



**U.S. Department
of Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2020

MARITIME ADMINISTRATION

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

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**DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2020**

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**MARITIME ADMINISTRATION
FISCAL YEAR 2020 BUDGET REQUEST
Congressional Justification**

**SECTION ONE
OVERVIEW**



MARCH 18, 2019

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MARITIME ADMINISTRATION

FY 2020 Budget Request

Overview

The Fiscal Year (FY) 2020 Budget requests \$682.5 million, a decrease of \$432.9 million from FY 2019 enacted, for the Maritime Administration (MARAD) to strengthen the United States marine transportation system. MARAD's statutory mission is to foster, promote and develop the merchant maritime industry of the United States. The maritime industry consists of an integrated network of ports, shipyards, waterways, shippers and carriers that carry critical elements of the Nation's domestic waterborne and international commerce. The funding in this budget request helps further the mission by investing in U.S. mariner training, supporting programs that help U.S. flag commercial vessels compete globally, and maintaining sealift readiness to meet national security requirements. MARAD remains focused on marine transportation policies that improve national security, address our Nation's critical maritime infrastructure gaps, and leverage innovation and 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, ports, national security and strategic mobility, ship disposal, and maritime education.

MARAD is also charged with supporting the health of the U.S. 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 activity¹. 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 United States, and is essential to economic growth. Additionally, 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.

This request supports the Agency's program activities and initiatives to address critical risks aligned with Enterprise Risk Management, while advancing the Secretary's top priorities for Infrastructure and Accountability excellence. The FY 2020 Budget request is summarized by account as follows:

Operations and Training (O&T)

The O&T request of \$377.5 million, a decrease of \$117.1 million from FY 2019 enacted², includes \$81.9 million for the U.S. Merchant Marine Academy (USMMA), \$242.3 million for the State Maritime Academies (SMAs), and \$53.3 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

¹ Martin Associates, "The 2014 National Economic Impact of the U.S. Coastal Port System," prepared for the American Association of Port Authorities, March 2015, p.6.

² For comparative purposes, FY 2019 enacted includes funding under both Operations and Training and State Maritime Academy Operations appropriations.

of war or national emergency, and funds agency infrastructure, support staff and program initiatives.

U.S. Merchant Marine Academy (USMMA)

The FY 2020 request of \$81.9 million for the USMMA, a decrease of \$6.6 million from the FY 2019 enacted, will provide mission-essential program requirements to support the highest standards of excellence to educate and train the next generation of seagoing officers and maritime leaders who will also serve as officers in our active and reserve Armed Forces. Funding will support \$77.9 million for operating expenses, and \$4 million for the Capital Asset Management Program (CAMP).

To maintain the Academy's training and campus infrastructure, resources are requested for the mandated drydock, maintenance, overhaul, and inspection of the T/V KINGS POINTER to ensure the vessel remains a safe operating platform for Midshipmen training and standards of training Certification and Watchkeeping (STCW) qualification. Additionally, funding for CAMP will support facilities maintenance, repairs and equipment (FMRE) requirements as the Academy embarks on an aggressive plan to renovate the facilities and Academic buildings, as well as address deferred maintenance remediation.

State Maritime Academies (SMAs)

For FY 2020, \$242.3 million is requested, a decrease of \$102.9 million from the FY 2019 enacted, to provide federal assistance to the six SMAs as they educate and train mariners and future leaders to support the U.S. marine transportation infrastructure. Funding includes \$205 million for the School Ship Replacement Program for the design and construction of a new smaller capacity school ship scaled to meet the at sea training needs of the smaller SMAs. MARAD training ships are the primary means by which more than two-thirds of unlimited credentialed, U.S. mariners are trained each year. The training ship is an essential piece of each SMA training program and curricula. The new school ship will serve a critical role in providing the necessary at-sea training that cadets and midshipmen need to qualify for unlimited merchant mariner credentials. It will also provide a modern, functional and environmentally compliant vessel, which meets increased domestic and international training requirements.

Funding is also requested at \$30.1 million for school ship maintenance and repair to maintain the six current SMA training ships in compliance with the U.S. Coast Guard (USCG) and American Bureau of Shipping requirements, and training ship capacity-sharing measures to allow uninterrupted availability of mandatory at sea training opportunities for SMA cadets. Currently, there is insufficient at-sea training capacity and the funding for a school ship capacity training plan will provide critical continuous availability of the USCG required sea-time training. The training ships are the single most important element provided by the Federal Government to enable these schools to operate as maritime academies, and graduate students qualified to take the USCG licensing examination.

MARAD Operations and Programs

For FY 2020, \$53.3 million is requested for MARAD Operations and Programs to support Headquarters Operations, a decrease of \$7.6 million from the FY 2019 enacted level. Funding provides the resources for agency mission and administrative infrastructure, including operating expenses and professional staff working on MARAD program initiatives.

Ship Disposal

For FY 2020, \$5 million is requested for the Ship Disposal program, consistent with the FY 2019 enacted. This request includes \$2 million for salaries and overhead for Ship Disposal Program staff and support personnel. Funding also provides \$3 million to maintain the NSS in protective storage, while decommissioning of the vessel's defueled nuclear reactor, components and equipment is in progress.

Maritime Security Program (MSP)

The FY 2020 Budget requests \$300 million, consistent with the FY 2019 enacted, to support continued operation of the authorized number of 60 vessels enrolled in the program at \$5 million per ship. Funding will help ensure the Nation's ability to obtain assured access to these commercial vessels to transport critical military equipment, weapons and supplies during times of conflict, humanitarian crises, and natural disasters. This funding also provides the availability of a global network of capabilities including intermodal facilities to unload and transport the cargo to the required destination on the ground; and ensures mariners are available when needed for these critical missions.

MARITIME ADMINISTRATION
FY 2020 Budget Request Summary
(Dollars in Thousands)

<u>ACCOUNT/PROGRAM</u>	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>
OPERATIONS & TRAINING	<u>\$513,642</u>	<u>\$513,642</u>	<u>\$149,442</u>	<u>\$377,497</u>
U.S. Merchant Marine Academy	<u>121,000</u>	<u>121,000</u>	<u>88,593</u>	<u>81,944</u>
Academy Operations	69,000	69,000	70,593	77,944
Capital Asset Management Program	<u>52,000</u>	<u>52,000</u>	<u>18,000</u>	<u>4,000</u>
Capital Improvements	45,000	45,000	10,000	-
Facilities Maintenance and Repair, Equipment	7,000	7,000	8,000	4,000
State Maritime Academies	<u>332,200</u>	<u>332,200</u>	<u>[345,200]</u> ^{3/}	<u>242,280</u> ^{3/}
Student Incentive Program	2,400	2,400	[2,400]	2,400
Direct SMA Support	6,000	6,000	[6,000]	3,000
Fuel Assistance Payments	1,800	1,800	[3,800]	1,800
Training Vessel Sharing	-	-	[8,000]	-
School Ship M&R	22,000	22,000	[25,000]	30,080
National Security Multi-mission Vessel Program	300,000	300,000	[300,000]	-
School Ship Replacement Program	-	-	-	205,000
MARAD Operations & Programs	<u>60,442</u>	<u>60,442</u>	<u>60,849</u>	<u>53,273</u>
Headquarters Operations	50,442 ^{1/}	50,442 ^{1/}	50,849	53,273
Maritime Program Initiatives	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	-
Maritime Environment & Technology Assistance	3,000	3,000	3,000	-
America's Marine Highways	7,000	7,000	7,000	-
STATE MARITIME ACADEMY OPERATIONS ^{3/}	-	-	345,200	[242,280]
ASSISTANCE TO SMALL SHIPYARDS	20,000	20,000	20,000	-
SHIP DISPOSAL PROGRAM	<u>116,000</u>	<u>116,000</u>	<u>5,000</u> ^{4/}	<u>5,000</u>
Ship Disposal	6,000	6,000	-	2,000
NS SAVANNAH	3,000	3,000	-	3,000
NS SAVANNAH DECON	107,000	107,000	-	-
MARITIME SECURITY PROGRAM ^{2/}	300,000	300,000	300,000	300,000
MARITIME GUARANTEED LOAN PROGRAM	<u>30,000</u>	<u>30,000</u>	<u>3,000</u>	-
Administrative Expenses	3,000	3,000	3,000	-
Loan Guarantees	27,000	27,000	-	-
PORT INFRASTRUCTURE DEVELOPMENT PROGRAM	-	-	292,730	-
SUBTOTAL	979,642	979,642	1,115,372	682,497
OPERATIONS & TRAINING EMERGENCY RELIEF ^{6/}	10,000	-	-	-
GRAND TOTAL	<u>\$989,642</u>	<u>\$979,642</u>	<u>\$1,115,372</u>	<u>\$682,497</u>

1/ Includes \$1 million for contract support and/or additional personnel to administer, manage, and oversee the NSMVP new construction contract.

2/ The Maritime Administration proposes a cancellation of \$25 million in Maritime Security Program prior-year unobligated balances in the FY 2020 Congressional Budget request.

3/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

4/ The FY 2019 Consolidated Appropriations Act, provided \$5 million lump sum for the Ship Disposal Program account to fund SAVANNAH and Ship Disposal recycling contracts.

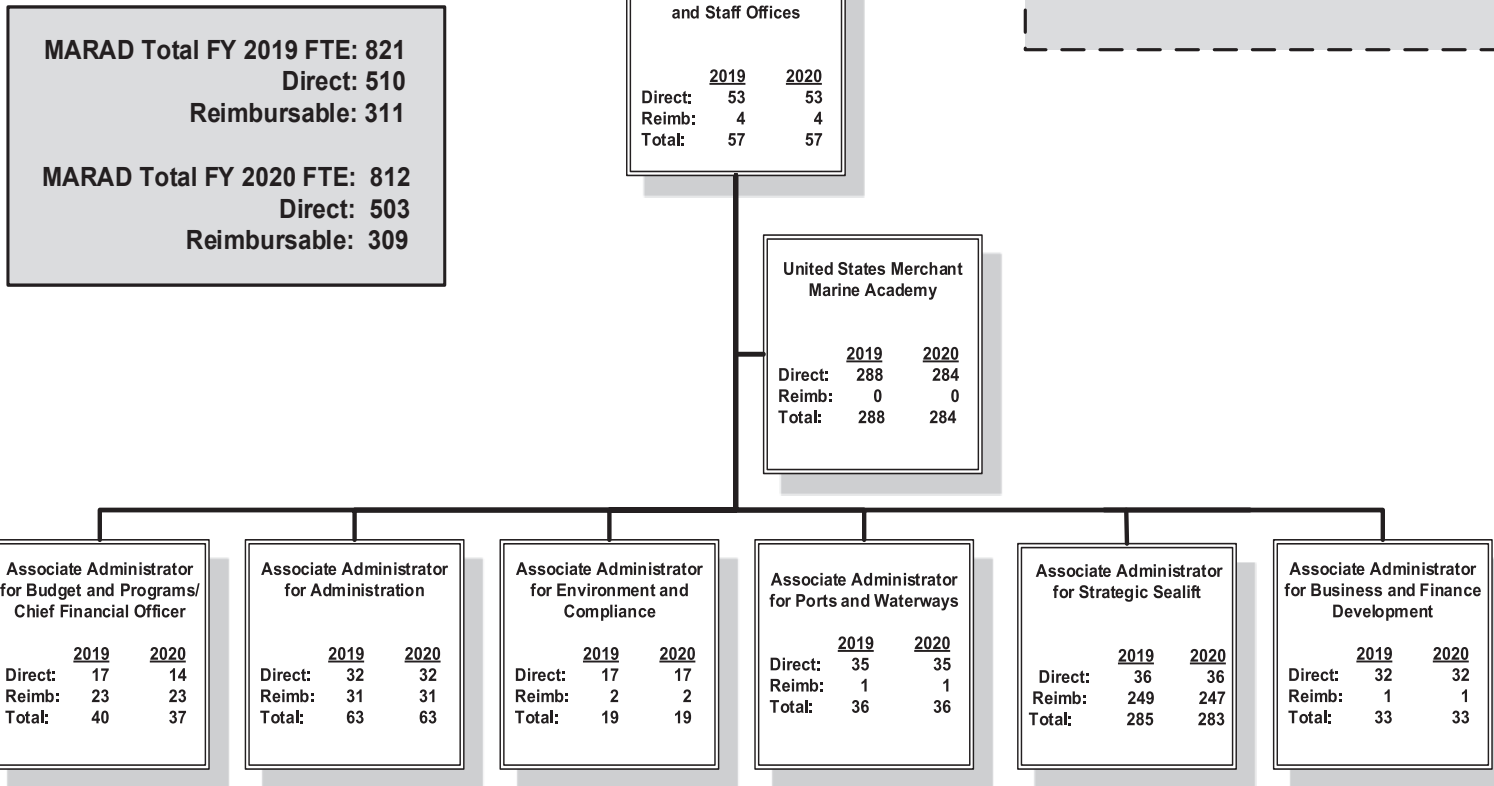
5/ Funding for Training Vessel Sharing is requested under the School Ship M&R request for FY 2020.

6/ Includes \$10 million supplemental funding from the Further Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (P.L. 115-123).

U.S. Department of Transportation

Maritime Administration

Organizational Chart – FTE
FY 2019 – FY 2020



U.S. Department of Transportation

Maritime Administration

Organizational Chart – FTP
FY 2019 – FY 2020

MARAD Total FY 2019 FTP: 821
Direct: 510
Reimbursable: 311
MARAD Total FY 2020 FTP: 812
Direct: 503
Reimbursable: 309

Office of the Administrator and Staff Offices		
	<u>2019</u>	<u>2020</u>
Direct:	56	56
Reimb:	4	4
Total:	60	60

United States Merchant Marine Academy		
	<u>2019</u>	<u>2020</u>
Direct:	288	284
Reimb:	0	0
Total:	288	284

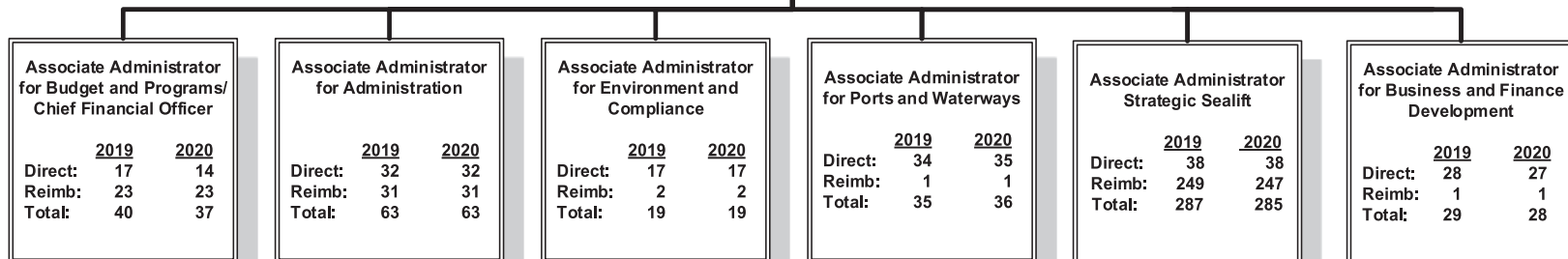


EXHIBIT II-1

**FY 2020 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>
Operations and Training	<u>\$523,642</u>	<u>\$513,642</u>	<u>\$149,442</u>	<u>\$377,497</u>
A. U.S. Merchant Marine Academy	121,000	121,000	88,593	81,944
B. State Maritime Academies	332,200	332,200	- 1/	242,280 1/
C. MARAD Operations	60,442	60,442	60,849	53,273
D. Hurricane Harvey Supplemental Funds	10,000	-	-	-
State Maritime Academy Operations 1/	-	-	\$345,200	-
Assistance to Small Shipyards	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	-
Ship Disposal Program	<u>\$116,000</u>	<u>\$116,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
A. Ship Disposal	6,000	6,000	-	2,000
B. NS SAVANNAH	3,000	3,000	-	3,000
C. NS SAVANNAH Decommissioning	107,000	107,000	-	-
Maritime Security Program	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>
Maritime Guaranteed Loan Prog. (Title XI)	<u>\$32,154</u>	<u>\$82,635</u>	<u>\$55,635</u>	-
Administrative Expenses	3,000	3,000	3,000	-
Loan Guarantees	27,000	27,000	-	-
Subsidy Reestimate	2,154	52,635	52,635	-
Port Infrastructure Development Program	-	-	\$292,730	-
Gifts and Bequests	\$4,859	\$2,000	\$2,000	\$2,000
TOTAL	<u>\$996,655</u>	<u>\$1,034,277</u>	<u>\$1,170,007</u>	<u>\$684,497</u>
Appropriations	\$996,655	\$1,034,277	\$1,170,007	\$684,497
Rescissions	-	-	-	-
Maritime Security Program				
Cancellation of Unobligated Balances	-	-	-	-25,000
Net, New Budget Authority	<u>\$996,655</u>	<u>\$1,034,277</u>	<u>\$1,170,007</u>	<u>\$659,497</u>

1/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

EXHIBIT II-2

**FY 2020 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>
1. Operations and Training	<u>\$523,642</u>	<u>\$513,642</u>	<u>\$149,442</u>	<u>\$377,497</u>
A. U.S. Merchant Marine Academy	121,000	121,000	88,593	81,944
B. State Maritime Academies	332,200	332,200	- ^{1/}	242,280 ^{1/}
C. MARAD Operations	60,442	60,442	60,849	53,273
D. Hurricane Harvey Supplemental Funds	10,000	-	-	-
2. State Maritime Academy Operations ^{1/}	-	-	\$345,200	-
3. Assistance to Small Shipyards	\$20,000	\$20,000	\$20,000	-
4. Ship Disposal Program	<u>\$116,000</u>	<u>\$116,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
A. Ship Disposal	6,000	6,000	-	2,000
B. NS SAVANNAH	3,000	3,000	-	3,000
C. NS SAVANNAH Decommissioning	107,000	107,000	-	N/A
5. Maritime Security Program	\$300,000	\$300,000	\$300,000	\$300,000
6. Maritime Guaranteed Loans Program	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$3,000</u>	-
A. Administrative Expenses	3,000	3,000	3,000	-
B. Loan Guarantees	27,000	27,000	-	-
7. Port Infrastructure Development Program	-	-	\$292,730	-
TOTAL	<u>\$989,642</u>	<u>\$979,642</u>	<u>\$1,115,372</u>	<u>\$682,497</u>

^{1/} The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

EXHIBIT II-3
FY2020 BUDGET REQUEST BY DOT STRATEGIC AND ORGANIZATIONAL GOALS
Appropriations, Obligation Limitation, and Exempt Obligations
MARITIME ADMINISTRATION
(\$000)

ACCOUNT	Safety	Infrastructure	Innovation	Accountability	Total
OPERATIONS AND TRAINING	-	324,224	-	53,273	377,497
United States Merchant Marine Academy	-	81,944	-	-	81,944
State Maritime Academy Operations	-	242,280	-	-	242,280
MARAD Operations and Programs	-	-	-	53,273	53,273
SHIP DISPOSAL PROGRAM	-	5,000	-	-	5,000
MARITIME SECURITY PROGRAM	-	300,000	-	-	300,000
TOTAL	\$ -	\$ 629,224	-	\$ 53,273	\$ 682,497

EXHIBIT II-4

**FY 2020 BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>		<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>
Operations and Training	D	<u>\$523,642</u>	<u>\$513,642</u>	<u>\$149,442</u>	<u>\$377,497</u>
A. U.S. Merchant Marine Academy		121,000	121,000	88,593	81,944
B. State Maritime Academies		332,200	332,200	- 1/	242,280 1/
C. MARAD Operations		60,442	60,442	60,849	53,273
D. Hurricane Harvey Supplemental Funds		\$10,000	-	-	-
State Maritime Academy Operations 1/	D	-	-	\$345,200	-
Assistance to Small Shipyards	D	<u>\$20,000</u>	<u>20,000</u>	<u>\$20,000</u>	-
Ship Disposal Program	D	<u>\$116,000</u>	<u>\$116,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
A. Ship Disposal		6,000	6,000	-	2,000
B. NS SAVANNAH		3,000	3,000	-	3,000
C. NS SAVANNAH Decommissioning		107,000	107,000	-	-
Maritime Security Program	D	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>
Maritime Guaranteed Loan Program		<u>\$32,154</u>	<u>\$82,635</u>	<u>\$55,635</u>	-
Administrative Expenses	D	3,000	3,000	3,000	-
Loan Subsidy	D	27,000	27,000	-	-
Subsidy Reestimate	M	2,154	52,635	52,635	-
Port Infrastructure Development Program	D	-	-	<u>\$292,730</u>	-
Gifts and Bequests	M	<u>\$4,859</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,000</u>
TOTAL		<u>\$996,655</u>	<u>\$1,034,277</u>	<u>\$1,170,007</u>	<u>\$684,497</u>
[Mandatory]		7,013	54,635	54,635	2,000
Discretionary]		989,642	979,642	1,115,372	682,497
Maritime Security Program					
Cancellation of Unobligated Balances		-	-	-	-25,000
Net, New Budget Authority		<u>\$996,655</u>	<u>\$1,034,277</u>	<u>\$1,170,007</u>	<u>\$659,497</u>
Proprietary Receipts:					
1. Gifts and Bequests		\$4,859	\$2,000	\$2,000	\$2,000
2. Maritime Guaranteed Loan Program		140,253	27,286	-	-
TOTAL MARAD RECEIPTS		<u>\$145,112</u>	<u>\$29,286</u>	<u>\$2,000</u>	<u>\$2,000</u>

1/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

EXHIBIT II-5

FY 2020 OUTLAYS
MARITIME ADMINISTRATION
(\$000)

<u>ACCOUNTS</u>		<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>
Operations and Training	D	\$166,217	\$240,917	\$122,397	\$138,166
State Maritime Academy Operations	D	-	-	\$118,520	\$148,551
Gifts and Bequests	M	\$1,256	\$2,000	\$2,000	\$2,000
Assistance to Small Shipyards	D	\$6,241	\$18,500	\$18,500	\$26,823
Ship Disposal	D	\$10,727	\$20,400	\$18,400	\$40,100
Maritime Security Program	D	\$294,957	\$300,000	\$300,000	\$300,000
Port of Guam Improvement Enterprise Fund	D	\$2,161	\$4,409	\$4,409	-
Ready Reserve Force	D	\$1,044	-\$1,562	-\$1,562	-\$1,400
Vessel Operations Revolving Fund	D	\$4,500	-\$500	-\$500	-
War Risk Insurance Revolving Fund	D	-\$651	-\$400	-\$400	-\$300
Maritime Guaranteed Loan Program		<u>\$25,187</u>	<u>\$77,695</u>	<u>\$77,695</u>	<u>-</u>
Administrative Expenses	D	3,000	3,000	3,000	-
Loan Subsidies	D	20,033	22,060	22,060	-
Subsidy Reestimate	M	2,154	52,635	52,635	-
Port Infrastructure Development Program	D	-	-	975	2,439
TOTALS		<u>\$511,639</u>	<u>\$661,459</u>	<u>660,434</u>	<u>656,379</u>
[Mandatory]		3,410	54,635	54,635	2,000
[Discretionary]		508,229	606,824	605,799	654,379

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

Academy Operations	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2020 Pay Raises	Baseline Changes					FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request
							Compensable Days (262 days)	Mandatory WIGs & Other Payroll Changes	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increases		
PERSONNEL RESOURCES (FTE)														
Direct FTE	235	288	288		288					-4 1/			-	284
ACADEMY OPERATIONS														
Salaries and Benefits	\$34,142	\$34,142	\$37,475	\$178	-	-	\$144	\$261	-	-\$548	-	\$2,118	\$39,628	\$39,628
Instructional Programs	5,506	5,506	4,709	-	-	-	-	-	-	-	47	392	5,148	5,148
Midshipmen Programs	13,104	13,104	12,783	-	-	-	-	-	-	-	128	3,501	16,412	16,412
Program Direction & Administration	16,248	16,248	15,626	-	-	-	-	-	-	-	156	974	16,756	16,756
WCF-IT Shared Services [Non-add]	-	-	-	-	-	-	-	-	-	[7,788]	-	-	-	[7,788]
SUBTOTAL	\$69,000	\$69,000	\$70,593	\$178	\$0	\$0	\$144	\$261	\$0	-\$548	\$331	\$6,985	\$77,944	\$0
CAPITAL ASSET MANAGEMENT PROGRAM														
Capital Improvement Projects	\$45,000	\$45,000	\$10,000	-	-	-	-	-	-	-	-	-	\$10,000	-\$10,000
Facilities Maintenance and Repair, Equipment	7,000	7,000	8,000	-	-	-	-	-	-	-	-	-	8,000	-4,000
SUBTOTAL	\$52,000	\$52,000	\$18,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,000	-\$14,000
TOTAL	\$121,000	\$121,000	\$88,593	\$178	\$0	\$0	\$144	\$261	\$0	-\$548	\$331	\$6,985	\$95,944	-\$14,000
													\$95,944	\$81,944

1/ This reflects 4 FTEs transferring to WCF IT Shared Services.

EXHIBIT II-6

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

MARAD Operations & Programs	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Annualization of 2019 Pay Raises	2020 Pay Raises	Baseline Changes				WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increases/ Decreases	FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request
						Compensable Days (262 days)	One	WICIs and Promotions	GSA Rent						
PERSONNEL RESOURCES (FTE)															
Direct FTE	176	189	189							-3 1/		15	201	-	201
FINANCIAL RESOURCES															
Salaries and Benefits	\$30,000	\$30,266	\$30,744	\$146	-	-	\$118	-	-	-	-	\$2,199	\$32,712	-	\$32,712
Non-Discretionary Operations	12,667	12,988	12,988	-	-	-	-	-	180	4,526	130	-	17,824	-	17,824
GSA Rent	[2,937]	[3,178]	[3,178]	-	-	-	-	-	[180]	-	-	[1]	[3,358]	[1]	[3,358]
WCF	[3,714]	[3,794]	[3,794]	-	-	-	-	-	-	[414]	-	[1]	[4,208]	[1]	[4,208]
WCF - IT Shared Services[Non-add]*	[4,361]	[4,540]	[4,540]	-	-	-	-	-	-	[4,479]	-	-	[9,019]	-	[9,019]
Operations & Travel	2,574	2,072	2,001	-	-	-	-	-	-	-	20	-373	1,648	-	1,648
Information Technology	5,201	5,116	5,116	-	-	-	-	-	-	-4,112	51	34	1,089	-	1,089
Admin Subtotal	\$50,442	\$50,442	\$50,849	\$146	\$0	\$0	\$118	\$0	\$180	-\$81	\$201	\$1,860	\$53,273	\$0	\$53,273
PROGRAMS															
Maritime Environment & Technology															
Assistance	\$3,000	\$3,000	\$3,000	-	-	-	-	-	-	-	-	-	\$3,000	-\$3,000	-
Short Sea Transportation (America's Marine Highways)	7,000	7,000	7,000	-	-	-	-	-	-	-	-	-	7,000	-7,000	-
Programs Subtotal	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	-\$10,000	\$0
TOTAL	\$60,442	\$60,442	\$60,849	\$146	\$0	\$0	\$118	\$0	\$180	-\$81	\$201	\$1,860	\$63,273	-\$10,000	\$53,273

1/ A total of 5 FTEs from MARAD Headquarters are transferring to WCF IT Shared Services. Of this amount, 3 FTE are funded from MARAD Ops and Programs and 2 FTE are funded from reimbursable RRF funding (see footnote 2).

2/ Amount does not include WCF-IT Shared Services estimated costs of \$4.125M & 2 FTE charged to Ready Reserve Force (RRF) funding, which is provided by Navy reimbursable agreement and not in MARAD's Budget request.

EXHIBIT II-6

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

State Maritime Academies 1/	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted 1/	Annualization of 2019 Pay Raises	Annualization of 2019 FTE	Baseline Changes					WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increases	FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request 1/
						2020 Pay Raises	One Compensable Days (262 days)	GSA Rent								
PERSONNEL RESOURCES (FTE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct FTE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAMS																
Student Incentive Program	\$2,400	\$2,400	\$2,400	-	-	-	-	-	-	-	-	-	-	\$2,400	-	\$2,400
Direct SMA Payment	6,000	6,000	6,000	-	-	-	-	-	-	-	-	-	-	6,000	-3,000	3,000
Fuel Assistance Payments	1,800	1,800	3,800	-	-	-	-	-	-	-	-	-	-	3,800	-2,000	1,800
Training Vessel Sharing	-	-	8,000	-	-	-	-	-	-	-	-	-	-	8,000	-8,000	-
School Ship M&R	22,000	22,000	25,000	-	-	-	-	-	-	-	-	-	-	25,000	5,080	30,080
National Security Multi-Mission Vessel Program	300,000	300,000	300,000	-	-	-	-	-	-	-	-	-	-	300,000	-300,000	-
School Ship Replacement Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	205,000	205,000
TOTAL	\$332,200	\$332,200	\$345,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$345,200	-\$102,920	\$242,280

1/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations;" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

EXHIBIT II-6

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

Assistance to Small Shipyards	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Baseline Changes					FY 2019 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request
				Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2019 Pay Raises	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	\$222	\$222	\$225	1	-	-	-	-	-	-	-
Travel	25	25	25	-	-	-	-	-	-	-	-
Other Services	153	153	150	-	-	-	-	-	-	-	-
Admin Subtotal 1/	\$400	\$400	\$400	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROGRAMS											
Shipyard Grants	\$19,600	\$19,600	\$19,600	-	-	-	-	-	-	-	-
Programs Subtotal	\$19,600	\$19,600	\$19,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$20,000	\$20,000	\$20,000	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

EXHIBIT II-6

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

Ship Disposal Program	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Baseline Changes					FY 2020 Estimate	FY 2020 Request
				Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2020 Pay Raises	Compensable Days (262 days)	Other Non- Discretionary Increases/ Decreases		
PERSONNEL RESOURCES										
(FTE)										
Direct FTE	9	10	10	-	-	-	-	-	10	10
FINANCIAL RESOURCES										
Salaries and Benefits	\$1,427	\$1,439	\$1,459	7	-	-	\$6	-	\$1,472	\$1,472
Travel	5	5	5	-	-	-	-	-	5	5
Operating Expenses	292	222	202	-	-	-	-	-55	147	147
GSA Rent	123	133	133	-	-	-	-	-	167	167
WCF	153	201	201	-	-	-	-	8	209	209
Admin Subtotal	\$2,000	\$2,000	\$2,000	\$7	\$0	\$0	\$6	\$34	\$2,000	\$2,000
PROGRAMS										
Ship Disposal Program	\$4,000	\$4,000	-	-	-	-	-	-	-	-
NS Savannah	3,000	3,000	3,000	-	-	-	-	-	3,000	3,000
NS Savannah Decommissioning	107,000	107,000	-	-	-	-	-	-	-	-
Programs Subtotal	\$114,000	\$114,000	\$3,000	\$0	\$0	\$0	\$0	\$0	\$3,000	\$3,000
TOTAL	\$116,000	\$116,000	\$5,000	\$7	\$0	\$0	\$6	\$34	\$5,000	\$5,000

EXHIBIT II-6

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

Maritime Security Program	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2020 Pay Raises	Baseline Changes				FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request	
							One Compensable Days (262 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation				
PERSONNEL RESOURCES														
(FTE)														
Direct FTE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FINANCIAL RESOURCES														
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Admin Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROGRAMS														
Maritime Security Payments	\$300,000	\$300,000	\$300,000	-	-	-	-	-	-	-	\$300,000	\$0	\$300,000	\$300,000
Programs Subtotal	\$300,000	\$300,000	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000	\$0	\$300,000	\$300,000
TOTAL	\$300,000	\$300,000	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000	\$0	\$300,000	\$300,000

EXHIBIT II-6

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

Maritime Guaranteed (Title XI) Loan Program	Baseline Changes													
	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2020 Pay Raises	One Compensable Days (262 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non- Discretionary Increase/ Decreases	FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request
PERSONNEL RESOURCES (FTE)														
Direct FTE	12	14	14	-	-	-	-	-	-	-	-	14	-14	-
FINANCIAL RESOURCES														
Salaries and Benefits	\$2,140	\$2,151	\$2,181	\$10	-	-	\$8	-	-	-	-	\$2,199	-\$2,199	-
Travel	10	10	10	-	-	-	-	-	-	-	-	10	-10	-
Operating Expenses	368	325	295	-	-	-	-	-	-	-	-31	264	-264	-
GSA Rent	215	233	233	-	-	-	-	-	-	-	1	234	-234	-
WCF	267	281	281	-	-	-	-	-	-	-	12	293	-293	-
Admin Subtotal	\$3,000	\$3,000	\$3,000	\$10	\$0	\$0	\$8	\$0	\$0	\$0	-\$18	\$3,000	-\$3,000	\$0
PROGRAMS														
Loan Subsidies	\$27,000	\$27,000	-	-	-	-	-	-	-	-	-	-	-	-
Programs Subtotal	\$27,000	\$27,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$30,000	\$30,000	\$3,000	\$10	\$0	\$0	\$8	\$0	\$0	\$0	-\$18	\$3,000	-\$3,000	\$0

EXHIBIT II-6

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

Port Infrastructure Development Program	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2020 Pay Raises	Baseline Changes				FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request
							One Compensable Days (262 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
PERSONNEL RESOURCES													
(FTE)													
Direct FTE	-	-	-	-	-	-	-	-	-	-	-	-	-
FINANCIAL RESOURCES													
Salaries and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
GSA Rent	-	-	-	-	-	-	-	-	-	-	-	-	-
WCF	-	-	-	-	-	-	-	-	-	-	-	-	-
Admin Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROGRAMS													
Port Infrastructure Dev. Prog.	-	-	\$292,730	-	-	-	-	-	-	-	\$292,730	-\$292,730	-
Programs Subtotal	\$0	\$0	\$292,730	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$292,730	-\$292,730	\$0
TOTAL	\$0	\$0	\$292,730	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$292,730	-\$292,730	\$0

EXHIBIT II-7

WORKING CAPITAL FUND MARITIME ADMINISTRATION (\$000)

	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>	<u>CHANGE</u>
DIRECT:					
<u>Operations and Training</u>	<u>3,713</u>	<u>3,794</u>	<u>3,794</u>	<u>16,604</u>	<u>12,810</u>
U.S. Merchant Marine Academy	-	-	-	7,788	7,788
MARAD Operations & Programs	3,713	3,794	3,794	8,816	5,022
Ship Disposal	153	201	201	209	8
Maritime Guaranteed Loan Prog. (Title XI)	267	281	281	-	-281
SUBTOTAL	<u>4,133</u>	<u>4,276</u>	<u>4,276</u>	<u>16,813</u>	<u>12,537</u>
REIMBURSABLE:					
Ready Reserve Force	<u>4,014</u>	<u>4,014</u>	<u>4,014</u>	<u>8,139</u>	<u>4,125</u>
SUBTOTAL	<u>4,014</u>	<u>4,014</u>	<u>4,014</u>	<u>8,139</u>	<u>4,125</u>
TOTAL	8,147	8,290	8,290	24,952	16,662

EXHIBIT II-8

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

	FY 2018	FY 2019	FY 2019	FY 2020
<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>ACTUAL</u>	<u>ANNUALIZED CR</u>	<u>ENACTED</u>	<u>REQUEST</u>
Operations and Training	423	491	491	485
Ship Disposal	9	10	10	10
Assistance to Small Shipyards	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
SUBTOTAL, DIRECT FUNDED	433	502	502	495
<u>ALLOCATIONS</u>				
Operation and Training	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
SUBTOTAL, ALLOCATIONS	8	8	8	8
<u>REIMBURSEMENTS</u>				
Ready Reserve Force	282	310	310	308
Operation and Training	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
SUBTOTAL, REIMBURSEMENTS	283	311	311	309
TOTAL FTEs	<u>724</u>	<u>821</u>	<u>821</u>	<u>812</u>

EXHIBIT II-9

**MARITIME ADMINISTRATION
RESOURCE SUMMARY - STAFFING
FULL-TIME PERMANENT POSITIONS**

	FY 2018	FY 2019	FY 2019	FY 2020
<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>ACTUAL</u>	<u>ANNUALIZED CR</u>	<u>ENACTED</u>	<u>REQUEST</u>
Operations and Training	440	491	491	485
Ship Disposal	10	10	10	10
Assistance to Small Shipyards	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
SUBTOTAL, DIRECT FUNDED	451	502	502	495
 <u>ALLOCATIONS</u>				
Operation and Training	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
SUBTOTAL, ALLOCATIONS	8	8	8	8
 <u>REIMBURSEMENTS</u>				
Ready Reserve Force	283	310	310	308
Operation and Training	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
SUBTOTAL, REIMBURSEMENTS	284	311	311	309
 TOTAL POSTIONS	<u>743</u>	<u>821</u>	<u>821</u>	<u>812</u>

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, \$377,497,000, of which \$205,000,000 shall remain available until expended for the school ship replacement program, including funds for construction, planning, administration, and design of new school ships to replace training ships in the National Defense Reserve Fleet, and of which \$30,080,000 shall remain available until expended for maintenance, repair, life extension, capacity improvement of National Defense Reserve Fleet training ships, and costs associated with the school ship sharing program authorized by 46 U.S.C. 51504(g)(3) as determined by the Secretary, and of which \$2,400,000 shall remain available through September 30, 2021, for the Student Incentive Program at State Maritime Academies, and of which \$1,800,000 shall remain available until expended for training ship fuel assistance payments, and of which \$3,000,000 shall be available for direct payments to State Maritime Academies, and of which \$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*, That of the \$205,000,000 made available for the school ship replacement program, up to \$5,000,000 shall be available for the design of new school ships, and upon completion of such design the remainder shall be available for the construction, planning, and administration of such school ships.

Note.—A full-year 2019 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, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

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 \$377.5 million includes \$81.9 million for the United States Merchant Marine Academy, \$242.3 million for the State Maritime Academies, and \$53.3 million for Maritime Operations and Programs.

EXHIBIT III-1

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

	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>	<u>CHANGE FY 2019-2020</u>
U.S. Merchant Marine Academy	121,000	74,593	88,593	81,944	-6,649
State Maritime Schools	332,200	324,400	-	242,280	242,280
MARAD Ops. & Programs	60,442	53,435	60,849	53,273	-7,576
Hurricane Harvey Supplemental Funds	10,000	-	-	-	-
Total, Operations & Training	523,642	452,428	149,442	377,497	228,055
FTEs					
Direct Funded	423	491	491	485	-6
Reimbursable, Allocated, Other	9	9	9	9	-

**MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS
FY 2011 - FY 2020
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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	523,642 3/
2019	152,428	149,442
2020	377,497	

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

2/ This amount reflects FY 2013 sequestration reductions.

3/ Include \$10M supplemental appropriation for Hurricane Harvey

**DETAILED JUSTIFICATION
FY 2020 Budget Request**

UNITED STATES MERCHANT MARINE ACADEMY (USMMA)

(\$000)

Program Activity	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	FY 2020 Request
Academy Operations	69,000	69,000	70,593	77,944
Capital Asset Management Program	52,000	52,000	18,000	4,000
Total	\$121,000	\$121,000	\$88,593	\$81,944

For FY 2020, \$81.9 million is requested for the U.S. Merchant Marine Academy (USMMA/Academy), a decrease of \$6.6 million from FY 2019 enacted. This request includes \$77.9 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?

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 exemplary leaders in the maritime transportation field. Midshipmen, nominated by members of Congress, and competitively selected to the Academy receive a four-year maritime-focused program. The USMMA curriculum is centered on rigorous academic and practical technical training that leads to a Bachelor of Science degree, a 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 one-of-kind learning experience, Academy graduates incur a multifaceted obligation to serve the 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. Funds are requested to pay the expenses associated with the foregoing training.

These 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 Secretary's priorities for investing in infrastructure to foster the development of a competent and capable transportation industry workforce.

FY 2020 Objectives

The budget request supports the highest priority needs of the Academy, and aligns to the strategic goals and objectives announced in the "U.S. Merchant Marine Academy Strategic Plan for 2018-2023: Navigating Towards the Future Together," which was formulated in collaboration with faculty, staff, Midshipmen, MARAD, alumni, and maritime industry and military representatives and released August 7, 2018¹. Resources are utilized where they align with the Academy's strategic goals. For example, to maintain the Academy's infrastructure, resources are applied for a mandated periodic dry-dock, maintenance, overhaul, and inspection of the *T/V KINGS POINTER* to ensure the vessel remains a safe operating platform for Midshipman training and STCW qualification.

Resources are allocated within the base to fund: 1) mandated requirements such as Sea Year travel, textbooks, and uniforms that increase as the size of the regiment increases due to the admission of larger classes for the classes of 2021, 2022, and 2023; 2) new mandates required by the National Defense Authorization Act for Fiscal Year 2018, including the provision of a global communications device to every Midshipman participating in Sea Year training to address safety concerns; and 3) additional capacity in the areas of information technology, contract management, outreach and communications, and candidate recruitment. Finally, additional base resources are allocated to improve the Academy's overall campus security and to meet best practice response protocols for potential active shooter and similar emergency situations.

In the request, non-core programming has been reduced and cost savings have been realigned to fund increases in core academic, Midshipman, and administrative programs. Resources have been realigned to support the addition of a National Collegiate Athletic Association (NCAA)

¹ The U.S. Merchant Marine Academy Strategic Plan for 2018-2023: Navigating Towards the Future Together is available at <https://www.usmma.edu/sites/usmma.edu/files/docs/about/leadership/administration/9971/strategic-plan-2018-2023-f7-aug.pdf>

women's soccer program to the Athletic program. Competitive athletics is a key component, not only of overall Midshipman physical fitness and leadership development programming, but is a vital recruiting tool for improving diversity in the applicant pool and eventually in the maritime industry.

ACADEMY OPERATIONS

For FY 2020, MARAD requests a total of \$77.9 million for Academy Operations, an increase of \$7.4 million from FY 2019 enacted. The Academy is a 24/7, labor-intensive operation with salaries and benefits constituting approximately 50 percent of the Academy Operations budget. Without the requested baseline adjustments in funding, the Academy cannot absorb mandatory labor cost increases without eroding the base for non-pay related services, such as food services, instructional materials and training tools, textbooks, travel to and from Sea Year training assignments, athletic programs, library services, and Midshipman health and welfare services.

The request provides \$39.6 million for salaries and benefits and \$38.3 million for non-pay operations.

Salaries and Benefits (\$39.6 million): The FY 2020 budget requests \$39.6 million to fund the Academy's base level of 284 full time equivalent (FTE) salaries and benefits. No additional FTEs are requested. The budget request includes the transfer of four IT staff to the Department's Working Capital Fund as part of the IT shared services (ITSS) initiative.

Full funding for salaries and benefits is required to maintain the current level of faculty and staff and 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 over one in five faculty members are retirement eligible. While this may provide opportunities to fill positions at lower grade levels, the Academy is located in the very competitive, high-cost Metro-New York labor market where new hires often must be offered the higher end of pay scales in order 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 (\$38.3 million): The FY 2020 budget requests \$38.3 million for non-pay operations, an increase of \$5.2 million from the FY 2019 enacted for inflationary and other non-discretionary costs, including the periodic USCG mandated inspection, maintenance and repair for the Academy's principle Training Vessel (T/V) KINGS POINTER. Additionally, the Academy is participating in a Department-wide effort to streamline information technology (IT) delivery through an IT Shared Services (ITSS) business model. ITSS will enable a more streamlined and efficient facilitation of IT-related networking, hardware and software applications, and decision making within the Department.

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

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

Instructional Program

The request for the Instructional Program is \$5.1 million, an increase of \$439 thousand from the FY 2019 enacted.

This 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, Mathematics and Science, Humanities, and Physical Education and Athletics; renewal of computer hardware and software licenses to operate and maintain the Academy's bridge and engine training simulators, purchase of textbooks which the Academy is statutorily required to provide; upgrades of classroom technology to enhance Midshipman learning experiences; instructional materials; chemistry and physics laboratory equipment; the costs to send Midshipmen to and from their Sea Year training assignments; and the cost of required merchant mariner credentials. 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 Program requiring additional base resources. First, overall Academy enrollment is increasing. MARAD projects enrollment at the Academy to increase in AY 2019-2020, as summarized below:

Academy Enrollment on First Day of the Academic Year

Academic Year	Regiment Size
AY 2017 – 2018	991
AY 2018 – 2019	1,007
AY 2019 – 2020 Projected	1,078

Second, beginning with the renovation of Samuels Hall in FY 2019, 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 necessary upgraded teaching facilities and technology. Due to these trends, 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 faculty offices and classroom facilities to ensure that the Midshipmen continue to receive the education for which the Academy is known. Additional base resources are also necessary for the Academy's athletic program as athletic team participation increases, team travel costs escalate, and NCAA requirements continue to expand.

Midshipman Program

The request for the Midshipman Program is \$16.4 million, an increase of \$3.6 million from the FY 2019 enacted.

This funding feeds and houses the Midshipmen, supplies uniforms, and supports Midshipman health, welfare, and religious services. The program is also responsible for the janitorial services to the barracks, academic, and administrative buildings. In addition, the base funding provides for the maintenance and operations of the Academy's waterfront programs including its training vessels: T/V KINGS POINTER, T/V LIBERATOR, and T/V ELIZABETH ANN.

Additional funding is required for a USCG mandatory dry dock, inspection, and maintenance period for T/V KINGS POINTER, which is required once every three years. The last dry dock was completed in 2017. Failure to complete the maintenance and inspection will put the training vessel's USCG certificate of inspection at risk.

These training vessels provide vital hands-on instruction platforms for the Midshipmen and additional sea days required to meet SCTW requirements for USCG licensing by graduation. Also, the Academy's sailing, dinghy, crew and other on-water athletics are operated within Midshipman Programs.

Program Direction and Administration

The request for Program Direction and Administration is \$16.8 million, an increase of \$1.1 million from the FY 2019 enacted. This funding supports the Office of the Superintendent which houses the Sexual Assault Prevention and Response Office (SAPRO), the Office of Institutional Assessment, the Offices of Admissions, Security, and External Affairs, as well as, the Academy's administrative support functions (budget and finance, human resource management, procurement, and campus wide information technology services).

Additional funding in FY 2020 will support improvements in campus security to meet best practice response protocols for active shooter and similar emergency response type situations. Requested funding will also allow the Academy to maintain and operate a 24/7/365 robust information technology network on campus, which includes, not only common business tools and applications, but an array of sophisticated instructional and student information systems with unique Academy security, backup, and access requirements.

CAPITAL ASSET MANAGEMENT PROGRAM (CAMP)

In FY 2020, \$4 million is requested for CAMP, a decrease of \$14 million from the FY 2019 enacted. Within CAMP, capital improvement projects (CIP) accomplish major facility and system improvements with a useful life that generally exceeds two years. 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, including making sure that such facilities are appropriately outfitted and furnished for use upon delivery. No additional CIP funds are requested in FY 2020 since the focus will be on executing previously funded CIP projects.

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.

For FY 2020, MARAD requests \$4 million for FMRE, a decrease of \$4 million from the FY 2019 enacted. These funds are required to provide for regular grounds care and maintenance, routine repairs and maintenance of facilities and equipment in response to heavy everyday use that occurs on a 24/7/365 operating campus, as well as, funds to support a program of deferred maintenance remediation.

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

The FY 2020 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 to duty in the event of national emergencies that demand renewed sea lift capacity. The USMMA program supports the Secretary'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. About 25 percent of 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 operations relating to national security matters. 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.

Additionally, the USMMA program request will help mitigate MARAD's Enterprise Risk Management risks by ensuring sufficient base resources are available in addressing issues of

sexual assault and sexual harassment at the USMMA that threatens the Academy's reputation and mission performance, deficiencies in financial controls and operations identified in 2009 and 2012 Government Accountability Office (GAO) reports, and the maintenance and modernization of the dated physical infrastructure of the Academy.

A strong commercial merchant marine fleet, one that is owned and operated by U.S. citizens, employing U.S. mariners in high-value jobs, is a long-standing objective of the United States. The U.S. Merchant Marine is a national resource; and essential for maintaining the sealift capacity required to support economic growth and national defense. This investment in each USMMA Midshipman is returned not only through a multi-year service obligation to the Nation, but these highly trained Midshipmen 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
FY 2020 Budget Request**

STATE MARITIME ACADEMIES

(\$000)

Program Activity	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted 1/	FY 2020 Request
Student Incentive Program	2,400	2,400	2,400	2,400
Direct SMA Support	6,000	6,000	6,000	3,000
Fuel Assistance Payments	1,800	1,800	3,800	1,800
Training Vessel Sharing	0	0	8,000	0 2/
School Ship M&R	22,000	22,000	25,000	30,080
National Security Multi-Mission Vessel Program	300,000	300,000	300,000	0
School Ship Replacement Program	0	0	0	205,000
Total	\$332,200	\$332,200	\$345,200	\$242,280

1/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

2/ Funding for Training Vessel Sharing is requested under the School Ship M&R request for FY 2020.

For FY 2020, \$242.3 million is requested for support to the State Maritime Academies (SMAs), a decrease of \$102.9 million from the FY 2019 enacted. This level of funding will provide Federal assistance to the SMAs for education and training of merchant mariners in support of national security requirements and the U.S. marine transportation infrastructure. The budget request includes \$2.4 million for the student tuition assistance program, \$3 million for direct payments divided equally among each of the six SMAs, and \$1.8 million for fuel assistance payments.

The requested funds will also provide \$30.08 million for critical maintenance and repair and training vessel sharing of the six SMA training school ships, and \$205 million for the design and construction of a new smaller capacity school ship scaled to meet the at sea training needs of the smaller SMAs. The training ships serve a critical role in providing the necessary at-sea training that cadets and midshipmen need to qualify for an unlimited merchant mariner credential from the U.S. Coast Guard (USCG). MARAD training ships are the primary means by which more than two-thirds of unlimited credentialed, U.S. mariners are trained each year. The training ship is an essential piece of each SMA training program and curricula.

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

This program provides Federal assistance to the SMAs for educating and training of merchant mariners to promote safety, national security requirements, and the U.S. marine transportation infrastructure. The six SMAs provide students, from across the socio-economic spectrum, an affordable, high-quality – Nationally recognized – education, and the necessary training to become USCG credentialed officers in the U.S. Merchant Marine. These six SMAs are: California Maritime Academy in Vallejo, California; Great Lakes Maritime Academy in Traverse City, Michigan; Maine Maritime Academy in Castine, Maine; Massachusetts Maritime Academy in Buzzards Bay, Massachusetts; the State University of New York (SUNY) Maritime College in the Bronx, New York; and Texas A&M Maritime Academy in Galveston, Texas. The SMAs graduated 922 unlimited license merchant mariners in FY 2018. 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 2020 funding level is necessary to support mariner training and sea time requirements for International Maritime Organization (IMO) STCW¹ competencies to help ensure sufficient highly trained merchant mariners are available to maintain the safety, economic and national security needs of the Nation. Additionally, this new request for capacity sharing and compliance and reliability modernization, as well as the funding for school ship maintenance and repair will allow MARAD to maintain the training ships and provide viable options and alternatives to maximize all training capacity for at-sea training, to comply with USCG and American Bureau of Shipping (ABS) requirements.

STUDENT INCENTIVE PROGRAM (SIP)

MARAD's request of \$2.4 million in FY 2020, consistent with the FY 2019 enacted, for the SIP will help provide financial assistance support for students enrolled at the SMAs. SIP funding is provided to these students accepted in the program, and is used to offset costs for uniforms, books, tuition and subsistence in return for a service obligation. This will help meet the validated requirements of the U.S. Navy Reserve's Strategic Sealift Officer Program (SSOP), U.S. Army and U.S. National Guard, when combined with the anticipated number of U. S. Merchant Marine Academy (USMMA) graduates. The Department of the Navy SSOP established an annual requirement of an estimated 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 SMA graduates are required annually to meet the total SSOP accession requirement. The SIP promotes a robust pool of USCG credentialed officers in the U.S. Merchant Marine that is readily available to crew surge government sealift vessels, should normal crewing processes fail².

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.

¹ The IMO amended the STCW Convention and STCW Code on June 25, 2010. These amendments entered into force for ratifying countries on January 1, 2012. The USCG published a final rule on December 24, 2013, that implements STCW, including the 2010 amendments. The rule requires full compliance with the requirements by January 1, 2017.

² The normal process for crewing a vessel involves calling for specific billets on a particular ship at a union hall when a crewmember is due to rotate off the ship and a relief is needed.

Administrative costs for SIP and monitoring service obligations are funded from the Operations and Training account.

SIP 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 Merchant Mariner Credential (MMC) with an officer endorsement. SIP students receive a stipend each semester, if in good standing, for a maximum of \$32 thousand for four years in return for post-graduation service obligations. The graduates of SIP also serve in a reserve component of the U.S. Armed Forces for eight years (starting with the incoming class in 2017, the requirement changed from six to eight years), or serve on active duty in the U.S. Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) or the Public Health Service (PHS)) for five consecutive years following graduation. Students participating in the program must graduate, obtain a USCG Credential with an officer endorsement, maintain the required medical and physical requirements, and fulfill the following service obligation requirements:

1. Report annually to MARAD on the fulfillment of their service obligation, until completed.
2. Maintain maritime employment for three years; priority to sail on 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.

Graduates may also fulfill items 2 and 4 above by serving on active duty as a commissioned officer in the U.S. Armed Services or as a NOAA or PHS officer for a five-year period after graduation. Additionally, the U.S. Army and National Guard have identified billets in the Army Reserve and the National Guard where SIP graduates can utilize their maritime skills and education to meet their obligation. The SIP graduates' maritime skills and education are utilized in support of the U.S. Armed Forces through these reserve programs.

DIRECT SMA SUPPORT

MARAD's request of \$3 million in FY 2020, a decrease of \$3 million from the FY 2019 enacted, will provide \$500 thousand in direct assistance to each of the six SMAs for maintenance and support. The academies rely on these funds to help implement increasing domestic and international training requirements which increase the overall costs to train mariners. These funds also strengthen the ability of SMAs to maintain high quality faculty, innovative facilities and assist in maintaining state of the art technology. The Direct SMA Support program provides for maintenance and support infrastructure costs needed to maintain high quality facilities.

Federal government support of mariner education prepares future merchant marine officers by providing a high-quality, college-level education and technical training. Funding allows MARAD to ensure the U.S. has a continuous supply of capable and well-trained U.S. merchant mariners. These funds help the SMAs offset the increasing cost to train credential USCG merchant mariner officers and maintain well qualified faculty to provide the highest quality training.

FUEL ASSISTANCE PAYMENTS

This request includes \$1.8 million, a decrease of \$2 million from the FY 2019 enacted, which provides the maximum authorized level of \$300 thousand for each of the six SMAs for fuel used by the training ships annually. Most SMAs pay over \$1.5 million annually for fuel for their training cruises, which are critical to ensure Midshipmen/Cadets obtain the necessary sea time to qualify to take the written examination to earn their USCG MMC. To be compliant for operation in the Emission Control Area (ECA) of the United States, and ECAs of foreign countries, the training ships are required to purchase significantly higher cost ultra-low sulfur fuel. This requirement went into effect in January 2015, and is currently about 50 percent more expensive than marine diesel fuel. To meet the increased requirement for at-sea training mandated by STCW, SMAs are supporting longer sailing periods that are consuming more fuel. Although fuel costs across the country have remained stable, the overall expense continues to rise for the SMAs, and will become more expensive in FY 2020 when the global demand for low sulfur marine fuel is expected to exceed the supply.

SCHOOL SHIP M&R

The FY 2020 request of \$30.08 million for School Ship M&R represents an increase of \$5.1 million from the FY 2019 enacted. Funding requested provides flexibility to support the routine maintenance and repair needs of the training school ships, and will also support costs associated with school ship capacity sharing including vessel movements, required repositioning, pre/post-cruise repair, fuel, travel, insurance and ship manager fees. Having the flexibility to utilize these funds for capacity sharing is critical as an interim measure until sufficient school ship capacity is made available.

The Department of Transportation, through MARAD, owns and maintains the six training ships on loan to the respective SMAs for the training of credentialed merchant marine officers. 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. Although all the responsibility and the majority of the maintenance and repair costs are borne by MARAD, the requested funds do not cover the cost of the crews throughout the year and all routine day-to-day maintenance expenses. The SMAs spend a significant amount annually to keep the ships compliant and operational. Furthermore, maintenance and repair occurrences vary among the training ships from year to year; and the funds requested are expected to cover the necessary maintenance and repair costs for the current fleet of training ships in FY 2020.

The requested level of funding is particularly important as the ships age and approach their designed end of service life. At the end of the service life, the asset must be replaced. In the interim, MARAD will require funds to address priority maintenance across all the aging vessels to ensure that they all meet safety and functional requirements and can stay in service as long as possible. Additionally, because of the current insufficiency of at-sea training capacity, the National Defense Authorization Act for FY 2019 mandated MARAD to establish a School Ship Capacity Sharing plan to provide critical uninterrupted availability of the U.S. Coast Guard required at-sea training. Funding requested aligns with the plan, and will allow MARAD to

assist SMAs with the costs associated with ensuring there is adequate at-sea training capacity as detailed below.

Within this request, a minimum of \$22 million will continue to fund routine maintenance and repair of the training ships to provide for regulatory, statutory and convention surveys, inspections, repair and maintenance; including dry-docking and internal structure exams. Funding will also support routine, non-regulatory maintenance and repair of mission-critical systems such as galley, habitability infrastructure and accommodations. The school ship maintenance and repair funds are used for recurring or periodic capital preservation projects, and mission-related capital reinvestment to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic equipment/machinery failure or loss.

Without this minimum funding level requirement, the training ships will need to defer some non-mandatory but still critical maintenance, which if not addressed timely could lead to a reduced service life of the ships. It will also prevent proactive investments to be made on major projects, necessary overhaul of auxiliary systems, equipment upgrades or replacements, and other preventative maintenance that extends the service life of the equipment. Failing to perform necessary annual maintenance and being unable to conduct repairs, always leads to more expensive maintenance or corrective repairs in the future, including the early retirement of a ship. They also increase the risk to the government, specifically risk of catastrophic failure or loss of equipment or life, and reduction in safety overall. There is also the possibility of failing to meet USCG and IMO regulatory requirements which could result in the ship's Certificate of Inspection being suspended or revoked, which would remove the ship from service until corrected.

Additional funding in FY 2020 will provide up to \$8.08 million to support requirements for the uninterrupted availability of at-sea training capacity. This request supports Congressional direction that MARAD take a more active role in capacity sharing as an interim measure until sufficient at-sea training capacity can be acquired. Funding will allow MARAD to manage existing vessel capacity to meet current training capacity requirements for the SMAs. This provides MARAD with greater flexibility as the owner of the vessels. Using the RRF ship manager construct, MARAD can support costs associated with school ship capacity sharing including vessel movements, required repositioning, pre/post-cruise repair, fuel, travel, insurance, and ship manager fees. The SMAs will be responsible for providing and funding the standard program costs, including training faculty, regimental and administrative staff, as well as arrange and fund normal port calls.

Additionally, the TS EMPIRE STATE (TSES) is planned to be phased out with the delivery of a replacement training ship, and the ability of TSES to continue operating to the point it will be replaced is a matter of concern. Currently, the TS EMPIRE STATE has a USCG Certificate of Inspection to sail as a public nautical school ship, and meets all the requirements to stay in full Classification with the American Bureau of Shipping (ABS) through December 2019. Any loss of training ship capacity could have serious repercussions across all the SMAs since TS EMPIRE STATE is the largest training vessel. MARAD's request will help to mitigate this impact through capacity sharing, or funding can be used for potential machinery refurbishment and hull

repairs identified during USCG/ABS survey and inspection to ensure the TS EMPIRE STATE will continue to safely operate.

To further mitigate the risk to cadets of not attaining adequate sea service time, requested funds may support MARAD in maintaining the Training Vessel (T/V) FREEDOM STAR (sister-ship to the T/V KINGS POINTER) as a back-up training ship. This vessel is berthed at the Seafarers International Union (SIU) Paul Hall Center in Piney Point, MD. In return for conducting routine maintenance, the SIU is utilizing the vessel for training their apprentice seaman. As with the SMAs, MARAD is responsible for major repairs and maintaining the regulatory compliance of the vessel.

SCHOOL SHIP REPLACEMENT PROGRAM

The FY 2020 request includes \$205 million for the School Ship Replacement Program to support up to \$5 million for the design of a new smaller capacity training ship scaled to meet the at sea training needs of the smaller SMAs. The remaining balance will be used to fund the construction, planning and administration of the ship. Recapitalizing aging training ships on loan to the State Maritime Academies with modern, functional, environmentally compliant vessels sized to meet domestic and international training requirements will ensure student training needs in the most efficient way possible.

This request supports the School Ship Replacement Program strategy for programmatic planning, studies, design, analysis, and administration to incrementally replace the training ships based on their designed service life, in the most efficient and effective manner to ensure the best value is obtained for the replacement training ships.

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

A strong commercial merchant marine fleet is a long-standing objective of the United States, one that is owned and operated by U.S. citizens, employing U.S. mariners in high-value jobs. The U.S. Merchant Marine is a national resource; essential for maintaining the sealift capacity required to support economic growth and national defense. The best strategy to ensure that the United States can provide adequate safety, national economic security and strategic sealift support that would be critical in future conflict is a strong commitment to:

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

The SMA Program provides Federal assistance to the SMAs, to help educate and train mariners and future leaders to support the U.S. marine transportation infrastructure, including shipyards and ports. The SMA program supports the Secretary's priorities for investing in infrastructure to foster the development of a competent and capable transportation industry workforce. The SMA program helps mitigate MARAD's identified Enterprise Risk Management risks by addressing the need for investing in modernization of school ships, while reducing the shortage of U.S. Coast Guard- licensed Mariners with unlimited tonnage credentials.

In accordance with 46 U.S.C. § 1103, MARAD is authorized to provide education and training for U.S. citizens in the interest of the safe and efficient operation of the merchant marine, and provides for cooperation with the U.S. Navy and SMAs to this end. To fulfill one of MARAD's key statutory mandates, 46 U.S.C. § 51501 *et seq.*, MARAD provides support to the six SMAs, which produce well-educated, highly trained, and 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. 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.

Nearly 100 percent of each graduating class is employed within the first three months of graduation and are in quality, high-paying jobs that support the transportation industry. More than 40,000 American vessels of various types, built in American shipyards and crewed by U.S. citizen mariners, operate in U.S. waters in different segments of the industry such as offshore, coastal, inland rivers and the Great Lakes, and in domestic Jones Act trades.

The SMA Program provides support for the U.S. Merchant Marine and the associated marine transportation infrastructure, which contributes to the Nation's economic development; supporting 23 million jobs and generating \$4.6 trillion in total economic activity¹. 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 jobs in the U.S., and is essential to economic growth.

¹ Martin Associates, "The 2014 National Economic Impact of the U.S. Coastal Port System," prepared for the American Association of Port Authorities, March 2015, p.6.

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. 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 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 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

In addition to training cadets, the TS STATE OF MAINE 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 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 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
FY 2020 Budget Request**

MARAD OPERATIONS AND PROGRAMS

(\$000)				
Program Activity	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	FY 2020 Request
Headquarters Operations	50,442	50,442	50,849	53,273
Maritime Program Initiatives:	10,000	10,000	10,000	0
<i>Maritime Environment & Technology Assistance</i>	3,000	3,000	3,000	0
<i>Short Sea Transportation (America's Marine Highways)</i>	7,000	7,000	7,000	0
Total	\$60,442	\$60,442	\$60,849	\$53,273

For FY 2020, a total of \$53.3 million is requested for MARAD Operations and Programs, a decrease of \$7.6 million from the FY 2019 enacted, to support agency Headquarters Operations.

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

For FY 2020, MARAD's request of \$53.3 million for Headquarters Operations provides resources for agency infrastructure and professional staff working on MARAD operating missions, support programs and program initiatives. The operational mission is comprised of:

The Office for Strategic Sealift administers national security related programs that provide commercial and government-owned shipping capability in times of national emergency and to meet the Department of Defense (DoD) strategic sealift requirements (e.g. Maritime Security Program, 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) program, including 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 managing training ship maintenance and repair activities in addition to the execution and oversight of the school ship replacement program.

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, enable use of a range of domestically produced fuels, and address

vessel discharges, such as ballast water and underwater hull fouling. The office also 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. Additionally, 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 provides agency support for national port and intermodal infrastructure modernization projects and programs, Deepwater port licensing and offshore programs as well as oversight of existing America's Marine Highway discretionary grants. The office also oversees activities at MARAD's 10 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 Secretary's priorities supporting Innovation and Accountability excellence goals 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 and Office of International Activities.

Full funding for salaries and benefits is required to maintain the current level of technical, professional and support staff, and ensure that resources are available to accomplish MARAD's mission, support programs, and initiatives. MARAD also looks for efficiencies in managing staff and resources by ensuring that resources that may become available through attrition and turnover are applied to the highest priority personnel needs. This enables MARAD to be more efficient and effective in the hiring process and to meet its mission requirements within the base-funded FTE level.

Additionally, MARAD is participating in a Department-wide effort to streamline information technology (IT) delivery through an IT Shared Services (ITSS) business model. ITSS will enable a more streamlined and efficient facilitation of IT-related networking, hardware and software applications, and decision making within the Department.

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

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, and provides the leadership, management, and administrative support infrastructure for programs advancing agency initiatives.

Funds requested 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 State Maritime Academy financial support. The funding for this request also advances the Secretary's goal for Accountability.

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ASSISTANCE TO SMALL SHIPYARDS

Note.—A full-year 2019 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, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

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 2020.

EXHIBIT III-1

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

	<u>FY 2018</u> <u>ACTUAL</u>	<u>FY 2019</u> <u>ANNUALIZED CR</u>	<u>FY 2019</u> <u>ENACTED</u>	<u>FY 2020</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2019-2020</u>
Assistance to Small Shipyards	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-20,000</u>
Total, Assistance to Small Shipyards	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-20,000</u>
FTEs					
Direct Funded	1	1	1	-	-
Reimbursable, Allocated, Other	-	-	-	-	-

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

**FY 2011 - FY 2020
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2011	-	9,980 1/
2012	-	9,980
2013	-	9,458 2/
2014	-	-
2015	-	-
2016	-	5,000
2017	-	10,000
2018	-	20,000
2019	-	20,000
2020	-	-

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

2/ This amount reflects FY 2013 sequestration reductions.

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, \$5,000,000, to remain available until expended.

Note.—A full-year 2019 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, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

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 2020, the Ship Disposal program requests \$5 million which includes funding for obsolete vessel disposal, and for maintaining the Nuclear Ship (N.S.) Savannah in protective storage.

EXHIBIT III-1

SHIP DISPOSAL

Summary by Program Activity

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

	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>	<u>CHANGE FY 2019-2020</u>
Ship Disposal	116,000	116,000	5,000	5,000	-
Total	116,000	116,000	5,000	5,000	-
FTEs					
Direct Funded	9	10	10	10	-
Reimbursable, Allocated, Other	-	-	-	-	-

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL**

**FY 2011 - FY 2020
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2011	10,000	14,970 ^{1/}
2012	18,500	5,500
2013	10,000	5,212 ^{2/}
2014	2,000	4,800
2015	4,800	4,000
2016	8,000	5,000
2017	20,000	34,000
2018	9,000	116,000
2019	30,000	5,000
2020	5,000	

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
FY 2020 Budget Request**

SHIP DISPOSAL PROGRAM

(\$000)

Program Activity	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	FY 2020 Request
Ship Disposal	6,000	6,000	2,000	2,000
NS SAVANNAH	3,000	3,000	3,000	3,000
NS SAVANNAH Decommissioning	107,000	107,000	0	0
Total	\$116,000	\$116,000	\$5,000	\$5,000

For FY 2020, \$5 million is requested for the Ship Disposal Program, consistent with the FY 2019 enacted. The requested funding provides \$2 million for ship disposal program activities, salaries and overhead, and \$3 million to maintain the Nuclear Ship SAVANNAH (NSS) in protective storage in accordance with Nuclear Regulatory Commission (NRC) license requirements, during decommissioning (DECON) of the vessel's defueled nuclear reactor, components and equipment

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). National Defense Reserve Fleet (NDRF) ships that are no longer militarily useful in support of DOD strategic sealift are retained at MARAD operated fleet anchorages. These vessels are downgraded to non-retention status and key equipment and components retrieved to support existing operational NDRF vessels. When MARAD, or other Federal Agency, non-retention merchant-type vessels no longer have logistical support value, the Ship Disposal Program arranges for their responsible disposal, on a worst-first basis, at MARAD qualified domestic ship recycling facilities.

The NSS is a legacy nuclear-powered merchant ship constructed and operated by MARAD under the Eisenhower Administration's Atoms for Peace Program. The vessel has been permanently deactivated and defueled since 1971. It is licensed by the NRC, and MARAD manages the NSS activities in accordance with all aspects of its NRC license requirements. These activities principally include vessel maintenance, berthing and safeguarding of the ship and its defueled nuclear power plant while in protective storage. NSS must remain in protective storage during the DECON process and until termination of the NRC license.

SHIP DISPOSAL PROGRAM

The FY 2020 request provides \$2 million, the same level as FY 2019 enacted, for ship disposal activities, including salaries and overhead for staff and support personnel and procurement of ship recycling services. The Ship Disposal Program maintains a team of Marine Industrial Specialists who, in coordination with MARAD environmental specialists, provide project management and contract administration for each ship recycling contract, and oversees each qualified ship recycling facility's compliance with its approved, technical compliance plan. The management, oversight and compliance efforts include facility inspections during ship recycling contracts to ensure facility and contract compliance, worker health and safety, and environmental protection.

MARAD utilizes the Savannah Technical Staff (STS) comprised of MARAD personnel and support contractors to manage and execute the NRC licensed protective storage and decommissioning activities on the NSS. DECON funding for STS salaries, overhead and contractors support project monitoring, industrial activities, contractual oversight and environmental compliance requirements.

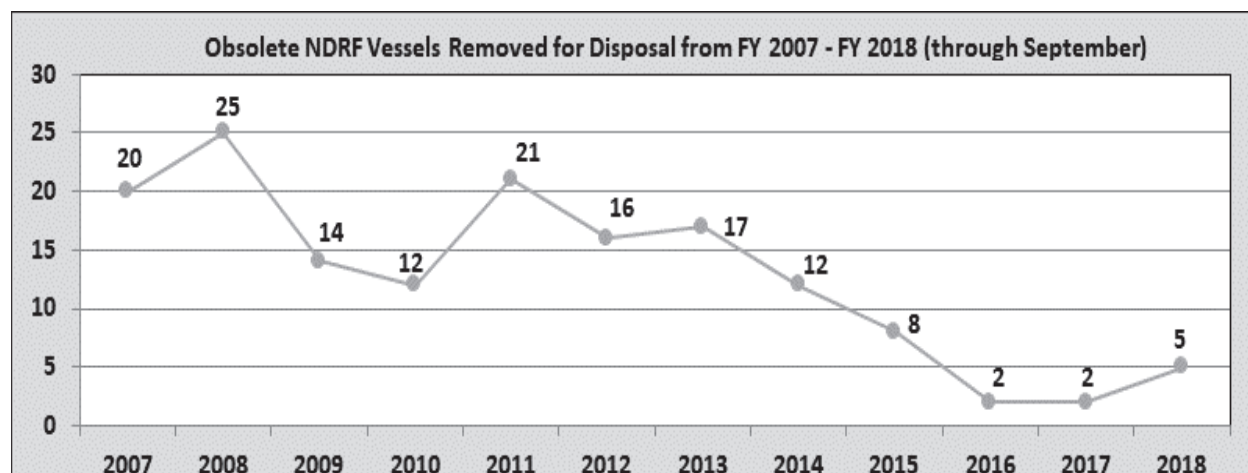
MARAD's Ship Disposal program conducts ship disposal activities, primarily through recycling of obsolete, federally owned merchant-type vessels in a responsible manner to promote worker health and safety, protect the environment and reduce contamination risks at the NDRF fleet anchorages. The disposal 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 procurement of ship recycling services using appropriated funds. Recyclers require months of projected and sustained levels of high scrap steel prices to return to an economical market in which 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 fleet 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. 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 biogeographic locations for vessel disposal through recycling, requires dry-docking and/or in-water hull cleaning of obsolete vessels prior to departure for disposal.¹

During FY 2018, MARAD removed five non-retention vessels from the NDRF for recycling leaving eight non-retention vessels available for disposal at the end of the fiscal year.

¹ Vessels departing the Suisun Bay Reserve Fleet require dry-docking to remove aquatic fouling, while vessels departing the James River Reserve Fleet and the Beaumont Reserve Fleet require in -water hull cleaning.

MARAD also awarded ship-recycling contracts for the disposal of three non-retention vessels, and completed ship recycling contracts for six vessels. From FY 2007 through FY 2018, the program removed a total of 154 non-retention vessels from the various fleet sites as shown in the chart below. In FY 2019, MARAD projects awarding recycling contracts for 2-3 non-retention vessels via a mix of sales and service contracts.



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.

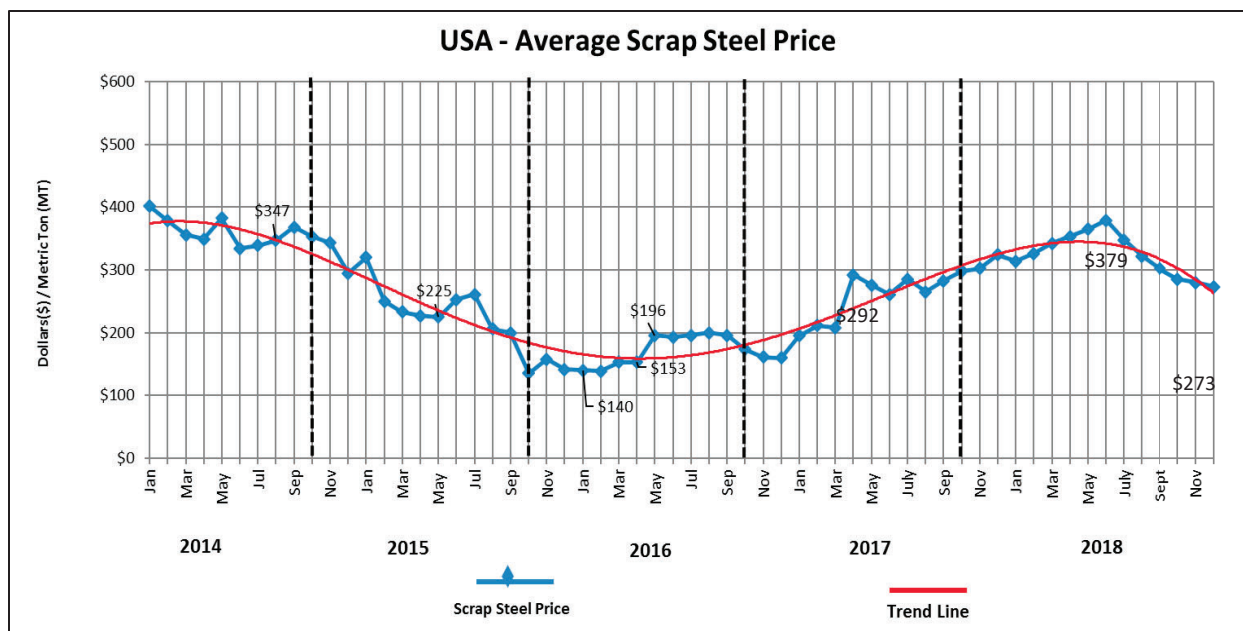
During the historic low period of domestic scrap steel prices, from February 2015 through September 2017, MARAD sold only one vessel for recycling, receiving \$52,000 in sales revenue, while concurrently awarding seven ship recycling service contracts using appropriated funds. Five of the seven vessels were located in the Suisun Bay Reserve Fleet (SBRF), and were removed in compliance with the 2010 California Consent Decree. All 57 non-retention vessels associated with the Consent Decree were removed ahead of schedule.

The domestic scrap steel market has been slow in recovering from its \$135 price per metric ton low in October 2015.² Scrap steel prices remained essentially flat in FY 2016 and into the first quarter of FY 2017. Prices began to rebound in the second quarter of FY 2017, and rose steadily to a peak of \$379 per metric ton in June of 2018.

Since then scrap steel prices have fallen each consecutive month and as of December 2018 stood at \$273 per metric ton. The table below clearly indicates the volatility in scrap metal prices with the average per ton price falling 28% in the six-month period from June through December 2018. Indications are that scrap steel prices may trend lower in the coming months. Continued

² Domestic scrap steel prices fell from \$400 per metric ton in January 2014 to \$135 per metric ton in October 2015.

decreases in the average per ton price for scrap steel erode MARAD's ability to sell ships for recycling. Sufficient appropriations are necessary to procure ship recycling services in an uncertain scrap steel market in order to sustain ship disposal removals from the MARAD fleets.



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

NS SAVANNAH (NSS) LICENSED ACTIVITIES

The \$3 million requested for NSS is allocated to support and manage NRC required protective storage activities during the decommissioning process, and through completion of license termination. These activities include license compliance activities, vessel lay berthing, custodial care, and radiological protection. There is no statutory alternative to appropriations for this purpose. 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 scope of MARAD's protective storage program is the minimum it must accomplish each year until decommissioning is completed. Based on current statutory, regulatory and license conditions, NSS decommissioning and license termination must be completed by December 2031.

The FY 2017 and FY 2018 appropriations bill provided full funding for completion of the decommissioning and license termination activities of the NSS. In FY 2018, MARAD commenced Phase I of the DECON activities, which encompasses a 3-phase, seven-year project culminating in termination of the NRC license and free release of the vessel for final disposition. In April 2018, MARAD awarded a contract for an updated environmental assessment to evaluate potential locations to accomplish DECON. A notice of availability for the draft supplemental environmental assessment will be published in the Federal Register. Completion of the supplemental environmental assessment along with radiological characterization is a pre-requisite to the development and issuance of the DECON contract.

In addition, MARAD has begun the section 106 consultation process for NSS in accordance with the National Historic Preservation Act. Phase I of the project which is a two-year effort is scheduled for completion in late FY 2019. The milestone transition from Phase I to Phase II is the dry-docking activity. The dry-docking will include a suite of radiological component removals from areas that are most efficiently accessed while dry-docked. Completion of the component removals during the dry-docking activity will establish the waste-processing, transportation and disposal protocols to be employed in the heavy dismantlement actions of Phase II.

Funding enacted in the FY 2017 appropriations fully funds Phase I. When Phase I is complete, MARAD expects that subsequent heavy dismantlement action of the Phase II work will be largely confined to the reactor compartment itself.

Funding enacted in the FY 2018 appropriations provided full funding to complete all remaining DECON activities for Phase II and III. Phase II is nominally planned for four years, and includes the controlled heavy industrial and radiological dismantlement actions for the removal of the reactor core and associated equipment, components and structures with resulting waste disposal activities. Phase III is nominally planned for one year and is the license termination period, wherein the NRC conducts independent confirmatory surveys and inspections culminating in the termination of the NRC license and free release of the vessel to MARAD for final disposition.

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

Scrap steel market price volatility requires readily available funding to quickly adapt and procure dry-dock and ship recycling services in the absence of sales of obsolete vessels. Maintaining a consistent rate of obsolete vessel removals 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 also help to maintain the unique infrastructure of the domestic ship recycling industry base in the U.S., strengthening the workforce and stimulating economic growth and vitality. Additionally, scrap metals recycled from the vessels provide a cheaper raw material resource in lieu of importing scrap steel from foreign competitors or mining iron ore to make new steel products. The scrap metal commodity allows U.S. steel mills to lower their raw material costs, improve efficiencies and maintain a competitive edge in the market place. The benefit to the American taxpayer of a sustainable Federal ship recycling program is reduced consumer prices, a sustainable U.S. based ship recycling industry, and public safety.

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

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MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, \$300,000,000, to remain available until expended: *Provided*, That of the unobligated balances of funds made available under this heading by previous appropriations, \$25,000,000 is hereby permanently cancelled: *Provided further*, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency or disaster relief requirement pursuant to the concurrent resolution on the budget or the Balanced Budget and Emergency Deficit Control Act of 1985.

Note.—A full-year 2019 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, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

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 \$300 million for the Maritime Security Program.

EXHIBIT III-1

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

	<u>FY 2018</u> <u>ACTUAL</u>	<u>FY 2019</u> <u>ANNUALIZED CR</u>	<u>FY 2019</u> <u>ENACTED</u>	<u>FY 2020</u> <u>REQUEST</u>	<u>CHANGE</u> <u>FY 2019-2020</u>
Maritime Security Program	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
FTEs					
Direct Funded	-	-		-	-
Reimbursable, Allocated, Other	-	-		-	-

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

**FY 2011 - FY 2020
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
2011	174,000	173,652 ^{1/}
2012	174,000	174,000
2013	184,000	160,289 ^{2/}
2014	208,000	186,000
2015	211,000	186,000
2016	211,000	210,000
2017	211,000	300,000
2018	210,000	300,000
2019	214,000	300,000
2020	300,000	

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

2/ This amount reflects FY 2013 sequestration reductions.

**DETAILED JUSTIFICATION
FY 2020 Budget Request**

MARITIME SECURITY PROGRAM (MSP)

(\$000)

Program Activity	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	FY 2020 Request
Maritime Security Program	300,000	300,000	300,000	300,000
Total	\$300,000	\$300,000	\$300,000	\$300,000

For FY 2020, the Maritime Security Program (MSP) requests \$300 million, consistent with the FY 2019 enacted, and fully authorized levels for the program. This funding will support continued operation of the authorized number of 60 vessels enrolled in the program at \$5 million per ship. Additionally, MARAD proposes a cancellation of \$25 million in MSP unobligated balances from previous appropriations for the program.

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

Established by the Maritime Security Act of 1996, the MSP is a critical national security program. The FY 2020 request of \$300 million for MSP provides the U.S. Department of Defense (DoD) with assured access to a fleet of 60 militarily useful U.S.-flagged commercial ships, along with the multibillion-dollar global network of intermodal facilities, services, and transport systems maintained by MSP participants. For the U.S. Government to operate 60 government-owned ships over the long term would cost tens of billions of dollars. The MSP provides employment for approximately 2,400 trained, skilled U.S. Merchant Mariners needed to crew the U.S. Government-owned surge sealift fleet in times of war or national emergency. The MSP also supports up to 5,000 additional shore-side maritime industry jobs. 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.

The MSP supports the Department's priorities to invest in infrastructure to ensure transportation mobility and accessibility, while also contributing to 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 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. The program also ensures that the United States maintains a presence in international commercial shipping, while safeguarding America's role as a leader in the development of international maritime standards.

The ships in the MSP fleet have supported every U.S. conflict since 1997 by making sustainable sealift and intermodal capacity available to the Department of Defense through direct contract or charter arrangements. MSP ships carried the majority of 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. The MSP funding ensures their ongoing availability to meet national emergencies or DoD contingency requirements.

MARAD commissioned an impact evaluation¹ 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.

Most recently, The United States Government Accountability Office (GAO) completed a study of MSP² in August 2018, which validated the program's value to the Nation and national security.

The MSP replaced a costlier operating differential subsidy program. The MSP provides fixed annual payments that enable participating carriers to operate successfully under 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. Without a sufficient number of U.S.-flag vessels, DoD would have to rely more on foreign-owned, foreign registered, and foreign-crewed vessels to meet sealift requirements, leaving U.S. military assets vulnerable and presenting a national security risk. The MSP program also ensures that the global intermodal assets of current U.S.-flag ship operators will be readily available to DoD. A requirement for entry into the MSP is that carriers commit both vessel capacity and intermodal resources to MARAD's emergency preparedness programs.

In FY 2018, 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 product tankers. Overall, the MSP fleet's militarily useful capacity continues to be at the highest level in the program's history. MARAD will continue efforts in FY 2019 to maintain the unique mix of militarily useful MSP vessels needed to meet projected DoD contingency needs. Program accomplishments anticipated in FY 2020 include the ongoing implementation of recent changes in MSP Operating Agreements to improve the quality of the MSP fleet and ensure the retention of modern and efficient U.S.-flagged ships with U.S. citizen crews.

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

² United States Government of Accountability Office, DOT Needs to Expediently Finalize the Required National Maritime Strategy for Sustaining U.S.-Flag Fleet, August 2018.

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

The MSP is a national security program 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 requirements in times of war or national emergency.

A major benefit of the MSP is the program's self-recapitalization feature. MSP operators are encouraged to replace vessels in the MSP with newer, more capable ships, and must replace vessels reaching age-out limits under the program. Since 2005, MSP operators have replaced older vessels with more than 75 newer ships. The average age of the current MSP fleet is 13.5 years old. (In contrast, the average age of vessels in the Ready Reserve Force managed by MARAD exceeds 40 years.)

The MSP program supports the Secretary'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 less than 15 years old (10 years for tankers) and must be found by MARAD to be commercially viable and by the U.S. Transportation Command (USTRANSCOM) to be militarily useful. MARAD continuously looks to secure newer, more militarily useful vessels with higher capacities for service in the MSP fleet.

The MSP continues to provide cost-effective support to maintain logistic management services, port terminal facilities, and intermodal assets of commercial ship operators to meet national defense and other emergency sealift requirements. Congress has recognized that the MSP provides the United States with a sealift fleet capacity, including transporting critical military equipment and supplies during times of conflict, national emergencies, and other contingency situations. This funding also provides the availability of a global logistical support network of capabilities access that would cost the government many billions of dollars in capital to replicate, including intermodal facilities to unload and transport the cargo to the required destination on the ground; and ensures mariners are available when needed for these missions. MSP participants are continuously developing, maintaining, and upgrading their global logistical support systems.

MARAD is tasked to promote the development of a U.S. Merchant Marine sufficient to meet the Nation's needs in both peace and war. The MSP helps address MARAD's identified Enterprise Risk Management risk for shortage in U.S.-flag ships and U.S. Coast Guard-licensed Mariners with unlimited tonnage credentials. To adequately respond to a range of contingencies, the United States requires a modern fleet of U.S.-flag ships manned by trained, experienced American mariners.

The United States must also, to the greatest extent possible, maintain control over its own trade, as reliance on foreign-flag ships to carry the Nation's commerce may expose the country to significant strategic risk. National Security Directive 28 states that the United States must be prepared to respond unilaterally to security threats in geographic areas not covered by alliance commitments, and that sufficient U.S.-owned sealift resources must be available to meet the requirements for such unilateral response. The MSP helps meet these requirements.

The DoD has consistently supported the 60-ship MSP fleet as necessary to fulfill DoD's sealift requirements. Without the full authorized level funding, MSP operators could decide that they cannot economically operate under the U.S. flag, leave the MSP, and replace their U.S.-flag vessels with foreign-flag vessels. If MSP operators decided to adopt this course of action and leave the program, DoD would not only lose assured access to their ships but also to the entire intermodal network maintained by those MSP participants. 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.

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.

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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.

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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 GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

Note.—A full-year 2019 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, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

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 United States.

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

In FY 2020, the Title XI program is proposed for elimination and the management of the existing loan guarantee portfolio and program will be administered by the Office of the Secretary's National Surface Transportation and Innovative Finance Bureau.

EXHIBIT III-1

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

	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>	<u>CHANGE FY 2019-2020</u>
Maritime Guaranteed Loan					
Program	30,000	30,000	3,000	-	-3,000
Total	30,000	30,000	3,000	-	-3,000
FTEs					
Direct Funded 1/	[14]	[14]	[14]	[-]	[-14]
Reimbursable, Allocated, Other	-	-	-	-	-

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

**FY 2011 - FY 2020
Main Table - (\$000)**

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

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

**FY 2011 - FY 2020
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2016	Guarantee Subsidy		5,000
	Administration	3,135	3,135
	TOTAL	3,135	8,135
2017	Guarantee Subsidy	-	-
	Administration	3,000	3,000
	Cancellation of Unobligated Balance	-5,000 4/	-
	TOTAL	-2,000	3,000
2018	Guarantee Subsidy	-	27,000
	Administration	-	3,000
	TOTAL	-	30,000
2019	Guarantee Subsidy	-	-
	Administration	-	3,000
	TOTAL	-	3,000
2020	Guarantee Subsidy	-	-
	Administration	-	-
	TOTAL	-	-

Footnotes (Actual Dollars - not in thousands):

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

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

3/ This amount reflects FY 2013 sequestration reductions.

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

**DETAILED JUSTIFICATION
FY 2020 Budget Request**

MARITIME GUARANTEED LOAN PROGRAM

(\$000)

Program Activity	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted	FY 2020 Request
Administrative Expenses	3,000	3,000	3,000	0
Loan Guarantees	27,000	27,000	0	0
Total	\$30,000	\$30,000	\$3,000	\$0

For FY 2020, no funding is requested for the Maritime Guaranteed Loan Program (Title XI). The FY 2020 Budget proposes to move the administration of the Title XI program from the Maritime Administration (MARAD) to the National Surface Transportation and Innovative Finance Bureau. The Budget does not request additional budget authority for this program. 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.

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.

In 2020, the Maritime Guaranteed Loan (Title XI) program is proposed for elimination and the management of the existing loan guarantee portfolio and program will be administered by the Office of the Secretary's National Surface Transportation and Innovative Finance Bureau.

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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.

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FY 2020 Budget

Maritime Administration Information Technology Budget Narrative

(Budget Authority in Thousands)

Budget Account	FY 2018 Enacted*	FY 2019 Annualized CR*	FY 2020 Request*
MARAD O&T – HQ Direct	\$8,853	\$9,656	\$10,108
<i>Commodity IT SS WCF</i>	<i>\$4,361</i>	<i>\$4,540</i>	<i>\$7,071</i>
<i>Programmatic IT SS WCF</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,948</i>
<i>MARAD HQ Programmatic IT</i>	<i>\$4,492</i>	<i>\$5,116</i>	<i>\$1,089</i>
MARAD O&T - USMMA	\$8,339	\$12,379	\$10,031
<i>Commodity IT SS WCF</i>	<i>\$0</i>	<i>\$0</i>	<i>\$5,235</i>
<i>Programmatic IT SS WCF</i>	<i>\$0</i>	<i>\$0</i>	<i>\$2,553</i>
<i>USMMA Programmatic IT</i>	<i>\$8,339</i>	<i>\$12,379</i>	<i>\$2,243</i>
MARAD Reimbursable - RRF	\$5,888	\$6,303	\$6,633
<i>Commodity IT SS WCF</i>	<i>\$0</i>	<i>\$0</i>	<i>\$2,378</i>
<i>Programmatic IT SS WCF</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,747</i>
<i>RRF Programmatic IT</i>	<i>\$5,888</i>	<i>\$6,303</i>	<i>\$2,508</i>
Total	\$23,080	\$28,338	\$26,772

*Includes funding from non-appropriated sources, including reimbursable RRF, USMMA Capital Improvement Projects (CIP), and Vessel Operations Revolving Fund (VORF).

The Maritime Administration (MARAD) is requesting **\$26.8 million** in FY 2020 for information technologies that support the full spectrum MARAD programs as well as the Department's initiative to transform and consolidate the management of certain IT solutions centrally by the Office of the Chief Information Officer (OCIO).

Commodity IT Shared Services through the WCF

OCIO will continue to provide MARAD commodity IT shared services in FY 2020. MARAD's share was based on actual commodity IT consumption in prior years as well as planned future consumption. OCIO, in collaboration with MARAD, assumed a one-to-one cost estimate to transition all commodity IT to OCIO. MARAD will only be charged for services rendered. MARAD requests the following commodity IT shared services in FY 2020, totaling **\$14.7 million**.

- **Commodity IT Shared Services** - MARAD requests **\$7.1 million** from the Headquarter (HQ) Operations and Training (O&T) account, **\$5.2 million** from the USMMA account, and **\$2.4 million** from the Ready Reserve Force (RRF) reimbursable programs account for its share of Department investments in Cybersecurity and commodity information technology including voice, cable, and networks, desktop services, server operations,

directory and messaging services, enterprise licensing and enterprise dashboards.

Programmatic IT Shared Services through the WCF

In addition to OCIO's responsibility to manage IT modernization planning, operations, compliance, governance, and cyber, OCIO will begin to transfer MARAD programmatic IT investments in FY 2020. OCIO, in conversation with MARAD, identified specific programmatic IT systems for transfer that focus on general support systems, IT management and registration. MARAD will only be charged for services rendered. MARAD requests **\$6.2 million** to transfer to OCIO to provide the following programmatic IT investments in FY 2020:

- **Programmatic IT Shared Services** – MARAD requests **\$1.9 million** from the HQ O&T account, **\$2.6 million** from the USMMA, and **\$1.7 million** from the RRF account to contribute to OCIO's consolidation, cyber compliance, and modernization of mission support IT systems and applications. This includes registration systems that collect and process required information to register an entry and provide a result to the program owner. Specific systems identified for transition are portions of the U.S. Merchant Marine Academy LAN, Common Operating Environment, Common Computing Intranet/SharePoint, Mariner Outreach System (MOS), MS Access Databases, and IT Security.

Full Time Equivalents

- **Full Time Equivalents** – As part of the consolidation of IT functions under the WCF, MARAD will transfer **9 FTE** supporting IT to the OCIO in FY 2020.

MARAD IT Investments

The following are some of the programmatic IT investments that will be maintained by MARAD in FY 2020:

- **Cargo Preference Overview System** - MARAD requests **\$58 thousand** in Operations and Maintenance (O&M) to support development and delivery of the Cargo Preference Overview System (CAPOS). Funding of the CAPOS enables MARAD to improve U.S.-flag vessels' share of U.S. trade and access to foreign markets, as the CAPOS improves: average time for report generation; data accuracy for data entry; and expedites international preference cargo tracking.
- **Electronic Invoice System** - MARAD requests **\$209 thousand** to support development and delivery of the Electronic Invoice System (EIS). Funding of the is essential to the achievement of MARAD's objective to improve invoice processing capabilities to support office of ship operations and ship managers effectively, as the EIS enables MARAD to expedite invoice approval flow for prompt payment; reduce interest payments; increase number of invoices processed; increase accuracy of invoice information; increase automation of business support capabilities regarding ship

managers' invoices.

- **Maritime Service Compliance System** - MARAD requests **\$209 thousand** to support development and delivery of the Maritime Service Compliance System to complete annual compliance reports, improve the accuracy of information, and track related compliance requirements required by the U.S. Merchant Marine Academy and Student Intensive Payment Program.
- **Purchase Card Reconciliation System** - MARAD will invest **\$170 thousand** to support development and delivery of the Purchase Card Reconciliation System (PCRS). Funding of the Purchase Card Reconciliation System (PCRS) is essential to the achievement of MARAD's objective to monitor and track purchase card expenditures prior to re-allocating transaction costs in the U.S. Bank Online Access System, as the PCRS enables MARAD to improve system availability; improve automation of the business-related functionality.
- **Ready Reserve Force (RRF) Support** - MARAD requests **\$2.0 million** in reimbursable RRF funding to support development and delivery of the RRF Management System (RMS) Suite: Nautical System Enterprise (NSE), Excess Property Processing (EPP), Ship Manager Performance Evaluation and Appraisal System (SM-PEAS), and Vessel History. Funding of the RMS NSE is essential to the achievement of MARAD's objective to ensure readiness by providing RMS users with the capability to plan and conduct maintenance and logistics actions, and purchase parts and services utilizing a workflow capability.

EPP is essential to maintaining an accurate inventory of excess material and their associated costs and whether they're donated or disposed.

SM-PEAS provides standardization in the evaluation, appraisal and documentation of performance providing Ship Manager Management with consistent and timely information. It supports the award term incentive program under the performance-based Ship Manager contract.

- **USMMA Comprehensive Academic Management System** - MARAD will invest **\$356 thousand** to support development and delivery of the USMMA Comprehensive Academic Management System (CAMS). Funding of the CAMS is essential to the achievement of MARAD's objective to provide comprehensive automated support for admissions, financial aid, academic records, student records, student finance, campus housing, student affairs, web portal access as the USMMA CAMS enables MARAD to improved enterprise resource planning functionality regarding finance, housing, student affairs and online access to required admission information.
- **USMMA Marine Simulation Systems** - MARAD will invest **\$448 thousand** to support development and delivery of the USMMA Simulation Systems.

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