



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2018

MARITIME ADMINISTRATION

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

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**DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2018**

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**MARITIME ADMINISTRATION
FISCAL YEAR 2018 BUDGET REQUEST
Congressional Justification**

**SECTION ONE
OVERVIEW**



May 23, 2017

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MARITIME ADMINISTRATION

FY 2018 Budget Request

Overview

In Fiscal Year (FY) 2018, the President's Budget requests \$390.8 million for the Maritime Administration (MARAD) to strengthen the United States (U.S.) marine transportation system. MARAD works in a variety of areas involving ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, and education. MARAD is also charged with maintaining the health of the merchant marine, since commercial mariners, vessels, and intermodal facilities are vital for supporting national security.

MARAD's largest mission area is National Security. In FY 2018, funding for the Maritime Security Program as well as reimbursable funding from the Department of Defense will be used to ensure surge sealift capabilities during military deployments and responding to national emergencies. The U.S.-flag fleet of privately owned, commercially operated vessels, along with government-owned vessels, provide a critical public-private sealift surge and sustainment capacity to move equipment and materials for the U.S. Armed Forces and Federal agencies when needed, and where needed, during times of conflict, humanitarian crises, and natural disasters.

Another primary mission area within MARAD is Maritime Education and Training. Through the U.S. Merchant Marine Academy (USMMA) and support for six State Maritime Academies (SMAs), MARAD educates the majority of the Nation's new generation of highly skilled Merchant Marine officers who, through service obligations, are committed to national service during times of peace and war. In FY 2018, funding is requested to continue to support the highest standards of quality and excellence in education at USMMA. Funding is also requested to continue providing Federal assistance to SMAs, including the Student Incentive Program and School Ship Maintenance and Repair.

In addition to these two primary mission areas, MARAD is the disposal agent for Federal government owned merchant-type vessels totaling 1,500 gross tons or greater and has custody of a fleet of non-retention ships. Funding is requested in FY 2018 to continue MARAD's obligations and responsibilities for the Ship Disposal Program. Finally, the FY 2018 request also includes funding to continue Federal investments in maritime innovation and efficiency through the Maritime Environment and Technology Assistance and the Short Sea Transportation/America's Marine Highways assistance programs.

MARITIME ADMINISTRATION
FY 2018 Budget Request Summary
(Dollars in Thousands)

<u>ACCOUNT/PROGRAM</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2017 ENACTED</u>	<u>FY 2018 REQUEST</u>
OPERATIONS & TRAINING	\$171,155	\$170,830	\$175,560	\$171,820
U.S. Merchant Marine Academy	<u>82,500</u>	<u>82,343</u>	<u>83,218</u>	<u>84,400</u>
Academy Operations	64,500	64,377	69,000	66,400
Capital Asset Management Program	18,000	17,966	14,218	18,000
Capital Improvements	15,000	14,972	11,218	14,179
Facilities Maintenance and Repair, Equipment	3,000	2,994	3,000	3,821
State Maritime Academies	<u>33,600</u>	<u>33,536</u>	<u>35,200</u>	<u>27,400</u>
Student Incentive Program	2,400	2,396	2,400	2,400
Direct SMA Support	3,000	2,994	3,000	3,000
Fuel Assistance Payments	1,200	1,198	1,800	-
School Ship Maintenance & Repair	22,000	21,958	22,000	22,000
Training Ship Replacement	5,000	4,990	6,000	-
MARAD Operations & Programs	<u>55,055</u>	<u>54,951</u>	<u>57,142</u>	<u>\$60,020</u>
Headquarters Operations	47,055	46,967	49,142	53,020
Maritime Program Initiatives	<u>8,000</u>	<u>7,984</u>	<u>8,000</u>	<u>7,000</u>
Maritime Environment & Technology Assistance	3,000	2,994	3,000	3,000
Short Sea Transportation (America's Marine Highways)	5,000	4,990	5,000	4,000
ASSISTANCE TO SMALL SHIPYARDS	<u>5,000</u>	<u>4,990</u>	<u>10,000</u>	-
SHIP DISPOSAL PROGRAM	<u>5,000</u>	<u>4,990</u>	<u>34,000</u>	<u>9,000</u>
Ship Disposal	1/	2/	7,000	6,000
NS SAVANNAH	1/	2/	3,000	3,000
NS SAVANNAH Decommissioning	-	-	24,000	-
MARITIME SECURITY PROGRAM	<u>210,000</u>	<u>209,601</u>	<u>300,000</u>	<u>210,000</u>
MARITIME GUARANTEED LOAN PROGRAM	<u>8,135</u>	<u>8,119</u>	<u>3,000</u>	-
Administrative Expenses	3,135	3,129	3,000	-
Loan Guarantees	5,000	4,990	-	-
TOTAL	\$399,290	\$398,530	\$522,560	\$390,820

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

2/ Funding for FY 2017 is shown in the lump sum similar to FY 2016 for the Ship Disposal Program account which includes funds for SAVANNAH and Ship Disposal recycling contracts.

U.S. Department of Transportation

Maritime Administration

Organizational Chart – FTE FY 2017 – FY 2018

MARAD Total FY 2017 FTE: 789
Direct: 489
Reimbursable: 300

MARAD Total FY 2018 FTE: 812
Direct: 499
Reimbursable: 313

Office of the Administrator and Staff Offices

	<u>2017</u>	<u>2018</u>
Direct:	53	53
Reimb:	4	4
Total:	57	57

United States Merchant Marine Academy

	<u>2017</u>	<u>2018</u>
Direct:	275	288
Reimb:	0	0
Total:	275	288

Associate Administrator for Budget and Programs/ Chief Financial Officer

	<u>2017</u>	<u>2018</u>
Direct:	17	17
Reimb:	23	23
Total:	40	40

Associate Administrator for Administration

	<u>2017</u>	<u>2018</u>
Direct:	33	33
Reimb:	31	31
Total:	63	63

Associate Administrator for Environment and Compliance

	<u>2017</u>	<u>2018</u>
Direct:	17	17
Reimb:	2	2
Total:	19	19

Associate Administrator for Intermodal System Development

	<u>2017</u>	<u>2018</u>
Direct:	33	33
Reimb:	1	1
Total:	34	34

Associate Administrator for Strategic Sealift

	<u>2017</u>	<u>2018</u>
Direct:	35	35
Reimb:	238	251
Total:	273	286

Associate Administrator for Business and Finance Development

	<u>2017</u>	<u>2018</u>
Direct:	27	24
Reimb:	1	1
Total:	28	25

U.S. Department of Transportation

Maritime Administration

Organizational Chart – FTP
FY 2017 – FY 2018

MARAD Total FY 2017 FTP: 820
Direct: 507
Reimbursable: 313

MARAD Total FY 2018 FTP: 813
Direct: 500
Reimbursable: 313

**Office of the Administrator
and Staff Offices**

	<u>2017</u>	<u>2018</u>
Direct:	56	56
Reimb:	4	4
Total:	60	60

**United States Merchant
Marine Academy**

	<u>2017</u>	<u>2018</u>
Direct:	288	288
Reimb:	0	0
Total:	288	288

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

	<u>2017</u>	<u>2018</u>
Direct:	17	17
Reimb:	23	23
Total:	40	40

**Associate Administrator
for Administration**

	<u>2017</u>	<u>2018</u>
Direct:	33	33
Reimb:	31	31
Total:	64	64

**Associate Administrator
for Environment and
Compliance**

	<u>2017</u>	<u>2018</u>
Direct:	17	17
Reimb:	2	2
Total:	19	19

**Associate Administrator
for Intermodal System
Development**

	<u>2017</u>	<u>2018</u>
Direct:	34	34
Reimb:	1	1
Total:	35	35

**Associate Administrator
Strategic Sealift**

	<u>2017</u>	<u>2018</u>
Direct:	36	36
Reimb:	250	250
Total:	286	286

**Associate Administrator
for Business and Finance
Development**

	<u>2017</u>	<u>2018</u>
Direct:	27	21
Reimb:	1	1
Total:	28	22

EXHIBIT II-1

**FY 2018 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)**

	(A)	(B)	(C)	(D)
<u>ACCOUNT NAME</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2017 ENACTED</u>	<u>FY 2018 REQUEST</u>
Operations and Training	\$171,155	\$170,830	\$175,560	\$171,820
Assistance to Small Shipyards	\$5,000	\$4,990	\$10,000	-
Ship Disposal Program	\$5,000	\$4,990	\$34,000	\$9,000
Maritime Security Program	\$210,000	\$209,601	\$300,000	\$210,000
Maritime Guaranteed Loan Prog. (Title XI)	<u>\$146,256</u>	<u>\$8,528</u>	<u>\$3,000</u>	-
Administrative Expenses	3,135	3,129	3,000	-
Loan Guarantees	5,000	4,990	-	-
Subsidy Reestimate	138,121	409	-	-
Gifts and Bequests	\$872	\$3,000	\$3,000	\$3,000
TOTAL	<u>\$538,283</u>	<u>\$401,939</u>	<u>\$525,560</u>	<u>\$393,820</u>
Appropriations	\$538,283	\$401,939	\$525,560	\$393,820
Rescissions	-	-	-	-

EXHIBIT II-2

**FY 2018 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
MARITIME ADMINISTRATION**

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

	(A)	(B)	(C)	(D)
<u>ACCOUNT NAME</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2017 ENACTED</u>	<u>FY 2018 REQUEST</u>
1. Operations and Training	<u>\$171,155</u>	<u>\$170,830</u>	<u>\$175,560</u>	<u>\$171,820</u>
A. U.S. Merchant Marine Academy	82,500	82,343	83,218	84,400
B. State Maritime Academies	33,600	33,536	35,200	27,400
C. MARAD Operations	55,055	54,951	57,142	60,020
Subtotal O&T				
2. Assistance to Small Shipyards	<u>\$5,000</u>	<u>\$4,990</u>	<u>\$10,000</u>	-
3. Ship Disposal Program	<u>\$5,000</u>	<u>\$4,990</u>	<u>\$34,000</u>	<u>\$9,000</u>
A. Ship Disposal	N/A	N/A	10,000	6,000
B. NS SAVANNAH	N/A	N/A	N/A	3,000
C. NS SAVANNAH Decommissioning	N/A	N/A	24,000	-
4. Maritime Security Program	<u>\$210,000</u>	<u>\$209,601</u>	<u>\$300,000</u>	<u>\$210,000</u>
5. Maritime Guaranteed Loans				
Program	<u>\$8,135</u>	<u>\$8,119</u>	<u>\$3,000</u>	-
A. Administrative Expenses	3,135	3,129	3,000	-
B. Loan Guarantees	5,000	4,990	-	-
Subtotal Title XI				
TOTAL	<u>\$399,290</u>	<u>\$398,530</u>	<u>\$522,560</u>	<u>\$390,820</u>

EXHIBIT II-4

**FY 2018 BUDGET AUTHORITY
MARITIME ADMINISTRATION
Budget Authority
(\$000)**

		(A)	(B)	(C)	(D)
<u>ACCOUNTS</u>		<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2017 ENACTED</u>	<u>FY 2018 REQUEST</u>
Operations and Training	D	\$171,155	\$170,830	\$175,560	\$171,820
Assistance to Small Shipyards	D	\$5,000	\$4,990	\$10,000	-
Ship Disposal Program	D	\$5,000	\$4,990	\$34,000	\$9,000
Maritime Security Program	D	\$210,000	\$209,601	\$300,000	\$210,000
Maritime Guaranteed Loan Program		<u>\$146,256</u>	<u>\$8,528</u>	<u>\$3,000</u>	-
Administrative Expenses	D	3,135	3,129	3,000	-
Loan Subsidies	D	5,000	4,990	-	-
Subsidy Reestimate	M	138,121	409	-	-
Gifts and Bequests	M	\$872	\$3,000	\$3,000	\$3,000
TOTAL		<u>\$538,283</u>	<u>\$401,939</u>	<u>\$525,560</u>	<u>\$393,820</u>
[Mandatory]		138,993	3,409	3,000	3,000
Discretionary]		399,290	398,530	522,560	390,820
Proprietary Receipts:					
Maritime Guaranteed Loan Program		\$30,903	\$47,833	\$47,833	-
Gifts and Bequests		<u>\$872</u>	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$3,000</u>
TOTAL MARAD RECEIPTS		<u>\$31,775</u>	<u>\$50,833</u>	<u>\$50,833</u>	<u>\$3,000</u>

EXHIBIT II-5

FY 2018 OUTLAYS MARITIME ADMINISTRATION (\$000)

<u>ACCOUNTS</u>		<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>
Operations and Training	D	\$138,027	\$200,284	\$220,111
Gifts and Bequests	M	\$641	\$2,553	\$3,000
Special Studies, Services, and Projects	M	-	\$1,447	-
Assistance to Small Shipyards	D	\$2,219	\$9,809	\$749
Ship Disposal	D	\$6,793	\$5,644	\$6,995
Maritime Security Program	D	\$196,315	\$226,966	\$209,972
Port of Guam Improvement Enterprise Fund	D	\$5,026	\$3,393	-
Ready Reserve Force	D	\$15,106	\$8,999	\$70,851
Vessel Operations Revolving Fund	D	\$8,766	\$7,087	-
War Risk Insurance Revolving Fund	D	-\$367	-\$300	-\$400
Maritime Guaranteed Loan Program		<u>\$172,244</u>	<u>\$24,528</u>	<u>\$21,073</u>
Administrative Expenses	D	3,135	3,129	-
Loan Subsidies	D	30,989	20,990	21,073
Subsidy Reestimate	M	138,120	409	-
TOTALS		<u>\$544,770</u>	<u>\$469,720</u>	<u>\$511,678</u>
[Mandatory]		138,761	4,409	3,000
[Discretionary]		406,009	465,311	508,678

EXHIBIT II-6

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

Academy Operations	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES (FTE)												
Direct FTE	251	275		8						283	5	288
<u>ACADEMY OPERATIONS</u>												
Salaries and Benefits	\$33,701	\$33,788	\$218	\$1,422	\$485	\$0	\$0	\$0	\$0	\$35,913	\$462	\$36,375
Instructional Programs	4,092	4,521	-	-	-	-	-	-	45	4,566	-266	4,300
Midshipmen Programs	11,699	13,165	-	-	-	-	-	-	132	13,297	-1,713	11,584
Program Direction & Administration	15,008	12,903	-	-	-	-	-	-	129	13,032	1,109	14,141
SUBTOTAL	\$64,500	\$64,377	\$218	\$1,422	\$485	\$0	\$0	\$0	\$306	\$66,808	-\$408	\$66,400
<u>CAPITAL ASSET MANAGEMENT PROGRAM</u>												
Capital Improvement Projects	\$15,000	\$14,972	-	-	-	-	-	-	-	\$14,972	-\$793	\$14,179
Facilities Maintenance and Repair, Equipment	3,000	2,994	-	-	-	-	-	-	-	2,994	827	3,821
SUBTOTAL	\$18,000	\$17,966	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,966	\$34	\$18,000
TOTAL	\$82,500	\$82,343	\$218	\$1,422	\$485	\$0	\$0	\$0	\$306	\$84,774	-\$374	\$84,400

EXHIBIT II-6

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

State Maritime Academies	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES (FTE)												
Direct FTE	-	-		-						-	-	-
PROGRAMS												
Student Incentive Program	\$2,400	\$2,396	-	-	-	-	-	-	-	\$2,396	\$4	\$2,400
Direct SMA Payment	3,000	2,994	-	-	-	-	-	-	-	2,994	6	3,000
Fuel Assistance Payments	1,200	1,198	-	-	-	-	-	-	-	1,198	-1,198	-
School Ship Maintenance & Repair	22,000	21,958	-	-	-	-	-	-	-	21,958	42	22,000
Training Ship Replacement	5,000	4,990	-	-	-	-	-	-	-	4,990	-4,990	-
TOTAL	\$33,600	\$33,536	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33,536	-\$6,136	\$27,400

EXHIBIT II-6

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

MARAD Operations & Programs	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES (FTE)												
Direct FTE	181	185		6						191	6	197
FINANCIAL RESOURCES												
Salaries and Benefits	\$28,753	\$29,189	\$153	\$947	\$418	\$0		\$0	\$0	\$30,707	\$2,140	\$32,847
Non-Discretionary Operations	10,867	11,425	-	-	-	-	169	611	114	12,319	200	12,519
Departmental Acquisition System (DP2)	[95]	[563]	-	-	-	-	-	-	-	[563]	[-]	[563]
Accounting Services (ESC)	[1,865]	[2,399]	-	-	-	-	-	-	-	[2,399]	[-]	[2,399]
GSA Rent	[2,986]	[3,142]	-	-	-	-	[169]	-	-	[3,311]	[-]	[3,311]
WCF	[3,657]	[3,533]	-	-	-	-	-	[611]		[4,144]	[-]	[4,144]
Operations & Travel	2,547	1,527	-	-	-	-	-	-	15	1,542	708	2,250
Information Technology	4,888	4,826	-	-	-	-	-	-	48	4,874	530	5,404
Admin Subtotal	\$47,055	\$46,967	\$153	\$947	\$418	\$0	\$169	\$611	\$177	\$49,442	\$3,578	\$53,020
PROGRAMS												
Maritime Environment & Technology												
Assistance	\$3,000	\$2,994	-	-	-	-	-	-	-	\$2,994	\$6	\$3,000
Short Sea Transportation (America's Marine Highways)	5,000	4,990	-	-	-	-	-	-	-	4,990	-990	4,000
Programs Subtotal	\$8,000	\$7,984	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,984	-\$984	\$7,000
TOTAL												
	\$55,055	\$54,951	\$153	\$947	\$418	\$0	\$169	\$611	\$177	\$57,426	\$2,594	\$60,020

EXHIBIT II-6

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

Assistance to Small Shipyards	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES (FTE)												
Direct FTE	1	1		-						1	-1	-
FINANCIAL RESOURCES												
Salaries and Benefits	\$98	\$98	\$1	-	\$1	-		-	-	\$100	-\$100	-
Travel	2	2	-	-	-	-	-	-	-	2	-2	-
Admin Subtotal 1/	\$100	\$100	\$1	\$0	\$1	\$0	\$0	\$0	\$0	\$102	-\$102	\$0
PROGRAMS												
Shipyard Grants	4,900	4,890	-	-	-	-	-	-	-	4,890	-4,890	-
Programs Subtotal	\$4,900	\$4,890	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,890	-\$4,890	\$0
TOTAL	\$5,000	\$4,990	\$1	\$0	\$1	\$0	\$0	\$0	\$0	\$4,992	-\$4,992	\$0

1/ Of the funds appropriated, 2 percent is available for the necessary costs of grant administration.

EXHIBIT II-6

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

Ship Disposal Program	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES												
(FTE)												
Direct FTE	10	8		-						8	-	8
FINANCIAL RESOURCES												
Salaries and Benefits	\$1,327	\$1,400	\$7	-	\$20	-		-	-	\$1,427	-	\$1,427
Travel	4	4	-	-	-	-	-	-	-	4	-	4
Operating Expenses	1	1	-	-	-	-	-	-	-	1	-	1
GSA Rent	173	135	-	-	-	-	-6	-	-	129	-	129
WCF	214	152	-	-	-	-	-	10	-	162	-	162
Admin Subtotal	\$1,719	\$1,692	\$7	\$0	\$20	\$0	-\$6	\$10	\$0	\$1,723	\$0	\$1,723
PROGRAMS												
Ship Disposal Program	\$281	\$598	-	-	-	-	-	-	-	\$598	\$3,679	\$4,277
NS Savannah	3,000	2,700	-	-	-	-	-	-	-	2,700	300	3,000
Programs Subtotal	\$3,281	\$3,298	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,298	\$3,979	\$7,277
TOTAL												
	\$5,000	\$4,990	\$7	\$0	\$20	\$0	-\$6	\$10	\$0	\$5,021	\$3,979	\$9,000

EXHIBIT II-6

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

Maritime Security Program	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES												
(FTE)												
Direct FTE	-	-		-						-	-	-
FINANCIAL RESOURCES												
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-	-	-
Admin Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROGRAMS												
Maritime Security Payments	\$210,000	\$209,601	-	-	-	-	-	-	-	\$209,601	\$399	\$210,000
Programs Subtotal	\$210,000	\$209,601	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$209,601	\$399	\$210,000
TOTAL	\$210,000	\$209,601	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$209,601	\$399	\$210,000

EXHIBIT II-6

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

Maritime Guaranteed (Title XI) Loan Program	FY 2016 Actual	FY 2017 Annualized CR	Baseline Changes							FY 2018 Baseline Estimate	Program Increases/ Decreases	FY 2018 Request
			Annualization of 2017 Pay Raises	Annualization of 2017 FTE	2018 Pay Raises	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES (FTE)												
Direct FTE	15	14	-	-	-	-	-	-	-	14	-14	-
FINANCIAL RESOURCES												
Salaries and Benefits	\$2,388	\$2,100	\$11	-	\$30	-	-	-	-	\$2,141	-\$2,141	-
Travel	5	2	-	-	-	-	-	-	-	2	-2	-
Operating Expenses	214	525	-	-	-	-	-	-	-	525	-525	-
GSA Rent	236	236	-	-	-	-	-	-	-	236	-236	-
WCF	292	266	-	-	-	-	-	-	-	266	-266	-
Admin Subtotal	\$3,135	\$3,129	\$11	\$0	\$30	\$0	\$0	\$0	\$0	\$3,170	-\$3,170	\$0
PROGRAMS												
Loan Subsidies	\$5,000	\$4,990	-	-	-	-	-	-	-	\$4,990	-\$4,990	-
Programs Subtotal	\$5,000	\$4,990	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,990	-\$4,990	\$0
TOTAL	\$8,135	\$8,119	\$11	\$0	\$30	\$0	\$0	\$0	\$0	\$8,160	-\$8,160	\$0

EXHIBIT II-7

WORKING CAPITAL FUND MARITIME ADMINISTRATION (\$000)

	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>
DIRECT:			
Operations and Training	3,657	3,533	4,144
Ship Disposal	214	152	162
Maritime Guaranteed Loan Prog. (Title XI)	<u>292</u>	<u>266</u>	<u>-</u>
SUBTOTAL	4,163	3,951	4,306
REIMBURSABLE:			
Ready Reserve Force	<u>3,847</u>	<u>4,130</u>	<u>4,014</u>
SUBTOTAL	<u>3,847</u>	<u>4,130</u>	<u>4,014</u>
TOTAL	8,010	8,081	8,320

EXHIBIT II-8

**MARITIME ADMINISTRATION
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS**

<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>
Operations and Training	445	474	485
Ship Disposal	10	8	8
Assistance to Small Shipyards	<u>1</u>	<u>1</u>	<u>-</u>
SUBTOTAL, DIRECT FUNDED	456 1/	483 2/	493
 <u>ALLOCATIONS</u>			
Operation and Training	<u>5</u>	<u>6</u>	<u>6</u>
SUBTOTAL, ALLOCATIONS	5	6	6
 <u>REIMBURSEMENTS</u>			
Ready Reserve Force	291	298	311
Operation and Training	<u>2</u>	<u>2</u>	<u>2</u>
SUBTOTAL, REIMBURSEMENTS	293	300	313
TOTAL FTEs	<u>754</u>	<u>789</u>	<u>812</u>

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

2/ Direct funded FTEs includes 14 FTE for the Title XI Program.

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

<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>
Operations and Training	461	492	486
Ship Disposal	10	8	8
Assistance to Small Shipyards	<u>1</u>	<u>1</u>	<u>-</u>
SUBTOTAL, DIRECT FUNDED	472 ^{1/}	501 ^{2/}	494
 <u>ALLOCATIONS</u>			
Operation and Training	<u>6</u>	<u>6</u>	<u>6</u>
SUBTOTAL, ALLOCATIONS	6	6	6
 <u>REIMBURSEMENTS</u>			
Ready Reserve Force	282	311	311
Operation and Training	<u>2</u>	<u>2</u>	<u>2</u>
SUBTOTAL, REIMBURSEMENTS	284	313	313
TOTAL POSTIONS	<u>762</u>	<u>820</u>	<u>813</u>

1/ Direct funded FTPs includes 15 FTP for the Title XI Program.

2/ Direct funded FTPs includes 14 FTP for the Title XI Program.

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities *and subtitle V of Title 46 programs* authorized by law, [\$171,155,000] *\$171,820,000*, of which \$22,000,000 shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, [and of which \$5,000,000 shall remain available until expended for National Security Multi-Mission Vessel design for State Maritime Academies and National Security,] and of which \$2,400,000 shall remain available through September 30, [2017] *2019*, for the Student Incentive Program at State Maritime Academies, [and of which \$1,200,000 shall remain available until expended for training ship fuel assistance payments,] and of which \$18,000,000 shall remain available until expended for facilities maintenance and repair, equipment, and capital improvements at the United States Merchant Marine Academy: [, and of which \$3,000,000 shall remain available through September 30, 2017, for Maritime Environment and Technology Assistance grants, contracts, and cooperative agreement, and of which \$5,000,000 shall remain available until expended for the Short Sea Transportation Program (America's Marine Highways) to make grants for the purposes provided in title 46 sections 55601(b)(1) and 55601(b)(3): *Provided*, That amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation or the Assistant Secretary for Budget and Programs: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United States Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of the Maritime Administration shall hold all allotments made by the Secretary of Transportation or the Assistant Secretary for Budget and Programs under the previous proviso: *Provided further*, That 50 percent of the funding made available for the United States Merchant Marine Academy under this heading shall be available only after the Secretary, in consultation with the Superintendent and the Maritime Administrator, completes a plan detailing by program or activity how such funding will be expended at the Academy, and this plan is submitted to the House and Senate Committees on Appropriations:] *Provided further*, That not later than [January 12, 2016] *Feb-16, 2018*, the Administrator of the Maritime Administration shall transmit to the House and Senate Committees on Appropriations the annual report on sexual assault and sexual harassment at the United States Merchant Marine Academy as required pursuant to section 3507 of Public Law 110–417. *Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*

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

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:			
0001 Academy Operations	64,188	64,377	65,400
0002 USMMA Capital Asset Management Program	12,640	73,807	18,000
0003 Student Incentive Program	2,871	4,324	2,400
0004 Direct SMA Support	3,000	2,994	3,000
0005 Fuel Assistance Program	1,200	1,198	0
0006 Schoolship Maintenance & Repair	22,205	22,855	22,000
0007 National Security Multi-Mission Vessel	1,964	8,026	0
0008 Maritime Operations	46,678	46,966	54,020
0009 Maritime Environmental & Technology Assistance	1,460	4,534	3,000
0010 Short Sea Transportation (America's Marine Highway)	4	9,987	4,000
0011 Other Maritime Programs	1,235	8,007	-
0012 Operations and Training	198	-	-
0799 Total direct Obligations	157,643	247,075	171,820
0801 Operations and Training (Reimbursable)	4,888	32,060	13,000
0900 Total new obligations	162,531	279,135	184,820
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	71,799	95,306	-
1012 Unobligated balance transfer between expired/unexpired accounts	198	-	-
1021 Recoveries of prior year unpaid obligations	10,824	-	-
1050 Unobligated balance (total)	82,821	95,306	-
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	171,155	170,830	171,820
1160 Appropriation, discretionary (total)	171,155	170,830	171,820
Spending auth from offsetting collections, disc			
1700 Collected	4,662	13,000	13,000
1701 Change in uncollected payments, Federal sources	2,129	-	-
1750 Spending auth from offsetting collections, disc - (total)	6,791	13,000	13,000
1900 Budget authority (total)	177,946	183,830	184,820
1930 Total budgetary resources available	260,767	279,136	184,820
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-2,930	-	-
1941 Unexpired unobligated balance, end of year	95,306	-	-

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

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	61,930	66,302	132,153
3010 Obligations incurred, unexpired accounts	162,531	279,135	184,820
3011 Obligations incurred, expired accounts	596	-	-
3020 Outlays (gross)	-145,086	-213,284	-233,111
3040 Recoveries of prior year unpaid obligations, unexpired	-10,824	-	-
3041 Recoveries of prior year unpaid obligations, expired	-2,845	-	-
3050 Unpaid obligations, end of year (gross)	66,302	132,153	83,863
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-27,048	-26,735	-26,735
3070 Change in uncollected pymts, Fed sources, unexpired	-2,129	-	-
3071 Change in uncollected pymts, Fed sources, expired	2,442	-	-
3090 Uncollected pymts, Fed sources, end of year	-26,735	-26,735	-26,735
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	34,883	39,568	105,418
3200 Obligated balance, end of year	39,568	105,418	57,128
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	177,946	183,830	184,820
Outlays, gross:			
4010 Outlays from new discretionary authority	114,662	158,206	159,047
4011 Outlays from discretionary balances	30,425	55,079	74,064
4020 Outlays, gross (total)	145,086	213,284	233,111
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-6,056	-13,000	-13,000
4033 Non-Federal sources	-1,003	-	-
4040 Offsets against gross budget authority and outlays (total)	-7,059	-13,000	-13,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-2,129	-	-
4052 Offsetting collections credited to expired accounts	2,398	-	-
4060 Additional offsets against budget authority only (total)	268	-	-
4070 Budget authority, net (discretionary)	171,155	170,830	171,820
4080 Outlays, net (discretionary)	138,027	200,284	220,111

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

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
4180 Budget authority, net (total)	171,155	170,830	171,820
4190 Outlays, net (total)	138,027	200,284	220,111

OPERATIONS AND TRAINING

Program and Performance Statement

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

Maritime training programs include the operation of the U.S. Merchant Marine Academy and financial assistance to the six State Maritime Academies. The Operations and Training budget request of \$171.8 million includes \$84.4 million for the United States Merchant Marine Academy, \$27.4 million for the State Maritime Academies, and \$60 million for Maritime Operations and Programs.

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

Object Class Code	Object Class	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
	Direct obligations:			
	Personnel compensation:			
1111	Full-time permanent	38,731	39,069	43,026
1113	Other than full-time permanent	7,086	7,046	7,576
1115	Other personnel compensation	1,292	1,291	1,400
1119	Total personnel compensation	47,109	47,405	52,003
1121	Civilian personnel benefits	15,474	15,565	17,061
1319	Benefits for former personnel	7	7	8
1210	Travel and transportation of persons	1,720	1,882	1,864
1220	Transportation of things	64	65	42
1231	Rental payments to GSA	2,986	3,142	3,311
1233	Communications, utilities & misc. charges	3,691	3,727	2,495
1240	Printing and reproduction	48	48	37
1252	Other services	68,947	91,610	60,087
1260	Supplies and materials	5,926	7,874	5,560
1310	Equipment	2,191	2,166	1,902
1320	Lands and structures	6,680	69,259	25,051
1410	Grants, subsidies and contributions	2,799	4,324	2,400
1420	Insurance claims and indemnities	0	0	0
1990	Subtotal , direct obligations	157,642	247,074	171,820
	Reimbursable obligations:			
2252	Other services	4,888	32,060	13,000
2990	Subtotal , reimbursable obligations	4,888	32,060	13,000
9999	Total new obligations	162,530	279,134	184,820

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

Operations and Training		FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Direct:				
1001	Civilian full-time Equivalent employment	445	474	485
Reimbursable:				
2001	Reimbursable civilian full-time Equivalent employment	2	2	2
Allocation:				
3001	Allocation civilian full-time Equivalent employment	5	6	6
Total Employment		452	482	493

EXHIBIT III-1

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

	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>	<u>CHANGE FY 2017-2018</u>
U.S. Merchant Marine Academy	82,500	82,343	84,400	2,057
State Maritime Schools	33,600	33,536	27,400	-6,136
MARAD Ops. & Programs	55,055	54,951	60,020	5,069
Total, Operations & Training	171,155	170,830	171,820	990
FTEs				
Direct Funded	447	474	485	11
Reimbursable, allocated, other	7	8	8	-

EXHIBIT III -1a

**OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2017 TO FY 2018
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2017 to FY 2018 <u>\$000</u>	Change from FY 2017 to FY 2018 <u>FTE</u>
FY 2017 ANNUALIZED CR	\$170,830	[474]
Adjustments to Base		
Annualization of 2017 Pay Raise	\$371	
2018 Pay Raise	\$903	
FTE Annualization	\$2,369	[14]
Less Two Compensable Days	\$0	
GSA Rent	\$169	
Working Capital Fund	\$611	
Non-Salary Inflation (1%)	<u>\$483</u>	
Subtotal, Adjustments to Base	\$4,906	
New or Expanded Programs		
Academy Operations	-408	[-]
Capital Asset Management Program	34	
State Maritime Academies	-6,136	
MARAD Operations and Programs	3,578	[-3]
Maritime Environment & Technology Assistance grants	6	
Short Sea Transportation (America's Marine Highways)	<u>-990</u>	
Subtotal, New or Expanded Program Increases/Decreases	-\$3,916	
Total FY 2018 Request	\$171,820	[485]

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

**FY 2009 - FY 2018
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2009	117,848	123,360
2010	152,900	149,750
2011	164,353	151,447 ^{1/}
2012	161,539	156,258
2013	146,298	148,085 ^{2/}
2014	152,168	148,003
2015	148,400	148,050
2016	184,637	171,155
2017	194,146	175,560
2018	171,820	

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

2/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

UNITED STATES MERCHANT MARINE ACADEMY

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

FY 2018 United States Merchant Marine Academy Budget Request (\$000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Academy Operations	64,500	64,377	66,400	2,023
Capital Asset Management Program	18,000	17,966	18,000	34
Total	\$82,500	\$82,343	\$84,400	\$2,057

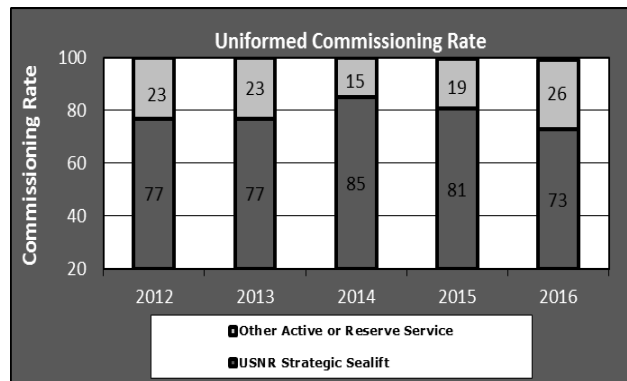
For FY 2018, \$84.4 million is requested for the U.S. Merchant Marine Academy (USMMA/Academy). This request includes \$66.4 million for Academy Operations and \$18.0 million for the Capital Asset Management Program (CAMP).

What is this Program and Why is it Necessary?

USMMA, located in Kings Point, New York, is one of the five Federal Service Academies, and an accredited institution of higher education operated by the U.S. Department of Transportation (DOT) and the Maritime Administration (MARAD) to provide undergraduate educational programs for men and women (Midshipmen) to become shipboard officers and leaders in the maritime transportation field. Midshipmen, nominated by members of Congress, and competitively selected to the Academy receive a four-year maritime-focused program. The USMMA curriculum is centered on rigorous academic and practical technical training that leads to a Bachelor of Science degree, a USCG Merchant Mariner Credential with an officer endorsement, 3rd Mate or 3rd Assistant Engineer, and an active duty or reserve commission as an officer in the Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration or the Public Health Service Corps) of the United States.

A key component of the program requires that all Midshipmen complete 300-330 days of sea service during their four-year education program on board merchant ships, approved military ships, or other Federal government vessels, to obtain their USCG credential. This shipboard training program exposes Midshipmen to life at sea and enables U.S. shipping companies and the U.S. Navy's Military Sealift Command an opportunity to provide seamanship training. Shipping companies and the Navy are part of a cooperative effort to ensure that a Midshipman's shore based education is enhanced by the required on-the-job training at sea.

In exchange for a tuition-free education, and unique one-of-kind learning experience, Academy graduates incur a multi-faceted obligation to serve our Nation. This obligation includes the requirement to serve for five years as a Merchant Marine officer aboard U.S. documented vessels or on active duty in the U.S. Armed Forces or uniformed services of the United States, to maintain a USCG Credential with both an officer and a Standards of Training Certification and Watchkeeping (STCW) endorsement for six years, and to serve as a commissioned officer in a reserve unit of the U.S. Armed Services of the United States for six years.



Benefit to the Nation

Each year, approximately 75 percent of Academy graduates are recruited as Merchant Mariners in the U.S. commercial fleet or approved maritime related careers while fulfilling their commitment to the Nation as commissioned military reserve officers. About 25 percent of graduates opt for active duty commissions in one of the Nation's uniform services.

The Academy is a major source of U.S. Navy Reserve (USNR) Officers and a principal source of new officers for the U.S. Navy's Strategic Sealift Officer Program, which maintains a cadre of approximately 2,000 USNR Officers with the necessary training and credentials to operate strategic sealift resources during contingency operations. Each year the Academy graduates one-quarter of the new highly skilled, entry level Merchant Marine officers to support the manpower demands of the U.S. Merchant Marine and national maritime industry infrastructure. Academy graduates are vital to ensuring that the Nation has a homegrown source of manpower in the event that U.S.-flag ships are required to transport war materials, and perform critical maritime-related functions in a national emergency. Graduates also support the Nation's economy by operating the ships that transport American products from coast-to-coast or to and from foreign shores. They oversee the safe movement of cargo and goods on ships, supervise the operation of ports and shipyards, and work a variety of jobs in support of the U.S. maritime shipping infrastructure. Academy graduates are prepared to help fill the Nation's long-term need for a viable merchant fleet.

FY 2017 Anticipated Accomplishments

In FY 2017, the Academy's staff and resources were focused on four primary objectives:

- Continue to provide the highest caliber education for the Academy's Midshipmen.
- Address accreditation deficiencies identified by the Middle States Commission on Higher Education (MSCHE).
- Initiate a program of culture change on the campus and in the Sea Year program to eliminate sexual assault and harassment and provide a safe and respectful learning environment for all Midshipmen.
- Sustain progress on the Academy's capital improvements.

In June 2016, the Secretary of Transportation suspended Sea Year out of concern for the safety of the Midshipmen due to reports of sexual assault and sexual harassment. During this suspension, MARAD and the Academy worked with the industry to develop zero-tolerance policies to ensure that Midshipmen are protected from, and have the resources necessary to respond to, threats of sexual assault or sexual harassment during the Sea Year experience. MARAD established a Shipboard Climate Compliance Team (SCCT) which established criteria for credentialing companies as being Sea Year Eligible. The SCCT worked with commercial vessel operators to ensure they met all criteria prior to Midshipmen training on their vessels. Additionally, Academy personnel will conduct periodic on-site audits of sea-year eligible companies and vessels in coordination with MARAD personnel to ensure compliance of the established credentialing criteria. In February 2017, the Secretary of Transportation restored the Sea Year program on commercial vessels. With the assistance of Federal partners and additional resources made available by Congress, all Midshipmen affected by the Sea Year suspension are on track to graduate on time.

The Academy in cooperation with MARAD, instituted a series of management changes to strengthen the Academy's governance structure. A new Maritime Education and Training Executive Review Board was established to provide governance, oversight, strategic direction, and advocacy for the Academy. Authority over certain Academy operations were re-delegated by MARAD to Academy personnel, which was suspended following the issuance of 2009 Government and Accounting Office (GAO) audit findings. Since then, the Academy corrected all GAO audit findings and institutionalized necessary internal controls over its operations. Also, as a result of an independent study of the Academy's culture, the Academy initiated a culture change campaign with the purpose of revising the Academy's Core Values policy and developing new standards for change and accountability in the employee performance management system. Additionally, 2017 resources were committed to establishing the Sexual Assault Prevention and Response Office (SAPRO) under the Sexual Assault Response Coordinator (SARC). The new office will be staffed by two new professional victim advocates and an Active Duty Navy Reserve Officer.

In order to ensure that Midshipmen have access to a safe and reliable instruction platform, the Academy plans to complete a dry docking of the TRAINING VESSEL (T/V) KINGS POINTER that is necessary to maintain the vessel's USCG Certificate of Inspection. The decision to dry dock the T/V KINGS POINTER and completion of the USCG inspection is necessary to guarantee that the vessel is fully functional in FY 2018 to enable Midshipmen to meet their Sea Year training requirements.

To improve the security of the campus, the Academy completed the installation of 81 additional video surveillance devices around the campus and expanded the number of emergency call boxes. Contracts will also be awarded to improve the safety and experience of Midshipmen and guests attending graduation, sporting, and other events at the Captain James Harvey Tomb Field.

In March 2017, the Academy completed the Architectural and Engineering (A&E) design phase for the renovation of Samuels Hall, the first of four academic building to be renovated and plans to contract for the renovation. The original concept for the Samuels Hall renovation included a modernization of the part of the building that served as classrooms and office space for the

Humanities Department and limited other facilities. A change in the design, based upon the 2017 Space Utilization Study and long-range strategy, however repurposes Samuels Hall to house computer simulator labs as well as some classrooms and offices. The design also encompasses renovation of the Computer Aided Operations Research Facility, adjacent to Samuels Hall, to accommodate an increased requirement for computer laboratory and simulator spaces. These design changes more than doubled the square footage in the renovation plan. In addition, the design increases the resilience of the building against flooding. Additionally, significant redesign and relocation of electrical distribution and control equipment currently located in the bottom level (basement or zero deck) increased the square footage and the repurposing to accommodate expanded simulators, causing the estimated construction cost for Samuels Hall to increase from the original estimate.

In March 2017, the Academy completed the design for the replacement of the campus electric grid, the Crown-in-shield Pier, and the seawall replacement project. In May 2017, the Academy also completed the 90,000 square foot renovation of the below-grade space that connects all six campus dormitories and Delano Dining Hall. This space also houses many of the student amenity centers such as the Academy barber, the laundry facilities, Midshipman recreational areas, storage areas, and the campus store. By September 2017, the Academy expects to complete the design for the Bowditch Hall renovation.

The USCG also evaluates and approves the Academy's training program every five years to ensure that it meets the national and international training requirements to prepare individuals for USCG examination and credentialing to serve on ocean-going vessels of unlimited tonnage and horsepower. USCG and MARAD also perform an in-depth STCW audit at the academy every five years to ensure the quality of USCG approved STCW training, the adherence to those standards continues to be achieved, and that a plan is in place for correcting any nonconformities discovered through external or internal audits. The Academy instituted curriculum changes for the Class of 2017 to implement amendments to the STCW Convention that the USCG has accepted and is referred as a model for all other state maritime academies. The most recent USCG audit (2010) commended the Academy for the high quality of its professional mariner training program.

FY 2018 Objectives

In conjunction with the Academy's educational mandates, the Academy has specific management objectives to:

- Build on the MSCHE recommendations and complete any remaining actions to receive full reaccreditation.
- Continue to engage with our commercial partners to provide the Midshipmen with an unparalleled Sea Year experience in a safe and secure environment.
- Sustain the culture change program as a focal point of the Academy's program to not only eliminate sexual assault and harassment but to address broader issues of respect, honor, and service within the USMMA community.
- Continue to improve the quality of instruction and the Midshipman's experience at the Academy through well-managed execution of the Academy's capital improvement plan.

What does this funding level support?

The requested FY 2018 budget will support:

- The program of instruction for up to 980 Midshipmen (approximately 100 more than currently in attendance) as the 177 graduating class of Class of 2017 are replaced by 280 incoming Class of 2021 Midshipmen.
- Targeting the necessary resources to continue to implement the recommendations and meet any remaining actions to receive full reaccreditation from MSCHE.
- Sustaining the critical hires in FY 2017, particularly the additional Victim Advocate staffing in the SAPRO, the Chief Diversity Officer, and the Executive Officer.
- The contract awards necessary to move critical capital projects from the concept phase into design and from the design phase to actual construction.

ACADEMY OPERATIONS

For FY 2018, \$66.4 million is requested for Academy Operations. The Academy is a 24/7, labor-intensive operation with salaries and benefits exceeding 50 percent of the Academy Operations budget. Due to larger pay versus non-pay services ratio, the Academy cannot easily absorb the annual Federal pay raises and other mandatory labor costs without eroding the base for non-pay services that provide for instructional materials, textbooks, travel to and from Sea Year training assignments, athletic programs, library services, Midshipman amenities, and health and welfare services.

The request provides \$36.4 million for salaries and benefits and \$30.0 million for non-pay operations.

Salaries and Benefits (\$36.4 million): The FY 2018 budget request is \$36.4 million for salaries and benefits to fund 288 full time equivalent (FTE) salaries and benefits.

- \$2.1 million is necessary to fund the full year cost of critical staff hired in FY 2017, the FY 2017 pay raise and a 1.9% pay-raise in FY 2018.
- \$462 thousand is requested to fund 5 FTE to hire an attorney to provide dedicated victim legal advice to support Sexual Assault and Sexual Harassment awareness and prevention and to backfill key staff lost to normal employee turnover in FY 2017.

In response to continuing incidences of sexual assault and harassment at the Academy, the Academy proposes to hire an attorney dedicated to serve as an advisor to victims of sexual assault and harassment, consistent with the practice at all other Federal service academies, as recommended by the December, 2016, Logistics Management Institute audit of the USMMA culture, and responsive to Congressional expressions of interest. During the government-wide hiring freeze, the Academy filled only a limited number of key positions but did not backfill its normal staff turnover. This turnover resulted in one-time salary and benefit savings that the Academy deployed to deferred mission needs that could be addressed with a one-time reallocation of resources within the Academy's programs. In FY 2018, full funding of the Salaries and Benefits budget will enable the Academy to fill critical vacated positions. In addition, full funding for salaries and benefits will allow the Academy to sustain the positions hired in FY 2017 to address eliminating incidences of sexual assault and sexual harassment that

continue to occur at the Academy; and to execute on the new authorities delegated by MARAD that address governance and leadership issues identified by MSCHE, which are key to eliminating the accreditation warning.

Non-pay Operations (\$30.0 million): The FY 2018 budget request is \$30.0 million for non-pay operations. This reflects elimination of certain non-recurring projects in the base budget that were funded from one-time savings generated during the government-wide hiring freeze.

The Academy's non-pay operations are comprised of three programs:

- Instructional Programs (formerly Academic Dean) operated by the Academic Dean
- Midshipman Programs (formerly Commandant of Midshipmen) operated by the Commandant of Midshipmen
- Program Direction and Administration (formerly Superintendent/Deputy Superintendent) which includes the Office of the Superintendent, the Sexual Assault Prevention and Response Office, and various administrative and Academy-wide support functions

[Note: The program names have changed from prior budgets to better reflect the nature of the activities. The request does not change the activities within each program.]

Instructional Programs

The request for Instructional Programs is \$4.3 million. The request reflects the completion of one-time upgrades to Tomb Field, which is partially offset by inflationary increases in the base funding for instructional materials, textbooks, and instructional support software contracts.

Sustaining the base funding level is required to provide for the operations of the Office of the Academic Dean and the cost to hire adjunct instructors for the academic departments of Marine Transportation, Marine Engineering, Math and Science, Humanities, and Physical Education and Athletics; renewal of software licenses to operate and maintain the Academy's training simulators, purchase of textbooks which the Academy is statutorily mandated to provide; upgrades of classroom technology to enhance Midshipman learning experiences; instructional materials; chemistry and physics laboratory equipment; and for the costs to send Midshipmen to their Sea Year training assignments. The instructional program also funds the Academy's library, equipment and travel for the athletic teams, and reimburses the Navy's Military Sealift Command for the Midshipmen's firefighting training at its facility in Freehold, NJ. Within the base, the Academy has realigned resources to fund the implementation of new requirements for the Sea Year training program announced in the Culture Change Action Plan on January 6, 2017. This includes the support for the Shipboard Climate Compliance Team and audits of commercial vessels to ensure that the shipping companies participating in the Sea Year program are in compliance with the protocols to safeguard Midshipmen from sexual harassment or assault while at sea. With the requested funding, the Academy will be expanding the number of compliance audits to be conducted in FY 2018.

Midshipman Programs

The request for Midshipman Programs is \$11.6 million. This request represents the completion of a one-time FY 2017 30-day dry docking of the T/V KINGS POINTER to complete required U.S. Coast Guard inspections of the vessel. This dry-docking was necessary to permit continued

sailing for the next 5 years. This one-time FY 2017 cost is partially offset by FY 2018 inflationary increases in the base funding for food, health, uniform, and other contracts that support the day-to-day operations for the Midshipmen.

In FY 2018, the Academy will enroll a larger Regiment of Midshipmen, as the smaller Class of 2017 is replaced by a full recruitment of the Class of 2021. The base level of funding will feed, house, supply uniforms, and support Midshipman health, welfare, and religious services. This request also supports Midshipman program funding and operations of the T/V KINGS POINTER, T/V LIBERATOR, and T/V ELIZABETH ANN. These vessels provide one of a kind, hands-on instruction platforms for the Midshipmen and additional sea days the Midshipmen need to meet SCTW requirements for USCG licensing by graduation.

Program Direction and Administration

The request for Program Direction and Administration is \$14.1 million. This request will fund a robust program of sexual assault and sexual harassment (SASH) response training and education programming, and additional support resources for victims of SASH. This request proposes a 58 percent increase in the education, training, and response resources of the SAPRO. In addition, the resources will support a Sea Year Reintegration Program developed in response to a recommendation from the MSCHE to provide additional support for and assistance to Midshipmen returning from up to 8 months at sea to re-adjust to the academic and regimental rigors of the Academy. The funding request also includes resources to establish a global 24-hour hot-line that Midshipmen can call to report incidences of sexual assault or harassment anywhere in the world. These resources combined with the additional staff hired in FY 2017, including a new SARC, two SARC Assistants/Victim Advocates as well as a mobilized active duty US Navy Reserve Officer, and the victim advocate attorney requested in the Salaries and Benefits line increases the Academy's capacity to develop policies to prevent and provide effective response to incidents of sexual assault and harassment. Additional resources are also requested to fund inflationary costs in information technology contracts and utilities.

The base funding supports the Office of the Superintendent which houses the SAPRO and the Office in Institutional Assessment, the Offices of Admissions, Security, and External Affairs, as well as, the Academy's administrative functions of budget and finance, human resource management, procurement, and campus wide information technology services.

CAPITAL ASSET MANAGEMENT PROGRAM (CAMP)

In FY 2018, \$18 million is requested for CAMP. Within CAMP, capital improvement projects (CIP) accomplish major facility and system improvements. Examples include renovating infrastructure constructed prior to and during World War II to meet current/future requirements and incorporating modern technology into antiquated systems such as sewer, water and electricity. A second component of CAMP is Facilities Maintenance, Repair and Equipment (FMRE). FMRE funds provide for routine and maintenance, and repair and rehabilitation of facilities and equipment as required, including unplanned emergency capital repairs. Repair and rehabilitation projects covered under FMRE may involve more planning than routine deferred maintenance. However, such expenses are necessary to address such repairs and rehabilitation projects in a cost-effective manner. All CIP projects are identified in the Academy's five-year CIP Plan as follows:

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

Fitch Hall Renovation - Construction (Estimate: \$10 million): Fitch Hall upgrades will improve the fire protection system including installation of a new sprinkler and standpipe system, replacement of the HVAC systems, complete interior and exterior painting, reconfiguration of administrative spaces, and modernization of the campus central warehousing facility. Additionally, the complete renovation of the administrative sections of the building will provide new flooring, ceiling replacement and paint. The electrical system will be upgraded to include enough power for the loads of the new space assignments. All interior finish work, lighting and furniture will be modernized and replaced.

Seawall Repairs (Estimate: \$679,000): These funds continue the phased approach to restoring the seawall as part of the ongoing effort to improve the USMMA physical plant. With these funds the next section will be replaced according to Executive Order 13690 while deteriorating areas needing preventive maintenance attention will continue to be restored in order to avoid further deterioration.

Gate Access Control (Estimate: \$2 million): The Vickery Gate guard house is significantly deteriorated and the Steamboat Road entrance area lacks pedestrian access control and other security features. Also, the Elmridge Road entry has no pedestrian access control and needs improved fencing, lighting and gates. Neither the Steamboat Road nor Elmridge Road entrances have the equipment necessary for security guards to fully secure access to the Academy in the event of an emergency. This project will replace the Vickery Gate guard house and upgrade vehicle and pedestrian access features on both Steamboat and Elmridge Roads, resulting in vastly improved control over vehicle and pedestrian entry to the Academy grounds.

Facilities Maintenance, Repair and Equipment (FMRE) (\$3.8 million): For FY 2018, MARAD requests \$3.8 million for FMRE, an increase of \$800 thousand from the FY 2017 estimate. Additional FMRE resources are required to allow the Academy to fund larger repair projects such as upgrades and repairs to the facility heating and cooling plant, major roof repairs to several buildings, and significant plumbing renovations to older facility structures.

As initially identified by the USMMA Building Evaluation Report, the Academy currently has a backlog of deferred maintenance in excess of \$60 million that will continue to grow without additional funding. Inadequate maintenance and repairs impact the ability of the Academy to provide a safe educational environment and prevent system failures that disrupt instruction and regimental activities. In FY 2017, failures of sewer and water lines resulted in the multi-day loss of access to building spaces, requirements to shut down restroom facilities in multiple buildings, and support employees and Midshipmen throughout the rental period of portable toilets.

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

The FY 2018 President's Budget request for the USMMA will provide our Nation with the next generation of highly skilled maritime leaders and military officers of exemplary character with state of the art technical knowledge and leadership experience to keep the Nation's maritime industry competitive in the global marketplace and ready to answer the call to duty in the event of national emergencies that demand renewed sea lift capacity. The investment in each Midshipman is returned not only through a multi-year service obligation to the Nation, but these young men and women remain a national asset throughout their professional lives. As a Federal institution of higher education, the Academy also provides an opportunity for qualified young men and women with a commitment to serve the Nation to receive a first class education regardless of their economic circumstances.

DETAILED JUSTIFICATION

STATE MARITIME ACADEMIES

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

FY 2018 State Maritime Academies Budget Request (\$000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Student Incentive Program	2,400	2,395	2,400	5
Direct SMA Support	3,000	2,994	3,000	6
Fuel Assistance Payments	1,200	1,198	0	-1,198
Schoolship Maintenance & Repair	22,000	21,958	22,000	42
Training Ship Replacement	5,000	4,990	0	-4,990
Total	\$33,600	\$33,536	\$27,400	\$-6,136

For FY 2018, \$27.4 million is requested for the State Maritime Academies (SMAs). This request provides Federal assistance to the SMAs for education and training of merchant mariners in support of national security requirements and the U.S. marine transportation system. The budget request provides \$2.4 million for the student tuition assistance program, \$3.0 million for direct payments divided equally among each of the six SMAs, and \$22.0 million for maintenance and repair of the six SMA training ships.

What is this Program and Why is it Necessary?

This program provides Federal assistance to the SMAs, to help educate and train mariners and leaders to support the U.S. marine transportation system. Having a viable U.S. Merchant Marine is essential to the security of the United States by ensuring that the nation has its own capacity to deploy and resupply its armed forces overseas. A vibrant and trained U.S. Merchant Marine helps assure critical vessels, jobs, and skills needed for the national transportation infrastructure, and assures the availability of U.S. citizens to meet the maritime needs of the nation.

The Merchant Marine Act of 1936, as amended, is the principle Act governing the functions of the Maritime Administration (MARAD), and provides authorities to further the development and maintenance of an adequate and well-balanced American merchant marine to promote the commerce of the United States, and aid in the national defense. This Act further declares that the

United States shall have a merchant marine composed of the best-equipped, safest and most suitable types of U.S. constructed vessels, and crewed with trained and efficient citizen personnel.

In accordance with 46 U.S.C. § 1103, MARAD is authorized to provide education and training for U.S. citizens in the interest of the safe and efficient operation of the merchant marine, and provides for cooperation with the U.S. Navy and SMAs to this end. To fulfill one of MARAD's key statutory mandates, 46 U.S.C. § 51501 *et seq.*, MARAD provides support to the six SMAs, which produce well-educated, highly trained, and U.S. Coast Guard (USCG) credentialed officers in the U.S. Merchant Marine. These graduates promote the commerce of the United States and aid in the national defense, by serving in the merchant marine and U.S. Armed Forces.

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

The SMA request contains two major program areas, education and training, comprised of three supporting program components:

1. Direct support to each of the six SMAs (education);
2. Direct assistance to SMA students – Student Incentive Program (SIP) (education); and
3. Training ship maintenance and repair (training).

The Direct SMA Support program provides assistance to the six SMAs for maintenance and support needed to maintain high quality facilities and assist with maintaining state of the art technology for training. Base funds help offset the increasing cost to train and credential USCG merchant mariner officers and to assist the SMAs in providing the highest quality training. In return, the American taxpayer receives well-educated and trained merchant mariners qualified to fill critical jobs within the maritime industry and provide support for national defense and emergencies. As a condition for receiving payments as regional maritime academies, SMA's agree to admit students from other states.

SIP provides funding for the program and financial assistance to selected full-time students at the SMAs to obtain a maritime education that includes a Bachelor's degree and a USCG Merchant Mariner Credential (MMC) with an officer endorsement. SIP students receive an annual stipend currently of \$8,000 per year, for a maximum of \$32,000 for four years in return for post-graduation service obligations. The graduates of SIP also serve in a reserve component of the U.S. Armed Forces for eight years (starting with incoming class of 2017, and six years for all prior enrollees) or serve on active duty in the U.S. Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) or the Public Health Service (PHS))

following graduation. Students must graduate, obtain a USCG Credential with an officer endorsement and fulfill the following service obligation requirements:

1. Report annually to MARAD on fulfillment of their service obligation, until completed.
2. Maritime Employment for three years; priority to sail on Merchant Mariner Credentialed U.S.-flag vessels.
3. Maintain a valid USCG MMC with an officer endorsement for at least six years.
4. Serve as a commissioned officer in a reserve component of the U.S. Armed Forces for at least eight years. (Requirement changed from six to eight years, November 2015)

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

In accordance with 46 U.S.C. § 51504 and § 51506, the National Defense Reserve Fleet training ships are on loan from MARAD to each of the six SMAs under a custodial agreement. The quality and length of sea time Midshipmen/Cadets receive aboard the training ships is a critical educational component in qualifying the students to take the USCG MMC examination. Without adequate sea time, students cannot take the required USCG licensing exam. The ships are utilized as academic and seagoing laboratories for license coursework and practical hands-on training for the merchant mariner licensed officer training programs at each maritime academy. This is training that can't be replaced with simulation or classrooms to satisfy the Standards for Training Certification and Watchkeeping (STCW) competencies and assessment of student learning throughout the four-year education. Shipboard operational training is further reinforced during the normal academic year by using the ship as a floating laboratory when the ship is not on an annual training cruise.

MARAD is mandated by law to maintain each ship in a state of good repair to ensure that high standards of safety are maintained for all Midshipmen/Cadets and personnel on the ships and to be compliant with environmental requirements. MARAD's policy is to comply with International Maritime Organization (IMO) regulations to the maximum extent practicable.

Training Ship Maintenance and Repair is provided to offset regulatory, statutory and convention surveys, inspections, repair and maintenance; including dry-docking and internal structure exams. This payment is also used for routine, non-regulatory maintenance and repair of mission-critical systems such as galley, habitability infrastructure and accommodations. The Training Ship Maintenance and Repair funds are used for recurring or periodic capital preservation projects, and mission-related capital reinvestment to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic equipment/machinery failure or loss.

The SMA program is necessary in order to produce a sufficient quantity and quality of mariners to support the needs of the United States. The United States is narrowly meeting the current requirement for merchant mariners and must maintain an uninterrupted supply of qualified mariners for both current and future needs. The pipeline of USCG credentialed officers is

critical to provide crew for commercial and military support vessels and lead the maritime industry. Annually, USMMA and the SMAs graduate approximately 960 unlimited license officers.

What does this funding level support?

The FY 2018 President's Budget request of \$27.4 million will fund mariner training and sea time requirements to meet new and existing IMO STCW¹ competencies to help ensure sufficient highly trained merchant mariners. The requested funds will provide support for the following: SIP (\$2.4 million), Direct SMA Support to each of the schools for maintenance support (\$3.0 million), and Training Ship Maintenance and Repair (\$22.0 million) to maintain the six SMA training ships to USCG and IMO compliant condition.

STUDENT INCENTIVE PROGRAM (SIP)

The FY 2018 request of \$2.4 million for the SIP will help support the operations of the program, enrollment of up to 300 students (current annual stipend of \$8,000 each for a maximum of four years) at the six SMAs to meet the validated requirements of the U.S. Navy Reserve's Strategic Sealift Officer Program (SSOP), U.S. Army and U.S. National Guard, when combined with the anticipated number of USMMA graduates. The Department of the Navy SSOP has established an annual requirement of at least 220 reserve officers entering the program upon graduation from SMAs and USMMA. Based on the current number of graduates entering SSOP from USMMA, approximately 70-75 SMA graduates are required annually to meet the total SSOP accession requirement. The SIP funding will be used primarily for SIP payments to students. However, a portion of the program funding may be used to promote student awareness and participation in the SIP program. The costs of administering the SIP and monitoring service obligations are funded from the Operations and Training appropriation.

The SIP promotes there being a robust pool of USCG credentialed officers in the U.S. Merchant Marine that is readily available to crew surge government sealift vessels, should normal crewing processes fail². Annually, approximately 23 percent of USMMA graduates and four percent of all unlimited license SMA graduates enter active duty in the U.S. Armed Forces, and therefore are not commissioned into the reserve component of the SSOP.

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

² The normal process for crewing a vessel involves calling for specific billets on a particular ship at a union hall when a crewmember is due to rotate off the ship and a relief is needed. Sometimes, companies are able to arrange for permanent crews with the unions and reliefs are done more routinely. Others use company based unions and run their own crew changes.

The SIP graduates' maritime skills and education are utilized in support of the U.S. Armed Forces through these reserve programs. SIP funding is provided to students to be used for uniforms, books, tuition and subsistence in return for a service obligation.

DIRECT SMA SUPPORT

The President's Budget requests of \$3.0 million in FY 2018 will provide the maximum authorized level per 46 U.S.C. § 51505 for maintenance and support of \$500 thousand to each of the six SMAs. The academies rely on these funds to help implement increasing domestic and international training requirements which increase the overall costs to train mariners. These funds also strengthen the ability of SMAs to maintain high quality facilities and assist in maintaining state of the art technology for Cadet instruction and education.

TRAINING SHIP MAINTENANCE & REPAIR


The President's Budget requests \$22.0 million to maintain the six SMA school ships in a state of good repair and to ensure that safety and environmental standards are met as required by 46 Code of Federal Regulations Part 167. The training ships are required to be in full compliance with USCG, American Bureau of Shipping (ABS) and, to the maximum extent practicable, IMO statutes, rules, and regulations. Training Ship Maintenance and Repair is provided for preventive vessel maintenance, dry-dockings, repair or replacement of failed and unsupportable equipment, and regulatory and safety inspections.


The SMAs and MARAD must continually update the ships systems to remain safe and effective educational platforms. The SMA's capacity to graduate USCG credentialed officers is directly proportional to the total number of SMA training ships available. The Department of Transportation, through MARAD, owns and maintains the six training ships on loan to the respective SMAs for the training of credentialed merchant marine officers. Although all of the responsibility and the majority of the costs are borne by MARAD, the requested funds do not cover the entirety of vessel operating and maintenance expenses and the SMAs must expend their own resources on their respective training ships. Each SMA has its own unique training program which is approved by the USCG to meet STCW requirements. The program consists of shore-based academics and simulators as well as shipboard training modules. Simulators and labs comprise a portion of each school's training program but actual time at sea is still required in order to meet USCG requirements for licensed merchant mariner credentials. A training ship is part of each SMA's USCG approved curriculum. School ships combine the benefits of a classroom with the realism of actual shipboard operations.


Commercial ship operators typically plan for a vessel service life of 20-30 years. ABS approaches vessel design plan reviews with an expected service life of 20 years. Key replacement parts such as switchboard breakers and main engine spares are generally supported for this amount of time. The average age of the school ship fleet is 38 with the oldest ship, TRAINING SHIP (TS) EMPIRE STATE, being 56 years old. Maintenance costs increase with the life of the vessel due to a variety of reasons such as normal wear and tear, corrosion, and the availability of spare parts and service technicians. Supportability becomes an issue in nearly every system as the vessels age which drives up repair costs and increases the potential for delays in sourcing spare parts when equipment does fail.



Sustainment costs for the school ships continue to rise as the vessels age and equipment wears out, becomes obsolete and is no longer supported, or fails to meet current regulatory requirements. MARAD is using the requested funds to address priority maintenance across all the aging training vessels, with priority emphasis on the TS EMPIRE STATE, to ensure that they all meet safety and functional requirements and remain in service as long as possible. The TS EMPIRE STATE is currently operating eight years beyond its designed extended service life and must be maintained in a condition of good repair to ensure the safe operation of the vessel and adequacy of its training function.

There is already a backlog within the SMA school ships of maintenance items and obsolete equipment requiring replacement. A reduction in the requested funds will further defer maintenance which could lead to a reduced service life of the ship and higher overall lifecycle costs, particularly with steel preservation projects. Deferring maintenance increases the risk that the ship will not be materially ready to safely and reliably perform a training cruise. If the reduction is significant, it will also prevent major service life extension projects such as the repowering of the TS STATE OF MAINE. There is also the possibility of failing to meet USCG and IMO regulatory requirements which could result in the ship's Certificate of Inspection being suspended or revoked which would remove the ship from service until corrected.

TS EMPIRE STATE – SUNY Maritime College		
 <p>The FY 2018 request includes \$5.2 million for preventive maintenance, regulatory fees, repairs, and equipment upgrades. Planned upgrades include a more robust life raft system, fire detection system, and sewage holding tank. The 56-year-old vessel is eight years beyond its original retirement date. The estimated end of useful service life date is 2019.</p>	Length overall/Beam/Draft:	565' / 76' / 25'
	Speed / Fuel:	22 knots / IFO-180
	Complement: Cadets/Officers/Crew	666 Cadets/ 122 Crew
	Propulsion System:	Steam Boiler/Turbine
	Keel Laid / Age:	1961/56
	Converted to Training Ship:	1988-1989
	Original Designation:	Break Bulk Cargo Ship
	Home Port:	Ft. Schuyler, Bronx, NY

TS KENNEDY – Massachusetts Maritime Academy		
 <p>The FY 2018 request includes \$3.0 million for preventative maintenance, regulatory fees, repairs, and equipment upgrades. The 51-year-old ship completed an extended yard period in 2009 to add additional capacity. The estimated end of service life date is 2025.</p>	Length overall/Beam/Draft:	540' / 76' / 27.5'
	Speed / Fuel:	20 knots / IFO-180
	Complement: Cadets/Officers & Crew	600 Cadets/110 Crew
	Propulsion System:	Steam Boiler/Turbine
	Keel Laid / Age:	1966/51
	Converted to Training Ship:	2002/2009
	Original Designation:	Break Bulk Cargo Ship
	Home Port:	Buzzards Bay, MA

TS GENERAL RUDDER – Texas A&M Maritime Academy		
 <p>The FY 2018 request includes \$900 thousand for preventative maintenance, regulatory fees, repairs, logistics support, and equipment upgrades. The estimated end of useful service life date is 2035.</p>	Length overall/Beam/Draft:	224' / 43' / 16'
	Speed / Fuel:	11 knots / MDO
	Complement: Cadets/Officers/Crew	50 Cadets/15 Crew
	Propulsion System:	Diesel Electric
	Keel Laid / Age:	1984/33
	Converted to Training Ship:	2012 delivered
	Original Designation:	Ocean Surveillance
	Home Port:	Galveston, TX

TS STATE OF MICHIGAN – Great Lakes Maritime Academy		
 <p>The FY 2018 request includes \$800 thousand for preventative maintenance, regulatory fees, repairs, and equipment upgrades. The 32-year-old ship has the cadet berthing capacity required to support Great Lakes Maritime Academy. Operating in fresh water results in significantly lower maintenance costs for steel and coatings. The estimated end of useful service life date is 2045.</p>	Length overall/Beam/Draft:	224' / 43' / 16'
	Speed / Fuel:	11 knots / MDO
	Complement: Cadets/Officers &Crew	64 Cadets/9 Crew
	Propulsion System:	Diesel Electric
	Keel Laid / Age:	1985/32
	Converted to Training Ship:	2004
	Original Designation:	Ocean Surveillance
	Home Port:	Traverse City, MI
TS STATE OF MAINE – Maine Maritime Academy		
 <p>The FY 2018 request includes \$5.1 million to support a dry docking, engineering work, and procure long-lead items for the main propulsion drive train replacement, preventative maintenance, and regulatory inspection fees. The main propulsion diesel engine installed during the 1996 conversion is 34 years old and is rapidly nearing the ending of its service life. The critical upgrade for this vessel is to replace the existing main propulsion system to a modern diesel propulsion plant. The estimated end of useful service life date is 2035.</p>	Length overall/Beam/Draft:	500' / 72' / 30'
	Speed / Fuel:	16 knots/MDO & IFO-180
	Complement: Cadets/Officers &Crew	244 Cadets/54 Crew
	Propulsion System:	Diesel, Geared Drive
	Keel Laid / Age:	1990/27
	Converted to Training Ship:	1996-1997
	Original Designation:	Oceanographic Research
	Home Port:	Castine, ME

TS GOLDEN BEAR – California Maritime Academy		
 <p>The FY 2018 request includes \$7.0 million for preventative maintenance, regulatory fees and support, repairs, service life extensions, improvements, and ship support. The estimated end of useful service life date is 2035.</p>	Length overall/Beam/Draft:	500' / 72' / 30.5'
	Speed / Fuel:	18 knots / MDO
	Complement: Cadets/Officers/Crew	295 Cadets/85 Crew
	Propulsion System:	Diesel, Geared Drive
	Keel Laid / Age:	1989/28
	Converted to Training Ship:	1995-1996
	Original Designation:	Oceanographic Research
	Home Port:	Vallejo, CA

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

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

The best strategy to ensure that the United States can provide the national economic security and strategic sealift support that would be critical in future conflict is a strong commitment to:

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

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

DETAILED JUSTIFICATION

MARAD OPERATIONS AND PROGRAMS

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

FY 2018 MARAD Operations and Programs Budget Request (\$000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Headquarters Operations	47,055	46,966	53,020	6,054
Maritime Program Initiatives:	8,000	7,985	7,000	-985
<i>Maritime Environment & Technology Assistance (META)</i>	3,000	2,994	3,000	6
<i>Short Sea Transportation (America's Marine Highways)</i>	5,000	4,990	4,000	-990
Total	\$55,055	\$54,950	\$60,020	\$5,070

For FY 2018, a total of \$60.0 million is requested for MARAD Operations and Programs. The request includes \$54.0 million for Headquarters Operations, \$3.0 million for the Maritime Environment and Technology Assistance (META) program, and \$4.0 million for Short Sea Transportation.

What is this Program and Why is it Necessary?

HEADQUARTERS OPERATIONS

The MARAD Headquarters Operations account provides resources for agency infrastructure and professional staff working on MARAD operating missions, support programs and program initiatives for the following areas:

The Office for Strategic Sealift administers national security related programs that provide commercial and government-owned shipping capability in times of national emergency and to meet the Department of Defense (DoD) strategic sealift requirements (e.g. Maritime Security Program and Voluntary International Sealift Agreement). Additional responsibilities include emergency preparedness planning and emergency operations in other maritime civil transportation areas, the administration of the ship disposal program, administration of the cargo preference program, monitoring compliance with the domestic coastwise trade (Jones Act) and small vessel waivers, and administration of maritime labor and training programs. The office is also responsible for providing support to the State Maritime Academies, administration and

promotion of the Student Incentive Program (SIP) for tuition assistance, administration of responsibilities with respect to U.S. Merchant Marine Academy (USMMA) and SIP undergraduate and graduate service obligations, and training ship maintenance and repair.

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

The Office of Environment and Compliance supports the U.S. maritime industry in three key areas. The office fosters innovation, collaborates closely with federal and industry partners to maintain maritime domain awareness, minimize the potential for cyber, pirate and terrorist attacks against maritime assets, and alert the industry expeditiously when such threats appear. Finally, the office participates in developing maritime safety standards, promoting safety awareness and developing improved safety-related technology and practices.

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

MARAD Headquarters Operations also contributes to agency administrative support and logistics activities, and organizational initiatives, including: Human Resources; Financial Management and Budget; Information Technology; Legal Counsel; Acquisitions, Plans and Policy and Office of International Activities.

MARITIME PROGRAM INITIATIVES

Maritime Environment and Technology Assistance (META) Program

MARAD's META program fosters innovation and supports the development and adoption of new technologies. For example, invasive plant or animal species transmitted in ships' ballast water or attached to the hull cause millions of dollars in economic loss each year, clogging water intakes and outfalls, and displacing commercially valuable domestic marine species. Funding has been used to maintain the three MARAD-supported ballast water management systems (BWMS) testing facilities necessary for U.S. Coast Guard (USCG) certification and International Maritime Organization (IMO) compliance testing. Providing access to information regarding the efficacy of BWMS will assist industry in making well informed investment decisions.

Short Sea Transportation/America's Marine Highway Program

The mission of the Short Sea Transportation program is to lead the development and expansion of services that move containerized and unitized freight along our waterways and coastlines and to facilitate their integration into the U.S. surface transportation system. Major users of this system include but are not limited to unitized agricultural exports, U.S. steel and pipe, heavy-weight freight, construction materials, and containerized freight.

The efficiency, flexibility, and system resiliency provided by our navigable waterways can benefit the public as a whole, but they are currently underutilized within the U.S. surface

transportation system. By acting to increase the use of the United States' underutilized marine transportation assets, the America's Marine Highways program helps to generate "public benefits" that are not normally considered by shippers. This includes, but is not limited to creating and sustaining jobs on U.S. vessels and in U.S. ports and shipyards; reducing maintenance costs from wear and tear on roads and bridges; and cost-effective freight and passenger transportation capacity.

The Coast Guard and Maritime Transportation Act of 2012 expanded the program's purpose and scope by adding the goal of increasing the utilization of Marine Highways to the existing purpose of reducing landside congestion. Regions and U.S. ports formerly excluded from the Program (including Hawaii, Puerto Rico and Guam) are now eligible to seek assistance under the Marine Highway Program to develop new services and expand existing freight capacity and efficiency; a critical link for residents and businesses in these island states and territories.

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

A total of \$60.0 million is requested for MARAD Operations and Programs in FY 2018. The request includes \$53.0 million for Headquarters Operations, \$3.0 million for the META program, and \$4.0 million for the America's Marine Highways Program.

HEADQUARTERS OPERATIONS (\$53.0 million)

For FY 2018, the President's Budget requests \$53.0 million for Headquarters Operations. This includes funding to address critical information technology (IT) priorities, additional funding necessary for operations and travel, and baseline current services adjustment.

Funds requested for Headquarters Operations will support staffing and operations for the Strategic Sealift, Intermodal System Development, Environment and Compliance, and Business and Finance Development offices, as well as USMMA oversight and administration of State Maritime Academy support funds. Operational program support includes oversight and facilitation of licensing new deepwater ports off the Nation's coasts; oversight of StrongPorts and America's Marine Highway initiative and program grant portfolio; administration of Jones Act and small vessel waivers; and oversight at MARAD's 10 gateway offices located regionally throughout the country. These gateway offices support the largest ports in the U.S. to provide the Agency day-to-day presence related to the marine transportation system. Funding will also support MARAD's continued efforts to address the threat of piracy through education, training and international outreach.

During FY 2017, MARAD established the Shipboard Climate Compliance Team (SCCT) to establish criteria for credentialing vessel operators as being Sea Year Eligible before allowing USMMA Midshipmen on commercial vessels for sea year training. The criteria include zero-tolerance policies and procedures to ensure that Midshipmen are protected from and have the resources necessary to respond to threats of sexual assault or sexual harassment during their Sea Year training experience. The requested funds include support for MARAD personnel to conduct periodic on-site audits of sea-year eligible companies and vessels in coordination with the USMMA to ensure compliance of the established credentialing criteria.

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

The FY 2018 request includes the following program:

Information Technology (IT) Initiatives (\$530 thousand)

MARAD's IT budget request is \$5.4 million which reflects an increase of \$578 thousand from the previous year. The increase includes an inflation adjustment of \$48 thousand and \$530 thousand to restore information technology support to previous year's levels. Due to funding constraints, IT services were reduced over the past two years which has impacted MARAD's ability to maintain basic IT infrastructure and adequately ensure compliance with IT security requirements. This request will restore system application software support services and also provide funding for migration of MARAD's websites to a common content environment to comply with Departmental policy.

Operations and Travel (\$709 thousand)

An additional \$709 thousand is required in FY 2018 to restore funding that was cut in FY 2017 in order to fund MARAD personnel and non-discretionary increases. During FY 2017, MARAD was required to absorb a 2.1 percent pay raise as well as increases in MARAD's accounting service provider costs from within existing base resources. In addition, MARAD absorbed the total cost of implementing a new Departmental mandated procurement and purchase requisitioning system. As a result, MARAD Operations and Travel was cut by over \$1 million. The requested increase of \$709 thousand for FY 2018 will restore most of the operational reductions taken during FY 2017 funding back to near FY 2016 actual levels in areas such as mission travel, training, and contractual services.

Current Services Adjustments (\$2.5 million)

An additional \$2.5 million is required in FY 2018 to fund current services adjustments primarily related to the pay-raise, GSA rent and Departmental Working Capital Fund cost increases. These are non-discretionary costs that must be paid and due to the significant amount, this increase cannot be covered by MARAD's currently available resources.

MARITIME PROGRAM INITIATIVES (\$7 million)

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

The President's Budget requests \$3 million in FY 2018 for innovation and technology initiatives designed to enhance maritime affordability.

The FY 2018 program will build upon ongoing and anticipated initiatives in developing new or adapting/scaling existing technologies, performing in-situ testing, in a range of operating conditions, and conducting state-of-the-art research in new areas. Funding will be used to maintain the three MARAD-supported BWMS testing facilities necessary for U.S. Coast Guard (USCG) certification and International Maritime Organization (IMO) compliance testing and associated scientific teams involved with the testing.

Short Sea Transportation/America's Marine Highway Program (\$4 million)

The President's Budget requests includes \$4 million to provide grants for the continued development of Marine Highway Projects. These projects are building new supply chains utilizing our Nation's vast network of waterways and coastlines to provide new export-based supply chain alternatives for our Nation's manufacturers and shippers. The grants are designed to reduce the upfront private sector capital risk associated with new transportation services, kick start private sector involvement, develop and modernize terminals to provide new domestic transportation options, alleviate congestion on our Nation's highways, and reduce highway maintenance costs.

Funds provided through this request would be used to build new services and expand existing services through; a) planning, b) new service demonstration, and c) purchase of infrastructure and equipment necessary to support movement of freight along designated Marine Highway Routes to increase the number of waterborne transportation services that move containerized and unitized freight and provide a means to monetize the public benefits unique to waterborne services. All grants would leverage private investment by requiring a 20 percent non-federal match.

- *Pre-Planning and Planning Grants* – these include funding for planning grants for Marine Highway Route sponsors (coalitions of supporters formed to exploit waterborne opportunities, where feasible) to develop plans that will expand the capacity and number of short sea services and will support state-driven, multi-state, and multimodal corridor planning. These plans will include the factors listed for pre-planning and planning, including conceptual designs and analysis of service markets, operations, infrastructure and costs. The plans completed using these grant funds will be useful in initiating services that can become fully sustainable operations. The Marine Highway Route Sponsors designated by the Secretary of Transportation will be eligible for these planning grant awards¹.
- *New Service Demonstration "Gap" Grants* – Includes funding for Marine Highway Projects that have completed their pre-planning and planning efforts². This gap-funding assistance reduces risk for service operators as they enter a new market, build a customer base and demonstrate that they can provide frequent and reliable service to a wide range of destinations. These types of grants will be used to bring services into their demonstration phase and fully sustainable operations. Marine Highway Route Sponsors and Marine Highway Project Sponsors designated by the Secretary of Transportation will be eligible for these infrastructure grant awards.
- *Infrastructure and Equipment Capital Grants* – Includes funding to address gaps in the intermodal system needed to transfer goods between water and landside modes along

¹ Marine Highway Route sponsors must be public entities. The majority of sponsors are either port authorities or State Departments of Transportation.

² The initial acquisition cost of vessels, port facility and cargo handling equipment can be a significant barrier to market entry for Marine Highway services. Initially, such services often involve relatively small volumes of cargo that must bear the full costs of paying for the new port infrastructure. This high fixed cost, which must be passed on to shippers, places Marine Highway services at a competitive disadvantage relative to established land-based modes. Particularly for startup Marine Highway operations, Federal, State and local financial support, through grants or loans, may be necessary to make the investments possible.

designated marine highway routes for the benefit of specific designated marine highway projects. The purpose of these grants is to invest in the infrastructure that will allow these services to operate efficiently and decrease the upfront costs inherent with new ventures.

The America's Marine Highway Program is the only Federal office that assists state and local government agencies in the development of new coastwise marine transportation services. These pool of potential applicants are the marine highway services vetted by MARAD and the Department, and designated by the Secretary.

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

MARAD's Headquarters Operations funds the agency administrative infrastructure, including operating expenses and professional staff working on MARAD operating missions, support programs, and initiatives. As such, Headquarters Operations contributes to operational program effectiveness, and providing the leadership, management, and administrative support infrastructure for programs advancing agency initiatives.

The President's Budget proposal for the America's Marine Highway Program provides our manufacturing base and maritime transportation providers with an opportunity to expand new transportation options for our manufacturers, allowing them to lower transportation costs and become more competitive on the world market. The Marine Highway Grant Program participants will use these funds for planning Marine Highway services, addressing equipment and infrastructure gaps, and for demonstration services that will be conducted in partnership with manufacturers and shippers.

ASSISTANCE TO SMALL SHIPYARDS

[To make grants to qualified shipyards as authorized under section 54101 of title 46, United States Code, as amended by Public Law 113–281, \$5,000,000 to remain available until expended: *Provided*, That the Secretary shall issue the Notice of Funding Availability no later than 15 days after enactment of this Act: *Provided further*, That from applications submitted under the previous proviso, the Secretary of Transportation shall make grants no later than 120 days after enactment of this Act in such amounts as the Secretary determines: *Provided further*, That not to exceed 2 percent of the funds appropriated under this heading shall be available for necessary costs of grant administration.] *Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*

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

(In thousands of dollars)

Identification code 69-1770-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:			
0001 Grants for Capital Improvement for Small Shipyards	5,069	5,056	-
0900 Total new obligations	5,069	5,056	-
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance available, Oct 1	561	492	426
1050 Unobligated balance (total)	561	492	426
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	5,000	4,990	-
1160 Appropriation, discretionary (total)	5,000	4,990	-
1930 Total budgetary resources available	5,561	5,482	426
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	492	426	426
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	2,475	5,325	572
3010 Obligations incurred, unexpired accounts	5,069	5,056	-
3020 Outlays (gross)	-2,219	-9,809	-749
3050 Unpaid obligations, end of year	5,325	572	-177
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	2,475	5,325	572
3200 Obligated balance, end of year	5,325	572	-177
Budget authority and outlays, net:			
Discretionary:			
Outlays, gross:			
4010 Outlays from new discretionary authority	1,268	4,242	-
4011 Outlays from discretionary balances	951	5,567	749
4080 Outlays, net (discretionary)	2,219	9,809	749
4180 Budget authority, net (total)	5,000	4,990	-
4190 Outlays, net (total)	2,219	9,809	749

ASSISTANCE TO SMALL SHIPYARDS

Program and Performance Statement

The National Defense Authorization Act of 2006 authorized the Maritime Administration to make grants for capital and related improvements at eligible shipyard facilities that will foster efficiency, competitive operations, and quality ship construction, repair, and reconfiguration. Grant funds may also be used for maritime training programs to enhance technical skills and operational productivity in communities whose economies are related to or dependent upon the maritime industry. No new funds are requested for 2018.

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

Object Class Code	Object Class	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
	Direct Obligations:			
1111	Full-time permanent	127	128	-
1115	Other personnel compensation	1	1	-
1119	Total personnel compensation	<u>128</u>	<u>129</u>	<u>-</u>
1121	Civilian personnel benefits	36	36	-
1210	Travel and transportation of persons	4	1	-
4100	Grants, claims and subsidies	4,900	4,890	-
9999	Total Obligations	<u>5,069</u>	<u>5,056</u>	<u>-</u>

EMPLOYMENT SUMMARY

	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Assistance to Small Shipyards			
Direct:			
1001 Direct civilian full-time equivalent employment	<u>1</u>	<u>1</u>	<u>-</u>
Total Employment	<u>1</u>	<u>1</u>	<u>-</u>

EXHIBIT III-1

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

	<u>FY 2016</u> <u>ACTUAL</u>	<u>FY 2017</u> <u>ANNUALIZED CR</u>	<u>FY 2018</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2017-2018</u>
Assistance to Small Shipyards	5,000	4,990	-	-4,990
Total, Assistance to Small Shipyards	5,000	4,990	-	-4,990
FTEs				
Direct Funded	1	1	-	-1
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2017 TO FY 2018
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2017 to FY 2018 <u>\$000</u>	Change from FY 2017 to FY 2018 <u>FTE</u>
FY 2017 ANNUALIZED CR	\$4,990	[1]
Adjustments to Base	-	
Subtotal, Adjustments to Base	-	
New or Expanded Programs		
Assistance to Small Shipyards Grants	<u>-4,990</u>	[-1]
Subtotal, New or Expanded Program Increases/ Decreases	-\$4,990	[-]
Total FY 2018 Request	-	[-]

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

**FY 2009 - FY 2018
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2009	Appropriation	-	17,500
	ARRA 1/	-	100,000 1/
2010		-	15,000
2011		-	9,980 2/
2012		-	9,980
2013		-	9,458 3/
2014		-	-
2015		-	-
2016		-	5,000
2017		-	10,000
2018		-	-

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

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

3/ This amount reflects FY 2013 sequestration reductions.

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SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [\$5,000,000,] \$9,000,000, to remain available until expended. *Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*

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

Identification code 69-70-1768-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:			
0001 Ship Disposal	3,371	1,934	7,000
0002 N.S. Savannah	2,505	2,700	3,000
0900 Total obligations	5,876	4,634	10,000
Budgetary resources available for obligation			
1000 Unobligated balance: Brought forward, October 1	1,335	644	1,000
1021 Recoveries of prior year unpaid obligations	185	-	-
1050 Unobligated balance (total)	1,521	644	1,000
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	5,000	4,990	9,000
1130 Appropriations permanently reduced	-	-	-
1160 Appropriation, discretionary (total)	5,000	4,990	9,000
1900 Budget authority (total)	5,000	4,990	9,000
1930 Total budgetary resources available	6,521	5,634	10,000
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	644	1,000	-
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	3,607	2,505	1,495
3010 Obligations incurred, unexpired accounts	5,876	4,634	10,000
3020 Outlays (gross)	-6,793	-5,644	-6,995
3040 Recoveries of prior year unpaid obligations, unexpired	-185	-	-
3050 Unpaid obligations, end of year (gross)	2,505	1,495	4,500
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	3,607	2,505	1,495
3200 Obligated balance, end of year	2,505	1,495	4,500
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	5,000	4,990	9,000

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

Identification code 69-70-1768-0-1-403		FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
	Outlays, gross:			
4010	Outlays from new discretionary authority	3,702	2,495	4,500
4011	Outlays from discretionary balances	3,091	3,149	2,495
4020	Outlays, gross (total)	6,793	5,644	6,995
4070	Budget authority, net (discretionary)	5,000	4,990	9,000
4080	Outlays, net (discretionary)	6,793	5,644	6,995
4180	Budget authority, net (total)	5,000	4,990	9,000
4190	Outlays, net (total)	6,793	5,644	6,995

SHIP DISPOSAL

Program and Performance Statement

The Ship Disposal program provides resources to properly dispose of obsolete government-owned merchant ships maintained by the Maritime Administration in the National Defense Reserve Fleet. The Maritime Administration contracts with domestic shipbreaking firms to dismantle these vessels in accordance with guidelines set forth by the U.S. Environmental Protection Agency. In 2018, the Ship Disposal program requests \$9 million which includes \$6 million to support continued obsolete vessel disposal and \$3 million for maintaining the N.S. Savannah in protective storage.

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

Object Class Code	Object Class	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
	Direct obligations:			
11110	Full-time permanent	984	1,038	1,058
11510	Other personnel compensation	12	12	13
1119	Total personnel compensation	996	1,050	1,071
1121	Civilian personnel benefits	331	350	356
1210	Travel and transportation of persons	5	5	5
1231	Rental payments to GSA	173	135	129
1232	Non-Fed-Rental paymnts to others- Other real property	376	405	450
1251	Advisory and assistance services	2,129	2,294	2,553
1253	Other goods and services from Federal Sources	214	45	625
1254	Operation and maintenance of facilities	1,652	350	4,811
9999	Subtotal new obligations	5,876	4,634	10,000

Employment Summary

	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Ship Disposal			
Direct:			
1001 Direct civilian full-time equivalent emp	10	8	8
Total Employment	10	8	8

EXHIBIT III-1

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

	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>	<u>CHANGE FY 2017-2018</u>
Ship Disposal	<u>5,000</u>	<u>4,990</u>	<u>9,000</u>	<u>4,010</u>
Total	<u>5,000</u>	<u>4,990</u>	<u>9,000</u>	<u>4,010</u>
FTEs				
Direct Funded	10	8	8	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2017 TO FY 2018
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2017 to FY 2018 <u>\$000</u>	Change from FY 2017 to FY 2018 <u>FTE</u>
FY 2017 ANNUALIZED CR	\$4,990	[8]
Adjustments to Base		
Annualization of 2017 Pay Raise	7	
2018 Pay Raise	20	
Less Two Compensable Days	0	
GSA Rent	-6	
Working Capital Fund	<u>10</u>	
Subtotal, Adjustments to Base	31	
New or Expanded Programs		
Ship Disposal	3,679	[-]
NS SAVANNAH	<u>300</u>	
Subtotal, New or Expanded Program		
Increases/ Decreases	\$3,979	[-]
Total FY 2017 Request	\$9,000	[8]

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL**

**FY 2009 - FY 2018
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2009	18,000	15,000
2010	15,000	15,000
2011	10,000	14,970 ^{1/}
2012	18,500	5,500
2013	10,000	5,212 ^{2/}
2014	2,000	4,800
2015	4,800	4,000
2016	8,000	5,000
2017	20,000	34,000
2018	9,000	

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

2/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

SHIP DISPOSAL PROGRAM

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

FY 2018 Ship Disposal Program Budget Request (000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Ship Disposal	1/	2/	6,000	4,010
NS SAVANNAH	1/	2/	3,000	0
Total	\$5,000	\$4,990	\$9,000	\$4,010

1/ The Consolidated Appropriations Act, 2016 provides \$5 million lump sum for the Ship Disposal Program account to fund NS SAVANNAH and Ship Disposal Program activities.

2/ The FY 2017 Annualized Continuing Resolution (CR) estimate is shown in the lump sum similar to FY 2016 for the Ship Disposal Program account.

For FY 2018, \$9.0 million is requested for the Ship Disposal Program. The request includes \$4.0 million to continue the Maritime Administration's (MARAD) priority emphasis on disposal of the worst condition non-retention vessels from National Defense Reserve Fleet (NDRF) and/or other Federal sites, and \$2.0 million for program salaries and overhead. Additionally, the request includes \$3.0 million to maintain the Nuclear Ship SAVANNAH (NSS) in accordance with Nuclear Regulatory Commission (NRC) license requirements.

What is this Program and Why is it Necessary?

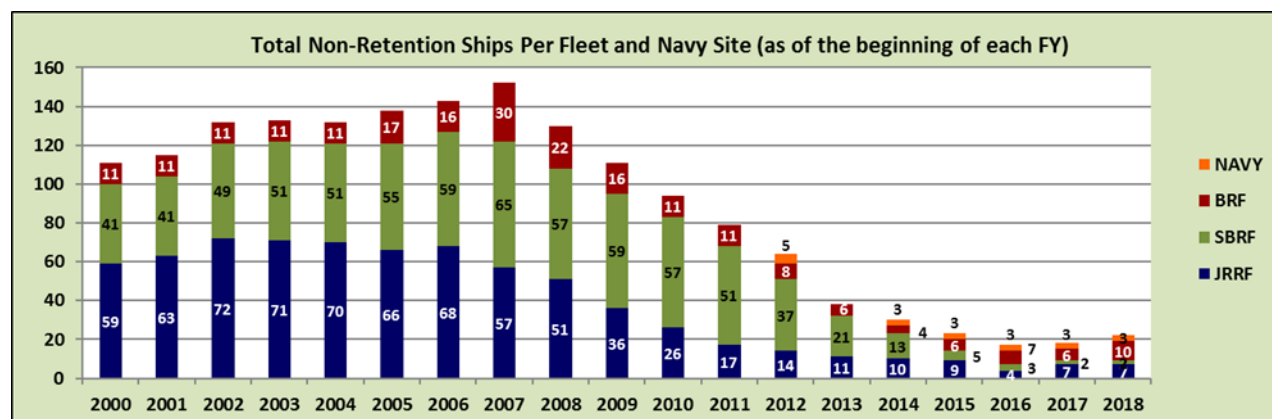
MARAD's Ship Disposal program conducts ship disposal, primarily through recycling of obsolete, Federally-owned, and merchant-type vessels. The program also maintains a specialized licensee organization to manage the NSS in all aspects of its licensed activities. These activities principally include maintenance and safeguarding of the ship and its nuclear power plant while in protective storage. The NSS is a specific DOT facility, subject to Federal facility compliance for environmental (including radiological) and historic stewardship.

SHIP DISPOSAL

MARAD is the disposal agency for Federal government owned merchant-type vessels 1,500 gross tons or greater, as required by the Federal Property and Administrative Services Act of 1949 (40 U.S.C. § 548), and has custody of a fleet of non-retention ships owned by the Federal government. These include obsolete merchant ships moored at NDRF and/or other Federal sites that have no further useful purpose. When ships are determined to be no longer of sufficient value to merit the cost of further preservation, MARAD arranges for their responsible disposal, on a worst-first basis, in accordance with 54 U.S.C. § 308704 of the National Maritime Heritage Act, as amended, and § 3502 of P.L 106-398, the National Defense Authorization Act, FY 2001.

Vessels are domestically recycled only at MARAD qualified recycling facilities. Additionally, MARAD manages compliance with historic reviews and documentation requirements prior to the dismantlement/recycling of its non-retention vessels. Other vessel disposal options include donation, artificial reefing, deep-sinking or sale for re-use. However, these are not realistic vessel disposal actions due to their high cost and the length of time it takes to accomplish hazardous material remediation. MARAD does not anticipate using these vessel disposal actions in the future. From FY 2001 through FY 2017, the program has removed and properly disposed of 221 non-retention vessels from the various fleet sites.

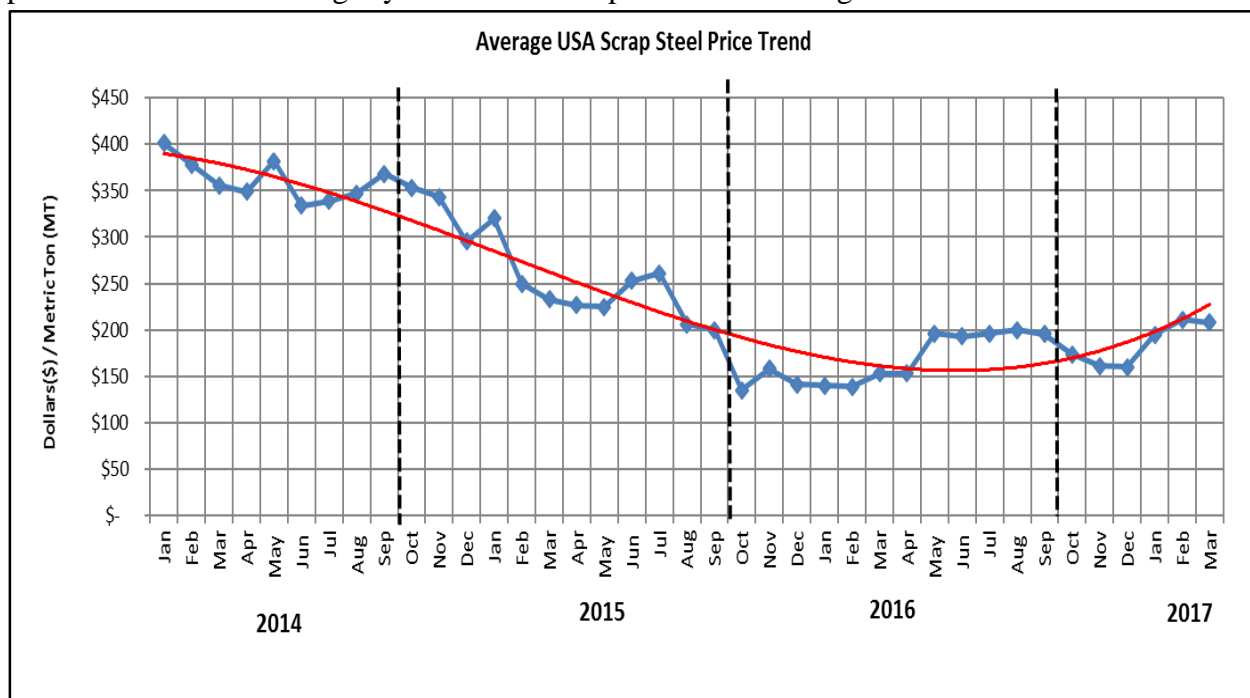
Newly downgraded vessels that have reached the end of their useful life enter the disposal queue as non-retention vessels and are disposed of as expeditiously and efficiently as possible. At the beginning of FY 2017, MARAD had 18 obsolete vessels awaiting disposal; 15 in the MARAD NDRF fleet sites, and 3 at the Navy Inactive Ship Maintenance Office (NISMO) in Philadelphia, Pennsylvania. Included in the total are the last two non-retention vessels from the Suisan Bay Reserve Fleet, which MARAD plans to remove in FY 2017 as required by the 2010 Federal Court Consent Decree.



Approximately two to four vessels per year, including NDRF and/or other Federal agency vessels, will be downgraded to non-retention status and added to the disposal queue in FY 2018 and beyond. For FY 2018, MARAD calculates there will be a total of 21 vessels available for disposal, consisting of 18 NDRF vessels and 3 vessels at the NISMO facility in Philadelphia. This reflects 5 new NDRF vessels moving into non-retention status at the beginning of FY 2018.

In FY 2018, MARAD intends to dispose of four non-retention vessels from the NDRF fleet sites, through a mix of vessels sales and the purchase of recycling services. Removal of the four targeted vessels will leave a total of 17 non-retention vessels (14 NDRF and 3 Navy vessels) at the end of FY 2018.

The graph below shows the trend in scrap steel prices since its peak of \$400 per ton in January 2014 to the low of \$135 per ton in October 2015.¹ In FY 2016, scrap steel prices slowly rebounded from the October 2015 low, and from May through September hovered in the \$190 to \$200 per metric ton price range. The decline in scrap steel prices from May through December 2016 highlights the volatility in the international and domestic metals markets, which makes forecasting scrap steel prices extremely difficult for recyclers. Since December 2016 scrap steel prices have rebounded slightly to a \$200-\$220 per metric ton range.



The disposal of obsolete ships is highly affected by domestic and international prices for scrap steel. Low scrap steel prices shift the market from the sale of non-retention vessels to the use of appropriated funds for the procurement of ship recycling services. Recyclers require months of sustained and projected levels of scrap steel prices to return to an economical market in order to purchase MARAD vessels for recycling. Absent stable prices for scrap steel ship recyclers will require award of a service contract to subsidize costs when recycling MARAD non-retention vessels.

NUCLEAR SHIP SAVANNAH (NSS)

The NSS is a MARAD legacy facility dating back to the 1960s Atoms for Peace program. It is the world's first nuclear-powered merchant ship, and since 1991 has been a designated National Historic Landmark. It is a NDRF retention asset, and remains actively licensed and inspected by the Nuclear Regulatory Commission (NRC). The nuclear power plant (and ship) is defueled, mothballed, and maintained in Baltimore, Maryland.

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

All Federal agencies located outside of the Department of Energy and Department of Defense (DoD), who possess nuclear facilities are required to maintain NRC licenses for those facilities. Licensing by the NRC is a continuum that begins with concept and construction, continues through operations and shutdown, and ends with remediation, dismantlement and license termination. NSS currently exists in the post-shutdown protective storage phase of this lifecycle. The NRC allows a maximum of 60 years from permanent shutdown to license termination. The NSS was shut down in 1971, consequently all license termination activities must be completed by December 2031.

The NSS program is necessary because as the ship exists in its licensed state, compliance with NRC license requirements is not discretionary for Federal licensees. Federal licensees are subject to the same non-compliance enforcement actions as commercial licensees, which may include violations, fines, and civil penalties against licensee personnel. MARAD maintains a contemporary, performance-based licensee organization that provides the institutional competency to manage the regulatory compliance of the NSS. Funding to support this program must be maintained until decommissioning and license termination is completed. Program costs are kept to a minimum. This is achieved by maximizing MARAD's core ship husbandry competencies, constant evaluation and adoption of nuclear industry best practices; the application of decommissioning experience from all relevant sources, and use of interagency and intra-agency partnerships to avoid unnecessary duplication of skill-sets. Rigorous internal controls are employed to ensure that the focus on minimizing waste and duplication is maintained.

As a legacy project, MARAD's license management performance for NSS is measured on a qualitative basis as indicated by the results of inspections and oversight by the NRC. Since the initiation of the current NSS licensee organization and oversight program, no NRC inspection has resulted in any findings of safety significance.

What does this funding level support?

The FY 2018 request will be utilized for the purchase of recycling and dry-dock services for the disposal of the worst conditioned vessels from the NDRF and/or Navy NISMO Philadelphia fleet sites. The request provides for the maintenance of the NSS in protective storage and continuation of MARAD's basic NRC license activities.

SHIP DISPOSAL

The FY 2018 Ship Disposal request of \$6.0 million will fund \$2.0 million for salaries and overhead expenses of the ship disposal program and \$4.0 million to support the disposal of the worst conditioned vessels from the NDRF and/or NISMO Philadelphia, PA fleet sites.

Ship disposal contracts are awarded through a combination of competitive vessel sales and the purchase of ship recycling services. Declining scrap steel prices, an uncertain market outlook for sustained price recovery, the closing of the largest ship recycler and increased U.S. Navy ship recycling awards have impacted the ability of the program to continue ship recycling solely through competitive vessel sales. The program emphasis will be the removal of the worst conditioned vessels from the NDRF. In the absence of competitive vessel sales, MARAD will have to contract for ship disposal services. There are currently six MARAD retention vessels in

the SBRF that are scheduled for downgrade to non-retention and available for disposal in the next five years. MARAD needs to ensure sufficient resources to purchase dry-docking and recycling services to remove vessels from the fleet as quickly as possible to minimize the risk to the environment.

The level of competition and available capacity for ship disposal service will decrease significantly as a result of the following factors: continued bankruptcy re-organization of the largest MARAD qualified ship recycler in Brownsville, TX; the loss of technical qualification by two smaller MARAD qualified ship recycling facilities in Brownsville, TX due to financial constraints; the closing of one qualified ship recycling facility in Amelia, LA in 2016; and the arrival of the fifth U.S. Navy aircraft carrier in Brownsville for recycling in June 2017; and the unique characteristics of each vessel owing to size, configuration and amounts of hazardous materials contained within the vessel. The aircraft carriers have a two-year period of performance and as such, are expected to increase MARAD's cost through reduced competition to dispose of ships in FY 2018. In comparison, a single aircraft carrier is equivalent to the tonnage of approximately 8 to 10 average size non-retention vessels in the Ship Disposal Program. As such, MARAD, Navy and the Defense Logistics Agency (DLA) all utilize the same ship recycling facilities in Texas and Louisiana. Due to the collapse of the scrap steel market the DLA has not sold any Navy combatant vessel for recycling since February 2015. They plan to issue a ten ship recycling solicitation in June of 2017 that will include a four-year performance period for removal and dismantlement of the combatant vessels from the Navy Inactive Ship Maintenance Facility in Philadelphia, Pennsylvania.

NUCLEAR SHIP SAVANNAH (NSS) LICENSED ACTIVITIES

The FY 2018 President's Budget requests \$3.0 million for NSS activities and supports management of NRC licensed activities, including maintaining the NSS in protective storage and planning for its decommissioning and license termination. Licensed activities are broadly defined by the terms and conditions of the NRC license, and include those marine activities (layberthing, custodial care) that safeguard and protect the ship as the primary physical boundary of the nuclear facilities contained within.² NRC organic legislation does not exempt Federal licensees from obligations once a facility license is issued.³ As a Federal licensee, MARAD must meet its financial assurance and financial protection requirements through appropriations and the full faith and credit of the United States. Funding to support and manage licensed activities is required until decommissioning and license termination is completed, and there is no statutory alternative to appropriations for this purpose.

The funding request includes all costs associated with the protective storage program, exclusive of salaries and general overhead, which are included in the ship disposal activities funding request. The primary component of protective storage is license compliance and radiological protection. These are contract services provided by experienced commercial nuclear professionals, with the program scope defined by NRC's contemporary protective storage requirements. Related

² The license (and consequently licensed activities) includes the text of the license itself; all applicable regulations; site-specific fundamental basis documents (Technical Specifications, Safety Analysis; Quality Assurance; Emergency and Security Plans); and licensee implementing plans and procedures – all of which are inspected by NRC.

³ Atomic Energy Act of 1954, as amended; Energy Policy Act of 1992, as amended.

components of protective storage include ship husbandry and custodial care, and decommissioning planning. The scope of MARAD's protective storage program is the minimum that it must accomplish each year until decommissioning is completed. Based on current statutory, regulatory and license conditions, NSS decommissioning and license termination must be completed by December 2031. The program scope cannot be reduced, and no savings are possible without sacrificing major elements of the licensing program, which would jeopardize NRC licensing compliance and could result in the imposition of violations, civil fines and penalties against MARAD personnel or contractors.

Decommissioning addresses the legacy requirement to close the lifecycle of the NSS nuclear facility. All commercially licensed nuclear power facilities, regardless of ownership, must eventually undergo decommissioning and terminate their license. Licensees are required to maintain updated decommissioning cost estimates and report on planning efforts and costs on an annual basis during protective storage.

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

Consistent annual funding for the Ship Disposal program is the most effective strategy to sustain program results during unpredictable external factors such as market fluctuations for scrap steel, fuel, and periods of limited industrial capacity, all of which has a significant effect on the cost of obsolete vessel disposal. Funding at the requested level will ensure the continued removal of non-retention vessels at an annual rate that is equal to or greater than the number of obsolete ships designated for disposal while managing risks associated with the external factors.

Scrap steel market price volatility requires readily available funding to quickly adapt and procure dry-dock and ship recycling services in the absence of vessel sales. Minimal funding provides a consistent rate of obsolete ship removals, which is necessary to reduce reserve fleet operating costs, mitigate risks common with aging ships and ensure that a costly backlog of obsolete ships does not accumulate at MARAD's fleet sites. Sustained vessel removal for recycling maintains the unique niche the ship recycling industry base in the U.S., provides good paying jobs that support local economies, and scrap metals recycled from the vessels provides a cheaper raw material resource in lieu of mining iron ore to make new steel products. The scrap metal commodity allows U.S. steel mills to lower their raw material costs, improve efficiencies and maintain a competitive edge in the market place.

Other benefits include the sale of vessels for recycling that returns sales proceeds to MARAD, which are then used to fund the maintenance, repair and improvement of active vessels in the NDRF; for expenses incurred by the U.S. Merchant Marine Academy and six State Maritime Academies; and for the preservation and presentation of maritime heritage property through the National Maritime Heritage Grants Program administered by the National Park Service.

The NSS is a legacy facility and a nationally-significant historic property. The NRC license that governs all activities associated with the NSS is designed and intended to protect the health and safety of the environment and the public, consequently, the public benefits from funding of the NSS program. Similar public benefits are deriving from the historic stewardship activities that flow collaterally from NRC licensed maintenance and husbandry.

MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, \$210,000,000, to remain available until expended. *Amounts made available for "Maritime Administration—Maritime Security Program" shall be allocated at an annual rate across all vessels covered by operating agreements, as that term is used in chapter 531 of title 46, United States Code, and the Secretary shall distribute equally all such funds for payments due under all operating agreements in equal amounts notwithstanding title 46, United States Code, section 53106: Provided, That no payment shall exceed an annual rate of \$3,500,000 per operating agreement. Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*

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

(In thousands of dollars)

Identification code 69-1711-0-1-403		FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:				
0001	Maritime Security Program	203,000	209,601	210,000
0900	Total new obligations	203,000	209,601	210,000
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	152	8,473	8,473
1021	Recoveries of prior year unpaid obligations	1,321	-	-
1050	Unobligated balance (total)	1,473	8,473	8,473
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	210,000	209,601	210,000
1130	Appropriations permanently reduced	-	-	-
1131	Unobligated balance of appropriation permanently reduced	-	-	-
1160	Appropriation, discretionary (total)	210,000	209,601	210,000
1900	Budget authority total (disc. and mand.)	210,000	209,601	210,000
1930	Total budgetary resources available	211,473	218,074	218,473
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	8,473	8,473	8,473
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	18,200	23,564	6,199
3010	Obligations incurred, unexpired accounts	203,000	209,601	210,000
3020	Outlays (gross)	-196,315	-226,966	-209,972
3040	Recoveries of prior year unpaid obligations, unexpired	-1,321	-	-
3050	Unpaid obligations, end of year (gross)	23,564	6,199	6,227
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	18,200	23,564	6,199
3200	Obligated balance, end of year (net)	23,564	6,199	6,227
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	210,000	209,601	210,000
Outlays, gross:				
4010	Outlays from new discretionary authority	179,930	194,929	195,300
4011	Outlays from discretionary balances	16,385	32,037	14,672
4020	Outlays gross, (total)	196,315	226,966	209,972
4070	Budget authority, net (discretionary)	210,000	209,601	210,000
4080	Outlays, net (discretionary)	196,315	226,966	209,972
4180	Budget authority, net (total)	210,000	209,601	210,000
4190	Outlays, net (total)	196,315	226,966	209,972

MARITIME SECURITY PROGRAM

Program and Performance Statement

The Maritime Security Program provides direct payments to U.S. flag ship operators engaged in foreign commerce to partially offset the higher operating costs of U.S. registry. The purpose of the program is to establish and sustain a fleet of active ships that are privately owned, commercially viable, and militarily useful to meet national defense and other emergency sealift requirements. Participating operators are required to make their ships and commercial transportation resources available upon request by the Secretary of Defense during times of war or national emergency. Commercial transportation resources include ships, logistics management services, port terminal facilities, and U.S. citizen merchant mariners to crew both commercial and government-owned merchant ships. The Maritime Administration requests \$210 million for the Maritime Security program.

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

Object Class <u>Code</u>	<u>Object Class</u>	FY 2016 <u>Actual</u>	FY 2017 <u>Annualized CR</u>	FY 2018 <u>Request</u>
	Direct obligations:			
1410	Grants, subsidies and contributions	203,000	209,601	210,000
9999	Total, New Obligations	203,000	209,601	210,000

EXHIBIT III-1

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

	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>	<u>CHANGE FY 2017-2018</u>
Maritime Security Program	210,000	209,601	210,000	399
Total	210,000	209,601	210,000	399
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2017 TO FY 2018
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2017 to FY 2018 <u>\$000</u>	Change from FY 2017 to FY 2018 <u>FTE</u>
FY 2017 ANNUALIZED CR	\$209,601	[-]
Adjustments to Base	-	
Subtotal, Adjustments to Base	-	
 New or Expanded Programs		
Program Expenses		[-]
Food Aid Proposal	399	
Subtotal, New or Expanded Program	\$399	
Increases/ Decreases		[-]
 Total FY 2018 Request	\$210,000	[-]

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

**FY 2009 - FY 2018
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2009	174,000	174,000
2010	174,000	174,000
2011	174,000	173,652 ^{1/}
2012	174,000	174,000
2013	184,000	160,289 ^{2/}
2014	208,000	186,000
2015	211,000	186,000
2016	211,000	210,000
2017	211,000	300,000
2018	210,000	

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

2/ This amount reflects FY 2013 sequestration reductions.

DETAILED JUSTIFICATION

MARITIME SECURITY PROGRAM

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

FY 2018 Maritime Security Program Budget Request (\$000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Maritime Security Program	210,000	209,601	210,000	399
Total	\$210,000	\$209,601	\$210,000	\$399

For FY 2018, a total of \$210 million is requested for the Maritime Security Program (MSP) account. This funding is essential to National Security for maintaining 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 during times of conflict, humanitarian crises, and natural disasters.

What is this Program and Why is it Necessary?

The MSP is a necessary national security investment in order to ensure that the United States will have a fleet of active, commercially viable, militarily useful, privately owned U.S.-flag vessels to maintain a United States presence in international commercial shipping, while also meeting national defense and other security requirements.

The MSP provides the Department of Defense (DoD) with assured access to privately-owned and operated U.S.-flag ships and intermodal facilities, while sustaining a base of U.S. Merchant Mariners to support national security requirements during armed conflict or national emergency. The MSP acknowledges the importance of a strong partnership with DoD and the commercial maritime industry to maintain an international presence in foreign commerce. The National Defense Authorization Act for FY 2013, P.L. 112-239, modified and extended the MSP from FY 2016 through FY 2025.

Created by the Maritime Security Act of 1996, the MSP followed a costlier operating differential subsidy (ODS) program with fixed annual payments to induce U.S.-flag carriers to retain their U.S.-flag registry. These same carriers indicated that U.S.-flag ships would have left the U.S.-flag fleet for open or foreign-flag registry in the absence of MSP support. These actions would have resulted in the DoD relying on more open or foreign-flag registry vessels to meet their sealift requirements which leaves U.S. military assets vulnerable and also poses a national security risk. The program also ensures that the global intermodal assets of current U.S.-flag ship operators will be readily available to DoD. This is a mandatory requirement for entry into

the MSP that carriers commit both vessel capacity and intermodal resources to MARAD's emergency preparedness programs, the Voluntary Intermodal Sealift Agreement program for dry cargo vessels and the Voluntary Tanker Agreement program for liquid tanker vessels.

Program accomplishments anticipated in FY 2018 include activities to monitor the agreements with the ship owners to retain the ships enrolled in the program. In addition, MARAD will approve changes in MSP contracts that maintain or improve the quality of the MSP fleet to ensure the retention of modern and efficient ships and U.S. citizen crews. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration as commercially viable and the U.S. Transportation Command as militarily useful. It should be noted that a benefit of the MSP is the requirement to replace vessels due to age-out limits, resulting in newer vessels that often operate more efficiently. Since 2006, when the program was reauthorized, MSP operators have replaced older vessels with more than 60 newer vessels. The average age of the current MSP fleet is 13.5 years old, as compared to 13.6 years old in 2006.

What does this funding level support?

The President's FY 2018 Budget request for the MSP of \$210 million will provide a payment of \$3.5 million for each of the 60 vessels enrolled in the program.

The MSP ensures that the United States has a fleet of U.S.-flag vessels controlled by U.S. citizens supporting national security interests and designed to provide critical sealift and intermodal support to the U.S. military in time of crisis. These MSP vessels are the backbone of the sustainment sealift capability needed by our military forces to deliver the necessary supplies and equipment needed to support, protect and defend our Nation when called upon.

Vessels and crews of the MSP fleet carried more than 90 percent of the sustainment cargoes required for recent military operations in Iraq and Afghanistan. Additionally, the MSP fleet provides employment for 2,400 U.S. Merchant Mariners, each year to meet the Nation's needs to crew government-owned reserve sealift vessels in the RRF when activated.

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

The MSP is a national security investment that supports MARAD's core mission to strengthen the U.S. marine transportation system including: infrastructure, industry, and labor to meet the economic and security needs of the Nation. Vessels enrolled in the MSP benefit the American public by providing a United States presence in international commerce while supporting national security in times of war or national emergency.

The MSP continues to provide cost effective support to maintain logistic management services, port terminal facilities and intermodal assets of commercial ship operators to meet national defense and other emergency sealift requirements. Congress recognized that the MSP provides a sealift fleet capacity that would cost the Government \$13 billion in capital to reproduce. Furthermore, it would cost the Government an additional \$52 billion to replicate the global

intermodal system that is made available to the DoD by MSP participants who are continuously developing, maintaining, and upgrading their logistical support systems.

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

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

(In thousands of dollars)

Identification code 69-1710-0-1-054	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:			
0801 Reimbursable Program	329,994	335,000	335,000
0900 Total new obligations	329,994	335,000	335,000
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	39,805	42,173	42,173
1011 Unobligated balance transferred from other accounts	-	-	-
1021 Recoveries of prior year unpaid obligations	22,811	-	-
1033 Recoveries of prior year paid obligations	0.26		
1029 Other balances withdrawn			
1050 Unobligated balance (total)	62,617	42,173	42,173
1121 Appropriation transferred from other accts [17-1804]	-	-	-
Budget authority:			
Spending authority from offsetting collections, disc.			
1700 Collected	294,751	335,000	335,000
1701 Change in uncollected payments, Federal sources	19,141	-	-
1750 Spending auth from offsetting collections, disc - (total)	313,892	335,000	335,000
1900 Budget authority (total)	313,892	335,000	335,000
1930 Total budgetary resources available	376,509	377,173	377,173
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-4,341	-	-
1941 Unexpired unobligated balance, end of year	42,173	42,173	42,173
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	147,785	117,222	59,333
3010 Obligations incurred, unexpired accounts	329,994	335,000	335,000
3011 Obligations incurred, expired accounts	0.153	-	-
3020 Outlays (gross)	-331,445	-392,889	-356,351
3040 Recoveries of prior year unpaid obligations, unexpired	-22,811	-	-
3041 Recoveries of prior year unpaid obligations, expired	-6,302	-	-
3050 Unpaid obligations, end of year	117,222	59,333	37,982
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-63,293	-54,545	-54,545
3070 Change in uncollected pymts, Fed sources, unexpired	-19,141	-	-
3071 Change in uncollected pymts, Fed sources, expired	27,889	-	-
3090 Uncollected pymts, Fed sources, end of year	-54,545	-54,545	-54,545
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	84,493	62,677	4,788
3200 Obligated balance, end of year	62,677	4,788	-16,563
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	313,892	335,000	335,000

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

(In thousands of dollars)

Identification code 69-1710-0-1-054	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Outlays, gross:			
4010 Outlays from new discretionary authority	223,025	301,500	301,500
4011 Outlays from discretionary balances	108,420	91,389	54,851
4020 Outlays, gross (total)	331,445	392,889	356,351
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-315,145	-335,000	-335,000
4033 Non-Federal sources	-1,194	-	-
4040 Offsets against gross budget authority and outlays (total)	-316,338	-335,000	-335,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-19,141	-	-
4052 Offsetting collections credited to expired accounts	21,587	-	-
4060 Additional offsets against budget authority only (total)	2,446	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	15,106	57,889	21,351
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	15,106	57,889	21,351

READY RESERVE FORCE

Program and Performance Statement

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

**MARITIME ADMINISTRATION
READY RESERVE FORCE
OBJECT CLASSIFICATION**

Object Class Code	Object Class	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
	Reimbursable obligations:			
2111	Full-time permanent	24,266	25,059	26,648
2113	Other than full-time permanent	-	-	-
2115	Other personnel compensation	1,694	1,749	1,860
2119	Total personnel compensation	25,960	26,809	28,509
2121	Civilian personnel benefits	8,968	9,262	9,849
2210	Travel and transportation of persons	821	833	826
2220	Transportation of things	-	-	-
2231	Rental payments to GSA	2,500	2,305	2,486
2232	Rental payments to others	12,334	12,517	12,413
2233	Communications, utilities, and miscellaneous charges	8,000	8,119	8,051
2240	Printing	1,000	1,015	1,006
2251	Advisory and assistance services	2,485	2,522	2,501
2252	Other services from non-Federal sources	1,374	1,395	1,383
2253	Other goods and services from non-Federal sources	5,041	5,116	5,073
2254	Operation and maintenance of facilities	243,490	246,819	244,765
2256	Medical Care	-		
2257	Operation and maintenance of equipment	5,069	5,145	5,102
2263	Supplies and materials	11,896	12,073	11,973
2310	Equipment	1,055	1,071	1,062
2320	Land and structures	-	-	-
9999	Total new obligations	329,994	335,000	335,000

**MARITIME ADMINISTRATION
READY RESERVE FORCE
EMPLOYMENT SUMMARY**

Ready Reserve Force	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Reimbursable:			
2001 Reimbursable civilian full-time Equivalent employment	291	298	311
Total Employment	291	298	311

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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 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:			
0801 Vessel operations	5,251	20,500	20,500
0900 Total new obligations	5,251	20,500	20,500
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	41,517	37,129	31,629
1020 Adjustment to unobligated balance brought forward, Oct 1	-	-	-
1021 Recoveries of prior year unpaid obligations	812	-	-
1050 Unobligated balance (total)	42,329	37,129	31,629
Budgetary authority:			
Spending authority from offsetting collections, discretionary:			
1700 Collected	818	15,000	15,000
1701 Change in uncollected payments, Federal sources	-766	-	-
1750 Spending auth from offsetting collections, disc (total)	52	15,000	15,000
1930 Total budgetary resources available	42,381	52,129	46,629
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	37,129	31,629	26,129
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	8,391	3,248	1,660
3010 Obligations incurred, unexpired accounts	5,251	20,500	20,500
3020 Outlays (gross)	-9,583	-22,087	-15,000
3040 Recoveries of prior year unpaid obligations, unexpired	-812	-	-
3050 Unpaid obligations, end of year	3,248	1,660	7,160
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-926	-161	-161
3061 Adjustment to uncollected pymts, Fed sources, brought forward, Oct 1	0	-	-
3070 Change in uncollected pymts, Fed sources, unexpired	766	-	-
3090 Uncollected pymts, Fed sources, end of year	-161	-161	-161
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	7,465	3,087	1,500
3200 Obligated balance, end of year	3,087	1,500	7,000
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	52	15,000	15,000
Outlays, gross:			
4010 Outlays from new discretionary authority	-	13,500	13,500
4011 Outlays from discretionary balances	9,583	8,587	1,500
4020 Outlays, gross (total)	9,583	22,087	15,000
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-766	-	-
4033 Non-Federal sources	-52	-15,000	-15,000
4040 Offsets against gross budget authority and outlays (total)	-818	-15,000	-15,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	766	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	8,766	7,087	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	8,766	7,087	-

VESSEL OPERATIONS REVOLVING FUND

Program and Performance Statement

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

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

Object Class Code	Object Class	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
	Reimbursable obligations:			
2111	Full-time Permanent		-	-
2210	Travel and transportation of persons	17	17	17
2220	Transportation of things	90	90	90
2240	Print and reprod	7	7	7
2251	Advisory and assistance services	1,988	17,237	17,237
2252	Other services from non-Federal sources	1,902	1,902	1,902
2253	Federal sources	265	265	265
2254	Operation and maintenance of facilities	346	346	346
2257	Operation and maintenance of equipment	271	271	271
2260	Supplies and materials	175	175	175
2310	Equipment	190	190	190
2440	Refunds	-	-	-
9999	Total new obligations	5,251	20,500	20,500

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

(In thousands of dollars)

Identification code 69-4302-0-1-403		FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:				
0001	General Administration	-	-	-
0900	Total new obligations	-	-	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	47,963	48,330	48,730
1050	Unobligated balance (total)	47,963	48,330	48,730
Budget authority:				
Appropriations, discretionary:				
1700	Collected	367	400	400
1750	Spending auth from offsetting collections, disc (total)	367	400	400
1900	Budget authority (total)	367	400	400
1930	Total budgetary resources available	48,330	48,730	49,130
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	48,330	48,730	49,130
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	100	100	-
3010	Obligations incurred, unexpired accounts	-	-	-
3020	Outlays (gross)	-	-100	-
3050	Unpaid obligations, end of year (gross)	100	-	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year (net)	100	100	-
3200	Obligated balance, end of year (net)	100	-	-
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	367	400	400
4010	Outlays from new discretionary authority	-	-	-
4011	Outlays from discretionary balances	-	100	-
4020	Outlays, gross (total)	-	100	-

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

(In thousands of dollars)

Identification code 69-4302-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources			
4031 Disc: Offsets, BA and OL: collect, Int, Fed secur	-367	-400	-400
4040 Outlays, net (total)	-367	-400	-400
Additional offsets against gross budget authority only:			
4080 Outlays, net (discretionary)	-367	-300	-400
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-367	-300	-400
Memorandum (non-add_ entries:			
5000 Total Investments, SOY: Federal securities:			
Par value	42,685	47,831	47,831
5001 Total Investments, EOY: Federal securities:			
Par value	47,831	47,831	47,831

WAR RISK INSURANCE REVOLVING FUND

Program and Performance Statement

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

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MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

(INCLUDING TRANSFER OF FUNDS)

[For the cost of guaranteed loans, as authorized, \$8,135,000, of which \$5,000,000 shall remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: *Provided further*, That not to exceed \$3,135,000 shall be available for administrative expenses to carry out the guaranteed loan program, which shall be transferred to and merged with the appropriations for "Operations and Training", Maritime Administration.] *Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*

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

(In thousands of dollars)

Identification code 69-1752-0-1-403		FY 2016 ACTUAL	FY 2017 ANNUALIZED CR	FY 2018 REQUEST
Obligations by program activity:				
0702	Loan guarantee subsidy		42,063	-
0707	Reestimates of loan guarantee subsidy	128,506	-	-
0708	Interest on reestimates of loan guarantee subsidy	9,614	-	-
0709	Administrative Expenses	3,135	3,129	-
0900	Total new obligations	141,256	45,192	-
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	42,006	47,063	9,990
1021	Recoveries of prior year unpaid obligations	57	-	-
1001	Discretionary unobligated balance brought fwd, Oct 1	42,063	47,063	9,990
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	8,135	8,119	-
1131	Unobligated balance of appropriations permanently reduced	-	-	-
1160	Appropriation, discretionary (total)	8,135	8,119	-
Appropriations, mandatory:				
1200	Appropriation	138,121	-	-
1260	Appropriations, mandatory (total)	138,121	-	-
1900	Budget authority (total)	146,256	8,119	-
1930	Total budgetary resources available	188,319	55,182	9,990
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	47,063	9,990	9,990
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	31,076	-	21,073
3010	Obligations incurred: unexpired accounts	141,256	45,192	-
3020	Outlays (gross)	-172,244	-24,119	-21,073
3040	Recoveries, of prior year unpaid obligations, unexpired	-57	-	-
3050	Unpaid obligations, end of year	30	21,073	-
Memorandum (non-add) entries:				
3100	Obligated balance, start of year	31,076	-	21,073
3200	Obligated balance, end of year	30	21,073	-
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	8,135	8,119	-

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

(In thousands of dollars)

Identification code 69-1752-0-1-403		FY 2016 ACTUAL	FY 2017 ANNUALIZED CR	FY 2018 REQUEST
Outlays, gross:				
4010	Outlays from new discretionary authority	3,135	8,119	-
4011	Outlays from discretionary balances	30,989	16,000	21,073
4020	Outlays gross, (total)	34,124	24,119	21,073
4070	Budget authority, net (discretionary)	8,135	8,119	-
4080	Outlays, net (discretionary)	34,124	24,119	21,073
	Mandatory:			
4090	Budget authority, gross	138,121	-	-
Outlays, gross:				
4100	Outlays from new mandatory authority	138,121	-	-
4160	Budget authority, net (mandatory)	138,121	-	-
4170	Outlays, net (mandatory)	138,121	-	-
4180	Budget authority, net (total)	146,256	8,119	-
4190	Outlays, net (total)	172,244	24,119	21,073

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

Program and Performance Statement

The Maritime Guaranteed Loan (Title XI) program provides for a full faith and credit guarantee of debt obligations issued by U.S. or foreign ship owners to finance or refinance the construction, reconstruction, or reconditioning of U.S.-flag vessels or eligible export vessels in U.S. shipyards; or for a full faith and credit guarantee of debt obligations issued by U.S. shipyard owners to finance the modernization of shipbuilding technology at shipyards located in the United States.

As required by the Federal Credit Reform Act of 1990, this account also includes the subsidy costs associated with loan guarantee commitments made in 1992 and subsequent years which are estimated on a present value basis. This program is proposed for elimination in FY 2018 and no administrative funds are requested for this program.

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

Object Class Code	<u>Object Class</u>	FY 2016 ENACTED	FY 2017 ANNUALIZED CR	FY 2018 REQUEST
1252	Other services	3,135	3,129	-
1410	Grants, subsidies, and contributions	138,121	42,063	-
9999	Total New Obligations	141,256	45,192	-

EXHIBIT III-1

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

	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>	<u>CHANGE FY 2017-2018</u>
Maritime Guaranteed Loan Program	8,135	8,119	-	-8,119
Total	8,135	8,119	-	-8,119
FTEs				
Direct Funded 1/	[15]	[14]	[-]	[-14]
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III -1a

**MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2017 TO FY 2018
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2017 to FY 2018 <u>\$000</u>	Change from FY 2017 to FY 2018 <u>FTE</u>
FY 2017 ANNUALIZED CR	\$8,119	[15]
Adjustments to Base		
Annualization of 2017 Pay Raise	11	
2018 Pay Raise	30	
Additional Compensable Day	0	
GSA Rent	0	
Working Capital Fund	0	
Subtotal, Adjustments to Base	41	
New or Expanded Programs		
Administrative Expenses	-3,170	
Loan Subsidies	-4,990	
Subtotal, New or Expanded Program Increases/ Decreases	-\$8,160	[-14]
Total FY 2018 Request	\$0	[-]

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

FY 2009 - FY 2018

Main Table - (\$000)

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2009	Guarantee Subsidy	-	-
	DOD Transfer		48,000
	Administration	3,531	3,531
	Rescission of Unobligated Balance	-	-
	TOTAL	3,531	51,531
2010	Guarantee Subsidy	-	5,000
	DOD Transfer		29,912
	Administration	3,630	4,000
	Rescission of Unobligated Balance	-	-
	TOTAL	3,630	38,912
2011	Guarantee Subsidy	-	4,990 1/
	DOD Transfer		40,000
	Administration	3,688	3,992 1/
	Rescission of Unobligated Balance	-	-
	TOTAL	3,688	48,982
2012	Guarantee Subsidy	-	-
	Administration	3,740	3,740
	Rescission of FY 2009/2010 Unobligated Balances	-	-35,000 2/
	TOTAL	3,740	-31,260
2013	Guarantee Subsidy	-	-
	Administration	3,750	3,544 3/
	Rescission of Unobligated Balance	-	-
	TOTAL	3,750	3,544
2014	Guarantee Subsidy	-	35,000
	Administration	2,655	3,500
	TOTAL	2,655	38,500

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

FY 2009 - FY 2018

Main Table - (\$000)

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2015	Guarantee Subsidy	-	-
	Administration	3,100	3,100
	TOTAL	3,100	3,100
2016	Guarantee Subsidy		5,000
	Administration	3,135	3,135
	TOTAL	3,135	8,135
2017	Guarantee Subsidy	-	-
	Administration	3,000	3,000
	Cancellation of Unobligated Balance	-5,000 4/	-
	TOTAL	-2,000	3,000
2018	Guarantee Subsidy	-	-
	Administration	-	-
	TOTAL	-	-

Footnotes (Actual Dollars - not in thousands):

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

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

3/ This amount reflects FY 2013 sequestration reductions.

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

DETAILED JUSTIFICATION

MARITIME GUARANTEED LOAN PROGRAM

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

FY 2018 Maritime Guaranteed Loan Program Budget Request (\$000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Administrative Expenses	3,135	3,129	0	-3,129
Loan Guarantees	5,000	4,990	0	-4,990
Total	\$8,135	\$8,119	\$0	\$-8,119

For FY 2018, no funding is requested for the Maritime Guaranteed Loan Program (Title XI).

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2016 ACTUAL	FY 2017 ANNUALIZED CR	FY 2018 REQUEST
Obligations by program activity:				
Credit program obligations				
0711	Default claim payments on principal	-	245,000	24,528
0712	Default claim payments on interest	-	7,000	3,000
0713	Payment of interest to Treasury	-	1,000	1,000
0715	Default related activities	-	10,000	10,000
0742	Downward reestimate paid to receipt account	12,405	25,930	-
0743	Interest on downward reestimate	18,498	21,902	-
0900	Total new obligations	30,903	310,833	38,528
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	200,908	362,955	52,123
1021	Recoveries of prior year unpaid obligations	-	-	-
1050	Unobligated balance (total)	200,908	362,955	52,123
Spending authority from offsetting collections, mandatory:				
1800	Collected	192,949	-	-
1801	Change in uncollected payments, Federal sources	-	-	-
1825	Spending authority from offsetting collections applied to repay debt	-	-	-
1850	Spending auth from offsetting collections, mand (total)	192,949	-	-
1900	Financing authority (total)	192,949	-	-
1930	Total budgetary resources available	393,858	362,955	52,123
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	362,955	52,123	13,595
Change in obligated balance:				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	-458	-458	65,374
3010	Obligations incurred, unexpired accounts	30,903	310,833	38,528
3020	Financing disbursements (gross)	-30,903	-245,000	-21,073
3040	Ob Bal: Recov, prior year unpaid obs, unexp accts	-	-	-
3050	Unpaid obligations, end of year	-458	65,374	82,829
Memorandum (non-add) entries				
3100	Obligated balance, start of year (net)	-458	-458	65,374
3200	Obligated balance, end of year (net)	-458	65,374	82,829

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

(In thousands of dollars)

		FY 2016	FY 2017	FY 2018
Identification code 69-4304-0-1-054		ACTUAL	ANNUALIZED CR	REQUEST
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	192,949	-	-
Financing disbursements:				
4110	Financing disbursements, gross	30,903	245,000	21,073
Offsets against gross financing authority and disbursements: (total):				
Offsetting collections (collected) from:				
4120	Payments from program account- Upward Reestimate	-169,109	-	-
4122	Interest on uninvested funds	-6,768	-	-
4123	Loan Repayment	-17,073	-	-
4130	Offsets against gross financing auth and disbursements (total)	-192,949	-	-
4160	Financing authority, net (mandatory)	-	-	-
4170	Outlays, net (mandatory)	-162,046	245,000	21,073
4180	Budget authority, net (total)	-	-	-
4190	Outlays, net (total)	-162,046	245,000	21,073

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING ACCOUNT

Program and Performance Statement

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

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

STATUS OF GUARANTEED LOANS		FY 2016	FY 2017	FY 2018
Identification code 69-4304-0-3-999		Actual	Annualized CR	Estimate
Position with respect to appropriations act limitation on commitments:				
2131	Guaranteed loan commitments exempt from limitation	-	-	-
2150	Total guaranteed loan commitments	-	-	-
2199	Guaranteed amount of guaranteed loan commitments	-	-	-
2210	Outstanding start of year	1,426,000	1,665,872	1,547,872
2231	Disbursements of new guaranteed loans	329,500	212,000	212,000
2251	Repayments and prepayments	-89,628	-85,000	-
2262	Adjustments: Terminations for default	-	-245,000	-
2290	Outstanding end of year	1,665,872	1,547,872	1,759,872
Memorandum:				
2299	Amount of guaranteed loans outstanding end of year	1,665,872	1,547,872	1,759,872

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

BALANCE SHEET

Identification code 69-4304-0-3-999		FY 2015	FY 2016
		Actual	Actual
ASSETS:			
FEDERAL ASSETS:			
1101	Fund balance with Treasury	201,341	362,497
1106	Receivables, net	-	-
1999	Total assets	201,341	362,497
LIABILITIES:			
2204	Non-Federal liabilities: liabilities for loan guarantees	201,341	362,497
2999	Total liabilities	201,341	362,497
4999	Total liabilities and net position	201,341	362,497

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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 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Obligations by program activity:			
0001 Port of Guam Improvement Enterprise Fund	21	3,948	-
0801 Reimbursable program	<u>2</u>	<u>-</u>	<u>-</u>
0900 Total new obligations	23	3,948	-
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	3,971	3,948	-
1021 Recoveries of prior year unpaid obligations	<u>-</u>	<u>-</u>	<u>-</u>
1050 Unobligated balance (total)	3,971	3,948	-
Budget authority:			
Appropriations, discretionary:			
1930 Total budgetary resources available	3,971	3,948	-
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	3,948	-	-
Change in obligated balance:			
Unpaid obligations:			
3000			
Unpaid obligations, brought forward, Oct 1 (gross)	5,760	757	-1
3010 Obligations incurred, unexpired accounts	23	3,948	-
3020 Outlays (gross)	-5,026	-4,706	-
3040 Recoveries of prior year unpaid obligations, unexpired	<u>-</u>	<u>-</u>	<u>-</u>
3050 Unpaid obligations, end of year (gross)	757	-1	-1
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-1,313	-1,313	-
3070 Change in uncollected pymts, Fed sources, unexpired	-	1,313	-
3071			
Change in uncollected pymts, Fed sources, expired	<u>-</u>	<u>-</u>	<u>-</u>
3090 Uncollected pymts, Fed sources, end of year	-1,313	-	-
Memorandum (non-add) entries:			

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

(In thousands of dollars)

Identification code 69-5560-0-1-403	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
3100 Obligated balance, start of year (net)	4,447	-555	-
3200 `Obligated balance, end of year (net)	-555	-	-
Budget authority and outlays, net:			
Discretionary:			
4010 Outlays from new discretionary authority	-	-	-
4011 Outlays from discretionary balances	5,026	4,706	-
4020 Outlays gross, (total)	5,026	4,706	-
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-	1,313	-
4052 Offsetting collections credited to expired accounts			
4060 Additional offsets against gross budget authority only (total)	-	1,313	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	5,026	3,393	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	5,026	3,393	-

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

Object Class		FY 2016	FY 2017	FY 2018
<u>Code</u>	<u>Object Class</u>	<u>Actual</u>	<u>Annualized CR</u>	<u>Request</u>
1210	Travel and transportation of persons	21	21	-
1253	Other purchases of goods and svcs from Gov't	-	3,927	-
1990	Subtotal, direct obligations	21	3,948	-
	Reimbursable Obligations:			
2253	Other purchases of goods and svcs from Gov't	<u>2</u>	<u>-</u>	<u>-</u>
2990	Subtotal, reimbursable obligations	2	-	-
9999	Total New Obligations	23	3,948	-

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

(In thousands of dollars)

		FY 2016	FY 2017	FY 2018
	Identification code 69-8547-0-1-403	ACTUAL	ANNUALIZED CR	REQUEST
	Obligations by program activity:			
0001	Gifts and Bequests	976	2,839	3,000
0002	Special Studies	1,130	161	-
0900	Total new obligations	2,106	3,000	3,000
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	4,570	4,364	4,364
1021	Recoveries of prior year unpaid obligations	1,028	-	-
1050	Unobligated balance (total)	5,598	4,364	4,364
	Budget authority:			
	Appropriations, mandatory:			
1201.01	Appropriation Special Studies, Service & Products (8547)	-	-	-
1201.02	Appropriation Gifts & Bequests (8503)	872	3,000	3,000
1260	Appropriations, mandatory (total)	872	3,000	3,000
1900	Budget authority (total)	872	3,000	3,000
1930	Total budgetary resources available	6,471	7,364	7,364
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4,364	4,364	4,364
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	1,575	2,012	1,012
3010	Obligations incurred, unexpired accounts	2,106	3,000	3,000
3011	Obligations incurred, unexpired accounts	-	-	-
3020	Outlays (gross)	-641	-4,000	-3,000
3040	Recoveries of prior year unpaid obligations, unexpired	-1,028	-	-
3050	Unpaid obligations, end of year	2,012	1,012	1,012
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (net)	1,575	2,012	1,012
3200	Obligated balance, end of year (net)	2,012	1,012	1,012
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	872	3,000	3,000
	Outlays, gross:			
4100	Outlays from new mandatory authority	455	3,000	3,000
4101	Outlays from mandatory balances	186	1,000	-
4110	Outlays, gross (total)	641	4,000	3,000
4160	Budget authority, net (mandatory)	872	3,000	3,000
4170	Outlays, net (mandatory)	641	4,000	3,000
4180	Budget authority, net (total)	872	3,000	3,000
4190	Outlays, net (total)	641	4,000	3,000

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

Object Class Code	<u>Object Class</u>	<u>FY 2016 Enacted</u>	<u>FY 2017 Annualized CR</u>	<u>FY 2018 Request</u>
	Direct obligations:			
1210	Travel and transportation of persons	91	130	130
1252	Other services	325	463	463
1253				
	Other goods and services from Federal Sources	1,130	1,610	1,610
1260	Supplies and materials	149	212	212
1310	Equipment	411	585	585
9999	Total, new obligations	2,106	3,000	3,000

ADMINISTRATIVE PROVISIONS

SEC. 170. Notwithstanding any other provision of this Act, in addition to any existing authority, the Maritime Administration is authorized to furnish utilities and services and make necessary repairs in connection with any lease, contract, or occupancy involving Government property under control of the Maritime Administration: *Provided*, That payments received therefor shall be credited to the appropriation charged with the cost thereof and shall remain available until expended: *Provided further*, That rental payments under any such lease, contract, or occupancy for items other than such utilities, services, or repairs shall be covered into the Treasury as miscellaneous receipts. SEC. 171. None of the funds available or appropriated in this Act shall be used by the United States Department of Transportation or the United States Maritime Administration to negotiate or otherwise execute, enter into, facilitate or perform fee-for-service contracts for vessel disposal, scrapping or recycling, unless there is no qualified domestic ship recycler that will pay any sum of money to purchase and scrap or recycle a vessel owned, operated or managed by the Maritime Administration or that is part of the National Defense Reserve Fleet: *Provided*, That such sales offers must be consistent with the solicitation and provide that the work will be performed in a timely manner at a facility qualified within the meaning of section 3502 of Public Law 106–398: *Provided further*, That nothing contained herein shall affect the Maritime Administration's authority to award contracts at least cost to the Federal Government and consistent with the requirements of 54 U.S.C. 308704, section 3502, or otherwise authorized under the Federal Acquisition.

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REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS

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

SEC 3506 REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS

The Maritime Administration, in its annual report to the Congress under section 208 of the Merchant Marine Act, 1936 (46 U.S.C. 50111(b)), and in its annual budget estimate submitted to the Congress, shall state separately the amount, source, intended use, and nature of any funds (other than funds appropriated to the Administration or to the Secretary of Transportation for use by the Administration) administered, or subject to oversight, by the Administration.

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

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

	<u>FY 2015</u>	<u>FY 2016</u>
<u>Appropriated Funds</u>		
Operations and Training	148,050	171,155
Assistance to Small Shipyards	-	5,000
Ship Disposal Program	4,000	5,000
Maritime Security Program	186,000	210,000
Maritime Guaranteed Loan Program (Title XI)	3,100	3,135
Subtotal, Appropriated Funds	341,150	394,290
<u>Other Budget Authority:</u>		
Maritime Guaranteed Loan Programs - Subsidy Reestimate	2,339	5,000
Subtotal, Other Budget Authority	2,339	5,000
<u>Non-appropriated Funds:</u>		
Vessel Operations Revolving Fund	6,156	52
Ready Reserve Force	355,714	308,635
Operations and Training	2,570	1,810
Gifts and Bequests	2,431	872
OST Allocations	75,905	35,079
Non-Appropriated Fund Instrumentalities (NAFIs)	116	139
Subtotal, Non-Appropriated Funds	442,891	346,587
Total Funds	786,380	745,877

The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. The agency receives funds via interagency agreements, gifts and bequests and allocations to support the programs of a number of Departments and agencies, including the Department of Defense/U.S. Navy, and others. In FY 2016, while the agency's appropriations totaled \$394 million, the following table illustrates that the total funds received was \$746 million.

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

Vessel Operations Revolving Fund

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

Ready Reserve Force Fund

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

Operations & Training

Reimbursements are derived from interagency agreements to support the programs of a number of Federal Agencies. Reimbursable activity in this account also includes collections received by the agency.

Gifts and Bequests

MARAD receives gifts and bequests from external contributors, individuals and organizational donors. The agency receives restricted and unrestricted gifts and bequests. Restricted gifts specify the purpose for the contributed funding. Unrestricted gifts can be applied to agency priorities. Gifts and bequests received by MARAD are predominantly for the U.S. Merchant Marine Academy (USMMA).

OST Allocations

The Office of the Secretary of Transportation (OST) can allocate funds for MARAD programs. For instance, the TIGER (Transportation Investment Generating Economic Recovery) Discretionary Grant Program was included in the Recovery Act to spur a national competition for innovative, multi-modal and multi-jurisdictional transportation projects that promise significant economic and environmental benefits to an entire metropolitan area, region or the nation. The Secretary's program provided \$34 million in FY 2016 for grants and \$779 thousand

for administrative oversight of Marine Highway projects, including projects in California, Indiana and Oregon.

Non-Appropriated Fund Instrumentalities (NAFIs)

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

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