



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2012

**MARITIME
ADMINISTRATION**

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

**DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2012**

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**MARITIME ADMINISTRATION
FISCAL YEAR 2012 BUDGET REQUEST
Congressional Justification**

Economy, Environment, Excellence

**SECTION ONE
OVERVIEW**



February 14, 2011

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MARITIME ADMINISTRATION

FY 2012 Budget Request

Overview

Economy, Environment, Excellence. The Maritime Administration (MARAD) budget request will support the agency's coordinated program of activities and initiatives advancing Departmental and national objectives for Economic Competitiveness, Environmental Sustainability, and Organizational Excellence. For FY 2012, MARAD requests \$357.8 million, a \$5 million reduction from the baseline FY 2010 budget.

The MARAD FY 2012 program highlights the introduction of the U.S. Merchant Marine Academy's (USMMA) Capital Asset Management program framed in accordance with the blue ribbon panel recommendation for improved capital asset management that "...consistent with the sustainment, restoration and modernization approach to life-cycle facility management, USMMA funding should be restructured to provide for three separate funding streams: facilities maintenance, equipment, and capital improvements". The FY 2012 request for capital asset management totals \$28.9 million, \$12.0 million above the FY 2010 baseline. Requested levels for the component parts of the program include: Capital Improvements (\$23.0 million); Major Capital Repairs and Equipment (\$2.0 million); and Facilities Maintenance (\$3.9 million). The MARAD request also includes a new \$2.5 million fleet environmental remediation initiative for obsolete vessels within the Ship Disposal program.

The Operations and Training (O&T) account request is \$161.5 million, \$11.8 million above the FY 2010 enacted level. The request features a \$19.0 million increase for USMMA capital asset management, informational technology upgrades, and academy operations program advancements, including replacing Midshipman Fee collections with appropriated funds. The budget also includes \$1.5 million in FY 2012 for enhanced environmental program efforts aimed at anticipating and addressing marine transportation environmental sustainability and energy impacts and \$1 million for the MarView system to support the identification, collection, and integration of marine transportation information. The State Maritime Academy request includes an increase of \$1.2 million in support of direct assistance to the schools and the student incentive program.

Funding of \$18.5 million is requested for the Ship Disposal Program, an increase of \$3.5 million from the FY 2010 base, to support increased obsolete vessel disposal actions, with priority emphasis on vessels in the Suisan Bay Reserve Fleet (SBRF). Within this amount, \$2.5 million is included to support environmentally sustainable practices for the obsolete vessels in the fleet awaiting disposal and to meet Suisan Bay consent decree requirements.

Following is a table illustrating the FY 2012 request by appropriation account and more detailed discussions of the FY 2012 initiatives and program increases:

**MARITIME ADMINISTRATION
FY 2012 BUDGET SUMMARY
(Dollars in Thousands)**

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR ANNUALIZED</u>	<u>FY 2012 REQUEST</u>
OPERATIONS & TRAINING	149,750	149,750	161,539
U.S. Merchant Marine Academy	<u>74,057</u>	<u>74,057</u>	<u>93,068</u>
Academy Operations	57,181	57,181	64,183
Capital Asset Management	<u>16,876</u>	<u>16,876</u>	<u>28,885</u>
Capital Improvement	[14,000]	[14,000]	[23,000]
Major Capital Repairs and Equipment	[1,000]	[1,000]	[2,000]
Facilities Maintenance	[1,876]	[1,876]	[3,885]
State Maritime Academies	<u>15,940</u>	<u>15,940</u>	<u>17,100</u>
Student Incentive Payments (SIP)	2,150	2,150	2,400
Direct SMA Support	2,550	2,550	3,600
Schoolship Maintenance & Repair	11,240	11,240	11,100
MARAD Operations & Programs	<u>59,753</u>	<u>59,753</u>	<u>51,371</u>
Headquarters Operations	48,265	48,265	48,871
Maritime Program Initiatives:	11,488	11,488	2,500
Marine Highway Grants	[7,000]	[7,000]	[0]
Environmental Sustainability	[3,875]	[3,875]	[1,500]
MARVIEW 1/	[0]	[0]	[1,000]
Discretionary Program Expenses	[613]	[613]	
ASSISTANCE TO SMALL SHIPYARDS	15,000	15,000	-
SHIP DISPOSAL PROGRAM	<u>15,000</u>	<u>15,000</u>	<u>18,500</u>
Ship Disposal	12,000	12,000	12,954
NS SAVANNAH	3,000	3,000	3,046
Fleet Environmental Initiative	-	-	2,500
MARITIME SECURITY PROGRAM	174,000	174,000	174,000
PORT OF GUAM IMPROVEMENT ENTERPRISE FUND 2/	50,000	-	-
MARITIME GUARANTEED LOAN PROGRAMS			
Title XI Program	<u>9,000</u>	<u>9,000</u>	<u>3,740</u>
Administrative Expenses	4,000	4,000	3,740
Loan Guarantees	5,000	5,000	-
TOTAL	\$412,750	\$362,750	\$357,779

1/ Included in Headquarters Operations at \$1.941 million in FY 2010 and FY 2011.

2/ Transfer from Department of Defense per P.L 111-118.

U.S. Merchant Marine Academy

Improving processes at the USMMA is a DOT and MARAD imperative, and Academy capital asset management and operating program initiatives are priority emphases for the agency's FY 2012 program. MARAD requests \$93.1 million for the USMMA in FY 2012, \$19.0 million above FY 2010. The USMMA request includes a program increase for capital improvements, major repairs and equipment, and facilities maintenance as part of the new Capital Asset Management Program. New funding is requested for permanent replacement of Midshipman Fee funding streams, midshipman support operations, academic staffing and program enhancements, and information technology imperatives.

At the request of the Secretary, during FY 2009 MARAD engaged the assistance of a blue ribbon panel of senior federal executives from across the government to assist in an independent analysis of the Academy's capital improvement needs. One important panel recommendation was that "*...consistent with the sustainment, restoration and modernization approach to life-cycle facility management, USMMA funding should be restructured to provide for three separate funding streams: facilities maintenance, equipment, and capital improvements*". This is addressed in the FY 2012 budget through restructuring of the budget presentation to establish the Capital Asset Management Program. For FY 2012, the request for capital asset management totals \$28.9 million as follows:

- MARAD requests a program increase of \$9 million above FY 2010 for Capital Improvements. The increase raises the total funding level to \$23 million for FY 2012. This funding will support completing the renovation of the Delano Mess Hall (\$9.0 million) planned to begin in FY 2011, beginning renovation of the Cleveland Hall barracks (\$11.5 million), and starting the architecture and engineering studies on renovations to the remaining barracks and the academic buildings (\$2.5 million).
- An increase of \$1 million over FY 2011, for a total of \$2 million, is requested to help address major capital repairs and equipment replacement. The Panel characterized USMMA facilities as being "*in dire need of significant repair and replacement*", and emphasized the importance of sustained base funding. This enhancement will establish these needed base resources.
- An increase of \$2 million over FY 2011, for a total of \$3.9 million, is requested to improve the maintenance and routine repair of Academy facilities.

Included in the FY 2012 request for the Academy is an increase of \$2 million to provide an offset facilitating the permanent elimination of Midshipman Fee collections. The Maritime Administration proposes eliminating these fees, to ensure that an Academy appointment provides for a no-cost education for midshipmen. Further, this will mitigate the GAO audit determination that the administration and maintenance of internal controls for the fees has presented a significant management challenge.

Additional funds totaling \$3.9 million are requested to meet Academy Operations priorities, including: critical Information Technology (IT) upgrades required to meet Federal Information Security Management Act (FISMA) requirement, recruitment diversity, operational requirements, and improvements and enhancements to the Academy's instruction program (including two new instructor positions). MARAD also requests \$400 thousand in new funding

for maintenance and repair costs for the KINGS POINTER Training Ship. Proper maintenance and repair is essential to keeping the vessel in a certified operational status.

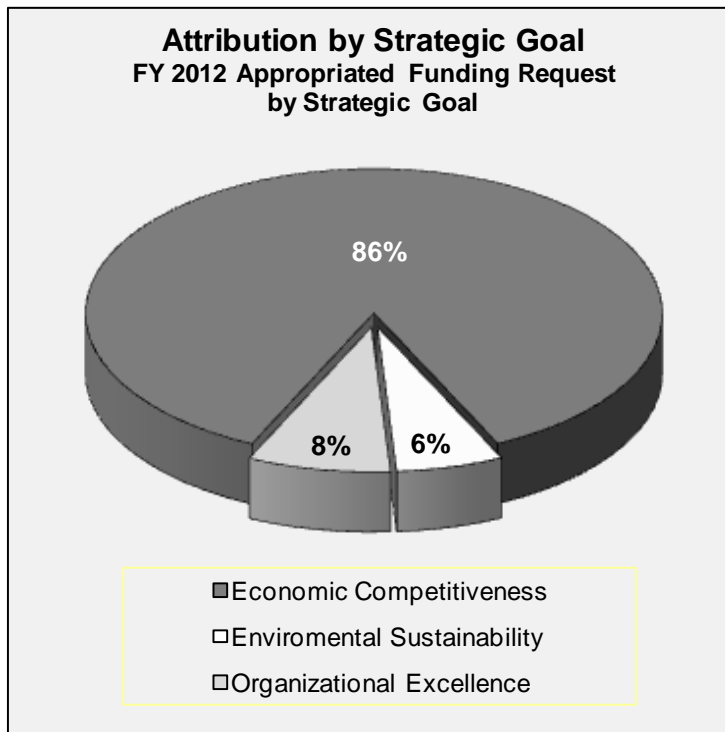
MARAD Operations and Programs

MARAD requests \$1.5 million for environmental program efforts aimed at anticipating and addressing marine transportation environmental sustainability and energy impacts. The MARAD FY 2012 program will work toward the reduction of port and vessel air pollution, further critical multi-modal transportation research to reduce environmental pollution, implement initiatives to reduce the agency’s carbon footprint, and advance ballast water treatment technologies. The agency also requests \$1 million in FY 2012 to support the MarView system. The initiative will continue to fund the identification, collection, and integration of marine transportation information supporting a system-wide view of the marine transportation system.

Ship Disposal

The FY 2012 request includes a total of \$18.5 million, an increase of \$3.5 million over FY 2010 to accelerate the removal of obsolete ships from the National Defense Reserve Fleet for disposal, with priority emphasis on disposal of vessels at the Suisan Bay Reserve Fleet. Within this total, \$3.0 million is included to continue funding nuclear license management for the inactive Nuclear Ship SAVANNAH. The total request also includes \$2.5 million to support environmentally sustainable practices for the obsolete vessels in the fleet awaiting disposal, to reduce the environmental risks associated with vessel storage and deterioration.

ATTRIBUTION OF APPROPRIATED FUNDS BY STRATEGIC GOAL



MARAD’s appropriated budget supports three DOT strategic goals. The largest share of the agency budget request for 2012 supports programs advancing a vital and viable merchant marine, a competitive transportation system, expanded opportunities for business, and Economic Competitiveness. At approximately 86%, it is by far the agency’s primary strategic goal.

Approximately 6% of the 2012 appropriated budget request supports Environmental Sustainability outcomes.

Approximately 8% is attributed to Organizational Excellence and support for operating programs.

U.S. Department of Transportation
Maritime Administration

Organizational Chart - FTE

FY 2011 – FY 2012

MARAD Total FY 2011 FTE: 822
 Direct: 489
 Reimbursable: 333

MARAD Total FY 2012 FTE: 835
 Direct: 502
 Reimbursable: 333

Office of the Administrator and Staff Offices		
	2011	2012
Direct:	55 FTE	56 FTE
Reimb:	6 FTE	6 FTE
Total:	61 FTE	62 FTE

United States Merchant Marine Academy		
	2011	2012
Direct:	272 FTE	280 FTE
Reimb:	0 FTE	0 FTE
Total:	272 FTE	280 FTE

Associate Administrator for Budget and Programs/Chief Financial Officer		
	2011	2012
Direct:	13 FTE	14 FTE
Reimb:	8 FTE	8 FTE
Total:	21 FTE	22 FTE

Associate Administrator for Administration		
	2011	2012
Direct:	40 FTE	40 FTE
Reimb:	36 FTE	36 FTE
Total:	76 FTE	76 FTE

Associate Administrator for Environment and Compliance		
	2011	2012
Direct:	15 FTE	16 FTE
Reimb:	2 FTE	2 FTE
Total:	17 FTE	18 FTE

Associate Administrator for Intermodal System Development		
	2011	2012
Direct:	31 FTE	32 FTE
Reimb:	0 FTE	0 FTE
Total:	31 FTE	32 FTE

Associate Administrator for National Security		
	2011	2012
Direct:	20 FTE	21 FTE
Reimb:	279 FTE	279 FTE
Total:	299 FTE	300 FTE

Associate Administrator for Business and Workforce Development		
	2011	2012
Direct:	43 FTE	43 FTE
Reimb:	2 FTE	2 FTE
Total:	45 FTE	45 FTE

U.S. Department of Transportation
Maritime Administration

Organizational Chart - FTP

FY 2011 – FY 2012

MARAD Total FY 2011 FTP: 838
 Direct: 505
 Reimbursable: 333

MARAD Total FY 2012 FTP: 838
 Direct: 505
 Reimbursable: 333

Office of the Administrator and Staff Offices		
	<u>2011</u>	<u>2012</u>
Direct:	56 FTP	56 FTP
Reimb:	6 FTP	6 FTP
Total:	62 FTP	62 FTP

United States Merchant Marine Academy		
	<u>2011</u>	<u>2012</u>
Direct:	278 FTP	278 FTP
Reimb:	0 FTP	0 FTP
Total:	278 FTP	278 FTP

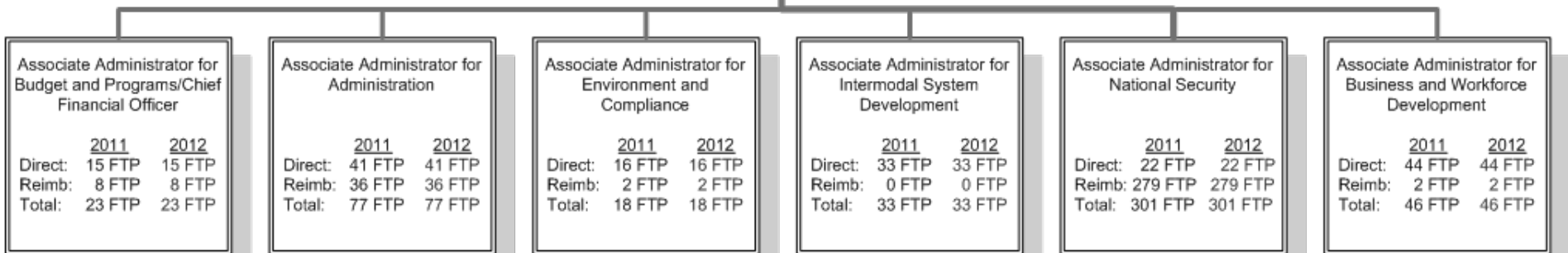


EXHIBIT II-1
FY 2012 NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)

<u>ACCOUNT NAME</u>	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>
Operations and Training	149,750	149,750	161,539
Assistance to Small Shipyards	15,000	15,000	-
Ship Disposal Program	15,000	15,000	18,500
Maritime Security Program	174,000	174,000	174,000
Port of Guam Improvement Enterprise Fund 1/	50,000	-	-
Ocean Freight Differential	127,959	175,000	175,000
Maritime Guaranteed Loan Programs	<u>64,762</u>	<u>91,426</u>	<u>3,740</u>
Title XI Program	<u>9,000</u>	<u>9,000</u>	<u>3,740</u>
Administrative Expenses	4,000	4,000	3,740
Loan Guarantees	5,000	5,000	-
Subsidy Reestimate	55,762	82,426	-
Maritime Guaranteed Loan Programs (Unobligated Balance Rescission)	-	-	-54,100
Gifts and Bequests	491	490	490
Special Studies	41,600	-	-
TOTALS	638,561	620,666	479,169

1/ Transfer from Department of Defense per P.L 111-118.

EXHIBIT II-2
FY 2012 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(\$000)

<u>ACCOUNT NAME</u>	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>
1. Operations and Training			
A. U.S. Merchant Marine Academy	74,057	74,057	93,068
B. State Maritime Academies	15,940	15,940	17,100
C. MARAD Operations	59,753	59,753	51,371
Subtotal O&T	<u>149,750</u>	<u>149,750</u>	<u>161,539</u>
2. Assistance to Small Shipyards	15,000	15,000	-
3. Ship Disposal Program			
A. Ship Disposal	12,000	12,000	12,954
B. NS SAVANNAH	3,000	3,000	3,046
C. Fleet Environmental Initiative	-	-	2,500
Subtotal Ship Disposal	<u>15,000</u>	<u>15,000</u>	<u>18,500</u>
4. Maritime Security Program	174,000	174,000	174,000
5. Port of Guam Improvement Enterprise Fund 1/	50,000	-	-
6. Maritime Guaranteed Loan Program			
Title XI Program			
A. Administrative Expenses	4,000	4,000	3,740
B. Loan Guarantees	5,000	5,000	-
Subtotal Title XI Program	<u>9,000</u>	<u>9,000</u>	<u>3,740</u>
TOTALS	<u>412,750</u>	<u>362,750</u>	<u>357,779</u>

1/ Transfer from Department of Defense per P.L. 111-118.

EXHIBIT II-3
FY 2012 BUDGET REQUEST BY DOT STRATEGIC AND ORGANIZATION GOALS
MARITIME ADMINISTRATION
(\$000)

Account/Program	Safety	Environmental Sustainability	State of Good Repair/ Infrastructure	Livable Communities	Economic Competitiveness	Organizational Excellence	Total
US MERCHANT MARINE ACADEMY					93,068		93,068
Academy Operations					64,183		64,183
Infrastructure Management					28,885		28,885
STATE MARITIME ACADEMIES					17,100		17,100
Student Incentive Payments					2,400		2,400
Direct SMA Support					3,600		3,600
Schoolship Maintenance & Repair					11,100		11,100
MARAD OPERATIONS AND PROGRAMS		2,906			18,142	30,323	51,371
Headquarters Operations		1,406			18,142	29,323	48,871
Environmental Sustainability		1,500					1,500
MarView						1,000	1,000
ASSISTANCE TO SMALL SHIPYARDS					0		0
SHIP DISPOSAL PROGRAM		18,500					18,500
Ship Disposal Program		12,954					12,954
NS SAVANNAH		3,046					3,046
Fleet Environmental Initiative		2,500					2,500
MARITIME SECURITY PROGRAM					174,000		174,000
MARITIME GUARANTEED LOANS					3,740		3,740
Administrative Expenses					3,740		3,740
Total	-	21,406	-	-	306,050	30,323	357,779

EXHIBIT II-3-a
FY 2012 BUDGET REQUEST BY DOT OUTCOMES
MARITIME ADMINISTRATION
(\$000)

DOT Outcome	Program	FY 2012 Request
SAFETY		
Reduction in injuries and fatalities		
Improved safety experience		
Other		
ENVIRONMENTAL SUSTAINABILITY		
Reduced carbon/emissions and dependence on fossil fuels and improved energy efficiency		21,406
Reduced pollution impacts on ecosystems	Environmental Sustainability	1,500
Environmentally sustainable practices and materials in transportation		
Environmentally sustainable practices in DOT services and facilities	Ship Disposal Program	12,954
	NS SAVANNAH	3,046
	Fleet Environmental Initiative	2,500
Other	Headquarters Operations*	1,406
GOOD REPAIR		
LIVABLE COMMUNITIES		
Convenient and affordable choices		
Improved public transit experience		
Improved networks that accommodate pedestrians and bicycles		
Improved access for special needs populations		
Other		
ECONOMIC COMPETITIVENESS		
Maximize economic returns		
Competitive transportation system	U.S. Merchant Marine Academy	93,068
	State Maritime Academies	17,100
	Maritime Security Program	174,000
Advance U.S. transportation interests abroad		
Expanded opportunities for business	Title XI Administrative Expenses	3,740
Other	Headquarters Operations*	18,142
ORGANIZATIONAL EXCELLENCE		
Other	Headquarters Operations*	29,323
	MarView*	1,000
OVERHEAD PROGRAMS/FUNCTIONS DISTRIBUTED TO PROGRAMS		
Total		357,779

* Funded within MARAD Operations and Programs Account

EXHIBIT II-4
FY 2012 BUDGET AUTHORITY
MARITIME ADMINISTRATION
(\$000)

<u>ACCOUNTS</u>		<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>
Operations and Training	D	149,750	149,750	161,539
Assistance to Small Shipyards	D	15,000	15,000	-
Ship Disposal Program	D	15,000	15,000	18,500
Maritime Security Program	D	174,000	174,000	174,000
Port of Guam Improvement Enterprise Fund	D	50,000	-	-
Ocean Freight Differential	M	127,959	175,000	175,000
Maritime Guaranteed Loan Program	D	9,000	9,000	3,740
Subsidy Reestimate	M	55,762	82,426	-
Maritime Guaranteed Loan Program (Unobligated Balance Rescission)	D	-	-	-54,100
Gifts and Bequests	M	491	490	490
Special Studies	M	41,600	-	-
TOTALS		<u>638,561</u>	<u>620,666</u>	<u>479,169</u>
[Mandatory]		225,811	257,916	175,490
[Discretionary]		412,750	362,750	303,679
Proprietary Receipts:				
Maritime Guaranteed Loan Program		43,799	20,310	-
Gifts and Bequests		491	490	490
Special Studies		41,600	-	-
Total MARAD RECEIPTS		<u>85,890</u>	<u>20,800</u>	<u>490</u>

EXHIBIT II-5
FY 2012 OUTLAYS
MARITIME ADMINISTRATION
(\$000)

ACCOUNTS		FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Operations and Training	D	119,954	223,420	159,771
Operations and Training, ARRA 1/	D	1,903	97	-
Gifts and Bequests	M	289	1,964	490
Special Studies, Services, and Projects	M	27,833	35,273	-
Assistance to Small Shipyards	D	12,838	37,372	-
Assistance to Small Shipyards, ARRA 1/	D	58,458	39,541	-
Ship Disposal	D	20,178	34,906	16,750
Maritime Security Program	D	170,474	188,751	175,838
Port of Guam Improvement Enterprise Fund	D	168	51,833	-
Ship Construction	D	-	-	-
Operating Differential Subsidy	D	-	-	-
Ocean Freight Differential	M	127,813	175,000	175,000
Ready Reserve Force	D	-	-40,713	-
Vessel Operations Revolving Fund	D	-10,943	-	500
War Risk Insurance Revolving Fund	D	-395	-	-
Federal Ship Financing Fund	M	-	-	-
Maritime Guaranteed Loan Program	D	-22,848	20,160	15,020
Subsidy Reestimate	M	55,762	82,426	-
TOTALS		<u>561,484</u>	<u>850,030</u>	<u>543,369</u>
[Mandatory]		211,697	294,663	175,490
[Discretionary]		349,787	555,367	367,879

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

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

Operations & Training-Summary

Baseline Changes

	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	Other Baseline Increases	FY 2012 Baseline Estimate	Program Increase/ Decrease	FY 2012 Request
USMMA:												
PERSONNEL RESOURCES	272									278	2	280
Direct FTE	272				6					278	2	280
ACADEMY OPERATIONS												
Salaries and Benefits	\$32,543	\$0	\$0	-\$125	\$715	-	-	-	-	\$33,133	\$400	\$33,533
Operating Expenses	20,988	-	-	-	-	-	-	105	-	21,093	3,806	24,899
Information Technology	3,650	-	-	-	-	-	-	18	-	3,668	2,083	5,751
SUBTOTAL	\$57,181	\$0	\$0	-\$125	\$715	\$0	\$0	\$123	\$0	\$57,894	\$6,289	\$64,183
CAPITAL ASSET MANAGEMENT												
Capital Improvements	\$14,000	-	-	-	-	-	-	-	-	\$14,000	\$9,000	\$23,000
Major Capital Repairs and Equipment Replacement	1,000	-	-	-	-	-	-	-	-	1,000	1,000	2,000
Facilities Maintenance	1,876	-	-	-	-	-	-	9	-	1,885	2,000	3,885
SUBTOTAL	\$16,876	\$0	\$0	\$0	\$0	\$0	\$0	\$9	\$0	\$16,885	\$12,000	\$28,885
USMMA TOTAL	\$74,057	\$0	\$0	-\$125	\$715	\$0	\$0	\$132	\$0	\$74,779	\$18,289	\$93,068
STATE MARITIME SCHOOLS:												
Direct SMA Support	\$2,550	-	-	-	-	-	-	-	-	\$2,550	\$1,050	\$3,600
Student Incentive Payments	2,150	-	-	-	-	-	-	-	-	2,150	250	2,400
Schoolship Maintenance and Repair	11,240	-	-	-	-	-	-	56	-	11,296	-196	11,100
STATE MARITIME SCHOOLS TOTAL	\$15,940	-	-	-	-	-	-	\$56	-	\$15,996	\$1,104	\$17,100
MARAD OPERATIONS & PROGRAMS:												
PERSONNEL RESOURCES	186									190	-	190
Direct FTE	186				4					190	-	190
FINANCIAL RESOURCES	338											
Operating Expenses:												
Salaries and Benefits	\$28,779	-	-	-\$110	\$600	-	-	-	-	\$29,269	0	\$29,269
Operating Expenses	5,133	-	-	-	-	-	-	26	80 1/	5,239	797	6,036
Information Technology	8,155	-	-	-	-	-	-	41	-	8,196	-1,941	6,255
GSA Rent	3,604	-	-	-	-	-166	-	-	-	3,438	0	3,438
WCF	2,594	-	-	-	-	-	1,279	-	-	3,873	0	3,873
Operating Expenses, Subtotal	\$48,265	\$0	\$0	-\$110	\$600	-\$166	\$1,279	\$67	\$80	\$50,015	-\$1,144	\$48,871
Maritime Program Expenses:												
Environmental Sustainability	3,875	-	-	-	-	-	-	-	-	\$3,875	-\$2,375	\$1,500
Marine Highway Grants	7,000	-	-	-	-	-	-	-	-	7,000	-7,000	0
MARVIEW 2/	[1,941]	-	-	-	-	-	-	-	-	0	1,000	1,000
Discretionary Program Expenses:	613	-	-	-	-	-	-	-	-	613	-\$613	-
Program Expenses, Subtotal	\$11,488	-	-	-	-	-	-	-	-	\$11,488	-\$8,988	\$2,500
MARAD OPERATIONS & PROGRAMS TOTAL	\$59,753	\$0	\$0	-\$110	\$600	-\$166	\$1,279	\$67	\$80	\$61,503	-\$10,132	\$51,371
GRAND TOTAL O&T	\$149,750	\$0	\$0	-\$235	\$1,315	-\$166	\$1,279	\$255	\$80	\$152,278	\$9,261	\$161,539

1/ This is to cover an increase to Delphi System and ESC Accounting Services in FY 2012.

2/ MARVIEW is funded within the IT line in the FY 2011 annualized CR.

EXHIBIT II-6

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

Operations & Training-USMMA

Baseline Changes

	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2012 Baseline Estimate	Program Increase/ Decrease	FY 2012 Request
USMMA:											
PERSONNEL RESOURCES	272				6				278	2	280
Direct FTE	272				6				278	2	280
ACADEMY OPERATIONS											
Salaries and Benefits	\$32,543	-	-	-\$125	\$715	-	-	-	\$33,133	\$400	\$33,533
Operating Expenses	20,988	-	-	-	-	-	-	105	21,093	3,806	24,899
Information Technology	3,650							18	3,668	2,083	5,751
SUBTOTAL	\$57,181	\$0	\$0	-\$125	\$715	\$0	\$0	\$123	\$57,894	\$6,289	\$64,183
CAPITAL ASSET MANAGEMENT											
Capital Improvements	\$14,000	-	-	-	-	-	-	-	\$14,000	\$9,000	\$23,000
Major Capital Repairs and Equipment Replacement	1,000								1,000	1,000	2,000
Facilities Maintenance	1,876	-	-	-	-	-	-	9	1,885	2,000	3,885
SUBTOTAL	\$16,876	\$0	\$0	\$0	\$0	\$0	\$0	\$9	\$16,885	\$12,000	\$28,885
USMMA TOTAL	\$74,057	\$0	\$0	-\$125	\$715	\$0	\$0	\$132	\$74,779	\$18,289	\$93,068

EXHIBIT II-6

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

Operations & Training-State Maritime Schools

Baseline Changes

	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2012 Baseline Estimate	Program Increase/ Decrease	FY 2012 Request
STATE MARITIME SCHOOLS:											
Direct SMA Support	\$2,550	-	-	-	-	-	-	-	\$2,550	\$1,050	\$3,600
Student Incentive Payments	2,150	-	-	-	-	-	-	-	2,150	250	2,400
Schoolship Maintenance and Repair	11,240	-	-	-	-	-	-	56	11,296	-196	11,100
STATE MARITIME SCHOOLS TOTAL	\$15,940	-	-	-	-	-	-	\$56	\$15,996	\$1,104	\$17,100

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

Operations & Training-MARAD Operations & Programs

Baseline Changes

	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	Other Baseline Increases	FY 2012 Baseline Estimate	Program Increase/ Decrease	FY 2012 Request
MARAD OPERATIONS & PROGRAMS:												
PERSONNEL RESOURCES	186									190	-	190
Direct FTE	186				4					190	-	190
FINANCIAL RESOURCES												
Operating Expenses:												
Salaries and Benefits	\$28,779			-\$110	\$600	-	-	-	-	\$29,269	-	\$29,269
Operating Expenses	5,133	-	-	-	-	-	-	26	80 1/	5,239	797	6,036
Information Technology	8,155	-	-	-	-	-	-	41	-	8,196	-1,941	6,255
GSA Rent	3,604	-	-	-	-	-166	-	-	-	3,438	-	3,438
WCF	2,594	-	-	-	-	-	1,279	-	-	3,873	-	3,873
Operating Expenses, Subtotal	\$48,265	\$0	\$0	-\$110	\$600	-\$166	\$1,279	\$67	\$80	\$50,015	-1,144	\$48,871
Maritime Program Expenses:												
Environmental Sustainability	\$3,875	-	-	-	-	-	-	-	-	\$3,875	-\$2,375	\$1,500
Marine Highway Grants	7,000	-	-	-	-	-	-	-	-	7,000	-7,000	-
MARVIEW 2/	[1,941]	-	-	-	-	-	-	-	-	-	1,000	1,000
Discretionary Program Expenses:	613	-	-	-	-	-	-	-	-	613	-\$613	-
Program Expenses, Subtotal	\$11,488	-	-	-	-	-	-	-	-	\$11,488	-\$8,988	\$2,500
MARAD OPERATIONS & PROGRAMS TOTAL	\$59,753	\$0	\$0	-\$110	\$600	-\$166	\$1,279	\$67	\$80	\$61,503	-\$10,132	\$51,371

1/ This is to cover an increase to Delphi System and ESC Accounting Services in FY 2012.

2/ MARVIEW is funded within the IT line in the FY 2011 annualized CR.

EXHIBIT II-6

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

SHIP DISPOSAL PROGRAM

Baseline Changes

	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2012 Baseline Estimate	Program Increase/ Decrease	FY 2012 Request
PERSONNEL RESOURCES (FTE)	10.5								11	-	11
Direct FTE	10.5				0.5				11	-	11
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$1,589			-\$6	\$75	-	-		\$1,658	-	\$1,658
Operating Expenses	193	-	-	-		-	-	1	194	-18	176
GSA Rent	189					5			194		194
WCF	136						82		218		218
Operating Expenses, Subtotal	\$2,107	\$0	\$0	-\$6	\$75	\$5	\$82	\$1	\$2,264	-\$18	\$2,246
Program Expenses:											
Ship Disposal	\$9,893	-	-	-		-	-	-	\$9,893	\$815	\$10,708
NS SAVANNAH	3,000	-	-	-		-	-	-	3,000	46	3,046
Fleet Environmental Initiative	-	-	-	-		-	-	-	-	2,500	2,500
Program Expenses, Subtotal	\$12,893	-	-	-		-	-	-	\$12,893	\$3,361	\$16,254
SHIP DISPOSAL PROGRAM- TOTAL	\$15,000	\$0	\$0	-\$6	\$75	\$5	\$82	\$1	\$15,157	\$3,343	\$18,500

EXHIBIT II-6

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

MARITIME SECURITY PROGRAM

	<u>Baseline Changes</u>									
	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2012 Baseline Estimate	Program Increase/ Change	FY 2012 Request
PERSONNEL RESOURCES (FTE)	-							-	-	-
Direct FTE	-							-	-	-
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)

Baseline Changes

	FY 2011 CR Annualized	Annualization of 2011 Pay Raise	2012 Pay Raise	One Less Compensable Day	Annualization of FTE	GSA Rent	WCF	0.5% Inflation/ Deflation	FY 2012 Baseline Estimate	Program Increase/ Decrease	FY 2012 Request
PERSONNEL RESOURCES (FTE)	20				1				21	-	21
Direct FTE	20				1				21	-	21
FINANCIAL RESOURCES											
Operating Expenses:											
Salaries and Benefits	\$2,743			-11	137				\$2,869	-	\$2,869
Operating Expenses	608							3	611	-527	84
GSA Rent	377					-7			370		370
WCF	272						145		417		417
Operating Expenses, Subtotal	\$4,000	\$0	\$0	-\$11	\$137	-\$7	\$145	\$3	\$4,267	-\$527	\$3,740
Program Expenses											
Loan Subsidies	\$5,000	-	-	-	-	-	-	-	\$5,000	-\$5,000	\$0
Program Expenses, Subtotal	\$5,000	-	-	-	-	-	-	-	\$5,000	-\$5,000	\$0
MARITIME GUARANTEED LOAN PROG. - TOTAL	\$9,000	\$0	\$0	-\$11	\$137	-\$7	\$145	\$3	\$9,267	-\$5,527	\$3,740

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

	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>	<u>CHANGE</u>
DIRECT:			
Operations and Training	2,594	3,873	1,279
Maritime Guaranteed Loan Prog. (Title XI)	272	417	145
Ship Disposal	136	218	82
SUBTOTAL	<u>3,002</u>	<u>4,508</u>	<u>1,506</u>
REIMBURSABLE:			
Ready Reserve Force	<u>3,267</u>	<u>3,267</u>	<u>-</u>
SUBTOTAL	<u>3,267</u>	<u>3,267</u>	<u>-</u>
TOTAL	6,269	7,775	1,506

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

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Operations and Training	457	478	491
Ship Disposal	<u>11</u>	<u>11</u>	<u>11</u>
SUBTOTAL, DIRECT FUNDED	468 ^{1/}	489 ^{2/}	502 ^{3/}
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
Ready Reserve Force	-	333	333
Vessel Operations Revolving Fund	<u>304</u>	<u>-</u>	<u>-</u>
SUBTOTAL, REIMBURSE/ALLOC./OTH.	304	333	333
TOTAL FTEs	<u>772</u>	<u>822</u>	<u>835</u>

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

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

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

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

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Operations and Training	494	494	494
Ship Disposal	11	11	11
SUBTOTAL, DIRECT FUNDED	505 ^{1/}	505 ^{2/}	505 ^{3/}
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
Ready Reserve Force	-	333	333
Vessel Operations Revolving Fund	333	-	-
SUBTOTAL, REIMBURSE/ALLOC./OTH.	333	333	333
TOTAL POSTIONS	838	838	838

1/ Direct funded FTPs includes 17 FTP for the Title XI Program.

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

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

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, [~~\$164,353,000~~] *\$161,539,000*, of which [~~\$11,007,000~~] *\$11,100,000* shall remain available until expended for maintenance and repair of training ships at State Maritime Academies, *and of which \$2,400,000 shall remain available through September 30, 2013 for Student Incentive Program payments at State Maritime Academies*, and of which [~~\$30,900,000~~] *\$28,885,000* shall remain available until expended for *facilities maintenance and repair, equipment, and capital improvements* at the United States Merchant Marine Academy: [, and of which \$6,000,000 shall be available until expended for the Secretary's reimbursement of overcharged midshipmen fees: *Provided*, That the Secretary, through such structure and administration as the Secretary establishes, shall reimburse current and former midshipmen of United States Merchant Marine Academy in such amounts as the Secretary determines, in his sole discretion, to be appropriate to address claims regarding the overcharging of midshipman fees, pertaining first to academic years 2003/2004 through 2008/2009, and then pertaining to earlier academic years to the extent that the Secretary determines to be appropriate and subject to the amounts specifically appropriated herein for such reimbursements: *Provided further*, That notwithstanding any other provision of law, such midshipmen-fee reimbursements shall be the exclusive remedy available for the compensation of fees overcharged to current and former midshipmen at the United States Merchant Marine Academy and, in addition, shall be the final, conclusive, non-reviewable settlement of any and all overcharges and of any and all claims arising out or relating to midshipmen fees:] *Provided* [further], That amounts apportioned for the United States Merchant Marine Academy shall be available only upon allotments made personally by the Secretary of Transportation or the Assistant Secretary for Budget and Programs: *Provided further*, That the Superintendent, Deputy Superintendent and the Director of the Office of Resource Management of the United States Merchant Marine Academy may not be allotment holders for the United States Merchant Marine Academy, and the Administrator of Maritime Administration shall hold all allotments made by the Secretary of Transportation or the Assistant Secretary for Budget and Programs under the previous proviso.

Note.—A full year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended.) The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

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

(In thousands of dollars)

Identification code 69-1750-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:				
0001	Merchant Marine Academy	79,031	80,013	93,068
0002	State Maritime Schools	16,094	18,782	17,100
0003	MARAD Operations	58,023	59,753	51,371
0004	Other Maritime Programs	17,828	2,296	-
0005	ARRA - Grant Admin.	1,912	-	-
0091	Total Direct Program	172,888	160,844	161,539
0801	Reimbursable Program	12,285	38,886	28,000
0900	Total new obligations	185,173	199,730	189,539
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	41,207	21,980	-
1021	Recoveries of prior year unpaid obligations	373	-	-
1050	Unobligated balance (total)	41,580	21,980	-
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	149,750	149,750	161,539
1160	Appropriation, discretionary (total)	149,750	149,750	161,539
Spending authority from offsetting collections, discretionary:				
1700	Collected	11,434	28,000	28,000
1701	Change in uncollected payments, Federal Sources	8,044	-	-
1750	Spending auth from offsetting collections,	19,478	28,000	28,000
1900	Budget authority (total)	169,228	177,750	189,539
1930	Total budgetary resources available	210,808	199,730	189,539
Memorandum (non-add) entries:				
1940	Unobligated balance expiring	-3,655	-	-
1941	Unexpired unobligated balance, end of year	21,980	-	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	61,870	101,651	49,864
3010	Uncollected pymts, Fed Sources, brought forward, Oct. 1	-22,662	-19,914	-19,914
3020	Obligated balance, start of year (net)	39,208	81,737	29,950
3030	Obligations incurred, unexpired accounts	185,173	199,730	189,539
3031	Obligations incurred, expired accounts	854	-	-
3040	Outlays (gross)	-144,061	-251,517	-187,771
Obligated balance, end of year (net):				
3050	Change in uncollected pymts, Fed sources, unexpired	-8,044	-	-
3051	Change in uncollected pymts, Fed sources, expired	10,792	-	-
3080	Recoveries of Prior year unpaid obligations, unexpired	-373	-	-
3081	Recoveries of Prior year unpaid obligations, expired	-1,812	-	-

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

(In thousands of dollars)

Identification code 69-1750-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
3090	Unpaid obligations, end of year (gross)	101,651	49,864	51,632
3091	Uncollected pymts, Fed sources, end of year	-19,914	-19,914	-19,914
3100	Obligated balance, end of year (net)	81,737	29,950	31,718
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	169,228	177,750	189,539
Outlays, gross:				
4010	Outlays from new discretionary authority	102,494	155,288	165,308
4011	Outlays from discretionary balances	41,567	96,229	22,463
4020	Outlays gorss, (total)	144,061	251,517	187,771
Offsetting collections (collected) from:				
4030	Federal sources	-17,358	-28,000	-28,000
4033	Non-Federal sources	-4,846	-	-
4040	Offsets against gross budget authority and outlays (total)	-22,204	-28,000	-28,000
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	-8,044	-	-
4052	Offsetting collections credited to expired accounts	10,770	-	-
4060	Additional offsets against gross budget authority only (total)	2,726	-	-
4070	Budget authority, net (discretionary)	149,750	149,750	161,539
4080	Outlays, net (discretionary)	121,857	223,517	159,771
4180	Budget authority, net (total)	149,750	149,750	161,539
4190	Outlays, net (total)	121,857	223,517	159,771

OPERATIONS AND TRAINING

Program and Performance Statement

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

The Operations and Training 2012 budget request of \$161 million includes \$93 million for the United States Merchant Marine Academy, \$17 million for the State Maritime Academies, and \$51 million for Maritime Operations and Programs.

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

Object Class Code	Object Class	FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
	Direct obligations:			
1111	Full-time permanent	38,982	42,561	43,588
1113	Other than full-time permanent	4,376	4,778	4,893
1115	Other personnel compensation	2,041	2,228	2,282
1119	Total personnel compensation	45,399	49,567	50,763
1121	Civilian personnel benefits	10,766	11,755	12,038
1210	Travel and transportation of persons	2,063	1,782	1,574
1220	Transportation of things	170	146	129
1231	Rental payments to GSA	3,818	3,604	3,438
1233	Communications, utilities & misc. charges	4,185	3,614	3,193
1240	Printing and reproduction	11	9	8
1252	Other services	62,183	53,697	47,438
1260	Supplies and materials	7,145	6,170	5,451
1310	Equipment	3,437	2,968	2,622
1320	Lands and structures	20,936	22,832	28,885
1410	Grants, subsidies and contributions	12,775	4,700	6,000
1990	Subtotal , direct obligations	172,888	160,844	161,539
	Reimbursable obligations:			
2231	Grants, subsidies and contributions	293	377	370
2252	Other services	11,992	38,509	27,630
2990	Subtotal , reimbursable obligations	12,285	38,886	28,000
9999	Total new obligations	185,173	199,730	189,539

Employment Summary

Operations and Training		FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
Direct:				
1001	Civilian full-time equivalent employment	<u>457</u>	<u>478</u>	<u>491</u>
	Total Employment	457	478	491

EXHIBIT III-1

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

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR ANNUALIZED</u>	<u>FY 2012 REQUEST</u>	<u>CHANGE FY 2011-2012</u>
U.S. Merchant Marine Academy	74,057	74,057	93,068	19,011
State Maritime Schools	15,940	15,940	17,100	1,160
MARAD Ops. & Programs	59,753	59,753	51,371	-8,382
Total, Operations & Training	149,750	149,750	161,539	11,789
FTEs				
Direct Funded	457 1/	478 2/	491 3/	13
Reimbursable, allocated, other	-	-	-	-

1/ The Direct FTE includes the 17 FTEs associated with the Title XI Program.

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

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

EXHIBIT III-1a

**OPERATIONS AND TRAINING
SUMMARY ANALYSIS OF CHANGE FROM FY 2011 TO FY 2012
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

Item	Change from FY 2011 to FY 2012	Total
FY 2011 CR Annualized		
Operations and Training		\$149,750
Adjustments to Base		
Less: One Compensable Day	-235	
Annualization of FTE	1,315	
GSA Rent	-166	
WCF	1,279	
Non-Salary Inflation (0.5%)	255	
Other Baseline Increases	80	
Subtotal, Adjustments to Base	\$2,528	\$2,528
New or Expanded Programs		
USMMA Merchant Marine Academy Operations	6,289	
USMMA Capital Asset Management	12,000	
State Maritime Schools	1,104	
MARAD Operations & Programs	-1,144	
Maritime Program Expenses	-8,988	
Subtotal, New or Expanded Program Increases/ Decreases		\$9,261
Total FY 2012 Request		\$161,539

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

**FY 2003 - FY 2012
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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	149,750
2011	164,353	
2012	161,539	

^{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

Justification for the United States Merchant Marine Academy

(\$000)			
Program Activity	FY 2010 Enacted	FY 2012 Request	Change FY 2010 – FY 2012
Academy Operations	57,181	64,183	7,002
Capital Asset Management 1/	16,876	28,885	12,009
Total	\$74,057	\$93,068	\$19,011

1/ FY 2010 is shown in the new 2012 format including the Capital Asset Management Program for presentation purposes.

I. Budget Request

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

For FY 2012, \$93.1 million is requested for the USMMA, \$19.0 million above FY 2010. The request includes \$0.7 million for current services adjustments and \$18.3 million in program increases, including \$12 million for Capital Asset Management and \$6.3 million for Academy Operations.

MARAD notes the following blue ribbon panel recommendation, that “*consistent with the sustainment, restoration and modernization approach to life-cycle facility management, Merchant Marine Academy funding should be restructured to provide for three separate funding streams: facilities maintenance, equipment, and capital improvements*” is addressed in the FY 2012 budget presentation through restructuring of the budget presentation to establish the Capital Asset Management Program.

Academy Operations

MARAD requests a program increase of \$6.3 million above FY 2010 for Academy Operations. The increase would support program initiatives and enhancements in the areas of salaries and benefits, midshipman requirements, recruitment diversity, instructional and operational needs, and information technology requirements.

Salaries and Benefits: An increase of \$400,000 is requested to fill 2 critical vacancies within the Instructional Program for instructing curriculum required classes.

Midshipman Requirements: Included in the FY 2012 request for the Academy is an increase of \$2.0 million in base funding to provide an offset facilitating the permanent elimination of Midshipman Fee collections. Students are currently charged a midshipman fee to provide for their personal laptop issue, laundry services, tailor and barber services and supplemental health insurance. The Maritime Administration proposes eliminating these fees, to ensure that an Academy appointment provides for a no-cost education for the midshipmen. Further, this will mitigate the GAO audit determination that the administration and maintenance of internal controls for the fees has presented significant management challenges. In addition, an increase of \$20,000 is requested to enhance the healthcare services provided to midshipmen.

Recruitment Diversity: An increase of \$145,000 is requested to bolster USMMA recruitment efforts, especially recruitment that is aimed at strengthening the Academy’s enrollments by

intensifying outreach to individuals from different racial, ethnic, economic, and geographic backgrounds, and by creating application incentives. The requested funds will support the USMMA's sponsorship of students at the New Mexico Military Institute, a one-year pre-USMMA prep school program, in order to achieve increased diversity in the Academy's student body (the regiment of Midshipmen). These funds would permit the USMMA to sponsor sixty students for one year (\$2,000 per semester per student, two semesters per year), vice current funding which limits the USMMA to less than thirty students. This funding will help increase diversity among the ranks of the maritime industry and workforce. By sponsoring more students in a pre-USMMA prep school program, the Academy is better able to increase the ethnic, racial, and gender diversity within the Regiment. This is an essential component for successful diversity recruiting. This increase will also support the recruitment efforts of the Admissions Office. In order to recruit a more diverse enrollment, the Admissions office is in need of additional resources to have a better presence at college fairs and other recruitment sites that attract people of all backgrounds. This funding is required in order to successfully recruit a diverse population of midshipmen applicants. Without this funding, the Academy cannot improve its efforts to attract a more diverse applicant base.

Instructional Requirements: The FY 2012 request includes a total of \$740,000 to help address instructional requirements. This includes an increase of \$260,000 to help the Academy enhance academic achievement. These additional resources are required in order to become the global leader in maritime education, training, simulation, applied research, maritime security and anti-piracy education. This request supports educational activities that address the six majors offered and to satisfy requirements set forth by the US Coast Guard for licensing and certification, the Middle States and ABET accreditation bodies for the Bachelor of Science degree, and the US Navy for commissioning. The request provides the required resources to support necessary curriculum improvements, including the maintenance and upgrading of the Academy's learning spaces. Keeping classrooms in optimal working order is critical to the mission of providing a proper education consistent with the goals of the USMMA. This request also includes \$420,000 to support an initiative to revitalize the Academy Waterfront, specifically upgrades to the Waterfront fuel station and vessel marine sanitation devices. The request also provides an additional \$60,000 for upgrades to Engineering Department equipment and supplies for the USMMA Band.

Operational Requirements: The FY 2012 request includes \$900,000 to maintain basic operational requirements. This includes an increase of \$350,000 for implementation of a Quality Standard System (QSS) to support Academy accreditation by the Middle States Commission on Higher Education. The FY 2012 request also provides \$150,000 to support management improvements addressing GAO audit recommendations, support outreach, recruitment, public affairs, and leadership initiatives, and enhancements to campus safety and security. This request also includes \$400,000 for the KINGS POINTER training ship to support regulatory body inspection requirements for basic maintenance and repair, and for deck and engine room consumable supplies to support the maintenance program. This amount is required to maintain the vessel at a level to ensure the safety of those onboard at all times. It also is required to ensure the required regulatory requirements are met as mandated by law for a nautical schoolship.

Information Technology Requirements: An increase of \$2.083 million is requested to fund the ongoing renewal of critical Information Technology (IT) assets in emerging priorities in the areas of physical security compliance and campus information technology infrastructure. These

resources are necessary to meet the requirements of the Federal Information Security Management Act (FISMA) and the Clinger Cohen Act.

- Federal Information Security Management Act (FISMA) Requirements: \$1.6 million is needed to address internal business controls related to FISMA. \$1.0 million is required to expand IT contract staffing to provide staff in currently unmet task support areas. Current staffing levels do not permit the Academy to satisfy the segregation of duties requirements in FISMA. \$179 thousand is required to establish a COOP site and commence real-time replication of all critical Academy systems and data for the purpose of insuring continuation of operations through any disruption to normal campus access and use. The e-Government Act and FISMA require the Academy to maintain and operate a COOP site. Failure to establish, annually test, and operate a COOP site poses a severe risk to the ongoing operation of the Academy. Further, \$421 thousand is needed to install and maintain keycard access control systems to limit physical access to secure areas housing key components of the network infrastructure, servers, and storage devices. Failure to properly secure key IT assets not only constitutes a risk to privacy, but to the ongoing operation of the Academy.
- Renewal/Support of Critical Assets: \$483 thousand is requested to establish a first-time effort at annual renewal and support for select classes of the Academy's critical IT assets. The Clinger-Cohen Act requires that the Academy maintain its investment in network servers, network appliances, and network storage. The Academy's IT staff does not have existing base resources dedicated to the renewal and refreshment of its existing IT assets.

Capital Asset Management Program

For FY 2012, the Academy's budget presentation is framed to establish the Capital Asset Management Program in accordance with the Blue Ribbon Panel recommendation, that *"consistent with the sustainment, restoration and modernization approach to life-cycle facility management, Merchant Marine Academy funding should be restructured to provide for three separate funding streams: facilities maintenance, equipment, and capital improvements"*.

For FY 2012, the request for capital asset management totals \$28.9 million, \$12.0 million above FY 2011. Request levels for the component parts of the program include: Capital Improvements (\$23.0 million); Major Capital Repairs and Equipment Replacement (\$2.0 million); and Facilities Maintenance (\$3.9 million). These funds would be available until expended and specifics of each program section are as follows.

Capital Improvements

MARAD requests a program increase of \$9 million above FY 2011 for Capital Improvements. The increase raises the total funding level to \$23 million for FY 2012. This funding will enable a phased multi-year funding (FY 2011, \$14M; FY 2012, \$9M) and construction approach for the renovation of the Delano Mess Hall (Total Project Estimate: \$23M). The Delano Mess Hall renovation is planned to begin in FY 2011. Additionally, FY 2012 capital improvement funds support the commencement of renovation of the Cleveland Hall barracks (\$11.5 million). The Cleveland Hall barrack renovation would be executed under a phased multi-year funding and construction approach. Finally, FY 2012 capital improvement funds will allow the commencement of architectural and engineering (A/E) studies (\$2.5 M) for renovation of the remaining barracks and academic buildings.

Renovation of Delano Hall (midshipmen galley) (\$9,000,000): The food service galley infrastructure is predominantly part of a 65+ year old physical plant. The galley holds up to 1,200 midshipmen at one time in a single Regimental Mess Hall. The galley physical plant is precariously being kept running year-to-year with a patchwork of short term repairs. Included in the construction cost of the new galley is the funding for a temporary galley facility (i.e., swing space) adjacent to the existing Mess Hall. The temporary galley facility must be in place prior to the demolition of the old galley and commencement of new galley construction. The mechanical and electrical infrastructure requires upgrade to meet current codes and regulations. The galley food preparation equipment has exceeded its useful life and requires replacement. The condition of the brick and concrete surfaces in the galley are severely deteriorated, contributing to conditions that increase the presence of roaches. Additionally, as a result of the physical layout of the galley and its old equipment there exist health code violations which need to be addressed. Plans call for the renovated galley to be air conditioned and have state of the art food preparation equipment. The cost estimate for this work is approximately \$23.0 million, of which \$14 million will be dedicated from anticipated FY 2011 funds. While there is an existing A/E design for this project, it was developed nearly ten years ago and no longer reflects the state of the art industry standards and specifications for today's commissary galley design. Therefore, the cost for the updated design is included as part of the requested \$23.0 million for this project. The project will include a replacement for all the food preparation equipment and spaces, the food storage facilities and a food cafeteria serving line, which currently do not exist. The design will also include a renovated loading dock necessary for receipt of recurring bulk food supplies; new roof; major renovation for handicap accessibility and additional emergency exits, including a nearby elevator; a replacement heating plant; installation of central air conditioning; and replacement of all associated infrastructure utilities systems, including a back-up Uninterrupted Power Source and electrical generator for the galley and the connected Regimental Mess Hall. These renovations are necessary to support the health and welfare for the Regiment of Midshipmen.

Renovation of Cleveland Hall (\$11,500,000): The request includes \$11.5 million to begin renovation of this barracks living space. There are six barrack buildings at the Academy for the housing of over 1,000 midshipmen. Four of the barracks have already been renovated. The Blue Ribbon Panel Report, published in March 2010, noted that *Cleveland Hall* is in particularly poor condition and requires renovation. The remaining non-renovated barracks are characterized by obsolete chipboard construction furnishings, metal-frame beds, and are not air conditioned. The dormitory renovation will include the following: replacement of roof and parapet; replacement of heating system with an energy efficient "green" geothermal system that provides heating and air conditioning to all Academy barracks living spaces; replacement of sanitary piping throughout; installation of a sprinkler system and sprinkler water service to all living spaces; upgrade of electrical service; installation of fire alarm strobes; upgrade of all corridor lighting, flooring, ceiling, signage; and upgrade of all midshipman rooms with upgraded walls, lighting, furniture, and exterior wall insulation. Renovation of this 65+ year old barrack is essential to the morale, health, and welfare of the midshipmen. It is also important that this barrack building be brought up to current safety standards to ensure that the living quarters of the students are safe and secure.

Architecture and Engineering Studies for Academic Buildings (\$2,500,000): The Academy will also initiate the architecture and engineering studies for future renovation of the remaining barracks and the four academic buildings identified by the Blue Ribbon Panel as priorities.

Major Capital Repairs and Equipment Replacement

An increase of \$1 million over FY 2011, for a total of \$2 million, is requested to help address major capital repairs and equipment replacement. This funding is essential to address major physical plant emergencies or very high priority mission-related physical plant projects that emerge during the fiscal year due to facility deterioration that require immediate resolution to correct a safety hazard, to ensure the continued use of a building or structure, or to ensure continuation of a mission-related program. These major capital repairs are often unpredictable. The Panel characterized USMMA facilities as being “*in dire need of significant repair and replacement*”, and emphasized the importance of sustained base funding. This enhancement will establish these needed base resources.

Facilities Maintenance

An increase of \$2 million over FY 2011, for a total of \$3.9 million, is requested to address concerns raised in the March FY 2010 Blue Ribbon Panel Report, concerning the condition of Academy infrastructure. The Blue Ribbon Panel Report indicated that Academy accreditation could be at risk if immediate steps are not taken to improve the maintenance, repair, and replacement of its facilities.

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

Funding at the FY 2012 request level will support the accomplishment of:

- Welcoming 289 new Midshipmen in the Class of 2016.
- Graduation of approximately 225 - new licensed merchant marine officers in the Class of 2012.
- Meeting milestones for completion of Delano Hall renovation, and commencement of Cleveland Hall barrack renovation.
- Initiation of architecture and engineering studies to support future renovations.
- Follow-up implementation of management and process improvements responding to GAO recommendations. Adherence with new orders, guidance, and directives.
- Implementation of new A-123 internal controls protocol.

The Department and MARAD regard the Academy’s strengthening of internal controls and the improvement of the capital investment management program as important emphasis areas that enhance the USMMA’s primary educational mission. Consequently, enabling support and oversight that strengthen USMMA’s program and processes is a joint MARAD/Academy management imperative and a priority emphasis of the Secretary of Transportation. The funding requested is to support these essential management and capital improvement initiatives.

The Blue Ribbon Panel also emphasized the importance of resources, staff and financial, for general facilities maintenance and repairs. The requested increase in funds for capital improvement, significant renovation and modernization projects – including some midshipmen facilities – will begin to address critical requirements with positive, concrete implications for the academic program as cited by the Blue Ribbon Panel.

II. Program Performance

What is the program?

The USMMA is an accredited federal institution of higher education operated by DOT and MARAD. The Academy trains skilled and qualified merchant marine officers to crew U.S. flag cargo vessels and work throughout the maritime industry. 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. The USMMA's mission helps contribute to the economic competitiveness of a viable and robust merchant marine. Program beneficiaries and partners include:

- Regiment of Midshipmen
- US Flag shipping companies and Military Sealift Command (MSC) - support USMMA shipboard training program
 - all midshipmen spend 300 days at sea as part of their 4-year education program
- US maritime companies (shipping, logistics, transportation, shipyards, naval architecture) and military services
 - support midshipman internship program (2-6 weeks)
- DoD agencies, particularly US Navy
 - provide personnel for training and education in military specialties (100% of USMMA graduates have a statutory requirement to serve for 8 years in the reserves; at graduation, 25%-35% serve on active duty, many in DoD logistics field).

In addition, USMMA leverages resources with other partners in the training of merchant mariners to support maritime sealift capacity and economic competitiveness. These include DOT modal agencies, DoD Transportation Command, state and federal maritime agencies, private sector industries.

The base budget consists of the salaries and benefits for the USMMA faculty and support staff, 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. Program accomplishments for FY 2011 include:

- The USMMA anticipates graduating approximately 205 licensed merchant marine officers, each with a military commission in the Class of 2011.
- MARAD and the USMMA expect to complete actions addressing the remaining 6 of the 47 GAO recommendations during 2011.

Why is this particular program necessary?

USMMA provides merchant marine and armed forces reserve officers to support a viable US flagged merchant cargo fleet for maritime commerce. USMMA graduates represent the largest component of merchant marine officers, and also comprise a substantial component of reserve officers to support DOD activities. The number of officers that graduate from the Academy are an essential part of the performance measure in the Maritime Security Program that tracks how

well MARAD is meeting DOD’s deployment needs. USMMA is the main source of new officers for the merchant marine component of the U.S. Navy Reserve.

The Merchant Marine Act of 1936 establishes a federal-state-private partnership to develop qualified merchant mariners with military service obligations. USMMA is the primary federal partner, and 100% of its graduates have a 5 year service obligation. State Maritime Academies complement the USMMA program, graduates who receive federal tuition assistance agree to a 3 year service obligation. The complementary design of the USMMA and SMA programs support achievement of maritime commercial objectives.

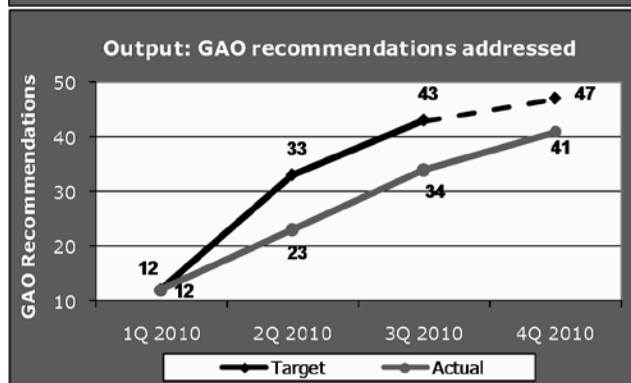
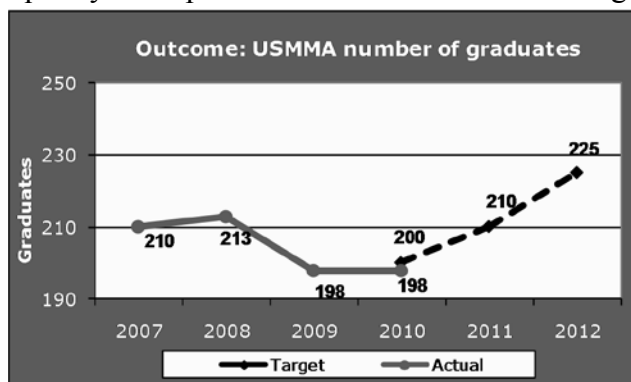
The Chief of Naval Operations indicates the Naval Reserve/Merchant Marine Reserve (NR/MMR) program has, on average, an attrition rate of 220 to 250 personnel per year. USMMA and SMA Student Incentive Program graduates constitute the vast majority of NR/MMR program entrants, thereby contributing to maintaining the merchant vessel workforce.

How do you know the program works?

As a degree-granting educational institution, the USMMA is reviewed periodically by external accrediting groups. Comprehensive, independent evaluations by the Accreditation Board for Engineering and Technology (ABET) & Middle States accreditors document USMMA's record of academic excellence. The United States Coast Guard examines and certifies that USMMA meet the requirements to serve on vessels of unlimited tonnage, any horsepower, on oceans, as well as meeting all requirements of STCW-95. USMMA completed its most recent USCG STCW Audit in December 2010. This Audit, the critical quality control and oversight review for the licensing of mariners, is conducted approximately every 5 years. USMMA achieved excellent Audit reviews and was commended for the high quality of its professional mariner and licensing program.

However, in FY 2009, the Government Accountability Office (GAO) issued the report Internal Control Weaknesses Resulted in Improper Sources and Uses of Funds; Some Corrective Actions are Underway, GAO-09-635, including a number of recommendations for improving the Academy’s controls and accountability.

Prompted by findings in the GAO report, DOT initiated a Blue Ribbon Panel in FY 2009 to examine and offer recommendations on the USMMA’s capital improvement plans and program. The DOT identified response to GAO recommendations as a priority performance goal for the Department in FY 2010. The DOT and MARAD had addressed 41 of 47 GAO recommendations for the USMMA by the end of FY 2010. The DOT and MARAD envision completing actions addressing all recommendations in FY 2011.



Funding History:

(\$000)						
Academy Operations	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	46,897	47,608	53,208	59,057	63,120	64,183
Enacted	46,387	48,608	53,208	59,057		

(\$000)						
Capital Improvements	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	14,850	13,850	8,150	15,391	30,900	N/A
Enacted	14,850	14,139	8,150	15,000		

(\$000)						
Capital Asset Management	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested				16,876	N/A	28,885
Enacted				16,876		

Justification for the State Maritime Academies

(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010–FY 2012
Student Incentive Program	2,150	2,400	250
Direct SMA Support	2,550	3,600	1,050
Schoolship Maintenance and Repair	11,240	11,100	-140
Total	\$15,940	\$17,100	\$1,160

I. Budget Request

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

For FY 2012, \$17.1 million is requested for the State Maritime Academies (SMAs), a net increase of \$1.2 million above FY 2010. These funds will expand program and operations levels for the Student Incentive Program and direct support assistance to the SMAs and will provide necessary operations funding for Schoolship Maintenance and Repair.

The primary purpose for funding the maritime academies is to have a sufficient, consistent supply of capable well-educated and highly skilled U.S. merchant mariners to meet the national security and economic needs of the nation. The Maritime Administration provides funding and training vessels to the six SMA's: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy. Federal funding supplements SMA state government funding.

Student Incentive Payments

MARAD requests \$2.4 million for the Student Incentive Program (SIP), \$0.25 million above FY 2010. This funding will allow for the enrollment of sufficient students at the SMAs to meet the requirements identified by the U.S. Navy, the U.S. Army, and the U.S. National Guard for enrollment in their reserve programs upon graduation. These reserve programs have been identified as programs where graduates' maritime skills and education can be utilized in support of the Armed Forces of the United States, and this service will fulfill graduates' service obligation.

Direct SMA Support

MARAD requests \$3.6 million, \$1.1 million above FY 2010, for direct support assistance to the SMAs. This request will provide the maximum authorized level of \$0.5 million for maintenance and operations support to each of the six state academies in FY 2012 for a total of \$3.0 million. The academies rely on these funds to help offset the increasing costs to train mariners to both U.S. and international training standards. These funds strengthen the ability of SMAs to maintain a cadre of well-qualified faculty and state of the art technology for teaching cadets. MARAD also requests \$600,000 to provide support for fuel costs for SMA training vessels. Training cruises, which involve significant fuel costs, play a critical role in training mariners at the SMA to ensure cadets obtain the necessary sea time to qualify for a U.S. Coast Guard license. As the cost of fuel remains high, this places a burden on the academies and significantly increases the cost to train mariners.

Schoolship Maintenance & Repair (SMR)

MARAD requests \$11.1 million for SMR to maintain the six State Maritime Academy schoolships in a safe, ready, reliable and responsible material condition, as required by law, and in full compliance with all federal and regulatory body laws and regulations. Funding in the base request will support priority maintenance and repair requirements and activities planned for FY 2012.

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

Funding at this level will provide the necessary support to the six SMAs to ensure a sufficient supply of highly-trained U.S. merchant marine officers are available to meet the national security and economic needs of the nation. Funding for maintenance and repairs of SMA schoolships is necessary for MARAD to meet the regulatory requirements for the Academy training vessels. The cost to train U.S. Coast Guard qualified officers continues to increase as does the cost of fuel. The direct payments and fuel payments will assist with offsetting these costs and ensure the SMAs can continue to provide the highest level of training.

The Department of the Navy, Strategic Sealift Reserve (SSR) has established an annual requirement of at least 220 reserve officers entering the SSR upon graduation from the SMA and United States Merchant Marine Academy (USMMA). Based on the current number of graduates entering the SSR from USMMA, an estimated 70-75 graduates from the SMA are necessary annually to meet the total SSR requirement. Additionally, the U.S. Army and National Guard have identified billets within the Army Reserve, and National Guard where graduates of the SIP program can utilize their maritime skills and education and meet their obligation. The requested funding level will allow MARAD to enroll 75 students in each class at the SMA which, based on historical attrition rates, will meet the requirements identified by armed services' reserve programs.

Without the requested funds for schoolship maintenance and repairs, it would not be possible for MARAD to maintain each ship in a safe and seaworthy condition and to meet the regulatory requirements, consistent with the Department's goal for environmental sustainability. The average age of the six training ships is 33 years old. As these ships age, the annual cost of ship maintenance and repair significantly increases. A reduction in the request would hamper the agency's ability to comply with local, state, federal (EPA) and international environmental regulations, which will have negative implications on the academic program. Funding at the FY 2012 requested level will support the accomplishment of:

- Drydocking of the TS STATE of MAINE and TS KENNEDY
- Automation upgrades on the TS KENNEDY and TS EMPIRE STATE
- Steel renewal on the TS EMPIRE STATE
- Habitability and cadet berthing replacements/upgrades on the TS STATE of MAINE, TS GOLDEN BEAR, TS STATE of MICHIGAN, TS KENNEDY and TS EMPIRE STATE
- Replace lifeboats, lifeboat davits, rescue boats and rescue boat davits on the TS STATE of MAINE
- Commence the upgrading of existing fixed CO2 fire fighting systems on TS STATE of MAINE, TS GOLDEN BEAR, TS STATE of MICHIGAN and TS EMPIRE STATE with new fixed fire fighting systems

- Machinery, Navigation and Communication system upgrades on the TS STATE of MAINE, TS GOLDEN BEAR, TS STATE of MICHIGAN, TS KENNEDY and TS EMPIRE STATE
- International Maritime Organization (IMO) and Environmental Protection Agency (EPA) regulation compliance

II. Program Performance

What is the program?

The State Maritime Academy 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 maritime academies: California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy. Federal funding supplements SMA State government funding. For FY 2011, we anticipate approximately 580 students in the license program will graduate from the academies.

The SMA program comprises three major program components: (1) annual assistance to each of the six state maritime academy for maintenance and support; (2) the Student Incentive Payment (SIP) program; and (3) payment of training ship maintenance and repair costs for six federally-owned training ships on loan to the SMA.

The SIP Program provides financial assistance to full-time students at the SMAs. 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. The state academies regard the SIP Program as important to recruiting state maritime academy cadets to pursue careers as merchant mariners.

MARAD provides assistance to the six state maritime academies for maintenance and support. These funds help to offset the increasing cost to train U.S. Coast Guard qualified merchant mariner officers and to ensure the academies can provide the highest level of training.

In accordance with 46 U.S.C. 51501 and 51504, MARAD furnishes (or loans) under custodial agreement federally-owned and maintained schoolships to each of the six state maritime academies. This is a cooperative program between the SMAs and MARAD, and the vessels are vital components of the program. The ships are employed as academic and seagoing laboratories for license coursework and practical, hands-on training and testing, as part of the merchant mariner licensed officer training programs at each academy. Licensed merchant marine officers from these academies directly support our Nation's maritime industry and the Department of Defense (DOD) national defense sealift manning requirements. There are six (6) state academy training ships, located and docked at various locations around the U.S.:

- 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
- 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

In addition to performing their mission as training platforms, the SMA schoolships are National Defense Reserve Fleet assets. As such, they may be called upon by the U.S. Government to respond to National Security incidents and emergencies. This was demonstrated in 2005 when the TS EMPIRE STATE, TS KENNEDY, and TV TEXAS CLIPPER provided valuable support along the Gulf Coast in the wake of Hurricane Katrina and Hurricane Rita. In January 2010, TS KENNEDY was put on stand-by to provide support to the earthquake in Haiti. The vessels are maintained in such a condition so that they can be brought to a fully operational status in approximately ten days.

MARAD is mandated by law to maintain each ship in a state of good repair in accordance with all applicable regulations, and that ensures the safety of all cadets and personnel on the ships through an environmentally compliant and responsible manner. MARAD policy is also to comply with international (IMO) regulations to the maximum extent practicable and to ensure good environmental stewardship, including compliance with local, state, federal (EPA), and international environmental regulations. The average age of the six training ships is 33 years old. As these ships age, the annual cost of ship maintenance and repair significantly increases.

Some of the more significant training ship maintenance activities for the six federally-owned training ships on loan to the SMA expected in 2011 include:

- Drydocking the TS EMPIRE STATE and TS TEXAS CLIPPER
- Automation upgrades on the TS KENNEDY and TS EMPIRE STATE
- Steel renewal on the TS EMPIRE STATE
- Habitability and cadet berthing replacements/upgrades on the TS STATE of MAINE, TS GOLDEN BEAR, TS STATE of MICHIGAN, TS KENNEDY and TS EMPIRE STATE
- Upgrade existing fixed CO2 fire fighting system on TS KENNEDY with a new fixed fire fighting system
- Machinery, Navigation and Communication system upgrades on the TS EMPIRE STATE, TS KENNEDY, TS GOLDEN BEAR, and TS STATE of MAINE and TS STATE of MICHIGAN
- IMO and EPA regulation mandate compliance

The base funding for SMA consists of direct assistance to each of the six academies, SIP incentive program funds, and training ship maintenance and repair funds. Program support is funded by the Operations and Training Account (MARAD Operations and Programs).

Why is this particular program necessary?

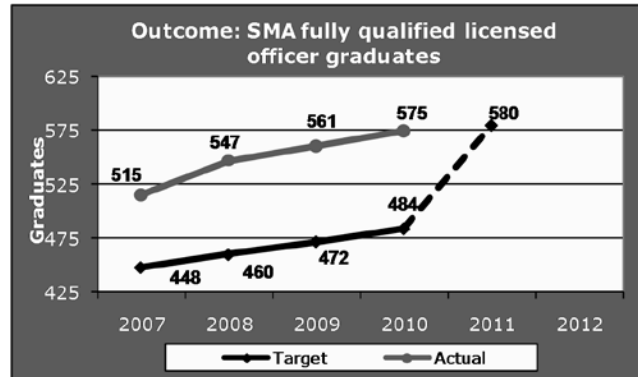
The Merchant Marine Act of 1936 declared it to be a national priority to establish an American merchant marine and directed that “vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States.” To meet this requirement, the Act created a federal structure for state maritime academies; directed a partnership between the state academies and the Navy; and authorized the Secretary of Transportation to use the state academies “to provide for the education and training of citizens of the United States who are capable of providing for the safe and efficient operation of the merchant marine of the United States at all times and as a naval and military auxiliary in time of war or national emergency.” Federal support of mariner education helps ensure highly qualified personnel are trained annually to maintain the nation’s pool of skilled merchant mariners. These mariners are needed

to safely operate U.S.-flag cargo vessels that contribute to the economic competitiveness of our Nation, and perform critical maritime-related functions in a national emergency. The SMA program contributes over half of the entry-level licensed mariners trained annually.

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

How do you know the program works?

The State Maritime School program effectively targets federal resources in a well-defined, cost-shared partnership with the state maritime academies to produce highly qualified officers for the US merchant marine. The program has met performance targets for officer graduates each year going back to 2006.



Funding History:

(\$000)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Student Incentive Program						
Requested	792	0 1/	800	2,000	2,150	2,400
Enacted	1,782	800	1,600	2,150		

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

(\$000)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Direct SMA Support						
Requested	1,188	1,881	1,881	2,400	2,550	3,600
Enacted	1,188	1,881	2,400	2,550		

(\$000)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Schoolship Maintenance and Repair						
Requested	7,920	8,119	8,306	11,240	11,240	11,100
Enacted	8,129	10,500	10,500	11,240		

Justification for MARAD Operations and Programs

(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010–FY 2012
Headquarters Operations	48,265	48,871	606
Marine Highway Grants	7,000	0	-7,000
Environmental Sustainability	3,875	1,500	-2,375
MarView 1/	[1,941]	1,000	1,000
Discretionary Program Expenses	613	0	-613
Total	\$59,753	\$51,371	-\$8,382

1/ Included in Headquarters Operations in FY 2010.

I. Budget Request

What is the request and what will we get for the funds? For FY 2012, \$51.4 million is requested for MARAD Operations and Programs, \$8.4 million below FY 2010. The request includes a net increase of \$0.6 million for Headquarters Operations and a net decrease of \$9.0 million for Maritime Program Expenses; these net changes are accounted for by moving MarView costs from Headquarters Operations to a separate program expense line, discontinuing funding for Marine Highway Grants and reducing funds for Environmental Sustainability.

The MARAD Operations and Program account primarily supports the agency's headquarters program operations staffing and administrative infrastructure. A very substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), as well as information technology requirements. The FY 2012 request also funds specific program efforts in the areas of Environmental Sustainability and MarView.

Environmental Sustainability

MARAD requests \$1.5 million in FY 2012 for environmental program efforts aimed at anticipating and addressing marine transportation environmental sustainability and energy impacts. The MARAD FY 2012 program will work toward the reduction of port and vessel air pollution, further critical multi-modal transportation research to reduce environmental pollution, implement initiatives to reduce the agency's carbon footprint, and advance ballast water treatment technologies.

Green Ships and Ports Initiative (\$700,000): For a number of years the Agency has been working on multiple activities related to vessel air and ballast water discharges. The Maritime Administration proposes the establishment of a multi-year consortium or like initiative to further those efforts and to coordinate government, industry and academic efforts in research, technology development, testing and verification. This is of particular importance since the U.S. Coast Guard is poised to issue a Final Rule on ballast water discharge standards and certification testing of technologies will be required. The primary focus of this initiative continues to be on ballast water treatment technology verification, but steps toward finding solutions to other ship related environmental issues need to be taken.

Port and Vessel Air Emissions Initiative (\$700,000): For several years, the Maritime Administration has partnered with other agencies to address marine-related air emissions and develop related national and international policy. Further, the Agency has partnered with academia

to pursue energy conservation, air emissions reductions, and carbon reduction projects. Funding at this level will support demonstration projects with industry to test and analyze air emission reduction, alternative fuel, and energy conservation technologies and methods, in real-world applications onboard Agency-owned and other vessels and at port facilities;

Agency Green Programs (\$100,000): Recent economic and environmental issues have renewed the nation's focus on energy efficiency, alternative and renewable energy, and CO2. MARAD has embarked upon a concerted effort to institute projects to reduce and modify the agency's energy consumption and carbon footprint. The agency has made significant gains in addressing environmental challenges related to its fleet operations. The funding requested will help the consolidation and implement these gains across all fleet and vessel operations. The funding request will also support energy audits of facilities and new renewable energy investments, supporting agency compliance with Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance.

MarView

The agency requests \$1 million in FY 2012 to continue the MarView system. The initiative will support the identification, collection, and integration of marine transportation information supporting a systemwide view of the marine transportation system.

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

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

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

Funding at the 2012 request level is needed to support the agency's headquarters program operations staffing and administrative infrastructure. A substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs. Funding at the 2012 level will support the accomplishment of:

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

II. Program Performance

What is the program?

MARAD Operations and Programs supports the base program operations and staffing levels in the operating program areas of Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development. As such, MARAD Operations and Programs contribute to Departmental strategic objectives for Economic Competitiveness and Environmental Sustainability. The request also funds agency administrative support and logistics

activities and Organizational Excellence initiatives, including: Human Resources; Financial Management; Information Technology and Open Government; Legal Counsel; and Acquisitions.

The MARAD Operations and Programs base budget supports the agency’s headquarters program operations staffing and administrative infrastructure. A very substantial proportion of resources are dedicated to salaries and benefits and non-discretionary operating expense costs, including GSA rent and the working capital fund (WCF), information technology requirements, and environmental sustainability initiatives.

MARAD’s request for 2012 will also support the MarView system, an integrated data-driven environment that collects, stores, protects, analyzes, and delivers critical information to commercial, local, state, and federal activities to support the MTS.

Why is this particular program necessary?

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

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

How do you know the program works?

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

Funding History:

(\$000)						
MARAD Operations and Programs	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	44,183	43,818	45,503	62,812	59,753	51,371
Enacted	39,086	46,064	47,502	59,753		

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

(In thousands of dollars)

Identification code 69-1770-0-1-403	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:			
0001 Grants for Capital Improvement for Small Shipyards	14,702	15,847	-
0900 Total new obligations	14,702	15,847	-
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	549	847	-
1050 Unobligated balance (total)	549	847	-
Budget authority:			
Appropriations, discretionary			
1100 Appropriation	15,000	15,000	-
1160 Appropriation, discretionary (total)	15,000	15,000	-
1900 Budget authority (total)	15,000	15,000	-
1930 Total budgetary resources available	15,549	15,847	-
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	847	-	-
Change in obligated balance:			
Obligated balance, start of year (net):			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	117,660	61,066	-
3020 Obligated balance, start of year (net)	117,660	61,066	-
3030 Obligations incurred, unexpired accounts	14,702	15,847	-
3040 Outlays (gross)	-71,296	-76,913	-
Obligated balance, end of year (net):			
3090 Unpaid obligations, end of year (gross)	61,066	-	-
3100 Obligated balance, end of year (net)	61,066	-	-
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	15,000	15,000	-
Outlays, gross:			
4010 Outlays from new discretionary authority	3,255	15,000	-
4011 Outlays from discretionary balances	68,041	61,913	-
4020 Outlays gross, (total)	71,296	76,913	-
4070 Budget authority, net (discretionary)	15,000	15,000	-
4080 Outlays, net (discretionary)	71,296	76,913	-
4180 Budget authority, net (total)	15,000	15,000	-
4190 Outlays, net (total)	71,296	76,913	-

ASSISTANCE TO SMALL SHIPYARDS

Program and Performance Statement

The National Defense Authorization Act for Fiscal Year 2006 authorized the Maritime Administration to make grants for capital and related improvements at eligible shipyard facilities that will foster efficiency, competitive operations, and quality ship construction, repair, and reconfiguration. Grant funds may also be used for maritime training programs to enhance technical skills and operational productivity in communities whose economies are related to or dependent upon the maritime industry. No new funds are requested for 2012.

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

Object Class Code	Object Class	FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
1410	Grants, claims and subsidies	<u>14,702</u>	<u>15,847</u>	<u>-</u>
9999	Total New Obligations	14,702	15,847	-

EXHIBIT III-1

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

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR ANNUALIZED</u>	<u>FY 2012 REQUEST</u>	<u>CHANGE FY 2011-2012</u>
<u>Assistance to Small Shipyards</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>-15,000</u>
<u>Total, Assist. To Sm. Shipyards</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>-15,000</u>
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III-1a

**ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2011 TO FY 2012
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

Item	Change from FY 2011 to FY 2012	Total
FY 2011 CR Annualized		
Assistance to Small Shipyards		\$15,000
Adjustments to Base		
Less: One Compensable Day	0	
Annualization of FTE	0	
GSA Rent	0	
WCF	0	
Non-Salary Inflation (0.5%)	0	
Other Baseline Increases	0	
Subtotal, Adjustments to Base	\$0	\$0
New or Expanded Programs		
Assistance to Small Shipyards	-15,000	
Subtotal, New or Expanded Program Increases/ Decreases		-\$15,000
Total FY 2012 Request		\$0

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
ASSISTANCE TO SMALL SHIPYARDS
FY 2003 - FY 2012
Main Table - (\$000)**

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
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	15,000
2011		0	
2012		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)

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [\$10,000,000] \$18,500,000, to remain available until expended. *Note.—A full year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended.) The amounts included for 2011 reflect the annualized level provided by the continuing resolution.*

**MARITIME ADMINISTRATION
SHIP DISPOSAL
PROGRAM AND FINANCING**

(In thousands of dollars)

Identification code 69-1768-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:				
0001	Ship disposal	22,226	35,241	18,500
0900	Total new obligations	22,226	35,241	18,500
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	26,012	20,241	-
1021	Recoveries of prior year unpaid obligations	1,455	-	-
1050	Unobligated balance (total)	27,467	20,241	-
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	15,000	15,000	18,500
1160	Appropriation, discretionary (total)	15,000	15,000	18,500
1900	Budget authority (total)	15,000	15,000	18,500
1930	Total budgetary resources available	42,467	35,241	18,500
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	20,241	-	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	6,572	7,165	7,500
3020	Obligated balance, start of year (net)	6,572	7,165	7,500
3030	Obligations incurred, unexpired accounts	22,226	35,241	18,500
3040	Outlays (gross)	-20,178	-34,906	-16,750
3080	Recoveries of prior year unpaid obligations, unexpired	-1,455	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	7,165	7,500	9,250
3100	Obligated balance, end of year (net)	7,165	7,500	9,250
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	15,000	15,000	18,500
Outlays, gross:				
4010	Outlays from new discretionary authority	17,172	7,500	9,250
4011	Outlays from discretionary balances	3,006	27,406	7,500
4020	Outlays gross, (total)	20,178	34,906	16,750
4070	Budget authority, net (discretionary)	15,000	15,000	-
4080	Outlays, net (discretionary)	20,178	34,906	16,750
4180	Budget authority, net (total)	15,000	15,000	-
4190	Outlays, net (total)	20,178	34,906	16,750

SHIP DISPOSAL PROGRAM

Program and Performance Statement

The Ship Disposal program provides resources to properly dispose of obsolete government-owned merchant ships maintained by the Maritime Administration in the National Defense Reserve Fleet. The Maritime Administration contracts with domestic shipbreaking firms to dismantle these vessels in accordance with guidelines set forth by the U.S. Environmental Protection Agency. This account also funds environmental remediation at the obsolete fleet storage sites and storage of the obsolete Nuclear-powered ship SAVANNAH.

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

Object Class Code	Object Class	FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
1111	Full-time permanent	1,106	1,185	1,237
1115	Other personnel compensation	43	46	48
1118	Special personnel services payments			
1119	Total personnel compensation	1,149	1,231	1,285
1121	Civilian personnel benefits	334	358	400
1231	Rental Payments to GSA	-	189	194
1253	Other goods and services from federal sources	1,300	1,920	1,054
1254	Operation and maintenance of facilities	19,443	31,543	15,567
9999	Total New Obligations	22,226	35,241	18,500

Employment Summary

		FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
Ship Disposal				
Direct:				
1001	Civilian full-time equivalent employment	11	11	11
	Total Employment	11	11	11

EXHIBIT III-1

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

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR ANNUALIZED</u>	<u>FY 2012 REQUEST</u>	<u>CHANGE FY 2011-2012</u>
Ship Disposal	15,000	15,000	18,500	3,500
Total	15,000	15,000	18,500	3,500
FTEs				
Direct Funded	11	11	11	-
Reimbursable, allocated, other	-	-	-	-

EXHIBIT III-1a

**SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2011 TO FY 2012
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

Item	Change from FY 2011 to FY 2012	Total
FY 2011 CR Annualized		
Ship Disposal		\$15,000
Adjustments to Base		
Less: One Compensable Day	-6	
Annualization of FTE	75	
GSA Rent	5	
Working Capital Fund	82	
Non-Salary Inflation (0.5%)	1	
Subtotal, Adjustments to Base	\$157	\$157
New or Expanded Programs		
Ship Disposal Operations	-18	
Ship Disposal Program	815	
NS SAVANNAH	46	
Fleet Environmental Initiative	2,500	
Subtotal, New or Expanded Program Increases/ Decreases		\$3,343
Total FY 2012 Request		\$18,500

**MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL
FY 2003 - FY 2012
Main Table - (\$000)**

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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	15,000
2011	10,000	
2012	18,500	

^{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.

Justification for the Ship Disposal Program

(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010–FY 2012
Ship Disposal	12,000	12,954	954
Nuclear Ship Savannah	3,000	3,046	46
Fleet Environmental Initiative	0	2,500	2,500
Total	\$15,000	\$18,500	\$3,500

I. Budget Request

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

For FY 2012, \$18.5 million is requested for the Ship Disposal Program, \$3.5 million above FY 2010. These funds will support continued obsolete vessel disposal actions, with priority emphasis on vessels in the Suisun Bay Reserve Fleet (SBRF), and provide resources (\$2.5 million) for environmental programs and vessel maintenance activities that will meet environmental requirements related to compliance with the Clean Water Act for MARAD's three reserve fleet sites. The request also includes \$3 million to maintain the regulated and licensed activities associated with the retention vessel N.S. (Nuclear Ship) SAVANNAH (NSS).

Ship Disposal

The FY 2012 request includes an increase of \$1 million to accelerate the removal of obsolete ships from the National Defense Reserve Fleet for disposal, with priority emphasis on disposal of vessels at the SBRF. No carryover funds are anticipated into FY 2012. With the requested funding level, MARAD will be able to address disposal of 8 obsolete ships in FY 2012. The requested funding level is consistent with the requirements of the court ordered settlement with California.

Significant costs related to vessel towing and compliance with the National Invasive Species Act (NISA), Resource Conservation and Recovery Act (RCRA), and Clean Water Act (CWA) will continue into FY 2012 as the focus will remain on removal of SBRF ships. Since the 2010 court-ordered settlement in California, the average per ship cost to drydock, tow, and recycle obsolete SBRF ships has been \$1.404 million. The California lawsuit was settled on April 14, 2010 with a signed and court-approved Consent Decree. Eleven of the twelve ships removed for disposal in FY 2010 were from the SBRF. In FY 2011, the majority of ship disposals will also be from the SBRF. Funding at the request level will allow for the removal of approximately 8 ships from our inventory in 2012 and continue to cover the cost of environmental risk mitigation to ensure compliance with NISA and for testing and containment requirements related to the CWA. With only one ship recycler located on the West Coast, which is currently in the process of activating their facility, the majority of SBRF vessels will be disposed of by Gulf and East Coast recyclers in FY 2012. 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, and will also lessen the environmental risk at the fleet sites and recycling facilities.

The Consent Decree commits MARAD to the drydocking and removal of a minimum of 28 SBRF ships by the end of FY 2012. With an average per ship cost of \$1.404 million, the requested funding level is projected to be sufficient to remove the number of SBRF vessels required by the

Consent Decree including the 8 ships mandated for removal in FY 2012. However, unless per ship disposal costs decrease significantly, the 8 SBRF ships projected to be removed in FY 2012 with the requested level of funding will be significantly less than the per year average of 17 ships removed over the last three years.

A carryover into FY 2012 is not indicated at this time, and any funding available beyond the requested level will be used to expedite the removal of additional ships from the James River Reserve Fleet (JRRF) in Virginia, and/or Beaumont Reserve Fleet (BRF) in Texas. Removal of obsolete ships from the JRRF and BRF is not anticipated under the current FY 2012 request level. Fluctuations in the actual per ship disposal costs, as a result of regulatory or market factors, will affect the number of ships that can be disposed of in FY 2012.

Fleet Environmental Initiative

MARAD's FY 2012 request also includes an increase of \$2.5 million to support environmentally sustainable practices for the obsolete vessels in the fleet awaiting disposal, to reduce the environmental risks associated with vessel storage and deterioration.

The Maritime Administration maintains three fleet anchorage sites in Virginia, Texas and California which serve as anchorage sites for Ready Reserve Forces (RRF) ships and storage for obsolete vessels awaiting disposal. The former Maritime Administrator directed a study in the fall of FY 2007 to review the Best Management Practices (BMP) for the operation of the reserve fleet sites from the environmental perspective. The study was designed to identify measures to improve the overall environmental posture of the fleets. The study indicated needed improvements in the following five major functional areas:

- shoreside operation of the facility
- waterfront (which includes small craft maintenance and operations)
- vessel arrival
- vessel retention (which includes removal of exfoliating paint)
- vessel departures (which are funded by the ship disposal program)

The most significant measures apply to vessel arrival and retention. These are critical because of the age of many of the vessels and the length of time before they can be disposed. MARAD's proposed initiatives are designed to reduce the environmental risks associated with vessel storage and arrest deterioration. The funding in this request will support start-up costs to help advance fleet compliance with environmental requirements and mandates.

This request will also fund development of an Environmental Management System (EMS) for the fleets. EMS is a program providing better overall environmental management performance. The capability includes a tracking system for all environmental processes and procedures, and provides an auditable means of ensuring that the BMPs are being fully implemented and inspected.

In addition, funding in this request will support agency carbon reduction efforts, consistent with and supportive of the Department's and Administration's efforts to reduce the federal government's non-renewable energy usage. MARAD has begun to review its facility energy usage and implement measures to reduce that usage, and increase usage of alternative energy sources. Funding will allow the agency to implement additional measures, including solar or wind power in agency facilities.

N.S. SAVANNAH (NSS)

The requested funding level of \$3 million for the NSS is consistent with current program activities, and does not provide for any new or expanded scope of work, personnel, or services. The modest increase of \$46,000 covers cost escalations in existing contracts and services, without adding any new or expanded program activities or personnel.

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

Significant costs related to obsolete vessel towing and compliance with the National Invasive Species Act (NISA), Clean Water Act (CWA), and RCRA will continue into FY 2012 as the priority focus will remain with the removal of SBRF ships. The majority of FY 2012 ship disposals will be from the SBRF and funding at this level will allow for the removal of approximately 8 ships from inventory in FY 2012 and cover the costs related to risk mitigation for compliance with NISA CWA, and RCRA, as well as lessen the environmental risk at the fleet sites and recycling facilities.

Funding at the requested level will also provide for implementation of environmentally sustainable practices for the obsolete vessels awaiting disposal in the National Defense Reserve Fleet, to reduce environmental risks associated with vessel storage and deterioration.

Funding at the FY 2012 requested level for NSS will support activities that include nuclear license compliance, radiological protection, ship husbandry and custodial care, decommissioning planning and preparation, and historic preservation. The modest increase is needed to meet increases in existing contract costs, and without it we would need to defer necessary maintenance and repairs.

II. Program Performance

What is the program?

MARAD's Ship Disposal program contributes to the reduction of pollution from DOT-owned transportation services and facilities, and supports environmental sustainability. The program will conduct ship recycling for obsolete, federally-owned, merchant-type vessels in an environmentally responsible manner that further reduces the risk of environmental contamination. The program comprises three essential areas; the removal and disposal of obsolete ships owned by the federal government, National Defense Reserve Fleet (NDRF) environmental practices associated with vessel storage, and the maintenance and safeguarding of the NSS. The Ship Disposal Program base budget consists of ship disposal funds, salaries and benefits, contractor support, administrative funds (including training and travel) and funding for NSS activities.

Ship Disposal

MARAD is the U.S. government's disposal agent for federal government owned merchant-type vessels 1,500 gross tons or more (as authorized by Section 3502 of the National Maritime Heritage Act and 40 USC 548) and has custody of a fleet of obsolete ships owned by the federal government. These include obsolete merchant ships moored at NDRF sites and are not assigned to the RRF or otherwise designated for a specific purpose. When ships are no longer considered useful for defense or aid missions, MARAD arranges for their responsible disposal, as identified by Section 203 of the Federal Property and Administrative Services Act of 1949. MARAD has custody of approximately 64 obsolete vessels that are not yet under contract for disposal. These obsolete ships are located at the JRRF site in Virginia (16 ships), the SBRF site in California (39 ships), and the BRF site in Texas (9 ships). MARAD expects to remove approximately 12 vessels from the SBRF in FY 2011 for disposal, and approximately 8 from the SBRF in FY 2012 for disposal.

Due to the presence of onboard hazardous materials such as residual fuel, asbestos, solid polychlorinated biphenyls and lead paint/coatings in the ships' systems or structure, surplus ships pose a risk to the surrounding environment and must be disposed of properly. Expedited disposal of the obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding harm, but also in terms of avoiding 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 and NISA compliance are continuing to evolve, and indications are that they will continue to increase as the process for resolving the conflicting requirements of local, state and federal regulations continues.

N.S. SAVANNAH

A discrete project funded within the Ship Disposal account is maintenance and safeguarding of the N.S. SAVANNAH (NSS). The NSS, the world's first nuclear powered merchant ship, is a legacy asset assigned to the NDRF in retention status whose operations and retention is licensed and actively regulated by the U.S. Nuclear Regulatory Commission (NRC).

The NSS project comprises two major program areas; license compliance and decommissioning, both of which are performed under the cognizance of the NRC. License compliance is a continuous program that provides the contemporary institutional competency that MARAD requires to manage and maintain the NSS. This includes the resources necessary to provide for ship husbandry and custodial care of the physical facilities onboard the ship, as well as the broad spectrum of surveillance, monitoring and radiological protection programs necessary to ensure the safety and health of the public and the environment. The NRC-regulated and defined decommissioning program is also a continuous process, that begins when a licensed nuclear power plant is removed from service and ends when the NRC license is terminated after the facility has been remediated and dismantled. An intermediate protective storage period may be included in the decommissioning process estimated at \$9 million. The NSS decommissioning program, estimated at \$90 million, must be completed by the end of FY 2031, in accordance with applicable statutory and regulatory requirements.

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

Fleet Environmental Initiative

MARAD's Fleet Environmental Initiative is designed to reduce the environmental risks associated with vessel storage and arrest deterioration. Funding will support start-up costs to help advance fleet compliance with environmental requirements and mandates for obsolete merchant type vessels awaiting disposal at the three anchorage sites. Efforts in support of this initiative are consistent with improvement measures identified by the Best Management Practices (BMP) study conducted in FY 2007 to improve the overall environmental posture of the fleets. The functional areas

identified in the study for improvement include shoreside operation of the facility, waterfront, vessel arrival, vessel retention, and vessel departures. The most critical measures apply to vessel arrival and retention because of the age of many of the vessels and the length of time before they can be disposed.

The Fleet Environmental Initiative will also support the development of an Environmental Management System (EMS) for the fleets, which will provide improved oversight and environmental management performance to ensure the PMPs are being fully implemented and inspected.

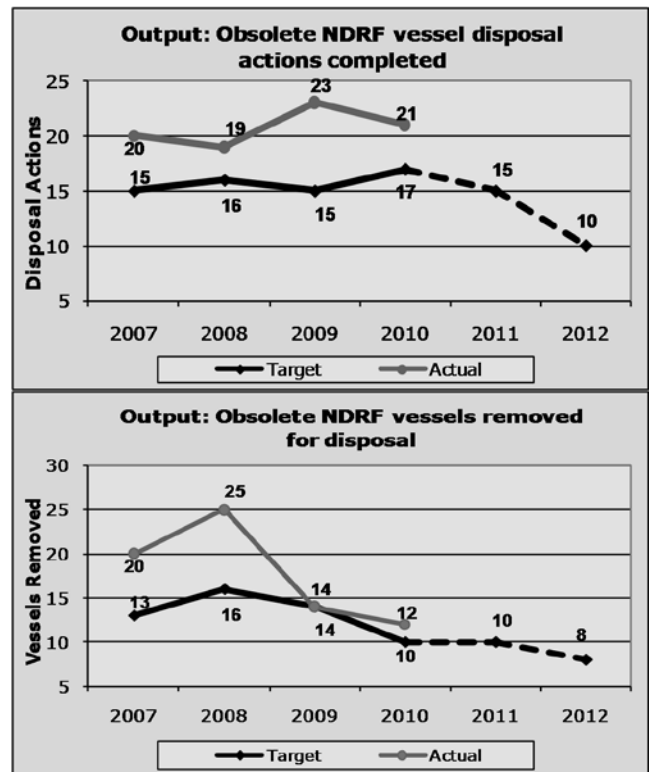
Why is this particular program necessary?

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

The NSS is a legacy asset for which MARAD holds an active license with the NRC to possess but not operate the nuclear facilities located onboard the ship. With this license comes statutory obligations for compliance and stewardship that will continue until the decommissioning and license termination process is completed.

How do you know the program works?

MARAD manages the Ship Disposal Program in concert with several performance measures, including annual targets for vessel removals and disposals, which have been met or exceeded for the last five years. The accompanying graphs include actual program outputs for obsolete vessel removals and completions from FY 2007 - FY 2010. The FY 2010 target for the number of obsolete NDRF vessels removed for disposal in conformance with the court-ordered Consent Degree. Vessel removals decreased after 2008 because of the economic downturn and remain significantly lower than pre-2008 levels because of the increased mitigation efforts related to environmental risks associated with the disposal of obsolete SBRF vessels (including the drydocking of ships for removal of marine growth and loose paint) and the significant additional costs of the lengthy 5,000+ nautical mile tow to Gulf Coast recycling facilities. Vessel completions generally lag behind vessel removals by six to



twelve months, which is reflected in the second graph.

The total number of MARAD obsolete ships awaiting disposal, and not yet under contract, is 64 -- which is an historic low. Additionally, the annual rate of vessel removals has outpaced the number of vessels added to the disposal queue for the last seven years, and all non-retention ships designated as a high disposal priority have been removed from the three fleet sites with the exception of one vessel that is pending contract award.

MARAD has established a target for FY 2012 of removing 8 vessels from the NDRF, which coincides with the removal of 8 SBRF ships as required by the Consent Decree resulting from the California lawsuit. A total of 10 obsolete vessels are anticipated to complete their disposal action for FY 2012.

OBSOLETE VESSELS IN MARAD's CUSTODY BY FISCAL YEAR, FY 2002 - 2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
On Hand, Start of Year	132	133	132	138	143	152	130	111	94	79	66
Transfers In	7	2	16	17	33	1	11	4	1	2	3
Transfers Out	6	3	10	12	24	23	30	21	16	15	10
On the books end of year	133	132	138	143	152	130	111	94	79	66	59
Removed from the Fleets	6	2	15	18	25	20	25	14	12	14*	10*

Definitions: "Transfers In" refers to vessels from all sources that have changed in status from retention to non retention. "Transfers Out" refers to vessels that have been taken "off the books" because of a completed disposal, title transfer through vessel sale, donations or other transfer action. "Removed from the fleet" refers to vessels that have been physically removed from the fleet sites. Except for vessel sales and donations, vessels removed from the fleets are not counted as "Transfers Out" until the disposal action is completed. *Figures for 2011 and 2012 are projections.

Funding History:

(\$000) Ship Disposal	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	15,770	15,296	15,000	12,000	12,000	12,954
Enacted	17,820	14,000	12,000	12,000		

(\$000) Nuclear Ship Savannah	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	9,970	4,704	3,000	3,000	3,000	3,046
Enacted	2,970	3,000	3,000	3,000		

(\$000) Fleet Environmental Initiative	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested						2,500
Enacted						

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MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, \$174,000,000, to remain available until expended. *Note.—A full year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended.) The amounts included for 2011 reflect the annualized level provided by the continuing resolution.*

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

(In thousands of dollars)

Identification code 69-1711-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:				
0001	Maritime Security Payments	173,518	174,000	186,000
0900	Total new obligations	173,518	174,000	186,000
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	4,857	10,297	14,018
1021	Recoveries of prior year unpaid obligations	4,958	3,721	-
1050	Unobligated balance (total)	9,815	14,018	14,018
Budget authority:				
Appropriations, discretionary				
1100	Appropriation	174,000	174,000	174,000
1160	Appropriation, discretionary (total)	174,000	174,000	174,000
1900	Budget authority (total)	174,000	174,000	174,000
1930	Total budgetary resources available	183,815	188,018	188,018
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	10,297	14,018	2,018
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	20,386	18,472	-
3020	Obligated balance, start of year (net)	20,386	18,472	-
3030	Obligations incurred, unexpired accounts	173,518	174,000	186,000
3040	Outlays (gross)	-170,474	-188,751	-175,838
3080	Recoveries of prior year unpaid obligations, unexpired	-4,958	-3,721	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	18,472	0	10,162
3100	Obligated balance, end of year (net)	18,472	0	10,162
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	174,000	174,000	174,000
Outlays, gross:				
4010	Outlays from new discretionary authority	155,540	161,820	161,820
4011	Outlays from discretionary balances	14,934	26,931	14,018
4020	Outlays gross, (total)	170,474	188,751	175,838
4070	Budget authority, net (discretionary)	174,000	174,000	-
4080	Outlays, net (discretionary)	170,474	188,751	175,838
4180	Budget authority, net (total)	174,000	174,000	-
4190	Outlays, net (total)	170,474	188,751	175,838

MARITIME SECURITY PROGRAM

Program and Performance Statement

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

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

Object Class Code	<u>Object Class</u>	FY 2010 <u>Actual</u>	FY 2011 CR <u>Annualized</u>	FY 2012 <u>Request</u>
1410	Grants, claims and subsidies	<u>173,518</u>	<u>174,000</u>	<u>186,000</u>
9999	Total New Obligations	173,518	174,000	186,000

EXHIBIT III-1

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

	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR ANNUALIZED</u>	<u>FY 2012 REQUEST</u>	<u>CHANGE FY 2011-2012</u>
Maritime Security Program	174,000	174,000	174,000	-
Total	174,000	174,000	174,000	-
FTEs				
Direct Funded	-	-	-	-
Reimbursable, allocated, other	-	-	-	-

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

<u>Fiscal Year</u>	<u>Request</u>	<u>Enacted</u>
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	174,000
2011	174,000	
2012	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.

Justification for Maritime Security Program

(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010–FY 2012
Maritime Security Program	174,000	174,000	0
Total	\$174,000	\$174,000	\$0

I. Budget Request

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

The authorization for the Maritime Security Program, 46 U.S.C. 53106, provides for the planned increase in payments per vessel from \$2.9 million to \$3.1 million in FY 2012 through FY 2015. This is the second authorized payment increase within the construct of the 10-year sealift program commitment for 60 vessels. MARAD requests an appropriation of \$174 million for FY 2012, consistent with FY 2010, for the continuance of this critical, proven, and effective sealift program. Together with unobligated carry-over balances, this request will provide the total FY 2012 program obligation level of \$186 million necessary to meet the Administration's commitment of fully funding the program at the FY 2012 authorized level for the total 60 authorized MSP vessels at the full \$3.1 million level.

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

This funding is essential to the maintenance of an MSP fleet capable of supporting U.S. presence in foreign commerce, while also ensuring the military's ability to obtain assured access to a sufficient number of commercial vessels and mariners.

II. Program Performance

What is the program?

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

In FY 2012, the budget base consists solely of funds to make payments to MSP ship operators. The Maritime Security Act of 2003 authorizes up to 60 ships for MSP. For FY 2012, MARAD will fund MSP at the full authorized level of \$3.1 million for each of the 60 enrolled ships at a total program obligation level of \$186 million. Supporting staff salaries and benefits are funded by the Operations and Training account (MARAD Operations and Programs).

Program accomplishments anticipated in FY 2011 include activities to monitor the agreements with the ship owners to maintain the 60 ships enrolled in the program. In addition, MARAD will approve changes in MSP contracts that improve the quality of the MSP fleet to ensure the retention of modern and efficient ships and U.S. citizen crews. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available.

Why is this particular program necessary?

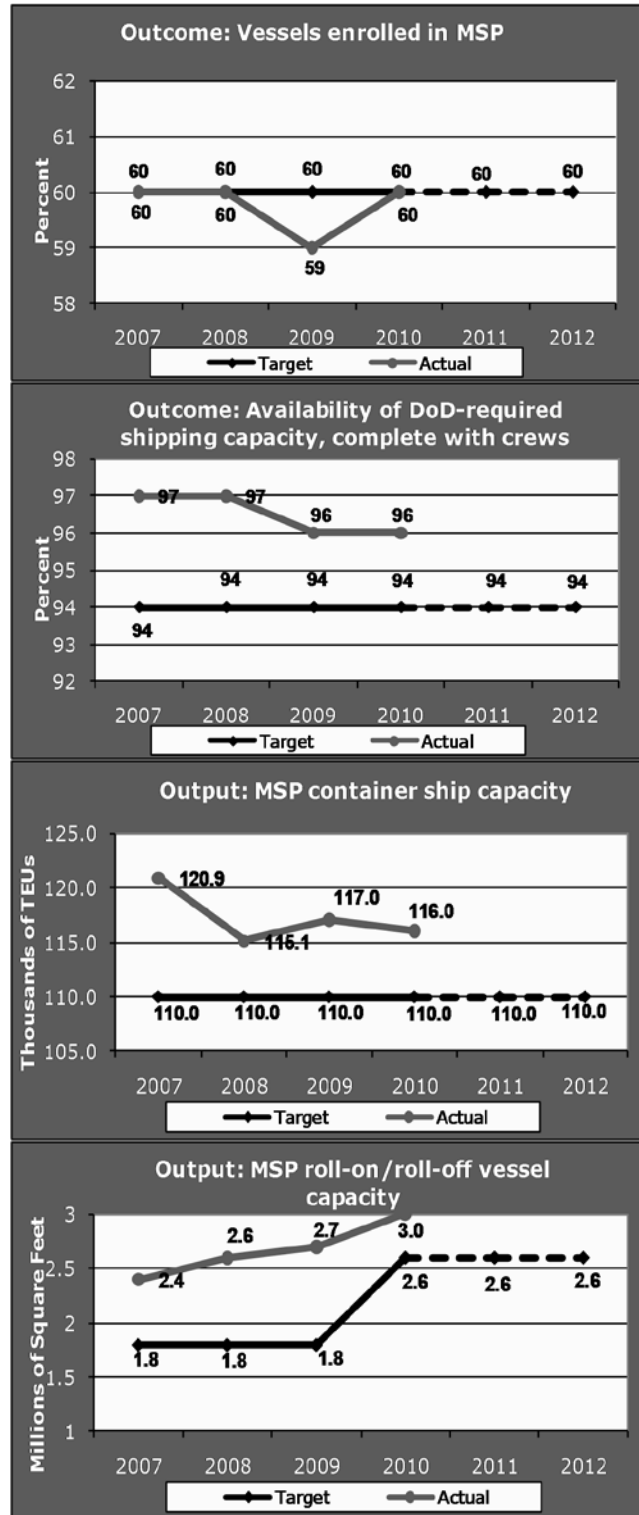
The Maritime Security Act of 2003 authorizes up to 60 ships for the MSP. The MSP ensures that the United States will have a fleet of active, commercially viable, militarily useful, privately owned U.S.-flag vessels to maintain a United States presence in international commercial shipping, while also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

How do you know the program works?

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

The project team found that current management procedures and processes used by the Maritime Administration are generally appropriate and effective for carrying out the objectives of the MSP. One of the key findings was that the MSP clearly has a positive impact on the number of U.S. commercial oceangoing cargo vessels available for military use.

Without the MSP, there would be a significant reduction in the number of U.S. flag ships and the costs to DOD would be at a much greater magnitude than the current costs for the MSP. Additionally, the MSP fleet provides employment for 2,400 U.S. merchant mariners, so a reduction in the fleet would mean a significant reduction in the U.S. mariner labor pool.



In FY 2012, we will continue to work towards meeting our annual target of 60 U.S.-flag vessels enrolled in the MSP. We also anticipate meeting or exceeding our target for 94 percent of sealift

capacity¹ and exceeding 110,000 containership TEU's by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels. We also anticipate meeting or exceeding 2.6 million square feet of roll-on/roll-off vessel capacity by ensuring that MSP operators replace older MSP vessels with newer, more modern and efficient vessels.

Funding History:

(\\$000) Maritime Security Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	154,440	154,440	174,000	174,000	174,000	174,000
Enacted	154,440	156,000	174,000	174,000		

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

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

(In thousands of dollars)

Identification code 69-1751-0-1-054	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:			
0001 Ocean Freight Differential - 20% Excess Freight	101,861	139,000	139,000
0002 Ocean Freight Differential - Incremental	25,502	35,000	35,000
0003 Ocean Freight Differential - Intrest to Treasury	146	1,000	1,000
0900 Total new obligations	<u>127,509</u>	<u>175,000</u>	<u>175,000</u>
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	26,288	449	-
1020 Adjustment of unobligated balance brought forward, Oct. 1	<u>-26,288</u>	<u>-</u>	<u>-</u>
1050 Unobligated balance (total)	-	449	-
Budget authority:			
Appropriations, mandatory:			
1200 Appropriation	149,665	175,000	175,000
1236 Appropriation applied to repay debt	<u>-149,070</u>	<u>-175,000</u>	<u>-175,000</u>
1260 Appropriations, mandatory (total)	595	-	-
Borrowing authority, mandatory:			
1400 Borrowing authority	<u>127,363</u>	<u>175,000</u>	<u>175,000</u>
1440 borrowing authority, mandatory (total)	127,363	175,000	175,000
1900 Budget authority (total)	<u>127,958</u>	<u>175,000</u>	<u>175,000</u>
1930 Total budgetary resources available	<u>127,958</u>	<u>175,000</u>	<u>175,000</u>
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	449	-	-
Change in obligated balance:			
Obligated blance, start of year (net):			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	<u>447</u>	<u>144</u>	<u>144</u>
3020 Obligated balance, start of year (net)	-	-	-
3030 Obligations incurred, unexpired accounts	<u>-127,509</u>	<u>-175,000</u>	<u>-175,000</u>
3040 Outlays (gross)	<u>-127,812</u>	<u>-175,000</u>	<u>-175,000</u>
Obligated balance, end of year (net):			
3090 Unpaid obligations, end of year (gross)	<u>144</u>	<u>144</u>	<u>144</u>
3100 Obligated balance, end of year (net)	144	144	144
Budget authority and outlays, net:			
Mandatory:			
4090 Budget authority, gross	127,363	175,000	175,000
Outlays, gross:			
4100 Outlays from new mandatory authority	127,363	175,000	175,000
4101 Outlays from mandatory balances	<u>449</u>	<u>-</u>	<u>-</u>
4160 Budget authority, net (mandatory)	<u>127,812</u>	<u>175,000</u>	<u>175,000</u>
4170 Outlays, net (mandatory)	<u>127,812</u>	<u>175,000</u>	<u>175,000</u>
4180 Budget authority, net (total)	127,958	175,000	175,000
4190 Outlays, net (total)	127,812	175,000	175,000

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. P.L. 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.

Justification for Ocean Freight Differential (OFD)

(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010–FY 2012
Ocean Freight Differential	127,959	175,000	47,041
Total	\$127,959	\$175,000	\$47,041

I. Budget Request

What is the request and what will we get for the funds? MARAD estimates that \$175 million in new borrowing authority will be needed to fund the Ocean Freight Differential program for FY 2012. OFD funds are not requested in annual appropriations, but are provided via a permanent indefinite authority commensurate with freight differential requests from USDA.

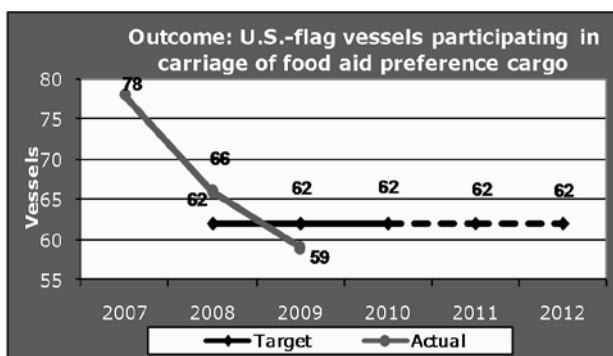
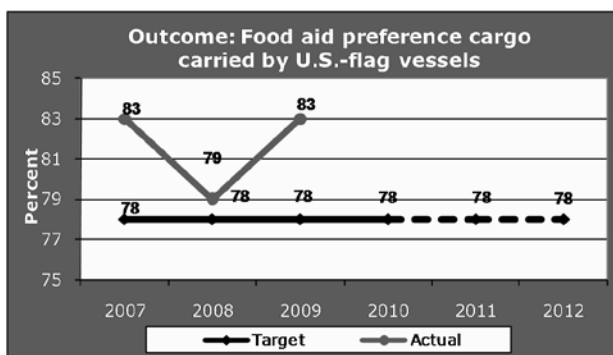
Why do we want/need to fund this program at the requested level? These funds are required to pay the Department of Agriculture’s Commodity Credit Corporation to offset anticipated additional costs to ship humanitarian food aid cargo on U.S.-flag vessels versus foreign-flag vessels in accordance with the Food Security Act of 1985.

II. Program Performance

What is the program? The ocean freight differential is the difference in cost incurred in the movement of ocean cargoes. In general, when applied to cargo preference policy implementation, it is the cost difference between using U.S. flag carriers and foreign-flag carriers. When the USDA and the U.S Agency for International Development (USAID) provide food assistance to overseas beneficiaries, cargo preference laws require that at least 75 percent of the total tonnage be shipped on U.S.-flagged vessels. MARAD is required to reimburse the U.S. government agencies that sponsor these food-aid shipments for the increase in ocean freight differential associated with compliance with this U.S.-flag shipping requirement. By promoting and advancing U.S. transportation interests abroad, the OFD program contributes to the Department’s economic competitiveness goal.

Why is this particular program necessary? The OFD program reimburses U.S. government agencies for that portion of the ocean freight differential incurred in contracting with U.S.-flagged vessels to comply with the minimum tonnage requirements. MARAD uses incentives to encourage operation of vessels under U.S. registry, essential to economic competitiveness.

How do you know the program works¹? In FY 2012, we anticipate meeting or exceeding our target of 78 percent of food aid preference cargo



¹ The OFD program will have FY 2010 actual data in May 2011.

carried by U.S.-flag vessels. We will also focus on increasing the number of U.S.-flag vessels participating in the program to meet or exceed our goal of 62.

Funding History:

(<i>\$000</i>) Ocean Freight Differential	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Requested	244,000	120,000	175,000	175,000	175,000	175,000
Enacted	197,559	201,726	175,785	127,959		

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

(In thousands of dollars)

Identification code 69-70-1710-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:				
801	Ready Reserve Force	-	407,130	407,130
901	Total new obligations	-	407,130	407,130
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	2,323	2,333	2,333
1021	Unobligated balance: Prior Year Recoveries	10	-	-
1050	Unobligated balance (total)	2,333	2,333	2,333
Budget authority:				
Appropriations, discretionary:				
1100	Appropriation	-	-	-
1160	Appropriation, discretionary (total)	-	-	-
1700	Change in uncollected payments, Federal sources	-	407,130	407,130
1701	Spending auth from offsetting collections, disc (total)	-	-	-
1750	Spending auth from offsetting collections, disc - Computed totals	-	407,130	407,130
1900	Budget authority (total)	-	407,130	407,130
1930	Total budgetary resources available	2,333	409,463	409,463
Memorandum (non-add) entries:				
1940	Unobligated balance expiring	-	-	-
1941	Unexpired unobligated balance, end of year	2,333	2,333	2,333
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	10	-10	40,703
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-	-	-
3020	Obligated balance, start of year (net)	10	-10	40,703
3030	Obligations incurred, unexpired accounts	-10	407,130	407,130
3031	Obligations incurred, expired accounts	-	-	-
3040	Outlays (gross)	-	-366,417	-407,130
3050	Change in uncollected pymts, Fed sources, unexpired	-	-	-
3051	Change in uncollected pymts, Fed sources, expired	-	-	-
3080	Recoveries of prior year unpaid obligations, unexpired	-10	-	-
3081	Recoveries of prior year unpaid obligations, expired	-	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	-10	407,130	407,130
3091	Uncollected pymts, Fed sources, end of year	-	-	-
3100	Obligated balance, end of year (net)	-10	407,130	407,130
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	-	407,130	407,130
Outlays, gross:				
4010	Outlays from new discretionary authority	-	366,417	366,417
4011	Outlays from discretionary balances	-	-	40,713
4020	Outlays, gross (total)	-	366,417	407,130
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources	-	-407,130	-407,130

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

(In thousands of dollars)

Identification code 69-70-1710-0-1-403	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
4033 Non-Federal sources	-	-	-
4040 Offsets against gross budget authority and outlays (total)	-	-407,130	-407,130
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-	-	-
4052 Offsetting collections credited to expired accounts	-	-	-
4060 Additional offsets against budget authority only (total)	-	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	-	-40,713	-
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-	-40,713	-

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. Resources for RRF vessel maintenance, activation and operation costs, as well as RRF infrastructure support costs and additional Department of Defense/Navy-sponsored sealift activities and special projects, are provided by reimbursement from the Department of Defense Sealift Fund.

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

Object Class Code	Object Class	FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
	Reimbursable obligations:			
2111	Full-time permanent	-	28,500	28,500
2113	Total personnel compensation	-	28,500	28,500
2121	Benefits for former personnel	-	7,000	7,000
2210	Travel and transportation of persons	-	1,000	1,000
2231	Rental Payments to GSA	-	3,233	3,233
2232	Rental Payments to Others	-	13,000	13,000
2233	Communications, utilities & misc. charges	-	11,000	11,000
2252	Other Services	-	318,397	318,397
2260	Supplies and materials	-	6,000	6,000
2310	Equipment	-	3,000	3,000
2410	Grants, subsidies, and contributions	-	1,000	1,000
2420	Insurance claims and indemnities	-	15,000	15,000
9999	Total New Obligations	-	407,130	407,130

Employment Summary

Ready Reserve Force		FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
Reimbursable:				
2001	Civilian full-time equivalent employment	-	333	333
Total Employment		-	333	333

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

(In thousands of dollars)

Identification code 69-70-4303-0-1-403	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:			
0801 Vessel operations	353,710	5,000	5,000
0900 Total new obligations	353,710	5,000	5,000
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	94,507	41,612	41,612
1021 Recoveries of prior year unpaid obligations	11,000	-	-
1050 Unobligated balance (total)	105,507	41,612	41,612
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	-	-	-
1160 Appropriation, discretionary (total)	-	-	-
1700 Change in uncollected payments, Federal sources	367,048	5,000	5,000
1701 Spending auth from offsetting collections, disc (total)	-77,233	-	-
1750 Spending auth from offsetting collections, disc (total)- Computed totals	289,815	5,000	5,000
1900 Budget authority (total)	289,815	5,000	5,000
1930 Total budgetary resources available	395,322	46,612	46,612
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-	-	-
1941 Unexpired unobligated balance, end of year	41,612	41,612	41,612
Change in obligated balance:			
Obligated balance, start of year (net):			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	158,351	144,957	144,957
3010 Uncollected pymts, Fed sources, brought forward, Oct 1	-128,591	-51,358	-51,358
3020 Obligated balance, start of year (net)	29,760	93,599	93,599
3030 Obligations incurred, unexpired accounts	353,710	5,000	5,000
3040 Outlays (gross)	-356,104	-5,000	-6,000
3050 Change in uncollected pymts, Fed sources, unexpired	77,233	-	-
3051 Change in uncollected pymts, Fed sources, expired	-	-	-
3080 Recoveries of prior year unpaid obligations, unexpired	-11,000	-	-
3081 Recoveries of prior year unpaid obligations, expired	-	-	-
Obligated balance, end of year (net):			
3090 Unpaid obligations, end of year (gross)	144,957	144,957	143,957
3091 Uncollected pymts, Fed sources, end of year	-51,358	-51,358	-51,358
3100 Obligated balance, end of year (net):	93,599	93,599	92,599
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	289,815	5,000	5,000
Outlays, gross:			
4010 Outlays from new discretionary authority	227,967	5,000	5,000
4011 Outlays from discretionary balances	128,137	-	500
4020 Outlays, gross (total)	356,104	5,000	5,500
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-366,985	-5,000	-5,000
4033 Non-Federal sources	-63	-	-
4040 Offsets against gross budget authority and outlays (total)	-367,048	-5,000	-5,000
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	77,233	-	-
4052 Offsetting collections credited to expired accounts	-	-	-
4060 Additional offsets against budget authority only (total)	77,233	-	-
4070 Budget authority, net (discretionary)	-	-	-
4080 Outlays, net (discretionary)	-10,943	-	500
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-10,943	-	500

VESSEL OPERATION REVOLVING FUND

Program and Performance Statement

The Maritime Administration (MARAD) is authorized to reactivate, maintain, operate, and deactivate government-owned merchant vessels comprising the National Defense Reserve Fleet (NDRF) and the Ready Reserve Force (RRF), a subset of the NDRF. Resources for RRF vessel maintenance, preservation, activation and operation costs, as well as RRF infrastructure support costs and additional DOD/Navy-sponsored sealift activities and special projects, are provided by reimbursement from the Department of Defense Sealift Fund. In 2011 and thereafter, these interagency agreement transactions will be reflected in the Ready Reserve Force account instead of the Vessel Operations Revolving Fund.

The fund is also authorized for the receipt of sales proceeds from the disposition of obsolete vessels. Direct appropriations for the disposal of obsolete government owned merchant vessels are provided to a separate account within the ship disposal program.

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

Object Class Code	Object Class	FY 2010 <u>Actual</u>	FY 2011 CR <u>Annualized</u>	FY 2012 <u>Request</u>
	Reimbursable obligations:			
2111	Full-time permanent	27,991	-	-
2113	Other than full-time permanent	492		
2115	Other than full-time permanent	2,883	-	-
2119	Total personnel compensation	31,366	-	-
2121	Benefits for former personnel	8,241	-	-
2210	Travel and transportation of persons	1,273	-	-
2200	Travel and transportation of persons	69		
2231	Rental Payments to GSA	3,043	-	-
2232	Rental Payments to Others	12,024	-	-
2233	Communications, utilities & misc. charges	11,772	-	-
2240	Printing and Reproduction	46		
2251	Advisory and assistance services	2,841		
2252	Other Services	4,195	-	-
2253	Other goods and services from federal sources	4,824		
2254	Operation and maintenance of facilities	260,632	5,000	5,000
2256	Medical care	91		
2257	Operation and maintenance of equipment	4,128		
2260	Supplies and materials	7,770	-	-
2310	Equipment	1,395	-	-
2410	Grants, subsidies, and contributions	-	-	-
9999	Total New Obligations	353,710	5,000	5,000

Employment Summary

Vessel Operations Revolving Fund		FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
Reimbursable:				
2001	Civilian full-time equivalent employment	<u>304</u>	<u>-</u>	<u>-</u>
Total Employment		304	-	-

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

(In thousands of dollars)

Identification code 69-4302-0-1-403	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:			
0001 General Administration	65	-	-
0900 Total new obligations	65	-	-
Obligations by program activity:			
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	45,773	46,183	46,183
1050 Unobligated balance (total)	45,773	46,183	46,183
Spending authority from offsetting collections, discretionary:			
1701 Change in uncollected payments, Federal Sources	475	-	-
1750 Spending auth from offsetting collections, disc (total)	475	-	-
Budget authority:			
Appropriations, discretionary			
1930 Total budgetary resources available	46,248	46,183	46,183
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	46,183	46,183	46,183
Budget authority and outlays, net:			
Discretionary:			
4180 Budget authority, net (total)	-	-	-
4190 Outlays, net (total)	-	-	-
Memorandum (non-add) entries:			
5000 Total Investments, SOY: Federal securities: Par value	29,402	44,258	44,258
5001 Total Investments, EOY: Federal securities: Par value	44,258	44,258	44,258

WAR RISK INSURANCE REVOLVING FUND

Program and Performance Statement

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

**MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT
(INCLUDING TRANSFER OF FUNDS)
(CANCELLATION OF UNOBLIGATED BALANCES)**

For necessary administrative expenses of the maritime guaranteed loan program, [\$3,688,000] \$3,740,000 shall be paid to the appropriation for "Operations and Training", Maritime Administration[.]: *Provided, That, of the unobligated balance of funds made available for obligation under Public Law 110-329 and Public Law 111-118, \$54,100,000 are hereby permanently cancelled.*

Note.—A full year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended.) The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

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

(In thousands of dollars)

Identification code 69-1752-0-1-403	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:			
0702 Loan guarantee subsidy	1,400	16,349	10,520
0707 Reestimates of loan guarantee subsidy	31,961	41,713	-
0708 Interest on reestimates of loan guarantee subsidy	23,801	40,713	-
0709 Administrative Expenses	4,000	4,000	3,740
0900 Total new obligations	61,162	102,775	14,260
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	42,907	76,612	65,263
1021 Recoveries of prior year unpaid obligations	191	-	-
1050 Unobligated balance (total)	43,098	76,612	65,263
Budget authority:			
Appropriations, discretionary			
1100 Appropriation	9,000	9,000	3,740
1131 Unobligated balance of appropriations permanently reduced	-	-	-54,100
1160 Appropriation, discretionary (total)	9,000	9,000	-50,360
Appropriations, mandatory:			
1200 Appropriation	55,762	82,426	-
1260 Appropriations, mandatory (total)	55,762	82,426	-
1700 Collected			
1750 Spending auth from offsetting collections, disc (total)	29,914	-	-
1900 Budget authority (total)	94,676	91,426	-50,360
1930 Total budgetary resources available	137,774	168,038	14,903
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	76,612	65,263	643
Change in obligated balance:			
Obligated balance, start of year (net):			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	2,121	-	-
3020 Obligated balance, start of year (net)	2,121	-	-
3030 Obligations incurred, unexpired accounts	61,162	102,775	14,260
3040 Outlays (gross)	-63,283	-102,775	-14,260
3080 Recoveries of prior year unpaid obligations, unexpired	-	-	-
Obligated balance, end of year (net):			
3090 Unpaid obligations, end of year (gross)	-	-	-
3100 Obligated balance, end of year (net)	-	-	-
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	38,914	9,000	-50,360
Outlays, gross:			
4010 Outlays from new discretionary authority	5,400	9,000	3,740
4011 Outlays from discretionary balances	1,666	11,160	11,280

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

(In thousands of dollars)

Identification code 69-1752-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
4020	Outlays gorss, (total)	7,066	20,160	15,020
	Offsets against gross budget auhtority and outlays: Offsetting collections (collected) from:			
4030	Federal sources	29,914	-	-
	Additional offsets against gross budget authority only:			
4060	Additional offsets against budget authority only (total)	-	-	-
4070	Budget authority, net (discretionary)	9,000	9,000	-50,360
4080	Outlays, net (discretionary)	-22,848	20,160	15,020
	Mandatory:			
4090	Budget authority, gross	55,762	82,426	-
	Outlays, gross:			
4100	Outlays from new mandatory authority	55,762	82,426	-
4106	Budget authority, net (mandatory)	55,762	82,426	-
4170	Outlays, net (mandatory)	55,762	82,426	-
4180	Budget authority, net (total)	64,762	91,426	-50,360
4190	Outlays, net (total)	32,914	102,586	15,020

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM

Program and Performance Statement

Title XI maritime loan guarantees provide for a full faith and credit guarantee of debt obligations issued by U.S or foreign shipowners to finance or refinance either U.S.-flag vessels or eligible export vessels constructed, reconstructed or reconditioned in U.S. shipyards; or 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 paid to the Operations and Training account. No new funds for loan guarantees are requested for 2012, and of the unrequested amounts made available to MARAD in fiscal year 2009 and fiscal year 2010 Department of Defense Appropriations, \$54.1 million is proposed for cancellation in the 2012 budget.

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

Object Class Code	<u>Object Class</u>	FY 2010 <u>Actual</u>	FY 2011 CR <u>Annualized</u>	FY 2012 <u>Request</u>
1252	Other services	5,400	20,232	14,260
1410	Grants, subsidies, and contributions	<u>55,762</u>	<u>82,426</u>	<u>-</u>
9999	Total New Obligations	61,162	102,658	14,260

EXHIBIT III-1

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

	FY 2010 ACTUAL	FY 2011 CR ANNUALIZED	FY 2012 REQUEST	CHANGE FY 2011-2012
Maritime Guaranteed Loan Program	9,000	9,000	3,740	-5,260
Total	9,000	9,000	3,740	-5,260
FTEs				
Direct Funded 1/	[17]	[20]	[21]	[1]

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

EXHIBIT III-1a

**MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)
SUMMARY ANALYSIS OF CHANGE FROM FY 2011 TO FY 2012
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

Item	Change from FY 2011 to FY 2012	Total
FY 2011 CR Annualized		
Maritime Guaranteed Loan Program (Title XI)		\$9,000
Adjustments to Base		
Less: One Compensable Day	-11	
Annualization of FTE	137	
GSA Rent	-7	
Working Capital Fund	145	
Non-Salary Inflation (0.5%)	3	
Subtotal, Adjustments to Base	\$267	\$267
New or Expanded Programs		
Administrative Expenses	-527	
Loan Subsidy	-5,000	
Subtotal, New or Expanded Program Increases/ Decreases		-\$5,527
Total FY 2012 Request		\$3,740

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

<u>Fiscal Year</u>		<u>Request</u>	<u>Enacted</u>
2003	Guarantee Subsidy	-	25,000
	Administration	4,126	4,482
	Rescission of Unobligated Balance	-	-
	TOTAL	4,126	29,099 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	-	5,000
	Administration	3,630	4,000
	Rescission of Unobligated Balance	-	-
	TOTAL	3,630	9,000
2011	Guarantee Subsidy	-	-
	Administration	3,688	-
	Rescission of Unobligated Balance	-	-
	TOTAL	3,688	-
2012	Guarantee Subsidy	-	-
	Administration	3,740	-
	Rescission of Unobligated Balance	-	-
	TOTAL	3,740	-

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.

Justification for the Title XI Guaranteed Loan Program

(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010–FY 2012
Administrative Expenses	4,000	3,740	-260
Title XI Program Subsidies	5,000	0	-5,000
Total	\$9,000	\$3,740	-\$5,260

I. Budget Request

What is the request and what will we get for the funds? For FY 2012, \$3.7 million is requested for administrative expenses for the Maritime Guaranteed Loan Program, \$260 thousand below FY 2010. No new subsidy funds are requested for additional ship construction loan guarantees in 2012. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act.

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

The funding at this level will support the administrative expenses to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio management. MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio and asset management.

II. Program Performance

What is the program?

The primary purpose of the Maritime Guaranteed Loan program is to promote the growth and modernization of the U.S. Merchant Marine and U.S. shipyards, providing expanded opportunities for business. The program enables owners of eligible vessels and eligible shipyards to obtain long-term financing with attractive terms and stable interest rates. Vessels eligible for Title XI assistance generally include commercial vessels such as: ferries, bulk, container, cargo, tankers, tugs, towboats, barges, dredges, oceanographic research, floating power barges, offshore oil rigs and support vessels, and floating drydocks. Eligible technology generally includes proven technology, techniques and processes to enhance the productivity and quality of shipyards, and novel techniques and processes designed to improve shipbuilding and related industrial production which advances the U.S. shipbuilding state-of-the-art.

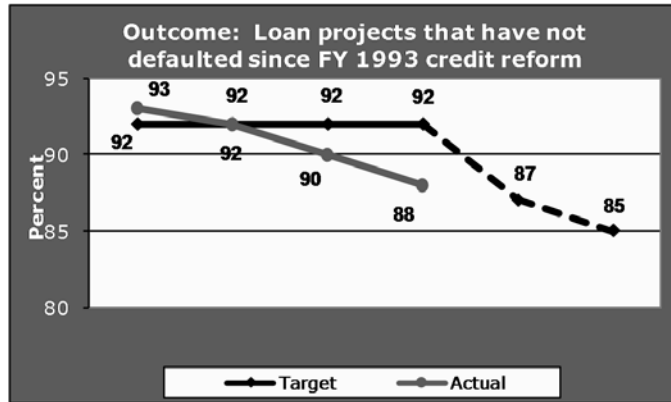
Why is this particular program necessary?

The Maritime Guaranteed Loan Program promotes the growth and modernization of the U.S. merchant marine and U.S. shipyards by enabling owners of eligible vessels and shipyards to obtain long-term financing on terms and conditions that might not otherwise be available for projects that are technically, financially and economically sound. All companies in the Title XI portfolio undergo periodic financial reviews and companies with higher potential for default receive additional monitoring. Vessels financed by the Title XI program directly contribute to the ability of the United States to carry its domestic and foreign waterborne commerce.

How do you know the program works?

Between FY 2003 and FY 2005, the Title XI program was independently evaluated by the Department of Transportation's Inspector General (DOT IG) and the U.S. Government Accountability Office (GAO). Both evaluations included specific recommendations to program management to support program improvements and increase program effectiveness.

The agency manages to Title XI program performance measures, including tracking Title XI loan guarantee projects that have not defaulted. The program did not achieve its objective in FY 2009 and FY 2010.



Funding History:

(\$000)		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Maritime Guaranteed Loans (Title XI) – Administrative Expenses							
Requested		3,317	0 ¹	3,531	3,630	4,000	3,740
Enacted		4,085	3,408	3,531	4,000		

(\$000)		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Loan Subsidies							
Requested		0	0	0	0	0	0
Enacted		0	5,000	0	5,000		

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

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

(In thousands of dollars)

Identification code 69-4304-0-1-054		FY 2010	FY 2011 CR	FY 2012
		Actual	(Annualized)	Request
Obligations by program activity:				
0003	Default related activities	241,747	10,000	10,000
	Credit program obligations			
0711	Default claim payments on principal	-	76,977	75,209
0712	Default claim payments on interest	-	4,000	4,000
0713	Payment of interest to Treasury	10,897	12,000	12,000
0742	Downward reestimate paid to receipt account	23,569	10,286	-
0743	Interest on downward reestimate	20,230	10,023	-
0791	Direct program activity, subtotal	<u>54,696</u>	<u>113,286</u>	<u>91,209</u>
0900	Total new obligations	296,443	123,286	101,209
Budgetary resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	249,796	179,794	220,166
1021	Recoveries of prior year unpaid obligations	334	-	-
1050	Unobligated balance (total)	<u>250,130</u>	<u>179,794</u>	<u>220,166</u>
Borrowing authority, mandatory:				
1400	Borrowing authority	183,000	50,000	-
1440	borrowing authority, mandatory (total)	<u>183,000</u>	<u>50,000</u>	<u>-</u>
Spending authority from offsetting collections, mandatory:				
1800	Collected	79,963	113,658	20,280
1801	Change in uncollected payments, Federal sources	-1,856	-	-
1825	Spending authority from offsetting collections mand. (total)	<u>-35,000</u>	<u>-</u>	<u>-</u>
1850	Spending auth from offsetting collections, mand (total)	43,107	113,658	20,280
1900	Budget authority (total)	226,107	163,658	20,280
1930	Total budgetary resources available	<u>476,237</u>	<u>343,452</u>	<u>240,446</u>
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	179,794	220,166	139,237
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	1,679	3,205	35,491
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	<u>-1,856</u>	<u>-</u>	<u>-</u>
3020	Obligated balance, start of year (net)	-177	3,205	35,491
3030	Obligations incurred, unexpired accounts	-296,443	-123,286	-101,209
3040	Outlays (gross)	-294,917	-91,000	-89,500
3050	Change in uncollected pymts, Fed sources, unexpired	1,856	-	-
3090	Unpaid obligations, end of year (gross)	<u>3,205</u>	<u>35,491</u>	<u>47,200</u>
3100	Obligated balance, end of year (net)	3,205	35,491	47,200
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	226,107	163,658	20,280
Financing disbursements:				
4110	Financing disbursements, gross	294,917	91,000	89,500
4120	Payments from program account- Upward Reestimate	-58,828	-82,426	-
4120	Federal sources	-	-16,349	-10,520
4122	Interest on uninvested funds	-17,054	-	-
4123	Loan repayment	-4,081	-	-
4123	Fees collected	<u>-</u>	<u>-15,000</u>	<u>-9,000</u>
4130	Offsets against gross financing auth and disbursements (total)	<u>-79,963</u>	<u>-113,775</u>	<u>-19,520</u>

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

(In thousands of dollars)

Identification code 69-4304-0-1-054	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Additional offsets against, financing authority only (total):			
4140 Change in uncollected pymts, Fed sources, unexpired	1,856	-	-
4150 Additional offsets against, budget authority only (total)	1,856	-	-
4160 Financing authority, net (mandatory)	148,000	50,000	-
4170 Outlays, net (mandatory)	214,954	-22,775	69,980
4180 Budget authority, net (total)	148,000	50,000	-
4190 Outlays, net (total)	214,954	-22,775	69,980

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

Identification code 69-4304-0-3-999	FY 2010 Actual	FY 2011 Annualized CR	FY 2012 Estimate
Position with respect to appropriations act limitation on commitments:			
2131 Guaranteed loan commitments exempt from limitation	22,544	312,000	182,000
2150 Total guaranteed loan commitments	22,544	312,000	182,000
Guaranteed amount of guaranteed loan commitments			
2199	-	-	-
2210 Outstanding start of year	2,441,098	2,028,217	2,041,567
2231 Disbursements of new guaranteed loans	63,574	312,000	182,000
2251 Repayments and prepayments	-254,455	-217,673	-224,768
2262 Adjustments: Terminations for default	-222,000	-80,977	-79,209
2290 Outstanding end of year	2,028,217	2,041,567	1,919,590
Memorandum:			
2299 Amount of guaranteed loans outstanding end of year	2,028,217	2,041,567	1,919,590

MARITIME GUARANTEED LOAN (TITLE XI) FINANCING ACCOUNT

Program and Performance Statement

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

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

Identification code 69-4304-0-3-999		FY 2009	FY 2010
		Actual	Actual
ASSETS:			
FEDERAL ASSETS:			
1101	Fund balance with Treasury	249,491	182,665
1106	Receivables, net	<u>20,000</u>	<u>141,700</u>
1999	Total assets	269,491	324,365
LIABILITIES:			
2204	Non-Federal liabilities: liabilities for loan guarantees	<u>269,491</u>	<u>324,365</u>
2999	Total liabilities	269,491	324,365
4999	Total liabilities and net position	269,491	324,365

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

(In thousands of dollars)

Identification code 69-5560-0-1-403	FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:			
0001 Port of Guam	-	50,060	-
0100 Direct Program activity, subtotal	-	50,060	-
0801 Reimbursable Program	1,940	50,000	-
0900 Total new obligations	1,940	100,060	-
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	-	50,060	-
1050 Unobligated balance (total)	-	50,060	-
Budget authority:			
Appropriations, discretionary			
1121 Appropriation, transferred from other accounts [97-0100]	50,000	-	-
1160 Appropriation, discretionary (total)	50,000	-	-
Spending authority from offsetting collections, discretionary:			
1701 Change in uncollected payments, Federal Sources	2,000	50,000	-
1750 Spending auth from offsetting collections,	2,000	50,000	-
1900 Budget authority (total)	52,000	50,000	-
1930 Total budgetary resources available	52,000	100,060	-
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	50,060	-	-
Change in obligated balance:			
Obligated balance, start of year (net):			
3000 Unpaid obligations, brought forward, Oct 1 (gross)	-	1,772	-
3020 Obligated balance, start of year (net)	-	1,772	-
3030 Obligations incurred, unexpired accounts	1,940	100,060	-
3040 Outlays (gross)	-168	-51,832	-
Obligated balance, end of year (net):			
3050 Change in uncollected pymts, Fed sources, unexpired	-2,000	-50,000	-
3090 Unpaid obligations, end of year (gross)	1,772	50,000	-
3091 Uncollected pymts, Fed sources, end of year	-2,000	-50,000	-
3100 Obligated balance, end of year (net)	-228	-	-
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	52,000	50,000	-
Outlays, gross:			
4010 Outlays from new discretionary authority	168	50,000	-
4011 Outlays from discretionary balances	-	51,832	-
4020 Outlays gorss, (total)	168	101,832	-
Offsetting collections (collected) from:			
4030 Federal sources	-	-50,000	-
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	-2,000	-50,000	-
4052 Offsetting collections credited to expired accounts	-	50,000	-
4060 Additional offsets against gross budget authority only (total)	-2,000	-	-
4070 Budget authority, net (discretionary)	50,000	-	-
4080 Outlays, net (discretionary)	168	51,832	-
4180 Budget authority, net (total)	50,000	-	-
4190 Outlays, net (total)	168	51,832	-

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

Object Class Code	Object Class	FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
1253	Other goods and services from federal sources	-	1,500	-
1410	Grants, subsidies, and contributions	-	48,500	-
1990	Subtotal , direct obligations	-	50,000	-

Object Class Code	Object Class	FY 2010 Actual	FY 2011 CR Annualized	FY 2012 Request
2252	Other goods and services from federal sources	1,940	-	-
2410	Grants, subsidies, and contributions	-	50,060	-
2990	Subtotal , direct obligations	1,940	50,060	-
9999		1,940	100,060	-

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

(In thousands of dollars)

Identification code 69-8547-0-1-403		FY 2010 Actual	FY 2011 CR (Annualized)	FY 2012 Request
Obligations by program activity:				
0001	Special Studies	28,201	14,314	-
0002	Gifts and Bequests	475	1,701	490
0100	Total direct program - Subtotal (running)	<u>28,676</u>	<u>16,015</u>	<u>490</u>
0900	Total new obligations (object class 25.2)	28,676	16,015	490
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	2,027	15,525	-
1021	Unobligated balance: Prior Year Recoveries	84	-	-
1050	Unobligated balance (total)	<u>2,111</u>	<u>15,525</u>	<u>-</u>
Budget authority:				
Appropriations, mandatory:				
1202	Appropriation (8547)	42,090	-	-
1202	Appropriation (8503)	-	490	490
1260	Appropriations, mandatory (total)	<u>42,090</u>	<u>490</u>	<u>490</u>
1900	Budget authority (total)	<u>44,201</u>	<u>16,015</u>	<u>490</u>
1930	Total budgetary resources available	44,201	16,015	490
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	15,525	-	-
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	20,752	21,222	-
3020	Obligated balance, start of year (net)	<u>20,752</u>	<u>21,222</u>	<u>-</u>
3030	Obligations incurred, unexpired accounts	28,676	16,015	490
3040	Outlays (gross)	-28,122	-37,237	-490
3080	Recoveries of prior year unpaid obligations, unexpired	-84	-	-
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	<u>21,222</u>	<u>-</u>	<u>-</u>
3100	Obligated balance, end of year (net)	21,222	-	-
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	<u>42,090</u>	<u>16,015</u>	<u>490</u>
Outlays, gross:				
4100	Outlays from new mandatory authority	8,655	490	490
4101	Outlays from mandatory balances	19,467	36,747	-
4110	Outlays, gross (total)	<u>28,122</u>	<u>37,237</u>	<u>490</u>
4160	Budget authority, net (mandatory)	<u>42,090</u>	<u>490</u>	<u>490</u>
4170	Outlays, net (mandatory)	<u>28,122</u>	<u>37,237</u>	<u>490</u>
4180	Budget authority, net (total)	42,090	490	490
4190	Outlays, net (total)	28,122	37,237	490

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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 therefor 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. *Note.—A full year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended.) The amounts included for 2011 reflect the annualized level provided by the continuing resolution.*

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REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS

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

SEC. 3506. REPORTING OF ADMINISTERED AND OVERSIGHT FUNDS.

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

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

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

	<u>FY 2009</u>	<u>FY 2010</u>
<u>Appropriated Funds</u>		
Operations and Training	123,360	149,750
Assistance to Small Shipyards	117,500 ^{1/}	15,000
Ship Disposal Program	15,000	15,000
Maritime Security Program	174,000	174,000
Port of Guam Improvement Enterprise Fund	-	50,000 ^{2/}
Maritime Guaranteed Loan Program (Title XI)	3,531	9,000
Subtotal, Appropriated Funds	433,391	412,750
<u>Other Budget Authority:</u>		
Ocean Freight Differential	175,785	175,000
Maritime Guaranteed Loan Programs - Subsidy Reestimate	55,619	55,762
Subtotal, Other Budget Authority	231,404	230,762
<u>Non-appropriated Funds:</u>		
Vessel Operations Revolving Fund	433,998	360,926
Operations and Training	17,135	13,690
Maritime Guaranteed Loan Program (Title XI)	48,000 ^{3/}	29,912 ^{4/}
Gifts and Bequests	1,102	491
Special Studies, Services, and Projects	-	41,600
FHWA Allocations	22,334	4,550
OST Allocations	-	120,440
Non-Appropriated Funding Instrumentalities (NAFIs)	13,378	10,297
Subtotal, Non-Appropriated Funds	535,947	581,906
Total Funds	1,200,742	1,225,418

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

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

3/ Includes reimbursable funding provided to MARAD from the Department of Defense per P.L. 110-329.

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

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 2010, while the agency's appropriations totaled \$413 million, the table above illustrates that the total program scope was over \$1.2 billion.

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

Vessel Operations Revolving Fund

The Vessel Operations and Revolving Fund (VORF) was authorized under 46 USC 50301 for use of the Secretary of Transportation in carrying out duties, and powers related to vessel operations, including charter, operation, maintenance, repair, reconditioning, and improvement of vessels under the jurisdiction of the Secretary. The Fund is available for expenses incurred in activating, repairing, and deactivating merchant vessels chartered under the jurisdiction of the Secretary. Receipts from charter operations of Government owned vessels under the jurisdiction of the Secretary are to be credited to the Fund. In addition, 16 USC 5405 authorizes the Fund to receive receipts attributable to the sale of obsolete vessels in the National Defense Reserve Fleet (NDRF) that are scrapped or sold.

Operations & Training

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 and Anchorage. 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, with additional projects under this program in later phases. The Anchorage project is a major redevelopment and expansion of the existing port facility. Reimbursements 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.

Maritime Guaranteed Loan Program (Title XI)

Title XI subsidy funds were provided to the Maritime Administration from the Department of Defense in FY 2009 (\$48 million per Public Law 110-329) and FY 2010 (\$29.9 million per Public Law 111-118).

Gifts and Bequests

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

Special Studies, Services and Projects

MARAD may receive funding from non-Federal sources, including states, municipalities, and private entities for collaborative, cost-sharing efforts advancing maritime missions. Notably, in FY 2010, MARAD received \$41.6 million from the Port of Anchorage Municipality for the redevelopment and expansion of the port facility.

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 has received allocations of ARRA funds from FHWA to support port development projects.

OST Allocations

The Office of the Secretary of Transportation (OST) can allocate funds for MARAD programs. For instance, the TIGER (Transportation Investment Generating Economic Recovery) Discretionary Grant Program was included in the Recovery Act to spur a national competition for innovative, multi-modal and multi-jurisdictional transportation projects that promise significant economic and environmental benefits to an entire metropolitan area, as region or the nation. The Secretary's program provided \$120.4 million in FY 2010 for grants for seven Marine Highway projects, including projects in Alaska, California (2), Illinois, Maine, Mississippi, and Rhode Island.

Non-Appropriated Funding Instrumentalities (NAFIs)

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