

Committee on Transportation and Infrastructure U.S. House of Representatives Washington, DC 20515

Sam Graves Chairman Rick Larsen Ranking Member

Katherine W. Dedrick, Democratic Staff Director

Jack Ruddy, Staff Director

March 20, 2023

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation

RE: Coast Guard and Maritime Transportation Subcommittee Hearing on "Review of

Fiscal Year 2024 Budget Request for Federal Maritime Transportation Programs,

and Implementation of the Ocean Shipping Reform Act of 2022"

I. <u>PURPOSE</u>

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Thursday, March 23, 2023, at 2:00 p.m. ET in Room 2253 of the Rayburn House Office Building to receive testimony on the "Review of Fiscal Year 2024 Budget Request for Federal Maritime Transportation Programs, and Implementation of the Ocean Shipping Reform Act of 2022." The Subcommittee will examine the President's fiscal year (FY) 2024 budget request for Federal maritime transportation programs and progress on the implementation of the Ocean Shipping Reform Act of 2022 in preparation for consideration of annual authorizing legislation for the Maritime Administration (MARAD) and other maritime matters, including amendments to the Ocean Shipping Reform Act of 2022 (P.L. 117-146). The Subcommittee will hear testimony from MARAD and the Federal Maritime Commission (Commission or FMC) and receive written testimony from the National Oceanic and Atmospheric Administration (NOAA).

II. <u>BACKGROUND</u>

MARAD

MARAD was established in 1950 and is responsible for promoting and developing the maritime industry of the United States to meet the Nation's economic and security needs. ¹ MARAD administers financial assistance programs to build, promote, and operate the United States flag fleet; manages the disposal of Federal Government-owned vessels; regulates the

¹ U.S. Dept. of Transp. (DOT), A Short History of the Maritime Administration, available at https://www.maritime.dot.gov/outreach/history/short-history-maritime-administration (last updated Oct. 26, 2018).

transfer of United States documented vessels to foreign registries; maintains a reserve fleet of Federal Government-owned vessels essential for national defense; operates the United States Merchant Marine Academy; and administers a grant-in-aid program for state operated maritime academies and other financial assistance programs to support the United States maritime and shipbuilding industries.² Rear Admiral Ann C. Phillips, United States Navy (Ret.), has served as the Administrator of MARAD since being sworn in on May 16, 2022.³ *FMC*

FMC was established in 1961 as an independent agency that regulates ocean-borne transportation in the foreign commerce of the United States. FMC protects shippers and carriers from restrictive or unfair practices of ocean carriers, including foreign-flagged carrier alliances. FMC also enforces laws related to cruise vessel financial responsibility to ensure cruise vessel operators have sufficient resources to pay judgements to passengers for personal injury or death or for nonperformance of a voyage.

FMC is composed of five commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The Honorable Daniel B. Maffei was designated Chairman of the Commission by President Biden in March 2021.⁷

NOAA

NOAA was established in 1970 as an agency within the Department of Commerce. NOAA's mission is to understand and predict changes in climate, weather, oceans, and coasts, to share that knowledge and information with others, and to conserve and manage coastal and marine ecosystems and resources. This mission includes responsibility for scientific coordination and support coordination to oil spill response and marine debris prevention, removal, research, response coordination, monitoring, and detection. Dr. Richard W. Spinrad was sworn in as the Under Secretary of Commerce for Oceans and Atmosphere and the Administrator of NOAA on June 22, 2021.

² DOT, BUDGET ESTIMATES FISCAL YEAR 2024: MARITIME ADMINISTRATION (2023), available at https://www.transportation.gov/sites/dot.gov/files/2023-03/MARAD_FY_2024_President_Budget_508.pdf [hereinafter MARAD 2024 BUDGET ESTIMATES].

³ DOT, *Rear Admiral, Ann C. Phillips, US Navy (Ret.)*, *available at* https://www.maritime.dot.gov/office-administrator/key-personnel/rear-admiral-ann-c-phillips-us-navy-ret (last updated May 16, 2022). ⁴ 46 U.S.C. § 46101.

⁵ FMC, *About the FMC*, *available at* https://www.fmc.gov/about-the-fmc/.

⁶ FMC, FEDERAL MARITIME COMMISSION FY 2024 BUDGET JUSTIFICATION (2023), available at https://www.fmc.gov/wp-content/uploads/2023/03/FMCFY2024CongressionalBudgetJustification.pdf [hereinafter FMC FY24 BUDGET JUSTIFICATION].

⁷ FMC, Daniel B. Maffei, available at https://www.fmc.gov/commissioners/daniel-b-maffei/.

⁸ NOAA, Our History, available at https://www.noaa.gov/heritage/our-history (last updated Jan. 6, 2023).

⁹ NOAA, *About our agency, available at* https://www.noaa.gov/about-our-agency (last updated Mar. 2, 2023).

¹⁰ NOAA, *Richard W. Spinrad*, *Ph.D.*, *available at* https://www.noaa.gov/our-people/leadership/richard-w-spinrad-phd (Sept. 9, 2022).

III. MARAD BUDGET

The President's FY 2024 budget request for MARAD 11 as compared to the FY 2023 enacted funding level 12 is shown here:

MARAD FY 2023 Enacted to FY 2024 President's Budget Request Comparison (Dollars in Thousands)											
Account		FY 2023 Enacted		President's FY 2024 Budget Request		Y 2023 to FY 24 Change (\$)	FY 2023 to FY 2024 Change (%)				
Operations and Training	\$	213,181.00	\$	289,773.00	\$	76,592.00	36%				
Maritime Environmental and Technical Assistance Program	\$	6,000.00	\$	8,500.00	\$	2,500.00	42%				
United States Marine Highway Program	\$	10,000.00	\$	11,000.00	\$	1,000.00	10%				
Assistance to Small Shipyards	\$	20,000.00	\$	20,000.00	\$	-	0%				
Ship Disposal Program	\$	6,000.00	\$	6,021.00	\$	21.00	0%				
Maritime Security Program	\$	318,000.00	\$	318,000.00	\$	-	0%				
Title XI – Administrative Expenses	\$	3,000.00	\$	3,020.00	\$	20.00	1%				
Title XI – Loan Guarantees	\$	-	\$	-	\$	-	0%				
State Maritime Academy Operations	\$	120,700.00	\$	53,400.00	\$	(67,300.00)	-56%				
Cable Security Fleet Program	\$	10,000.00	\$	-	\$	(10,000.00)	-100%				
Tanker Security Program	\$	60,000.00	\$	60,000.00	\$	-	0%				
Port Infrastructure Development Program	\$	212,203.51	\$	230,000.00	\$	17,796.49	8%				
Total	\$	963,084.51	\$	980,214.00	\$	17,129.49	2%				

Funding levels for the Operations and Training Account and the Port Infrastructure Development Program do not include supplemental appropriations provided by the Infrastructure Investment and Jobs Act (P.L. 117-58).

The President requests \$980.2 million in FY 2024 for the activities of MARAD. ¹³ This is a \$17.1 million increase (2 percent) from the FY 2023 enacted level. ¹⁴

MARAD's FY 2024 budget request does not include funding for the:

• Maritime Transportation System Emergency Relief Authority;

¹¹ MARAD 2024 BUDGET ESTIMATES, *supra* note 2.

¹² Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, available at https://www.congress.gov/117/bills/hr2617/BILLS-117hr2617enr.pdf [hereinafter 2023 CAA].

¹³ MARAD 2024 BUDGET ESTIMATES, *supra* note 2.

¹⁴ 2023 CAA, supra note 12.

- Cable Security Fleet Program; or
- Title XI Loan Guarantees.

Operations and Training

The President's FY 2024 budget requests \$289.8 million for Operations and Training, an increase of \$76.6 million (36 percent) beyond the FY 2023 enacted level. ¹⁵ Included in this request is \$195.5 million for academic operating expenses and the Capital Asset Management Program of the United States Merchant Marine Academy (USMMA); \$8.5 million for the Maritime Environmental and Technical Assistance (META) program, which promotes the research, development, and demonstration of emerging technologies, practices, and processes that improve maritime industrial environmental sustainability; and \$11 million for the United States Marine Highway Program to support the development, expansion, and modernization of America's navigable waterways to reduce landside congestion and increase movement of freight by water. ¹⁶ The authorization levels for these programs in the FY 2023 National Defense Authorization Act (NDAA) include \$112.8 million for USMMA operations; \$15 million for the META program; and \$15 million for the United States Marine Highway Program. ¹⁷ Much of the \$76.6 million funding increase in the President's request can be attributed to the Capital Asset Management Program of USMMA. The FY 2024 funding request included for the United States Marine Highway Program is in addition to the \$25 million provided in the *Infrastructure* Investment and Jobs Act (P.L.117-58) that will remain available through the end of FY 2032. 18 The Notice of Funding Opportunity for the FY 2023 round of the United States Marine Highway Program is currently available, and applications will be accepted through April 28, 2023. 19

Assistance to Small Shipyards

The Assistance to Small Shipyards grant program provides capital assistance to privately-owned shipyards to expand and modernize shipbuilding capacity, efficiency, and competitiveness. The program received \$20 million in FY 2023, and the President's FY 2024 budget request includes \$20 million. The program's authorized funding level was \$30 million in the FY 2023 NDAA. The application window for the FY 2023 round of the Small Shipyard Grant Program closed on February 27, 2023.

¹⁷ National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, available at https://www.congress.gov/117/bills/hr7776/BILLS-117hr7776enr.pdf [hereinafter NDAA FY23].

¹⁵ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

¹⁶ Id.

¹⁸ *Infrastructure Investment and Jobs Act*, Pub. L. No. 117-58, 135 Stat. 429, *available at* https://www.congress.gov/117/plaws/publ58/PLAW-117publ58.pdf [hereinafter *IIJA*].

¹⁹ MARAD, 2023 Notice of Funding Opportunity for the U.S. Marine Highway Program, available at https://cms.marad.dot.gov/grants/marine-highways/notice-funding-opportunity-america%E2%80%99s-marine-highway-projects.

²⁰ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

²¹ *Id*.

²² NDAA FY23, supra note 17.

²³ MARAD, *Small Shipyard Grant, available at* https://www.maritime.dot.gov/grants-finances/small-shipyard-grants.

Ship Disposal

The President's budget requests \$6.02 million for the Ship Disposal Program, which is \$20,000 above the FY 2023 enacted level.²⁴ The program's authorized funding level was \$6 million in the FY 2023 *NDAA*.²⁵ This program provides for the proper disposal of outdated government-owned merchant ships maintained by MARAD in the National Defense Reserve Fleet. This request includes \$3 million to maintain the Nuclear Ship SAVANNAH in protective storage according to Nuclear Regulatory Commission license requirements, while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress.²⁶ This funding also includes \$3 million for Ship Disposal Program support, including salaries and overhead.²⁷ The National Defense Reserve Fleet is under the jurisdiction of the House Committee on Armed Services.

Maritime Security Program

The President requests \$318 million for the Maritime Security Program (MSP), which is equal to the FY 2023 enacted level, to maintain a viable commercial fleet that can support a United States presence in foreign commerce. ²⁸ The program's authorized funding level was \$318 million in the FY 2023 *NDAA*. ²⁹ Under this program, \$318 million in direct payments are allocated among up to 60 United States flagged vessel operators engaged in foreign trade. MSP vessel operators must keep their vessels in active commercial service and provide intermodal sealift support to the Department of Defense in times of war or national emergency. This budget request enables vessel operators to remain active and available for service, and results in \$5.3 million per stipend payment for each of the 60 ships in the program. ³⁰ Allocating less than \$318 million annually for the program allows United States vessels to exit without penalty, and would likely also lead to vessels exiting the United States flag registry. MSP is under the jurisdiction of the House Committee on Armed Services.

Title XI – Administrative Expenses

The President requests \$3.02 million for administrative expenses to carry out the guaranteed loan program, which is \$20,000 above the FY 2023 enacted level.³¹ \$3 million was authorized for Title XI administrative expenses in the FY 2023 *NDAA*.³² The Title XI Loan Guarantee Program helps to promote the growth and modernization of the United States shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering that may otherwise be unavailable to ship owners.³³ The program is under the jurisdiction of the House Committee on Armed Services.

²⁴ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

²⁵ NDAA FY23, supra note 17.

²⁶ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

²⁷ Id

²⁸ *Id*.

²⁹ NDAA FY23, supra note 17.

³⁰ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

³¹ *Id*

³² NDAA FY23, supra note 17.

³³ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

State Maritime Academies

The President requests \$53.4 million for the six State Maritime Academies (SMA), which is a decrease of \$67.3 million (56 percent) compared to the FY 2023 enacted level. ³⁴ This request includes \$19.2 million for vessel management, logistics, and maintenance oversight to support integration of National Security Multi-Mission Vessels (NSMV) into the fleet of SMA training vessels; \$22 million to maintain the six legacy SMA training vessels; \$6 million in direct payments to the schools; \$2.4 million for the Student Incentive Payment Program; and \$3.8 million for training ship fuel assistance. ³⁵ SMA programs were authorized funding levels of \$53.8 million while the NSMV program was authorized \$75 million in the FY 2023 *NDAA*. ³⁶ Much of the \$67.3 million funding decrease can be attributed to decreases in funding needed for the NSMV program. SMA Operations provide Federal assistance to the six SMAs, to help educate and train mariners and future leaders to support the United States marine transportation system. These graduates promote commerce in the United States and aid in the national defense by serving in the merchant marine. SMAs are under the jurisdiction of the House Committee on Armed Services.

Tanker Security Program

The FY 2024 request for the Tanker Security Program (TSP) is \$60 million, an amount equal to the FY 2023 enacted level.³⁷ TSP provides direct payments to United States flagged product tankers capable of supporting national economic and Department of Defense contingency requirements. The program was authorized \$60 million per year through FY 2035 in the FY 2021 *NDAA*.³⁸ The purpose of this program is to provide retainer payments to carriers to support a fleet of militarily useful, commercially viable product tankers sailing in international trade, as well as assure access to a global network of intermodal facilities.³⁹ The program will also sustain a base of United States Merchant Mariners to support national security requirements during times of urgent need. TSP is under the jurisdiction of the House Committee on Armed Services.

Port Infrastructure Development Program

The President requests \$230 million for the Port Infrastructure Development Program (PIDP), which is \$17.7 million above the FY 2023 enacted level. 40 This request is in addition to the \$450 million investment in advanced appropriations provided in FY 2024 under the *Infrastructure Investment and Jobs Act* (P.L. 117-58). 41 PIDP was authorized at a funding level of \$750 million in the FY 2023 *NDAA*. 42 PIDP provides grants for coastal seaports, inland river ports, and Great Lakes ports infrastructure to improve the safety, efficiency, or reliability of the

35 Id

³⁴ *Id*.

³⁶NDAA FY23, supra note 17.

³⁷ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

³⁸ NDAA FY23, supra note 17.

³⁹ See MARAD 2024 BUDGET ESTIMATES, supra note 2.

⁴⁰ *Id*.

⁴¹ IIJA, supra note 18.

⁴² NDAA FY23, supra note 17.

movement of goods, and to reduce environmental impacts in and around ports.⁴³ The NOFO for the FY23 round of PIDP is currently available, and applications will be accepted through April 28, 2023.⁴⁴

IV. BUDGET FOR FMC

The President's FY 2024 budget request for FMC⁴⁵ as compared to the FY 2023 enacted funding level⁴⁶ is shown in the following table:

FMC FY 2023 Enacted to FY 2024 President's Budget Request Comparison (Dollars in Thousands)										
Account	FY 2023 Enacted		20	esident's FY 124 Budget Request		2023 to FY Change (\$)	FY 2023 to FY 2024 Change (%)			
Operations and Administrative Program	\$	38,260.00	\$	43,720.00	\$	5,460.00	14%			

The President requests \$43.7 million in FY 2024 for the activities of the FMC, a \$5.5 million (14 percent) increase from the FY 2023 enacted level, and equal to the FY 2024 authorized level.⁴⁷ The request would permit the funding of salaries and benefits for 163 full-time equivalents, a 5.29 percent projected pay raise for personnel, rent and building security needs, and information technology system improvements.⁴⁸

Implementation of the Ocean Shipping Reform Act of 2022

The Ocean Shipping Reform Act of 2022 (P.L. 117-146) strengthened FMC authorities to promote the growth and development of United States exports through an ocean transportation system that is competitive, efficient, and economical.⁴⁹ This legislation authorizes appropriations for FMC through FY 2025; sets standards for detention and demurrage charges and sets penalties for charges deemed inaccurate; allows FMC to set minimum contract standards for ocean shipping service contracts to protect United States shippers from actions which leave export cargoes stranded at United States ports; and increases protections for domestic shippers from retaliation by foreign ocean carriers.⁵⁰

⁴³ 46 U.S.C. § 54301.

⁴⁴ MARAD, ²023 Port Infrastructure Development Program (PIDP) - Notice of Funding Opportunity, available at https://www.maritime.dot.gov/office-port-infrastructure-development/port-and-terminal-infrastructure-development/2019-port-1 (last updated Feb. 9, 2023).

⁴⁵ See FMC FY24 BUDGET JUSTIFICATION, supra note 6.

⁴⁶ CAA 2023, supra note 12.

⁴⁷ Ocean Shipping Reform Act of 2022, Pub. L. No. 117-146, 136 Stat. 1272 available at https://www.congress.gov/117/plaws/publ146/PLAW-117publ146.pdf [hereinafter OSRA 2022].

⁴⁸ See FMC FY24 BUDGET JUSTIFICATION, supra note 6.

⁴⁹ *OSRA 2022, supra* note 47.

⁵⁰ *Id*.

The Commission is currently taking actions to enact the requirements of this law. Since the Act's enactment on June 16, 2022, FMC has:

- Provided industry guidance on filing charge complaints with respect to charges assessed by a common carrier that the complainant believes may not comply with statute. ⁵¹
- Provided industry guidance on the applicability of self-executing provisions of the law to common carriers, including compliance with demurrage and detention billing practices. 52
- Solicited public comments on a new data collection system for containerized vessel imports and exports to and from the United States.⁵³
- Solicited public comments on a proposed rule requiring inclusion of specific information on demurrage and detention invoices.⁵⁴
- Solicited public comments on a proposed rule that would define unreasonable refusal to deal or negotiate with respect to vessel space accommodation provided by an ocean common carrier.⁵⁵
- Established the Bureau of Enforcement, Investigations, and Compliance for improved effectiveness of the Commission's enforcement and compliance activities. 56
- Entered into an agreement with the National Academies of Sciences, Engineering, and Medicine to carry out a study and develop best practices for the efficient supply of chassis for transporting intermodal containers.⁵⁷
- Published on their website the "Fact Finding Investigation 29 Final Report on the Effects of the COVID-19 Pandemic on the U.S. International Ocean Supply Chain: Stakeholder Engagement and Possible Violations of 46 U.S.C. 41102(c)". 58

V. BUDGET FOR NOAA'S MARINE DEBRIS PROGRAM

NOAA's marine debris and oil spill response operations are funded out of the Agency's Coastal Science, Assessment, Response, and Restoration Account. NOAA's FY 2024 Congressional Budget Justification documents and FY 2023 spending plans are pending release and unavailable

⁵¹ FMC, *Industry Advisory – Interim Procedures for Submitting "Charge Complaints" Under 46 U.S.C. 41310*, (July 14, 2022), *available at* https://www.fmc.gov/industry-advisory-interim-procedures-for-submitting-charge-complaints/.

⁵² FMC, *Industry Advisory – Applicability of Provision Contained in PL 117-146*, (June 24, 2022), *available at* https://www.fmc.gov/industry-advisory-applicability-of-provisions-contained-in-pl-117-146/.

⁵³ Agency Information Collection Activities: 30-Day Public Comment Request, 87 Fed. Reg. 75629, (Jan. 9, 2023), *available at* https://www.govinfo.gov/content/pkg/FR-2022-12-09/pdf/2022-26804.pdf.

⁵⁴ FMC, *Proposing New Demurrage & Detention Billing Requirements*, (Oct. 7, 2022), *available at* https://www.fmc.gov/fmc-proposing-new-demurrage-detention-billing-requirements/.

⁵⁵ FMC, FMC Seeking Public Comment on Unreasonable Refusal to Deal Proposed Rule (Sept. 13, 2022), available at https://www.fmc.gov/fmc-seeking-public-comment-on-unreasonable-refusal-to-deal-proposed-rule/.

⁵⁶ FMC, New FMC Enforcement Structure, (July 29, 2022), available at https://www.fmc.gov/new-fmc-enforcement-structure/.

⁵⁷ National Academies of Sciences, Engineering, and Medicine. *Best Practices for the Efficient Supply of Chassis for Transporting Intermodal Containers*, available at https://www.nationalacademies.org/our-work/best-practices-for-the-efficient-supply-of-chassis-for-transporting-intermodal-containers#sectionContact.

⁵⁸ FMC, Fact Finding Investigation 29 Final Report, available at https://www2.fmc.gov/readingroom/docs/FFno29/Fact%20Finding%2029%20Final%20Report.pdf/.

at this time. More broadly, the President's FY 2024 budget request includes \$6.8 billion for NOAA, an increase of \$450.5 million above the FY 2023 enacted level.⁵⁹

VI. <u>WITNESSES</u>

Rear Admiral Ann C. Phillips (Ret.)

Administrator Maritime Administration

The Honorable Daniel B. Maffei

Chairman
Federal Maritime Commission

Written testimony provided by

Dr. Richard W. Spinrad

Under Secretary of Commerce for Oceans and Atmosphere & Administrator
National Oceanic Atmospheric Administration

⁵⁹ NOAA, *NOAA's FY 2024 budget: Building a climate-ready nation, available at* https://www.noaa.gov/news-release/noaa-fy-2024-budget-building-climate-ready-nation.