



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2013

**MARITIME
ADMINISTRATION**

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

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2013

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**MARITIME ADMINISTRATION
FISCAL YEAR 2013 BUDGET REQUEST
Congressional Submission**

Economy, Environment, Excellence

**SECTION ONE
OVERVIEW**



February 13, 2012

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MARITIME ADMINISTRATION

FY 2013 Budget Request

Overview

For FY 2013, the President requests \$344 million for the Maritime Administration, \$5 million below the FY 2012 enacted level. The FY 2013 Budget request will continue to support the agency's coordinated program of activities and initiatives advancing Departmental and National objectives for Economic Competitiveness, Environmental Sustainability, and Organizational Excellence.

MARAD's mission is to strengthen the U.S. maritime transportation system – including infrastructure, industry and labor - to meet the economic and security needs of the Nation. Through the management of the Maritime Security Program, the Voluntary Intermodal Sealift Agreement program, the Ready Reserve Force, and War Risk Insurance program, MARAD helps support National security and strategic mobility by assuring access to ships, crews, and port intermodal assets for Department of Defense mobilizations. MARAD's mariner education and training programs, through the U.S. Merchant Marine Academy and six State Maritime Schools, provide most of the new, skilled U.S. merchant marine officers needed to serve the Nation's defense and commercial maritime transportation needs. Through its Ship Disposal program, MARAD continues to reduce the significant environmental risks posed by the presence of obsolete ships in the National Defense Reserve Fleet.

Operations and Training

The Operations and Training request of \$146 million includes \$77 million for the United States Merchant Marine Academy (USMMA), \$16 million for the State Maritime Academies (SMAs), and \$53 million for MARAD Operations and Programs. This request includes a total of \$10 million for the Capital Improvement Program to continue the renovations and improve USMMA facilities, infrastructure, and overall student quality of life.

Specifically, the Academy Operations and Capital Improvements Program request will support the following major activities and projects:

Academy Operations

The President's Budget requests \$67.3 million for Academy Operations including a net increase of \$5 million above the FY 2012 enacted levels, offset by savings in other MARAD program areas. These requested resources are focused on the USMMA mission-essential program initiatives in the areas of midshipman and instructional support, routine maintenance and repair, and operational requirements. The two single largest net increases are in two critical areas of midshipmen healthcare and overall facilities maintenance.

Capital Improvement Program (CIP)

The Capital Improvement Program provides resources to address the Academy's physical plant and structures, and helps reverse the decades-long neglect that now requires major rehabilitation of campus buildings, and the overhaul of the underlying infrastructure.

For FY 2013, the \$10 million request will support the ongoing dormitory renovations and will permit construction to begin on the last remaining midshipmen barrack, Cleveland Hall. The total estimate for construction is approximately \$15 million and will be offset with cost savings from other projects and prior year funds.

Maritime Environment and Technology Assistance

The Budget also highlights a \$3 million request within MARAD Operations and Programs for a continuing environmental program aimed at addressing marine transportation environmental sustainability and energy impacts. The MARAD FY 2013 environmental program will work toward furthering critical multi-modal transportation research to reduce environmental pollution, implement initiatives to reduce the agency's carbon footprint, and advance ballast water treatment technologies. For a number of years, the Agency has been working on multiple activities directed at emerging marine transportation environmental issues such as vessel air emissions and ballast water discharges. Testing and verification of ballast water treatment technology remain a key component of the initiative in FY 2012, and will continue to be important in 2013 as additional technologies come to market.

Ship Disposal

For FY 2013, \$10.0 million is requested for the Ship Disposal Program, an increase of \$4.5 million from the FY 2012 enacted level. The FY 2013 request will allow continued acceleration in the removal of obsolete ships from the National Defense Reserve Fleet for disposal, with emphasis on vessels that are a high disposal priority, including those in the Suisan Bay Reserve Fleet (SBRF). With the requested funding level, MARAD will be able to remove for disposal up to 15 obsolete ships from all three fleet sites in FY 2013. The requested funding level is consistent with the requirements of the court ordered settlement with California.

Maritime Security Program

\$184 million in new Budget authority, \$10 million above FY 2012 enacted, is requested for the Maritime Security Program (MSP), which together with \$2 million in unobligated balances, will fund the authorized level of \$186 million (\$3.1 million for each vessel in the fleet). This program maintains the 60 MSP US flagged fleet capable of supporting US presence in foreign commerce while also ensuring the military's ability to obtain assured access to these commercial vessels and mariners for emergency sealift.

Maritime Guaranteed Loan Program (Title XI)

\$3.75 million is requested for Maritime Guaranteed Loan Program (Title XI) administration to continue to increase efficiency in monitoring the loan guarantee portfolio.

Administrative Efficiencies

MARAD is currently evaluating potential cost savings initiatives in the areas of group training; space reductions aimed at compliance with the "Property Realignment Act"; and energy savings to include methods of encouraging an energy savings culture. In addition, MARAD is pursuing the acquisition efficiency strategies of increasing the number of fixed price contracts; emphasizing greater acquisition planning and market research; utilizing GSA's e-Buy system for

streamlined competition; as well as supporting and participating in Departmental strategic sourcing initiatives.

ATTRIBUTION OF APPROPRIATED FUNDS BY STRATEGIC GOAL



MARAD's appropriated Budget supports three DOT strategic goals. The largest share of the agency Budget request for 2013 supports programs advancing a vital and viable merchant marine, a competitive transportation system, expanded opportunities for business, and Economic Competitiveness. At approximately 87%, it is by far the agency's primary strategic goal.

Approximately 4% of the 2013 appropriated Budget request supports Environmental Sustainability outcomes.

Approximately 9% is attributed to Organizational Excellence and support for operating programs.

(The following page contains a table summarizing the FY 2013 request by appropriations account and detailed justifications are provided in the "Budget Request by Appropriations Account" section of the document.)

MARITIME ADMINISTRATION
FY 2013 Budget Request Summary
(Dollars in Thousands)

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>
OPERATIONS & TRAINING	<u>151,447</u>	<u>156,258</u>	<u>146,298</u>
U.S. Merchant Marine Academy	<u>79,897</u>	<u>85,168</u>	<u>77,253</u>
Academy Operations	58,939	62,268	67,253
Capital Improvement Program	14,970	22,900	10,000
State Maritime Academies	<u>15,909</u>	<u>17,100</u>	<u>16,045</u>
Student Incentive Payments (SIP)	2,146	2,400	2,400
Direct SMA Support	2,545	3,600	2,545
SMA School Ships	11,218	11,100	11,100
MARAD Operations & Programs	<u>55,641</u>	<u>53,990</u>	<u>53,000</u>
Headquarters Operations	50,164	48,990	49,000
Maritime Program Initiatives	<u>4,479</u>	<u>5,000</u>	<u>4,000</u>
Environmental Sustainability	3,867	4,000	3,000
MARVIEW 1/		1,000	1,000
Discretionary Program Expenses	612		
Information Technology - (P.L. 111-207)	998		
OPERATIONS & TRAINING (Transfer)	5,750		
ASSISTANCE TO SMALL SHIPYARDS	9,980	9,980	
SHIP DISPOSAL PROGRAM	<u>14,970</u>	<u>5,500</u>	<u>10,000</u>
Ship Disposal	11,976	2,500	7,000
NS SAVANNAH	2,994	3,000	3,000
MARITIME SECURITY PROGRAM	173,652	174,000	184,000
MARITIME GUARANTEED LOAN PROGRAM			
Title XI Program	<u>8,982</u>	<u>3,740</u>	<u>3,750</u>
Administrative Expenses	3,992	3,740	3,750
Loan Guarantees	4,990		
TOTAL	\$364,781	\$349,478	\$344,048

1/ Included in Headquarters Operations IT at \$1.9 million in FY 2011.

U.S. Department of Transportation

Maritime Administration

Organizational Chart - FTE

FY 2012 – FY 2013

MARAD Total FY 2012 FTE: 837
Direct: 504
Reimbursable: 333

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

Office of the Administrator
and Staff Offices

	2012	2013
Direct:	56 FTE	56 FTE
Reimb:	6 FTE	6 FTE
Total:	62 FTE	62 FTE

United States Merchant
Marine Academy

	2012	2013
Direct:	282 FTE	285 FTE
Reimb:	0 FTE	0 FTE
Total:	282 FTE	285 FTE

Associate Administrator for
Budget and Programs/Chief
Financial Officer

	2012	2013
Direct:	14 FTE	14 FTE
Reimb:	8 FTE	8 FTE
Total:	22 FTE	22 FTE

Associate Administrator for
Administration

	2012	2013
Direct:	40 FTE	40 FTE
Reimb:	36 FTE	36 FTE
Total:	76 FTE	76 FTE

Associate Administrator for
Environment and
Compliance

	2012	2013
Direct:	16 FTE	16 FTE
Reimb:	2 FTE	2 FTE
Total:	18 FTE	18 FTE

Associate Administrator for
Intermodal System
Development

	2012	2013
Direct:	32 FTE	32 FTE
Reimb:	0 FTE	0 FTE
Total:	32 FTE	32 FTE

Associate Administrator for
National Security

	2012	2013
Direct:	21 FTE	21 FTE
Reimb:	279 FTE	279 FTE
Total:	300 FTE	300 FTE

Associate Administrator for
Business and Workforce
Development

	2012	2013
Direct:	43 FTE	43 FTE
Reimb:	2 FTE	2 FTE
Total:	45 FTE	45 FTE

Maritime Administration

Organizational Chart - FTP

FY 2012 – FY 2013

MARAD Total FY 2012 FTP: 843
Direct: 510
Reimbursable: 333

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

Office of the Administrator and Staff Offices

	2012	2013
Direct:	55 FTP	55 FTP
Reimb:	6 FTP	6 FTP
Total:	61 FTP	61 FTP

United States Merchant Marine Academy

	2012	2013
Direct:	285 FTP	285 FTP
Reimb:	0 FTP	0 FTP
Total:	285 FTP	285 FTP

Associate Administrator for Budget and Programs/Chief Financial Officer

	2012	2013
Direct:	15 FTP	15 FTP
Reimb:	8 FTP	8 FTP
Total:	23 FTP	23 FTP

Associate Administrator for Administration

	2012	2013
Direct:	41 FTP	41 FTP
Reimb:	36 FTP	36 FTP
Total:	77 FTP	77 FTP

Associate Administrator for Environment and Compliance

	2012	2013
Direct:	16 FTP	16 FTP
Reimb:	2 FTP	2 FTP
Total:	18 FTP	18 FTP

Associate Administrator for Intermodal System Development

	2012	2013
Direct:	33 FTP	33 FTP
Reimb:	0 FTP	0 FTP
Total:	33 FTP	33 FTP

Associate Administrator for National Security

	2012	2013
Direct:	22 FTP	22 FTP
Reimb:	279 FTP	279 FTP
Total:	301 FTP	301 FTP

Associate Administrator for Business and Workforce Development

	2012	2013
Direct:	43 FTP	43 FTP
Reimb:	2 FTP	2 FTP
Total:	45 FTP	45 FTP

EXHIBIT II-1**FY 2013 COMPARATIVE STATEMENT OF NEW BUDGET
MARITIME ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>
Operations and Training	151,447	156,258	146,298
Operations and Training (Transfer)	5,750	-	-
Operations and Training (Rescission of Unobligated Balance)	-	-980	-
Assistance to Small Shipyards	9,980	9,980	-
Ship Disposal Program	14,970	5,500	10,000
Maritime Security Program	173,652	174,000	184,000
Ocean Freight Differential	175,000	175,000	150,000
Maritime Guaranteed Loan Prog.(Title XI)	<u>91,408</u>	<u>46,447</u>	<u>3,750</u>
Administrative Expenses	3,992	3,740	3,750
Loan Guarantees	4,990	-	-
Subsidy Reestimate	82,426	42,707	-
Maritime Guaranteed Loan Programs (Unobligated Balance Cancelation)	-	-35,000	-
Gifts and Bequests	1,212	1,200	1,200
Special Studies	23,000	-	-
TOTALS	646,419	532,405	495,248

EXHIBIT II-2

FY 2013 TOTAL BUDGETARY RESOURCES BY APPROPRIATION
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(\$000)

<u>ACCOUNT NAME</u>	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>
1. Operations and Training			
A. U.S. Merchant Marine Academy	79,897	85,168	77,253
B. State Maritime Academies	15,909	17,100	16,045
C. MARAD Operations & Programs	<u>55,641</u>	<u>53,990</u>	<u>53,000</u>
Subtotal O&T	151,447	156,258	146,298
2. Operations and Training (Transfer)	5,750	-	-
3. Assistance to Small Shipyards	9,980	9,980	-
4. Ship Disposal Program			
A. Ship Disposal	11,976	2,500	7,000
B. NS SAVANNAH	<u>2,994</u>	<u>3,000</u>	<u>3,000</u>
Subtotal Ship Disposal	14,970	5,500	10,000
5. Maritime Security Program	173,652	174,000	184,000
6. Maritime Guaranteed Loans (Title XI)			
A. Administrative Expenses	3,992	3,740	3,750
B. Loan Guarantees	<u>4,990</u>	<u>-</u>	<u>-</u>
Subtotal Title XI	8,982	3,740	3,750
TOTALS	<u>364,781</u>	<u>349,478</u>	<u>344,048</u>

EXHIBIT II-3

FY 2013 BUDGET REQUEST BY DOT STRATEGIC AND ORGANIZATION GOALS MARITIME ADMINISTRATION (\$000)

Account/Program	Safety	Environmental Sustainability	State of Good Repair/ Infrastructure	Livable Communities	Economic Competitiveness	Organizational Excellence	Total
US MERCHANT MARINE ACADEMY					77,253		77,253
Academy Operations					67,253		67,253
Capital Asset Management Program					10,000		10,000
STATE MARITIME ACADEMIES					16,045		16,045
Student Incentive Payments					2,400		2,400
Direct SMA Support					2,545		2,545
SMA School Ships					11,100		11,100
MARAD OPERATIONS AND PROGRAMS		4,474			18,163	30,363	53,000
Headquarters Operations		1,474			18,163	29,363	49,000
Environmental Sustainability		3,000					3,000
MarView						1,000	1,000
ASSISTANCE TO SMALL SHIPYARDS							
SHIP DISPOSAL PROGRAM		10,000					10,000
Ship Disposal		7,000					7,000
NS SAVANNAH		3,000					3,000
MARITIME SECURITY PROGRAM					184,000		184,000
MARITIME GUARANTEED LOANS					3,750		3,750
Administrative Expenses					3,750		3,750
Loan Guarantees							0
Total		14,474			299,211	30,363	344,048

EXHIBIT II-3-a

FY 2013 BUDGET REQUEST BY DOT OUTCOMES MARITIME ADMINISTRATION (\$000)

DOT Outcome	Program	FY 2013 Request
SAFETY		
Reduction in injuries and fatalities		
Improved safety experience		
Other		
ENVIRONMENTAL SUSTAINABILITY		14,474
Reduced carbon/emissions and dependence on fossil fuels and improved energy efficiency		
Reduced pollution impacts on ecosystems	Environmental Sustainability*	3,000
Environmentally sustainable practices and materials in transportation		
Environmentally sustainable practices in DOT services and facilities	Ship Disposal	7,000
	NS SAVANNAH	3,000
Other	Headquarters Operations*	1,474
GOOD REPAIR		
LIVABLE COMMUNITIES		
Convenient and affordable choices		
Improved public transit experience		
Improved networks that accommodate pedestrians and bicycles		
Improved access for special needs populations		
Other		
ECONOMIC COMPETITIVENESS		299,211
Maximize economic returns	U.S. Merchant Marine Academy	77,253
	State Maritime Academies	16,045
	Maritime Security Program	184,000
Competitive transportation system		
Advance U.S. transportation interests abroad		
Expanded opportunities for business	Title XI Administrative Expenses	3,750
	Loan Guarantees	
Other	Headquarters Operations*	18,163
ORGANIZATIONAL EXCELLENCE		30,363
Other	Headquarters Operations*	29,363
	MarView*	1,000
OVERHEAD PROGRAMS/FUNCTIONS DISTRIBUTED TO PROGRAMS		
Total		344,048
* Funded within MARAD Operations and Programs Account		

EXHIBIT II-4

FY 2013 BUDGET AUTHORITY MARITIME ADMINISTRATION Budget Authority (\$000)

<u>ACCOUNTS</u>		<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>
Operations and Training	D	151,447	156,258	146,298
Operations and Training (Transfer)		5,750	-	-
Operations and Training (Rescission of Unobligated Balance)		-	-980	-
Assistance to Small Shipyards	D	9,980	9,980	-
Ship Disposal Program	D	14,970	5,500	10,000
Maritime Security Program	D	173,652	174,000	184,000
Ocean Freight Differential	M	175,000	175,000	150,000
Maritime Guaranteed Loan Program	D	8,982	3,740	3,750
Subsidy Reestimate	M	82,426	42,707	-
Maritime Guaranteed Loan Program (Unobligated Balance Cancelation)	D	-	-35,000	-
Gifts and Bequests	M	1,212	1,200	1,200
Special Studies	M	23,000	-	-
TOTALS		<u>646,419</u>	<u>532,405</u>	<u>495,248</u>
[Mandatory]		281,638	218,907	151,200
[Discretionary]		364,781	313,498	344,048
Proprietary Receipts:				
Maritime Guaranteed Loan Program		20,310	55,338	-
Gifts and Bequests		1,212	1,200	1,200
Special Studies		23,000	-	-
Total MARAD RECEIPTS		<u>44,522</u>	<u>56,538</u>	<u>1,200</u>

EXHIBIT II-5

FY 2013 OUTLAYS
MARITIME ADMINISTRATION
(\$000)

ACCOUNTS		FY 2011 ACTUALS	FY 2012 ENACTED	FY 2013 REQUEST
Operations and Training	D	138,144	198,708	201,361
Operations and Training, ARRA 1/	D	1	53	-
Gifts and Bequests	M	461	1,625	3,000
Special Studies, Services, and Projects	M	30,816	9,153	18,304
Assistance to Small Shipyards	D	14,910	27,421	-
Assistance to Small Shipyards, ARRA 1/	D	30,203	9,339	-
Ship Disposal	D	19,092	26,034	7,717
Maritime Security Program	D	171,383	192,858	183,920
Port of Guam Improvement Enterprise Fund	D	96	1,737	48,755
Operating Differential Subsidy	D	-	-	-
Ocean Freight Differential	M	95,495	175,000	150,000
Ready Reserve Force	D	-106,340	102,282	2,000
Vessel Operations Revolving Fund	D	84,074	17,316	16,410
War Risk Insurance Revolving Fund	D	-460	-	-
Maritime Guaranteed Loan Program	D	3,992	55,342	3,740
Subsidy Reestimate	M	82,426	42,708	-
TOTALS		<u>564,292</u>	<u>859,576</u>	<u>635,207</u>
[Mandatory]		209,198	228,486	171,304
[Discretionary]		355,094	631,090	463,903

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 & Training-Summary

	Baseline Changes										
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Adjusted Base	Program Increase/ Decrease	FY 2013 Request
USMMA:											
PERSONNEL RESOURCES	282				3				285	-	285
Direct FTE	282				3				285	-	285
ACADEMY OPERATIONS											
Salaries and Benefits	\$33,533	-	\$126	\$128	\$359	-	-	-	\$34,146	\$0	\$34,146
Operating Expenses	28,735	-	-	-	-	-	-	144	28,879	4,228	33,107
SUBTOTAL	\$62,268	-	\$126	\$128	\$359	-	-	\$144	\$63,025	\$4,228	\$67,253
CAPITAL IMPROVEMENT PROGRAM											
Capital Improvement Program	\$22,900	-	-	-	-	-	-	-	\$22,900	-\$12,900	\$10,000
SUBTOTAL	\$22,900	-	-	-	-	-	-	-	\$22,900	-\$12,900	\$10,000
USMMA TOTAL	\$85,168	-	\$126	\$128	\$359	-	-	\$144	\$85,925	-\$8,672	\$77,253
STATE MARITIME SCHOOLS:											
Direct SMA Support	\$3,600	-	-	-	-	-	-	-	\$3,600	-\$1,055	\$2,545
Student Incentive Payments	2,400	-	-	-	-	-	-	-	2,400	-	2,400
SMA School Ships	11,100	-	-	-	-	-	-	-	11,100	-	11,100
STATE MARITIME ACADEMIES TOTAL	\$17,100	-	-	-	-	-	-	-	\$17,100	-\$1,055	\$16,045
MARAD OPERATIONS & PROGRAMS:											
PERSONNEL RESOURCES	190								190	-	190
Direct FTE	190								190	-	190
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$29,269	-	\$110	\$112	-	-	-	-	\$29,491	-	\$29,491
Operating Expenses	5,255	-	-	-	-	-	-	26	5,281	-938	4,343
Information Technology	7,155	-	-	-	-	-	-	36	7,191	-	7,191
GSA Rent	3,438	-	-	-	-	557	-	-	3,995	-	3,995
WCF	3,873	-	-	-	-	-	107	-	3,980	-	3,980
Operating Expenses, Subtotal	\$48,990	-	\$110	\$112	-	\$557	\$107	\$62	\$49,938	-\$938	\$49,000
Maritime Program Expenses:											
Environmental Sustainability	\$4,000	-	-	-	-	-	-	-	\$4,000	-\$1,000	\$3,000
MARVIEW	1,000	-	-	-	-	-	-	-	1,000	-	1,000
Program Expenses, Subtotal	\$5,000	-	-	-	-	-	-	-	\$5,000	-\$1,000	\$4,000
MARAD OPERATIONS & PROGRAMS TOTAL	\$53,990	-	\$110	\$112	-	\$557	\$107	\$62	\$54,938	-\$1,938	\$53,000
GRAND TOTAL	\$156,258	-	\$236	\$240	359	\$557	\$107	\$206	\$157,963	-\$11,665	\$146,298

EXHIBIT II-6

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

Operations & Training-USMMA

	Baseline Changes										
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Adjusted Base	Program Increase/ Decrease	FY 2013 Request
USMMA:											
PERSONNEL RESOURCES	282				3				285	-	285
Direct FTE	282				3				285	-	285
ACADEMY OPERATIONS											
Salaries and Benefits	\$33,533	-	\$126	\$128	\$359	-	-	-	\$34,146		\$34,146
Operating Expenses	28,735							144	28,879	4,228	33,107
SUBTOTAL	\$62,268	-	\$126	\$128	\$359	-	-	\$144	\$63,025	\$4,228	\$67,253
CAPITAL IMPROVEMENT PROGRAM											
Capital Improvement Program	\$22,900	-	-	-	-	-	-	-	\$22,900	-\$12,900	\$10,000
SUBTOTAL	\$22,900	-	-	-	-	-	-	-	\$22,900	-\$12,900	\$10,000
USMMA TOTAL	\$85,168	-	\$126	\$128	\$359	-	-	\$144	\$85,925	-\$8,672	\$77,253

EXHIBIT II-6

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

Operations & Training-State Maritime Academies

	Baseline Changes									
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Baseline Estimate	Program Increase/ Decrease	FY 2013 Request
STATE MARITIME ACADEMIES:										
Direct SMA Support	\$3,600	-	-	-	-	-	-	\$3,600	-\$1,055	\$2,545
Student Incentive Payments	2,400	-	-	-	-	-	-	2,400	-	2,400
SMA School Ships	11,100	-	-	-	-	-	-	11,100	-	11,100
STATE MARITIME ACADEMIES TOTAL	\$17,100	-	-	-	-	-	-	\$17,100	-\$1,055	\$16,045

EXHIBIT II-6

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

Operations & Training-MARAD Operations & Programs

	Baseline Changes										
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Baseline Estimate	Program Increase/ Decrease	FY 2013 Request
MARAD OPERATIONS & PROGRAMS:	190								190	-	190
PERSONNEL RESOURCES	190								190	-	190
Direct FTE	190								190	-	190
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$29,269	-	\$110	\$112	-	-	-	-	\$29,491		\$29,491
Operating Expenses	5,255	-	-	-	-	-	-	26	5,281	-938	4,343
Information Technology	7,155	-	-	-	-	-	-	36	7,191	-	7,191
GSA Rent	3,438	-	-	-	-	557			3,995	-	3,995
WCF	3,873	-	-	-	-		107		3,980		3,980
Operating Expenses, Subtotal	\$48,990	-	\$110	\$112	-	\$557	\$107	\$62	\$49,938	-\$938	\$49,000
Maritime Program Expenses:											
Environmental Sustainability	\$4,000	-	-	-	-	-	-	-	\$4,000	-\$1,000	\$3,000
MARVIEW	1,000	-	-	-	-	-	-	-	1,000	-	1,000
Program Expenses, Subtotal	\$5,000	-	-	-	-	-	-	-	\$5,000	-\$1,000	\$4,000
MARAD OPERATIONS & PROGRAMS TOTAL	\$53,990	-	\$110	\$112	-	\$557	\$107	\$62	\$54,938	-\$1,938	\$53,000

EXHIBIT II-6

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

SHIP DISPOSAL PROGRAM

	<u>Baseline Changes</u>									
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Baseline Estimate	Program Increase/ Decrease	FY 2013 Request
PERSONNEL RESOURCES (FTE)	11							11	-	11
Direct FTE	11							11	-	11
FINANCIAL RESOURCES										
Operating Expenses:										
Salaries and Benefits	\$1,658	-	\$6	\$6	-	-	-	\$1,670	-	\$1,670
Operating Expenses	101	-	-	-	-	-	1	102	-	102
GSA Rent	194	-	-	-	-	-	-	194	-	194
WCF	218	-	-	-	-	-32	-	186	-	186
Operating Expenses, Subtotal	\$2,171	-	\$6	\$6	-	-\$32	\$1	\$2,152	-	\$2,152
Program Expenses:										
Ship Disposal	\$329	-	-	-	-	-	-	\$329	\$4,519	\$4,848
NS SAVANNAH	3,000	-	-	-	-	-	-	3,000	-	3,000
Program Expenses, Subtotal	\$3,329	-	-	-	-	-	-	\$3,329	\$4,519	\$7,848
SHIP DISPOSAL PROGRAM- TOTAL	\$5,500	-	\$6	\$6	-	-\$32	\$1	\$5,481	\$4,519	\$10,000

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

	<u>Baseline Changes</u>									
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Baseline Estimate	Program Increase/ Change	FY 2013 Request
<u>PERSONNEL RESOURCES (FTE)</u>	<u>-</u>							<u>-</u>	<u>-</u>	<u>-</u>
Direct FTE	-							-	-	-
<u>FINANCIAL RESOURCES</u>										
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-
Program Expenses	\$174,000	-	-	-	-	-	-	\$174,000	\$10,000	\$184,000
MARITIME SECURITY PROGRAM - TOTAL	\$174,000	-	-	-	-	-	-	\$174,000	\$10,000	\$184,000

EXHIBIT II-6

**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION**

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

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

	Baseline Changes									
	FY 2012 Enacted	Annualization of 2012 Pay Raise	2013 Pay Raise 0.5%	One Additional Compensable Day	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2013 Baseline Estimate	Program Increase/ Decrease	FY 2013 Request
PERSONNEL RESOURCES (FTE)	21							21	-	21
Direct FTE	21							21	-	21
FINANCIAL RESOURCES										
Operating Expenses:										
Salaries and Benefits	\$2,869	-	\$11	\$11	-	-	-	\$2,891	-	\$2,891
Operating Expenses	84	-	-	-	-	-	-	84	-	84
GSA Rent	370	-	-	-	-	-	-	370	-	370
WCF	417	-	-	-	-	-12	-	405	-	405
Operating Expenses, Subtotal	\$3,740	-	\$11	\$11	-	-\$12	-	\$3,750	-	\$3,750
Program Expenses										
Loan Subsidies	\$0	-	-	-	-	-	-	\$0	-	\$0
Program Expenses, Subtotal	\$0	-	-	-	-	-	-	\$0	-	\$0
MARITIME GUARANTEED LOAN PROG. - TOTAL	\$3,740	-	\$11	\$11	-	-\$12	-	\$3,750	-	\$3,750

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

	FY 2012 ENACTED	FY 2013 REQUEST	CHANGE
DIRECT:			
Operations and Training	3,873	3,980	107
Maritime Guaranteed Loan Prog. (Title XI)	417	405	-12
Ship Disposal	218	186	-32
SUBTOTAL	4,508	4,571	63
REIMBURSABLE:			
Ready Reserve Force	3,267	2,922	-345
SUBTOTAL	3,267	2,922	-345
TOTAL	7,775	7,493	-282

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

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Operations and Training	468	493	496
Ship Disposal	<u>11</u>	<u>11</u>	<u>11</u>
SUBTOTAL, DIRECT FUNDED	479 ^{1/}	504 ^{2/}	507 ^{2/}
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
Ready Reserve Force	326	333	333
Vessel Operations Revolving Fund	<u>-</u>	<u>-</u>	<u>-</u>
SUBTOTAL, REIMBURSE/ALLOC./OTH.	<u>326</u>	<u>333</u>	<u>333</u>
TOTAL FTEs	<u>805</u>	<u>837</u>	<u>840</u>

1/ Direct funded FTEs includes 20 FTE for the Title XI Program.

2/ Direct funded FTEs includes 21 FTE for the Title XI Program.

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

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Operations and Training	494	499	499
Ship Disposal	<u>11</u>	<u>11</u>	<u>11</u>
SUBTOTAL, DIRECT FUNDED	505 ^{1/}	510 ^{2/}	510 ^{2/}
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
Ready Reserve Force	333	333	333
Vessel Operations Revolving Fund	<u>-</u>	<u>-</u>	<u>-</u>
SUBTOTAL, REIMBURSE/ALLOC./OTH.	<u>333</u>	<u>333</u>	<u>333</u>
TOTAL POSTIONS	<u>838</u>	<u>843</u>	<u>843</u>

1/ Direct funded FTPs includes 20 FTP for the Title XI Program.

2/ Direct funded FTPs includes 21 FTP for the Title XI Program.

OPERATIONS AND TRAINING

[(INCLUDING RESCISSION)]

For necessary expenses of operations and training activities authorized by law,[\$156,258,000] *\$146,298,000*, of which \$11,100,000 shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, and of which \$2,400,000 shall remain available through September 30, [2013] *2014* for Student Incentive Program payments at State Maritime Academies, and of which [\$22,900,000] *\$10,000,000* shall remain available until expended for [facilities maintenance and repair, equipment, and] capital improvements at the United States Merchant Marine Academy: *Provided*, That amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation or the Assistant Secretary for Budget and Programs: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United State Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of the Maritime Administration shall hold all allotments made by the Secretary of Transportation or the Assistant Secretary for Budget and Programs under the previous proviso: *Provided further*, That 50 percent of the funding made available for the United States Merchant Marine Academy under this heading shall be available only after the Secretary, in consultation with the Superintendent and the Maritime Administrator, completes a plan detailing by program or activity how such funding will be expended at the Academy, and this plan is submitted to the House and Senate Committees on Appropriations.[: *Provided further*, That of the prior year unobligated balances under this heading for information technology requirements of Public Law 111–207, \$980,000 are permanently rescinded.](*Department of Transportation Appropriations Act, 2012.*)

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

(In thousands of dollars)

Identification code 69-70-1750-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	Merchant Marine Academy	60,769	104,512	81,469
0002	State Maritime Schools	16,146	17,813	18,141
0003	Marad Operations	55,060	53,990	53,000
0004	Other Maritime Programs	1,885	1,409	5,750
0799	Total direct program	133,860	177,724	158,360
0801	Reimbursable program	11,461	28,000	28,000
0900	Total obligations	145,321	205,724	186,360
Budgetary resources available for obligation				
1000	Unobligated balance available, start of year	21,980	49,427	26,981
1021	Unobligated balance: Prior Year Recoveries	3,202	-	-
1050	Unobligated balance (total)	25,182	49,427	26,981
Budget authority:				
Appropriations, discretionary:				
1100	Appropriation	151,750	156,258	146,298
1120	Appropriation transferred to other accounts	-5,056	-	-
1121	Appropriation transferred from other accounts	10,806	-	-
1130	Appropriation permanently reduced	-304	-	-
1131	Unobligated balance of appropriations permanently reduced	-	-980	-
1160	Appropriation, discretionary (total)	157,197	155,278	146,298
1700	Change in uncollected payments, Federal sources	7,214	28,000	28,000
1701	Spending auth from offsetting collections, disc (total)	7,051	-	-
1750	Spending auth from offsetting collections, disc - Computed Totals	14,265	28,000	28,000
1900	Budget authority (total)	171,461	183,278	174,298
1930	Total budgetary resources available	196,643	232,705	201,279
Memorandum (non-add) entries:				
1940	Unobligated balance expiring	-1,896	-	-
1941	Unexpired unobligated balance, end of year	49,427	26,981	14,919
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	101,651	93,556	72,519
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-19,915	-23,523	-23,523
3020	Obligated balance, start of year (net)	81,736	70,033	48,996
3030	Obligations incurred, unexpired accounts	145,321	205,724	186,360
3031	Obligations incurred, expired accounts	753	-	-
3040	Outlays (gross)	-147,366	-226,761	-229,361
3050	Change in uncollected pymts, Fed sources, unexpired	-7,051	-	-
3051	Change in uncollected pymts, Fed sources, expired	3,443	-	-
3080	Recoveries of prior year unpaid obligations, unexpired	-3,202	-	-
3081	Recoveries of prior year unpaid obligations, expired	-3,601	-	-

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

(In thousands of dollars)

Identification code 69-70-1750-0-1-403	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligated balance, end of year (net):			
3090 Unpaid obligations, end of year (gross)	93,556	72,519	29,518
3091 Uncollected pymts, Fed sources, end of year	-23,523	-23,523	-23,523
3100 Obligated balance, end of year (net)	70,033	48,996	5,995
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	171,461	183,278	174,298
4010 Outlays from new discretionary authority	100,826	160,828	152,353
4011 Outlays from discretionary balances	46,540	65,933	77,008
4020 Outlays, gross (total)	147,366	226,761	229,361
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-7,635	-28,000	-28,000
4033 Non-Federal sources	-1,586	-	-
4040 Offsets against gross budget authority and outlays (total)	-9,221	-28,000	-28,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-7,051	-	-
4052 Offsetting collections credited to expired accounts	2,007	-	-
4060 Additional offsets against budget authority only (total)	-5,044	-	-
4070 Budget authority, net (discretionary)	157,197	155,278	146,298
4080 Outlays, net (discretionary)	138,145	198,761	201,361
4180 Budget authority, net (total)	157,197	155,278	146,298
4190 Outlays, net (total)	138,145	198,761	201,361

OPERATIONS AND TRAINING

Program and Performance Statement

The appropriation for Operations and Training provides funding for staff at headquarters and field offices to administer and direct Maritime Administration operations and training programs. Maritime Administration operations 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 2013 budget request of \$146 million includes \$77 million for the United States Merchant Marine Academy, \$16 million for the State Maritime Academies, and \$53 million for Maritime Operations and Programs at headquarters and field offices.

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

Object Class Code	Object Class	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
	Direct obligations:			
1111	Full-time permanent	39,305	38,867	39,384
1113	Other than full-time permanent	4,534	4,619	4,681
1115	Other personnel compensation	2,001	2,039	2,066
1119	Total personnel compensation	45,840	45,525	46,131
1121	Civilian personnel benefits	11,382	17,277	17,506
1210	Travel and transportation of persons	2,197	2,058	2,058
1220	Transportation of things	133	131	131
1231	Rental payments to GSA	3,563	3,438	3,995
1233	Communications, utilities & misc. charges	4,346	4,216	4,216
1240	Printing and reproduction	46	45	45
1252	Other services	52,454	54,006	57,278
'1260	Supplies and materials	6,062	4,720	4,720
1310	Equipment	3,856	3,119	3,119
1320	Lands and structures	1,837	37,189	14,216
1410	Grants, subsidies and contributions	2,146	6,000	4,945
1990	Subtotal , direct obligations	133,860	177,724	158,360
	Reimbursable obligations:			
2252	Other services	11,461	28,000	28,000
2990	Subtotal , reimbursable obligations	11,461	28,000	28,000
9999	Total new obligations	145,321	205,724	186,360

Employment Summary

		FY 2011	FY 2012	FY 2013
Operations and Training		Actual	Enacted	Request
Direct:				
1001	Civilian full-time Equivalent employment	468	493	496
	Total Employment	468	493	496

EXHIBIT III-1

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

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>	<u>CHANGE FY 2012-2013</u>
U.S. Merchant Marine Academy	79,897	85,168	77,253	-7,915
State Maritime Schools	15,908	17,100	16,045	-1,055
MARAD Ops. & Programs	55,641	53,990	53,000	-990
Total, Operations & Training	151,447	156,258	146,298	-9,960

FTEs

Direct Funded	468	1/	493	2/	496	2/	3
Reimbursable, allocated, other	-		-		-		-

1/ The Direct FTE includes the 20 FTEs associated with the Title XI Program.

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

EXHIBIT III -1a

**OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2012 TO FY 2013
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

ITEM	Change from FY 2012 to FY 2013 \$0	Change from FY 2012 to FY 2013 FTE
FY 2012 Base	\$156,258	[493]
Adjustments to Base		
2013 Pay Raise (0.5%)	236	
One Additional Compensable Day	240	
Annualization of FTE	359	
GSA Rent	557	
WCF	107	
Non-Salary Inflation (0.5%)	206	
Subtotal, Adjustments to Base	\$1,705	
New or Expanded Programs		
USMMA Merchant Marine Academy	4,228	[3]
Capital Improvement Program	-12,900	
Direct SMA Support	-1,055	
MARAD Operations	-938	
Environment Sustainability	-1,000	
Subtotal, New or Expanded Program		
Increases/ Decreases	-\$11,665	[3]
Total FY 2013 Request	\$146,298	[496]

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

USMMA Number of Graduates	2008	2009	2010	2011	2012	2013
Target	xxx	xxx	200	210	210	210
Actual	213	198	198	205		
Target Achieved	✓	✓	✗	✗		

State Maritime Academies Number of Graduates	2008	2009	2010	2011	2012	2013
Target	460	472	484	520	592	600
Actual	547	561	575	545		
Target Achieved	✓	✓	✓	✓		

Twenty Foot Equivalent (TEU) containers transported across America's Marine Highway Corridors.	2008	2009	2010	2011	2012	2013
Target	xxx	xxx	xxx	1,000	3,500	7,350
Actual	xxx	xxx	xxx	1,061		
Target Achieved				✓		

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

**FY 2004 - FY 2013
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2004	104,400	105,674 ^{1/}
2005	109,300	106,952 ^{2/}
2006	113,650	136,027 ^{3/}
2007	115,830	111,522
2008	115,276	121,992
2009	117,848	123,360
2010	152,900	149,750
2011	164,353	151,447 ^{4/}
2012	161,539	156,258
2013	146,298	

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

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

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

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

Justification for the United States Merchant Marine Academy (USMMA)

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Academy Operations	58,939	62,268	67,253	4,985
Capital Improvement Program	14,970	22,900	10,000	-12,900
Midshipman Fee Reimbursement 1/	5,988			
Total	\$79,897	\$85,168	\$77,253	-\$7,915

1/ One-time non-recurring cost to reimburse midshipman for fee overcharges for the period 2003-2008.

I. Budget Request

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

For FY 2013 the President's Budget request for the United States Merchant Marine Academy (USMMA) is \$77.3 million. This request includes \$67.3 million for Academy Operations, a \$5 million dollar net increase, offset by reductions in other MARAD operations in FY 2013. \$10 million is requested for the Capital Improvement Program.

In FY 2013, the Academy remains focused on prioritizing resource allocation, streamlining services, while maintaining a sufficient base to support mission-essential areas. The FY 2013 investments will allow the Academy to effectively achieve its core responsibilities of providing the highest caliber of academic study with state of the art learning facilities for the Nation's future merchant marine officers and maritime transportation professionals.

The Budget request for the Academy maintains continuity for priority areas including academics, facilities improvement and continuing progress in administrative areas. These resources will continue the improvements to midshipmen residential buildings and provide augmentation of the level of educational excellence.

In FY 2013 the Academy continues to focus on cost effective improvements to facilities throughout the 82-acre campus and to ensure that designs, construction and the results meet the actual needs of the midshipman education and training programs. In FY 2011, the Academy established two new engineering management positions, bringing greater professional focus on the campus physical plant and addressing decades of deferred maintenance. Through due diligence and critical assessment significant cost savings were identified in many key projects. In FY 2012, the Academy was provided with an additional five billets dedicated to facility maintenance and the capital improvement program. These positions help sustain the day-to-day facility maintenance and assist with oversight of the numerous repair, renovation, and construction projects.

The Academy is also dedicated to their concerted effort towards improving business processes by strengthening internal controls, continuously reviewing operational activities to enhance services and increase efficiencies, while also augmenting transparency, and enhancing the effectiveness of administrative support activities.

USMMA Operations: \$67.3 million

The President's Budget requests \$67.3 million for the Academy Operations program that includes a net increase of \$5 million above the FY 2012 enacted levels, offset by savings in other MARAD program areas. These requested resources are focused on the USMMA mission-essential program initiatives in the areas of midshipman and instructional support, routine maintenance and repair, and operational requirements. The two single largest net increases are in two critical areas of midshipmen healthcare and overall facilities maintenance. The request provides \$34.1 million for salaries and benefits and \$33.1 million for non-pay operations.

Salaries and Benefits: \$34.1million

For FY 2013, the Budget request for Pay and Benefits is in alignment with the institution's staffing needs. No new FTE or funds are requested in FY 2013.

In FY 2012, after careful review of personnel resources, the Academy began the transfer of programmatic functions of the Athletics Association Non-Appropriated Fund Instrumentality (NAFI) to the direct appropriations account. The Academy has also worked to reduce its outstanding vacancies and bring in additional staff within the Administrative and Instructional Programs to support mission requirements for program oversight, facilities maintenance, internal controls and midshipmen support, aimed at addressing shortfalls highlighted by MARAD, the Government Accountability Office (GAO) and other auditors.

Midshipman Program: \$10.5 million

\$10.5 million will provide the necessary resources for the USMMA to meet critical Midshipmen Program support requirements.

The Midshipman Program supports the overall welfare of the Regiment by providing the day-to-day provisions required to educate the midshipman and include important supplies, services and activities such as health services, food services, uniforms, licensure and credentials, and textbooks.

An additional \$950,000 is requested to fund the annualization of the Health Services Contract into FY 2013 to be able to provide sufficient medical care for the midshipmen. The Health Services Department covers routine & emergency medical, dental & counseling care, and provision of medical examinations to certify Midshipmen fit for sea duty assignments, as well as U.S. Coast Guard licensing and commissioning into the U. S. Navy Reserve. More extensive medical care is provided through a contract vehicle with a local hospital awarded in FY 2012.

Instructional Program: \$3.9 million

The USMMA is directing resources toward continued innovation and leadership within the academic division and the overall quality of the instructional program. Along with modernization and restoration in the Capital Improvement Program, the proposed curricular and operational enhancements will lend further support to the entire academic program and in particular, the Departments of Marine Transportation and Marine Engineering. This request includes enhancements in two of the major academic departments of Marine Transportation and Marine Engineering.

The changes are partly driven by the 2010 Manila Amendments to the IMO's 1995 STCW (Standardization of Training, Certification and Watchkeeping) Convention that will go into effect in

2013, thereby impacting mariner education worldwide. The additional investment requested will go towards meeting the costs of implementing the revised academic program including contractual and curricular support, course development and programmatic expenses, and the refurbishing of laboratories, simulators, and class-room spaces.

Program Directions & Administration: \$7.5 million

The USMMA has allocated funds throughout the Program Direction and Administration (PDA) program to better meet critical operations and administrative support requirements and strategically support the overall operations and functions of the Academy.

As the Academy works to improve its internal controls, and undertakes a comprehensive strategic planning initiative, it has identified areas to strengthen and improve the effectiveness of the administrative support activities provided across the entire enterprise. To support this effort, initiatives are being taken in several areas like improving midshipman training and leadership development as well as enhancing internal and external communication. The Budget request also includes funding to support the Sexual Assault Response Coordinator and the annual sexual assault and harassment awareness and prevention training of Academy students, faculty, staff, and senior leadership. Funds will also be utilized to support core business functions in the Office of Human Resources, improve the care and custody of heritage assets at the Merchant Marine Museum, and enhance diversity-recruiting efforts within the Office of Admissions.

Additionally, the Department of Information Technology (DoIT) will continue with the next phase of the Academy's plan to comply with the Federal Information Security Management Act (FISMA) and through the Academy's strategic outsourcing partner, ActioNet, to engage additional staff to eliminate the *Segregation of Duties* audit findings (reported in May 2010 and May 2011) of the DOT Office of the Inspector General. The overall FY 2013 IT budget also support efforts to support the DOT COE infrastructure, instructional enterprise resource planning systems and provides direct assistance to program administration in support of internet access, the campus network hardware and software, photocopying, and IT staff outsourcing.

Maintenance Repair & Operating Requirements (MROR): \$11.2 million

The Maintenance Repair & Operating Requirements department encompasses all of the divisions and contracts that service the day-to-day maintenance and operations of the Academy. This includes trade services, daily maintenance and repair, service contracts for the mechanical and infrastructure systems, janitorial contracts, the Safety Environmental Protection Office, Academy wide utilities contracts and other significant operational activities. The Budget request includes an additional \$1.8 million for the MROR department in order to keep up with the rising cost of utilities, anticipated increased costs to contract support and to provide annual routine maintenance and repairs and effectively maintain the physical plant on the 82-acre campus. This request combined with the resources provided in the Capital Improvement Program will supply the necessary resources to create a lasting and sustainable impact on the overall conditions of USMMA facilities and structures at large.

Capital Improvement Program: \$10 million

The Budget request includes \$10 million for the Capital Improvement Program, which will be utilized for facility modernization and restoration.

The Capital Improvement Program provides resources to address the Academy's physical plant and structures, and helps reverse the decades-long neglect that now requires major rehabilitation of campus buildings, and the overhaul of the underlying infrastructure.

For FY 2013, the \$10 million requested will support the ongoing dormitory renovations and will permit construction to begin on the last remaining midshipmen barrack, Cleveland Hall. The total estimate for construction is approximately \$15 million and will be offset with cost savings from other projects and prior year funds.

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

The FY 2013 Budget request will allow the USMMA to effectively achieve and maintain its core responsibilities to provide the highest caliber of academic study with state of the art learning facilities for the Nation's future merchant marine officers and maritime transportation professionals.

The Department and MARAD regard the Academy's work towards strengthening of internal controls and the improvement of the capital improvement program as vital areas that enhance the Academy's primary educational mission. Consequently, ensuring that the needed resources and necessary oversight is there to strengthen the Academy's programs and processes is imperative and a priority of the Secretary of Transportation.

The Budget request for the USMMA will be directed to maintain these essential management and oversight initiatives. The requested funds for capital improvement will support the ongoing asset renewal and renovation projects – including and the completion of the midshipmen residential facilities –and will continue to address critical requirements with positive, results driven action for the academic program.

II. Program Performance

What is the program?

The USMMA is an accredited Federal institution of higher education operated by the U.S. Department of Transportation and the Maritime Administration. The USMMA graduates highly qualified Merchant Marine Officers who serve the maritime industry as crew on U.S. flag cargo vessels and throughout the maritime industry, as well as the Armed Forces and military reserve communities.

The Academy offers a four-year program that centers on a rigorous academic and practical maritime-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 and other uniformed service. The Academy's mission helps contribute to national defense and homeland security, and supports the economic competitiveness of a viable and robust merchant marine.

Program beneficiaries and partners include US Flag shipping companies and the Military Sealift Command (MSC) who support the USMMA shipboard training program as all midshipmen spend 300 days at sea as part of their 4-year education program, the midshipman internship program (2-6 weeks), and DOD agencies, particularly the US Navy, who provide personnel for training and education in military specialties.

Why is this particular program necessary?

The USMMA provides merchant marine officers whose service in maritime commerce and in support of our armed forces contributes to the economic, defense and homeland security interests of the United States. As the primary source of new officers for the merchant marine component of the U.S. Navy Reserve, the USMMA contributes approximately ten percent of the reserve officers commissioned each year to support Department of Defense activities. One hundred percent of its graduates incur a multi-tier service obligation, with 25-30 percent serving in active duty billets in a typical year. These obligations include employment as a merchant marine or military officer for 5 years, 8 years as a military reservist, and maintenance of a valid merchant marine license for 6 years.

How do you know the program works?

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

The United States Coast Guard (USCG) examines and certifies that the USMMA educational program meets the requirements to prepare individuals for examination and licensure to serve on vessels of unlimited tonnage, any horsepower, on oceans, as well as meeting all requirements of the USCG Standards of Training, Certification & Watchkeeping (STCW) and any amendments thereto. The USMMA completed its most recent USCG STCW Audit in December 2010. This audit is the critical quality control and oversight review for the licensing of mariners and is conducted every 5 years. The USMMA achieved excellent USCG Audit reviews and was commended for the high quality of its professional mariner and licensing program.

Funding History:

(\$000) USMMA Operations	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	47,608	53,208	59,057	63,120	64,183	67,253
Enacted	48,608	53,208	59,057	58,939	62,268	

(\$000) Capital Improvements	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	13,850	8,150	15,391	30,900	28,885	10,000
Enacted	14,139	8,150	15,000	14,970	22,900	

Justification for the State Maritime Academies

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Student Incentive Payments	2,146	2,400	2,400	0
Direct SMA Support	2,545	3,600	2,545	-1,055
SMA School Ships	11,218	11,100	11,100	0
Total	\$15,909	\$17,100	\$16,045	-\$1,055

I. Budget Request

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

For FY 2013, \$16 million is requested for the State Maritime Academies (SMAs), a decrease of \$1.1 million from the FY 2012 enacted level.

The primary purpose for funding the maritime academies is to have a sufficient, consistent supply of capable well-educated and highly skilled U.S. merchant mariners to meet the National security and economic needs of the Nation. The Maritime Administration provides the training vessels and maintenance funding to support the six SMA's: 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 assistance 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.

Student Incentive Payments

\$2.4 million is requested for the Student Incentive Payment (SIP) Program, consistent with the FY 2012 enacted. This funding will help support the enrollment of 300 students at the SMAs to receive SIP payments of \$8,000 each for one year, which equates to 75 graduates each year enrolled in the SIP program. This level has been identified by the U.S. Navy, the U.S. Army, and the U.S. National Guard as meeting enlistment requirements in their reserve programs upon graduation. These reserve programs have been identified as programs where graduates' maritime skills and education can be utilized in support of the Armed Forces of the United States, and this service will fulfill their service obligation, a condition of SIP enrollment. Students entering the SIP program must fulfill a service obligation upon graduation, in exchange for their participation program, annually for up to 4 years. The required service obligation is to complete SMA curriculum, graduate, and fulfill the following:

- Report annually to MARAD on their fulfillment of the obligation.
- Work in maritime industry for 3 years, preferably afloat.
- Renew or upgrade USCG Merchant Mariner Credentials-License at least once (i.e., must be current for at least 6 years and the original license is valid for five years)
- Maintain Satisfactory standing in a U.S. Armed Forces Reserve for at least 6 years

Direct SMA Support

\$2.6 million is requested for direct support assistance to the SMAs, a decrease of \$1.1 million from the FY 2012 enacted level to provide direct operations support to each of the six state academies in FY 2013. The academies rely on these funds to help offset the increasing costs associated with training mariners to both U.S. and international standards. These funds provide for the ability of SMAs to maintain a cadre of well-qualified faculty and state of the art technology for educating SMA cadets.

SMA School Ships

\$11.1 million is requested for SMA School Ships, consistent with the FY 2012 enacted level, to maintain the six state maritime academy school ships as effective educational platforms, and in full compliance with U.S. Coast Guard, American Bureau of Shipping and International Maritime Organization statutes and regulations for safe vessel operations.

The average age of the six training ships is 35 years old. One of the training ships, Training Ship (TS) EMPIRE STATE operated by SUNY Maritime College, is 50 years old. As these ships age, the annual cost of ship maintenance, repairs, and spare parts increases, which must be absorbed through deferral or cancellation of necessary maintenance and repair work and upgrades. The FY 2013 SMR funding request will support at minimum the priority maintenance and repair requirements needed for the upkeep of the SMA School Ships. Any reduction would have a critical impact, including restricting the agency's ability to maintain the ships in a safe condition and "in good repair". Furthermore, failure to fund at the requested level will negatively impact the agency's ability to comply with local, state, Federal and international safety and environmental regulations.

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

Funding at this level will provide the minimum necessary support to the six SMAs to ensure a sufficient supply of highly-trained U.S. merchant marine officers are available to meet the National security and economic needs of the Nation. Funding for maintenance and repairs of SMA schoolships is necessary for MARAD to meet the regulatory requirements for the Academy training vessels. The direct payments will assist with offsetting these costs and ensure the SMAs can continue to provide the highest level of training.

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

Without the requested funds for school ship maintenance and repairs, it would not be possible for MARAD to maintain each ship in a seaworthy condition and to meet the regulatory requirements, consistent with the Department's goal for environmental sustainability. A reduction in the request would hamper the agency's ability to comply with local, state, Federal

(EPA) and international environmental regulations, and will have negative implications on the academic program. Additionally, maintaining the ships in a safe condition to meet safety regulations supports the Department's goal for safety.

Funding at the FY 2013 requested level is the minimum that will ensure the safety of the training ships, maintain the ships "in good repair" and fund necessary repairs, replacements and upgrades. The following is a list of the major work planned for completion in FY 2012 and FY 2013. An asterisk ("*") below indicates a project continuing from FY 2012 to FY 2013.

Training Ship	FY 2012 Activity (and Requirement)	FY 2013 Activity (and Requirement)
EMPIRE STATE	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* Regulatory load line and hull watertight integrity: steel renewal expected* 	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* Regulatory load line and hull watertight integrity: steel renewal expected* Boiler and Engine Room automation replacements/upgrades
GOLDEN BEAR	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* 	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* Regulatory Drydocking
KENNEDY	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* 	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades*

	<ul style="list-style-type: none"> Boiler and Engine Room automation replacements/upgrades* Regulatory Drydocking 	<ul style="list-style-type: none"> Boiler and Engine Room automation replacements/upgrades* New Emergency Diesel Generator and switchboard capacity expansion
STATE OF MAINE	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* Regulatory Drydocking 	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades*
STATE OF MICHIGAN	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* 	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades*
TEXAS CLIPPER (currently referred to as the TV KINGS POINTER, and eventually to be renamed)	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* 	<ul style="list-style-type: none"> Navigation and Communication system upgrades* Machinery system replacements and upgrades * Habitability and cadet berthing upgrades and replacements* Lifeboats, lifeboat davits, rescue boats and rescue boat davit upgrades and replacements* Fixed fire fighting and detection systems upgrades* IMO and EPA regulatory effluent and ballast water discharge system modifications and upgrades* Machinery Room automation replacements/upgrades

II. Program Performance

What is the program?

The State Maritime Academy program supports the training of merchant marine officers at state academies. To ensure a consistent supply of capable and well-trained merchant mariners, the Maritime Administration provides Federal funding to six state maritime academies: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy. This Federal funding supplements the SMA's State government funding, which comprises the majority of the funds. The SMA program consists of three major program components: (1) the SIP Program; (2) Direct SMA Support Program; and (3) SMA School

Ships Program. For FY 2013, we anticipate approximately 600 students in the license program will graduate from the academies.

The SIP Program provides financial assistance to selected full-time students at the SMAs. SIP students receive annual \$8,000 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 the MARAD post-graduation service obligations. These obligations help MARAD assure that sufficient mariners will be available to crew sealift ships in times of National emergency. The state academies regard the SIP Program as a significant instrument for recruiting state maritime academy cadets that want to pursue careers as merchant mariners.

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

In accordance with 46 U.S.C. 51501 and 51504, MARAD's SMA School Ships Program furnishes (or loans) under custodial agreement Federally-owned and maintained National Defense Reserve Fleet (NDRF) school ships to each of the six state maritime academies. This is a cooperative program between the SMAs and MARAD, and the vessels are vital components of the program. The ships are employed as academic and seagoing laboratories for license coursework and practical, hands-on training 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. There are six (6) state academy training ships, located and docked at various locations around the U.S. The vessel TV KINGS POINTER was recently furnished from USMMA to the Texas Maritime Academy to serve as a training vessel.

- TS GOLDEN BEAR: California Maritime Academy, Vallejo, CA
- TS STATE of MICHIGAN: Great Lakes Maritime Academy, Traverse City, MI
- TS TEXAS CLIPPER (currently referred to as the TV KINGS POINTER, and eventually to be renamed): Texas Maritime Academy, Galveston, TX
- TS STATE of MAINE: Maine Maritime Academy, Castine, ME
- TS KENNEDY: Massachusetts Maritime Academy, Buzzards Bay, MA
- TS EMPIRE STATE: SUNY Maritime College, Bronx, NY

As NDRF assets, these school ships may be called upon by the U.S. Government to respond to National Security incidents and emergencies. This was demonstrated in 2005 when the TS EMPIRE STATE, TS STATE of MAINE, and TS TEXAS CLIPPER provided valuable support along the Gulf Coast in the wake of Hurricane Katrina and Hurricane Rita. In January 2010, TS KENNEDY was put on stand-by to provide support to the earthquake in Haiti. The vessels are maintained in such a condition so that they can be brought to a fully operational status in approximately ten days.

MARAD is mandated by law to maintain each ship in a state of good repair in accordance with all applicable regulations, and that ensures the safety of all cadets and personnel on the ships through an environmentally compliant and responsible manner. 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. With the average age of the six training ships at 35 years old, the annual cost of ship maintenance and repair significantly increases.

The base funding for SMA consists of direct assistance to 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 and Programs).

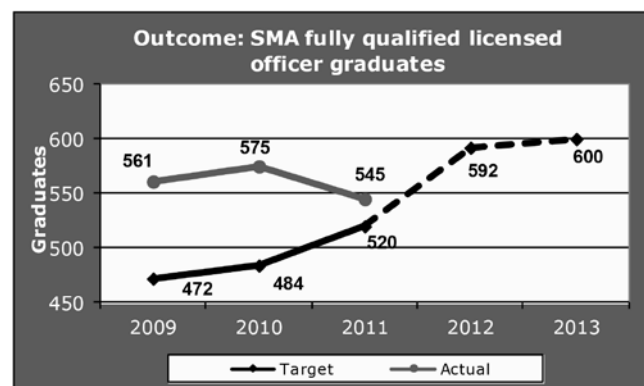
Why is this particular program necessary?

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

Additionally the SIP program ensures enrollment of graduates into the U.S. Navy, the U.S. Army, and the U.S. National Guard reserve programs in support the armed forces of the United States. Members of the U.S. Navy Strategic Sealift Reserve program are also available to crew surge vessels in an extreme shipping emergency affecting National defense.

How do you know the program works?

The State Maritime School program effectively targets Federal resources in a well-defined, cost-shared partnership with the state maritime academies to produce highly qualified officers for the US merchant marine. The program has met performance targets for officer graduates each year. For FY 2013, the target was revised due to a change in the methodology of reporting in order to align the fiscal year with the academic year.



In addition, the SMA School Ships have been maintained in full ABS Class and with full Certificates of Inspection issued by the USCG. In FY 2011 and in preceding years, five school ships successfully completed their scheduled training cruises on time and within schedules, ensuring that all embarked cadets achieved necessary sea time for their respective merchant marine office licensing requirements. Up until the recent transfer of the KINGS POINTER to the Texas Maritime Academy, Texas cadets have been achieving their required sea time on the TS GOLDEN BEAR during its second summer training cruise. However, this arrangement is no longer available to Texas.

Funding History:

(\$000) Student Incentive Program	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	0 ^{1/}	800	2,000	2,000	2,400	2,400
Enacted	800	1,600	2,150	2,146	2,400	

1/ For FY 2008, MARAD proposed to sunset the SIP program in order to provide additional funding for SMA direct payments.

(\$000) Direct SMA Support	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	1,881	1,881	2,400	2,000	3,600	2,545
Enacted	1,881	2,400	2,550	2,545	3,600	

(\$000) SMA School Ships	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	8,119	8,306	11,240	11,007	11,100	11,100
Enacted	10,500	10,500	11,240	11,218	11,100	

Justification for MARAD Operations and Programs

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Headquarters Operations	50,164	48,990	49,000	10
MARAD Programs	4,479	5,000	4,000	-1,000
<i>Environmental Sustainability</i>	3,867	4,000	3,000	-1,000
<i>MarView Program 1/</i>		1,000	1,000	0
<i>Discretionary Prog. Expenses</i>	612	0	0	0
Information Technology (IT) (P.L. 111-207) 2/	998			
Total	\$55,641	\$53,990	\$53,000	-\$990

1/ Included as part of Headquarters Operations IT in FY 2011 at \$1.9 million; HQ Ops will continue to fund MarView IT support at approx. \$900,000 in FY 2012 & 2013.

2/ Rescinded in FY 2012 per PL 112-55.

I. Budget Request

What is the request and what will we get for the funds? For FY 2013, \$53.0 million is requested for MARAD Operations and Programs. The request includes \$49 million for Headquarters Operations and \$4 million, a decrease of \$1 million, for continued funding towards program initiatives supporting the agency's core mission, including Environmental Sustainability (\$3 million) and MarView (\$1 million).

MARAD Operations and Programs 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.

Environmental Sustainability

\$3.0 million is requested in FY 2013 for environmental program initiatives aimed addressing marine transportation environmental sustainability and energy impacts. The MARAD FY 2013 program will build on planned 2012 accomplishments and continue our work toward the reduction of port and vessel air pollution, furthering critical multi-modal transportation research to reduce environmental pollution, implement initiatives to reduce the agency's carbon footprint, and advance ballast water treatment technologies.

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

Testing and verification of ballast water treatment technology remain a key component of the initiative in FY 2011 and FY 2012, and will continue to be important in 2013 as additional technologies come to market. FY 2013 funding would be used to maintain the three MARAD supported ballast water treatment technology facilities for US Coast Guard and IMO compliant testing, and the scientific team. Building on our initial work in hull fouling, MARAD would also

expand efforts to develop hull husbandry best management practices and demonstrate technologies for in-water hull cleaning and make those results publicly available.

In FY 2011 and FY 2012 the program is expanding its coverage in vessel air emissions and energy use. In FY 2012, the Agency will complete a demonstration and study of a new generation of biofuels for use in marine engines. This project is in collaboration among MARAD, Navy, Army Corps of Engineers (all of which are moving toward the use of alternative fuels), industry, and academia. Based upon the initial results of the demonstration, additional study is planned. The Agency also plans to complete the first phase of a broad study on the feasibility of using LNG for vessels plying the Great Lakes. The results of the study will serve as a basis for potential further work and as a model for the evaluation of other potential markets for LNG, such as marine highways.

In FY 2012, MARAD hopes to fund one or more pilot/demonstration projects and further study assistance/incentives or cost sharing to marine highway operators in an effort to offset the cost of re-engineering/repowering to become compliant with regulations and otherwise reduce air emissions and boost energy efficiency. This work will continue through FY 2012 and FY 2013.

Also, in FY 2012 and continuing into FY 2013, MARAD is working on program elements to better engage the maritime transportation sector and sister Federal agencies to solicit emerging technology priorities and projects ideas, and enhance planning and execution of this initiative.

MarView Program

\$1 million is requested in FY 2013 to continue the MarView program. The initiative will support the identification, collection, and integration of marine transportation information supporting a systemwide view of the marine transportation system.

MarView is an integrated data-driven environment providing essential information to support the strategic requirements of the U.S. Marine Transportation System (MTS) and its contribution to the economic viability of the nation, including information on vessel positions from both terrestrial and satellite tracking, vessel owners, operators, and historical movement. MarView also provides ports and port infrastructure information used to determine strategic ports readiness.

MarView champions and provides a data-driven, integrated environment that collects, stores, protects, analyzes, and delivers critical information to commercial, local, state, and Federal activities to support the MTS. The focus is on global supply chain management (intermodal).

In FY 2013, MarView will continue to sustain core ongoing activities per HR 2647, National Defense Authorization Act for FY 2010 by identifying, collecting and integrating marine transportation information that enables system-wide view of the marine transportation system; fosters partnerships between the Government of the United State and private entities; facilitates accurate and efficient modeling of the entire marine transportation system environment; monitors and tracks threats to the marine transportation system, including areas of severe weather or reported piracy; and provides vessel tracking and rerouting, as appropriate, to ensure that the economic viability of the United States waterways is maintained.

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

Funding at the 2013 request level is needed to support the agency's headquarters program operations staffing and administrative infrastructure. A substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), information technology requirements, grant

administration, and environmental sustainability initiatives. Funding at the 2013 level will support the accomplishment of:

- Advancement of ballast water treatment technology.
- Demonstration projects to test and analyze air emission reduction, alternative fuel, and energy conservation technologies and methods.
- Energy audits and new renewable energy investments, consistent with EO 13514.
- Continuing the MarView marine transportation information environment.

II. Program Performance

What is the program?

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

MARAD's request for 2013 will also support the MarView system, an integrated data-driven environment that collects, stores, protects, analyzes, and delivers critical information to commercial, local, state, and Federal activities to support the MTS.

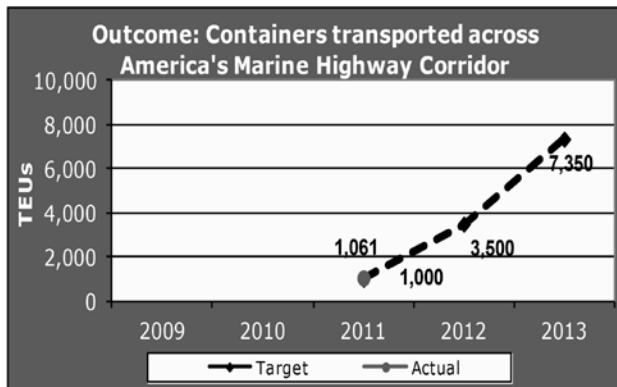
Why is this particular program necessary?

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

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

How do you know the program works?

For FY 2013, we anticipate meeting MARAD's performance operating goal of 7,350 twenty foot equivalent (TEU) containers transported across America's Marine Highway Corridors. The container TEU metric is an indicator of direct grant-related program performance and benefits of grant-program-assisted services on designated waterway transportation routes as extensions of the surface transportation system.



Organizational excellence indicators include implementation of hiring initiatives, responses to the employee survey, compliance with IT system security Certification and Accreditation (C&A) requirements, clean audit, Circular A-123 internal controls audit findings, small and disadvantaged business contracting, et al.

Funding History:

(\$000) MARAD Operations and Programs	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	43,818	45,503	62,812	59,753	51,371	53,000
Enacted	46,064	47,502	59,753	55,641	53,990	

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, \$9,980,000, 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.] (*Department of Transportation Appropriations Act, 2012.*)

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

(In thousands of dollars)

Identification code 69-1770-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	Grants for Capital Improvement for Small Shipyards	10,001	10,806	-
0900	Total new obligations	10,001	10,806	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	847	826	-
1050	Unobligated balance (total)	847	826	-
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	10,000	9,980	-
1130	Appropriations permanently reduced	-20	-	-
1160	Appropriation, discretionary (total)	9,980	9,980	-
1900	Budget authority (total)	9,980	9,980	-
1930	Total budgetary resources available	10,827	10,806	-
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	826	-	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	61,066	25,954	-
3020	Obligated balance, start of year (net)	61,066	25,954	-
3030	Obligations incurred, unexpired accounts	10,001	10,806	-
3040	Outlays (gross)	-45,113	-36,760	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	25,954	-	-
3100	Obligated balance, end of year (net)	25,954	-	-
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	9,980	9,980	-
Outlays, gross:				
4010	Outlays from new discretionary authority	20	9,980	-
4011	Outlays from discretionary balances	45,093	26,780	-
4020	Outlays gross, (total)	45,113	36,760	-

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

(In thousands of dollars)

Identification code 69-1770-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
4070	Budget authority, net (discretionary)	9,980	9,980	-
4080	Outlays, net (discretionary)	45,113	36,760	-
4180	Budget authority, net (total)	9,980	9,980	-
4190	Outlays, net (total)	45,113	36,760	-

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

Object Class Code	<u>Object Class</u>	<u>FY 2011 Actual</u>	<u>FY 2012 Enacted</u>	<u>FY 2013 Request</u>
	Direct obligations:			
21.0	Travel	21	-	-
25.3	Other goods and services from Federal Sources	-	826	-
41.0	Grants, subsidies and contributions	9,980	9,980	-
99.0	Subtotal , direct obligations	10,001	10,806	-

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 2013

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EXHIBIT III-1

ASSISTANCE TO SMALL SHIPYARDS

Summary by Program Activity

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

	FY 2011 ACTUAL	FY 2012 ENACTED	FY 2013 REQUEST	CHANGE FY 2011-2012
Assistance to Small Shipyards	9,980	9,980	-	-9,980
Total	9,980	9,980	-	-9,980
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2012 TO FY 2013
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2012 to FY 2013 \$0	Change from FY 2012 to FY 2013 FTE
FY 2012 Base	\$9,980	[0]
Adjustments to Base		
Subtotal, Adjustments to Base	\$0	
New or Expanded Programs		
Assistance to Small Shipyards Grants	-9,980	
Subtotal, New or Expanded Program Increases/ Decreases	-\$9,980	[0]
Total FY 2013 Request	\$0	[0]

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS
FY 2004 - FY 2013
Main Table - (\$000)**

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

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

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

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

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [~~\$5,500,000~~]*\$10,000,000*, to remain available until expended. (*Department of Transportation Appropriations Act, 2012.*)

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1768-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	Ship disposal	20,981	18,430	12,717
0900	Total new obligations	20,981	18,430	12,717
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	20,241	15,647	2,717
1021	Recoveries of prior year unpaid obligations	1,417	-	-
1050	Unobligated balance (total)	21,658	15,647	2,717
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	15,000	5,500	10,000
1130	Appropriations permanently reduced	-30	-	-
1160	Appropriation, discretionary (total)	14,970	5,500	10,000
1900	Budget authority (total)	14,970	5,500	10,000
1930	Total budgetary resources available	36,628	21,147	12,717
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	15,647	2,717	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	7,165	7,637	33
3020	Obligated balance, start of year (net)	7,165	7,637	33
3030	Obligations incurred, unexpired accounts	20,981	18,430	12,717
3040	Outlays (gross)	-19,092	-26,034	-7,717
3080	Recoveries of prior year unpaid obligations, unexpired	-1,417	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	7,637	33	5,033
3100	Obligated balance, end of year (net)	7,637	33	5,033

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1768-0-1-403		FY 2011	FY 2012	FY 2013
		Actual	Enacted	Request
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	14,970	5,500	10,000
Outlays, gross:				
4010	Outlays from new discretionary authority	-	2,750	5,000
4011	Outlays from discretionary balances	19,092	23,284	2,717
4020	Outlays gorss, (total)	19,092	26,034	7,717
4070	Budget authority, net (discretionary)	14,970	5,500	-
4080	Outlays, net (discretionary)	19,092	26,034	7,717
4180	Budget authority, net (total)	14,970	5,500	-
4190	Outlays, net (total)	19,092	26,034	7,717

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. This account also funds storage of the obsolete Nuclear-powered ship SAVANNAH.

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

Object Class Code	Object Class	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
	Direct obligations:			
1111	Full-time permanent	1,175	1,159	1,168
1115	Other personnel compensation	33	52	52
1119	Total personnel compensation	1,208	1,211	1,220
1121	Civilian personnel benefits	342	447	450
1210	Travel and transportation of persons	119	119	119
1231	Rental payments to GSA	-	194	194
1251	Advisory and assistance services	249	249	249
1252	Other services	10	10	10
1253	Other goods and services from Federal Sources	1,023	948	948
1254	Operation and maintenance of facilities	17,974	15,197	9,472
1257	Operation and maintenance of equipment	8	8	8
1260	Supplies and materials	6	6	6
1310	Equipment	41	41	41
9999	Subtotal , direct obligations	20,981	18,430	12,717

Employment Summary

	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Ship Disposal			
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)**

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>	<u>CHANGE FY 2012-2013</u>
Ship Disposal	<u>14,970</u>	<u>5,500</u>	<u>10,000</u>	<u>4,500</u>
Total	<u>14,970</u>	<u>5,500</u>	<u>10,000</u>	<u>4,500</u>
FTEs				
Direct Funded	11	11	11	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2012 TO FY 2013
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2012 to FY 2013 <u>\$0</u>	Change from FY 2012 to FY 2013 <u>FTE</u>
FY 2012 Base	\$5,500	[11]
<u>Adjustments to Base</u>		
2013 Pay Raise (0.5%)	6	
One Additional Compensable Day	6	
WCF	-32	
Non-Salary Inflation (0.5%)	<u>1</u>	
Subtotal, Adjustments to Base	-\$19	
New or Expanded Programs		
Ship Disposal	<u>4,519</u>	[-]
Subtotal, New or Expanded Program Increases/ Decreases	\$4,519	[-]
Total FY 2013 Request	\$10,000	[11]

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

Obsolete vessels removed from the NDRF for subsequent disposal	2008	2009	2010	2011	2012	2013
Target	16	14	10	10	12	15
Actual	25	14	12	21		
Target Achieved	√	√	√	√		

Obsolete NDRF vessel disposal actions completed	2008	2009	2010	2011	2012	2013
Target	16	15	17	15	10	17
Actual	19	23	21	16		
Target Achieved	√	√	√	√		

Removal of Suisun Bay Reserve Fleet non-retention ships on an annual basis.	2008	2009	2010	2011	2012	2013
Target	xxx	xxx	10	9	9	6
Actual	xxx	xxx	11	15		
Target Achieved			√	√		

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL
FY 2004 - FY 2013
Main Table - (\$000)**

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

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

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

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

Justification for the Ship Disposal Program

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Ship Disposal	11,976	2,500	7,000	4,500
NS SAVANNAH	2,994	3,000	3,000	0
Total	\$14,970	\$5,500	\$10,000	4,500

I. Budget Request

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

For FY 2013, \$10.0 million is requested for the Ship Disposal Program, an increase of \$4.5 million from the FY 2012 enacted level. This level of funding will support continued obsolete vessel disposal actions, with priority emphasis on the worst condition non-retention vessels in MARAD's three reserve fleet sites. The requested total also includes \$3 million to support preservation and licensed activities associated with the retention vessel N.S. (Nuclear Ship) SAVANNAH (NSS).

Ship Disposal

The FY 2013 request will allow continued acceleration in the removal of obsolete ships from the National Defense Reserve Fleet for disposal, with emphasis on vessels that are a high disposal priority, most of which remain in the Suisun Bay Reserve Fleet (SBRF). With the requested funding level, MARAD will be able to remove for disposal up to 15 obsolete ships from all three fleet sites in FY 2013. The requested funding level is consistent with the requirements of the court ordered settlement with California.

Significant costs related to vessel towing and compliance with the National Invasive Species Act (NISA) and Clean Water Act (CWA) will continue into FY 2013 in particular for removal of SBRF ships that require drydocking for the cleaning of marine growth from the underwater hulls. The California lawsuit was settled on April 14, 2010 with a signed and court approved Consent Decree. Subsequently, the majority of obsolete vessels removed for disposal in FY 2010 and 2011 were from the SBRF, with the average per ship cost to drydock, tow, and recycle obsolete SBRF ships at \$952 thousand. In FY 2012, it is anticipated that approximately half of ship disposals will also be from the SBRF. Funding at the request level will allow for the removal of approximately 15 ships from our inventory in 2013, which will include approximately 6 SBRF vessels, and continue to cover the cost of environmental risk mitigation to ensure compliance with NISA and for testing and containment requirements related to the CWA. With only one ship recycler located on the West Coast, the majority of SBRF vessels will be disposed of by Gulf Coast recyclers in FY 2013. 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; and, increases in fuel costs have the potential to significantly increase vessel tow costs and recycling costs overall. Despite these program challenges, MARAD's environmental risk mitigation activities will allow ship disposal to continue in full compliance with NISA and the CWA and will also lessen the environmental risk at the fleet sites and recycling facilities.

The Consent Decree commits MARAD to the drydocking and removal of a minimum of 32 SBRF ships by the end of FY 2013. With an average per ship cost of \$952 thousand, the requested funding level is projected to be sufficient to meet the number of SBRF vessels required to be removed by the Consent Decree. If disposal costs do not increase significantly over 2011 levels, the 6 SBRF

ships (and 15 vessels overall) projected to be removed in FY 2013 with the requested level of funding will allow the continued, steady reduction in the total number of non-retention ships in MARAD's three reserve fleet sites. That number is currently 49, which is an historic low. The FY 2013 request is based on the assumption that disposal costs overall will remain at FY 2010 and 2011 levels through the end of FY 2013. With this assumption, a carryover into FY 2013 is indicated at this time which will allow the expedited removal of additional obsolete ships from MARAD's three fleet sites as well as provide a buffer in the event of increasing costs related to towing (fuel) or compliance with environmental regulations. Fluctuations in the actual per ship disposal costs, as a result of regulatory or market factors, will affect the number of ships that can be disposed of in FY 2013.

N.S. SAVANNAH

The requested funding level of \$3 million for the N.S. SAVANNAH provides for the continuation of support activities including nuclear license compliance, radiological protection, ship husbandry and custodial care, decommissioning planning and preparation, and historic preservation.

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

Significant costs related to obsolete vessel towing and compliance with the National Invasive Species Act (NISA) and Clean Water Act (CWA) will continue into FY 2013 as vessel removals will include a significant number of SBRF ships. FY 2013 ship disposals will be from all three MARAD fleet sites and funding at this level will allow for the removal of approximately 15 ships from inventory including 6 SBRF vessels and cover the costs related to risk mitigation for compliance with NISA and CWA, as well as lessen the environmental risk at the fleet sites and recycling facilities. Consistent annual funding is the most effective strategy to sustain program performance during unpredictable market fluctuations for scrap steel and fuel, which both have a significant effect on the cost of obsolete vessel disposal.

Funding at the FY 2013 requested level for the SAVANNAH will support preservation activities, but does not include funding necessary to accomplish NRC requirements related to interim compliance with NRC SAFSTOR criteria or full decommissioning (DECON) and NRC license termination, which by regulation must be completed by the end of FY 2031. MARAD is prepared to initiate either SAFSTOR or DECON activities when sufficient resources become available.

II. Program Performance

What is the program?

MARAD's Ship Disposal program contributes to the reduction of water pollution from DOT-owned transportation assets, services and facilities, and supports environmental sustainability. The program will conduct ship recycling for obsolete, Federally-owned, merchant-type vessels in an environmentally responsible manner that further reduces the risk of environmental contamination. The program comprises of three essential areas; the removal and disposal of obsolete ships owned by the Federal government, National Defense Reserve Fleet (NDRF) environmental practices associated with vessel storage pending disposal, and the custodial care of the obsolete nuclear ship SAVANNAH (NSS), which is designated as a National historic landmark. The Ship Disposal Program base Budget consists of ship disposal funds, salaries and benefits, contractor support,

administrative funds (including training and travel), monitoring costs associated with assuring vessels are properly disposed and funding for the SAVANNAH.

Ship Disposal

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

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

MARAD has custody of approximately 49 obsolete vessels that are not yet under contract for disposal. These obsolete ships are located at the James River site in Virginia (14 ships), the Suisun Bay site in California (27 ships), and the Beaumont site in Texas (8 ships). MARAD expects to remove approximately 9 vessels from the SBRF in FY 2012 for disposal.

In addition to environmental risks at MARAD fleet sites associated with onboard hazardous materials, the risk associated with the spread of non-indigenous aquatic species when transferring obsolete ships from the fleet sites to other bio-geographic locations for vessel disposal through recycling or artificial reefing is a complex and costly dimension of the program. Requirements and costs associated with the control of potentially invasive aquatic species and NISA compliance are expected to increase as the process for resolving the conflicting requirements of local, state and Federal regulations continues to evolve.

N.S. SAVANNAH (NSS)

A discrete project funded within the Ship Disposal account is maintenance and safeguarding of the NSS. The NSS, 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).

The NSS project is comprised of two program dimensions, license compliance and decommissioning, both of which are performed under the cognizance of the NRC. License compliance is a continuous program that provides the contemporary institutional competency that the NRC requires to manage and maintain the NSS. This includes the resources necessary to provide the broad spectrum of surveillance, monitoring and radiological protection programs

necessary to ensure the safety and health of the public and the environment. The NRC-regulated and defined decommissioning program is also a continuous process, that begins when a licensed nuclear power plant is removed from service and ends when the NRC license is terminated after the facility has been remediated and dismantled. SAFSTOR, an intermediate protective storage period, may be included in the decommissioning process beginning at permanent cessation of operations. The maximum time period allowed for license termination is 60 years. The decommissioning program, estimated at \$98.6 million in current year dollars, must be completed by the end of FY 2031, in accordance with applicable statutory and regulatory requirements.

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

Why is this particular program necessary?

Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding harm, but also in terms of program efficiency. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal. Newly downgraded vessels that have reached the end of their useful life enter the disposal queue as non-retention (obsolete) vessels on an annual basis. It is critical that the rate of vessel removals for disposal continues to exceed the rate at which the ships are added to the disposal inventory. MARAD must also comply with environmental requirements to ensure that measures are taken to reduce environmental risks associated with vessel storage and arrest deterioration for those obsolete vessels awaiting disposal.

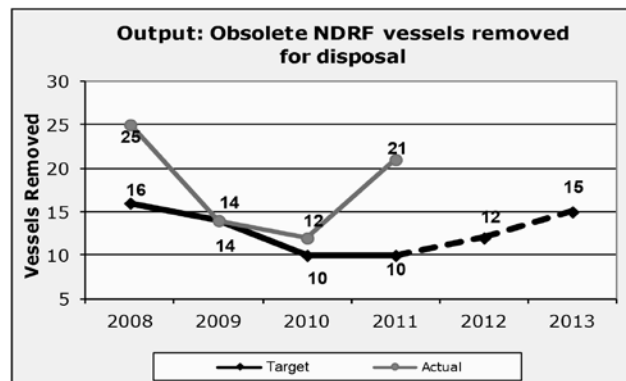
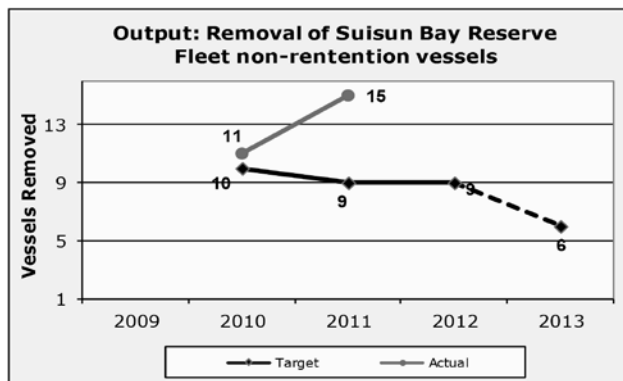
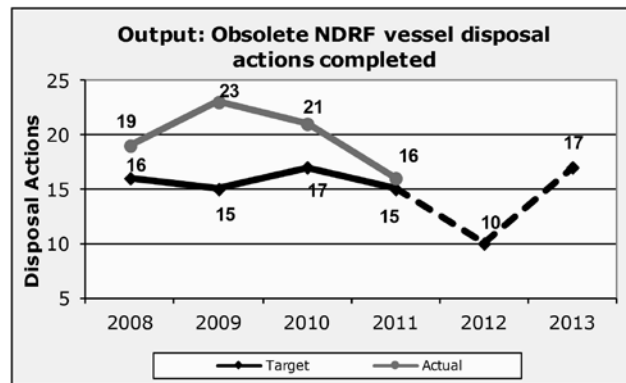
MARAD holds an active license with the NRC to possess, but not operate, the nuclear facilities located onboard the SAVANNAH. With this license comes obligations under the Atomic Energy Act of 1954 for compliance and stewardship that will continue until the decommissioning and license termination process is completed; which may be as late as 2031.

How do you know the program works?

MARAD manages the Ship Disposal Program in concert with several performance measures, including annual targets for vessel removals and disposals, which have been met or exceeded for the last six years. The accompanying graphs include actual program outputs for obsolete vessel removals and completions from FY 2008 - FY 2011. Vessel removals decreased after 2008 because of the economic downturn and remain lower than pre-2008 levels because of the increased mitigation efforts related to environmental risks associated with the disposal of obsolete SBRF vessels (including the drydocking of ships for removal of marine growth and loose paint) and the significant additional costs of the lengthy 5,000+ nautical mile tow of obsolete ships to Gulf Coast recycling facilities. Vessel completions generally lag behind vessel removals by six to twelve months, which is reflected in the second graph.

From a macro level, the total number of MARAD obsolete ships awaiting disposal, and not yet under contract, is 49 -- which is an historic low. Additionally, the annual rate of vessel removals has outpaced the number of vessels added to the disposal queue for the last five years, and all non-retention ships designated as a high disposal priority have have been removed from the three fleet sites.

MARAD has established a target for FY 2013 of removing 15 vessels from the NDRF. This includes the removal of 6 SBRF ships which exceeds the number required by a judicial consent decree. A total of 17 obsolete vessels are anticipated to complete their disposal action for FY 2013.



OBSOLETE VESSELS IN MARAD's CUSTODY BY FISCAL YEAR, FY 2002 - 2013

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
On Hand, Start of Year	132	133	132	138	143	152	130	111	94	79	69	57
Transfers In	7	2	16	17	33	1	11	4	1	1	0	2
Transfers Out	6	3	10	12	24	23	30	21	16	21	2	12
On the books end of year	133	132	138	143	152	130	111	94	79	59	57	49
Removed from the Fleets	6	2	15	18	25	20	25	14	12	21	12*	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 2012 and 2013 are projections.

Funding History:

(\$000)						
Ship Disposal	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	15,296	15,000	12,000	7,000	15,454	7,000
Enacted	14,000	12,000	12,000	11,976	2,500	

(\$000)						
NS SAVANNAH	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	4,704	3,000	3,000	3,000	3,046	3,000
Enacted	3,000	3,000	3,000	2,994	3,000	

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~~]*\$184,000,000*, to remain available until expended. (*Department of Transportation Appropriations Act, 2012.*)

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

(In thousands of dollars)

Identification code 69-1711-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	Maritime Security Payments	171,842	186,000	186,000
0900	Total new obligations	171,842	186,000	186,000
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	10,297	16,178	4,178
1021	Recoveries of prior year unpaid obligations	3,723	-	-
1050	Unobligated balance (total)	14,020	16,178	4,178
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	174,000	174,000	184,000
1160	Appropriation, discretionary (total)	174,000	174,000	184,000
1930	Total budgetary resources available	188,020	190,178	188,178
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	16,178	4,178	2,178
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	18,473	15,209	8,351
3030	Obligations incurred, unexpired accounts	171,842	186,000	186,000
3040	Outlays (gross)	-171,383	-192,858	-183,920
3080	Recoveries of prior year unpaid obligations, unexpired	-3,723	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	15,209	8,351	10,431
3100	Obligated balance, end of year (net)	15,209	8,351	10,431
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	174,000	174,000	184,000
Outlays, gross:				
4010	Outlays from new discretionary authority	157,127	161,820	171,120
4011	Outlays from discretionary balances	14,256	31,038	12,800
4020	Outlays gross, (total)	171,383	192,858	183,920
4070	Budget authority, net (discretionary)	174,000	174,000	184,000
4080	Outlays, net (discretionary)	171,383	192,858	183,920
4180	Budget authority, net (total)	174,000	174,000	184,000
4190	Outlays, net (total)	171,383	192,858	183,920

MARITIME SECURITY PROGRAM

Program and Performance Statement

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

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

Object Class <u>Code</u>	<u>Object Class</u>	FY 2011 <u>Actual</u>	FY 2012 <u>Enacted</u>	FY 2013 <u>Request</u>
	Direct obligations:			
1410	Grants, subsidies and contributions	171,842	186,000	186,000
9999	Subtotal , direct obligations	171,842	186,000	186,000

EXHIBIT III-1

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

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>	<u>CHANGE FY 2012-2013</u>
Maritime Security Program	<u>173,652</u>	<u>174,000</u>	<u>184,000</u>	<u>10,000</u>
Total	<u>173,652</u>	<u>174,000</u>	<u>184,000</u>	<u>10,000</u>
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2012 TO FY 2013
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2012 to FY 2013 <u>\$0</u>	Change from FY 2012 to FY 2013 <u>FTE</u>
FY 2012 Base	\$174,000	[-]
Adjustments to Base	0	
Subtotal, Adjustments to Base	\$0	
New or Expanded Programs		
Program Expenses	<u>10,000</u>	[-]
Subtotal, New or Expanded Program Increases/ Decreases	\$10,000	[-]
Total FY 2013 Request	\$184,000	[-]

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

Number of ships contractually enrolled in the Maritime Security Program	2008	2009	2010	2011	2012	2013
Target	60	60	60	60	60	60
Actual	60	59	60	60		
Target Achieved	√	x	√	√		

Availability of DoD-required shipping capacity, complete with crews	2008	2009	2010	2011	2012	2013
Target	94	94	94	94	94	94
Actual	97	96	96	97		
Target Achieved	√	√	√	√		

Ship capacity for container ships enrolled in MSP meeting DoD requirements	2008	2009	2010	2011	2012	2013
Target	110.0	110.0	110.0	110.0	110.0	110.0
Actual	115.1	117.0	116.0	116.0		
Target Achieved	√	√	√	√		

Ship capacity for roll-on/roll-off ships enrolled in MSP meeting DoD requirements	2008	2009	2010	2011	2012	2013
Target	1.8	1.8	2.6	2.6	2.6	2.6
Actual	2.6	2.7	3.0	3.0		
Target Achieved	√	√	√	√		

Ship operating days enrolled in the MSP were actually operating in US foreign commerce and available to meet DOD's requirements	2008	2009	2010	2011	2012	2013
Target	xxx	xxx	19,200	19,200	19,200	19,200
Actual	xxx	xxx	21,436	21,557		
Target Achieved	√	√	√	√		

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM
FY 2004 - FY 2013
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2004	98,700	98,118 ^{1/}
2005	98,700	97,910 ^{2/}
2006	156,000	154,440
2007	154,440	154,440
2008	154,440	156,000
2009	174,000	174,000
2010	174,000	174,000
2011	174,000	173,652 ^{3/}
2012	174,000	174,000
2013	184,000	

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

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

Justification for Maritime Security Program

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Maritime Security Program	173,652	174,000	184,000	10,000
Total	\$173,652	\$174,000	\$184,000	\$10,000

I. Budget Request

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

The FY 2013 request includes a total of \$184 million for the Maritime Security Program (MSP), an increase of \$10 million in Budget authority over FY 2012 enacted level. Together with unobligated carry-over balances, this request will provide a total funding level of \$186 million, the authorized level of \$3.1 million for each of the 60 vessels enrolled in the program. Carryover funds are the result of program savings realized by the government ensuring compliance of the 60 MSP operators with the terms and conditions in MSP contracts. This funding is essential to the maintenance of a commercial fleet capable of supporting a U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to these commercial vessels, intermodal facilities and mariners. (Note: in FY 2012 MARAD will fund MSP at the \$186 million authorized level using \$12 million in unobligated balances and \$174 million in requested new Budget authority.)

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

The emphasis of the program is to provide sealift capacity to the military in time of war or National emergency. It is important to note that MSP ships carried the bulk of military supplies and equipment in support of U.S. troops in Iraq and Afghanistan. Presently 90 percent of the cargo carried to Afghanistan is carried by MSP carriers. The authorization for the Maritime Security Program, 46 U.S.C. 53106, provides for the authorized level of \$3.1 million for each of the 60 vessels enrolled in FY 2013 through FY 2015. This funding is essential to the maintenance of an MSP fleet capable of supporting U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to a commercial vessels, and intermodal facilities and mariners.

II. Program Performance

What is the program?

MSP provides the Department of Defense (DOD) with assured access to privately-owned and operated U.S. flag ships and intermodal facilities, and sustains a base of U.S. merchant mariners to support National security requirements during war or National emergency, as well as maintaining a presence in international commercial shipping. MSP acknowledges the importance of a strong partnership with the commercial maritime industry to maintain an international presence in foreign commerce, while also ensuring that our Nation's defense transportation needs are met.

In FY 2013, the Budget base consists solely of funds to make payments to MSP ship operators. The Maritime Security Act of 2003 authorizes up to 60 ships for MSP. For FY 2013, MARAD will fund MSP at the full authorized level of \$3.1 million for each of the 60 enrolled ships. As noted

above, together with unobligated carry-over balances, this request will provide a total funding level of \$186 million. Supporting staff salaries and benefits are funded by the Operations and Training account (MARAD Operations and Programs). No new FTE positions are being requested.

Program accomplishments anticipated in FY 2012 include activities to monitor the agreements with the ship owners to maintain the 60 ships enrolled in the program. In addition, MARAD will approve changes in MSP contracts that improve the quality of the MSP fleet to ensure the retention of modern and efficient ships and U.S. citizen crews. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available.

Why is this particular program necessary?

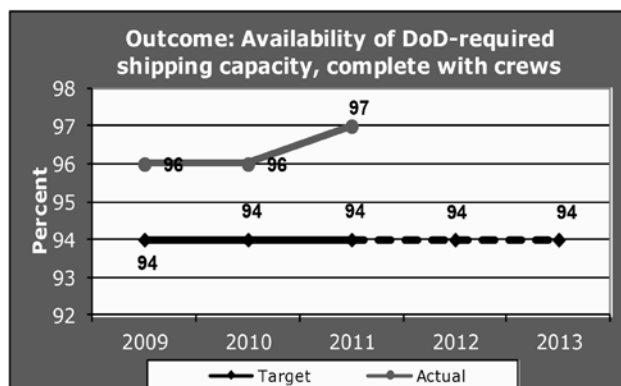
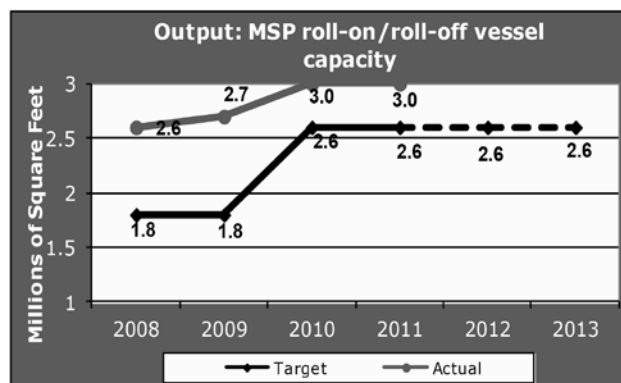
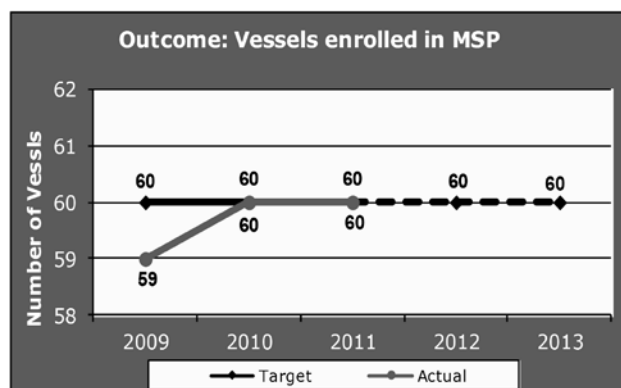
The Maritime Security Act of 2003 authorizes up to 60 ships for the MSP. The MSP ensures that the United States will have a fleet of active, commercially viable, militarily useful, privately owned U.S.-flag vessels to maintain a United States presence in international commercial shipping, while also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

Created by the Maritime Security Act of 1996, the MSP replaced a more costly operating differential subsidy program with fixed annual payments to induce U.S.-flag carriers to retain their U.S.-flag registry. These same carriers indicated that U.S.-flag ships would have left the U.S.-flag fleet for open-flag registry in the absence of MSP. These actions would have resulted in the Department of Defense (DOD) relying on more open-flag vessels with foreign crews.

The program also ensures that the intermodal assets of current U.S.-flag ship operators will be readily available to DOD. This is a mandatory requirement for entry into the MSP that carriers commit both vessel capacity and intermodal resources to MARAD's emergency preparedness programs, which are the Voluntary Intermodal Sealift Agreement program for dry cargo vessels and/or the Voluntary Tanker Agreement program for tankers.

How do you know the program works?

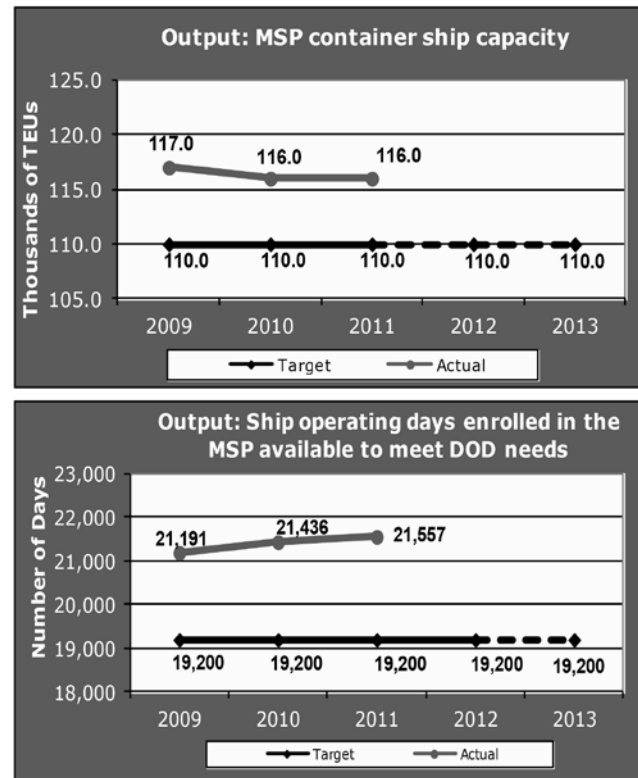
An impact evaluation was conducted in FY 2009 and found the program to be effective. The purpose of the evaluation was to determine the program's effectiveness and its impact on the U.S. flag presence in international commerce, U.S.-flag ocean-going ships and crew members and military usefulness.



The project team found that current management procedures and processes used by 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. Additionally, the MSP fleet provides employment for 2,400 U.S. merchant mariners, so a reduction in the fleet would result in a loss of employment for U.S. mariners.

In FY 2013, we will continue to maintain our annual target of 60 U.S.-flag vessels enrolled in the MSP as the program stipulates. We anticipate meeting or exceeding our target for 94 percent of sealift capacity¹ and exceeding 110,000 containership TEU's and 2.6 million 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. We also anticipate meeting MARAD's performance goal of 19,200 ship operating days for MSP enrolled vessels operating in U.S. foreign commerce during FY 2013.



Funding History:

Maritime Security Program	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	154,440	174,000	174,000	174,000	174,000	184,000
Enacted	156,000	174,000	174,000	173,652	174,000	

¹ MARAD's program measure for availability of DOD capacity, complete with crews, is a combination of three separate sealift readiness measures reported in an aggregate percentage, including: Ready Reserve Force (RRF) vessels, commercial vessels enrolled in the MSP, and commercial vessels enrolled in Maritime Administration's Voluntary Intermodal Sealift Agreements (VISAs).

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

(In thousands of dollars)

Identification code 69-1709-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	822	822	822
1050	Unobligated balance (total)	822	822	822
Budget authority:				
Appropriations, discretionary				
1930	Total budgetary resources available	822	822	822
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	822	822	822
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	9,924	9,924	9,924
3020	Obligated balance, start of year (net)	9,924	9,924	9,924
3090	Unpaid obligations, end of year (gross)	9,924	9,924	9,924
3100	Obligated balance, end of year (net)	9,924	9,924	9,924
Budget authority and outlays, net:				
Discretionary:				
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-	-	-

OPERATING-DIFFERENTIAL SUBSIDIES

Program and Performance Statement

This program has been replaced by the Maritime Security Program 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 69-1751-0-1-054		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:				
0001	Ocean Freight Differential - 20% Excess Freight	76,336	139,000	129,000
0002	Ocean Freight Differential - Incremental	19,013	35,000	20,000
0003	Ocean Freight Differential - Interest to Treasury	71	1,000	1,000
0900	Total new obligations	95,420	175,000	150,000
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	450	79,651	79,651
1020	Adjustment of unobligated balance brought forward, Oct. 1	-	-	-
1050	Unobligated balance (total)	450	79,651	79,651
Budget authority:				
Appropriations, mandatory:				
1200	Appropriation	127,363	175,000	150,000
1236	Appropriation applied to repay debt	-127,363	-175,000	-150,000
1260	Appropriations, mandatory (total)	-	-	-
Borrowing authority, mandatory:				
1400	Borrowing authority	174,621	175,000	150,000
1440	borrowing authority, mandatory (total)	174,621	175,000	150,000
1900	Budget authority (total)	174,621	175,000	150,000
1930	Total budgetary resources available	175,071	254,651	229,651
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	79,651	79,651	79,651
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	143	68	-
3020	Obligated balance, start of year (net)	143	-	-
3030	Obligations incurred, unexpired accounts	95,420	175,000	150,000
3040	Outlays (gross)	-95,495	-175,000	-150,000
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	68	-	-
3100	Obligated balance, end of year (net)	68	-	-
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	174,621	175,000	150,000
Outlays, gross:				
4100	Outlays from new mandatory authority	95,352	175,000	150,000
4101	Outlays from mandatory balances	143	-	-
			-	-

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

(In thousands of dollars)

Identification code 69-1751-0-1-054		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
4160	Budget authority, net (mandatory)	174,621	175,000	150,000
4170	Outlays, net (mandatory)	95,495	175,000	150,000
4180	Budget authority, net (total)	174,621	175,000	150,000
4190	Outlays, net (total)	95,495	175,000	150,000

OCEAN FREIGHT DIFFERENTIAL

Program and Performance Statement

Ocean freight differential (OFD) is the difference in ocean freight cost between U.S. flag vessels and foreign flag vessels. When USDA and USAID transport certain government-sponsored food aid shipments to international beneficiaries, the cargo preference provisions in Section 901 of the Merchant Marine Act required that at least 50 percent of this cargo be shipped on U.S. flag vessels. P.L. 99–108 amended this requirement by increasing the minimum tonnage for food aid shipments that must be shipped on U.S. flag vessels from 50 to 75 percent, and by requiring the Maritime Administration to reimburse USDA and USAID for the increase in ocean freight cost associated with this expanded U.S. flag vessel preference.

USDA and USAID pay all ocean shipping costs for international food assistance through the Commodity Credit Corporation, including the OFD associated with shipping the first 50 percent of cargo on U.S. flag vessels. The payment of these differential freight rates by the shipping agencies encourage ship operators to retain U.S. flag registry. MARAD reimburses the Commodity Credit Corporation for the additional OFD associated with shipping more than 50 percent of food aid cargo on U.S. flag vessels (incremental OFD). In addition, in any fiscal year in which shipping costs exceed 20 percent of total program costs (total shipping costs plus total value of commodities shipped), MARAD is required to reimburse shipping costs that exceed 20 percent of the total program costs (excess 20 percent OFD). The Commodity Credit Corporation receives these reimbursements from MARAD and returns them to USDA and USAID to fund additional food assistance procurements. MARAD is funded by mandatory appropriation of new borrowing authority commensurate with estimates for freight differential reimbursement in the budget year.

EXHIBIT III-1

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

	<u>FY 2011 ACTUAL</u>	<u>FY 2012 ENACTED</u>	<u>FY 2013 REQUEST</u>	<u>CHANGE FY 2012-2013</u>
Ocean Freight Differential	<u>175,000</u>	<u>175,000</u>	<u>150,000</u>	<u>-25,000</u>
Total	<u>175,000</u>	<u>175,000</u>	<u>150,000</u>	<u>-25,000</u>
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**OCEAN FREIGHT DIFFERENTIAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2012 TO FY 2013
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2012 to FY 2013 <u>\$0</u>	Change from FY 2012 to FY 2013 <u>FTE</u>
FY 2012 Base	\$175,000	[-]
Adjustments to Base	0	
Subtotal, Adjustments to Base	\$0	
New or Expanded Programs		
Program Expenses	-25,000	[-]
Subtotal, New or Expanded Program Increases/ Decreases	-\$25,000	[-]
Total FY 2013 Request	\$150,000	[-]

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

Percentage of food aid preference cargo carried by U.S.-flag vessels	2008	2009	2010	2011	2012	2013
Target	78%	78%	78%	78%	78%	78%
Actual	79%	83%	81%	79% ¹		
Target Achieved	✓	✓	✓	✓		

Number of U.S.-flag vessels participating in the carriage of foreign food aid preference cargoes	2008	2009	2010	2011	2012	2013
Target	62	62	62	62	62	62
Actual	66	59	67	54		
Target Achieved	✓	✗	✓	✗		

¹ OFD FY 2011 actual is a projection. Final data will be available in May 2011.

Justification for Ocean Freight Differential (OFD)

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Ocean Freight Differential	175,000	175,000	150,000	-25,000
Total	\$175,000	\$175,000	\$150,000	-\$25,000

I. Budget Request

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

It is estimated that \$150 million in new borrowing authority will be needed to fund the Ocean Freight Differential (OFD) program for FY 2013. OFD funds are not requested in annual appropriations, but are provided via a permanent indefinite borrowing authority commensurate with freight differential requests from U.S. Department of Agriculture (USDA).

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

These funds are required to reimburse MARAD pursuant to 46 U.S.C. 55316(e) for payments to the Department of Agriculture's Commodity Credit Corporation to offset certain differential costs to ship humanitarian food aid cargo on U.S.-flag vessels instead of foreign-flag vessels in accordance with the Food Security Act of 1985.

II. Program Performance

What is the program?

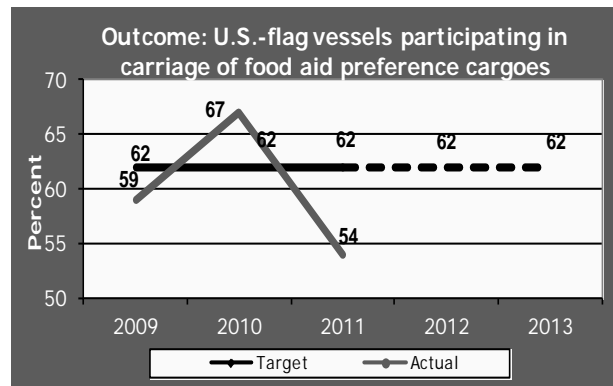
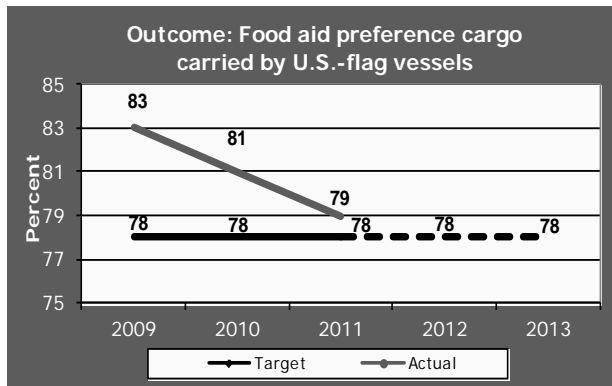
Ocean freight differential is the difference in cost incurred in the movement of ocean cargoes. In general, when applied to cargo preference policy implementation, it is the cost difference between using U.S. flag carriers and foreign-flag carriers. When the USDA and the U.S. Agency for International 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. MARAD is required to reimburse the U.S. government agencies that sponsor these food-aid shipments for certain ocean freight differential costs associated with compliance with this U.S.-flag preference requirement. By promoting and advancing U.S. transportation interests, the cargo preference program contributes to the Department's economic competitiveness goal.

Why is this particular program necessary?

The OFD program reimburses U.S. government agencies for certain program costs incurred in contracting with U.S.-flagged vessels to comply with cargo preference requirements. MARAD uses cargo preference and MSP payments as incentives to encourage operation of vessels under U.S. registry, essential to economic competitiveness.

How do you know the program works?

In FY 2013, we anticipate meeting or exceeding our target of 78 percent of food aid preference cargo carried by U.S.-flag vessels. We will also focus on increasing the number of U.S.-flag vessels participating in the program to meet or exceed our goal of 62. For FY 2011, there was a 13 percent drop in cargo volumes, which directly correlated to a 19 percent reduction in U.S.-flagged vessels.



Funding History:

((\$000)) Ocean Freight Differential	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	145,000	175,000	175,000	175,000	175,000	150,000
Enacted	200,000	175,000	175,000	175,000		

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

(In thousands of dollars)

Identification code 69-70-1710-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
801	Ready Reserve Force	368,628	396,965	345,592
901	Total new obligations	368,628	396,965	345,592
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	2,333	42,557	5,592
1021	Unobligated balance: Prior Year Recoveries	66	-	-
1050	Unobligated balance (total)	2,399	42,557	5,592
Budget authority:				
Appropriations, discretionary:				
1100	Appropriation	-	-	-
1160	Appropriation, discretionary (total)	-	-	-
1700	Change in uncollected payments, Federal sources	338,464	360,000	340,000
1701	Spending auth from offsetting collections, disc (total)	70,322	-	-
1750	Spending auth from offsetting collections, disc - Computed totals	408,786	360,000	340,000
1900	Budget authority (total)	408,786	360,000	340,000
1930	Total budgetary resources available	411,185	402,557	345,592
Memorandum (non-add) entries:				
1940	Unobligated balance expiring	-	-	-
1941	Unexpired unobligated balance, end of year	42,557	5,592	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	-	136,438	71,121
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-	-70,322	-70,322
3020	Obligated balance, start of year (net)	-	66,116	799
3030	Obligations incurred, unexpired accounts	368,628	396,965	345,592
3040	Outlays (gross)	-232,124	-462,282	-342,000
3050	Change in uncollected pymts, Fed sources, unexpired	-70,322	-	-
3080	Recoveries of prior year unpaid obligations, unexpired	-66	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	136,438	71,121	74,713
3091	Uncollected pymts, Fed sources, end of year	-70,322	-70,322	-70,322
3100	Obligated balance, end of year (net)	66,116	799	4,391

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

(In thousands of dollars)

Identification code 69-70-1710-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	408,786	360,000	340,000
Outlays, gross:				
4010	Outlays from new discretionary authority	232,124	324,000	306,000
4011	Outlays from discretionary balances	-	138,282	36,000
4020	Outlays, gross (total)	232,124	462,282	342,000
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources	-338,464	-360,000	-340,000
4033	Non-Federal sources	-	-	-
4040	Offsets against gross budget authority and outlays (total)	-338,464	-360,000	-340,000
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	-70,322	-	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	161,802	462,282	342,000
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-106,340	102,282	2,000

READY RESERVE FORCE (RRF)

Program and Performance Statement

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

**MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION
(\$000)**

Object Class		FY 2011	FY 2012	FY 2013
<u>Code</u>	<u>Object Class</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
	Reimbursable obligations:			
2111	Full-time permanent	27,956	28,644	30,193
2113	Other than full-time permanent	-	-	-
2119	Total personnel compensation	27,956	28,644	30,193
2121	Benefits for former personnel	8,155	8,356	8,807
2210	Travel and transportation of persons	1,003	1,000	1,000
2220	Transportation of things	55	-	-
2231	Rental Payments to GSA	535	535	535
2232	Rental Payments to Others	17,850	17,850	17,850
2233	Communications, utilities & misc. charges	9,829	9,829	9,829
2251	Advisory and assistance services	1,995	1,995	1,995
2252	Other Services	569	569	569
2253	Other goods and services from Fed. Sources	2,319	2,319	2,319
2254	Operation and Maintenance of Facilities	280,465	307,974	254,601
2256	Medical Care	3	-	-
2257	Operation and Maintenance of Equipment	4,762	4,762	4,762
2260	Supplies and materials	9,760	9,760	9,760
2310	Equipment	1,472	1,472	1,472
2320	Land and Structures	1,900	1,900	1,900
9999	Total New Obligations	368,628	396,965	345,592

Employment Summary				
		FY 2011	FY 2012	FY 2013
Ready Reserve Force		Actual	Enacted	Request
Reimbursable:				
2001	Civilian full-time equivalent employment	326	333	333
Total Employment		326	333	333

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

(In thousands of dollars)

Indentification code 69-70-4303-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0801	Vessel operations	15,442	20,000	20,000
0900	Total new obligations	15,442	20,000	20,000
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	41,613	52,313	41,313
1021	Recoveries of prior year unpaid obligations	19,339	-	-
1050	Unobligated balance (total)	60,952	52,313	41,313
Budget authority:				
Appropriations, discretionary:				
1100	Appropriation	-	-	-
1160	Appropriation, discretionary (total)	-	-	-
1700	Change in uncollected payments, Federal sources	37,827	9,000	9,000
1701	Spending auth from offsetting collections, disc (total)	-31,024	-	-
1750	Spending auth from offsetting collections, disc (total)- Computed totals	6,803	9,000	9,000
1900	Budget authority (total)	6,803	9,000	9,000
1930	Total budgetary resources available	67,755	61,313	50,313
Memorandum (non-add) entries:				
1940	Unobligated balance expiring	-	-	-
1941	Unexpired unobligated balance, end of year	52,313	41,313	30,313
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	144,956	144,957	144,957
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-51,359	-51,358	-51,358
3020	Obligated balance, start of year (net)	93,597	93,599	93,599
3030	Obligations incurred, unexpired accounts	15,442	20,000	20,000
3040	Outlays (gross)	-121,902	-26,316	-25,410
3050	Change in uncollected pymts, Fed sources, unexpired	31,024	-	-
3080	Recoveries of prior year unpaid obligations, unexpired	-19,339	-	-
3081	Recoveries of prior year unpaid obligations, expired	-	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	19,157	138,641	139,547
3091	Uncollected pymts, Fed sources, end of year	-20,334	-51,358	-51,358
3100	Obligated balance, end of year (net):	-1,177	87,283	88,189

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

(In thousands of dollars)

Indentification code 69-70-4303-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	6,803	9,000	9,000
Outlays, gross:				
4010	Outlays from new discretionary authority	12,262	8,100	8,100
4011	Outlays from discretionary balances	109,640	18,216	17,310
4020	Outlays, gross (total)	121,902	26,316	25,410
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources	-29,651	-9,000	-9,000
4033	Non-Federal sources	-8,177	-	-
4040	Offsets against gross budget authority and outlays (total)	-37,828	-9,000	-9,000
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	31,024	-	-
4052	Offsetting collections credited to expired accounts	-	-	-
4060	Additional offsets against budget authority only (total)	31,024	-	-
4070	Budget authority, net (discretionary)	-	-	-
4080	Outlays, net (discretionary)	84,074	17,316	16,410
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	84,074	17,316	16,410

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. Until 2010, interagency agreement transactions to fund and administer these programs were reflected in this fund. Beginning in 2011, these interagency agreement transactions are instead reflected in the Ready Reserve Force account.

The fund is also authorized for the receipt of sales proceeds from the disposition of obsolete vessels. 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		FY 2011	FY 2012	FY 2013
<u>Code</u>	<u>Object Class</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
	Reimbursable obligations:			
2111	Full-time permanent	-	-	-
2113	Other than full-time permanent	-	-	-
2115	Other than full-time permanent	-	-	-
2119	Total personnel compensation	-	-	-
2121	Benefits for former personnel	-	-	-
2210	Travel and transportation of persons	15	15	15
2200	Transportation of things	-	-	-
2231	Rental Payments to GSA	210	210	210
2232	Rental Payments to Others	26	26	26
2233	Communications, utilities & misc. charges	-	-	-
2240	Printing and Reproduction	-	-	-
2251	Advisory and assistance services	1,369	1,369	1,369
2252	Other Services	-	-	-
2253	Other goods and services from federal sources	3,305	3,210	3,210
2254	Operation and maintenance of facilities	8,271	12,923	12,923
2256	Medical care	-	-	-
2257	Operation and maintenance of equipment	1,459	1,459	1,459
2260	Supplies and materials	3	3	3
2310	Equipment	248	248	248
2320	Land and Structures	154	154	154
2410	Grants, Subsidies, Contributions	383	383	383
9999	Total New Obligations	15,443	20,000	20,000

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

(In thousands of dollars)

Identification code 69-4302-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	General Administration	68	-	-
0900	Total new obligations	68	-	-
Obligations by program activity:				
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	46,183	47,252	47,252
1020	Adjustment of unobligated bal brought forward, Oct 1	610	-	-
1050	Unobligated balance (total)	46,793	47,252	47,252
Spending authority from offsetting collections, discretionary:				
1700	Collected	527	-	-
1701	Change in uncollected payments, Federal Sources	-	-	-
1750	Spending auth from offsetting collections, disc (total)	527	-	-
Budget authority:				
Appropriations, discretionary				
1930	Total budgetary resources available	47,320	47,252	47,252
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	47,252	47,252	47,252
Budget authority and outlays, net:				
Discretionary:				
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-	-	-
Memorandum (non-add) entries:				
5000	Total Investments, SOY: Federal securities:			
	Par value	44,258	44,121	44,121
5001	Total Investments, EOY: Federal securities:			
	Par value	44,121	44,121	44,121

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 GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT
(INCLUDING [RESCISSION AND] TRANSFER OF FUNDS)**

For the necessary administrative expenses of the maritime guaranteed loan program, [~~\$3,740,000~~]~~\$3,750,000~~ shall be paid to the appropriation for Operations and Training", Maritime Administration[: *Provided*, That of the unobligated balance of funds made available for obligation under Public Law 110–329 and Public Law 111–118, \$35,000,000 are permanently rescinded]. (*Department of Transportation Appropriations Act, 2012.*)

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

(In thousands of dollars)

Identification code 69-1752-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0702	Loan guarantee subsidy	59,345	27,257	-
0707	Reestimates of loan guarantee subsidy	41,713	30,763	-
0708	Interest on reestimates of loan guarantee subsidy	40,713	11,945	-
0709	Administrative Expenses	3,992	3,740	3,750
0900	Total new obligations	145,763	73,705	3,750
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	76,612	62,257	-
1021	Recoveries of prior year unpaid obligations	-	-	-
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	9,000	3,740	3,750
1131	Unobligated balance of appropriations permanently reduced	-18	-35,000	-
1160	Appropriation, discretionary (total)	8,982	-31,260	3,750
Appropriations, mandatory:				
1200	Appropriation	82,426	42,708	-
1260	Appropriations, mandatory (total)	82,426	42,708	-
1701	Change in uncollected payments, Federal sources	40,000	-	-
1750	Spending auth from offsetting collections, disc (total)	40,000	-	-
1900	Budget authority (total)	131,408	11,448	3,750
1930	Total budgetary resources available	208,020	73,705	3,750
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	62,257	-	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	-	59,345	35,000
3010		-	-40,000	-40,000
3020	Obligated balance, start of year (net)	-	19,345	-5,000
3030	Obligations incurred, unexpired accounts	145,763	73,705	3,750
3040	Outlays (gross)	-86,418	-98,050	-3,750
3050	Change in uncollected pymts, Fed. sources, unexpired	-40,000	-	-
3080	Recoveries of prior year unpaid obligations, unexpired	-	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	59,345	35,000	35,000
3091	Uncollected pymts, Fed. sources, end of year	-40,000	-40,000	-40,000
3100	Obligated balance, end of year (net)	19,345	-5,000	-5,000

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

(In thousands of dollars)

		FY 2011	FY 2012	FY 2013
		Actual	Enacted	Request
Identification code 69-1752-0-1-403				
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	48,982	-31,260	3,750
Outlays, gross:				
4010	Outlays from new discretionary authority	3,992	-31,250	3,750
4011	Outlays from discretionary balances	-	86,592	-
4020	Outlays gorss, (total)	3,992	55,342	3,750
Offsets against gross budget auhtority and outlays:				
Offsetting collections (collected) from:				
4050	Change in uncollected pymts, Fed. sources, unexpired	-40,000	-	-
4070	Budget authority, net (discretionary)	8,982	-31,260	3,750
4080	Outlays, net (discretionary)	3,992	55,342	3,750
Mandatory:				
4090	Budget authority, gross	82,426	42,708	-
Outlays, gross:				
4100	Outlays from new mandatory authority	82,426	42,708	-
4160	Budget authority, net (mandatory)	82,426	42,708	-
4170	Outlays, net (mandatory)	82,426	42,708	-
4180	Budget authority, net (total)	91,408	11,448	3,750
4190	Outlays, net (total)	86,418	98,050	3,750

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

Object Class Code	<u>Object Class</u>	FY 2011 <u>Actual</u>	FY 2012 <u>Enacted</u>	FY 2013 <u>Request</u>
1252	Other services	3,992	3,740	3,750
1410	Grants, subsidies, and contributions	<u>141,771</u>	<u>69,965</u>	<u>-</u>
9999	Total New Obligations	145,763	73,705	3,750

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM

Program and Performance Statement

The Maritime Guaranteed Loan (Title XI) program provide for a full faith and credit guarantee of debt obligations issued by U.S or foreign shipowners to finance or refinance either U.S.-flag vessels or eligible export vessels constructed, reconstructed or reconditioned in U.S. shipyards; or debt obligations issued by U.S. shipyard owners 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 which are estimated on a present value basis. The account also reflects the administrative expenses of the program which are estimated on a cash basis. Funds for administrative expenses are appropriated to this account, then paid to the MARAD Operations and Training account.

No new subsidy funds for loan guarantees are requested for 2013.

EXHIBIT III-1

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

	<u>FY 2011</u> <u>ACTUAL</u>	<u>FY 2012</u> <u>ENACTED</u>	<u>FY 2013</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2012-2013</u>
Maritime Guaranteed Loan Program	8,982	3,740	3,750	10
Total	8,982	3,740	3,750	10
FTEs				
Direct Funded 1/	[20]	[21]	[21]	[-]
Reimbursable, allocated, other	[-]	[-]	[-]	[-]

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

EXHIBIT III -1a

**MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2012 TO FY 2013
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

ITEM	Change from FY 2012 to FY 2013 \$0	Change from FY 2012 to FY 2013 FTE
FY 2012 Base	\$3,740	[21]
Adjustments to Base		
2013 Pay Raise (0.5%)	11	
One Additional Compensable Day	11	
WCF	-12	
Subtotal, Adjustments to Base	\$10	
New or Expanded Programs		
Operating Expenses	-	[-]
Subtotal, New or Expanded Program		
Increases/ Decreases	-	[-]
Total FY 2013 Request	\$3,750	[21]

EXHIBIT III-2

ANNUAL PERFORMANCE RESULTS AND TARGETS MARITIME ADMINISTRATION

Annual Performance Results and Targets

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

Title XI loan projects that have not defaulted since 1993	2008	2009	2010	2011	2012	2013
Target	92%	92%	92%	92%	92%	92%
Actual	92%	90%	88%	88%		
Target Achieved	√	✗	✗	✗		

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM
FY 2003 - FY 2012
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2003	Guarantee Subsidy	-	25,000
	Administration	4,126	4,482
	Rescission of Unobligated Balance	-	-
	TOTAL	4,126	29,099 1/
2004	Guarantee Subsidy	-	-
	Administration	4,498	4,471
	Rescission of Unobligated Balance	-	-
	TOTAL	4,498	4,471 2/
2005	Guarantee Subsidy	-	-
	Administration	4,764	4,726
	Rescission of Unobligated Balance	-	-
	TOTAL	4,764	4,726 3/
2006	Guarantee Subsidy	-	5,000 4/
	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	- 5/	3,408
	Rescission of Unobligated Balance	-	-
	TOTAL	-	8,408
2009	Guarantee Subsidy	-	-
	Administration	3,531	3,531
	Rescission of Unobligated Balance	-	-
	TOTAL	3,531	3,531
2010	Guarantee Subsidy	-	5,000
	Administration	3,630	4,000
	Rescission of Unobligated Balance	-	-
	TOTAL	3,630	9,000
2011	Guarantee Subsidy	-	4,990 5/
	Administration	3,688	3,992 5/
	Rescission of Unobligated Balance	-	-
	TOTAL	3,688	8,982
2012	Guarantee Subsidy	-	-
	Administration	3,740	3,740
	Rescission of Unobligated Balance	-	-35,000 6/
	TOTAL	3,740	-31,260
2013	Guarantee Subsidy	-	-
	Administration	3,750	-
	Rescission of Unobligated Balance	-	-
	TOTAL	3,750	-

Footnotes (Actual Dollars - not in thousands):

1/ Includes \$26,819 rescinded in P.L.108-7.

2/ Includes \$26,538 rescinded in P.L.108-199.

3/ Includes \$38,112 rescinded in P.L.108-447.

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

5/ 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.

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

6/ Includes \$35 million rescinded in P.L.112-55.

Justification for the Maritime Guaranteed Loan Program (Title XI)

(\$000)				
Program Activity	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request	Difference from FY 2012 Enacted
Administrative Expenses	3,992	3,740	3,750	10
Loan Guarantees	4,990	0	0	0
Total	\$8,982	\$3,740	\$3,750	\$10

I. Budget Request

What is the request and what will we get for the funds? For FY 2013, \$3.75 million is requested for administrative expenses for the Maritime Guaranteed Loan Program (Title XI), \$10 thousand above FY 2012. No new subsidy funds are requested for additional ship construction loan guarantees in 2013. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act and to manage a \$2.3 billion loan portfolio.

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

The funding at this level will support the administrative expenses to comply with the Federal Credit Reform Act and the Department of Transportation Inspector (DOTIG) and Government Accountability Office (GAO) recommendations on portfolio management. MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio and in the management of assets acquired through borrower default.

II. Program Performance

What is the program?

The primary purpose of the Maritime Guaranteed Loan program is to promote the growth and modernization of the U.S. Merchant Marine and U.S. shipyards by providing additional opportunities for domestic vessel construction. The program enables owners of eligible vessels and eligible shipyards to obtain long-term financing with attractive terms and stable interest rates. Vessels eligible for Title XI assistance generally include commercial vessels such as passenger ferries, bulk carriers, container ships, product and chemical tankers, towboats, barges, dredges, oceanographic research vessels, floating power barges, offshore oil rigs and support vessels, and floating drydocks. Eligible shipyard modernization projects generally include proven technologies, techniques and processes, and novel techniques and processes designed to improve shipbuilding and related industrial production or which advances the U.S. shipbuilding state-of-the-art. While there are no new subsidy funds requested for new loan guarantees in FY 2013, the requested level will fund administrative expenses to enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio and asset management.

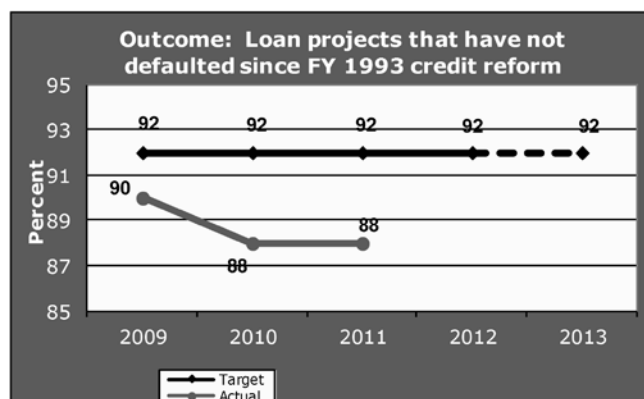
Why is this particular program necessary?

The Maritime Guaranteed Loan Program promotes the growth and modernization of the U.S. merchant marine and U.S. shipyards by enabling owners of eligible vessels and shipyards to obtain long-term financing on terms and conditions that might not otherwise be available for projects that are technically, financially and economically sound. All companies in the Title XI portfolio undergo periodic financial reviews and companies with higher potential for default receive

additional monitoring. Vessels financed by the Title XI program directly contribute to the ability of the United States to carry its domestic and foreign waterborne commerce.

How do you know the program works?

The agency manages to Title XI program performance measures, including tracking Title XI loan guarantee projects that have not defaulted. The program performance of 88 percent was just short of the objective in FY 2011, 92 percent of loans that have not defaulted since the Federal Credit Reform Act, an indication of effective due diligence in the evaluation of loan guarantee applicants' proposals and of the ongoing monitoring of the borrowers performance in the loan guarantee portfolio. In FY 2011 the program did not experience any new defaults. The last loan default occurred in February 2010.



Funding History:

(\$000) Maritime Guaranteed Loans (Title XI) – Administrative Expenses	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	0 ¹	3,531	3,630	3,688	3,740	3,750
Enacted	3,408	3,531	4,000	3,992	3,740	

(\$000) Loan Subsidies	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Requested	0	0	0	0	0	0
Enacted	5,000	0	5,000	4,990	0	

¹ The President's Budget did not request any direct appropriated funding to administer the Title XI program during 2008. Instead, it proposed to transfer \$3.422 million of the unobligated balance in the Maritime Guarantee Loan Programs Account and merge it with the appropriation for Operations and Training.

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2011	FY 2012 Enacted	FY 2013
		Actual		Request
Obligations by program activity:				
Credit program obligations				
0711	Default claim payments on principal	-	41,061	35,994
0712	Default claim payments on interest	-	1,000	1,000
0713	Payment of interest to Treasury	9,680	12,000	12,000
0715	Default related activities	3,471	10,000	10,000
0742	Downward reestimate paid to receipt account	10,286	28,000	-
0743	Interest on downward reestimate	10,023	27,339	-
0900	Total new obligations	33,460	119,400	58,994
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	179,794	195,392	345,992
1021	Recoveries of prior year unpaid obligations	198	-	-
1050	Unobligated balance (total)	179,992	195,392	345,992
Borrowing authority, mandatory:				
1400	Borrowing authority	-	50,000	-
1440	borrowing authority, mandatory (total)	-	50,000	-
Spending authority from offsetting collections, mandatory:				
1800	Collected	113,860	220,000	-
1801	Change in uncollected payments, Federal sources	-	-	-
1825	Spending authority from offsetting collections mand. (total)	-65,000	-	-
1850	Spending auth from offsetting collections, mand (total)	48,860	220,000	-
1900	Budget authority (total)	48,860	270,000	-
1930	Total budgetary resources available	228,852	465,392	345,992
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	195,392	345,992	286,998
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	2,871	1,497	1,497
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-	-	-
3020	Obligated balance, start of year (net)	2,871	1,497	1,497
3030	Obligations incurred, unexpired accounts	33,460	119,400	58,994
3040	Outlays (gross)	-34,636	-119,400	-35,994
3050	Change in uncollected pymts, Fed sources, unexpired	-	-	-
3080	Recoveries of prior year unpaid obligations	-198	-	-
3090	Unpaid obligations, end of year (gross)	1,497	1,497	24,497
3100	Obligated balance, end of year (net)	1,497	1,497	24,497

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2011	FY 2012 Enacted	FY 2013
		Actual		Request
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	48,860	270,000	-
Financing disbursements:				
4110	Financing disbursements, gross	34,636	119,400	35,994
4120	Payments from program account- Upward Reestimate	-82,426	-42,708	-
4120	Federal sources	-	-159,000	-
4122	Interest on uninvested funds	-14,139	-	-
4123	Loan repayment	-	-	-
4123	Fees collected	-17,295	-18,000	-
4130	Offsets against gross financing auth and disbursements (total)	-113,860	-219,708	-
Additional offsets against, financing authority only (total):				
4140	Change in uncollected pymts, Fed sources, unexpired	-	-	-
4150	Additional offsets against, budget authority only (total)	-	-	-
4160	Financing authority, net (mandatory)	-65,000	50,000	-
4170	Outlays, net (mandatory)	-79,224	-100,308	35,994
4180	Budget authority, net (total)	-65,000	50,000	-
4190	Outlays, net (total)	-79,224	-100,308	35,994

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

Identification code 69-4304-0-3-999		FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
Position with respect to appropriations act limitation on commitments:				
2131	Guaranteed loan commitments exempt from limitation	797,680	369,824	-
2150	Total guaranteed loan commitments	797,680	369,824	-
2199	Guaranteed amount of guaranteed loan commitments	-	-	-
2210	Outstanding start of year	2,028,217	1,796,994	2,698,436
2231	Disbursements of new guaranteed loans	-	1,167,504	-
2251	Repayments and prepayments	-231,223	-225,000	-217,000
2262	Adjustments: Terminations for default	-	-41,062	-35,994
2290	Outstanding end of year	1,796,994	2,698,436	2,445,442
Memorandum:				
2299	Amount of guaranteed loans outstanding end of year	1,796,994	2,698,436	2,445,442

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 2010	FY 2011
		Actual	Actual
ASSETS:			
FEDERAL ASSETS:			
1101	Fund balance with Treasury	182,665	196,889
1106	Receivables, net	<u>141,700</u>	<u>71,135</u>
1999	Total assets	324,365	268,024
LIABILITIES:			
2204	Non-Federal liabilities: liabilities for loan guarantees	<u>324,365</u>	<u>268,024</u>
2999	Total liabilities	324,365	268,024
4999	Total liabilities and net position	324,365	268,024

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

(In thousands of dollars)

Identification code 69-5560-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	Port of Guam	795	1,865	48,500
0900	Total new obligations	795	1,865	48,500
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	50,060	50,365	48,500
1050	Unobligated balance (total)	50,060	50,365	48,500
Spending authority from offsetting collections, discretionary:				
1700	Collected	1,713		
1701	Change in uncollected payments, Federal Sources	-613	-	-
1750	Spending auth from offsetting collections,	1,100	-	-
1900	Budget authority (total)	1,100	-	-
1930	Total budgetary resources available	51,160	50,365	48,500
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	50,365	48,500	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	1,772	758	886
3020		-2,000	-1,387	-1,387
3020	Obligated balance, start of year (net)	-228	-629	-501
3030	Obligations incurred, unexpired accounts	795	1,865	48,500
3040	Outlays (gross)	-1,809	-1,737	-48,755
Obligated balance, end of year (net):				
3050	Change in uncollected pymts, Fed sources, unexpired	613	-	-
3090	Unpaid obligations, end of year (gross)	758	886	631
3091	Uncollected pymts, Fed sources, end of year	-1,387	-1,387	-1,387
3100	Obligated balance, end of year (net)	-629	-501	-756
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	1,100	-	-
Outlays, gross:				
4010	Outlays from new discretionary authority	309	-	-
4011	Outlays from discretionary balances	1,500	1,737	48,755
4020	Outlays gross, (total)	1,809	1,737	48,755
Offsetting collections (collected) from:				
4030	Federal sources	-1,713	-	-
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	-613	-	-
4052	Offsetting collections credited to expired accounts	-	-	-
4060	Additional offsets against gross budget authority only (total)	-613	-	-
4070	Budget authority, net (discretionary)	487	-	-
4080	Outlays, net (discretionary)	96	1,737	48,755
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	96	1,737	48,755

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

Object Class Code	Object Class	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
1251	Advisory and assistance services	34	-	-
1257	Operation and maintenance of equipment	693	1,865	-
1410	Grants, claims and subsidies	-	-	48,500
1990	Subtotal , direct obligations	<u>727</u>	<u>1,865</u>	<u>48,500</u>

Object Class Code	Object Class	FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
1210	Travel and transportation of persons	54	-	-
1253	Other goods and services from federal sources	14	-	-
2990	Subtotal , direct obligations	<u>68</u>	<u>-</u>	<u>-</u>
9999	Total Obligations	795	1,865	48,500

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

(In thousands of dollars)

Identification code 69-8547-0-1-403		FY 2011 Actual	FY 2012 Enacted	FY 2013 Request
Obligations by program activity:				
0001	Special Studies	24,079	13,455	-
0002	Gifts and Bequests	451	1,000	3,380
0100	Total direct program - Subtotal (running)	24,530	14,455	3,380
0900	Total new obligations (object class 25.2)	24,530	14,455	3,380
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	15,525	15,435	2,180
1021	Unobligated balance: Prior Year Recoveries	228	-	-
1050	Unobligated balance (total)	15,753	15,435	2,180
Budget authority:				
Appropriations, mandatory:				
1202	Appropriation (8547)	23,000	-	-
1202	Appropriation (8503)	1,212	1,200	1,200
1260	Appropriations, mandatory (total)	24,212	1,200	1,200
1900	Budget authority (total)	39,965	16,635	3,380
1930	Total budgetary resources available	39,965	16,635	3,380
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	15,435	2,180	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	21,222	14,247	17,924
3020	Obligated balance, start of year (net)	21,222	14,247	17,924
3030	Obligations incurred, unexpired accounts	24,530	14,455	3,380
3040	Outlays (gross)	-31,277	-10,778	-21,304
3080	Recoveries of prior year unpaid obligations, unexpired	-228	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	14,247	17,924	-
3100	Obligated balance, end of year (net)	14,247	17,924	-
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	24,212	1,200	1,200
Outlays, gross:				
4100	Outlays from new mandatory authority	13,643	1,200	1,200
4101	Outlays from mandatory balances	17,634	9,578	20,104
4110	Outlays, gross (total)	31,277	10,778	21,304
4160	Budget authority, net (mandatory)	24,212	1,200	1,200
4170	Outlays, net (mandatory)	31,277	10,778	21,304
4180	Budget authority, net (total)	24,212	1,200	1,200
4190	Outlays, net (total)	31,277	10,778	21,304

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ADMINISTRATIVE PROVISIONS—MARITIME ADMINISTRATION

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

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

[SEC. 172. Notwithstanding any other provision of law, none of the funds provided in this Act shall be used to make a determination of the nonavailability of qualified United States flag capacity for purposes of 46 U.S.C. 501(b) for the transportation of crude oil distributed from the Strategic Petroleum Reserve unless as part of that determination the Secretary of Transportation, after consultation with representatives from the United States flag maritime industry, provides to the Secretary of Homeland Security a list of United States flag vessels with single or collective capacity that may be capable of providing the requested transportation services and a written justification for not using such United States flag vessels.] (*Department of Transportation Appropriations Act, 2012.*)

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REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS

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

SEC. 3506. REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS.

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

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

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

	<u>FY 2010</u>	<u>FY 2011</u>
<u>Appropriated Funds</u>		
Operations and Training	149,750	157,197
Assistance to Small Shipyards	15,000	9,980 ^{1/}
Ship Disposal Program	15,000	14,970
Maritime Security Program	174,000	173,652
Port of Guam Improvement Enterprise Fund	50,000 ^{2/}	-
Maritime Guaranteed Loan Program (Title XI)	9,000	8,982
Subtotal, Appropriated Funds	412,750	364,781
<u>Other Budget Authority:</u>		
Ocean Freight Differential	175,000	175,000
Maritime Guaranteed Loan Programs - Subsidy Reestimate	55,762	82,426
Subtotal, Other Budget Authority	230,762	257,426
<u>Non-appropriated Funds:</u>		
Vessel Operations Revolving Fund	360,926	8,176
Ready Reserve Force	-	408,836
Operations and Training	13,690	9,219
Maritime Guaranteed Loan Program (Title XI)	29,912 ^{3/}	40,000 ^{4/}
Gifts and Bequests	491	1,212
Special Studies, Services, and Projects	41,600	23,000
FHWA Allocations	4,550	-
OST Allocations	120,440	94,540
Non-Appropriated Funding Instrumentalities (NAFIs)	10,297	7,604
Subtotal, Non-Appropriated Funds	581,906	183,751
Total Funds	1,225,418	805,958

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

2/ Includes funding transferred to MARAD from the Department of Defense per P.L. 111-212.

3/ Includes reimbursable funding provided to MARAD from the Department of Defense per P.L. 111-118.

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

The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. MARAD receives funds via interagency agreements, transfers and allocations to support the programs of a number of Departments and agencies, including Department of Defense (DOD)/U.S. Navy, Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and others. In FY 2011, while the agency's appropriations totaled \$365 million, the table above illustrates that the total program scope was over \$806 million.

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

Vessel Operations Revolving Fund

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

Operations & Training

FTA transferred \$5.750 million to MARAD to support the Hawaii port project in FY 2011. MARAD provides federal oversight and coordination of port projects, to act as a central procurement organization, leveraging federal and non-federal funding resources, and streamlining the environmental review and permitting process. Reimbursements are derived from interagency agreements to support the programs of a number of Federal Agencies. Reimbursable activity in this account also includes collections received by the agency.

Maritime Guaranteed Loan Program (Title XI)

Title XI subsidy funds were provided to the Maritime Administration from the Department of Defense FY 2010 (\$29.9 million per Public Law 111-118) and FY 2011 (\$40 million per Public Law 112-10).

Gifts and Bequests

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

Special Studies, Services and Projects

MARAD may receive funding from non-Federal sources, including states, municipalities, and private entities for collaborative, cost-sharing efforts advancing maritime missions. Notably, in FY 2011, MARAD received \$23 million from the Port of Anchorage Municipality for the redevelopment and expansion of the port facility.

OST Allocations

The Office of the Secretary of Transportation (OST) can allocate funds for MARAD programs. For instance, the TIGER (Transportation Investment Generating Economic

Recovery) Discretionary Grant Program was included in the Recovery Act to spur a national competition for innovative, multi-modal and multi-jurisdictional transportation projects that promise significant economic and environmental benefits to an entire metropolitan area, as region or the nation. The Secretary's program provided \$93.3 million in FY 2011 for grants and \$1.2 million for administrative oversight of seven Marine Highway projects, including projects in California, Florida (2), Illinois, Oregon, Rhode Island, and Tennessee.

Non-Appropriated Funding Instrumentalities (NAFIs)

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

