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**BEFORE THE  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION  
U.S. HOUSE OF REPRESENTATIVES**

**HEARING ON “REVIEW OF FISCAL YEAR 2025 MARITIME TRANSPORTATION  
BUDGET REQUESTS, PT. 1: MARITIME ADMINISTRATION AND FEDERAL  
MARITIME COMMISSION”**

**April 30, 2024**

Good afternoon, Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee. Thank you for your tremendous support for the Maritime Administration (MARAD), the U.S. Merchant Marine Academy (USMMA), and the U.S. maritime industry. We greatly appreciate the opportunity to testify today on the President’s Fiscal Year (FY) 2025 budget, and how this request will enable MARAD to continue to advance key priorities in support of our economic and national security.

Before I go further, allow me to express on behalf of the Department of Transportation (DOT) our condolences to the families of those who lost their lives when the Francis Scott Key Bridge collapsed. I also want to express thanks to the United States Coast Guard for spearheading the Federal response at the Port of Baltimore, and to all of our Federal partners –especially my DOT colleagues at MARAD and the Federal Highway Administration, as well as Maryland state and local officials for their ongoing response to the Baltimore bridge collapse.

This event highlights how important our maritime transportation system is to the Nation’s economic and national security. The collapse of the Key Bridge, COVID, attacks in the Red Sea, and recent weather disasters serve as notable reminders of the need for flexibility and redundancy to support the transportation segments of our supply chain. As we overcome this tragedy, we demonstrate once again our great resolve and ability to respond as a Nation.

***FY 2025 BUDGET REQUEST***

MARAD’s mission is to foster, promote, and develop the maritime industry of the United States to meet the nation’s economic and security needs. The President’s FY 2025 Budget request of \$859.7 million for MARAD will enable the agency to continue to strengthen our sealift enterprise by advancing recapitalization of the Ready Reserve Force (RRF) and the vital commercial sealift programs that support U.S.-flagged vessels operating in the foreign trade.

The President's request will also support investments in our ports and waterways to improve supply chain resiliency, expand our efforts to address climate change, and advance environmental justice for port communities. In FY 2025, \$450 million provided by the Bipartisan Infrastructure Law (BIL) to support the Port Infrastructure Development Program (PIDP) will be invested in new grants. The President's budget requests an additional \$80 million to support PIDP, which would bring the total amount of funding available in FY 2025 to \$530 million and enable us to continue modernizing our ports to help reduce the cost of moving goods from ships to shelves and from American farmers and factories to end-users at home and abroad.

In addition, the President's request will enable MARAD to continue critical investments to address the urgent and long-standing challenges at the USMMA. Further, it will enable us to implement the many new authorities and responsibilities provided in the National Defense Authorization Act for Fiscal Year 2024 (FY 2024 NDAA).

### ***ECONOMIC AND CLIMATE SUSTAINABILITY INVESTMENTS***

Last year, MARAD awarded more than \$653 million in PIDP grants. This total included the third tranche of \$450 million in funding provided by the BIL, approximately \$212 million in FY 2023 appropriations, and unexpended funding from a prior PIDP round. The 2023 PIDP awards funded 41 projects in 25 states and one territory. More than \$100 million in the funding awarded last year focuses on port electrification to improve air quality, while nearly \$202 million of the awarded funding supports projects that will advance offshore wind farm developments. These efforts are helping to advance the important objectives of the BIL, and the vital goal of President Biden's Justice40 Initiative—that 40 percent of the overall benefits of certain covered Federal investments flow to disadvantaged communities that are marginalized by underinvestment and overburdened by pollution.

This year thanks again to the BIL and the funding provided in the FY 2024 appropriations measure, \$500 million in funding is available for PIDP grants. An additional \$72 million in FY2024 appropriations has already been congressionally directed to 22 projects. The Notice of Funding Opportunity (NOFO) for this program is open and applications are due by May 10, 2024.

The FY 2025 Budget also requests \$10 million for the United States Marine Highway Program. Marine highways support our maritime supply chains and enable more cost-effective transportation options for U.S. shippers and manufacturers. In 2023, MARAD awarded nearly \$12 million in marine highway projects. The funding awarded last year will support 8 projects across the nation—and nearly all the funding is supporting projects in disadvantaged communities or Federally designated community development zones. In FY 2024, \$5 million in funding is available, and MARAD will begin accepting applications soon.

The FY 2025 Budget also requests \$20 million for MARAD's Small Shipyards grants to support infrastructure improvements at qualified small U.S. shipyards to help improve their efficiency and ability to compete for domestic and international commercial ship construction and maintenance opportunities. Investing in shipbuilding supports job creation in a vital domestic industrial base. These grants can also be used to support the acquisition of equipment that

reduces negative climate impacts and adapts technologies that reduce shipyard power consumption.

Within MARAD's FY 2025 Budget request, \$6 million will support the Maritime Environmental and Technical Assistance (META) program. The META program fulfills a niche in the Federal government by being specifically designed to assist stakeholders with innovation that supports a safe and efficient U.S. maritime transportation sector. Approximately 75 percent of the FY 2025 funding will be focused on efforts related to decarbonization of the maritime transportation sector.

The FY 2025 Budget request for MARAD includes \$3.7 million for the Federal Ship Financing Program (Title XI) to provide the salaries and overhead support to manage the loan portfolio, currently at \$1.3 billion in outstanding loan guarantees. This program is designed to manage loans that help promote the U.S. shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering, that may otherwise be unavailable to ship owners.

The President's FY 2025 Budget requests \$6 million for MARAD's Ship Disposal Program for support staff and overhead costs to continue to put primary emphasis on the disposal of the worst conditioned, non-retention vessels to mitigate environmental risks.

### ***U.S. MERCHANT MARINE EDUCATION AND TRAINING***

MARAD supports mariner training programs to produce highly skilled, USCG credentialed officers for the U.S. merchant marine. Specifically, MARAD supports mariner education and training at USMMA, and it facilitates mariner education through the extensive support we provide to the six state maritime academies (SMA).

Graduates of USMMA are required to maintain their licenses for 6 years and to sail on commercial vessels or serve in other capacities—such as on active duty in U.S. uniformed services—for 5 years. USMMA is also the principal source of new officers for the U.S. Navy's Strategic Sealift Officer (SSO) Program, which maintains a cadre of approximately 2,000 U.S. Naval Reserve Officers with the training and credentials to operate strategic sealift resources at times of national need.

The President's FY 2025 Budget requests \$191 million to support academic operating expenses for approximately 975 cadets and 293 faculty and support staff, including expanded support for the extensive facility maintenance and repair needs of the Academy's aging physical plant. It includes 21 new positions to support National Academy of Public Administration (NAPA) recommendations and address various efficiency and effectiveness initiatives. The budget also seeks funding for the Every Mariner Builds a Respectful Culture (EMBARC) program implementation. MARAD established the EMBARC program in December 2021 to help prevent sexual assault and sexual harassment during the Sea Year program, to support survivors, strengthen a culture of accountability, and improve safety for all mariners.

Today, there are 21 commercial operators enrolled in EMBARC; together, they operate more than 180 vessels. All vessel operators that are required to carry USMMA cadets under 46 U.S.C. § 51307(b)—i.e., operators with vessels enrolled in the MSP, TSP, and the CSP—have enrolled in EMBARC, and MARAD is conducting both scheduled and unscheduled vessel assessments, at a rate greater than the 10 percent required under 46 U.S.C. § 51322, to ensure compliance with EMBARC standards.

In addition, USMMA's Sexual Assault Prevention and Response Office (SAPR) is working to build midshipman awareness and eliminate obstacles to reporting sexual assault and violence. MARAD is working as quickly as possible to develop an EMBARC rule pursuant to the authority provided by the FY 2023 NDAA. Additionally, the USMMA has established an Advisory Council, as required by 46 U.S.C § 51323, tasked with providing actionable recommendations on improving the Academy. Importantly, the Council includes experts in sexual assault and sexual harassment prevention and response.

The Biden-Harris Administration has long recognized the urgent need to rehabilitate and replace existing infrastructure and to significantly strengthen the ability of MARAD and USMMA to plan and manage capital investments and major maintenance efforts. Working closely with leaders and experts from the DOT, MARAD has implemented numerous measures to improve our ability to manage capital projects. Consistent with a recommendation from the National Academy of Public Administration, MARAD/USMMA created a new director position that is staffed with a Senior Executive to oversee all capital and maintenance projects at USMMA. MARAD and the DOT have also created new oversight bodies to ensure that investments of taxpayer funds are properly managed, and yield completed projects that address the Academy's most urgent needs.

In early March, MARAD provided the Committees on Appropriations and made public USMMA's FY 2023 Capital Improvement Plan (CIP). The FY 2023 CIP explains significant changes made to active and out-year projects since USMMA's last CIP report, which was provided in late 2022. These changes are based on demonstrated need, as well as the principles that guide our prioritization of capital and maintenance projects. Specifically, our highest priorities for capital and maintenance investments are supporting the safety, health, and well-being of cadets and supporting the Academy's academic mission.

The USMMA is in the process of developing a deferred maintenance plan that will focus on high impact maintenance actions that are both wide-spread and that most-directly impact the safety and quality of life of cadets and staff. The priorities include campus HVAC systems, plumbing, roofing and repair of building facades. In November 2023, the Academy started work on developing a Facilities Master Plan which will identify its priorities under its Capital Improvement Program. This plan, which will cover the next several years and will affect the entire campus, is expected to be in effect by the end of the year.

Eighty-six million dollars in capital improvement funds are requested in FY 2025 that would enable us to initiate a barracks renovation program as well as renovations of Wiley and Delano Halls. Funding would also enable us to rehabilitate roads, sidewalks, and parking lots.

The FY 2025 Budget request also includes \$87 million to provide support to the six SMAs. This request includes funding for school ship maintenance and repair, the Student Incentive Program (SIP), direct SMA support, fuel assistance, and National Security Multi-Mission Vessel (NSMV) pre-delivery and post-delivery support. MARAD has cooperative agreements in place with three SMAs, with Maine Maritime Academy being the latest as of January 31, 2024. The amount of \$58.3 million has been obligated for eligible pier upgrades necessary to enable heavy weather mooring of the NSMVs.

Funding would also meet maintenance and repair costs to maintain the legacy school ships and continue our direct support to the SMAs.

There are currently four NSMVs under construction with one ship — the EMPIRE STATE — delivered last fall. The second ship—the PATRIOT STATE—has an anticipated delivery to Massachusetts Maritime Academy in July of this year.

The FY 2024 NDAA also increases the authorized amount of SIP payments from \$32,000 to \$64,000, providing additional financial support to cadets who enroll in the Strategic Sealift Midshipman program.

### ***NATIONAL SECURITY***

Providing sealift to meet the nation's needs is a critical part of MARAD's mission, and we have proudly met the challenges of managing the National Defense Reserve Fleet (NDRF) for 78 years. America's strategic sealift provides the nation with the capability to rapidly project power globally by deploying Department of Defense (DOD) forces and moving cargoes worldwide during peacetime and wartime—including through contested environments—whenever activated by the U.S. Transportation Command (USTRANSCOM).

Our Government-owned sealift fleet is supported and leveraged by a fleet of privately owned, commercially operated U.S.-flag vessels in the Maritime Security Program (MSP) and the Tanker Security Program (TSP).

The FY 2025 Budget requests the full authorization level of \$318 million for the MSP, which is the heart of sustainment sealift. In return for a stipend, MSP operators provide the DOD with assured access to their ships and their global networks of critical capabilities, including intermodal facilities at home and abroad used to unload and transport military cargoes to final destinations.

There are 60 commercially-viable, militarily-useful vessels enrolled in MSP. These vessels are active in international trade and are on-call to meet the nation's need for sustained military sealift capacity. The MSP supports and sustains the merchant mariner base by providing employment for 2,400 highly-trained, skilled U.S. merchant mariners who may also crew the U.S. Government-owned surge sealift fleet when activated. The MSP also supports more than 5,000 additional shore-side jobs in the maritime industry.

MARAD has fully implemented the TSP program, awarding ten operating agreements to four different U.S. companies between April 20, 2023, and December 17, 2023. One of the program participants voluntarily withdrew one of their vessels from the program after accepting a long-term-charter to the U.S. Government, making the vessel ineligible to participate in the TSP. MARAD is in the process of filling that vacancy and anticipates filling the slot this summer. The FY 2025 Budget request for the TSP program is \$60 million, for up to 10 enrolled tanker vessels. The TSP will strengthen the U.S supply chain and improve the movement of liquid fuel products while creating good paying jobs. Moreover, these ships will ensure DOD has assured access to critically needed product tankers capable of loading, transporting, and storing on-station bulk petroleum refined products to support national economic security. We are preparing to deliver the requested report on *Opportunities and Challenges to Grow the U.S.-Flag Tanker Fleet in International Trade* to Congress soon.

MARAD is partnering with our stakeholders, both Federal and non-Federal, to work to identify strategies to help address the mariner shortage and ensure their readiness. As part of MARAD's effort to meet a FY 2024 NDAA requirement to establish a Maritime Workforce Working Group, MARAD held its first meeting on March 20, 2024. Consistent with the FY2024 NDAA the group will help identify the number of licensed and unlicensed mariners, make recommendations to improve United States merchant mariner recruitment and retention, and evaluate potential gaps or surpluses of credentialed merchant mariners required to maintain and operate the RRF. In addition, on April 16, 2024, MARAD hosted a Mariner Work-Life Balance Symposium which brought together stakeholders from across the maritime industry to discuss issues related to work-life balance and recommendations for improvement that will boost mariner recruitment and retention.

We also note that the existing U.S. Coast Guard (USCG) licensing system (Merchant Mariner Licensing and Documentation system) relies on dated 1980s technology with relatively no querying capability on the number and availability of mariners with various credentials essential to meet our economic and national security needs. We fully support the USCG's ongoing efforts to modernize the system to enable efficient issuance of mariner credentials and provide enhanced querying capabilities.

MARAD is also focused on supporting our U.S.-flagged fleet through opportunities to carry cargo. As I said in 2022 testimony before the Coast Guard and Maritime Transportation Subcommittee, put simply, without cargoes, ships will leave the U.S. flag and our modest fleet will continue to dwindle to the point that the number of American vessels is simply too small to meet government shipper agency requirements whether military or civilian. We are working with the Biden-Harris Administration's Made In America Office to help agencies understand cargo preference requirements. In addition, we have again written to all Federal departments and agencies explaining how MARAD can help them ensure they meet their obligations under cargo preference laws and regulations. To date, 60 percent of these Federal agencies have responded, with some providing outstanding bills of lading. MARAD is currently preparing the annual report.

MARAD is also working diligently on revisions to cargo preference regulations as required by the FY 2023 NDAA.

One of the current challenges with meeting cargo preference requirements is ensuring we have both enough vessels and the wide mix of vessel types to carry the many types of cargoes that the government impels. To help attract additional vessels to our flag, last year, the Biden-Harris Administration proposed that Congress eliminate the 3-year period that vessels entering the U.S. flag must currently wait before they are eligible to carry civilian agency preference cargoes. This would ensure that vessels that choose to sail under the U.S.-flag can carry preference cargoes as soon as they enter the flag and provide opportunity to diversify the types of vessels available to civilian agencies to carry cargoes. In return the vessels would be required to remain under U.S. flag for 3 years. This proposal became law as part of the FY 2024 NDAA but will only become effective January 1, 2030.

The President's FY 2025 Budget requests \$974 million from DOD budgetary authority for MARAD to acquire, upgrade, and maintain vessels in the NDRF and RRF. These funds enable MARAD to maintain the fleet in a ready, reliable, and responsive condition, using a contracted workforce of commercial ship managers and a small cadre of shipboard caretaker crewmembers. Sustaining sufficient resources for maintenance and recapitalization will ensure MARAD's ability to meet strategic sealift for the U.S. Armed Forces, and humanitarian support when called upon during national emergencies, as well as maintain MARAD's NDRF fleet mooring sites. MARAD's RRF consists of sealift ships providing a mix of capabilities. MARAD is now the sole surge sealift provider. Our RRF ships provide sealift surge capability to deliver DOD equipment and supplies where needed during the initial stages of a response to a major contingency. Today, the RRF is a fleet of 48 vessels, with an average age of more than 45 years, maintained in a reduced operating status—ready to sail within five days of activation. The fleet will grow to 51 vessels after the planned transfer of additional surge sealift and prepositioning vessels from the Military Sealift Command is complete by the end of FY 2025.

I note that four RRF vessels are currently berthed at the Port of Baltimore. While the restriction of movement for these vessels is affected by the Key Bridge collapse, crew on two of the vessels are currently conducting regulatory or casualty repairs and neither of the remaining ships has been activated. One ship normally berthed in Baltimore will remain in Hampton Roads, VA, while crew is conducting required regulatory repairs until harbor clearance operations are completed.

As part of the Navy's overall plan for sealift recapitalization, MARAD is responsible for maintaining the existing RRF ships through the recapitalization period, including dozens of ships that are now nearly 50 years old or even older. Continued focus on safety, material condition, and regulatory compliance has been difficult to sustain, and challenges have been compounded by equipment and parts delays, and the increased scope of the repairs we have had to undertake, including steelwork.

MARAD is working to advance the urgent recapitalization of the RRF with the limited authorities provided. MARAD is making use of the authority Congress provided to purchase vessels for RRF through a contracted Vessel Acquisition Manager (VAM). This innovative process allowed MARAD to efficiently purchase the first two ships in FY 2022. In Q2 FY 2023, the VAM completed purchase of three more extremely capable ships including one that is 10 and two that are 11 years old. These ships were purchased for approximately \$90 million per ship.

The reflagging process for these vessels is continuing along the stringent Alternate Compliance Program regulatory framework and the ships will be ready-for-tasking in Q3 2024. MARAD continues to work with our VAM and has identified several potential ships for purchase and engaging owners of the best four additional ships for purchase to reach the Congressionally limited number of 9 used ships.

In the FY 2023 NDAA, MARAD was directed to develop a Roll-On/Roll-Off ship design for the construction of 10 new vessels for the NDRF. MARAD thanks Congress for appropriating \$12 million in FY 2024 funds to initiate the vessel designs.

### ***CONCLUSION***

These programs represent MARAD's priorities. We will continue to keep you apprised of the progress of our program activities and initiatives in these areas in the coming year.

Thank you for the opportunity to present and discuss the President's Budget for MARAD. I appreciate the Subcommittee's continuing support for maritime programs, and I look forward to any questions you and the members of the Subcommittee may have.

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