U.S. Department of
Transportation

BUDGET ESTIMATES

FISCAL YEAR 2011

MARITIME ADMINISTRATION

SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS

MARITIME ADMINISTRATION
FISCAL YEAR 2011
PERFORMANCE BUDGET REQUEST
Congressional Budget Justification

February 1, 2010

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2011

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2011

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MARITIME ADMINISTRATION
2011 Budget Request
Overview

For 2011, the Maritime Administration (MARAD) request totals $352.0 million, a decrease of $10.7 million from the 2010 enacted level, which will support the agency's coordinated program of activities and initiatives advancing Departmental and national objectives. The Operations and Training account request is $164.4 million, $14.6 million above 2010 enacted. Within this level, $30.9 million is included for capital improvements at the U.S. Merchant Marine Academy (USMMA) and $6.0 million will fund reimbursement of possible USMMA midshipman fee overcharges.

The Maritime Security Program (MSP) request of $174.0 million is equal to 2010, and consistent with the authorized level. The Maritime Guaranteed Loan Program (Title XI) request of $3.7 million continues to fund administrative support for the program. Funding of $10.0 million is requested for the Ship Disposal Program, a reduction of $5.0 million from the 2010 level because of the program's current high-level of unobligated carry-over balances. No funding is requested for Title XI subsidies or Small Shipyard grants in 2011.

The table at right illustrates the 2011 request by appropriation account. Following are more detailed discussions of 2011 highlighting initiatives and program increases.

MARITIME ADMINISTRATION
(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
OPERATIONS & TRAINING	123,360	149,750	164,353
U.S. Merchant Marine Academy	61,358	74,057	100,020
Academy Operations	53,208	59,057	63,120
Midshipman Fee Refunds	0	0	6,000
Capital Improvements	8,150	15,000	30,900
State Maritime Schools	14,500	15,940	15,007
Student Incentive Payments (SIP)	2,400	2,150	2,000
Direct Payments to Schools	1,600	2,550	2,000
Schoolship Maintenance & Repair	10,500	11,240	11,007
MARAD Operations & Programs	47,502	59,753	49,326
Headquarters Operations	45,971	48,265	48,326
Maritime Program Initiatives:	1,531	11,488	1,000
Secure & Efficient Ports Program	[0]	[7,000]	[0]
Environment and Compliance	[0]	[3,875]	[0]
Discretionary Program Expenses	[1,531]	[613]	[1,000]
ASSISTANCE TO SMALL SHIPYARDS 1/	117,500	15,000	0
SHIP DISPOSAL PROGRAM	15,000	15,000	10,000
MARITIME SECURITY PROGRAM	174,000	174,000	174,000
MARITIME GUARANTEED LOANS	3,531	9,000	3,688
Administrative Expenses	3,531	4,000	3,688
Loan Subsidies	0	5,000	0
TOTAL	**$433,391**	**$362,750**	**$352,041**

1/ Includes $100 million provided under ARRA in FY 2009.

U.S. Merchant Marine Academy

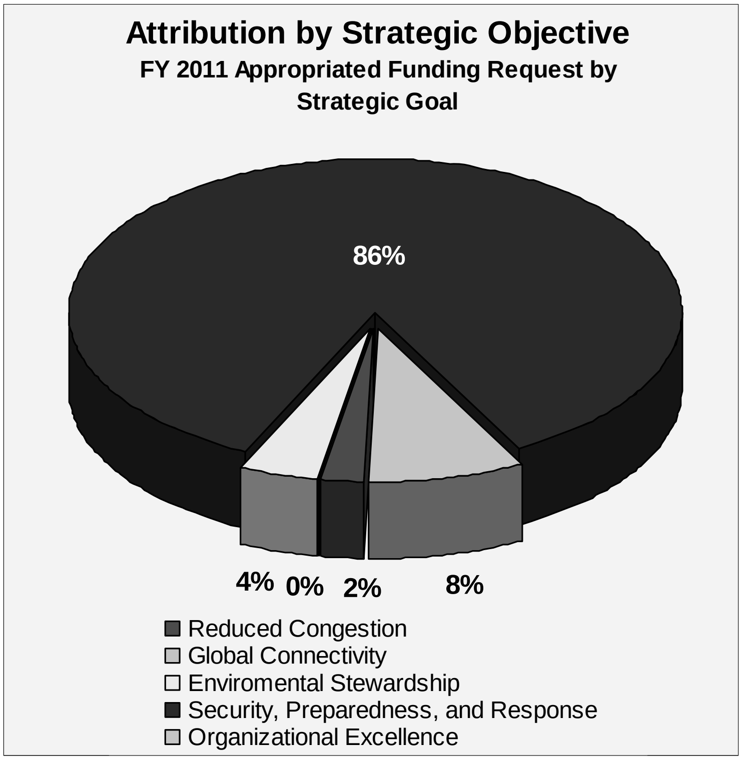
Improving processes at the USMMA is a DOT and MARAD priority, and the Academy is the focus of the agency's 2011 initiatives and program increases. MARAD requests $100.0 million for the USMMA in 2011, $26 million above 2010. The USMMA request includes a program increase for capital improvements, funding to support compensation for possible Midshipman Fee overcharges, and operational funding for necessary IT upgrades and academic program enhancements.

At the request of the Secretary, during 2009 MARAD engaged the assistance of a Blue Ribbon Panel of senior federal executives from across the government to assist in an independent analysis of the Academy's capital improvement needs. The 2011 request includes a total of $30.9 million for capital improvements, which focuses on many of the areas of high concern noted by the panel. This is an increase of $15.9 million above the 2010 level. Of the funding in the 2011 request, $23.0 million will support the priority renovation of the Delano Hall midshipman galley, where the Regiment receives all of its meals. The Academy will also initiate the architecture and engineering studies ($3.0 million) for future renovation of Cleveland Hall and Rogers Hall student dormitories, the two remaining barracks in need of major renovations. Further, the Academy will install a new tug and barge simulator ($2.0 million) in 2011, and will accomplish dry-docking of the Kings Pointer ($1.0 million) training ship necessary to maintain U.S. Coast Guard licensure. In addition, $1.9 million will support general capital repairs.

Included in the 2011 request for the Academy is $6.0 million to repay students who attended the Academy during the past six years for possible Midshipman Fee overcharges. To provide fair compensation, funds will need to be drawn from the Treasury, which will require a special appropriation for this purpose. The Secretary would establish compensation levels by class year that would settle outstanding amounts that may be owed to students of those years.

Additional funds totaling $3.4 million are requested to meet Academy operational priorities, including: critical Information Technology (IT) infrastructure improvements needed to meet Federal Information Security Management Act (FISMA) requirements; improvements and enhancements to the Academy's instruction program (including four new instructor positions); and support for an initiative aimed at increasing recruitment diversity.

MARITIME ADMINISTRATION
Attribution of Appropriated Funds Request by Strategic Goal



MARAD's appropriated budget supports five DOT strategic goals. The largest share of the agency budget supports Security, Preparedness, and Response. At approximately 86%, it is by far the agency's primary strategic objective. Approximately 4% of the appropriated budget supports Environmental Stewardship, 2% supports Reduced Congestion, and less than 1% supports Global Connectivity. Approximately 8% is attributed to Organizational Excellence and program support for operating programs.

Beginning with this 2011 request, MARAD has implemented a new methodology for attributing budget to strategic goals, based upon our new program structure.

MARITIME ADMINISTRATION
The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. MARAD receives funds via interagency agreements, transfers and allocations to support the programs of a number of Departments and agencies, including Department of Defense (DOD)/U.S. Navy, Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and others. In FY 2010, while the agency's appropriations totaled $363 million, the table below illustrates that the total program scope was over $1 billion.

PROGRAM RESOURCE SUMMARY
Budget Authority, Reimbursables, Transfers, and Allocations
($000)

Accounts	**FY 2009 Actual**	**FY 2010 Estimate**	**FY 2011 Estimate**
Annual Appropriations	433,391	362,750	352,041
Maritime Guaranteed Loan Program – Subsidy Reestimates	55,619	55,762	TBD
Ocean Freight Differential	175,785	175,000	175,000
Gifts and Bequests	1,102	1,200	1,200
Ship Financing Loan Guarantee Program – Reimbursable Authority	48,000	29,914	TBD
Vessel Operations Revolving Fund – Reimbursable Authority	458,200	400,000	-
Ready Reserve Force	-	-	400,000
Port of Guam Improvement Enterprise Fund	2,000	TBD	TBD
Operations & Training – Reimbursable Authority	28,000	28,000	28,000
Operations & Training – Transfers	15,956	TBD	TBD
FHWA Allocations	22,334	TBD	TBD
Totals	**1,240,387**	**1,052,626**	**956,241**

Following are descriptions of program activities supported by funding other than annual appropriations:

Maritime Guaranteed Loan Program—Subsidy Reestimates

The Maritime Administration offers loan guarantees to qualified shipowners and shipyards. The guarantee provides the benefit of long term financing at stable interest rates to the approved applicants. Prior to approval, the Maritime Administration thoroughly reviews the financing proposal. For each loan approval a subsidy percentage and amount is calculated, which represents the present value of the expected cost to the Government for the particular loan transaction. All loans approved in the fiscal year represent a cohort of loans for subsidy purposes. The subsidy amount represents the net present value of all expected inflows and outflows to or from the Government, based on market conditions at the time of loan approval. For MARAD, inflows include processing and guarantee fees, sale of collateral and other recoveries. Costs represent loan default payoffs and related expenses.

For each fiscal year after loan approval and funding, the loans are reevaluated based on actual cash flows to date and the current projection of future activity. The re-estimate process consists of evaluating the updated data and evaluating with the OMB Credit Subsidy tools.

Ocean Freight Differential

The Ocean Freight Differential program works to promote and facilitate a U.S. maritime transportation system that is accessible in the movement of goods and people. MARAD oversees the administration of and compliance with U.S. cargo preference laws and regulations. Those laws require shippers to use U.S.-flag vessels to transport any government-impelled oceanborne cargoes. The ocean freight revenue provided to the entire U.S. flag merchant fleet by the cargo preference program provides an economic inducement to remain registered under the U.S. flag to support our economic security and capacity and defense sealift needs. No appropriated funding is requested for FY 2011. MARAD requests an estimated $175.0 million in new borrowing authority for FY 2011 to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargoes on U.S.-flag vessels, in accordance with the Food Security Act of 1985.

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.

Ship Financing Loan Guarantee Program

For FY 2010 MARAD received $29.9 million, as indicated in the DOD appropriations act report, via interagency agreement from DOD for new Maritime Guaranteed Loan subsidies.

Vessel Operations Revolving Fund

The Vessel Operations and Revolving Fund (VORF) was authorized under 46 USC 50301 for use of the Secretary of Transportation in carrying out duties, and powers related to vessel operations, including charter, operation, maintenance, repair, reconditioning, and improvement of vessels under the jurisdiction of the Secretary. The Fund is available for expenses incurred in activating, repairing, and deactivating merchant vessels chartered under the jurisdiction of the Secretary. Receipts from charter operations of Government owned vessels under the jurisdiction of the Secretary are to be credited to the Fund. In addition, 16 USC 5405 authorizes the Fund to receive receipts attributable to the sale of obsolete vessels in the National Defense Reserve Fleet (NDRF) that are scrapped or sold.

Ready Reserve Force (RRF)

For FY 2011, MARAD proposes to realign reimbursable business from the Vessel Operations Revolving Fund (VORF) to the RRF Treasury account. This is necessary because over time, business in the VORF has changed from a no-year revolving fund environment to that of processing interagency agreement Economy Act transactions received from the Department of

Defense with varying periods of availability for obligation including annual, multi-year, and no-year funds. These reimbursable agreements provide for the administration of maintenance and repair for the National Defense Reserve Fleet (NDRF) and its key component, the Ready Reserve Force (RRF). Consequently, in order to remain consistent with section 130.9 of OMB circular A-11, MARAD proposes in the FY 2011 budget to move the apportionment of new reimbursable authority for these Economy Act transactions to the Ready Reserve Force Treasury account (69-1710). This will allow MARAD to comply with the A-11 requirement to create annual and/or multi-year Treasury Account Fund Symbols (TAFS) as specified under section 130.9 for "Economy Act Activities Between Federal Entities". This was not possible under the VORF account, as revolving funds are inherently no-year.

Port of Guam Improvement Enterprise Fund

The FY 2009 DOD authorization created the Port of Guam Improvement Enterprise Fund with the intent of consolidating all resources dedicated to the Guam Port Improvement project within the Fund. The project will effect the substantial improvement of the Jose D. Leon Guerrero Commercial Port to provide modern and efficient transportation access to the island of Guam and to the region to meet the Department of Defense requirements for the Guam build-up needed for the relocation of troops from Okinawa.

Operations & Training Reimbursables

These funds are derived from interagency agreements to support the programs of a number of Departments and agencies, including Department of Defense (DOD)/U.S. Navy, Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and others. Reimbursable activity in this account also includes collections received by the agency.

Operations & Training Transfers

FHWA and FTA transfer funding to MARAD to support port and terminal infrastructure development projects. MARAD provides federal oversight and coordination of projects, to act as a central procurement organization, leveraging federal and non-federal funding resources, and streamlining the environmental review and permitting process. MARAD is advancing port development projects in Hawaii and Anchorage. The Hawaii project involves the demolition of a shed and re-shaping a pier, allowing that pier to be more efficiently utilized for cargo operations, with additional projects under this program in later phases. The Anchorage project is a major redevelopment and expansion of the existing port facility and is projected to be completed in 2013. The Guam project will see the substantial improvement of the Jose D. Leon Guerrero Commercial Port to provide modern and efficient transportation access to the island of Guam and to the region to meet the Department of Defense requirements for the Guam build-up.

FHWA Allocations

FHWA provides allocation account funding to MARAD to support port and terminal infrastructure development projects other than Hawaii, Anchorage, and Guam (which require transfer under current law). In addition, MARAD may anticipate allocations of ARRA funds from FHWA to support port development projects.

U.S. Department of Transporation

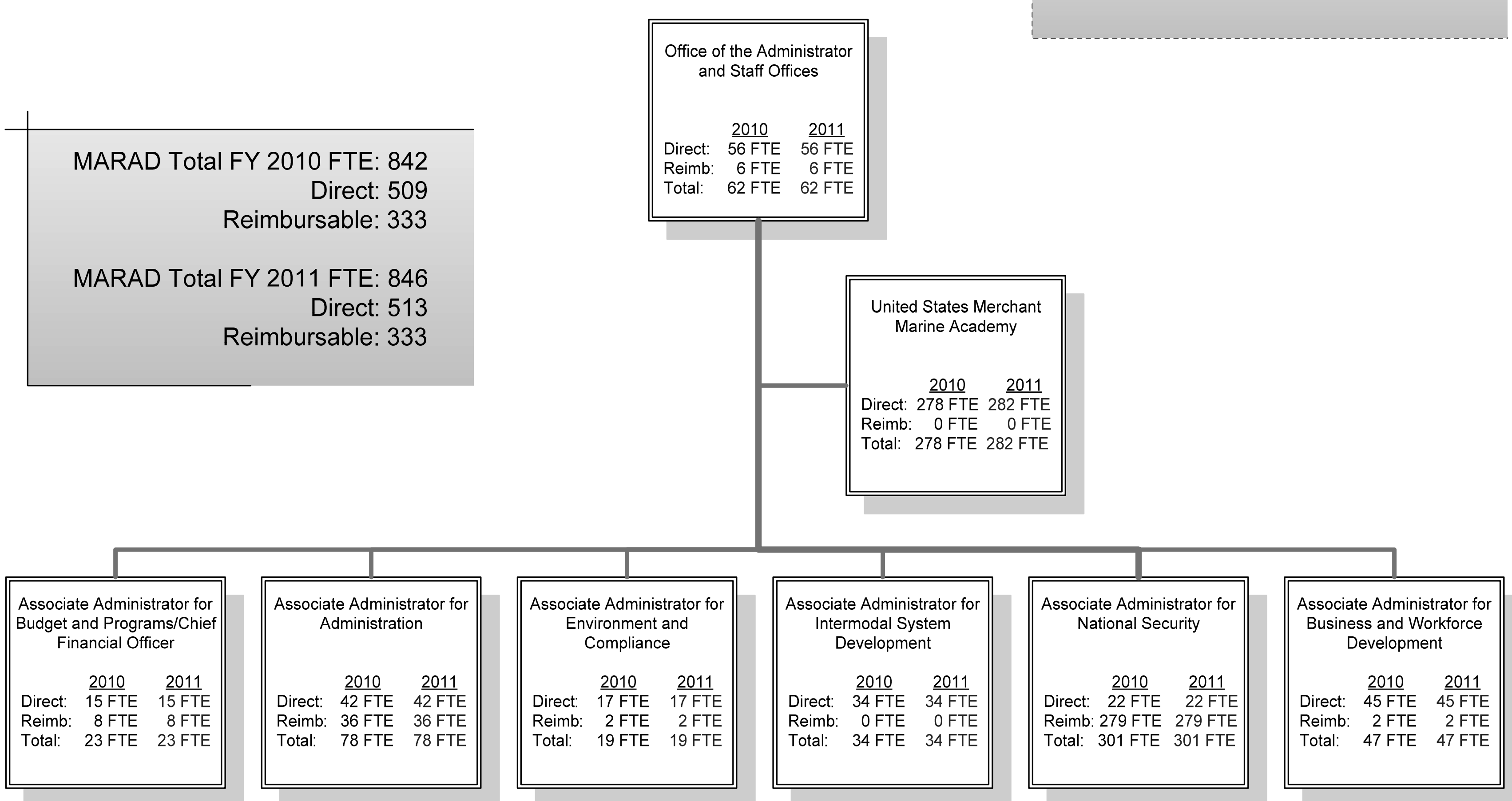
Maritime Administration

Organizational Chart - FTE

FY 2010 – FY 2011

MARAD Total FY 2010 FTE: 842
Direct: 509
Reimbursable: 333

MARAD Total FY 2011 FTE: 846
Direct: 513
Reimbursable: 333



U.S. Department of Transporation

Maritime Administration

Organizational Chart - FTP

FY 2010 – FY 2011

MARAD Total FY 2010 FTP: 842
Direct: 509
Reimbursable: 333

MARAD Total FY 2011 FTP: 846
Direct: 513
Reimbursable: 333

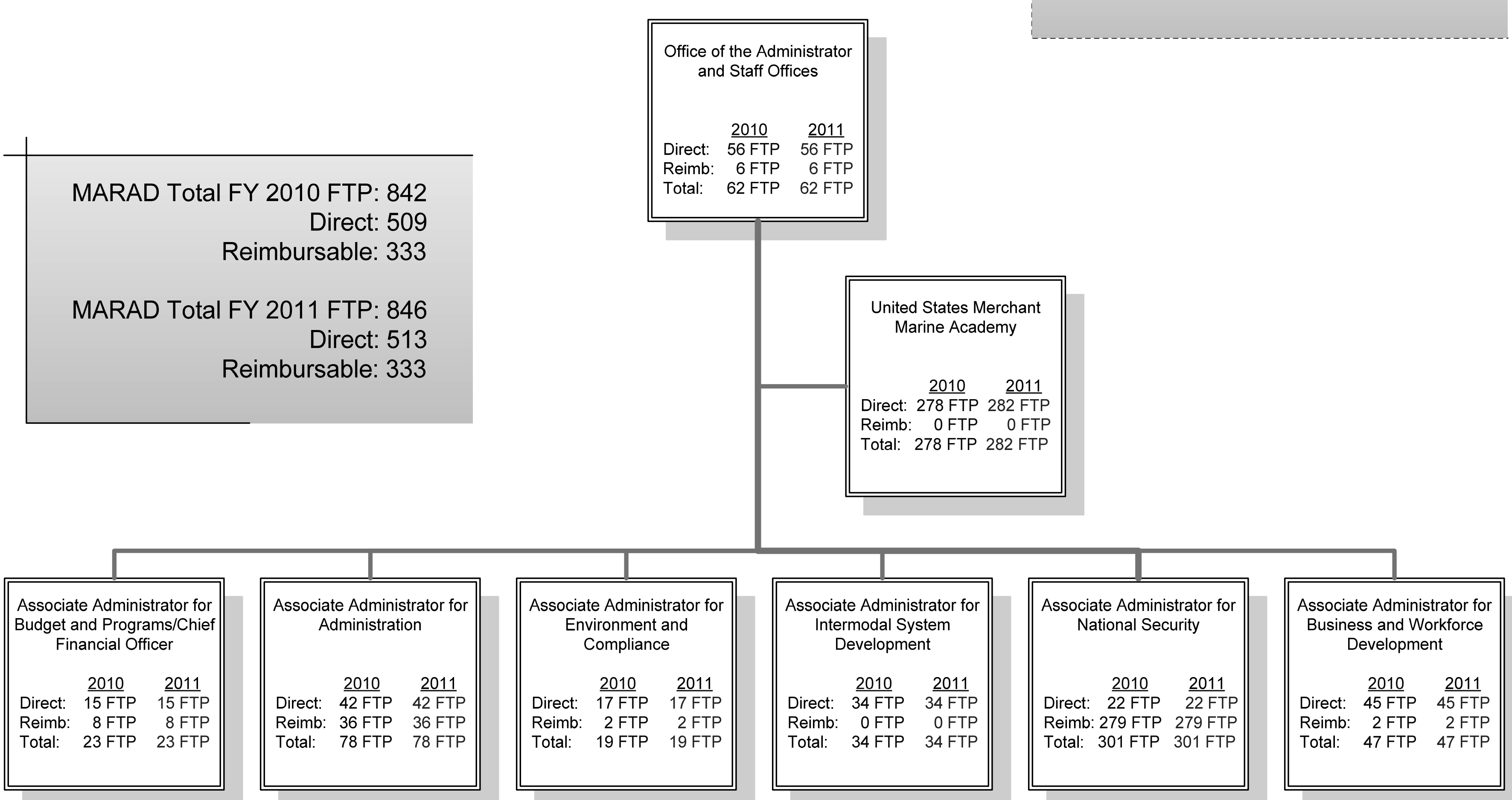


EXHIBIT II-1
COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
Budget Authority
($000)

ACCOUNT NAME	FY 2009 ACTUAL		FY 2010 ENACTED	FY 2011 REQUEST
Operations and Training	123,360		149,750	164,353
Operations and Training, ARRA [Transfer]	2,000	1/	-	-
Assistance to Small Shipyards	17,500		15,000	-
Assistance to Small Shipyards, ARRA	98,000	1/	-	-
Ship Disposal Program	15,000		15,000	10,000
Maritime Security Program	174,000		174,000	174,000
Ship Construction	-1,383		-	-
Ocean Freight Differential	175,785		175,000	175,000
Maritime Guaranteed Loan Prog.(Title XI)	59,150		64,762	3,688
Administrative Expenses	3,531		4,000	3,688
Loan Guarantees	-		5,000	-
Subsidy Reestimate	55,619		55,762	-
Gifts and Bequests	1,102		1,200	1,200
TOTALS	**664,514**		**594,712**	**528,241**

1/ Funding provided under the American Recovery and Reinvestment Act of 2009.

EXHIBIT II-2
FY 2011 BUDGET REQUEST BY APPROPRIATIONS ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

ACCOUNT NAME	FY 2009 ACTUAL		FY 2010 ENACTED	FY 2011 REQUEST
1. Operations and Training				
A. U.S. Merchant Marine Academy	61,358		74,057	100,020
B. State Maritime Academies	14,500		15,940	15,007
C. MARAD Operations	47,502		59,753	49,326
Subtotal O&T	123,360		149,750	164,353
2. Operations and Training, ARRA [Transfer]	2,000	1/	-	-
3. Assistance to Small Shipyards	17,500		15,000	-
4. Assistance to Small Shipyards, ARRA	98,000	1/	-	-
5. Ship Disposal Program				
A. Ship Disposal	12,000		12,000	7,000
B. NS SAVANNAH	3,000		3,000	3,000
Subtotal Ship Disposal	15,000		15,000	10,000
6. Maritime Security Program	174,000		174,000	174,000
7. Maritime Guaranteed Loans (Title XI)				
A. Administrative Expenses	3,531		4,000	3,688
B. Loan Guarantees	-		5,000	-
Subtotal Title XI	3,531		9,000	3,688
TOTALS	**433,391**		**362,750**	**352,041**

1/ Funding provided under the American Recovery and Reinvestment Act of 2009.

EXHIBIT II-3
FY 2011 BUDGET REQUEST BY APPROPRIATION ACCOUNT AND STRATEGIC GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL	REDUCED CONGESTION	GLOBAL CONN.	ENVIRON. STEWARD.	SECURITY PREPAREDNESS AND RESPONSE	ORG. EXCELL.	TOTAL
Operations and Training						
U.S. Merchant Marine Academy	-	-	-	100,020	-	100,020
State Maritime Schools	-	-	-	15,007	-	15,007
MARAD Operations	4,000	476	4,477	10,625	29,748	49,326
Ship Disposal						
Ship Disposal	0	-	10,000	-	-	10,000
Maritime Security Program						
Maritime Security	-	-	-	174,000	-	174,000
Maritime Guaranteed Loan Program (Title XI)						
Administrative Expenses	3,688	-	-	-	-	3,688
TOTAL REQUEST	7,688	476	14,477	299,652	29,748	352,041
FTE (direct funded only)	21	2	11	305	174	513

1/ The Strategic Goals in this exhibit reflect those identified in DOT's 2006 – 2011 Strategic Plan. DOT's new strategic plan will be released in FY 2010.

EXHIBIT II-4
FY 2011 BUDGET REQUEST BY ACCOUNT
MARITIME ADMINISTRATION
Budget Authority
($000)

ACCOUNTS		FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST
Operations and Training	D	123,360	149,750	164,353
Operations and Training- ARRA	D	2,000 1/	-	-
Assistance to Small Shipyards	D	17,500	15,000	-
Assistance to Small Shipyards-ARRA	D	98,000 1/	-	-
Ship Disposal Program	D	15,000	15,000	10,000
Maritime Security Program	D	174,000	174,000	174,000
Ship Construction	D	-1,383	-	-
Ocean Freight Differential	M	175,785	175,000	175,000
Maritime Guaranteed Loan Program	D	3,531	9,000	3,688
Subsidy Reestimate	M	55,619	55,762	-
Gifts and Bequests	M	1,102	1,200	1,200
TOTALS		**664,514**	**594,712**	**528,241**
[Mandatory]		232,506	231,962	176,200
[Discretionary]		432,008	362,750	352,041
Proprietary Receipts:				
Maritime Guaranteed Loan Program		39,360	43,799	-
Gifts and Bequests		1,102	1,200	1,200
Total MARAD RECEIPTS		**40,462**	**44,999**	**1,200**

1/ Funding provided under the American Recovery and Reinvestment Act of 2009.

EXHIBIT II-5
FY 2011 BUDGET REQUEST RECAP BY ACCOUNT
MARITIME ADMINISTRATION
Outlays
($000)

ACCOUNTS		FY 2009 ACTUAL		FY 2010 ENACTED	FY 2011 REQUEST
Operations and Training	D	113,184		199,674	160,743
Operations and Training, ARRA	D	40	1/	1,860	100
Gifts and Bequests	M	160		1,200	1,200
Special Studies, Services,					
and Projects	M	58,663		21,507	-
Assistance to Small Shipyards	D	5,629		35,210	-
Assistance to Small Shipyards, ARRA	D	-	1/	68,600	29,400
Ship Disposal	D	10,732		40,083	12,500
Maritime Security Program	D	166,000		187,063	174,000
Ship Construction	D	-		-	-
Operating Differential Subsidy	D	-		-	-
Ocean Freight Differential	M	149,856		175,447	175,000
Ready Reserve Force	D	-		-	-40,000
Vessel Operations Revolving Fund	D	-14,604		84,268	40,000
War Risk Insurance Revolving Fund	D	-1,776		-2,000	-2,000
Federal Ship Financing Fund	M	3		-	-
Maritime Guaranteed Loan Program	D	-28,800		51,907	3,688
Subsidy Reestimate	M	55,619		55,762	-
TOTALS		514,706		920,581	554,631
[Mandatory]		264,301		253,916	176,200
[Discretionary]		250,405		666,665	378,431

1/ Outlays associated with funding provided under the American Recovery and Reinvestment Act of 2009.

EXHIBIT II-6

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

OPERATIONS AND TRAINING ACCOUNT-SUMMARY

		Baseline Changes							
	2010 Enacted	**2.0% 2010 Ann.**	**1.4% 2011 Pay Raise**	**GSA Rent**	**WCF Increase/ Decrease**	**0.5% Inflation/ Deflation**	**FY 2010 Adj. Base**	**Program Increase/ Decrease**	**2011 Request**
USMMA:									
PERSONNEL RESOURCES	**278**						**278**	**4**	**282**
Direct FTE	278						278	4	282
FINANCIAL RESOURCES									
Salaries and Benefits	$31,677	$158	$334	-	-	-	$32,170	$707	$32,877
Midshipman Program	8,360	-	-	-	-	42	8,402		8,402
Instructional Program	3,765	-	-	-	-	19	3,784	400	4,184
Program, Direction and Admin.	6,188	-	-	-	-	31	6,219	2,326	8,545
Maintenance, Repair and Operations	9,067	-	-	-	-	45	9,112		9,112
Operating Expenses, Subtotal	**$59,057**	**$158**	**$334**	**-**	**-**	**$137**	**$59,687**	**$3,433**	**$63,120**
Midshipman Compensation	-						-	6,000	6,000
Capital Improvements	15,000	-	-	-	-	-	15,000	15,900	30,900
U.S. MERCHANT MARINE ACADEMY TOTAL	**$74,057**	**$158**	**$334**	**-**	**-**	**$137**	**$74,687**	**$25,333**	**$100,020**
STATE MARITIME SCHOOLS:									
Direct Schoolship Payments	$2,150	-	-	-	-	-	$2,150	-$150	$2,000
Student Incentive Payments	2,550	-	-	-	-	-	2,550	-550	2,000
Schoolship Maintenance and Repair	11,240	-	-	-	-	56	11,296	-289	11,007
STATE MARITIME SCHOOLS TOTAL	**$15,940**	**-**	**-**	**-**	**-**	**$56**	**$15,996**	**-$989**	**$15,007**
MARAD OPERATIONS & PROGRAMS:									
PERSONNEL RESOURCES	**203**						**203**		**203**
Direct FTE	203						203		203
FINANCIAL RESOURCES									
Operating Expenses:									
Salaries and Benefits	$28,602	$143	$302	-	-	-	$29,047		$29,047
Operating Expenses	5,376	-	-	-	-	27	5,403		5,403
Information Technology	8,155	-	-	-	-	41	8,196	-1,882	6,314
GSA Rent	3,493	-	-	677	-	-	4,170		4,170
WCF	2,639	-	-	-	754	-	3,393		3,393
Operating Expenses, Subtotal	**$48,265**	**$143**	**$302**	**$677**	**$754**	**$68**	**$50,208**	**-$1,882**	**$48,326**
Maritime Program Expenses:									
Secure & Efficient Ports Program	7,000	-	-	-	-	-	7,000	-7,000	-
Environment & Compliance	3,875	-	-	-	-	-	3,875	-3,875	-
Discretionary Program Expenses	613	-	-	-	-	-	613	-613	-
Maritime Program Initiatives	0	-	-	-	-	-	0	1,000	1,000
Program Expenses, Subtotal	**$11,488**	**-**	**-**	**-**	**-**	**-**	**$11,488**	**-$10,488**	**$1,000**
MARAD OPERATIONS & PROGRAMS TOTAL	**$59,753**	**$143**	**$302**	**$677**	**$754**	**$68**	**$61,696**	**-$12,370**	**$49,326**
GRAND TOTAL O&T	**$149,750**	**$301**	**$636**	**$677**	**$754**	**$261**	**$152,379**	**$11,974**	**$164,353**

EXHIBIT II-6

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

OPERATIONS AND TRAINING ACCOUNT-USMMA

	2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	2010 Contract Expense	Baseline Changes: 2.0% 2010 Ann.	Baseline Changes: 1.4% 2011 Pay Raise	Baseline Changes: GSA Rent	Baseline Changes: WCF Increase/ Decrease	Baseline Changes: 0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2011 PC&B Program Change	2011 # FTE Per Program Change	2011 Contract Expense Program Change	2011 Request
USMMA:															
PERSONNEL RESOURCES	**278**									**278**	**4**				**282**
Direct FTE	278									278	4				282
FINANCIAL RESOURCES															
Salaries and Benefits	$31,677	[$31,677]	[278]	-	$158	$334	-	-	-	$32,170	$707	[$589]	-	-	$32,877
Midshipman Program	8,360	-	-	[7,942]	-	-	-	-	42	8,402		-	-	-	8,402
Instructional Program	3,765	-	-	[3,577]	-	-	-	-	19	3,784	400	-	-	[380]	4,184
Program, Direction and Admin.	6,188	-	-	[5,879]	-	-	-	-	31	6,219	2,326	-	-	[2,210]	8,545
Maintenance, Repair and Operations	9,067	-	-	[8,614]	-	-	-	-	45	9,112		-	-	-	9,112
Operating Expenses, Subtotal	**$59,057**	**[$31,677]**	**[278]**	**[$26,011]**	**$158**	**$334**	**-**	**-**	**$137**	**$59,687**	**$3,433**	**[$589]**	**-**	**[$2,590]**	**$63,120**
Midshipman Compensation	-									-	6,000	-	-	[6,000]	6,000
Capital Improvements	15,000	-	-	[15,000]	-	-	-	-	-	15,000	15,900	-	-	[15,900]	30,900
U.S. MERCHANT MARINE ACADEMY TOTAL	**$74,057**	**[$31,677]**	**[278]**	**[$41,011]**	**$158**	**$334**	**-**	**-**	**$137**	**$74,687**	**$25,333**	**[$589]**	**-**	**[$24,626]**	**$100,020**

EXHIBIT II-6

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

OPERATIONS AND TRAINING ACCOUNT-STATE MARITIME SCHOOLS

	2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	2010 Contract Expense	Baseline Changes: 2.0% 2010 Ann.	Baseline Changes: 1.4% 2011 Pay Raise	Baseline Changes: GSA Rent	Baseline Changes: WCF Increase/ Decrease	Baseline Changes: 0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2011 PC&B Program Change	2011 # FTE Per Program Change	2011 Contract Expense Program Change	2011 Request
STATE MARITIME SCHOOLS:															
Direct Schoolship Payments	$2,150	-	-	[$2,150]	-	-	-	-	-	$2,150	-$150	-	-	[-$150]	$2,000
Student Incentive Payments	2,550	-	-	[2,550]	-	-	-	-	-	2,550	-550	-	-	[-550]	2,000
Schoolship Maintenance and Repair	11,240	-	-	[11,240]	-	-	-	-	56	11,296	-289	-	-	[-289]	11,007
STATE MARITIME SCHOOLS TOTAL	**$15,940**	**-**	**-**	**[$15,940]**	**-**	**-**	**-**	**-**	**$56**	**$15,996**	**-$989**	**-**	**-**	**[-$989]**	**$15,007**

EXHIBIT II-6

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

OPERATIONS AND TRAINING ACCOUNT- MARAD OPERATIONS & PROGRAMS

	2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	2010 Contract Expense	Baseline Changes: 2.0% 2010 Ann.	1.4% 2011 Pay Raise	GSA Rent	WCF Increase/ Decrease	0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2011 PC&B Program Change	2011 # FTE Per Program Change	2011 Contract Expense Program Change	2011 Request
		Note: Non-Add										Note: Non-Add			
MARAD OPERATIONS & PROGRAMS:															
PERSONNEL RESOURCES	**203**									**203**					**203**
Direct FTE	203									203					203
FINANCIAL RESOURCES															
Operating Expenses:															
Salaries and Benefits	$28,602	[$28,602]	[203]	-	$143	$302	-	-	-	$29,047		-	-	-	$29,047
Operating Expenses	5,376	-	-	[5,107]	-	-	-	-	27	5,403		-	-	-	5,403
Information Technology	8,155	-	-	[7,747]	-	-	-	-	41	8,196	-1,882	-	-	[-$1,788]	6,314
GSA Rent	3,493	-	-	-	-	-	677	-	-	4,170		-	-	-	4,170
WCF	2,639	-	-	-	-	-	-	754	-	3,393		-	-	-	3,393
Operating Expenses, Subtotal	**$48,265**	**[$28,602]**	**[203]**	**[$12,854]**	**$143**	**$302**	**$677**	**$754**	**$68**	**$50,208**	**-$1,882**	**-**	**-**	**[-$1,788]**	**$48,326**
Maritime Program Expenses:															
Secure & Efficient Ports Program	7,000			[7,000]	-	-	-	-	-	7,000	-7,000	-	-	[-7,000]	-
Environment & Compliance	3,875			[3,875]	-	-	-	-	-	3,875	-3,875	-	-	[-3,875]	-
Discretionary Program Expenses	613	-	-	[613]	-	-	-	-	-	613	-613	-	-	[-613]	-
Maritime Program Initiatives	-	-	-	-	-	-	-	-	-	-	1,000	-	-	[1,000]	1,000
Program Expenses, Subtotal	**$11,488**	**-**	**-**	**[$11,488]**	**-**	**-**	**-**	**-**	**-**	**$11,488**	**-$10,488**	**-**	**-**	**[-$10,488]**	**$1,000**
MARAD OPERATIONS & PROGRAMS TOTAL	**$59,753**	**[$28,602]**	**[203]**	**[$24,342]**	**$143**	**$302**	**$677**	**$754**	**$68**	**$61,696**	**-$12,370**	**-**	**-**	**[-$12,276]**	**$49,326**

EXHIBIT II-6

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

ASSISTANCE TO SMALL SHIPYARDS

	FY 2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	FY 2010 Contract Expense	Baseline Changes: 2.0% 2010 Ann.	Baseline Changes: 1.4% 2011 Pay Adj.	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2011 PC&B Program Change	2011 # FTE Per Program Change	FY 2011 Contract Expense Program Change	FY 2011 Request
			Note: Non-Add										Note: Non-Add		
PERSONNEL RESOURCES (FTE)	**0**									**0**	**0**				**0**
Direct FTE	0									0	0				0
FINANCIAL RESOURCES															
Salaries and Benefits															
Operating Expenses															
Information Technology															
GSA Rent															
WCF															
Program Expenses	$15,000									$15,000	-$15,000				-
Program Expenses- Recovery Act															-
ASSISTANCE TO SMALL SHIPYARDS - TOTAL	**$15,000**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**$15,000**	**-$15,000**	**-**	**-**	**-**	**-**

EXHIBIT II-6

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

SHIP DISPOSAL PROGRAM

	2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	2010 Contract Expense	2.0% Annualization of 2010 Pay Raise	1.4% 2011 Pay Raise	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2011 PC&B Program Change	2011 # FTE Per Program Change	2011 Contract Expense Program Increase	FY 2011 Budget Request
					Baseline Changes										
		Note: Non-Add										Note: Non-Add			
PERSONNEL RESOURCES (FTI	**11**									**11**					**11**
Direct FTE	11									11					11
FINANCIAL RESOURCES															
Salaries and Benefits	$1,313	[$1,313]	[11]		$7	$14				$1,334					$1,334
Operating Expenses	175									175					175
Information Technology	-									-					-
GSA Rent	-									-					-
Working Capital Fund	300							-300		-					-
Program Expenses	13,212			[13,212]						13,212	-4,721			[-4,721]	8,491
SHIP DISPOSAL - TOTAL	**$15,000**	**[$1,313]**	**[11]**	**[$13,212]**	**$7**	**$14**	**-**	**-$300**	**-**	**$14,721**	**-$4,721**	**-**	**-**	**[-$4,721]**	**$10,000**

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

					Baseline Changes										
	FY 2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	FY 2010 Contract Expense	2.0% 2010 Ann.	1.4% 2011 Pay Adj.	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Change	2011 PC&B Program Change	2011 # FTE Per Program Change	FY 2011 Contract Expense Program Increase	FY 2011 Request
		Note: Non-Add										Note: Non-Add			
PERSONNEL RESOURCES (FTE)	**0**									**0**	**0**				**0**
Direct FTE	0									0	0				0
FINANCIAL RESOURCES															
Salaries and Benefits															
Operating Expenses															
Information Technology															
GSA Rent															
WCF															
Program Expenses	$174,000									$174,000					$174,000
MARITIME SECURITY PROGRAM - TOTAL	**$174,000**	-	-	-	-	-	-	-	-	**$174,000**	-	-	-	-	**$174,000**

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										
	2010 Enacted	2010 PC&B By Program	2010 # FTE Per Program	2010 Contract Expense	2.0% Annualization of 2010 Pay Raise	1.4% 2011 Pay Raise	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2011 PC&B Program Change	2011 # FTE Per Program Change	2011 Contract Expense Program Increase	FY 2011 Budget Request
		Note: Non-Add										Note: Non-Add			
PERSONNEL RESOURCES (FTE)	**17**									**17**	**-**				**17**
Direct FTE	17									17	-				17
FINANCIAL RESOURCES															
Salaries and Benefits	$2,680	[$2,680]	[17]		$13	$28				$2,721					$2,721
Operating Expenses	733			[696]			230		4	967					967
Information Technology										-					-
GSA Rent	587						-587			-					-
WCF										-					-
										-					-
Loan Subsidies	5,000									5,000	-5,000			[-5,000]	-
MARITIME GUARANTEED LOAN PROG. - TOTAL	**$9,000**	**[$2,680]**	**[17]**	**[$696]**	**$13**	**$28**	**-$357**	**-**	**$4**	**$8,688**	**-$5,000**	**-**	**-**	**[-$5,000]**	**$3,688**

EXHIBIT II-6A
WORKING CAPITAL FUND
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, Exempt Obligations and Reimbursable Obligations
($000)

	FY 2010 ENACTED	FY 2011 REQUEST	CHANGE
DIRECT:			
Operations and Training	2,639	3,393	754
Ship Disposal	300	-	-300
Maritime Guaranteed Loan Program (Title XI)	-	-	-
SUBTOTAL	**2,939**	**3,393**	**454**
REIMBURSABLE:			
Vessel Operations Revolving Fund	3,358	-	-3,358
Ready Reserve Force	-	3,267	3,267
SUBTOTAL	**3,358**	**3,267**	**-91**
TOTAL	**6,297**	**6,660**	**363**

EXHIBIT II-7
MARITIME ADMINISTRATION
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Operations and Training	442	498	502
Ship Disposal	11	11	11
SUBTOTAL, DIRECT FUNDED 1/	**453**	**509**	**513**
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Ready Reserve Force	-	-	333
Vessel Operations Revolving Fund	306	333	-
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**306**	**333**	**333**
TOTAL FTEs	**759**	**842**	**846**

1/ Direct funded FTEs includes 17 FTE for the Title XI Program.

EXHIBIT II-8
MARITIME ADMINISTRATION
RESOURCE SUMMARY - STAFFING
TOTAL FULL-TIME PERMANENT POSITIONS

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Operations and Training	498	498	502
Ship Disposal	11	11	11
SUBTOTAL, DIRECT FUNDED 1/	**509**	**509**	**513**
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Ready Reserve Force	-	-	333
Vessel Operations Revolving Fund	333	333	-
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**333**	**333**	**333**
TOTAL POSTIONS	**842**	**842**	**846**

1/ Direct funded FTP includes the 17 FTP associated with the Title XI Program.

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, **[**$149,750,000**]** *$164,353,000*, of which **[**$11,240,000**]** *$11,007,000* shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, and of which **[**$15,000,000**]** *$30,900,000* shall remain available until expended for capital improvements at the United States Merchant Marine Academy, and of which **[**$59,057,000 shall be available for operations at the United States Merchant Marine Academy**]** *$6,000,000 shall be available until expended for the Secretary's reimbursement of overcharged midshipmen fees*: *Provided*, That *the Secretary, through such structure and administration as the Secretary establishes, shall reimburse current and former midshipmen of United States Merchant Marine Academy in such amounts as the Secretary determines, in his sole discretion, to be appropriate to address claims regarding the overcharging of midshipman fees, pertaining first to academic years 2003/2004 through 2008/2009, and then pertaining to earlier academic years to the extent that the Secretary determines to be appropriate and subject to the amounts specifically appropriated herein for such reimbursements: Provided further, That notwithstanding any other provision of law, such midshipmen-fee reimbursements shall be the exclusive remedy available for the compensation of fees overcharged to current and former midshipmen at the United States Merchant Marine Academy and, in addition, shall be the final, conclusive, non-reviewable settlement of any and all overcharges and of any and all claims arising out or relating to midshipmen fees: Provided further, That* amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation or the Assistant Secretary for Budget and Programs: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United States Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of 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 Administration, completes a plan detailing by program or activity and by object class how such funding will be expended at the Academy, and this plan is submitted to the House and Senate Committees on Appropriations**]**. *(Department of Transportation Appropriations Act, 2010.)*

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-70-1750-0-1-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Merchant Marine Academy	53,569	85,991	100,020
00.02	State Maritime Schools	14,868	18,320	15,007
00.03	Marad Operations	46,478	59,753	49,326
00.04	Other Maritime Program	4,486	19,621	-
00.05	ARRA - Grant Admin	87	1,913	-
01.00	Total direct program	119,488	185,598	164,353
09.01	Reimbursable program	15,843	33,359	28,000
10.00	Total obligations	135,331	218,957	192,353
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	19,400	41,207	-
22.00	New budget authority (gross)	157,760	177,750	192,353
22.10	Resources available from recoveries of prior year obligations	2,055	-	-
23.90	Total budgetary resources available for obligation	179,214	218,957	192,353
23.95	New obligations	-135,331	-218,957	-192,353
23.98	Unobligated balance expiring or withdrawn	-2,677	-	-
24.40	Unobligated balance available, end of year	41,207	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	123,360	149,750	164,353
42.00	Transfers from other accounts	2,000	-	-
43.00	Appropriation (total)	125,360	149,750	164,353
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	20,682	28,000	28,000
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	11,718	-	-
58.90	Spending authority fm offsetting collections (total	32,400	28,000	28,000
70.00	Total new budget authority (gross)	157,760	177,750	192,353
	Change in obligated balances:			
72.40	Obligated balance,start of year	53,406	39,208	28,630
73.10	New obligations	135,331	218,957	192,353
73.20	Total outlays (gross)	-133,911	-229,535	-188,843
73.40	Adjustments in expired accounts (net)	-1,845	-	-
73.45	Recoveries of prior year obligations	-2,055	-	-
74.00	Chg in Uncollected cust orders fm Fed Sources (unexpired)	-11,718	-	-
74.40	Obligated balance end of year	39,208	28,630	32,140
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	97,662	155,288	167,700
86.93	Outlays from discretionary balances	36,249	74,247	21,143
87.00	Total outlays (gross)	133,911	229,535	188,843
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	20,341	28,000	28,000
88.40	Non-Federal sources	347	-	-
88.95	Portion of offsetting collection credited to unexpired accounts	11,718	-	-
88.96	Portion of offsetting collection credited to expired accounts	-6	-	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	125,707	149,750	164,353
90.00	Outlays (net)	113,224	201,535	160,843
95.02	Unpaid Obligations, EOY	61,870		

OPERATIONS AND TRAINING

Program and Performance Statement

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

Maritime training programs include the operation of the U.S. Merchant Marine Academy and financial assistance to the six State maritime academies. The Operations and Training budget request of $164.4 million includes $100 million for the United States Merchant Marine Academy, $15 million for state maritime academies, and $49.3 million for maritime operations and programs.

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

Object Class Code	**Object Class**	**FY 2009 Actual**	**FY 2010 Enacted**	**FY 2011 Request**
	Direct obligations:			
11.1	Full-time permanent	37,696	41,283	42,410
11.3	Other than full-time permanent	5,831	6,504	6,681
11.5	Other personnel compensation	1,326	1,494	1,535
11.8	Special personnel services payments	3	3	3
11.9	**Total personnel compensation**	**44,856**	**49,284**	**50,629**
12.1	Civilian personnel benefits	10,561	10,995	11,295
21.0	Travel and transportation of persons	1,926	2,487	2,537
22.0	Transportation of things	205	332	332
23.1	Rental payments to GSA	3,826	3,989	4,170
23.3	Communications, utilities & misc. charges	4,812	6,067	6,188
24.0	Printing and reproduction	3	3	3
25.2	Other services	38,712	75,525	48,911
26.0	Supplies and materials	5,964	4,041	4,122
31.0	Equipment	1,957	1,241	1,266
32.0	Lands and structures	2,514	26,934	30,900
41.0	Grants, subsidies and contributions	4,152	4,700	4,000
99.0	**Subtotal , direct obligations**	**119,488**	**185,598**	**164,353**
	Reimbursable obligations:			
25.2	Other services	15,843	33,359	28,000
99.0	**Subtotal , reimbursable obligations**	**15,843**	**33,359**	**28,000**
99.9	**Total new obligations**	**135,331**	**218,957**	**192,353**

Employment Summary

	Operations and Training	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Direct:				
1001	Civilian full-time equivalent employment	442	498	502
	Total Employment	**442**	**498**	**502**

EXHIBIT III-1

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

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST	CHANGE FY 2010-2011
U.S. Merchant Marine Academy	61,358	74,057	100,020	25,963
State Maritime Schools	14,500	15,940	15,007	-933
MARAD Operations & Programs	47,502	59,753	49,326	-10,427
Total, Operations and Training	**123,360**	**149,750**	**164,353**	**14,603**
FTEs				
Direct Funded 1/	442	498	502	4
Reimbursable, allocated, other	-	-	-	-

1/ The Direct FTE includes the 17 FTEs associated with the Title XI Program.

EXHIBIT III-2

OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2010 TO FY 2011
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2010 to FY 2011	FY 2011 PC&B By Program	FY 2011 FTEs by Program	FY 2011 Contract Expenses	Total
		Note: Columns are Non-Add			
FY 2010 Base	**$149,750**	**[$60,279]**	**[498]**	**[$81,293]**	**$149,750**
Adjustments to Base					
Annualization of 2010 Pay Raise (2.0%)	301	[301]			
2011 Pay Raise (1.4%)	636	[636]			
GSA Rent	677				
WCF	754				
Non-Salary Inflation (0.5%)	261			[261]	
Subtotal, Adjustments to Base	**$2,629**	**[$937]**	**[-]**	**[$261]**	**$2,629**
New or Expanded Programs					
USMMA Merchant Marine Academy	25,333	[589]	[4]	[$24,626]	
State Maritime Schools	-989			[-$989]	
Marad Operating Expenses	-1,882			[-$1,788]	
Secure & Efficent Ports Program	-7,000			[-7,000]	
Environment & Compliance	-3,875			[-3,875]	
Discretionary Program Expenses	387			[387]	
Subtotal, New or Expanded Program Increases/ Decreases	**$11,974**	**[$589]**	**[4]**	**[$11,361]**	**$11,974**
Total FY 2011 Request	**$164,353**	**[$61,805]**	**[502]**	**[$92,915]**	**$164,353**

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS

FY 2002 - FY 2011
Main Table - ($000)

Fiscal Year	Requested	Enacted
2002	89,054	88,951 3/
2003	93,132	92,092 4/
2004	104,400	105,674 5/
2005	109,300	106,952 6/
2006	113,650	136,027 7/
2007	115,830	111,522
2008	115,276	121,992
2009	117,848	123,360
2010	152,900	149,750
2011	164,353	

1/ Includes $274,000 rescinded in P.L.106-113.

2/ Includes $191,202 rescinded in P.L.106-553.

3/ Includes $103,000 rescinded in P.L.107-77.

4/ Includes $602,524 rescinded in P.L.108-7.

5/ Includes cancellation of expired funds of $721,878 plus $1,323,159

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

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

Detailed Justification for the United States Merchant Marine Academy

United States Merchant Marine Academy	FY 2011 Request: $100.020 million

Overview:

The United States Merchant Marine Academy (USMMA) is a Federal institution operated by the U.S. Department of Transportation (DOT) through the U.S. Maritime Administration (MARAD). The mission of the USMMA is to educate and graduate Merchant Marine Officers who serve the maritime industry and Armed Forces and contribute to the economic, defense and homeland security interests of the United States. The ultimate goal of the institution is to graduate the finest young men and woman that will be held in high regard in the worldwide maritime transportation industry. In times of conflict, USMMA midshipmen and graduates crew the ships that support our troops. USMMA is the main source of new officers for the merchant marine component of the U.S. Navy Reserve. Licensed mariners are needed by the Department of Defense during national emergencies not only for crewing, but to provide shore side support for sealift operations. The mission of the USMMA contributes to sustainable transportation, with safety an important part of the Academy curriculum.

The Academy offers a four-year program that centers on a rigorous academic and sea-based technical training program leading to a Bachelor of Science Degree, a U.S. Coast Guard License as 3rd Mate or 3rd Assistant Engineer, and a commission in the U.S. Navy Reserve. It is supported by a regimental and athletics system that instills its students – called midshipmen – with the traits of leadership, discipline and dedication required for a career that includes service at sea, maritime employment ashore, and service as a commissioned officer in an active duty or reserve component of the U.S. Armed Forces.

FY 2010 Base:

The base consists of the salaries and benefits for the USMMA faculty and support staff, as well as Operational and Training funds to support the mission of the Academy and maintain the current facilities of the institution and all USMMA major capital improvement funds.

Anticipated FY 2010 Accomplishments:

In June of 2010, the Academy will graduate over 200 licensed merchant marine officers. The Academy will continue to lead the development of curricula to support maritime education and training in the United States to meet the international standards for training, certification, and watchkeeping (STCW) for seafarers as directed by the International Maritime Organization of the United Nations, the U.S. Maritime Administration, and the U.S. Coast Guard.

In 2009, the Government Accountability Office (GAO) issued a report focusing on the Academy's internal control weaknesses. The Academy will continue addressing these recommendations throughout the course of 2010. The Academy will ensure that lessons are learned and that these practices remain in the past with a future vision that includes strong internal controls in every area, especially financial management.

In 2010, the Academy will undertake Phase I of renovating Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities.

In February 2010, the Academy will compensate all former Non-Appropriated Funding Instrumentality (NAFI) employees for the cash value of their unpaid annual leave (vacation) balances when they separated from service. The total cost of this of this payout is estimated to be approximately $204,000. NAFIs provide, or assist the USMMA in providing, program or services to Midshipmen and Academy staff that are not otherwise provided through Congressional appropriations.

Starting in FY 2010, midshipmen fees will be collected into the U.S Treasury and expended according to government rules and regulations that govern appropriated funds.

During the course of FY 2010, the Academy will eliminate most of its NAFIs or create transition plans for the NAFIs that need time to close down. This will closeout a majority of the commercial bank accounts held by the Academy.

FY 2011 Budget Request:

For 2011, MARAD requests a total of $100.0 million for USMMA operations and capital improvements. The request includes total program increases of $25.3 million: including Blue Ribbon Panel capital improvements recommendations ($15.9 million); compensation to students for midshipman fee overcharges ($6.0 million); information technology requirements and recruitment activities ($2.3 million); instructional program improvements ($0.4 million); and 4 instructor positions ($0.707 million). The request also includes current services adjustments to the 2010 base for pay and non-pay inflation.

The 2011 budget request supports the Academy's efforts to continue to lead the development of curricula to support maritime education and training in the US to meet the international standards for training, certification, and watchkeeping (STCW) for seafarers as directed by the International Maritime Organization of the United Nations, the Maritime Administration, and the Coast Guard.

U.S Merchant Marine Academy					
Program Activity ($000)	**FY 2010 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2011 Request**
Salaries & Benefits	31,677	492		707	32,877
Midshipman Program	8,360		42		8,402
Instructional Program	3,765		19	400	4,184
Program, Direction and Admin.	6,188		31	2,326	8,545
Maintenance, Repair and Operations	9,067		45		9,112
Midshipman Fee Refunds				6,000	6,000
Capital Improvements	15,000			15,900	30.900
Total	**$74,057**	**$492**	**$137**	**25,333**	**$100,020**

The following program increases are requested for 2011:

Salaries and Benefits
An increase of $707 thousand is requested to fill four key faculty positions within the Instructional Program for instructing curriculum required classes.

Instructional Program
An increase of $400 thousand is requested for the Instructional Program to help enhance academic achievement. This request for Instructional Program Curriculum Requirements supports educational activities that address the six majors offered and to satisfy requirements set forth by the US Coast Guard for licensing and certification, the Middle States and ABET accreditation bodies for the Bachelor of Science degree, and the US Navy for commissioning. The request provides the required resources to support necessary curriculum improvements, including the maintenance and upgrading of the Academy's learning spaces. Keeping classrooms in optimal working order is critical to the mission of providing an education consistent with the goals of the USMMA. The Academy made the decision to upgrade its classrooms to an electronic format to remain in-step with education changes in the broader private sector. This decision, made a decade ago, has resulted in the faculty increasingly adopting the electronic medium in new ways to present information to the Midshipmen. This generation of Midshipmen have learned to expect technology to be used to it fullest in their learning environment. To maintain this momentum, it is critical to keep all learning spaces functioning at an optimum level. In addition to this, this enhancement will help support additional equipment and supplies needed to support the instructional needs of the Academy.

Program Direction and Administration (PD&A)

Recruitment Diversity Initiative
An increase of $145 thousand is needed to bolster USMMA recruitment efforts, especially recruitment that is aimed at strengthening the Academy's enrollments by intensifying outreach to individuals from different racial, ethnic, economic, and geographic backgrounds, and by creating application incentives.

The requested funds will support the USMMA's sponsorship of students at the New Mexico Military Institute, a one-year pre-USMMA prep school program, in order to achieve increased diversity in the Academy's student body (the regiment of Midshipmen). These funds would permit the USMMA to sponsor sixty students for one year ($2,000 per semester per student, two (2) semesters per year), vice current funding which limits the USMMA to less than thirty students. This funding will help increase diversity among the ranks of the maritime industry and workforce. By sponsoring more students in a pre-USMMA prep school program, the Admissions Office is better able to increase the ethnic, racial, and gender diversity within the Regiment. This is an essential component for successful diversity recruiting.

This increase will also support the recruitment efforts of the Admissions Office. In order to recruit a more diverse enrollment, the Admissions office is in need of additional resources to have a better presence at college fairs and other recruitment sites that attract people of all backgrounds. This funding is required in order to successfully recruit a diverse population of midshipmen applicants. Without this funding, the Academy cannot improve its efforts to attract a more diverse applicant base.

Information Technology Upgrades
An increase of $2.181 million is requested to fund the ongoing renewal of critical Information Technology (IT) assets in emerging priorities in the areas of physical security compliance and campus information technology infrastructure. These resources are necessary to meet the requirements of the Federal Information Security Management Act (FISMA) and the Clinger Cohen Act.

- *Federal Information Security Management Act (FISMA) Requirements:* $1.6 million is needed to address FISMA related issues. The OST/CIO has several applicable Plans of Action and Milestones (POA&Ms) on record for the current and prior fiscal years in which the Academy has been expected to resolve FISMA-related issues. The Academy is unable to take action on the POA&MS due to lack of IT funding. $1 million is needed to expand IT contract staffing to provide staff in currently unmet task support areas. Current staffing levels do not permit the Academy to satisfy the segregation of duties requirements in FISMA. $179 thousand is required to establish a COOP site and commence real-time replication of all critical Academy systems and data for the purpose of insuring continuation of operations through any disruption to normal campus access and use. The e-Government Act and FISMA require the Academy to maintain and operate a COOP site. Failure to establish, annually test, and operate a COOP site poses a severe risk to the ongoing operation of the Academy. Further, $421 thousand is needed to install and maintain keycard access control systems to limit physical access to secure areas housing key components of the network infrastructure, servers, and storage devices. Failure to properly secure key IT assets not only constitutes a risk to privacy, but to the ongoing operation of the Academy.

- *Renewal/Support of Critical Assets:* $445 thousand is requested to establish a first-time effort at annual renewal and support for select classes of the Academy's critical IT assets. The Clinger-Cohen Act requires that the Academy maintain its investment in network servers, network appliances, and network storage. The Academy's IT staff does not have existing base resources dedicated to the renewal and refreshment of its existing IT assets.

- *Campus Communication Network:* $136 thousand is requested to provide for the expansion of wireless campus. The Academy's academic program mandates the use of laptop personal computers for midshipmen. Currently, most instructional buildings and barracks buildings do not provide wireless access. Co-curricular programs in physical education, athletics require use of wireless access, which is only possible now through expensive cellular carrier service which cannot be secured. Educational objectives in academic courses increasingly rely upon secured wireless access in instructional and co-curricular areas. The self-assessment report prepared by the Academy for the Middles States Commission on Higher Education was critical of the Academy's failure to meet this need.

Midshipman Fee Refunds
As a result of MARAD's internal reviews and GAO's examination of Midshipman Fees at the Academy, several irregularities were brought to light. Over a period of years, the Midshipmen appear to have been charged substantially more in fees than they actually owed. For the most recent academic years, these overcharges were twofold. First, in the aggregate the Regiment was charged for specific categories of expense, while these fees were actually used to fund other items associated with the school's operations. Second, Midshipmen were charged for particular items that were either a government expense, or were items that should have been at the discretion of students to purchase,

rather than a requirement. The overall magnitude of these overcharges is uncertain, but MARAD has engaged the services of PricewaterhouseCoopers (PwC), which is doing an accounting of possible overcharges for the past six academic years. PwC will report its results by March 2010.

For the Academic year that begins in June 2009, the Midshipman Fee schedule has been adjusted to correct for these overcharges. Further, the President's 2010 Budget proposes a mechanism that will allow MARAD to collect these fees into the Treasury and expend these funds on-budget for their intended purposes. However, other than $3.0 million in excess fee collections currently in MARAD's custody, all prior excess collections of Midshipman Fees have been spent. These are sums owed to the Academy's students. To fairly compensate them for these prior overcharges, funds will need to be drawn from the Treasury, which will require a special appropriation for this purpose.

For 2011, $6.0 million is requested to compensate midshipmen for these excess fees. These funds would be available to repay students who attended the Academy from 2003 to 2009. The Secretary would be authorized to establish compensation levels by class year that would represent fair payments to students of those years. Earlier class years would likely receive less than later class years. However, accounting records for these transactions are such that an equitable adjustment for former students may, in the end, be a policy determination when arriving at a refund amount.

Capital Improvement Program - $30.9 million

At the request of the Secretary, during 2009 MARAD engaged the assistance of a Blue Ribbon Panel of senior federal executives from across the government to assist in an independent analysis of the Academy's capital improvement needs. The 2011 request includes a total of $30.9 million for capital improvements, which are consistent with the areas of high concern that were a focus of the panel. This is an increase of $15.9 million above the 2010 level.

Capital Plan Requirements

Providing support and oversight to restore and strengthen USMMA programs and processes is a MARAD management imperative and a priority of the Secretary of Transportation. Improving facilities and conditions for uniformed servicepersons is a priority initiative of the Administration. The condition of midshipmen facilities has impacts on recruitment, retention and midshipmen morale, and can have implications for student academic performance. For 2011, $30.9 million is requested to support priority capital investment projects. The 2011 Capital Improvement Program (CIP) request includes:

- $23 million for Delano Hall Renovations (midshipmen galley);
- $3 million to conduct an Architecture and Engineering study of two midshipmen barracks - Cleveland and Roger's Hall;
- $2 million for the purchase of a Tug/Barge Simulator;
- $1.9 million for capital repairs; and,
- $1 million for the dry docking of the Kings Pointer.

The following is a description of the projects mentioned above:

Renovation of Delano Hall (midshipmen galley) – ($23.0 million)

The food service galley is for the most part a 60 year old physical plant. The galley holds up to 1,200 midshipmen at one time in a single Regimental dining room. The galley physical plant is precariously being kept running year-to-year with a patchwork of short term repairs. The construction of the new galley requires the construction of a temporary galley in the parking lot next door. Only when the temporary galley is built and connected to the existing midshipman dining room will the demolition of the old galley and the construction of the new galley commence. The mechanical and electrical infrastructure needs to be upgraded. The food equipment has exceeded its useful life and needs to be replaced. The current state of the brick and concrete surfaces in the galley are so deteriorated that it is difficult to preclude the presence of roaches. Additionally, as a result of the physical layout of the galley and its old equipment there exist health code violations which need to be addressed. Furthermore, the food contractor is forced to prepare the meals in an inefficient and antiquated manner. Plans call for the renovated galley to be air conditioned and have state of the art food preparation equipment. The cost estimate for this work is approximately $23.0 million. While there is an existing A/E design for this project, it was developed almost ten years ago and no longer reflects the state of the art industry standard commissary galley design specifications so a new design is required as part of the requested $23.0 million anticipated cost for this project. The project is expected to include a replacement for all the food preparation equipment and spaces, the food storage facilities and a food cafeteria serving line which currently does not exist. The design will also include a renovated loading dock; roof; major renovation for handicap accessibility and additional emergency exits, including a nearby elevator; a replacement heating plant; installation of central air conditioning; and replacement of all associated infrastructure utilities systems, including back an up Uninterrupted Power Source (UPS) and electrical generator for the galley and the connected midshipman dining room.

Cleveland & Rogers Hall - Architecture & Engineering Design Study ($3.0 million)

This request includes $3.0 million for a design to upgrade Rogers Hall and Cleveland Hall to current building code requirements. Rogers Hall and Cleveland Hall have not been renovated since the 1980's resulting in the deterioration of the buildings and poor living conditions for the midshipmen. The renovation for Rogers Hall and Cleveland Hall will include the complete removal of the existing mechanical, electrical, plumbing, protection systems, asbestos, lead and all interior finishes down to the shell of the building. The renovation will include the installation of new furniture, roof, windows, insulation, masonry repair, fire alarm system, fire sprinkler system, domestic water system, sanitary system, electrical distribution system, emergency power generator, uninterruptible power supply system for critical loads, system data and voice system, automatic temperature control system and geothermal ventilating heating and air conditionings. The new design will bring Rogers Hall and Cleveland Hall up to modern acceptable living standards for the midshipmen including life safety, ventilation, heating, air conditioning, fire protection, water quality, emergency power, information technology and electrical system capacity to support current information technology requirements.

Tug/Barge Simulator ($2.0 million)

The capital program includes $2.0 million to obtain and install a state of the art full mission towing simulator that could help with training for various sophisticated propulsion and rudder combinations used in the towing and offshore industry. This request includes space renovation at the Academy. At the present time there is no Tug Barge Simulation capabilities located at the Academy and the school's budget does not provide funding to support the training requirements for the inland towing and offshore industries.

This simulator is needed to support the Maritime Administration's Marine Highway initiative and provide qualified officers for the inland towing offshore industries. Tug barge training will greatly improve the job opportunities for graduating midshipmen. In addition, graduates of the Academy can fulfill their obligation to the government by sailing of these vessels and have been encouraged to do so.

There is a shortage of highly qualified officers to operate the modern highly sophisticated towing and offshore vessels. In recent years, the towing industry and the offshore supply industry has undergone dramatic changes with regard to the types of equipment being used, the size of the tows and need to operate these units efficiently and safely. Many of the offshore industry vessels are fitted with Dynamic Positioning (DP) equipment that requires certification to operate. The towing and offshore companies are constantly asking for highly qualified individuals to enter their industry. The types of individuals needed require training and understanding of sophisticated systems that are used in the towing industry today. These individuals are not available from the traditional crewing sources. Obtaining a tug barge simulator will enable the Academy to meet the national need for qualified tug barge operators.

Failure to fund this item will negatively impact the Academies ability to meet the demand of highly qualified officers for these industries.

<u>Major Capital Repairs and Equipment Replacement ($1.9 million)</u>
$1.9 million is requested to help address major capital repairs and equipment replacement. The Academy's infrastructure is over 65 years old; buildings require major capital repairs as a result of normal wear and tear. This funding is essential to address major physical plant emergencies or very high priority mission-related physical plant projects that emerge during the fiscal year due to facility deterioration that require immediate resolution to correct a safety hazard, to ensure the continued use of a building or structure, or to ensure continuation of a mission-related program. These major capital repairs are often unpredictable. The Academy is also constantly in need of equipment repair and replacement, whether it be equipment to maintain the property or equipment to aid in the education of the midshipmen, these type or repairs are costly.

<u>Kings Pointer Training Ship Dry-docking ($1.0 million)</u>
$1.0 million is requested for the T/V Kings Pointer training ship. The T/V Kings Pointer will require its next yard period in 2011. This funding will help with the dry docking of the ship in 2011. Maintenance of the Kings Pointer is essential to keeping the vessel in a certified operational status.

Midshipman Fees Revenues/Expenses Exhibit

In order to ensure transparency with respect to the midshipmen fees, the Maritime Administration is including the following table, which represents a forecast of midshipman fee revenues and expenses for the 2009/2010 (current) academic year. The revenues in this table are projections based on actual charges to midshipmen. The expenses in this table are the expenses projected through the end of this academic year. The academic year started on July 1, 2009 and ends on June 30, 2010. Revenues and expenses will not be final until the end of this academic year.

Academic Year 2009/2010

Midshipman Fees	Revenues	Expenses	Balance
Plebe Laptop Package	393,926	390,593	3,333
Extended Laptop Warranty	47,880	35,243	12,637
Wash/Fold Laundry Services	342,485	300,000	42,485
Washer & Dryer Rental Service	49,282	40,744	8,538
Tailor/Seamstress/Pressing Fee	225,626	179,646	45,980
Barber/Hairdresser Service	187,773	134,891	52,882
Plebe Personal Issue	40,880	33,857	7,023
Plebe Educational Issue	53,384	28,817	24,567
Supplemental Health Insurance	48,320	47,804	516
Sub-Total	$1,389,556	$1,191,595	$197,961
International Fee	$265,720	-	$265,720
Grand Total	$1,655,276	$1,191,595	$463,681

Fees are tied directly to specific goods that become the personal property of a midshipman or are services personal to each midshipman, but procured directly by the Academy. An explanation of each of these midshipman fees is included below:

- Plebe Laptop Package: This is to provide for laptop computers, printers and basic peripherals, and warranty service.
- Extended Laptop Warranty (for 1st classmen only): This is to extend the laptop repair service coverage for an additional year beyond the manufacturer's three-year contract. The surplus is due to an adjustment in the vendors price based on actual enrollment.
- Wash & Fold Laundry Services: This provides for contracted off-site laundry service for midshipmen. The surplus is a result of higher enrollment than originally estimated.
- Washer & dryer rental service: midshipman self-service laundry machines on campus. The surplus is a result of higher enrollment than originally estimated.
- Tailor/Seamstress/Pressing Fee: These services provide uniform adjustments, repairs, and pressing service to ensure consistent professional appearance. The surplus is a result of a higher enrollment than originally estimated.
- Barber/Hairdresser Service: These services are to ensure consistent military bearing and appearance. The surplus is a result of a higher enrollment than originally estimated.
- Plebe Personal Issue: This includes initial dormitory room supplies, personal hygiene materials, etc. The surplus in revenue is due to items taken from prior years purchased supplies.

- Plebe Educational Issue: This includes school supplies, professional tools and equipment; varies by major. The surplus in revenue is due to items taken from prior years purchased supplies.
- Supplemental Health Insurance: This policy provides gap coverage between the medical services provided by USMMA, through contract with various health care providers, and any insurance carried by each midshipman's family or by shipping companies during sea year.

Detailed Justification for State Maritime Academies

State Maritime Academies	FY 2011 Request: $15.007 million

Overview:

The Merchant Marine Act of 1936 declared it to be a national priority to establish an American merchant marine and directed that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States." To meet this requirement, the Act created a federal structure for state maritime academies; directed a partnership between the state academies and the Navy; and authorized the Secretary of Transportation to use the state academies "to provide for the education and training of citizens of the United States who are capable of providing for the safe and efficient operation of the merchant marine of the United States at all times and as a naval and military auxiliary in time of war or national emergency." Federal support of mariner education helps ensure highly qualified personnel are trained annually to maintain the nation's pool of skilled merchant mariners. These mariners are needed to safely operate U.S.-flag cargo vessels and perform critical maritime-related functions in a national emergency. The SMA program contributes over half of the entry-level licensed mariners trained annually.

The state maritime academy (SMA) program provides for the training of merchant marine officers in state academies. To ensure a consistent supply of capable and well-trained merchant mariners, the Maritime Administration provides funding to six state academies: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy. Federal funding supplements SMA State government funding.

The SMA program comprises three major program components: (1) annual direct payments to each of the six state maritime academy for maintenance and support; (2) the Student Incentive Payment (SIP) program; and (3) payment of training ship maintenance and repair costs for six Federally-owned training ships on loan to the SMA.

SMA Direct Payments

MARAD provides direct payments to the six state maritime academies to help offset the cost of salaries for professors and instructors, faculty health care costs, facilities costs and training ship fuel costs.

Student Incentive Payments (SIP)

The SIP Program provides financial assistance to full-time students at the SMAs. SIP students receive annual stipends, for a maximum of four years, while attending the SMA. The SIP stipends are offered only to students in the license program who accept certain post-graduation service obligations. These obligations help MARAD assure that sufficient mariners will be available to crew sealift ships in times of emergency. The state academies regard the SIP Program as among the most important recruiting tools for encouraging state maritime academy cadets to pursue careers as civil service mariners.

School Ship Maintenance and Repair (SMR)
In accordance with 46 U.S.C. 51501 and 51504, MARAD furnishes (or loans) Federally-owned and maintained school ships to each of the six state maritime academies (SMAs). This is a cooperative program between the SMAs and MARAD. These vessels are vital components of the SMA program. The ships are employed as academic and seagoing laboratories for license coursework and practical, hands-on training and testing, as part of the merchant mariner licensed officer training programs at each academy. Licensed merchant marine officers from these academies directly support our Nation's maritime industry and the Department of Defense (DOD) national defense sealift manning requirements.

MARAD is mandated by law to maintain each ship in a state of "good repair" and meet all regulatory requirements for school ships. MARAD policy is also to comply with international (IMO) regulations to the maximum extent practicable and to ensure good environmental stewardship, including compliance with local, state, federal (EPA) and international environmental regulations. The average age of the six training ships is 32 years old. As these ships age, the annual cost of ship maintenance and repair significantly increases. There are six (6) state academy training ships, located and docked at various locations around the U.S.:

1. TS GOLDEN BEAR: California Maritime Academy, Vallejo, CA
2. TS STATE of MICHIGAN: Great Lakes Maritime Academy, Traverse City, MI
3. TS TEXAS CLIPPER: Texas Maritime Academy, Galveston, TX
4. TS STATE of MAINE: Maine Maritime Academy, Castine, ME
5. TS KENNEDY: Massachusetts Maritime Academy, Buzzards Bay, MA
6. TS EMPIRE STATE: SUNY Maritime College, Bronx, NY

FY 2010 Base:

The base consists of direct payment funding for each of the six academies, SIP incentive program funds, and training ship maintenance and repair funds. Program support is funded by the Operations and Training Account (MARAD Operations).

Anticipated FY 2010 Accomplishments:

SMA Direct Payments
For the academic year 2008-2009, 560 students graduated from the SMA unlimited license program, a 2 percent increase over the 2007-2008 academic year. The actual results for graduates for 2010 will be available during the summer following SMA graduations in June/July.

Student Incentive Payments (SIP)
In 2009, legislative changes were approved and SIP stipends were increased from $4,000 to $8,000 annually for tuition and other academy-related expenses of the cadet. We expect the authorized increase in SIP payments from $4,000 per year to $8,000 to increase interest in the program. This major improvement positions the program for a successful 2010.

School Ship Maintenance and Repair (SMR)
For the six federally-owned training ships on loan to the SMA, market conditions throughout 2006, 2007 and 2008 have resulted in a 30 percent increase in shipyard costs. Higher costs for raw materials necessary to maintain ships (i.e. steel and copper) are expected to continue into 2010. These conditions have had a substantial impact on training ship maintenance and repair costs. Some of the more significant training ship maintenance accomplishments expected in 2010 include:

- Drydocking the KENNEDY;
- Machinery upgrades to the KENNEDY, including: a new water mist type, fixed fire fighting system in the machinery spaces; a new steering system; and a new reverse osmosis (R.O.) water maker;
- A new rescue boat davit for the EMPIRE STATE;
- A new Navigation Lab for the GOLDEN BEAR;
- Machinery upgrades to the STATE of MAINE, including: expansion of the marine sanitation system; an underwater inspection in lieu of drydocking; lamp ray survey of the hull; and a new R.O. water maker;
- Completion of the automation upgrade project on the STATE of MICHIGAN;
- Commencement of a conversion design and engineering work package on TEXAS CLIPPER;
- Instituting best management practices on school ships to mitigate contaminant discharges as required by the Environmental Protection Agency regulations.

FY 2011 Budget Request:

State Maritime Academies					
Program Activity ($000)	**FY 2010 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2011 Request**
SMA Direct Payments	2,550			-150	2,000
Student Incentive Payments	2,150			-550	2,000
Schoolship Maintenance and Repair	11,240		56	-289	11,007
Total	**$15,940**		**$56**	**-989**	**$15,007**

The 2011 request for the SMA program is $15 million, a decrease if $933 thousand from the 2010 enacted. The request includes funding to support SMA Direct Payments ($2 million), Student Incentive Payments ($2 million), and Schoolship Maintenance and Repair ($11 million).

SMA Direct Payments
MARAD requests $2 million to make direct payments to the SMAs for maintenance and support, a decrease of $550 thousand from the 2010 enacted. This level will support payment of $333,333 to each school in 2011. The academies rely on these funds to help offset the cost of salaries for professors and instructors, faculty health care costs, facilities costs and training ship fuel costs. Supporting the SMAs strengthens their ability to maintain a cadre of well-qualified faculty and state of the art technology for

teaching cadets. U.S. Coast Guard regulations governing the licensing of cadets have contributed to increased faculty costs.

Student Incentive Payments (SIP)
MARAD requests $2.0 million for the Student Incentive Program (SIP), a decrease of $150 thousand from the 2010 enacted level. In 2009, legislation governing the SIP program has changed to increase the annual SIP from $4,000 per cadet to $8,000 per cadet. The Department of the Navy, Merchant Marine Reserve (MMR) has also informed MARAD that they have an annual requirement of at least 50 reserve officers from the SMA entering the MMR upon graduation. Additionally, the U.S. Army and National Guard have identified billets within the Army, Amy Reserve, and National Guard where graduates of the SIP program can utilize their maritime skills and education and meet their obligation. Based on historical attrition rates, the $2.0 million will allow MARAD to meet these requirements.

Schoolship Maintenance and Repair (SMR)
MARAD requests $11 million for SMR to maintain the six state maritime academy school ships in a safe, ready, reliable and responsible material condition, as mandated by law, i.e., in a "state of good repair" and in full compliance with all federal and regulatory body laws and regulations. Funding in the base request will support the following priority maintenance and repair requirements and activities planned for 2011:

- drydocking the EMPIRE STATE and TEXAS CLIPPER;
- machinery and habitability repairs and upgrades on the GOLDEN BEAR and STATE of MAINE, including a new water mist type, fixed fire fighting system; as well as machinery and habitability repairs and upgrades on the EMPIRE STATE and KENNEDY.

Detailed Justification for MARAD Operations and Programs

MARAD Operations and Programs	FY 2011 Request: $49.326 million

Overview:

The MARAD Operations and Program account funds agency professional staff working on MARAD operating missions and support programs, as well as specific program efforts for Secure and Efficient Ports and Environmental Stewardship.

As such, MARAD Operations and Programs contributes to Departmental strategic objectives for Reduced Congestion; Global Connectivity; Environmental Stewardship; Security, Preparedness and Response; and Organizational Excellence. MARAD Operations and Programs also provides program support for staffing, administrative support, and operational program activities and initiatives for the following program areas:

Program Activities

- Environment and Compliance
  - Environmental Stewardship
  - Maritime Safety Initiatives
  - Security and Readiness
- Intermodal System Development
  - Secure and Efficient Ports
  - Maritime Industry Engagement
  - Port Infrastructure Development and Congestion Mitigation
  - Marine Highways
  - Deepwater Ports and Offshore Activities
  - Gateways
- National Security
  - Maritime Security Program
  - Ship Disposal
  - State Maritime Academies – Maintenance and Repair
  - Strategic Ports
  - Voluntary International Sealift Agreement (VISA)
- Business and Workforce Development
  - Ocean Freight Differential
  - State Maritime Academies

MARAD Operations and Programs also funds agency Organizational Excellence initiatives and administrative support and logistics activities, including:

Support Activities

- Human Resource Management
- Information Technology and E-Government
- Financial Management
- Legal Counsel

- Procurement
- Management Services

FY 2010 Base:

The MARAD Operations base budget primarily supports the agency's headquarters program operations staffing and administrative infrastructure. A very substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), as well as information technology requirements. The FY 2010 base included very limited funding to support operating program activities and initiatives.

Anticipated FY 2010 Accomplishments:

Program Activities

Operating programs include Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development. Operating program accomplishments for FY 2010 include the following:

Environment and Compliance

Environment Stewardship

MARAD supports environmental concerns within the marine transportation industry by working with key government/industry workgroups and professional associations that include the USCG, EPA, DOS, DOD, DOE, NOAA, the International Maritime Organization and the International Organization for Standardization. MARAD will identify and implement economically sound transportation practices, policies and technologies to minimize environmental impacts through initiating studies, analyzing policy concerns, leveraging funding, and developing national and international standards and guidelines. MARAD program highlights for FY 2010 include:

- Verification testing of at least two promising ballast water treatment technologies;
- Establishment of an in-line ballast water sampling port design through field testing and collaboration with key research entities (both government and non-government);
- Completion of other regional components of the Geospatial Intermodal Freight Transport Tool (GIFT);
- Implementation of port-side emission reduction or energy conservation technology study;
- Upgrade the E2MS Agency software program with environmental data;
- Continued review and calculation of the Agency's carbon footprint; and
- Installation of energy use reduction strategy at one or more fleet locations.

Maritime Safety Initiatives

MARAD continues to take a leadership role in the Ship Operators Cooperative Program (SOCP) and interagency "Ship Structures Committee" (SSC), which serve as venues for pursuing better material, fabrication technologies, technical standards, maintenance, survey and repair strategies, and collaborate with academia and private sector/industry in the pursuit of safety in ship design, and ensuring safety compliance for U.S. ship operators.

Security and Readiness

MARAD assists ship owners in assessing their vulnerabilities through Anti-Piracy Assistance Team (APAT) visits; serves as the co-chair for the United Nations-initiated government/industry working group on anti-piracy; provides resources and support for mariner anti-piracy training through the development of course materials and video aids in cooperation with labor groups and industry partners via the Ship Owners Cooperative Program (SOCP).

Intermodal System Development

Secure and Efficient Ports

MARAD plans to implement the Presidential initiative for joint planning with DHS to capitalize on intermodal freight system efficiencies that increase system efficiency and minimize impacts on environment, community and infrastructure while improving resiliency and security. This funding will be utilized to provide grants that will start new, or expand existing marine highway services, shifting freight from congested roads and railroads to waterborne routes during FY 2010. This will result in thousands of fewer trucks on mostly urban, congested roads, with corresponding emissions and energy savings, while improving conditions in American communities.

Port Infrastructure Development and Congestion Mitigation

MARAD supports port modernization efforts to meet anticipated trade demand, changing trade patterns, and national security requirements. It enhances critical intermodal freight infrastructure which links coastal and inland ports to the national transportation network. These funds will be used to improve freight goods movement, increase efficiency, and security throughout the Nation's port system. Emphasis will be on assisting small and medium sized ports – especially those ports that are essential to military and defense needs - that historically have had difficulty securing the bonding authority and generating the adequate revenues to expand and modernize their facilities. MARAD program highlights for FY 2010 include:

- Lead the review, selection, award and management of grants related to port and freight infrastructure under the Secretary's $1.5 billion ARRA Discretionary Grants for a Surface Transportation System. Grants will be announced in early FY 2010 for award throughout FY 2010 and 2011.
- Maritime Administration has an on-going infrastructure development program which is currently assisting seven ports (Anchorage, Guam, Hawaii, Philadelphia, Toledo, Portland and Wellsville). The funding received in 2010 by the Maritime Administration (from all sources) to develop these projects is over $100 million. These funds will be used to develop port infrastructure that has both commercial and military utility for national defense purposes.
- The United States has concluded bilateral maritime agreements only in rare instances where circumstances warrant such action. In addition, we monitor bilateral maritime and trade agreements of other countries to ensure that they do not impair U.S. carriers' market access. The few U.S. maritime agreements that are in effect are with Brazil, China, and Russia. The United States and Japan carried out an exchange of letters on port services in November 1997 that had the effect of an agreement.

Marine Highways

The strength of our freight transportation system is being threatened by our overwhelmed roads, bridges and tunnels. One simple, smart solution is to ship more of America's goods on America's underutilized coastal, intracoastal and inland waters. Our future competitiveness will greatly benefit if we improve the use of marine highways to ship goods. The Marine Highways program seeks to reduce congestion, improve air quality, improve safety and reduce highway maintenance expense through expansion of water transportation in major freight and passenger corridors. The Marine Highways Program will be fully implemented in FY 2010. MARAD program highlights for FY 2010 include:

- Providing field support/outreach activities by working with stakeholders to identify 2-4 potential new or expanded marine highway services that has the potential of removing thousands of trucks from America's highways and rail lines and demonstrating the viability of this form of transportation.
- Awarding grants to 2-4 new or expanded services, removing thousands of trucks from America's highways and rail lines and demonstrating the viability of this form of transportation.
- Providing direct support to two existing new-start systems that offer significant potential to reduce congestion and improve community, environment and energy conservation.

<u>Deepwater Ports and Offshore Activities</u>
During FY 2010, the Deepwater Port and Licensing Program will achieve the following program accomplishments:

- Issue two Deepwater Port Licenses for the construction and operation of LNG deepwater port facilities located of in the offshore waters of Tampa, FL and the Gulf of Mexico.
- Facilitate the commencement of operations for an LNG deepwater port in the offshore waters of Massachusetts – bringing the total number of U.S. operational LNG and oil deepwater ports to four.
- Increase the nation's overall LNG import capacity to approximately 51.4 Bcf per day.
- Establish crewing agreements with several deepwater port license applicants for the employment and training of U.S. mariners aboard vessels servicing our nation's LNG deepwater ports – increasing the number of U.S. mariners to 100.

<u>Gateways Program</u>
The Gateway offices are the agency's day-to-day presence throughout the Marine Transportation System; and are critical to the viability and effectiveness of the Maritime Administration and its future programs. Gateway program highlights for FY 2010 include:

- Providing field support/outreach activities by working with stakeholders on new or expanded marine highway services that have the potential of removing thousands of trucks from America's highways and rail lines and demonstrating the viability of this form of transportation.
- Providing field support to new-start systems that offer significant potential to reduce congestion and improve communities, environment, and energy conservation.
- Provide field support and technical expertise on port and freight infrastructure under the Secretary's $1.5 Billion ARRA Discretionary Grants for a Surface Transportation System.

National Security

MARAD Operations and Program funds personnel and administrative support for the Maritime Security Program, Ship Disposal, State Maritime Academies (School Ship Maintenance and Repair), Strategic Ports, and Voluntary International Sealift Agreement (VISA) programs, performance accomplishments for these programs is discussed in the respective account narratives for these programs in this budget request.

MARAD's FY 2010 program will include national security planning to help ensure the availability of DOD's designated strategic ports. MARAD will continue efficient administrative operation of MSP and VISA, and management of the War Risk Insurance program. In addition, MARAD will serve as the head of the US delegation, within the Organization of American States (OAS), to advance US port security interests in the Western Hemisphere.

Business and Workforce Development

MARAD Operations and Program funds personnel and administrative support for the State Maritime Academies and Ocean Freight Differential programs, performance accomplishments for these programs is discussed in the respective account narratives for these programs in this budget request.

Support Activities

Support programs include Human Resources, Financial Management, Information Technology and E-Government, Legal Counsel, Procurement, and Management Services. Support program accomplishments for FY 2010 include the following:

Human Resources

Human Resources Strategy
- Continued support for implementation of the Human Capital Plan and Workforce Plan.

Staff Acquisition
- Promotion of recruitment and retention incentives to hire and retain highly qualified candidates and recruit for hard to fill positions.
- Continued implementation of end-to-end hiring initiative.
- Implementation of an on-and-off boarding management system including a workforce transformation tracking system to increase the efficiency of our accession and separation processing and better manage our resources.
- Implementation of SF-52 automated process.

Human Resources Development
- Support of DOT leadership training initiative.
- Conducted development and training classes in support of employee development.

Financial Management

- Receive an unqualified or "Clean" audit opinion from the Office of Inspector General (OIG) for MARAD's presentation of FY 2009 annual audited financial statement.
- Implement FY 2010 HQ and USMMA financial operating plans.

Information Technology and Open Government

IT Infrastructure Operations and Maintenance
- Support the planning, design, and maintenance of an IT Infrastructure (i.e., hardware platforms, networks, servers, printers, etc.) to effectively serve daily operations.

Stennis Data Center and Piney Point COOP Operations and Maintenance

- Support the hosting of virtualized MARAD servers (in Stennis) which house all MARAD Application Systems and Intranet sites; and the COOP site which contains IT hardware and software necessary to ensure the continuing operations.

System and Application Development and Maintenance

- Support all programming activities associated with the in-house design, development, and maintenance of software applications in order to meet business requirements.

Change Management

- Advance IT system lifecycle change control that facilitates a smooth transition of the design and implementation of updated IT such as methodologies, systems, or procedures.

Information Security, Information Assurance, and Privacy

- Review procedures and systems to meet the requirements of the Federal Information Security Management Act (FISMA) and the Clinger Cohen Act.

Open Government

- Advance OMB and federal CIO initiatives supporting Administration goals.

Record and Knowledge Management

- Develop and implement systems capabilities to consolidate documents and records, consistent with NARA records-retention policies and requirements.
- Implement secure procedures for maintaining the privacy of Personally-Identifiable Information (PII).

Enterprise Architecture Segments and Federal Enterprise Architecture

- Define the business functions in terms of line of business (LoB) and align with other federal agencies.

Information/Data Sharing

- Support the dissemination of data among federal agencies, including ARRA reporting.

FY 2011 Budget Request:

For FY 2011, MARAD requests $49.3 million for MARAD Operations & Programs, $10.5 million below the FY 2010 enacted level. MARAD's request includes $1 million to support new program initiatives aimed at advancing the agency's core mission as well as operating expense current services adjustments and program decreases totaling $13.4 million.

The MARAD Operations and Programs request will continue to support the agency's headquarters program operations staffing and administrative infrastructure. The majority of the requested FY 2011 operations funding is dedicated to salaries and benefits ($29.0 million) and mandatory operating expense costs including GSA rent and the working capital fund (WCF) ($11.2 million), as well as information technology requirements ($6.3 million). Approximately $1.8 million is included for discretionary operations and travel.

Program Activity ($000)	FY 2010 Enacted	Salary Adjustment	Non-Salary Adjustment	Program Increases/ Decreases	FY 2011 Request
Salaries & Benefits	28,602	445			29,047
Non-Discretionary Operations	9,731		1,448		11,179
Information Technology	8,155		41	-1,882	6,314
Discretionary Operations & Travel	1,777		9		1,786
Maritime Program Expenses	11,488			-10,488	1,000
Total	**$59,753**	**$445**	**$1,498**	**-$12,370**	**$49,326**

<u>Program Increases/Decreases</u>

MARAD's 2011 request includes $1.0 million to support new program initiatives aimed at advancing the agency's core mission. The request also includes total program decreases of $13.4 million to activities funded in FY 2010 appropriations including the Secure & Efficient Ports Program (-$7 million); Environment and Compliance activities (-$3.9 million); Information Technology data improvements and enhancements (-$1.9 million) and other base-budget discretionary program activities (-$613 thousand).

<u>Continuing Program and Operations Support</u>

The FY 2011 operating expenses request of $48.3 million will continue to fund base program operations and staffing levels in the areas of Environment & Compliance, Intermodal System Development, National Security and Business and Workforce Development. The request will also fund the Human Resources, Financial Management, Information Technology and E-Government, Legal Counsel, Acquisitions, and Administrative Services program support activities. The support programs are funded under: Mandatory Operations ($11.2 million), Information Technology ($6.3 million), and a portion of the Discretionary Operations and Travel request ($1.8 million). FY 2011 program support activities include the following:

Human Resources

<u>Human Resources Strategy</u>

- Continued support for implementation of the Human Capital Plan and Workforce Plan.
- Ensure human capital results and merit system compliance are determined and reported to management and the Office of Personnel Management.

Staff Acquisition

- Promotion of recruitment and retention incentives to hire and retain highly qualified candidates and recruit for hard to fill positions.
- Continued implementation of end-to-end hiring initiative.
- Implementation of an on-and-off boarding management system including a workforce transformation tracking system to increase the efficiency of our accession and separation processing and better manage our resources.
- Implementation of SF-52 automated process.

Employee Performance Management

- Improve human capital programs and the human capital accountability system.

Human Resources Development

- Support of DOT leadership training initiative.
- Conduct development and training classes in support of employee development.
- Invest in employee leadership training, establish formal and informal mentoring arrangements, create succession opportunities, and foster external educational opportunities.
- Invest in continuous development of senior leaders, both current and future.
- Build a leadership pipeline/talent pool to ensure leadership continuity.
- Provide cross-training and education opportunities by promoting rotational assignments and increased used of cross-functional teams.

Financial Management

- Strengthen financial management capabilities at the U.S. Merchant Marine Academy.
- Maintain the MARAD CFO Intranet website resources and materials.

Acquisitions

- Implementation of the PRISM acquisition system, which will integrate accounting and acquisitions data, creating greater efficiencies in processing obligations and invoicing.

Information Technology and Open Government

IT Infrastructure Operations and Maintenance

- Support the planning, design, and maintenance of an IT Infrastructure (i.e., hardware platforms, networks, servers, printers, etc.) to effectively serve daily operations.

Stennis Data Center and Piney Point COOP Operations and Maintenance

- Support the hosting of virtualized MARAD servers (in Stennis) which house all MARAD Application Systems and Intranet sites; and the COOP site which contains IT hardware and software necessary to ensure the continuing operations.

System and Application Development and Maintenance

- Support all programming activities associated with the in-house design, development, and maintenance of software applications in order to meet business requirements.

Change Management

- Advance IT system lifecycle change control that facilitates a smooth transition of the design and implementation of updated IT such as methodologies, systems, or procedures.

Information Security, Information Assurance, and Privacy

- Review procedures and systems to meet the requirements of the Federal Information Security Management Act (FISMA) and the Clinger Cohen Act.

Open Government

- Advance OMB and federal CIO initiatives supporting Administration goals.

Record and Knowledge Management

- Develop and implement systems capabilities to consolidate documents and records, consistent with NARA records-retention policies and requirements.
- Implement secure procedures for maintaining the privacy of Personally-Identifiable Information (PII).

Enterprise Architecture Segments and Federal Enterprise Architecture

- Define the business functions in terms of line of business (LoB) and align with other federal agencies.

Information/Data Sharing

- Support the dissemination of data among federal agencies, including ARRA reporting.

ASSISTANCE TO SMALL SHIPYARDS

[To make grants to qualified shipyards as authorized under section 3508 of Public Law 110-417 or section 54101 of title 46, United States Code, $15,000,000, to remain available until expended: *Provided*, That to be considered for assistance, a qualified shipyard shall submit an application for assistance no later than 60 days after enactment of this Act: *Provided further*, That from applications submitted under the previous proviso, the Secretary of Transportation shall make grants no later than 120 days after enactment of this Act in such amounts as the Secretary determines: *Provided further*, That not to exceed 2 percent of the funds appropriated under this heading shall be available for necessary costs of grant administration.] (*Department of Transportation Appropriations Act, 2010*.)

MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1770-0-1-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Grants for Capital Improvement for Small Shipyards	16,592	14,700	-
00.02	Grants Administration	559	849	-
00.03	Grants for Small Shipyards, Recovery Act	98,000	-	-
10.00	Total obligations	115,151	15,549	-
	Budgetary resources available for obligation			
21.40	Unobligated balance carried forward, start of year	8,339	549	-
21.45	Adjustments to unobligated balance carried forward, start of year	-8,139	-	-
22.00	New budget authority (gross)	115,500	15,000	-
23.90	Total budgetary resources available for obligation	115,700	15,550	-
23.95	New obligations	-115,150	-15,500	-
24.40	Unobligated balance carried forward, end of year	549	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation	117,500	15,000	-
41.00	Transferred to other accounts [69-1750]	-2,000	-	-
43.00	Appropriation (total discretionary)	115,500	15,000	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	-	117,661	29,400
72.45	Adjustments to obligated balance, start of year	8,139	-	-
73.10	New obligations	115,151	15,549	-
73.20	Total outlays (gross)	-5,629	-103,810	-29,400
74.40	Obligated balance, end of year	117,661	29,400	-
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	5,629	15,000	-
86.93	Outlays from discretionary balances	-	88,810	29,400
87.00	Total outlays (gross)	5,629	103,810	29,400
	Net budget authority and outlays:			
89.00	Budget authority	115,500	15,000	-
90.00	Outlays	5,629	103,810	29,400
95.02	Unpaid Obligations, EOY	117,661		

ASSISTANCE TO SMALL SHIPYARDS

Program and Performance Statement

The National Defense Authorization Act for Fiscal Year 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 2011.

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

Object Class Code	Object Class	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
41.0	Grants, claims and subsidies	115,151	15,549	-
99.9	**Total New Obligations**	**115,151**	**15,549**	**-**

EXHIBIT III-1

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

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST	CHANGE FY 2010-2011
Assistance to Small Shipyards	115,500	15,000	-	-15,000
Total	**115,500**	**15,000**	**-**	**-15,000**
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III-2

ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2010 TO FY 2011
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	**Change from FY 2010 to FY 2011**	**FY 2011 PC&B By Program**	**FY 2011 FTEs by Program**	**FY 2011 Contract Expenses**	**Total**
		Note: Columns are Non-Add			
FY 2010 Base	**15,000**				**$15,000**
Adjustments to Base					
Annualization of 2010 Pay Raise (2.0%)					
2011 Pay Raise (1.4%)					
WCF					
Non-Salary Inflation (0.5%)					
Subtotal, Adjustments to Base	**-**				**-**
New or Expanded Programs (e.g. Presidental Initiatives)					
Assistance to Small Shipyards	-15,000				-$15,000
Subtotal, New or Expanded Program Increases/ Decreases	**-15,000**				**-$15,000**
Total FY 2011 Request	**-**				**-**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS
FY 2002 - FY 2011
Main Table - ($000)

Fiscal Year		Requested	Enacted	
2002		-	-	
2003		-	-	
2004		-	-	
2005		-	-	
2006		-	-	
2007		-	-	
2008		-	10,000	
2009	Appropriation	-	17,500	
	ARRA*	-	100,000	1/
2010		-	15,000	
2011		-		

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

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

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SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [$15,000,000] *$10,000,000*, to remain available until expended. (*Department of Transportation Appropriations Act, 2010*.)

MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1768-0-1-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Ship Disposal	10,385	41,012	10,000
10.00	Total obligations	10,385	41,012	10,000
	Budgetary resources available for obligation			
21.40	Unobligated balance carried forward, start of year	20,325	26,012	-
22.00	New budget authority (gross)	15,000	15,000	10,000
22.10	Resources available from recoveries of prior year obligations	1,071	-	-
23.90	Total budgetary resources available for obligation	36,396	41,012	10,000
23.95	New obligations	-10,384	-41,012	-10,000
24.40	Unobligated balance carried forward, end of year	26,012	-	-
	New budget authority (gross), detail:			
	Discretionary :			
40.00	Appropriation (definite)	15,000	15,000	10,000
70.00	Total new budget authority (gross)	15,000	15,000	10,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	7,990	6,571	7,500
73.10	New obligations	10,384	41,012	10,000
73.20	Total outlays (gross)	-10,732	-40,083	-12,500
73.45	Recoveries of prior year obligations	-1,071	-	-
74.40	Obligated balance, end of year	6,572	7,500	5,000
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	6,515	7,500	5,000
86.93	Outlays from discretionary balances	4,217	32,583	7,500
87.00	Total outlays (gross)	10,732	40,083	12,500
	Net budget authority and outlays:			
89.00	Budget authority	15,000	15,000	10,000
90.00	Outlays	10,732	40,083	12,500
95.02	Unpaid Obligations, EOY	6,572		

SHIP DISPOSAL PROGRAM

Program and Performance Statement

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

MARITIME ADMINISTRATION
SHIP DISPOSAL
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request
11.1	Full-time permanent	1,005	1,024	1,039
11.3	Other than full-time permanent	6	6	6
11.5	Other personnel compensation	18	18	18
11.9	**Total personnel compensation**	**1,029**	**1,048**	**1,063**
12.1	Civilian personnel benefits	260	265	271
25.2	Other services	9,096	39,699	8,666
99.9	**Total New Obligations**	**10,385**	**41,012**	**10,000**

Employment Summary

	Ship Disposal	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request
Direct:				
1001	Civilian full-time equivalent employment	11	11	11
	Total Employment	**11**	**11**	**11**

EXHIBIT III-1

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

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST	CHANGE FY 2010-2011
Ship Disposal	15,000	15,000	10,000	-5,000
Total	**15,000**	**15,000**	**10,000**	**-5,000**
FTEs				
Direct Funded	11	11	11	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III-2

SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2010 TO FY 2011
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2010 to FY 2011	FY 2011 PC&B By Program	FY 2011 FTEs by Program	FY 2011 Contract Expenses	Total
		Note: Columns are Non-Add			
FY 2010 Base	**$0**	**[$1,313]**	**[11]**	**[13,212]**	**$0**
Adjustments to Base					
Annualization of 2010 Pay Raise (2.0%)	7	[7]			
2011 Pay Raise (1.4%)	14	[14]			
WCF	-300				
Subtotal, Adjustments to Base	**-$279**	**[$21]**	**[-]**	**[-]**	**-$279**
New or Expanded Programs					
Program Expenses	-4,721	[-]		[-4,721]	
Subtotal, New or Expanded Program Increases/ Decreases	**-$4,721**	**[-]**		**[-$4,721]**	**-$4,721**
Total FY 2011 Request	**-$5,000**	**[$1,334]**	**[11]**	**[$8,491]**	**-$5,000**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL
FY 2002 - FY 2011
Main Table - ($000)

Fiscal Year	Requested	Enacted	
2002	10,000	-	
2003	11,161	11,088	1/
2004	11,422	16,115	2/
2005	21,616	21,443	3/
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		

1/ Includes $72,546 rescinded in P.L.108-7.

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

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

Detailed Justification for the Ship Disposal Program

Ship Disposal Program	**FY 2011 Request: $10.0 million**

Overview:

The Maritime Administration (MARAD) developed the Ship Disposal Program, as required by Section 3502 of the National Maritime Heritage Act, for the disposal of non-retention, also referred to as obsolete, National Defense Reserve Fleet (NDRF) vessels that are not assigned to the Ready Reserve Force (RRF) or otherwise designated for a specific purpose. The Ship Disposal Program supports the achievement DOT's Environmental Stewardship strategic objective to promote transportation solutions that enhance communities and protect the natural and built environment. As identified by Section 203 of the Federal Property and Administrative Services Act of 1949, MARAD is the U.S. government's disposal agent for federal government owned merchant type vessels that are 1,500 gross tons or more. MARAD has custody of approximately 78 obsolete vessels that are not yet under contract for disposal. These obsolete ships are located at the James River Reserve Fleet (JRRF) site in Virginia (16 ships), the Suisun Bay Reserve Fleet (SBRF) site in California (52 ships), and the Beaumont Reserve Fleet (BRF) site in Texas (10 ships).

Due to the presence of onboard hazardous materials such as residual fuel, asbestos, solid polychlorinated biphenyls and paint/coatings in the ships' systems or structure, surplus ships pose a risk to the surrounding environment and must be disposed of properly. Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding harm, but also in terms of reducing costs. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal.

In addition to environmental risks at MARAD fleet sites associated with onboard hazardous materials, the risk associated with the spread of non-indigenous aquatic species when transferring obsolete ships from the fleets sites to other bio-geographic locations for vessel disposal through recycling or artificial reefing has become an increasingly complex and costly challenge since 2006. Requirements and costs associated with the control of potentially invasive aquatic species are continuing to evolve, and indications are that they will continue to increase as the process for resolving the conflicting requirements of local, state and federal regulations continues. This is especially true in California where currently the drydocking of obsolete ships is the only process accepted by State regulators for the removal of marine growth from the underwater hulls of MARAD ships slated for disposal.

Because of the conflicting environmental mandates and regulatory constraints on the ship disposal activities including in-water hull cleaning of marine growth, early in 2007 the Maritime Administrator placed a temporary suspension on further ship disposals. The suspension has since been lifted for the MARAD fleets in Virginia and Texas because of agreements reached with those States. The suspension was also recently lifted for the fleet in California when agreement was reached with the cognizant state and federal regulatory agencies on National Invasive Species Act (NISA) and Clean Water Act (CWA) issues that had previously impeded the movement and disposal of obsolete MARAD ships located in the SBRF. The budgetary impact of NISA, the CWA and related local and state regulations on the Ship Disposal program is addressed in the 2011 budget request.

A discrete project funded within the Ship Disposal account is maintenance and safeguarding of the Nuclear Ship *Savannah* (NSS). The *Savannah*, the world's first nuclear powered merchant ship, is a legacy asset assigned to the NDRF in retention status whose operations and retention is licensed and actively regulated by the U.S. Nuclear Regulatory Commission (NRC). Until such time as the nuclear facilities housed on the ship are decommissioned, and the NRC license terminated, the maintenance of the *Savannah* is supported by the DOT's Environmental Stewardship strategic goal, and specifically the outcome and strategies related to DOT-owned facilities. The NSS licensed site boundary is the exterior perimeter of the ship; all activities within that boundary are subject to the enforcement discretion of the NRC.

The NSS project is comprised of two major program areas; license compliance and decommissioning. License compliance is a continuous program that provides the contemporary institutional competency that MARAD requires to manage and maintain the NSS, and is the prerequisite to continued retention of the ship in any form. This also includes the resources necessary to provide for ship husbandry and custodial care of the physical facilities onboard the ship. The NRC-regulated and defined decommissioning program is also a continuous process, that begins when a licensed nuclear power plant is removed from service and ends when the NRC license is terminated after the facility has been remediated and dismantled. An intermediate protective storage period may be included in the decommissioning process. With respect to the *Savannah*, the decommissioning program must be completed by the end of CY 2031, in accordance with applicable statutory and regulatory requirements.

A secondary program area focuses on historic preservation and stewardship. The *Savannah* was designated as a National Historic Landmark in 1991. It is the only such historic property in the DOT inventory; and more importantly it is the only designated historic property or structure that is currently owned, managed and maintained by a DOT modal agency. Stewardship activities are pursued in full conformance with the statutory requirements of the National Historic Preservation Act of 1966, as amended, and in a manner that is consistent with the objectives of the Preserve America and Save America's Treasures executive orders. In consideration of the *Savannah*'s historic significance, MARAD has no present plan or intent to dispose of the ship itself after decommissioning and license termination are complete.

FY 2010 Base:

The base consists of ship disposal funds, salaries and benefits, contractor support, administrative funds (including training and travel) and funding for NSS activities, including license compliance, ship husbandry and custodial care, decommissioning (SAFSTOR) planning and preparation, and historic preservation.

Anticipated FY 2010 Accomplishments:

MARAD has a performance target in 2010 to drydock 10 obsolete vessels from the NDRF with the removal for disposal of at least 8 of the 10 drydocked vessels. This goal is down significantly from the average of 20 ships removed on an annual basis for the last five years. This is because of MARAD's shift in focus in 2010 and 2011to address the environmental risks associated with the disposal of SBRF vessels and the significant additional costs associated with CWA and NISA compliance of SBRF obsolete vessels.

The national economic downturn and credit crisis that started in the first quarter of 2009 has had a detrimental effect on the domestic ship recycling industry that continues into 2010. The ship recycling industry depends on revenues from the sale of scrap steel (and other metals) to mills that produce finished goods for the construction and auto industries. Decreased demand for finished steel products has resulted in correspondingly reduced demands for scrap steel from the domestic ship recyclers. Likewise the credit crisis that began in 2009 will continue to affect the ability of recyclers to finance operational expenses, capital improvements and non-retention vessel purchases. In addition, the recycling industry will likely continue to have decreased production in 2010 while experiencing diminished revenue and longer held inventories of scrap steel. The effect on MARAD's Ship Disposal Program will be fewer obsolete ship removals due to diminished capacity and higher disposal costs due to decreased demand for scrap steel.

In addition, high fuel prices and increased costs associated with compliance with invasive species regulations and risk mitigation requirements will increase per vessel disposal costs in 2010. The development of testing and mitigation requirements surfaced in 2006 as a potentially significant cost driver due to increasing concern regarding the environmental impact of discharges from hull cleaning activities and for the potential spread of non-indigenous species as the Maritime Administration relocates obsolete ships from our fleet sites to the various disposal locations throughout the U.S. Since the NISA requirements only became a factor in 2006, and regulatory compliance activities continued to evolve in 2009 (especially in California), the costs faced by the Program are still not completely defined; consequently complete costs were not reflected in budget requests for 2009 or 2010. The Maritime Administration, in its environmental stewardship role, believes it is necessary to develop and implement strategies to reduce the risk of the introduction of non-indigenous aquatic species when transitioning obsolete NDRF vessels from the fleet sites to the domestic recycling facilities to comply with NISA.

The Maritime Administration expects to continue to utilize domestic recycling as the primary ship disposal method and will dispose of the majority of its high and moderate priority ships that are available for disposal during 2010 and 2011 through domestic recycling. Disposals through artificial reefing, deep-sinking of ships with the U.S. Navy and donation to not-for-profit groups will also be used to the maximum extent possible. As opportunities arise, MARAD will also continue working with domestic and international organizations to accomplish vessel condition assessments, hazardous materials identification, waste-stream minimization, and applied technology testing on MARAD's obsolete ships. MARAD anticipates that in the future these activities could result in improved overseas hazardous material remediation and ship recycling and lead to additional choices for environmentally safe and cost-effective vessel disposal internationally. Currently there are no foreign facilities qualified to compete for future ship recycling contracts and MARAD is limited by statute to the use of only domestic recycling facilities unless domestic recycling capacity is determined to be unavailable. This statutory restriction significantly limits recycling capacity, reduces competition and increases the cost of ship disposal especially for the obsolete SBRF ships in California since there are no qualified domestic ship recycling facilities on the West Coast.

Savannah Project: The initial decision to decommission the NSS nuclear facilities was made in 2002, with first funding sought during 2004. The focus was to remove the ship from protective storage and complete the dismantling and disposal of the power plant, a decommissioning process defined by the NRC as DECON. As MARAD planned the *Savannah* DECON process, it became apparent that major license compliance and licensee competency issues were present and required correction. By 2005 the full scope of the compliance and competence issues were understood, and reported to the NRC. Correction was anticipated to occur during the first 18-24 months of the active DECON process. In mid-2006 the ship was removed from the James River Reserve Fleet, and the first DECON activities were started. In late 2006, however, the DECON project was aborted in favor of returning the *Savannah* to protective storage, and deferring DECON and license termination to the maximum period allowed under the license. This return to protective storage must be completed under contemporary NRC requirements, which are defined by NRC as SAFSTOR.

From 2005 to 2009, MARAD made much progress towards correcting the basic license compliance and licensee competency deficiencies that had been reported to the NRC. MARAD developed and implemented the basic nuclear management processes and programs that are required under current license terms and conditions. MARAD also developed and promulgated a number of fundamental license-basis documents and programs that had previously been deficient. A key component of this success was transitioning the licensee organization to operate from the site; i.e., the ship, rather than from a remote location such as the MARAD headquarters. By the end of 2009, MARAD had substantially restored its institutional competency as a nuclear facility licensee. From 2007 to 2009, MARAD concurrently completed a series of engineering and technical evaluations and plans to define the required scope of facility changes needed to bring the *Savannah* into conformance with contemporary NRC SAFSTOR requirements. A SAFSTOR Implementation Plan was completed, and can be executed whenever the necessary resources are provided.

In 2010 MARAD will complete the balance of administrative and technical procedures and nuclear processes and controls necessary to manage the facility in protective storage. These same procedures, processes and controls will be required to complete DECON, and must be actively maintained during the intervening protective storage (SAFSTOR) period. To the extent practicable, MARAD will employ license compliance resources, including personnel, to execute preliminary activities defined in the SAFSTOR Implementation Plan.

FY 2011 Budget Request:

Ship Disposal Program					
Program Activity ($000)	**FY 2010 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increase/ Decreases**	**FY 2011 Request**
Salaries & Benefits	1,313	$21			1,334
Operations	475		-300		175
Program Expenses	13,212			-4,721	8,491
Total	**$15,000**	**$21**	**-$300**		**$10,000**

$10 million is requested for the Ship Disposal Program, a decrease of $5 million from the 2010 enacted level because of the program's current high-level of unobligated carry-over balances (MARAD notes that this is not a permanent reduction to the base budget and that future program requirements could increase based on settlement of ongoing litigation). The carryover resulted from high market prices in scrap steel and the sale of 24 ships for recycling in 2007 and 2008. The carryover will be absorbed by the additional costs in 2010 related to the drydocking of SBRF ships to remove marine growth and comply with NISA and the CWA. Program levels will likely need to be reevaluated for 2012 once actual cost data is available to better define disposal costs of SBRF ships in California that require drydocking and costs related to the 5,000+ mile tow of SBRF ships to Texas and other States for disposal.

Additional important disposal related activities that take place at the fleet sites where MARAD's obsolete ships are berthed that are a necessary element of a comprehensive ship disposal program include: 1) vessel condition assessments, 2) hazardous material identification and disposal estimations, 3) shipboard waste stream minimization, and 4) testing of applied technology related to hazardous material remediation. Also, vessel maintenance activities at the fleet sites that result in expediting removal of the obsolete ships and/or decreasing remediation/disposal costs are also funded by the program.

MARAD plans to continue to expedite the disposal of obsolete ships via full and open competition, utilizing all feasible disposal options. The request for the ship disposal program provides the funding for the domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available).

In anticipation of a settlement of the California lawsuit, and a majority of 2010 and 2011 ship disposals from the SBRF, funding at this level will allow for the drydocking of approximately 15 ships with the removal for disposal of at least 7 of those drydocked vessels from our inventory. Funding in 2011 will also cover the costs to develop and implement a risk mitigation plan for compliance with NISA and for testing and containment requirements related to the CWA. Since there are no active ship recyclers on the West Coast, the costs to tow SBRF ships to the nearest recyclers in Texas and Louisiana are significantly greater than towing costs from MARAD's fleets located on the Atlantic and Gulf coasts. MARAD's environmental risk mitigation activities will allow ship disposal to continue in full compliance with NISA and the CWA, and will also lessen the environmental risk at the fleet sites and recycling facilities.

OBSOLETE VESSELS IN MARAD's CUSTODY BY FISCAL YEAR, FY 2001 - 2011											
	FY 2001	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
On Hand, Start of Year	115	132	133	132	138	143	152	130	111	94	82
Transfers In	19	7	2	16	17	33	1	11	4	4	3
Transfers Out	2	6	3	10	12	24	23	30	21	16	15
On the books end of year	132	133	132	138	143	152	130	111	94	82	70
Removed from the Fleets	6	6	2	15	18	25	20	25	14	10*	15*

Definitions: "Transfers In" refers to vessels from all sources that have changed in status from retention to non retention. "Transfers Out" refers to vessels that have been taken "off the books" because of a completed disposal, title transfer through vessel sale, donations or other transfer action. "Removed from the fleet" refers to vessels that have been physically removed from the fleet sites. Except for vessel sales and donations, vessels removed from the fleets are not counted as "Transfers Out" until the disposal action is completed. Figures for 2010 and 2011 are projections.

*The decrease in the number of ships removed from the fleets reflects a shift in focus to the high priority vessels in the SBRF. All vessels removed from the SBRF require drydocking and hull cleaning of aquatic growth prior to disposal. Because there is no west coast ship recycling facility, a long tow to the U.S. Gulf Coast is required for recycling. Due to resource constraints, some of those vessels may be returned to the SBRF to await disposal at a later date.

Savannah Project: MARAD requests $3.0 million, the same as the 2010 enacted amount, to continue license compliance activities required to maintain and safeguard the *Savannah* nuclear facilities, including ship husbandry and custodial care. Also included in the request are historic preservation and stewardship activities commensurate with the level of decommissioning activity. This request does not include the SAFSTOR implementation project which is based on a defined series of technical and engineering tasks necessary to bring the NSS licensed facilities into conformance with contemporary NRC requirements. MARAD has completed the engineering plans and studies for the required SAFSTOR upgrades, and is in a position to implement them when sufficient resources become available.

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MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, $174,000,000, to remain available until expended. (*Department of Transportation Appropriations Act, 2010*.)

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1711-0-1-054	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Maritime Security Program	170,143	178,857	174,000
10.00	Total obligations (Object Class 41.0)	170,143	178,857	174,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	1,000	4,857	-
22.00	New budget authority (gross)	174,000	174,000	174,000
23.90	Total budgetary resources available for obligation	175,000	178,857	174,000
23.95	New obligations	-170,143	-178,857	-174,000
24.40	Unobligated balance available, end of year	4,857	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	174,000	174,000	174,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	16,243	20,387	12,181
73.10	New obligations	170,143	178,857	174,000
73.20	Total outlays (gross)	-166,000	-187,063	-174,000
74.40	Obligated balance end of year	20,387	12,181	12,181
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	153,039	161,820	161,820
86.93	Outlays from discretionary balances	12,961	25,243	12,180
87.00	Total outlays (gross)	166,000	187,063	174,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	174,000	174,000	174,000
90.00	Outlays (net)	166,000	187,063	174,000
95.02	Unpaid Obligations, EOY	20,387		

MARITIME SECURITY PROGRAM

Program and Performance Statement

The Maritime Security Program provides direct payments to U.S. flag ship operators engaged in foreign commerce to establish and sustain a fleet of active, commercially viable, privately-owned, militarily useful vessels 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 Government-owned and commercial fleets.

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
41.0	Grants, claims and subsidies	170,143	178,857	174,000
99.9	**Total New Obligations**	**170,143**	**178,857**	**174,000**

EXHIBIT III-1

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

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST	CHANGE FY 2010-2011
Maritime Security Program	174,000	174,000	174,000	-
Total	**174,000**	**174,000**	**174,000**	**-**
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM
FY 2002 - FY 2011
Main Table - ($000)

Fiscal Year	Requested	Enacted
2002	98,700	-
2003	98,700	98,058 2/
2004	98,700	98,118 3/
2005	98,700	97,910 4/
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	

1/ Includes $217,140 rescinded in P.L.106-553.

2/ Includes $641,550 rescinded in P.L.108-7.

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

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

Detailed Justification for Maritime Security Program

Maritime Security Program	**FY 2011 Request: $174.0 million**

Overview:

The Maritime Security Act of 2003 authorizes 60 ships for the Maritime Security Program (MSP), at $2.9 million per ship for 2011. MSP ensures that the United States will have a fleet of active, commercially viable, militarily useful, privately owned U.S.-flag vessels to meet national defense and other security requirements and maintain a United States presence in international commercial shipping. Prior to enactment of the Maritime Security Act of 1996, several of the major U.S.-flag carriers transferred their vessels to foreign registry. These same carriers indicated that more U.S.-flag ships would have left the U.S.-flag fleet in the absence of MSP. These actions would have resulted in the Department of Defense (DOD) relying on more foreign-flag vessels with foreign crews or having to make substantial investments in procuring a larger government-owned DOD fleet. The program also ensures that the intermodal assets of current U.S.-flag ship operators will be readily available to DOD.

The primary purpose of the MSP is to provide the DOD with assured access to commercial U.S.-flag ships as well as sustain a base of U.S. merchant mariners to support national security requirements during war or national emergency. DOD recognizes the importance of a strong partnership with the commercial maritime industry to ensure that our nation's defense transportation needs are met.

FY 2010 Base:

The base consists solely of funds to make payments to MSP ship operators for 60 enrolled ships. The 2011 budget request provides for payments of $2.9 million per ship. Supporting staff salaries and benefits are funded by the Operations and Training account (MARAD Operations program activity).

Anticipated FY 2010 Accomplishments:

MSP ships have contributed greatly to Operation Enduring Freedom and Operation Iraqi Freedom. A total of 104 U.S.-flag commercial ships (including 72 current and former MSP ships) have been employed by the Military Sealift Command, the Military Surface Deployment and Distribution Command to transport military cargoes, or have been utilized to support the rebuilding of Iraq. SDDC reports that since September 11, 2001, U.S.-flag commercial ships have delivered over 430,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan.

Subject to appropriations, during 2010, MARAD will continue strategies that are designed to maintain full enrollment of 60 ships in MSP through September 30, 2010. MARAD will continue to evaluate and approve changes in MSP contracts that improve the quality of the MSP fleet while ensuring retention of modern and efficient ships and U.S. citizen crews to support U.S. homeland and national security goals. Throughout the fiscal year MARAD anticipates that 60 ships will be operating under their MSP contracts and in U.S. foreign trade.

During 2010, MARAD will also work towards implementing the recommendations as a result of an assessment conducted in 2009 on the programs efficiency in meeting the Department's goal and program objectives . During fiscal year 2010, MARAD and Department of Defense will be coordinating an effort to reauthorize the MSP for fiscal years 2016 through 2025.

FY 2011 Budget Request:

Maritime Security Program					
Program Activity ($000)	**FY 2010 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2011 Request**
Program Expenses	174,000	0	0	0	174,000
Total	**$174,000**	**$0**	**$0**	**$0**	**$174,000**

MARAD requests $174.0 million for MSP in order to fund 60 ships in the MSP fleet in 2011 at the authorized level of $2.9 million per ship. Funding at this level will allow DOT to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States. The MSP supports the Department's security, preparedness and response strategic goal which is to "balance transportation security requirements with the safety, mobility and economic needs of the Nation and be prepared to respond to emergencies that affect the viability of the transportation sector."

MSP participants signed operating agreements with the Maritime Administration that provide for escalation of MSP payments to $2.9 million per ship per year in 2009, 2010 and 2011. Escalating payments were designed to offset the impact of inflation and to provide incentive for MSP operators to reinvest and upgrade their MSP fleet with newer, more modern and efficient vessels. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available. From October 1, 2005, through June 1, 2009, 24 MSP ships were replaced with newer ships. An additional six ships currently in the program are scheduled to be replaced with newer vessels before the MSP expires at the end of 2015.

Funding at the authorized level of $2.9 million per ship in 2011 is essential to the maintenance of a fleet capable of meeting national security goals. Another factor impacting the MSP fleet in 2011 could be global commerce. During 2009, world trade declined more than 25 percent. If this trend continues in 2010 and 2011, full MSP funding will be critical to maintaining current 60-ship MSP fleet. DOD studies have consistently supported the requirement for a 60-ship MSP fleet to satisfy DOD's sealift requirements. A reduction in the authorized funding for 2011 will jeopardize the military's ability to obtain assured access to a sufficient number of commercial vessels and mariners to meet national security requirements. Without full funding the Maritime Administration and the U.S. Transportation Command may be required to restructure the participating number of ships in the program. DOD estimates that the complete replacement of the MSP fleet with Government-owned assets would cost in excess of $7 billion for initial construction and would require an annual expenditure of $1 billion for operation and maintenance of the fleet.

The MSP fleet also contributes approximately 2,400 mariner positions which are critical for national security crewing requirements. With a diminished U.S.-flag merchant marine, a substantial portion of the pool of U.S. citizen mariners would disappear, impairing our ability to crew Ready Reserve Force ships and other Government-owned ships needed for national security.

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MARITIME ADMINISTRATION
SHIP CONSTRUCTION
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1708-0-1-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Budgetary resources available for obligation			
21.40	Unobligated balance carried forward, start of year	1,382	-	-
22.00	New budget authority (gross)	-1,382	-	-
23.90	Total budgetary resources available for obligation	-	-	-
24.40	Unobligated balance carried forward, end of year	-	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.36	Unobligated balance permanently reduced	-1,382	-	-
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	-	-	-
70.00	Total new budget authority (gross)	-1,382	-	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	-	-	-
73.20	Total outlays (gross)	-	-	-
74.40	Obligated balance, end of year	-	-	-
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	-	-	-
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	-	-	-
88.40	Non-federal sources	-	-	-
	Net budget authority and outlays:			
89.00	Budget authority	-1,382	-	-
90.00	Outlays	-	-	-
95.02	Unpaid Obligations, EOY			

SHIP CONSTRUCTION

Program and Performance Statement

The Ship Construction program is currently inactive except for determinations regarding the use of vessels built under the program and the final settlement of open contracts to close financial accounts.

MARITIME ADMINISTRATION
OPERATING-DIFFERENTIAL SUBSIDIES
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1709-0-1-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Operating-differential Subsidies	-	822	-
10.00	Total obligations (Object Class 25.2)	-	822	-
	Budgetary resources available for obligation			
21.40	Unobligated balance carried forward, start of year	822	822	-
23.95	New obligations	-	-822	-
24.40	Unobligated balance carried forward, end of year	822	-	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	9,924	9,924	10,746
73.10	New obligations	-	822	-
74.40	Obligated balance, end of year	9,924	10,746	10,746
	Net budget authority and outlays:			
89.00	Budget authority	-	-	-
90.00	Outlays	-	-	-
95.02	Unpaid Obligations, EOY	9,924		

OPERATING-DIFFERENTIAL SUBSIDIES

Program and Performance Statement

This program has been replaced by the Maritime Security Program and is inactive except for final settlement of open contracts to close financial accounts.

MARITIME ADMINISTRATION
OCEAN FREIGHT DIFFERENTIAL
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1751-0-1-403	FY 2009 Actual	FY 2010 Request	FY 2011 Request
	Obligations by program activity:			
00.01	Ocean Freight Differential - 20% Excess Freight	119,241	138,729	138,729
00.02	Ocean Freight Differential -Incremental	29,810	35,000	35,000
00.03	Ocean Freight Differential -Interest to Treasury	447	1,271	1,271
10.00	Total obligations	149,498	175,000	175,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	90,891	26,288	-
22.00	New budget authority (gross)	175,786	175,000	175,000
22.70	Borrowing Authority Withdrawn	-90,891	-26,288	
23.90	Total budgetary resources available for obligation	175,786	175,000	175,000
23.95	New obligations	-149,498	-175,000	-175,000
24.40	Unobligated balance available, end of year	26,288	-	-
	New budget authority (gross), detail:			
	Mandatory:			
60.00	Appropriation (definite)	109,090	175,000	175,000
60.47	Portion applied to repay debt	-108,304	-175,000	-175,000
62.50	Appropriation Mandatory(total)	786	-	-
67.10	Borrowing Authority	175,000	175,000	175,000
70.00	Total new budget authority (gross)	175,786	175,000	175,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	805	447	-
73.10	New obligations	149,498	175,000	175,000
73.20	Total outlays (gross)	-149,856	-175,447	-175,000
74.40	Obligated balance end of year	447	-	-
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	149,856	175,000	175,000
87.00	Total outlays (gross)	149,856	-175,447	175,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	175,786	175,000	175,000
90.00	Outlays (net)	149,856	-175,447	175,000
95.02	Unpaid Obligations, EOY	447		

OCEAN FREIGHT DIFFERENTIAL

Program and Performance Statement

Ocean freight differential is the difference in cost incurred in the movement of ocean cargoes. In general, when applied to cargo preference policy implementation, it is the cost difference between using U.S flag carriers and foreign-flag carriers. Cargo preference provides a revenue source to help sustain a privately-owned U.S. flag merchant marine by requiring shippers of certain U.S. government-sponsored cargoes to use U.S. flag vessels. P.L. 99-108 amended the cargo preference requirement in Section 901 of the Merchant Marine Act by increasing the minimum required tonnage of certain government-sponsored food-aid shipments that must be shipped on U.S. flag vessels from 50 to 75 percent. The Maritime Administration is required to reimburse the U.S. government agencies that sponsor these food-aid shipments for the increase in ocean freight differential associated with compliance with this expanded U.S. flag shipping requirement.

Detailed Justification for Ocean Freight Differential

Ocean Freight Differential	FY 2011 Request: $175.0 million[1]

Overview:

The Ocean Freight Differential (OFD) program contributes to enhanced competitiveness and Department of Transportation (DOT) Global Connectivity, and is a critical component of the Cargo Preference program. The Cargo Preference program was mandated by Congress to contribute to maintaining the U.S. Merchant Marine, which is deemed necessary for the economic and defense security of the Nation (46 USC 50101), and to provide a U.S. Merchant Marine capable of serving as an "auxiliary navy" in time of war or national emergency. The cargo preference program oversees the administration of and compliance by both Federal agencies and other exporters and importers with the U.S. cargo preference laws and regulations that are designed to maximize use of U.S.-flag vessels; to monitor bilateral and similar agreements and identify discriminatory trade practices against U.S.-flag vessels; and, to determine fair and reasonable guideline rates for the shipment of preference cargoes such that the government is not charged excessive costs and that U.S. carriers are not arbitrarily excluded from carriage.

When the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) provide food assistance to overseas beneficiaries, cargo preference laws require that at least 50 percent of the total tonnage must be shipped on U.S.-flagged vessels. Due to higher regulatory standards, labor costs, and operating costs, U.S.-flagged vessels often cost more than foreign vessels. The difference in ocean freight costs between U.S.-flagged vessels and non U.S.-flag vessels is referred to as ocean freight differential. The shipping agencies are required to obligate from their own appropriations the cost of ocean freight, plus the cost of any ocean freight differential incurred on the first 50 percent of food aid cargoes shipped. The Food Security Act of 1985 increased the statutory minimum required tonnage of food aid shipments for U.S.-flagged vessels in the cargo preference laws from 50 to 75 percent. Within this legislation, Congress directed the U.S. Department of Transportation to finance any increases in shipping costs to implement this new minimum shipping requirement. The purpose of the OFD program is to reimburse U.S. government agencies for that portion of the ocean freight differential incurred in contracting with U.S.-flagged vessels to implement and comply with the increase in minimum tonnage requirements, defined as any amount after the first 50 percent, contained in the Food Security Act of 1985.

The Maritime Administration uses economic incentives to encourage operation of vessels under U.S. registry, which are essential to the military and economic security of our Nation. Although the U.S. Government provides limited direct assistance through the Maritime Security Program, the primary form of assistance to 118 U.S.-flagged vessels is provided through the cargo preference laws. Varying by corporate size, these cargoes represent from 7 percent to more than 50 percent of a carrier's annual revenues and are vital to retaining vessels operating under the U.S. flag.

[1] OFD funds are not requested in annual appropriations, but are provided via a permanent indefinite authority commensurate with freight differential requests from USDA.

FY 2010 Base: The base consists solely of freight differential funding used to reimburse the USDA's Commodity Credit Corporation for the increased cost of shipping agricultural cargoes on U.S.-flag ships versus foreign flag ships.
Anticipated FY 2010 Accomplishments: MARAD will continue to educate Federal agencies and their contractors about the changes to the cargo preference law made by the Congress in early 2009. MARAD will continue to hold public meetings and solicit inputs from all stakeholders and customers of all our programs as part of the promotion of U.S.-flag vessels. MARAD will work with the Export-Import Bank on a working capital loan guarantee program for commercial cargoes that are carried on U.S.-flag vessels. MARAD expects to continue to increase the use of electronic methods to receive and exchange data and information with other Agencies, shippers and the public. We will continue working with USDA and the USAID to encourage them to adopt the recommendations of the Government Accountability Office for improving the efficiency of food aid logistics.
FY 2011 Budget Request: MARAD estimates that $175.0 million in new borrowing authority will be needed to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels versus foreign-flag vessels in FY 2011, in accordance with the Food Security Act of 1985.

MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1710-0-1-054	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Ready Reserve Force	-	-	-
9.00	Reimbursable program	-	-	400,000
10.00	Total obligations	-	-	400,000
	Budgetary resources available for obligation			
21.40	Unobligated balance carried forward, start of year	2,300	2,323	2,323
22.00	New budget authority (gross)	-	-	400,000
22.10	Resources available from recoveries of prior year obligations	23	-	-
23.90	Total budgetary resources available for obligation	2,323	2,323	402,323
23.95	New obligations	-	-	-400,000
24.40	Unobligated balance carried forward, end of year	2,323	2,323	2,323
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Spending authority fm offsetting collections (cash)	-	-	400,000
	Change in obligated balances:			
72.40	Obligated balance , start of year	33	10	10
73.10	New obligations	-	-	400,000
73.20	Total outlays (gross)	-	-	-360,000
73.45	Recoveries of prior year obligations	-23	-	-
74.40	Obligated balance, end of year	10	10	40,010
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	-	-	360,000
87.00	Total outlays (gross)	-	-	360,000
	Net budget authority and outlays:			
89.00	Budget authority	-	-	-
90.00	Outlays	-	-	-
95.02	Unpaid Obligations, EOY	10		

READY RESERVE FORCE (RRF)

Program and Performance Statement

The Ready Reserve Force (RRF) is comprised of Government-owned merchant ships within the National Defense Reserve Fleet (NDRF) that are maintained in an advanced state of readiness to meet surge sealift requirements during a national emergency. 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 Sealift Fund.

MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Reimbursable obligations:			
11.1	Full-time permanent	-	-	28,500
11.9	**Total personnel compensation**	**-**	**-**	**28,500**
12.1	Benefits for former personnel	-	-	7,000
21.0	Travel and transportation of persons	-	-	1,000
23.1	Rental Payments to GSA	-	-	3,000
23.2	Rental Payments to Others	-	-	13,000
23.3	Communications, utilities & misc. charges	-	-	11,000
25.2	Other Services	-	-	326,500
26.0	Supplies and materials	-	-	6,000
31.0	Equipment	-	-	3,000
41.0	Grants, subsidies, and contributions	-	-	1,000
99.9	**Total New Obligations**	**-**	**-**	**400,000**

Employment Summary

	Ready Reserve Force	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Reimbursable:				
2001	Civilian full-time equivalent employment	-	-	333
	Total Employment	**-**	**-**	**333**

Detailed Program Narrative for Ready Reserve Force

Ready Reserve Force (RRF)

Overview:

For FY 2011, MARAD proposes to realign reimbursable business from the Vessel Operations Revolving Fund (VORF) to the RRF Treasury account. This is necessary because over time, business in the VORF has changed from a no-year revolving fund environment to that of processing interagency agreement Economy Act transactions received from the Department of Defense with varying periods of availability for obligation including annual, multi-year, and no-year funds. These reimbursable agreements provide for the administration of maintenance and repair for the National Defense Reserve Fleet (NDRF) and its key component, the Ready Reserve Force (RRF). Consequently, in order to remain consistent with section 130.9 of OMB circular A-11, MARAD proposes in the FY 2011 budget to move the apportionment of new reimbursable authority for these Economy Act transactions to the Ready Reserve Force Treasury account (69-1710). This will allow MARAD to comply with the A-11 requirement to create annual and/or multi-year Treasury Account Fund Symbols (TAFS) as specified under section 130.9 for "Economy Act Activities Between Federal Entities". This was not possible under the VORF account, as revolving funds are inherently no-year.

Going forward into FY 2011, the Ready Reserve Force account will include administration of maintenance and repair for the National Defense Reserve Fleet (NDRF) and its key component, the Ready Reserve Force (RRF). Funding is provided on a reimbursable basis from the Navy. This program was established in 1976 as a subset of the National Defense Reserve Fleet (NDRF) to support the rapid deployment of U.S. military forces throughout the world. RRF vessels provide sustainable capabilities for meeting national security and federal emergency response requirements. As a key element of Department of Defense (DOD) strategic sealift, the RRF primarily supports transport of Army and Marine Corps unit equipment, combat support equipment, and initial resupply during the critical surge period before commercial ships can be marshaled. The RRF provides slightly more than one-half of the government-owned surge sealift capacity.

When the RRF program first began there were only 6 ships; however, today the program consists of 50 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.

RRF ships are expected to be fully operational to meet their assigned 5 and 10-day readiness requirement and sail to designated loading berths. To maintain that readiness, the program retains commercial U.S. ship managers to provide systems maintenance, equipment repairs, logistics support, activation, manning, and operations management under contract. Ships in priority readiness have Reduced Operating Status (ROS) maintenance crews of about 10 commercial merchant mariners that are supplemented by additional mariners during activations. Management of the RRF program is provided by the Maritime Administration as defined in a Memorandum of Agreement (MOA) between DOD and Department of Transportation (DOT).

In addition the RRF account will include Sponsor Interagency Agreements involving the activation, operation, and deactivation of government-owned merchant vessels in the RRF fleet as well as Special Mission vessels within the NDRF, the cost of which is likewise provided by reimbursement from sponsoring federal agencies.

Anticipated FY 2010 Accomplishments:

This account was not in use in FY 2010, accomplishments are represented in the Vessel Operations Revolving Fund section of the budget.

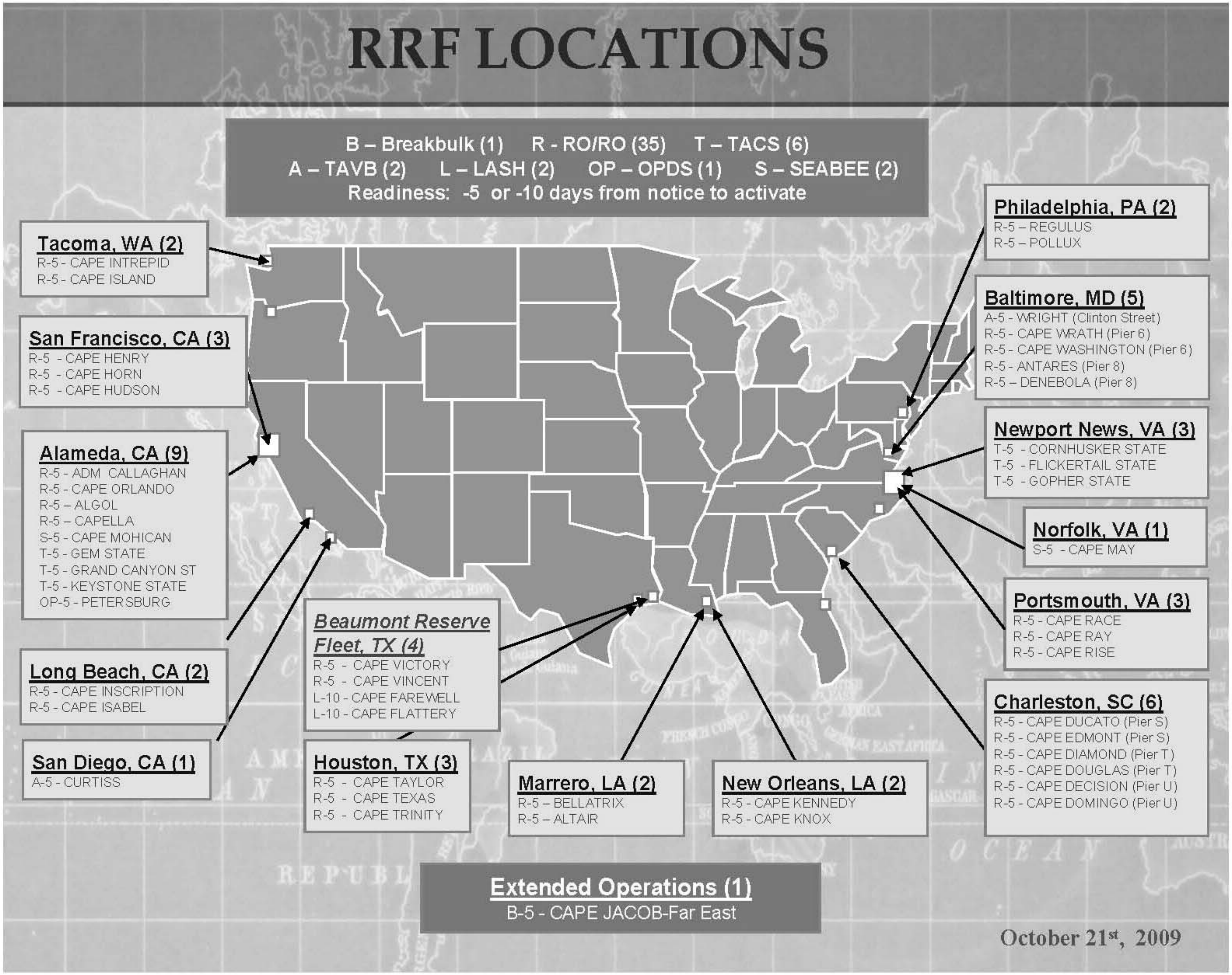
FY 2011 Budget:

Ready Reserve Force
The Ready Reserve Force (RRF) is funded by the National Defense Sealift Fund which is administered by the Office of the Chief of Naval Operations (OPNAV) Field Support Activity (FSA) and managed by MARAD via a reimbursable agreement. The RRF follows DOD provided fiscal guidance for use in formulating program estimates and funding requirements for forthcoming fiscal year and Program Objective Memorandum (POM) cycles (5 years).

The funding from the DOD budget will allow MARAD to maintain the 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.

It is anticipated that the FY 2011 program funding level will increase to $333.8 million due to funding the development of the Beaumont Layberth Facility (BLF) that will provide up to 8 storm-proof berths for DOD and MARAD sealift vessels.

Sponsor Interagency Agreements
It is anticipated that MARAD will continue to provide a significant level of sponsor interagency agreement support in FY 2011 in the areas of activating, operating, deactivating and special mission requirements for merchant vessels under the jurisdiction of DOT. Upon receipt of funding and a mission assignment under the interagency agreements, RRF ships provide sealift in support to DOD such as Operations Enduring Freedom and Iraqi Freedom. With the withdrawal of U.S. Forces from Iraq, the RRF is expected to be called upon to transport retrograde cargo back to CONUS. Funding for these DOD missions is provided through interagency agreements. Additionally, with the completion of the second Missile Defense Agency vessel in FY 2010, it is expected the sponsor will increase utilization of the vessel and installed systems to their maximum capability.


RRF LOCATIONS
B – Breakbulk (1) R - RO/RO (35) T – TACS (6)
A – TAVB (2) L – LASH (2) OP – OPDS (1) S – SEABEE (2)
Readiness: -5 or -10 days from notice to activate
Tacoma, WA (2)
R-5 - CAPE INTREPID
R-5 - CAPE ISLAND
San Francisco, CA (3)
R-5 - CAPE HENRY
R-5 - CAPE HORN
R-5 - CAPE HUDSON
Alameda, CA (9)
R-5 - ADM CALLAGHAN
R-5 - CAPE ORLANDO
R-5 – ALGOL
R-5 – CAPELLA
S-5 - CAPE MOHICAN
T-5 - GEM STATE
T-5 - GRAND CANYON ST
T-5 - KEYSTONE STATE
OP-5 - PETERSBURG
Long Beach, CA (2)
R-5 - CAPE INSCRIPTION
R-5 - CAPE ISABEL
San Diego, CA (1)
A-5 - CURTISS
Beaumont Reserve Fleet, TX (4)
R-5 - CAPE VICTORY
R-5 - CAPE VINCENT
L-10 - CAPE FAREWELL
L-10 - CAPE FLATTERY
Houston, TX (3)
R-5 - CAPE TAYLOR
R-5 - CAPE TEXAS
R-5 - CAPE TRINITY
Marrero, LA (2)
R-5 – BELLATRIX
R-5 – ALTAIR
New Orleans, LA (2)
R-5 - CAPE KENNEDY
R-5 - CAPE KNOX
Philadelphia, PA (2)
R-5 – REGULUS
R-5 – POLLUX
Baltimore, MD (5)
A-5 - WRIGHT (Clinton Street)
R-5 - CAPE WRATH (Pier 6)
R-5 - CAPE WASHINGTON (Pier 6)
R-5 - ANTARES (Pier 8)
R-5 – DENEBOLA (Pier 8)
Newport News, VA (3)
T-5 - CORNHUSKER STATE
T-5 - FLICKERTAIL STATE
T-5 - GOPHER STATE
Norfolk, VA (1)
S-5 - CAPE MAY
Portsmouth, VA (3)
R-5 - CAPE RACE
R-5 - CAPE RAY
R-5 - CAPE RISE
Charleston, SC (6)
R-5 - CAPE DUCATO (Pier S)
R-5 - CAPE EDMONT (Pier S)
R-5 - CAPE DIAMOND (Pier T)
R-5 - CAPE DOUGLAS (Pier T)
R-5 - CAPE DECISION (Pier U)
R-5 - CAPE DOMINGO (Pier U)
Extended Operations (1)
B-5 - CAPE JACOB-Far East
October 21st, 2009

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MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4303-0-3-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
09.01	Vessel Operations	354,653	494,507	-
10.00	Total obligations	354,653	494,507	-
	Budgetary resources available for obligation			
21.40	Unobligated balance carried forward, start of year	52,292	94,507	-
22.00	New budget authority (gross)	377,257	400,000	-
22.10	Resources available from recoveries of prior year obligations	19,611	-	-
23.90	Total budgetary resources available for obligation	449,160	494,507	-
23.95	New obligations	-354,653	-494,507	-
24.40	Unobligated balance carried forward, end of year	94,507	-	-
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash)	382,478	400,000	-
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	-5,220	-	-
58.90	Spending authority fm offsetting collections (total discre.)	377,257	400,000	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	57,371	29,760	40,000
73.10	New obligations	354,653	494,507	-
73.20	Total outlays (gross)	-367,873	-484,268	-40,000
73.45	Recoveries of prior year obligations	-19,611	-	-
74.00	Chg in Uncollected cust paymts fm Fed Sources (unexpired)	5,221	-	-
74.40	Obligated balance, end of year	29,760	40,000	-
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	249,657	360,000	-
86.93	Outlays from discretionary balances	118,216	124,268	40,000
87.00	Total outlays (gross)	367,873	484,268	40,000
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	-381,756	-400,000	-
88.40	Non-federal sources	-722	-	-
	Net budget authority and outlays:			
89.00	Budget authority	-	-	-
90.00	Outlays	-14,605	84,268	-
95.02	Unpaid Obligations, EOY	158,351		

VESSEL OPERATION REVOLVING FUND

Program and Performance Statement

The Maritime Administration (MARAD) 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 DOD/Navy-sponsored sealift activities and special projects, are provided by reimbursement from the Department of Defense Sealift Fund. In 2011 and thereafter, interagency agreement transactions pertaining to the RRF will be reflected in the Ready Reserve Force account instead of the Vessel Operations Revolving Fund.

MARAD also incurs obligations for maintenance, preservation, operation and deactivation of government-owned merchant vessels outside the RRF fleet and for the charter of privately-owned merchant vessels, the cost of which is likewise provided by reimbursement from sponsoring Federal agencies to the Vessel Operations Revolving Fund. The fund is also used by MARAD to finance the acquisition, maintenance, preservation, protection and use of merchant vessels involved in mortgage foreclosure or collateral forfeiture proceedings instituted by the Federal Government and not financed by the Federal Ship Financing Fund or the Maritime Guaranteed Loan Program; and to finance the acquisition and disposition of merchant vessels under the Trade-In/Scrap Out program. Direct appropriations for the disposal of obsolete government-owned merchant vessels are provided to a separate account within the ship disposal program.

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Reimbursable obligations:			
11.1	Full-time permanent	27,512	28,062	-
11.9	**Total personnel compensation**	**27,512**	**28,062**	**-**
12.1	Benefits for former personnel	7,341	7,488	-
21.0	Travel and transportation of persons	1,146	1,169	-
23.1	Rental Payments to GSA	3,731	3,142	-
23.2	Rental Payments to Others	13,007	13,267	-
23.3	Communications, utilities & misc. charges	11,129	11,352	-
25.2	Other Services	280,242	419,271	-
26.0	Supplies and materials	6,349	6,476	-
31.0	Equipment	2,796	2,852	-
41.0	Grants, subsidies, and contributions	1,400	1,428	-
99.9	**Total New Obligations**	**354,653**	**494,507**	**-**

Employment Summary

	Vessel Operations Revolving Fund	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Reimbursable:				
2001	Civilian full-time equivalent employment	306	333	-
	Total Employment	**306**	**333**	**-**

Detailed Program Narrative for Vessel Operations Revolving Fund

Vessel Operations Revolving Fund (VORF)

Overview:

The Vessel Operations and Revolving Fund (VORF) was authorized under 46 USC 50301 for use of the Secretary of Transportation in carrying out duties, and powers related to vessel operations, including charter, operation, maintenance, repair, reconditioning, and improvement of vessels under the jurisdiction of the Secretary. The Fund is available for expenses incurred in activating, repairing, and deactivating merchant vessels chartered under the jurisdiction of the Secretary. Receipts from charter operations of Government owned vessels under the jurisdiction of the Secretary are to be credited to the Fund.

Over time, business in the Fund has changed from a no-year revolving fund environment to that of processing interagency agreement Economy Act transactions received from the Department of Defense with varying periods of availability for obligation including annual, multi-year, and no-year funds. These reimbursable agreements provide for the administration of maintenance and repair for the National Defense Reserve Fleet (NDRF) and its key component, the Ready Reserve Force (RRF). Consequently, in order to remain consistent with section 130.9 of OMB circular A-11, MARAD proposes in the FY 2011 budget to move the apportionment of new reimbursable authority for these Economy Act transactions to the Ready Reserve Force Treasury account (69-1710). This will allow MARAD to comply with the A-11 requirement to create annual and/or multi-year Treasury Account Fund Symbols (TAFS) as specified under section 130.9 for "Economy Act Activities Between Federal Entities". This was not possible under the VORF account, as revolving funds are inherently no-year.

In addition, 16 USC 5405 authorizes the Fund to receive receipts attributable to the sale of obsolete vessels in the National Defense Reserve Fleet (NDRF) that are scrapped or sold. Moving forward into FY 2011, new business in the VORF account will essentially be limited to receipt of proceeds from the sale of obsolete vessels.

Anticipated FY 2010 Accomplishments:

Ready Reserve Force (RRF)

- Continued national security support by meeting DOD sealift requirements and readiness levels for the RRF with an estimated $275.5 million for FY 2010 activities.
- The RO/RO Ramp upgrade project moves to the second CAPE R class ship; the third vessel's ramp upgrade is planned for FY 2011.
- Full implementation of NS5, the resource management tool for the RRF. NS5 is an integrated information network that addresses virtually all elements of a ship manager's day to day business. This software provides for more effective contract management and cost control due to NS5's ability to link management, operations, and onboard personnel into a seamless stream of information.
- NDRF sites will have established Best Management Practices at the NDRF sites in compliance with environmental protection laws.

Sponsor Interagency Agreements

- Administration of approximately $80 million in interagency agreements from various federal agencies for mission support activities using NDRF vessels.
- Completion of the second ship conversion and continued support of the Missile Defense Agency through operation of two NDRF ships as missile tracking vessels.
- Continued support for of the Navy Special Warfare Development Group's (NSWDG) SPECWAR training platform through provision of an NDRF vessel. In FY 2010, MARAD will install a marine crane on an NDRF platform to allow for enhanced training for the sponsor.
- Completion of Large Vessel Interface crane installation of an RRF T-ACS ship and demonstration of at-sea operations between two vessels.
- Continued support of the Federal Law Enforcement Training Center's (FLETC) training platform through provision of an NDRF vessel.

Obsolete Ship Sales Receipts

The total sales and revenues from the scrapping or recycling of NDRF ships in FY 2010 are driven by several factors. The primary factors include the vessel's size/condition, the costs associated with dismantling and hazardous material remediation, the amount of recyclable materials, the market price of scrap metals (which has been negatively affected by the recent economic downturn) and the amount of competition for each vessel offered in a recycling solicitation. In accordance with the National Maritime Heritage Act of 1994, the proceeds from the sale of obsolete vessels in the National Defense Reserve Fleet are available until expended and distributed as follows:

- 50 percent shall be available to the Administrator of the Maritime Administration for such acquisition, maintenance, repair, reconditioning, or improvement of vessels in the National Defense Reserve Fleet as is authorized under other Federal law.

- 25 percent shall be available to the Administrator of the Maritime Administration for the payment or reimbursement of expenses incurred by or on the behalf of State maritime academies or the United States Merchant Marine Academy for facility and training ship maintenance, repair, and modernization, and for the purchase of simulators and fuel.

- 25 percent shall be available to the Department of Interior for the National Maritime Heritage Grants Program, to foster in the American public a greater awareness and appreciation of the role of maritime endeavors in our Nation's history and culture.

FY 2011 Budget: Obsolete Ship Sales Receipts

The level of program activity for FY 2011 will be dependent on, and driven by, several factors that affect whether the scrapping (recycling) of non-retention NDRF ships results in vessel sales and revenues or in MARAD paying for recycling services with appropriated funds. The primary factors include the vessel's size/condition, the costs associated with dismantling and hazardous material remediation, the amount of recyclable materials, the market price of scrap metals and the amount of competition for each vessel offered in a recycling solicitation.

MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4302-0-3-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	General Administration	63	-	-
10.00	Total obligations (Object Class 26.0)	63	-	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	44,001	45,773	47,773
22.00	New budget authority (gross)	1,824	2,000	2,000
22.10	Resources available from recoveries of prior year obligations	11	-	-
23.90	Total budgetary resources available for obligation	45,836	47,773	49,773
23.95	New obligations	-63	-	-
24.40	Unobligated balance available, end of year	45,773	47,773	49,773
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	1,824	2,000	2,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	27	32	-
73.10	New obligations	63	-	-
73.20	Total outlays (gross)	-47	-2,000	-
73.45	Recoveries of prior year obligations	-11	-	-
74.40	Obligated balance end of year	32	-	-
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	-	2,000	-
86.93	Outlays from discretionary balances	47	-	-
87.00	Total outlays (gross)	47	2,000	-
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.20	Interest on Federal securities	1,824	2,000	2,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	-1,777	-	-2,000
95.02	Unpaid Obligations, EOY	32		
	Memorandum (non-add) entries:			
92.01	Total investments, start of year: Federal securities: Par value	41,402	29,402	31,402
92.02	Total investments, end of year: Federal securities: Par value	29,402	31,402	33,402

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 standby program.

MARITIME ADMINISTRATION
FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4301-0-3-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	General Administration	3	-	-
10.00	Total obligations	3	-	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	20	17	20
22.00	New budget authority (gross)	-	-	-
22.60	Portion applied to repay debt	-	-	-
23.90	Total budgetary resources available for obligation	20	20	20
23.95	New obligations	-20	-	-
24.40	Unobligated balance available, end of year	17	20	20
	Change in obligated balances:			
73.10	New obligations	-	-	-
73.20	Total outlays (gross)	-3	-	-
74.40	Obligated balance, end of year	-3	-	-
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	3	-	-
87.00	Total outlays (gross)	3	-	-
	Net budget authority and outlays:			
89.00	Budget authority	-	-	-
90.00	Outlays	3	-	-
95.02	Unpaid Obligations, EOY			

FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT

Program and Performance Statement

This fund was used to underwrite vessel construction loan guarantees made under the Title XI maritime guaranteed loan program prior to 1992.

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

(INCLUDING TRANSFER OF FUNDS)

[For the cost of guaranteed loans, as authorized, $9,000,000, of which $5,000,000 shall remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: *Provided further*, That not to exceed $4,000,000] *For necessary administrative expenses of the maritime guaranteed loan program, $3,688,000* shall be [available for administrative expenses to carry out the guaranteed loan program, which shall be transferred to and merged with the] *paid to the* appropriation for ``Operations and Training'', Maritime Administration. (*Department of Transportation Appropriations Act*, *2010*.)

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

(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
0.02	Loan guarantee activity	17,445	77,907	-
0.07	Reestimates of loan guarantee subsidy	43,132	31,961	-
0.08	Interest on reestimates of loan guarantee subsidy	12,487	23,801	-
0.09	Administrative Expenses	3,531	4,000	3,688
10.00	Total obligations	76,595	137,669	3,688
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	12,351	42,907	-
22.00	New budget authority (gross)	107,150	94,762	3,688
23.90	Total budgetary resources available for obligation	119,501	137,669	3,688
23.95	New obligations	-76,595	-137,669	-3,688
24.40	Unobligated balance available, end of year	42,907	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	3,531	9,000	3,688
43.00	Appropriation (total)	3,531	9,000	3,688
58.00	Offsetting collections (cash) (unexpired only)	48,000	30,000	-
	Mandatory:			
60.00	Appropriation (definite)	55,619	55,762	-
62.50	Appropriation (total)	55,619	55,762	-
69.10	Change in uncollected cust paymts fm Fed sources (unexp)	-	-	-
69.90	Spending authority fm offsetting collections (total)	55,619	55,762	-
70.00	Total new budget authority (gross)	107,150	94,762	3,688
	Change in obligated balances:			
72.40	Obligated balance,start of year	346	2,122	2,122
73.10	New obligations	76,595	137,669	3,688
73.20	Total outlays (gross)	-74,819	-137,669	-3,688
74.40	Obligated balance end of year	2,122	2,122	2,122
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	6,767	39,000	3,688
86.93	Outlays from discretionary balances	12,352	42,907	-
86.97	Outlays from new mandatory authority	55,619	55,762	-
86.98	outlays from mandatory balances	81	-	-
87.00	Total outlays (gross)	74,819	137,669	3,688
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	48,000	30,000	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	59,150	64,762	3,688
90.00	Outlays (net)	26,819	107,669	3,688
95.02	Unpaid Obligations, EOY	2,121		

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program
(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate
	Guaranteed loan levels supportable by subsidy budget authority:			
215010	Risk category 3	40,799	287,290	-
215011	Risk category 4	268,629	581,300	-
215012	Risk category 5	-	187,140	-
215999	Total loan guarantee levels	309,428	1,055,730	-
	Guaranteed loan subsidy (in percent):			
232010	Risk category 3	4.55	5.43	-
232011	Risk category 4	5.79	7.38	-
232012	Risk category 5	-	10.42	-
232999	Weighted average subsidy rate	5.63	7.39	-
	Guaranteed loan subsidy budget authority			
233010	Risk category 3	1,666	15,600	-
233011	Risk category 4	16,224	42,900	-
233012	Risk category 5	-	19,500	-
233999	Total subsidy budget authority	17,890	78,000	-
	Guaranteed loan subsidy outlays:			
234010	Risk category 3	-	14,581	-
234011	Risk category 4	15,558	40,099	-
234012	Risk category 5	-	18,227	-
234013	Risk category 6	-	-	-
234999	Total subsidy outlays	15,558	72,907	-
	Guaranteed loan upward reestimates			
235013	Risk category 6	55,619	55,762	-
235999	Total upward reestimate budget activity	55,619	55,762	-
	Guaranteed loan downward reestimates:			
237008	Risk category 1	-39,360	-43,799	-
237999	Total downward reestimate subsidy budget authority	-39,360	-43,799	-
	Administrative expenses data:			
3510	Budget authority	3,531	4,000	3,688
3580	Outlays from balances	-	-	-
3590	Outlays from new authority	3,531	4,000	3,688

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM

Program and Performance Statement

Title XI maritime loan guarantees provide for a full faith and credit guarantee of debt obligations issued (1) by U.S or foreign ship owners to finance or refinance either U.S.-flag vessels or eligible export vessels constructed, reconstructed or reconditioned in U.S. shipyards; and (2) by U.S. shipyards to finance the modernization of U.S. shipbuilding technology at shipyard facilities 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, and the administrative expenses of the program. The subsidy costs are estimated on a present value basis; the administrative expenses are estimated on a cash basis. Funds for administrative expenses for the Title XI program are appropriated to this account, then paid to the Operations and Training account. Given significant funding from recent Department of Defense appropriations, no new funds for loan guarantees are requested for 2011.

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

Object Class Code	Object Class	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
25.2	Other services	20,976	81,907	3,688
41.0	Grants, subsidies, and contributions	55,619	55,762	-
99.9	**Total New Obligations**	**76,595**	**137,669**	**3,688**

EXHIBIT III-1

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

	FY 2009 ACTUAL	FY 2010 ENACTED	FY 2011 REQUEST	CHANGE FY 2010-2011
Maritime Guaranteed Loan Program	3,531	9,000	3,688	-5,312
Total	**3,531**	**9,000**	**3,688**	**-5,312**
FTEs				
Direct Funded*	[17]	[17]	[17]	[-]
Reimbursable, allocated, other	[-]	[-]	[-]	[-]

* The FTEs displayed here are merged into the Operations and Training Account in Exhibit II-5.

EXHIBIT III-2

MARITIME GUARANTEED LOAN PROGRAM TITLE XI
SUMMARY ANALYSIS OF CHANGE FROM FY 2010 TO FY 2011
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2010 to FY 2011	FY 2011 PC&B By Program	FY 2011 FTEs by Program	FY 2011 Contract Expenses	Total
			Note: Columns are Non-Add		
FY 2010 Base	**$9,000**	**[$2,680]**	**[17]**	**[$696]**	**$9,000**
Adjustments to Base					
Annualization of 2010 Pay Raise (2.0%)	13	[13]			
2011 Pay Raise (1.4%)	28	[28]			
GSA Rent	-357				
Non-Salary Inflation (0.5%)	4			[4]	
Subtotal, Adjustments to Base	**-$312**	**[$41]**	**[-]**	**[$4]**	**-$312**
New or Expanded Programs (e.g. Presidental Initiatives)					
Loan Subsidy	**-5,000**			**[-5,000]**	
Subtotal, New or Expanded Program Increases/ Decreases	**-$5,000**	**[-]**	**[-]**	**[-$5,000]**	**-$5,000**
Total FY 2011 Request	**$3,688**	**[$2,721]**	**[17]**	**[-$4,300]**	**$3,688**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM
FY 2002 - FY 2011
Main Table - ($000)

Fiscal Year		Requested		Enacted	
2002	Guarantee Subsidy	-		33,000	
	Administration	3,978		3,978	
	Rescission of Unobligated Balance	-		(5,000)	
	TOTAL	3,978		36,978	1/
2003	Guarantee Subsidy	-		25,000	
	Administration	4,126		4,482	
	Rescission of Unobligated Balance	-		-	
	TOTAL	4,126		29,099	2/
2004	Guarantee Subsidy	-		-	
	Administration	4,498		4,471	
	Rescission of Unobligated Balance	-		-	
	TOTAL	4,498		4,471	3/
2005	Guarantee Subsidy	-		-	
	Administration	4,764		4,726	
	Rescission of Unobligated Balance	-		-	
	TOTAL	4,764		4,726	4/
2006	Guarantee Subsidy	-		5,000	5/
	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	-	6/	3,408	
	Rescission of Unobligated Balance	-		-	
	TOTAL			8,408	
2009	Guarantee Subsidy	-		-	
	Administration	3,531		3,531	
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,531		3,531	
2010	Guarantee Subsidy	-		5,000	
	Administration	3,630		4,000	
	Rescission of Unobligated Balance	-		-	
	TOTAL	3,630		9,000	
2011	Guarantee Subsidy	-			
	Administration	3,688			
	Rescission of Unobligated Balance	-			
	TOTAL	3,688			

Footnotes (Actual Dollars - not in thousands):
1/ Includes $5,000 rescinded in P.L.107-77.
2/ Includes $26,819 rescinded in P.L.108-7.
3/ Includes $26,538 rescinded in P.L.108-199.
4/ Includes $38,112 rescinded in P.L.108-447.
5/ Transferred from Highway Priority Projects (Section 113).

6/ 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.

Detailed Justification for Maritime Guaranteed Loan (Title XI) Program

Maritime Guaranteed Loan (Title XI) Program	**FY 2011 Request: $3.688 million**

Overview:

The Maritime Guaranteed Loan (Title XI) Program was created to provide a Federal guarantee of private sector debt for domestic ship construction and shipyard modernization. Title XI is designed to foster and sustain the U.S. shipbuilding and repair industry and support the continued existence of a U.S. merchant marine by supporting new ship construction in U.S. shipyards. Vessels financed by the Title XI program directly contribute to the ability of the United States to carry its domestic and foreign waterborne commerce. The program helps by providing applicants long-term financing at stable interest rates, sustaining efficient facilities for shipbuilding and ship repair within the U.S., and promoting system capacity for maintaining a skilled workforce to meet shipbuilding needs during times of war or national emergency.

FY 2010 Base:

The base consists of salaries and benefits and a share of MARAD Headquarters operational costs such as rent, utilities, etc, and subsidy funds for the Title XI loan program.

Anticipated FY 2010 Accomplishments:

For 2010, MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio of $2.5 billion. All companies in MARAD's Title XI portfolio undergo periodic financial reviews and companies with a higher potential for default receive additional monitoring. The computerized monitoring system implemented during 2007 and 2008 became operational in 2009 and is expected to improve several aspects of program administration including portfolio and asset management. MARAD expects to have completed data entry for the entire Title XI portfolio by the end of 2009.

Due to the economic downturn, MARAD incurred 3 defaults during FY 2008 and FY 2009 and has incurred two additional defaults in 2010. As a result of our poor experience with the passenger cruise sector, MARAD is no longer considering Title XI applications for passenger vessels.

MARAD is currently analyzing a number of loan projects totaling up to $2.6 billion in loan guarantees. Projects include jack up drill rigs, platform supply vessels, articulated tug barge units, shuttle tankers, and a variety of barges and tugs. FY 2010 carryover subsidy of approximately $43 million ($48 million was received in FY 2009 appropriations for loan subsidies) coupled with the additional $30 million provided in the Department of Defense 2010 appropriation and an additional $5 million provided in the Department of Transportation 2010 appropriation will enable MARAD to issue commitments to several credit-worthy applicants whose projects are technically, financially and economically sound.

FY 2011 Budget Request:

Maritime Guaranteed Loan Program (Title XI)					
Program Activity ($000)	**FY 2010 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2011 Request**
Salaries & Benefits	2,680	41			2,721
Operations	1,320		-353		967
Loan Subsidies	5,000			-5,000	
Total	**$9,000**	**$41**	**-$353**	**-5,000**	**$3,688**

The Maritime Guaranteed Loan Program provides affordable financing opportunities to ensure that small and medium shipbuilders can build ships in the United States. For 2011, MARAD requests $3.7 million, $0.3 million below 2010, for administrative expenses in support of the program. No new subsidy funds are requested for additional ship construction loan guarantees in 2011. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio management.

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

(In thousands of dollars)

	Identification code 69-4304-0-3-999	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
00.01	Default Claims	50,040	150,000	-
00.02	Payment of Interest to Treasury	2,014	5,000	-
00.03	Default and default related activities	3,717	8,000	-
00.91	Direct Program by Activities - Subtotal (1 level)	55,771	163,000	-
08.02	Downward Reestimates	20,512	23,569	-
08.04	Interest on downward reestimate	18,848	20,230	-
08.91	Subtotal, downward reestimate	39,360	43,799	-
10.00	Total obligations	95,131	206,799	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	238,443	249,794	264,995
22.00	New financing authority (gross)	106,242	222,000	29,000
22.10	Resources available from recoveries of prior year obligations	240	-	-
23.90	Total budgetary resources available for obligation	344,925	471,794	293,995
23.95	New obligations	-95,131	-206,799	-
24.40	Unobligated balance available, end of year	249,794	264,995	293,995
	New financing authority (gross), detail:			
	Mandatory spending authority from offsetting collections:			
67.10	Borrowing Authority	29,000	90,000	-
69.00	Offsetting collections (cash) (unexpired only)	102,386	132,000	29,000
69.10	Change in uncollected cust paymts fm Fed sources (unexp)	1,856	-	-
69.47	Portion applied to repay debt	-27,000	-	-
69.90	Spending authority fm offsetting collections (total)	106,242	222,000	29,000
70.00	Total new budget authority (gross)	106,242	222,000	29,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	884	-176	206,623
73.10	New obligations	95,131	206,799	-
73.20	Total outlays (gross)	-94,095	-	-
74.40	Obligated balance end of year	-176	206,623	206,623
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	94,095	-	-
87.00	Total financing disbursements (gross)	94,095	-	-
	Offsets:			
	Against gross financing authority and financing disbursements			
	Offsetting collections (cash) from:			
88.00	Program account	15,588	-	-
88.00	Payments from program account - Upward reestimate	55,619	55,762	-
88.25	Interest on uninvested funds	13,748	10,000	14,000
88.40	Loan Repayment	16,207	21,000	5,000
88.40	Fees and other payments	1,223	45,000	10,000
88.90	Total, offsetting collections (cash)	102,385	131,762	29,000
	Against gross financing authority only			
88.95	Change in receivables from program account	1,856	-	-
	Net financing authority and financing disbursements:			
89.00	Financing authority (net)	2,001	90,238	-
90.00	Financing disbursements (net)	-8,290	-131,762	-29,000
95.02	Unpaid Obligations, EOY	1,679		

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

	Identification code 69-4304-0-3-999	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate
	Position with respect to appropriations act limitation on commitments:			
2111	Limitation on guaranteed loans made by private lenders	-	-	-
2131	Guaranteed loan commitments exempt from limitation	309,428	1,055,730	-
2150	Total guaranteed loan commitments	309,428	1,055,730	-
2199	Guaranteed amount of guaranteed loan commitments	-	-	-
2210	Outstanding start of year	2,420,388	2,441,098	2,416,098
2231	Disbursements of new guaranteed loans	269,230	350,000	450,000
2251	Repayments and prepayments	-203,803	-225,000	-191,000
2262	Adjustiments: Terminations for default	-44,717	-150,000	-73,000
2290	Outstanding end of year	2,441,098	2,416,098	2,602,098
	Memorandum:			
2299	Amount of guaranteed loans outstanding end of year	2,441,098	2,416,098	2,602,098

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 Title XI program loan guarantee commitments in 1992 and subsequent years. The amounts in this account are a means of financing and are not included in the budget totals.

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

	Identification code 69-4304-0-3-999	FY 2008 Actual	FY 2009 Actual
	ASSETS:		
	FEDERAL ASSETS:		
1101	Fund balance with Treasury	240,240	249,491
1106	Receivables, net	27,000	20,000
1999	Total assets	267,240	269,491
	LIABILITIES:		
2204	Non-Federal liabilities: liabilities for loan guarantees	267,240	269,491
2999	Total liabilities	267,240	269,491
4999	Total liabilities and net position	267,240	269,491

MARITIME ADMINISTRATION
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-5560	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
	Obligations by program activity:			
09.01	Reimbursable program	-	2,000	-
10.00	Total obligations	-	2,000	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	-	-	-
22.00	New budget authority (gross)	-	2,000	-
22.10	Resources available from recoveries of prior year obligations	-	-	-
23.90	Total budgetary resources available for obligation	-	2,000	-
23.95	New obligations	-	-2,000	-
24.40	Unobligated balance available, end of year	-	-	-
	New budget authority (gross), detail:			
	Discretionary:			
58.00	Appropriation (special fund)	-	2,000	-
70.00	Total new budget authority (gross)	-	2,000	-
	Change in obligated balances:			
72.40	Obligated balance,start of year	-	-	-
73.10	New obligations	-	2,000	-
73.20	Total outlays (gross)	-	-2,000	-
74.40	Obligated balance end of year	-	-	-
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	-	2,000	-
87.00	Total outlays (gross)	-	2,000	-
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Non Federal sources	-	2,000	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	-	-	-
95.02	Unpaid Obligations, EOY	-		

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MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-8547-0-7-403	FY 2009 Actual	FY 2010 Request	FY 2011 Request
	Obligations by program activity:			
00.01	Special Studies	34,738	834	-
00.02	Gifts and Bequests	197	2,394	1,200
01.00	Total direct program	34,935	3,228	1,200
10.00	Total obligations (Object Class 25.2)	34,935	3,228	1,200
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	2,944	2,028	-
22.00	New budget authority (gross)	1,102	1,200	1,200
22.10	Resources available from recoveries of prior year obligations	32,917	-	-
23.90	Total budgetary resources available for obligation	36,963	3,228	1,200
23.95	New obligations	-34,935	-3,228	-1,200
24.40	Unobligated balance available, end of year	2,028	-	-
	New budget authority (gross), detail:			
	Mandatory :			
60.20	Appropriation (special fund)	1,102	1,200	1,200
60.26	Appropriation (trust fund)	-	-	-
62.50	Appropriation (total)	1,102	1,200	1,200
	Mandatory spending authority from offsetting collections:			
70.00	Total new budget authority (gross)	1,102	1,200	1,200
	Change in obligated balances:			
72.40	Obligated balance,start of year	77,556	20,751	1,272
73.10	New obligations	34,935	3,228	1,200
73.20	Total outlays (gross)	-58,823	-22,707	-1,200
73.45	Recoveries of prior year obligations	-32,917	-	-
74.40	Obligated balance end of year	20,751	1,272	1,272
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	15,264	1,200	1,200
86.98	Outlays from mandatory balances	43,559	21,507	-
87.00	Total outlays (gross)	58,823	22,707	1,200
	Net budget authority and outlays:			
89.00	Budget authority (net)	1,102	1,200	1,200
90.00	Outlays (net)	58,823	22,707	1,200
95.02	Unpaid Obligations, EOY	20,752		

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ADMINISTRATIVE PROVISIONS—MARITIME ADMINISTRATION

Sec. 175. 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 payments received therefor shall be credited to the appropriation charged with the cost thereof: *Provided*, 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. 176. Section 51314 of title 46, United States Code, is amended in subsection (b) by inserting at the end ``Such fees shall be credited to the Maritime Administration's Operations and Training appropriation, to remain available until expended, for those expenses directly related to the purposes of the fees. Fees collected in excess of actual expenses may be refunded to the Midshipmen through a mechanism approved by the Secretary. The Academy shall maintain a separate and detailed accounting of fee revenue and all associated expenses.".] (*Department of Transportation Appropriations Act, 2010*.)

Explanations

SEC. 175. – This provision allows MARAD to utilize the receipts received under a lease, contract, or occupancy involving MARAD property. The utilization of these receipts would credit the appropriation charged for furnishing utilities and services and making necessary repairs.

SEC. 176. – This provision is deleted as it amended standing law in FY 2010 and does not need to be repeated annually.

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MARITIME ADMINISTRATION
FISCAL YEAR 2011
PERFORMANCE BUDGET REQUEST

SECTION IV
PERFORMANCE BUDGET

February 1, 2010

A Note About DOT's Strategic Goals

The performance sections of the FY 2011 budget submissions align with the current FY 2006-2011 DOT Strategic Plan. DOT will release a new Strategic Plan in FY 2010 that will detail the Department's new priorities and areas of emphasis. DOT expects the performance sections of the FY 2012 budget submission will be aligned to this new strategic plan.

MARITIME ADMINISTRATION
Overview

The Maritime Administration (MARAD) has a three-pronged mission. MARAD programs advance: (1) economic growth and recovery by providing job-producing businesses with efficient transportation options to reach their suppliers and customers, (2) marine transportation that is sensitive to environmental impacts on communities, and (3) a vital, viable, safe, and secure U.S. merchant marine for commerce, emergency response, and national security. The agency's 2011 request for $352.0 million will fund programs and activities advancing DOT outcomes and objectives for Reduced Congestion; Global Connectivity; Environmental Stewardship; Security, Preparedness, and Response; and Organizational Excellence.

Reduced Congestion

The 2011 MARAD budget request for the Reduced Congestion strategic goal is $7.7 million. About 2% of the agency budget request is attributed to reducing congestion. MARAD will work to strengthen and improve the Maritime Transportation System (MTS), to relieve pressure on highways by helping to increase the use of our nation's waterways. MARAD's Title XI and Assistance to Small Shipyards programs provide and oversee grants and loans supporting the industry, which can be an engine for capacity and economic growth. As waterborne transport provides a cost-effective transportation alternative, it can also help impact congestion in other transportation modes, reduce the cost of goods consumers use every day, and contribute to improving quality of life.

Global Connectivity

The 2011 MARAD budget request for the Global Connectivity strategic goal is $0.5 million to support the agency's Ocean Freight Differential program. Less than 1% of the agency budget request is attributed to global connectivity. In addition, the request includes $175 million in borrowing authority[1] to support a cargo preference revenue base that will retain and encourage privately owned and operated U.S. Merchant Marine vessels under U.S. flag, which are essential to military and economic security of our Nation.

Environmental Stewardship

MARAD will continue to give priority to disposing of obsolete ships and partnering with other government and/or private entities, and maintaining *N.S. Savannah* nuclear facilities. The 2011 MARAD budget request for the Environmental Stewardship strategic goal is $14.5 million. About 4% of the agency budget request is attributed to environmental programs and sustainability.

Security, Preparedness, and Response

The 2011 MARAD budget request for the Security, Preparedness, and Response strategic goal is $299.7 million. About 85% of the agency budget request is attributed to security, preparedness, and response. MARAD will work help ensure the readiness of sealift capacity to respond to national crises and Department of Defense mobilizations. The Maritime Security Program will sustain the fleet of vessels to meet national security and federal emergency response requirements. MARAD will also continue to support mariner-training programs to ensure that trained mariners are available to crew the U.S.-flag fleet and work throughout the maritime industry. The U.S. Merchant Marine Academy and State Maritime Academies will educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. The U.S. Merchant Marine Academy request includes an increase of $25.3 million above the 2010

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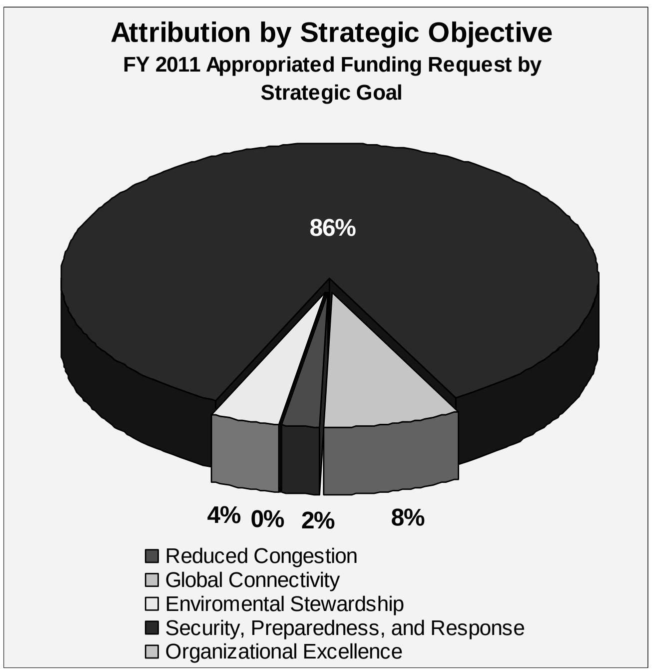
[1] OFD funds are not requested in annual appropriations, but are provided via a permanent indefinite authority commensurate with freight differential requests from USDA.

enacted. This program increase will fund capital improvements, funding to support compensation for possible USMMA midshipman fee overcharges, and operational funding for necessary IT upgrades and academic program enhancements.

Organizational Excellence

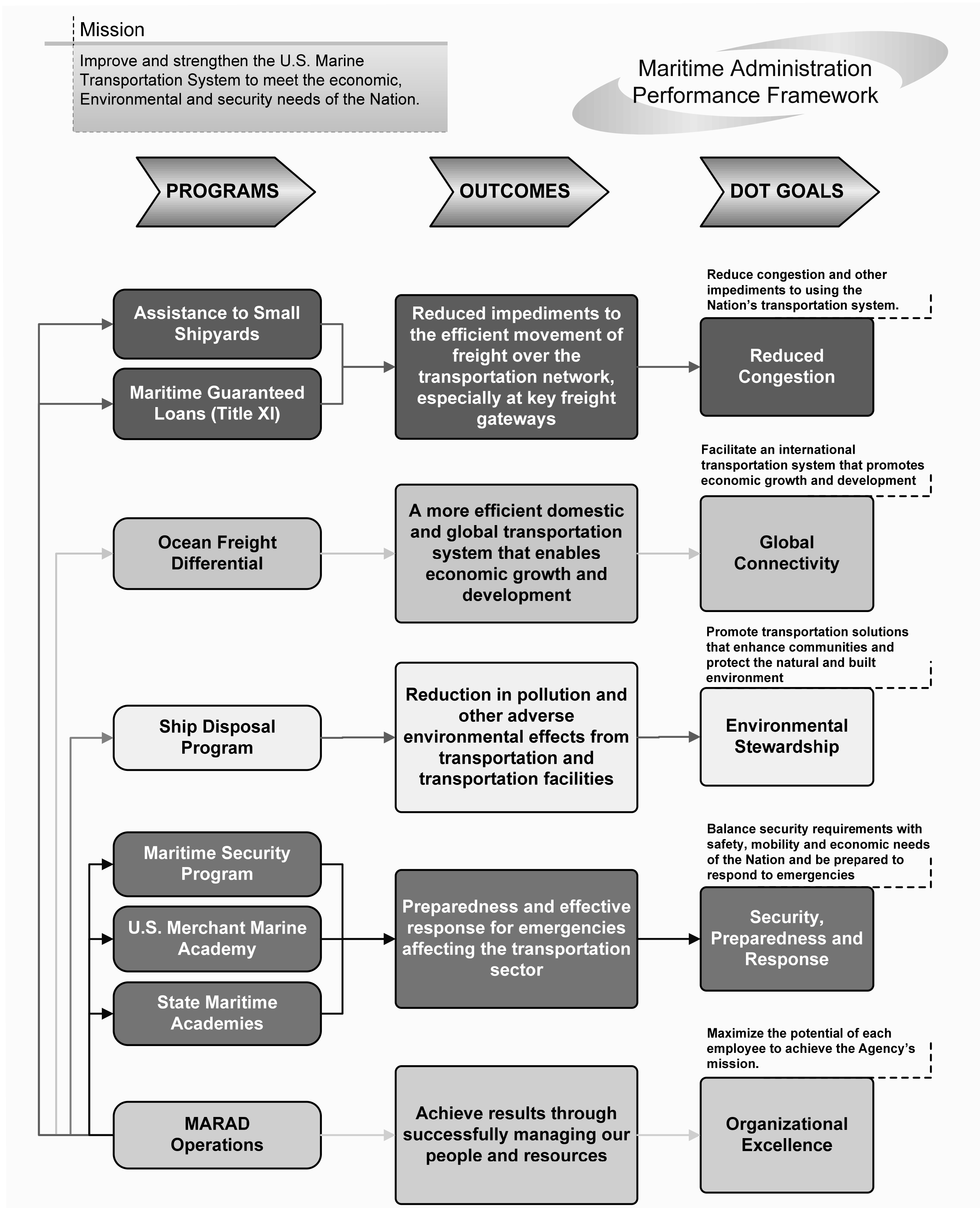
MARAD's organizational excellence programs contribute to operational program effectiveness, providing the leadership, management, and administrative infrastructure for programs advancing national objectives for reduced congestion, global connectivity, environmental stewardship, security, preparedness, and response. The 2011 MARAD budget request for Organizational Excellence is $29.7 million. About 8% of the agency budget request is attributed to organizational excellence. In addition to agency support, logistics, and infrastructure, MARAD Operations and Program includes some staffing and administrative support needed for agency operating programs.



MARAD's appropriated budget supports five DOT strategic goals. The largest share of the agency budget supports Security, Preparedness, and Response. At approximately 86%, it is by far the agency's primary strategic objective. Approximately 4% of the appropriated budget supports Environmental Stewardship, 2% supports Reduced Congestion, and less than 1% supports Global Connectivity. Approximately 8% is attributed to Organizational Excellence and program support for operating programs.

Beginning with this 2011 request, MARAD has implemented a new methodology for attributing budget to strategic goals, based upon our new program structure.

MARAD's performance framework, on the next page, illustrates the linkage and alignment of MARAD programs to Department of Transportation and national objectives.



Office of Budget and Programs/CFO

EXHIBIT IV-1
FY 2011 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

STRATEGIC AND PERFORMANCE GOALS by Performance Measure	**(A) FY 2009 ACTUAL**	**(B) FY 2010 ENACTED TOTAL***	**(C) FY 2011 REQUEST***
1. REDUCED CONGESTION			
A. Freight Performance	130,680	35,090	7,688
Total – Reduced Congestion Strategic Goal	130,680	35,090	7,688
2. GLOBAL CONNECTIVITY			
A. Enhanced Competitiveness	13,793	466	476
Total – Global Connectivity Strategic Goal	13,793	466	476
3. ENVIRONMENTAL STEWARDSHIP			
A. Reduction in Pollution	19,936	22,472	14,477
Total – Environmental Stewardship Strategic Goal	19,936	22,472	14,477
4. SECURITY, PREPAREDNESS AND RESPONSE			
A. Defense Mobilization			
a. Percentage of DoD required shipping capacity complete with crews available with mobilization timelines.	264,070	268,997	298,327
b. Percentage of DoD designated commercial ports available for military use with DoD established readiness timelines.	1,383	1,321	1,325
Total – Security, Preparedness, and Response Strategic Goal	265,453	270,318	299,652
5. ORGANIZATIONAL EXCELLENCE			
A. Achieve Results by Successfully Managing our People and Resources	3,530	34,404	29,748
Total – Organizational Excellence Strategic Goal	3,530	34,404	29,748
GRAND TOTAL	**433,391**	**362,750**	**352,041**

* 2010/2011 reflects implementation of a new attribution methodology

EXHIBIT IV-2

PERFORMANCE OVERVIEW
MARITIME ADMINISTRATION

Annual Performance Results and Targets

The Maritime Administration integrates performance results into its budget request to demonstrate alignment with the Department of Transportation's Strategic Plan. The Maritime Administration tracks the following DOT level performance measures to demonstrate program results:

Security, Preparedness, and Response strategic goal/Defense Mobilization performance goal: Effective response to emergencies affecting the transportation sector.

Availability of DoD-required shipping capacity, complete with crews	2006	2007	2008	2009	2010	2011
Target	94	94	94	94	94	94
Actual	93	97	97	96		

Security, Preparedness, and Response strategic goal/Defense Mobilization performance goal: Effective response to emergencies affecting the transportation sector.

Availability of DoD-designated commercial ports for military use	2006	2007	2008	2009	2010	2011
Target	93	93	93	93	93	93
Actual	100	100	100	100		

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION

FISCAL YEAR 2011
PERFORMANCE PLANNING
LOGIC MODEL

EXHIBIT IV - 3

REDUCED CONGESTION

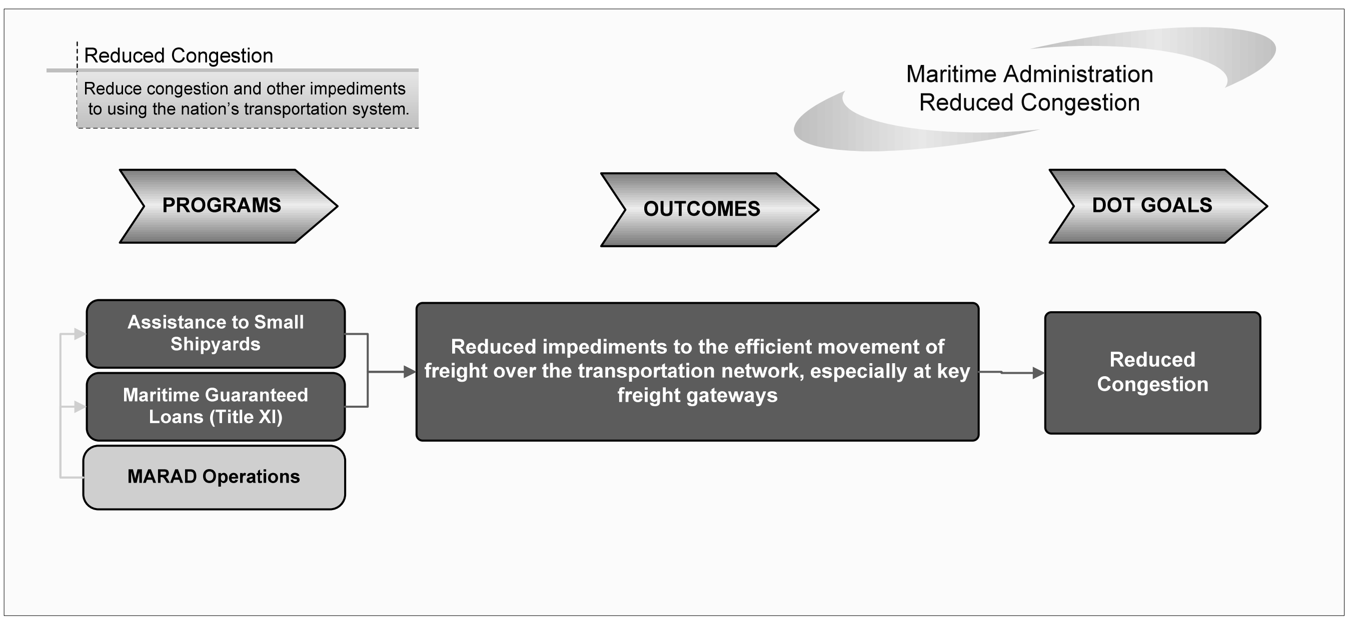
Overview:

This funding request contributes to the achievement of the DOT Reduced Congestion strategic goal and specifically to the DOT outcome to reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways.

In 2010, MARAD's program includes monitoring and overseeing Assistance to Small Shipyard grants of $115.15 million (including $98 million in ARRA funding) issued in 2009; management and oversight of the $2.5 billion Title XI loan portfolio; and implementation of the Secure and Efficient Port (Presidential Initiative) grant program to support new and expanded marine highway services, shifting freight from congested roads and railroads to waterborne routes.

The 2011 MARAD budget request for the Reduced Congestion strategic goal is $7.7 million. About 2% of the agency budget request is attributed to reducing congestion. MARAD will work to strengthen and improve the Maritime Transportation System (MTS), to relieve pressure on highways by helping to increase the use of our nation's waterways. MARAD's Title XI and Assistance to Small Shipyards programs provide and oversee grants and loans supporting the industry, which can be an engine for capacity and economic growth. As waterborne transport provides a cost-effective transportation alternative, it can also help impact congestion in other transportation modes, reduce the cost of goods consumers use every day, and contribute to improving quality of life. In 2011, MARAD programs will:

- Monitor and report on the execution of 2009 Assistance to Small Shipyard grants (including ARRA).
- Track and oversee the Title XI loan portfolio.
- Issue new Title XI loans (using carryover funds) to finance oil tankers, river barges, tugs, jack-up drilling rigs, and tug supply vessels.



REDUCED CONGESTION

Program Name: Assistance to Small Shipyards **FY 2011 Inputs: $1.0 million, 4 FTE**

Program Purpose and Customers/Beneficiaries	2011 Activity	2011 Achievements	2011 Outputs	2011 Outcomes	Contribution to DOT Goal
The Assistance to Small Shipyards program awards grants to private shipyards that support the economic development of local port communities. Also, through shipbuilding and repairs, the shipyards contribute to maintaining or expanding waterborne freight transport capacity serving suppliers, manufacturers, retailers and consumers.	Monitor grants awarded to private shipyards	The focus of the 2011 grant program will be on the continued administration and oversight of the 2009 grant awards.	• Shipyard crane improvement projects • Shipyard material processing improvement projects • Shipyard training projects	Increased ship repair and ship building efficiency of small shipyards and improved infrastructure, facilities, equipment, and material processes by providing additional capital investment grants.	Goal: Reduced Congestion Outcome: Reduced impediments to the efficient movement of freight over the transportation network, especially at key freight gateways.

2009 American Recovery and Reinvestment Act (ARRA) Program

Assistance to Small Shipyards

Program Purpose and Customers/Beneficiaries

Grants are awarded to private shipyards, which support the economic development of local port communities. Also, through shipbuilding and repairs, the shipyards contribute to maintaining or expanding waterborne freight transport capacity serving suppliers, manufacturers, retailers, and consumers.

2010 Accomplishments

The focus of the 2010 grant program will be on the continued administration and oversight of the 2009 grant awards. This will be accomplished by the program manager and management within the Maritime Administration, who will carefully track performance results at an unprecedented level of detail, report on those results, and determine at a later date to what extent the infusion of ARRA funds and resultant projects have impacted the program's performance levels. No funding for small shipyard grants is requested for 2010.

2011 Program Inputs

No grant funds are requested for 2010 and 2011. Funding of an estimated $1 million will provide for resources dedicated to salaries and benefits and operating expense costs. This request includes a total of 4 full-time employees funded in the Operations and Training account to support the program.

2011 Program Activity

The Assistance to Small Shipyards grant program supports capital improvements at qualified shipyards to improve the ability of domestic shipyards to compete for domestic and international commercial ship construction. Projects that were awarded grants in 2009 include, but are not limited to: shipyard crane improvement projects; shipyard material processing improvement projects; and shipyard training projects. Oversight of grant projects that have been awarded will include following up with the grantees on their monthly status and progress towards completion. Grantees are required to submit a monthly report detailing their progress to the program manager and management within the Maritime Administration to ensure they are meeting their project milestones.

2011 Program Achievements
The focus of the 2011 grant program will be on the continued administration and oversight of the 2009 grant awards, no funding is requested for shipyard grants in 2011.

2011 Program Outputs
The program outputs that will be measured are the number of projects awarded in 2009. Projects awarded grants include, but are not limited to: shipyard crane improvement projects; shipyard material processing improvement projects; and shipyard training projects.

2011 Program Outcomes
Grant funding provided by the Recovery Act and awarded in 2009 will support additional capital investment and infrastructure improvement to expand the shipbuilding efficiency of small shipyards. Improved infrastructure, facilities, equipment, and material processes will contribute to increased shipyard capacity, improved efficiency and throughput, and expanded capabilities for building larger ships. Also, through shipbuilding and repairs, the shipyards contribute to maintaining or expanding waterborne freight transport capacity. Waterborne transport can help alleviate congestion in other transportation modes, and significantly reduce fuel consumption per ton-mile, with a related carbon footprint reduction, contributing to livability and communities. Grant funds also foster technical skills and operational productivity by supporting maritime training programs.

Contribution to DOT Goal
The Assistance to Small Shipyards program supports the achievement of DOT's reduced congestion strategic goal to reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways.

REDUCED CONGESTION

Program Name: Maritime Guaranteed Loan Program (Title XI)			FY 2011 Inputs: $3.7 million, 17 FTE		
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
The Maritime Guaranteed Loan Program (Title XI) issues loan guarantees to qualified applicants to help support U.S. shipowners to construct, reconstruct, or recondition ships in U.S. shipyards by providing affordable financing opportunities.	Manage existing loan guarantee portfolio of $2.5 billion.	MARAD anticipates issuing Title XI loan guarantees from carryover funds to finance oil tankers, river barges, tugs, jack-up drilling rigs, and tug supply vessels.	New or improved ships, barges, and other vessels built in U.S. shipyards	Contribute to the nation's capacity to carry domestic and foreign waterborne commerce.	Goal: Reduced Congestion Outcome: Reduced impediments to the efficient movement of freight over the transportation network, especially at key freight gateways.

Maritime Guaranteed Loan Program (Title XI)

Program Purpose and Customers/Beneficiaries

Title XI is designed to foster and sustain the U.S. shipbuilding and repair industry and support the continued existence of a U.S. merchant marine by supporting new ship construction in U.S. shipyards. Vessels financed by the Title XI program directly contribute to the nation's capacity to carry domestic and foreign waterborne commerce. The Title XI program provides for a full faith and credit guarantee of debt obligations issued (1) by U.S or foreign ship owners to finance or refinance either U.S.-flag vessels or eligible export vessels constructed, reconstructed or reconditioned in U.S. shipyards; and (2) by U.S. shipyards to finance the modernization of U.S. shipbuilding technology at shipyard facilities located in the United States.

2010 Accomplishments

No new subsidy funds were requested for new loan guarantees for ship construction for 2010, in any case, MARAD anticipates issuing loan guarantees using funds carried over from 2009. MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio of $2.5 billion. Due to the economic downturn, MARAD incurred several defaults during 2008 and 2009 and may incur additional defaults in 2010.

MARAD is currently analyzing a number of loan projects totaling up to $1 billion in loan guarantees. Projects include jack up drill rigs, platform supply vessels, bunker and river barges and tugs. A 2010 carryover subsidy of approximately $43 million ($48 million was received in FY 2009 appropriations for loan subsidies) coupled with the additional $30 million provided in the Department of Defense appropriation and an additional $5 million provided in the Department of Transportation appropriation will enable MARAD to issue commitments to several credit-worthy applicants whose projects are technically, financially, and economically sound.

2011 Program Inputs

MARAD's 2011 budget request includes $3.7 million, a decrease of $5.3 million below the 2010 enacted level, to support the Title XI guaranteed loan program in providing affordable financing opportunities to help ensure that ship owners can build ships in U.S. shipyards. No new subsidy funds are requested for new loan guarantees for ship construction. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act and Department of Transportation Inspector General (DOTIG) and Government Accountability Office (GAO) recommendations on portfolio management.

2011 Program Activity

While there are no new subsidy funds requested for new loan guarantees for ship construction in 2011, MARAD anticipates that there will be funding available from carryover of 2010 for loan guarantees. Activity for 2011 will support the continued oversight of the Title XI program to comply with the Federal Credit Reform Act and

DOTIG and GAO recommendations on portfolio management. All companies in MARAD's Title XI portfolio undergo periodic financial reviews and companies with a higher potential for default receive additional monitoring. A computerized monitoring system was implemented and became operational in 2009, including complete data entry for the entire Title XI portfolio. The system is expected to improve several aspects of program administration including portfolio and asset management.

2011 Program Achievements
For 2011, loan guarantees will depend on whether there is any carryover from 2010. Depending on the availability of funds for 2011, MARAD anticipates issuing Title XI guarantees to finance oil tankers, river barges, tugs, jack-up drilling rigs, and tug supply vessels.

2011 Program Outputs
Outputs for 2011 include new or improved ships, barges, and other vessels built in U.S. shipyards for the domestic market.

2011 Program Outcomes
Vessels financed by the Title XI program directly contribute to the nation's capacity to carry domestic and foreign waterborne commerce. Shipyard activity spurred by the Title XI program helps industry build newer, more modern vessels and assists U.S. shipyards in maintaining a skilled workforce to meet shipbuilding needs during times of war or national emergency.

The program will accomplish this by providing applicants long-term financing at stable interest rates, sustaining efficient facilities for shipbuilding and ship repair within the U.S., and promoting system capacity for maintaining a skilled workforce to meet shipbuilding needs.

Contribution to DOT Goal
The Title XI program supports the achievement of the DOT strategic goal for reduced congestion for impediments to the efficient movement of freight over the transportation network, especially at key freight gateways.

GLOBAL CONNECTIVITY

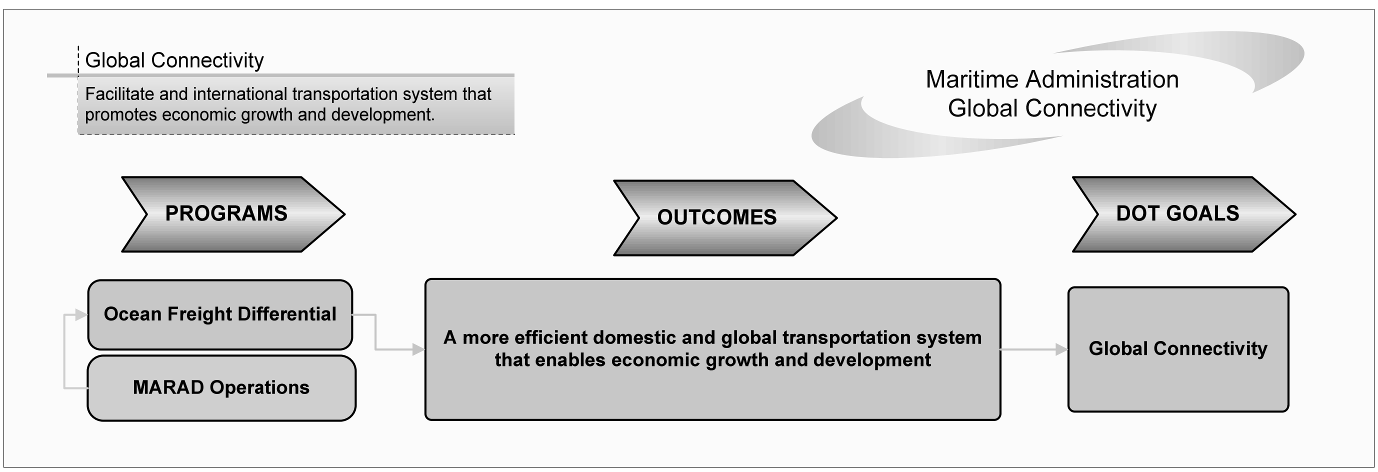
Overview:

This funding request contributes to the achievement of the DOT Global Connectivity strategic goal and specifically to the DOT outcomes of enhancing the competitiveness of U.S. transport providers and manufacturers in the global marketplace and providing for safer, more efficient and cost effective movement of cargo through U.S. ports of entry.

In 2010, MARAD’s program includes conducting the cargo preference program by informing federal agencies and contractors of the requirements implemented by the U.S. cargo preference laws and making differential payments to the USDA to offset the higher costs of shipping on U.S.-flag ships versus foreign flag ships.

The 2011 MARAD budget request for the Global Connectivity strategic goal is $0.5 million. Less than 1% of the agency budget request is attributed to global connectivity. In addition, the request includes $175 million in borrowing authority to support a revenue base that will retain and encourage privately owned and operated U.S. Merchant Marine vessels under U.S. flag, which are essential to military and economic security of our Nation. In 2011, MARAD programs will:

- Increase the use of electronic methods to receive and exchange data and information with other agencies, shippers, and the public.
- Continue to work with USDA and the USAID on efforts to improve the efficiency of food aid logistics.



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Program Name: Ocean Freight Differential				FY 2011 Inputs: $.5 million, 2 FTE	
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
The purpose of the Ocean Freight Differential program is to promote and facilitate a U.S. maritime transportation system that is accessible and efficient in the movement of goods and people. The primary customers of the program are the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID).	• Promote the use of U.S.-flag vessels. • Fully reimburse USDA for their portion of the OFD incurred in contracting with U.S.-flagged vessels to ship foreign food aid.	• Increased use of electronic methods to receive and exchange data and information with other agencies, shippers, and the public.	• 78 percent of food aid preference cargo carried by U.S. flag vessels • 62 US flag oceangoing vessels participating in carriage of food aid cargoes • Reimbursements to USDA	The OFD program provides a revenue base that will retain and encourage privately owned and operated U.S. Merchant Marine vessels under U.S. flag, which are essential to military and economic security of our Nation.	Goal: Global Connectivity Outcome: Safer, more efficient and cost effective movement of cargo throughout international and domestic and transportation systems, including U.S. ports of entry, modal and intermodal supply chains.

Ocean Freight Differential

Program Purpose and Customers/Beneficiaries
The purpose of the Ocean Freight Differential program is to promote and facilitate a U.S. maritime transportation system that is accessible in the movement of goods and people. The primary customers of the program are the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID). When the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) provide food assistance to overseas beneficiaries, cargo preference laws require that at least 75 percent of the total tonnage be shipped on U.S.-flagged vessels.

2010 Program Accomplishments
MARAD will continue to educate federal agencies and their contractors about the changes to the cargo preference law made by the Congress in early 2009. The Food Security Act of 1985 increased the statutory minimum required tonnage of food aid shipments for U.S.-flagged vessels in the cargo preference laws from 50 to 75 percent. Within this legislation, Congress directed the U.S. Department of Transportation to finance any increases in shipping costs to implement this new minimum shipping requirement.

MARAD will continue to hold public meetings and solicit inputs from all stakeholders and customers of all our programs as part of the promotion of U.S.-flag vessels. MARAD expects to continue to increase the use of electronic methods to receive and exchange data and information with other agencies, shippers and the public.

2011 Program Inputs
Funding of $476 thousand will provide for resources dedicated to salaries and benefits and operating expense costs. MARAD estimates that $175.0 million in new borrowing authority will be needed to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels versus foreign-flag vessels in 2010, in accordance with the Food Security Act of 1985. This request includes a total of 2 full-time employees funded by the Operations and Training account to support the program.

2011 Program Activity

To promote the use of U.S.-flag vessels, MARAD will continue to educate federal agencies and their contractors about the changes to the cargo preference law made by the Congress in early 2009. MARAD will continue to hold public meetings and solicit inputs from all stakeholders and customers of all our programs as part of the promotion of U.S.-flag vessels. We will continue working with USDA and the USAID to encourage them to adopt the recommendations of the GAO for improving the efficiency of food aid logistics.

2011 Program Achievements

In 2011, MARAD aims to increase use of electronic methods to receive and exchange data and information with other agencies, shippers, and the public. MARAD uses Bill of Lading information for food aid shipments from US AID, and occasionally directly from the shipper. MARAD is engaging with AID in discussions on the exchange of Bill of Lading information to improve data standardization and timeliness of data exchange. Enhancing data and data exchange will improve the efficiency of transaction processing, and help identify and resolve discrepancies in data so that information posted on the MARAD and AID websites are consistent and reliable; advancing transparency, and benefitting the agencies, shippers, and the public. In addition, the implementation of electronic methods to receive and exchange data and information with other agencies, shippers, and the public would further the electronic payments systems. Current methods to pay to carriers are antiquated and non-commercial. The incorporation of an electronic payment system would meet several previous mentioned objectives as well as offer reduced cost to the shipper and carriers.

2011 Program Outputs

Fully reimburse USDA for the marginal cost of utilizing the U.S.-flagged vessels as required by statute to ship foreign food-aid.

2011 Program Outcomes

The OFD program provides a revenue base that will retain and encourage privately owned and operated U.S. Merchant Marine vessels under U.S. flag, which are essential to military and economic security and capacity of our Nation. Due to higher regulatory standards, labor costs, and operating costs, U.S.-flagged vessels often cost more than foreign vessels. The difference in ocean freight costs between U.S.-flagged vessels and non U.S.-flagged vessels is referred to as ocean freight differential. Cargo preference payments keep U.S.-flag ships operating in international trade, and available for DOD use if needed in times of emergency.

Contribution to DOT Goal

The Ocean Freight Differential program supports the achievement of the DOT strategic goal for global connectivity reduced congestion for Safer, more efficient and cost effective movement of passengers and cargo throughout international and domestic and transportation systems, including U.S. ports of entry, modal and intermodal supply chains.

ENVIRONMENTAL STEWARDSHIP

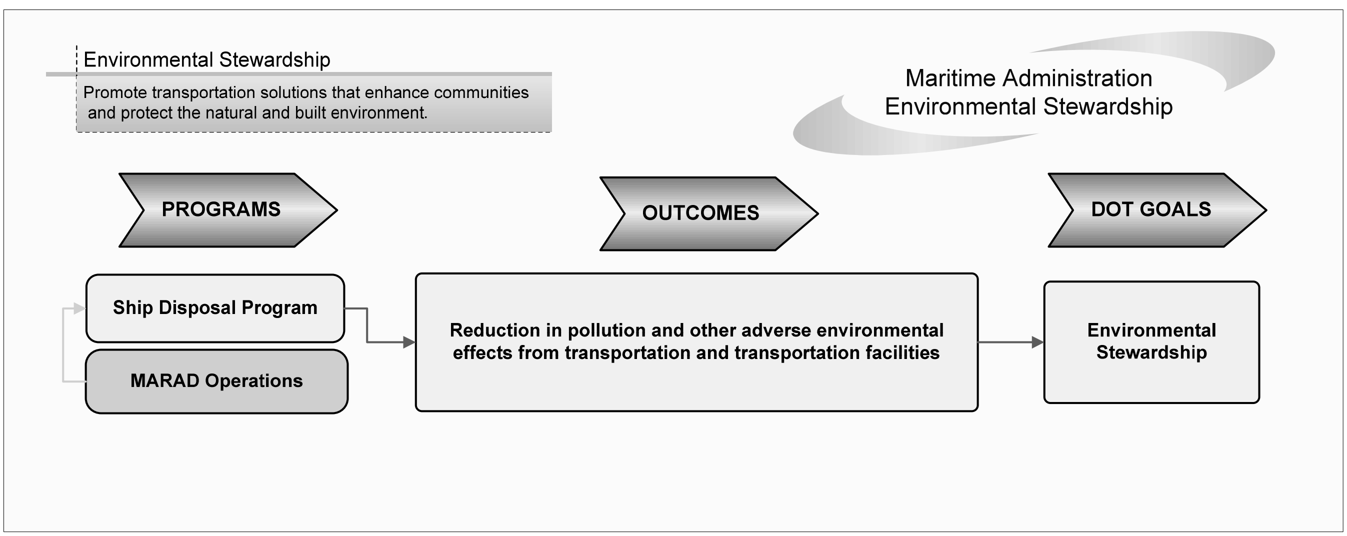
Overview:

This funding request contributes to the achievement of DOT Environmental Stewardship strategic goal and specifically to the DOT outcome of reducing pollution and other adverse environmental effects from transportation and transportation facilities.

In 2010, MARAD's program includes removing obsolete vessels from the National Defense Reserve Fleet; safeguarding and maintaining the nuclear facilities aboard the retention vessel *Savannah*; and advancing program efforts reducing marine air emissions and treating ballast water.

The 2011 MARAD budget request for the Environmental Stewardship strategic goal is $14.5 million. About 4% of the agency budget request is attributed to environmental programs and sustainability. MARAD will continue to give priority to disposing of obsolete ships and partnering with other government and/or private entities, and maintaining the *N.S. Savannah* nuclear facilities. The 2011 request will also support MARAD environmental program activities, in the areas of ballast water, reducing marine air emissions, and green programs. In 2011, MARAD programs will:

- Award contracts and complete disposal actions for obsolete vessels in the National Defense Reserve Fleet.
- Conduct radiological, environmental and security sampling for the N.S. *Savannah*.
- Work toward the establishment of a multi-year consortium or like initiative to further efforts already made related to vessel ballast water discharges and air emissions.



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ENVIRONMENTAL STEWARDSHIP

Program Name: Ship Disposal Program				**FY 2011 Inputs: $10.0 million, 11 FTE**	
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
The Ship Disposal Program (SDP) provides resources to safely remove and dispose of obsolete government-owned merchant ships from NDRF sites in an environmentally sound manner. The N.S. *Savannah* Project (NSS) provides resources necessary to safeguard and maintain the NRC-licensed nuclear facilities housed onboard the retention vessel N.S. *Savannah*.	• Award disposal contracts for obsolete ships from the NDRF fleet • Remove obsolete vessels from the NDRF • Complete the disposal of obsolete vessels • Conduct NSS radiological, environmental, and security sampling	• 15 obsolete vessels under contract for removal • Remove 15 obsolete vessels from the NDRF for disposal • Complete disposal of 15 obsolete vessels • Maintain the fundamental licensing basis from NRC	• Removal contract awards • Obsolete vessels removed from NDRF • Disposal completion certificate • NRC license compliance	• Reduction in the risk of environmental pollution by removing obsolete ships from public waters • Protect the natural and built environment by safeguarding the licensed nuclear facilities housed onboard the Savannah.	Goal: Environmental Stewardship Outcome: Reduce pollution and other adverse environmental effects from transportation and transportation facilities.

Ship Disposal Program

Program Purpose and Customers/Beneficiaries

MARAD is the U.S. government's disposal agent for federal government owned merchant type vessels that are 1,500 gross tons or more. The Ship Disposal Program (SDP) provides resources to safely remove and dispose of obsolete government-owned merchant ships moored in National Defense Reserve Fleet (NDRF) sites in an environmentally sound manner.

The Savannah Technical Staff (STS) provides resources necessary to safeguard the communities by maintaining the Nuclear Regulatory Commission (NRC)-licensed de-fueled nuclear power plant housed onboard the retention vessel N.S. *Savannah*. License compliance is a continuous program that provides the contemporary institutional competency that MARAD requires to manage and maintain the vessel, and is the prerequisite to continued retention of the ship in a safe and secure environment.

2010 Program Accomplishments

In anticipation of a settlement of the California lawsuit the majority of 2010 and 2011 ship disposals will be vessels from the Suisun Bay Reserve Fleet (SBRF). In 2010, the Ship Disposal Program expects to award contracts for the dry-docking of 10 obsolete vessels from the SBRF. The Program expects to remove at least 8 of the dry-docked vessels from the SBRF in 2010 for disposal actions which will reduce the number of obsolete vessels in the fleets thus reducing the risk to the environment at the fleet sites and surrounding public waterways. The expected completion of the disposal action of 16 obsolete vessels (includes vessels awarded and removed in prior years) from all NDRF fleet sites will provide for the capacity to continue with additional awards in 2011, which will further remove obsolete vessels from the NDRF fleet sites thus reducing further the risk to the environment at the fleet sites and surrounding public waterways.

2011 Program Inputs

The total request for the ship disposal appropriation is $10 million, a decrease of $5 million from the 2010 request. MARAD requests $7 million to support the continuation of the obsolete ship disposal activities and $3 million to continue license compliance activities required to maintain and safeguard the de-fueled nuclear power plant aboard the N.S. *Savannah*, including ship husbandry and custodial care. This request includes a total of 11 full-time employees to support both the ship disposal and N.S. *Savannah* programs.

2011 Program Activity

Activities supporting the ship disposal program include domestic recycling, artificial reefing, deep sinking, vessel sales, and donations. MARAD plans to continue to expedite the disposal of obsolete ships via full and open sales and service contract competition, utilizing all feasible disposal options. Removal of vessels from the fleets refers to vessels that have been removed from inventory because of a completed disposal, title transfer through vessel sale, donations or other transfer action. Completion of the disposal action refers to vessels that have been physically removed from the fleet sites and completed the specific disposal method.

N.S. *Savannah* activities include NRC license compliance, ship husbandry and custodial care, decommissioning (SAFSTOR) planning and preparation, and historic preservation of the N.S. *Savannah.*

2011 Program Achievements

In 2011, we expect to award contracts for dry-docking of 15 obsolete vessels from the SBRF. Additionally, we anticipate that 15 obsolete vessels will depart from all NDRF fleet sites for disposal actions. A total of 15 obsolete vessels are anticipated to complete their disposal action (includes vessels awarded and removed in prior years) from all NDRF fleet sites and will be removed from the inventory in 2011. Completion of disposals consists of vessels that have been removed from the fleet sites through transfer actions that include disposal of vessel, title transfer, or donation to an organization.

In 2011, we will meet all NRC license compliance activities required to maintain and safeguard the de-fueled nuclear power plant onboard the N.S. *Savannah*, including ship husbandry and custodial care. We will ensure the historic preservation and stewardship activities commensurate with the level of decommissioning.

2011 Program Outputs

The Maritime Administration maintains the National Defense Reserve Fleet as a reserve of ships for defense and national emergencies. When ships are no longer considered useful for defense or aid missions, the Maritime Administration arranges for their responsible disposal using several different methods for disposing of ships. Through ship sales offers and direct fee-for-service solicitations, the program awards ship recycling contracts to qualified domestic ship recyclers. In addition and to a limited extent, contracts may also include artificial reefing, ship donation to qualified organizations, and sink at-sea live-fire training exercise as additional disposal options. NRC license compliance for the N.S. *Savannah* will be continued in 2011.

2011 Program Outcomes

The Maritime Administration expects to reduce the risk of environmental pollution from onboard hazardous materials of obsolete vessels by removing these vessels from the NRDF sites and utilizing domestic recycling as the primary ship disposal method. The majority of high and moderate priority ships that will be available for disposal during 2011 will be disposed via domestic recycling. Disposals through artificial reefing, deep-sinking and donation to not-for-profit groups will also be used to the maximum extent possible.

The N.S. *Savannah* plans to achieve the protection of the natural and built environment by safeguarding the NRC licensed de-fueled nuclear power plant onboard the N.S. Savannah. These goals will be achieved through NRC license compliance, ship husbandry and custodial care, decommissioning (SAFSTOR) planning and preparation, and historic preservation of the N.S. *Savannah.*

Contribution to DOT Goal

The Ship Disposal Program supports the achievement of DOT's environmental stewardship strategic objective to promote transportation solutions that enhance communities by reducing pollution and other adverse environmental effects from transportation and transportation facilities.

SECURITY, PREPAREDNESS AND RESPONSE

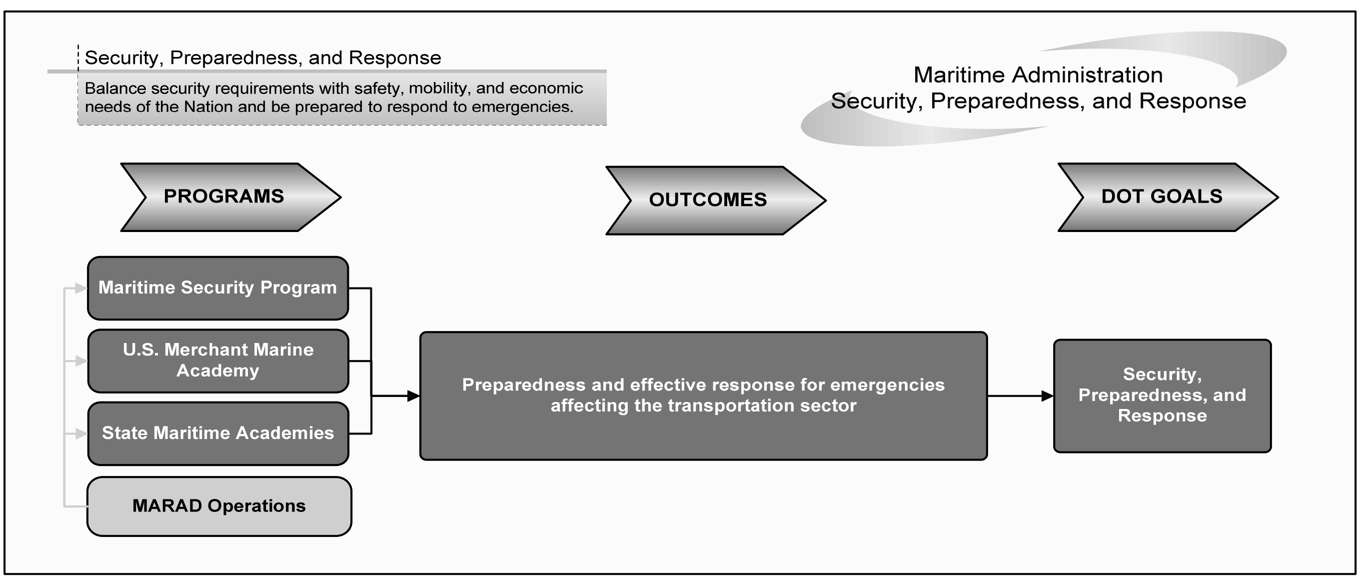
Overview:

This funding request contributes to the achievement of the DOT Security, Preparedness and Response strategic goal and DOT outcomes of maintaining availability of strategic ports and ships with crews.

In 2010, MARAD's program includes maintaining full enrollment of 60 Maritime Security Program vessels, training midshipmen at the U.S. Merchant Marine Academy (USMMA) and meeting USMMA capital improvement milestones; supporting the training of mariners at the six state maritime academies and completing priority maintenance and repairs for training vessels at each of the state academies. In addition, priority emphasis will be given to improving USMMA management and internal controls and addressing GAO recommendations.

The 2011 MARAD budget request for the Security, Preparedness, and Response strategic goal is $299.7 million. About 85% of the agency budget request is attributed to security, preparedness, and response. MARAD will work to help ensure the readiness of sealift capacity to respond to national crises and Department of Defense mobilizations. The Maritime Security Program and Ready Reserve Force will sustain fleets to meet national security and federal emergency response requirements. MARAD will also continue to support mariner-training programs to ensure that trained mariners are available to crew the U.S. flag fleet and work throughout the maritime industry. The U.S. Merchant Marine Academy and State Maritime Academies will educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. The U.S. Merchant Marine Academy request includes increases of $25.3 million for recommended capital improvements, compensation to students for USMMA midshipman fee overcharges, information technology requirements and recruitment activities, and instructional and academic program improvements. In 2011, MARAD programs will:

- Improve management and operations at the USMMA, and address GAO recommendations for the USMMA.
- Meet USMMA capital improvement milestones.
- Provide direct support to six state maritime academies, and funding for state maritime academy student incentive payments.
- Complete priority maintenance and repairs for state maritime academy schoolships.
- Maintain full enrollment of 60 ships in the MSP, and evaluate changes in MSP contracts.



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SECURITY, PREPAREDNESS AND RESPONSE

Program Name: Maritime Security Program			FY 2011 Inputs: $178.1 million, 18 FTE		
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
Maintain a U.S. flag international trade merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States. The customers of MSP are commercial maritime industry and Department of Defense.	• Maintain full enrollment of 60 ships in MSP • Evaluate and approve changes in MSP contracts • Meet or exceed 2.6M square feet of roll-on/roll-off vessel capacity	• Ensure that DOD has adequate container ship TEU to meet requirements for intermodal and commercial sealift capacity. • Ensure that DOD has adequate roll-on/roll off vessel square footage to meet requirements for intermodal, commercial sealift capacity.	MSP vessels enrolled in an approved DOT and DOD Emergency Preparedness Agreement (EPA).	• Ensure that 94 percent of both commercial and government owned sealift shipping capacity and crews required by the Department of Defense are readily available for deployment within mobilization timelines.	Goal: Security, Preparedness, and Response Outcome: Preparedness for emergencies affecting the transportation sector.

Maritime Security Program

Program Purpose and Customers/Beneficiaries

The primary purpose of the MSP is to provide the Department of Defense (DOD) with assured access to privately-owned and operated U.S. flag ships as well as sustain a base of U.S. merchant mariners to support national security requirements during war or national emergency, as well as maintain a presence in international commercial shipping. MSP acknowledges the importance of a strong partnership with the commercial maritime industry to ensure that our nation's defense transportation needs are met.

2010 Program Accomplishments

With 2010 funding, MARAD will be able to maintain 60 operating contracts and ensure retention of a modern and efficient program that supports DOD requirements. Full enrollment of 60 MSP ships will contribute approximately 2,400 or more mariner positions through 2010.

The MSP will continue to ensure that the United States has a fleet of active, commercially viable, militarily useful, privately owned U.S. flag vessels to meet national defense and other security requirements and maintain a United States presence in international commercial shipping.

In 2010, we expect MSP ships to continue to carry containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. With the downsizing of U.S. forces in Iraq, we expect the DOD to use these ships in greater numbers for retrieving cargo.

We expect to meet 94% of both commercial and government owned sealift shipping capacity and crews required by DOD in 2010. In addition, we anticipate that we will meet or exceed 110,000 TEU

Program Evaluation

MARAD completed an independent evaluation in 2009 assessing the impact of the Maritime Security Program in supporting the Department's strategic goal for Security, Preparedness, and Response. The evaluation examined quantitative data to assess program impact with respect to:

- U.S. flag shipping presence in international commercial waters;
- number, types, and capacities of U.S. flag oceangoing ships available for military use; and
- number of U.S. crewmembers available to serve on such ships.

The evaluation found the MSP to be an effective program, and that agency management procedures and processes are generally appropriate and effective for carrying out the objectives of the MSP. The study verified that the MSP clearly has a positive impact on the number of U.S. commercial oceangoing cargo vessels available for military use. Without the MSP, there would be a significant reduction in the number of U.S. flag ships and the costs to DOD would be at a much greater magnitude than the current costs for the MSP. Additionally, the MSP fleet provides employment for 2,400 U.S. merchant mariners, so a reduction in the fleet would mean a significant reduction in the U.S. mariner labor pool.

containership capacity. We also expect to meet or exceed 2.6M square feet of roll-on roll-off vessel capacity in 2010. We anticipate that we will not exceed the expected cost of $1.18 per deadweight ton in 2010.

2011 Program Inputs

MARAD requests $178.1 million for MSP. This includes $174 million to fund 60 ships in the MSP fleet in 2011 at the authorized level of $2.9 million per ship. Funding at this level will allow DOT to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States. In addition, this request includes an estimated $4.1 million for 18 full-time employees funded by the Operations and Training account to support the program.

2011 Program Activity

Activities for 2011 that support MSP include strategies that are designed to maintain full enrollment of 60 ships in MSP. Strategies include monitoring MSP agreements and, when appropriate, modifying the agreements to ensure that the program is meeting DOD's needs.

In addition, MARAD will approve changes in MSP contracts that improve the quality of the MSP fleet to ensure the retention of modern and efficient ships and U.S. citizen crews. MSP participants signed operating agreements with the Maritime Administration that provide for escalation of MSP payments to $2.9 million per ship per year in 2009, 2010, and 2011. Escalating payments were designed to offset the impact of inflation and to provide incentive for MSP operators to reinvest and upgrade their MSP fleet with newer, more modern and efficient vessels. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available.

2011 Program Achievements

In 2011, we anticipate meeting or exceeding 94 percent of sealift capacity and exceeding 110,000 containership TEU's by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels.

As stated above, in 2011 we also anticipate meeting or exceeding 2.6M square feet of roll-on/roll-off vessel capacity by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels.

2011 Program Outputs

Ensure that all MSP vessels are enrolled in an approved DOT and DOD Emergency Preparedness Agreement (EPA). The approved EPAs are the Voluntary Intermodal Sealift Agreement and the Voluntary Tanker Agreement. DOD studies have consistently supported the requirement for a 60-ship MSP fleet to satisfy DOD's sealift requirements. A reduction in the authorized funding for 2011 will jeopardize the military's ability to obtain assured access to a sufficient number of commercial vessels and mariners to meet national security requirements.

2011 Program Outcomes

Ensure annually that 94 percent of both commercial and government owned sealift shipping capacity and crews required by the Department of Defense are readily available for deployment within mobilization timelines.

Contribution to DOT Goal

The Maritime Security Program supports the achievement of DOT's strategic goal for security, preparedness, and response to promote preparedness for emergencies affecting the transportation sector.

Program Name: United States Merchant Marine Academy			FY 2011 Inputs: $100 million, 282 FTE		
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
The United States Merchant Marine Academy graduates licensed deck and engineering officers who serve the merchant marine of the United States.	• USMMA will bring in approx. 285 new midshipmen in the Class of 2015 • Improve management and operations at the Merchant Marine Academy • Meet milestones for Capital Improvement Plan	• Approx. 5 members of the third class of Masters of Marine Engineering Students are expected to graduate • Complete the Middle States mid-course Periodic Review for academic accreditation	• Graduate approx. 210 licensed merchant marine officers, each with a military commission, as members of the Class of 2011 • GAO recommendations addressed • Milestones met for Capital Improvement Plan	Contribute to the continued safety and commercial viability of America's maritime transportation system.	Goal: Security, Preparedness, and Response Outcome: Preparedness for emergencies affecting the transportation sector.

United States Merchant Marine Academy

Program Purpose and Customers/Beneficiaries
The United States Merchant Marine Academy provides highly trained and skilled people necessary to sustain American flag shipping in support of the nation, both in war and in peace.

In August 2009, the Government Accountability Office (GAO) issued the report *Internal Control Weaknesses Resulted in Improper Sources and Uses of funds; Some Corrective Actions are Underway*. The GAO provided a number of recommendations for improving the Academy's internal controls and accountability, addressing issues surrounding the improper sources and use of funds that impair the Academy's ability to efficiently achieve its primary mission. Providing support and oversight to restore and strengthen USMMA programs and processes is a MARAD management imperative and a priority of the Secretary of Transportation.

2010 Program Accomplishments:
The primary MARAD and USMMA management focus for 2010 will be addressing the 47 GAO recommendations on USMMA internal control weaknesses and improper uses of funds. As of the end of December 2009, MARAD had undertaken and completed actions responding to 12 of the GAO recommendations. MARAD envisions completing responses to all 47 GAO recommendations by the end of FY 2010.

As for the academic program, the Academy will graduate over 200 licensed merchant marine officers in June of 2010. The Academy will continue to lead the development of curricula to support maritime education and training in the United States to meet the international standards for training, certification, and watchkeeping (STCW) for seafarers as directed by the International Maritime Organization of the United Nations, the Maritime Administration, and the U.S. Coast Guard.

2011 Program Inputs
For 2011, MARAD requests a total of $100 million for the USMMA operations and capital improvements. The U.S. Merchant Marine Academy request includes increases of $25.3 million for recommended capital improvements, compensation to students for USMMA midshipman fee overcharges, information technology requirements, recruitment activities, and instructional and academic program improvements.

2011 Program Activity
For 2011, USMMA anticipates approximately 285 new midshipmen in the Class of 2015. USMMA will work towards continuing to improve management and operations.

Capital improvement is a priority emphasis for the FY 2011 USMMA program. Funding in the 2011 request will support the priority renovation of the Delano Hall midshipman galley, where the Regiment receives all of its meals. The Academy will also initiate the architecture and engineering studies for future renovation of Cleveland Hall and Rogers Hall student dormitories, the two remaining barracks in need of major renovations. Further, the Academy will install a new tug and barge simulator in 2011, and will accomplish dry-docking of the Kings Pointer training ship necessary to maintain U.S. Coast Guard licensure. In addition, 2011 funding will support general capital repairs.

In 2011, MARAD will also implement reimbursement of possible USMMA midshipman fee overcharges, undertake Information Technology (IT) infrastructure improvements needed to meet Federal Information Security Management Act (FISMA) requirements; improve and enhance the Academy's instruction program; and advance a recruitment diversity initiative.

2011 Program Achievements

In 2011, MARAD anticipates approximately 285 new midshipmen will enter into the Academy (Class of 2015), and 210 licensed merchant marine officers are anticipated to graduate. The Academy will complete the mid-course self assessment (periodic review) to maintain academic accreditation through the Middle States Commission on Higher Education.

2011 Program Outputs

USMMA will graduate approximately 210 licensed merchant marine officers, each with a military commission, as members of the Class of 2011.

2011 Program Outcomes

The United States Merchant Marine Academy educates and graduates merchant marine officers and leaders of honor and integrity who serve the maritime industry and Armed Forces of the United States. Their professional and leadership skills are brought to bear within the maritime and military sectors, thereby contributing to the continued safety and commercial viability of America's maritime transportation system.

Contribution to DOT Goal

The USMMA supports the achievement of DOT's strategic goal for security, preparedness, and response to promote preparedness for emergencies affecting the transportation sector. Additionally, USMMA improved internal controls and business processes will support improved Academy program effectiveness; contributing to Organizational Excellence.

SECURITY, PREPAREDNESS AND RESPONSE

Program Name: State Maritime Academies			**FY 2011 Inputs: $16.886 million, 5 FTE**		
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
The State Maritime Academies (SMA) program purpose is to educate and train students to become U.S. merchant marine officers to meet the manpower requirements of the U.S. merchant marine.	• Graduate an estimated 580 U.S. licensed merchant marine officers. • Achieve 99% placement rate for SMA graduates. • Support priority maintenance and repair requirements for six training vessels	• Increased number of SMA graduates. • Maintained annual placement rate for graduates. • Priority activities supporting the maintenance and repair requirements for training vessels	• U.S. licensed merchant marine officers. • Training vessel maintenance, repair, and improvements.	Educate and graduate qualified merchant marine officers with the primary purpose of supplying the critical manpower requirements of the U.S. merchant marine.	Goal: Security, Preparedness, and Response Outcome: Preparedness for emergencies affecting the transportation sector.

State Maritime Academies

Program Purpose and Customers/Beneficiaries

The State Maritime Academies (SMA) educate and train U.S. merchant marine officers to help ensure an adequate supply of capable and well trained licensed merchant mariners exist to meet the national and economic security of our nation. The SMA program comprises three major program components: (1) annual direct payments to each of the six State maritime academy for maintenance and support; (2) the Student Incentive Payment (SIP) program; and (3) payment of training ship maintenance and repair costs for six Federally-owned training ships on loan to the SMA.

2010 Program Accomplishments:

For the academic year 2008-2009, 560 students graduated from the SMA unlimited license program, a 2.4 percent increase over the 2007-2008 academic year. The actual results for graduates for 2010 (2009-2010 academic year) will be available following SMA graduations in June/July 2010. Some of the more significant training ship maintenance activities for the six federally-owned training ships on loan to the SMA expected in 2010 include:

- Drydocking the KENNEDY;
- A new rescue boat davit for the EMPIRE STATE;
- A new Navigation Lab for the GOLDEN BEAR;
- Machinery upgrades to the STATE of MAINE and KENNEDY;
- Completion of the automation upgrade project on the STATE of MICHIGAN;
- Commencement of a conversion design and engineering work package on TEXAS CLIPPER;
- Instituting best management practices on schoolships to mitigate contaminant discharges as required by the Environmental Protection Agency regulations.

2011 Program Inputs

Total funding for the SMA program is $16.9 million. The request includes funding to support SMA Direct Payments ($2 million), Student Incentive Payments ($2 million), and Schoolship Maintenance and Repair ($11.0 million). In addition, an estimated $1.8 million will provide for resources dedicated to salaries and benefits and operating expense costs. MARAD’s request includes a total of 5 full-time employees funded by the Operations and Training account to support the program.

2011 Program Activity
Federal support for mariner education helps ensure highly qualified personnel are trained annually to maintain the nation's pool of skilled U.S. merchant mariners. The academies rely on the direct payments to help offset the cost of salaries for professors and instructors, faculty health care costs, facilities costs and training ship fuel costs. Supporting the SMAs strengthens their ability to maintain a cadre of well-qualified faculty and state-of-the-art technology for teaching cadets.

MARAD also provides the support to sustain the six State Maritime Academy schoolships in a safe, ready, reliable and responsible material condition, as mandated by law, and in full compliance with all federal and regulatory body laws and regulations. There are six (6) State Maritime Academy training ships, located and docked at the state academies. Funding for 2011 will support the priority maintenance and repair requirements for these school ships. Schoolship maintenance and repair achievements anticipated for 2011 will include: the drydocking of EMPIRE STATE and TEXAS CLIPPER; machinery and habitability repairs and upgrades on the GOLDEN BEAR, STATE of MAINE, EMPIRE STATE, AND KENNEDY; and a new water mist type, fixed fire fighting system on the GOLDEN BEAR AND STATE OF MAINE.

2011 Program Achievements
The SMA program contributes to the education of more than half of the entry-level licensed mariners trained annually. For 2011, the state maritime academies will graduate an estimated 580 highly trained U.S. licensed merchant marine officers. Additionally, the SMA program will aim to maintain a 95 percent placement rate of SMA graduates. For 2011, the SMA program will aim to increase the number of SMA graduates from 2010 by 4 percent. In addition, the state maritime academies will maintain an annual placement rate of 95 percent for their graduating classes.

2011 Program Outputs
The SMA program provides for the training of U.S. merchant marine officers at the six State Maritime Academies. The academies are an integral component of the defense readiness called for in our national security policy, and they guarantee a source of merchant mariner officers to meet our domestic and international U.S. flag crewing needs. In addition, the academies are a prime source of young professionals for the maritime industry infrastructure, a critical element in the mobilization of our nation's reserve fleets. In addition, MARAD furnishes (or loans) Federally-owned and maintained schoolships to each of the six SMAs, which MARAD is mandated by law to maintain in a state of "good repair" and meet all regulatory requirements. MARAD policy is also to comply with international (IMO) regulations to the maximum extent practicable and to ensure good environmental stewardship, including compliance with local, state, federal and international environmental regulations.

2011 Program Outcomes
The education of merchant marine officers is essential to meeting national security needs, maintaining defense readiness, and providing the highest quality officers possible for the complex responsibilities of vessel operations and the demands of economic competitiveness in world shipping. The maritime academies meet that need by educating and training young men and women for service in the U.S. Merchant Marine, in the U.S. Armed Forces, and in commercial activities related to the intermodal transportation.

The ability of the U.S. to respond to major military contingencies worldwide is dependent on adequate U.S. flag active/reserve sealift resources and skilled U.S. maritime labor. The Military Sealift Command requires licensed mariners to crew vessels providing sealift support in times of both conflict or national emergency and peace. In addition to defense and national security missions, recruitment and job placement remain at consistent levels as the U.S. commercial fleet experiences ongoing demand for licensed mariners to fill manpower needs.

Contribution to DOT Goal
The State Maritime Academy program supports the achievement of DOT's strategic goal for security, preparedness, and response to promote preparedness for emergencies affecting the transportation sector.

ORGANIZATIONAL EXCELLENCE

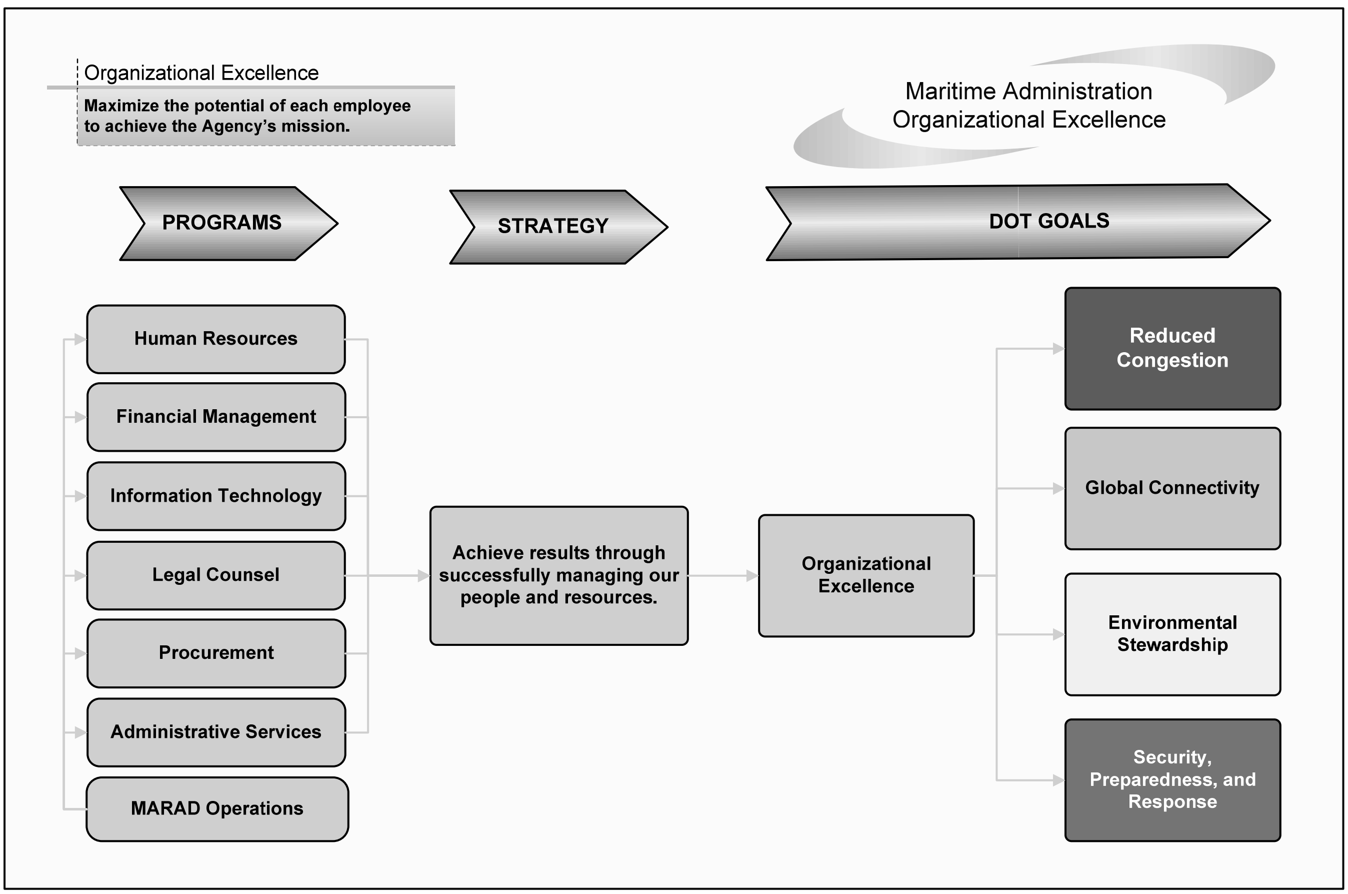
Overview:

This funding request contributes to the achievement of the DOT Organizational Excellence goal and supporting MARAD's capability to put the right people, information, financial resources, and administrative support in the right place at the right time to perform the agency's mission. MARAD's organizational excellence programs contribute to operational program effectiveness and national objectives for reduced congestion, global connectivity, environmental stewardship, security, preparedness, and response.

In 2010, MARAD's program includes human resources management, information technology management and Open Government, financial management, acquisition, legal counsel, and management and administrative services.

The 2011 MARAD budget request for Organizational Excellence is $36.4 million. About 8% of the agency budget request is attributed to organizational excellence. In addition to agency support and logistics programs, the MARAD Operations and Program account includes some program support for staffing, administrative support, and operational program activities and initiatives for Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development. FY 2011 Organizational Excellence priorities also include improving management and internal controls at the U.S. Merchant Marine Academy. In 2011, MARAD organizational excellence programs will:

- Provide support to improving management and operations at the USMMA, and addressing GAO recommendations for the USMMA. Strengthen financial management capabilities at the USMMA.
- Improve human capital programs and the human capital accountability system.
- Contribute to advancing information technology and Open Government policies and initiatives.



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Organizational Excellence

Program Name: MARAD Operations and Programs				FY 2011 Inputs: $36.4 million, 174 FTE	
Program Purpose and Customers/Beneficiaries	**2011 Activity**	**2011 Achievements**	**2011 Outputs**	**2011 Outcomes**	**Contribution to DOT Goal**
The MARAD Operations and Program account funds Maritime Administration support programs and agency professional staff working on MARAD operating missions and support programs.	• Provide support for all operating programs.	• Achievement of agency goals through improved program and management processes.	• Employee support • Financial management support • IT service and systems support	Ensure MARAD is able to put the right people, information, financial resources, and administrative support in the right place at the right time to perform the agency's mission.	Goal: Organizational Excellence

MARAD Operations and Programs

Program Purpose and Customers/Beneficiaries
The MARAD Operations and Program account funds agency professional staff working on MARAD operating missions and support programs. This includes program support for staffing, administrative support, and operational program activities and initiatives for Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development. MARAD's support programs include Human Resources, Information Technology and Open Government, Financial Management, Procurement, and Management Services.

2010 Program Accomplishments:
The 2010 human resource management program includes: continued support for implementation of the Human Capital Plan and Workforce Plan; promotion of recruitment and retention incentives to hire and retain highly qualified candidates and recruit for hard to fill positions; continued implementation of end-to-end hiring initiative; implementation of an on-and-off boarding management system including a workforce transformation tracking system to increase the efficiency of our accession and separation processing and better manage our resources; implementation of SF-52 automated process; support of DOT leadership training initiative; conducted development and training classes in support of employee development.

Financial management program objectives for 2010 include: receiving an unqualified or "Clean" audit opinion from the Office of Inspector General (OIG) for MARAD's presentation of 2009 annual audited financial statement; implementation of 2010 HQ and USMMA financial operating plans.

Information technology and Open Government efforts for 2010 will include advancements in: IT infrastructure operations and maintenance; Stennis Data Center and Piney Point COOP operations and maintenance; system and application development and maintenance; change management; information security, information assurance, and privacy; Open Government; record and knowledge management; Federal Enterprise Architecture; and information/data sharing.

2011 Program Inputs
Funding for MARAD Operations and Programs of $36.4 million will continue to fund base program operations and staffing levels in the areas of Environment and Compliance, Intermodal System Development, National Security and Business, and Workforce Development. The request will also fund program logistics and support activities for Human Resources, Financial Management, Information Technology and Open Government, Legal Counsel, Acquisitions, and Administrative Services.

2011 Program Activity
MARAD Operations and Programs provides funding for program support for the agency's base program operations and administrative support. Support programs include Human Resources, Financial Management, Information Technology and Open Government, Legal Counsel, Procurement, and Management Services.

2011 Program Achievements
Highlights of the 2011 human resource management program are expected to include: continued investment in employee leadership training; establishing formal and informal mentoring arrangements; creating succession opportunities; fostering external educational opportunities; building a leadership pipeline/talent pool to ensure leadership continuity; improving human capital programs and the human capital accountability system; working to ensure human capital results and merit system compliance are determined and reported to management and the Office of Personnel Management; providing cross-training and educational opportunities by promoting rotational assignments and increased used of cross-functional teams; and investing in continuous development of senior leaders, both current and future.

Financial management program objectives for 2011 include: strengthening financial management capabilities at the U.S. Merchant Marine Academy and maintaining the MARAD CFO intranet website resources and materials.

Information technology and Open Government priority efforts for 2011 will include advancements in: IT infrastructure operations and maintenance; Stennis Data Center and Piney Point COOP operations and maintenance; system and application development and maintenance; change management; information security, information assurance, and privacy; Open Government; record and knowledge management; Federal Enterprise Architecture; and information/data sharing.

2011 Program Outputs
Outputs for MARAD Operations and Programs include employee support, financial management support, and IT service and systems support. For employee support, outputs may include training, employee recognition, workforce development, employee recruitment, Human Capital Plan, and properly managed resources. For financial management, outputs for each fiscal year include financial management reports, financial statements, financial operating plans, and clean audits conducted of our financial management for the agency. And finally, outputs for our IT service and systems support include certified and accredited systems, continued compliance with Section 508 and Privacy Act, development and implementation of systems, internet and intranet support, and support of Continuity of Operations Plan (COOP) sites.

2011 Program Outcomes
The funding request in this section contributes to the all MARAD goals and ensuring MARAD is able to put the right people, information, financial resources, and administrative support in the right place at the right time to perform the agency's mission.

Contribution to DOT Goal
The MARAD Operations and Programs account supports the achievement of DOT's organizational excellence strategic objective, and supports operating program activities contributing to the other DOT strategic goals.

EXHIBIT IV-4

KEY PROGRAM REVIEWS, ASSESSMENTS OR EVALUATIONS
MARITIME ADMINISTRATION

A. Recent Reviews, Assessments and Evaluations

Name/Title	Type	Result
Maritime Security Program	Impact Assessment	Effective

MARITIME SECURITY PROGRAM IMPACT ASSESSMENT

Program: Maritime Security Program (MSP)

DOT Strategic Goal: The evaluation assessed the impact of the MSP in supporting the Department's strategic goal for Security, Preparedness, and Response. To successfully measure the influence the program has on meeting the Department's goal, the objectives were identified for this evaluation to conduct an analysis of existing quantitative data to estimate the program's impact with respect to:

- U.S. flag shipping presence in international commercial waters;
- number, types, and capacities of U.S. flag oceangoing ships available for military use; and
- number of U.S. crewmembers available to serve on such ships.

Purpose, Scope and Methodology: The methodology for conducting the evaluation consisted of reviewing past research and quantitative data; and acquiring information through conducting interviews of experts encompassing three types of stakeholder discussions with the military community, the maritime industry and academic experts familiar with Department of Defense (DOD) sealift requirements or maritime policy.

Results and conclusions:
The project team found that current management procedures and processes used by the Maritime Administration are generally appropriate and effective for carrying out the objectives of the MSP. One of the key findings was that the MSP clearly has a positive impact on the number of U.S. commercial oceangoing cargo vessels available for military use. Without the MSP, there would be a significant reduction in the number of U.S. flag ships and the costs to DOD would be at a much greater magnitude than the current costs for the MSP. Additionally, the MSP fleet provides employment for 2,400 U.S. merchant mariners, so a reduction in the fleet would mean a significant reduction in the U.S. mariner labor pool.

Recommendations and improvement plans:
A brief summary of these recommendations follows.

Staffing - While the current staff personnel are performing effectively in carrying out MSP program requirements, it would be reasonable to allocate one or two additional full-time equivalent (FTE) staff positions to the management of the program. Supporting continuing and emerging program requirements of the Maritime Security Program (MSP) and Voluntary Intermodal Sealift (VISA) programs has been challenged by retirements of several MARAD employees. At the same time, the program has undertaken additional requirements, including: 1) assisting the Department of Defense (DOD) in tracking the movement of cargo on MSP and VISA vessels in international trade and providing notification and coordination efforts to appropriate U.S.-flag vessel operators and appropriate government agencies to thwart piracy attempts; 2) conducting modeling efforts to assess the impact on the national economy as vessels are taken out of commercial service for support of DOD contingency operations and national emergencies; and 3) conducting strategic sealift analyses of maritime assets available for potential inclusion in the MSP and VISA programs which involves the study of the type, size and mix of ships needed and available to support national security purposes. Current staff have stretched to take on additional responsibilities. MARAD will evaluate program and workload requirements going forward to determine if additional staff resources will be needed.

Data Availability - While conducting this evaluation, the project team encountered a number of data limitations that could be addressed in the future through better interagency cooperation. In each case, the Maritime Administration is not responsible for producing the information, but has a role in using the data or disseminating the data to outside groups. Recommendations suggest the Maritime Administration advocate for better production, maintenance, or dissemination of specified types of data that are under the jurisdiction of USTRANSCOM, the U.S. Coast Guard, the Bureau of Transportation Statistics, and the U.S. Army Corps of Engineers. This data would assist in defining the types and quality of vessels available in the commercial market that can be targeted as assets to support DOD and its future contingency planning efforts; and facilitate better assessment of program contribution to U.S. national security objectives.

Alternative Selection Procedures - The Maritime Administration may want to consider alternative methods for selecting ships to fill MSP slots. This could include approaches such as complete or limited competitive bidding. Any analysis of options for competitive pricing should be done prior to work on the next reauthorization of the MSP.

Maritime Policy - The project team identified a need for review of maritime policy more broadly. The long-term decline of the U.S. flag fleet has reached a point where the continued existence of a privately owned, commercial fleet engaged in foreign trade is not certain. In 2009, other sectors of the U.S. economy are being reviewed to assess infrastructure needs and to determine potential for long-term job creation. Oceanborne transport is taken for granted by the American public and often overlooked in government and academic circles, and yet maintaining a viable maritime sector is vital for the nation’s commercial and security needs.

Progress:
Program development implementing the recommendations of the July 2009 study are progressing as funding and staffing permits. During fiscal year 2010, MARAD and Department of Defense staffs will be coordinating an effort to reauthorize the MSP for fiscal years 2016 through 2025. All alternative selection procedures will be considered. The goal of the future MSP will be to assure the availability of the most commercially viable and militarily useful fleet employing U.S. citizen mariners to support U.S. national security interests.

B. Planned Reviews, Assessments and Evaluations

Name/Title	Type	Intended Result

Program Evaluations
No funding is requested for program evaluation in 2011.

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Report to Congress

The Department of Defense Authorization Act for 2001, Public Law 106-398, contains the following section on a report to be submitted to the Congress.

> **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 Maritime Administration (MARAD) receives funding from other Federal agencies primarily through reimbursable agreements. Funds are also received through collections and gifts.

The largest reimbursement to MARAD is transferred by the Department of the Navy for MARAD's operation, maintenance and management of the National Defense Reserve Fleet (NDRF) Ready Reserve Force (RRF). These funds will be administered in the Ready Reserve Force account in FY 2011. MARAD incurs similar obligations for government-owned merchant vessels outside the RRF fleet and for the charter of privately-owned merchant vessels, the cost of which is likewise provided by reimbursement from sponsoring Federal agencies. Interagency agreements administered in the Operations and Training account come from various other Federal agencies, for a variety of purposes.

The funds deposited into the Gifts and Bequests account are primarily provided by the U.S. Merchant Marine Academy Alumni Association. The Association provides donated funds to assist the Academy, the regiment of Midshipmen and faculty in meeting the mission of the Academy. The funds support the music, arts, morale, athletics and chapel programs.

The following FY 2009 data is inclusive of the balances in bank accounts under the jurisdiction of the U.S. Merchant Marine Academy’s (USMMA) non-appropriated fund instrumentalities (NAFIs). These funds are exclusively for the operation of these entities, which, although affiliated with the Academy, do not perform the government’s business. During FY 2010, the NAFIs will undergo a significant restructuring and consolidation that will significantly affect their financial operations. These changes are a consequence of MARAD’s review of these activities and will address audit findings regarding the NAFIs.

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2009

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
Naval Surface Warfare Center (NSWC)	Support of Shipboard tests aboard RRF vessels	$250,000
Department of the Navy	Support of CAPE DIAMOND	$577,538
U.S. Army	Crane ship training at Cheatum Annex	$6,000
Department of the Navy	Support of CAPE JACOB	$12,296,167
Naval Sea Systems Command (NAVSEA)	INACTIVE vessels in NDRF for required shipboard maintenance	$535,500
U.S. Marine Corps	Support of USS CURTIS	$19,640
Department of the Navy	Support of Title XI ship loan guarentee program IAW	$48,000,000
Missile Defense Agency (MDA)	Pacific Collector - Operation & Maintenance	$3,887,000
Dept of Homeland Security (DHS)	Support of CAPE CHALMERS	$50,000
MDA	Support of Pacific Collector	$1,182,000
Navy Expeditionary Combat Command (NECC)	Keystone State/Grand Canyon State/Gem Stone/MARAD TAC ship training	$209,200
NSWC	Crane ship pendulation control system project	$30,000
NECC	Misc Crane ship training	$103,200
Department of the Navy	Support of TS KENNEDY conversion	$10,000,000
U.S. Marine Corps	SS WRIGHT LOADEX training	$36,958
Department of the Navy	Support of CAPE WRATH & INSCRIPTION	$1,189,423
Department of the Navy	Ex-TRIPOLI Pay & Benefits	$3,000
Department of the Navy	Ex-TRIPOLI Pay & Benefits	$3,000
U.S. Army	Support of NDRF-STURGIS Pay & Benefits	$32,000
MDA	Support of Pacific Tracker (formerly Beaver State)	$10,877,000
Department of the Navy	Support of ADM CALLAGHAN	$843,000
Department of the Navy	Support of GRAND CANYON STATE	$890,000
U.S. Air Force	Support of Pacific Collector	$2,500,000
U.S. Air Force	Large Vessel Interface-Lift On/Off	$700,000
U.S. Navy Cargo Handling Battalion (NHCB)	TAC Vessel training	$100,000

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2009

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
Department of the Navy	Support of CURTISS	$1,603,990
Commerce, NOAA	Support of miscellaneous buoy - Pay & Benefits	$7,500
Naval Air Systems Command	Support of CAPE RACE	$62,939
MDA	Support of Pacific Tracker - Maintenance/Outporting	$3,998,000
DOD, Office of Economic Adjustment	Port of Anchorage-Intermodal Marine Facility	$10,000,000
NSWC	Large Vessel Interface-Lift On/Off	$100,000
U.S. Air Force	Large Vessel Interface-Lift On/Off	$2,200,000
Department of the Navy	Support of CAPE MAY	$3,037,776
Department of the Navy	Support of CORNHUSKER STATE	$2,102,905
NECC	CAPE ANN training & evaluation of tools	$42,500
NAVSPECWARDEVGRU	DELMONTE training range	$682,000
U.S. Army	Support of CAPE MAY	$994,240
U.S. Army	80th training command at Fort Eustis	$20,000
Department of the Navy	Support of CAPE FAREWELL	$2,320,000
Department of the Navy	Support of NDRF & RRF vessels	$277,176,000
Defense Advanced Research Project Agency	Support of Falcon HTV-2A program	$1,932,525
NAVSPECWARDEVGRU	Support of DEL MONTE	$175,000
U.S. Coast Guard (USCG)	Training onboard CAPE TEXAS	$800
MDA	Support of Pacific Tracker	$2,900,000
MDA	Support of Pacific Tracker	$5,100,000
Military Sealift Command	Support of SS CAPE JACOB	$286,000
Department of the Navy	Support of CAPE HUDSON	$588,465
Department of the Navy	Support of SS CURTISS	$2,502,500
Department of the Navy	Support of CAPE DUCATO	$541,772
Department of the Navy	Support of CAPE GIB/WAS/DCS/DMG/DGL	$3,448,960
Department of the Navy	Support of CAPE WRA/DIA/INT/ISB/ISL	$3,240,582
USCG	Salary support for IRIS/PLAINTREE/STORIS	$45,000
U.S. Army	Barge repair at Beaumont Reserve Fleet	$1,500,000
MDA	Support of Pacific Collector	$2,200,000

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2009

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
NCHB	TAC vessel training	$30,000
Commerce, Economic Dev. Admin. (EDA)	Port Authority of Guam investment	$2,000,000
Department of the Navy	Support of SS WRIGHT Carolina Hornet exercise	$27,387
Defense Energy Support Ctr	Support of CHESAPEAKE-SALM & SPMS	$5,000,000
Department of the Navy	Hurricane Ike repairs at Beaumont Reserve Fleet	$2,798,000
DOT, NHTSA	Support of NCCIPS at Stennis Space Center	$287,677
Department of the Navy	Support of CAPE JACOB	$14,356
Total Vessel Operating Revolving Fund (VORF)		**$433,287,500**

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2009

Funds are Credited to Operations and Training (O&T)

Fund Source	Intended Use	Amount
Military Surf Deploymt & Distr Cmd (MSDDC)	ICODES project	$220,000
Office of Naval Research	MARAD Domain Awareness Public Facing Web Portal	$12,000
U.S. Coast Guard (USCG)	Adm support services to International Standards Org Technical Advisory Group	$95,000
NOAA	Ships Operation Cooperative Program (SOCP)	$5,000
USCG	SOCP membership fee	$5,000
DOT, Federal Transit Adm	Team One Solutions, Inc service contract	$896
Department of the Navy	Marine Cargo Terminal Grant with Philadelphia Regional Port Authority	$250,000
Office of the Secretary	Special Achievement Award	$1,000
Military Sealift Command	SOCP membership fee	$5,000
DOT, RITA-VOLPE Ctr	Support of MARAD hydrogen projects	$50,000
Alaska Dept of the Environmental Conservation	Marine Board-Aleutians Risk Assessment	$30,000
USCG	Support of Marine Board	$120,000
CG ISC Boston	Administrative services	$88,231
NAVSPECWARDEVGRU	Marine grade gosoline during training	$3,020
U.S. Army	Cost associated with travel & contractual svcs.	$10,000
NAVSEA	Systems engineering efforts/travel for PEO ships	$50,000
Total Operations and Training Reimbursables (O&T)		**$945,147**
Operations & Training Transfers		$14,246,000
Federal Highway Allocations		$7,183,000

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2009

Funds are Credited to Operations and Training (O&T)

Fund Source	Intended Use	Amount
USMMA Collections		$234,012
Total Operations and Training (O&T)		**$22,608,159**

Report to Congress
Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Fiscal Year 2009

	Fund Source	Intended Use	Amount
Gifts and Bequests Trust Fund (GF)			
GF	USMMA		1,102,259
	Gifts & Bequests	MARAD receives gifts and bequests from external contributors, individuals and organizational donors. The agency receives 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.	
Total Gifts and Bequests Trust Fund (GF)			**$1,102,259**

Report to Congress
Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Fiscal Year 2009

Summary 2009

Total Vessel Operating Revolving Fund	**$433,287,500**
Total Operations & Training	**$22,608,159**
Total Gifts and Bequests	**$1,102,259**
Total Non-Appropriated Funding Instrumentalites Revenues	**$10,122,425**
Total FY 2009 Funding Authority	**$467,120,343**

This is the total funding authority received/accepted through fiscal year 2008, and cannot exceed the estimated offsetting collections apportioned by the Office of Management and Budget.

Non-Appropriated Funding Instrumentalities (NAFI) Revenues from Operations and Cash Balances for FY 2009
(In Thousands of Dollars)

	Revenues 1/				CASH BALANCES 2/
	NAFI	Operating	Midshipman Fees (*)	Total Revenues	CASH BALANCES
1	Athletic Association	$ 50	$ 502	$ 552	$ 6
2	Chapel	25	-	25	8
3	Cultural Events	1	33	34	18
4	Employees Association	6	-	6	37
5	Faculty & Staff Housing	24	-	24	28
6	Fiscal Control Office	-	1,974	1,974	4,313
7	Melville Hall	1,617	-	1,617	105
8	Midships Publication	42	87	129	79
9	Morale	70	207	276	99
10	Museum	3	-	3	6
11	Music Program	1	-	1	1
12	Sail, Power & Crew Association	5	161	166	-
13	Ship's Service	120	951	1,071	423
	Sub-Total	**$ 1,963**	**$ 3,915**	**$ 5,878**	**$ 5,122**
14	GMATS	7,500	-	7,500	5,000
	Grand Total	**$ 9,463**	**$ 3,915**	**$ 13,378**	**$ 10,122**

1/ NAFI revenues are reported on an academicYear July 1, 2008 to June , 30 2009
2/ Cash balances in Commercial Bank Accounts as of 9/30/09
(Includes excess midshipman fees & funds from GMATS)