



**U.S. Department of  
Transportation**

# **BUDGET ESTIMATES**

## **FISCAL YEAR 2019**

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### **MARITIME ADMINISTRATION**

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

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**DEPARTMENT OF TRANSPORTATION  
MARITIME ADMINISTRATION  
Budget Estimates, Fiscal Year 2019**

Table of Contents

**Section 1**

<b>Overview</b> .....	1
<b>Organization Chart</b> showing Direct/Reimbursable Funded Full-Time Equivalents.....	5
<b>Organization Chart</b> showing Direct/Reimbursable Funded Full-Time Positions .....	6

**Section 2**

**Budget Summary Tables**

Exhibit II-1 – FY 2019 New Budget Authority .....	7
Exhibit II-2 – FY 2019 Budget Resources by Appropriation Account.....	8
Exhibit II-3 – FY 2019 Budget Request by DOT Strategic and Organizational Goal Authority .....	9
Exhibit II-4 – FY 2019 Budget Authority.....	10
Exhibit II-5 – FY 2019 Outlays .....	11
Exhibit II-6 – Summary of Requested Funding Changes from Base .....	12
Exhibit II-7 – Working Capital Fund.....	20
Exhibit II-8 – Personnel Resource Summary – Total Full-Time Equivalents .....	21
Exhibit II-9 – Resource Summary Staffing - Total Full-Time Permanent Positions .....	22

**Section 3**

**Budget Request by Appropriation Account**

Operations and Training.....	23
U.S. Merchant Marine Academy .....	32
State Maritime Academies .....	40
MARAD Operations & Programs.....	48
Assistance to Small Shipyards .....	51
Ship Disposal .....	57
Maritime Security Program.....	73
Ready Reserve Force.....	83
Vessel Operations Revolving Fund.....	89
War Risk Insurance Revolving Fund.....	93
Maritime Guaranteed Loan (Title XI) Program Account.....	97
Maritime Guaranteed Loan (Title XI) Financing Account .....	107
Port of Guam Improvement Enterprise Fund.....	113
Miscellaneous Trust Funds .....	117
Administrative Provisions.....	119
Reporting of Administered and Oversight Funds .....	121

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**MARITIME ADMINISTRATION  
FISCAL YEAR 2019 BUDGET REQUEST  
Congressional Justification**

**SECTION ONE  
OVERVIEW**



February 12, 2018

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## **MARITIME ADMINISTRATION FY 2019 Budget Request**

### **Overview**

The Fiscal Year (FY) 2019 Budget requests \$396.4 million for the Maritime Administration (MARAD) to strengthen the United States marine transportation system. MARAD's mission is to promote and maintain a national maritime industry. This consists of a web of ports, shipyards, waterways, shippers and carriers that carry critical elements of the Nation's domestic waterborne and international commerce. MARAD remains focused on marine transportation policies that improve security, address our Nation's critical maritime infrastructure gaps, and leverage technology to meet the needs and challenges of the marine transportation system. MARAD works in a variety of areas involving ships and shipping, vessel operations, national security and strategic mobility, ship disposal, and maritime education.

MARAD is also charged with maintaining the health of the merchant marine, since commercial mariners, vessels, and intermodal facilities are vital for supporting our economic and national security. The U.S. Merchant Marine and the associated marine transportation infrastructure contribute to the Nation's economic development; supporting 23 million jobs and generating \$4.6 trillion in total economic activity. The movement of bulk raw materials, and affordable food and manufactured goods are made possible in the global economy by the shipping industry. A strong U.S. Merchant Marine enables expanding trade and commerce, creating quality jobs in the U.S., and is essential to economic growth.

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.

This request supports the Agency's program activities and initiatives advancing Departmental priorities for Infrastructure and Accountability excellence. The FY 2019 Budget request is summarized by account as follows:

#### **Operations and Training (O&T)**

The O&T request of \$152.4 million includes \$74.6 million for the U.S. Merchant Marine Academy (USMMA), \$24.4 million for the State Maritime Academies (SMAs), and \$53.4 million for MARAD Operations and Programs. This funding will support training needs for future merchant mariners and prepare them to serve the economic and national security needs of the Nation, as a naval auxiliary in time of war or national emergency, and funds agency infrastructure, staff and program initiatives.

### **U.S. Merchant Marine Academy (USMMA)**

For FY 2019, \$74.6 million is requested for the USMMA to support the highest standards of excellence in education for the Midshipmen. This request includes \$70.6 million for Academy Operations and \$4 million for the Capital Asset Management Program (CAMP).

Academy Operations funding is focused on USMMA mission-essential program requirements, including security priorities supporting the Academy's infrastructure. The request supports funding to expand on sexual assault and sexual harassment initiatives to continue and enhance the effectiveness of the Academy's Sexual Assault Prevention and Response Program. The expanded initiatives are designed to improve safety and protect Midshipmen from incidents of sexual assault and sexual harassment during Sea Year training. Program funding also supports projected expansion in regiment size, training initiatives, and enhancements to physical security.

Funding for CAMP will support \$1 million for priority Capital Improvement Projects and \$3 million for necessary facilities maintenance, repairs and equipment (FMRE) requirements, including unplanned emergency capital repairs. Repair and rehabilitation projects covered under FMRE may involve more planning than routine and deferred maintenance. However, such expenses are necessary to address repairs and rehabilitation projects in a cost-effective manner.

### **State Maritime Academies (SMAs)**

The FY 2019 request provides \$24.4 million in Federal assistance to the SMAs. This includes \$2.4 million to support the student tuition assistance program, and \$22 million to support school ship maintenance and repair to maintain the six SMA training ships in compliance with the U.S. Coast Guard and American Bureau of Shipping requirements.

### **MARAD Operations and Programs**

For FY 2019, \$53.4 million is requested for MARAD Operations and Programs. The request funds Headquarter Operations and the resources for agency mission and administrative infrastructure, including operating expenses and professional staff working on MARAD operating missions, support programs and program initiatives.

### **Ship Disposal**

For FY 2019, \$30 million is requested for the Ship Disposal program. This request includes \$2 million for salaries and overhead for Ship Disposal and Nuclear Ship SAVANNAH (NSS) staff and support personnel. This request also includes \$25 million to continue the decommissioning project for the dismantlement and decontamination of the defueled nuclear power plant on board the former NSS. Additionally, \$3 million is requested to maintain the vessel in protective storage. NSS decommissioning and license termination must be completed by December 2031.

### **Maritime Security Program (MSP)**

The FY 2019 Budget requests \$214 million for the MSP to ensure the maintenance of a commercial fleet capable of supporting a U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to these commercial vessels, intermodal facilities and mariners during times of conflict, humanitarian crises, and natural disasters. Funding at the \$214 million level provides \$3.6 million for each of the 60 ships enrolled in the program.



**MARITIME ADMINISTRATION**  
**FY 2019 Budget Request Summary**  
**(Dollars in Thousands)**

<b><u>ACCOUNT/PROGRAM</u></b>	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
<b>OPERATIONS &amp; TRAINING</b>	<b>\$175,560</b>	<b>\$174,367</b>	<b>\$152,428</b>
<b>U.S. Merchant Marine Academy</b>	<b><u>83,218</u></b>	<b><u>82,652</u></b>	<b><u>74,593</u></b>
Academy Operations	69,000	68,531	70,593
Capital Asset Management Program	<u>14,218</u>	<u>14,121</u>	<u>4,000</u>
Capital Improvements	11,218	11,141	1,000
Facilities Maintenance and Repair, Equipment	3,000	2,980	3,000
<b>State Maritime Academies</b>	<b><u>29,200</u></b>	<b><u>29,002</u></b>	<b><u>24,400</u></b>
Student Incentive Program	2,400	2,384	2,400
Direct SMA Support	3,000	2,980	-
Fuel Assistance Payments	1,800	1,788	-
School Ship Maintenance & Repair	22,000	21,850	22,000
<b>School Ship Replacement Program 1/</b>	<b>6,000</b>	<b>5,959</b>	-
<b>MARAD Operations &amp; Programs</b>	<b><u>57,142</u></b>	<b><u>56,754</u></b>	<b><u>53,435</u></b>
Headquarters Operations	49,142	48,808	53,435
Maritime Program Initiatives	<u>8,000</u>	<u>7,946</u>	-
Maritime Environment & Technology Assistance	3,000	2,980	-
Short Sea Transportation/America's Marine Highways	5,000	4,966	-
<b>ASSISTANCE TO SMALL SHIPYARDS</b>	<b>10,000</b>	<b>9,932</b>	-
<b>SHIP DISPOSAL PROGRAM</b>	<b><u>34,000</u></b>	<b><u>33,769</u></b>	<b><u>30,000</u></b>
Ship Disposal	7,000	6,952	2,000
NS SAVANNAH	3,000	2,980	3,000
NS SAVANNAH Decommissioning	24,000	23,837	25,000
<b>MARITIME SECURITY PROGRAM</b>	<b>300,000</b>	<b>297,963</b>	<b>214,000</b>
<b>MARITIME GUARANTEED LOAN PROGRAM</b>	<b><u>3,000</u></b>	<b><u>2,980</u></b>	-
Administrative Expenses	3,000	2,980	-
<b>TOTAL</b>	<b>\$522,560</b>	<b>\$519,011</b>	<b>\$396,428</b>

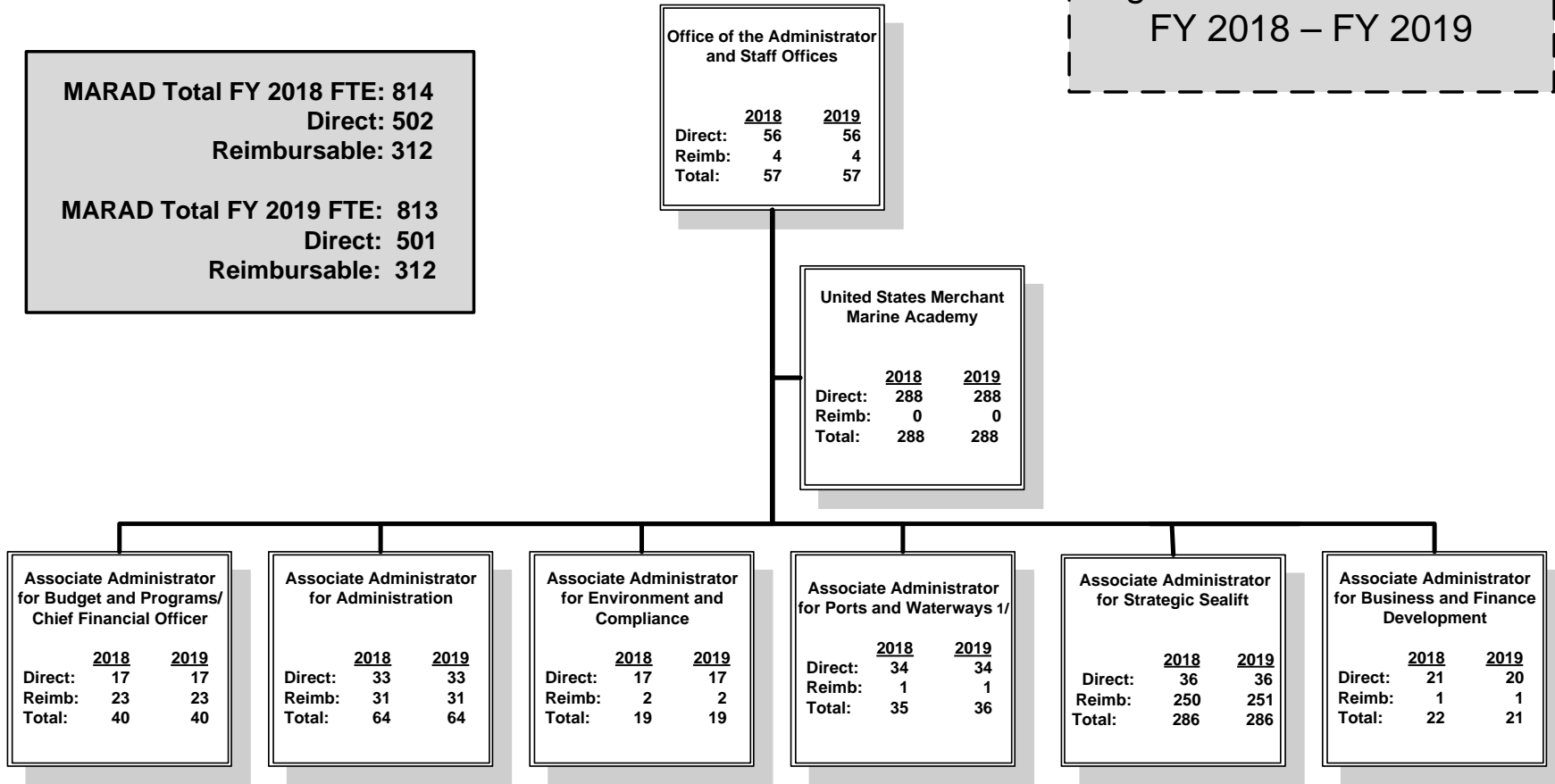
1/ The School Ship Replacement Program was previously enacted as the National Security Multi-Mission Vessel (NSMV) program.

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U.S. Department of Transportation

# Maritime Administration

Organizational Chart – FTE  
FY 2018 – FY 2019



1/ The name of the office has changed from Office of Intermodal System Development to Office of Ports & Waterways to more clearly communicate the priority of the office's programs. There are no other changes other than the name of the office.

U.S. Department of Transportation

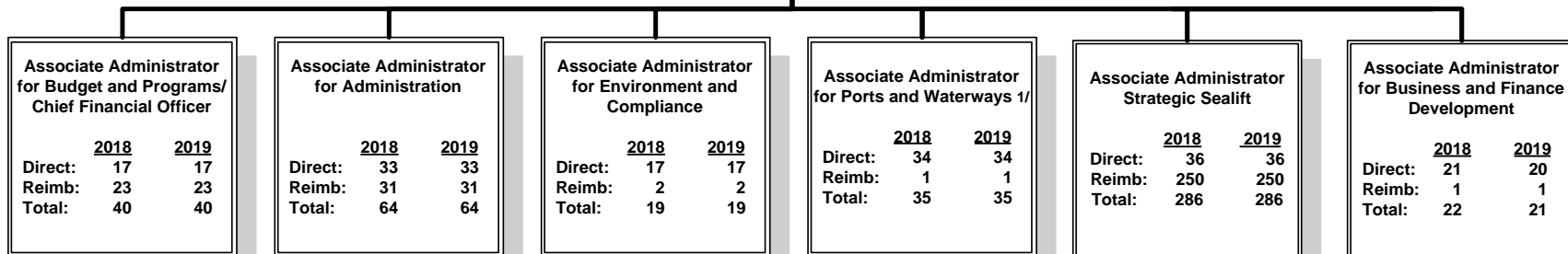
# Maritime Administration

Organizational Chart – FTP  
FY 2018 – FY 2019

<b>MARAD Total FY 2018 FTP: 814</b>
<b>Direct: 502</b>
<b>Reimbursable: 312</b>
<b>MARAD Total FY 2019 FTP: 813</b>
<b>Direct: 501</b>
<b>Reimbursable: 312</b>

<b>Office of the Administrator and Staff Offices</b>		
	<u>2018</u>	<u>2019</u>
Direct:	56	56
Reimb:	4	4
Total:	60	60

<b>United States Merchant Marine Academy</b>		
	<u>2018</u>	<u>2019</u>
Direct:	288	288
Reimb:	0	0
Total:	288	288



1/ The name of the office has changed from Office of Intermodal System Development to Office of Ports & Waterways to more clearly communicate the priority of the office's programs. There are no other changes other than the name of the office.

**EXHIBIT II-1**

**FY 2019 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY  
MARITIME ADMINISTRATION  
(\$000)**

<b><u>ACCOUNT NAME</u></b>	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
Operations and Training	\$175,560	\$174,367	\$152,428
Assistance to Small Shipyards	\$10,000	\$9,932	-
Ship Disposal Program	\$34,000	\$33,769	\$30,000
Maritime Security Program	\$300,000	\$297,963	\$214,000
Maritime Guaranteed Loan Prog. (Title XI)	<u>\$3,409</u>	<u>\$5,134</u>	-
Administrative Expenses	3,000	2,980	-
Subsidy Reestimate	409	2,154	-
Gifts and Bequests	\$775	\$5,000	\$1,000
<b>TOTAL</b>	<b><u>\$523,744</u></b>	<b><u>\$526,165</u></b>	<b><u>\$397,428</u></b>
Appropriations	\$523,744	\$526,165	\$397,428
Rescissions	-	-	-

**EXHIBIT II-2**

**FY 2019 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT**  
**MARITIME ADMINISTRATION**  
**Appropriations, Obligation Limitations & Exempt Obligations**  
**(\$000)**

<b><u>ACCOUNT NAME</u></b>	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
<b>1. Operations and Training</b>	<b><u>\$175,560</u></b>	<b><u>\$174,367</u></b>	<b><u>\$152,428</u></b>
A. U.S. Merchant Marine Academy	83,218	82,652	74,593
B. State Maritime Academies	29,200	29,002	24,400
C. School Ship Replacement Program	6,000	5,959	-
D. MARAD Operations & Programs	57,142	56,754	53,435
<b>2. Assistance to Small Shipyards</b>	<b>\$10,000</b>	<b>9,932</b>	-
<b>3. Ship Disposal Program</b>	<b><u>\$34,000</u></b>	<b><u>\$33,769</u></b>	<b><u>\$30,000</u></b>
A. Ship Disposal	7,000	6,952	2,000
B. NS SAVANNAH	3,000	2,980	3,000
C. NS SAVANNAH Decommissioning	24,000	23,837	25,000
<b>4. Maritime Security Program</b>	<b>\$300,000</b>	<b>\$297,963</b>	<b>\$214,000</b>
<b>5. Maritime Guaranteed Loans Program</b>	<b><u>\$3,000</u></b>	<b><u>\$2,980</u></b>	-
A. Administrative Expenses	3,000	2,980	-
<b>TOTAL</b>	<b><u>\$522,560</u></b>	<b><u>\$519,011</u></b>	<b><u>\$396,428</u></b>

**EXHIBIT II-3**  
**FY2019 BUDGET REQUEST BY DOT STRATEGIC AND ORGANIZATIONAL GOALS**  
**Appropriations, Obligation Limitation, and Exempt Obligations**  
**MARITIME ADMINISTRATION**  
**(\$000)**

<b>ACCOUNT</b>	<b>Safety</b>	<b>Infrastructure</b>	<b>Innovation</b>	<b>Accountability</b>	<b>Total</b>
<b>OPERATIONS AND TRAINING</b>	\$ -	\$ 98,993	\$ -	\$ 53,435	\$ 152,428
United States Merchant Marine Academy	\$ -	\$ 74,593	\$ -	\$ -	\$ 74,593
State Maritime Academies	\$ -	\$ 24,400	\$ -	\$ -	\$ 24,400
MARAD Operations and Programs	\$ -	\$ -	\$ -	\$ 53,435	\$ 53,435
<b>SHIP DISPOSAL PROGRAM</b>	\$ -	\$ 30,000	\$ -	\$ -	\$ 30,000
<b>MARITIME SECURITY PROGRAM</b>	\$ -	\$ 214,000	\$ -	\$ -	\$ 214,000
<b>TOTAL</b>	\$ -	\$ 342,993	\$ -	\$ 53,435	\$ 396,428

**EXHIBIT II-4**

**FY 2019 BUDGET AUTHORITY  
MARITIME ADMINISTRATION**

**Budget Authority  
(\$000)**

<b><u>ACCOUNTS</u></b>		<b><u>FY 2017 ENACTED</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
<b>Operations and Training</b>	<b>D</b>	<b>\$175,560</b>	<b>\$174,367</b>	<b>\$152,428</b>
<b>Assistance to Small Shipyards</b>	<b>D</b>	<b>\$10,000</b>	<b>\$9,932</b>	<b>-</b>
<b>Ship Disposal Program</b>	<b>D</b>	<b>\$34,000</b>	<b>\$33,769</b>	<b>\$30,000</b>
<b>Maritime Security Program</b>	<b>D</b>	<b>\$300,000</b>	<b>\$297,963</b>	<b>\$214,000</b>
<b>Maritime Guaranteed Loan Program</b>		<b><u>\$3,409</u></b>	<b><u>\$5,134</u></b>	<b>-</b>
Administrative Expenses	D	3,000	2,980	-
Subsidy Reestimate	M	409	2,154	-
<b>Gifts and Bequests</b>	<b>M</b>	<b>\$775</b>	<b>\$5,000</b>	<b>\$1,000</b>
<b>TOTAL</b>		<b><u>\$523,744</u></b>	<b><u>\$526,165</u></b>	<b><u>\$397,428</u></b>
[Mandatory]		1,184	7,154	1,000
[Discretionary]		522,560	519,011	396,428
<b><u>Proprietary Receipts:</u></b>				
Gifts and Bequests		\$775	\$5,000	\$1,000
Maritime Guaranteed Loan Program		<u>\$47,833</u>	<u>\$140,253</u>	-
<b>TOTAL MARAD RECEIPTS</b>		<b><u>\$48,608</u></b>	<b><u>\$145,253</u></b>	<b><u>\$1,000</u></b>



**EXHIBIT II-5**

**FY 2019 OUTLAYS  
MARITIME ADMINISTRATION  
(\$000)**

<b><u>ACCOUNTS</u></b>		<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
Operations and Training	D	\$160,201	\$174,309	\$175,779
Gifts and Bequests	M	\$898	\$5,000	\$1,000
Special Studies, Services, and Projects	M	\$1,608	-	-
Assistance to Small Shipyards	D	\$3,254	\$9,692	\$9,493
Ship Disposal	D	\$6,323	\$33,885	\$34,885
Maritime Security Program	D	\$281,373	\$298,106	\$249,541
Port of Guam Improvement Enterprise Fund	D	-\$1,018	\$4,411	-
Ready Reserve Force	D	\$4,930	\$5,232	\$6,000
Vessel Operations Revolving Fund	D	\$9,152	\$4,500	-\$500
War Risk Insurance Revolving Fund	D	-\$498	-\$300	-\$400
Maritime Guaranteed Loan Program		\$409	\$45,073	-
Administrative Expenses	D	-	2,980	-
Loan Subsidies	D	-	42,093	-
Subsidy Reestimate	M	409	-	-
<b>TOTALS</b>		<b><u>\$466,630</u></b>	<b><u>\$579,908</u></b>	<b><u>475,798</u></b>
[Mandatory]		2,915	5,000	1,000
[Discretionary]		463,716	574,908	474,798

**EXHIBIT II-6**  
**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE**  
**MARITIME ADMINISTRATION**  
**Appropriations, Obligation Limitations, and Exempt Obligations**  
**(\$000)**

Academy Operations	FY 2017 Actual	FY 2018 Annualized CR	Baseline Changes								FY 2019 Baseline Estimate	Program Increases/ Decreases	FY 2019 Request
			Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increases			
PERSONNEL RESOURCES (FTE)													
Direct FTE	249	288									288		288
ACADEMY OPERATIONS													
Salaries and Benefits	\$33,471	\$36,989	\$173	\$168	-	\$145	-	-	-	-	\$37,475	-	\$37,475
Instructional Programs	4,582	4,068	-	-	-	-	-	-	41	139	4,248	461	\$4,709
Midshipmen Programs	13,065	11,599	-	-	-	-	-	-	116	402	12,117	666	\$12,783
Program Direction & Administration	17,882	15,875	-	-	-	-	-	-	159	547	16,581	-955	\$15,626
SUBTOTAL	\$69,000	\$68,531	\$173	\$168	\$0	\$145	\$0	\$0	\$316	\$1,088	\$70,421	\$172	\$70,593
CAPITAL ASSET MANAGEMENT PROGRAM													
Capital Improvement Projects	\$11,218	\$11,141	-	-	-	-	-	-	-	-	\$11,141	-\$10,141	1,000
Facilities Maintenance and Repair, Equipment	3,000	2,980	-	-	-	-	-	-	-	20	3,000	-	3,000
SUBTOTAL	\$14,218	\$14,121	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20	\$14,141	-\$10,141	4,000
TOTAL	\$83,218	\$82,652	\$173	\$168	\$0	\$145	\$0	\$0	\$316	\$1,108	\$84,562	-\$9,969	\$74,593

**EXHIBIT II-6**

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

State Maritime Academies	Baseline Changes										FY 2019 Baseline Estimate	Program Increases/Decreases	FY 2019 Request	
	FY 2017 Actual	FY 2018 Annualized CR	Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/Decrease	Inflation/Deflation	Other Non-Discretionary Increases				
PERSONNEL RESOURCES (FTE)														
Direct FTE	-	-			-							-	-	-
PROGRAMS														
Student Incentive Program	\$2,400	\$2,384	-	-	-	-	-	-	-	\$16	\$2,400	-		\$2,400
Direct SMA Support	3,000	2,980	-	-	-	-	-	-	-	-	2,980	-2,980		-
Fuel Assistance Payments	1,800	1,788	-	-	-	-	-	-	-	-	1,788	-1,788		-
School Ship Maintenance & Repair	22,000	21,850	-	-	-	-	-	-	-	150	22,000	-		22,000
TOTAL	\$29,200	\$29,002	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$166	\$29,168	-\$4,768		\$24,400

**EXHIBIT II-6**

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

School Ship Replacement Program	Baseline Changes										FY 2019 Baseline Estimate	Program Increases/ Decreases	FY 2019 Request	
	FY 2017 Actual	FY 2018 Annualized CR	Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non-Discretionary Increases				
PERSONNEL RESOURCES (FTE)														
Direct FTE	-	-			-							-	-	-
PROGRAMS														
School Ship Replacement Program	\$6,000	\$5,959	-	-	-	-	-	-	-	-	-	\$5,959	-\$5,959	-
TOTAL	\$6,000	\$5,959	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,959	-\$5,959	\$0

**EXHIBIT II-6**

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

MARAD Operations & Programs	FY 2017 Actual	FY 2018 Annualized CR	Baseline Changes								FY 2019 Estimate	Program Increases/ Decreases	FY 2019 Request
			Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increases			
<b>PERSONNEL RESOURCES (FTE)</b>													
Direct FTE	179	197								-	197	-	197
<b>FINANCIAL RESOURCES</b>													
Salaries & Benefits	\$29,489	\$30,707	\$146	-	-	\$120	-	-	-	\$2,151	\$33,124	-	\$33,124
Non-Discretionary Operations	11,624	11,810	-	-	-	-	326	327	118	340	12,921	-	12,921
Departmental Acquisition System (DP2)	[598]	[563]	-	-	-	-	-	-	-	[20]	[583]	[-]	[583]
Accounting Services (ESC)	[2,399]	[2,399]	-	-	-	-	-	-	-	[120]	[2,519]	[-]	[2,519]
GSA Rent	[2,980]	[3,085]	-	-	-	-	[326]	-	-	-	[3,411]	[-]	[3,411]
WCF	[3,813]	[3,861]	-	-	-	-	-	[327]	-	-	[4,188]	[-]	[4,188]
Operations & Travel	2,828	1,569	-	-	-	-	-	-	16	689	2,274	-	2,274
Information Technology	5,201	4,722	-	-	-	-	-	-	47	347	5,116	-	5,116
<b>Admin Subtotal</b>	<b>\$49,142</b>	<b>\$48,808</b>	<b>\$146</b>	<b>\$0</b>	<b>\$0</b>	<b>\$120</b>	<b>\$326</b>	<b>\$327</b>	<b>\$181</b>	<b>\$3,527</b>	<b>\$53,435</b>	<b>\$0</b>	<b>\$53,435</b>
<b>PROGRAMS</b>													
Maritime Environment & Technology Assistance	\$3,000	\$2,980	-	-	-	-	-	-	-	-	\$2,980	-\$2,980	-
Short Sea Transportation (America's Marine Highways)	5,000	4,966	-	-	-	-	-	-	-	-	4,966	-4,966	-
<b>Programs Subtotal</b>	<b>\$8,000</b>	<b>\$7,946</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,946</b>	<b>-\$7,946</b>	<b>\$0</b>
<b>TOTAL</b>	<b>\$57,142</b>	<b>\$56,754</b>	<b>\$146</b>	<b>\$0</b>	<b>\$0</b>	<b>\$120</b>	<b>\$326</b>	<b>\$327</b>	<b>\$181</b>	<b>\$3,527</b>	<b>\$61,381</b>	<b>-\$7,946</b>	<b>\$53,435</b>

**EXHIBIT II-6**

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

Assistance to Small Shipyards	Baseline Changes									FY 2019 Baseline Estimate	Program Increases/Decreases	FY 2019 Request	
	FY 2017 Actual	FY 2018 Annualized CR	Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/Decrease	Inflation/Deflation				
PERSONNEL RESOURCES (FTE)													
Direct FTE	1	1		-							1	-1	-
FINANCIAL RESOURCES													
Salaries and Benefits	\$198	\$197	\$1	-	-	-	-	-	-		\$198	-\$198	-
Travel	2	2	-	-	-	-	-	-	-		2	-2	-
Admin Subtotal 1/	\$200	\$199	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200	-\$200	\$0
PROGRAMS													
Shipyards Grants	\$9,800	\$9,733	-	-	-	-	-	-	-		\$9,733	-\$9,733	-
Programs Subtotal	\$9,800	\$9,733	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,733	-\$9,733	\$0
TOTAL													
	\$10,000 1/	\$9,932 1/	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,933	-\$9,933	\$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	Baseline Changes										FY 2019 Estimate	Program Increases/ Decreases	FY 2019 Request
	FY 2017 Actual	FY 2018 Annualized CR	Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increases			
<b>PERSONNEL RESOURCES</b> (FTE)													
Direct FTE	8	8		-							8	-	8
<b>FINANCIAL RESOURCES</b>													
Salaries and Benefits	\$1,327	\$1,427	\$7	-	-	\$5		-	-	-	\$1,439	-	\$1,439
Travel	4	4	-	-	-	-	-	-	-	-	4	-	4
Operating Expenses	1	1	-	-	-	-	-	-	-	-	1	-	1
GSA Rent	128	129	-	-	-	-	4	-	-	-	133	-	133
WCF	164	162	-	-	-	-	-	1	-	-	163	-	163
<b>Admin Subtotal</b>	<b>\$1,624</b>	<b>\$1,723</b>	<b>\$7</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5</b>	<b>\$4</b>	<b>\$1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,740</b>	<b>\$0</b>	<b>\$1,740</b>
<b>PROGRAMS</b>													
Ship Disposal Program	\$5,376	\$5,229	-	-	-	-	-	-	-	-	\$5,229	-\$4,969	\$260
NS Savannah	3,000	2,980	-	-	-	-	-	-	-	20	3,000	-	3,000
NS Savannah Decommissioning	24,000	23,837	-	-	-	-	-	-	-	-	23,837	1,163	25,000
<b>Programs Subtotal</b>	<b>\$32,376</b>	<b>\$32,046</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20</b>	<b>\$32,066</b>	<b>-\$3,806</b>	<b>\$28,260</b>
<b>TOTAL</b>	<b>\$34,000</b>	<b>\$33,769</b>	<b>\$7</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5</b>	<b>\$4</b>	<b>\$1</b>	<b>\$0</b>	<b>\$20</b>	<b>\$33,806</b>	<b>-\$3,806</b>	<b>\$30,000</b>

**EXHIBIT II-6**

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

<b>Maritime Security Program</b>	<b>Baseline Changes</b>									<b>FY 2019 Baseline Estimate</b>	<b>Program Increases/Decreases</b>	<b>FY 2019 Request</b>
	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>Annualization of 2018 Pay Raises</b>	<b>Annualization of 2018 FTE</b>	<b>2019 Pay Raises</b>	<b>One Compensable Days (261 days)</b>	<b>GSA Rent</b>	<b>WCF Increase/Decrease</b>	<b>Inflation/Deflation</b>			
<b>PERSONNEL RESOURCES (FTE)</b>												
Direct FTE	-	-		-						-	-	-
<b>FINANCIAL RESOURCES</b>												
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-	-	-
<b>Admin Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>PROGRAMS</b>												
Maritime Security Payments	\$300,000	\$297,963	-	-	-	-	-	-	-	\$297,963	-\$83,963	\$214,000
<b>Programs Subtotal</b>	<b>\$300,000</b>	<b>\$297,963</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$297,963</b>	<b>-\$83,963</b>	<b>\$214,000</b>
<b>TOTAL</b>	<b>\$300,000</b>	<b>\$297,963</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$297,963</b>	<b>-\$83,963</b>	<b>\$214,000</b>



**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	Baseline Changes									FY 2019 Baseline Estimate	Program Increases/ Decreases	FY 2019 Request
	FY 2017 Actual	FY 2018 Annualized CR	Annualization of 2018 Pay Raises	Annualization of 2018 FTE	2019 Pay Raises	One Compensable Days (261 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES (FTE)												
Direct FTE	14	-	-	-	-	-	-	-	-	-	-	-
FINANCIAL RESOURCES												
Salaries and Benefits	\$2,107	\$2,140	\$11	-	-	-	-	-	-	\$2,151	-\$2,151	-
Travel	5	5	-	-	-	-	-	-	-	5	-5	-
Operating Expenses	377	326	-	-	-	-	-	-	-	326	-326	-
GSA Rent	224	226	-	-	-	-	7	-	-	233	-233	-
WCF	287	283	-	-	-	-	-	3	-	286	-286	-
Admin Subtotal	\$3,000	\$2,980	\$11	\$0	\$0	\$0	\$7	\$3	\$0	\$3,001	-\$3,001	\$0
PROGRAMS												
Loan Subsidies	-	-	-	-	-	-	-	-	-	-	-	-
Programs Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$3,000	\$2,980	\$11	\$0	\$0	\$0	\$7	\$3	\$0	\$3,001	-\$3,001	\$0

## EXHIBIT II-7

### WORKING CAPITAL FUND MARITIME ADMINISTRATION (\$000)

	<b><u>FY 2017</u></b> <b><u>ACTUAL</u></b>	<b><u>FY 2018</u></b> <b><u>ANNUALIZED CR</u></b>	<b><u>FY 2019</u></b> <b><u>REQUEST</u></b>
<b>DIRECT:</b>			
Operations and Training	\$3,813	\$3,861	\$4,188
Ship Disposal	164	162	163
Maritime Guaranteed Loan Prog. (Title XI)	287	283	-
<b>SUBTOTAL</b>	<b><u>\$4,264</u></b>	<b><u>\$4,306</u></b>	<b><u>\$4,351</u></b>
<b>REIMBURSABLE:</b>			
Ready Reserve Force	<u>\$4,014</u>	<u>\$4,014</u>	<u>\$4,014</u>
<b>SUBTOTAL</b>	<b>\$4,014</b>	<b>\$4,014</b>	<b>\$4,014</b>
<b>TOTAL</b>	<b>\$8,278</b>	<b>\$8,320</b>	<b>\$8,365</b>

**EXHIBIT II-8**

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

<b><u>DIRECT FUNDED BY APPROPRIATION</u></b>	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
Operations and Training	422	485	485
Ship Disposal	8	8	8
Assistance to Small Shipyards	<u>1</u>	<u>1</u>	<u>-</u>
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>431</b> 1/	<b>494</b>	<b>493</b>
 <b><u>ALLOCATIONS</u></b>			
Operation and Training	<u>7</u>	<u>8</u>	<u>8</u>
<b>SUBTOTAL, ALLOCATIONS</b>	<b>7</b>	<b>8</b>	<b>8</b>
 <b><u>REIMBURSEMENTS</u></b>			
Ready Reserve Force	293	311	311
Operation and Training	<u>1</u>	<u>1</u>	<u>1</u>
<b>SUBTOTAL, REIMBURSEMENTS</b>	<b>294</b>	<b>312</b>	<b>312</b>
<b>TOTAL FTEs</b>	<b><u>732</u></b>	<b><u>814</u></b>	<b><u>813</u></b>

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

EXHIBIT II-9

MARITIME ADMINISTRATION  
RESOURCE SUMMARY - STAFFING  
FULL-TIME PERMANENT POSITIONS

<b><u>DIRECT FUNDED BY APPROPRIATION</u></b>	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
Operations and Training	448	485	485
Ship Disposal	8	8	8
Assistance to Small Shipyards	<u>1</u>	<u>1</u>	<u>-</u>
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>457 <sup>1/</sup></b>	<b>494</b>	<b>493</b>
 <b><u>ALLOCATIONS</u></b>			
Operation and Training	<u>7</u>	<u>8</u>	<u>8</u>
<b>SUBTOTAL, ALLOCATIONS</b>	<b>7</b>	<b>8</b>	<b>8</b>
 <b><u>REIMBURSEMENTS</u></b>			
Ready Reserve Force	275	311	311
Operation and Training	<u>1</u>	<u>1</u>	<u>1</u>
<b>SUBTOTAL, REIMBURSEMENTS</b>	<b>276</b>	<b>312</b>	<b>312</b>
 <b>TOTAL POSTIONS</b>	<b><u>740</u></b>	<b><u>814</u></b>	<b><u>813</u></b>

1/ 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, [~~\$171,820,000~~]*\$152,428,000*, of which \$22,000,000 shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, and of which \$2,400,000 shall remain available through September 30, [~~2019~~]*2020*, for the Student Incentive Program at State Maritime Academies, and of which [~~\$18,000,000~~]*\$4,000,000* shall remain available until expended for facilities maintenance and repair, equipment, and capital improvements at the United States Merchant Marine Academy: *Provided*[ *further*], That not later than February 16, [~~2018~~]*2019*, 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 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 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0001 Academy Operations	68,832	68,531	70,593
0002 USMMA Capital Asset Management Program	5,869	79,326	4,000
0003 Student Incentive Program	3,804	2,865	2,400
0004 Direct SMA Support	3,000	2,980	-
0005 Fuel Assistance Program	1,800	1,788	-
0006 Schoolship Maintenance & Repair	20,463	24,731	22,000
0007 National Security Multi-Mission Vessel	343	14,687	-
0008 Maritime Operations	48,821	48,808	53,435
0009 Maritime Environmental & Technology Assistance	2,697	4,823	-
0010 Short Sea Transportation (America's Marine Highway)	2,298	12,664	-
0011 Other Maritime Programs	529	7,486	-
0012 Title XI Administrative Expenses	2975	2,980	-
0799 Total direct Obligations	161,431	271,669	152,428
0801 Operations and Training (Reimbursable)	3,550	33,583	13,000
0900 Total new obligations	164,980	305,252	165,428
<b>Budgetary resources:</b>			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	95,306	114,905	-
1021 Recoveries of prior year unpaid obligations	1,641	-	-
1050 Unobligated balance (total)	96,947	114,905	-
<b>Budget authority:</b>			
Appropriations, discretionary:			
1100 Appropriation	175,560	174,367	152,428
1120 Appropriation transferred to other accounts	-90	-	-
1121 Appropriation transferred from other accounts	3,000	-	-
1160 Appropriation, discretionary (total)	178,470	174,367	152,428
Spending auth from offsetting collections, disc			
1700 Collected	1,568	15,000	13,000
1701 Change in uncollected payments, Federal sources	4,447	-	-
1750 Spending auth from offsetting collections, disc - (total)	6,016	15,000	13,000
1900 Budget authority (total)	184,486	189,367	165,428
1930 Total budgetary resources available	281,433	304,272	165,428
<b>Memorandum (non-add) entries:</b>			
1940 Unobligated balance expiring	-1,548	-	-
1941 Unexpired unobligated balance, end of year	114,905	-	-

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

(In thousands of dollars)

Identification code 69-1750-0-1-403	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Change in obligated balance:</b>			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	66,302	60,946	176,889
3010 Obligations incurred, unexpired accounts	164,980	305,252	165,428
3011 Obligations incurred, expired accounts	842	-	-
3020 Outlays (gross)	-163,657	-189,309	-188,779
3040 Recoveries of prior year unpaid obligations, unexpired	-1,641	-	-
3041 Recoveries of prior year unpaid obligations, expired	-5,880	-	-
3050 Unpaid obligations, end of year (gross)	60,946	176,889	153,538
<b>Uncollected payments:</b>			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-26,734	-29,079	-29,079
3070 Change in uncollected pymts, Fed sources, unexpired	-4,447	-	-
3071 Change in uncollected pymts, Fed sources, expired	2,102	-	-
3090 Uncollected pymts, Fed sources, end of year	-29,079	-29,079	-29,079
<b>Memorandum (non-add) entries:</b>			
3100 Obligated balance, start of year	39,568	31,867	147,810
3200 Obligated balance, end of year	31,867	147,810	124,459
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
4000 Budget authority, gross	184,486	189,367	165,428
Outlays, gross:			
4010 Outlays from new discretionary authority	113,178	163,212	142,564
4011 Outlays from discretionary balances	50,479	26,098	46,215
4020 Outlays, gross (total)	163,657	189,309	188,779
<b>Offsets against gross budget authority and outlays:</b>			
<b>Offsetting collections (collected) from:</b>			
4030 Federal sources	-2,247	-15,000	-13,000
4033 Non-Federal sources	-1,209	-	-
4040 Offsets against gross budget authority and outlays (total)	-3,456	-15,000	-13,000
<b>Additional offsets against gross budget authority only:</b>			
4050 Change in uncollected pymts, Fed sources, unexpired	-4,447	-	-
4052 Offsetting collections credited to expired accounts	1,888	-	-
4060 Additional offsets against budget authority only (total)	-2,559	-	-
4070 Budget authority, net (discretionary)	178,470	174,367	152,428
4080 Outlays, net (discretionary)	160,201	174,309	175,779

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

(In thousands of dollars)

<b>Identification code 69-1750-0-1-403</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
4180 Budget authority, net (total)	178,470	174,367	152,428
4190 Outlays, net (total)	160,201	174,309	175,779



## **OPERATIONS AND TRAINING**

### **Program and Performance Statement**

The appropriation for Operations and Training provides funding for staff 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 \$152.4 million includes \$74.6 million for the United States Merchant Marine Academy, \$24.4 million for the State Maritime Academies, and \$53.4 million for Maritime Operations and Programs.

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

<b>Object Class Code</b>	<b>Object Class</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	Direct obligations:			
	Personnel compensation:			
1111	Full-time permanent	40,100	42,785	43,559
1113	Other than full-time permanent	7,175	7,665	7,891
1115	Other personnel compensation	1,427	1,544	1,580
1119	<b>Total personnel compensation</b>	<b>48,702</b>	<b>51,994</b>	<b>53,030</b>
1121	Civilian personnel benefits	16,102	17,228	17,576
1210	Travel and transportation of persons	2,203	1,721	1,700
1220	Transportation of things	15	17	12
1231	Rental payments to GSA	3,193	3,311	3,411
1233	Communications, utilities & misc. charges	3,792	2,904	1,301
1240	Printing and reproduction	13	12	4
1251	Advisory and assistance services	773	14,798	119
1252	Other services from non-Federal sources	18,281	17,950	5,740
1253	Other goods and services from Federal sources	14,621	23,896	9,062
1254	Operation and maintenance of facilities	11,147	6,529	2,850
1256	Medical Care	2,403	2,184	732
1257	Operation and maintenance of equipment	16,410	17,370	15,781
1260	Supplies and materials	16,303	16,695	11,868
1310	Equipment	2,681	2,249	1,601
1320	Lands and structures	577	77,283	25,231
1410	Grants, subsidies and contributions	4,202	15,518	2,400
1420	Insurance claims and indemnities	13	10	10
1990	<b>Subtotal , direct obligations</b>	<b>161,430</b>	<b>271,669</b>	<b>152,428</b>
	<b>Reimbursable obligations:</b>			
2252	Other services	3,549	33,583	13,000
2990	<b>Subtotal , reimbursable obligations</b>	<b>3,549</b>	<b>33,583</b>	<b>13,000</b>
9999	<b>Total new obligations</b>	<b>164,980</b>	<b>305,252</b>	<b>165,428</b>

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

<b>Operations and Training</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
Direct:			
1001 Civilian full-time Equivalent employment	422	492	485
Reimbursable:			
2001 Reimbursable civilian full-time Equivalent employment	1	1	1
Allocation:			
3001 Allocation civilian full-time Equivalent employment	7	8	8
<b>Total Employment</b>	<b>430</b>	<b>501</b>	<b>494</b>

### EXHIBIT III-1

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

	<b><u>FY 2017</u></b> <b><u>ACTUAL</u></b>	<b><u>FY 2018</u></b> <b><u>ANNUALIZED CR</u></b>	<b><u>FY 2019</u></b> <b><u>REQUEST</u></b>
U.S. Merchant Marine Academy	83,218	82,652	74,593
State Maritime Schools	29,200	29,002	24,400
Schoolship Replacement Program	6,000	5,959	-
MARAD Ops. & Programs	57,142	56,754	53,435
<b>Total, Operations &amp; Training</b>	<b>175,560</b>	<b>174,367</b>	<b>152,428</b>
FTEs			
Direct Funded	408	485	485
Reimbursable, allocated, other	7	8	8

**MARITIME ADMINISTRATION  
OPERATIONS AND TRAINING  
HISTORY OF APPROPRIATIONS  
FY 2010 - FY 2019  
Main Table - (\$000)**

<b><u>Fiscal Year</u></b>	<b><u>Request</u></b>	<b><u>Enacted</u></b>
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	TBD
2019	152,428	

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

2/ This amount reflects FY 2013 sequestration reductions.

## DETAILED JUSTIFICATION

### UNITED STATES MERCHANT MARINE ACADEMY

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#### FY 2019 - United States Merchant Marine Academy - Budget Request (\$000)

Program Activity	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Academy Operations	69,000	68,531	70,593
Capital Asset Management Program	14,218	14,121	4,000
<b>Total</b>	<b>\$83,218</b>	<b>\$82,652</b>	<b>\$74,593</b>

For FY 2019, \$74.6 million is requested for the U.S. Merchant Marine Academy (USMMA/Academy). This request includes \$70.6 million for Academy Operations and \$4 million for the Capital Asset Management Program (CAMP).

#### **What is this program and what does this funding level support?**

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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 educational program. The USMMA curriculum is centered on rigorous academic and practical technical training that leads to a Bachelor of Science degree, a U.S. Coast Guard (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 real-life 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 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, 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 Armed Services of the United States for six years.

USMMA 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. Having a viable U.S. Merchant Marine is essential to the safety and 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 USMMA program supports the Department's priorities for investing in infrastructure to foster the development of a competent and capable transportation industry workforce.

### **FY 2018 Anticipated Accomplishments**

In FY 2018, the Academy plans to:

- Continue to engage with our commercial partners to provide the Midshipmen with an unparalleled Sea Year experience in a safe and professional environment.
- Sustain the culture change 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.
- Sustain reaccreditation with the Middle States Commission on Higher Education (MSCHE) received November 2017.
- Start the renovation of its first academic building, Samuels Hall which will house a state-of-the-art simulation center.
- Establish its strategic plan for the next four years.
- Implement a robust program of institutional assessment and data collection to ensure that learning outcomes are measured and inform curriculum, Midshipman training, and resource decisions.
- Continue to improve the quality of instruction and the Midshipman experience at the Academy through well-managed execution of the Academy's Capital Improvement Plan.

### **FY 2019 Objectives**

The requested FY 2019 budget will build on FY 2018 accomplishments and support:

- Continued emphasis on the Academy's initiatives to eliminate sexual assault and harassment, and initiatives addressing broader issues of respect, honor, and service within the USMMA community.
- Continued investment in the physical security and well-being of the Midshipmen on campus and at sea.

- The program of instruction for an estimated 1,026 Midshipmen, a five percent increase over FY 2018.
- A series of initiatives to ensure that the educational experience of the Midshipmen is not disrupted or diminished by the on-going, phased renovation of the Academy's academic facilities.
- Initiatives to improve the morale of Midshipmen on campus by expanding access to morale building services and recreational activities.
- Initiatives to address the rate of faculty and staff turnover through enhanced learning and training opportunities, recruitment and retention policies.

## **ACADEMY OPERATIONS**

For FY 2019, MARAD requests \$70.6 million for Academy Operations. The Academy is a 24/7, labor-intensive operation with salaries and benefits exceeding 50 percent of the Academy Operations budget. With this larger pay versus non-pay services ratio, the Academy request includes the annualization of the FY 2018 Federal pay raise and other mandatory labor costs to avoid reductions to 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 Midshipman health and welfare services.

The request provides \$37.5 million for salaries and benefits and \$33.1 million for non-pay operations.

*Salaries and Benefits (\$37.5 million):* The FY 2019 budget request is \$37.5 million to fund the Academy's 288 full time equivalent (FTE) salaries and benefits.

- \$318 thousand is necessary to fund the annualization of the FY 2018 pay raise and one extra compensable day in FY 2019.
- \$168 thousand is requested to fund the annualization of the additional staff hired in FY 2018.

Full funding for salaries and benefits will allow the Academy to sustain the positions hired in FY 2017 and in FY 2018 to address eliminating incidences of sexual assault and sexual harassment. Funding will also help to ensure that resources are available to fill critical faculty and staff vacancies that occur from normal staff turnover. The Academy is particularly susceptible to retirements in key faculty positions as 21 percent of the faculty are retirement eligible. While this may provide opportunities to fill positions at lower grade levels, the Academy is in the very competitive high cost metro-New York labor market where new hires often must be offered the higher end of pay scales for the Academy to recruit and retain the best talent. The Academy has also implemented a rigorous evaluation process when vacancies occur to ensure that staff resources which may become available through attrition and turnover are applied to the highest priority personnel needs. This model of evaluation enables the Academy to be more efficient and effective in the hiring process and to meet its mission requirements within the base-funded FTE level.

*Non-pay Operations (\$33.1 million):* The FY 2019 budget request is \$33.1 million for non-pay operations. The Academy's non-pay operations are comprised of three programs:

- Instructional Programs operated by the Academic Dean;



- Midshipman Programs operated by the Commandant of Midshipmen; and
- Program Direction and Administration, which includes the Office of the Superintendent, the Sexual Assault Prevention and Response Office (SAPRO), and various administrative and Academy-wide support functions.

### **Instructional Programs**

The request for Instructional Programs is \$4.7 million. Base funding provides 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, New Jersey.

Two significant trends are impacting the Academy's instructional programs requiring additional resources. First, in Academic Year (AY) 2017-2018 the Academy is increasing its enrollment as it returns to its historical regiment sizes. MARAD projects enrollment at the Academy to further increase in AY 2018-2019, as summarized below:

Academy Enrollment on First Day of the Academic Year

Academic Year	Regiment Size
AY 2016 – 2017	933
AY 2017 – 2018	981
AY 2018 – 2019 Projected	1,026

The Academy targets an incoming class of 280 cadet candidates to meet the requirement in CFR §310.53 which sets forth an allocation for the entering class from each of the States and territories (226), as well as an allocation for non-competitive appointments by the Secretary (up to 40) and international students (up to 30). Due to barracks renovation, limiting the Academy's housing capacity, the Classes of 2017, 2018, and 2019 were admitted at lower levels than prescribed. With the barracks renovations completed, the Academy has restored admitting classes of 280. The restoration of enrollment levels is also critical to addressing the shortage of qualified merchant marine officers needed to support national security requirements.

Second, beginning with the renovation of Samuels Hall in FY 2018, to be followed by the sequential renovation of other academic buildings, the Academy's instructional programs will undergo a massive multi-year infrastructure transformation from outdated classrooms, laboratories, simulation centers, and teaching technology to one-of-a-kind, state-of-the-art teaching facilities and technology. Due to these trends, additional resources are necessary to upgrade classroom technology, replace aging laboratory equipment, increase the number of textbooks, instructional software licenses, and other academic supplies provided as the number of Midshipmen increases. As the Academy's academic buildings undergo renovation, the

Academy will have to equip temporary classroom facilities to ensure that the Midshipmen continue to receive the quality education for which the Academy is known. Additional resources are also necessary for the Academy's athletic program as athletic team participation increases and National Collegiate Athletic Association (NCAA) requirements continue to expand. Additional resources will also support the following:

- Upgrades to teaching and learning tools such as training simulator hardware, classroom technology, laboratory equipment, and additional instructional software licenses;
- Provide Midshipmen with required textbooks and instructional materials;
- Continuing education and professional development for the faculty; and,
- New acquisitions and subscriptions for the library.

### **Midshipman Programs**

The request for Midshipman Programs is \$12.8 million. The base level of funding feeds, houses, supplies, uniforms, and supports Midshipman health, welfare, and religious services. In addition, the base funding provides for the maintenance and operations of the Academy's waterfront programs including its training vessels (T/V): T/V KINGS POINTER, T/V LIBERATOR, and T/V ELIZABETH ANN. These vessels provide vital hands-on instruction platforms for the Midshipmen and additional sea days required to meet STCW requirements for USCG licensing by graduation. Also, the Academy's sailing, dinghy, crew and other on-water athletics are operated within Midshipman Programs.

Additional resources will support the increase in the regiment size projected in FY 2019 coupled with new training and Midshipmen welfare initiatives to support the following:

- Expansion of the food services contract for the increased regiment size, increasing food and labor costs and to provide a light meal in the late evenings in response to Midshipmen requests;
- An additional Strategic Sealift Officer and an enlisted service training coordinator from the Navy to enhance Midshipman leadership training by preparing the Midshipmen for their role as Naval officers; and
- Necessary replacement of furniture in the Midshipman barracks.

### **Program Direction and Administration**

The request for Program Direction and Administration is \$15.6 million. Base funding will support the Office of the Superintendent which includes the Sexual Assault Prevention and Response Office, the Office of 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.

Unlike the other Federal service academies, the Midshipmen are not Federal employees. Therefore, the Academy must maintain separate information technology (IT) environments for the Midshipmen and for the Academy's faculty and staff. In addition, the Academy must continually upgrade and enhance its educational software applications to stay on par with technology developments in higher education. In FY 2019, MARAD plans to allocate funding to ensure that the Academy's IT environment is brought into compliance with Federal Information

Security Management Act (FISMA) certification and accreditation requirements, single points of failure are remediated in the IT infrastructure to mitigate cybersecurity risks and to ensure that the educational environment is not disrupted, and modernize applications for student assessment, recordkeeping, and privacy.

MARAD also plans to allocate funding to ensure that the Academy campus is safe and secure and expand on efforts to protect Midshipmen from sexual assault and sexual harassment during the Sea Year, including providing each Midshipman participating in Sea Year training a satellite communications device to prevent or report sexual harassment or assault as required by the Title XXXV, Section 3513 of the National Defense Authorization Act for Fiscal Year 2018 (P.L. 115-91).

### **CAPITAL ASSET MANAGEMENT PROGRAM (CAMP)**

In FY 2019, \$4 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 and Repair, Equipment (FMRE). FMRE funds provide for routine maintenance and repair and rehabilitation of the Academy's facilities, grounds, and equipment as required, including unplanned emergency capital repairs. Repair and rehabilitation projects covered under FMRE may involve more planning than routine and deferred maintenance. However, such expenses are necessary to address repairs and rehabilitation projects in a cost-effective manner. This requested level will support the following FY 2019 CAMP activities:

*Service Life Extension of Melville Hall and Land Hall (Estimate: \$1 million):* Melville Hall and Land Hall are beyond their useful life but not scheduled for renovation until after the renovation of the five academic buildings is completed in the mid 2020's. Melville Hall is currently used as a conference and meeting space and Land Hall houses the Student Activity Center, SAPRO, and other student related staff offices. Both buildings require extensive upgrades to their windows, domestic hot water heaters, plumbing, fixtures, interior finishes, mold abatement, and water/dampness control in order to keep the buildings functional until a full renovation can be completed, likely in the late 2020's. There are no other comparable facilities available on campus and the upgrades are necessary to keep the buildings in use for the Midshipmen, as well as faculty and staff.

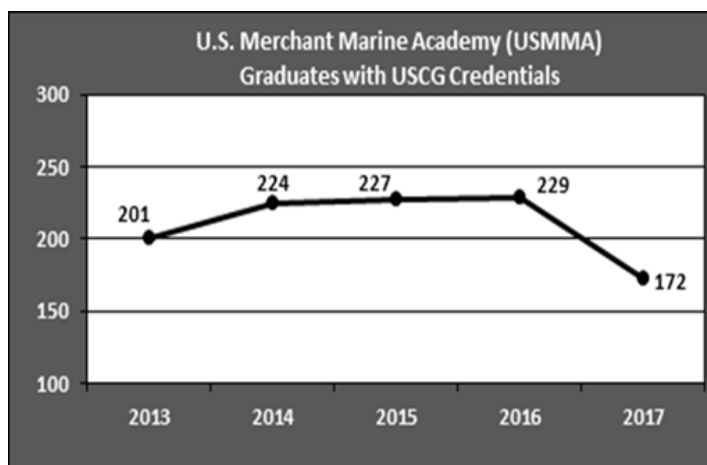
*Facilities Maintenance and Repair, Equipment (FMRE) (\$3 million):* For FY 2019, MARAD requests \$3 million for FMRE to address routine maintenance and repair requirements of the Academy. As initially identified by the USMMA Building Evaluation Report, the Academy currently has a backlog of deferred maintenance in excess of \$53 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.

## USMMA GRADUATES

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

The USCG also evaluates and approves the Academy's training program every five years to ensure that it meets the national and international training requirements to prepare individuals for USCG examination and credentialing to serve on ocean-going vessels of unlimited tonnage and horsepower. USCG and MARAD also perform an in-depth STCW audit at the academy every five years to ensure the quality of USCG approved STCW training, the adherence to those standards continues to be achieved, and that a plan is in place for correcting any nonconformities discovered through external or internal audits. The most recent USCG audit (2015) commended the Academy for the high quality of its professional mariner training program.

The table at the right illustrates the number of USMMA graduates to support advancement of the Nation's transportation workforce needs. The USMMA works to recruit and retain the best-qualified Midshipmen by creating and implementing a recruitment strategy that will enhance diversity within the Regiment of Midshipmen. USMMA will leverage its institutional data for planning, delivering, and assessing programs and services that support Midshipmen success.



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### **What benefits will be provided to the American public through this request and why is this program necessary?**

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The FY 2019 President's Budget request for the USMMA will ensure that the Academy will continue to 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 of duty in the event of national emergencies that demand renewed sea lift capacity. The USMMA program supports the Department's priorities for investing in infrastructure to foster the development of a competent and capable transportation industry workforce. 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. Approximately 25 percent of USMMA graduates opt for active duty commissions in one of the Nation's uniformed 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 if 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.

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. This 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**

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**FY 2019 - State Maritime Academies - Budget Request**  
**(\$000)**

<b>Program Activity</b>	<b>FY 2017 Enacted</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
Student Incentive Program	2,400	2,384	2,400
Direct SMA Support	3,000	2,980	0
Fuel Assistance Payments	1,800	1,788	0
School Ship Maintenance & Repair	22,000	21,850	22,000
<b>Total</b>	<b>\$29,200</b>	<b>\$29,002</b>	<b>\$24,400</b>

For FY 2019, \$24.4 million is requested for the State Maritime Academies (SMAs) to provide \$2.4 million for the student tuition assistance program and \$22 million for maintenance and repair of the six SMA school ships.

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**What is this program and what does this funding level support?**

This program provides Federal assistance to the SMAs, to help educate and train mariners and leaders to support the U.S. marine transportation infrastructure and the economic and national security requirements of the United States. 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 principal 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 well trained and U.S. citizen personnel.

In accordance with 46 U.S.C. § 51103, 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.

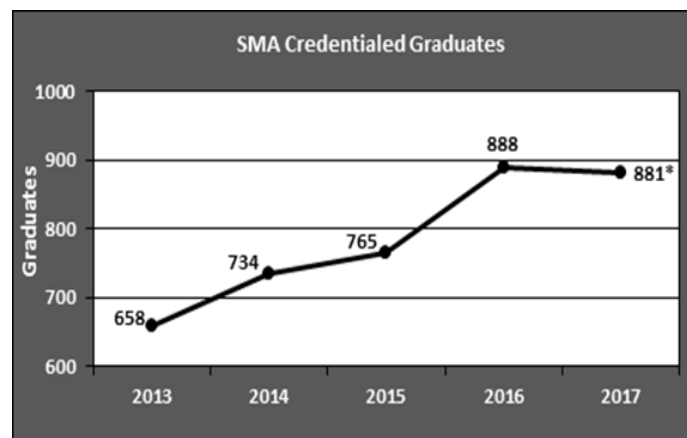
The six SMAs provide students, from across the socio-economic spectrum, an affordable, high quality – Nationally recognized – education, and the necessary training to become USCG credentialed officers in the U.S. Merchant Marine. The six SMAs are:

- 1) California Maritime Academy in Vallejo, California;
- 2) Great Lakes Maritime Academy in Traverse City, Michigan;
- 3) Maine Maritime Academy in Castine, Maine;
- 4) Massachusetts Maritime Academy in Buzzards Bay, Massachusetts;
- 5) State University of New York (SUNY) Maritime College in the Bronx, New York; and
- 6) Texas A&M Maritime Academy in Galveston, Texas.

While the 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 FY 2019 funding level supports mariner training and sea time requirements to meet new and existing International Maritime Organization (IMO) Standards for Training Certification and Watchkeeping <sup>1</sup> (STCW) competencies to help ensure sufficient highly trained merchant mariners are available to maintain the safety, economic and national security needs of the Nation.

The program utilizes Federal resources in a well-defined, cost-shared partnership with the SMAs to produce highly qualified officers for the U.S. Merchant Marine. For FY 2017, the SMAs graduated 881 Cadets earning Merchant Mariner Credential (MMC) with an unlimited endorsement as a third mate or third assistant engineer. For FY 2019, MARAD anticipates that over 991 Cadets will graduate from the SMAs with officer endorsements. These graduates support numerous components of the maritime industry.



\* This is a preliminary estimate. Final data will be available in February 2018.

<sup>1</sup> 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.

## **STUDENT INCENTIVE PROGRAM (SIP)**

The FY 2019 request of \$2.4 million provides financial assistance to selected full-time students at the SMAs to obtain a maritime education that includes a Bachelor's degree and a USCG MMC with an officer endorsement. SIP students receive an annual stipend of \$8,000 per year for uniforms, books, tuition and subsistence with the maximum of \$32,000 for four years. In return, SIP student must fulfill the following post-graduation service obligations:

1. Report annually to MARAD on fulfillment of their service obligation, until completed.
2. Maritime Employment for three years; priority to sail using their Merchant Mariner Credential on 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 (starting with the incoming class in 2017 the requirement increased from six years).

Graduates may also fulfill items 2 and 4 above by serving on active duty as a commissioned officer in the U.S. Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) or the Public Health Service) for a five-year period after graduation. Additionally, the SIP graduates' can put their maritime skills and education to good use as members of the U.S. Armed Forces, in the U.S. Navy Reserve's Strategic Sealift Officer Program (SSOP), the U.S. Army watercraft program and the U.S. National Guard.

The Department of the Navy SSOP established an annual requirement for 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. While SIP funding will be used primarily for payments to students, 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 MARAD Operations and Training appropriation account.

The SIP promotes a robust pool of USCG credentialed officers for the U.S. Merchant Marine who are readily available to crew surge government sealift vessels, should normal crewing processes fail<sup>2</sup>. Annually, approximately four percent of all unlimited credentialed SMA graduates enter active duty in the U.S. Armed Forces, and therefore are not commissioned into the reserve component of the SSOP.

## **SCHOOL SHIP MAINTENANCE & REPAIR**

MARAD requests \$22 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, regarding public nautical school ships. The school ships are required to be in full compliance with USCG regulations, American Bureau of Shipping (ABS) classification

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



society standards and, to the maximum extent practicable, IMO statutes, rules, and regulations. School 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. This work is particularly important as the school ships age beyond their designed service life.

In accordance with 46 U.S.C. § 51504, 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 receive aboard the training ships is a critical educational component in qualifying the students to take the USCG MMC examination. Without adequate sea time, as prescribed by the USCG, students are not eligible to 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 credentialed officer training programs at each maritime academy. This is training that cannot be replaced with simulation or classrooms to satisfy the 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 exercise. The time cadets spend on the training ships while they are pier-side is part of the required STCW sea time. During this period, cadets are performing fire and security watch standing and participating in maintenance and repair laboratories. These pier-side watch standing and maintenance sessions are essential components of the SMA credentialing programs.

The SMA's capacity to graduate USCG credentialed officers is directly proportional to the total number of SMA training ships available. The training ships are the single most important element provided by the Federal government that enables these schools to operate as maritime academies and graduate students qualified to take the USCG licensing examination. However, there are several ways that the SMAs contribute to the cost of the training ships and training credentialed mariners. The annual operating cost, including the crew and labor for maintenance and repair, as well as dockage, utilities and consumables are funded by the SMAs. Additional operating expenses are shared, including annual regulatory inspections, drydocking, and fuel. All academic outfitting, including labs, simulators, library materials, gym equipment, training aids, and classroom furniture is funded by the SMAs. The SMAs are also responsible for all costs associated with meeting the international training standards under STCW, to qualify their students for U.S. Coast Guard licensing. These direct costs include at-sea and on campus requirements. Although these costs vary per the SMA and respective School Ship, and whether the ship is at sea or pier side, the average cumulative annual contribution by the SMAs for the ships is more than \$58 million. The overall SMA cost for producing a qualified mariner is much higher.

Commercial ship operators typically plan for a vessel service life of 20-30 years. ABS, the classification society, 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 39 with the oldest

ship, TS EMPIRE STATE, at 56 years old. 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, to ensure that they all meet safety and functional requirements and remain in service as long as possible. Currently, the TS EMPIRE STATE has a USCG Certificate of Inspection to be sailed as a public nautical school ship, and is in full Class with the ABS through 2019. The vessel will require substantial M&R funds to effectively and safely operate beyond 2019, until it is replaced.

**What benefits will be provided to the American public through this request and why is this program necessary?**

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This program provides Federal assistance to the SMAs, to help educate and train mariners and future leaders to support the U.S. marine transportation infrastructure. Having a viable U.S. Merchant Marine is essential to the safety and 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 SMA program supports the Department's priorities for investing in infrastructure to foster the development of a competent and capable transportation industry workforce.

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, contingencies and emergencies. As a condition for receiving payments as regional maritime academies, SMA's agree to admit students from other states at reduced "out of state" tuition.

In addition to moving bulk cargos and manufactured goods from the Nation's heartland to its seaports, transporting goods globally, and enabling our military to rapidly deploy overseas, the U.S. Merchant Marine supports our Homeland Security as an integral part of the Nation Response Framework (NRF). Even before implementation of the NRF, mariners responded without delay providing passenger sealift from Manhattan, in the aftermath of the 9/11 World Trade Center attacks, and subsequent transportation supporting shiftwork for first responders. Under various directives formalizing national processes for preparedness and response efforts, the U.S. Merchant Marine continues to provide support during emergencies.

Most recently, three school ships provided disaster relief support from 2017 Hurricanes Harvey, Irma, and Maria recovery efforts. Additional efforts include recovery from Hurricane Sandy in 2012, the Deepwater Horizon oil spill response in 2010, and Hurricanes Katrina and Rita recovery efforts in 2005. The daily activities of the U.S. Merchant Marine and the maritime industry support America's economy, and enable readiness for national defense and homeland security requirements.

These benefits and capabilities depend on the SMA educated mariners. Because of this, the SMAs are valuable partners with the Department of Transportation, the Departments of Defense and Homeland Security (including the USCG, Federal Emergency Management Agency, and other federal agencies). Support for SMAs enables them to properly function and continue to produce merchant mariners necessary to meet the needs of the Nation.

Nearly 100 percent of each graduating class is employed within the first three months of graduation and are in quality, well-paying jobs that support the transportation industry. Additionally, 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.

### TS EMPIRE STATE — SUNY Maritime College



**Year built:** 1962  
**Year converted to a training ship:** 1989  
**Capacity:** 666 Cadets / 122 Crew & Instructors  
**Propulsion:** Steam Boiler/Turbine  
**Original designation:** Break bulk cargo ship  
**Average # of training sea days per year:** 90  
**Average # of training days at campus per year:** 220  
**Home port:** Ft. Schuyler, Bronx, NY

TS EMPIRE STATE is the largest training ship providing nearly 36% of the total state maritime academy training capacity. Besides training future mariners, the vessel has supported disaster relief missions for Hurricanes Harvey, Irma and Maria in 2017, Hurricane Sandy in 2012 and Hurricane Katrina in 2005. In 1994 the vessel was used to transport U.S. military forces from Mogadishu, Somalia. The ship currently supports the National Oceanic and Atmospheric Administration's (NOAA) Voluntary Observing Ship (VOS) Program, allowing cadets to collect and submit weather data while on cruise. This data is used by NOAA to build forecasts. The ship also routinely supports shipboard firefighting training with the New York City Fire Department.

### TS KENNEDY — Massachusetts Maritime Academy



**Year built:** 1967  
**Year converted to a training ship:** 2003  
**Capacity:** 600 Cadets / 110 Crew & Instructors  
**Propulsion:** Steam Boiler/Turbine  
**Original designation:** Break bulk cargo ship  
**Average # of training sea days per year:** 60  
**Average # of training days at campus per year:** 210  
**Home port:** Buzzards Bay, MA

TS KENNEDY provides 32% of the state maritime academy training capacity. Additionally, the ship is part of a cutting-edge technology study on maritime heating and air conditioning. Instrumentation and sensors installed onboard are being used to develop heat transfer programs for marine applications and test innovative energy saving technologies in collaboration with the National Renewable Energy Laboratory and U.S. Navy. The vessel also supported the disaster relief missions for Hurricanes Harvey, Irma and Maria in 2017, and Hurricane Sandy in 2012.

### TS GOLDEN BEAR — California Maritime Academy



**Year built:** 1989  
**Year converted to a training ship:** 1996  
**Capacity:** 295 Cadets / 85 Crew & Instructors  
**Propulsion:** Diesel, Geared Drive  
**Original designation:** Oceanographic research  
**Average # of training sea days per year:** 124  
**Average # of training days at campus per year:** 210  
**Home port:** Vallejo, CA

TS GOLDEN BEAR provides 15% of the state maritime academy training capacity and has been at the forefront of ballast water treatment since 2010 when the vessel was outfitted for shipboard testing of ballast water treatment systems. Ballast water treatment has become an internationally mandated requirement to reduce the spread of invasive species. The ship is also actively engaged in diesel exhaust emissions research and has been used to generate baseline emissions data for marine diesel engines.

### TS STATE OF MAINE — Maine Maritime Academy



**Year built:** 1990 / Main Engine 1983  
**Year converted to a training ship:** 1997  
**Capacity:** 244 Cadets / 54 Crew & Instructors  
**Propulsion:** Diesel, Geared Drive  
**Original designation:** Oceanographic research  
**Average # of training sea days per year:** 90  
**Average # of training days at campus per year:** 222  
**Home port:** Castine, ME

TS STATE OF MAINE provides 13% of the total state maritime training capacity. In addition to training cadets, the ship has supported the disaster relief mission following Hurricane Katrina in 2005. The ship currently supports NOAA Voluntary Observing Ship (VOS) Program, allowing cadets to collect and submit weather data while on cruise. This data is used by NOAA to build forecasts.

### TS GENERAL RUDDER — Texas A&M Maritime Academy



**Year built:** 1984  
**Year converted to a training ship:** 1992  
**Capacity:** 50 Cadets / 15 Crew & Instructors  
**Propulsion:** Diesel Electric  
**Original designation:** Oceanographic surveillance  
**Average # of training sea days per year:** 100  
**Average # of training days at campus per year:** 222  
**Home port:** Galveston, TX

TS GENERAL RUDDER provides 3% of the total state maritime training capacity. Additionally, the ship has also been used for the testing of new diesel emissions reduction technology. A selective catalytic reduction system installed onboard gives cadets hands-on experience with one of the latest clean air technologies available for marine diesel engines. Cadets collected and documented more than a thousand hours of operating data in just a single summer cruise period. Also, supported disaster relief missions in 2017 hurricane season.

### TS STATE OF MICHIGAN — Great Lakes Maritime Academy



**Year built:** 1985  
**Year converted to a training ship:** 2002  
**Capacity:** 55 Cadets / 10 Crew & Instructors  
**Propulsion:** Diesel Electric  
**Original designation:** Oceanographic surveillance  
**Average # of training sea days per year:** 124  
**Average # of training days at campus per year:** 224  
**Home port:** Traverse City, MI

TS STATE OF MICHIGAN provides 3% of the total state maritime training capacity. In addition to training mariners, the vessel has been used for full scale operational testing of alternative fuels in collaboration with the U.S. Navy. The vessel performed tests of algae based biodiesel and diesel blends for operational and exhaust emissions as well as long-term fuel storage stability. The vessel was also used as a demonstrator for clean air exhaust technology in 2014 when it was fitted with a catalytic reduction system.

## DETAILED JUSTIFICATION

### MARAD OPERATIONS AND PROGRAMS

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#### FY 2019 – MARAD Operations and Programs - Budget Request (\$000)

Program Activity	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Headquarters Operations	49,142	48,808	53,435
Maritime Program Initiatives:	8,000	7,946	0
<i>Maritime Environment &amp; Technology Assistance (META)</i>	<i>3,000</i>	<i>2,980</i>	<i>0</i>
<i>Short Sea Transportation/ America's Marine Highways</i>	<i>5,000</i>	<i>4,966</i>	<i>0</i>
<b>Total</b>	<b>\$57,142</b>	<b>\$56,754</b>	<b>\$53,435</b>

For FY 2019, \$53.4 million is requested for MARAD Operations and Programs to support Headquarters Operations.

#### **What is this program and what does this funding level support?**

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The MARAD Headquarters Operations account provides resources for agency infrastructure and professional staff working on MARAD operating missions, support programs and program initiatives. The operation mission is comprised of:

The Office for Strategic Sealift, which 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 the administration of the maritime labor and training programs. The office is also responsible for providing support to the: State Maritime Academies (SMAs), the administration and promotion of the Student Incentive Program (SIP) for tuition assistance, the 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 of Environment and Compliance supports the U.S. maritime industry in three key areas. The office fosters innovation, development and adoption of technologies and practices that increase energy efficiency and enable use of a range of domestically produced fuels. Additionally, the office 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 when such threats appear. Finally, the office participates in developing maritime safety standards, promoting safety awareness and developing improved safety-related technology and practices, and provides oversight of existing Maritime Environment and Technology Assistance interagency and cooperative agreements.

The Office for Ports and Waterways (formerly called Intermodal System Development) provides agency support for national port and intermodal infrastructure modernization projects and programs, and Deepwater port licensing and offshore programs, as well as oversight of existing Marine Highway discretionary grants. The office also oversees activities at MARAD's 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 infrastructure. Further, the office oversees the Maritime Transportation System National Advisory Committee (MTSNAC), legislated through 46 U.S.C. 55601, which is designed to provide an industry stakeholder and academic perspective to Departmental issues that impact the efficiency and safety of waterborne freight and critical passenger movements. MTSNAC's role is to provide the Secretary of Transportation with technical advice; information related to development of short sea initiatives and their impediments; mariner manpower requirements for the future; and the integration of waterborne transportation into the national transportation system.

The Office for Business and Finance Development provides support on broad national maritime policies and programs, including oversight of existing Assistance to Small Shipyard grants, capital construction and the 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 the Departmental priorities supporting the Accountability goal and objectives. The request also funds agency program and mission support, and organizational initiatives, including: Human Resources; Financial Management and Budget; Information Technology; Legal Counsel; Acquisitions; Plans and Policy; Congressional and Public Affairs, and the Office of International Activities. The requested funds also support non-discretionary operating requirements including the General Services Administration rent, Enterprise Services Center accounting operations and accounting and procurement systems costs, as well as the Department's working capital fund expenses for centrally managed general administrative and information technology services.

#### **What benefits will be provided to the American public through this request and why is this program necessary?**

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MARAD's Headquarters Operations funds the agency mission and 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, providing the leadership, management, and administrative support

infrastructure for programs advancing agency initiatives.

Funds requested for Headquarters Operations will support staffing and mission operations for the Environment and Compliance, Ports and Waterways, Strategic Sealift and Business and Finance Development offices, as well as USMMA technical guidance and assistance and administration of the SMAs' support funds.



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

(In thousands of dollars)

Identification code 69-1770-0-1-403	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0001 Grants for Capital Improvement for Small Shipyards	10,005	10,421	-
0900 Total new obligations	10,005	10,421	-
<b>Budgetary resources:</b>			
Unobligated balance:			
1000 Unobligated balance available, Oct 1	492	489	-
1021 Unobligated balance: Prior Year Recoveries	2	-	-
1050 Unobligated balance (total)	494	489	-
<b>Budget authority:</b>			
<b>Appropriations, discretionary:</b>			
1100 Appropriation	10,000	9,932	-
1160 Appropriation, discretionary (total)	10,000	9,932	-
1930 Total budgetary resources available	10,494	10,421	-
<b>Memorandum (non-add) entries:</b>			
1941 Unexpired unobligated balance, end of year	489	-	-
<b>Change in obligated balance:</b>			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	5,325	12,075	12,804
3010 Obligations incurred, unexpired accounts	10,005	10,421	-
3020 Outlays (gross)	-3,254	-9,692	-9,493
3050 Unpaid obligations, end of year	12,075	12,804	3,310
<b>Memorandum (non-add) entries:</b>			
3100 Obligated balance, start of year	5,325	12,075	12,804
3200 Obligated balance, end of year	12,075	12,804	3,310
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
Outlays, gross:			
4010 Outlays from new discretionary authority	196	8,442	-
4011 Outlays from discretionary balances	3,058	1,250	9,493
4020 Outlays, gross (total)	3,254	9,692	9,493
4080 Outlays, net (discretionary)	3,254	9,692	9,493
4180 Budget authority, net (total)	10,000	9,932	-
4190 Outlays, net (total)	3,254	9,692	9,493

## **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 2019.

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

<b>Object Class Code</b>	<b>Object Class</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	Direct Obligations:			
1111	Full-time permanent	152	159	-
1115	Other personnel compensation	1	1	-
1119	<b>Total personnel compensation</b>	<b>154</b>	<b>160</b>	<b>-</b>
1121	Civilian personnel benefits	44	46	-
1210	Travel and transportation of persons	7	7	-
4100	Grants, claims and subsidies	9,800	10,207	-
<b>9999</b>	<b>Total Obligations</b>	<b>10,005</b>	<b>10,421</b>	<b>-</b>

**EMPLOYMENT SUMMARY**

<b>Assistance to Small Shipyards</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
Direct:			
1001 Direct civilian full-time equivalent employment	1	1	-
<b>Total Employment</b>	<b>1</b>	<b>1</b>	<b>-</b>

**EXHIBIT III-1**

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

	<b><u>FY 2017</u></b> <b><u>ACTUAL</u></b>	<b><u>FY 2018</u></b> <b><u>ANNUALIZED CR</u></b>	<b><u>FY 2019</u></b> <b><u>REQUEST</u></b>
Assistance to Small Shipyards	10,000	9,932	-
<b>Total, Assistance to Small Shipyards</b>	<b>10,000</b>	<b>9,932</b>	<b>-</b>
FTEs			
Direct Funded	1	1	-
Reimbursable, allocated, other	-	-	-

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

**FY 2010 - FY 2019  
Main Table - (\$000)**

<b><u>Fiscal Year</u></b>	<b><u>Request</u></b>	<b><u>Enacted</u></b>
2010	-	15,000
2011	-	9,980 1/
2012	-	9,980
2013	-	9,458 2/
2014	-	-
2015	-	-
2016	-	5,000
2017	-	10,000
2018	-	TBD
2019	-	-

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

2/ 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, [~~\$9,000,000~~]~~\$30,000,000~~, to remain available until expended. *Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 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 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0001 Ship Disposal	5,109	9,770	2,000
0002 N.S. Savannah	2,970	3,021	3,000
0003 NSS Decommissioning	2,002	45,835	25,000
0900 Total obligations	10,081	58,626	30,000
<b>Budgetary resources available for obligation</b>			
1000 Unobligated balance: Brought forward, October 1	644	24,857	-
1021 Recoveries of prior year unpaid obligations	294	-	-
1050 Unobligated balance (total)	938	24,857	-
<b>Budget authority:</b>			
<b>Appropriations, discretionary:</b>			
1100 Appropriation	34,000	33,769	30,000
1130 Appropriations permanently reduced	-	-	-
1160 Appropriation, discretionary (total)	34,000	33,769	30,000
1900 Budget authority (total)	34,000	33,769	30,000
1930 Total budgetary resources available	34,938	58,626	30,000
<b>Memorandum (non-add) entries:</b>			
1941 Unexpired unobligated balance, end of year	24,857	-	-
<b>Change in obligated balance:</b>			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	2,505	5,969	30,711
3010 Obligations incurred, unexpired accounts	10,081	58,626	30,000
3020 Outlays (gross)	-6,323	-33,885	-34,885
3040 Recoveries of prior year unpaid obligations, unexpired	-294	-	-
3050 Unpaid obligations, end of year (gross)	5,969	30,711	25,827
<b>Memorandum (non-add) entries:</b>			
3100 Obligated balance, start of year	2,505	5,969	30,711
3200 Obligated balance, end of year	5,969	30,711	25,827
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
4000 Budget authority, gross	34,000	33,769	30,000



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

<b>Identification code 69-70-1768-0-1-403</b>		<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	Outlays, gross:			
4010	Outlays from new discretionary authority	4,280	16,885	15,000
4011	Outlays from discretionary balances	2,043	17,000	19,885
4020	Outlays, gross (total)	6,323	33,885	34,885
4070	Budget authority, net (discretionary)	34,000	33,769	30,000
4080	Outlays, net (discretionary)	6,323	33,885	34,885
4180	Budget authority, net (total)	34,000	33,769	30,000
4190	Outlays, net (total)	6,323	33,885	34,885

## **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 2019, the Ship Disposal program requests \$30 million which includes funding for obsolete vessel disposal, for maintaining the Nuclear Ship (N.S.) Savannah in protective storage, to continue the decommissioning process for the N.S. Savannah, and for administrative expenses.

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

<b>Object Class Code</b>	<b>Object Class</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	Direct obligations:			
11110	Full-time permanent	823	1,047	1,072
11510	Other personnel compensation	20	25	26
1119	<b>Total personnel compensation</b>	<b>842</b>	<b>1,073</b>	<b>1,098</b>
1121	Civilian personnel benefits	278	354	362
1210	Travel and transportation of persons	14	4	4
1231	Rental payments to GSA	128	129	133
1232	Non-Fed-Rental paymnts to others-Other real property	471	3,021	3,000
1251	Advisory and assistance services	4,499	45,835	25,000
1253	Other goods and services from Federal Sources	157	160	164
1254	Operation and maintenance of facilities	3,690	8,050	239
9999	<b>Subtotal new obligations</b>	<b>10,081</b>	<b>58,626</b>	<b>30,000</b>

**Employment Summary**

	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
<b>Ship Disposal</b>			
Direct:			
1001 Direct civilian full-time equivalent employment	8	8	8
<b>Total Employment</b>	<b>8</b>	<b>8</b>	<b>8</b>

**EXHIBIT III-1**

**SHIP DISPOSAL**

**Summary by Program Activity**

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

	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
Ship Disposal	34,000	33,769	30,000
<b>Total</b>	<b>34,000</b>	<b>33,769</b>	<b>30,000</b>
FTEs			
Direct Funded	8	8	8
Reimbursable, allocated, other	-	-	-

**MARITIME ADMINISTRATION  
HISTORY OF APPROPRIATIONS  
SHIP DISPOSAL**

**FY 2010 - FY 2019  
Main Table - (\$000)**

<b><u>Fiscal Year</u></b>	<b><u>Request</u></b>	<b><u>Enacted</u></b>
2010	15,000	15,000
2011	10,000	14,970 <sup>1/</sup>
2012	18,500	5,500
2013	10,000	5,212 <sup>2/</sup>
2014	2,000	4,800
2015	4,800	4,000
2016	8,000	5,000
2017	20,000	34,000
2018	9,000	TBD
2019	30,000	

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

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#### FY 2019 - Ship Disposal Program - Budget Request (\$000)

Program Activity	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Ship Disposal	7,000	6,952	2,000
NS SAVANNAH	3,000	2,980	3,000
NS SAVANNAH Decommissioning	24,000	23,837	25,000
<b>Total</b>	<b>\$34,000</b>	<b>\$33,769</b>	<b>\$30,000</b>

For FY 2019, \$30 million is requested for the Ship Disposal Program. The requested funding provides \$2 million for program salaries and overhead, \$3 million for Nuclear Ship SAVANNAH (NSS) protective storage costs to comply with Nuclear Regulatory Commission (NRC) license requirements, and \$25 million to continue the NSS Decommissioning (DECON) activities.

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#### What is this program and what does this funding level support?

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 obsolete ships owned by the Federal Government. These include obsolete merchant ships moored at National Defense Reserve Fleet (NDRF) sites 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, at MARAD qualified recycling facilities, 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.

The program also maintains a specialized licensee organization to manage the NSS in all aspects of its NRC required licensed activities. These activities principally include maintenance and safeguarding of the ship and its defueled nuclear power plant while in protective storage, which is necessary even while NSS undergoes a multi-phased final decommissioning. DECON of the NSS is the end-of-life cycle activity for the ship's NRC licensed nuclear production facility. MARAD is defined as a Federal Licensee by the NRC. For DECON purposes, the only distinction between a Federal and commercial licensee is the source of funding and method of financial assurance. Consequently, the NSS DECON project follows well-established and

mature commercial nuclear industry decommissioning methods and practices, under the oversight and inspection of the NRC. The three-phased DECON project is estimated to take seven calendar years to complete.

## **SHIP DISPOSAL**

The FY 2019 request provides \$2 million for salaries and overhead for Ship Disposal and NSS staff and support personnel. The Ship Disposal Program maintains a team of marine project managers who, in coordination with MARAD environmental specialists, are responsible for managing not only the terms and conditions of each dry-docking and ship recycling contract, but also for managing each qualified ship recycling facility's compliance with its approved, qualified technical proposal and environmental regulations. This management, oversight and compliance effort includes facility inspections during dry-docking and ship recycling contracts to ensure facility and contract compliance, worker health and safety and environmental protection.

In addition, the Savannah Technical Staff (STS) is the organizational unit within the Office of Ship Disposal Programs dedicated to managing NRC licensed activities, which include maintaining the NSS in protective storage and planning for its decommissioning and license termination. The funding for salaries and overhead supports the ship disposal monitoring, oversight and compliance activities along with the STS activities related to protective storage of the NSS.

MARAD's Ship Disposal program conducts ship disposal, primarily through recycling of obsolete, Federally-owned, and merchant-type vessels in a responsible manner that promotes worker health and safety, protects the environment and reduces contamination risks at the NDRF anchorages. 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 to purchase MARAD vessels for recycling. Absent stable prices for scrap steel, ship recyclers require award of a service contract to subsidize costs when recycling MARAD non-retention vessels.

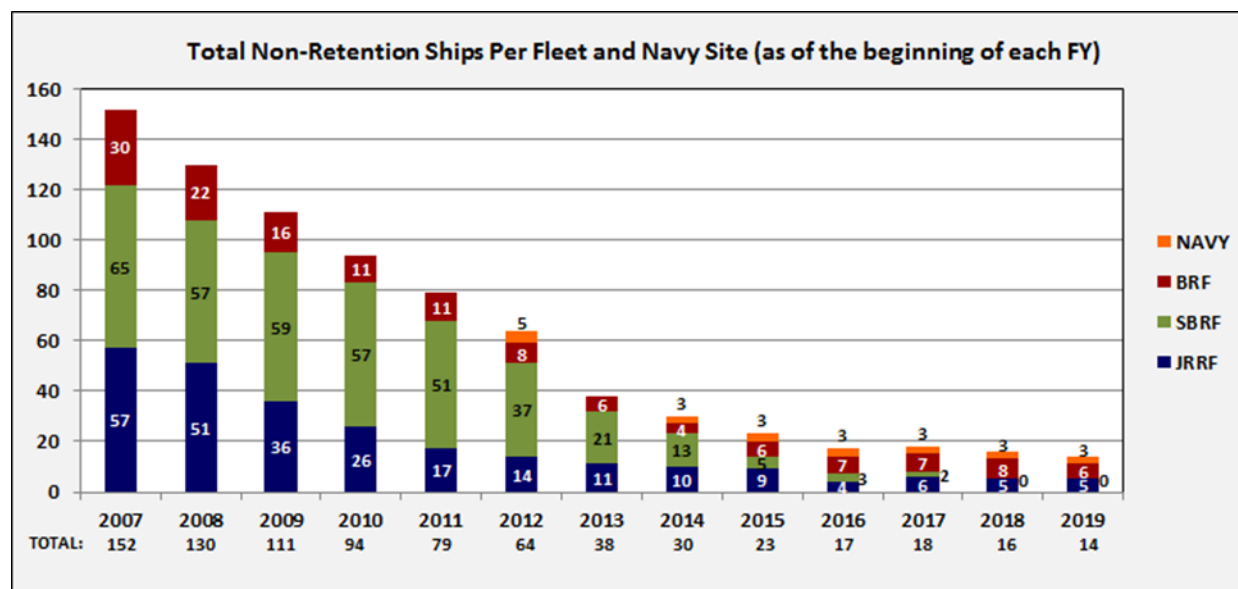
The longer obsolete ships remain in the NDRF sites, the greater the safety risk to the surrounding fleet anchorage environment. Obsolete ships require continuing maintenance and monitoring to mitigate environmental incidents while they await proper disposal. Sustained disposal of deteriorating Federal obsolete ships mitigates the risk of fleet environmental contamination and its resulting large remediation costs while reducing storage costs associated with keeping non-retention ships in the fleet longer than necessary. Continual and unimpeded disposal of obsolete vessels assures a healthy and capable domestic ship recycling industry that retains skilled labor and capable infrastructure to efficiently recycle MARAD and Navy obsolete vessels as required.

MARAD must also manage the safety risk associated with the spread of non-indigenous aquatic species. Transferring obsolete ships from the NDRF fleet sites to different bio-geographic locations for vessel disposal through recycling, requires in-water hull cleaning of obsolete vessels in the Beaumont Reserve Fleet (BRF) and James River Reserve Fleet (JRRF), and the dry-docking of Suisun Bay Reserve Fleet (SBRF) vessels prior to departure for disposal.

As the disposal agency for Federal government owned merchant-type vessels, MARAD's Federal Outreach initiative for the Ship Disposal Program canvasses other Federal agencies to determine their ship disposal requirements. This information is collected into a 5-year vessel retirement plan that provides the basis for advance scheduling of Federal merchant vessel disposal actions, and annual Congressional reporting.

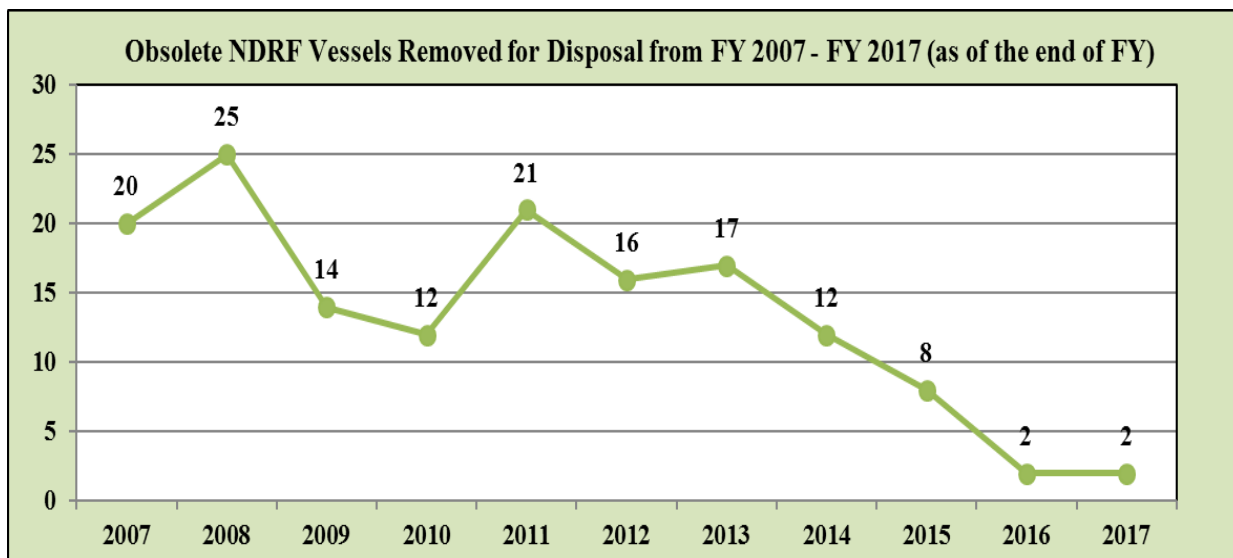
MARAD awards dry-docking and ship recycling contracts on a best value basis taking into consideration price, facility capacity, schedule and past contract performance. Newly downgraded NDRF vessels that have reached the end of their useful life, enter the disposal queue as obsolete vessels and are disposed of as expeditiously as possible to minimize environmental and other safety risks.

At the beginning of FY 2017, MARAD had 18 obsolete vessels awaiting disposal. MARAD successfully completed the removal of the remaining two Suisun Bay Reserve Fleet (SBRF) non-retention vessels in compliance with the FY 2010 Consent Decree. All 57 SBRF vessels have now been removed. The Ship Disposal Program exceeded the annual removal targets in the Consent Decree and fulfilled its obligation ahead of schedule. In addition, MARAD procured recycling services for two JRRF vessels. At the end of FY 2017 MARAD had 14 non-retention vessels available for disposal. MARAD maintains six vessels in retention status in the SBRF, which depending on the sea lift requirements of the sponsor, the US Transportation Command, may be downgraded to non-retention at any time. Once these vessels are declared non-retention they are available for disposal.



On October 1, 2017 MARAD downgraded two vessels to non-retention status bringing the total number of vessels available for disposal at the beginning of FY 2018 to 16. MARAD estimates for disposal a total of 3 non-retention vessels from the fleet sites in FY 2018, leaving 13 available for disposal at the end of FY 2018. MARAD plans to downgrade one vessel to non-retention on October 1, 2018 increasing the number of vessel available for disposal at the beginning of FY 2019 to 14. It is anticipated that approximately two to four ships per year will be downgraded to non-retention status and added to the disposal queue in FY 2019 and beyond.

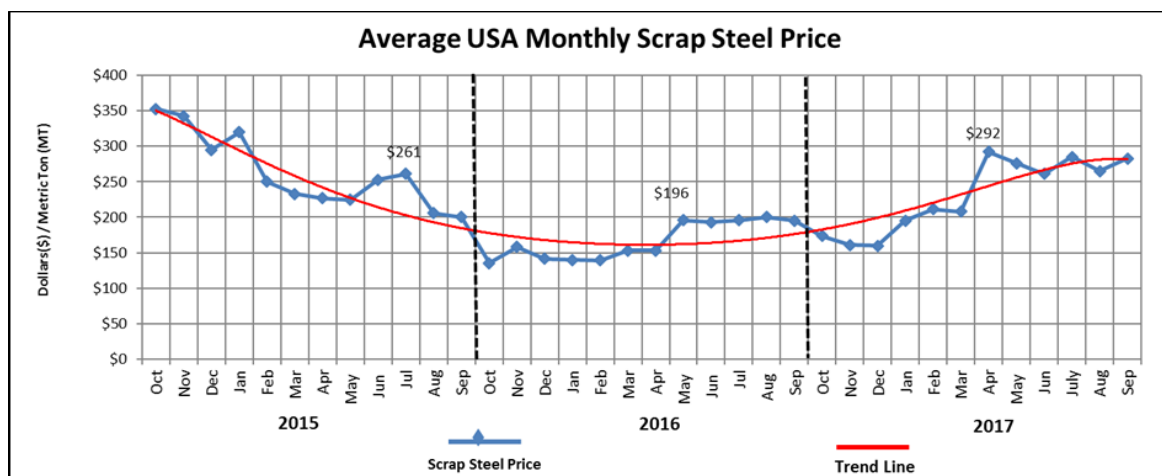




From FY 2007 through FY 2017, the program removed and properly disposed of 149 non-retention vessels from the various fleet sites. The graph above shows the effect of the corresponding collapse of scrap steel prices depicted in the Average USA Monthly Scrap Steel Price chart below. The steep decline in scrap steel prices impacted MARAD's ability to sell vessels for recycling. During periods of low scrap steel prices, revenues from the sale of the vessel scrap metals are insufficient to cover the fixed costs of purchase, towing, insurance, labor and the unknown costs for hazardous material remediation. These factors limit competition for the purchase of vessels, resulting in the disposal of non-retention vessels through the procurement of ship recycling services.

Annual ship disposal program funding is necessary to mitigate the volatility of the scrap steel markets, continue disposal of the worst conditioned vessels and to help maintain an industrial base of qualified ship recycling facilities. Flexibility to quickly pivot from ship sales, due to the volatile downturns of scrap steel prices, to procurement of recycling services provides MARAD continuity of ship disposal awards, which minimizes increasing the backlog of obsolete vessels in the fleets, continues the removal of the worst conditioned vessels and minimizes the threat of potential environmental incidents.

From February 2015 through September of 2017, MARAD sold only one vessel, for \$52,000 for recycling while concurrently awarding seven ship recycling contracts using appropriated funds. Five of the seven vessel were located in the SBRF and removed in compliance with the Consent Decree.



Source data 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 U.S. Steel Corporation (<https://www.ussteel.com>) and [www.worldsteel.org](http://www.worldsteel.org).

Scrap steel market price volatility requires funding to quickly adapt and procure dry-dock and ship recycling services in the absence of vessel sales. The domestic scrap steel market entered a downward spiral after reaching its \$400 per metric ton peak in January 2014 with the most dramatic decline occurring in 2015.<sup>1</sup> In February 2017, scrap steels prices crossed the \$200 per metric ton threshold and by April had reached \$292 per metric ton. From May through September they hovered in the \$260 - \$285 per metric ton range.<sup>2</sup>

### NSS LICENSED ACTIVITIES

The \$3 million requested for NS Savannah is required to support and manage NRC required licensed activities until decommissioning and license termination is completed. 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.<sup>3</sup> NRC core statutes do not exempt Federal licensees from obligations once a facility license is issued.<sup>4</sup> 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.

The primary component of protective storage is its 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 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

<sup>1</sup> Domestic scrap steel prices fell from \$400 per metric ton in January 2014 to \$350 per metric ton in October 2015.

<sup>2</sup> MARAD Monthly Average USA Scrap Steel Price Trend Report

<sup>3</sup> The license (and 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.

<sup>4</sup> Atomic Energy Act of 1954, as amended; Energy Policy Act of 1992, as amended.

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. MARAD's anticipated accomplishments for FY 2018 will include continuing the NRC required licensed activities to maintain the NSS in protective storage while planning and implementing Phase I of the decommissioning and license termination plan.

#### **NUCLEAR SHIP SAVANNAH (NSS) DECOMMISSIONING (DECON)**

The FY 2019 request of \$25 million for NSS DECON will allow MARAD to begin Phase II (Year 3) of the three-phased decommissioning project that addresses the legacy requirement to close the lifecycle of the NSS nuclear facility.

As proposed, the NSS DECON is a three-phase, seven-year decommissioning project estimated to cost \$131 million and must be completed by December 2031. The FY 2017 appropriation for NSS decommissioning provided full funding for the DECON project's first phase of activities over a two-year period. No funding was requested in FY 2018. The funding request will allow the project to continue without interruption into Phase II. Funding for Phase III in the final project year will be adjusted to suit final project cost projections.

N.S. SAVANNAH Decommissioning Project  
Seven-Year Production Schedule Cost Estimate

Phase I		Phase II				Phase III	Estimated Total
\$24,000		\$100,000				\$7,000	\$131,000
Year 1 and 2	Year 3	Year 4	Year 5	Year 6	Year 7		
\$24,000	\$25,000	\$25,000	\$25,000	\$25,000	\$7,000	\$131,000	

The phased production approach offers the greatest flexibility in tailoring budget requests to annual goals, priorities and resources. The total project cost is based on MARAD's site-specific decommissioning cost estimate (DCE), as reported to the NRC effective as of December 31, 2014. The 2014 basis DCE was escalated to a 2017 basis using the NRC escalation formula which 10 CFR 50.75(c)(2) defines, and where the most recent formula factor data (which varies from year to year) is available. The factor data is drawn from a variety of government sources (e.g., Bureau of Labor Statistics). For the purposes of the budget request, the FY 2017 escalation factors were applied uniformly over the three project phases, to determine projected requirements in the out-years.

The DECON project objective is to complete radiological remediation and dismantlement of the nuclear systems, structures and components to the extent required to terminate the NRC license without conditions or future restrictions. The project does not immediately result in the destruction of the ship, and leaves the NSS available for disposition in any of the manners presently allowed. NSS DECON environmental actions are bounded by the NRC Generic Environmental Impact Statement for nuclear reactor decommissioning.

MARAD worked with the NRC in late FY 2017 to define the specific objectives and tasks for Phase I, and their method of completion. License amendments were submitted as required to authorize DECON activities, with approval of those amendments expected in FY 2018. Initial Phase I activities include:

- Regulatory coordination and approval;
- Establishment of administrative and technical support programs;
- Ship preparations for DECON (vessel accesses, heavy lift capability, ventilation, lighting, firefighting, stability control and ballasting, security, fire detection and alarm systems);
- Reactor compartment/containment vessel insulation and shielding removal; and
- Environmental and radiological characterization of radiologically controlled areas and adjacent spaces.

The initial DECON license amendment requested approval to remediate all equipment and piping in areas outside the reactor compartment. This work will be completed in the drydock.

MARAD received \$24 million in FY 2017 for Phase I (years 1 and 2) for NSS DECON with \$8 million for Year 1 (FY's 2017-2018) activities and \$16 million for Year 2 (FY 2019). Phase I is comprised of three major objectives comprised of administrative and industrial activities, which span the entire Phase I effort and provide the required prerequisites for a smooth transition to commence Phase II DECON. The three major objectives of Phase I are a) radiological Characterization, b) DECON of radiological contaminated areas and c) vessel dry-docking to remove radiological components most efficiently accessed during the dry-docking evolution. Phase I is scheduled to be completed in FY 2019 and vessel dry-docking represents the milestone transition to Phase II.

Funding for FY 2019 will allow an efficient transition to initial Phase II DECON activities, which will be based on the characterization-refined scope of work accomplished in Phase I. In year 3 of Phase II, these activities will generally include removal or remediation of radiological contamination from equipment and systems; and engineering, planning and licensing actions to support major component removals and demolition in years 4-6. The impact of a project interruption from Phase I into Phase II will result in the shutdown of existing work and loss of technical expertise as well as the escalation of the DECON project costs and increased out-year protective storage costs.

MARAD expects that subsequent Phase II work will be largely confined to the reactor compartment itself. Phase II, years 3-6, include the detailed NRC license amendments, heavy engineering and industrial activities necessary to complete DECON and terminate the license. Major activities in Phase II include a) NRC decommissioning license approvals to support major component removal, b) preparation of shipboard electrical, mechanical and ventilation systems to support component removals, c) removal of the reactor vessel, d) removal of the containment vessel major components, e) packaging and shipment of radioactive waste materials, and f) completion of decontamination activities on remaining shipboard components and structures.

The project Phase III, year 7, is the nominal license termination period, wherein the NRC conducts independent confirmatory surveys and inspections. This phase requires a much lower MARAD effort and expenditure.

MARAD's DECON approach employs the ship's infrastructure to limit the off-site footprint. Commercial nuclear facilities normally offer sufficient landside space to install the needed demolition support structures, facilities and storage areas within the licensed site boundary. MARAD's licensed site boundary is the ship itself, and the approach to employ the ship's infrastructure avoids any necessary expansion of the boundary. As an example, Cargo Hold 4 will be modified to receive, process and package waste components and materials (piping, valves, other equipment and debris) for transportation and disposal. Interior space within the ship's accommodation provides office infrastructure for contract employees and engineers. The approach is consistent with MARAD's historic use of a dedicated nuclear servicing facility in Galveston, Texas. That facility consisted of a finger pier; whirly crane; as well as an equipment and spent fuel storage building. The Galveston facility was decommissioned and disposed in the mid-1970s.

The NSS was designated a National Historic Landmark (NHL) in 1991, and is the only DOT directly-owned and managed historic landmark property. Under the National Historic Preservation Act of 1966 (NHPA), as amended, Federally-owned NHL properties are provided the greatest protection, and undertakings such as DECON must meet a standard that requires minimum harm be done to the NHL. This statutory protection applies equally to MARAD and the NRC. The specific actions needed to meet this standard of minimum harm will be determined and implemented through the NHPA consultative process during DECON.

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 and why is this program necessary?**

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**SHIP DISPOSAL**

Maintaining a consistent rate of obsolete ship removal is necessary to reduce reserve fleet operating costs, mitigate safety and environmental risks common with aging ships and ensure that a costly backlog of obsolete ships does not accumulate at MARAD's fleet sites. Sustained vessel removals help to maintain the unique infrastructure of the ship recycling industry base in the U.S.; strengthen the workforce and stimulate economic growth and vitality; and scrap metals recycled from the vessels provide a cheaper raw material resource in lieu of mining iron ore to make new steel products or importing scrap steel from competitors, i.e., China or India. 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. The benefits to the American taxpayer of a sustainable Federal ship recycling program are reduced consumer prices, a sustainable U.S. based ship recycling industry, and public safety.

## **NS SAVANNAH**

Continuing DECON without schedule or cost interruption is the most efficient and cost-effective method to close the NSS legacy lifecycle and reduce or eliminate the public taxpayer burden borne by its continued retention. The requested \$25 million provides for the seamless transition from the Phase I planning and engineering activities to the Phase II heavy industrial decontamination, dismantlement and remediation activities. Although the license must be terminated by 2031, there is no tangible benefit to deferring or delaying the project. The impact of a project interruption from Phase I into Phase II will result in the shutdown of existing work and loss of technical expertise as well as the escalation of the DECON project costs and increased out-year protective storage costs.

The NSS DECON project is necessary as an integral life-cycle component of MARAD's licensed activities obligation. Although the DECON project can be considered an independent licensed action, it cannot be severed from the license overall. From a radiological perspective, there is no technical or administrative benefit to deferring DECON and license termination. Consequently, MARAD is seeking to continue the DECON project in the most efficient and cost-effective manner, and thereby avoiding future costs and environmental risks that are technically unnecessary.

As a licensee, MARAD does not have independent discretion to determine its facility compliance schedule and needs. No federal agency or commercial entity subject to NRC licensing possesses this discretion. MARAD must follow the NRC schedule and activity requirements for the license lifecycle. These requirements stem from statutory authority (Atomic Energy Act of 1954, as amended; Energy Policy Act of 2005, as amended), and are codified in the NRC regulatory suite in 10 CFR.

Completing DECON activities eliminates the risk of future environmental or radiological events. Any ship, even when securely berthed, is at risk in the marine environment. Catastrophic losses may occur from extreme weather events such as hurricanes; collisions with other marine craft; or external events such as sabotage. Although the radiological risk posed by NSS is low, it is not zero, and it can only be eliminated by completing DECON in accordance with NRC requirements.

## 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~~]~~\$214,000,000~~, to remain available until expended: *Provided*, That amounts made available under this heading 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 section 53106 of title 46, United States Code: *Provided further*, That no payment shall exceed an annual rate of [~~\$3,500,000~~]~~\$3,566,667~~ per operating agreement. *Note.*—*A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.*

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

(In thousands of dollars)

		<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	<b>Identification code 69-1711-0-1-403</b>			
	<b>Obligations by program activity:</b>			
0001	Maritime Security Program	292,322	300,000	233,002
0900	Total new obligations	292,322	300,000	233,002
	<b>Budgetary resources:</b>			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	8,473	21,039	19,002
1021	Recoveries of prior year unpaid obligations	4,889	-	-
1050	Unobligated balance (total)	13,362	21,039	19,002
	<b>Budget authority:</b>			
	<b>Appropriations, discretionary</b>			
1100	Appropriation	300,000	297,963	214,000
1130	Appropriations permanently reduced	-	-	-
1131	Unobligated balance of appropriation permanently reduced	-	-	-
1160	Appropriation, discretionary (total)	300,000	297,963	214,000
1900	Budget authority total (disc. and mand.)	300,000	297,963	214,000
1930	Total budgetary resources available	313,362	319,002	233,002
	<b>Memorandum (non-add) entries:</b>			
1941	Unexpired unobligated balance, end of year	21,039	19,002	-
	<b>Change in obligated balance:</b>			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	23,564	29,625	31,519
3010	Obligations incurred, unexpired accounts	292,322	300,000	233,002
3020	Outlays (gross)	-281,373	-298,106	-249,541
3040	Recoveries of prior year unpaid obligations, unexpired	-4,889	-	-
3050	Unpaid obligations, end of year (gross)	29,625	31,519	14,980
	<b>Memorandum (non-add) entries:</b>			
3100	Obligated balance, start of year (net)	23,564	29,625	31,519
3200	Obligated balance, end of year (net)	29,625	31,519	14,980
	<b>Budget authority and outlays, net:</b>			
	Discretionary:			
4000	Budget authority, gross	300,000	297,963	214,000
	Outlays, gross:			
4010	Outlays from new discretionary authority	264,923	277,106	199,020
4011	Outlays from discretionary balances	16,450	21,000	50,521
4020	Outlays gross, (total)	281,373	298,106	249,541
4070	Budget authority, net (discretionary)	300,000	297,963	214,000
4080	Outlays, net (discretionary)	281,373	298,106	249,541
4180	Budget authority, net (total)	300,000	297,963	214,000
4190	Outlays, net (total)	281,373	298,106	249,541



## **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 \$214 million for the Maritime Security Program.

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

<b>Object Class Code</b>	<b><u>Object Class</u></b>	<b><u>FY 2017 Actual</u></b>	<b><u>FY 2018 Annualized CR</u></b>	<b><u>FY 2019 Request</u></b>
	Direct obligations:			
1410	Grants, subsidies and contributions	<u>292,322</u>	<u>300,000</u>	<u>233,002</u>
9999	<b>Total, New Obligations</b>	<b><u>292,322</u></b>	<b><u>300,000</u></b>	<b><u>233,002</u></b>

# EXHIBIT III-1

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

	<u>FY 2017 ACTUAL</u>	<u>FY 2018 ANNUALIZED CR</u>	<u>FY 2019 REQUEST</u>
Maritime Security Program	300,000	297,963	214,000
<b>Total</b>	<b>300,000</b>	<b>297,963</b>	<b>214,000</b>
FTEs			
Direct Funded	-	-	-
Reimbursable, allocated, other	-	-	-

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

**FY 2010 - FY 2019  
Main Table - (\$000)**

<b><u>Fiscal Year</u></b>	<b><u>Request</u></b>	<b><u>Enacted</u></b>
2010	174,000	174,000
2011	174,000	173,652 <sup>1/</sup>
2012	174,000	174,000
2013	184,000	160,289 <sup>2/</sup>
2014	208,000	186,000
2015	211,000	186,000
2016	211,000	210,000
2017	211,000	300,000
2018	210,000	TBD
2019	214,000	

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

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#### FY 2019 – Maritime Security Program - Budget Request (\$000)

Program Activity	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Maritime Security Program	300,000	297,963	214,000
<b>Total</b>	<b>\$300,000</b>	<b>\$297,963</b>	<b>\$214,000</b>

The President's FY 2019 Budget request for the Maritime Security Program (MSP) will provide a payment of nearly \$3.6 million for each of the 60 vessels operating in the program. 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, including intermodal facilities and trained, qualified U.S. Merchant Mariners during times of conflict, humanitarian crises, and natural disasters.

#### **What is this program and what does this funding level support?**

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The MSP is a critical National Security asset. Established in 1996, the program provides the Department of Defense (DoD) with assured access to a fleet of 60 militarily useful, internationally-trading U.S.-flag commercial ships, along with the multibillion-dollar global network of intermodal facilities, services, and transport systems maintained by MSP participants. Without the MSP, these facilities and the global reach they provide would cost the U.S. tens of billions of dollars to replicate. The MSP fleet also helps employ and retain a labor base of skilled American mariners who are available to crew the U.S. government-owned strategic sealift, as well as the commercial fleets. The National Defense Authorization Act for FY 2013, P.L. 112-239, modified and extended the authorization of this vital national security program through FY 2025.

MSP supports the Department's priorities to invest in infrastructure to ensure mobility and accessibility, while also contributing to employment and economic growth. The ships and crews of the MSP are the backbone of U.S. sustainment sealift capacity and global response capability. The MSP ensures our nation's ability to deploy critical resources to our Armed Forces anywhere in the world on short notice, sustain them while they are overseas, and bring them home safely when their missions are complete. MSP also provides employment for approximately 2,400 trained, skilled U.S. Merchant Mariners needed to crew the Ready Reserve Force and Military Sealift Command surge sealift fleets, while supporting 5,000 additional shore-side jobs. The program ensures that the U.S. maintains a presence in international commercial shipping, while

safeguarding America's role as a leader in the development of international maritime standards. The MSP has supported every U.S. conflict since its inception. MSP ships carried more than 90 percent of the sustainment cargoes required for operations in Iraq and Afghanistan. These vessels continue to play a vital role in support of U.S. military operations worldwide, and the requested funding will ensure their ongoing availability to meet DoD contingency requirements.

The Maritime Administration (MARAD) commissioned an impact evaluation<sup>1</sup> that was conducted in FY 2009 to determine the program's effectiveness and its impact on the U.S.-flag presence in international commerce, U.S.-flag ocean-going ships, crew members and military usefulness. The evaluation determined that management procedures and processes used by MARAD are appropriate and effective for carrying out the objectives of the MSP. One of the key findings was that the MSP clearly has a positive impact on the number of U.S. commercial ocean-going cargo vessels available for military use. The impact evaluation also indicated that the absence of the MSP would result in a significant reduction in the number of U.S.-flag ships. Not having the required number of American deep-draft vessels available for military use when needed would pose a significant risk to national security priorities.

The MSP was created by the Maritime Security Act of 1996, and replaced the higher-cost Operating Differential Subsidy program. The MSP provides fixed annual payments to induce U.S.-flag carriers to retain their U.S.-flag registry. These same carriers have 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. This would have resulted in DoD having to rely more on foreign-flag registry vessels to meet sealift requirements, leaving U.S. military assets vulnerable and presenting 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. It 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.

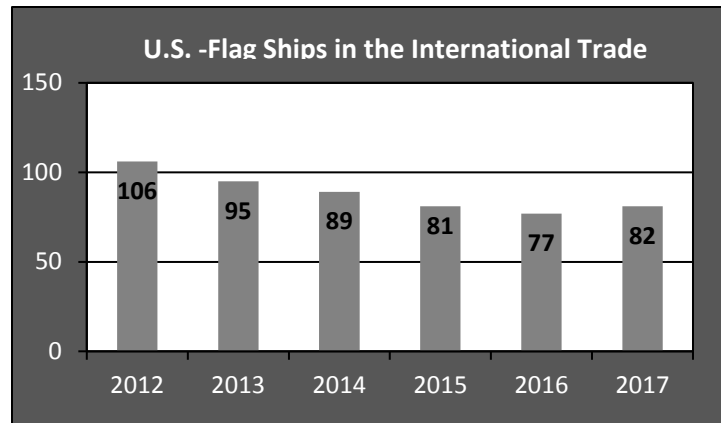
In FY 2017, there were 60 ships enrolled in the MSP fleet, comprised of 24 container ships, 10 geared-containerships, 18 roll-on/roll-off vessels, 6 heavy lift vessels, and 2 tankers. The FY 2018 anticipated accomplishments will include continued efforts to maintain the unique mix of militarily useful MSP vessels and capabilities needed by the Nation to meet the projected DoD contingency needs.

Program accomplishments anticipated in FY 2019 include the implementation of recent changes in MSP Operating Agreement contracts to improve the quality of the MSP fleet and ensure the retention of modern and efficient ships and U.S. citizen crews. In FY 2019, MARAD will continue its efforts to secure even newer, more militarily useful vessels with higher capacities for service in the MSP fleet.

<sup>1</sup> Econometrica Inc., Maritime Security Program Impact Evaluation, July 2009.

The value of the 60-ship MSP fleet to national defense has increased with the decline of the U.S.-flag Merchant Marine. MARAD estimates that about 126 large U.S.-flag ships must be sailing in international trade to meet baseline vessel and mariner needs during a full military mobilization that exceeds six months. Today, however, there are no longer enough U.S. flag ships to meet the military's surge sealift requirements beyond six

months. Since 2012, the U.S.-flag international fleet has declined dramatically, from more than 100 vessels to about 82 today. (NOTE: Although there are 97 additional large U.S. flag "Jones Act" vessels in operation, all of these ships would not be available to meet sealift requirements as some domestic trade needs would remain.). MARAD is pursuing initiatives aimed at increasing the size of the U.S. Merchant Marine including working closely with the U.S. Coast Guard and U.S. carriers to facilitate the expeditious processing of newer ships under U.S.-flag.



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**What benefit will be provided to the American public through this request and why is this program necessary?**

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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 U.S. presence in international commerce while supporting national security defense requirements in times of war or national emergency.

The MSP provides the DoD with assured access to 60 privately-owned and operated U.S.-flag ships, and a global network of intermodal facilities, while sustaining a base of U.S. Merchant Mariners to support national security requirements during times of urgent needs. MSP acknowledges the importance of a strong partnership with DoD and the commercial maritime industry to maintain an international presence in foreign commerce.

A major benefit of the MSP is the program's self-capitalization feature. MSP operators are encouraged to replace MSP vessels with newer, more capable ships, and must replace vessels reaching age-out limits under the program. The MSP supports the Department's infrastructure priority by emphasizing the retention of vessels that are in a state of good condition. Any ship offered as a replacement for an existing MSP vessel must be 15 years old or less on the date the vessel is accepted for entry into the program. Since 2006, when the program was reauthorized, MSP operators have replaced older vessels with more than 64 newer ships reflecting billions of dollars in private investment by companies to improve U.S. sealift capacity, at no cost to the U.S. Government, and modernizing the U.S.-flag fleet. The average age of the current MSP fleet is 13.5 years old.

Ships entering the MSP fleet must be approved by MARAD as commercially and technically viable and by the U.S. Transportation Command (USTRANSCOM) as militarily useful in

meeting the sealift needs of the U.S. in times of war or other emergencies. MARAD awards new Operating Agreements under the MSP in cooperation with USTRANSCOM.

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 has recognized that the MSP provides the U.S. with a sealift fleet capacity and global intermodal system access that would cost the government many billions of dollars in capital to replicate. MSP participants are continuously developing, maintaining, and upgrading their global logistical support systems.

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 objectives, as well as humanitarian needs in the event of natural disasters.



**MARITIME ADMINISTRATION  
READY RESERVE FORCE  
PROGRAM AND FINANCING  
(In thousands of dollars)**

Identification code 69-1710-0-1-054	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0801 Reimbursable Program	385,130	335,000	335,000
0900 Total new obligations	385,130	335,000	335,000
<b>Budgetary resources:</b>			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	42,173	27,168	27,168
1011 Unobligated balance transferred from other accounts	-	-	-
1021 Recoveries of prior year unpaid obligations	8,424	-	-
1033 Recoveries of prior year paid obligations	1	-	-
1029 Other balances withdrawn			
1050 Unobligated balance (total)	50,598	27,168	27,168
1121 Appropriation transferred from other accts [17-1804]	-	-	-
<b>Budget authority:</b>			
Spending authority from offsetting collections, disc.			
1700 Collected	314,180	335,000	335,000
1701 Change in uncollected payments, Federal sources	53,138	-	-
1750 Spending auth from offsetting collections, disc - (total)	367,318	335,000	335,000
1900 Budget authority (total)	367,318	335,000	335,000
1930 Total budgetary resources available	417,916	362,168	362,168
<b>Memorandum (non-add) entries:</b>			
1940 Unobligated balance expiring	-5,619	-	-
1941 Unexpired unobligated balance, end of year	27,168	27,168	27,168
<b>Change in obligated balance:</b>			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	117,222	163,717	158,485
3010 Obligations incurred, unexpired accounts	385,130	335,000	335,000
3011 Obligations incurred, expired accounts	1	-	-
3020 Outlays (gross)	-328,106	-340,232	-341,000
3040 Recoveries of prior year unpaid obligations, unexpired	-8,424	-	-
3041 Recoveries of prior year unpaid obligations, expired	-2,106	-	-
3050 Unpaid obligations, end of year	163,717	158,485	152,485
<b>Uncollected payments:</b>			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-54,545	-85,055	-85,055
3070 Change in uncollected pymts, Fed sources, unexpired	-53,138	-	-
3071 Change in uncollected pymts, Fed sources, expired	22,628	-	-
3090 Uncollected pymts, Fed sources, end of year	-85,055	-85,055	-85,055
<b>Memorandum (non-add) entries:</b>			
3100 Obligated balance, start of year	62,677	78,662	73,430
3200 Obligated balance, end of year	78,662	73,430	67,430
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
4000 Budget authority, gross	367,318	335,000	335,000

**MARITIME ADMINISTRATION  
READY RESERVE FORCE  
PROGRAM AND FINANCING  
(In thousands of dollars)**

<b>Identification code 69-1710-0-1-054</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
Outlays, gross:			
4010 Outlays from new discretionary authority	230,036	301,500	301,500
4011 Outlays from discretionary balances	98,070	38,732	39,500
4020 Outlays, gross (total)	328,106	340,232	341,000
<b>Offsets against gross budget authority and outlays:</b>			
<b>Offsetting collections (collected) from:</b>			
4030 Federal sources	-322,954	-335,000	-335,000
4033 Non-Federal sources	-222	-	-
4040 Offsets against gross budget authority and outlays (total)	-323,176	-335,000	-335,000
<b>Additional offsets against gross budget authority only:</b>			
4050 Change in uncollected pymts, Fed sources, unexpired	-53,138	-	-
4052 Offsetting collections credited to expired accounts	8,995	-	-
4060 Additional offsets against budget authority only (total)	-44,143	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	4,930	5,232	6,000
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	4,930	5,232	6,000

## **READY RESERVE FORCE**

### **Program and Performance Statement**

The Ready Reserve Force (RRF) fleet 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 Department of Navy.

**MARITIME ADMINISTRATION  
READY RESERVE FORCE  
OBJECT CLASSIFICATION**

<b>Object Class Code</b>	<b>Object Class</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	Reimbursable obligations:			
2111	Full-time permanent	24,924	26,648	26,648
2113	Other than full-time permanent	124	-	-
2115	Other personnel compensation	1,340	1,860	1,860
2119	<b>Total personnel compensation</b>	26,388	28,509	28,509
2121	Civilian personnel benefits	8,954	9,849	9,849
2210	Travel and transportation of persons	611	826	826
2220	Transportation of things	21	-	-
2231	Rental payments to GSA	2,514	2,486	2,486
2232	Rental payments to others	16,384	12,413	12,413
2233	Communications, utilities, and miscellaneous charges	7,971	8,051	8,051
2240	Printing	346	1,006	1,006
2251	Advisory and assistance services	3,237	2,501	2,501
2252	Other services from non-Federal source	1,444	1,383	1,383
2253	Other goods and services from Federal sources	5,169	5,073	5,073
2254	Operation and maintenance of facilities	284,638	244,765	244,765
2257	Operation and maintenance of equipment	3,466	5,102	5,102
2263	Supplies and materials	22,131	11,973	11,973
2310	Equipment	1,846	1,062	1,062
2320	Land and structures	9	-	-
9999	<b>Total new obligations</b>	<b>385,129</b>	<b>335,000</b>	<b>335,000</b>

**MARITIME ADMINISTRATION  
READY RESERVE FORCE  
EMPLOYMENT SUMMARY**

<b>Ready Reserve Force</b>		<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
Reimbursable:				
2001	Reimbursable civilian full-time Equivalent employment	293	311	311
<b>Total Employment</b>		<b>293</b>	<b>311</b>	<b>311</b>

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

(In thousands of dollars)

Identification code 69-70-4303-0-1-403	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0801 Vessel operations	12,189	15,000	15,000
0900 Total new obligations	12,189	15,000	15,000
<b>Budgetary Resources:</b>			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	37,129	25,696	15,696
1020 Adjustment to unobligated balance brought forward, Oct 1			
	-	-	-
1021 Recoveries of prior year unpaid obligations	754	-	-
1050 Unobligated balance (total)	37,883	25,696	15,696
<b>Budgetary authority:</b>			
<b>Spending authority from offsetting collections, discretionary:</b>			
1700 Collected	1	5,000	5,000
1701 Change in uncollected payments, Federal sources			
	1	-	-
1750 Spending auth from offsetting collections, disc (total)	2	5,000	5,000
1930 Total budgetary resources available	37,885	30,696	20,696
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	25,696	15,696	5,696
<b>Change in obligated balance:</b>			
<b>Unpaid obligations:</b>			
3000 Unpaid obligations, brought forward, Oct 1	3,248	5,530	11,030
3010 Obligations incurred, unexpired accounts	12,189	15,000	15,000
3020 Outlays (gross)	-9,153	-9,500	-4,500
3040 Recoveries of prior year unpaid obligations, unexpired			
	-754	-	-
3050 Unpaid obligations, end of year	5,530	11,030	21,530
<b>Uncollected payments:</b>			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1			
	-161	-162	-162
3061 Adjustment to uncollected pymts, Fed sources, brought forward, Oct 1	-	-	-
3070 Change in uncollected pymts, Fed sources, unexpired			
	-1	-	-
3090 Uncollected pymts, Fed sources, end of year	-162	-162	-162
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	3,087	5,369	10,868
3200 Obligated balance, end of year	5,369	10,868	21,368
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
4000 Budget authority, gross	2	5,000	5,000
<b>Outlays, gross:</b>			
4010 Outlays from new discretionary authority	-	4,500	4,500
4011 Outlays from discretionary balances	9,153	5,000	-
4020 Outlays, gross (total)	9,153	9,500	4,500

**Offsets against gross budget authority and outlays:**

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

(In thousands of dollars)

Indentification code 69-70-4303-0-1-403	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Offsetting collections (collected) from:</b>			
4030 Federal sources	1	-	-
4033 Non-Federal sources	-2	-5,000	-5,000
4040 Offsets against gross budget authority and outlays (total)	-1	-5,000	-5,000
 Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired			
	-1	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	9,152	4,500	-500
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	9,152	4,500	-500



## **VESSEL OPERATIONS REVOLVING FUND**

### **Program and Performance Statement**

This fund is authorized for the receipt of sales proceeds from the disposition of obsolete government-owned merchant vessels. Collections from this account are authorized for allocation and distribution according to prescribed statutory formulas for use under three maritime-related purpose areas: 1) supporting acquisition, maintenance, repair, reconditioning, or improvement of National Defense Reserve Fleet vessels; 2) supporting state maritime academies and the United States Merchant Marine Academy; and 3) supporting the preservation and presentation to the public of maritime property and assets, including funds for the National Park Service National Maritime Heritage Grant Program.

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

<b>Object Class</b>		<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b><u>Code</u></b>	<b><u>Object Class</u></b>	<b><u>Actual</u></b>	<b><u>Annualized CR</u></b>	<b><u>Request</u></b>
	Reimbursable obligations:			
2111	Full-time Permanent	-		-
2210	Travel and transportation of persons	22	27	27
2220	Transportation of things	-	-	-
2240	Print and reprod	-	-	-
2251	Advisory and assistance services	155	191	191
2252	Other services from non-Federal sources	5,121	6,303	6,303
2253	Federal sources	-	-	-
2254	Operation and maintenance of facilities	5,699	7,014	7,014
2257	Operation and maintenance of equipment	261	321	321
2260	Supplies and materials	210	258	258
2310	Equipment	-	-	-
2410	Grants, Subsidies, and Contributions	720	886	886
2316	Equipment	-	-	-
2440	Refunds	-	-	-
9999	<b>Total new obligations</b>	<b>12,189</b>	<b>15,000</b>	<b>15,000</b>

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

(In thousands of dollars)

Identification code 69-4302-0-1-403	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0001 General Administration	-	-	-
0900 Total new obligations	-	-	-
<b>Budgetary resources:</b>			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	48,330	48,829	49,229
1050 Unobligated balance (total)	48,330	48,829	49,229
<b>Budget authority:</b>			
<b>Appropriations, discretionary:</b>			
1700 Collected	498	400	400
1701 Change in uncollected payments, Federal Sources	-	-	-
1750 Spending auth from offsetting collections, disc (total)	498	400	400
1900 Budget authority (total)	498	400	400
1930 Total budgetary resources available	48,829	49,229	49,629
<b>Memorandum (non-add) entries:</b>			
1941 Unexpired unobligated balance, end of year	48,829	49,229	49,629
<b>Change in obligated balance:</b>			
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	-	-
<b>Memorandum (non-add) entries:</b>			
3100 Obligated balance, start of year (net)	100	100	-
3200 Obligated balance, end of year (net)	100	-	-
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
4000 Budget authority, gross	498	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 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Offsets against gross budget authority and outlays:</b>			
<b>Offsetting collections (collected) from:</b>			
4030 Federal sources			
4031 Disc: Offsets, BA and OL: collect, Int, Fed securities	-498	-400	-400
4040 Outlays, net (total)	-498	-400	-400
<b>Additional offsets against gross budget authority only:</b>			
4080 Outlays, net (discretionary)	-498	-300	-400
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-498	-300	-400
Memorandum (non-add) entries:			
5000 Total Investments, SOY: Federal securities:			
Par value	47,831	48,010	48,010
5001 Total Investments, EOY: Federal securities:			
Par value	48,010	48,010	48,010

## **WAR RISK INSURANCE REVOLVING FUND**

### **Program and Performance Statement**

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

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

(In thousands of dollars)

<b>Identification code 69-1752-0-1-403</b>		<b>FY 2017 ACTUAL</b>	<b>FY 2018 ANNUALIZED CR</b>	<b>FY 2019 REQUEST</b>
<b>Obligations by program activity:</b>				
0702	Loan guarantee subsidy	42,063	-	-
0707	Reestimates of loan guarantee subsidy	409	545	-
0708	Interest on reestimates of loan guarantee subsidy	-	1,609	-
0709	Administrative Expenses	-	2,980	-
0900	Total new obligations	42,472	5,134	-
<b>Budgetary resources:</b>				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	47,063	5,000	5,000
1021	Recoveries of prior year unpaid obligations	-	-	-
1001	Discretionary unobligated balance brought fwd, Oct 1	47,063	5,000	5,000
<b>Budget authority:</b>				
Appropriations, discretionary				
1100	Appropriation	3,000	2,980	-
1120	Appropriation	-3,000	-	-
1160.01	End of PY Balances	-	42,472	-
1160	Appropriation, discretionary (total)	-	45,452	-
Appropriations, mandatory:				
1200	Appropriation	409	2,154	-
1260	Appropriations, mandatory (total)	409	2,154	-
1900	Budget authority (total)	409	5,134	-
1930	Total budgetary resources available	47,472	10,134	5,000
<b>Memorandum (non-add) entries:</b>				
1941	Unexpired unobligated balance, end of year	5,000	5,000	5,000
<b>Change in obligated balance:</b>				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	30	42,093	2,154
3010	Obligations incurred: unexpired accounts	42,472	5,134	-
3020	Outlays (gross)	-409	-45,073	-
3040	Recoveries, of prior year unpaid obligations, unexpired	-	-	-
3050	Unpaid obligations, end of year	42,093	2,154	2,154
<b>Memorandum (non-add) entries:</b>				
3100	Obligated balance, start of year	30	42,093	2,154
3200	Obligated balance, end of year	42,093	2,154	2,154

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

(In thousands of dollars)

<b>Identification code 69-1752-0-1-403</b>		<b>FY 2017 ACTUAL</b>	<b>FY 2018 ANNUALIZED CR</b>	<b>FY 2019 REQUEST</b>
<b>Budget authority and outlays, net:</b>				
<b>Discretionary:</b>				
4000	Budget authority, gross	-	2,980	-
<b>Outlays, gross:</b>				
4010	Outlays from new discretionary authority	409	2,980	-
4011	Outlays from discretionary balances	-	42,093	-
4020	Outlays gross, (total)	<u>409</u>	<u>45,073</u>	<u>-</u>
4070	Budget authority, net (discretionary)	-	2,980	-
4080	Outlays, net (discretionary)	409	45,073	-
Mandatory:				
4090	Budget authority, gross	<u>409</u>	<u>2,154</u>	<u>-</u>
4160	Budget authority, net (mandatory)	<u>409</u>	<u>2,154</u>	<u>-</u>
4180	Budget authority, net (total)	409	5,134	-
4190	Outlays, net (total)	<u>409</u>	<u>45,073</u>	<u>-</u>



## **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 United States (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 U.S.

As required by the Federal Credit Reform Act of 1990, this account also includes the subsidy costs associated with loan guarantee commitments made in 1992 and subsequent years, which are estimated on a present value basis.

The President's FY 2019 Budget proposes to move the administration of the Title XI program from the Maritime Administration to the National Surface Transportation and Innovative Finance Bureau. The Budget does not request additional budget authority for this program.

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

<b>Object Class Code</b>	<b><u>Object Class</u></b>	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
1410	Grants, subsidies, and contributions	42,472	-	-
1940	Financial Transfers	-	2,980	-
9999	<b>Total New Obligations</b>	<b>\$42,472</b>	<b>\$2,980</b>	<b>\$0</b>

**MARITIME ADMINISTRATION  
MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)**

**Employment Summary**

<b>Ship Disposal</b>		<b>FY 2017 ACTUAL</b>	<b>FY 2018 ANNUALIZED CR</b>	<b>FY 2019 REQUEST</b>
Direct:				
1001	Civilian full-time Equivalent employment	14	14	-
<b>Total Employment</b>		<b>14</b>	<b>14</b>	<b>-</b>

**EXHIBIT III-1**

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

	<b><u>FY 2017 ACTUAL</u></b>	<b><u>FY 2018 ANNUALIZED CR</u></b>	<b><u>FY 2019 REQUEST</u></b>
Maritime Guaranteed Loan Program	3,000	2,980	-
<b>Total</b>	<b>3,000</b>	<b>2,980</b>	<b>-</b>
FTEs			
Direct Funded	[14]	[-]	[-]
Reimbursable, allocated, other	-	-	-

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

**FY 2010 - FY 2019  
Main Table - (\$000)**

<b><u>Fiscal Year</u></b>		<b><u>Request</u></b>	<b><u>Enacted</u></b>
2010	Guarantee Subsidy	-	5,000
	DOD Transfer		29,912
	Administration	3,630	4,000
	Rescission of Unobligated Balance	-	-
	<b>TOTAL</b>	<b>3,630</b>	<b>38,912</b>
2011	Guarantee Subsidy	-	4,990 1/
	DOD Transfer		40,000
	Administration	3,688	3,992 1/
	Rescission of Unobligated Balance	-	-
	<b>TOTAL</b>	<b>3,688</b>	<b>48,982</b>
2012	Guarantee Subsidy	-	-
	Administration	3,740	3,740
	Rescission of FY 2009/2010 Unobligated Balances	-	-35,000 2/
	<b>TOTAL</b>	<b>3,740</b>	<b>-31,260</b>
2013	Guarantee Subsidy	-	-
	Administration	3,750	3,544 3/
	Rescission of Unobligated Balance	-	-
	<b>TOTAL</b>	<b>3,750</b>	<b>3,544</b>
2014	Guarantee Subsidy	-	35,000
	Administration	2,655	3,500
	<b>TOTAL</b>	<b>2,655</b>	<b>38,500</b>
2015	Guarantee Subsidy	-	-
	Administration	3,100	3,100
	<b>TOTAL</b>	<b>3,100</b>	<b>3,100</b>

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

**FY 2010 - FY 2019  
Main Table - (\$000)**

<b><u>Fiscal Year</u></b>		<b><u>Request</u></b>	<b><u>Enacted</u></b>
2016	Guarantee Subsidy		5,000
	Administration	3,135	3,135
	<b>TOTAL</b>	<b>3,135</b>	<b>8,135</b>
2017	Guarantee Subsidy	-	-
	Administration	3,000	3,000
	Cancellation of Unobligated Balance	-5,000 4/	-
	<b>TOTAL</b>	<b>-2,000</b>	<b>3,000</b>
2018	Guarantee Subsidy	-	-
	Administration	-	TBD
	<b>TOTAL</b>	<b>-</b>	<b>TBD</b>
2019	Guarantee Subsidy	-	-
	Administration	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

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#### FY 2019 - Maritime Guaranteed Loan Program - Budget Request (\$000)

<b>Program Activity</b>	<b>FY 2017 Enacted</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
Administrative Expenses	3,000	2,980	0
<b>Total</b>	<b>\$3,000</b>	<b>\$2,980</b>	<b>\$0</b>

For FY 2019, no funding is requested for the Maritime Guaranteed Loan Program (Title XI). The FY 2019 Budget proposes to move the administration of the Title XI program from the Maritime Administration to the National Surface Transportation and Innovative Finance Bureau. The Budget does not request additional budget authority for this program, but the administration of existing loan guarantees portfolio can benefit from the guidance and oversight of the Bureau in mitigating defaults and improving the process for modeling of the risk to the Federal Government.

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2017 ACTUAL	FY 2018 ANNUALIZED CR	FY 2019 REQUEST
<b>Obligations by program activity:</b>				
Credit program obligations				
0711	Default claim payments on principal	-	-	-
0712	Default claim payments on interest	-	-	3,000
0713	Payment of interest to Treasury	68	1,000	1,000
0715	Default related activities	1,756	10,000	10,000
0742	Downward reestimate paid to receipt account	25,930	121,181	-
0743	Interest on downward reestimate	21,902	19,072	-
0900	Total new obligations	49,656	151,253	14,000
<b>Budgetary resources:</b>				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	362,955	323,905	176,806
1021	Recoveries of prior year unpaid obligations	32	-	-
1050	Unobligated balance (total)	362,988	323,905	176,806
Spending authority from offsetting collections, mandatory:				
1400	Borrowing authority	1,136	2,000	-
1800	Collected	9,438	2,154	-
1801	Change in uncollected payments, Federal sources	-	-	-
1825	Spending authority from offsetting collections applied to repay debt	-	-	-
1850	Spending auth from offsetting collections, mand (total)	9,438	2,154	-
1900	Financing authority (total)	10,574	4,154	-
1930	Total budgetary resources available	373,561	328,059	176,806
<b>Memorandum (non-add) entries:</b>				
1941	Unexpired unobligated balance, end of year	323,905	176,806	162,806
<b>Change in obligated balance:</b>				
Unpaid obligations:				
3000	Unpaid obligations, brought forward, Oct 1	-458	-	-
3010	Obligations incurred, unexpired accounts	49,656	151,253	14,000
3020	Financing disbursements (gross)	-49,656	-151,253	-14,000
3040	Ob Bal: Recov, prior year unpaid obs, unexp accts	-32	-	-
3050	Unpaid obligations, end of year	-491	-	-
<b>Memorandum (non-add) entries</b>				
3100	Obligated balance, start of year (net)	-458	-	-
3200	Obligated balance, end of year (net)	-491	-	-

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2017 ACTUAL	FY 2018 ANNUALIZED CR	FY 2019 REQUEST
<b>Budget authority and outlays, net:</b>				
Mandatory:				
4090	Budget authority, gross	10,574	4,154	-
Financing disbursements:				
4110	Financing disbursements, gross	49,656	151,253	14,000
Offsets against gross financing authority and disbursements: (total):				
Offsetting collections (collected) from:				
4120	Payments from program account- Upward Reestimate	-409	-2,154	-
4122	Interest on uninvested funds	-8,600	-	-
4123	Loan Repayment	-429	-	-
4130	Offsets against gross financing auth and disbursements (total)	-9,438	-2154	-
4160	Financing authority, net (mandatory)	1,136	2,000	-
4170	Outlays, net (mandatory)	40,218	149,099	14,000
4180	Budget authority, net (total)	1,136	2,000	-
4190	Outlays, net (total)	40,218	149,099	14,000

## **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.

The President's FY 2019 Budget proposes to move the administration of the Title XI program from the Maritime Administration to the National Surface Transportation and Innovative Finance Bureau.

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

<b>STATUS OF GUARANTEED LOANS</b>			
<b>Identification code 69-4304-0-3-999</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Estimate</b>
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	1,665,872	1,437,616	1,437,616
2231 Disbursements of new guaranteed loans	-	-	212,000
2251 Repayments and prepayments	-226,563	-	-
2262 Adjustments: Terminations for default	-1,693	-	-
2290 Outstanding end of year	1,437,616	1,437,616	1,649,616
Memorandum:			
2299 Amount of guaranteed loans outstanding end of year	1,437,616	1,437,616	1,649,616

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

<b>Identification code 69-4304-0-3-999</b>		<b>FY 2016</b>	<b>FY 2017</b>
		<b>Actual</b>	<b>Actual</b>
<b>ASSETS:</b>			
<b>FEDERAL ASSETS:</b>			
1101	Fund balance with Treasury	362,497	323,481
1106	Receivables, net	-	-
1999	Total assets	362,497	323,481
<b>LIABILITIES:</b>			
2204	Non-Federal liabilities: liabilities for loan guarantees	362,497	323,481
2999	Total liabilities	362,497	323,481
4999	Total liabilities and net position	362,497	323,481

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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 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Obligations by program activity:</b>			
0001 Port of Guam Improvement Enterprise Fund	6	4,723	-
0900 Total new obligations	6	4,723	-
<b>Budgetary resources:</b>			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	3,948	4,723	-
1021 Recoveries of prior year unpaid obligations	781	-	-
1050 Unobligated balance (total)	4,729	4,723	-
<b>Budget authority:</b>			
<b>Appropriations, discretionary:</b>			
1700 Collected	1,024	-	-
1701 Change in uncollected payments, Federal sources (+ or -)	-1,024	-	-
1750 Spending authority from offsetting collections, discretionary (total)	-	-	-
1900 Budget authority (total)	-	-	-
1930 Total budgetary resources available	4,729	4,723	-
<b>Memorandum (non-add) entries:</b>			
1941 Unexpired unobligated balance, end of year	4,723	-	-
<b>Change in obligated balance:</b>			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	757	-24	289
3010 Obligations incurred, unexpired accounts	6	4,723	-
3020 Outlays (gross)	-6	-4,411	-
3040 Recoveries of prior year unpaid obligations, unexpired	-781	-	-
3050 Unpaid obligations, end of year (gross)	-24	289	289
<b>Uncollected payments:</b>			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-1,313	-289	-289
3070 Change in uncollected pymts, Fed sources, unexpired	1,024	-	-
3071 Change in uncollected pymts, Fed sources, expired	-	-	-
3090 Uncollected pymts, Fed sources, end of year	-289	-289	-289

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

(In thousands of dollars)

Identification code 69-5560-0-1-403	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Memorandum (non-add) entries:</b>			
3100 Obligated balance, start of year (net)	-555	-313	-
3200 Obligated balance, end of year (net)	-313	-	-
<b>Budget authority and outlays, net:</b>			
<b>Discretionary:</b>			
4010 Outlays from new discretionary authority	-	-	-
4011 Outlays from discretionary balances	6	4,411	-
4020 Outlays gross, (total)	6	4,411	-
<b>Offsets against gross budget authority and outlays:</b>			
<b>Offsetting collections (collected) from:</b>			
4030 Federal sources	-1,024	-	-
4033 Non-Federal sources	-	-	-
4040 Offsets against gross budget authority and outlays (total)	-1,024	-	-
<b>Additional offsets against gross budget authority only:</b>			
4050 Change in uncollected pymts, Fed sources, unexpired	1,024	-	-
4052 Offsetting collections credited to expired accounts	-	-	-
4060 Additional offsets against gross budget authority only (total)	1,024	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	-1,018	4,411	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-1,018	4,411	-



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

<b>Object Class Code</b>	<b>Object Class</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
1253	Other purchases of goods and svcs from Gov't	6	4,723	-
1990	<b>Subtotal, direct obligations</b>	<b>6</b>	<b>4,723</b>	<b>-</b>
<b>9999</b>	<b>Total New Obligations</b>	<b>6</b>	<b>4,723</b>	<b>-</b>

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

(In thousands of dollars)

		<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
	<b>Identification code 69-8547-0-1-403</b>	<b>ACTUAL</b>	<b>ANNUALIZED CR</b>	<b>REQUEST</b>
	<b>Obligations by program activity:</b>			
0001	Gifts and Bequests	1,082	5,000	1,000
0002	Special Studies	161	-	-
0900	Total new obligations	1,244	5,000	1,000
	<b>Budgetary Resources:</b>			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	4,364	3,938	3,938
1021	Recoveries of prior year unpaid obligations	42	-	-
1050	Unobligated balance (total)	4,406	3,938	3,938
	<b>Budget authority:</b>			
	<b>Appropriations, mandatory:</b>			
1201.01	Appropriation Special Studies, Service & Products (8547)	-	-	-
1201.02	Appropriation Gifts & Bequests (8503)	775	5,000	1,000
1260	Appropriations, mandatory (total)	775	5,000	1,000
1900	Budget authority (total)	775	5,000	1,000
1930	Total budgetary resources available	5,182	8,938	4,938
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3,938	3,938	3,938
	<b>Change in obligated balance:</b>			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	2,012	707	707
3010	Obligations incurred, unexpired accounts	1,244	5,000	1,000
3011	Obligations incurred, unexpired accounts	-	-	-
3020	Outlays (gross)	-2,506	-5,000	-1,000
3040	Recoveries of prior year unpaid obligations, unexpired	-42	-	-
3050	Unpaid obligations, end of year	707	707	707
	<b>Memorandum (non-add) entries:</b>			
3100	Obligated balance, start of year (net)	2,012	707	707
3200	Obligated balance, end of year (net)	707	707	707
	<b>Budget authority and outlays, net:</b>			
	<b>Mandatory:</b>			
4090	Budget authority, gross	775	5,000	1,000
	Outlays, gross:			
4100	Outlays from new mandatory authority	611	5,000	3,000
4101	Outlays from mandatory balances	1,895	-	-
4110	Outlays, gross (total)	2,506	5,000	1,000
4160	Budget authority, net (mandatory)	775	5,000	1,000
4170	Outlays, net (mandatory)	2,506	5,000	1,000
4180	Budget authority, net (total)	775	5,000	1,000
4190	Outlays, net (total)	2,506	5,000	1,000

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

<b>Object Class Code</b>	<b>Object Class</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 Request</b>
	Direct obligations:			
1210	Travel and transportation of persons	79	363	73
1220	Transporations of things	26	119	24
1240	Printing	2	8	2
1252	Other services	375	1,725	345
1253	Other goods and services from Federal Sources	10	46	9
1254	Operation and maintenance of facilities	380	1,746	349
1260	Supplies and materials	122	559	112
1310	Equipment	94	433	87
9999	<b>Total, new obligations</b>	<b>1,088</b>	<b>5,000</b>	<b>1,000</b>

## 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 Regulation.

*SEC. 172. In fiscal year 2019 and thereafter, the Secretary of Transportation and the Administrator of the Maritime Administration shall not make a new loan, guarantee, or commitment to guarantee under 46 U.S.C. chapter 537.*

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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:

<b>Comprehensive Maritime Administration Funding Summary</b> <b>(Including Funds Not Appropriated to MARAD)</b> <b>(\$000)</b>		
	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
<b><u>Appropriated Funds</u></b>		
Operations and Training	171,155	175,560
Assistance to Small Shipyards	5,000	10,000
Ship Disposal Program	5,000	34,000
Maritime Security Program	210,000	300,000
Maritime Guaranteed Loan Program (Title XI)	3,135	3,000
<b>Subtotal, Appropriated Funds</b>	<b>394,290</b>	<b>522,560</b>
<b><u>Other Budget Authority:</u></b>		
Maritime Guaranteed Loan Programs - Subsidy Reestimate	5,000	-
<b>Subtotal, Other Budget Authority</b>	<b>5,000</b>	<b>-</b>
<b><u>Non-appropriated Funds:</u></b>		
Vessel Operations Revolving Fund	52	1
Ready Reserve Force	308,635	366,827
Operations and Training	1,810	2,687
Gifts and Bequests	872	775
FHWA Allocations	-	97,000
OST Allocations	35,079	77,954
Non-Appropriated Fund Instrumentalities (NAFIs)	139	140
<b>Subtotal, Non-Appropriated Funds</b>	<b>346,587</b>	<b>545,384</b>
<b>Total Funds</b>	<b>745,877</b>	<b>1,067,944</b>

### **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).

#### ***FHWA Allocations***

The FAST Act (P.L. 114-94) establishes the Nationally Significant Freight and Highway Projects (NSFHP) program to provide financial assistance for competitive grants, known as FASTLANE grants, or credit assistance to nationally and regionally significant freight and highway projects. Under this program, The Federal Highway Administration (FHWA) allocated FY 2016 funds for the following programs for which MARAD is providing oversight: \$44 million for the Port of Savannah International Multi-Modal Connector, \$42 million for the Conley Terminal Intermodal Improvements and Modernization, and \$11 million -Coos Bay Rail Line – Tunnel Rehabilitation Project.



### ***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 \$76 million in FY 2016 for grants and \$1.1 million for administrative oversight of Marine Highway projects, including projects in Arkansas, New York, Washington, Guam, Virgin Islands of the U.S., 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.

### **Additional Information for USMMA Non-Appropriated Funds:**

The following section for the USMMA non-appropriated funds provides additional information on the source of the funds and intended use for the Academy's general collections, Midshipman fees, graduate program and gifts & bequests and includes a breakdown for each individual NAFI.

<b>USMMA Non-appropriated Funds</b>					
<b>FY 2017 Revenues and Obligations/Expenditures</b>					
<b>(\$000)</b>					
	<b>Unobligated Balance Brought Forward <u>9/30/2016</u></b>	<b>Prior Year <u>Recoveries</u></b>	<b><u>Revenues</u></b>	<b><u>Obligations/ Expenditures</u></b>	<b>Unobligated Balance <u>9/30/2017</u></b>
General Collections	\$544	\$2	\$255	\$366	\$435
Midshipman Fees					
Academic Yr 2009-2010	39	-	-	-	39
Academic Yr 2010-2011	218	-	-	-	218
Academic Yr 2011-2012	46	-	-	-	46
Academic Yr 2012-2013	21	-	-	-	21
Academic Yr 2013-2014	20	-	-	-	20
Academic Yr 2014-2015	59	-	-	-	59
Academic Yr 2015-2016	7	-	5	-	12
Academic Yr 2016-2017	1	1	134	62	74
Academic Yr 2017-2018	-	-	382	364	18
Graduate Program	223	8	112	76	267
Gifts and Bequests	4,198	42	775	1,081	3,934
<b>Grand Total</b>	<b><u>\$5,376</u></b>	<b><u>\$53</u></b>	<b><u>\$1,663</u></b>	<b><u>\$1,949</u></b>	<b><u>\$5,143</u></b>

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