolled in the program. In addition, MARAD will approve changes in MSP contracts that maintain or improve the quality of the MSP fleet to ensure the retention of modern and efficient ships and U.S. citizen crews. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as militarily useful and commercially viable.

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

Why is this particular program necessary?

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

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

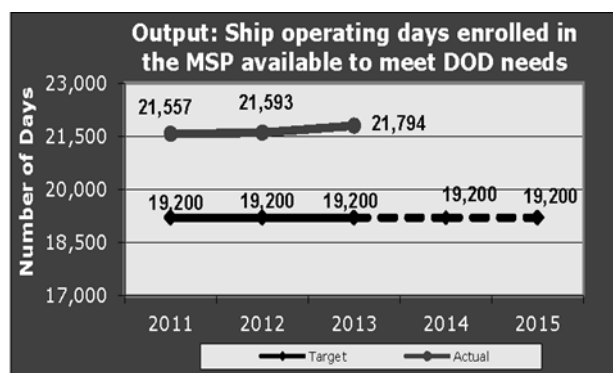
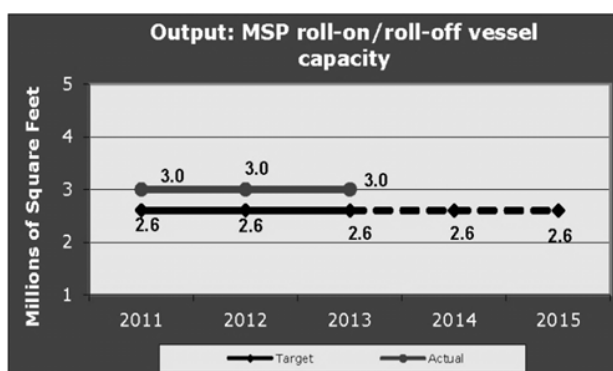
How do you know the program works?

An impact evaluation¹ was conducted in FY 2009 to determine the program's effectiveness and its impact on the U.S. flag presence in international commerce, U.S. flag ocean-going ships, crew members and military usefulness. The project team determined current management procedures and processes used by MARAD are generally appropriate and effective for carrying out the objectives of the MSP. One of the key findings was that the MSP clearly has a positive impact on the number of U.S. commercial ocean-going cargo vessels available for military use.

Without the MSP, there would be a significant reduction in the number of U.S. flag ships. Additionally, the MSP fleet provides employment for 2,700 U.S. Merchant Mariners. A reduction in the fleet would result in a loss of employment for U.S. mariners and a reduction in the number of U.S. mariners to crew government surge sealift vessels.

In FY 2015, we anticipate meeting or exceeding the target of 2.6 million square feet of roll-on/roll-off vessel capacity. Vessel capacity is committed by MSP carriers to DOT/DOD's emergency preparedness sealift readiness program. While MARAD is currently exceeding the target, the target may need to be revised if the commercial viability of the RO/RO fleet changes in the future.

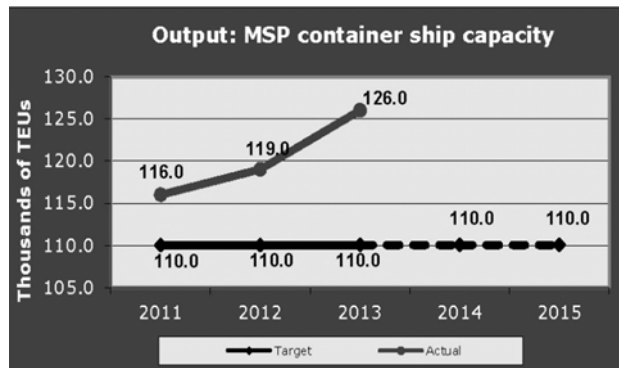
MSP ship operators are required to operate their ships for a minimum of 320 days a year to be in compliance with the program and receive the full MSP payment. At the authorized level of funding for 60 vessels, we anticipate meeting the performance goal of 19,200 ship operating days for the MSP



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

vessels operating in U.S. foreign commerce during FY 2015.

Additionally, with 60 vessels enrolled and operating in the MSP, MARAD anticipates meeting or exceeding the target of 110,000 containership twenty foot equivalent units (TEUs) by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels.



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

Funding History:

(\$000) Maritime Security Program (MSP)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	174,000	174,000	174,000	184,000	183,000	186,000
Enacted	174,000	174,000	174,000	160,289	186,000	

(\$000) Food Aid Reform	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested					25,000	25,000
Enacted					0	

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**MARITIME ADMINISTRATION
OPERATING-DIFFERENTIAL SUBSIDIES
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1709-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	10,746	-	-
1050 Unobligated balance (total)	10,746	-	-
Budget authority:			
Appropriations, discretionary:			
1131 Unob Bal: Unob bal of approps permanently reduced	-10,746	-	-
1160 BA: Disc: Appropriation Total	-10,746	-	-
1900 Budget authority (total)	-10,746	-	-
Change in obligated balance:			
3100 Obligated balance, end of year (net)	-	-	-
Budget authority and outlays, net:			
Discretionary:			
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	-	-	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-	-	-

OPERATING-DIFFERENTIAL SUBSIDIES

Program and Performance Statement

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

**MARITIME ADMINISTRATION
OCEAN FREIGHT DIFFERENTIAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1751-0-1-054		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	Ocean Freight Differential - 20% Excess Freight	51,638	92,800	-
0002	Ocean Freight Differential - Incremental	26,835	-	-
0003	Ocean Freight Differential - Interest to Treasury	21	-	-
0900	Total new obligations	78,493	92,800	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	32,336	-	-
1021	Recoveries of prior year unpaid obligations	-	-	-
1050	Unobligated balance (total)	32,336	-	-
Budget authority:				
Appropriations, mandatory:				
1200	Appropriation	125,808	92,800	-
1236	Appropriation applied to repay debt	-125,787	-92,800	-
1260	Appropriations, mandatory (total)	21	-	-
Borrowing authority, mandatory:				
1400	Borrowing authority	53,021	100,000	-
1420	Borrowing authority permanently reduced	-6,885	-7,200	-
1440	Borrowing authority, mandatory (total)	46,136	92,800	-
1900	Budget authority (total)	46,157	92,800	-
1930	Total budgetary resources available	78,493	92,800	-
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	-	-	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	12	1	1
3010	Obligations incurred, unexpired accounts	78,493	92,800	-
3020	Outlays (gross)	-78,505	-92,800	-
3040	Recoveries of unpaid prior year obligations, unexpired	-	-	-
3050	Unpaid obligations, end of year (gross)	1	1	1
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	12	1	1
3200	Obligated balance, end of year (net)	1	1	1
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	46,157	92,800	-

**MARITIME ADMINISTRATION
OCEAN FREIGHT DIFFERENTIAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1751-0-1-054	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Outlays gross:			
4100 Outlays from new mandatory authority	78,473	92,800	-
4101 Outlays from mandatory balances	32	-	-
4110 Outlays, gross (total)	<u>78,505</u>	<u>92,800</u>	<u>-</u>
4160 Budget authority, net (mandatory)	46,157	92,800	-
4170 Outlays, net (mandatory)	78,505	92,800	-
4180 Budget authority, net (total)	46,157	92,800	-
4190 Outlays, net (total)	78,505	92,800	-

OCEAN FREIGHT DIFFERENTIAL

Program and Performance Statement

Pursuant to 46 U.S.C. 55316, mandatory borrowing authority was provided for MARAD to finance reimbursements through the USDA Commodity Credit Corporation incurred by USDA and USAID for certain ocean freight cost differentials to transport humanitarian food aid cargoes on U.S.-flag vessels instead of on lower cost foreign-flag vessels. Public Law 112–141, the Moving Ahead for Progress in the 21st Century Act (MAP 21), eliminated the requirement for the incremental freight differential reimbursement by reducing the U.S. flag cargo preference requirement for humanitarian food aid commodities transported internationally from 75 percent to 50 percent. Public Law 113–76, H.J. Res. 59, The Bipartisan Budget Act of 2013, repealed MARAD's mandatory borrowing authority, eliminating funding for the 20 percent Excess Cost Differential reimbursement, a program created reimburse USDA and USAID when the cost of ocean transportation and ocean freight differential exceeded 20 percent of the total cost of the commodity being shipped. As a result of these two legislative actions, in FY 2015, there are no ocean freight differential reimbursement requirements.

EXHIBIT III-1

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

	<u>FY 2013</u> <u>ACTUAL</u>	<u>FY 2014</u> <u>ENACTED</u>	<u>FY 2015</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2014-2015</u>
Ocean Freight Differential	46,532	92,600	-	-92,600
Total	46,532	92,600	-	-92,600
FTEs				
Direct Funded	-	-	-	-
Allocations	-	-	-	-
Reimbursable	-	-	-	-

EXHIBIT III -1a

**OCEAN FREIGHT DIFFERENTIAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

ITEM	Change from FY 2014 to FY 2015	Total
FY 2014 Enacted		
Ocean Freight Differential		\$92,600
Adjustments to Base	0	
Subtotal, Adjustments to Base	\$0	\$0
New or Expanded Programs		
Program Expenses	-92,600	
Subtotal, New or Expanded Program Increases/ Decreases	-\$92,600	-\$92,600
Total FY 2015 Request		\$0

Justification for Ocean Freight Differential (OFD)

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Ocean Freight Differential	46,532	92,800	0	-92,800
Total	\$46,532	\$92,800	\$0	\$-92,800

I. Budget Request

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

No new borrowing authority is requested to fund the Ocean Freight Differential (OFD) program for FY 2015. OFD budget authority is not requested in annual appropriations. Prior to The Bipartisan Budget Act of 2013, budget authority was provided by permanent indefinite borrowing authority commensurate with estimates for budget year freight differential requests from U.S. Department of Agriculture (USDA).

Why do we want/need to fund this program at the requested level?

Funds are not requested for FY 2015. Pursuant to 46 U.S.C. §55316(e), borrowing authority was required previously by MARAD to reimburse the Department of Agriculture's Commodity Credit Corporation to offset certain differential costs to ship humanitarian food aid cargo on U.S. flag vessels instead of foreign-flag vessels in accordance with the Food Security Act of 1985.

As of July 2012, Public Law 112-141, H.R. 4348, the Moving Ahead for Progress in the 21st Century Act (MAP 21), reduced the minimum tonnage share of U.S. funded agricultural exports (food aid) reserved for U.S. flag vessels on a preference basis from at least 75 percent to at least 50 percent. Previously the Food Security Act of 1985 had increased the preference share from 50 percent to 75 percent. MAP-21 now returns the program to the original 50 percent level. By reducing the required U.S. flag participation from 75 percent back to the original 50 percent level, MAP-21 has, in fact, eliminated the 25 percent incremental freight differential reimbursement requirement.

As of December 26, 2013, Public Law 113-76, H.J. Res. 59, The Bipartisan Budget Act of 2013, repealed the 20 percent excess cost differential reimbursement payment. The 20 percent excess cost differential was created by the Food Security Act of 1985 to reimburse the agencies when the cost of ocean transportation and ocean freight differential exceeded 20 percent of the total cost of the commodity being shipped. The Bipartisan Budget Act of 2013 also repealed MARAD's borrowing authority to finance differential reimbursements.

As a result of these two legislative actions, there is no requirement for the either the 25 percent incremental freight differential reimbursement or the 20 percent excess cost differential payments. All outstanding reimbursement requests will be funded in FY 2014.

Funding History:

((\$000) Ocean Freight Differential	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	175,000	175,000	175,000	150,000	92,800	0
Enacted	175,000	175,000	175,000	46,532	92,800	

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

(In thousands of dollars)

Identification code 69-70-1710-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	Ready Reserve Force	-	-	285,180
0801	Reimbursable program	364,007	377,545	87,000
0900	Total new obligations	364,007	377,545	372,180
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	20,673	24,545	12,000
1021	Recoveries of prior year unpaid obligations	6,959	-	-
1050	Unobligated balance (total)	27,632	24,545	12,000
Budget authority:				
Appropriations discretionary:				
1121	Appropriation transferred from other accts [17-1804]	-	-	291,000
1160	Appropriations discretionary (total)	-	-	291,000
Spending auth from offsetting collections, discretionary:				
1700	Collected	365,514	365,000	75,000
1701	Change in uncollected payments, Federal sources	-426	-	-
1750	Spending auth from offsetting collections, disc (total)	365,089	365,000	75,000
1930	Total budgetary resources available	392,721	389,545	378,000
Memorandum (non-add) entries:				
19.40	Unobligated balance expiring	-4,169	-	-
1941	Unexpired unobligated balance end of year	24,545	12,000	5,820
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	198,392	183,680	84,008
3010	Obligations incurred, unexpired accounts	364,007	377,545	372,180
3011	Obligations incurred, expired accounts	25	-	-
3020	Outlays (gross)	-358,187	-477,217	-402,400
3040	Recoveries of prior year unpaid obligations, unexpired	-6,959	-	-
3041	Recoveries of prior year unpaid obligations, expired	-13,598	-	-
3050	Unpaid obligations, end of year	183,680	84,008	53,788
Uncollected payments:				
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-82,237	-59,508	-59,508
3070	Change in uncollected pymts, Fed sources, unexpired	426	-	-
3071	Change in uncollected pymts, Fed sources, expired	22,304	-	-
3090	Uncollected pymts, Fed sources, end of year	-59,508	-59,508	-59,508
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	116,155	124,171	24,499
3200	Obligated balance, end of year	124,171	24,499	-5,721

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

(In thousands of dollars)

Identification code 69-70-1710-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Budget authority and outlays, net			
Discretionary:			
4000 Budget authority, gross	365,089	365,000	75,000
Outlays, gross:			
4010 Outlays from new discretionary authority	216,309	328,500	329,400
4011 Outlays from discretionary balances	141,877	148,717	73,000
4020 Outlays, gross (total)	358,187	477,217	402,400
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-386,738	-365,000	-75,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	426	-	-
4052 Offsetting collections credited to expired accounts	21,224	-	-
4060 Additional offsets against budget authority only (total)	21,650	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	-28,551	112,217	327,400
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-28,551	112,217	327,400

READY RESERVE FORCE

Program and Performance Statement

The Ready Reserve Force fleet (RRF) is comprised of government-owned merchant ships within the National Defense Reserve Fleet that are maintained in an advanced state of surge sealift readiness for the transport of cargo to a given area of operation to satisfy combatant commanders' critical war fighting requirements. Resources for RRF vessel maintenance, activation and operation costs, as well as RRF infrastructure support costs and additional Department of Defense/Navy sponsored sealift activities and special projects, are provided by a transfer of \$291million from the account Operations and Maintenance, Navy at the Department of Defense.

**MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION - DIRECT**

(\$000)

Object Class Code	Object Class	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request
	Reimbursable obligations:			
1111	Full-time permanent	-	-	25,921
1113	Other than full-time permanent	-	-	136
1115	Other personnel compensation	-	-	989
1119	Total personnel compensation	-	-	27,047
1121	Civilian personnel benefits	-	-	8,930
1210	Travel and transportation of persons	-	-	664
1220	Transportation of things	-	-	26
1231	Rental payments to GSA	-	-	2,486
1232	Rental payments to others	-	-	12,668
1233	Communications, utilities, and miscellaneous charge charges	-	-	8,393
1240	Printing	-	-	145
1251	Advisory and assistance services	-	-	1,970
1252	Other services from non-Federal sources	-	-	778
1253	Other goods and services from non-Federal sources	-	-	6,868
1254	Operation and maintenance of facilities	-	-	194,681
1256	Medical Care	-	-	2
1257	Operation and maintenance of equipment	-	-	4,679
1263	Supplies and materials	-	-	9,317
1310	Equipment	-	-	829
1320	Land and structures	-	-	5,698
9999	Total new obligations	-	-	285,180

**MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION- REIMBURSABLE**

(\$000)

Object Class Code	Object Class	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
	Reimbursable obligations:			
2111	Full-time permanent	26,058	25,932	-
2113	Other than full-time permanent	132	132	-
2115	Other personnel compensation	1,005	1,000	-
2119	Total personnel compensation	27,195	27,064	-
2121	Civilian personnel benefits	8,687	8,645	-
2210	Travel and transportation of persons	778	809	-
2220	Transportation of things	29	30	-
2231	Rental payments to GSA	1,842	2,537	-
2232	Rental payments to others	15,538	16,158	-
2233	Communications, utilities, and miscellaneous charges	9,375	9,749	-
2240	Printing	161	168	-
2251	Advisory and assistance services	2,197	2,285	708
2252	Other services from non-Federal sources	868	903	280
2253	Other goods and services from non-Federal sources	7,689	7,996	2,477
2254	Operation and maintenance of facilities	254,100	264,237	81,840
2256	Medical Care	2	2	-
2257	Operation and maintenance of equipment	5,263	5,473	1,695
2263	Supplies and materials	22,899	23,813	-
2310	Equipment	1,025	1,066	-
2320	Land and structures	6,357	6,610	-
9999	Total new obligations	364,007	377,545	87,000

Employment Summary

Ready Reserve Force		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Direct:				
1001	Civilian full-time equivalent employment	-	-	333
Reimbursable:				
2001	Civilian full-time equivalent employment	328	333	-
Total Employment		328	333	-

EXHIBIT III-1

READY RESERVE FORCE **Summary by Program Activity** **Appropriations, Obligation Limitations, and Exempt Obligations** **(\$000)**

	<u>FY 2003</u> <u>ACTUAL</u>	<u>FY 2014</u> <u>ENACTED</u>	<u>FY 2015</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2014-2015</u>
Ready Reserve Force - Transfer	<u>[302,932]</u>	<u>[299,000]</u>	<u>291,000</u>	<u>291,000</u>
Total, Ready Reserve Force (RRF)	[302,932] 1/	[299,000] 1/	291,000	291,000
FTEs				
Direct Funded	-	-	333	333
Allocations	-	-	-	-
Reimbursable	328	333	-	-333

1/ The amounts above were previously funded by reimbursements from the Department of Defense.

EXHIBIT III -1a

**READY RESERVE FORCE
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2014 to FY 2015	Total
FY 2014 Enacted		
Ready Reserve Force - Transfer		-
Adjustments to Base		
Subtotal, Adjustments to Base	-	-
New or Expanded Programs		
Ready Reserve Force - Transfer	291,000	
Subtotal, New or Expanded Program Increases/ Decreases	\$291,000	\$291,000
Total FY 2015 Request	\$291,000	\$291,000

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 supporting objective for Security and Preparedness.

DoD availability requirements rate for RRF activations.	2011	2012	2013	2014	2015
Target	xx	xx	xx	85.0	85.0
Actual	xx	xx	xx		
Target Achieved					

Justification for the Ready Reserve Fleet (RRF)

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
DoD RRF Reimbursements	[302,923]	[299,025]		
DoD RRF Direct Transfers 1/			291,000	291,000
Total	\$[302,923]	\$[299,025]	\$291,000	\$291,000

1/ Reflects a non-expenditure transfer from the Department of Defense beginning in FY 2015 in lieu of Department of Defense reimbursements.

I. Budget Request

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

The Department of Defense (DoD) FY 2015 budget proposes that funds be provided to MARAD, via a direct non-expenditure transfer from the Operations and Maintenance, Navy account in the amount of \$291 million, an \$8 million decrease from the FY 2014 level, for program administration of the National Defense Reserve Fleet (NDRF) and Ready Reserve Force (RRF). Historically, funding in support of NDRF and RRF activities were provided by DoD on a reimbursable basis from an appropriation to the National Defense Sealift Fund.

The funding from the DoD budget will allow MARAD to maintain the RRF vessels in a ready, reliable, and responsible condition to provide strategic sealift to the armed forces of the United States, and to provide, with the concurrence of the U.S. Transportation Command, humanitarian support during national emergencies. The funding also supports the three NDRF fleet sites.

Why do we want/need to fund this program at the requested level?

Funding will allow MARAD to continue to provide ready sealift support in FY 2015 in the areas of activating, operating, deactivating and special mission requirements for RRF vessels and maintaining three fleet sites. RRF ships provide sealift in support to DoD, such as Operations Enduring Freedom and Iraqi Freedom. Specific funding for these DoD missions is provided through transfer to MARAD when vessels are activated. It is anticipated that DoD will continue to utilize the vessels to their maximum capability when the commercial U.S. flag industry is unable.

II. Program Performance

What is the program?

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

The RRF may also be called upon to provide relief effort and humanitarian assistance in time of national emergency. This was the case on the U.S. Gulf Coast following hurricanes Katrina and Rita landfalls in 2005. The Federal Emergency Management Agency used nine of MARAD's vessels to support relief efforts, including messing and berthing provided for refinery workers, emergency response teams, and longshoremen. Other humanitarian examples included response to the 2010 Haiti earthquake with three MARAD vessels, and following the 2012 Super Storm SANDY in New York City with the use of one RRF vessel and two NDRF schoolships

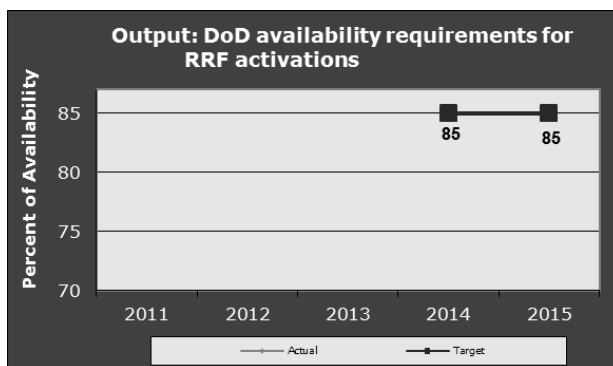
When the RRF program first began there were only 6 ships which grew to 102 ships by 1993; however, today the program consists of 46 well maintained ships including: 35 roll-on/roll off (RO/RO) vessels, 4 heavy lift or barge carrying ships, 6 auxiliary crane ships, 1 tanker, 2 aviation repair vessels and 2 special mission ships. Two RRF ships are home ported in the NDRF anchorage in Beaumont, Texas, and one is located in the Suisun Bay anchorage in California. The balance is berthed at various U.S. ports.

Why is this particular program necessary?

The Ready Reserve Force (RRF) is funded through DoD appropriations and managed by MARAD. RRF ships are expected to be fully operational to meet DoD assigned 5 and 10-day readiness requirements and sail to designated loading berths. To maintain that readiness, the program retains commercial U.S. ship managers under contract to provide systems maintenance, equipment repairs, logistics support, activation, manning, and operations management.

How do you know the program works?

MARAD measures and tracks the agency's performance in meeting the DoD availability requirement for RRF activations. The DoD readiness criterion is used to determine if any given ship qualifies for being ready on any given day to meet a mission requirement lasting up to 180 days. In FY 2015, we anticipate meeting our target availability of RRF fleet readiness of 85 percent.



Funding History:

(\$000)						
RRF	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 2/
Requested						291,000
Enacted 1/	[274,691]	[332,130]	[309,270]	[302,923]	[299,025]	

1/ Funds provided by reimbursement from the Department of Defense for FYs 2010 – 2014.

2/ Reflects a non-expenditure transfer from the Department of Defense beginning in FY 2015.

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

(In thousands of dollars)

Indentification code 69-70-4303-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0801	Vessel operations	9,780	25,000	25,000
0900	Total new obligations	9,780	25,000	25,000
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	59,092	72,640	62,640
1021	Recoveries of prior year unpaid obligations	2,543	-	-
1050	Unobligated balance (total)	61,636	72,640	62,640
Budgetary authority:				
Spending authority from offsetting collections, discretionary:				
1700	Collected	25,411	15,000	15,000
1701	Change in uncollected payments, Federal sources	-3,714	-	-
1725	Spending auth from offsetting collections precluded from obligation (limitation on obligations)	-913	-	-
1750	Spending auth from offsetting collections, disc (total)	20,784	15,000	15,000
1930	Total budgetary resources available	82,420	87,640	77,640
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	72,640	62,640	52,640
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	14,828	9,489	1,500
3010	Obligations incurred, unexpired accounts	9,780	25,000	25,000
3020	Outlays (gross)	-12,576	-32,988	-23,500
3040	Recoveries of prior year unpaid obligations, unexpire	-2,543	-	-
3050	Unpaid obligations, end of year	9,489	1,500	3,000
Uncollected payments:				
3060	Uncollected pymts, Fed sources, brought forward, Oc	-15,888	-12,174	-12,174
3070	Change in uncollected pymts, Fed sources, unexpired	3,714	-	-
3090	Uncollected pymts, Fed sources, end of year	-12,174	-12,174	-12,174
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	-1,061	-2,686	-10,674
3200	Obligated balance, end of year	-2,686	-10,674	-9,174

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

(In thousands of dollars)

Indentification code 69-70-4303-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	20,784	15,000	15,000
Outlays, gross:				
4010	Outlays from new discretionary authority	-	13,500	13,500
4011	Outlays from discretionary balances	12,576	19,488	10,000
4020	Outlays, gross (total)	12,576	32,988	23,500
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources	-3,714	-	-
4033	Non-Federal sources	-21,697	-15,000	-15,000
4040	Offsets against gross budget authority and outlays (to	-25,411	-15,000	-15,000
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	3,714	-	-
4070	Budget authority, net (discretionary)	-913	-	-
4080	Outlays, net (discretionary)	-12,835	17,988	8,500
4180	Budget authority, net (total)	-913	-	-
4190	Outlays, net (total)	-12,835	17,988	8,500

VESSEL OPERATIONS REVOLVING FUND

Program and Performance Statement

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

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

**MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
OBJECT CLASSIFICATION**

(\$000)				
Object Class Code	Object Class	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
	Reimbursable obligations:			
2210	Travel and transportation of persons	7	18	31
2220	Transportation of things	84	220	367
2231	Rental payments to GSA	868	-	-
2232	Rental payments to others	-	5	0
	Communications, utilities, and			
2233	miscellaneous charges	4	5	-
2251	Advisory and assistance services	-	3	-
2252	Other services from non-Federal sources	1	17	26
	Other goods and services from non-Federal			
2253	sources	322	850	1,233
2254	Operation and maintenance of facilities	6,023	15,469	22,595
2257	Operation and maintenance of equipment	92	251	349
2260	Supplies and materials	85	221	367
2310	Equipment	8	20	33
2320	Land and structures	2,285	7,921	-
9999	Total new obligations	9,780	25,000	25,000

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

(In thousands of dollars)

Identification code 69-4302-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	General Administration	50	50	50
0900	Total new obligations	50	50	50
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	47,405	47,629	47,854
1050	Unobligated balance (total)	47,405	47,629	47,854
Budget authority:				
Appropriations, discretionary:				
1700	Collected	275	275	275
1701	Change in uncollected payments, Federal Sources	-	-	-
1750	Spending auth from offsetting collections, disc (total)	275	275	275
1900	Budget authority (total)	275	275	275
1930	Total budgetary resources available	47,679	47,904	48,129
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	47,629	47,854	48,079
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	17	50	-
3010	Obligations incurred, unexpired accounts	50	50	50
3020	Outlays (gross)	-17	-100	-50
3050	Unpaid obligations, end of year (gross)	50	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	17	50	-
3200	Obligated balance, end of year (net)	50	-	-
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	275	275	275
4010	Outlays from new discretionary authority	-	50	50
4011	Outlays from discretionary balances	17	50	-
4020	Outlays, gross (total)	17	100	50
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources			
4031	Disc: Offsets, BA and OL: collect, Int, Fed secur	-275	-275	-275
4040	Outlays, net (total)	-275	-275	-275

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

(In thousands of dollars)

Identification code 69-4302-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Additional offsets against gross budget authority only:			
4080 Outlays, net (discretionary)	-258	-175	-225
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-258	-175	-225
Memorandum (non-add_ entries:			
5000 Total Investments, SOY: Federal securities:			
Par value	28,735	42,660	43,000
5001 Total Investments, EOY: Federal securities:			
Par value	42,660	43,000	43,500

WAR RISK INSURANCE REVOLVING FUND

Program and Performance Statement

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

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

Object Class		FY 2013	FY 2014	FY 2015
<u>Code</u> <u>Object Class</u>		<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Direct obligations:				
1253 Other goods and services from Federal sources		50	50	50
9999 Total, new obligations		50	50	50

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

For [the cost of guaranteed loans, as authorized, \$38,500,000, of which \$35,000,000 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 \$3,500,000 shall be available for] *necessary* administrative expenses [to carry out the] *of the maritime* guaranteed loan program, [which] \$3,100,000 shall be [transferred to and merged with] *paid to* the appropriations for "Operations and [Training"] *Training*, Maritime Administration". (*Department of Transportation Appropriations Act, 2014.*)

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

(In thousands of dollars)

Identification code 69-1752-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0702	Loan guarantee subsidy	-	64,600	8,482
0707	Reestimates of loan guarantee subsidy	4,551	29,000	-
0708	Interest on reestimates of loan guarantee subsidy	6,690	5,000	-
0709	Administrative expenses	3,544	3,500	3,100
0900	Total new obligations	14,786	102,100	11,582
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	27,516	38,082	8,482
1021	Recoveries of prior year unpaid obligations	10,566	-	-
1050	Unobligated balance (total)	38,082	38,082	8,482
Budget authority:				
Appropriations, discretionary				
1100	Appropriation (administrative program)	3,740	3,500	3,100
1100	Appropriation (loan program)	-	35,000	-
1131	Unobligated balance of appropriations permanently reduced	-196	-	-
1160	Appropriation, discretionary (total)	3,544	38,500	3,100
Appropriations, mandatory:				
1200	Appropriation	11,242	34,000	-
1260	Appropriations, mandatory (total)	11,242	34,000	-
1900	Budget authority (total)	14,786	72,500	3,100
1930	Total budgetary resources available	52,868	110,582	11,582
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	38,082	8,482	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	10,566	-	-
3010	Obligations incurred: unexpired accounts	14,786	102,100	11,582
3020	Outlays (gross)	-14,786	-102,100	-11,582
3040	Recoveries, of prior year unpaid obligations, unexpired	-10,566	-	-
3050	Unpaid obligations, end of year	-	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	10,566	-	-
3200	Obligated balance, end of year	-	-	-

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

(In thousands of dollars)

		FY 2013	FY 2014	FY 2015
		Actual	Enacted	Request
Identification code 69-1752-0-1-403				
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	3,544	38,500	3,100
Outlays, gross:				
4010	Outlays from new discretionary authority	3,544	38,500	3,100
4011	Outlays from discretionary balances	-	29,600	8,482
4020	Outlays gross, (total)	3,544	68,100	11,582
4070	Budget authority, net (discretionary)	3,544	38,500	3,100
4080	Outlays, net (discretionary)	3,544	68,100	11,582
Mandatory:				
4090	Budget authority, gross	11,242	34,000	-
Outlays, gross:				
4100	Outlays from new mandatory authority	11,242	34,000	-
4160	Budget authority, net (mandatory)	11,242	34,000	-
4170	Outlays, net (mandatory)	11,242	34,000	-
4180	Budget authority, net (total)	14,786	72,500	3,100
4190	Outlays, net (total)	14,786	102,100	11,582

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 resources for the administrative expenses of the program, including management of the loan portfolio which has \$1.7 billion in loan guarantees and 39 guarantee contracts.

EXHIBIT III-1

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

	<u>FY 2013</u> <u>ACTUAL</u>	<u>FY 2014</u> <u>ENACTED</u>	<u>FY 2015</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2014-2015</u>
Maritime Guaranteed Loan				
Program- Administrative Exp.	3,544	3,500	3,100	-400
Loan Subsidy	-	35,000	-	-35,000
Total	3,544	3,500	3,100	-35,400
FTEs				
Direct Funded 1/	[13]	[15]	[15]	[-]
Allocations	[-]	[-]	[-]	[-]
Reimbursable	[-]	[-]	[-]	[-]

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

EXHIBIT III -1a

**MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

ITEM	Change from FY 2014 to FY 2015	Total
FY 2014 Enacted		
Title XI Admin. Exp./Loan Subsidies		\$38,500
Adjustments to Base		
Annualization of FY 2014 Pay Raise	6	
2014 Pay Raise (1%)	18	
Subtotal, Adjustments to Base	\$24	\$24
New or Expanded Programs		
Operating Expenses	-424	
Loan Subsidies	-35,000	
Subtotal, New or Expanded Program Increases/ Decreases	-35,424	-\$35,424
Total FY 2015 Request	-\$35,400	\$3,100

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	2011	2012	2013	2014	2015
Target	xxx	90.00	90.25	90.50	90.75
Actual	90.00	90.00	90.40		
Target Achieved		√	√		

Percentage of financial reviews documented w/in 30 days of receipt of financial reports	2011	2012	2013	2014	2015
Target	90	95	100	100	100
Actual	100	100	100		
Target Achieved	√	√	√		

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

**FY 2006 - FY 2015
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2006	Guarantee Subsidy	-	5,000 ^{1/}
	Administration	3,526	4,085
	Rescission of Unobligated Balance	-	-
	TOTAL	3,526	9,085
2007	Guarantee Subsidy	-	-
	Administration	3,317	4,085
	Rescission of Unobligated Balance	-2,068	-
	TOTAL	3,317	4,085
2008	Guarantee Subsidy	-	5,000
	Administration	- ^{2/}	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 ^{3/}
	DOD Transfer		40,000
	Administration	3,688	3,992 ^{3/}
	Rescission of Unobligated Balance	-	-
	TOTAL	3,688	48,982

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

**FY 2006 - FY 2015
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2012	Guarantee Subsidy	-	-
	Administration	3,740	3,740
	Rescission of FY 2009/2010 Unobligated	-	-35,000 4/
	TOTAL	3,740	-31,260
2013	Guarantee Subsidy	-	-
	Administration	3,750	3,544 5/
	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	-
	Rescission of Unobligated Balance	-	-
	TOTAL	3,100	-

Footnotes (Actual Dollars - not in thousands):

1/ Transferred from Highway Priority Projects (Section 113).

2/ 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.

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

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

5/ This amount reflects FY 2013 sequestration reductions.

Justification for the Maritime Guaranteed Loan Program (Title XI)

(\$000)				
Program Activity	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request	Difference from FY 2014
Administrative Expenses	3,544	3,500	3,100	-400
Loan Guarantees		35,000		-35,000
Total	\$3,544	\$38,500	\$3,100	\$-35,400

I. Budget Request

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

For FY 2015, \$3.1 million is requested for Maritime Guaranteed Loan Program (Title XI), \$35.4 million below the FY 2014 enacted level. The requested amount of \$3.1 million for administrative expenses provides for staff salaries and benefits and operating expenses to review pending loan guarantee requests and manage the current \$1.7 billion loan portfolio to maintain compliance with the Federal Credit Reform Act requirements. Proper monitoring of the loan portfolio is critical to reducing the government costs associated with default and maintenance expenses. No new loan subsidy funds are requested for additional ship construction loan guarantees in FY 2015.

Why do we want/need to fund this program at the requested level?

This funding level will support administrative expenses facilitating compliance with the Federal Credit Reform Act and the Department of Transportation Inspector General (DOTIG) and Government Accountability Office (GAO) recommendations on application processing and portfolio management. MARAD will continue to increase its effectiveness in monitoring the Title XI loan guarantee portfolio and the efficient management of assets acquired through borrower default through the financial management review process.

II. Program Performance

What is the program?

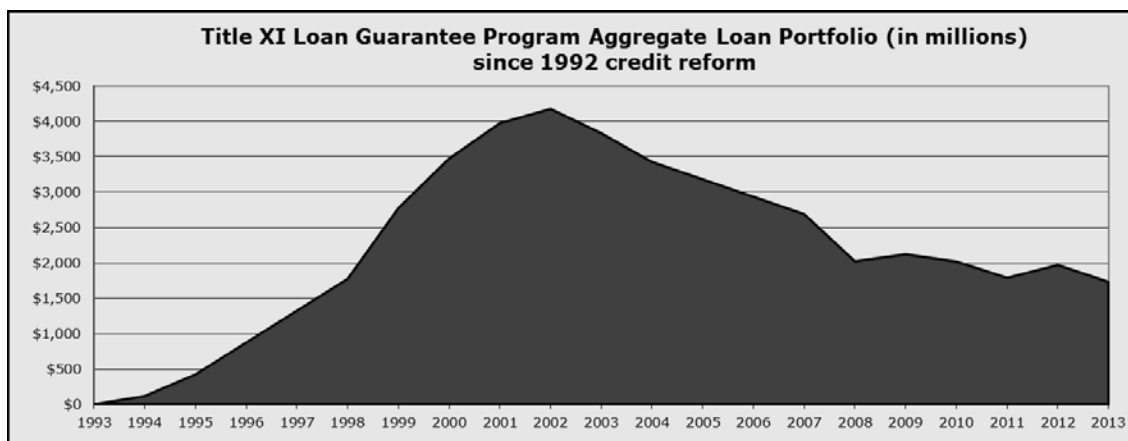
The primary purpose of the Maritime Guaranteed Loan program is to promote the growth and modernization of the U.S. Merchant Marine and U.S. shipyards by providing additional opportunities for vessel construction. New modern vessels improve safety as our U.S. flag fleet is recapitalized and new tonnage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

Vessels eligible for Title XI assistance generally include commercial vessels such as passenger ferries, bulk carriers, container ships, product and chemical tankers, towboats, barges, dredges, oceanographic research vessels, floating power barges, floating oil rigs and support vessels, and floating drydocks. Efforts to be supported include purchase and installation of new technologies, including technologies that reduce impacts of ship operations on the environment such as less-polluting engines, alternative fuel propulsion systems including natural gas and biofuel technologies, scrubbers, ballast water treatment technologies, and technologies to reduce the impact of other vessel discharges.

MARAD has executed 109 loan guarantee contracts since credit reform in 1993, totaling \$6.4 billion in loan guarantees. During this time, 12 participants in the program have defaulted on their loan agreements. The program loan portfolio reached \$4 billion in 2002. As mentioned above, as of FY 2014 the program has \$1.7 billion in outstanding loan guarantees and 39 individual loan guarantee contracts. Although one loan will be approved in second quarter FY 2014, the most recent new loan approval occurred in FY 2011.

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

The requested level will fund administrative expenses to enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio and asset management, and to guarantee the debt associated with over \$500 million of environmental technology enhancements to modernizing U.S. flag vessels, the Marine Highway, and other new ship construction.

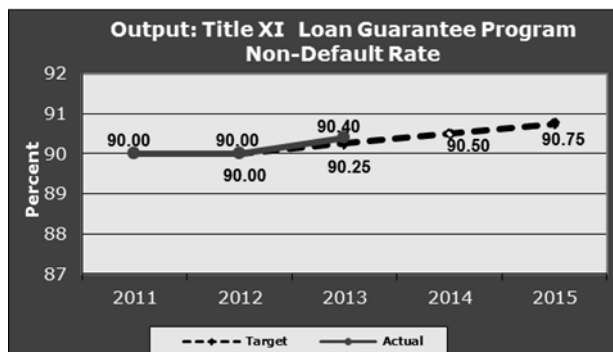


Why is this particular program necessary?

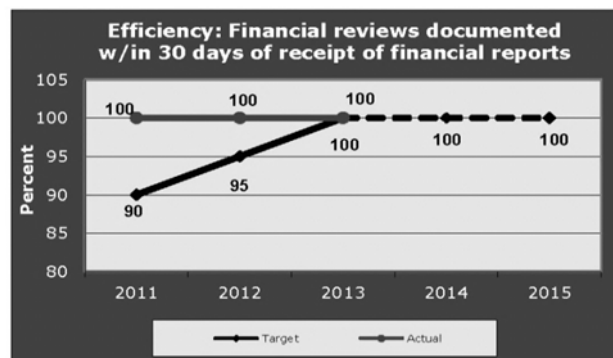
The Maritime Guaranteed Loan Program promotes the growth and modernization of the U.S. Merchant Marine and U.S. shipyards by enabling owners of eligible vessels and shipyards to obtain long-term financing on terms and conditions that might not otherwise be available for projects that are technically,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

How do you know the program works?

The agency monitors Title XI program performance measures, including the Title XI loan guarantee portfolio non-default rate, with a target of achieving a rate of 90.75 percent by FY 2015. With new loan guarantees of \$594 million in FY 2011 and no defaults since February 2010, the program has exceeded the FY 2013 target and reported a non-default rate of 90.4 percent.



The agency also tracks efficiency of the program's financial review process. MARAD will continue to improve the effectiveness of monitoring the current Title XI loan guarantee portfolio of \$1.7 billion, and expects to meet or exceed our target for FY 2015 of completing financial reviews of the financial reports within 30 days of receipt. During FY 2013, MARAD completed all required financial reviews within the 30 day target.



Additionally, MARAD expects to complete an impact evaluation in FY 2014 for the Title XI program. The agency will look for evaluation findings to provide credible evidence of program performance to inform future decisions and improved guidance for operating program efficiency and effectiveness.

Funding History:

(\$000) Maritime Guaranteed Loans (Title XI) – Administrative Expenses	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	3,630	3,688	3,740	3,750	2,655	3,100
Enacted	4,000	3,992	3,740	3,544	3,500	

(\$000) Loan Subsidies	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Requested	0	0	0	0	0	0
Enacted	5,000	4,990	1/	0	35,000	

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

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

(In thousands of dollars)

		FY 2013	FY 2014	FY 2015
Identification code 69-4304-0-1-054		ACTUAL	ENACTED	REQUEST
Obligations by program activity:				
Credit program obligations				
0711	Default claim payments on principal	-	48,749	50,544
0712	Default claim payments on interest	-	2,565	2,660
0713	Payment of interest to Treasury	2,227	2,500	1,500
0715	Default related activities	129	10,000	10,000
0742	Downward reestimate paid to receipt account	19,572	4,567	-
0743	Interest on downward reestimate	17,783	9,545	-
0900	Total new obligations	39,711	77,926	64,704
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	249,259	231,364	286,695
1021	Recoveries of prior year unpaid obligations	1,125	-	-
1050	Unobligated balance (total)	250,384	231,364	286,695
Financing authority				
Borrowing authority, mandatory:				
1400	Borrowing authority	-	10,000	-
1440	Borrowing authority, mandatory (total)	-	10,000	-
Spending authority from offsetting collections, mandatory:				
1800	Collected	20,690	123,257	8,482
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)	20,690	123,257	8,482
1900	Financing authority (total)	20,690	133,257	8,482
1930	Total budgetary resources available	271,074	364,621	295,177
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	231,364	286,695	230,473
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	568	-459	77,467
3010	Obligations incurred, unexpired accounts	39,711	77,926	64,704
3020	Financing disbursements (gross)	-39,612	-	-
3040	Ob Bal: Recov, prior year unpaid obs, unexp accts	-1,125	-	-
3050	Unpaid obligations, end of year	-459	77,467	142,171
Memorandum (non-add) entries				
3100	Obligated balance, start of year (net)	568	-459	77,467
3200	Obligated balance, end of year (net)	-459	77,467	142,171

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

(In thousands of dollars)

		FY 2013	FY 2014	FY 2015
		ACTUAL	ENACTED	REQUEST
Identification code 69-4304-0-1-054				
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	20,690	133,257	8,482
Financing disbursements:				
4110	Financing disbursements, gross	39,612	-	-
Offsets against gross financing authority and disbursements: (total):				
Offsetting collections (collected) from:				
4120	Payments from program account- Upward Reestimate	-11,242	-98,257	-8,482
4122	Interest on uninvested funds	-9,000	-	-
4123	Loan Repayment	-449	-25,000	-
4130	Offsets against gross financing auth and disbursements (total)	-20,690	-123,257	-8,482
4160	Financing authority, net (mandatory)	-	10,000	-
4170	Outlays, net (mandatory)	18,922	-123,257	-8,482
4180	Budget authority, net (total)	-	10,000	-
4190	Outlays, net (total)	18,922	-123,257	-8,482

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 2013 Actual	FY 2014 Enacted	FY 2015 Estimate
Position in respect to appropriations act limitation on commitments:				
2131	Guaranteed loan commitments exempt from limitation	-	626,300	85,000
2150	Total guaranteed loan commitments	-	626,300	85,000
Cummlative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year	1,966,363	1,730,841	2,161,748
2231	Disbursements of new guaranteed loans	-	626,300	85,000
2251	Repayments and prepayments	-235,486	-144,078	-143,087
Adjustments:				
2262	Terminations for Default that result in acquisition of property	-36	-51,315	-53,204
2290	Outstanding, end of year	1,730,841	2,161,748	2,050,457
2299	Guaranteed amount of guaranteed loans outstanding, end of year	1,730,841	2,161,748	2,050,457

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

Identification code 69-4304-0-3-999		FY 2012 Actual	FY 2013 Actual
ASSETS:			
Federal assets:			
1101	Fund balance with Treasury	250,000	230,905
	Investments in US securities:		
1106	Receivables, net	<u>5,000</u>	<u>11,206</u>
1999	Total assets	255,000	242,111
LIABILITIES:			
Non-federal liabilities:			
2204	Liabilities for loan guarantees	<u>255,000</u>	<u>242,111</u>
4999	Total liabilities and net position	255,000	242,111

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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 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	Port of Guam Improvement Enterprise Fund	6,773	40,500	-
0801	Reimbursable program	24	1,064	-
0900	Total new obligations	6,797	41,564	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	48,302	41,564	-
1021	Recoveries of prior year unpaid obligations	59	-	-
1050	Unobligated balance (total)	48,360	41,564	-
Budget authority:				
Appropriations, discretionary:				
1160	Appropriation, discretionary (total)	-	-	-
1700	Collected	9	-	-
1701	Change in uncollected payments, Federal sources	-9	-	-
1750	Spending auth from offsetting collections, disc - (total)	-	-	-
1900	Budget authority (total)	-	-	-
1930	Total budgetary resources available	48,360	41,564	-
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	41,564	-	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	1,571	5,294	1,313
3010	Obligations incurred, unexpired accounts	6,797	41,564	-
3020	Outlays (gross)	-3,015	-45,545	-
3040	Recoveries of prior year unpaid obligations, unexpired	-59	-	-
3050	Unpaid obligations, end of year (gross)	5,294	1,313	1,313
Uncollected payments:				
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	-1,321	-1,313	-1,313
3070	Change in uncollected pymts, Fed sources, unexpired	9	-	-
3071	Change in uncollected pymts, Fed sources, expired	-	-	-
3090	Uncollected pymts, Fed sources, end of year	-1,313	-1,313	-1,313
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	250	3,981	-
3200	Obligated balance, end of year (net)	3,981	-	-

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

(In thousands of dollars)

Identification code 69-5560-0-1-403	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	-	-	-
4010 Outlays from new discretionary authority	1,972	-	-
4011 Outlays from discretionary balances	1,043	45,545	-
4020 Outlays gross, (total)	3,015	45,545	-
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-9	-	-
4033 Non-Federal sources	-	-	-
4040 Offsets against gross budget authority and outlays (total)	-9	-	-
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	9	-	-
4052 Offsetting collections credited to expired accounts	-	-	-
4060 Additional offsets against gross budget authority only (total)	9	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	3,006	45,545	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	3,006	45,545	-

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

Object Class		FY 2013	FY 2014	FY 2015
<u>Code</u>	<u>Object Class</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
	Direct Obligations:			
1210	Travel and transportation of persons	156	-	-
1252	Other services	24	-	-
1253	Other purchases of goods and svcs from Gov't	6,593	40,500	-
1990	Subtotal, direct obligations	6,773	40,500	-
	Reimbursable Obligations:			
2210	Travel and transportation of persons	5	-	-
2253	Other purchases of goods and svcs from Gov't	19	1,064	-
2990	Subtotal, reimbursable obligations	24	1,064	-
9999	Total New Obligations	6,797	41,564	-

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

(In thousands of dollars)

Identification code 69-8547-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Obligations by program activity:				
0001	Special Studies	640	1,397	-
0002	Gifts and Bequests	873	3,435	1,000
0900	Total new obligations (object class 25.3)	1,513	4,831	1,000
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	4,655	3,832	-
1021	Recoveries of prior year unpaid obligations	72	-	-
1050	Unobligated balance (total)	4,727	3,832	-
Budget authority:				
Appropriations, mandatory:				
1201	Appropriation Special Studies, Service & Products (8547)	-	-	-
1201	Appropriation Gifts & Bequests (8503)	617	1,000	1,000
1260	Appropriations, mandatory (total)	617	1,000	1,000
1900	Budget authority (total)	617	1,000	1,000
1930	Total budgetary resources available	5,344	4,832	1,000
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	3,832	-	-
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	10,408	921	-
3010	Obligations incurred, unexpired accounts	1,513	4,831	1,000
3020	Outlays (gross)	-10,927	-5,753	-1,000
3040	Recoveries of prior year unpaid obligations, unexpired	-72	-	-
3050	Unpaid obligations, end of year	921	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	10,408	921	-
3200	Obligated balance, end of year (net)	921	-	-
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	617	1,000	1,000
4100	Outlays from new mandatory authority	626	1,000	1,000
4101	Outlays from mandatory balances	10,301	4,753	-
4110	Outlays, gross (total)	10,927	5,753	1,000

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

(In thousands of dollars)

Identification code 69-8547-0-1-403		FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
4160	Budget authority, net (mandatory)	617	1,000	1,000
4170	Outlays, net (mandatory)	10,927	5,753	1,000
4180	Budget authority, net (total)	617	1,000	1,000
4190	Outlays, net (total)	10,927	5,753	1,000

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

Object Class Code	Object Class	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
	Direct obligations:			
1111	Full-time permanent	-	-	-
1113	Other than full-time permanent	-	-	-
1115	Other personnel compensation	-	-	-
1118	Special personnel services payments	-	-	-
1119	Total personnel compensation	-	-	-
1121	Civilian personnel benefits	-	-	-
1310	Benefits for former personnel			
1210	Travel and transportation of persons	128	409	85
24.0	Printing and reproduction	24	76	16
1251	Advisory and assistance services	0	0	0
1252	Other services	382	1,218	252
1253	Other goods and services from Federal Sources	641	2,047	424
1254	Operation and maintenance of facilities	0	0	0
1257	Operation and maintenance of equipment	0	0	0
1260	Supplies and materials	321	1,025	212
1310	Equipment	18	56	12
9999	Total, new obligations	1,513	4,831	1,000

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ADMINISTRATIVE PROVISIONS—MARITIME ADMINISTRATION

SEC. 170. Notwithstanding any other provision of this Act, the Maritime Administration is authorized to furnish utilities and services and make necessary repairs in connection with any lease, contract, or occupancy involving Government property under control of the Maritime Administration [, and] : *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. 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. Nothing contained herein shall affect the Maritime Administration's authority to award contracts at least cost to the Federal Government and consistent with the requirements of 16 U.S.C. 5405(c), section 3502, or otherwise authorized under the Federal Acquisition Regulation.]
(*Department of Transportation Appropriations Act, 2014.*)

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REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS

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

SEC. 3506. REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS.

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

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

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

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Appropriated Funds</u>		
Operations and Training	156,258	148,085
Assistance to Small Shipyards	9,980	9,458
Ship Disposal Program	5,500	5,212
Maritime Security Program	174,000	160,289
Maritime Guaranteed Loan Program (Title XI)	3,740	3,544
Subtotal, Appropriated Funds	349,478	326,588
<u>Other Budget Authority:</u>		
Ocean Freight Differential	175,000	46,532
Maritime Guaranteed Loan Programs - Subsidy Reestimate	42,707	11,242
Subtotal, Other Budget Authority	217,707	57,774
<u>Non-appropriated Funds:</u>		
Vessel Operations Revolving Fund	31,500	17,163
Ready Reserve Force	362,313	351,715
Operations and Training	11,684	1,501
Gifts and Bequests	1,227	617
OST Allocations	134,212	103,191
Non-Appropriated Funding Instrumentalities (NAFIs)	5,206	272
Subtotal, Non-Appropriated Funds	546,142	474,459
Total Funds	1,113,327	858,821

The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. MARAD receives funds via interagency agreements, transfers and allocations to support the programs of a number of Departments and agencies, including Department of Defense (DOD)/U.S. Navy, and others. In FY 2013, while the agency's appropriations totaled \$327 million, the table above illustrates that the total program scope was over \$859 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) receive receipts attributable to the sale of obsolete vessels in the National Defense Reserve Fleet (NDRF) that are scrapped or sold and receive collections of rental payments for the Port of New Orleans.

Ready Reserve Force Fund

The Ready Reserve Force fleet (RRF) receives resources for RRF vessel maintenance, activation and operation costs, as well as RRF infrastructure support costs and additional Department of Defense/ Navy-sponsored sealift activities and special projects. These funds are provided by reimbursement from the National Defense Sealift Fund.

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. The large share of gifts and bequests received by MARAD are for the 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, as region or the nation. The Secretary's program provided \$102 million in FY 2013 for grants and \$1.2 million for administrative oversight of Marine Highway projects, including projects in Alabama, California (2), Florida, Indiana, Louisiana, New Jersey (2), Oklahoma, and Texas (2).

Non-Appropriated Funding Instrumentalities (NAFIs)

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

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