U.S. Department of Transportation

BUDGET ESTIMATES

FISCAL YEAR 2010

MARITIME ADMINISTRATION

SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS

DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2010

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DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2010

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FY 2010

Maritime Administration

Performance Budget Estimates

SECTION 1

Overview

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MARITIME ADMINISTRATION
Overview

The Maritime Administration (MARAD) has a three-pronged mission. MARAD programs advance: (1) economic growth and recovery by providing job-producing businesses with efficient transportation options to reach their suppliers and customers, (2) marine transportation that is sensitive to environmental impacts on communities, and (3) a vital, viable, safe, and secure U.S. merchant marine for commerce, emergency response, and national security.

Maritime transportation contributes more than $10 billion per year to the economy. MARAD's work with ships and shipping, shipbuilding, port operations, and vessel operations supports the maritime industry, which is a significant employer. MARAD's Title XI and Assistance to Small Shipyards programs provide grants supporting the industry, which can be an engine for capacity and economic growth. As waterborne transport provides a cost-effective transportation alternative, it can also help impact congestion in other transportation modes, reduce the cost of goods consumers use every day, and contribute to improving quality of life. The MARAD FY 2010 program includes a Presidential initiative for integrated planning with the Department of Homeland Security to inform development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

The maritime transportation industry is making important changes in its environmental stewardship, with increasing emphasis on sustainability. MARAD programs will support the disposal of obsolete ships from the National Defense Reserve Fleet (NDRF) and management of the inactive Nuclear Ship SAVANNAH. MARAD programs will also work toward the reduction of port and vessel air pollution, further critical multi-modal transportation research to reduce environmental pollution and negative impacts, implement initiatives to reduce agency carbon footprint, and advance ballast water treatment technologies and develop scientific strategies for technology evaluation and verification.

MARAD's programs help ensure the readiness of sealift capacity to respond to national crises and Department of Defense mobilizations. The Maritime Security Program and Ready Reserve Force sustain fleets to meet national security and federal emergency response requirements. The U.S. Merchant Marine Academy and State Maritime Academies educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. In times of conflict, merchant mariners have crewed ships supporting U.S. troops.

Appropriations Account ($000)	**FY 2008 Actual**	**FY 2009 Enacted Omnibus**	**FY 2009 Enacted Total[1]**	**FY 2010 Request**
Operations & Training (O&T)	121,992	123,360	125,360	152,900
Assistance to Small Shipyards	10,000	17,500	115,500	-
Ship Disposal Program	17,000	15,000	15,000	15,000
Maritime Security Program	156,000	174,000	174,000	174,000
Maritime Guaranteed Loans (Title XI)	8,408	3,531	3,531	3,630
TOTAL	**313,400**	**333,391**	**433,391**	**345,530**

MARAD is requesting appropriated funding of $345.5 million for the economic, environmental, and security mission. Following are descriptions of appropriated program priorities for FY 2010.

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

Operations and Training

U.S. Merchant Marine Academy (USMMA)

One of the national service academies, along with West Point, Naval Academy, Air Force Academy, and Coast Guard Academy; the USMMA educates and graduates Merchant Marine Officers who serve the maritime industry and Armed Forces. The FY 2010 request includes $74.5 million, an increase of $13.1 million over FY 2009 enacted. The request includes $1.1 million for current services adjustments, and a program increase of $12.0 million, of which $4.8 million is for Academy Operations and $7.2 million is for the Capital Improvement Program. The increase in Academy Operations will compensate for non-appropriated funding sources no longer available for mission-related activities, and will establish for the Academy a sufficient appropriated funding base. The requested increase of $7.2 million for capital improvements will augment capital investment funding to $15.4 million, allowing for significant deferred renovations of Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities. The deteriorated condition of the pier could present safety implications if not remedied.

State Maritime Academies (SMA)

Federal support of mariner education provides training to prepare highly qualified personnel for careers in the merchant marine and maritime transportation industry. Trained mariners are also needed and called upon to safely operate U.S.-flag cargo vessels and perform critical maritime-related functions in a national emergency. The SMA program contributes over half of the entry-level licensed mariners trained annually. The FY 2010 request for SMA includes $15.6 million, an increase of $1.1 million from the FY 2009 enacted level. MARAD's FY 2010 request includes funds for: the Student Incentive Payment (SIP) program, payment of training ship maintenance and repair costs for Federally-owned training ships on loan to the SMA, and annual direct payments to each of the six state maritime academies.

MARAD Operations

For FY 2010, $62.8 million is requested for MARAD Operations, $15.3 million above the FY 2009 enacted level. The FY 2010 request highlights a program increase of $15 million for a Presidential Initiative to support integrated planning with the Department of Homeland Security for development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

MARAD Operations will also fund FY 2010 program support for Environment and Compliance (Safety, Security, and Environment programs), Intermodal System Development (Port Development and Marine Highway programs), National Security (Maritime Security Program, Ship Disposal, Ready Reserve Force, and War Risk Insurance programs), Business and Workforce Development (Title XI, Cargo Preference, State Maritime Academy, and Assistance to Small Shipyard programs), and agency support activities (human resource management, information management, and financial management). The request also includes current services adjustments to the FY 2009 base, and a program reduction of $2.0 million for the Maritime Transportation System (MTS) and other program support operations.

Ship Disposal

MARAD maintains the National Defense Reserve Fleet (NDRF) as a reserve of ships for defense and national emergencies. When ships are no longer considered useful for defense or aid missions, the Maritime Administration serves as the U.S. Government's agent for their responsible disposal. MARAD continues to pursue alternative disposal methods, such as artificial reefing initiatives, with other Federal agencies to minimize impact on the human and natural environment. The budget request also includes funding to continue nuclear license management for the inactive Nuclear Ship SAVANNAH. The FY 2010 request includes $15.0 million, no increase over the FY 2009 enacted, to continue to remove obsolete ships from the NDRF for disposal. The budget request also includes $3 million in funding to continue nuclear license management for the inactive Nuclear Ship SAVANNAH.

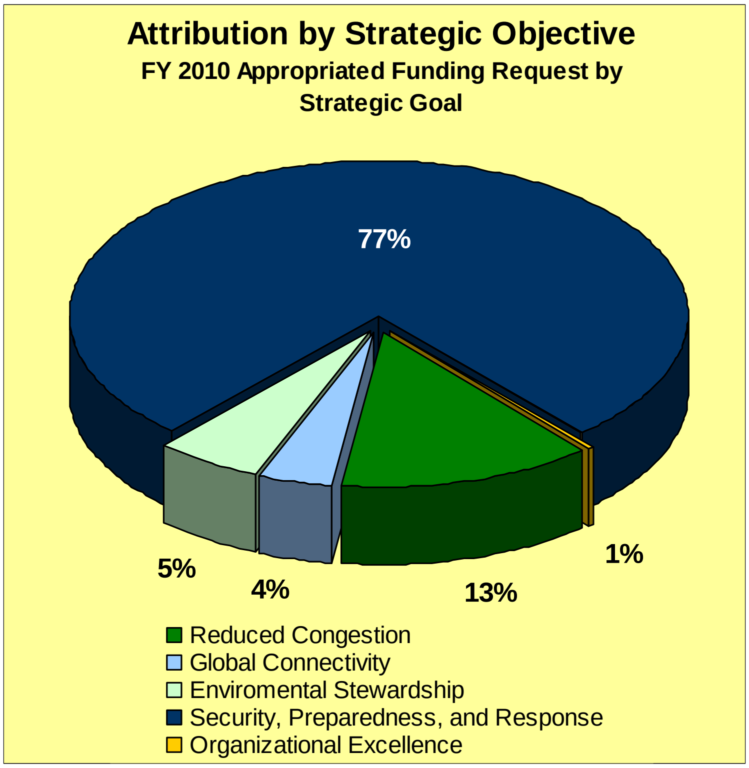
Maritime Security Program (MSP)

For defense and emergency response preparedness, the MSP maintains a commercially-viable and militarily-useful U.S.-flag international commercial fleet. The FY 2010 request includes $174.0 million, no increase over FY 2009 enacted, providing for payments of $2.9 million per ship, as authorized by the National Defense Authorization Act for Fiscal Year 2004. MARAD will continue to retain a fleet of 60 active vessels to meet national defense requirements. The MSP, together with the Voluntary Intermodal Sealift Agreement (VISA) program, the RRF, and War Risk Insurance, assures DOD access to ships and crews during DOD mobilizations, and helps ensure the efficient flow of military cargo through commercial ports.

Maritime Guaranteed Loan Program (Title XI)

Title XI offers loan guarantees for shipyard modernization projects and for building vessels in U.S. shipyards for operation under U.S. flag, supporting infrastructure investment and economic growth. The program helps by providing applicants long-term financing at stable interest rates, sustaining efficient facilities for shipbuilding and ship repair within the U.S., and promoting system capacity and jobs. The FY 2010 request provides $3.6 million, an increase of $0.1 million over the FY 2009 enacted, to maintain the administration of the Title XI guaranteed loan portfolio. Program costs consist of salaries and benefits, a share of MARAD Headquarters operational costs such as rent, utilities, etc. No subsidy funds are requested for FY 2010.

MARITIME ADMINISTRATION
Attribution of Appropriated Funds Request by Strategic Goal



MARAD's appropriated budget supports five DOT strategic goals. The largest share of the agency budget supports Security, Preparedness, and Response. At approximately 77%, it is by far the agency's primary mission. Approximately 13% of the appropriated budget supports Reduced Congestion, 5% supports Environmental Stewardship, 4% supports Global Connectivity, and 1% supports Organizational Excellence.

MARITIME ADMINISTRATION
The Comprehensive MARAD Program

MARAD's overall mission includes significant program activities funded from sources other than its annual appropriation. MARAD receives funds via interagency agreements, transfers and allocations to support the programs of a number of Departments and agencies, including Department of Defense (DOD)/U.S. Navy, Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and others. In FY 2009, while the agency's appropriations totaled $433 million, the table below illustrates that the total program scope was over $1.2 billion.

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

Accounts	FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate
Annual Appropriations	313,400	433,391	345,530
Maritime Guaranteed Loan Program – Subsidy Reestimate	276	55,619	
Ocean Freight Differential	201,726	175,000	175,000
Gifts and Bequests	161		
Special Studies, Services, and Projects	88,842	5,000	5,000
Ship Financing Loan Guarantee Program – Reimbursable Authority		48,000	
Vessel Operations Revolving Fund – Reimbursable Authority	382,750	458,200	458,200
Operations & Training – Reimbursable Authority	77,565	28,000	28,000
Operations & Training – Transfers	7,746		
FHWA Allocations	7,183	43,000	
Totals	**1,079,649**	**1,246,210**	**1,011,730**

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

Maritime Guaranteed Loan Program—Subsidy Reestimates

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

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

Ocean Freight Differential

The Ocean Freight Differential program works to promote and facilitate a U.S. maritime transportation system that is accessible and efficient in the movement of goods and people. It oversees the administration of and compliance with U.S. cargo preference laws and regulations. Those laws require shippers to use U.S.-flag vessels to transport any government-impelled oceanborne cargoes. The ocean freight revenue provided to the entire U.S. flag merchant fleet by the cargo preference program provides an economic incentive to remain under U.S. flag to support the mobility of our goods and people, and our economic and capacity and defense needs. No appropriated funding is requested for FY 2010. MARAD requests an estimated $175.0 million in new borrowing authority for FY 2010 to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels, in accordance with the Food Security Act of 1985.

Gifts And Bequests

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

Special Studies

MARAD may receive funding from non-Federal sources, including states, municipalities, and private entities for collaborative, cost-sharing efforts advancing maritime missions.

Ship Financing Loan Guarantee Program

For FY 2009 MARAD received $48 million, as indicated in the DOD appropriations act report, via interagency agreement from DOD for new Maritime Guaranteed Loan subsidies.

Vessel Operations Revolving Fund

MARAD is authorized to activate, maintain, operate, and deactivate government-owned merchant vessels comprising the National Defense Reserve Fleet (NDRF) and the Ready Reserve Force (RRF), a subset of the NDRF. MARAD incurs similar obligations for government-owned merchant vessels outside the RRF fleet, the cost of which is likewise provided by reimbursement from sponsoring federal agencies.

The fund is also used for financing the acquisition, maintenance, preservation, protection, and use of merchant vessels involved in mortgage foreclosure or collateral forfeiture proceedings instituted by the federal government and not financed by the Federal Ship Financing Fund or the Maritime Guaranteed Loan Program; and to finance the acquisition and disposition of merchant vessels under the Trade-In/Scrap-Out program.

Ready Reserve Force (RRF)
The RRF is the major component of the VORF account. The RRF program was initiated in 1976 as a subset of the Maritime Administration's National Defense Reserve Fleet (NDRF) to support the rapid worldwide deployment of U.S. military forces. As a key element of Department of Defense (DOD) strategic sealift, the RRF primarily supports transport of Army and Marine Corps unit equipment, combat support equipment, and initial resupply during the critical surge period before commercial ships can be marshaled. The RRF provides nearly one-half of the government-owned surge sealift capability.

When the RRF program first began there were only 6 ships; however, today the program consists of 50 well maintained ships including: 35 roll-on/roll off (RO/RO) vessels, 4 heavy lift or barge carrying ships, 6 auxiliary crane ships, 1 tanker, 2 aviation repair vessels and 2 special mission ships. Two RRF ships are home ported in the NDRF anchorage in Beaumont, Texas and one is located in the Suisun Bay anchorage in California. The balance is berthed at various U.S. ports. With funding from the DOD budget, the RRF program retains commercial U.S. ship managers to provide systems maintenance, equipment repairs, logistics support, activation, manning, and operations management under contract. In FY 2009, U.S. Navy funding for the RRF program was $277 million.

Operations & Training Reimbursables

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

Operations & Training Transfers

FHWA and FTA transfer funding to MARAD to support port and terminal infrastructure development projects. MARAD provides federal oversight and coordination of projects, to act as a central procurement organization, leveraging federal and non-federal funding resources, and streamlining the environmental review and permitting process. MARAD is advancing port development projects in Hawaii, Anchorage, and Guam. The Hawaii project involves the demolition of a shed and re-shaping a pier, allowing that pier to be more efficiently utilized for cargo operations to be completed in September 2009, with additional projects under this program in later phases. The Anchorage project is a major redevelopment and expansion of the existing port facility and is projected to be completed in 2013. The Guam project will see the substantial improvement of the Jose D. Leon Guerrero Commercial Port to provide modern and efficient transportation access to the island of Guam and to the region to meet the Department of Defense requirements for the Guam build-up.

FHWA Allocations

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

U.S. Department of Transporation

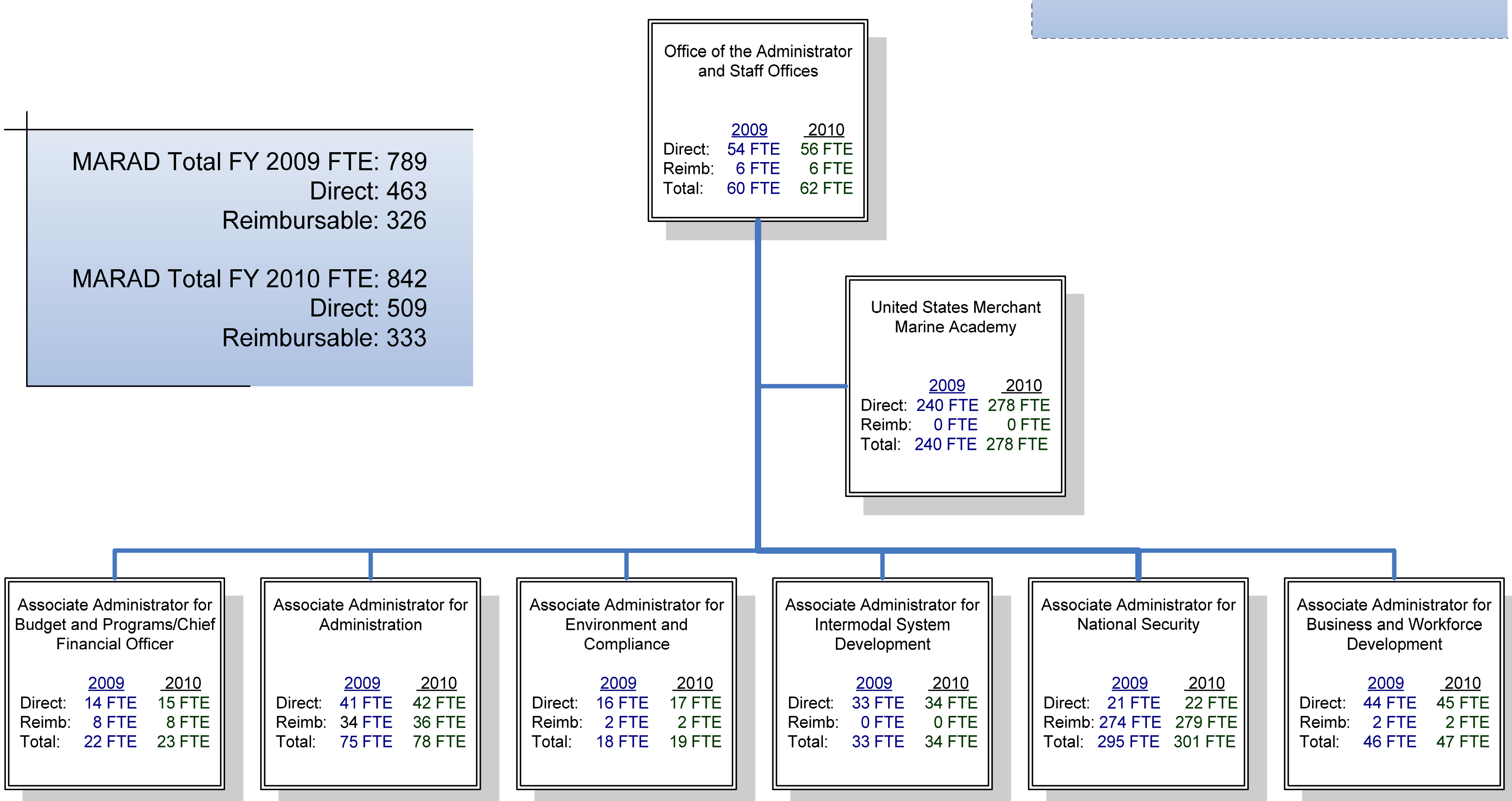
Maritime Administration

Organizational Chart - FTE

FY 2009 – FY 2010

MARAD Total FY 2009 FTE: 789
Direct: 463
Reimbursable: 326

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



U.S. Department of Transporation

Maritime Administration

Organizational Chart - FTP

FY 2009 – FY 2010

MARAD Total FY 2009 FTE: 842
Direct: 509
Reimbursable: 333

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

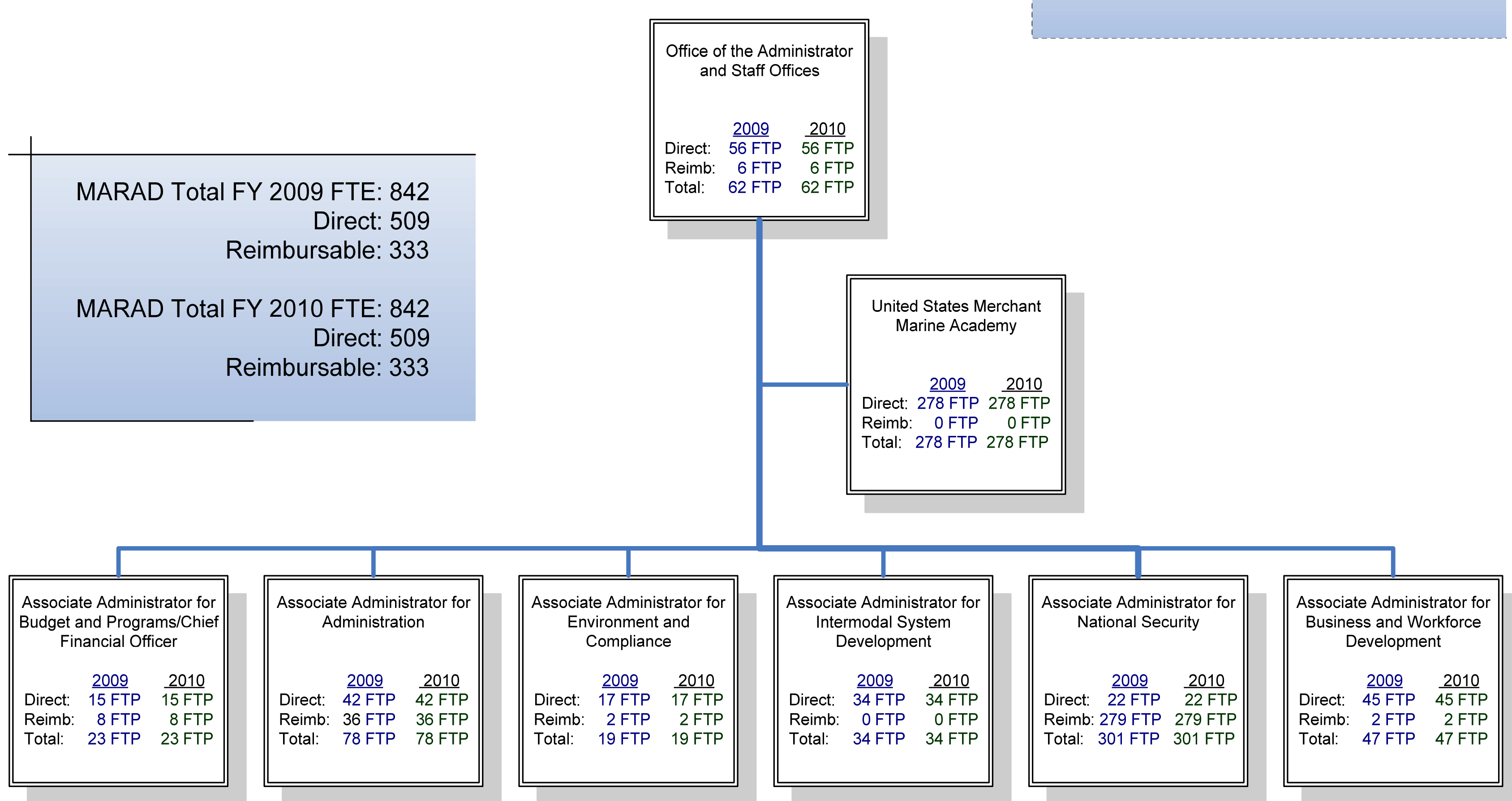


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EXHIBIT II-1
COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
Budget Authority
($000)

ACCOUNT NAME	FY 2008 ACTUAL	FY 2009 ENACTED OMNIBUS	FY 2009 ENACTED TOTAL		FY 2010 REQUEST
Operations and Training	121,992	123,360	123,360		152,900
Operations and Training, ARRA [Transfer]	-	-	2,000	1/	-
Assistance to Small Shipyards	10,000	17,500	17,500		-
Assistance to Small Shipyards, ARRA	-	-	98,000	1/	-
Ship Disposal Program	17,000	15,000	15,000		15,000
Maritime Security Program	156,000	174,000	174,000		174,000
Ship Construction	-6,673	-1,383	-1,383		-
Ocean Freight Differential	201,726	175,000	175,000		175,000
Maritime Guaranteed Loan Prog.(Title XI)	8,684	59,150	59,150		3,630
Administrative Expenses	3,408	3,531	3,531		3,630
Loan Guarantees	5,000	-	-		-
Subsidy Reestimate	276	55,619	55,619		-
Gifts and Bequests	161	-	-		-
Special Studies, Services and Projects	88,842	5,000	5,000		5,000
TOTALS	**597,732**	**567,627**	**667,627**		**525,530**

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

EXHIBIT II-2
FY 2010 BUDGET REQUEST BY APPROPRIATIONS ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

ACCOUNT NAME	FY 2008 ACTUAL	FY 2009 ENACTED OMNIBUS	FY 2009 ENACTED TOTAL		FY 2010 REQUEST
1. Operations and Training					
A. U.S. Merchant Marine Academy	62,747	61,358	61,358		74,448
B. State Maritime Academies	13,181	14,500	14,500		15,640
C. MARAD Operations	46,064	47,502	47,502		62,812
Subtotal O&T	121,992	123,360	123,360		152,900
2. Operations and Training, ARRA [Transfer]	-	-	2,000	1/	-
3. Assistance to Small Shipyards	10,000	17,500	17,500		-
4. Assistance to Small Shipyards, ARRA	-	-	98,000	1/	-
5. Ship Disposal Program					
A. Ship Disposal	14,000	12,000	12,000		12,000
B. NS SAVANNAH	3,000	3,000	3,000		3,000
Subtotal Ship Disposal	17,000	15,000	15,000		15,000
6. Maritime Security Program	156,000	174,000	174,000		174,000
7. Maritime Guaranteed Loans (Title XI)					
A. Administrative Expenses	3,408	3,531	3,531		3,630
B. Loan Guarantees	5,000	-	-		-
Subtotal Title XI	8,408	3,531	3,531		3,630
TOTALS	**313,400**	**333,391**	**433,391**		**345,530**

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

EXHIBIT II-3
FY 2010 BUDGET REQUEST BY APPROPRIATION ACCOUNT AND STRATEGIC GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL	REDUCED CONGESTION	GLOBAL CONN.	ENVIRON. STEWARD.	SECURITY PREPAREDNESS AND RESPONSE	ORG. EXCELL.	TOTAL
Operations and Training						
U.S. Merchant Marine Academy	-	-	-	74,448	-	74,448
State Maritime Schools	-	-	-	15,640	-	15,640
MARAD Operations	42,593	13,178	4,047	1,532	1,035	62,385
E-Government						
MARAD Operations	-	-	-	-	427	427
Ship Disposal						
Ship Disposal	-	-	15,000	-	-	15,000
Maritime Security Program						
Maritime Security	-	-	-	174,000	-	174,000
Maritime Guaranteed Loan Program (Title XI)						
Administrative Expenses	3,630	-	-	-	-	3,630
TOTAL REQUEST	46,223	13,178	19,047	265,620	1,462	345,530
FTE (direct funded only)	68	19	28	379	15	509

EXHIBIT II-3A
FY 2010 INFORMATION TECHNOLOGY (IT) BUDGET REQUEST BY IT INVESTMENT AND STRATEGIC GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL	REDUCED CONGESTION	GLOBAL CONN.	ENVIRON. STEWARD.	SECURITY PREP. AND RESPONSE	ORG. EXCELL.	TOTAL
Operations and Training						
MARAD Operations						
IT Baseline	711	689	125	1,268	-	2,792
Reduced Impediments to the Efficient Movement of Freight	711	-	-	-	-	711
Enhanced Competitiveness and Efficient Cargo Movement	-	689	-	-	-	689
Reduced Pollution and Other Adverse Environmental Effects	-	-	125	-	-	125
Defense Mobilization	-	-	-	1,268	-	1,268
IT Consolidation	652	1,672	168	1,359	292	4,143
Reduced Impediments to the Efficient Movement of Freight	652	-	-	-	-	652
Enhanced Competitiveness and Efficient Cargo Movement	-	1,672	-	-	-	1,672
Reduced Pollution and Other Adverse Environmental Effects	-	-	168	-	-	168
Defense Mobilization	-	-	-	1,359	-	1,359
Strategic Management of Human Capital	-	-	-	-	42	42
Improved Financial Performance	-	-	-	-	126	126
E-Government	-	-	-	-	125	125
E-Government	-	-	-	-	427	427
E-Government	-	-	-	-	427	427
Enterprise Architecture and IT Security	227	220	40	404	-	890
Reduced Impediments to the Efficient Movement of Freight	227	-	-	-	-	227
Enhanced Competitiveness and Efficient Cargo Movement	-	220	-	-	-	220
Reduced Pollution and Other Adverse Environmental Effects	-	-	40	-	-	40
Defense Mobilization	-	-	-	404	-	404
TOTAL REQUEST	1,589	2,580	333	3,030	292	8,252
FTE (direct funded only)	-	-	-	-	-	-

EXHIBIT II-4
FY 2010 BUDGET REQUEST BY ACCOUNT
MARITIME ADMINISTRATION
Budget Authority
($000)

ACCOUNTS		FY 2008 ACTUAL	FY 2009 ENACTED OMNIBUS	FY 2009 ENACTED TOTAL		FY 2010 REQUEST
Operations and Training	D	121,992	123,360	123,360		152,900
Operations and Training- ARRA	D	-	-	2,000	1/	-
Assistance to Small Shipyards	D	10,000	17,500	17,500		-
Assistance to Small Shipyards-ARRA	D	-	-	98,000	1/	-
Ship Disposal Program	D	17,000	15,000	15,000		15,000
Maritime Security Program	D	156,000	174,000	174,000		174,000
Ship Construction	D	-6,673	-1,383	-1,383		-
Ocean Freight Differential	M	201,726	175,000	175,000		175,000
Maritime Guaranteed Loan Program	D	8,408	3,531	3,531		3,630
Subsidy Reestimate	M	276	55,619	55,619		-
Gifts and Bequests	M	161	-	-		-
Special Studies, Services, and Projects	M	88,842	5,000	5,000		5,000
TOTALS		**597,732**	**567,627**	**667,627**		**525,530**
[Mandatory]		291,005	235,619	235,619		180,000
[Discretionary]		306,727	332,008	432,008		345,530
Proprietary Receipts:						
Maritime Guaranteed Loan Program		106,676	39,360	39,360		-
Gifts and Bequests		161	-	-		-
Special Studies, Services, and Projects		88,842	5,000	5,000		5,000

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

EXHIBIT II-5
FY 2010 BUDGET REQUEST RECAP BY ACCOUNT
MARITIME ADMINISTRATION
Outlays
($000)

ACCOUNTS		FY 2008 ACTUAL	FY 2009 ENACTED OMNIBUS	FY 2009 ENACTED TOTAL	FY 2010 REQUEST
Operations and Training	D	115,002	171,560	171,560	148,401
Operations and Training, ARRA	D	-	-	500 1/	1,400
Gifts and Bequests	M	-40	330	330	-
Special Studies, Services, and Projects	M	18,523	85,169	85,169	5,000
Assistance to Small Shipyards	D	1,661	25,839	25,839	-
Assistance to Small Shipyards, ARRA	D	-	-	9,800 1/	58,800
Ship Disposal	D	19,587	35,815	35,815	15,000
Maritime Security Program	D	153,870	179,064	179,064	174,000
Ship Construction	D	-1,382	-	-	-
Operating Differential Subsidy	D	-	10,746	10,746	-
Ocean Freight Differential	M	110,030	175,000	175,000	175,000
Ready Reserve Force	D	206	2,333	2,333	-
Vessel Operations Revolving Fund	D	-19,574	63,843	63,843	-
War Risk Insurance Revolving Fund	D	-724	-1,973	-1,973	-2,000
Federal Ship Financing Fund	M	-635	20	20	-
Maritime Guaranteed Loan Program	D	3,753	15,883	15,883	3,630
Subsidy Reestimate	M	276	55,965	55,965	-
TOTALS		400,552	819,594	829,894	579,231
[Mandatory]		128,154	316,484	316,484	180,000
[Discretionary]		272,398	503,110	513,410	399,231

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

EXHIBIT II-6

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

OPERATIONS AND TRAINING ACCOUNT-SUMMARY

					Baseline Changes											
	FY 2009 Enacted	2009 PC&B By Program	2009 # FTE Per Program	2009 Contract Expense	3.9% 2009 Ann.	2.0% 2010 Pay Raise	Annualization of FTE	GSA Rent	WCF Increase/ Decrease	0.5% Inflation/ Deflation	FY 2010 Adj. Base	Program Increase/ Decrease	2010 PC&B Program Change	2010 # FTE Per Program Change	2010 Contract Expense Program Change	FY 2010 Budget Request
USMMA:																
PERSONNEL RESOURCES	**240**						**21**				**261**	**17**				**278**
Direct FTE	240						21				261	17				278
FINANCIAL RESOURCES																
Salaries and Benefits	$28,823	[$28,823]	[240]	-	$281	$437	$1,163	-	-	-	$30,704	$973	[$973]	[17]	-	$31,677
Midshipman Program	7,695	-	-	[7,310]	-	-	-	-	-	38	7,733	627	-	-	[596]	8,360
Instructional Program	2,950	-	-	[2,803]	-	-	-	-	-	15	2,965	800	-	-	[760]	3,765
Program, Direction and Admin.	5,315	-	-	[5,049]	-	-	-954	-	-	27	4,388	1,800	-	-	[1,710]	6,188
Maintenance, Repair and Operations	8,425	-	-	[8,004]	-	-	-	-	-	42	8,467	600	-	-	[570]	9,067
Capital Improvements	8,150	-	-	[8,150]	-	-	-	-	-	41	8,191	7,200	-	-	[7,200]	15,391
U.S. MERCHANT MARINE ACADEMY TOTAL	**$61,358**	**[$28,823]**	**[240]**	**[$31,735]**	**$281**	**$437**	**$209**	**-**	**-**	**$163**	**$62,448**	**$12,000**	**[$973]**	**[17]**	**[$10,836]**	**$74,448**
		Note: Non-Add											Note: Non-Add			
STATE MARITIME SCHOOLS:																
Direct Schoolship Payments	$2,400	-	-	[$2,400]	-	-	-	-	-	-	$2,400	-		-	-	$2,400
Student Incentive Payments	1,600	-	-	[1,600]	-	-	-	-	-	-	1,600	400	-	-	[400]	2,000
Schoolship Maintenance and Repair	10,500	-	-	[10,500]	-	-	-	-	-	53	10,553	687	-	-	[687]	11,240
STATE MARITIME SCHOOLS TOTAL	**$14,500**	**-**	**-**	**[$14,500]**	**-**	**-**	**-**	**-**	**-**	**$53**	**$14,553**	**$1,087**	**-**	**-**	**[$1,087]**	**$15,640**
		Note: Non-Add											Note: Non-Add			
MARAD OPERATIONS:																
PERSONNEL RESOURCES	**195**						**8**				**203**					**203**
Direct FTE	195						8				203					203
FINANCIAL RESOURCES																
Salaries and Benefits	$26,772	[$26,772]	[195]	-	$261	$405	$1,164	-	-	-	$28,602	-	-	-	-	$28,602
Operating Expenses	4,701	-	-	[4,466]	-	-	-	-	-	23	4,724	-50	-	-	-	4,674
Information Technology	6,183	-	-	[6,183]	-	-	-	-	-	31	6,214	0	-	-	-	6,214
GSA Rent	3,711	-	-	-	-	-	-	278	-	-	3,989	0	-	-	-	3,989
WCF	2,704	-	-	-	-	-	-	-	141	-	2,845	0	-	-	-	2,845
Program Expenses	1,531	-	-	[1,454]	-	-	-	-	-	7	1,538	-50	-	-	[-48]	1,488
Maritime Transportation System (MTS)	1,900	-	-	[1,900]	-	-	-	-	-	-	1,900	-1,900	-	-	[-1,900]	-
Homeland Security Maritime Transportation	-	-	-	-	-	-	-	-	-	-	-	15,000	-	-	[15,000]	15,000
MARAD OPERATIONS TOTAL	**$47,502**	**[$26,772]**	**[195]**	**[$14,003]**	**$261**	**$405**	**$1,164**	**$278**	**$141**	**$61**	**$49,812**	**$13,000**	**$0**	**$0**	**[$13,052]**	**$62,812**
GRAND TOTAL O&T	**$123,360**	**[$55,595]**	**[435]**	**[$60,238]**	**$542**	**$842**	**$1,373**	**$278**	**$141**	**$277**	**$126,813**	**$26,087**	**[$973]**	**[17]**	**[$24,975]**	**$152,900**

EXHIBIT II-6

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

SHIP DISPOSAL PROGRAM

	FY 2009 Enacted	2009 PC&B By Program	2009 # FTE Per Program	FY 2009 Contract Expense	Baseline Changes: 3.9% 2009 Ann.	Baseline Changes: 2.0% 2010 Pay Adj.	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation	FY 2009 Adj. Base	Program Increase/ Decrease	2010 PC&B Program Change	2010 # FTE Per Program Change	FY 2010 Contract Expense Program Change	FY 2010 Request
			Note: Non-Add										Note: Non-Add		
PERSONNEL RESOURCES (FT	**11**									**11**					**11**
Direct FTE	11									11					11
FINANCIAL RESOURCES															
Salaries and Benefits	$1,282	[$1,282]	[11]		$12	$19				$1,313					$1,313
Operating Expenses	-									-					-
Information Technology	-									-					-
GSA Rent	-									-					-
Working Capital Fund	300							-300		-					-
Program Expenses	13,418			[$13,418]					67	13,485	202			[192]	13,687
SHIP DISPOSAL - TOTAL	**$15,000**	**[$1,282]**	**[11]**	**[$13,418]**	**$12**	**$19**	**-**	**-$300**	**$67**	**$14,798**	**$202**	**-**	**-**	**[$192]**	**$15,000**

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

	FY 2009 Enacted	2009 PC&B By Program	2009 # FTE Per Program	FY 2009 Contract Expense	Baseline Changes: 3.9% 2009 Ann.	Baseline Changes: 2.0% 2010 Pay Adj.	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation	FY 2009 Adj. Base	Program Increase/ Change	2010 PC&B Program Change	2010 # FTE Per Program Change	FY 2010 Contract Expense Program Increase	FY 2010 Request
		Note: Non-Add										Note: Non-Add			
PERSONNEL RESOURCES (FTE)	**0**									**0**	**0**				**0**
Direct FTE	0									0	0				0
FINANCIAL RESOURCES															
Salaries and Benefits															
Operating Expenses															
Information Technology															
GSA Rent															
WCF															
Program Expenses	$174,000									$174,000					$174,000
MARITIME SECURITY PROGRAM - TOTAL	**$174,000**	-	-	-	-	-	-	-	-	**$174,000**	-	-	-	-	**$174,000**

EXHIBIT II-6

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

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

	FY 2009 Enacted	2009 PC&B By Program	2009 # FTE Per Program	FY 2009 Contract Expense	Baseline Changes: 3.9% 2009 Ann.	Baseline Changes: 2.0% 2010 Pay Adj.	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation	FY 2009 Adj. Base	Program Increase/ Decrease	2010 PC&B Program Change	2010 # FTE Per Program Change	FY 2010 Contract Expense Program Change	FY 2010 Request
			Note: Non-Add										Note: Non-Add		
PERSONNEL RESOURCES (FTE)	17									17	0				17
Direct FTE	17									17	0				17
FINANCIAL RESOURCES															
Salaries and Benefits	$2,615	[$2,615]	[17]		$25	$40				$2,680					$2,680
Operating Expenses	704			[$668]					4	708	242			[230]	950
Information Technology															
GSA Rent															
WCF	212							-212		-					-
Program Expenses	-									-	-				-
MARITIME GUARANTEED LOAN PROG. - TOTAL	**$3,531**	**[$2,615]**	**[17]**	**[$668]**	**$25**	**$40**	**-**	**-$212**	**$4**	**$3,388**	**$242**	**-**	**-**	**[$230]**	**$3,630**

EXHIBIT II-6

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

ASSISTANCE TO SMALL SHIPYARDS

	FY 2009 Enacted	2009 PC&B By Program	2009 # FTE Per Program	FY 2009 Contract Expense	Baseline Changes: 3.9% 2009 Ann.	Baseline Changes: 2.0% 2010 Pay Adj.	Baseline Changes: GSA Rent	Baseline Changes: WCF	Baseline Changes: 0.5% Inflation/ Deflation
		Note: Non-Add							
PERSONNEL RESOURCES (FTE)	**0**								
Direct FTE	0								
FINANCIAL RESOURCES									
Salaries and Benefits									
Operating Expenses									
Information Technology									
GSA Rent									
WCF									
Program Expenses	$17,500								
Program Expenses- Recovery Act	100,000								
ASSISTANCE TO SMALL SHIPYARDS - TOTAL	**$117,500**	**-**	**-**		**-**	**-**	**-**	**-**	**-**

	FY 2009 Adj. Base	Program Increase/ Decrease	2010 PC&B Program Change	2010 # FTE Per Program Change	FY 2010 Contract Expense Program Change	FY 2010 Request
			Note: Non-Add			
PERSONNEL RESOURCES (FTE)	**0**	**0**				**0**
Direct FTE	0	0				0
FINANCIAL RESOURCES						
Salaries and Benefits						
Operating Expenses						
Information Technology						
GSA Rent						
WCF						
Program Expenses	$17,500	-$17,500				-
Program Expenses- Recovery Act	100,000	-100,000				-
ASSISTANCE TO SMALL SHIPYARDS - TOTAL	**$117,500**	**-$117,500**	**-**	**-**	**-**	**-**

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

	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE
DIRECT:			
Operations and Training	2,704	2,845	141
Ship Disposal	300	-	-300
Maritime Guaranteed Loan Program (Title XI)	212	-	-212
SUBTOTAL	**3,216**	**2,845**	**-371**
REIMBURSABLE:			
Vessel Operations Revolving Fund	3,290	3,358	68
SUBTOTAL	**3,290**	**3,358**	**68**
TOTAL	**6,506**	**6,203**	**-303**

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

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Operations and Training	430	452 1/	498
Ship Disposal	7	11	11
SUBTOTAL, DIRECT FUNDED 1/	**437**	**463**	**509**
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Operations and Training	298	-	-
Vessel Operations Revolving Fund	-	326	333
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**298**	**326**	**333**
TOTAL FTEs	**735**	**789**	**842**

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

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

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Operations and Training	446	498 1/	498
Ship Disposal	7	11	11
SUBTOTAL, DIRECT FUNDED 1/	**453**	**509**	**509**
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Operations and Training	307	-	-
Vessel Operations Revolving Fund	-	333	333
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**307**	**333**	**333**
TOTAL POSTIONS	**760**	**842**	**842**

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

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, **[**$123,360,000**]** *$152,900,000*, of which **[**$10,500,000**]** *$11,240,000* shall remain available until expended for maintenance and repair of **[**Schoolships**]** *training ships* at State Maritime **[**Schools**]** *Academies*, *and* of which **[**$8,150,000**]** *$15,391,000* shall remain available until expended for capital improvements at the United States Merchant Marine Academy**[**, and of which $53,208,000 shall be available for operations at the United States Merchant Marine Academy: *Provided*, That amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation and not a designee: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United States Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of Maritime Administration shall hold all allotments made by the Secretary of Transportation under the previous proviso: *Provided further*, That 50 percent of the funding made available for the United States Merchant Marine Academy under this heading shall be available only after the Secretary, in consultation with the Maritime Administration, completes a plan detailing by program or activity and by object class how such funding will be expended at the Academy, and this plan is submitted to the House and Senate Committees on Appropriations**]**. *(Department of Transportation Appropriations Act, 2009.)*

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-70-1750-0-1-403	**FY 2008 Actual**	**FY 2009 Enacted**	**FY 2010 Request**
	Obligations by program activity:			
00.01	Merchant Marine Academy	58,939	66,401	74,448
00.02	State Maritime Schools	12,491	16,797	15,640
00.03	Marad Operations	48,573	47,502	62,812
00.04	Other Maritime Programs	6,450	8,227	-
00.05	ARRA - Grant Admin.	-	1,000	1,000
01.00	Total direct program	126,453	139,927	153,900
09.01	Reimbursable program	73,208	31,833	28,000
10.00	Total obligations	199,661	171,760	181,900
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	1,648	19,400	1,000
22.00	New budget authority (gross)	188,179	153,360	180,900
22.10	Resources available from recoveries of prior year obligations	23,603	-	-
22.22	Unobligated balance transferred from other accounts	7,746	-	-
23.90	Total budgetary resources available for obligation	221,176	172,760	181,900
23.95	New obligations	-199,661	-171,760	-181,900
23.98	Unobligated balance expiring or withdrawn	-2,115	-	-
24.40	Unobligated balance available, end of year	19,400	1,000	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation	121,992	123,360	152,900
42.00	Transferred from other accounts [69-1770]	-	2,000	-
43.00	Appropriation (total)	121,992	125,360	152,900
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	77,565	28,000	28,000
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	-11,378	-	-
58.90	Spending authority fm offsetting collections (total	66,187	28,000	28,000
70.00	Total new budget authority (gross)	188,179	153,360	180,900
	Change in obligated balances:			
72.40	Obligated balance , start of year	60,197	53,404	25,604
73.10	New obligations	199,661	171,760	181,900
73.20	Total outlays (gross)	-203,135	-200,060	-177,801
73.40	Adjustments in expired accounts (net)	8,906	-	-
73.45	Recoveries of prior year obligations	-23,603	-	-
74.00	Chg in Uncollected cust orders fm Fed Sources (unexpired)	11,378	-	-
74.40	Obligated balance, end of year	53,404	25,104	29,703
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	67,432	133,356	159,365
86.93	Outlays from discretionary balances	135,703	66,704	18,436
87.00	Total outlays (gross)	203,135	200,060	177,801
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	87,679	28,000	28,000
88.40	Non-federal sources	-454	-	-
88.95	Portion of offsetting collection credited to unexpired accounts	-11,378	-	-
88.96	Portion of offsetting collection credited to expired accounts	-10,568	-	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	121,992	125,360	152,900
90.00	Outlays (net)	115,002	172,060	149,801
95.02	Unpaid Obligations, EOY	64,350		

OPERATIONS AND TRAINING

Program and Performance Statement

The appropriation for Operations and Training provides funding for staff at headquarters and gateway offices to administer and direct Federal maritime transportation programs. Maritime Administration operations include planning for coordination of U.S. maritime industry activities under emergency conditions; technology assessments calculated to achieve advancements in ship design, construction and operation; and port and intermodal development to increase capacity and mitigate congestion in freight movements. Maritime training programs include the operation of the U.S. Merchant Marine Academy and financial assistance to the six State maritime academies.

The total Operations and Training budget request of $152.9 million, is distributed as follows: United States Merchant Marine Academy $74.4 million, State maritime academies $15.6 million and maritime operations $62.8 million. The 2010 maritime operations request includes $15 million to support integrated planning with the Department of Homeland Security for development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Direct obligations:			
11.1	Full-time permanent	37,862	38,075	41,283
11.3	Other than full-time permanent	5,588	5,998	6,504
11.5	Other personnel compensation	1,465	1,378	1,494
11.8	Special personnel services payments	3	3	3
11.9	**Total personnel compensation**	**44,918**	**45,454**	**49,284**
12.1	Civilian personnel benefits	10,110	10,141	10,995
21.0	Travel and transportation of persons	1,999	2,369	2,487
22.0	Transportation of things	218	316	332
23.1	Rental payments to GSA	1,718	3,711	3,989
23.3	Communications, utilities & misc. charges	3,407	5,778	6,067
24.0	Printing and reproduction	29	30	32
25.2	Other services	48,415	50,516	55,641
26.0	Supplies and materials	3,907	3,849	4,041
31.0	Equipment	401	1,182	1,241
32.0	Lands and structures	8,461	12,581	15,391
41.0	Grants, subsidies and contributions	2,861	4,000	4,400
42.0	Insurance claims and indemnities	9	-	-
99.0	**Subtotal , direct obligations**	**126,453**	**139,927**	**153,900**
	Reimbursable obligations:			
11.1	Full-time permanent	24,558	-	-
11.5	Other personnel compensation	1,025	-	-
11.9	**Total personnel compensation**	**25,583**	-	-
12.1	Civilian personnel benefits	5,547	-	-
23.1	Rental payments to GSA	5,074	-	-
23.3	Communications, utilities & misc. charges	-	-	-
25.2	Other services	34,524	31,833	28,000
41.0		2,480	-	-
99.0	**Subtotal , reimbursable obligations**	**73,208**	**31,833**	**28,000**
99.9	**Total New Obligations**	**199,661**	**171,760**	**181,900**

Employment Summary

	Operations and Training	FY 2008 Actual		FY 2009 Enacted	FY 2010 Request
Direct:					
1001	Civilian full-time equivalent employment	430		452	498
Reimbursable:					
2001	Civilian full-time equivalent employment	298	1/	-	-
	Total Employment	**728**		**452**	**498**

1/ These FTEs are funded in VORF in FY 2009-2010.

EXHIBIT III-1

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

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE FY 2009-2010
U.S. Merchant Marine Academy	62,747	61,358	74,448	13,090
State Maritime Schools	13,181	14,500	15,640	1,140
MARAD Operations	46,064	47,502	62,812	15,310
Total, Operations and Training	**121,992**	**123,360**	**152,900**	**29,540**
FTEs				
Direct Funded 1/	430	452	498	46
Reimbursable, allocated, other 2/	298	0	0	0

1/ The Direct FTE includes the 17 FTEs associated with the Title XI Program.
2/ These FTEs are accounted for in VORF in FY 2009 -2010.

EXHIBIT III-2

OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2009 TO FY 2010
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2009 to FY 2010	FY 2010 PC&B By Program	FY 2010 FTEs by Program	FY 2010 Contract Expenses	Total
		Note: Columns are Non-Add			
FY 2009 Base	**123,360**	**[55,595]**	**[435]**	**[60,238]**	**123,360**
Adjustments to Base					
Annualization of 2009 Pay Raise (3.9%)	542	[542]			
2010 Pay Raise (2.0%)	842	[842]			
Annualization of FTE	1,373	[1,373]	[29]		
GSA Rent	278				
WCF	141				
Non-Salary Inflation (0.5%)	277			[277]	
Subtotal, Adjustments to Base	**3,453**	**[2,757]**	**[29]**	**[277]**	**3,453**
New or Expanded Programs (e.g. Presidental Initiatives)					
State Maritime Schools	1,087			[1,087]	
US Merchant Marine Academy	12,000	[973]	[17]	[10,836]	
MARAD Operations	-50				
MARAD Program Expenses	-50			[-48]	
Maritime Transportation System (MTS)	-1,900			[-1,900]	
Homeland Security Maritime Transp. Init.	15,000			[15,000]	
Subtotal, New or Expanded Program Increases/ Decreases	**26,087**	**[973]**	**[17]**	**[24,975]**	**26,087**
Total FY 2010 Request	**152,900**	**[59,325]**	**[481]**	**[85,490]**	**152,900**

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS

FY 2001 - FY 2010
Main Table - ($000)

Fiscal Year	Estimate	Enacted
2001	80,240	86,719 2/
2002	89,054	88,951 3/
2003	93,132	92,092 4/
2004	104,400	105,674 5/
2005	109,300	106,952 6/
2006	113,650	136,027 7/
2007	115,830	111,522
2008	115,276	121,992
2009	117,848	123,360
2010	152,900	

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

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

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

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

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

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

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

Detailed Justification for the United States Merchant Marine Academy

United States Merchant Marine Academy	**FY 2010 Request: $74.448 million**

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

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

FY 2009 Base Resources:
The base consists of the salaries and benefits for the USMMA faculty and support staff, including those billets recently transferred to the civil service from the Academy's non-appropriated fund instrumentalities (NAFI), as well as Operational and Training funds to support the mission of the Academy and maintain the current facilities of the institution and all USMMA major capital improvement funds.

Anticipated FY 2009 Accomplishments:
In June of 2009, the Academy will graduate approximately 200 merchant marine officers. To strengthen the programs and processes of the Academy, they continue to implement several internal control enhancements. The Academy will continue to lead the development of curricula to support maritime education and training in the United States to meet the international standards for training, certification, and watchkeeping (STCW) for seafarers as directed by the International Maritime Organization of the United Nations, the U.S. Maritime Administration, and the U.S. Coast Guard.

In FY 2009, MARAD took positive steps to address and remediate a number of identified internal control issues. While there is more progress to be made, it is important to highlight the following significant financial management improvements:

- Revised the Maritime Administrative Order to establish an Assistant Chief Financial Officer (CFO) for Academy Operations at Kings Point that reports to the MARAD CFO. The placement of this new position at the Academy provides needed headquarters oversight.
- Completed the conversion of employees previously funded by non-appropriate fund instrumentalities (NAFI) to the Civil Service or to a legal contract vehicle. To date, a total of 45 positions were converted to civil service, two positions were converted to National Oceanic and Atmospheric Administration, and 11 positions were hired under contract.
- Issuance of new policy guidance for Gift and Bequest acceptance.
- Midshipman Fees Oversight: The Academy was directed to identify and freeze excess fees charged to midshipmen in the current academic year and surplus prior year fees. While fees have already been identified and frozen, we are continuing to identify more surplus funds that will be set aside in the frozen account. In addition to this, the Assistant CFO currently reviews all requests for funds from the current academic year midshipman fee account to ensure the fees are expended in line with the purpose for which they were levied. In December 2008, the Academy discontinued the practice of disbursing current year midshipman fees to Departments. These fees now remain in a single bank account.
- Continued support of Academy leadership to reform the midshipman fees for the upcoming academic year. This budget request includes a legislative provision to allow the Academy to appropriately administer midshipman fees within its appropriations account.
- Elimination of the Academy's legacy accounting system and transfer to Delphi (the Department-wide financial management system), effective October 1, 2008. Not only does this ensure funds control, but it also ensures there is real-time oversight of accounting transactions in New York and at headquarters.
- Issuance of a policy directive eliminating the Academy practice of moving year-end funds to the NAFI FCO. These funds were removed from commercial bank accounts and returned to the Treasury in June 2008.
- Restructured the accounting system to identify specific budget activities within the Academy's traditional program categories that include: Personnel Compensation & Benefits; Midshipman Program; Instructional Program; Program Direction and Administration; Maintenance, Repair and Operations; and Capital Improvement Program.
- Developed an operating plan that provided transparency as to how appropriated funds are expended at the Academy. This plan was provided to Congress.

FY 2010 Budget Request:

For FY 2010, MARAD requests a total of $74.4 million, $13.1 million above the FY 2009 enacted level, for the USMMA operations and capital improvements. The request includes a program increase of $12.0 million, of which $4.8 million is dedicated to Academy Operations and $7.2 million to the Capital Improvement Program. The request also includes current services adjustments to the FY 2009 base for pay and non-pay inflation and annualization of FTE to meet required operational levels and to fully annualize salaries and benefits for a total of 278 full-time equivalent staff positions.

For FY 2010, the Academy's budget presentation returns to the program, projects and activities (PPAs) traditionally presented in prior years of Salaries and Benefits, the Midshipman Program, the Instructional Program, Program Direction and Administration, Maintenance Repair and Operations and Capital Improvements. It is important to note that the USMMA's FY 2009 Operating Plan which was recently transmitted to Congress resets the FY 2009 base budget distribution by PPA, consistent with current revised and reformed operational practices and requirements.

The requested program increase of $4.8 million for Academy Operations will compensate for non-appropriated funding sources no longer available for mission-related activities, and will establish for the Academy a sufficient appropriated funding base. With these increased resources, the Academy will be positioned effectively to implement programs that exploit emerging trends in the domestic and global marine transportation environment and replace a portion of the operational funding to support mission related priority activities that had previously been covered by midshipman fees.

U.S. Merchant Marine Academy					
Program Activity ($000)	**FY 2009 Enacted**	**Salary Adjustment 1/**	**Non-Salary Adjustment**	**Program Increases/ Decreases 2/**	**FY 2010 Request**
Salaries & Benefits	28,823	1,881		973	31,677
Midshipman Program	7,695		38	627	8,360
Instructional Program	2,950		15	800	3,765
Program, Direction and Admin.	5,315	-954	27	1,800	6,188
Maintenance, Repair and Operations	8,425		42	600	9,067
Capital Improvements	8,150		41	7,200	15,391
Total	**$61,358**	**$927**	**$163**	**$12,000**	**$74,448**

1/ Includes annualization of 2009 pay raises, 2010 salary increases, and annualization of 21 FTE.
2/ Includes annualization of 17 FTE.

The following program increases are requested for FY 2010:

Salaries and Benefits
An increase of $973 thousand is attributed within the overall program increase level as a further adjustment to base for the annualization of an additional 17 FTE not covered within mathematical current services calculations. This increase is necessary to fully annualize a total of 38 FTE including the salaries and benefits of base USMMA faculty and support staff and those billets recently transferred to the civil service from the Academy's non-appropriated fund instrumentalities (NAFI). In light of non-appropriated funding sources no longer available, this adjustment is necessary for the Academy to hire to its full billet complement of 278 FTP in order to meet mission-critical instructional and support staffing levels.

Midshipman Program
An increase of $627 thousand is requested for the Midshipman Program, bringing the total Midshipman Program budget to $8.4 million in FY 2010. This program supports the overall quality of life of the midshipmen and provides necessary day-to-day support and supplies. This increase will help restore base resources to the midshipman-related commissary food service contract, medical contract, textbooks, sea travel, and uniforms. This increase will also help fund the U.S. Coast Guard licensing exams, a graduation requirement that was previously funded out of midshipman fees.

Instructional Program
A program increase of $800 thousand is requested for the Instructional Program, bringing the total Instructional Program budget to $3.8 million. This program provides funding for the academic curriculum requirements of the Academy. The additional increase will help restore base resources to help meet instructional program accreditation standards, provide professional development for faculty, and address classroom/lab modernization projects.

Program Direction and Administration (PD&A)
A program increase of $1.8 million is requested for PD&A, bringing the total PD&A budget to $6.2 million. This program includes all of the Academy's activities that provide administrative and programmatic support and direction to the overall mission of the Academy. The additional increase will help restore and maintain the Academy's IT requirements, convert the outdated analog phone system to a voice over internet protocol system that will ultimately reduce manning requirements and maintain various administrative support contracts including the police department, transportation leases, and admissions related recruitment programs. Within this increase, $800 thousand is included for the services of an Architecture/Engineering firm to support a blue ribbon panel of experts who will continue work started in 2009 to examine the Academy's long-term capital improvement needs. This panel will make their recommendations for an updated capital improvement master plan to the Secretary of Transportation.

Maintenance Repair and Operations (MROR)
A program increase of $600 thousand is requested for MROR, bringing the total MROR budget to $9.1 million. The MROR program includes all of the contracts and departments that service the general operations and maintenance of the Academy. This increase will help restore base resource requirements on utility contracts, maintenance and repair, janitorial contracts and engineering resources.

Capital Improvements
A program increase of $7.2 million is requested for capital improvements, bringing the total for capital improvements to $15.4 million in FY 2010. The additional increase will augment capital investment funding, allowing for significant deferred renovations of Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities. The deteriorated condition of the pier could present safety implications if not remedied. The advanced deterioration of the pier is illustrated in the following photographs.

United States Merchant Marine Academy
Location: Mallory Pier, Deterioration of Structure
Facility Use: Main ship mooring pier; provides protection for all training vessels and other waterfront facilities
Usage: Daily, 24x7, 365 days

Highlight 14 shows deterioration of foundational structure comparison of Mallory Pier. Condition shown is typical of that found along the outer 700' section of the pier, which provides critical mooring facilities for the Academy's training vessels (224', 108', 65'), as well as mooring for the 4 vessels for USCG Station Kings Point.

United States Merchant Marine Academy
Location: Mallory Pier, Comparison of Deck and Design
Facility Use: Main ship mooring pier; provides protection for all training vessels and other waterfront facilities
Usage: Daily, 24x7, 365 days

Highlight 12 shows the deck of Mallory Pier, the main training ship berthing pier. Metal plate covers large hole caused by rotten planks. Green arrows highlight (top to bottom) rusting 440v power terminal conduit; rotting power cable foundation; new planks installed to replace rotten planks over smaller holes.

Highlight 13 shows comparison of old pier (foreground) to new pier (completed 2000). Concrete bulkhead provides additional protection to personnel and vessels from surf and spray. 400v power cables are also encased in concrete. Pier is basic and functional, with nominal lighting, handrails, and other required design elements.

Detailed Justification for State Maritime Academies

State Maritime Academies	FY 2010 Request: $15.640 million

Overview:
The Merchant Marine Act of 1936 declared it to be a national priority to establish an American merchant marine and directed that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States." To meet this requirement, the Act created a federal structure for State Maritime Academies; directed a partnership between the State Academies and the Navy; and authorized the Secretary of Transportation to use the State Academies "to provide for the education and training of citizens of the United States who are capable of providing for the safe and efficient operation of the merchant marine of the United States at all times and as a naval and military auxiliary in time of war or national emergency."

The State Maritime Academy (SMA) program provides for the training of merchant marine officers in State Academies. To ensure a consistent supply of capable and well-trained merchant mariners, the Maritime Administration provides funding to six State Academies: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy. The SMA program budget request is comprised of three parts: the Student Incentive Payment (SIP) program; payment of training ship maintenance and repair costs for six Federally-owned training ships on loan to the SMA; and annual direct payments to each of the six State maritime academy for maintenance and support. Federal support of mariner education is to ensure that highly qualified personnel are produced annually to replenish the nation's pool of skilled merchant mariners. These mariners are needed to operate safely U.S.-flag cargo vessels and perform critical maritime-related functions in a national emergency. The SMA program contributes over half of the entry-level licensed mariners trained annually. Each SMA is funded largely by its State government.

Cadets at a SMA may participate in the SIP program. SIP students receive annual stipends, for a maximum of four years, while attending the SMA. The SIP stipends are offered only to students in the license program who accept certain post-graduation service obligations. These obligations help MARAD assure that sufficient mariners will be available to crew sealift ships in times of emergency. SIP students must commit to remain employed in the maritime industry for three years, maintain their U.S. Coast Guard license for six years; and become an active member of a U.S. armed forces reserve unit for a minimum of six years, and report annually to MARAD.

MARAD furnishes Federally-owned and maintained training ships to the academies. These vessels are vital components of the SMA program. The ships are employed as academic and seagoing laboratories for license coursework and practical, hands-on training and testing. Coast Guard and MARAD approved training curricula require the use of training ships for much of the at-sea training necessary to qualify individual students to sit for the U.S. Coast Guard licensing exams. As the vessel owner, MARAD is mandated by law to be responsible for maintaining each ship in a state of "good repair", i.e. all regulatory requirements are fully met, and ensuring that the ship is structurally and mechanically sound, well preserved and equipped, and operates reliably. There are six (6) State Maritime Academy Training Ships, located and docked at various locations around the U.S.:

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

FY 2009 Base:
The base consists of SIP program funds, training ship maintenance and repair funds, and direct payment funding for each of the six academies. Program support is funded by the Operations and Training Account (MARAD Operations program).

Anticipated FY 2009 Accomplishments:

For the academic year 2007-2008, 547 students graduated from the SMA unlimited license program, a 6.4 percent increase over the 2006-2007 academic year. Of the total number of SMA graduates, 48 were Student Incentive Payment (SIP) participants. A similar increase in numbers is anticipated for the 2008-2009 academic year. The actual results for graduates for FY09 results will be available during the summer following SMA graduations in June – July.

SMA graduates earn unlimited U.S. Coast Guard licenses and are well trained and educated merchant mariners. These graduates are additions to the mariner pool and contribute to our national security with their essential and unique maritime knowledge and skills. With the FY 2009 statutorily authorized increase in the SIP funding from $4,000 to $8,000 annually, we anticipate an increase in future incoming classes. This is expected to increase the number of students interested in the SIP program. However, the SIP funding received annually will limit the number of accepted incoming class. For the first time in over a decade, the SMA program will have to be very selective in who is allowed to enter the program. Allocations for billets to the SIP program will not be sufficient to allow all interested students to enter the SIP program. This will increase the value of the SIP program and possibly the quality of the SIP participants.

The increase in annual funding to each SIP student is a welcome benefit for the SIP program. Also, to assist cadets in financially preparing to attend a SMA, the SIP funding will now be provided at the beginning of each academic year. This will benefit the program as a recruiting tool for the SMA. With the current economic climate, many academic institutions of higher learning are seeing a decline in enrollment. MARAD anticipates the increase in SIP will assist in offsetting that factor for the program.

As regards training ship maintenance and repair for the 6 Federally-owned training ships on loan to the SMA, market conditions throughout FY 2006, 2007 and 2008 have resulted in a 30 percent increase in shipyard costs. In 2008 there were also significant escalations in the cost of raw materials necessary to maintain ships (i.e. steel and copper). These higher costs are expected to continue through FY 2009 and into FY 2010. These conditions have had a substantial impact on training ship maintenance and repair costs.

Some of the more significant training ship maintenance accomplishments expected in FY 2009 include: the dry docking and replacement and upgrade for the bridge and engine room control console automation at TS STATE of MICHIGAN; the berthing expansion, forward marine sanitation device installation, and ballast water treatment test facility installation at TS Golden Bear; the birthing expansion at TS STATE of MAINE; and the dry docking at the TS EMPIRE STATE.

FY 2010 Budget Request:

State Maritime Academies					
Program Activity ($000)	**FY 2009 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2010 Request**
Direct Schoolship Payments	2,400				2,400
Student Incentive Payments	1,600			400	2,000
Schoolship Maintenance and Repair	10,500		53	687	11,240
Total	**$14,500**		**$53**	**$1,087**	**$15,640**

The total request for the SMA program is $15.6 million, an increase of 1.1 million from the FY 2009 enacted budget.

MARAD requests $2.4 million to make direct payments to the SMA for maintenance and support. This payment level will result in a payment of $400,000 to each school in FY 2010. The academies rely on these funds to help offset the cost of salaries for professors and instructors, faculty health care costs, facilities costs and training ship fuel costs.

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

MARAD requests $11.2 million to fund the payment of training ship maintenance and repair costs for Federally-owned training ships on loan to the SMA. Some of the priority activities necessary in FY 2010 to maintain these ships include: the dry docking, steering system/stand replacement, and reverse osmosis (RO) water maker installation of TS KENNEDY; automation replacements and upgrades, Lamp Ray survey, and RO water maker installation of TS STATE of MAINE; the automation replacements and upgrades of TS STATE of MICHIGAN; and the navigation laboratory installation of TS GOLDEN BEAR.

Detailed Justification for MARAD Operations

MARAD Operations	FY 2010 Request: $62.812 million

Overview:
MARAD Operations funds agency professional staff working on MARAD operating missions and support programs. As such, MARAD Operations contributes to agency goals for Reduced Congestion; Global Connectivity; Environmental Stewardship; Security, Preparedness and Response; and Organizational Excellence. MARAD Operations provides program support for staffing, administrative support, and certain program activities for operating program activities including:

- Environment and Compliance
  - Safety
  - Security
  - Environment
- Intermodal System Development
  - Presidential Intermodal Freight Infrastructure Initiative
  - Port Infrastructure Development
  - Marine Highways
- National Security
  - Maritime Security Program
  - Ship Disposal
  - Ready Reserve Force
  - State Maritime Academies – Maintenance and Repair
  - Strategic Ports
  - Voluntary International Sealift Agreement (VISA)
- Business and Workforce Development
  - Maritime Guaranteed Loan Program (Title XI)
  - Ocean Freight Differential
  - State Maritime Academies
  - Assistance to Small Shipyards

MARAD Operations also includes agency administrative support and logistics activities, including:

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

FY 2009 Base:
The MARAD Operations base budget primarily supports the agency's headquarters program operations staffing and administrative infrastructure. The majority of resources are dedicated to

salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), as well as information technology requirements.

Anticipated FY 2009 Accomplishments:

Program Activities

Operating programs include Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development. Operating program accomplishments for FY 2009 include the following:

Environment and Compliance

- Environment
  - Support environmental stewardship with key air emissions reduction research and technology efforts.
  - Prepare bilateral/multi-lateral cooperation agreement to heightened global concern in the area of environmental pollution from vessels and the shortage of seafarers. Initial discussions with South Korea, Greece and Norway are ongoing.
  - Testing of three ballast water treatment technologies aboard the CAPE WASHINGTON in the Port of Baltimore.
- Safety
  - Participation as member of U.S. delegations on environmental working groups at the International Maritime Organization and International Organization for Standardization.
  - Continue leadership role in the Ship Operators Cooperative Program (SOCP) and the interagency "Ship Structures Committee" (SSC) , which serve as a venues for pursuing better material, fabrication technologies, technical standards, maintenance, survey and repair strategies and collaborate with academia in the pursuit of safety in ship design, and insuring safety compliance for U.S. ship operators.
- Security
  - Continue leadership of efforts with US and foreign governments and the maritime industry to develop practices and strategies for mitigation/prevention of piracy.

Intermodal System Development

- Provided training opportunities for citizen officers and cadets to enable mariners and cadets to obtain the experience and sea time necessary to qualify as LNG vessel officers.
- Commenced operations at a new deepwater port in the Northeast, increasing natural gas import capacity.
- Hosted bilateral U.S. and China bilateral maritime consultations, serving to promote maritime and trade interests in this important market. MARAD also helped to arrange participation in the celebration marking the 30th anniversary of the resumption of U.S. and China diplomatic and shipping relations.

National Security

- Ensured the availability of DOD's designated strategic ports and national security planning.

- Continued efficient administrative operation of MSP and VISA.
- Continued management of the War Risk Insurance program.
- Served as the head of the US delegation, within the Organization of American States (OAS), to advance US port security interests in the Western Hemisphere.

Business and Workforce Development

- Award a total of $114.8 million in grants to Small Shipyards (including $98 million provided under the ARRA).
- Meet ARRA requirements for oversight, reporting, and accountability.

Support Activities

Support programs include Human Resources, Financial Management, Information Technology and E-Government, Legal Counsel, Procurement, and Management Services. Support program accomplishments for FY 2009 include the following:

Human Resources

- Provided the following educational and training opportunities to support employee development: 140 external training requests; 30 separate tuition assistance opportunities; 14 in-house training courses; and supported training at the Federal Executive Institute.
- Provided Federal Executive Institute training to develop current and future leaders.

Financial Management

- Received a “Clean” audit opinion from the Office of Inspector General (OIG) for MARAD’s presentation of FY 2008 annual audited financial statement.
- Implemented the new Budget Execution Module (BEM).
- Enhanced and improved timeliness of review and reconciliation of SF 132 apportionments and SF 133 reports on budget execution and budgetary resources, satisfying OMB requirements.
- Issued guidance for controlling Property, Plant and Equipment (PP&E).
- Developed FY 2009 HQ and USMMA financial operating plans.

Information Technology and E-Government

- Established a governance structure to manage all IT investments at all levels.
- Completed the development and deployment of the following systems: Cadets Training Berth; Mariner Outreach, Virtual Office of Acquisitions, Purchase Card Reconciliation, Credit Programs Portfolio Management, web presence, and SharePoint Portal.
- Development of an enterprise architecture governance plan.
- Implemented an on-and-off boarding management system including a workforce transformation tracking system to increase the efficiency of our accession and separation processing and better manage our resources.

FY 2010 Budget Request:

For FY 2010, MARAD requests $62.8 million for MARAD Operations, $15.3 million above the FY 2009 enacted level. The FY 2010 request highlights a program increase of $15 million for a Presidential Initiative to support integrated planning with the Department of Homeland Security for development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks. The request also includes current services adjustments to the FY 2009 base for pay and non-pay inflation and annualization of FTE to maintain current operational levels and to fully annualize salaries and benefits for a total of 203 full-time equivalent staff positions funded through this appropriation. A program reduction of $2.0 million is included for the Maritime Transportation System (MTS) ($1.9 million) and other program support operations ($0.1 million).

The MARAD Operations request will primarily support the agency's headquarters program operations staffing and administrative infrastructure. The majority of the requested FY 2010 resources are dedicated to salaries and benefits ($28.6 million) and non-discretionary operating expense costs including GSA rent and the working capital fund (WCF) ($9.7 million), as well as information technology requirements ($6.2 million). Approximately $1.5 million is included in the request for discretionary non-pay program expenses and approximately $1.8 million is included for discretionary operations and travel. Discretionary program expenses are dedicated to direct program costs in the areas of Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development as detailed below; in contrast, discretionary operations are of an administrative nature such as supplies, equipment, printing and support services. The discretionary funding request also includes resources for continued support of the Committee on the Marine Transportation System (CMTS). It is important to note that previous budget submissions had included an attribution of personnel costs and non-discretionary operating expenses to various categories that cross walked with elements of MARAD's Strategic Plan, but these did not in all cases align easily with the program categories mapped in MARAD's accounting system and used for day-to-day management of the agency's operations. The FY 2010 budget presentation better aligns spending categories with how MARAD actually manages its programs and funding.

To provide greater transparency on the salaries and benefits request, the following table includes a break-down by major program the number of full-time permanent positions supported by FY 2010 salaries and benefits funding. A comparison of FY 2009 enacted and FY 2010 requested levels for salaries and benefits, non-discretionary operations, information technology, discretionary operating expenses (including travel), discretionary program expenses and program line items is also outlined in the following section.

Salaries & Benefits FY 2010 - $28.6 million	**Full-time Permanent Positions (FTP)**
Environment and Compliance	17
Intermodal Systems Development	25
National Security	22
Business & Workforce Development	42
Support Activities 1/	97
Total MARAD Operations-Direct	**203**

1/ Staffing principally includes senior Agency Officials, Administration, CFO, Counsel, and other support offices.

MARAD Operations					
Program Activity ($000)	**FY 2009 Enacted**	**Salary Adjustment** 1/	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2010 Request**
Salaries & Benefits	26,772	1,830			28,602
Non-Discretionary Operations 2/	9,298		433		9,731
Information Technology 3/	6,183		31		6,214
Discretionary Operations & Travel	1,818		9	-50	1,777
Discretionary Program Expenses	1,531		7	-50	1,488
Maritime Transportation System (MTS)	1,900			-1,900	0
Maritime - Homeland Security Initiative	0			15,000	15,000
Total	**$47,502**	**$1,830**	**$480**	**$13,000**	**$62,812**

1/ Includes annualization of 2009 pay raises, 2010 salary increases, and annualization of 8 FTE.
2/ Includes GSA Rent, WCF and other non-discretionary costs such as accounting, payroll and personnel systems support, utilities, maintenance, records management, and security.
3/ IT program plans supported by funds other than appropriated are addressed in the section that follows.

Program Activities

To support the Maritime Transportation Presidential Initiative to build a safe and efficient maritime transportation system, the MARAD FY 2010 request highlights a $15 million program increase for the Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports Initiative, aimed at supporting integrated planning between the Department of Transportation and the Department of Homeland Security (DHS) Security Coordination Office in the area of maritime transportation, detailed below. In addition, a discussion of several other priority program activities follows, which will be supported by the $1.5 million included in the request for Discretionary Program Expenses, and a portion of the $1.8 million requested for Discretionary Operations & Travel.

Presidential Initiative: Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports ($15 million)

The initiative will advance the development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks. These funds will be administered in partnership with the DHS to support studies and joint planning considering the interdependencies between strategic port security requirements and system throughput, support marine highway transportation database and research development, and advance the Maritime Safety and Security Information System (MSSIS).

MARAD will work jointly with the DHS to provide grant funding to advance studies identifying strategies for integrating security considerations into projects improving port capacity and efficiency. MARAD and DHS will work together to identify and implement solutions for shared maritime transportation concerns, including overcoming chokepoints at intermodal connections, addressing new economies of scale necessitated by "mega" containerships, reducing greenhouse emissions, conserving energy, and supporting decision-making for allocation of limited port resources to security and capital improvements. Funding will also support capital investment for strategic port projects as evaluated by MARAD and DHS to improve port and system performance consistent with the objectives of this initiative. Strategies that hold promise for jointly advancing maritime transportation security and efficiency include new methodologies and technologies like agile port systems, innovations to port-to-transportation interfaces, short sea shipping, integration of National Defense Features, and other solutions.

FY 2010 funding will also be utilized to acquire and develop data that supports expanding utilization of a secure national marine highway. Examples include identification of specific freight origins and destinations to determine both optimal marine highway services and identify potential security threats, research to determine optimal marine highway services, research to improve efficiencies and related security protocols.

Funding will also support further development and maintenance of the Maritime Safety and Security Information System (MSSIS) global vessel tracking system for use by DHS, DOD, and DOT, and other federal entities. MSSIS uses Automated Identification System (AIS) transmission from vessels via countries who voluntarily agree to participate. In December 2004, the International Maritime Organization mandated the use of AIS for vessels over 300 gross tons on international voyages. Funds will be further utilized to determine if this tracking system is appropriate for the domestic marine services funded by this program. Currently there are 53 countries participating in MSSIS.

<u>Environment and Compliance</u>

- Ballast Water Initiative
  - The Department of Transportation is participating in the Great Lakes Restoration Initiative, which is requested in the EPA budget. In 2010, MARAD will coordinate the development of ballast water treatment suitable for fresh water ecosystems with USCG, EPA, and US Fish and Wildlife Service, including permitting requirements and the verification of treatment technologies.
  - The agency has partnerships with academic and public entities with a goal to advance research related to ballast water treatment technology. These partnerships have been established on the East Coast and in the Great Lakes Region, using Maritime Administration ship assets or personnel expertise, as well as a limited amount of funding. A similar effort on the West Coast is scheduled to be established in early 2010. Research on peripheral issues related to the discharge of ballast water, such as sampling, is also underway. The Maritime Administration is also in the process of developing a way forward that unites the research efforts of the various test facilities, academic institutions, classification societies, and stakeholders. It is hoped that this type of collaborative effort will focus research, bring the U.S. to a point where there is ample infrastructure to evaluate ballast water treatment technologies certification purposes, a method for extracting shipboard samples is finalized, compliance monitoring strategies are

    completed, and analytical methods are agreed upon. An approach that unites the efforts of personnel and facilities located throughout the U.S. will eliminate duplication of effort and more effectively use a limited amount of available funds.
  - The agency also serves on the US delegation to the International Maritime Organization, Marine Environment Protection Committee and as the secretariat on the International Organization for Standardization Working Group on ballast water management issues.

- Air Emissions
  - For several years, the Maritime Administration has been working with other government agencies and academia to address energy efficiency and air emissions reductions for ships and ports. In addition, the Maritime Administration plays an active and critical role in the development of national and international regulations to reduce marine vessel air emissions.
  - The Maritime Administration has been partnering with the University of Delaware and the Rochester Institute of Technology to develop a Geospatial Intermodal Freight Transport Tool (GIFT). GIFT is a transportation planning model that optimizes intermodal freight movement between points based on energy and emissions, time, and cost. GIFT is unique, in that it is the first national-scale that will focus on emissions reduction for cross-modal scenarios. In FY 2008, the Maritime Administration funded the I-95 corridor portion of the project. That project will be completed this year. Development of the model requires the acquisition of extensive transportation network and intermodal hub data. GIFT is a multi-year effort and it is critical to continue funding on an annual basis in order to develop the nationally-applicable tool.
  - In addition to transportation planning tools, the Maritime Administration is also approaching emissions reductions through technology advancement and trials in maritime applications. In FY 2008, the agency funded a shore power feasibility study through the Port of New Bedford. The objectives of the study are to determine the applicability of shore power at a small to medium-sized port and alternative fuel options for shore power. The study is expected to be completed this year.
  - The Maritime Administration is also working the Environmental Protection Agency to develop and test emission reduction technology at national as well as international ports. Possible projects to be funded for this effort include, but are not limited to, the use of particulate filters on vessels, alternative power sources for reefer buildings at ports, and recycling of waste into energy to supply power for port infrastructure.
  - Aside from extensive partnerships, all of these projects require funding. The Maritime Administration continues to be at the focal point for vessel and port emissions reductions and energy efficiency. The maritime industry and sister government agencies rely on the Maritime Administration to develop and support effective technologies and clean air efforts.
  - The agency also serves on the US delegation to the International Maritime Organization, Marine Environment Protection Committee regarding vessel air emissions issues.

- Green Programs

- The MARAD's green programs focus on agency-wide carbon reduction, energy efficiency, and alternative energy strategies. Key components include a carbon footprint calculator provided through the Climate Registry, green travel policy that emphasizes environmentally-friendly options for business travel, and a green procurement policy that adheres to the acquisition of environmentally-friendly services and products. The Maritime Administration continues additional efforts to comply with Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management.
- In 2005, MARAD began the development of an agency-wide Environmental Management System (EMS). EMS provides a system for optimizing environmental best practices at Headquarters, Region Offices, and Fleets. Following the development of an EMS, the Agency developed an Environmental Excellence Initiative (EEI) that lists best practices for the management of the National Defense Reserve Fleet and is currently used at all agency fleets. The EEI folds into other green programs and is a key component of the agency-wide EMS.

- Safety
    - MARAD professional mariners, marine engineers and naval architects support DOT's safety goals through a leadership role in the Safety Working Group of the Ship Operators Cooperative Program (SOCP). They also have an active role in the International Maritime Organization – Marine Safety Committee and serve on the U.S. delegation.
    - The agency provides support the for the interagency "Ship Structures Committee" (SSC) to pursue better material, fabrication technologies, technical standards, maintenance, survey and repair strategies and collaborate with academia in the pursuit of safety in ship design.

- Security
    - MARAD serves as the advocate of the maritime industry for security related concerns, issues, training, and operations, and is the Department of Transportation's main contact point for industry and interagency activities on piracy. The spectrum of security activities includes, Global Maritime Domain Awareness (MDA), port security, vessel security, certification of security training providers, port security grant review, and input for policies in support of the National Strategy for Maritime Security.
    - The agency is also responsible for the development and operation electronic information sharing tools such as the "Maritime Safety and Security Information System" (MSSIS) for vessel tracking and other uses of the "Automated Identification System" (AIS) for purposes of more efficient use of the Marine Transportation System for commerce, environment, safety and security concerns in support to the economic advancement of the nation.

<u>Intermodal System Development</u>

- MARAD will continue to work with existing deepwater port license applicants to seek voluntary agreements that will facilitate and ensure a well qualified and diversified mix of skilled mariners and build a strong U.S. presence in the international LNG fleet.

National Security

- Ensure the availability of DOD's designated strategic ports and national security planning.
- Continued support of the efficient administrative operation of MSP and VISA.
- Continued management of the War Risk Insurance program.

Business and Workforce Development

- Administer ARRA small shipyard grants.
- Track and report on impacts of the grants.

Support Activities

The FY 2010 request will fund Human Resources, Financial Management, Information Technology and E-Government, Legal Counsel, Procurement, and Administrative Services programs. The support programs are funded under: Non-Discretionary Operations ($9.7 million), Information Technology ($6.2 million), and a portion of the Discretionary Operations and Travel request ($1.8 million). FY 2010 program support activities include the following:

Human Resources

- Invest in employee leadership training, establish formal and informal mentoring arrangements, create succession opportunities, and foster external educational opportunities.
- Promote educational and training opportunities by providing support for external training requests, tuition assistance opportunities, in-house training courses, and support for a participant in the Federal Executive Institute.
- Provide cross-training and education opportunities by promoting rotational assignments and increased used of cross-functional teams.
- Build a leadership pipeline/talent pool to ensure leadership continuity.
- Improve human capital programs and the human capital accountability system.
- Ensure human capital results and merit system compliance are determined and reported to management and the Office of Personnel Management.

Financial Management

- Strengthen financial management capabilities at the U.S. Merchant Marine Academy.
- Develop a new CFO Key Indicators Report to highlight financial information for tracking and decision-making.
- Augment MARAD CFO Intranet website resources and materials.
- Continue development of the MARAD performance framework.

Information Technology and E-Government

- MARAD's IT/E-government support is comprised of three main parts; content environment, operating environment, and governance. All three areas are in support of the Department's Organizational Excellence strategic goal.

- MARAD’s request for IT services will support a combination of RRF, operations & training and other sources such as interagency reimbursable agreements for specific projects that include:
    - Operating Environment - Continue to manage and maintain the Data Center at Stennis, MS; the Continuity of Operations Plan site at Piney Point, the Wide Area Network and the field offices;
    - Content Environment - Continue to support and maintain over 40 legacy systems critical to the agency’s mission including enhancement to the Internet to comply with new OMB and Department of Transportation (DOT) guidelines;
    - E-Government - Continue to comply with Federal Information Security Management Act of 2002, DOT security directives, and to pay for shared E-Government services with DOT; and
    - Support DOT provided shared services to MARAD.

Comprehensive Information Technology Budget

Overview:
The MARAD Office of Information Technology (OIT) mission is to design, deliver, and maintain technology-based capabilities in support of the overall Maritime Administration's mission. Funding for Information Technology Services is a combination of Ready Reserve Force (reimbursable) and Operations & Training (including the working capital fund).

IT Budget Estimate			
IT Portfolio	**Total**	**RRF Reimbursable**	**O&T Direct**
Operating Environment	7,915	5,099	2,816
Content Environment	4,353	1,382	2,971
E-Government	696	269	427
Working Capital Fund (WCF)	3,103	1,065	2,038
Total	**$16,067**	**$7,815**	**$8,252**

Note: USMMA IT is not included in these levels.

FY 2010 Estimated IT Investment:

Operating Environment
$7.9 million is estimated for Operating Environment to continue to manage and maintain the Data Center at Stennis, MS; the COOP site at Piney Point, the Wide Area Network and the field offices.

Content Environment
$4.4 million is estimated for Content Environment to continue to support and maintain over 40 legacy systems critical to the agency's mission including enhancement to the Internet to comply with new OMB and DOT guidelines.

E-Government
$696 thousand is estimated for E-Government to continue to comply with Federal Information Security Management Act of 2002 and DOT security directives and to pay for shared E-Government services with DOT.

Working Capital Fund (WCF)
$3.1 million is required to pay for DOT provided shared services to MARAD.

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ASSISTANCE TO SMALL SHIPYARDS

[To make grants to qualified shipyards as authorized under section 3506 of Public Law 109-163 or section 54101 of title 46, United States Code, $17,500,000, to remain available until expended: *Provided*, That to be considered for assistance, a qualified shipyard shall submit an application for assistance no later than 60 days after enactment of this Act: *Provided further*, That from applications submitted under the previous proviso, the Secretary of Transportation shall make grants no later than 120 days after enactment of this Act in such amounts as the Secretary determines: *Provided further*, That not to exceed 2 percent of the funds appropriated under this heading shall be available for necessary costs of grant administration.**]** *(Department of Transportation Appropriations Act, 2009.)*

MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1770-0-1-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	Grants for Capital Improvement for Small Shipyards	-	17,150	-
00.02	Grants Administration	1,661	350	-
00.03	Supplemental Grants for Small Shipyards	-	98,000	-
10.00	Total obligations	1,661	115,500	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	-	8,339	-
21.45	Adjustments to unobligated balance carried forward, start of year	-	-8,339	-
22.00	New budget authority (gross)	10,000	115,500	-
23.90	Total budgetary resources available for obligation	10,000	115,500	-
23.95	New obligations	-1,661	-115,500	-
24.40	Unobligated balance available, end of year	8,339	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation	10,000	17,500	-
40.01	Appropriation, Recovery Act	-	100,000	-
41.00	Transferred to other accounts [69-1750]	-	-2,000	-
43.00	Appropriation (total)	10,000	115,500	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	-	-	88,200
72.45	Adjustments to obligated balance, start of year	-	8,339	-
73.10	New obligations	1,661	115,500	-
73.20	Total outlays (gross)	-1,661	-35,639	-58,800
74.40	Obligated balance, end of year	-	88,200	29,400
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	1,661	27,300	-
86.93	Outlays from discretionary balances	-	8,339	58,800
87.00	Total outlays (gross)	1,661	35,639	58,800
	Net budget authority and outlays:			
89.00	Budget authority (net)	10,000	115,500	-
90.00	Outlays (net)	1,661	35,639	58,800
95.02	Unpaid Obligations, EOY	-		

ASSISTANCE TO SMALL SHIPYARDS

Program and Performance Statement

The National Defense Authorization Act for Fiscal Year 2006 authorizes appropriated funds for the Maritime Administration to make grants for capital improvements and related infrastructure investments at qualified shipyards that will facilitate the efficiency, cost-effectiveness, and quality of domestic ship construction for commercial and Federal Government use. No new funds are requested for 2010.

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

Object Class Code	Object Class	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
41.0	Grants, claims and subsidies	1,661	115,500	0
99.9	**Total New Obligations**	**1,661**	**115,500**	**0**

EXHIBIT III-1

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

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE FY 2009-2010
Assistance to Small Shipyards	10,000	17,500	0	-17,500
Assistance to Small Shipyards - ARRA	0	100,000 1/	0	-100,000
Total	**10,000**	**117,500**	**0**	**-117,500**
FTEs				
Direct Funded	0	0	0	0
Reimbursable, allocated, other	0	0	0	0

1/ Of this amount $2 million was transferred to Operations and Training for administrative oversight.

EXHIBIT III-2

ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2009 TO FY 2010
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2009 to FY 2010	FY 2010 PC&B By Program	FY 2010 FTEs by Program	FY 2010 Contract Expenses	Total
		Note: Columns are Non-Add			
FY 2009 Base	**$17,500**				**$17,500**
Adjustments to Base					
Annualization of 2009 Pay Raise (3.9%)					
2010 Pay Raise (2.0%)					
WCF					
Non-Salary Inflation (0.5%)					
Subtotal, Adjustments to Base					
New or Expanded Programs (e.g. Presidental Initiatives)					
Assistance to Small Shipyards	-17,500				
Subtotal, New or Expanded Program Increases/ Decreases	**-$17,500**				**-$17,500**
Total FY 2010 Request	**-**				**-**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS
FY 2001 - FY 2010
Main Table - ($000)

Fiscal Year		Estimate	Enacted	
2001		0	0	
2002		0	0	
2003		0	0	
2004		0	0	
2005		0	0	
2006		0	0	
2007		0	0	
2008		0	10,000	
2009	Appropriation	0	17,500	
	ARRA*	0	100,000	1/
2010		0		

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

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

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SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, $15,000,000, to remain available until expended. *(Department of Transportation Appropriations Act, 2009.)*

MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1768-0-1-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	Ship Disposal	12,595	35,325	15,000
10.00	Total obligations	12,595	35,325	15,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	14,081	20,325	-
22.00	New budget authority (gross)	16,731	15,000	15,000
22.10	Resources available from recoveries of prior year obligations	2,108	-	-
23.90	Total budgetary resources available for obligation	32,920	35,325	15,000
23.95	New obligations	-12,595	-35,325	-15,000
24.40	Unobligated balance available, end of year	20,325	-	-
	New budget authority (gross), detail:			
	Discretionary :			
40.00	Appropriation (definite)	17,000	15,000	15,000
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	-269	-	-
58.90	Spending authority fm offsetting collections (total	-269	-	-
70.00	Total new budget authority (gross)	16,731	15,000	15,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	16,822	7,990	7,500
73.10	New obligations	12,595	35,325	15,000
73.20	Total outlays (gross)	-19,318	-35,815	-15,000
73.45	Recoveries of prior year obligations	-2,108	-	-
74.40	Obligated balance end of year	7,990	7,500	7,500
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	-	7,500	7,500
86.93	Outlays from discretionary balances	19,318	28,315	7,500
87.00	Total outlays (gross)	19,318	35,815	15,000
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	-269	-	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	17,000	15,000	15,000
90.00	Outlays (net)	19,587	35,815	15,000
95.02	Unpaid Obligations, EOY	7,990		

SHIP DISPOSAL PROGRAM

Program and Performance Statement

The Ship Disposal program provides resources to properly dispose of obsolete government-owned merchant ships maintained by the Maritime Administration in the National Defense Reserve Fleet. These vessels pose a significant environmental threat due to the presence of unexpended fuel, oil, and other hazardous substances including as asbestos and both solid and liquid polychlorinated biphenyls (PCBs). The Maritime Administration contracts with domestic shipbreaking firms to dismantle and recycle these vessels in accordance with guidelines set forth by the U.S. Environmental Protection Agency.

MARITIME ADMINISTRATION
SHIP DISPOSAL
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2008 Enacted	FY 2009 Enacted	FY 2010 Request
11.1	Full-time permanent	652	1,012	1,037
11.5	Other personnel compensation	11	17	17
11.9	**Total personnel compensation**	**663**	**1,029**	**1,054**
12.1	Civilian personnel benefits	163	253	259
25.2	Other services	11,769	34,043	13,687
99.0	**Subtotal , direct obligations**	**11,932**	**34,296**	**13,946**
99.9	**Total New Obligations**	**12,595**	**35,325**	**15,000**

Employment Summary

	Ship Disposal	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Direct:				
1001	Civilian full-time equivalent employment	7	11	11
	Total Employment	**7**	**11**	**11**

EXHIBIT III-1

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

	FY 2008 ACUTAL	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE FY 2009-2010
Ship Disposal	17,000	15,000	15,000	0
Total	**17,000**	**15,000**	**15,000**	**0**
FTEs				
Direct Funded	7	11	11	0
Reimbursable, allocated, other	0	0	0	0

EXHIBIT III-2

SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2009 TO FY 2010
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2009 to FY 2010	FY 2010 PC&B By Program	FY 2010 FTEs by Program	FY 2010 Contract Expenses	Total
		Note: Columns are Non-Add			
FY 2009 Base	**15,000**	**[1,282]**	**[11]**	**[13,418]**	**15,000**
Adjustments to Base					
Annualization of 2009 Pay Raise (3.9%)	12	[12]			
2010 Pay Raise (2.0%)	19	[19]			
WCF	-300				
Non-Salary Inflation (0.5%)	67			[67]	
Subtotal, Adjustments to Base	**-202**	**[31]**		**[67]**	**-202**
New or Expanded Programs (e.g. Presidental Initiatives)					
Ship Disposal Program	202			[192]	
Subtotal, New or Expanded Program Increases/ Decreases	**202**			**[192]**	**202**
Total FY 2010 Request	**15,000**	**[1,313]**	**[11]**	**[13,677]**	**15,000**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL
FY 2001 - FY 2010
Main Table - ($000)

Fiscal Year	Estimate	Enacted
2001	0	0
2002	10,000	0
2003	11,161	11,088 1/
2004	11,422	16,115 2/
2005	21,616	21,443 3/
2006	21,000	20,790
2007	25,740	20,790
2008	20,000	17,000
2009	18,000	15,000
2010	15,000	

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

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

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

Detailed Justification for Ship Disposal

Ship Disposal	**FY 2010 Request: $15 million**

Overview:
The Maritime Administration (MARAD) developed the Ship Disposal Program, as required by Section 3502 of the National Maritime Heritage Act, for the disposal of non-retention, also referred to as obsolete, National Defense Reserve Fleet (NDRF) vessels that are not assigned to the Ready Reserve Fleet (RRF) or otherwise designated for a specific purpose. The Ship Disposal Program supports the achievement DOT's Environmental Stewardship strategic objective to promote transportation solutions that enhance communities and protect the natural and built environment. As identified by Section 203 of the Federal Property and Administrative Services Act of 1949, MARAD is the U.S. government's disposal agent for federal government owned merchant type vessels that are 1,500 gross tons or more. MARAD has custody of approximately 105 obsolete vessels that are available for disposal. These obsolete ships are located at the James River Reserve Fleet (JRRF) site in Virginia, the Suisun Bay Reserve Fleet (SBRF) site in California and the Beaumont Reserve Fleet (BRF) site in Texas.

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

In addition to environmental risks at MARAD fleet sites associated with onboard hazardous materials, the risk associated with the spread of non-indigenous aquatic species when transferring obsolete ships from the fleets sites to other bio-geographic locations for vessel disposal through recycling or artificial reefing has become an increasingly complex and costly challenge since FY 2006. Requirements and costs associated with the control of potentially invasive aquatic species are continuing to evolve, and indications are that they will continue to increase as the process for resolving the conflicting and often contradictory requirements of local, state and federal regulations continues.

Because of the conflicting environmental mandates and regulatory constraints on the ship disposal activities including in-water hull cleaning of marine growth, early in FY 2007 the Maritime Administrator placed a temporary suspension on further ship disposals. The suspension has since been lifted for the Virginia and Texas fleet sites because of agreements reached with those States. The suspension will remain in place for California until an agreement has been reached with the cognizant state and federal regulatory agencies on National Invasive Species Act (NISA) and Clean Water Act (CWA) issues currently impeding the movement and disposal of obsolete MARAD ships located in the SBRF. The budgetary impact of NISA, the CWA and related local and state regulations on the Ship Disposal program is addressed in the FY 2010 budget request.

An additional project funded within the Ship Disposal account is maintenance and safeguarding of the Nuclear Ship *Savannah* (NSS). This vessel was designed and built in the 1960's as a federal demonstration project for the peaceful use of nuclear power under the 'Atoms for Peace' initiative. Its nuclear power plant is licensed as a commercial power reactor (inoperable/possession-only) by the Nuclear Regulatory Commission (NRC); one of only a few such federally-owned, NRC-licensed facilities. NRC's core mission, to protect the health and safety of the public and environment by regulating the nuclear industry and radiological materials nationwide, is fully compatible with the DOT Environmental Stewardship strategic objective.

MARAD's NRC license to possess the NSS facility requires compliance with all regulations and statutes (principally the Atomic Energy Act and the Energy Policy Act) that are applicable to a power reactor. Current statutory and regulatory authorities require licensed facilities to finish decommissioning (dismantlement, disposal, and license termination) no more than 60 years after permanent cessation of operations. Under this definition MARAD must complete decommissioning by the end of 2031. MARAD is prepared to execute decommissioning whenever resources may be made available for the purpose. In the meantime, the focus of MARAD's NSS program activities is to safely manage and safeguard the NSS facility. Assuming adequate and well-defined pre-planning, and maintenance of a compliant license management program, MARAD will require a minimum of five years to complete the decommissioning project.

FY 2009 Base:
The base consists of ship disposal funds, salaries and benefits, contractor support, administrative funds (including training and travel) and funding for NSS nuclear management activities and pre-decommissioning (SAFSTOR) planning and preparation.

Anticipated FY 2009 Accomplishments:
MARAD has an FY 2009 performance target to remove 14 obsolete vessels from the NDRF, which is down significantly from the average of 22 ships removed on an annual basis for the last four years. The national economic downturn and credit crisis that started in the first quarter of FY 2009 has had a detrimental effect on the domestic ship recycling industry and may preclude reaching the goal of 14 obsolete ship removals in 2009. The ship recycling industry depends on revenues from the sale of scrap steel (and other metals) to mills that produce finished goods for the construction and auto industries. Low demand for finished steel has resulted in correspondingly reduced demands for scrap steel from the domestic ship recyclers. Likewise the credit crisis has dried up loans to recyclers to finance operational expenses and non-retention vessel purchases. As a result, ship recyclers have laid off workers and slowed production while experiencing diminished revenue and longer held inventories of scrap steel. The effect on MARAD's Ship Disposal Program has been fewer obsolete ship removals due to diminished capacity and higher disposal costs due to decreased demand for scrap steel.

Additionally, high fuel prices and increased costs associated with compliance with invasive species regulations and risk mitigation requirements will increase disposal costs in FY 2009. The development of testing and mitigation requirements surfaced in 2006 as a potentially significant cost driver due to increasing concern regarding the environmental impact of discharges from hull cleaning activities and for the potential spread of non-indigenous species as the Maritime Administration relocates obsolete ships from our fleet sites to the various disposal locations throughout the U.S. Cumulative costs to the program in FY 2006 and 2007 related to NISA requirements were approximately $2.5 million. Since the NISA requirements only became a factor in FY 2006, and compliance activities continued to evolve in FY 2007, the costs were as yet undefined and as such were not included in budget requests for FY 2007 or 2008.

The FY 2008 costs of $1.4 million were related to accomplishing biological sampling, laboratory analysis, underwater hull cleaning to remove soft aquatic growth and conducting baseline aquatic species studies at the fleet sites and domestic recycling facilities. These costs are necessary merely to remove obsolete ships to recycling facilities and are in addition to costs normally associated with ship disposal activities such as towing, hazmat remediation and dismantling. The Maritime Administration anticipates that the Ship Disposal Program must continue to develop and implement strategies to reduce the risk of the introduction of non-indigenous aquatic species when transitioning obsolete NDRF vessels from the fleet sites to the domestic recycling facilities to comply with NISA. For the balance of FY 2009 and into 2010, these costs will continue to be in addition to costs that include activities related to hull cleaning discharge sampling and discharge containment because of concerns raised by California and other states regarding compliance with the CWA and related regulations.

The Maritime Administration expects to continue to utilize domestic recycling as the primary ship disposal method and will dispose of high and moderate priority ships that are available for disposal during FY 2009 and 2010 through domestic recycling. Disposals through artificial reefing, deep-sinking of ships with the U.S. Navy and donation to not-for-profit groups will also be used to the maximum extent possible. As opportunities arise, MARAD will also continue working with domestic and international organizations to accomplish vessel condition assessments, hazardous materials identification, waste-stream minimization, and applied technology testing on MARAD's obsolete ships. MARAD anticipates that in the future these activities could result in improved overseas hazardous material remediation and ship recycling and lead to additional choices for environmentally safe and cost-effective vessel disposal internationally. Currently there are no foreign facilities qualified to compete for future ship recycling contracts and MARAD is limited by statute to the use of only domestic recycling facilities unless domestic recycling capacity is determined to be unavailable.

Savannah Project: The project focuses on developing and maintaining an independent and proficient licensee organization, and bringing the NSS nuclear facilities into conformance with contemporary NRC SAFSTOR standards. SAFSTOR is the decommissioning condition in which a non-operating nuclear power plant is safely husbanded for the period of time between cessation of operations and dismantlement, disposal and license termination (DECON). This project was initially conceived in 2004 to complete DECON; however, resource shortfalls forced MARAD to defer that project and instead return the NSS to long-term retention. The SAFSTOR condition is designed to be inherently safe during sustained unattended periods. The NSS was originally laid-up and placed in retention in the mid-1970's; long before the industry gained any meaningful SAFSTOR experience. As a consequence, it is now known that the NSS requires substantial work before it can be considered satisfactory for an additional period of extended retention. Such work includes the reduction of transient combustibles, reduction of radiological inventory, maintenance of the facility containment structure, installation of active systems for fire protection / suppression and ventilation, and continued radiological surveillance and monitoring.

The projected SAFSTOR work effort for the NSS will complement future decommissioning activities in a substantially non-duplicative way. The SAFSTOR effort can be transitioned to DECON at any time. During 2009 MARAD will complete the engineering plans and studies for the required SAFSTOR upgrades, and will be in a position to implement them when sufficient resources become available.

FY 2010 Budget Request:

Ship Disposal					
Program Activity ($000)	**FY 2009 Enacted**	**Salary Adjustment** 1/	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2010 Request**
Salaries & Benefits	1,282	31			1,313
WCF 2/	300		-300		0
Program Expenses	13,418		67	202	13,687
Total	**$15,000**	**$31**	**-$233**	**$202**	**$15,000**

1/ Includes annualization of 2009 pay raises and 2010 salary increases.
2/ For FY 2010, all appropriated WCF expenses are requested under the MARAD Ops section of O&T in order to consolidate these support costs under one account.

The total request for the ship disposal appropriation is $15 million, consistent with the FY 2009 enacted. MARAD requests $12 million to support the continuation of the obsolete ship disposal activities. MARAD plans to continue to expedite the disposal of obsolete ships via full and open competition, utilizing all feasible disposal options. The request for the ship disposal program provides the funding for the domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available).

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

The request level will not defray significant increases in fuel costs and hull fouling testing and mitigation requirements, both of which may be significant cost drivers into FY 2010, without impacting the program's ability to meet its performance targets.

In anticipation of a settlement of the California lawsuit and a majority of FY 2010 ship disposals from the SBRF, funding at this level will allow for the removal of approximately 15 ships from our inventory and defray costs to develop and implement a risk mitigation plan for compliance with NISA and for testing and containment requirements related to the CWA. Since there are no active ship recyclers on the West Coast, the costs to tow SBRF ships to the nearest recyclers in

Texas and Louisiana are significantly greater than towing costs from MARAD's fleets located on the Atlantic and Gulf coasts. MARAD's environmental risk mitigation activities will allow ship disposal to continue in full compliance with NISA and the CWA, but will also lessen the environmental risk at the fleet sites and recycling facilities.

MARAD requests $3.0 million, the same as the FY 2009 enacted amount, to continue activities required maintain and safeguard the N.S. *Savannah*, including license management activities and planning and technical actions necessary to bring the NSS nuclear facilities into conformance with NRC SAFSTOR standards, such that the ship can be returned to the JRRF (or other suitable location) for long-term retention until final decommissioning and license termination by 2031. Activities will be planned and undertaken using commercial nuclear industry best practices and methods, so that they can be achieved at reasonable cost.

OBSOLETE VESSELS IN MARAD's CUSTODY BY FISCAL YEAR, FY 2001 - 2010

	FY 2001	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009***	**FY 2010***
On Hand, Start of Year	115	132	133	132	138	143	152	130	111	101
Transfers In	19	7	2	16	17	33	1	11	4	4
Transfers Out	2	6	3	10	12	24	23	30	14	16
On the books end of year	132	133	132	138	143	152	130	111	101	89
Removed from the Fleets	6	6	2	15	18	25	20	25	14	15

Definitions: "Transfers In" refers to vessels from all sources that have changed in status from retention to non retention. Transfers Out" refers to vessels that have been taken "off the books" because of a completed disposal, title transfer through vessel sale, donation or other transfer action. "Removed from the fleet" refers to vessels that have been physically removed from the fleet sites. Except for vessel sales and donations, vessels removed from the fleet are not counted as "Transfers Out" until the disposal action is completed. * FY 2009 and 2010 are projections.

MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, $174,000,000, to remain available until expended. *(Department of Transportation Appropriations Act, 2009.)*

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1711-0-1-054	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	Maritime Security Program	155,474	175,000	174,000
10.00	Total obligations (Object Class 41.0)	155,474	175,000	174,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	475	1,000	-
22.00	New budget authority (gross)	156,000	174,000	174,000
23.90	Total budgetary resources available for obligation	156,475	175,000	174,000
23.95	New obligations	-155,474	-175,000	-174,000
24.40	Unobligated balance available, end of year	1,000	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation	156,000	174,000	174,000
	Change in obligated balances:			
72.40	Obligated balance , start of year	14,639	16,243	12,180
73.10	New obligations	155,474	175,000	174,000
73.20	Total outlays (gross)	-153,870	-179,064	-174,000
74.40	Obligated balance, end of year	16,243	12,180	12,180
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	140,684	161,820	161,820
86.93	Outlays from discretionary balances	13,185	17,244	12,180
87.00	Total outlays (gross)	153,870	179,064	174,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	156,000	174,000	174,000
90.00	Outlays (net)	153,870	179,064	174,000
95.02	Unpaid Obligations, EOY	16,243		

MARITIME SECURITY PROGRAM

Program and Performance Statement

The Maritime Security Program provides resources to maintain a U.S.-flag merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States. The program provides direct payments to U.S.-flag ship operators engaged in U.S.-foreign trade. Participating operators are required to keep the vessels in active commercial service and are required to provide intermodal sealift support to the Department of Defense in times of war or national emergency.

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
OBJECT CLASSIFICATION
($000)

Object Class Code	Object Class	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
41.0	Grants, claims and subsidies	155,474	175,000	174,000
99.9	**Total New Obligations**	**155,474**	**175,000**	**174,000**

EXHIBIT III-1

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

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE FY 2009-2010
Maritime Security Program	156,000	174,000	174,000	0
Total	**156,000**	**174,000**	**174,000**	**0**
FTEs				
Direct Funded	0	0	0	0
Reimbursable, allocated, other	0	0	0	0

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM
FY 2001 - FY 2010
Main Table - ($000)

Fiscal Year	Estimate	Enacted
2001	98,700	98,483 1/
2002	98,700	0
2003	98,700	98,058 2/
2004	98,700	98,118 3/
2005	98,700	97,910 4/
2006	156,000	154,440
2007	154,440	154,440
2008	154,440	156,000
2009	174,000	174,000
2010	174,000	

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

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

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

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

Detailed Justification for the Maritime Security Program

Maritime Security Program	**FY 2010 Request: $174.0 million**

Overview:
The Maritime Security Act of 2003 authorized 60 ships for the Maritime Security Program (MSP), at $2.9 million per ship for FY 2010. MSP ensures that the United States will have U.S.-flag commercial vessels to support Department of Defense (DOD) operations. Prior to enactment of the Maritime Security Act of 1996, several of the major U.S.-flag carriers transferred their vessels to foreign registry. These same carriers indicated that more U.S.-flag ships would have left the U.S.-flag fleet in the absence of MSP. These actions would have resulted in DOD relying on more foreign-flag vessels with foreign crews or having to make substantial investments in procuring a larger government-owned DOD fleet. The program also ensures that the intermodal assets of current U.S.-flag ship operators will be readily available to DOD.

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

FY 2009 Base:
The base consists solely of funds to make payments to MSP ship operators for 60 enrolled ships. The FY 2010 budget request provides for payments of $2.9 million per ship. Supporting staff salaries and benefits are funded by the Operations and Training account (MARAD Operations program activity).

Anticipated FY 2009 Accomplishments:
MSP ships have contributed greatly to Operation Enduring Freedom and Operation Iraqi Freedom. A total of 99 U.S.-flag commercial ships (including 68 current and former MSP ships) have either been employed by the Military Sealift Command (MSC), or the Military Surface Deployment and Distribution Command (SDDC) to transport military cargoes. SDDC reports that since September 11, 2001, U.S.-flag commercial ships have delivered over 430,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. In addition, 39 of the 68 MSP ships utilized by MSC and SDDC also supported the rebuilding of Iraq.

Subject to appropriations, during FY 2009 MARAD will continue strategies that are designed to maintain full enrollment of 60 ships in MSP through September 30, 2009. MARAD will continue to evaluate and approve changes in MSP contracts that improve the quality of the MSP fleet while ensuring retention of modern and efficient ships and U.S. citizen crews to support U.S. homeland and national security goals. During this period Maersk Line Limited will replace nine existing vessels with previously approved replacements. Throughout the fiscal year MARAD anticipates that all 60 ships currently enrolled in the MSP program will be operating under their MSP contracts and in U.S. foreign trade.

FY 2010 Budget Request:

Maritime Security Program					
Program Activity ($000)	**FY 2009 Enacted**	**Salary Adjustment**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2010 Request**
Program Expenses	174,000	0	0	0	174,000
Total	**$174,000**	**$0**	**$0**	**$0**	**$174,000**

MARAD requests $174.0 million for MSP in order to fund 60 ships in the MSP fleet in FY 2010 at the authorized level of $2.9 million per ship. Funding at this level will allow DOT to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States and help to achieve the Department's performance measures for defense mobilization.

MSP participants signed operating agreements with the Maritime Administration that provide for escalation of MSP payments to $2.9 million per ship per year in FY 2009, 2010 and 2011. Escalating payments were designed to offset the impact of inflation and to provide incentive for MSP operators to reinvest and upgrade their MSP fleet with newer, more modern and efficient vessels. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available. From October 1, 2005, through September 30, 2009, 24 MSP ships are to be replaced with newer ships. An additional six ships currently in the program will be replaced with newer vessels before the MSP expires at the end of FY 2015.

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

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

SHIP CONSTRUCTION

[(RESCISSION)]

[Of the unobligated balances available under this heading, $1,382,554 are rescinded.**]**
(Department of Transportation Appropriations Act, 2009.)

MARITIME ADMINISTRATION
SHIP CONSTRUCTION
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1708-0-1-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	6,673	1,383	2,500
22.00	New budget authority (gross)	-5,291	1,118	-
23.90	Total budgetary resources available for obligation	1,382	2,500	2,500
24.40	Unobligated balance available, end of year	1,382	2,500	2,500
	New budget authority (gross), detail:			
	Discretionary:			
40.36	Unobligated balance permanently reduced	-6,673	-1,382	-
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	1,382	2,500	-
70.00	Total new budget authority (gross)	-5,291	1,118	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	-	-	-2,500
73.20	Total outlays (gross)	-	-2,500	0
74.40	Obligated balance, end of year	-	-2,500	-2,500
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	-	2,500	-
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	-	-	-
88.40	Non-federal sources	-1,382	2,500	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	-6,673	-1,382	-
90.00	Outlays (net)	-1,382	-	-
95.02	Unpaid Obligations, EOY	-		

SHIP CONSTRUCTION

Program and Performance Statement

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

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MARITIME ADMINISTRATION
OPERATING-DIFFERENTIAL SUBSIDIES
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1709-0-1-403	**FY 2008 Actual**	**FY 2009 Enacted**	**FY 2010 Request**
	Obligations by program activity:			
00.01	Operating-differential Subsidies	-	822	-
10.00	Total obligations	-	822	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	822	822	-
23.95	New obligations	-	-822	-
24.40	Unobligated balance available, end of year	822	-	-
	Change in obligated balances:			
72.40	Obligated balance , start of year	9,924	9,924	0
73.10	New obligations	-	822	-
73.20	Total outlays (gross)	-	-10,746	-
74.40	Obligated balance, end of year	9,924	0	0
	Outlays (gross), detail:			
86.93	Outlays from discretionary balances	-	10,746	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	-	10,746	-
95.02	Unpaid Obligations, EOY	9,924		

OPERATING-DIFFERENTIAL SUBSIDIES

Program and Performance Statement

The Operating-Differential Subsidies (ODS) program provided resources to maintain a U.S.-flag merchant fleet to serve both the commercial and national security needs of the United States through operating subsides to participating U.S.-flag ship operators to offset certain cost differences between U.S.-flag and foreign-flag vessel operations. This program has been replaced by the Maritime Security Program. The ODS account is inactive except for final settlement of open contracts and closing of financial accounts.

MARITIME ADMINISTRATION
OCEAN FREIGHT DIFFERENTIAL
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1751-0-1-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	Ocean Freight Differential - 20% Excess Freight	87,863	138,729	138,729
00.02	Ocean Freight Differential -Incremental	22,167	35,000	35,000
00.03	Ocean Freight Differential -Interest to Treasury	805	1,271	1,271
10.00	Total obligations	110,835	175,000	175,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	-	90,891	-
22.00	New budget authority (gross)	201,726	175,000	175,000
23.90	Total budgetary resources available for obligation	201,726	265,891	175,000
23.95	New obligations	-110,835	-175,000	-175,000
23.98	Unobligated balance expiring or withdrawn	-	-90,891	-
24.40	Unobligated balance available, end of year	90,891	-	-
	New budget authority (gross), detail:			
	Mandatory:			
60.00	Appropriation (definite)	194,408	109,090	175,000
60.47	Portion applied to repay debt	-192,682	-109,090	-175,000
62.50	Appropriation Mandatory(total)	1,726	-	-
67.10	Borrowing Authority	200,000	175,000	175,000
70.00	Total new budget authority (gross)	201,726	175,000	175,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	-	805	805
73.10	New obligations	110,835	175,000	175,000
73.20	Total outlays (gross)	-110,030	-175,000	-175,000
74.40	Obligated balance end of year	805	805	805
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	110,030	175,000	175,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	201,726	175,000	175,000
90.00	Outlays (net)	110,030	175,000	175,000
95.02	Unpaid Obligations, EOY	805	-	-

OCEAN FREIGHT DIFFERENTIAL

Program and Performance Statement

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

EXHIBIT III-1

OCEAN FREIGHT DIFFERENTIAL

Summary by Program Activity

Appropriations, Obligation Limitations, and Exempt Obligations

($000)

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE FY 2009-2010
Ocean Freight Differential				
Apppropriation	1,726	109,090	175,000	65,910
Borrowing Authority	200,000	175,000	175,000	0
Total Budget Authority	201,726	284,090	350,000	65,910
FTEs				
Direct Funded	0	0	0	0
Reimbursable, allocated, other	0	0	0	0

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
OCEAN FREIGHT DIFFERENTIAL
FY 2001 - FY 2010
Main Table - ($000)

Fiscal Year	Estimate	Enacted
2001	80,495	80,495
2002	54,331	54,331
2003	113,360	113,360
2004	687,816	687,816
2005	814,859	814,859
2006	526,260	526,260
2007	364,000	496,343
2008	265,000	265,000
2009	320,000	284,090
2010	350,000	

Detailed Justification for Ocean Freight Differential

Ocean Freight Differential	**FY 2010 Request: $175.0 million**

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

There are three primary laws: the Military Act of 1904 requires 100 percent of U.S. military cargoes be shipped on U.S.-flag vessels; Public Resolution 17 (48 STAT. 500 of 1934) requires 100 percent of exports generated by loans made by an instrumentality of the Government be on U.S.-flag vessels; and the Cargo Preference Act of 1954 requires that 50 percent of any other Government-impelled cargoes (75 percent for food aid cargoes) be carried on U.S.-flag vessels.

The United States is the world's most active trading nation, accounting for over 20 percent of the world's foreign trade, 95 percent of which is moved by water. Yet, the U.S. Merchant Marine carries less than 3 percent of our trade. This small percentage can be attributed to many factors, the least of which is subsidized international competitors with lower regulatory standards, lower tax burdens, lower labor costs, and a less litigious environment.

However, without a U.S.-flag commercial merchant fleet, we would have limited ability to maintain open access to foreign markets for our manufacturers, farmers, and consumers, nor would we have the capability to provide force projection and logistical support to our armed forces both in times of peacekeeping and in times of conflict. Homeland security may also be at a higher risk due to the fact that 97 percent of the cargoes entering our nation are carried in foreign-flag vessels with foreign crews. Given this competitive environment and security challenges, cargo preference laws were enacted to provide a revenue base that will retain and encourage a privately owned and operated U.S. Merchant Marine.

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

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

FY 2009 Base:
The base consists solely of freight differential funding used to reimburse the USDA's Commodity Credit Corporation for the increased cost of shipping agricultural cargoes on U.S.-flag ships versus foreign flag ships.

Anticipated FY 2009 Accomplishments:
MARAD will continue to educate Federal agencies and their contractors about the changes to the cargo preference law made by the Congress in early FY2009. MARAD will continue to hold public meetings and solicit inputs from all stakeholders and customers of all our programs as part of the promotion of U.S.-flag vessels. MARAD will work with the Export-Import Bank on a working capital loan guarantee program for commercial cargoes that are carried on U.S.-flag vessels. MARAD expects to continue to increase the use of electronic methods to receive and exchange data and information with other Agencies, shippers and the public. We will continue working with USDA and the USAID to encourage them to adopt the recommendations of the Government Accountability Office for improving the efficiency of food aid logistics.

FY 2010 Budget Request:
MARAD requests an apportionment estimated at $175.0 million in new borrowing authority in order to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels versus foreign-flag vessels in FY 2009, in accordance with the Food Security Act of 1985.

The Cargo Preference Program saves the U.S. Government billions annually. To support an internal "auxiliary" navy and maintain the same sealift capabilities levels that are currently supplied by the Cargo Preference Programs, the U.S. Government estimates the costs around $13 billion to start up cost and over $1 billion per year to maintain. In addition, an estimated $52 billion would be required if the U.S. Government were to attempt to replicate the global intermodal system of the U.S. Merchant Marine. Thus, the cargo preference program provides a very large return on investment to the Nation.

The staff and support funding requested in the MARAD Operations portion of this budget will serve to assist the Food Aid portion of the Cargo Preference program meet the performance measure targets identified. The OFD [Food Aid] performance measures are listed in the 'Budget Request by Performance Goals' section of this budget under the Global Connectivity strategic goal.

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MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1710-0-1-054	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	Ready Reserve Force	-	2,300	-
10.00	Total obligations	-	2,300	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	2,253	2,300	-
22.10	Resources available from recoveries of prior year obligations	47	-	-
23.90	Total budgetary resources available for obligation	2,300	2,300	-
23.95	New obligations	-	-2,300	-
24.40	Unobligated balance available, end of year	2,300	-	-
	New budget authority (gross), detail:			
	Change in obligated balances:			
72.40	Obligated balance , start of year	286	33	-
73.10	New obligations	-	2,300	-
73.20	Total outlays (gross)	-206	-2,333	-
73.32	Unobligated balance transferred from other acct	0	0	-
73.40	Adjustments in expired accounts (net)	0	0	-
73.45	Recoveries of prior year obligations	-47	-	-
74.40	Obligated balance, end of year	33	-	-
	Outlays (gross), detail:			
86.93	Outlays from discretionary balances	206	2,333	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	206	2,333	-
95.02	Unpaid Obligations, EOY	33		

READY RESERVE FORCE (RRF)

Program and Performance Statement

The Ready Reserve Force (RRF) is comprised of Government-owned merchant ships within the National Defense Reserve Fleet (NDRF) that are maintained in an advanced state of readiness to meet surge sealift requirements during a national emergency. The Ready Reserve Force program is managed by MARAD with resources provided by reimbursement from the Department of Defense that are reflected in MARAD's Vessel Operations Revolving Fund.

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4303-0-3-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
09.01	Vessel Operations	371,563	510,492	458,200
10.00	Total obligations	371,563	510,492	458,200
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	19,708	52,292	-
22.00	New budget authority (gross)	382,750	458,200	458,200
22.10	Resources available from recoveries of prior year obligations	21,397	-	-
23.90	Total budgetary resources available for obligation	423,855	510,492	458,200
23.95	New obligations	-371,563	-510,492	-458,200
24.40	Unobligated balance available, end of year	52,292	-	-
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	343,238	458,200	458,200
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	39,511	-	-
58.90	Spending authority fm offsetting collections (total	382,750	458,200	458,200
	Change in obligated balances:			
72.40	Obligated balance , start of year	70,381	57,371	45,820
73.10	New obligations	371,563	510,492	458,200
73.20	Total outlays (gross)	-323,664	-522,043	-458,200
73.32	Unobligated balance transferred from other acct	-	-	-
73.40	Adjustments in expired accounts (net)	-	-	-
73.45	Recoveries of prior year obligations	-21,397	-	-
74.00	Chg in Uncollected cust orders fm Fed Sources (unexpired)	-39,511	-	-
74.10	Chg in Uncollected cust orders fm Fed Sources (expired)	-	-	-
74.40	Obligated balance, end of year	57,371	45,820	45,820
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	214,313	412,380	412,380
86.93	Outlays from discretionary balances	109,351	109,663	45,820
87.00	Total outlays (gross)	323,664	522,043	458,200
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	-335,253	458,200	458,200
88.40	Non-federal sources	-7,985	-	-
88.95	Portion of offsetting collection credited to unexpired accounts	39,511	-	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	-19,574	63,843	-
95.02	Unpaid Obligations, EOY	191,183		

VESSEL OPERATION REVOLVING FUND

Program and Performance Statement

The Maritime Administration (MARAD) is authorized to reactivate, maintain, operate, and deactivate government-owned merchant vessels comprising the National Defense Reserve Fleet (NDRF) and the Ready Reserve Force (RRF), a subset of the NDRF. Resources for RRF vessel maintenance, preservation, activation and operation costs, as well as RRF infrastructure support costs and additional DOD/Navy-sponsored sealift activities and special projects, are provided by reimbursement from the Defense Sealift Fund. MARAD incurs similar obligations for government-owned merchant vessels outside the RRF fleet and for the charter of privately-owned merchant vessels, the cost of which is likewise provided by reimbursement from sponsoring Federal agencies.

In addition, the fund is used by MARAD to finance the acquisition, maintenance, preservation, protection and use of merchant vessels involved in mortgage foreclosure or collateral forfeiture proceedings instituted by the Federal Government and not financed by the Federal Ship Financing Fund or the Maritime Guaranteed Loan Program; and to finance the acquisition and disposition of merchant vessels under the Trade-In/Scrap Out program. Direct appropriations for the disposal of obsolete government-owned merchant vessels are provided to a separate account within the ship disposal program.

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

Object Class Code	Object Class	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Reimbursable obligations:			
11.1	Full-time permanent	-	26,000	26,000
11.3	Other than full-time permanent	-	-	-
11.9	**Total personnel compensation**	**-**	**26,000**	**26,000**
12.1	Benefits for former personnel	-	9,500	9,500
21.0	Travel and transportation of persons	9,867	15,000	11,000
23.1	Rental Payments to GSA	-	3,482	3,233
23.3	Communications, utilities & misc. charges	26,257	31,000	29,000
24.0	Printing and reproduction	6,987	10,000	8,000
25.2	Other Services	252,724	316,000	285,667
26.0	Supplies and materials	66,244	69,510	73,800
31.0	Equipment	4,796	15,000	6,000
42.0	Insurance claims and indemnities	4,688	15,000	6,000
99.9	**Total New Obligations**	**371,563**	**510,492**	**458,200**

Employment Summary

	Vessel Operations Revolving Fund	FY 2008 Actual		FY 2009 Enacted	FY 2010 Request
Reimbursable:					
2001	Civilian full-time equivalent employment	-	1/	326	333
	Total Employment	**-**		**326**	**333**

1/ FTE are accounted for in the Operations and Training account in FY 2008.

VESSEL OPERATIONS REVOLVING FUND

Overview:

The Vessel Operations Revolving Fund is currently comprised of three major program components as follows:

- Administration of maintenance and repair for the merchant vessels comprising the Ready Reserve Force (RRF), which are a subset of the National Defense Reserve Fleet (NDRF). Funding is provided on a reimbursable basis from the Navy.

- Activation, operation, and deactivation of government-owned merchant vessels in the RRF fleet as well as Special Mission vessels within the NDRF, the cost of which is likewise provided by reimbursement from sponsoring federal agencies.

- Administration of funds received from sales of obsolete vessels within the Ship Disposal Program.

Ready Reserve Force (RRF)

The RRF is the major component of the Vessel Operations Revolving Fund (VORF) account. This program was established in 1976 as a subset of the NDRF to support the rapid deployment of U.S. military forces throughout the world. RRF vessels provide sustainable capabilities for meeting national security and federal emergency response requirements. As a key element of Department of Defense (DOD) strategic sealift, the RRF primarily supports transport of Army and Marine Corps unit equipment, combat support equipment, and initial resupply during the critical surge period before commercial ships can be marshaled. The RRF provides slightly more than one-half of the government-owned surge sealift capacity.

When the RRF program first began there were only 6 ships; however, today the program consists of 50 well maintained ships including: 35 roll-on/roll off (RO/RO) vessels, 4 heavy lift or barge carrying ships, 6 auxiliary crane ships, 1 tanker, 2 aviation repair vessels and 2 special mission ships. Two RRF ships are home ported in the NDRF anchorage in Beaumont, Texas and one is located in the Suisun Bay anchorage in California. The balance is berthed at various U.S. ports.

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

RRF vessels were used on a reimbursable basis in Operation Enduring Freedom and continue to serve in Operation Iraqi Freedom. The initial activation of the vessels for Iraqi Freedom was the fastest and most efficient sealift in U.S. history. Vessels from the RRF also participated in the DOT emergency response for Hurricane Katrina relief efforts on the Gulf Coast.

The RRF has experienced a total of 585 vessel activations from its inception to March 2009. The program has significantly contributed over the years to the success of military operations abroad and assistance in national emergencies. From FY 2002 to FY 2008, 108 ship activations were called for in support of Operations Enduring Freedom and Iraqi Freedom. In that period, there were 13,613 ship operating days with a reliability rate of 99.0%. Almost 25% of the initial equipment needed to support the U.S. Armed Forces liberation of Iraq was moved by the RRF.

See chart at the end of this section for location of the RRF fleet.

Sponsor Interagency Agreements

These funds are provided on a reimbursable basis for sponsoring agencies for expenses incurred in activating, operating, deactivating and special mission requirements for merchant vessels under the jurisdiction of DOT. There was extensive sponsor agreement activity in support of Operation Enduring Freedom as well as other DOD missions and requirements. As a further example, the NDRF was called upon to provide humanitarian assistance to the U.S. Gulf Coast following Hurricanes Katrina and Rita landfalls in 2005 with 866 ship-days of support. The Federal Emergency Management Agency (FEMA) used nine of MARAD's vessels to support relief efforts; five were in the RRF, and the others were State Training Ships owned by the Maritime Administration. Messing and berthing was provided for refinery workers, emergency response teams, and longshoremen, totaling approximately 83,000 berths and 270,000 meals. Similar hurricane emergency response support continues annually in coordination with DOD.

Obsolete Ship Sales Receipts

In accordance with the National Maritime Heritage Act of 1994, the proceeds from the sale of obsolete vessels in the National Defense Reserve Fleet are available until expended and distributed as follows:

(1) 50 percent shall be available to the Administrator of the Maritime Administration for such acquisition, maintenance, repair, reconditioning, or improvement of vessels in the National Defense Reserve Fleet as is authorized under other Federal law.

(2) 25 percent shall be available to the Administrator of the Maritime Administration for the payment or reimbursement of expenses incurred by or on the behalf of State maritime academies or the United States Merchant Marine Academy for facility and training ship maintenance, repair, and modernization, and for the purchase of simulators and fuel.

(3) 25 percent shall be available to the Department of Interior for the National Maritime Heritage Grants Program, to foster in the American public a greater awareness and appreciation of the role of maritime endeavors in our Nation's history and culture.

From FY 2005 through FY 2008 a total of 28 ships were sold with receipts of $8,512,426. FY 2009 ship sales have declined as compared with previous years. The biggest factor in the decline in vessel sales and receipts compared to previous years is the economic downturn that occurred at the beginning of FY 2009. The downturn resulted in a significant decline in demand for finished steel product which in turn lowered the demand for scrap steel and depressed the market price for scrap steel.

<u>Anticipated FY 2009 Accomplishments</u>:

Ready Reserve Force (RRF)

- Continued national security support by meeting DOD sealift requirements and readiness levels for the RRF with an estimated $277 million for FY 2009 activities.

- Added 8 Fast Sealift Support (FSS) vessels to the NDRF inventory increasing mission response capability.

- Ships were used to provide emergency medical services team equipment safe havens in 2008 as Hurricanes Ike and Gustav hit the Gulf Coast communities and the 2009 hurricane season may bring more requests.

- Expanded operation of NS5, the resource management tool for the RRF. NS5 is an integrated information network that addresses virtually all elements of a ship manager's day to day business. This software provides for more effective contract management and cost control due to NS5’s ability to link management, operations, and onboard personnel into a seamless stream of information.

Sponsor Interagency Agreements

- Administration of approximately $70 million in interagency agreements from various federal agencies for mission support activities using NDRF vessels.

- Continued support of the Missile Defense Agency through conversion of two MARAD ships into missile tracking vessels.

- Continued support for of the Navy Special Warfare Development Group’s (NSWDG) SPECWAR training platform through provision of an NDRF vessel.

- Continued support of the Federal Law Enforcement Training Center’s (FLETC) training platform through provision of an NDRF vessel.

Obsolete Ship Sales Receipts

- During FY 2009 only one ship has been sold for $56,410.

- FY 2009 vessel sales have declined from previous years with the decrease in the demand for scrap metal.

FY 2010 Budget Projection:

Ready Reserve Force

The Ready Reserve Force (RRF) is funded by the National Defense Sealift Fund which is administered by the Office of the Chief of Naval Operations (OPNAV) Field Support Activity (FSA) and managed by MARAD via a reimbursable agreement. The RRF follows DOD provided fiscal guidance for use in formulating program estimates and funding requirements for forthcoming fiscal year and Program Objective Memorandum (POM) cycles (5 years). It is anticipated that the FY 2010 program funding level will essentially remain consistent with the FY 2009 level.

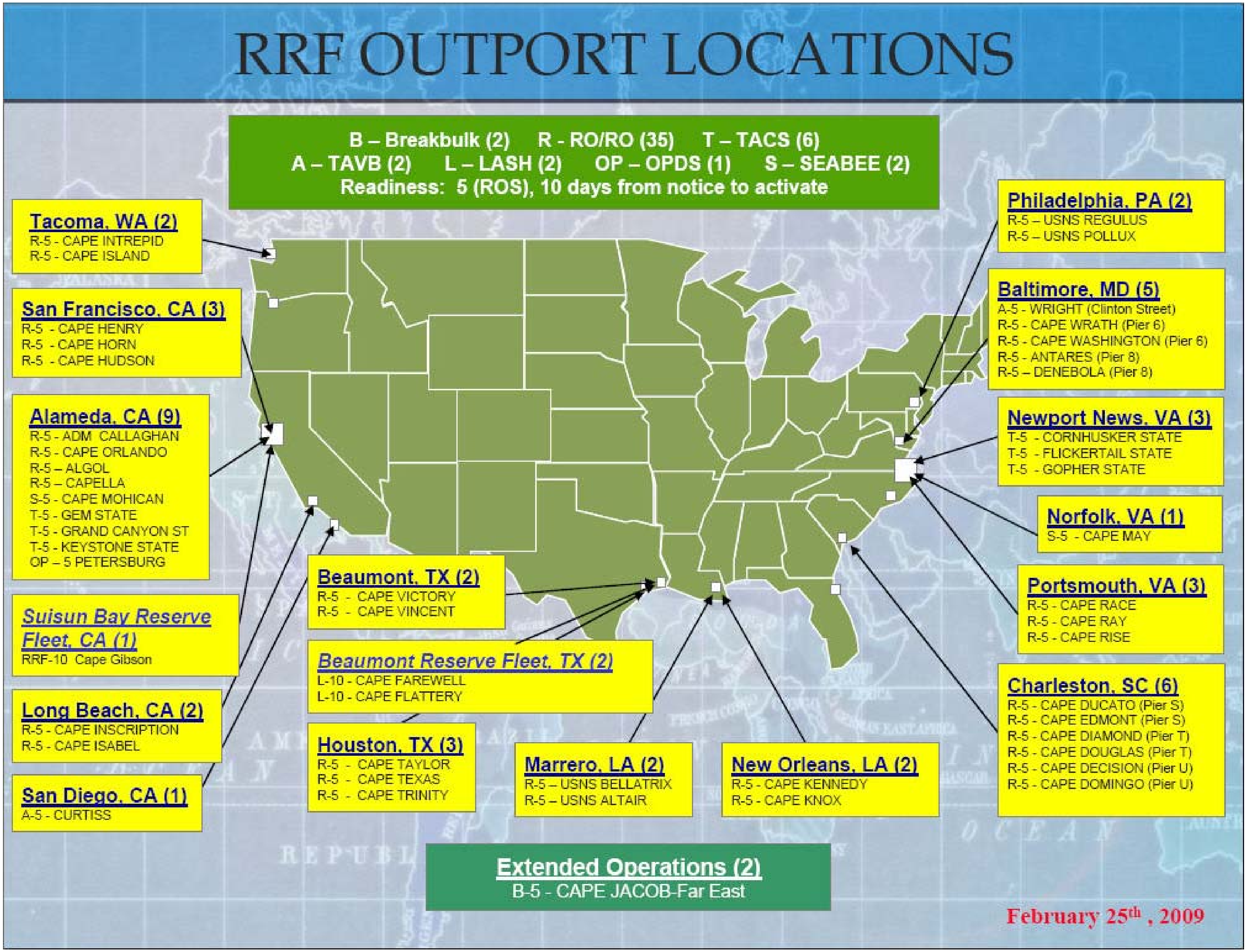
The funding from the DOD budget will allow MARAD to maintain the vessels in a ready, reliable, and responsible condition to provide strategic sealift to the armed forces of the United States, and to provide, with the concurrence of the U.S. Transportation Command, humanitarian support during national emergencies.

Sponsor Interagency Agreements

It is anticipated that MARAD will continue to provide a significant level of sponsor interagency agreement support in FY 2010 in the areas of activating, operating, deactivating and special mission requirements for merchant vessels under the jurisdiction of DOT.

Obsolete Ship Sales Receipts

Several factors affect whether the scrapping (recycling) of non-retention NDRF ships results in vessel sales and revenues or in MARAD paying for recycling services with appropriated funds. The primary factors include the vessel's size/condition, the costs associated with dismantling and hazardous material remediation, the amount of recyclable materials, the market price of scrap metals (which has been negatively affected by the recent economic downturn) and the amount of competition for each vessel offered in a recycling solicitation. The level of program activity for FY 2010 will be dependent on, and driven by, these factors.


RRF OUTPORT LOCATIONS
B – Breakbulk (2) R - RO/RO (35) T – TACS (6)
A – TAVB (2) L – LASH (2) OP – OPDS (1) S – SEABEE (2)
Readiness: 5 (ROS), 10 days from notice to activate
Tacoma, WA (2)
R-5 - CAPE INTREPID
R-5 - CAPE ISLAND
San Francisco, CA (3)
R-5 - CAPE HENRY
R-5 - CAPE HORN
R-5 - CAPE HUDSON
Alameda, CA (9)
R-5 - ADM CALLAGHAN
R-5 - CAPE ORLANDO
R-5 – ALGOL
R-5 – CAPELLA
S-5 - CAPE MOHICAN
T-5 - GEM STATE
T-5 - GRAND CANYON ST
T-5 - KEYSTONE STATE
OP – 5 PETERSBURG
Suisun Bay Reserve Fleet, CA (1)
RRF-10 Cape Gibson
Long Beach, CA (2)
R-5 - CAPE INSCRIPTION
R-5 - CAPE ISABEL
San Diego, CA (1)
A-5 - CURTISS
Beaumont, TX (2)
R-5 - CAPE VICTORY
R-5 - CAPE VINCENT
Beaumont Reserve Fleet, TX (2)
L-10 - CAPE FAREWELL
L-10 - CAPE FLATTERY
Houston, TX (3)
R-5 - CAPE TAYLOR
R-5 - CAPE TEXAS
R-5 - CAPE TRINITY
Marrero, LA (2)
R-5 – USNS BELLATRIX
R-5 – USNS ALTAIR
New Orleans, LA (2)
R-5 - CAPE KENNEDY
R-5 - CAPE KNOX
Philadelphia, PA (2)
R-5 – USNS REGULUS
R-5 – USNS POLLUX
Baltimore, MD (5)
A-5 - WRIGHT (Clinton Street)
R-5 - CAPE WRATH (Pier 6)
R-5 - CAPE WASHINGTON (Pier 6)
R-5 - ANTARES (Pier 8)
R-5 – DENEBOLA (Pier 8)
Newport News, VA (3)
T-5 - CORNHUSKER STATE
T-5 - FLICKERTAIL STATE
T-5 - GOPHER STATE
Norfolk, VA (1)
S-5 - CAPE MAY
Portsmouth, VA (3)
R-5 - CAPE RACE
R-5 - CAPE RAY
R-5 - CAPE RISE
Charleston, SC (6)
R-5 - CAPE DUCATO (Pier S)
R-5 - CAPE EDMONT (Pier S)
R-5 - CAPE DIAMOND (Pier T)
R-5 - CAPE DOUGLAS (Pier T)
R-5 - CAPE DECISION (Pier U)
R-5 - CAPE DOMINGO (Pier U)
Extended Operations (2)
B-5 - CAPE JACOB-Far East
February 25th , 2009

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MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4302-0-3-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	General Administration	78	-	-
10.00	Total obligations (Object Class 26.0)	78	-	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	43,293	44,001	46,001
22.00	New budget authority (gross)	786	2,000	2,000
23.90	Total budgetary resources available for obligation	44,079	46,001	48,001
23.95	New obligations	-78	-	-
24.40	Unobligated balance available, end of year	44,001	46,001	48,001
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	786	2,000	2,000
	Change in obligated balances:			
72.40	Obligated balance , start of year	11	27	-
73.10	New obligations	78	-	-
73.20	Total outlays (gross)	-62	-27	-
74.40	Obligated balance, end of year	27	-	-
	Outlays (gross), detail:			
86.93	Outlays from discretionary balances	62	27	-
87.00	Total outlays (gross)	62	27	-
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.20	Interest on Federal Securities	-786	2,000	2,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	-724	-1,973	-2,000
95.02	Unpaid Obligations, EOY	27		
	Memorandum (non-add) entries:			
92.01	Total investments, start of year: Federal securities: Par value	35,299	41,402	43,000
92.02	Total investments, end of year: Federal securities: Par value	41,402	43,000	45,000

WAR RISK INSURANCE REVOLVING FUND

Program and Performance Statement

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

MARITIME ADMINISTRATION
FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4301-0-3-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	General Administration	-	20	-
10.00	Total obligations	-	20	-
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	20	20	-
22.00	New budget authority (gross)	635	-	-
22.60	Portion applied to repay debt	-635	-	-
23.90	Total budgetary resources available for obligation	20	20	-
23.95	New obligations	-	-20	-
24.40	Unobligated balance available, end of year	20	-	-
	New budget authority (gross), detail:			
	Mandatory spending authority from offsetting collections:			
69.00	Offsetting collections (cash) (unexpired only)	635	-	-
	Change in obligated balances:			
73.10	New obligations	-	20	-
73.20	Total outlays (gross)	-	-20	-
74.40	Obligated balance, end of year	-	-	-
	Outlays (gross), detail:			
86.98	Outlays from balances	-	20	-
87.00	Total outlays (gross)	-	20	-
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.20	Interest on Federal Securities	-635	-	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	-	-	-
90.00	Outlays (net)	-635	20	-
95.02	Unpaid Obligations, EOY	-		

FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT
Status of Guaranteed Loans
(In thousands of dollars)

	Identification code 69-4301-0-3-403	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Estimate**
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	2,204	-	-
2251	Repayments and prepayments	-2,204	-	-
2290	Outstanding, end of year	-	-	-
	Memorandum			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	-	-	-

FEDERAL SHIP FINANCING FUND

Program and Performance Statement

The Merchant Marine Act of 1936, as amended, established the Federal Ship Financing Fund to support the U.S. merchant marine by guaranteeing vessel construction loans and mortgages on U.S.-flag vessels built in United States shipyards. No new funds for loan guarantees are requested for 2010 because this fund is used to underwrite only those vessel construction loan guarantees made under the Title XI loan guarantee program prior to 1992.

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MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

(INCLUDING TRANSFER OF FUNDS)

For administrative expenses to carry out the guaranteed loan program, not to exceed **[**$3,531,000**]** *$3,630,000*, which shall be **[**transferred to and merged with**]** *paid to* the appropriation for "Operations and Training", Maritime Administration. *(Department of Transportation Appropriations Act, 2009.)*

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

(In thousands of dollars)

	Identification code 69-1752-0-1-403	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.02	Loan guarantee activity	-	60,352	-
00.07	Reeestimates of loan guarantee subsidy	-	43,132	-
00.08	Interest on reestimates of loan guarantee subsidy	276	12,487	-
00.09	Administrative Expenses	3,408	3,531	3,630
10.00	Total obligations	3,684	119,502	3,630
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	7,352	12,352	-
22.00	New budget authority (gross)	8,684	107,150	3,630
23.90	Total budgetary resources available for obligation	16,036	119,502	3,630
23.95	New obligations	-3,684	-119,502	-3,630
24.40	Unobligated balance available, end of year	12,352	-	-
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	8,408	3,531	3,630
43.00	Appropriation (total)	8,408	3,531	3,630
58.00	Offsetting collections (cash) (unexpired only)	-	48,000	-
	Mandatory:			
60.00	Appropriation (definite)	276	55,619	-
62.50	Appropriation (total)	276	55,619	-
69.10	Change in uncollected cust paymts fm Fed Sources (unexp)	-	-	-
69.90	Spending authority fm offsetting collections (total)	276	55,619	-
70.00	Total new budget authority (gross)	8,684	107,150	3,630
	Change in obligated balances:			
72.40	Obligated balance , start of year	690	346	-
73.10	New obligations	3,684	119,502	3,630
73.20	Total outlays (gross)	-4,028	-119,848	-3,630
74.40	Obligated balance, end of year	346	-	-
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	3,408	51,531	3,630
86.93	Outlays from discretionary balances	344	12,352	-
86.97	Outlays from new mandatory authority	276	55,965	-
87.00	Total outlays (gross)	4,028	119,848	3,630
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	-	48,000	-
	Net budget authority and outlays:			
89.00	Budget authority (net)	8,684	59,150	3,630
90.00	Outlays (net)	4,028	71,848	3,630
95.02	Unpaid Obligations, EOY	346		

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

	Identification code 69-1752-0-1-403	2008 Actual	2009 Estimate	2010 Estimate
	Guaranteed loan levels supportable by subsidy budget authority:			
215010	Risk category 3	-	277,000	-
215011	Risk category 4	-	516,000	-
215012	Risk category 5	-	165,000	-
215999	Total loan guarantee levels	-	958,000	-
	Guaranteed loan subsidy (in percent):			
232010	Risk category 3	-	4.51	-
232011	Risk category 4	-	6.30	-
232012	Risk category 5	-	9.07	-
232999	Weighted average subsidy rate	-	6.26	-
	Guaranteed loan subsidy budget authority			
233010	Risk category 3	-	12,000	-
233011	Risk category 4	-	33,000	-
233012	Risk category 5	-	15,000	-
233999	Total subsidy budget authority	-	60,000	-
	Guaranteed loan subsidy outlays:			
234010	Risk category 3	-	-	-
234011	Risk category 4	-	-	-
234012	Risk category 5	-	-	-
234013	Risk category 6	-	-	-
234999	Total subsidy outlays	-	-	-
	Guaranteed loan upward reestimates			
235013	Risk category 6	276	55,619	-
235999	Total upward reestimate budget activity	276	55,619	-
	Guaranteed loan downward reestimates:			
237008	Risk category 1	-106,676	-39,360	-
237999	Total downward reestimate subsidy budget authority	-106,676	-39,360	-
	Administrative expenses data:			
3510	Budget authority	3,408	3,531	3,630
3580	Outlays from balances	-	-	-
3590	Outlays from new authority	3,408	3,531	3,630

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM

Program and Performance Statement

This program provides for a full faith and credit guarantee of debt obligations issued (1) by U.S or foreign shipowners to finance or refinance either U.S.-flag vessels or eligible export vessels constructed, reconstructed or reconditioned in U.S. shipyards; and (2) by U.S. shipyards to finance the modernization of U.S. shipbuilding technology at shipyard facilities located in the United States.

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

Funds for administrative expenses for the Title XI program are appropriated to this account, then transferred to and merged with the Operations and Training account. No new funds for loan guarantees are requested for 2010.

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

Object Class Code	Object Class	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
25.2	Other services	3,408	119,502	3,630
41.0	Grants, subsidies, and contributions	276	-	-
99.9	**Total New Obligations**	**3,684**	**119,502**	**3,630**

EXHIBIT III-1

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

	FY 2008 ACTUAL	FY 2009 ENACTED	FY 2010 REQUEST	CHANGE FY 2009-2010
Maritime Guaranteed Loan Program	8,408	3,531	3,630	99
Total	**8,408**	**3,531**	**3,630**	**99**
FTEs				
Direct Funded*	[22]	[17]	[17]	[0]
Reimbursable, allocated, other	[0]	[0]	[0]	[0]

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

EXHIBIT III-2

MARITIME GUARANTEED LOAN PROGRAM TITLE XI
SUMMARY ANALYSIS OF CHANGE FROM FY 2009 TO FY 2010
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2009 to FY 2010	FY 2010 PC&B By Program	FY 2010 FTEs by Program	FY 2010 Contract Expenses	Total
		Note: Columns are Non-Add			
FY 2009 Base	**3,531**	**[2,615]**	**[17]**	**[668]**	**3,531**
Adjustments to Base					
Annualization of 2009 Pay Raise (3.9%)	25	[25]			
2010 Pay Raise (2.0%)	40	[40]			
WCF	-212				
Non-Salary Inflation (0.5%)	4			[4]	
Subtotal, Adjustments to Base	**-143**	**[65]**		**[4]**	**-143**
New or Expanded Programs (e.g. Presidental Initiatives)					
Maritime Guaranteed Loan Prog.	242				
Subtotal, New or Expanded Program Increases/ Decreases	**242**			**[230]**	**242**
Total FY 2010 Request	**3,630**	**[2,680]**	**[17]**	**[902]**	**3,630**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM
FY 2001 - FY 2010
Main Table - ($000)

Fiscal Year		Estimate	Enacted
2001	Guarantee Subsidy	2,000	29,934
	Administration	4,179	3,978
	Rescission of Unobligated Balance	-	(7,644)
	TOTAL	6,179	33,912 2/
2002	Guarantee Subsidy	-	33,000
	Administration	3,978	3,978
	Rescission of Unobligated Balance	-	(5,000)
	TOTAL	3,978	36,978 3/
2003	Guarantee Subsidy	-	25,000
	Administration	4,126	4,482
	Rescission of Unobligated Balance	-	-
	TOTAL	4,126	29,099 4/
2004	Guarantee Subsidy	-	-
	Administration	4,498	4,471
	Rescission of Unobligated Balance	-	-
	TOTAL	4,498	4,471 5/
2005	Guarantee Subsidy	-	-
	Administration	4,764	4,726
	Rescission of Unobligated Balance	-	-
	TOTAL	4,764	4,726 6/
2006	Guarantee Subsidy	-	5,000 7/
	Administration	3,526	4,085
	Rescission of Unobligated Balance	-	-
	TOTAL	3,526	9,085
2007	Guarantee Subsidy	-	-
	Administration	3,317	4,085
	Rescission of Unobligated Balance	(2,068)	-
	TOTAL	3,317	4,085
2008	Guarantee Subsidy	-	5,000
	Administration	- 8/	3,408
	Rescission of Unobligated Balance	-	-
	TOTAL		8,408
2009	Guarantee Subsidy	-	-
	Administration	3,531	3,531
	Rescission of Unobligated Balance	-	-
	TOTAL	3,531	3,531
2010	Guarantee Subsidy	-	
	Administration	3,630	
	Rescission of Unobligated Balance	-	
	TOTAL	3,630	

Footnotes (Actual Dollars - not in thousands):

1/ Includes $1,956,864 rescinded in P.L.106-113.

2/ Includes $74,771 rescinded in P.L.106-553.

3/ Includes $5,000 rescinded in P.L.107-77.

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

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

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

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

8/ MARAD did not request any direct appropriated funding to administer the Title XI program during FY 2008. Instead, MARAD proposed to transfer $3.422 million of the unobligated balance in the Maritime Guaranteed Loan Program Account and merge it with the appropriation for Operations and Training.

Detailed Justification for Maritime Guaranteed Loan (Title XI) Program

Maritime Guaranteed Loan (Title XI) Program	**FY 2010 Request: $3.630 million**

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

FY 2009 Base:
The base consists of salaries and benefits and a share of MARAD Headquarters operational costs such as rent, utilities, etc, and subsidy funds for the Title XI loan program.

Anticipated FY 2009 Accomplishments:
MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio of $2.4 billion. All companies in MARAD's Title XI portfolio undergo periodic financial reviews and companies with a higher potential for default receive additional monitoring. The computerized monitoring system implemented during FY 2007 and FY 2008 became operational in FY 2009 and is expected to improve several aspects of program administration including portfolio and asset management. MARAD expects to have completed data entry for the entire Title XI portfolio by the end of FY 2009.

Despite the implementation of a credit watch system and a more comprehensive process for analyzing Title XI applications and monitoring our existing portfolio, due to the economic downturn, we expect to incur several defaults during FY 2009, particularly in the passenger cruise sector. As a result of our poor experience with this market sector, MARAD will no longer be considering Title XI applications for passenger vessels. MARAD had hoped to achieve a 92 percent no-default rate, but it is anticipated that the percentage will drop below 92 percent in FY 2009.

MARAD expects to process several applications for new Title XI guarantees, totaling more than $1.5 billion in loan guarantees. Projects include jack up drill rigs, platform supply vessels, bunker and deck barges and tugs. FY 2009 carryover subsidy of approximately $12.4 million coupled with the additional $48 million in subsidy received through the DOD Appropriations Act for Fiscal Year 2009 will enable MARAD to issue commitments to several credit-worthy applicants whose projects are technically, financially and economically sound. At a minimum, in FY 2009, MARAD anticipates issuing approximately $267 million in Title XI guarantees to finance five articulated tug barges, being built at VT Halter Marine, Inc. in Pascagoula, MS, carrying petroleum products in the Jones Act trades.

FY 2010 Budget Request:

Maritime Guaranteed Loan Program (Title XI)					
Program Activity ($000)	**FY 2009 Enacted**	**Salary Adjustment 1/**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2010 Request**
Salaries & Benefits	2,615	65			2,680
Operating Expenses	916		-208	242	950
Total	**$3,531**	**$65**	**-$208**	**$242**	**$3,630**

1/ Includes annualization of 2009 pay raises and 2010 salary increases.

MARAD requests $3.6 million, an increase of $0.1 million above the FY 2009 level, to support the Title XI guaranteed loan program in providing affordable financing opportunities to ensure that small and medium shipbuilders can build ships in the United States. No new subsidy funds are requested for new loan guarantees for ship construction. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio management. Program costs consist of salaries and benefits, a share of MARAD Headquarters operational costs and subsidy funds for the Title XI loan program.

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

(In thousands of dollars)

	Identification code 69-4304-0-3-999	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Obligations by program activity:			
00.01	Defaults Related to Acquisition of Property	-	192,000	-
00.02	Payment of Interest to Treasury	1,000	4,000	-
00.03	Default related activities	40,204	5,000	5,000
00.91	Direct Program by Activities - Subtotal (1 level)	41,204	201,000	5,000
08.02	Downward Reestimates	51,485	20,512	-
08.04	Interest on downward reestimate	55,191	18,848	-
08.91	Subtotal, downward reestimate	106,676	39,360	-
10.00	Total obligations	147,880	240,360	5,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	330,713	237,443	134,083
22.00	New financing authority (gross)	54,610	137,000	29,000
23.90	Total budgetary resources available for obligation	385,323	374,443	163,083
23.95	New obligations	-147,880	-240,360	-5,000
24.40	Unobligated balance available, end of year	237,443	134,083	158,083
	New financing authority (gross), detail:			
	Mandatory spending authority from offsetting collections:			
67.10	Borrowing Authority	19,000	38,000	-
69.00	Offsetting collections (cash) (unexpired only)	35,610	99,000	29,000
70.00	Total new budget authority (gross)	54,610	137,000	29,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	92	1,884	242,244
73.10	New obligations	147,880	240,360	5,000
73.20	Total outlays (gross)	-146,088	-	-
74.40	Obligated balance end of year	1,884	242,244	247,244
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	146,088	-	-
87.00	Total financing disbursements (gross)	146,088	-	-
	Offsets:			
	Against gross financing authority and financing disbursements			
	Offsetting collections (cash) from:			
88.00	Payments from program account - Upward reestimate	276	55,619	-
88.25	Interest on uninvested funds	11,912	12,000	14,000
88.40	Loan Repayment	23,422	19,000	5,000
88.40	Fees and other payments	-	12,000	10,000
88.90	Total, offsetting collections (cash)	35,610	99,000	29,000
	Against gross financing authority only			
	Net financing authority and financing disbursements:			
89.00	Financing authority (net)	19,000	38,381	-
90.00	Financing disbursements (net)	110,478	-98,619	-29,000
95.02	Unpaid Obligations, EOY	884		

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

	Identification code 69-4304-0-3-999	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
	Position with respect to appropriations act limitation on commitments:			
2111	Limitation on guaranteed loans made by private lenders	0	0	0
2131	Guaranteed loan commitments exempt from limitation	0	958,000	0
2150	Total guaranteed loan commitments	0	958,000	0
2199	Guaranteed amount of guaranteed loan commitments	0	0	0
2210	Outstanding start of year	2,687,186	2,421,186	2,485,186
2231	Disbursements of new guaranteed loans	0	450,000	450,000
2251	Repayments and prepayments	-266,000	-194,000	-191,000
2262	Adjustiments: Terminations for default	0	-192,000	-73,000
2290	Outstanding end of year	2,421,186	2,485,186	2,671,186
	Memorandum:			
2299	Amount of guaranteed loans outstanding end of year	2,421,186	2,485,186	2,671,186

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING ACCOUNTS

Program and Performance Statement

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

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

	Identification code 69-4304-0-3-999	FY 2008 Actual
	ASSETS:	
	FEDERAL ASSETS:	
1101	Fund balance with Treasury	239,000
1106	Receivables, net	27,000
1999	Total assets	266,000
	LIABILITIES:	
2204	Non-Federal liabilities: liabilities for loan guarantees	266,000
2999	Total liabilities	266,000
4999	Total liabilities and net position	266,000

MARITIME ADMINISTRATION
MISCELLANEOUS TRUST FUNDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-8547 (Mandatory)	**FY 2008 Actual**	**FY 2009 Enacted**	**FY 2010 Request**
	Obligations by program activity:			
00.01	Special Studies	87,470	7,943	5,000
00.02	Gifts and Bequests	-	268	-
01.00	Total direct program	87,470	8,211	5,000
10.00	Total new obligations (Object Class 25.0)	87,470	8,211	5,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	1,359	3,211	-
22.00	New budget authority (gross)	89,003	5,000	5,000
22.10	Resources available from recoveries of prior year obligations	51	-	-
23.90	Total budgetary resources available for obligation	90,413	8,211	5,000
23.95	New obligations	-87,470	-8,211	-5,000
24.40	Unobligated balance available, end of year	2,943	-	-
	New budget authority (gross), detail:			
	Mandatory :			
60.20	Appropriation (Special Fund)	161	-	-
60.26	Appropriation (trust fund)	88,842	5,000	5,000
62.50	Appropriation (total)	89,003	5,000	5,000
70.00	Total new budget authority (gross)	89,003	5,000	5,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	8,621	77,618	-
73.10	New obligations	87,470	8,211	5,000
73.20	Total outlays (gross)	-18,484	-85,829	-5,000
73.45	Recoveries of prior year obligations	-51	-	-
74.40	Obligated balance end of year	77,556	-	-
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	2,695	5,000	5,000
86.98	Outlays from mandatory balances	15,789	80,829	-
87.00	Total outlays (gross)	18,484	85,829	5,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	89,003	5,000	5,000
90.00	Outlays (net)	18,484	85,829	5,000
95.02	Unpaid Obligations, EOY	77,556	-	-

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ADMINISTRATIVE PROVISIONS—MARITIME ADMINISTRATION

[SEC. 175. Notwithstanding any other provision of this Act, the Maritime Administration is authorized to furnish utilities and services and make necessary repairs in connection with any lease, contract, or occupancy involving Government property under control of the Maritime Administration, and payments received therefore shall be credited to the appropriation charged with the cost thereof: *Provided*, That rental payments under any such lease, contract, or occupancy for items other than such utilities, services, or repairs shall be covered into the Treasury as miscellaneous receipts.**]**

[SEC. 176. No obligations shall be incurred during the current fiscal year from the construction fund established by the Merchant Marine Act, 1936 (46 U.S.C. 53101 note (cds)), or otherwise, in excess of the appropriations and limitations contained in this Act or in any prior appropriations Act. **]**

[SEC. 177. Section 51509 of title 46, United States Code, is amended in subsection (b) by deleting "$4,000" and inserting in lieu thereof "$8,000" and by inserting "tuition," after "uniforms,". **]**

SEC. *175. Section 51314 of title 46, United States Code, is amended in subsection (b) by inserting at the end "Such fees shall be credited to the Maritime Administration's Operations and Training appropriation, to remain available until expended, for those expenses directly related to the purposes of the fees. Fees collected in excess of actual expenses may be refunded to the Midshipmen through a mechanism approved by the Secretary. The Academy shall maintain a separate and detailed accounting of fee revenue and all associated expenses." (Department of Transportation Appropriations Act, 2009.)*

Explanations

SEC. 175. – This provision allows MARAD to utilize the receipts received under a lease, contract, or occupancy involving MARAD property. The utilization of these receipts would credit the appropriation charged for furnishing utilities and services and make necessary repairs. The Administration has determined this provision no longer necessary and requests deletion.

SEC. 176. – This provision prohibits MARAD from obligating receipts from Ship Construction activity, however these funds are deposited into that account. The Administration has determined this provision no longer necessary and requests deletion as no further funds will be deposited into this account.

SEC. 177. – This provision increases the Student Incentive payments to $8,000 as well as confirming tuition as a valid utilization of resources. The Administration has determined this provision is no longer necessary and requests deletion as this has become a change in permanent law.

SEC. *175*. - The U.S. Merchant Marine Academy is currently collecting about $4 million in Midshipman fees and inappropriately managing these fees in commercial bank accounts. Consequently, legislative authority is needed to deposit these fees into the Treasury, with a corresponding mechanism (appropriation) to draw them out. This language is designed to meet three possible needs: 1) To provide a legitimate way to collect and utilize fees for the next Academic year; 2) To account for the fees already in MARAD custody (this would allow MARAD to move existing collections into our appropriated account); and 3) To refund surplus fees from prior years (which may constitute as much as $1 million of what MARAD currently has on deposit).

Department of Transportation
Maritime Administration

FY 2010
Performance Budget Estimates

Section 4

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Maritime Administration

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EXHIBIT IV-1
FY 2010 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

	(A)	(B)	(C)	(D)
STRATEGIC & PERFORMANCE GOALS by Performance Measure	**FY 2008 ACTUAL**	**FY 2009 ENACTED OMNIBUS**	**FY 2009 ENACTED TOTAL**	**FY 2010 REQUEST**
1. REDUCED CONGESTION STRATEGIC GOAL				
A. Freight Performance				
a. Other	30,720	32,680	130,680	46,223
Subtotal Performance Goal	30,720	32,680	130,680	46,223
Total – Reduced Congestion Strategic Goal	30,720	32,680	130,680	46,223
2. GLOBAL CONNECTIVITY STRATEGIC GOAL				
A. Enhance Competitiveness				
a. Other	12,966	13,793	13,793	13,178
Subtotal Performance Goal	12,966	13,793	13,793	13,178
B. Expand Business Opportunities				
a. Percent of total dollar value of DOT direct contracts awarded to women owned businesses.	0	0	0	0
b. Percent of total dollar value of DOT direct contracts awarded to small disadvantaged businesses.	0	0	0	0
Subtotal Performance Goal	0	0	0	0
Total – Global Connectivity Strategic Goal	12,966	13,793	13,793	13,178
3. ENVIROMENTAL STEWARDSHIP STRATEGIC GOAL				
A. Reduction in Pollution				
a. Other	18,740	19,936	19,936	19,047
Subtotal Performance Goal	18,740	19,936	19,936	19,047
Total – Environmental Stewardship Strategic Goal	18,740	19,936	19,936	19,047
4. SECURITY, PREPAREDNESS AND RESPONSE				
A. Defense Mobilization				
a. Percentage of DoD required shipping capacity complete with crews available with mobilization timelines.	248,236	264,070	264,070	264,299
b. Percentage of DoD designated commercial ports available for military use with DoD established readiness timelines.	1,300	1,383	1,383	1,321
Subtotal Performance Goal	249,536	265,453	265,453	265,620
Total – Security, Preparedness and Response Strategic Goal	249,536	265,453	265,453	265,620
5. ORGANIZATIONAL EXCELLENCE STRATEGIC GOAL				
A. Fulfill the President's Management Agenda				
a. Other	1,438	1,530	3,530	1,462
Subtotal Performance Goal	1,438	1,530	3,530	1,462
Total – Organizational Excellence Strategic Goal	1,438	1,530	3,530	1,462
GRAND TOTAL	**313,400**	**333,391**	**433,391**	**345,530**

PERFORMANCE OVERVIEW

Annual Performance Results and Targets

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

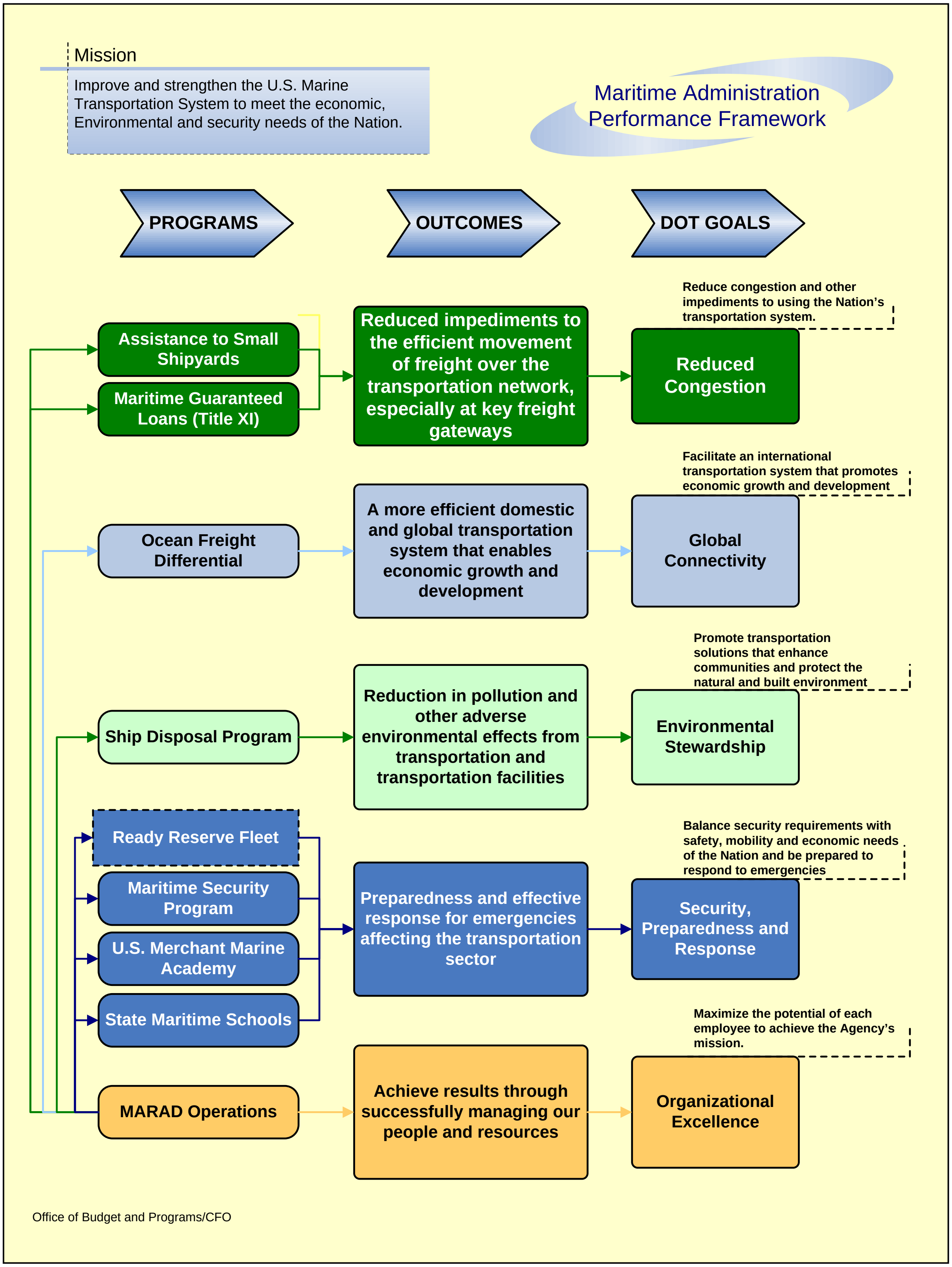
Security, Preparedness, and Response strategic goal/Defense Mobilization performance goal: Effective response to emergencies affecting the transportation sector.

Availability of DoD-required shipping capacity, complete with crews	2005	2006	2007	2008	2009	2010
Target	94	94	94	94	94	94
Actual	95	93	97	97		

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

Availability of DoD-designated commercial ports for military use	2005	2006	2007	2008	2009	2010
Target	93	93	93	93	93	93
Actual	87	100	100	100		

PERFORMANCE FRAMEWORK



REDUCED CONGESTION

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

The FY 2010 MARAD request for Reduced Congestion is $46.2 million. MARAD will work to strengthen and improve the Maritime Transportation System (MTS), to relieve pressure on highways by helping to increase the use of our nation's waterways. MARAD's Title XI and Assistance to Small Shipyards programs provide grants supporting the industry, which can be an engine for capacity and economic growth. As waterborne transport provides a cost-effective transportation alternative, it can also help impact congestion in other transportation modes, reduce the cost of goods consumers use every day, and contribute to improving quality of life.

The MARAD FY 2010 program includes a $15 million program increase for a Presidential Initiative for integrated planning with the Department of Homeland Security to inform development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

The following table outlines the resources requested to achieve this outcome:

Appropriations, Obligation Limitations & Exempt Obligations
($000)

STRATEGIC & PERFORMANCE GOALS by Performance Measure	(A) FY 2008 ACTUAL	(B) FY 2009 ENACTED OMNIBUS	(C) FY 2009 ENACTED TOTAL	(D) FY 2010 REQUEST
1. REDUCED CONGESTION STRATEGIC GOAL				
A. Freight Performance				
a. Other	30,720	32,680	130,680	46,223
Subtotal Performance Goal	30,720	32,680	130,680	46,223
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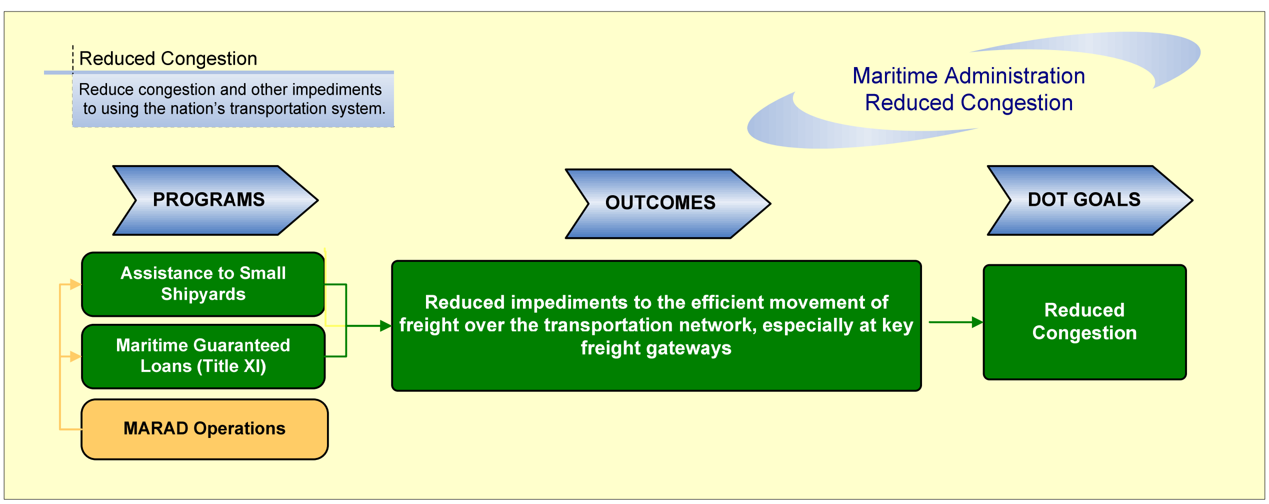


Baseline Changes
The 'Admin Support' line under MARAD Operations in the above table displays the 'supports all goals' staff and support costs that are attributable to the accomplishment of this strategic goal. As a result, the table shows the full costs of our efforts to achieve this strategic goal.

PERFORMANCE ISSUE

Our current physical maritime transportation infrastructure will not accommodate the cargo volume growth predicted for the U.S. in the near future. This is significant, as maritime transportation impacts one quarter of the national economy. There is a need for more efficient Federal coordination to improve the systemic movement of people and freight, alleviate congestion, and plan for better land use. Government must work more effectively with private industry to improve the capability of the Marine Transportation System (MTS), which includes waterways, ports, and intermodal connections. Improvements in vessels and shipyards are also needed as they are a significant element of the MTS.

Vessels financed by the Title XI maritime guaranteed loan program directly contribute to the ability of the Unites States to carry its domestic and foreign water-borne commerce. Shipyard activity spurred by the Title XI program helps industry build newer, more modern vessels and assists U.S. shipyards in maintaining a skilled workforce to meet shipbuilding needs during times of war or national emergency. MARAD's Capital Construction and Construction Reserve funds assist industry operators in accumulating their own private capital to build, acquire, and reconstruct vessels through the deferral of Federal income taxes on certain deposits. Both of these programs enable the building of more modern and efficient U.S.-flag vessels and therefore encourage the renewal of the U.S.-flag fleet.

Additionally, as part of its congestion program, MARAD will promote increased usage of waterways to alleviate congestion and will participate in Departmental efforts to reduce congestion at our National Freight Gateways and through our support of the Department's 'Corridors of the Future' program.

MARAD also plans to produce its first biennial report on the condition and performance of the MTS, including the development of standardized system metrics and productivity measures. This report will provide the impetus for the development and refinement of a national gateway port and international trade corridor strategy. In addition, MARAD will analyze transportation solutions that will have a nationwide impact on reducing congestion, such as ideas for: reducing dwell time; developing productivity measures; implementing chassis pooling, appointment systems, and more port continuous operations; improving the use of new technology; improving job assignment systems, and improving the availability of on-dock rail. MARAD will also review, approve and implement Marine Highway Pilot Projects and promote the use of the Marine Highway by pursuing and presenting solutions to present environmental, financial and infrastructure-related barriers and disincentives.

In the effort to advance maritime transportation as a cost-effective transportation alternative, MARAD will conduct the activities of the Maritime Guaranteed Loan Program (Title XI) and the Assistance to Small Shipyard Program. Also, beginning in FY 2010, MARAD's program will include a Presidential Initiative for integrated planning with the Department of Homeland Security to inform development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

Maritime Guaranteed Loan Program (Title XI)

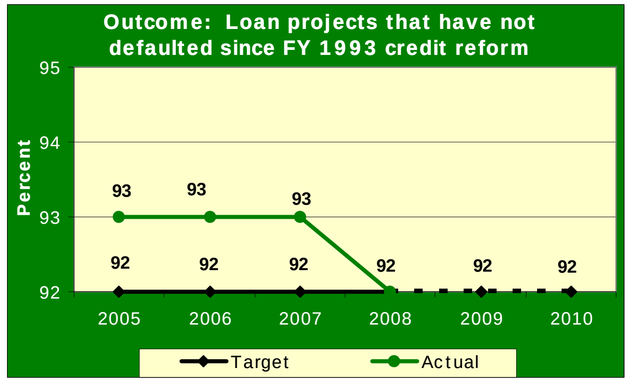
Responsible Official: Associate Administrator for Business and Workforce Development

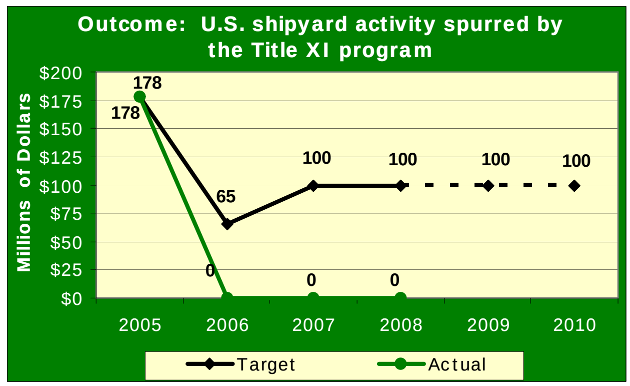
The Maritime Guaranteed Loan Program (Title XI) as created to provide a Federal guarantee of private sector debt for domestic ship construction and shipyard modernization. Title XI is designed to foster and sustain the U.S. shipbuilding and repair industry and support the continued existence of a U.S.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

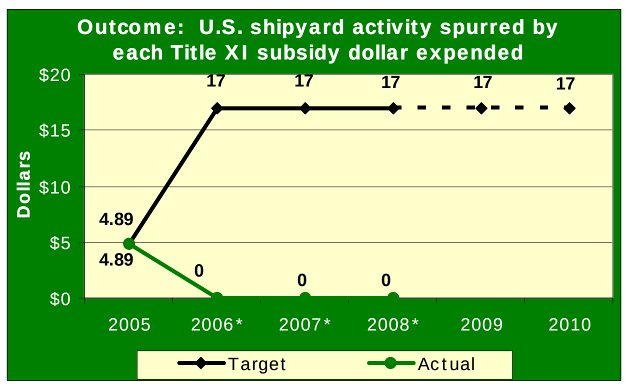
Anticipated FY 2009 Accomplishments
MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio of $2.4 billion. All companies in MARAD's Title XI portfolio undergo periodic financial reviews and companies with a higher potential for default receive additional monitoring. The computerized monitoring system implemented during FY 2007 and FY 2008 became operational in FY 2009 and is expected to improve several aspects of program administration including portfolio and asset management. MARAD expects to have completed data entry for the entire Title XI portfolio by the end of FY 2009.

Despite the implementation of a credit watch system and a more comprehensive process for analyzing Title XI applications and monitoring our existing portfolio, due to the economic downturn, we expect to incur several defaults during FY 2009, particularly in the passenger cruise sector. As a result of our poor experience with this market sector, MARAD will no longer be considering Title XI applications for passenger vessels. MARAD does not expect to meet its output goal of increasing the percentage of Title XI guaranteed loan projects that do not default. MARAD had hoped to achieve a 92 percent no-default rate, but it is anticipated that the percentage will drop below 92 percent in FY 2009.

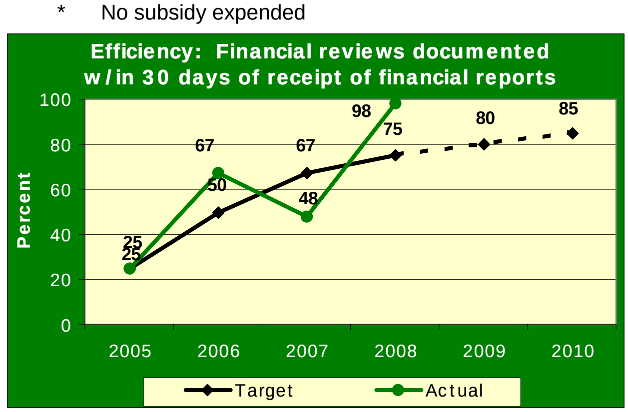
MARAD expects to process several applications for new Title XI guarantees, totaling more than $1.5 billion in loan guarantees. Projects include jack up drill rigs, platform supply vessels, bunker and deck barges and tugs. FY 2009 carryover subsidy of approximately $12.4 million coupled with the additional $48 million in subsidy received through the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, enacted October 14, 2008, will enable MARAD to issue commitments to several credit-worthy applicants whose projects are technically, financially and economically sound. At a minimum, in FY 2009, MARAD anticipates issuing approximately $267 million in Title XI guarantees to finance five articulated tug barges, being built at VT Halter Marine, Inc. in Pascagoula, MA, carrying petroleum products in the Jones Act trades.







* No subsidy expended



FY 2010 Performance Budget Request

MARAD requests $3.6 million, an increase of $0.1 million above the FY 2009 level, to support the Title XI guaranteed loan program in providing affordable financing opportunities to ensure that small and medium shipbuilders can build ships in the United States. No new subsidy funds are requested for new loan guarantees for ship construction. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio management. Program costs consist of salaries and benefits, a share of MARAD Headquarters operational costs such as rent, utilities, etc, and subsidy funds for the Title XI loan program.

Assistance to Small Shipyards — American Recovery and Reinvestment Act (ARRA) Program

Responsible Official: Associate Administrator for Business and Workforce Development

Under the National Defense Authorization Act for FY 2006, MARAD extends grants for investments in capital and infrastructure improvements that facilitate the efficiency, cost-effectiveness, and quality of domestic ship construction, conversion, or repair, for commercial and federal government use. The expansion of small shipyard capabilities creates jobs and expands system capacity. Small shipyard grants cover a maximum of 75 percent of the estimated cost of improvements, with grantees responsible for the remainder.

In FY 2009, the Assistance to Small Shipyards grant program received $98 million in American Recovery and Reinvestment Act (ARRA) funding to support capital and infrastructure improvements to qualified small shipyards, and $2 million for administrative support.

Anticipated FY 2009 Accomplishments

Under the terms of the American Recovery and Reinvestment Act, the Maritime Administration has received $100 million for the Assistance to Small Shipyards Grant Program, which had been funded at $10 million in 2008. This program provides 75 percent federal funds with 25 percent matching funds from the shipyard for capital improvements and related infrastructure improvements which will foster efficiency, competitive operations and quality ship construction and repair. Grant funds may also be used for maritime training programs to foster technical skills and operational productivity. Of the $100 million, $75 million is reserved for shipyards with 600 employees or less and up to $25 million may be awarded to yards with up to 1200 employees. FY 2009 accomplishments will include:

- Award a total of $115.2 million in grants to Small Shipyards (including $98 million provided under the ARRA).
- Meet ARRA requirements for oversight, reporting, and accountability.

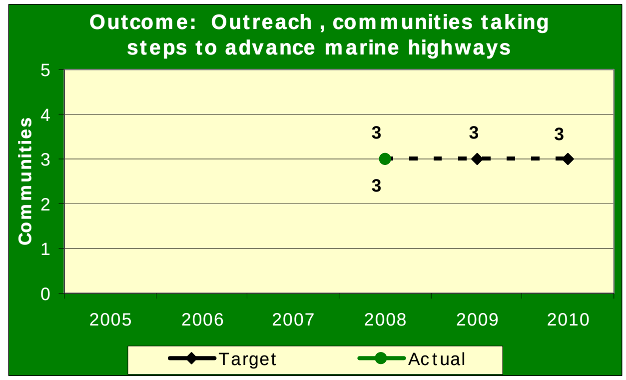
FY 2010 Performance Budget Request

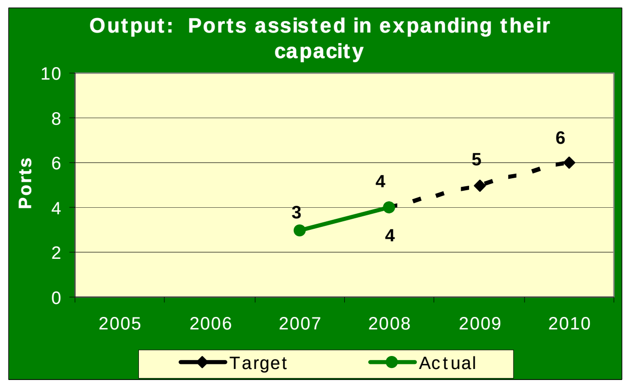
This program received $100 million in American Recovery and Reinvestment Act (ARRA) funds in FY 2009. Because the ARRA funds will, in most cases, be applied to the same types of projects that might otherwise receive funding through the regular grant process, there will most likely be some impact on both the level of output in FY2010 as well as an adjustment in the planned outcomes over time. This may be evidenced by the achievement of targets sooner than planned, achievement of a greater level of output in an outyear, or other adjustment in planned outcomes. Because the ARRA process is still unfolding and because projects are selected by primary recipients rather than DOT, it is not possible at this time to predict how the infusion of additional funds for the program will impact the planned results in FY 2010 or the outyears. However, DOT in very close coordination with the program will very carefully track performance results at an unprecedented level of detail, report on those results, and determine at a later date to what extent the infusion of ARRA funds and resultant projects have impacted the program's performance levels. No funding for small shipyard grants is requested for FY 2010.

Responsible Official: Associate Administrator for Intermodal System Development

Anticipated FY 2009 Accomplishments
MARAD Operations program activities and accomplishments supporting safe shipping and reduced congestion include

- Participation as member of U.S. delegations on environmental working groups at the International Maritime Organization and International Organization for Standardization.
- Continued leadership role in the Ship Operators Cooperative Program (SOCP) and the interagency “Ship Structures Committee” (SSC), which serves as a venues for pursuing better material, fabrication technologies, technical standards, maintenance, survey and repair strategies and collaborate with academia in the pursuit of safety in ship design, and insuring safety compliance for U.S. ship operators.





FY 2010 Performance Budget Request
To support the Maritime Transportation Presidential Initiative to build a safe and efficient maritime transportation system, the MARAD FY 2010 request highlights a $15 million program increase for the Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports Initiative, aimed at supporting integrated planning between the Department of Transportation and the Department of Homeland Security (DHS) Security Coordination Office in the area of maritime transportation.

<u>Presidential Initiative ($15 million)</u>:
Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports

The initiative will advance the development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks. These funds will be administered in partnership with the DHS to support studies and joint planning considering the interdependencies between strategic port security requirements and system throughput, support marine highway transportation database and research development, and advance the Maritime Safety and Security Information System (MSSIS).

MARAD will work jointly with the DHS to provide grant funding to advance studies identifying strategies for integrating security considerations into projects improving port capacity and efficiency. MARAD and DHS will work together to identify and implement solutions for shared maritime transportation concerns, including overcoming chokepoints at intermodal connections, addressing new economies of scale necessitated by “mega” containerships, reducing greenhouse emissions, conserving energy, and supporting decision-making for allocation of limited port resources to security and capital improvements. Funding will also support capital investment for strategic port projects as evaluated by MARAD and DHS to improve port and system performance consistent with the objectives of this initiative. Strategies that hold promise for jointly advancing maritime transportation security and efficiency include new methodologies and technologies like agile port systems, innovations to port-to-transportation interfaces, short sea shipping, integration of National Defense Features, and other solutions.

FY 2010 funding will also be utilized to acquire and develop data that supports expanding utilization of a secure national marine highway. Examples include identification of specific freight origins and destinations to determine both optimal marine highway services and identify potential security threats, research to determine optimal marine highway services, research to improve efficiencies and related security protocols.

Funding will also support further development and maintenance of the Maritime Safety and Security Information System (MSSIS) global vessel tracking system for use by DHS, DOD, and DOT, and other federal entities. MSSIS uses Automated Identification System (AIS) transmission from vessels via countries who voluntarily agree to participate. In December 2004, the International Maritime Organization mandated the use of AIS for vessels over 300 gross tons on international voyages. Funds will be further utilized to determine if this tracking system is appropriate for the domestic marine services funded by this program. Currently there are 53 countries participating in MSSIS.

GLOBAL CONNECTIVITY

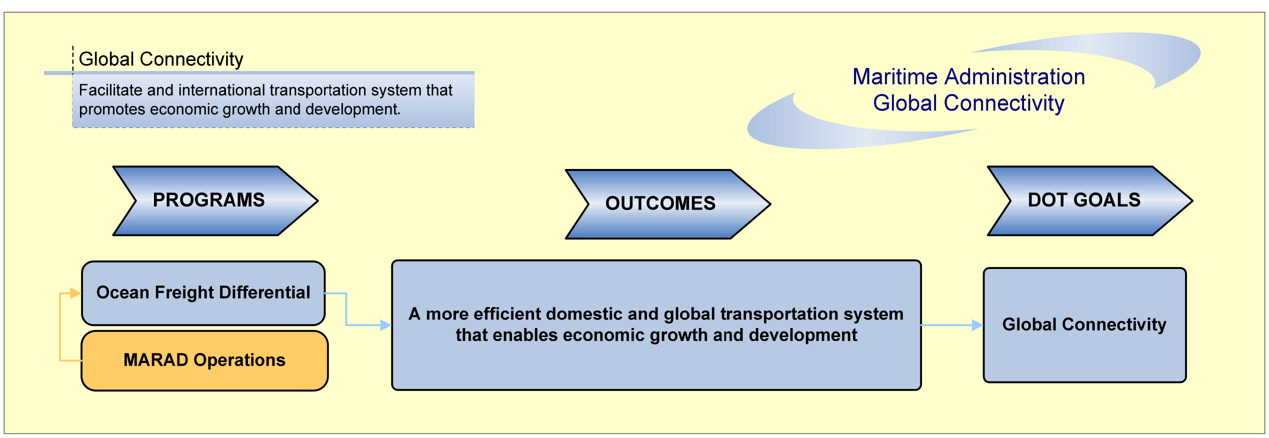
This funding request contributes to the achievement of the DOT Global Connectivity strategic goal and specifically to the DOT outcomes to enhance the competitiveness of U.S. transport providers and manufacturers in the global marketplace and to provide for safer, more efficient and cost effective movement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

The 2010 request seeks $13.2 million to allow MARAD to operate programs that enhance maritime transport between the U.S. and other countries, improve and expand our intermodal connections with other countries, and keep a U.S. presence in international shipping markets. MARAD will negotiate bilateral maritime agreements that create or maintain equal shipping relations between the U.S. and several important trading partners. MARAD will be in the forefront of efforts to improve intermodal connections at our ports through its efforts to issue deepwater port licenses that create additional entry points for LNG into the U.S. Finally, MARAD will continue to conduct the cargo preference program by informing Federal agencies and contractors of the requirements implemented by the U.S. cargo preference laws and making differential payments to the USDA to offset the higher costs of shipping on U.S.-flag ships versus foreign flag ships. These payments keep U.S.-flag ships operating in international trade. These ships are available for DOD use if needed in times of emergency.

The following table outlines the resources requested to achieve this outcome:

Appropriations, Obligation Limitations & Exempt Obligations
($000)

STRATEGIC & PERFORMANCE GOALS by Performance Measure	(A) FY 2008 ACTUAL	(B) FY 2009 ENACTED OMNIBUS	(C) FY 2009 ENACTED TOTAL	(D) FY 2010 REQUEST
2. GLOBAL CONNECTIVITY STRATEGIC GOAL				
A. Enhance Competitiveness				
a. Other	12,966	13,793	13,793	13,178
Subtotal Performance Goal	12,966	13,793	13,793	13,178
B. Expand Business Opportunities				
a. Percent of total dollar value of DOT direct contracts awarded to women owned businesses.	0	0	0	0
b. Percent of total dollar value of DOT direct contracts awarded to small disadvantaged businesses.	0	0	0	0
Subtotal Performance Goal	0	0	0	0
Total – Global Connectivity Strategic Goal	12,966	13,793	13,793	13,178



Baseline Changes
The ‘Admin Support’ line under MARAD Operations in the above table displays the ‘supports all goals’ staff and support costs that are attributable to the accomplishment of this strategic goal. As a result, the table shows the full costs of our efforts to achieve this strategic goal.

PERFORMANCE ISSUE

A multi-faceted approach is necessary to improve the connectivity of the U.S. marine transportation system with the global transportation system. MARAD must work to eliminate market access restrictions between the U.S. and other countries, improve and expand our intermodal connections with other countries, and keep a U.S. presence in international shipping markets.

The U.S. maritime industry must contend with the anticompetitive barriers imposed by foreign governments that restrict market access. These restrictions impinge on U.S. maritime companies’ access to foreign transportation markets, add to costs, limit revenues, impede efficient operations and negatively impact the profitability of the U.S. maritime industry in international trade. Removal of anticompetitive barriers improves the operating efficiency of U.S. shipping companies and improves U.S. carriers’ participation in the carriage of U.S. international trade. Enhancing the competitiveness of U.S. transport providers and manufacturers in the global marketplace is a key outcome of the Department's Global Connectivity strategic goal.

MARAD's cargo preference program ensures compliance by both Federal agencies and shippers with cargo preference laws designed to maximize the use of U.S.-flag vessels when shipping U.S. government owned or sponsored cargoes. These cargo preference laws help to ensure the existence of a U.S.-flag fleet operating in foreign commerce that is also available for defense sealift in times of emergency. The existence of a U.S.-flag fleet also gives the United States a seat in the numerous international organizations that affect the operation of the global transportation system.

MARAD has responsibility for the processing and licensing of deepwater port applications for the importation of LNG into the United States. Overall, the Department of Energy projects that from 2006 to 2025, U.S. natural gas consumption will increase from 22.3 to 30.6 trillion cubic feet (tcf), or 37 percent, with all of this increase supported through importation of LNG. LNG imports are projected to become the primary source of the Nation’s supply of natural gas. The development and construction of additional offshore deepwater port LNG facilities will reduce vessel traffic and congestion in our U.S. landside ports; improve the efficiency of the transport of imported LNG within the U.S.; expand our intermodal connections with other countries; and, create an additional level of security for our nation’s energy industry by moving LNG import connections offshore.

Ocean Freight Differential

Responsible Official: Associate Administrator for Business and Workforce Development

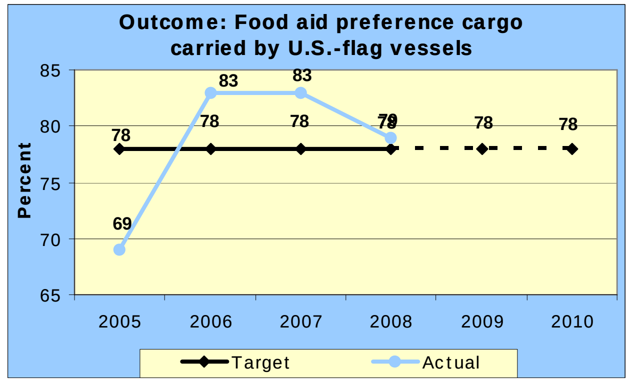
The Ocean Freight Differential (OFD) program contributes to enhanced competitiveness and Department of Transportation (DOT) Global Connectivity, and is a critical component of the Cargo Preference program. The Cargo Preference program was mandated by Congress to maintain the U.S. Merchant Marine, which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

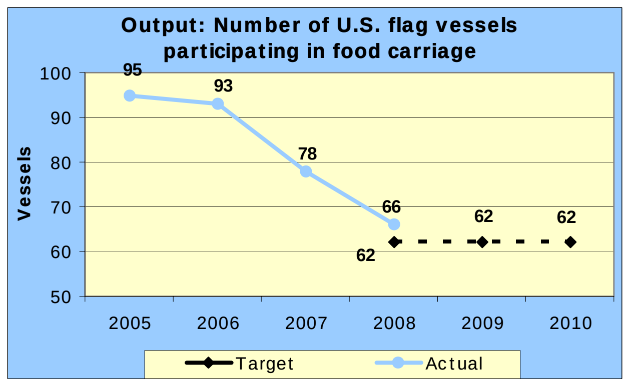
There are three primary laws: the Military Act of 1904 requires 100 percent of U.S. military cargoes be shipped on U.S.-flag vessels; Public Resolution 17 (48 STAT. 500 of 1934) requires 100 percent of exports generated by loans made by an instrumentality of the Government be on U.S.-flag vessels; and the Cargo Preference Act of 1954 requires that 50 percent of any other Government-impelled cargoes (75 percent for food aid cargoes) be carried on U.S.-flag vessels.

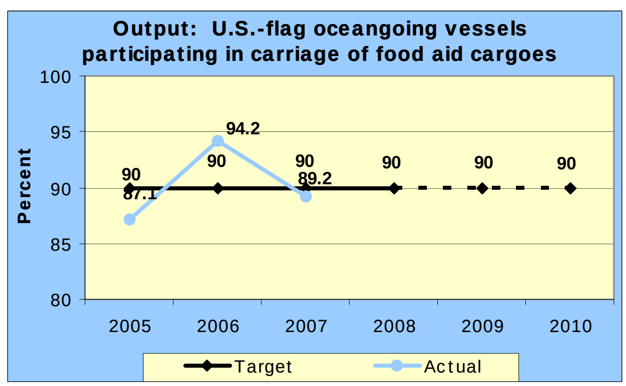
The United States is the world's most active trading nation, accounting for over 20 percent of the world's foreign trade, 95 percent of which is moved by water. Yet, the U.S. Merchant Marine carries less than 3 percent of our trade. This small percentage can be attributed to many factors, the least of which is subsidized international competitors with lower regulatory standards, lower tax burdens, lower labor costs, and a less litigious environment.

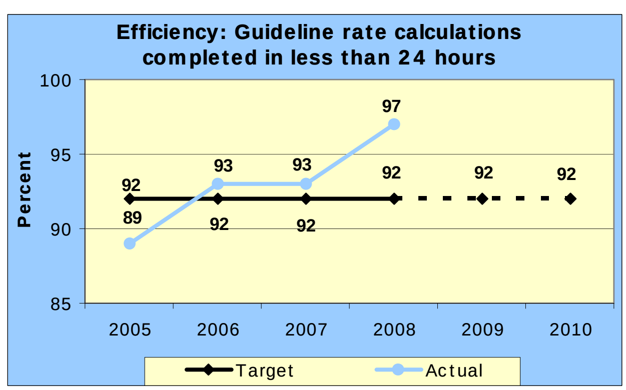
However, without a U.S.-flag commercial merchant fleet, we would have limited ability to maintain open access to foreign markets for our manufacturers, farmers, and consumers, nor would we have the capability to provide force projection and logistical support to our armed forces both in times of peacekeeping and in times of conflict. Homeland security may also be at a higher risk due to the fact that 97 percent of the cargoes entering our nation are carried in foreign-flag vessels with foreign crews. Given this competitive environment and security challenges, cargo preference laws were enacted to provide a revenue base that will retain and encourage a privately owned and operated U.S. Merchant Marine.

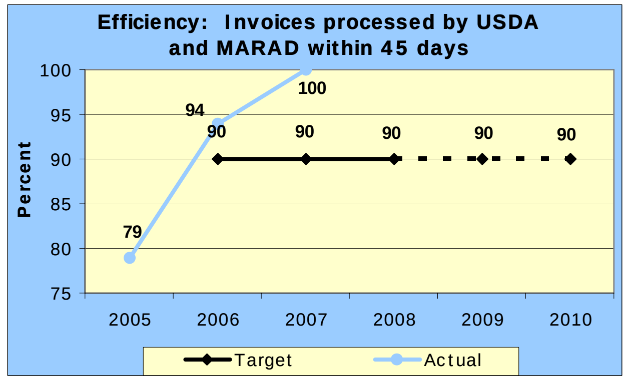
When the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) provide food assistance to overseas beneficiaries, cargo preference laws require that at least 50 percent of the total tonnage must be shipped on U.S.-flagged vessels. Due to higher regulatory standards,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











defined as any amount after the first 50 percent, contained in the Food Security Act of 1985.

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

Anticipated FY 2009 Accomplishments
MARAD will continue to educate Federal agencies and their contractors about the changes to the cargo preference law made by the Congress in early FY 2009. MARAD will continue to hold public meetings and solicit inputs from all stakeholders and customers of all our programs as part of the promotion of U.S.-flag vessels. MARAD will work with the Export-Import Bank on a working capital loan guarantee program for commercial cargoes that are carried on U.S.-flag vessels. MARAD expects to continue to increase the use of electronic methods to receive and exchange data and information with other Agencies, shippers and the public. Finally, MARAD will continue working with USDA and the USAID to encourage them to adopt the recommendations of the Government Accountability Office for improving the efficiency of food aid logistics.

FY 2010 Performance Budget Request
MARAD requests an apportionment estimated at $175.0 million in new borrowing authority in order to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels versus foreign-flag vessels in FY 2009, in accordance with the Food Security Act of 1985.

The Cargo Preference Program saves the U.S. Government billions annually. To support an internal "auxiliary" navy and maintain the same sealift capabilities levels that are currently supplied by the Cargo Preference Programs, the U.S. Government estimates the costs around $13 billion to start up cost and over $1 billion per year to maintain. In addition, an estimated $52 billion would be required if the U.S. Government were to attempt to replicate the global intermodal system of the U.S. Merchant Marine. Thus, the cargo preference program provides a very large return on investment to the Nation.

The staff and support funding requested in the MARAD Operations portion of this budget will serve to assist the Food Aid portion of the Cargo Preference program to meet the performance measure targets identified.

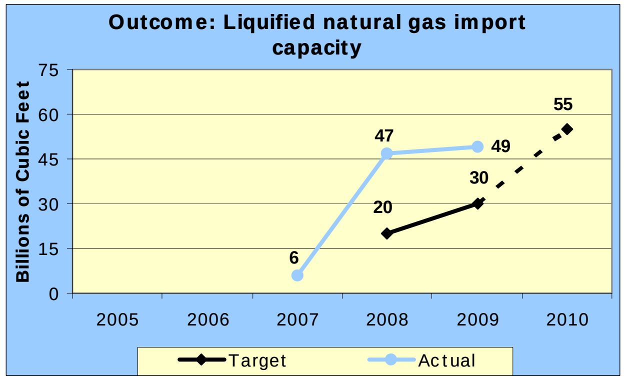
MARAD Operations
Responsible Official: Associate Administrator for Business and Workforce Development

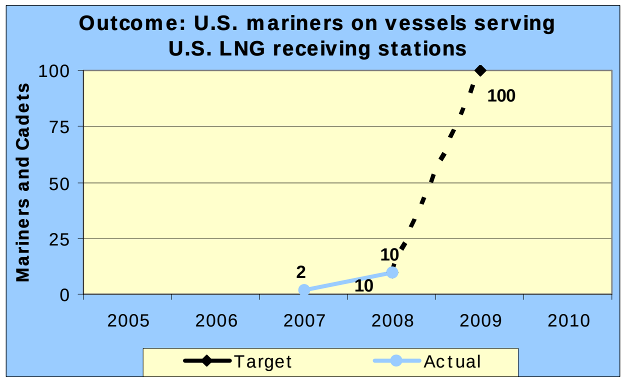
The MARAD Operations program funds program support for Business and Workforce Development, including cargo preference, deepwater port applications and liquefied natural gas transport, and international activities.

Anticipated FY 2009 Accomplishments
MARAD Operations connectivity accomplishments for FY 2009 include:

- Hosted bilateral U.S. and China bilateral maritime consultations. The consultations, which are provided for under the Bilateral Maritime Agreement, signed in 2003, served to promote maritime and trade interests in this important market. MARAD also helped to arrange participation in the celebration marking the 30th anniversary of the resumption of U.S. and China diplomatic and shipping relations.

- Actively engaged applicant Hoegh Liquefied Natural Gas (LNG) in an effort to facilitate the U.S. flagging and crewing of one or more Hoegh LNG tankers that will service the proposed Port Dolphin deepwater port terminal. Efforts to provide training opportunities for citizen officers and cadets are underway and will allow mariners and cadets to obtain the experience and sea time necessary to qualify as LNG vessel officers. This will allow MARAD to achieve its performance measure to facilitate the increase of U.S. mariners and cadets serving on LNG vessels to 100.
- Commenced the operation of a third deepwater port, located in the Northeast, by the end of the fiscal year. The continental United States has eight operational LNG import terminals – of which, previously only two were deepwater LNG ports. Combined, these deepwater ports have the capacity to heat approximately 22,000 homes per day in the Northeast and Gulf of Mexico regions. As a result, MARAD will achieve the FY 2009 performance measure by facilitating the increase of the nation's natural gas import capacity to 49.1 bcf per day.





FY 2010 Performance Budget Request

The FY 2010 request will support MARAD global connectivity program activities, including:

- MARAD will continue to work with existing deepwater port license applicants to seek voluntary agreements that will facilitate and ensure a well qualified and diversified mix of skilled mariners and build a strong U.S. presence in the international LNG fleet. The Maritime Administration anticipates that the total number of U.S. mariners and cadets will continue to increase as an additional offshore LNG import facility is expected to receive approval by the end of Fiscal Year 2010.
- MARAD expects to complete the review process required by the Deepwater Port Act for several Deepwater Port applications.
- MARAD will continue to seek legislative approval to give the Secretary of Transportation enforcement authority for the cargo preference laws.

ENVIRONMENTAL STEWARDSHIP

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

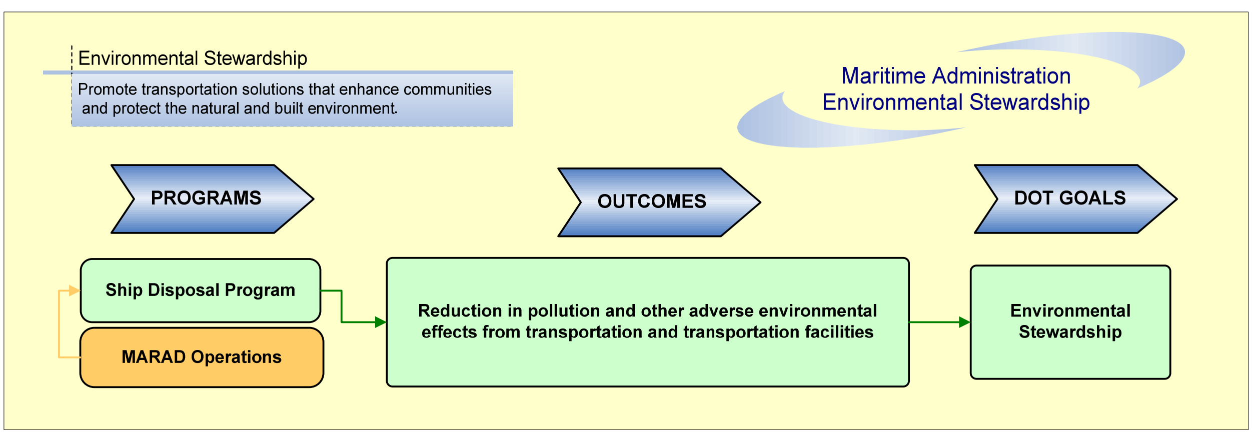
In the maritime arena, three important areas must be addressed in order to make progress towards reducing pollution and the adverse environmental effects of transportation and transportation facilities: obsolete vessel disposal, achieving compliance with Nuclear Regulatory Commission (NRC) nuclear licensing requirements for the Nuclear Ship (NS) SAVANNAH, and advancing progress on reducing marine air emissions and treating ballast water. MARAD requests a total of $19.0 million to fund these programs.

MARAD will continue to give priority to disposing of obsolete ships and partnering with other government and/or private entities to conduct research to reduce marine-sourced air emissions and to determine the best method for treating ballast water discharges.

The following table outlines the resources requested to achieve this outcome:

Appropriations, Obligation Limitations & Exempt Obligations
($000)

STRATEGIC & PERFORMANCE GOALS by Performance Measure	(A) FY 2008 ACTUAL	(B) FY 2009 ENACTED OMNIBUS	(C) FY 2009 ENACTED TOTAL	(D) FY 2010 REQUEST
3. ENVIROMENTAL STEWARDSHIP STRATEGIC GOAL				
A. Reduction in Pollution				
a. Other	18,740	19,936	19,936	19,047
Subtotal Performance Goal	18,740	19,936	19,936	19,047
Total – Environmental Stewardship Strategic Goal	18,740	19,936	19,936	19,047



Baseline Changes
The 'Admin Support' line under MARAD Operations in the above table displays the 'supports all goals' staff and support costs that are attributable to the accomplishment of this strategic goal. As a result, the table shows the full costs of our efforts to achieve this strategic goal.

PERFORMANCE ISSUE

In order to achieve success in reducing pollution and the adverse environmental effects of transportation and transportation facilities, MARAD must make progress with ship disposal, achieving compliance with NRC nuclear licensing requirements for the NS SAVANNAH, and reducing marine air emissions and treating ballast water.

MARAD is the U.S. government's disposal agent for merchant-type vessels 1,500 gross tons or more and has custody of a fleet of over one hundred obsolete ships owned by the Federal government. Some of these ships pose a risk to the surrounding environment and must be disposed of properly.

The NS SAVANNAH is owned and maintained by MARAD. Its nuclear power plant is licensed as a commercial power reactor (inoperable/possession-only) by the NRC. In order to protect the environment from radioactive materials, MARAD must adhere to licensing requirements for the NS SAVANNAH reactor as prescribed by NRC regulations and the statutory provisions of the Atomic Energy Act of 1954, as amended.

The impact of marine transportation on the human and natural environment has become more evident particularly in port and coastal communities, which are feeling the brunt of environmental quality impact from marine transportation activities. At the same time, marine transportation is expected to grow considerably due to increased use of our nations waterways for freight and passenger movement. Marine-related environmental impacts will therefore become more profound. The environmental impacts of marine transportation must be adequately anticipated and addressed or they will adversely affect the nation's economic growth and quality of life.

Ship Disposal

Responsible Official: Associate Administrator for National Security

The Maritime Administration (MARAD) developed the Ship Disposal Program, as required by Section 3502 of the National Maritime Heritage Act, for the disposal of non-retention, also referred to as obsolete, National Defense Reserve Fleet (NDRF) vessels that are not assigned to the Ready Reserve Fleet (RRF) or otherwise designated for a specific purpose. The Ship Disposal Program supports the achievement DOT's Environmental Stewardship strategic objective to promote transportation solutions that enhance communities and protect the natural and built environment. As identified by Section 203 of the Federal Property and Administrative Services Act of 1949, MARAD is the U.S. government's disposal agent for federal government owned merchant type vessels that are 1,500 gross tons or more. MARAD has custody of approximately 105 obsolete vessels that are available for disposal. These obsolete ships are located at the James River Reserve Fleet (JRRF) site in Virginia, the Suisun Bay Reserve Fleet (SBRF) site in California and the Beaumont Reserve Fleet (BRF) site in Texas.

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

In addition to environmental risks at MARAD fleet sites associated with onboard hazardous materials, the risk associated with the spread of non-indigenous aquatic species when transferring obsolete ships from the fleets sites to other bio-geographic locations for vessel disposal through recycling or artificial reefing has become an increasingly complex and costly challenge since FY 2006. Requirements and costs associated with the control of potentially invasive aquatic species are continuing to evolve and indications are that they will continue to increase as the process for resolving the conflicting and often contradictory requirements of local, state and federal regulations continues.

Because of the conflicting environmental mandates and regulatory constraints on the ship disposal activities including in-water hull cleaning of marine growth, early in FY 2007 the Maritime Administrator placed a temporary suspension on further ship disposals. The suspension has since been lifted for the Virginia and Texas fleet sites because of agreements reached with those States. The suspension will remain in place for California until an agreement has been reached with the cognizant state and federal regulatory agencies on National Invasive Species Act (NISA) and Clean Water Act (CWA) issues currently impeding the movement and disposal of obsolete MARAD ships located in the SBRF. The budgetary impact of NISA, the CWA and related local and state regulations on the Ship Disposal program is addressed in the FY 2010 budget request.

An additional project funded within the Ship Disposal account is maintenance and safeguarding of the Nuclear Ship Savannah (NSS). This vessel was designed and built in the 1960's as a federal demonstration project for the peaceful use of nuclear power under the 'Atoms for Peace' initiative. Its nuclear power plant is licensed as a commercial power reactor (inoperable/possession-only) by the Nuclear Regulatory Commission (NRC); one of only a few such federally-owned, NRC-licensed facilities. NRC's core mission, to protect the health and safety of the public and environment by regulating the nuclear industry and radiological materials nationwide, is fully compatible with the DOT Environmental Stewardship strategic objective.

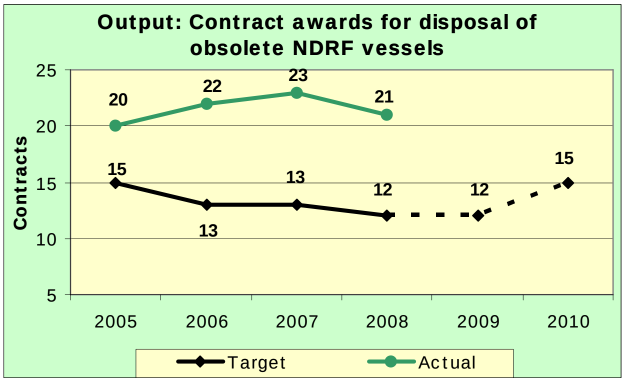
MARAD's NRC license to possess the NSS facility requires compliance with all regulations and statutes (principally the Atomic Energy Act and the Energy Policy Act) that are applicable to a power reactor. Current statutory and regulatory authorities require licensed facilities to finish decommissioning (dismantlement, disposal, and license termination) no more than 60 years after permanent cessation of operations. Under this definition MARAD must complete decommissioning by the end of 2031. MARAD is prepared to execute decommissioning whenever resources may be made available for the purpose. In the meantime, the focus of MARAD's NSS program activities is to safely manage and safeguard the NSS facility. Assuming adequate and well-defined pre-planning, and maintenance of a compliant license management program, MARAD will require a minimum of five years to complete the decommissioning project.

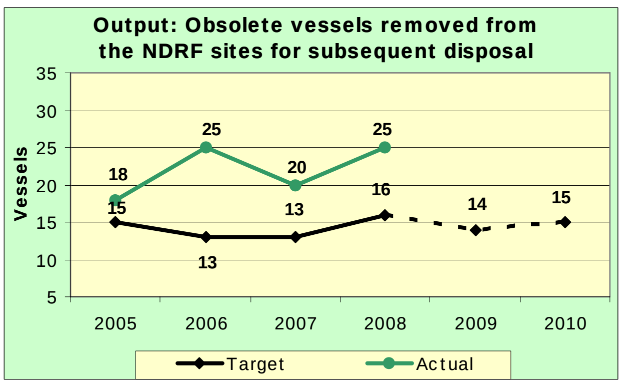
Anticipated FY 2009 Accomplishments

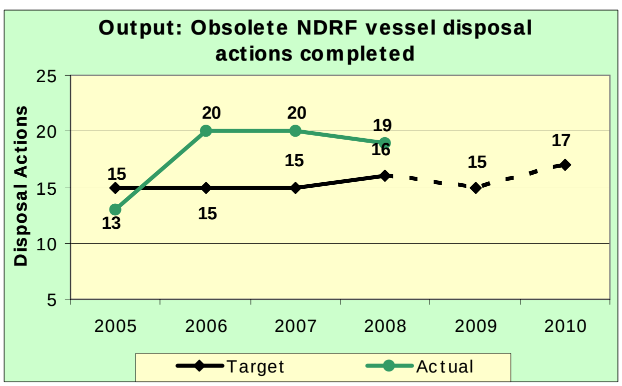
MARAD has an FY 2009 performance target to remove 14 obsolete vessels from the NDRF, which is down significantly from the average of 22 ships removed on an annual basis for the last four years. The national economic downturn and credit crisis that started in the first quarter of FY 2009 has had a detrimental effect on the domestic ship recycling industry and may preclude reaching the goal of 14 obsolete ship removals in 2009. The ship recycling industry depends on revenues from the sale of scrap steel (and other metals) to mills that produce finished goods for the construction and auto industries. Low demand for finished steel has resulted in correspondingly reduced demands for scrap steel from the domestic ship recyclers. Likewise the credit crisis has dried up loans to recyclers to finance operational expenses and non-retention vessel purchases. As a result, ship recyclers have laid off workers and slowed production while experiencing diminished revenue and longer held inventories of scrap steel. The effect on MARAD's Ship Disposal Program has been fewer obsolete ship removals due to diminished capacity and higher disposal costs due to decreased demand for scrap steel.

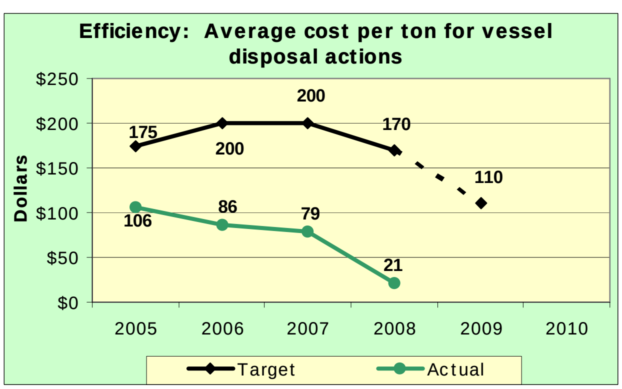
Additionally, high fuel prices and increased costs associated with compliance with invasive species regulations and risk mitigation requirements will increase disposal costs in FY 2009. The development of testing and mitigation requirements surfaced in 2006 as a potentially significant cost driver due to increasing concern regarding the environmental impact of discharges from hull cleaning activities and for the potential spread of non-indigenous species as the Maritime Administration relocates obsolete ships from our fleet sites to the various disposal locations throughout the U.S. Cumulative costs to the program in FY 2006 and 2007 related to NISA requirements were approximately $2.5 million. Since the NISA requirements only became a factor in FY 2006, and compliance activities continued to evolve in FY 2007, the costs were as yet undefined and as such were not included in budget requests for FY 2007 or 2008.

The FY 2008 costs of $1.4 million were related to accomplishing biological sampling, laboratory analysis, underwater hull cleaning to remove soft aquatic growth and conducting baseline aquatic species studies at the fleet sites and domestic recycling facilities. These costs are necessary merely to remove obsolete ships to recycling facilities and are in addition to costs normally associated with ship disposal activities such as towing, hazmat remediation and dismantling. The Maritime Administration anticipates that the Ship Disposal Program must continue to develop and implement strategies to reduce the risk of the introduction of non-indigenous aquatic species when transitioning obsolete NDRF vessels from the fleet sites to the domestic recycling facilities to comply with NISA. For the balance of FY 2009 and into 2010, these costs will continue to be in addition to costs that include activities related to hull cleaning discharge sampling and discharge containment because of concerns raised by California and other states regarding compliance with the CWA and related regulations. In the absence of an agreement related to in-water hull cleaning, the use of drydocks to clean the hulls of marine growth is likely the only method acceptable to the plaintiffs that will allow the movement of obsolete ships out of California to resume. The drydocking of ships to remove marine growth is anticipated to be greater than twice the cost of available in-water hull cleaning technologies.



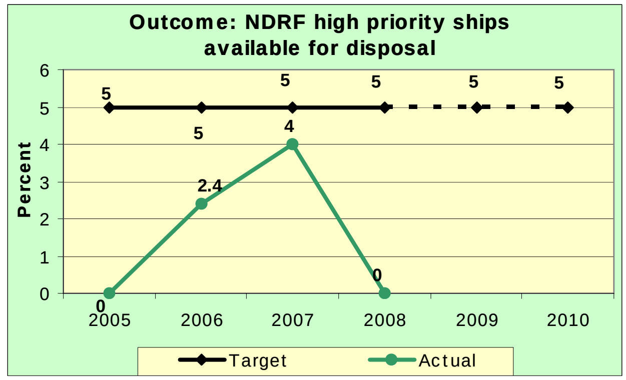


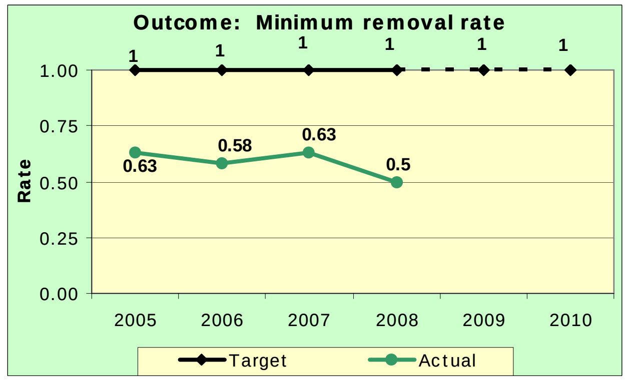




The Maritime Administration expects to continue to utilize domestic recycling as the primary ship disposal method and will dispose of high and moderate priority ships that are available for disposal during FY 2009 and 2010 through domestic recycling. Disposals through artificial reefing, deep-sinking of ships with the U.S. Navy and donation to not-for-profit groups will also be used to the maximum extent possible. As opportunities arise, MARAD will also continue working with domestic and international organizations to accomplish vessel condition assessments, hazardous materials identification, waste-stream minimization, and applied technology testing on MARAD's obsolete ships. MARAD anticipates that in the future these activities could result in improved overseas hazardous material remediation and ship recycling and lead to additional choices for environmentally safe and cost-effective vessel disposal internationally. Currently there are no foreign facilities qualified to compete for future ship recycling contracts and MARAD is limited by statute to the use of only domestic recycling facilities unless domestic recycling capacity is determined to be unavailable.

Savannah Project: The project focuses on developing and maintaining an independent and proficient licensee organization, and bringing the NSS nuclear facilities into conformance with contemporary NRC SAFSTOR standards. From 2005 to the present, MARAD has accomplished significant improvements in its institutional capacity to manage a licensed nuclear facility, and has essentially completed the administrative work necessary to carry forward its licensed activities program into the foreseeable future. This work was vital. Beginning with the plant mothballing in 1975, MARAD's licensee competency gradually diminished – with rapid decreases after the ship was chartered to the state of South Carolina in 1981 for use as a museum. The subsequent inactive storage of the Savannah at the JRRF did not restore MARAD's nuclear competencies. Once MARAD determined to pursue decommissioning, it conducted rigorous independent analysis and assessment of its licensing basis; these studies revealed deep deficiencies that required correction before any significant nuclear activities could be performed. In 2005, MARAD planned to make these corrections and achieve licensee compliance within a concurrent timeframe with pre-decommissioning planning and licensing. Given the subsequent need to restructure the decommissioning program to suit budgetary targets, MARAD amended its plans to complete its license management and compliance program as an independent activity. By the end of 2009, MARAD expects to have completed development of its administrative programs, processes and procedures. It will, however, take additional time for MARAD to fully mature in the exercise of that administrative program.





SAFSTOR is the decommissioning condition in which a non-operating nuclear power plant is safely husbanded for the period of time between cessation of operations and dismantlement, disposal and license termination (DECON). This project was initially conceived in 2004 to complete DECON; however, resource shortfalls forced MARAD to defer that project and instead return the NSS to long-term retention. The SAFSTOR condition is designed to be inherently safe during sustained unattended periods. The NSS was originally laid-up and placed in retention in the mid-1970's; long before the industry gained any meaningful SAFSTOR experience. As a consequence, it is now known that the NSS requires substantial work before it can be considered satisfactory for an additional period of extended retention. Such work includes the reduction of transient combustibles, reduction of radiological inventory, maintenance of the facility containment structure, installation of active systems for fire protection / suppression and ventilation, and continued radiological surveillance and monitoring. The projected SAFSTOR work effort for the NSS will complement future decommissioning activities in a substantially non-duplicative way. The SAFSTOR effort can be transitioned to DECON at any time. During 2009 MARAD will complete the engineering plans and studies for the required SAFSTOR upgrades, and will be in a position to implement them when sufficient resources become available. The full complement of required SAFSTOR activities is estimated at $8M, which will be requested in the FY 2011 budget.

FY 2010 Performance Budget Request
The total request for the ship disposal appropriation is $15 million, consistent with the FY 2009 enacted.

MARAD requests $12 million to support the continuation of the obsolete ship disposal activities. MARAD plans to continue to expedite the disposal of obsolete ships via full and open competition, utilizing all feasible disposal options. The request for the ship disposal program provides the funding for the domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available).

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

The request level will not defray significant increases in fuel costs and hull fouling testing and mitigation requirements, both of which may be significant cost drivers into FY 2010, without impacting the program's ability to meet its performance targets.

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

MARAD requests $3.0 million, the same as the FY 2009 enacted amount, to continue activities required maintain and safeguard the N.S. Savannah, including license management activities and planning and technical actions necessary to bring the NSS nuclear facilities into conformance with NRC SAFSTOR standards, such that the ship can be returned to the JRRF (or other suitable location) for long-term retention until final decommissioning and license termination by 2031. Activities will be planned and undertaken using commercial nuclear industry best practices and methods, so that they can be achieved at reasonable cost.

MARAD Operations

Responsible Official: Associate Administrator for Environment and Compliance

The MARAD Operations program funds program support for the Environment and Compliance program.

Anticipated FY 2009 Accomplishments

MARAD Operations environmental program activities and accomplishments for FY 2009 include:

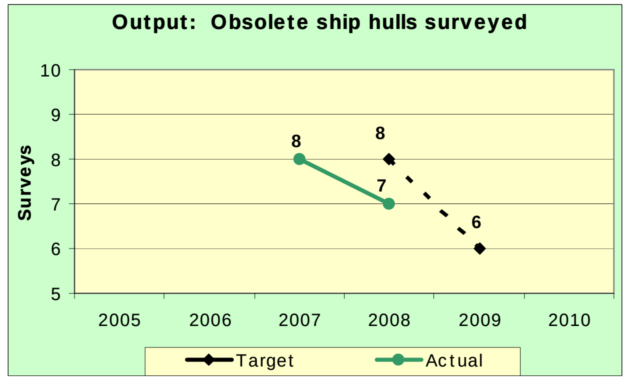
- Supporting environmental stewardship with key air emissions reduction research and technology efforts.
- Prepare bilateral/multi-lateral cooperation agreement to heightened global concern in the area of environmental pollution from vessels and the shortage of seafarers. Initial discussions with South Korea, Greece and Norway are ongoing.
- Testing of three ballast water treatment technologies aboard the CAPE WASHINGTON in the Port of Baltimore.

FY 2010 Performance Budget Request

The FY 2010 request will also support MARAD environmental program activities, in the areas of ballast water, air emissions and green programs.

- Ballast Water Initiative
    - The FY 2010 request environmental request is highlighted by a collaborative study with EPA on ballast water. The Department of Transportation is participating in the Great Lakes Restoration Initiative, which is requested in the EPA budget. In 2010, MARAD will coordinate the development of ballast water treatment suitable for fresh water ecosystems with US Coast Guard, EPA, and US Fish and Wildlife Service, including permitting requirements and the verification of treatment technologies. The initiative builds on work started by the Maritime Administration in the past. The Agency has

partnerships with academic and public entities with a goal to advance research related to ballast water treatment technology. These partnerships have been established on the East Coast and in the Great Lakes Region, using Maritime Administration ship assets or personnel expertise, as well as a limited amount of funding. A similar effort on the West Coast is scheduled to be established in early 2010. Research on peripheral issues related to the discharge of ballast water, such as sampling, is also underway. The Maritime Administration is also in the process of developing a way forward that unites the research efforts of the various test facilities, academic institutions, classification societies, and stakeholders. It is hoped that this type of collaborative effort will focus research, bring the U.S. to a point where there is ample infrastructure to evaluate ballast water treatment technologies certification purposes, a method for extracting shipboard samples is finalized, compliance monitoring strategies are completed, and analytical methods are agreed upon. An approach that unites the efforts of personnel and facilities located throughout the U.S. will eliminate duplication of effort and more effectively use a limited amount of available funds.



- The Agency has partnerships with academic and public entities with a goal to advance research related to ballast water treatment technology. These partnerships have been established on the East Coast and in the Great Lakes Region, using Maritime Administration ship assets or personnel expertise, as well as a limited amount of funding. A similar effort on the West Coast is scheduled to be established in early 2010. Research on peripheral issues related to the discharge of ballast water, such as sampling, is also underway. The Maritime Administration is also in the process of developing a way forward that unites the research efforts of the various test facilities, academic institutions, classification societies, and stakeholders. It is hoped that this type of collaborative effort will focus research, bring the U.S. to a point where there is ample infrastructure to evaluate ballast water treatment technologies certification purposes, a method for extracting shipboard samples is finalized, compliance monitoring strategies are completed, and analytical methods are agreed upon. An approach that unites the efforts of personnel and facilities located throughout the U.S. will eliminate duplication of effort and more effectively use a limited amount of available funds.

- The Agency also serves on the US delegation to the International Maritime Organization, Marine Environment Protection Committee and as the secretariat on the International Organization for Standardization Working Group on ballast water management issues.

- Air Emissions
  - For several years, the Maritime Administration has been working with other government agencies and academia to address energy efficiency and air emissions reductions for ships and ports. In addition, the Maritime Administration plays an active and critical role in the development of national and international regulations to reduce marine vessel air emissions.
  - The Maritime Administration has been partnering with the University of Delaware and the Rochester Institute of Technology to develop a Geospatial Intermodal Freight Transport Tool (GIFT). GIFT is a transportation planning model that optimizes intermodal freight movement between points based on energy and emissions, time, and cost. GIFT is unique, in that it is the first national-scale that will focus on emissions reduction for cross-modal scenarios. In FY 2008, the Maritime Administration funded the I-95 corridor portion of the project. That project will be completed this year. Development of the model requires the acquisition of extensive transportation network and intermodal hub

data. GIFT is a multi-year effort and it is critical to continue funding on an annual basis in order to develop the nationally-applicable tool.

- In addition to transportation planning tools, the Maritime Administration is also approaching emissions reductions through technology advancement and trials in maritime applications. In FY 2008, the Agency funded a shore power feasibility study through the Port of New Bedford. The objectives of the study are to determine the applicability of shore power at a small to medium-sized port and alternative fuel options for shore power. The study is expected to be completed this year.
- The Maritime Administration is also working the Environmental Protection Agency to develop and test emission reduction technology at national as well as international ports. Possible projects to be funded for this effort include, but are not limited to, the use of particulate filters on vessels, alternative power sources for reefer buildings at ports, and recycling of waste into energy to supply power for port infrastructure.
- Aside from extensive partnerships, all of these projects require funding. The Maritime Administration continues to be at the focal point for vessel and port emissions reductions and energy efficiency. The maritime industry and sister government agencies rely on the Maritime Administration to develop and support effective technologies and clean air efforts.
- The Agency also serves on the US delegation to the International Maritime Organization, Marine Environment Protection Committee regarding vessel air emissions issues.

- Green Programs
    - The Maritime Administration's green programs focus on agency-wide carbon reduction, energy efficiency, and alternative energy strategies. Key components include a carbon footprint calculator provided through the Climate Registry, green travel policy that emphasizes environmentally-friendly options for business travel, and a green procurement policy that adheres to the acquisition of environmentally-friendly services and products. The Maritime Administration continues additional efforts to comply with Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management.
    - In 2005, the Maritime Administration began the development of an Agency-wide Environmental Management System (EMS). EMS provides a system for optimizing environmental best practices at Headquarters, Region Offices, and Fleets. Following the development of an EMS, the Agency developed an Environmental Excellence Initiative (EEI) that lists best practices for the management of the National Defense Reserve Fleet and is currently used at all Agency fleets. The EEI folds into other green programs and is a key component of the Agency-wide EMS.

This funding request contributes to the achievement of the DOT Security, Preparedness and Response strategic goal and specifically to the two DOT performance measures shown below. These measures demonstrate the results of our efforts to ensure the availability of sufficient contingency sealift and commercial outload ports for DOD mobilization requirements.

DOT Performance Measures:

Availability of Ships with Crews

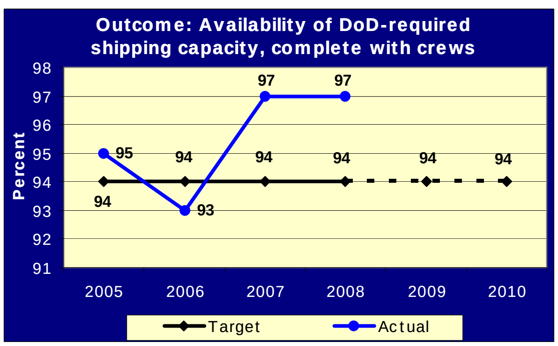
Percentage of DOD-required shipping capacity, complete with crews, available within mobilization timelines. (Long term - Outcome)

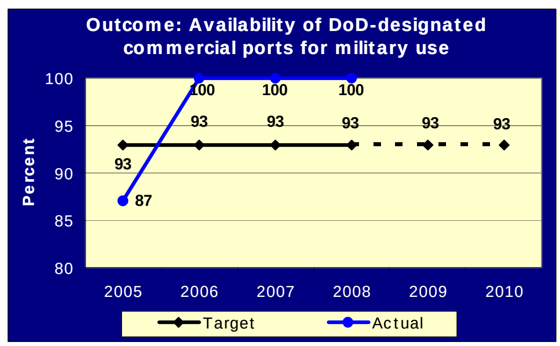
	2003	2004	2005	2006	2007	2008	2009	2010
Target:	94	94	94	94	94	94	94	94
Actual:	96	94	95	93	97	97		

Strategic Port Availability

Percentage of DOD-designated commercial ports available for military use within DOD established readiness timelines. (Long term - Outcome)

	2003	2004	2005	2006	2007	2008	2009	2010
Target:	92	92	93	93	93	93	93	93
Actual:	86	93	87	100	100			





The request seeks $265.6 million for security activities designed to achieve the above DOT performance measures. The Ready Reserve Force (RRF) will continue provide surge capacity to quickly bring supplies to the point of conflict and some sustainment capacity to support continued operations. The Maritime Security Program (MSP) and Voluntary Intermodal Sealift Agreement (VISA) programs provide sustainment sealift via commercial, U.S.-flag vessels. MSP is an asset management program, not a customer service program. MARAD's goal is to provide support to DOD by managing all of these maritime assets and resources so that at any one time, 94 percent of those assets [representing sealift capacity with crews] are available for use by DOD.

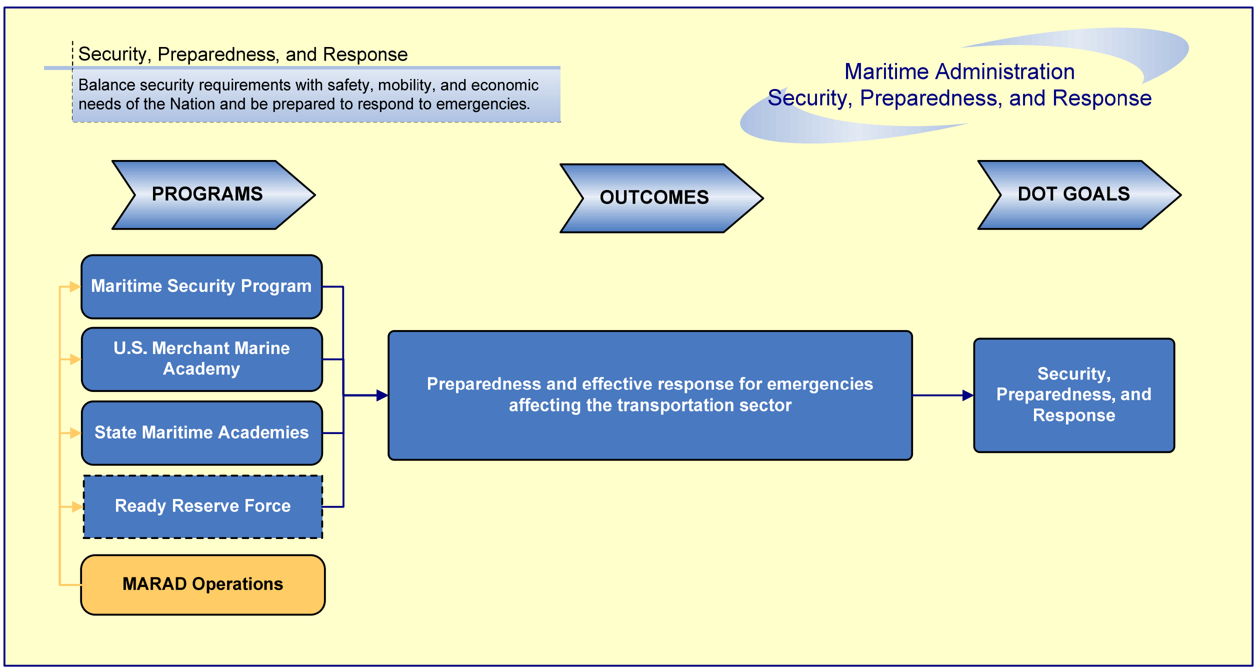
MARAD will continue to support mariner-training programs to ensure that trained mariners are available to crew the U.S.-flag fleet and work throughout the maritime industry. Many of these mariners are also Merchant Marine reservists available to the Navy in times of emergency. The U.S. Merchant Marine Academy will receive additional funds to make various improvements to the midshipman and instructional programs. The MARAD FY 2010 program includes a $12 million program increase for the USMMA, with $4.8 million dedicated to Academy Operations and $7.2 million for the Capital Improvement Program.

MARAD will also continue to conduct strategic commercial port activities help to ensure the availability of these ports for DOD use in times of emergency and will continue to issue war risk insurance binders that allow commercial ships to enter war zones.

The following table outlines the resources requested to achieve this outcome:

Appropriations, Obligation Limitations & Exempt Obligations
($000)

STRATEGIC & PERFORMANCE **GOALS by Performance Measure**	**(A)** **FY 2008 ACTUAL**	**(B)** **FY 2009 ENACTED OMNIBUS**	**(C)** **FY 2009 ENACTED TOTAL**	**(D)** **FY 2010 REQUEST**
4. SECURITY, PREPAREDNESS AND RESPONSE				
A. Defense Mobilization				
a. Percentage of DoD required shipping capacity complete with crews available with mobilization timelines.	248,236	264,070	264,070	264,299
b. Percentage of DoD designated commercial ports available for military use with DoD established readiness timelines.	1,300	1,383	1,383	1,321
Subtotal Performance Goal	249,536	265,453	265,453	265,620
Total – Security, Preparedness and Response Strategic Goal	249,536	265,453	265,453	265,620



Baseline Changes

The 'Admin Support' line under MARAD Operations in the above table displays the 'supports all goals' staff and support costs that are attributable to the accomplishment of this strategic goal. As a result, the table shows the full costs of our efforts to achieve this strategic goal.

PERFORMANCE ISSUE

Security, Preparedness, and Response is MARAD's primary mission, comprising approximately 80% of the agency's appropriated budget request. In addition, a number of MARAD programs supporting national security and emergency preparedness are funded by other government agencies. The Ready Reserve Force, funded in the DOD budget, is MARAD's largest program overall.

The availability of shipping capacity is determined by a number of different factors: availability of commercial vessels, availability of government-owned sealift vessels, availability of qualified mariners to crew these vessels, and the availability of war risk insurance coverage for vessels entering a war zone. All of these factors must be managed properly in order to support DOD's mobilization requirements.

MARAD's programs help ensure the readiness of sealift capacity to respond to national crises and Department of Defense mobilizations. The Maritime Security Program and Ready Reserve Force sustain fleets to meet national security and federal emergency response requirements.

The DOT-owned Ready Reserve Force (RRF) is completely funded on a reimbursable basis by the Navy. The RRF ships are an important component of the Department's ability to achieve its performance goals for defense mobilization. They also now serve as an important asset supporting the Department's emergency preparedness and disaster response activities. The RRF is composed of ships with special capabilities that can carry or offload heavy and oversized military cargoes which regular U.S. flag commercial cargo ships cannot. RRF ships meet approximately half of the U.S. Transportation Command's surge sealift requirement. Without the RRF ships, the Department of Defense (DOD) would have insufficient sealift capacity in times of emergency.

Ship capacity, both commercial and government-owned, is only part of the defense mobilization equation. These ships must be operated by skilled crews. MARAD supports the training of new merchant marine officers by operating the U.S. Merchant Marine Academy (USMMA) and providing partial support of the six State Maritime Academies (SMA). The USMMA and SMA are the principal source of new unlimited license merchant marine officers. Licensed mariners are needed by DOD during national emergencies not only for crewing purposes, but also to provide shore side support for sealift operations.
The U.S. Merchant Marine Academy and State Maritime Academies educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. In times of conflict, merchant mariners have crewed ships supporting U.S. troops.

Maritime Security Program

Responsible Official: Associate Administrator for National Security

The Maritime Security Act of 2003 authorized 60 ships for the Maritime Security Program (MSP), at $2.9 million per ship for FY 2010. MSP ensures that the United States will have U.S.-flag commercial vessels to support Department of Defense (DOD) operations. Prior to enactment of the Maritime Security Act of 1996, several of the major U.S.-flag carriers transferred their vessels to foreign registry. These same carriers indicated that more U.S.-flag ships would have left the U.S.-flag fleet in the absence of MSP. These actions would have resulted in DOD relying on more foreign-flag vessels with foreign crews or having to make substantial investments in procuring a larger government-owned DOD fleet. The program also ensures that the intermodal assets of current U.S.-flag ship operators will be readily available to DOD.

DOD uses Voluntary Intermodal Sealift Agreements (VISA) with commercial carriers [70 percent are enrolled in MSP] to pre-plan the availability of militarily useful vessels for DOD use in times of emergency. VISA is DOD's official sealift emergency preparedness program. All ships enrolled in VISA must commit certain percentages of their vessel capacity and use of their related intermodal transportation resources to DOD. This capacity helps the Department meet its performance goal for the availability of ships with crews.

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

Anticipated FY 2009 Accomplishments
MSP ships have contributed greatly to Operation Enduring Freedom and Operation Iraqi Freedom. A total of 99 U.S.-flag commercial ships (including 68 current and former MSP ships) have either been employed by the Military Sealift Command (MSC), or the Military Surface Deployment and Distribution Command (SDDC) to transport military cargoes. SDDC reports that since September 11, 2001, U.S.-flag

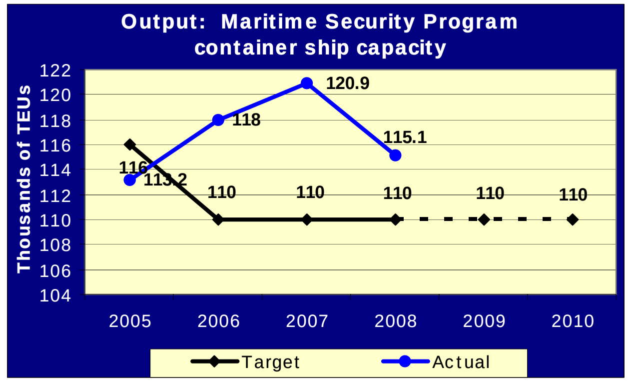
commercial ships have delivered over 425,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. In addition, 39 of the 68 MSP ships utilized by MSC and SDDC also supported the rebuilding of Iraq.

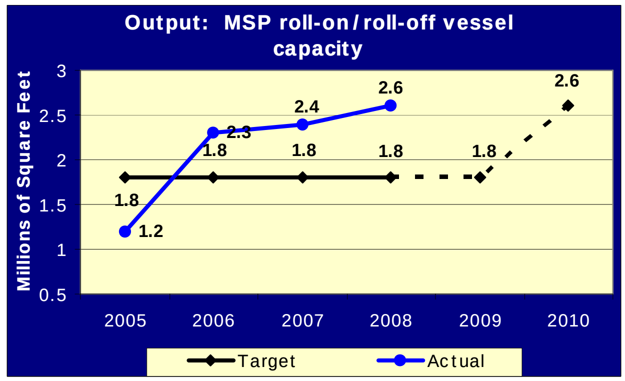
Subject to appropriations, during FY 2009, MARAD will continue strategies that are designed to maintain full enrollment of 60 ships in MSP through September 30, 2009. MARAD will continue to evaluate and approve changes in MSP contracts that improve the quality of the MSP fleet while ensuring retention of modern and efficient ships and U.S. citizen crews to support U.S. homeland and national security goals. During this period Maersk Line Limited will replace nine existing vessels with previously approved replacements. Throughout the fiscal year MARAD anticipates that all 60 ships currently enrolled in the MSP program will be operating under their MSP contracts and in U.S. foreign trade.

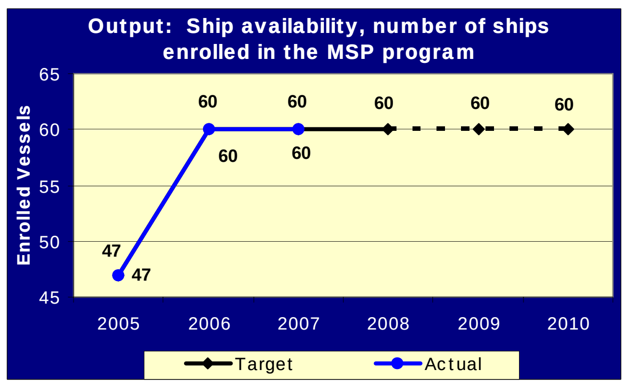
MARAD also plans to conduct an open season for Voluntary Intermodal Sealift Agreement enrollment in May 2009.

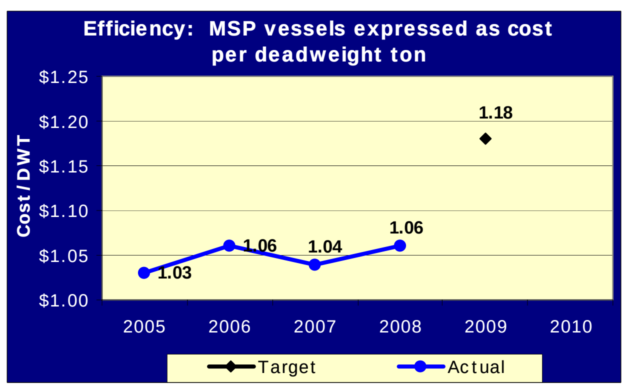
FY 2010 Performance Budget Request
MARAD requests $174.0 million for MSP in order to fund 60 ships in the MSP fleet in FY 2010 at the authorized level of $2.9 million per ship. Funding at this level will allow DOT to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States and help to achieve the Department's performance measures for defense mobilization.

MSP participants signed operating agreements with the Maritime Administration that provide for escalation of MSP payments to $2.9 million per ship per year in FY 2009, 2010 and 2011. Escalating payments were designed to offset the impact of inflation and to provide incentive for MSP operators to reinvest and upgrade their MSP fleet with newer, more modern and efficient vessels. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available. From October 1, 2005, through September 30, 2009, 24 MSP ships are to be replaced with newer ships. An additional six ships currently in the program will be replaced with newer vessels before the MSP expires at the end of FY 2015.









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

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

United States Merchant Marine Academy

Responsible Official: USMMA Superintendent

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

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

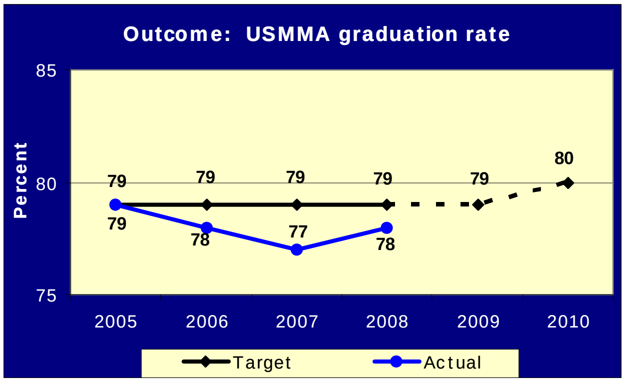
Anticipated FY 2009 Accomplishments

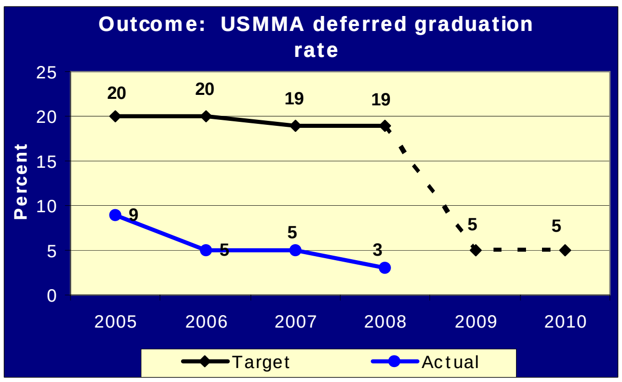
The Academy will graduate approximately 200 merchant marine officers in June 2009. The Academy will continue to implement several internal control enhancements to strengthen the programs and processes of the USMMA. The Academy will continue to lead the development of curricula to support maritime education and training in the United States to meet the international standards for training, certification, and watchkeeping (STCW) for seafarers as directed by the International Maritime Organization of the United Nations, the U.S. Maritime Administration, and the U.S. Coast Guard.

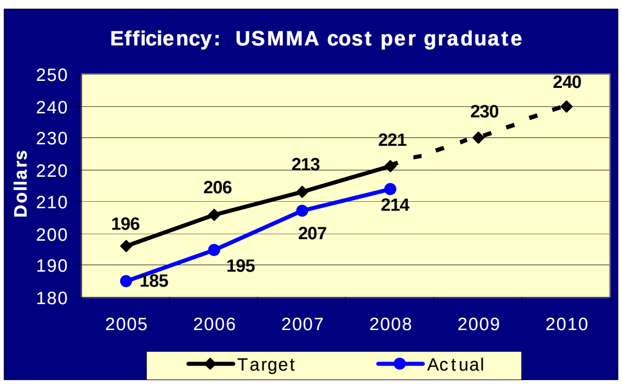
FY 2010 Performance Budget Request

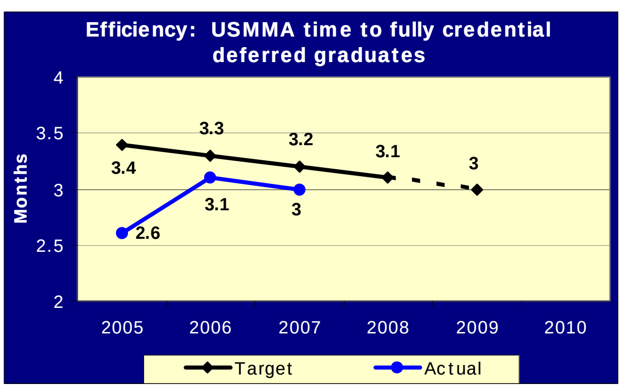
The total request for the USMMA program is $74.4 million, an increase of 13.1 million over the FY 2009 enacted budget. The request includes $1.1 million for current services adjustments, and a program increase of $12.0 million, of which $4.8 million is for Academy Operations and $7.2 million is for the Capital Improvement Program. The requested increase of $7.2 million for capital improvements will augment capital investment funding to $15.4 million, allowing for significant deferred renovations of Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities. The deteriorated condition of the pier could present safety implications if not remedied.

The requested increase of $4.8 million for Academy Operations will compensate for non-appropriated funding sources no longer available for mission-related activities, and will establish for the Academy a sufficient appropriated funding base. Included in this increase, $973 thousand will provide for Personnel Compensation and Benefits and $3.0 million will be disbursed amongst the Midshipman Program, Instructional Program, Program Direction & Administration (PD&A), and Maintenance Repair & Operating Requirements (MROR). With these increased resources, the Academy will be positioned to effectively implement programs that exploit emerging trends in the domestic and global marine transportation environment and replace a portion of the operational funding to support mission related priority activities that had previously been covered by midshipman fees.









The requested increase of $7.2 million for capital improvements will augment capital investment funding to $15.4 million, allowing for significant deferred renovations of Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities. The deteriorated condition of the pier could present safety implications if not remedied.

Additional priority program activities this FY 2010 request will provide the funding to support include the following:

- An increase of $627 thousand will be dedicated to the Midshipman Program, bringing the total Midshipman Program budget to $8.4 million in FY 2010. This program supports the overall quality of life of the midshipmen and provides necessary day-to-day support and supplies. This increase will help restore base resources to the midshipman-related commissary food service contract, medical contract, textbooks, sea travel, and uniforms. This increase will also help fund the U.S. Coast Guard licensing exams, a graduation requirement that was previously funded out of midshipman fees.
- A program increase of $800 thousand will be dedicated to the Instructional Program, bringing the total Instructional Program budget to $3.8 million. This program provides funding for the academic curriculum requirements of the Academy. The additional increase will help restore base resources to help meet instructional program accreditation

standards, provide professional development for faculty, and address classroom/lab modernization projects.

- A program increase of $1 million will be dedicated to PD&A, bringing the total PD&A budget to $5.4 million. This program includes all of the Academy's activities that provide administrative and programmatic support and direction to the overall mission of the Academy. The additional increase will help restore and maintain the Academy's IT requirements, convert the outdated analog phone system to a voice over internet protocol system that will ultimately reduce manning requirements and maintain various administrative support contracts including the police department, transportation leases, and admissions related recruitment programs.
- A program increase of $600 thousand will be dedicated to MROR, bringing the total MROR budget to $9.1 million. The MROR program includes all of the contracts and departments that service the general operations and maintenance of the Academy. This increase will help restore base resource requirements on utility contracts, maintenance and repair, janitorial contracts and engineering resources.

State Maritime Academies

Responsible Official: Associate Administrator for National Security
Associate Administrator for Business and Workforce Development

The Merchant Marine Act of 1936 declared it to be a national priority to establish an American merchant marine and directed that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States." To meet this requirement, the Act created a federal structure for State Maritime Academies; directed a partnership between the State Academies and the Navy; and authorized the Secretary of Transportation to use the State Academies "to provide for the education and training of citizens of the United States who are capable of providing for the safe and efficient operation of the merchant marine of the United States at all times and as a naval and military auxiliary in time of war or national emergency."

The State Maritime Academy (SMA) program provides for the training of merchant marine officers in State Academies. To ensure a consistent supply of capable and well-trained merchant mariners, the Maritime Administration provides funding to six State Academies: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy. The SMA program budget request is comprised of three parts: the Student Incentive Payment (SIP) program; payment of training ship maintenance and repair costs for six Federally-owned training ships on loan to the SMA; and annual direct payments to each of the six State maritime academy for maintenance and support. Federal support of mariner education is to ensure that highly qualified personnel are produced annually to replenish the nation's pool of skilled merchant mariners. These mariners are needed to safely operate U.S.-flag cargo vessels and perform critical maritime-related functions in a national emergency. The SMA program contributes over half of the entry-level licensed mariners trained annually. Each SMA is funded largely by its State government.

Cadets at a SMA may participate in the SIP program. SIP students receive annual stipends, for a maximum of four years, while attending the SMA. The SIP stipends are offered only to students in the license program who accept certain post-graduation service obligations These obligations help MARAD assure that sufficient mariners will be available to crew sealift ships in times of emergency. SIP students must commit to remain employed in the maritime industry for three years, maintain their U.S. Coast Guard license for six years; and become an active member of a U.S. armed forces reserve unit for a minimum of six years, and report annually to MARAD.

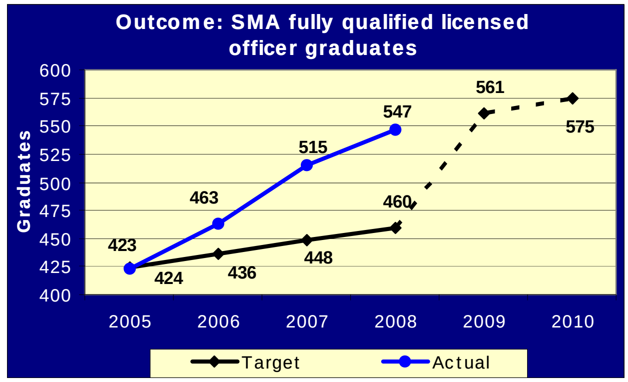
MARAD furnishes Federally-owned and maintained training ships to the academies. These vessels are vital components of the SMA program. The ships are employed as academic and seagoing laboratories for license coursework and practical, hands-on training and testing. Coast Guard and MARAD approved training curricula require the use of training ships for much of the at-sea training necessary to qualify individual students to sit for the U.S. Coast Guard licensing exams. As the vessel owner, MARAD is mandated by law to be responsible for maintaining each ship in a state of "good repair", i.e. all regulatory requirements are fully met, and ensuring that the ship is structurally and mechanically sound, well preserved and equipped, and operates reliably. There are six (6) State Maritime Academy Training Ships, located and docked at various locations around the U.S.:

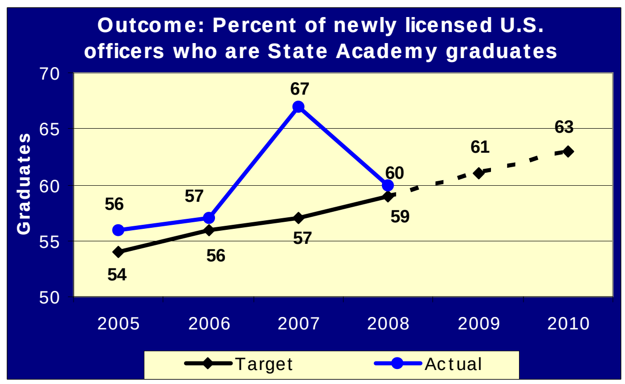
- TS GOLDEN BEAR: California Maritime Academy, Vallejo, CA
- TS STATE of MICHIGAN: Great Lakes Maritime Academy, Traverse City, MI
- TS TEXAS CLIPPER: Texas Maritime Academy, Galveston, TX (currently out of commission)
- TS STATE of MAINE: Maine Maritime Academy, Castine, ME
- TS KENNEDY: Massachusetts Maritime Academy, Buzzards Bay, MA
- TS EMPIRE STATE: SUNY Maritime College, Bronx, NY

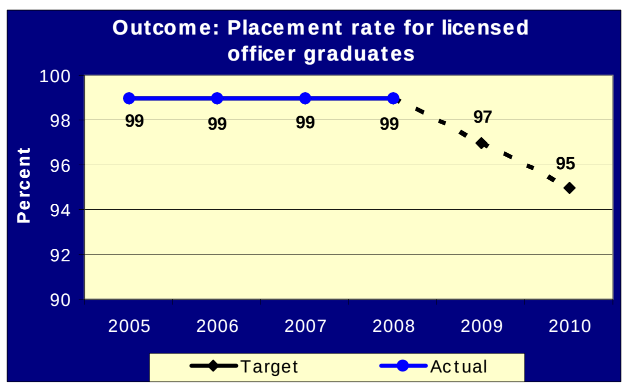
Anticipated FY 2009 Accomplishments
For the academic year 2007-2008, 547 students graduated from the SMA unlimited license program, a 6.4 percent increase over the 2006-2007 academic year. Of the total number of SMA graduates, 48 were Student Incentive Payment (SIP) participants. A similar increase in numbers is anticipated for the 2008-2009 academic year. The actual results for graduates for FY09 results will be available during the summer following SMA graduations in June – July.

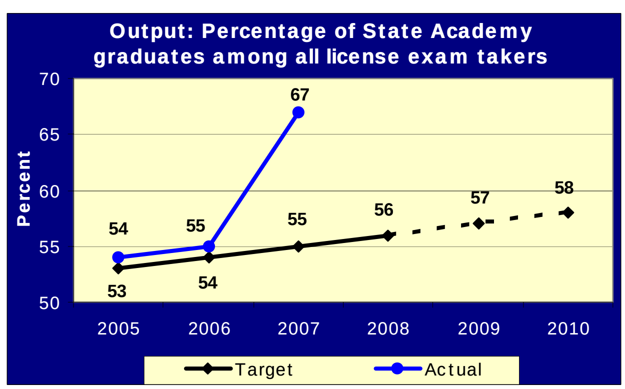
SMA graduates earn unlimited U.S. Coast Guard licenses and are well trained and educated merchant mariners. These graduates are additions to the mariner pool and contribute to our national security with their essential and unique maritime knowledge and skills. With the FY 2009 legislative increase in the SIP funding from $4,000 to $8,000 annually, we anticipate an increase in future incoming classes. This is expected to increase the number of students interested in the SIP program. However, the SIP funding received annually will limit the number of accepted incoming class. For the first time in over a decade, the SMA program will have to be very selective in who is allowed to enter the program. Allocations for billets to the SIP program will not be sufficient to allow all interested students to enter the SIP program. This will increase the value of the SIP program and possibly the quality of the SIP participants.

The increase in annual funding to each SIP student is a welcome benefit for the SIP program. The challenge posed by the increase in annual funding to the SIP participants is that now interested students may be turned away because

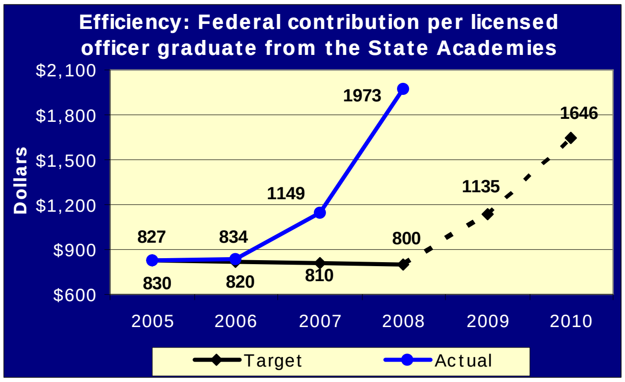








of the funding constraints. Also, to assist cadets in financially preparing to attend a SMA, the SIP funding will now be provided at the beginning of each academic year. This will benefit the program as a recruiting tool for the SMA. With the current economic climate, many academic institutions of higher learning are seeing a decline in enrollment. MARAD anticipates the increase in SIP will assist in offsetting that factor for the program.



As regards training ship maintenance and repair for the 6 Federally-owned training ships on loan to the SMA, market conditions throughout FY 2006, 2007 and 2008 have resulted in a 30 percent increase in shipyard costs. In 2008 there were also significant escalations in the cost of raw materials necessary to maintain ships (i.e. steel and copper). These higher costs are expected to continue through FY 2009 and into FY 2010. These conditions have had a substantial impact on training ship maintenance and repair costs.

Some of the more significant training ship maintenance accomplishments expected in FY 2009 include:

- dry docking and replacement and upgrade for the bridge and engine room control console automation at TS STATE of MICHIGAN;
- berthing expansion, forward MSD installation, and ballast water treatment test facility installation at TS Golden Bear;
- berthing expansion at TS STATE of MAINE; and
- dry docking at the TS EMPIRE STATE.

FY 2010 Performance Budget Request
The total request for the SMA program is $15.6 million, an increase of 1.1 million from the FY 2009 enacted budget.

MARAD requests $2.4 million to make direct payments to the SMA for maintenance and support. This payment level will result in a payment of $400,000 to each school in FY 2010. The academies rely on these funds to help offset the cost of salaries for professors and instructors, faculty health care costs, facilities costs and training ship fuel costs.

MARAD requests $2.4 million for the SIP program. The legislation governing the SIP program has changed to increase the annual SIP from $4,000 per cadet to $8,000 per cadet. The Department of the Navy, Merchant Marine Reserve (MMR) has also informed MARAD that they have an annual requirement of at least 50 reserve officers from the SMA entering the MMR upon graduation. Additionally, the U.S. Army and National Guard have identified billets within the Army, Amy Reserve, and National Guard where graduates of the SIP program can utilize their maritime skills and education and meet their obligation. Based on historical attrition rates, the $2.4 million will allow MARAD to meet these requirements.

MARAD requests $11.2 million to fund the payment of training ship maintenance and repair costs for Federally-owned training ships on loan to the SMA. Some of the priority activities necessary in FY 2010 to maintain these ships include:

- dry docking, steering system/stand replacement, and RO water maker installation of TS KENNEDY;
- automation replacements and upgrades, Lamp Ray survey, and RO water maker installation of TS STATE of MAINE;
- automation replacements and upgrades of TS STATE of MICHIGAN; and
- navigation laboratory installation of TS GOLDEN BEAR.

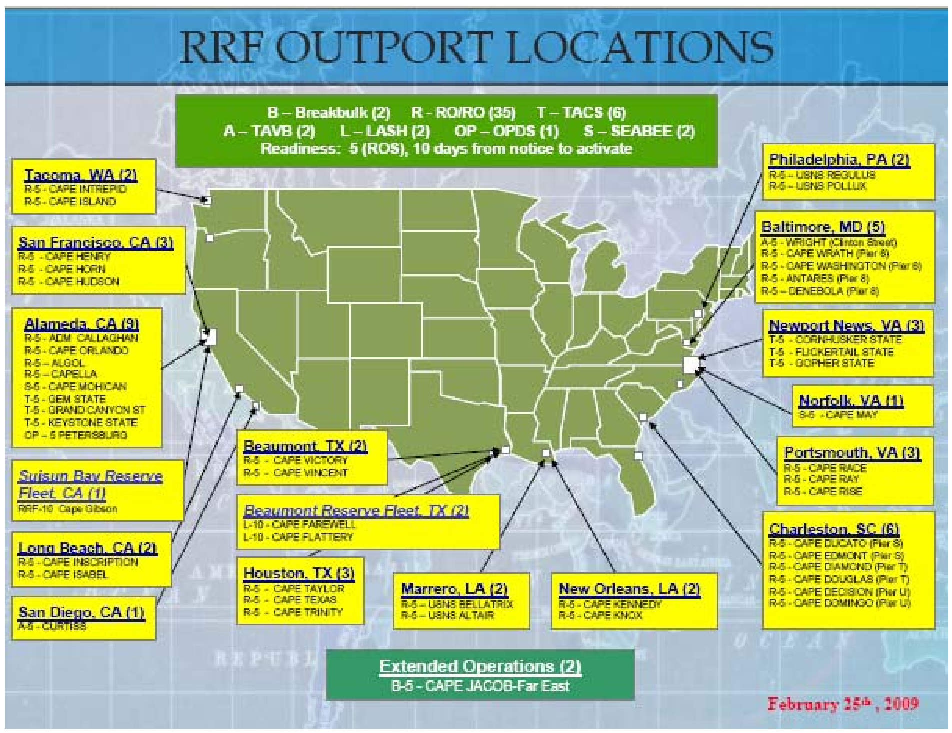
Ready Reserve Force *(funded by reimbursements)*

Responsible Official: Associate Administrator for National Security

The Ready Reserve Force (RRF) program was initiated in 1976 as a subset of the National Defense Reserve Fleet (NDRF) to support the rapid deployment of U.S. military forces throughout the world. RRF vessels provide sustainable capabilities for meeting national security and federal emergency response requirements. As a key element of Department of Defense (DOD) strategic sealift, the RRF primarily supports transport of Army and Marine Corps unit equipment, combat support equipment, and initial resupply during the critical surge period before commercial ships can be marshaled. The RRF provides nearly one-half of the government-owned surge sealift capacity.

Management of the RRF program is provided by the Maritime Administration, as defined by a Memorandum of Agreement (MOA) between DOD and Department of Transportation (DOT). When the RRF program first began there were only 6 ships; however, today the program consists of 50 ships including: 35 roll-on/roll off (RO/RO) vessels, 4 heavy lift or barge carrying ships, 6 auxiliary crane ships, 1 tanker, 2 aviation repair vessels and 2 special mission ships. Two RRF ships are home ported in the NDRF anchorage in Beaumont, Texas and one is located in Suisun Bay, California. The balance is berthed at various U.S. ports.

RRF ships are expected to be fully operational within their assigned 5 and 10-day readiness status and sail to designated loading berths. Commercial U.S. ship managers provide systems maintenance, equipment repairs, logistics support, activation, manning, and operations management by contract. Ships in priority readiness have Reduced Operating Status (ROS) maintenance crews of about 10 commercial merchant mariners that are supplemented by additional mariners during activations.



Anticipated FY 2009 Accomplishments

The RRF vessels were used in Operation Enduring Freedom and continue to serve in Operation Iraqi Freedom. The initial activation of the vessels for Iraqi Freedom was the fastest and most efficient sealift in U.S. history. Vessels from the RRF also participated as part of the DOT emergency response team for Hurricane Katrina relief efforts on the Gulf Coast. Maritime Administration will continue to support national security by meeting DOD sealift requirements and readiness levels for the RRF with an estimated $277 million for FY 2009 activities.

The RRF program has experienced a total of 585 vessel activations, with an average of about 27 activations per year since 1990. The RRF has significantly contributed over the years to the success of military operations abroad and assistance in national emergencies. From 2002 to June of 2008, 108 ship activations were called for in support of Operations Enduring Freedom and Iraqi Freedom. In that period, there were 13,613 ship operating days with a reliability rate of 99.0%. Almost 25% of the initial equipment needed to support the U.S. Armed Forces liberation of Iraq was moved by the RRF.

The RRF was called upon to provide humanitarian assistance to the U.S. Gulf Coast following Hurricanes Katrina and Rita landfalls in 2005 with 866 ship-days of support. The Federal Emergency Management Agency (FEMA) used nine (9) of the Maritime Administration's vessels to support relief efforts; five were in the RRF. Messing and berthing was provided for refinery workers, emergency response teams, and longshoremen, with a total of approximately 83,000 berths and 270,000 meals.

Additional accomplishments in FY 2009 include implementation of NS5, a new reporting tool for the RRF management system. NS5 is an integrated information network that addresses every element of a fleet manager's day to day business functions. This software provides for a more effective cost control flow from NS5's ability to link management, operations, and onboard personnel into a seamless information stream.

FY 2010 Performance Budget Request

The Ready Reserve Force (RRF) is funded by the National Defense Sealift Fund which is administered by OPNAV's Field Support Activity (FSA), but managed by MARAD via a reimbursable agreement. The RRF follows DOD provided fiscal guidance for use in formulating program estimates and funding requirements for forthcoming fiscal year and Program Objective Memorandum (POM) cycles (5 years). The RRF program is administered under MARAD's Vessel Operations Revolving Fund (VORF) account. It is anticipated that the FY 2010 program funding level will remain consistent with the FY 2009 level of $277 million.

The funding from the DOD budget will allow MARAD to maintain the vessels in a ready, reliable, and responsible condition to provide strategic sealift to the armed forces of the United States, and to provide, with the concurrence of the U.S. Transportation Command, humanitarian support during national emergencies.

MARAD Operations

Responsible Official: Associate Administrator for National Security
Associate Administrator for Business and Workforce Development

The MARAD Operations program funds program support for the National Security Program, including program support for Maritime Security Program, Ship Disposal, Ready Reserve Force, War Risk Insurance, Strategic Port Availability, and national security planning.

In order to enter war zones, commercial vessels require specific war risk insurance binders. MARAD issues these binders because regular commercial marine insurance will not cover losses resulting from war or warlike actions. Without this program, the Department of Defense could not rely on commercial ships for sealift during an emergency.

DOD relies on the U.S. commercial transportation industry to deliver equipment and supplies throughout the world in order to maximize defense logistics capabilities and minimize cost. Fifteen U.S. commercial strategic ports provide required capabilities to assure that DOD meets its national security missions and timelines. DOT, through MARAD, is responsible for establishing DOD's prioritized use of ports facilities and related intermodal services and facilities during DOD mobilizations, and ensuring the safe, secure, and smooth flow of military cargo through the commercial U.S. transportation system while minimizing commercial cargo disruptions.

MARAD's national security planning activities are critical to strengthening the security of the maritime transportation system; rapidly supporting response and recovery efforts to domestic and international emergencies under Emergency Support Function #1 of the National Response Plan; Continuity of Operations (COOP) activities; and, the smooth secure movement of deploying DOD personnel and material from origin to destination.

Anticipated FY 2009 Accomplishments

MARAD plans to continue managing the War Risk Insurance program and carry over all or as many of the vessels currently under war risk insurance policies as DOD requires to sustain Iraq and Afghanistan nation rebuilding efforts. Other accomplishments:

- MARAD will continue to participate in joint military mobilization and security exercises.
- MARAD will strengthen the cooperative partnerships that ensure effective emergency planning and coordination with a variety of organizations.
- Ensured the availability of DOD's designated strategic ports and national security planning.
- Continued efficient administrative operation of MSP and VISA.
- Continued management of the War Risk Insurance program.
- Served as the head of the US delegation, within the Organization of American States (OAS), to advance US port security interests in the Western Hemisphere.
- Continue leadership of efforts with US and foreign governments and the maritime industry to develop practices and strategies for mitigation/prevention of piracy.

FY 2010 Performance Budget Request

MARAD's FY 2010 request will allow MARAD to continue to administer the MARAD port readiness program and continue national security planning activities that strengthen the security of the maritime transportation system and support the Department's emergency preparedness and disaster response and recovery efforts, including:

- Ensure the availability of DOD's designated strategic ports and national security planning.
- Continued support of the efficient administrative operation of MSP and VISA.
- Continued management of the War Risk Insurance program. The Maritime Administration serves as the advocate of the maritime industry for security related concerns, issues, training, and operations. The spectrum of activities includes, Global Maritime Domain Awareness (MDA), port security, vessel security, certification of security training providers, port security grant review, and input for policies in support of the National Strategy for Maritime Security.
- The agency is also responsible for the development and operation electronic information sharing tools such as the "Maritime Safety and Security Information System" (MSSIS) for vessel tracking and other uses of the "Automated Identification System" (AIS) for purposes of more efficient use of the Marine Transportation System for commerce, environment, safety and security concerns in support to the economic advancement of the nation. The agency is the Department of Transportation's main contact point for industry and inter-agency activities on piracy.

ORGANIZATIONAL EXCELLENCE

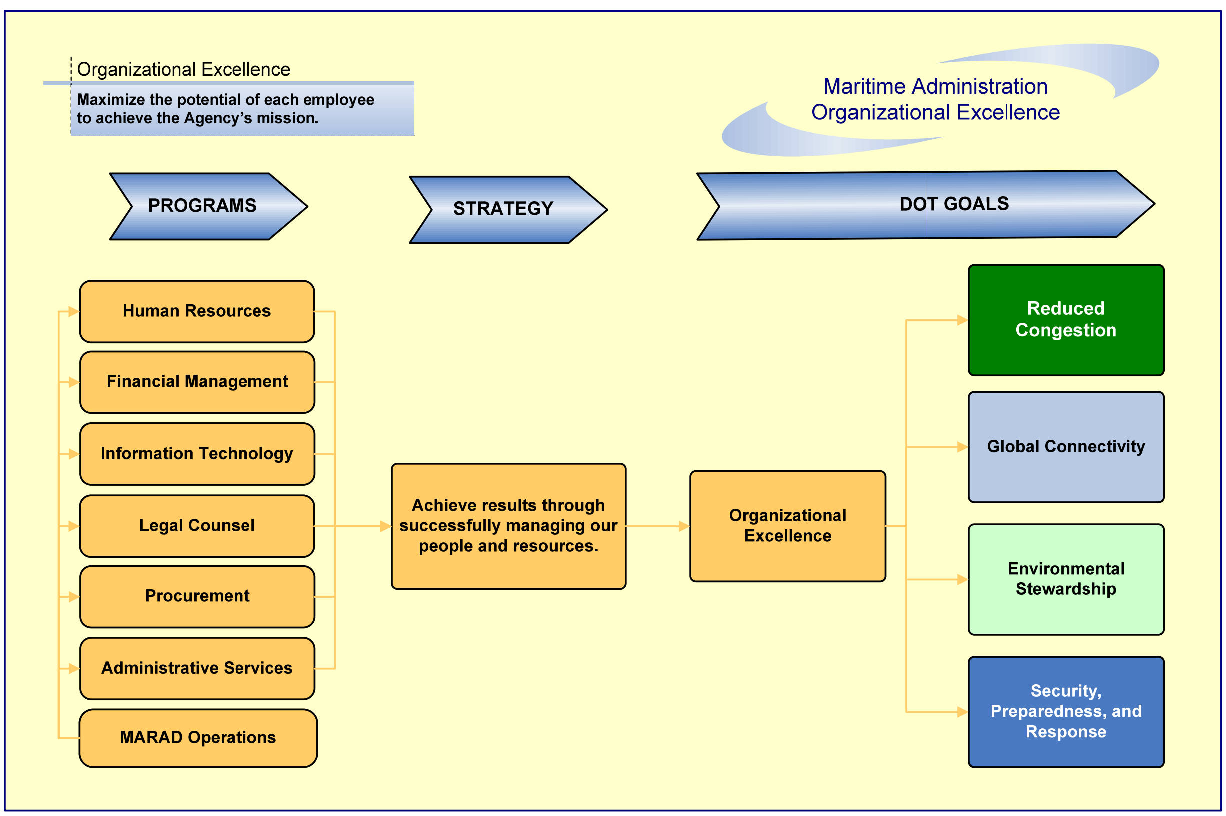
The funding request in this section contributes to the DOT Organizational Excellence goal and ensuring MARAD is able to put the right people, information, financial resources, and administrative support in the right place at the right time.

The FY 2010 MARAD request for Organizational Excellence is $1.5 million. MARAD's Organizational Excellence includes Human Resources, Information Technology, Financial Management, Legal Counsel, Procurement, and Administrative Service providing support for MARAD programs.

The following table outlines the resources requested to advance MARAD Organizational Excellence:

Appropriations, Obligation Limitations & Exempt Obligations
($000)

	(A)	(B)	(C)	(D)
STRATEGIC & PERFORMANCE GOALS by Performance Measure	**FY 2008 ACTUAL**	**FY 2009 ENACTED OMNIBUS**	**FY 2009 ENACTED TOTAL**	**FY 2010 REQUEST**
5. ORGANIZATIONAL EXCELLENCE				
STRATEGIC GOAL				
A. Fulfill the President's Management Agenda				
a. Other	1,438	1,530	3,530	1,462
Subtotal Performance Goal	1,438	1,530	3,530	1,462
Total – Organizational Excellence Strategic Goal	1,438	1,530	3,530	1,462



Human Resources

Responsible Official: Associate Administrator for Administration

Anticipated FY 2009 Accomplishments

- Provided the following educational and training opportunities to support employee development: 140 external training requests; 30 separate tuition assistance opportunities; 14 in-house training courses; and supported a participant in the Federal Executive Institute.
- Aligned the Labor Distribution and Reporting (LDR) system to the DOT strategic goals and promote continuous improvement to the LDR structure that enables management to make better data-driven resource decisions.
- Provided Federal Executive Institute training to develop current and future leaders.

FY 2010 Performance Plan

- Invest in employee leadership training, establish formal and informal mentoring arrangements, create succession opportunities, and foster external educational opportunities.
- Promote educational and training opportunities by providing support for external training requests, tuition assistance opportunities, in-house training courses, and support for a participant in the Federal Executive Institute.
- Provide cross-training and education opportunities by promoting rotational assignments and increased used of cross-functional teams.
- Build a leadership pipeline/talent pool to ensure leadership continuity.
- Improve human capital programs and the human capital accountability system.
- Ensure human capital results and merit system compliance are determined and reported to management and the Office of Personnel Management.

Financial Management

Responsible Official: Associate Administrator for Budget and Programs/CFO

This budget presentation advances agency integration of budget and performance information, and using performance data to help make program and budget decisions. This FY 2010 budget request makes important progress in integrating program performance within the budget. This performance budget describes how the funds requested will contribute to the achievement of the DOT strategic and performance goals.

Anticipated FY 2009 Accomplishments

- Received a "Clean" audit opinion from the Office of Inspector General (OIG) for MARAD's presentation of FY 2008 annual audited financial statement.
- Implemented the new Budget Execution Module (BEM).
- Enhanced and improved timeliness of review and reconciliation of SF 132 apportionments and SF 133 reports on budget execution and budgetary resources, satisfying OMB requirements.
- Issued guidance for controlling Property, Plant and Equipment (PP&E).
- Developed FY 2009 HQ and USMMA financial operating plans.

FY 2010 Performance Plan

- Develop a new CFO Key Indicators Report to highlight financial information for tracking and decision-making.
- Augment MARAD CFO Intranet website resources and materials.
- Continue development of the MARAD performance framework.

Information Technology

Responsible Official: Associate Administrator for Administration

MARAD's IT/E-government support is comprised of three main parts; content environment, operating environment, and governance. All three areas are in support of the Department's Organizational Excellence strategic goal.

Anticipated FY 2009 Accomplishments

- Established a governance structure to manage all IT investments at all levels.
- Completed the development and deployment of the following systems: Cadets Training Berth; Mariner Outreach, Virtual Office of Acquisitions, Purchase Card Reconciliation, Credit Programs Portfolio Management, Web presence, and SharePoint Portal.
- Development of an enterprise architecture governance plan.
- Implemented an on-and-off boarding management system including a workforce transformation tracking system to increase the efficiency of our accession and separation processing and better manage our resources.

FY 2010 Performance Plan

- MARAD's request for IT support services will support a combination of RRF, operations & training and other sources such as interagency reimbursable agreements for specific projects that include:
    - Operating Environment - Continue to manage and maintain the Data Center at Stennis, MS; the Continuity of Operations Plan site at Piney Point, the Wide Area Network and the field offices;
    - Content Environment - Continue to support and maintain over 40 legacy systems critical to the agency's mission including enhancement to the Internet to comply with new OMB and Department of Transportation (DOT) guidelines;
    - E-Government - Continue to comply with Federal Information Security Management Act of 2002, DOT security directives, and to pay for shared E-Government services with DOT; and
    - Support DOT provided shared services to MARAD.

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Report to Congress

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

> **SEC. 3506. REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS.**
> *The Maritime Administration, in its annual report to the Congress under section 208 of the Merchant Marine Act, 1936 (46 U.S.C. App. 1118), and in its annual budget estimate submitted to the Congress, shall state separately the amount, source, intended use, and nature of any funds (other than funds appropriated to the Administration or to the Secretary of Transportation for use by the Administration) administered, or subject to oversight, by the Administration.*

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

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

The funds deposited into the Special Studies Account originate from the sale of customized data products to the public. These customized data products are generated from the MARAD/U.S. Army Corps of Engineers U.S. Foreign Waterborne Transportation Statistics. The specialized data products consist of U.S. trade, vessel, cargo and related data and include economic analyses and in-depth market assessments of the major marine industry segments. MARAD charges customers a fee to recover the cost of producing these special reports and studies.

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

The following FY 2008 data is exclusive of the balances in bank accounts under the jurisdiction of the U.S. Merchant Marine Academy's (USMMA) non-appropriated fund instrumentalities (NAFIs). These funds are exclusively for the operation of these entities, which, although affiliated with the Academy, do not perform the government's business. During FY 2009-2010, the NAFIs will undergo a significant restructuring and consolidation that will significantly affect their financial operations. These changes are a consequence of MARAD's review of these activities and will address anticipated audit findings regarding the NAFIs. In addition, balances from "Midshipman Fees" also held outside MARAD's Treasury accounts are not included in this report. MARAD will report on the NAFI and Midshipman Fee related balances in an amended report within 60 days.

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2008

Summary 2008

Total Vessel Operating Revolving Fund	**$363,631,815**
Total Operations & Training	**$48,701,697**
Total Gifts and Bequests	**$160,990**
Total Special Studies, Services, and Projects	**$88,842,400**
Total FY 2008 Funding Authority	**$501,336,902**

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2008

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
Department of the Navy	Support O&M of the eight Fast Sealift Ship (FSS)	$42,376,155
Department of the Navy	Support of FSS (Reserve, HQ)	$13,000,000
Department of the Navy	CAPE PETERSBURG - Per diem	$1,977,874
Department of the Navy	CAPE JACOB - Per diem	$16,131,435
Naval Sea Systems Command (NAVSEA)	INACTIVE vessels in NDRF for required shipboard maintenance	$37,250
Military Sealift Fleet Support Command (MSFSC)	CAPE GIRARDEAU - Cart team training	$8,500
Missile Defense Agency (MDA)	TEXAS CLIPPER II/Pacific Collector	$526,000
Dept of Homeland Security (DHS)	CAPE CHALMERS - M&R	$50,000
Department of the Navy	CAPELLA - Activation/Deactivation/Operations	$1,946,789
Navy Expeditionary Combat Command (NECC)	GIBSON & KEYSTONE STATE - Training	$7,200
Department of the Navy	GEM STATE - Activation/Deactivation	$702,000
NECC	FLICKERTAIL STATE - Training	$340,350
NECC	USNS ALGOL - Training	$4,800
Army, USACE	Annual surveillance of STURGIS	$8,718
MDA	XTR Pacific Tracker (previous Beaver State)	$23,490,000
MDA	Pacific Collector/TXII	$1,012,000
NECC	USNS BELLATRIX - Training	$4,800
NECC	KEYSTONE STATE - Training	$25,200
NECC	KEYSTONE STATE - Crane training	$6,000
Defense Energy Support Center (DESC)	CHESAPEAKE SALM certification	$2,000,000

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Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
Department of the Navy	CAPE ISABEL - Activation/Deactivation	$782,000
Department of the Navy	CAPE RAY - Activation/Deactivation	$954,994
Department of the Navy	CAPE JACOB - Port	$53,000
DESC	CHESAPEAKE-SALM hoses-certification	$575,000
MSFSC	CAPE JACOB - Operations	$63,000
Naval Surface Warfare Center (NSWC)	FLICKERTAIL STATE	$25,000
USNORTHCOM	FLICKERTAIL SAFEPORT	$240,000
MDA	Texas Clipper II/Pacific Collector	$3,480,574
MSFSC	USNS KILAUEA Lay-Berth & utility services	$148,952
NAVSPECWARDEVGRU	Delmonte training platform	$3,081,000
MSFSC	CAPE JACOB - Cargo gear & handling	$2,200
NECC	KEYSTONE STATE - Training	$6,000
Department of the Navy	Support of NDRF & RRF vessels	$200,060,000
NECC	KEYSTONE STATE - Crane training	$9,000
NECC	CORNHUSKER STATE	$125,000
Department of the Navy	CAPE KNOX - Operations	$1,503,000
Department of the Navy	GOPHER STATE - Activation/Deactivation/Operations	$4,052,600
MSFSC	CAPE GIBSON - Operations	$659,000
Naval Surface Forces	CAPE MOHICAN - JLOTS	$101,000
MSFSC	CAPE JACOB - Cargo gear & handling	$2,200
Department of the Navy	CAPE JACOB - Operations	$1,341,168
MSFSC	CAPE GIBSON - Activation/Deactivation/Operations	$1,370,000

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Fund Source	Intended Use	Amount
NECC	ADMIRAL CALLAGHAN - Training	$9,000
Department of the Navy	CAPR JACOB drydock	$1,045,998
Department of the Navy	REGULUS -Activation/Deactivation/Operations	$625,000
Department of the Navy	CAPE MOHICAN - JLOTS	$1,012,324
Department of the Navy	FLICKERTAIL JLOTS	$4,861,228
NECC	KEYSTONE - Training	$9,000
Department of the Navy	ANTARES - Activation/Deactivation	$1,590,000
DESC	CHESPEAKE - JLOTS	$2,553,251
NECC	KEYSTONE STATE - Training	$18,000
NCHB	CORNHUSKER & FLICKERTAIL STATE-Training	$18,000
Department of the Navy	WRIGHT-Activation/Deactivation/Operations	$1,478,858
2nd Marine Aircraft Wing	WRIGHT - Operations	$52,000
Army, CEHNC-MR	CAPE MAY	$150,000
DESC-RB	CHESPEAKE OPDS mooring system	$5,000,000
Department of the Navy	CAPE INTREPID - Activation/Deactivation	$743,217
NECC	FLICKERTAIL STATE - Training	$84,600
Department of the Navy	CAPE KNOX Operation Iraqi Freedom (OIF)	$2,152,000
Department of the Navy	USNS ALGOL - OIF	$9,060,000
Department of the Navy	USNS ALGOL - OIF	$2,732,580
Department of the Navy	CAPE KNOX - OIF	$307,000
Department of the Navy	ALGOL - OIF	$1,127,000

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Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
Department of the Navy	ALGOL - Support of OIF	$578,000
Department of the Navy	CAPE KNOX - OIF	$1,589,000
Department of the Navy	CAPE VINCENT - Support of OIF	$2,913,000
Department of the Navy	CAPE VINCENT - Support of OIF	$1,633,000
Total Vessel Operating Revolving Fund (VORF)		**$363,631,815**

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

Fund Source	Intended Use	Amount
Naval Sea Systems Cmd (NAVSEA)	Salary support costs of shipboard maintenance in NDRF	$586,688
OST, Dept of Special Pgm	Support of Secretary's 40th Annual Awards Ceremony (USMMA band)	$10,000
Military Surf Deploymt & Distr Cmd (MSDDC)	ICODES project	$275,000
Office of Naval Research	Support of Ship Structures	$60,000
FHWA	Support of USDOT logo on conference materials	$5,000
USCG	Adm support services to International Standards Org.	$90,000
Dept of State, OES	Artic Marine Shipping Assessment	$100,000
Commerce,NOAA/NMFS	Airfare support for meeting in Anchorage, Alaska	$1,200
NOAA	Ships Operations Cooperative Program (SOCP)	$10,000
NAWCAD	Support of salary cost	$3,000
Army, USACE	Salary support costs of STURGIS	$28,018
MDA	Salary support costs of XTR Pacific Tracker	$70,000
Commerce, NOAA	Buoy Storage	$7,500
Office of Economic Adjmt (OEA)	Port of Anchorage Intermodal Marine Facility	$11,000,000
NAVSEA	National Shipbuilding Research Program	$10,000
CIA	Global Maritime Commercial Shipping Data	$110,865
MDA	Texas Clipper II/Pacific Collector salary costs	$19,426
NAVSPECWARDEVGRU	Delmonte salary support cost	$20,000
MSC	SOCP support	$5,000

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

Fund Source	Intended Use	Amount
Army, USACE	Travel support cost	$1,000
Department of the Navy	Salary support costs for RRF vessels operation	$32,550,000
OST	Great Lakes Maritime Research Institute study	$980,000
Army, HECSA	STURGIS salary cost	$12,500
USCG	Technical support service in training courses costs	$100,000
USCG	IRIS/PLANETREE/STORIS storage fees	$66,500
DOD, OASD	Maritime Safety & Security Information System	$300,000
DOI, Insular Affairs	Guam Comm. Port Improvement Program	$2,100,000
USCG	Marine Board - Transformation Reaserch Board	$100,000
NAVSEA	Marine Board Core Program	$80,000
Total Operations and Training Reimbursables (O&T)		**$48,701,697**

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	Fund Source	Intended Use	Amount
Gifts and Bequests Trust Fund (GF)			
GF	USMMA		160,990
	Gifts & Bequests	MARAD receives gifts and bequests from external contributors, individuals and organizational donors. The agency receives restricted gifts specify the purpose for the contributed funding. Unrestricted gifts can be applied to agency priorities. The large share of gifts and bequests received by MARAD are for the USMMA.	
Total Gifts and Bequests Trust Fund (GF)			**$160,990**
Special Studies, Services, and Projects Trust Fund (SSSP)			88,842,400
	Federal, State and Local Government Sources	MARAD may receive funding from non-Federal sources, including states, municipalities, and private entities for collaborative, cost-sharing efforts advancing maritime missions.	
Total Special Studies, Services, and Projects Trust Fund (SSSP)			**$88,842,400**