U.S. Department of Transportation

BUDGET ESTIMATES

FISCAL YEAR 2009

MARITIME ADMINISTRATION

SUBMISSION FOR USE OF
THE COMMITTEES ON APPROPRIATIONS

DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2009

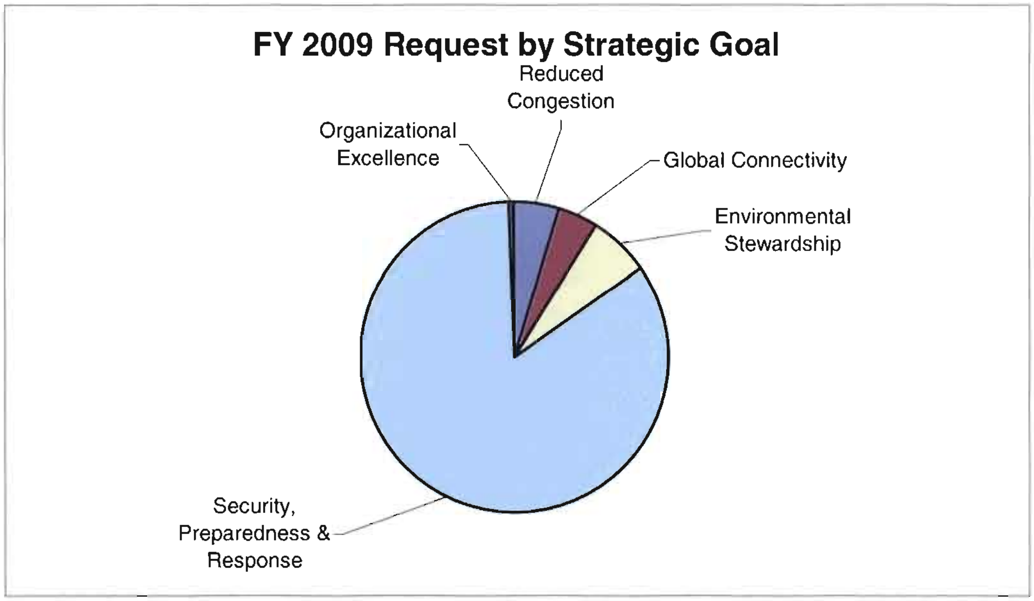
Table of Contents

DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
Budget Estimates, Fiscal Year 2009

Table of Contents

Administrator's Overview
FY 2009 President Budget Request
Maritime Administration

This FY 2009 budget request supports the Department's efforts to achieve its strategic goals and to implement the President's Management Agenda. The following pie chart displays a breakout of the Maritime Administration's budget request by DOT strategic goal.



The budget is presented as an integrated performance budget with full costs attributed to program activities. A key focus for our FY 2009 budget development efforts was to sustain optimum Maritime Administration performance within the current budget environment. This request proposes total funding of $313.4 million for the Maritime Administration's direct discretionary appropriations. The funding level is relatively unchanged from the FY 2008 enacted budget.

The Maritime Administration will support E-Gov initiatives in FY 2008 and FY 2009 by contributing over $0.142 million to the Department of Transportation in each of the fiscal years. In addition, the Maritime Administration employs three FTEs that aid in the support of the E-Gov initiatives.

Funding increases, decreases and budget highlights are listed below:

- An increase of $18 million for the Maritime Security Program (MSP) to raise the payment for the 60 MSP ship operators to $2.9 million per vessel, as authorized by the National Defense Authorization Act for Fiscal Year 2004 (P.L. 108-136). During Operation Iraqi Freedom (OIF), MSP ships have played an important role in supporting DOD's mission. Escalating payments were designed to offset the impact of inflation and to provide an incentive for MSP operators to reinvest and upgrade their MSP fleet with newer, more modern and efficient vessels – which they have done three times since October 1, 2005.

- An increase of $1.0 million in the Ship Disposal program. This will assist the Maritime Administration in removing 14 vessels from the inventory at the fleets.

- A decrease of $10.0 million for Assistance to Small Shipyards. New resources were appropriated for this program in FY 2008. No funding is requested for FY 2009.

- A decrease of $5.0 million for the Maritime Guaranteed Loan (Title XI) Program Account. New resources were appropriated for this program in FY 2008. No funding is requested for FY 2009.

- An overall decrease in the Operations and Training in the amount of $4.1 million. This is comprised of the following:

    - United States Merchant Marine Academy (USMMA) has an increase of $4.6 million needed to correct for a structural shortfall in the Academy's pay and benefits account. This proposal also provides for adequate food, uniforms and medical care for the student body and undertakes improvements to instructional software, hardware and equipment to ensure the continued accreditation of the Academy's instructional program. In addition, this funding will provide for salary and non-salary inflation; improve continuity of operations; and routine maintenance, repair and operating requirements. In addition to these changes in operational accounts, the budget includes a decrease of $6.0 million in the Capital Improvement Program at the USMMA. During FY 2009, various maintenance and repair projects will be completed and the renovation of Rogers Hall will be postponed.

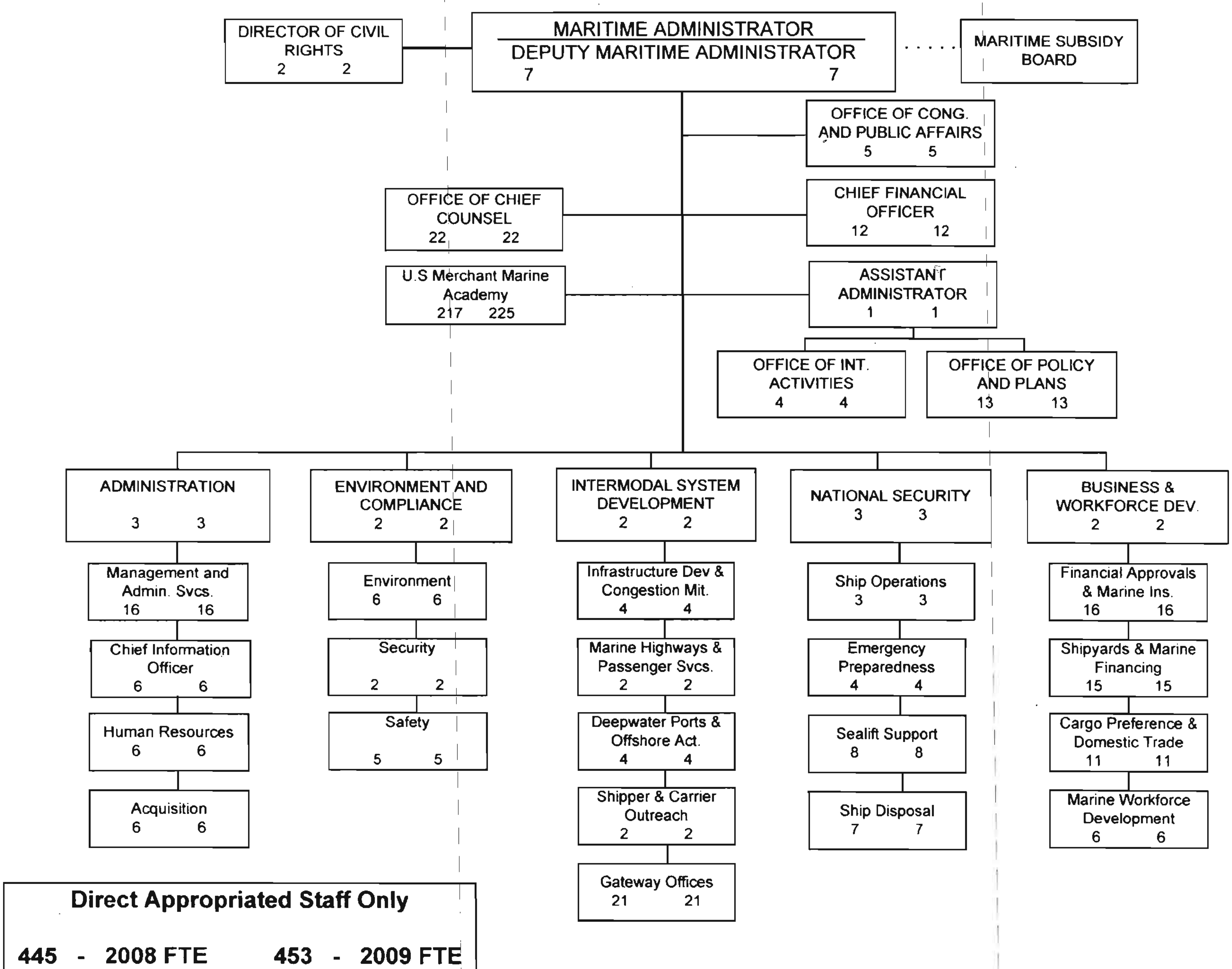
    - A new general provision has been added to increase the Student Incentive Payment (SIP) payment from $4,000 to $8,000 per academic year. The Administration supports SIPs and requests $0.8 million, the same level as the FY 2008 enacted amount. The funding for the Schoolship maintenance and repair includes a decrease of $2.2 million.

    - Maritime Operations has a decrease of $0.6 million, consisting of the following: a reduction of $2.0 million for the non-recurring funding for the maritime data collection, management, and dissemination activities to advance the existing Information Framework (MarView), and an increase of $1.4 million in salary and benefits, non-salary base, Port Congestion initiatives, Committee on the Marine Transportation System (CMTS), and environmental programs.

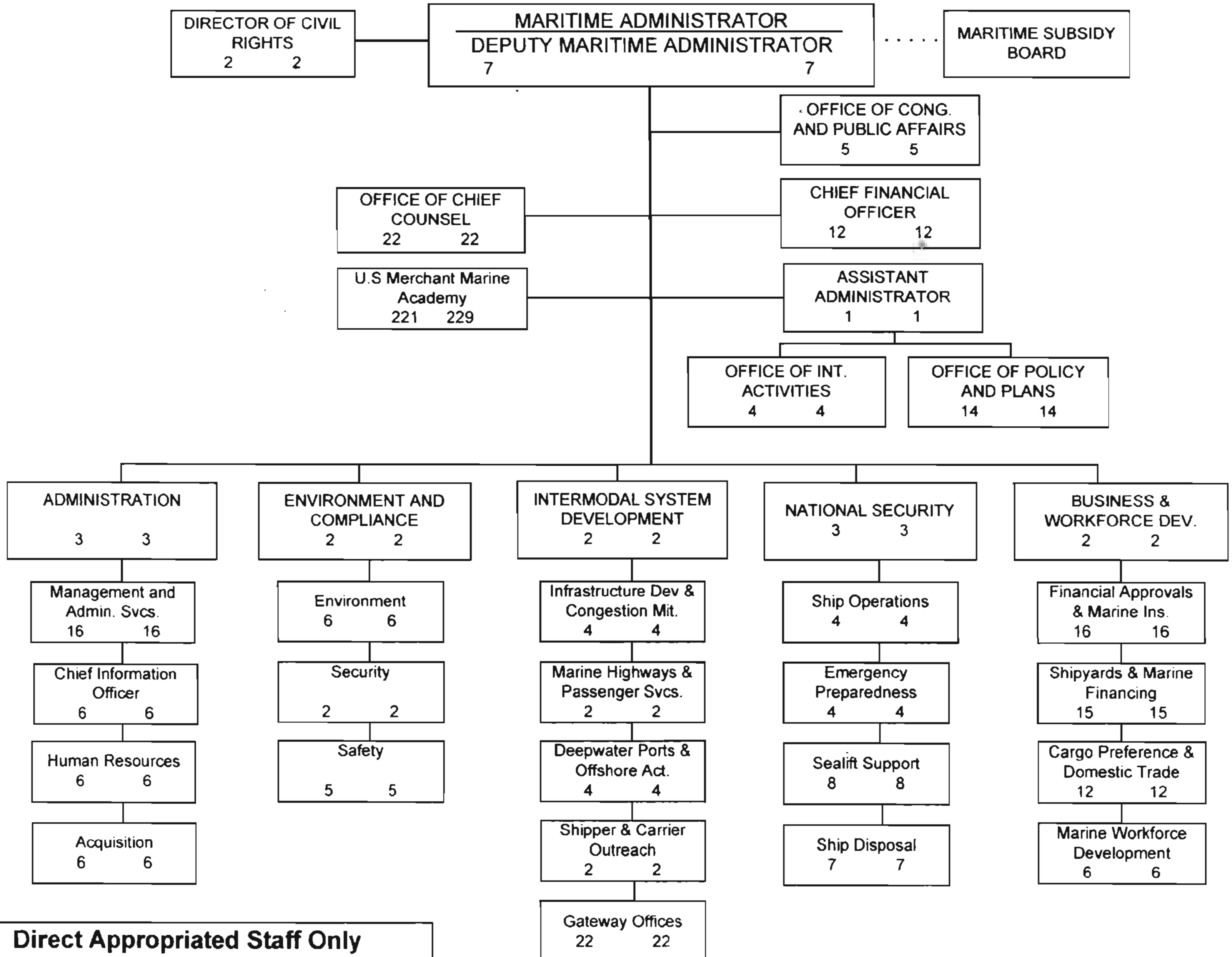
I am confident that the funding levels contained in this Maritime Administration FY 2009 budget request will enhance our ability to achieve the Department's strategic and performance goals and the President's Management Agenda.

Sean T. Connaughton, Maritime Administrator

MARITIME ADMINISTRATION ORGANIZATION CHART – FTE



MARITIME ADMINISTRATION ORGANIZATION CHART – FTP



Direct Appropriated Staff Only

453 - 2008 FTE 461 - 2009 FTE

EXHIBIT II-I
COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

ACCOUNT NAME	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST
Operations and Training	111,522	121,992	117,848
Assistance to Small Shipyards	0	10,000	0
Ship Disposal Program	20,790	17,000	18,000
Maritime Security Program	154,440	156,000	174,000
Maritime Guaranteed Loan Program (Title XI)	4,085	8,408	3,531
Administrative Expenses	4,085	3,408	3,531
Loan Guarantees	0	5,000	0
TOTALS	290,837	313,400	313,379

EXHIBIT II-2
FY 2009 BUDGET REQUEST BY APPROPRIATIONS ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

	(A)	(B)	(C)
ACCOUNT NAME	**FY 2007 * ACTUAL**	**FY 2008 ENACTED**	**FY 2009 REQUEST**
1. Operations and Training			
A. U.S. Merchant Marine Academy	61,925	62,747	61,358
B. State Maritime Academies	10,511	13,181	10,987
C. MARAD Operations	39,086	46,064	45,503
Subtotal O&T	111,522	121,992	117,848
2. Assistance to Small Shipyards	0	10,000	0
3. Ship Disposal Program			
A. Ship Disposal	12,520	14,000	15,000
B. NS SAVANNAH	8,270	3,000	3,000
Subtotal Ship Disposal	20,790	17,000	18,000
4. Maritime Security Program	154,440	156,000	174,000
5. Maritime Guaranteed Loans (Title XI)			
A. Administrative Expenses	4,085	3,408	3,531
B. Loan Guarantees	0	5,000	0
Subtotal Title XI	4,085	8,408	3,531
TOTALS	290,837	313,400	313,379

* This column shows the effect of reprogramming to accommodate the shortfall in pay and benefits for the U.S. Merchant Marine Academy and for needed maintenance of the NS SAVANNAH

EXHIBIT II-3
FY 2009 BUDGET REQUEST BY APPROPRIATION ACCOUNT AND STRATEGIC GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL	REDUCED CONGESTION	GLOBAL CONN.	ENVIRON. STEWARD.	SECURITY PREPAREDNESS AND RESPONSE	ORG. EXCELL.	TOTAL
Operations and Training						
Defense Mobilization						
U.S. Merchant Marine Academy	0	0	0	61,358	0	61,358
State Maritime Schools	0	0	0	10,987	0	10,987
MARAD Operations	0	0	0	17,800	0	17,800
Reduced Impediments to the Efficient Movement of Freight						
MARAD Operations	11,057	0	0	0	0	11,057
Enhanced Competitiveness and Efficient Cargo Movement						
MARAD Operations	0	13,202	0	0	0	13,202
Reduced Pollution and Other Adverse Environmental Effects						
MARAD Operations	0	0	1,964	0	0	1,964
Strategic Management of Human Capital						
MARAD Operations	0	0	0	0	195	195
Improved Financial Performance						
MARAD Operations	0	0	0	0	593	593
E-Government						
MARAD Operations	0	0	0	0	692	692
Ship Disposal						
Reduced Pollution and Other Adverse Environmental Effects						
Ship Disposal	0	0	18,000	0	0	18,000
Maritime Security Program						
Defense Mobilization	0	0	0	174,000	0	174,000
Maritime Guaranteed Loan Program (Title XI)						
Reduced Impediments to the Efficient Movement of Freight						
Administrative Expenses	3,531	0	0	0	0	3,531
Ocean Freight Differential (Mandatory)	0	[320,000]	0	0	0	[320,000]
TOTAL REQUEST (Excludes Ocean Freight Diff.)	14,588	13,202	19,964	264,145	1,479	313,379
FTE (direct funded only)	72	72	14	288	7	453

EXHIBIT II-3A

FY 2009 INFORMATION TECHNOLOGY (IT) BUDGET REQUEST BY IT INVESTMENT AND STRATEGIC GOAL

MARITIME ADMINISTRATION

Appropriations, Obligation Limitations, and Exempt Obligations

($000)

APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL	REDUCED CONGESTION	GLOBAL CONN.	ENVIRON. STEWARD.	SECURITY PREP. AND RESPONSE	ORG. EXCELL.	TOTAL
Operations and Training						
MARAD Operations						
IT Baseline	746	723	131	1,330	0	2,930
Reduced Impediments to the Efficient Movement of Freight	746	0	0	0	0	746
Enhanced Competitiveness and Efficient Cargo Movement	0	723	0	0	0	723
Reduced Pollution and Other Adverse Environmental Effects	0	0	131	0	0	131
Defense Mobilization	0	0	0	1,330	0	1,330
IT Consolidation	684	1,754	176	1,426	307	4,347
Reduced Impediments to the Efficient Movement of Freight	684	0	0	0	0	684
Enhanced Competitiveness and Efficient Cargo Movement	0	1,754	0	0	0	1,754
Reduced Pollution and Other Adverse Environmental Effects	0	0	176	0	0	176
Defense Mobilization	0	0	0	1,426	0	1,426
Strategic Management of Human Capital	0	0	0	0	44	44
Improved Financial Performance	0	0	0	0	132	132
E-Government	0	0	0	0	131	131
E-Government	0	0	0	0	98	98
E-Government	0	0	0	0	98	98
Enterprise Architecture and IT Security	213	206	38	380	0	836
Reduced Impediments to the Efficient Movement of Freight	213	0	0	0	0	213
Enhanced Competitiveness and Efficient Cargo Movement	0	206	0	0	0	206
Reduced Pollution and Other Adverse Environmental Effects	0	0	38	0	0	38
Defense Mobilization	0	0	0	380	0	380
TOTAL REQUEST	1,643	2,683	345	3,135	405	8,211
FTE (direct funded only)	0	0	0	0	0	0

EXHIBIT II-4
FY 2009 BUDGET REQUEST BY ACCOUNT
Maritime Administration
Budget Authority
($000)

ACCOUNTS		FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST
Operations and Training	D	111,522	121,992	117,848
Gifts and Bequests	M	640	0	0
Special Studies, Services, and Projects	M	0	0	0
Assistance to Small Shipyards	D	0	10,000	0
Ship Disposal	D	20,790	17,000	18,000
Maritime Security Program	D	154,440	156,000	174,000
National Defense Tank Vessel Construction	D	-74,400	0	0
Ship Construction	D	-2,000	-6,673	0
Ocean Freight Differential	M	197,559	145,000	175,000
Maritime Guaranteed Loan Program	D	4,085	8,408	3,531
Subsidy Reestimate	M	22,660	276	0
TOTALS		435,296	452,003	488,379
[Mandatory]		220,859	145,276	175,000
[Discretionary]		214,437	306,727	313,379
Proprietary Receipts:				
Maritime Guaranteed Loan Program		-37,802	-106,676	0
Gifts and Bequests		-640	0	0
Special Studies, Services, and Projects		0	0	0

EXHIBIT II-5
FY 2009 BUDGET REQUEST RECAP BY ACCOUNT
Maritime Administration
Outlays
$000

ACCOUNTS		FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST
Operations and Training	D	139,866	159,962	117,946
Gifts and Bequests	M	599	129	0
Special Studies, Services, and Projects	M	-3,484	9,851	0
Assistance to Small Shipyards	D	0	10,000	0
Ship Disposal	D	16,490	39,402	17,500
Maritime Security Program	D	154,530	160,194	172,740
Ship Construction	D	-5,697	0	0
Operating Differential Subsidy	D	2,595	10,746	0
Ocean Freight Differential	M	197,559	145,000	175,000
Ready Reserve Force	D	1,184	2,539	0
Vessel Operations Revolving Fund	D	-15,530	45,589	6,500
War Risk Insurance Revolving Fund	D	-913	-1,989	-2,000
Federal Ship Financing Fund	M	-20	20	0
Maritime Guaranteed Loan Program	D	5,044	9,099	3,531
Subsidy Reestimate	M	22,660	276	0
TOTALS		514,883	590,818	491,217
[Mandatory]		220,199	155,276	175,000
[Discretionary]		294,684	435,542	316,217

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

OPERATIONS AND TRAINING ACCOUNT

Baseline Changes

	FY 2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	FY 2008 Contract Expense	Annualization of 2008 Pay Raises	2009 Pay Raises	One Less Compensable Day	GSA Rent	Inflation/ Deflation	FY 2009 Adj. Base	Program Inc./ Decreases	2009 PC&B Program Increase	2009 # FTE Per Program Increase	FY 2009 Contract Expense	FY 2009 Request
PERSONNEL RESOURCES	416		Note Non-Add							416	8		Note Non-Add		424
Direct FTE *	416									416	8				424
FINANCIAL RESOURCES															
ADMINISTRATIVE EXPENSES															
Salaries and Benefits	13,937	13,937	[88]		85	176	-46			14,152					14,152
Travel	975			975						975					975
Transportation	225			225						225					225
GSA Rent	4,000			4,000				30		4,030					4,030
Communications, Rent & Utilities	400			400						400					400
Printing	350			350						350					350
Other Services															
WCF	2,200			2,200						2,200					2,200
Other	3,722			3,722						3,722					3,722
Supplies	400			400						400					400
Equipment	248			248						248					248
ADMINISTRATIVE SUBTOTAL	26,457	13,937		12,520	85	176	-46	30		26,702					26,702
PROGRAMS															
Ports and MTS Improvement	5,071	2,216	[19]	2,855	15	31	-8	6	18	5,132	-1,389			-1,389	3,743
Capital Construction Fund	606	440	[4]	166	3	6	-2	1	3	618	0			0	618
International Activities	848	562	[5]	286	5	10	-3	2	5	866	0			0	866
Cargo Preference	3,787	3,108	[28]	679	27	55	-15	10	26	3,890	0			0	3,890
Deepwater Port Licensing	1,200	827	[7]	373	7	14	-4	3	7	1,226	0			0	1,226
Mobile Source Emissions	737	680	[8]	57	0	0	0	3	4	744	200			200	944
U.S. Merchant Marine Academy **	62,747	25,720	[217]	37,026	141	579	-98	0	526	63,895	-2,537			-2,537	61,358
State Maritime Schools	13,181	0		13,181	0	0	0	0	242	13,423	-2,436			-2,436	10,987
Maritime Security Program	688	364	[3]	324	3	6	-2	1	3	700	0			0	700
VISA/Security Planning	2,143	893	[8]	1,250	7	14	-4	3	7	2,169	0			0	2,169
Merchant Mariner Avail., Educ., & Trng.	900	657	[6]	243	5	11	-3	2	6	921	0			0	921
DOD-Designated Strategic Port Facilities	1,300	1,074	[10]	226	9	18	-5	3	9	1,335	0			0	1,335
War Risk Insurance Program	889	628	[6]	261	5	10	-3	2	5	908	0			0	908
Human Resources	189	132	[1]	57	2	4	-1	1	1	195	0			0	195
Improved Financial Management	575	397	[3]	178	5	11	-3	2	3	593	0			0	593
E-Government	674	397	[3]	277	5	11	-3	2	3	692	0			0	692
PROGRAM SUBTOTAL	95,535	38,097	[336]	57,438	238	778	-151	40	867	97,307	-6,162			-6,162	91,145
TOTAL	121,992	52,034	[424]	69,958	323	955	-198	70	867	124,009	-6,162			-6,162	117,848

* The Direct FTE does not include the 22 FTEs associated with the Title XI Program
** For more information, please see the USMMA write-up

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

ASSISTANCE TO SMALL SHIPYARDS

Baseline Changes

	FY 2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	FY 2008 Contracts Expense	Annualization of 2008 Pay Raises	2009 Pay Raises	One Less Compensable Day	GSA Rent	Inflation/ Deflation	FY 2009 Adj. Base	Program Increases/ Decreases	2009 PC&B Program Increase	2009 # FTE Per Program Increase	FY 2009 Contract Expense	FY 2009 Request
PERSONNEL RESOURCES			Note Non-Add										Note Non-Add		
Direct FTE															
FINANCIAL RESOURCES															
ADMINISTRATIVE EXPENSES															
Salaries and Benefits															
Travel															
Transportation															
GSA Rent															
Communications, Rent & Utilities															
Printing															
Other Services															
WCF															
Other	10,000	0	0	0	0	0	0	0	0	10,000	-10,000			-10,000	0
Supplies															
Equipment															
ADMINISTRATIVE SUBTOTAL	10,000	0	0	0	0	0	0	0	0	10,000	-10,000			-10,000	0
PROGRAMS															
TOTAL	10,000	0	0	0	0	0	0	0	0	10,000	-10,000			-10,000	0

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

SHIP DISPOSAL PROGRAM

Baseline Changes

	FY 2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	2008 Contracts Expense	Annualization of 2008 Pay Raises	2009 Pay Raises	One Less Compensable Day	Inflation/ Deflation	FY 2009 Adj Base	Program Increases/ Decreases	2009 PC&B Program Increase	2009 # FTE Per Program Increase	2009 Contract Expense Program Increases	FY 2009 Request
PERSONNEL RESOURCES	7		Note Non-Add						7			Note Non-Add		7
Direct FTE	7								7					7
FINANCIAL RESOURCES														
ADMINISTRATIVE EXPENSES														
Salaries and Benefits	680	680			4	15	-3		696					696
Travel	188			188					188					188
Transportation														
GSA Rent														
Communications, Rent & Utilities														
Printing														
Other Services														
WCF	94			94					94					94
Other	16,038			16,038				263	16,301	721			721	17,022
Supplies														
Equipment														
ADMINISTRATIVE SUBTOTAL	17,000	680	0	16,320	4	15	-3	263	17,279	721			721	18,000
PROGRAMS														
Ship Disposal Technical Staff														
TOTAL	17,000	680		16,320	4	15	-3	263	17,279	721			721	18,000

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

MARITIME SECURITY PROGRAM

Baseline Changes

	FY 2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	FY 2008 Contracts Expense	Annualization of 2008 Pay Raises	2009 Pay Raises	One Less Compensable Day	GSA Rent	Inflation/ Deflation	FY 2009 Adj. Base	Program Increases/ Decreases	2009 PC&B Program Increase	2009 # FTE Per Program Increase	FY 2009 Contract Expense	FY 2009 Request
PERSONNEL RESOURCES			Note Non-Add										Note Non-Add		
Direct FTE															
FINANCIAL RESOURCES															
ADMINISTRATIVE EXPENSES															
Salaries and Benefits															
Travel															
Transportation															
GSA Rent															
Communications, Rent & Utilities															
Printing															
Other Services															
WCF															
Other	156,000	0	0	0	0	0	0	0	0	156,000	18,000			18,000	174,000
Supplies															
Equipment															
ADMINISTRATIVE SUBTOTAL	156,000	0	0	0	0	0	0	0	0	156,000	18,000			18,000	174,000
PROGRAMS															
TOTAL	156,000	0	0	0	0	0	0	0	0	156,000	18,000			18,000	174,000

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

MARITIME GUARANTEED LOAN PROGRAM

Baseline Changes

	FY 2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	2008 Contracts Expense	Annualization of 2008 Pay Raises	2009 Pay Raises	One Less Compensable Day	Inflation/ Deflation	FY 2009 Adj Base	Program Increases/ Decreases	2009 PC&B Program Increase	2009 # FTE Per Program Increase	2009 Contract Expense Program Increases	FY 2009 Request
PERSONNEL RESOURCES	22		Note Non-Add						22					22
Direct FTE	22								22					22
FINANCIAL RESOURCES														
ADMINISTRATIVE EXPENSES														
Salaries and Benefits	2,401	2,401	[22]		33	91			2,524					2,524
Travel	30			30					30					30
Transportation														
GSA Rent														
Communications, Rent & Utilities														
Printing														
Other Services														
WCF	212			212					212					212
Other	765			765					765					765
Supplies														
Equipment														
ADMINISTRATIVE SUBTOTAL	3,408	2,401	[22]	1,007	33	91			3,531					3,531
PROGRAMS														
Loan Guarantees	5,000			5,000					5,000	-5,000			-5,000	0
TOTAL	8,408	2,401	[22]	6,007	33	91			8,531	-5,000			-5,000	3,531

The FTEs displayed here are merged into the Operations and Training Account in Exhibit II-7 and Exhibit II-8

EXHIBIT II-6A

WORKING CAPITAL FUND
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, Exempt Obligations and Reimbursable Obligations
($000)

	FY 2008 ACTUAL	FY 2009 REQUEST	CHANGE
DIRECT:			
Operations and Training	2,200	2,200	0
Ship Disposal	94	94	0
Maritime (Guaranteed) Loan (Title XI)	212	212	0
SUBTOTAL	**2,506**	**2,506**	**0**
REIMBURSABLE:			
Operations and Training	3,823	4,000	177
SUBTOTAL	**3,823**	**4,000**	**177**
TOTAL	**6,329**	**6,506**	**177**

EXHIBIT II-7

MARITIME ADMINISTRATION
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Operations and Training	446	438	446
Ship Disposal	7	7	7
SUBTOTAL, DIRECT FUNDED	**453**	**445**	**453**
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Operations and Training	303	303	303
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**303**	**303**	**303**
TOTAL FTE's	**756**	**748**	**756**

EXHIBIT II-8

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

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Operations and Training	463	446	454
Ship Disposal	7	7	7
SUBTOTAL, DIRECT FUNDED	**470**	**453**	**461**
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Operations and Training	307	307	307
SUBTOTAL, REIMBURSE/ALLOC./OTH.	**307**	**307**	**307**
TOTAL FTP's	**777**	**760**	**768**

EXHIBIT II-10
FY 2009 BUDGET REQUEST FOR NATIONAL SECURITY, EMERGENCY PREPAREDNESS AND RESPONSE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

ACCOUNTS	(A) FY 2006 ACTUAL	(B) FY 2007 ACTUAL	(D) FY 2008 ENACTED	(E) FY 2009 REQUEST
Operations and Training				
➢ Merchant Marine Academy	61,236	61,236	62,747	61,358
➢ State Maritime Schools	11,099	11,099	13,181	10,987
➢ MSP Administration	562	491	688	700
➢ VISA/Vessel Transfer	3,935	1,527	2,143	2,169
➢ Mariner Training & Educa. Mgmt	803	590	900	921
➢ Strategic Port Avail./Ntnl. Sec. Planning	321	874	1,300	1,335
➢ War Risk Insurance Mgmt	866	635	889	908
➢ Marine Transportation System Advocate	2,673	0	0	0
➢ Supplemental - Hurricanes (Port of New Orleans)	7,500	0	0	0
➢ Admin support for Security, Preparedness and Response	10,615	8,354	11,688	11,766
Subtotal Operations and Training	99,611	84,806	93,536	90,145
Maritime Security Program	154,440	154,440	156,000	174,000
TOTAL, NATIONAL SECURITY, EMERGENCY PREPAREDNESS AND RESPONSE	254,051	239,246	249,536	264,145

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

FEDERAL FUNDS

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, [$121,992,000] *$117,848,000*, of which [$25,720,000] *$26,794,000* shall remain available until September 30, [2008] 2009, for salaries and benefits of employees of the United States Merchant Marine Academy; of which [$14,139,000] *$8,150,000* shall remain available until expended for capital improvements at the United States Merchant Marine Academy; and of which [$10,500,000] *$8,306,000* shall remain available until expended for maintenance and repair of Schoolships at State Maritime Schools. *(Department of Transportation Appropriations Act, 2008.)*

Exhibit III-1
Maritime Administration
Operations and Training
Appropriation Summary by Program Activity
($000)

	FY 2007 ACTUAL	*	FY 2008 ENACTED	FY 2009 REQUEST	CHANGE FY 2008-2009
U.S. Merchant Marine Academy	61,925		62,747	61,358	-1,389
State Maritime Schools	10,511		13,181	10,987	-2,194
MARAD Operations	39,086		46,064	45,503	-561
Total, Operations and Training	111,522		121,992	117,848	-4,144
FTEs					
Direct Funded **	446		438	446	8

* This column shows the effect of reprogramming to accommodate the shortfall in pay and benefits for the U.S. Merchant Marine Academy
** The Direct FTE includes the 22 FTEs associated with the Title XI Program

EXHIBIT III-2

OPERATIONS AND TRAINING

SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009

Appropriations, Obligations, Limitations, and Exempt Obligations

($000)

Item	Change from FY 2008 to FY 2009	FY 2009 PC&B By Program	FY 2009 FTEs by Program	FY 2009 Contract Expenses	Total
		Note Columns are Non-Add			
FY 2008 Base	**121,992**		**438**		**121,992**
Adjustments to Base					
Annualization of 2008 Pay Raise (3.5%)	323	323			
2009 Pay Raise (2.9%)	955	955			
One Less Compensable Day	-198	-198			
GSA Rent	70			70	
Non-Salary Inflation	867			867	
Subtotal, Adjustments to Base	**2,017**	**1,080**		**937**	**2,017**
New or Expanded Programs					
Ports and MTS Improvement	-1,389			-1,389	
Mobile Source Emissions	200			200	
U.S. Merchant Marine Academy	-2,537		8	-2,537	
State Maritime Schools	-2,436			-2,436	
Subtotal, New or Expanded Programs	**-6,162**		**8**	**-6,162**	**-6,162**
Total FY 2009 Request	**117,848**	**1,080**	**446**	**-5,224**	**117,848**

MARITIME ADMINISTRATION
FEDERAL FUNDS
OPERATIONS AND TRAINING
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69x1750-0-1-403	**FY 2007 Actual**	**FY 2008 Enacted**	**FY 2009 Request**
	Obligations by program activity:			
0.01	Merchant Marine Academy	61,137	62,747	61,358
0.02	State Maritime Schools	12,555	13,181	10,987
0.03	Marad Operations	54,871	46,064	45,503
0.04	Gifts and Bequests	2,600	56	0
0.05	Special Studies	8,538	1,303	0
0.91	Total direct program	139,701	123,351	117,848
9.01	Reimbursable program	52,723	72,000	72,000
10.00	Total obligations	192,424	195,351	189,848
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	15,149	3,008	1,649
22.00	New budget authority (gross)	181,651	193,992	189,848
22.10	Resources available from recoveries of prior year obligations	34	0	0
22.22	Unobligated balance transferred from other accounts	0	0	0
23.90	Total budgetary resources available for obligation	196,834	197,000	191,497
23.95	New obligations	-192,424	-195,351	-189,848
23.98	Unobligated balance expiring or withdrawn	-1,402	0	0
24.40	Unobligated balance available, end of year	3,008	1,649	1,649
	New budget authority (gross), detail:			
	Discretionary :			
40.00	Appropriation (definite)	111,522	121,992	117,848
43.00	Appropriation (total)	111,522	121,992	117,848
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	61,295	72,000	72,000
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	2,715	0	0
58.90	Spending authority fm offsetting collections (total	64,010	72,000	72,000
	Mandatory:			
60.20	Appropriation (special fund)	640	0	0
62.50	Appropriation (total)	640	0	0
	Mandatory spending authority from offsetting collections:			
69.00	Offsetting collections (cash) (unexpired only)	5,479	0	0
69.10	Change in uncollected cust paymts fm Fed sources (unexp)	0	0	0
69.90	Spending authority fm offsetting collections (total	5,479	0	0
70.00	Total new budget authority (gross)	181,651	193,992	189,848
	Change in obligated balances:			
72.40	Obligated balance,start of year	84,174	68,817	22,226
73.10	New obligations	192,424	195,351	189,848
73.20	Total outlays (gross)	-204,311	-241,942	-189,946
73.32	Obligated balance transferred from other acct	0	0	0
73.40	Adjustments in expired accounts (net)	-721	0	0
73.45	Recoveries of prior year obligations	-34	0	0

Identification code 69x1750-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
74.00 Chg in Uncollected cust orders fm Fed Sources (unexpired)	-2,715	0	0
74.10 Chg in Uncollected cust orders fm Fed Sources (expired)	0	0	0
74.40 Obligated balance end of year	68,817	22,226	22,128
Outlays (gross), detail:			
86.90 Outlays from new discretionary authority	131,200	175,693	172,171
86.93 Outlays from discretionary balances	70,517	56,269	17,775
86.97 Outlays from new mandatory authority	2,560	0	0
86.98 Outlays from mandatory balances	34	9,980	0
87.00 Total outlays (gross)	204,311	241,942	189,946
Offsets:			
Against gross budget authority and outlays			
Offsetting collections (cash) from:			
88.00 Federal sources	61,199	72,000	72,000
88.40 Non Federal Sources	6,131	0	0
88.90 Total, offsetting colections(cash)	67,330	72,000	72,000
88.95 Portion of offsetting collection credited to unexpired accounts	2,715	0	0
88.96 Portion of offsetting collection credited to expired accounts	-556	0	0
Net budget authority and outlays:			
89.00 Budget authority (net)	112,162	121,992	117,848
90.00 Outlays (net)	136,981	169,942	117,946
95.02 Unpaid Obligations, EOY	68,817	0	0

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

OPERATIONS AND TRAINING

Program and Performance Statement

The appropriation for Operations and Training provides funding for staff at headquarters and gateway offices to administer and direct Federal maritime programs, for the operation of the U.S. Merchant Marine Academy, and for financial assistance to the six State maritime schools.

Maritime Administration programs also 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.

The total Operations and Training budget request of $117.8 million, is distributed as follows: United States Merchant Marine Academy (USMMA) $61.3 million, State Marine Schools (SMS) $11.0 million and MARAD Operations $45.5 million.

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING (O&T)
OBJECT CLASSIFICATION
(In thousands of dollars)

Object Class Code	Object Class	FY 2007 Actual	FY 2008 Enacted	FY 2009 President's Request
	Direct obligations:			
11.1	Full-time permanent	37,801	37,738	39,011
11.3	Other than full-time permanent	3,421	2,584	2,166
11.5	Other personnel compensation	980	1,005	1,025
11.8	Special personnel services payments	3,506	2,605	2,950
11.9	**Total personnel compensation**	**45,708**	**43,932**	**45,152**
12.1	Civilian personnel benefits	7,705	7,607	8,424
21.0	Travel and transportation of persons	2,414	2,785	3,354
23.1	Rental payments to GSA	3,485	3,299	3,182
23.3	Communications, utilities & misc. charges	5,678	5,354	5,950
25.2	Other services	41,866	28,594	18,950
25.3	Other purchases of goods & services from Government accounts	3,976	4,125	4,225
25.4	Operation & maintenance of facilities	11,168	10,225	11,550
25.7	Operation & maintenance of equipment	4,866	4,988	4,902
26.0	Supplies and materials	7,855	8,225	8,001
31.0	Equipment	2,625	2,514	2,408
41.0	Grants, subsidies and contributions	2,355	1,703	1,750
99.0	**Subtotal , direct obligations**	**139,701**	**123,351**	**117,848**
	Reimbursable obligations:			
11.1	Full-time permanent	22,603	23,168	23,466
11.5	Other personnel compensation	1,976	2,025	1,995
11.9	**Total personnel compensation**	**24,579**	**25,193**	**25,461**
12.1	Civilian personnel benefits	4,764	5,283	4,585
23.1	Rental payments to GSA	1,633	2,425	1,814
23.3	Communications, utilities & misc. charges	2,614	3,454	2,977
25.2	Other services	16,644	31,750	33,937
25.3	Other purchases of goods & services from Government accounts	1,658	2,455	2,100
25.4	Operation & maintenance of facilities	831	1,440	1,126
99.0	**Subtotal , reimbursable obligations**	**52,723**	**72,000**	**72,000**
99.9	**Total new obligations**	**192,424**	**195,351**	**189,848**

MARITIME ADMINISTRATION
OPERATIONS AND TRAINING
HISTORY OF APPROPRIATIONS

FY 2000 - FY 2009
Main Table - Dollars in Thousands

Fiscal Year	Estimate	Enacted
2000	72,164	72,921 1/
2001	80,240	86,719 2/
2002	89,054	88951 3/
2003	93,132	92,092 4/
2004	104,400	105,674 5/
2005	109,300	106,952 6/
2006	113,650	136,027 7/
2007	115,830	111,522
2008	115,276	121,992
2009	117,848	

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

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Detailed Justification for the United States Merchant Marine Academy

U.S. Merchant Marine Academy	FY 2009 Request: $61.358 million

Overview:
The USMMA graduates a significant number of the merchant marine officers trained annually in the United States. These graduates have a four year bachelor's degree which includes courses in marine engineering and navigation, logistics, maritime security, and shipyard management; a U.S. Coast Guard merchant marine officer's license; a commission in the armed forces; and practical shipboard training. U.S. national defense depends on government-owned and privately-owned oceangoing cargo ships, with skilled crews, to deliver people and supplies to remote places of the world. In times of conflict, some USMMA graduates crew the ships that support our troops. The USMMA is the main source of new reservists for the merchant marine component of the U.S. Naval Reserve. Licensed mariners are needed by DOD during national emergencies not only for crewing, but to provide shore side support for sealift operations. The USMMA's educational activities contribute to the success and achievement of the Department's Security, Preparedness and Response strategic goal.

Students at the USMMA receive a federally funded education and are required to pay minimal fees related to personal services and issues. In return, Academy graduates incur a three-part service obligation:

1. They must maintain a license as an officer in the merchant marine of the United States for at least six years following the date of graduation from the Academy. Because the U.S. Coast Guard requires license renewal after five years, graduates are effectively licensed for up to ten years after graduation;
2. They must apply for, and accept if offered, an appointment as a commissioned officer and serve in the U.S. Naval Reserve, U.S. Coast Guard Reserve, or any other reserve component of an armed force of the United States, for at least eight years after graduation from the Academy; and
3. They must serve the foreign and domestic commerce and national defense of the United States for at least five years following the date of graduation from the Academy as merchant marine officers serving on a U.S.-flag merchant vessel; as employees in a U.S. maritime-related industry, profession, or marine science; or as commissioned officers on active duty in an armed force of the United States or the National Oceanic and Atmospheric Administration.

FY 2008 Base:
The base consists of salaries and benefits for the USMMA faculty and support staff and all USMMA operational funds, including capital improvements.

Anticipated FY 2008 Accomplishments:
The Academy plans to graduate approximately 219 merchant marine officers in June 2008.

FY 2009 Budget Request:

USMMA ($000)					
Program	**FY 2008 Enacted**	**Salary Adjustment ***	**Non-Salary Inflation**	**Program Increases/ Decreases**	**FY 2009 Request**
Salary and Benefits	$25,720	$622	$0	$452	$26,794
Academy Operations	$22,887	$0	$526	$3,001	$26,414
Capital Improvements	$14,139	$0	$0	-$5,989	$8,150
TOTAL	**$62,747**	**$622**	**$526**	**-$2,537**	**$61,358**

* Includes Annualization of 2008 Pay Raises, 2009 Salary Increases, and One Less Compensable Day

The Academy's FY 2009 budget request of $61.358 million is $1.389 million less than the FY 2008 enacted amount. In FY 2009, new funding of $1.074 million is requested for pay and benefits at the Academy. The increase is composed of: $622,000 for the cost of the FY 2009 pay increase and annualization of the FY 2008 pay increase; $526,000 for inflation, and $452,000 for an additional 8 FTE. The FTE increase corrects for a structural shortfall in the personnel compensation budget that originated in FY 2006. This problem persisted during 2007 and was accommodated through a reprogramming with the Operations and Training account. During FY 2008, the alignment of personnel resources charged to this account will be reduced by approximately eight FTE's and coupled with other cost saving measures, the Academy will conform to available appropriations. This FY 2009 increase will ease prior-year restrictions on pay and benefits funding, and restore the FTE's back to the appropriate level needed to fully staff Academy functions.

For the purposes of this 2009 exhibit, the breakout of the Academy's spending for several non-pay budget activities has been collapsed into one category, "Academy Operations." As a result of a recent review by the Maritime Administration, several issues have been identified regarding the historical display of the Academy's operating budget. As of the publication of the President's Budget in early February, these issues are yet being resolved, in order to provide Congress with an accurate presentation. The Department will follow up with the Appropriations Committees with an amended display as soon as possible, which highlights spending by the usual budget activities: Pay and Benefits; Midshipmen Program; Instructional Program; Program Direction and Administration; Maintenance, Repair and Operating Requirements; and Capital Improvements.

Capital Improvements funding will be used to support the following projects:

Critical Life/ Safety Repairs	$2,485,000
American with Disabilities Act Renovations	$ 999,000
New Roofs for Academy Buildings	$1,665,000
Other Priority Maintenance and Repair Projects	$3,001,000
Total	$8,150,000

The Academy conducted a Program Assessment Rating Tool (PART) review in support of the FY 2007 budget submission. The overall score was 83, or 'moderately effective.' The funds requested in this budget will allow the Academy to continue to meet the performance measure targets identified in the PART.

Detailed Justification for State Maritime Schools

State Maritime Schools	FY 2009 Request: $10.987 million

Overview:
The State Maritime School (SMS) budget request is comprised of three parts: annual direct payments to each of the six State maritime schools; the Student Incentive Payment (SIP) program; and payment of training ship maintenance and repair costs for Federally-owned training ships on loan to the SMS. The primary premise for Federal support of mariner education is to ensure that highly qualified personnel are produced annually to replenish the nation's pool of skilled merchant mariners. These mariners are needed to safely operate U.S.-flag cargo vessels and perform critical maritime-related functions in a national emergency. The SMS program contributes over half of the entry-level licensed mariners trained annually. Each SMS is funded largely by its State government.

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

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

FY 2008 Base:
The base consists of direct payment funding for each of the six schools, SIP program funds and training ship maintenance and repair funds. Salaries and benefits for the supporting staff are paid out of the Operations and Training Account (MARAD Operations Program activity).

Anticipated FY 2008 Accomplishments:
For the academic year 2006-2007, 479 students graduated from the SMS unlimited license program, a four percent increase over the 2005-2006 academic year. Of the total number of SMS graduates, 47 were Student Incentive Payment (SIP) participants. Similar numbers are anticipated for the 2008-2009 academic year. These graduates each have earned an unlimited U.S. Coast Guard license and are well trained and educated merchant mariners. These graduates are additions to the mariner pool and contribute to our national security with their essential and unique maritime knowledge and skills.

MARAD has observed a sharp cost escalation in the commercial ship repair sector. The 2005 Gulf Coast hurricanes exacerbated the already difficult situation, and have had a long-lasting effect on the marine industry. With substantial damage to marine infrastructure in the Gulf, and a continuing diminishment of lower-tier repair facilities and specialty contractors (e.g., boiler and turbine repair firms) nationwide, there has been a dramatic escalation in the cost to accomplish basic ship repairs and maintenance. Market conditions throughout FY 2006 and FY 2007 have resulted in a 30 percent increase in shipyard costs. These higher costs are expected to continue through FY 2008 and into FY 2009. These conditions have had a substantial impact on training ship maintenance and repair costs.

A portion of the expected FY 2008 impact of high costs will be absorbed by maintaining the new Texas training ship TS TEXAS CLIPPER (ex-USNS SIRIUS, acquired in FY 2005 from Military Sealift Command) in a dormant state pending its conversion. Although this single action offsets direct costs, it renders the vessel incapable of disaster response during the 2007 and 2008 hurricane seasons. TS TEXAS CLIPPER was one of three MARAD training ships mobilized to support hurricane recovery efforts in the Gulf Coast area in 2005, but its availability can no longer be factored in MARAD's contingency planning as the vessel's regulatory certification has lapsed.

The major training ship maintenance accomplishments expected in FY 2008 include: the dry docking of TS STATE of MICHIGAN; the dry docking of the TS GOLDEN BEAR; the completion of the TS STATE of MAINE main propulsion automation system (a multi-phased project); and replacement of the TS STATE of MICHIGAN main propulsion automation system.

FY 2009 Budget Request:

State Maritime Schools ($000)

Program	FY 2008 President's Request	Salary Adjustment *	Non-Salary Inflation	Program Increases/ Decreases	FY 2009 Request
Direct Payments	$1,881	$0	$0	$0	$1,881
Student Incentive Payments	$800	$0	$0	$0	$800
Schoolship Maintenance and Repair	$10,500	$0	$242	-$2,436	$8,306
TOTAL	**$13,181**	**$0**	**$242**	**-$2,436**	**$10,987**

* Includes Annualization of 2008 Pay Raises, 2009 Salary Increases, and One Less Compensable Day

MARAD requests $1.881 million to make direct payments to the SMS, the same level as the FY 2008 enacted amount. This payment level will result in a payment of $313,500 to each school in FY 2009. The schools rely on these funds to help offset the cost of salaries for professors and instructors, faculty health care costs, facilities costs and training ship fuel costs.

MARAD requests $0.8 million for the SIP program, the same level as the FY 2008 enacted amount.

Some students at the SMS participate in the SIP program. The SIP targets cadets who are enrolled in the Unlimited U.S. Coast Guard License Program who are also willing to complete naval training while in school. SIP participants commit to post-graduate service obligations to remain employed in the maritime industry for three years; maintain their U.S. Coast Guard license for six years; and become an active member of a U.S. armed forces reserve unit for a minimum of six years.

Detailed Justification for MARAD Operations

MARAD Operations	**FY 2009 Request: $45.503 million**

Overview:
The MARAD Operations program activity funds a cadre of professional support staff who are responsible not only for the achievement of all of MARAD's short and long term performance goals, but also for conducting a number of specific maritime activities. On an ongoing basis, these maritime activities encompass: the negotiation of bilateral maritime agreements; the licensing of deepwater ports; strengthening and improving the Maritime Transportation System through support of the Committee on the Marine Transportation System (CMTS); creating improved waterborne methods for shipping cargo; ensuring the availability of DOD's designated strategic ports; management of mariner training activities and the War Risk Insurance program; and management of MARAD's marine transportation-related environmental activities. This program activity also pays for the administrative staff and other support costs for the Maritime Security Program (MSP), the Voluntary Intermodal Sealift Agreement (VISA) program and the Cargo Preference program. Finally, MARAD Operations pays for the MARAD staff and other support necessary to fulfill the objectives of the President's Management Agenda initiatives.

FY 2008 Base:
The base consists of salaries and benefits and the majority of MARAD's operating costs such as rent, utilities, information technology, etc.

Anticipated FY 2008 Accomplishments:
MARAD will continue operational activities in support of:

- negotiation of bilateral maritime agreements;
- licensing of deepwater ports;
- strengthening and improving the Marine Transportation System via CMTS efforts to ensure the development and implementation of national MTS policies consistent with national needs;
- creation of improved waterborne methods for shipping cargo;
- ensuring the availability of DOD's designated strategic ports and national security planning;
- management of the War Risk Insurance program;
- efficient administrative operation of MSP and VISA.

Key air emissions reduction research efforts to be completed in FY 2008 include:

- Second phase of marine-specific emissions economic incentive study;
- Identification of interagency freight transport emissions modal comparison tool;
- Alternative Marine Power technology transfer.

FY 2009 Budget Request:
MARAD requests a total of $45.503 million to cover the cost of MARAD operations, a decrease of $0.561 million from the FY 2008 enacted amount. This request level includes a decrease of $1.96 million for the non-recurring funding for the maritime data collection. It includes $0.458 million for the increased cost of salaries; $0.17 million for non salary inflation; $0.04 million

decrease in non-salary based programs, and increases in the following $0.3 million for the Committee on the Marine Transportation System (CMTS) to support the ongoing activities of the CMTS, an interagency task force created by the President's Oceans Plan, to support coordinated maritime policy; $0.2 million to partner with the University of Delaware (UDEL) and the Rochester Institute of Technology (RIT) to develop a Freight Routing Energy and Emissions Analysis Tool (FREAT) for I-95 Corridor cargo movements; and, $0.311 million to obtain the services of a contractor to assist in the review, approval and implementation of Marine Highway Pilot Projects, promote the use of the Marine Highway (including ferries), and pursue solutions to barriers and disincentives, including environmental, financial and infrastructure related issues.

The following tables summarize the MARAD Operations costs by function and by program:

MARAD Operations
($000)

Program	**FY 2008 Enacted**	**Salary Adjustment ***	**Non Salary Inflation/ GSA Rent**	**Program Increases/ Decreases**	**FY 2009 Request**
Ports and MTS Improvement	$5,071	$37	$23	-$1,389	$3,743
Capital Construction Fund Mgmt.	$606	$7	$5	$0	$618
International Activities	$848	$12	$7	$0	$866
Deepwater Port Licensing	$1,200	$17	$9	$0	$1,226
Cargo Preference Management	$3,787	$67	$36	$0	$3,890
Environmental Activities	$737	$0	$6	$200	$944
MSP Administration	$688	$8	$4	$0	$700
VISA/Vessel Transfer	$2,143	$17	$10	$0	$2,169
Mariner Training & Education Mgmt.	$900	$13	$8	$0	$921
Strategic Ports/Nat. Security Planning	$1,300	$22	$13	$0	$1,335
War Risk Insurance	$889	$12	$7	$0	$908
Organizational Excellence	$1,438	$30	$11	$0	$1,479
Admin. Support	$26,457	$215	$30	$0	$26,702
TOTAL	**$46,064**	**$458**	**$170**	**-$1,189**	**$45,503**

* Includes Annualization of 2008 Pay Raises, 2009 Salary Increases, and One Less Compensable Day

The totals above may not add due to rounding.

Marad Operations ($000)					
Program	**FY 2008 Enacted**	**Salary Adjustment ***	**Non-Salary Inflation**	**Program Increases/ Decreases**	**FY 2009 Request**
Salary and Benefits	$26,314	$458	$0	$0	$26,772
Non Salary Base	$7,585	$0	$100	-$40	$7,645
Information Tech., electonic govt.	$8,113	$0	$0	$0	$8,113
GSA Rent	$736	$0	$70	$0	$806
Set-aside for E-Gov Costs	$98	$0	$0	$0	$98
Delphi	$1,258	$0	$0	$0	$1,258
MTS Information Advocate	$1,960	$0	$0	-$1,960	$0
Port Congestion Initiatives	$0	$0	$0	$311	$311
CMTS	$0	$0	$0	$300	$300
Environmental Programs	$0	$0	$0	$200	$200
TOTAL	**$46,064**	**$458**	**$170**	**-$1,189**	**$45,503**

* Includes Annualization of 2008 Pay Raises, 2009 Salary Increases, and One Less Compensable Day

The totals above may not add due to rounding.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

ASSISTANCE TO SMALL SHIPYARDS

[To make grants for capital improvements and related infrastructure improvements at qualified shipyards that will facilitate the efficiency, cost-effectiveness, and quality of domestic ship construction for commercial and Federal Government use as authorized under section 3506 of Public Law 109-163, $10,000,000, to remain available until expended: *Provided,* That to be considered for assistance, a qualified shipyard shall submit an application for assistance no later than 60 days after enactment of this Act: *Provided further*, That from applications submitted under the previous proviso, the Secretary of Transportation shall make grants no later that 120 days after enactment of this Act in such amounts as the Secretary determines: *Provided further*, That not to exceed 2 percent of the funds appropriated under this heading shall be available for necessary costs of grant administration.] *(Department of Transportation Appropriations Act, 2008.)*

Exhibit III-1
Maritime Administration
Assistance to Small Shipyards
Appropriation Summary by Program Activity
($000)

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST	CHANGE FY 2008-2009
Assistance to Small Shipyards	0	10,000	0	-10,000
Total	0	10,000	0	-10,000

EXHIBIT III-2

ASSISTANCE TO SMALL SHIPYARDS
SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2008 to FY 2009	FY 2009 PC&B By Program	FY 2009 FTEs by Program	FY 2009 Contract Expenses	Appropriation Total
		Note Columns are Non-Add			
FY 2008 Base	10,000				10,000
Adjustments to Base					
Program Decrease					
Assistance to Small Shipyards	-10,000			-10,000	-10,000
Total FY 2008 Request	0	0	0	-10,000	0

MARITIME ADMINISTRATION
ASSISTANCE TO SMALL SHIPYARDS
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1170-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Obligations by program activity:			
0.01	Grant Administration	0	200	0
0.02	Grants for Capital Improvement for Small Shipyards		9,800	
10.00	Total obligations	0	10,000	0
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	0	0	0
22.00	New budget authority (gross)	0	10,000	0
23.90	Total budgetary resources available for obligation	0	10,000	0
23.95	New obligations	0	-10,000	0
23.98	Unobligated balance expiring or withdrawn	0	0	0
24.40	Unobligated balance available, end of year	0	0	0
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	0	10,000	0
43.00	Appropriation (total)	0	10,000	0
70.00	Total new budget authority (gross)	0	10,000	0
	Change in obligated balances:			
72.40	Obligated balance,start of year	0	0	0
73.10	New obligations	0	10,000	0
73.20	Total outlays (gross)	0	-10,000	0
74.40	Obligated balance end of year	0	0	0
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	0	10,000	0
87.00	Total outlays (gross)	0	10,000	0
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	0	0	0
88.95	Portion of offsetting collection credited to unexpired accounts	0	0	0
88.96	Portion of offsetting collection credited to expired accounts	0	0	0
	Net budget authority and outlays:			
89.00	Budget authority (net)	0	10,000	0
90.00	Outlays (net)	0	10,000	0
95.02	Unpaid Obligations, EOY	0		

ASSISTANCE TO SMALL SHIPYARDS

Program and Performance Statement

The National Defense Authorization Act for Fiscal Year 2006 authorizes appropriated funds for the Maritime Administration to make grants for capital improvements and related infrastructure improvements at qualified shipyards that will facilitate the efficiency, cost-effectiveness, and quality of domestic ship construction for commercial and Federal Government use. No new funds are requested for 2009.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

SHIP DISPOSAL

For necessary expenses related to the disposal of obsolete vessels in the National Defense Reserve Fleet of the Maritime Administration, [$17,000,000] *$18,000,000*, to remain available until expended. *(Department of Transportation Appropriations Act, 2008.)*

Exhibit III-1
Maritime Administration
Ship Disposal
Appropriation Summary by Program Activity
($000)

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST	CHANGE FY 2008-2009
Ship Disposal	20,790	17,000	18,000	1,000
Total	20,790	17,000	18,000	1,000
FTEs				
Direct Funded	7	7	7	0

EXHIBIT III-2

SHIP DISPOSAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2008 to FY 2009	FY 2009 PC&B By Program	FY 2009 FTEs by Program	FY 2009 Contract Expenses	Total
		Note Columns are Non-Add			
FY 2008 Base	**17,000**		**7**		**17,000**
Adjustments to Base					
Annualization of 2008 Pay Raise (3.5%)	4	4			
2009 Pay Raise (2.9%)	15	15			
One Less Compensable Day	-3	-3			
Other Services	263			263	
Subtotal, Adjustments to Base	**279**	**16**		**263**	**279**
New or Expanded Programs					
Ship Disposal Program	721			721	
Subtotal, New or Expanded Programs	**721**			**721**	**721**
Total FY 2009 Request	**18,000**	**16**	**7**	**984**	**18,000**

(In thousands of dollars)

	Identification code 69-1768-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Obligations by program activity:			
0.01	General Administration	22,916	31,081	18,000
0.91	Total direct program	22,916	31,081	18,000
9.01	Reimbursable program	0	0	0
10.00	Total obligations	22,916	31,081	18,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	15,933	14,081	0
22.00	New budget authority (gross)	21,040	17,000	18,000
22.10	Resources available from recoveries of prior year obligations	24	0	0
22.22	Unobligated balance transferred from other accounts	0	0	0
23.90	Total budgetary resources available for obligation	36,997	31,081	18,000
23.95	New obligations	-22,916	-31,081	-18,000
24.40	Unobligated balance available, end of year	14,081	0	0
	New budget authority (gross), detail:			
	Discretionary :			
40.00	Appropriation (definite)	20,790	17,000	18,000
43.00	Appropriation (total)	20,790	17,000	18,000
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	250	0	0
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	0	0	0
58.90	Spending authority fm offsetting collections (total	250	0	0
70.00	Total new budget authority (gross)	21,040	17,000	18,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	10,670	16,822	8,500
73.10	New obligations	22,916	31,081	18,000
73.20	Total outlays (gross)	-16,740	-39,403	-17,500
73.45	Recoveries of prior year obligations	-24	0	0
74.00	Chg in Uncollected cust orders fm Fed Sources (unexpired)	0	0	0
74.10	Chg in Uncollected cust orders fm Fed Sources (expired)	0	0	0
74.40	Obligated balance end of year	16,822	8,500	9,000
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	10,520	8,500	9,000
86.93	Outlays from discretionary balances	6,220	30,903	8,500
87.00	Total outlays (gross)	16,740	39,403	17,500
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	250	0	0
	Net budget authority and outlays:			
89.00	Budget authority (net)	20,790	17,000	18,000
90.00	Outlays (net)	16,490	39,403	17,500
95.02	Unpaid Obligations, EOY	16,822		

SHIP DISPOSAL

Program and Performance Statement

The Ship Disposal program provides resources to properly dispose of obsolete government-owned merchant-type vessels maintained by MARAD in the National Defense Reserve Fleet. These vessels pose a significant environmental threat due to the presence of unexpended fuel and oil and other hazardous substances such as asbestos and solid and liquid polychlorinated biphenyls (PCBs). MARAD contracts with domestic shipyards and recycling facilities to dispose of these vessels in accordance with guidelines set forth by the U.S. Environmental Protection Agency.

MARITIME ADMINISTRATION
SHIP DISPOSAL
OBJECT CLASSIFICATION
(In thousands of dollars)

Object Class Code	Object Class	FY 2007 Actual	FY 2008 Enacted	FY 2009 President's Request
11.1	Full-time permanent	537	537	550
11.9	**Total personnel compensation**	**537**	**537**	**550**
12.1	Civilian personnel benefits	143	143	146
25.2	Other services	22,236	30,401	17,304
99.0	**Subtotal , direct obligations**	**22,379**	**30,544**	**17,450**
99.9	**Total New Obligations**	**22,916**	**31,081**	**18,000**

Employment Summary

Identification code 69-1768-0-1-403		**2007 actual**	**2008 est.**	**2009 est.**
Direct:				
1001	Civilian full-time equivalent employment	7	7	7

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
SHIP DISPOSAL
FY 2000 - FY 2009
Main Table - Dollars in Thousands

Fiscal Year	Estimate	Enacted	
2000	0	0	
2001	0	0	
2002	10,000	0	
2003	11,161	11,088	1/
2004	11,422	16,115	2/
2005	21,616	21,443	3/
2006	21,000	20,790	
2007	25,740	20,790	
2008	20,000	17,000	
2009	18,000		

1/ Includes $72,546 rescinded in P.L.108-7.
2/ Includes $95,645 rescinded in P.L.108-199.
3/ Includes $172,928 rescinded in P.L.108-447.

Detailed Justification for Ship Disposal

Ship Disposal	FY 2009: $18.0 million

Overview:

MARAD conducts its Ship Disposal Program to help achieve DOT's Environmental Stewardship strategic objective to promote transportation solutions that enhance communities and protect the natural and built environment. Successful pursuit of this program also helps lead to achievement of DOT's desired outcome of reduced pollution and other adverse environmental effects from transportation and transportation facilities. MARAD is the U.S. government's disposal agent for merchant type vessels 1,500 gross tons or more and has custody of a fleet of approximately 120 obsolete ships owned by the Federal government that are available for disposal. MARAD's obsolete ships are located at the James River Reserve Fleet site in Virginia, the Suisun Bay Reserve Fleet site in California and the Beaumont Reserve Fleet site in Texas.

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

In addition to environmental risks associated with onboard hazardous materials at Maritime Administration fleet sites, the risk associated with the spread of non-indigenous aquatic species when transferring obsolete ships from the fleets sites to other geographic locations for vessel disposal through recycling or artificial reefing has become an increasingly complex and costly challenge since FY 2006 and throughout FY 2007. Requirements and costs associated with the control of potentially invasive aquatic species are continuing to evolve and indications are that they will continue to increase until the conflicting and often contradictory requirements of local, state and federal regulations are resolved through on going discussions with the regulatory agencies involved. Because of the conflicting environmental mandates and regulatory constraints on the ship disposal activities, early in FY 2007 the Maritime Administrator placed a temporary suspension on further ship disposals. The suspension has been lifted for the Virginia and Texas fleet sites. The suspension will remain in place for California until an agreement has been reached with the cognizant state and federal regulatory agencies on National Invasive Species Act (NISA) and Clean Water Act (CWA) issues currently impeding the movement and disposal of obsolete Maritime Administration ships. The Maritime Administration is actively engaged with those agencies in the resolution of the issues.

While the genesis of requirements associated with the control of potentially invasive aquatic species was the NISA, and related U.S. Coast Guard implementing regulations, local and state regulation related to the control of non-indigenous species and clean water regulations are further affecting the Maritime Administration's rate of obsolete ship disposal and costs related to ship disposal. While the last few years have seen positive trends in increases in domestic recycling capacity, sustained high market price of steel and consistent Federal ship disposal funding levels, these positive factors are tempered by meeting environmental regulations and requirements necessary for the program to be in compliance with those regulations. Because of this, the budgetary impact of NISA, the CWA and related local and state regulations on the Ship Disposal program is addressed in this FY 2009 budget request.

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

MARAD's NRC license to possess the NSS facility requires compliance with all regulations and statutes (principally the Atomic Energy Act and the Energy Policy Act) that are applicable to a power reactor. For the SAVANNAH and MARAD, this requires a nuclear licensee compliance and management program that is similar in most respects to an operating nuclear power plant. While the facility is in SAFSTOR status (inoperable, defueled, protected long-term storage), the level of activity associated with this compliance program is greatly reduced, but the basic, or fundamental, tenets of nuclear licensing must be in place and functional.

Under statute and regulation, the NSS facility must complete decommissioning (dismantlement, disposal) by 2031 (60 years after permanent cessation of operations). The present focus of MARAD's NSS program activities is to safely manage and safeguard the NSS facility until decommissioning begins. Assuming adequate and well-defined pre-planning, and maintenance of a compliant license management program, MARAD will require a minimum of five years to complete a decommissioning project.

FY 2008 Base:
The base consists of ship disposal funds, salaries and benefits, contractor support, administrative funds (including travel) and funding for NSS nuclear management activities and pre-decommissioning (SAFSTOR) planning and preparation.

Anticipated FY 2008 Accomplishments:
MARAD has an FY 2008 performance target to remove 16 obsolete vessels from the National Defense Reserve Fleet (NDRF) and expects to meet or exceed this target. However, high fuel prices and increased costs associated with compliance with invasive species regulations and risk mitigation requirements may impact the number of vessels actually removed in FY 2008. The development of testing and mitigation requirements surfaced in 2006 as a potentially significant cost driver due to increasing concern regarding the environmental impact of discharges from hull cleaning activities and for the potential spread of non-indigenous species as the Maritime Administration relocates obsolete ships from our fleet sites to the various disposal locations throughout the U.S. Cumulative costs to the program in FY 2006 and 2007 related to NISA requirements were approximately $2.5 million. Since the NISA requirements only became

known in FY 2006, and compliance activities have continued to evolve in FY 2007, the costs were unanticipated and not included in budget requests for FY 2007 or 2008. The to-date costs have been related to accomplishing biological sampling, laboratory analysis, underwater hull cleaning to remove soft aquatic growth and conducting baseline aquatic species studies at the fleet sites and domestic recycling facilities. These costs are necessary merely to remove obsolete ships to recycling facilities and are in addition to costs normally associated with ship disposal activities such as towing, hazmat remediation and dismantling. The Maritime Administration anticipates that the Ship Disposal Program must continue to develop and implement strategies to reduce the risk of the introduction of non-indigenous aquatic species when transiting obsolete NDRF vessels from the fleet sites to the domestic recycling facilities to comply with NISA. For the balance of FY 2007 and 2008 those costs will continue in addition to costs which will include activities related to hull cleaning discharge sampling and discharge containment because of concerns raised by California and other states regarding compliance with the Clean Water Act and related regulations.

The Maritime Administration expects to continue to utilize domestic recycling as the primary ship disposal method and will dispose of high and moderate priority ships that are available for disposal during FY 2008 through domestic recycling. Disposals through artificial reefing, deep-sinking of ships with the U.S. Navy and donation to not-for-profit groups will also be used to the maximum extent possible. As opportunities arise, MARAD will also continue working with domestic and international organizations to accomplish vessel condition assessments, hazardous materials identification, waste-stream minimization, and applied technology testing on MARAD's obsolete ships. MARAD anticipates that in the future these activities could result in improved overseas hazardous material remediation and ship recycling and lead to additional choices for environmentally safe and cost-effective vessel disposal internationally. Currently there are no foreign facilities qualified to compete for future ship recycling contracts.

SAVANNAH Project: MARAD's nuclear license management and compliance program substantially diminished from about 1980 to 2005, or roughly the timeframe when the ship was employed as a museum in South Carolina, and then transferred to MARAD's James River Reserve Fleet for inactive storage. One of MARAD's first substantial decommissioning activities was to conduct an independent analysis and self-assessment of our licensing basis. This study was completed in 2006, and revealed substantial deficiencies in our licensing program. Corrective actions, and development of what we term "licensee competency" has been ongoing since mid-2005, and remains in progress.

MARAD had intended to achieve licensee compliance within a concurrent timeframe with pre-decommissioning planning. Given the need to restructure the decommissioning program to suit budgetary targets, MARAD must instead complete its license management and compliance program as an independent activity, with decommissioning to follow at a future date. Beginning in late 2007 and throughout 2008, MARAD will conduct detailed and thorough radiological surveys in all controlled spaces in the ship, to better define the radiological conditions on the ship. These activities will support efforts beginning in late 2008 to bring the facilities into conformance with contemporary NRC requirements for extended SAFSTOR.**FY 2009 Budget Request**:

The total request for the ship disposal appropriation is $18.0 million, an increase of $1.0 million from the FY 2008 enacted budget.

MARAD requests $15.0 million to support the continuation of the obsolete ship disposal activities, an increase of $1.0 million from the FY 2008 enacted amount. MARAD plans to continue to expedite the disposal of obsolete ships via full and open competition, utilizing all feasible disposal options. Funding at this level will allow for 14 vessel removals from our inventory and defray costs to develop and implement a risk mitigation plan for compliance with NISA and for testing and containment requirements related to the Clean Water Act. Such activities will allow ship disposal activities to continue in full compliance with NISA and the CWA, but will also lessen the environmental risk at the fleet sites and recycling facilities.

MARAD requests $3.0 million, the same as the FY 2008 enacted amount, to continue activities required to bring the NSS nuclear facilities into conformance with NRC SAFSTOR standards. SAFSTOR is the pre-decommissioning condition in which a non-operating nuclear power plant is safely husbanded for the period of time between cessation of operations and dismantlement, disposal and license termination. Because the facility is non-operating, the SAFSTOR condition is designed to be inherently safe during sustained unattended periods. The NSS was originally laid-up and placed in retention long before the industry gained any substantial SAFSTOR experience. As a consequence, it is now known that the NSS requires additional work before it can be considered satisfactory for an additional period of extended retention. Such work includes the reduction of transient combustibles, reduction of radiological inventory, maintenance of the facility containment structure, and continued routine radiological surveillance and monitoring. The projected SAFSTOR work effort for the NSS will complement future decommissioning activities in a substantially non-duplicative way.

The following table provides a breakout of our budget request by major cost element:

Ship Disposal Summary
($000)

Program	**FY 2008 Enacted**	**Salary Adjustment ***	**Non-Salary Inflation**	**Program Increases/ Decreases**	**FY 2009 Request**
Vessel Disposal	$10,105	$0	$232	$721	$11,058
Salary and Benefits	$660	$16	$0	$0	$676
Contractor Support	$1,135	$0	$26	$0	$1,161
Fleet Actions	$1,902	$0	$0	$0	$1,902
Misc. (Travel, Training, etc.)	$198	$0	$5	$0	$203
NS SAVANNAH	$3,000	$0	$0	$0	$3,000
TOTAL	**$17,000**	**$16**	**$263**	**$721**	**$18,000**

* Includes Annualization of 2008 Pay Raises, 2009 Salary Increases, and One Less Compensable Day

Vessel Disposal – Covers the cost of domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available). The request level will not defray significant increases in fuel costs and hull fouling testing and mitigation requirements, both of which may be significant cost drivers into FY 2008, without impacting the program's ability to meet its performance targets.

Salary and Benefits – Covers base salary and inflationary increases for Federal employee staff.

Contractor Support – Covers the use of contractors, through competitive outsourcing, for on-site project management and environmental, safety and health oversight at multiple domestic ship recycling facilities and one foreign facility.

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

Misc. (Travel, Training, etc.) – Covers travel costs - including domestic and foreign travel - to assess facility capability, set-up and monitor foreign pilot programs, and review/monitor the progress of disposal in recycling facilities. The travel budget includes the cost for EPA staff to travel in support of MARAD's foreign recycling projects.

N.S. SAVANNAH – Covers nuclear license management activities, including restored licensee program for NRC compliance. Also covers incremental pre-decommissioning activities designed to bring the facility into conformance with present-day standards for NRC SAFSTOR, such that the ship can be returned to the JRRF (or other suitable location) for long-term retention until final decommissioning and license termination by 2031. Activities will be planned and undertaken using commercial nuclear industry best practices and methods, so that they can be achieved at reasonable cost.

OBSOLETE VESSELS IN MARAD's CUSTODY BY FISCAL YEAR, FY 2001 - 2009

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008*	FY 2009*
On Hand, Start of Year	115	132	133	132	138	143	152	138	125
Transfers In	19	7	2	16	17	33	1	3	3
Transfers Out	2	6	3	10	12	24	15	16	14
On the books end of year	132	133	132	138	143	152	138	125	114
Removed from the Fleets	6	6	2	15	18	25	20	16	14

Definitions: "Transfers In" refers to vessels from all sources that have changed in status from retention to non retention. Transfers Out" refers to vessels that have been taken "off the books" because of a completed disposal, title transfer through vessel sale, donation or other transfer action. "Removed from the fleet" refers to vessels that have been physically removed from the fleet sites. Except for vessel sales and donations, vessels removed from the fleet are not counted as "Transfers Out" until the disposal action is completed. * FY 2008 and 2009 are projections.

MARITIME SECURITY PROGRAM

For necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, [$156,000,000] *$174,000,000*, to remain available until expended. *(Department of Transportation Appropriations Act, 2008.)*

Exhibit III-1
Maritime Administration
Maritime Security Program
Appropriation Summary by Program Activity
($000)

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST	CHANGE FY 2008-2009
Maritime Security Program	154,440	156,000	174,000	18,000
Total	154,440	156,000	174,000	18,000

EXHIBIT III-2

MARITIME SECURITY PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2008 to FY 2009	FY 2009 PC&B By Program	FY 2009 FTEs by Program	FY 2008 Contract Expenses	Appropriation Total
		Note Columns are Non-Add			
FY 2008 Base	**156,000**				**156,000**
Adjustments to Base	**0**				**0**
New or Expanded Programs					
MSP Program	18,000			18,000	18,000
Subtotal, New or Expanded Programs	**18,000**			**18,000**	**18,000**
Total FY 2009 Request	**174,000**			**18,000**	**174,000**

MARITIME ADMINISTRATION
MARITIME SECURITY PROGRAM
PROGRAM AND FINANCING

(In thousands of dollars)

		FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Identification code 69-1711-0-1-054			
	Obligations by program activity:			
00.01	Maritime Security Program	156,525	156,475	174,000
10.00	Total obligations (Object Class 41.0)	156,525	156,475	174,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	2,560	475	0
22.00	New budget authority (gross)	154,440	156,000	174,000
23.90	Total budgetary resources available for obligation	157,000	156,475	174,000
23.95	New obligations	-156,525	-156,475	-174,000
24.40	Unobligated balance available, end of year	475	0	0
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	154,440	156,000	174,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	12,644	14,639	10,920
73.10	New obligations	156,525	156,475	174,000
73.20	Total outlays (gross)	-154,530	-160,194	-172,740
74.40	Obligated balance end of year	14,639	10,920	12,180
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	143,629	145,080	161,820
86.93	Outlays from discretionary balances	10,901	15,114	10,920
87.00	Total outlays (gross)	154,530	160,194	172,740
	Net budget authority and outlays:			
89.00	Budget authority (net)	154,440	156,000	174,000
90.00	Outlays (net)	154,530	160,194	172,740
95.02	Unpaid Obligations, EOY	14,639		

MARITIME SECURITY PROGRAM

Program and Performance Statement

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

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME SECURITY PROGRAM
FY 2000 - FY 2009
Main Table - Dollars in Thousands

Fiscal Year	Estimate	Enacted	
2000	98,700	96,200	
2001	98,700	98,483	1/
2002	98,700	0	
2003	98,700	98,058	2/
2004	98,700	98,118	3/
2005	98,700	97,910	4/
2006	156,000	154,440	
2007	154,440	154,440	
2008	154,440	156,000	
2009	174,000		

1/ Includes $217,140 rescinded in P.L.106-553.
2/ Includes $641,550 rescinded in P.L.108-7.
3/ Includes $582,330 rescinded in P.L.108-199.
4/ Includes $789,600 rescinded in P.L.108-447.

Detailed Justification for the Maritime Security Program

Maritime Security Program	FY 2009 Request: $174.0 million

Overview:
The Maritime Security Act of 2003 authorized 60 ships for the Maritime Security Program (MSP) and up to a $2.9 million payment per ship for FY 2009. MSP ensures that the United States will have U.S.-flag commercial vessels to support Department of Defense (DOD) operations. Prior to enactment of the Maritime Security Act of 1996, several of the major U.S.-flag carriers transferred their vessels to foreign registry. These same carriers indicated that more U.S.-flag ships would have left the U.S.-flag fleet in the absence of MSP. These actions would have resulted in DOD relying on more foreign-flag vessels with foreign crews or having to make substantial investments in procuring a larger government-owned DOD fleet. The program also ensures that the intermodal assets of current U.S.-flag ship operators will be readily available to DOD.

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

FY 2008 Base:
The base consists solely of funds to make payments to MSP ship operators for 60 enrolled ships. Payments will be made at the annual rate of approximately $2.6 million per ship. Supporting staff salaries and benefits are funded by the Operations and Training account (MARAD Operations program activity).

Anticipated FY 2008 Accomplishments:
MSP ships have contributed greatly to Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). A total of 79 U.S.-flag commercial ships (including 57 MSP ships) have either been employed by the Military Sealift Command (MSC), or the Military Surface Deployment and Distribution Command (SDDC) to transport military cargoes or cargo. SDDC reports that since September 11, 2001, U.S.-flag commercial ships have delivered over 360,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. In addition, 34 of the 57 MSP ships utilized by MSC and SDDC also supported the rebuilding of Iraq.

During FY 2008, MARAD will continue strategies that are designed to maintain full enrollment of 60 ships in MSP through September 30, 2008. MARAD will continue to evaluate and approve changes in MSP contracts that improve the quality of the MSP fleet while ensuring retention of modern and efficient ships and U.S. citizen crews to support U.S. homeland and national security goals. Throughout the fiscal year, MARAD anticipates that all 60 ships currently enrolled in the MSP program will be operating under their MSP contracts and in U.S. foreign trade.

FY 2009 Budget Request:
MARAD requests $174.0 million for MSP in order to fund 60 ships in the MSP fleet in FY 2009 at the authorized level of $2.9 million per ship. Funding at this level will allow DOT to continue

to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve both the commercial and national security needs of the United States and help to achieve the Department's performance measures for defense mobilization.

MSP participants signed operating agreements with the Maritime Administration that provide for escalation of MSP payments to $2.9 million per ship per year in FY 2009. Escalating payments were designed to offset the impact of inflation and to provide incentive for MSP operators to reinvest and upgrade their MSP fleet with newer, more modern and efficient vessels. Any ship offered as a replacement for an existing MSP vessel must be less than 15 years old and must be approved by the Maritime Administration and the U.S. Transportation Command as the most militarily useful and commercially viable vessels available. Since October 1, 2005, three MSP ships have been replaced with newer ships and an additional 21 ships currently in the program will be replaced with newer vessels before the MSP expires in 2015.

Funding at the authorized level of $2.9 million per ship in FY 2009 is essential to the maintenance of a fleet capable of meeting national security goals. DOD studies have consistently supported the requirement for a 60-ship MSP fleet to satisfy DOD's sealift requirements. A reduction in the authorized funding for FY 2009 will jeopardize the military's ability to obtain assured access to a sufficient number of commercial vessels and mariners to meet national security requirements. DOD estimates that the complete replacement of the MSP fleet with Government-owned assets would cost in excess of $7 billion for initial construction and would require an annual expenditure of $1 billion for operation and maintenance of the fleet.

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

MSP conducted a Program Assessment Rating Tool (PART) review in 2004. This review focused on the effectiveness of the MSP program in providing the required availability of MSP shipping assets for Department of Defense use. The MSP program received an overall score of 91, or 'effective.' OMB's PART recommendations and MARAD's actions are discussed in the Performance Overview. The funds requested in this budget will allow MSP to meet the performance measure targets identified in the PART. The MSP performance measures are listed in the 'Budget Request by Performance Goals' section of this budget under the Security, Preparedness and Response strategic goal.

MARITIME ADMINISTRATION
NATIONAL DEFENSE TANK CONSTRUCTION PROGRAM
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1769-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	74,400	0	0
22.00	New budget authority (gross)	-74,400	0	0
23.90	Total budgetary resources available for obligation	0	0	0
24.40	Unobligated balance available, end of year	0	0	0
	New budget authority (gross), detail:			
	Discretionary:			
40.36	Unobligated balance permanently reduced	-74,400	0	0
43.00	Appropriation (total)	-74,400	0	0
	Net budget authority and outlays:			
89.00	Budget authority (net)	-74,400	0	0
90.00	Outlays (net)	0	0	0
95.02	Unpaid Obligations, EOY	0		

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

[SHIP CONSTRUCTION]
[RESCISSION]

[Of the unobligated balances available under this heading, $6,673,000 are rescinded.] *(Department of Transportation Appropriations Act, 2008.)*

MARITIME ADMINISTRATION
SHIP CONSTRUCTION
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-1708-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year	2,977	6,674	0
22.00	New budget authority (gross)	3,697	-6,674	0
23.90	Total budgetary resources available for obligation	6,674	0	0
24.40	Unobligated balance available, end of year	6,674	0	0
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	0	0	0
40.36	Unobligated balance permanently reduced	-2,000	-6,674	0
43.00	Appropriation (total)	-2,000	-6,674	0
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	5,697	0	0
58.90	Spending authority fm offsetting collections (total)	5,697	0	0
70.00	Total new budget authority (gross)	3,697	-6,674	0
	Change in obligated balances:			
72.40	Obligated balance,start of year	0	0	0
74.40	Obligated balance end of year	0	0	0
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	0	-6,674	0
86.93	Outlays from discretionary balances	0	6,674	0
87.00	Total outlays (gross)	0	0	0
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	5,697	0	0
	Net budget authority and outlays:			
89.00	Budget authority (net)	-2,000	-6,674	0
90.00	Outlays (net)	-5,697	0	0
95.02	Unpaid Obligations, EOY	0		

SHIP CONSTRUCTION

Program and Performance Statement

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

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

MARITIME ADMINISTRATION
OPERATING DIFFERENTIAL SUBSIDIES
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-1709-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
Obligations by program activity:			
0.01 General Administration	0	822	0
0.91 Total direct program	0	822	0
9.01 Reimbursable program	0	0	0
10.00 Total obligations	0	822	0
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year	0	822	0
22.10 Resources available from recoveries of prior year obligations	822	0	0
23.90 Total budgetary resources available for obligation	822	822	0
23.95 New obligations	0	-822	0
24.40 Unobligated balance available, end of year	822	0	0
New budget authority (gross), detail:			
Discretionary:			
43.00 Appropriation (total)	0	0	0
Change in obligated balances:			
72.40 Obligated balance,start of year	13,342	9,924	0
73.10 New obligations	0	822	0
73.20 Total outlays (gross)	-2,595	-10,747	0
73.45 Recoveries of prior year obligations	-822	0	0
74.40 Obligated balance end of year	9,924	0	0
Outlays (gross), detail:			
86.93 Outlays from discretionary balances	2,595	10,747	0
87.00 Total outlays (gross)	2,595	10,747	0
Net budget authority and outlays:			
89.00 Budget authority (net)	0	0	0
90.00 Outlays (net)	2,595	10,747	0
95.02 Unpaid Obligations, EOY	9,924		

OPERATING-DIFFERENTIAL SUBSIDIES

Program and Performance Statement

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

Maritime Administration

Ocean Freight Differential

Appropriation Summary by Program Activity

($000)

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST	CHANGE FY 2008-2009
Ocean Freight Differential				
Apppropriation	0	120,000	145,000	25,000
Borrowing Authority	271,343	145,000	175,000	30,000
Total Budget Authority	271,343	265,000	320,000	55,000
FTEs				
Direct Funded	0	0	0	0
Reimbursable, allocated, other	0	0	0	0

MARITIME ADMINISTRATION
OCEAN FREIGHT DIFFERENTIAL

(In thousands of dollars)

	Identification code 69-1751-0-1-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Obligations by program activity:			
0.01	Ocean Freight Differential - 20% Excess Freight	153,170	116,000	140,000
0.02	Ocean Freight Differential -Incremental	39,512	27,220	35,000
0.03	Ocean Freight Differential -Interest to Treasury	4,877	1,780	
0.91	Total direct program	197,559	145,000	175,000
9.01	Reimbursable program	0	0	0
10.00	Total obligations	197,559	145,000	175,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	0	0	0
22.00	New budget authority (gross)	197,559	145,000	175,000
23.90	Total budgetary resources available for obligation	197,559	145,000	175,000
23.95	New obligations	-197,559	-145,000	-175,000
24.40	Unobligated balance available, end of year	0	0	0
	New budget authority (gross), detail:			
	Mandatory:			
60.00	Appropriation (definite)	271,343	120,000	145,000
60.47	Portion applied to repay debt	-266,466	-120,000	-145,000
62.50	Appropriation Mandatory(total)	4,877	0	0
67.10	Borrowing Authority	192,682	145,000	175,000
70.00	Total new budget authority (gross)	197,559	145,000	175,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	0	0	0
73.10	New obligations	197,559	145,000	175,000
73.20	Total outlays (gross)	-197,559	-145,000	-175,000
74.40	Obligated balance end of year	0	0	0
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	197,559	145,000	175,000
86.93	Outlays from discretionary balances	0	0	0
87.00	Total outlays (gross)	197,559	145,000	175,000
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	0	0	0
	Net budget authority and outlays:			
89.00	Budget authority (net)	197,559	145,000	175,000
90.00	Outlays (net)	197,559	145,000	175,000
95.02	Unpaid Obligations, EOY	0	0	0

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 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 vessel. Public Law 99-108 amended the cargo preference requirement in Section 901 of the Merchant Marine Act by increasing the minimum required tonnage of certain government-sponsored food-aid shipments that must be shipped on U.S.-flag vessels from 50 to 75 percent. The Maritime Administration is required to reimburse 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.

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
OCEAN FREIGHT DIFFERENTIAL
FY 2000 - FY 2009
Main Table - Dollars in Thousands

Fiscal Year	Estimate	Enacted
2000	74,832	74,832
2001	80,495	80,495
2002	54,331	54,331
2003	113,360	113,360
2004	687,816	687,816
2005	814,859	814,859
2006	526,260	526,260
2007	364,000	496,343
2008	265,000	265,000
2009	320,000	

Detailed Justification for Ocean Freight Differential

Ocean Freight Differential	**FY 2009 Request: $320.0 million**

Overview:
The cargo preference program exists to ensure compliance by both Federal agencies and shippers with cargo preference laws designed to maximize the use of U.S.-flag vessels when shipping U.S. government owned or sponsored cargoes. Where necessary, the program also determines fair and reasonable guideline rates for the shipment of preference cargoes so that the Federal government is not charged excessive costs. Funding for this program enables the transport of U.S. food aid cargoes by U.S.-flag vessel operators. Without this business, the U.S.-flag carriers cannot effectively compete with foreign flag carriers due to higher U.S. labor costs and more rigorous U.S. safety, environmental and operating requirements. These laws help to ensure the existence of a significant portion of the U.S.-flag fleet operating in foreign commerce. The ocean freight revenue provided to the entire US-flag merchant fleet by the cargo preference program provides an economic incentive to remain under the U.S. flag to support our nation's global connectivity, the mobility of our goods and people, and our economic and defense needs. Depending on corporate size and a carrier's world trading areas, preference cargo accounts for between 10 to 50 percent of a carrier's base cargoes.

FY 2008 Base:
The base consists solely of freight differential funding used to reimburse the USDA's Commodity Credit Corporation for the increased cost of shipping agricultural cargoes on U.S.-flag ships versus foreign flag ships.

Anticipated FY 2008 Accomplishments:
MARAD will continue to seek legislative approval to give the Secretary of Transportation enforcement authority for the cargo preference laws. As indicated in MARAD's and Program Assessment and Rating Tool (PART) review for the food aid portion of the Cargo Preference program, lack of such authority results in agencies failing to comply with the laws. MARAD will continue to hold public meetings and solicit inputs from all stakeholders and customers of all our programs as part of the promotion of U.S.-flag vessels. MARAD will work with the Export-Import Bank on a working capital loan guarantee program for commercial cargoes that are carried on U.S.-flag vessels. MARAD expects to continue to increase the use of electronic methods to receive and exchange data and information with other Agencies, shippers and the public. We will continue working with U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) to encourage them to adopt the recommendations of the GAO-07-560 report to improve the efficiency of food aid logistics.

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

The Cargo Preference program conducted a PART review for the Food Aid portion of the program in support of the FY 2008 budget submission. The program received an overall score of 75, or 'moderately effective'. OMB's PART recommendations and MARAD's actions are discussed in the Performance Overview. The staff and support funding requested in the MARAD Operations portion of this budget will serve to assist the Food Aid portion of the Cargo Preference program meet the performance measure targets identified in the PART. The Ocean Freight Differential [Food Aid] performance measures are listed in the 'Budget Request by Performance Goals' section of this budget under the Global Connectivity strategic goal.

MARITIME ADMINISTRATION
READY RESERVE FORCE
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-1710-0-1-054	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
Obligations by program activity:			
0.01 Ready Reserve Force	1,380	2,253	0
10.00 Total obligations (object class 25.2)	1,380	2,253	0
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year	3,632	2,253	0
22.00 New budget authority (gross)	0	0	0
23.90 Total budgetary resources available for obligation	3,632	2,253	0
23.95 New obligations	-1,380	-2,253	0
24.40 Unobligated balance available, end of year	2,253	0	0
Change in obligated balances:			
72.40 Obligated balance,start of year	91	286	0
73.10 New obligations	1,380	2,253	0
73.20 Total outlays (gross)	-1,184	-2,539	0
74.40 Obligated balance end of year	286	0	0
Outlays (gross), detail:			
86.93 Outlays from discretionary balances	1,184	2,539	0
87.00 Total outlays (gross)	1,184	2,539	0
Net budget authority and outlays:			
89.00 Budget authority (net)	0	0	0
90.00 Outlays (net)	1,184	2,539	0
95.02 Unpaid Obligations, EOY	286		

READY RESERVE FORCE

Program and Performance Statement

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

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4303-0-3-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Obligations by program activity:			
9.01	Reimbursable program	262,056	445,000	380,000
10.00	Total obligations	262,056	445,000	380,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	22,553	19,708	19,708
22.00	New budget authority (gross)	259,211	445,000	380,000
23.90	Total budgetary resources available for obligation	281,764	464,708	399,708
23.95	New obligations	-262,056	-445,000	-380,000
23.98	Unobligated balance expiring or withdrawn	0	0	0
24.40	Unobligated balance available, end of year	19,708	19,708	19,708
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	268,445	445,000	380,000
58.10	Change in uncollected cust paymts fm Fed sources (unexp)	-9,234	0	0
58.90	Spending authority fm offsetting collections (total	259,211	445,000	380,000
70.00	Total new budget authority (gross)	259,211	445,000	380,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	52,006	70,381	24,792
73.10	New obligations	262,056	445,000	380,000
73.20	Total outlays (gross)	-252,915	-490,589	-386,500
74.00	Chg in Uncollected cust orders fm Fed Sources (unexpired)	9,234	0	0
74.40	Obligated balance end of year	70,381	24,792	18,292
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	169,273	400,500	342,000
86.93	Outlays from discretionary balances	83,642	90,089	44,500
87.00	Total outlays (gross)	252,915	490,589	386,500
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.00	Federal sources	268,445	445,000	380,000
88.95	Portion of offsetting collection credited to unexpired accounts	-9,234	0	0
	Net budget authority and outlays:			
89.00	Budget authority (net)	0	0	0
90.00	Outlays (net)	-15,530	45,589	6,500
95.02	Unpaid Obligations, EOY	164,681		

VESSEL OPERATIONS REVOLVING FUND

Program and Performance Statement

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

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

MARITIME ADMINISTRATION
VESSEL OPERATIONS REVOLVING FUND
OBJECT CLASSIFICATION
(In thousands of dollars)

Object Class Code	Object Class	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Reimbursable obligations			
21.0	Travel and transportation of persons	7,985	9,867	2,950
23.3	Communications, utilities & misc. charges	22,115	26,257	21,134
24.0	Printing and reproduction	4,875	6,987	1,966
25.2	Other Services	175,327	326,161	306,037
26.0	Supplies and materials	48,351	66,244	46,299
31.0	Equipment	1,651	4,796	751
42.0	Insurance claims and indemnities	1,752	4,688	863
99.9	**Total New Obligations**	**262,056**	**445,000**	**380,000**

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

MARITIME ADMINISTRATION
WAR RISK INSURANCE REVOLVING FUND
PROGRAM AND FINANCING

(In thousands of dollars)

	Identification code 69-4302-0-3-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Obligations by program activity:			
0.91	Total direct program	58	0	0
10.00	Total obligations	58	0	0
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	42,365	43,293	45,293
22.00	New budget authority (gross)	986	2,000	2,000
23.90	Total budgetary resources available for obligation	43,351	45,293	47,293
23.95	New obligations	-58	0	0
24.40	Unobligated balance available, end of year	43,293	45,293	47,293
	New budget authority (gross), detail:			
	Discretionary spending authority from offsetting collections:			
58.00	Offsetting collections (cash) (unexpired only)	986	2,000	2,000
58.90	Spending authority fm offsetting collections (total)	986	2,000	2,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	26	11	0
73.10	New obligations	58	0	0
73.20	Total outlays (gross)	-73	-11	0
74.40	Obligated balance end of year	11	0	0
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	73	11	0
86.93	Outlays from discretionary balances	0	0	0
87.00	Total outlays (gross)	73	11	0
	Offsets:			
	Against gross budget authority and outlays			
	Offsetting collections (cash) from:			
88.20	Interest on Federal securities	986	2,000	2,000
	Net budget authority and outlays:			
89.00	Budget authority (net)	0	0	0
90.00	Outlays (net)	-913	-1,989	-2,000
	Memorandum (non-add) entries:			
92.01	Total investments, start of year: Federal securities: Par value	37,299	38,299	39,299
92.02	Total investments, end of year: Federal securities: Par value	35,299	35,299	36,000
95.02	Unpaid Obligations, EOY	11		

WAR RISK INSURANCE REVOLVING FUND

Program and Performance Statement

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

MARITIME ADMINISTRATION
FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT
PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-4301-0-3-403	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
Obligations by program activity:			
0.01 General Administration	0	20	0
0.91 Total direct program	0	20	0
10.00 Total obligations	0	20	0
Budgetary resources available for obligation			
21.40 Unobligated balance available, start of year	0	20	0
22.00 New budget authority (gross)	20	0	0
23.90 Total budgetary resources available for obligation	20	20	0
23.95 New obligations	0	-20	0
24.40 Unobligated balance available, end of year	20	0	0
New budget authority (gross), detail:			
Mandatory spending authority from offsetting collections:			
69.00 Offsetting collections (cash) (unexpired only)	20	0	0
69.10 Change in uncollected cust paymts fm Fed sources (unexp)	0	0	0
69.90 Spending authority fm offsetting collections (total	20	0	0
70.00 Total new budget authority (gross)	20	0	0
Change in obligated balances:			
72.40 Obligated balance,start of year	0	0	0
73.10 New obligations	0	20	0
73.20 Total outlays (gross)	0	-20	0
74.40 Obligated balance end of year	0	0	0
Outlays (gross), detail:			
86.93 Outlays from discretionary balances	0	20	0
87.00 Total outlays (gross)	0	20	0
Offsets:			
Against gross budget authority and outlays			
Offsetting collections (cash) from:			
88.00 Federal sources	20	0	0
88.95 Portion of offsetting collection credited to unexpired accounts	0	0	0
88.96 Portion of offsetting collection credited to expired accounts	0	0	0
Net budget authority and outlays:			
89.00 Budget authority (net)	0	0	0
90.00 Outlays (net)	-20	20	0
95.02 Unpaid Obligations, EOY	0		

FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT
Status of Guaranteed Loans
(In Thousands of Dollars)

	Identification code 69-4301-0-3-403	2007 Actual	2008 Estimate	2009 Estimate
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	6,781	2,204	0
2251	Repayments and prepayments	-4,577	-2,204	0
2290	Outstanding, end of year	2,204	0	0
	Memorandum			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	2,204	0	0

FEDERAL SHIP FINANCING FUND LIQUIDATING ACCOUNT

Program and Performance Statement

The Merchant Marine Act of 1936, as amended, established the Federal Ship Financing Fund to support the U.S. merchant marine by guaranteeing vessel construction loans and mortgages on U.S.-flag vessels built in the United States shipyards. No new commitments for vessel construction loan guarantees are provided by the Federal Ship Financing Fund for 2009 because this Fund is used to underwrite only those guarantees made under the Title XI loan guarantee program prior to 1992.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT
(INCLUDING TRANSFER OF FUNDS)

For [the cost of guaranteed loans, as authorized, $8,408,000, of which $5,000,000 shall remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: *Provided further*, That not to exceed $3,408,000 shall be available for] administrative expenses to carry out the guaranteed loan program, *not to exceed $3,531,000*, which shall be [transferred to and merged with] *paid to* the appropriation for ''Operations and Training'', Maritime Administration. *(Department of Transportation Appropriations Act, 2008.)*

Exhbit III-1
Maritime Administration
Maritime Guaranteed Loan Program
Appropriation Summary by Program Activity
($000)

	FY 2007 ACTUAL	FY 2008 ENACTED	FY 2009 REQUEST	CHANGE FY 2008-2009
Maritime Guaranteed Loan Program	4,085	8,408	3,531	-4,877
Total	4,085	8,408	3,531	-4,877
FTEs				
Direct Funded	[22]	[22]	[22]	0

The FTEs displayed here are merged into the Operations and Training Account in Exhibit II-7 and Exhibit II-8

EXHIBIT III-2

MARITIME GUARANTEED LOAN PROGRAM
SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009
Appropriations, Obligations, Limitations, and Exempt Obligations
($000)

Item	Change from FY 2008 to FY 2009	FY 2009 PC&B By Program	FY 2009 FTEs by Program	FY 2009 Contract Expenses	Appropriation Total
		Note Columns are Non-Add			
FY 2008 Base	**8,408**		[22]		**8,408**
Adjustments to Base					
Annualization of 2008 Pay Raise (3.5%)	33	33			
2009 Pay Raise (2.9%)	91	91			
One Less Compensable Day	0	0			
Non-Salary Inflation	0			0	
Subtotal, Adjustments to Base	**123**	**123**		**0**	**123**
New or Expanded Programs					
MarItime Guaranteed Loan Program	-5,000			-5,000	
Subtotal, New or Expanded Programs	**-5,000**			**-5,000**	**-5,000**
Total FY 2009 Request	**3,531**	**123**	[22]	**-5,000**	**3,531**

The FTEs displayed here are merged into the Operations and Training Account in Exhibit II-7 and Exhibit II-8

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

(In thousands of dollars)

	Identification code 69-1752-0-1-403	**FY 2007 Actual**	**FY 2008 Enacted**	**FY 2009 Request**
	Obligations by program activity:			
0.02	Loan guarantee activity	0	5,000	0
0.07	Reestimates of loan guarantee subsidy	14,996	0	0
0.08	Interest on reestimates of loan guarantee subsidy	7,664	276	0
0.09	Administrative Expenses	4,085	3,408	3,531
10.00	Total obligations	26,745	8,684	3,531
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	7,352	7,352	7,352
22.00	New budget authority (gross)	26,745	8,684	3,531
23.90	Total budgetary resources available for obligation	34,097	16,036	10,883
23.95	New obligations	-26,745	-8,684	-3,531
24.40	Unobligated balance available, end of year	7,352	7,352	7,352
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation (definite)	4,085	8,408	3,531
43.00	Appropriation (total)	4,085	8,408	3,531
	Mandatory:			
60.00	Appropriation (definite)	22,660	276	0
62.50	Appropriation (total)	22,660	276	0
69.10	Change in uncollected cust paymts fm Fed sources (unexp)	0	0	0
69.90	Spending authority fm offsetting collections (total)	22,660	276	0
70.00	Total new budget authority (gross)	26,745	8,684	3,531
	Change in obligated balances:			
72.40	Obligated balance,start of year	1,651	691	0
73.10	New obligations	26,745	8,684	3,531
73.20	Total outlays (gross)	-27,704	-9,375	-3,531
74.40	Obligated balance end of year	691	0	0
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	4,085	8,408	3,531
86.93	Outlays from discretionary balances	960	691	0
86.97	Outlays from new mandatory authority	22,660	276	0
87.00	Total outlays (gross)	27,704	9,375	3,531
	Net budget authority and outlays:			
89.00	Budget authority (net)	26,745	8,684	3,531
90.00	Outlays (net)	27,704	9,375	3,531
95.02	Unpaid Obligations, EOY	691		

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

	Identification code 69-1752-0-1-403	2007 Actual	2008 Estimate	2009 Estimate
	Guaranteed loan levels supportable by subsidy budget authority:			
215010	Risk category 3	0	45,977	0
215011	Risk category 4	0	32,680	0
215012	Risk category 5	0	11,299	0
215999	Total loan guarantee levels	0	89,956	0
	Guaranteed loan subsidy (in percent):			
232010	Risk category 3	0.00	4.35	0.00
232011	Risk category 4	0.00	6.12	0.00
232012	Risk category 5	0.00	8.85	0.00
232999	Weighted average subsidy rate	0.00	5.56	0.00
	Guaranteed loan subsidy budget authority			
233010	Risk category 3	0	2,000	0
233011	Risk category 4	0	2,000	0
233012	Risk category 5	0	1,000	0
233999	Total subsidy budget authority	0	5,000	0
	Guaranteed loan subsidy outlays:			
234010	Risk category 3	0	1,000	1,000
234011	Risk category 4	0	1,000	1,000
234012	Risk category 5	0	500	500
234013	Risk category 6	0	0	0
234999	Total subsidy outlays	0	2,500	2,500
	Guaranteed loan upward reestimates			
235013	Risk category 6	22,660	276	0
235999	Total upward reestimate budget activity	22,660	276	0
	Guaranteed loan downward reestimates:			
237008	Risk category 1	-37,802	106,676	0
237999	Total downward reestimate subsidy budget authority	-37,802	106,676	0
	Administrative expenses data:			
3510	Budget authority	4,085	3,408	3,531
3580	Outlays from balances	0	0	0
3590	Outlays from new authority	4,085	3,408	3,531

MARITIME GUARANTEED LOAN (TITLE XI) PROGRAM ACCOUNT

Program and Performance Statement

This program provides guaranteed loans for purchasers of ships from the U.S. shipbuilding industry and for modernization of U.S. shipyards.

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

Funds for administrative expenses for the Title XI program are appropriated to this account, then transferred to and merged with the Operations and Training account.

No new funds for loan guarantees are requested for 2009.

MARITIME ADMINISTRATION
MARITIME GUARANTEED LOAN PROGRAM
(In thousands of dollars)

Object Class Code	Object Class	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
25.2	Other services	4,085	8,408	3,531
41.0	Grants, subsidies, and contributions	22,660	276	0
99.9	**Total new obligations**	**26,745**	**8,684**	**3,531**

MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
MARITIME GUARANTEED LOAN PROGRAM
FY 2000 - FY 2009
Main Table - Dollars in Thousands

Fiscal Year		Estimate	Enacted
2000	Guarantee Subsidy	6,000	5,977
	Administration	3,893	3,795
	Rescission of Unobligated Balance	0	0
	TOTAL	9,893	7,815 1/
2001	Guarantee Subsidy	2,000	29,934
	Administration	4,179	3,978
	Rescission of Unobligated Balance	0	-7,644
	TOTAL	6,179	33,912 2/
2002	Guarantee Subsidy	0	33,000
	Administration	3,978	3,978
	Rescission of Unobligated Balance	0	-5,000
	TOTAL	3,978	36,978 3/
2003	Guarantee Subsidy	0	25,000
	Administration	4,126	4,482
	Rescission of Unobligated Balance	0	0
	TOTAL	4,126	29,099 4/
2004	Guarantee Subsidy	0	0
	Administration	4,498	4,471
	Rescission of Unobligated Balance	0	0
	TOTAL	4,498	4,471 5/
2005	Guarantee Subsidy	0	0
	Administration	4,764	4,726
	Rescission of Unobligated Balance	0	0
	TOTAL	4,764	4,726 6/
2006	Guarantee Subsidy	0	5,000 7/
	Administration	3,526	4,085
	Rescission of Unobligated Balance	0	0
	TOTAL	3,526	9,085
2007	Guarantee Subsidy	0	0
	Administration	3,317	4,085
	Rescission of Unobligated Balance	-2,068	0
	TOTAL	3,317	4,085
2008	Guarantee Subsidy	0	5,000
	Administration	0 8/	3,408
	Rescission of Unobligated Balance	0	0
	TOTAL		8,408
2009	Guarantee Subsidy	0	
	Administration	3,531	
	Rescission of Unobligated Balance	0	
	TOTAL		

Footnotes (Actual Dollars - not in thousands):
1/ Includes $1,956,864 rescinded in P.L.106-113.
2/ Includes $74,771 rescinded in P.L.106-553.
3/ Includes $5,000 rescinded in P.L.107-77.
4/ Includes $26,819 rescinded in P.L.108-7.
5/ Includes $26,538 rescinded in P.L.108-199.
6/ Includes $38,112 rescinded in P.L.108-447.
7/ Transferred from Highway Priority Projects (Section 113).
8/ MARAD did not request any direct appropriated funding to administer the Title XI program during FY 2008. Instead, MARAD proposed to transfer $3.422 million of the unobligated balance in the Maritime Guaranteed Loan Program Account and merge it with the appropriation for Operations and Training.

Detailed Justification for Administrative Expense (Title XI)

Maritime Guaranteed Loans (Title XI)	FY 2009 Request: $3.531million

Overview:
The Maritime Guaranteed Loan (Title XI) Program was created to provide a Federal guarantee of private sector debt for domestic ship construction and shipyard modernization. Title XI is designed to foster and sustain the U.S. shipbuilding and repair industry and support the continued existence of a U.S. merchant marine by supporting new ship construction in U.S. shipyards. Vessels financed by the Title XI program directly contribute to the ability of the United States to carry its domestic and foreign waterborne commerce. Shipyard activity spurred by the Title XI program assists U.S. shipyards in maintaining a skilled workforce to meet shipbuilding needs during times of war or national emergency.

FY 2008 Base:
The base consists of salaries and benefits, a share of MARAD Headquarters operational costs such as rent, utilities, etc, and subsidy funds for the Title XI loan program.

Anticipated FY 2008 Accomplishments:
MARAD will continue to increase its efficiency in monitoring the Title XI loan guarantee portfolio of $2.7 billion. The computerized monitoring system implemented during FY 2007 will be enhanced throughout FY 2008 to increase the system's overall effectiveness. The system is expected to improve several aspects of program administration including portfolio and asset management - including tracking the insurance and vessel classification certificates for vessels and shipyards financed by the Title XI program. In addition, the system will help reduce the amount of time necessary to perform the required financial analysis of each Title XI loan guarantee. For this reason, the program expects to increase the percentage of Title XI projects for which a financial review is completed and documented within 30 days of receiving the financial reports to 75 percent.

MARAD will work closely with shipowners to avoid new defaults. The Title XI program has not experienced a defaulted loan guarantee in over five years. However, in any instances of default, MARAD will incorporate its new policies on handling defaulted assets to insure a maximum recovery on secured assets.

Additionally, MARAD will process applications for new Title XI guarantees. MARAD will work to maximize the amount of projects that it can finance by approving projects that have a lower expected cost to the Government and therefore utilize less subsidy funds.

FY 2009 Budget Request:

Maritime Guaranteed Loan Program ($000)					
Program	FY 2008 Enacted	Salary Adjustment *	Non-Salary Inflation	Program Increases/ Decreases	FY 2009 Request
Salary and Benefits	3,408	123	0	0	3,531
Subsidy Funding	5,000	0	0	-5,000	0
TOTAL	**8,408**	**123**	**0**	**-5,000**	**3,531**

* Includes Annualization of 2008 Pay Raises, 2009 Salary Increases, and One Less Compensable Day

MARAD requests $3.531 million for the program administration of the Title XI program in FY 2009. No new subsidy funds are requested for new loan guarantees for ship construction. The administrative funding will enable the Title XI program to comply with the Federal Credit Reform Act and the DOTIG and GAO recommendations on portfolio management. These administrative funds will be utilized to manage the existing portfolio.

The Title XI program conducted a Program Assessment Rating Tool (PART) review in support of the FY 2008 budget submission. The Title XI program received an overall score of 83, or 'moderately effective'. OMB's PART recommendations and MARAD's actions are discussed in the Performance Overview. The funds requested in this budget will allow the Title XI program to meet the performance measure targets identified in the PART. The Title XI performance measures are listed in the 'Budget Request by Performance Goals' section of this budget under the Reduced Congestion strategic goal.

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

(In thousands of dollars)

	Identification code 69-4304-0-3-999	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
	Obligations by program activity:			
00.01	Default Claims	0	0	0
00.02	Payment of Interest to Treasury	0	0	0
00.03	Default and default related activities	605	5,000	5,000
00.91	Direct Program by Activities - Subtotal (1 level)	605	5,000	5,000
08.02	Downward Reestimates	26,011	51,485	0
08.04	Interest on downward reestimate	11,791	55,191	0
08.91	Subtotal, downward reestimate	37,802	106,676	0
10.00	Total obligations	38,407	111,676	5,000
	Budgetary resources available for obligation			
21.40	Unobligated balance available, start of year	327,372	330,715	249,315
22.00	New financing authority (gross)	41,749	30,276	25,000
23.90	Total budgetary resources available for obligation	369,122	360,991	274,315
23.95	New obligations	-38,407	-111,676	-5,000
24.40	Unobligated balance available, end of year	330,715	249,315	269,315
	New financing authority (gross), detail:			
	Mandatory spending authority from offsetting collections:			
69.00	Offsetting collections (cash) (unexpired only)	41,749	30,276	25,000
69.10	Change in uncollected cust paymts fm Fed sources (unexp)	0	0	0
69.90	Spending authority fm offsetting collections (total)	41,749	30,276	25,000
	Change in obligated balances:			
72.40	Obligated balance,start of year	122	91	111,767
73.10	New obligations	38,407	111,676	5,000
73.20	Total outlays (gross)	-38,437	0	0
74.40	Obligated balance end of year	91	111,767	116,767
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	38,437	0	0
86.93	Outlays from discretionary balances	0	0	0
87.00	Total financing disbursements (gross)	38,437	0	0
	Offsets:			
	Against gross financing authority and financing disbursements			
	Offsetting collections (cash) from:			
88.00	Program account	0	0	0
88.00	Payments from program account - Upward reestimate	22,660	276	0
88.25	Interest on uninvested funds	17,200	18,000	14,000
88.40	Loan Repayment	1,889	2,000	1,000
88.40	Fees and other payments	0	10,000	10,000
88.90	Total, offsetting collections (cash)	41,749	30,276	25,000
	Against gross financing authority only			
88.95	Change in receivables from program account	0	0	0
	Net financing authority and financing disbursements:			
89.00	Financing authority (net)	0	0	0
90.00	Financing disbursements (net)	-3,312	-30,276	-25,000
95.02	Unpaid Obligations, EOY	92		

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

Identification code 69-4304-0-3-999	**FY 2007 Actual**	**FY 2008 Enacted**	**FY 2009 Request**
Position with respect to appropriations act limitation on commitments:			
2111 Limitation on guaranteed loans made by private lenders	0	0	0
2131 Guaranteed loan commitments exempt from limitation	0	89,956	0
2150 Total guaranteed loan commitments	0	89,956	0
2199 Guaranteed amount of guaranteed loan commitments	0	89,956	0
2210 Outstanding start of year	2,936,000	2,687,186	2,507,164
2231 Disbursements of new guaranteed loans	30,000	44,978	44,978
2251 Repayments and prepayments	-278,814	-225,000	-200,000
2262 Adjustiments: Terminations for default	0	0	0
2290 Outstanding end of year	2,687,186	2,507,164	2,352,142
Memorandum:			
2299 Amount of guaranteed loans outstanding end of year	2,687,186	2,507,164	2,352,142

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 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	2006 ACTUAL	2007 ACTUAL
ASSETS:		
FEDERAL ASSETS:		
1101 Fund balance with Treasury	328,000	331,000
1106 Receivables, net	28,000	28,000
1999 Total assets	356,000	359,000
LIABILITIES:		
2204 Non-Federal liabilities: liabilities for loan guarantees	356,000	359,000
2999 Total liabilities	356,000	359,000
4999 Total liabilities and net position	356,000	359,000

ADMINISTRATIVE PROVISIONS

ADMINITRATIVE PROVISIONS – maritime administration

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

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

SEC. 177. Section 51509 of title 46, United States Code, is amended in subsection (b) by deleting "$4,000" and inserting in lieu thereof "$8,000" and by inserting "tuition," after "uniforms,". (Department of Transportation Appropriations Act, 2008.)

Explanations

SEC. 175. – This provision allows MARAD to utilize the receipts received under a lease, contract, or occupancy involving MARAD property. The utilization of these receipts would credit the appropriation charged for furnishing utilities and services and make necessary repairs.

SEC. 176. – This provision prohibits MARAD from obligating receipts from Ship Construction activity, however these funds are deposited into that account.

SEC. 177. – This provision increases the Student Incentive payments to $8,000 as well as confirming tuition as a valid utilization of resources.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

PERFORMANCE OVERVIEW

Annual Performance Results and Targets

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

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

Availability of DOD-required shipping capacity, complete with crews	2004	2005	2006	2007	2008	2009
Target	94%	94%	94%	94%	94%	94%
Actual	94%	95%	93%	97%		

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

Availability of DOD-designated commercial ports for military use	2004	2005	2006	2007	2008	2009
Target	92%	93%	93%	93%	93%	93%
Actual	93%	87%	100%	100%		

Detailed performance budget information can be found in Section 4 of the budget.

Program Assessment Rating Tool (PART) Assessment

PART was developed by the Office of Management and Budget to provide a standardized way to assess the effectiveness of the Federal Government's portfolio of programs. The structured framework of PART provides a means through which programs can assess their activities differently than through traditional reviews. The following Maritime Administration programs have been assessed via the PART:

Program	PART Cycle	Yr Reviewed	Score	OMB Assessment
Maritime Security Program	FY 2006	2004	91	Effective
USMMA	FY 2007	2005	83	Moderately Effective
State Maritime Schools	FY 2007	2005	89	Effective
Title XI	FY 2008	2006	83	Moderately Effective
Ship Disposal	FY 2008	2006	88	Effective
Ocean Freight Differential	FY 2008	2006	75	Moderately Effective

Maritime Security Program Analysis:

Findings:

- MSP is an effective program that targets its resources to vessels that are militarily useful in times of need. It replaced complicated reimbursement schemes in a predecessor program with a set per vessel subsidy capped by law.
- The program needs to employ a better metric to track program execution. Commercial sealift capacity may not be sufficient in times of war or national emergency based on the current mix of vessels enrolled in the program.

The Maritime Administration is taking the following actions to improve the performance of the program:

1. Monitoring MSP agreements and, when appropriate, modifying those agreements, including substitution of vessels with DOD approval, to ensure that the MSP is meeting DOD's needs.

   Action taken, but not completed

<u>USMMA Analysis</u>:

Findings:

- The United States Merchant Marine Academy has a clear purpose to produce well-qualified merchant marine officers who are obligated to serve a set number of years in a reserve component of the US Armed Forces and to work in maritime-related employment.
- The Academy needs to improve its ability to achieve its performance goals and demonstrate cost effectiveness, particularly in comparison with other programs that have a similar purpose and goals.

The Maritime Administration is taking the following actions to improve the performance of the program:

1. Developing additional efficiency measures to demonstrate improved cost effectiveness that are easily comparable with other, similar education programs.

   Action taken, but not completed
2. Developing policies and procedures to allocate USMMA resources strategically.

   Action taken, but not completed

<u>State Maritime Schools Analysis</u>:

Findings:

- 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. Of the 370 graduates in 2005, 29 accepted tuition aid stipends requiring post-graduate commitments for maritime industry employment and active military reservist status.
- Budget requests need to be more explicitly tied to the accomplishment of performance goals. The program must better demonstrate improved effectiveness from year to year with emphasis on supplementary performance measures identified in the PART.

The Maritime Administration is taking the following actions to improve the performance of the program:

1. Producing performance-based budget materials for the State maritime schools portion of future budgets.

   Action taken, but not completed

2. Reporting annually on existing efficiency measure results by early October of each fiscal year.

   Action taken, but not completed

Ocean Freight Differential Analysis:

Findings:

- In accordance with national economic and security policies, the program provides an economic incentive to owners of US-flag merchant vessels to maintain their US registry. Food aid grants to foreign nations represent 30 percent of all preference cargoes. Participation remains significant: approximately 90 percent of US-flag vessels carry food aid cargoes.
- The backlog of payments in arrears to federal agencies shipping food aid to foreign beneficiaries has been correct and made current. A prompt payment process has been established and further process upgrades are being tested in pilot programs.
- Compliance with cargo preference law impacts the flexibility of the delivery of foreign food aid. There is interagency disagreement regarding both the interpretation of and compliance with cargo preference law. In the absence of enforcement authority, accountability for minimum standard compliance has devolved to the courts.

The Maritime Administration is taking the following actions to improve the performance of the program:

1. Completing an evaluation with partner government agencies on the efficacy of an electronic vendor payment system to further improve the payment process.

   Action taken, but not completed

2. Negotiating policies that reduce flexibility challenges in the administration of foreign food aid in compliance with cargo preference law.

   Action taken, but not completed

3. Joining with partner government agencies to develop revised regulations to improve compliance rates with cargo preference law and minimize litigation from supply chain partners in the private sector.

   Action taken, but not completed

Ship Disposal Analysis:

Findings:

- There are approximately 120 obsolete government-owned merchant-type ships currently scheduled for disposal and an average of eleven vessels are added to the program's non-retention inventory each year. An ongoing program is needed to dispose of these vessels and to protect the environment from the hazardous materials used in their construction and operation.

- Dismantling/recycling contracting is the most commonly available disposal method. Although regulatory constraints and deficit market capacity limit the number of ships that can be contractor for dismantling in a given fiscal year, all 40 ships in the program designated as high priority based on hull deterioration and potential for environmental contamination have been removed from the fleet.
- The program has successfully reduced average cost in dismantling contracts to less than $100 per ton through efforts to qualify additional domestic contractors to participate in compliance with environmental regulations and to pursue dismantling contracts with a qualified United Kingdom contractor.

The Maritime Administration is taking the following actions to improve the performance of the program:

1. Seeking innovative ways to sustain or increase the rate of ship removal and thereby reduce overall fleet size in compliance with both Congressional and public preference.

   Action taken, but not completed

<u>Guaranteed Loan Program (Title XI) Analysis</u>:

Findings:

- The program addresses a specific and existing problem. Long-term financing at attractive interest rates is not generally available from domestic commercial lending sources due to risk inherent in the cyclical nature of the shipping industry.
- Independent evaluations of the program reported the need for additional controls and reforms to improve the management of the program and its loan portfolio. Subsequent evaluations have recognized implementation of recommended controls and reforms. The program has not experienced a default in three fiscal years.
- In 2005, the most recent year in which guaranteed loan activity occurred, the program directly stimulated approximately $178 million in U.S. shipyard activity, approximately five dollars for each dollar of credit subsidy expended.

The Maritime Administration is taking the following actions to improve the performance of the program:

1. Implementing a comprehensive computerized portfolio monitoring system to improve performance of the financial statement review goal to at least baseline level.

   Action taken, but not completed

2. Reassessing shipyard leverage performance measures and goals when appropriations are provided for subsidized lending activity.

   No action taken

EXHIBIT IV-1
FY 2009 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
($000)

STRATEGIC & PERFORMANCE STRATEGIC & PERFORMANCE GOALS by Performance Measure	(A) FY 2007 ACTUAL	(B) FY 2008 ENACTED	(C) SALARY ADJUSTMENT	(D) INLFATION/ DEFLATION	(E) FY 2008 PROGRAM CHANGES	(E) TOTAL FY 2009 REQUEST (D+E)
1. REDUCED CONGESTION STRATEGIC GOAL						
A. Freight Performance						
a. Other	12,795	30,720	221	36	-16,389	14,588
Subtotal Performance Goal	12,795	30,720	221	36	-16,389	14,588
Total – Reduced Congestion Strategic Goal	12,795	30,720	221	36	-16,389	14,588
2. GLOBAL CONNECTIVITY STRATEGIC GOAL						
A. Enhance Competitiveness						
a. Other	15,348	12,966	172	64	0	13,202
Subtotal Performance Goal	15,348	12,966	172	64	0	13,202
B. Expand Business Opportunities						
a. Percent of total dollar value of DOT direct contracts awarded to women owned businesses.	0	0	0	0	0	0
b. Percent of total dollar value of DOT direct contracts awarded to small disadvantaged businesses.	0	0	0	0	0	0
Subtotal Performance Goal	0	0	0	0	0	0
Total – Global Connectivity Strategic Goal	15,348	12,966	172	64	0	13,202
3. ENVIROMENTAL STEWARDSHIP STRATEGIC GOAL						
A. Reduction in Pollution						
a. Other	22,325	18,740	33	270	921	19,964
Subtotal Performance Goal	22,325	18,740	33	270	921	19,964
Total – Environmental Stewardship Strategic Goal	22,325	18,740	33	270	921	19,964
4. SECURITY, PREPAREDNESS AND RESPONSE						
A. Defense Mobilization						
a. Percentage of DoD required shipping capacity complete with crews available with mobilization timelines.	238,372	248,236	740	807	13,028	262,810
b. Percentage of DoD designated commercial ports available for military use with DoD established readiness timelines.	874	1,300	22	13	0	1,335
Subtotal Performance Goal	239,246	249,536	762	820	13,028	264,145
Total – Security, Preparedness and Response Strategic Goal	239,246	249,536	762	820	13,028	264,145
5. ORGANIZATIONAL EXCELLENCE STRATEGIC GOAL						
A. Fulfill the President's Management Agenda						
a. Other	1,123	1,438	30	11	0	1,479
Subtotal Performance Goal	1,123	1,438	30	11	0	1,479
Total – Organizational Excellence Strategic Goal	1,123	1,438	30	11	0	1,479
GRAND TOTAL	290,837	313,400	1,219	1,200	-2,441	313,379

The totals above may not add due to rounding

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

REDUCED CONGESTION

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

The FY 2009 request for $14.588 million reflects a reduction of $16.132 million from the FY 2008 enacted budget. MARAD will work to strengthen and improve the Maritime Transportation System (MTS), to relieve pressure on highways by helping to increase the use of our nation's waterways. MARAD will continue to administer the Capital Construction Fund (CCF) and Construction Reserve Fund (CRF) to allow ship operators to use their own funding to create new shipbuilding opportunities which will lead to more modern vessels in the U.S. fleet. MARAD will also assist in the design of ships for Federal services and improvement of shipbuilding processes at U.S. shipyards. Ultimately, all of these programs assist in creating improved waterborne methods for shipping cargo and reducing congestion.

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

Maritime Administration
Appropriations, Obligation Limitations, & Exempt Obligations
($000)

	(A) FY 2007 ACTUAL	(B) FY 2008 ENACTED	(C) SALARY ADJUSTMENT	(D) NON-SALARY INFLATION/ GSA RENT	(E) PROGRAM INCREASES/ DECREASES	(F) FY 2009 TOTAL REQUEST (B+C+D+E)
2 Reduced Congestion Strategic Goal						
A. Freight Performance						
a. Other						
1. MARAD Operations	8,710	12,312	98	36	-1,389	11,057
a. Ports and MTS Improvement	2,592	5,071	37	23	-1,389	3,743
b. Capital Construction Funds	505	606	7	5	0	618
c. Admin Support for Reduced Congestion	5,613	6,635	53	8	0	6,696
2. Administrative Expense [69-1752]	4,085	8,408	123	0	-5,000	3,531
a. Loan Guarantees	0	5,000	0	0	-5,000	0
b. Administration	4,085	3,408	123	0	0	3,531
3. Assistance to Small Shipyards	0	10,000	0	0	-10,000	0
a. Administration	0	200	0	0	200	0
b. Grants for Capital Improvement for Small Shipyards	0	9,800	0	0	-9,800	0
Total - Reduced Congestion Strategic Goal	12,795	30,720	221	36	-16,389	14,588
FTE (this segment)	72	72	72	72	0	72

The totals above may not add due to rounding.

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

PERFORMANCE ISSUE

Our current physical maritime transportation infrastructure will not accommodate the cargo volume growth predicted for the U.S. in the near future. Should any component of the current maritime system break down, more than one-fourth of the national economy would be crippled. There is a need for more efficient Federal coordination to improve the systemic movement of people and freight, alleviate congestion, and plan for better land use. Government must work more effectively with private industry to improve the capability of the Marine Transportation System (MTS). Improvements in vessels and shipyards are also needed as they are a significant element of the MTS.

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

ANTICIPATED FY 2008 ACCOMPLISHMENTS

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

- MARAD will support the Committee on the Marine Transportation System (CMTS) in its efforts to create a partnership of all Federal agencies with responsibility for the MTS [waterways, ports, and their intermodal connections] in order to ensure the development and implementation of national MTS policies consistent with national needs.

- MARAD will work closely with ship owners to avoid new Title XI defaults. The Title XI program has not paid off on a defaulted loan guarantee since FY 2002.

FY 2009 PERFORMANCE BUDGET REQUEST

MARAD requests a total of $3.743 million for staff salaries and support to continue port and MTS improvement activities, a decrease of $1.328 million from the FY 2008 enacted budget. This amount includes an additional $0.3 million to support the ongoing activities of the CMTS, an interagency task force created by the President's Oceans Plan, to support coordinated maritime policy, this includes the salary of the SES executive managing the program within MARAD; $0.2 million to partner with the University of Delaware (UDEL) and the Rochester Institute of Technology (RIT) to develop a Freight Routing Energy and Emissions Analysis Tool (FREAT) for I-95 Corridor cargo movements; and, $0.311 million to obtain the services of a contractor to assist in the review, approval and implementation of Marine Highway Pilot Projects, promote the use of the Marine Highway (including ferries), and pursue solutions to barriers and disincentives, including environmental, financial and infrastructure related issues.

In FY 2009, MARAD plans to produce its first biennial report on the condition and performance of the marine transportation system, including the development of standardized system metrics and productivity measures. This report will provide the impetus for the development and refinement of a national gateway port and international trade corridor strategy. In addition, MARAD will analyze transportation solutions that will have a nationwide impact on reducing congestion, such as ideas for: reducing dwell time; developing productivity measures; implementing chassis pooling, appointment systems, and more port continuous operations; improving the use of new technology; improving job assignment systems, and improving the availability of on-dock rail. MARAD will also review, approve and implement Marine Highway Pilot Projects and promote the use of the Marine Highway by pursuing solutions to present environmental, financial and infrastructure-related barriers and disincentives.

MARAD requests $3.531 million for the program administration of the Title XI program and $0.618 million for staff salaries and support to continue administering the Capital Construction and Construction Reserve funds.

The Title XI program conducted a Program Assessment Rating Tool (PART) review in support of the FY 2008 budget submission. The Title XI program received an overall score of 83, or 'moderately effective'. OMB's PART recommendations and status for the Title XI program are discussed in the Performance Overview. The funds requested in this budget will allow the Title XI program to meet the performance measure targets identified in the PART and listed below.

MTS Improvement Performance Measures

Marine Highway Outreach

Number of localities reached through Maritime Administration outreach efforts who subsequently take concrete steps towards expanding the use of the marine highway. (Annual – Outcome)

	2007	2008	2009
Target:	N/A	3	3
Actual:	0		

Port Infrastructure Development Projects

Number of U.S. ports that the Maritime Administration assists in expanding their capacity. (Annual – Output)

	2007	2008	2009
Target:	N/A	4	5
Actual:	3		

Maritime Guaranteed Loan (Title XI) Performance Measures

Non-Defaulted Loans

Percentage of Title XI guaranteed loan projects that have not defaulted since the implementation of credit reform in fiscal year 1993. (Long Term – Outcome)

	2003	2004	2005	2006	2007	2008	2009
Target:	92%	92%	92%	92%	92%	92%	92%
Actual:	92.7%	92.8%	92.9%	92.9%	92.9%		

Shipyard Activity (Long-term)

Amount of U.S. shipyard activity (in millions of dollars) spurred by the Title XI program. (Long-term - Outcome)

	2004	2005	2006	2007	2008	2009
Target:	$203	$178	$65	$100	$100	$100
Actual:	$203	$178	$0*	$0*		

*no subsidy was expended

Shipyard Activity (Annual)

Amount of dollars in U.S. shipyard activity spurred by each subsidy dollar expended by the Title XI program. (Annual – Outcome)

	2003	2004	2005	2006	2007	2008	2009
Target:	$21.84	$18.93	$4.89	$17.00	$17.00	$17.00	$17.00
Actual:	$21.84	$18.93	$4.89	$0*	$0*		

*no subsidy was expended

Financial Reviews

Percentage of Title XI projects for which a financial review was completed and documented within 30 days of receiving the annual financial reports. (Annual – Efficiency)

	2005	2006	2007	2008	2009
Target:	25%	50%	67%	75%	80%
Actual:	25%	66.7%	47.9%		

GLOBAL CONNECTIVITY

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

The 2009 request seeks $13.202 million to allow MARAD to operate programs that enhance maritime transport between the U.S. and other countries, improve and expand our intermodal connections with other countries, and keep a U.S. presence in international shipping markets. This is an increase of $0.236 million from the FY 2008 enacted budget. MARAD will negotiate bilateral maritime agreements that create or maintain equal shipping relations between the U.S. and several important trading partners. MARAD will be in the forefront of efforts to improve intermodal connections at our ports through its efforts to issue deepwater port licenses that create additional entry points for Liquid Natural Gas (LNG) into the U.S. Finally, MARAD will continue to conduct the cargo preference program by informing Federal agencies and contractors of the requirements implemented by the U.S. cargo preference laws and making differential payments to the USDA to offset the higher costs of shipping on U.S.-flag ships versus foreign flag ships. These payments keep U.S.-flag ships operating in international trade. These ships are available for DOD use if needed in times of emergency.

Maritime Administration
Appropriations, Obligation Limitations, & Exempt Obligations
($000)

	(A)	(B)	(C)	(D)	(E)	(F)
	FY 2007 ACTUAL	**FY 2008 ENACTED**	**SALARY ADJUSTMENT**	**NON-SALARY INFLATION/ GSA RENT**	**PROGRAM INCREASES/ DECREASES**	**FY 2009 TOTAL REQUEST (B+C+D+E)**
3. Global Connectivity Strategic Goal						
A. Enhanced Competitiveness						
a. Other						
Operations & Training [69-1750]						
1. MARAD Operations	$15,348	$12,966	$172	$64	$0	$13,202
a. International Activities	$1,011	$848	$12	$7	$0	$866
b. Deepwater Ports Licensing	$1,272	$1,200	$17	$9	$0	$1,226
c. Cargo Preference Management	$4,504	$3,787	$67	$36	$0	$3,890
d. Admin Support for Global Conn.	$8,562	$7,131	$77	$12	$0	$7,219
Subtotal for Performance Goal	$15,348	$12,966	$172	$64	$0	$13,202
B. Expand Business Opportunities						
Total Global Connectivity Strategic Goal	$15,348	$12,966	$172	$64	$0	$13,202
FTE (this segment)	72	72	72	72	0	72

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

PERFORMANCE ISSUE

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

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

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

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

ANTICIPATED FY 2008 ACCOMPLISHMENTS

- MARAD will work as part of the U.S. team in a variety of international organizations to advocate the U.S. position with regard to international maritime economic and policy issues, such as mariner training requirements, ship recycling standards and new ballast water treatment standards.

- MARAD expects to complete the review process required by the Deepwater Port Act for several Deepwater Port applications.

- MARAD will continue to seek legislative approval to give the Secretary of Transportation enforcement authority for the cargo preference laws.

FY 2009 PERFORMANCE BUDGET REQUEST

MARAD requests $0.866 million for staff salaries and support in order to continue our international activities, an increase $0.018 million from the FY 2008 enacted budget.

MARAD requests $1.226 million to support the overall program management and oversight of the Deepwater Port Licensing program, an increase of $0.026 million from the FY 2008 enacted budget.

MARAD requests $3.89 million for staff salaries and support in order to continue cargo preference activities, an increase of $0.103 million from the FY 2008 enacted budget. MARAD also requests an estimated $195 million in new borrowing authority to pay the Department of Agriculture's Commodity Credit Corporation to partially offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels versus foreign-flag vessels in FY 2008, in accordance with the Food Security Act of 1985.

The Cargo Preference program conducted a PART review for the Food Aid portion of the program in support of the FY 2008 budget submission. The program received an overall score of 75, or 'moderately effective'. OMB's PART recommendations and status for the Food Aid portion of the Cargo Preference program are discussed in the Performance Overview. The funds requested in this budget will allow the Cargo Preference program to meet the performance measure targets identified in the PART and listed below.

Deepwater Port Licensing Performance Measures

U.S. Liquefied Natural Gas Import Capacity

U.S. liquefied natural gas import capacity in billions of cubic feet. (Long Term - Outcome)

	2007	2008	2009
Target:	N/A	20.0	30.0
Actual:	5.5		

U.S. Mariners on LNG Vessels

Number of U.S. mariners and maritime cadets serving on LNG vessels that service U.S. LNG receiving facilities. (Annual - Outcome)

	2007	2008	2009
Target:	N/A	10	100
Actual:	2		

Cargo Preference Program Performance Measures

Preference Cargo Carried

Percentage of Food Aid preference cargo carried by U.S.-flag vessels. (Annual - Outcome)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	76%	76%	78%	78%	78%	78%	78%	78%
Actual:	75%	75%	75%	69%	83%	83.1%*		

*Preliminary

Percentage of U.S. Ships – Food Aid

Percentage of U.S.-flag oceangoing vessels participating in the carriage of food aid cargoes. (Annual – Output)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	90%	90%	90%	90%	90%	90%	90%	90%
Actual:	93.7%	97.6%	77%	87.1%	94.2%	89.2%		

Guideline Rate Calculations

Percentage of guideline rate calculations completed in less than 24 hours. (Annual - Efficiency)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	N/A	N/A	92%	92%	92%	92%	92%	92%
Actual:	96%	92%	91%	89%	93%	93%		

OFD Invoices

Percentage of Ocean Freight Differential invoices that are submitted and processed by USDA and the Maritime Administration within 45 days. (Annual – Efficiency)

	2003	2004	2005	2006	2007	2008	2009
Target:	N/A	N/A	N/A	90%	90%	90%	90%
Actual:	20%	27%	79%	94%	100%		

ENVIRONMENTAL STEWARDSHIP

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

In the maritime arena, three important areas must be addressed in order to make progress towards reducing pollution and the adverse environmental effects of transportation and transportation facilities: obsolete vessel disposal, achieving compliance with Nuclear Regulatory Commission (NRC) nuclear licensing requirements for the Nuclear Ship (NS) SAVANNAH and advancing progress on reducing marine air emissions and treating ballast water. MARAD requests a total of $19.964 million to fund these programs, an increase of $1.224 million from the FY 2008 enacted budget.

MARAD will continue to give priority to disposing of obsolete ships in the worst condition and in FY 2009 expects to award contracts for the disposal of 12 ships, remove 14 ships from the fleet sites, and complete the disposal of 15 ships. The request also allows MARAD to continue activities required to bring the NS SAVANNAH into conformance with NRC SAFSTOR standards.

MARAD plans to continue partnering with other government and/or private entities to conduct research to reduce marine-sourced air emissions and to determine the best method for treating ballast water discharges.

The resources requested to achieve this goal are:

Maritime Administration
Appropriations, Obligation Limitations, & Exempt Obligations
($000)

	(A) FY 2007 ACTUAL	(B) FY 2008 ENACTED	(C) SALARY ADJUSTMENT	(D) NON-SALARY INFLATION/ GSA RENT	(E) PROGRAM INCREASES/ DECREASES	(F) FY 2009 TOTAL REQUEST (B+C+D+E)
4. Environmental Stewardship Strategic Goal						
A. Reduction in Pollution						
a. Other						
Ship Disposal [69-1768]						
a. Ship Disposal	$17,820	$14,000	$16	$263	$721	$15,000
b. NS SAVANNAH	$2,970	$3,000	$0	$0	$0	$3,000
Subtotal for Ship Disposal	$20,790	$17,000	$16	$263	$721	$18,000
Operations & Training [69-1750]						
a. Marine Emission Reduction	$496	$737	$0	$6	$200	$944
b. Admin. Support for Marine Emission Reduction	$1,039	$1,003	$17	$0	$0	$1,020
Subtotal for Operations and Training	$1,535	$1,740	$17	$6	$200	$1,964
Total - Environmental Stewardship Strategic Goal	$22,325	$18,740	$33	$270	$921	$19,964
FTE (this segment)	14	14	14	14	0	14

The totals above may not add due to rounding.

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

PERFORMANCE ISSUE

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

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

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

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

ANTICIPATED FY 2008 ACCOMPLISHMENTS

- MARAD plans to remove 16 obsolete vessels from the National Defense Reserve Fleet (NDRF) for disposal, complete disposal of 16 vessels and award disposal contracts for 12 vessels.

- MARAD expects to pursue artificial reefing initiatives with the EPA and deep sinking of ships with the U.S. Navy.

- Working with the NRC, MARAD expects to come into full compliance with our license requirements for the NS SAVANNAH during FY 2008.

Key air emissions reduction research efforts to be completed in FY 2008 include:

- Second phase of marine-specific emissions economic incentive study;

- Identification of interagency freight transport emissions modal comparison tool;
- Alternative Marine Power technology transfer.

FY 2009 PERFORMANCE BUDGET REQUEST

MARAD requests $15.0 million to support the continuation of obsolete ship disposal activities. This is an increase of $1.0 million from the FY 2008 enacted budget. Funding at this level will continue to decrease the number of ships in our obsolete vessel inventory and lessen the environmental risk at the fleet sites.

The request includes $3.0 million to continue activities required to bring the NS SAVANNAH into conformance with NRC SAFSTOR standards. This is the same as the FY 2008 enacted budget.

MARAD requests $1.964 million for staff salaries and support to continue our maritime-related environmental activities. This represents an increase of $0.224 million over the FY 2008 enacted budget. Included in this request is $0.2 million to partner with the University of Delaware (UDEL) and the Rochester Institute of Technology (RIT) to develop a Freight Routing Energy and Emissions Analysis Tool (FREAT) for I-95 Corridor cargo movements

The ship disposal program conducted a Program Assessment Rating Tool (PART) review in support of the FY 2008 budget submission. The ship disposal program received an overall score of 88, or 'effective.' OMB's PART recommendations and status for the ship disposal program are discussed in the Performance Overview. The funds requested in this budget will allow the ship disposal program to meet the performance measure targets identified in the PART and listed below.

Ship Disposal Program Performance Measures

Disposal Contract Awards

Number of obsolete vessels from the National Defense Reserve Fleet (NDRF) sites covered by disposal contract awards for subsequent disposal. (Annual - Output)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	3	11	14	15	13	13	12	12
Actual:	2	24(r)	13	20	22(r)	23		

NDRF Vessel Removals

Number of obsolete vessels removed from the National Defense Reserve Fleet (NDRF) sites for subsequent disposal. (Annual - Output)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	3	4	4	15	13	13	16	14
Actual:	6	2	15	18	25	20		

Disposal Completions

Number of obsolete vessels disposed of [i.e. disposal actions completed] from the National Defense Reserve Fleet (NDRF) sites. (Annual - Output)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	3	4	4	15	15	15	16	15
Actual:	9	3	6	13	20	20		

Average Cost Per Ton

Average cost per ton [to the government] for vessel disposal actions. (Annual - Efficiency)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	$250	$200	$150	$175	$200	$200	$170	$160
Actual:	$127(r)	$133(r)	$107(r)	$109(r)	$ 83	$73		

(r) Revised

High Priority Vessels

Maintain the level of high priority ships available for disposal, including those newly designated on an annual basis, at a level that is not more than 5% of the total number of obsolete vessels (available for disposal) in the National Defense Reserve Fleet. (Long term - Outcome)

	2004	2005	2006	2007	2008	2009
Target:	5%	5%	5%	5%	5%	5%
Actual:	4.3%	0%	2.4%	3.7%		

Minimum Removal Rate

Remove at least the number of ships that are designated as obsolete and that enter the disposal queue on an annual basis. (Long term - Outcome)

	2004	2005	2006	2007	2008	2009
Target:	1.0	1.0	1.0	1.0	1.0	1.0
Actual:	0.68	0.63	0.58	0.63		

Environmental Programs Performance Measure

Obsolete Ship Hulls Surveyed

Number of obsolete hulls surveyed for the abundance/type of aquatic invasive species. (Annual - Output)

	2007	2008	2009
Target:	N/A	8	6
Actual:	8		

SECURITY, PREPAREDNESS AND RESPONSE

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

DOT Performance Measures:

Availability of Ships with Crews

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

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	93	94	94	94	94	94	94	94
Actual:	94	96	94	95	93	97		

Strategic Port Availability

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

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	92	92	92	93	93	93	93	93
Actual:	92	86	93	87	100	100		

The request seeks $264.165 million for security activities designed to achieve the above DOT performance measures, an increase of $14.61 million from the FY 2008 enacted budget. The Ready Reserve Force (RRF) will continue provide surge capacity to quickly bring supplies to the point of conflict and some sustainment capacity to support continued operations. The Maritime Security Program (MSP) and Voluntary Intermodal Sealift Agreement (VISA) programs provide sustainment sealift via commercial, U.S.-flag vessels. MSP is an asset management program, not a customer service program. MARAD's goal is to provide support to DOD by managing all of these maritime assets and resources so that at any one time, 94 percent of those assets [representing sealift capacity with crews] are available for use by DOD.

MARAD will continue to support mariner-training programs to ensure that trained mariners are available to crew the U.S.-flag fleet and work throughout the maritime industry. Many of these mariners are also Merchant Marine reservists available to the Navy in times of emergency. The U.S. Merchant Marine Academy will receive additional funds to make various improvements to the midshipman and instructional programs.

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

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

Maritime Administration
Appropriations, Obligation Limitations, & Exempt Obligations
($000)

	(A)	(B)	(C)	(D)	(E)	(F)
	FY 2007 ACTUAL	**FY 2008 ENACTED**	**SALARY ADJUSTMENT**	**NON-SALARY INFLATION/ GSA RENT**	**PROGRAM INCREASES/ DECREASES**	**FY 2009 TOTAL REQUEST (B+C+D+E)**
5. Security, Preparedness and Response Strategic Goal						
A. Defense Mobilization						
a. Percentage of DOD required Shipping Capacity Complete with Crews Availabe Within Mobilization Timelines						
Maritime Security Program [69-1711]	$154,440	$156,000	$0	$0	$18,000	$174,000
Operations & Training [69-1750]						
1. Merchant Marine Academy	$61,236	$62,747	$622	$526	-$2,537	$61,358
2. State Maritime Schools	$11,099	$13,181	$0	$242	-$2,436	$10,987
3. MARAD Operations	$11,597	$16,308	$118	$39	$0	$16,465
a. MSP Administration	$491	$688	$8	$4	$0	$700
b. VISA/Vessel Transfer	$1,527	$2,143	$17	$10	$0	$2,169
c. Mariner Training & Educa. Mgmt	$590	$900	$13	$8	$0	$921
d. War Risk Insurance Mgmt	$635	$889	$12	$7	$0	$908
e. Admin support for Security, Preparedness and Response	$8,354	$11,688	$68	$10	$0	$11,766
Subtotal	$238,372	$248,236	$740	$807	$13,028	$262,810
b. Percentage of DOD designated Commercial Ports Available for Military Use WIthin DOD Established Readiness Timelines						
Operations & Training [69-1750]						
a. Strategic Port Avail./Ntnl. Sec. Planning	$874	$1,300	$22	$13	$0	$1,335
Subtotal	$874	$1,300	$22	$13	$0	$1,335
Total - Security, Preparedness and Response Strategic Goal	$239,246	$249,536	$762	$820	$13,028	$264,145
FTE (this segment)	288	280	280	280	8	288

The totals above may not add due to rounding.

AVAILABILITY OF SHIPS WITH CREWS

Marginal Cost of Performance

Requested program changes from the FY 2009 baseline associated with the Availability of Shipping Capacity goal:

	FY 2009 BASELINE ESTIMATES ($000)	FTEs	FY 2009 PROGRAM CHANGES ($000)	FTEs	FY 2009 TOTAL REQUEST ($000)	FTEs
MSP	156,000	0	18,000	0	174,000	0
O&T	92,309	278	(4,973)	0	87,336	278
Total	248,309	278	13,027	0	261,336	278

Agency outcome associated with this program increase: Preparedness for response to emergencies affecting the transportation sector.

Performance measure: Percentage of DOD-required shipping capacity, complete with crews, available within mobilization timelines.

Baseline Performance Level	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	94	94	94	94	94	94	---
Actual	96	94	95	93	97	---	---
Incremental Performance Target With Program Changes	---	---	---	---	---	---	0
(Total) Performance Target With Program Changes	---	---	---	---	---	---	94

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

PERFORMANCE ISSUE

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

The Maritime Security Act of 2003 authorized 60 ships for the Maritime Security Program and up to a $2.9 million payment per ship in FY 2009. The Maritime Security Program (MSP) ensures that the United States will have U.S.-flag commercial vessels and intermodal assets to support Department of Defense (DOD) operations. DOD uses Voluntary Intermodal Sealift Agreements (VISA) with commercial carriers [70 percent are enrolled in MSP] to pre-plan the availability of militarily useful vessels for DOD use in times of emergency. VISA is DOD's official sealift emergency preparedness program. All ships enrolled in VISA must commit certain percentages of their vessel capacity and use of their related intermodal transportation resources to DOD. This capacity helps the Department meet its performance goal for the availability of ships with crews.

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

Ship capacity, both commercial and government-owned, is only part of the defense mobilization equation. These ships must be operated by skilled crews. MARAD supports the training of new merchant marine officers by operating the U.S. Merchant Marine Academy (USMMA) and providing partial support of the six State Maritime Schools (SMS). The USMMA and SMS are the principal source of new unlimited license merchant marine officers. Licensed mariners are needed by DOD during national emergencies not only for crewing purposes, but also to provide shore side support for sealift operations.

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

ANTICIPATED FY 2008 ACCOMPLISHMENTS

- MARAD plans to maintain full enrollment of 60 ships in the Maritime Security Program.

- MARAD plans to conduct an open season for Voluntary Intermodal Sealift Agreement enrollment in May 2008.

- The United States Merchant Marine Academy plans to graduate approximately 219 merchant marine officers in June 2008.

- For the academic year 2006-2007, 479 students graduated from the State Maritime School unlimited license program, a four percent increase over the 2005-2006 academic year. Similar numbers are anticipated for the 2008-2009 academic year.

- The major training ship maintenance accomplishments expected in FY 2008 include: the dry docking of TS STATE of MICHIGAN; the dry docking of the TS GOLDEN BEAR; the completion of the TS STATE of MAINE main propulsion automation system (a multi-phased project); and replacement of the TS STATE of MICHIGAN main propulsion automation system.

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

FY 2009 PERFORMANCE BUDGET REQUEST

MARAD requests $174.0 million for MSP in order to fund 60 ships in the MSP fleet in FY 2009. This request funds the authorized level of $2.9 million per ship as specified in current MSP contracts. MARAD requests $2.169 million for staff salaries and support in order to continue MARAD's involvement with the VISA program and vessel transfer activities, an increase of $0.026 million from the FY 2008 enacted budget.

MARAD requests $0.921 million for salary and support costs for the oversight and management of mariner education and training programs, an increase of $0.021 million from the FY 2008 enacted amount. The Academy's FY 2009 budget request of $61.358 million represents a decrease of $1.388 million from the FY 2008 enacted budget.

MARAD requests a total of $10.987 million to continue Federal support of the State Maritime Schools (SMS), a decrease of $2.195 million from the FY 2008 enacted budget. Included within the request is $1.881 million is to continue direct payments to the SMS resulting in payments to each school of $313,500, $0.8 million for Student Incentive Payments and $8.306 million to address all required regulatory, statutory and international convention surveys, inspections, repairs and maintenance for the five training ships on loan to the schools (EMPIRE STATE, ENTERPRISE, STATE OF MAINE, GOLDEN BEAR, and STATE OF MICHIGAN).

MARAD requests $0.908 million for staff salaries and support in order to continue operation and management of the war risk insurance program, an increase of $0.019 million from the FY 2008 enacted budget.

MSP conducted a Program Assessment and Rating Tool (PART) review in 2004. This review focused on the effectiveness of the MSP program in providing required availability of the MSP shipping assets for Department of Defense use. The MSP program received an overall score of 91, or 'effective.' OMB's PART recommendations and status are discussed in the Performance Overview. The funds requested in this budget will allow MSP to meet the performance measure targets identified in the PART and listed below.

Maritime Security Program Performance Measures

MSP Container Ships (TEUs in thousands)

Ship capacity (as measured in thousands of twenty-foot container equivalent units (TEUs)), for container vessels enrolled in the Maritime Security Program, available to meet DOD's requirements for intermodal, commercial sealift capacity. (Annual - Output)

	2005	2006	2007	2008	2009
Target:	N/A	110.0	110.0	110.0	110.0
Actual:	113.2	118.0	120.9		

MSP Roll-on/Roll-off Ships (square feet in millions)

Ship capacity (as measured in millions of square feet), for roll-on, roll-off vessels enrolled in the Maritime Security Program, available to meet DOD's requirements for intermodal, commercial sealift capacity. (Annual - Output)

	2005	2006	2007	2008	2009
Target:	N/A	1.8	1.8	1.8	1.8
Actual:	1.2	2.3	2.4		

MSP ships (Number of ships)

Ship availability as measured by the number of ships contractually enrolled in the Maritime Security Program, available to meet DOD's requirements for commercial sealift capacity. (Annual - Output)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	N/A	N/A	47	47	60	60	60	60
Actual:	46	47	47	47	60	60		

MSP Admin Efficiency

Maritime Security Program administrative costs expressed as a percentage of total MSP ship operator payments. (Annual - Efficiency)

	2002	2003	2004	2005	2006	2007	2008	2009
Target:	N/A	N/A	0.4%	0.40%	0.40%	0.40%	0.40%	0.40%
Actual:	0.4%	0.4%	0.4%	0.56%	0.36%	0.16%		

The USMMA conducted a PART review in 2005. The score was 83, or 'moderately effective.' OMB's PART recommendations and status for the Academy are discussed in the Performance Overview. The funds requested in this budget will allow the Academy to meet the performance measure targets identified in the PART and listed below.

United States Merchant Marine Academy Performance Measures

USMMA - Ability to Fulfill Obligations

Percent of USMMA graduates who are fully qualified to fulfill statutory service obligations (Long Term – Outcome)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	100%	100%	100%	100%	99%	99%
Actual:	98.5%	98.5%	100%	100%	100%		

USMMA - Cost Per Graduate

Cost Per Graduate (Long Term - Efficiency)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	$8,800	$9,000	$9,250	$9,500	$9,750	$10,000
Actual:	$8,400	$8,800	$9,000	$8,800	$8,900		

USMMA - Graduation Rate

Graduation rate (Long Term-Outcome)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	79-81%	79-81%	79-81%	79-81%	79-81%	78-81%
Actual:	79.1%	79.2%	79.0%	78.0%	77.9%		

USMMA - Deferred Graduation Rate

Deferred Graduation Rate (Annual – Outcome)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	21.0%	20.0%	20.0%	19.0%	19.0%	10.0%
Actual:	12.63%	14.44%	9.0%	5.0%	5.0%		

USMMA - Time to Credential Deferrals

Time (in months) to fully credential deferred graduates. (Annual - Efficiency)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	3.5	3.4	3.3	3.2	3.1	3.0
Actual:	3.2	4.1	2.6	3.1	3.0*		

* Projected

The SMS program conducted a PART review in 2005. The score was 89, or 'effective.' OMB's PART recommendations and status for the SMS program are discussed in the Performance Overview. The funds requested in this budget will allow the SMS program to meet the performance measure targets identified in the PART and listed below.

State Maritime School Program Performance Measures

SMS - Number of Graduates

Number of fully qualified licensed officer graduates. (Long Term – Outcome goal)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	412	424	436	448	460	472
Actual:	400	412	423	463	515		

SMS - State Maritime Licensed Officers

Percentage of newly licensed officers in the U.S. who are State Academy graduates. (Long term – Outcome)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	52.5%	54.0%	55.5%	57.0%	58.5%	60.0%
Actual:	51.0%	52.5%	56.4%	57.0%	67.0%		

SMS - Placement Rate

Placement rate for licensed officer graduates. (Long term – Outcome)

	2004	2005	2006	2007	2008	2009
Target:	Baseline	99%	99%	99%	99%	99%
Actual:	99%	99%	99%	99%		

SMS - License Exam Takers

Overall percentage of State Academy graduates among all license exam takers. (Annual – Output)

	2003	2004	2005	2006	2007	2008	2009
Target:	Baseline	52%	53%	54%	55%	56%	57%
Actual:	51%	56%	54%	55%	67%		

SMS - Federal Contribution

Federal contribution per licensed officer graduate from the State Academies. (Annual – Efficiency)

	2004	2005	2006	2007	2008	2009
Target:	Baseline	$830	$820	$810	$800	$790
Actual:	$841	$827	$834	$1149		

STRATEGIC PORT AVAILABILITY & NATIONAL SECURITY PLANNING

Marginal Cost of Performance

Requested program changes from the FY 2009 baseline associated with the Strategic Port Availability goal:

	FY 2009 BASELINE ESTIMATES		FY 2009 PROGRAM CHANGES		FY 2009 TOTAL REQUEST	
	($000)	FTEs	($000)	FTEs	($000)	FTEs
O&T	2,829	10	0	0	2,829	10

Agency outcome associated with this program increase: Preparedness for response to emergencies affecting the transportation sector.

Performance measure: Percentage of DOD-designated commercial ports available for military use within DOD established readiness timelines.

Baseline Performance Level	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	92	92	93	93	93	93	---
Actual	86	93	87	100	100	---	---
Incremental Performance Target With Program Changes	---	---	---	---	---	---	0
(Total) Performance Target With Program Changes	---	---	---	---	---	---	93

PERFORMANCE ISSUE

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

MARAD's national security planning activities are critical to strengthening the security of the maritime transportation system; rapidly supporting response and recovery efforts to domestic and international emergencies under Emergency Support Function #1 of the National Response Plan;

Continuity of Operations (COOP) activities; and, the smooth secure movement of deploying DOD personnel and material from origin to destination.

ANTICIPATED FY 2008 ACCOMPLISHMENTS

- MARAD will continue to participate in joint military mobilization and security exercises.
- MARAD will strengthen the cooperative partnerships that ensure effective emergency planning and coordination with a variety of organizations.

FY 2009 PERFORMANCE BUDGET REQUEST

MARAD requests $1.335 million for staff salaries and support in order to continue strategic port readiness activities and national security planning activities, an increase of $0.035 million from the FY 2008 enacted budget. This level of funding will allow MARAD to continue to administer the MARAD port readiness program and continue national security planning activities that strengthen the security of the maritime transportation system and support the Department's emergency preparedness and disaster response and recovery efforts.

ORGANIZATIONAL EXCELLENCE

The funding request in this section contributes to the DOT Organizational Excellence goal and to MARAD's implementation of the six government-wide initiatives contained in the President's Management Agenda (PMA). The following table outlines the resources requested to achieve this objective and successfully implement the PMA:

Maritime Administration
Appropriations, Obligation Limitations, & Exempt Obligations
($000)

	(A)	(B)	(C)	(D)	(E)	(F)
	FY 2007 ENACTED	FY 2008 ENACTED	SALARY ADJUSTMENT	NON-SALARY INFLATION/ GSA RENT	PROGRAM INCREASES/ DECREASES	FY 2009 TOTAL REQUEST (B+C+D+E)
6. Organizational Excellence Strategic Goal						
A. Fulfill the President's Management Agenda						
a. Other						
1. Human Resources						
a. MARAD Operations [69-1750]	$146	$189	$4	$2	$0	$195
2. Improved Financial Performance						
a. MARAD Operations [69-1750]	$439	$575	$13	$5	$0	$593
3. E-Government						
a. MARAD Operations [69-1750]	$537	$674	$13	$5	$0	$692
Total Organizational Excellence Strategic Goal	$1.123	$1,438	$30	$11	$0	$1,479
FTE (this segment)	7	7	7	7	0	7

The totals above may not add due to rounding.

1. Strategic Management of Human Capital

MARAD will continue to support the DOT strategic human capital management objectives, by:

- Using information technology to automate, simplify, and streamline processing of job applications and personnel functions.
- Providing HR oversight and guidance regarding competitive sourcing initiatives.
- Recruiting, rewarding and retaining supervisors based on OPM/DOT leadership competencies.
- Participating in the DOT Leadership Mentoring Program and supporting the MARAD Transportation Leadership Program.
- Fostering a diverse, results-oriented workforce through performance management and awards that link individuals/team/unit performance to organizational goals and results.
- Collaborating with internal and external sources to update core competencies and modify position descriptions and vacancy announcements.

2. Improved Financial Performance

MARAD's focus in this area is to continue to achieve clean audit opinions on MARAD's financial statements and enhance and expand our use of web-based accounting, wherever possible. MARAD's Office of Accounting continues to enhance MARAD's financial management systems and reengineer MARAD's accounting business practices to make full use of Federal resources to provide efficient, high quality, cost-effective and responsive services for supporting and achieving the Administration's goals. Finally, MARAD maintains 100 percent participation in payroll direct deposit, near 100 percent participation in providing electronic payments to our contractors, full compliance with the Federal Financial Managers' Integrity Act (FFMIA), and full participation in the recovery of any discovered erroneous payments.

3. EXPANDED ELECTRONIC GOVERNMENT

MARAD's FY 2009 IT/E-Government Portfolio is aligned with MARAD's FY 2005 – FY 2009 E-Government Plan and is comprised of three main parts:

Content Environment (CE): MARAD is creating a single, integrated CE comprised of OMB E-Government initiatives, DOT enterprise initiatives, MARAD specific business applications (legacy, production, and new starts), and common content services.

Operating Environment (OE): MARAD has created and must sustain a comprehensive OE comprised of DOT common services (referred to as the DOT common operating environment, or COE) and residual MARAD services (referred to as the MARAD operating environment, or MOE). The COE provides local area networking, wide area networking, desktop support, messaging, and file and print services.

Governance: MARAD has built a sophisticated computing environment that provides substantial benefit to the mission of the Maritime Administration, other federal agencies, and private industry.

NOTES: MARAD's Capital Asset Plan and Business Case Exhibits (Exhibit 300) are posted on www.dot.gov.

The amounts listed above for E-Government include the contributions made to the Department and the cost of associated FTEs.

4. BUDGET AND PERFORMANCE INTEGRATION

This budget presentation contributes to the Administration's plan for full integration of budget and performance information, and using performance data to help make program and budget decisions. This FY 2009 budget request fully integrates our Performance Plan within the budget. This performance budget describes how the funds requested will contribute to the achievement of the DOT strategic and performance goals.

Report to Congress

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

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

The Maritime Administration (MARAD) receives funding from other Federal agencies primarily through reimbursable agreements. Funding from outside MARAD is placed in four accounts.

The largest reimbursement to MARAD is transferred by the Department of the Navy for MARAD's operation, maintenance and management of the National Defense Reserve Fleet (NDRF) Ready Reserve Force (RRF). Most of this funding is placed in the Vessel Operations Revolving Fund (VORF) account. This account covers all non-salary costs associated with maintaining the RRF/NDRF.

The funds transferred into the Operations and Training account comes from approximately 40 reimbursable agreements from other Federal agencies, for a variety of purposes. The largest ongoing reimbursable transaction into this account comes from the Navy and provides funding for the salary and administrative support costs for the RRF and the NDRF maintenance personnel.

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

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

The report that begins on the following page includes actual reimbursement authority for FY 2007.

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2007

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
United States Army	FLICKERTAIL STATE - Training on board	$31,000
Department of the Navy	CAPE PETERSBURG - Ops/Security/Port/Misc charges	$9,188.405
Department of the Navy	CAPE JACOB - Per Diem/Security/Port Charges/ Maintenance/Misc.	$11,327,871
Naval Sea Systems Command (NAVSEA)	INACTIVE vessels in NDRF for required shipboard maintenance	$27,652
Defense Energy Support Ctr (DESC)	Costs associated with SS CHESAPEAKE	$5,986,000
3 D Marine Aircraft Wing	Marine Cargo training and communications meeting	$4,707
Missile Defense Agency (MDA)	Texas Clipper II/Pacific Collector/Beaver State	$4,205,000
Military Sealift Fleet Support Command (MSC)	CAPE GIBSON - Training aboard	$10,000
Army, Space & Missile Defense Command (SMDC)	Flight test mission aboard Pacific Collector	$147,000
Naval Facilities Engr. Cmd	OPDS support	$153,500
MSC	CAPE GIBSON - Cart Rig Team training	$10,000
Department of the Navy	CAPE FLICKERTAIL JLOTS	$3,137,650
Department of the Navy	Support of CAPE MOHICAN	$5,046,788
Department of the Navy	Support of SS WRIGHT	$1,242,200
U.S. Army, HECSA	Sturgis at JRRF	$29,131
3 D Marine Aircraft Wing	SS CURTISS (Marine exercise)	$7,500
MDA	Pacific Collector - Exercise onboard	$1,480,000
Department of Homeland Security	CAPE CHALMERS - M&R aboard	$50,000
Department of the Navy	Support of SS CURTISS	$3,731,416
3D Marine Aircraft Wing	SS CURTISS (Meal costs, overtime crew, port costs)	$90,000

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2007

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
NAVELSG	FLICKERTAIL STATE - Costs associated with personnel training	$73,800
NAVELSG	CAPE JOHNSON/FLICKERTAIL STATE - Training	$5,400
Department of the Navy	CAPE VICTORY - Turbo activation	$420,974
Defense Energy Support Ctr	CHESAPEAKE SALM - Costs associated with repair	$500,000
Department of the Navy	CAPE CALLAGHAN - Turbo activation	$700,000
MSC	SS CAPE GIBSON - Summer EX 07	$370,000
Naval Surface Warfare Center	FLICKERTAIL STATE -Pendulation Control System project	$50,000
Missile Defense Agency	TEXAS CLIPPER II-pilot/tugs/port costs/provisions & deactivation, and funding crew	$1,480,000
MDA	TEXAS CLIPPER II - Technical Operation Maintenance	$300,000
MSC	USNS KAISER for lay-berth services	$580,000
NAVSPECWARDEVGRU	DEL MONTE - M&R cargo and training platform	$729,000
Navy Cargo Handling Battalion	FLICKERTAIL STATE - Personnel training onboard	$15,000
Department of the Navy	SS PETERSBURG - Deactivation	$350,000
Department of the Navy	CAPE JACOB - Misc/Port Charges/Per Diem	$770,000
Department of the Navy	Support of RRF vessels/maintain NDRF/facilities	$184,064,000
Department of the Navy	CAPE HUDSON - Turbo activation	$425,000
MSC	CAPE JACOB - MHE repair support	$9,015
Department of the Navy	CURTISS-WRIGHT - Furniture/M&R	$180,000
2nd Marine Aircraft Wing	WRIGHT - Loadex Training	$18,535
NAVELSF	USS GEM STATE - Training	$6,000

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2007

Funds are Credited in Vessel Operating Revolving Fund (VORF)

Fund Source	Intended Use	Amount
U.S. Army, HECSA	STURGIS - Drydock	$3,000,000
NAVELSG	CAPE GIRARDEAU - Cargo handling training	$3,000
MSC	CAPE GIRARDEAU - Rimpac Cart Exercise	$200,000
Department of the Navy	CAPE JACOB - Fuel/emergency repairs to SSTG	$532,187
NAVELSG	FLICKERTAIL STATE - Training	$14,600
Department of the Navy	CAPE TEXAS/TAYLOR/TRINITY/VINCENT - TURBO activation	$1,898,013
United States Coast Guard (USCG)	IRIS and PLANETREE - Custody costs	$35,000
NAVELSG	CAPE GIRARDEAU - Cargo handling training	$3,500
NAVELSG	GEM STATE - Cargo training	$6,000
MSC	SS CAPE GIBSON - Summer EX 07	$610,000

Total Vessel Operating Revolving Fund (VORF)	**$239,952,543**

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2007

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

Fund Source	Intended Use	Amount
Naval Sea Systems Command (NAVSEA)	Salary support costs of shipboard maintenance in NDRF	$598,429
Military Surface Deploymt & Distr. Cmd (SDDC)	Support of ICODES Project	$217,000
Missile Defense Agency	Salary support costs	$60,000
DOT-NHTSA	Contribution to MARAD's Payroll Mgt Information System (PMIS)	$50,000
SDDC	Support of the Port of Philadelphia	$1,000,000
USACE. Institute for Water Resources (IWR)	Costs associated with Great Lakes Region/St. Lawrence Seaway	$75,000
U.S. Army, HECSA	Salary support costs at JRRF	$16,381
SDDC, 833d Transportation Battalion	Port of Anchorage	$1,951
FHWA	Placement of DOT Logo on Faster Cleaner Air Conference Materials	$5,000
NAVSEA	Support of National Shipbuilding Research Program	$15,000
National Data Buoy Center	Suisan Bay Reserve Fleet Storage Facility	$7,000
OEA	Port of Anchorage Intermodal Marine Facility	$10,000,000
DOT-RITA, Volpe	System support services	$97,364
NAVSEA	RDT&E efforts in support of National Shipbuilding Research Program	$15,000
Central Intelligence Agency (CIA)	Support of Global Maritime Commercial shipping data	$181,162
DOT, Office of Inspector General	MARAD's share of Nortel BCM telephone switch	$896
NAVSPECWARDEVGRU	Salary support costs	$10,000
MSC	Support of Ship Owners Cooperative Program (SOCP) membership dues	$5,000
Department of the Navy	Support of salary costs for RRF/NDRF	$31,250,000
DOT, NHTSA	Support the systems at Stennis location	$592,000

Report to Congress
Funds Administered by the Maritime Administration
Not appropriated to the Maritime Administration
Fiscal Year 2007

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

Fund Source	Intended Use	Amount
Department of the Navy	Philadelphis Regional Port Authority administrative costs	$69,520
DOT, OST	Emergency Transportation Planner Salary costs	$44,597
United States Coast Guard (USCG)	Salary support costs	$57,500
DOT, OST	Study Secretarial Correspondence System (EIM) replacement	$112,745
USCG	International Standards Organization's (ISO) Technical Advisory Group (TAG) administrative support	$75,000
Total Operations and Training (O&T)		**$44,556,545**

Report to Congress
Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Fiscal Year 2007

	Fund Source	Intended Use	Amount
Gifts and Bequests Trust Fund (GF)			
GF	USMMA		
	Gifts & Bequests	To provide funds for midshipmen activities not funded by appropriated funds, including projects relating to academic, admissions, regimental, athletic, public information and other support programs at the U.S. Merchant Marine Academy.	
Total Gifts and Bequests Trust Fund (GF)			**$2,617,536**
Global Maritime and Transportation School (GMATS)			
	USMMA Global Maritime & Transportation (GMATS) Program (Non-appropriated) from tuition paid by trainees	The mission of the U.S. Merchant Marine Academy offer leading-edge education and training to maritime and transportation professionals. The GMATS program is a non-appropriated fund instrumentality" (NAFI) of the U.S. Merchant Marine Academy generating funds through tuition, meal and lodging fees	
Total Global Maritime and Transportation School (GMATS)			**$9,741,487**
Special Studies, Services, and Projects Trust Fund (SSSP)			
	Federal, State and Local Government Sources	The other flow of funds into MARAD that does not involve reimbursable agreements comes from the sale of data and data products, and also from the receipt of state or local governemnt funds where these entities will work in in a cost sharing partnership	
Total Special Studies, Services, and Projects Trust Fund (SSSP)			**$7,500,000**

Report to Congress
Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Fiscal Year 2007

Summary 2007

Total Vessel Operating Revolving Fund	**$239,952,543**
Total Operations & Training	**$44,556,545**
Total Gifts and Bequests	**$2,617,536**
Total GMATS	**$9,741,487**
Total Special Studies, Services, and Projects	**$7,500,000**
Total FY 2006 Funding Authority	**$304,368,111**

This is the total funding authority received/accepted through fiscal year 2007, and cannot exceed the estimated offsetting collections apportioned by the Office of Management and Budget.