

## MARITIME WORKFORCE DEVELOPMENT ACT

---

JULY 31, 2009.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

Mr. OBERSTAR, from the Committee on Transportation and Infrastructure, submitted the following

### R E P O R T

[To accompany H.R. 2651]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 2651) to amend title 46, United States Code, to direct the Secretary of Transportation to establish a maritime career training loan program, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PURPOSE OF THE LEGISLATION

H.R. 2651, the “Maritime Workforce Development Act”, establishes a maritime career training loan program that will provide assistance to merchant mariners who are enrolled in a course of study to obtain or upgrade a document or license. H.R. 2651 also establishes a program to award grants to maritime training institutions to enable them to carry out demonstration projects that will support the development and implementation of new methods of recruiting, training, and retaining individuals in the maritime workforce.

#### BACKGROUND AND NEED FOR LEGISLATION

According to statistics released by the Maritime Administration in 2007, 95 percent of U.S. foreign trade is moved by ship—and foreign trade has comprised an increasing share of our national Gross

Domestic Product (GDP) in recent years.<sup>1</sup> Thus, while foreign trade (including all imports and exports) comprised 13 percent of GDP in 1990, it comprised nearly 22 percent of national GDP in 2006 and is projected to potentially comprise as much as 35 percent of national GDP by 2020. In 2007, the Maritime Administration reported that the U.S. marine transportation system “supports 13 million jobs.”<sup>2</sup>

Looking at just one facet of the maritime industry—the container trade—the Bureau of Transportation Statistics (BTS) in its Maritime Trade and Transportation 2007 assessment found that world container traffic had experienced an average annual growth rate of more than 10 percent between 1995 and 2006.<sup>3</sup> In that same time period, total container flows through the United States increased at an average annual rate of 6.8 percent; in 2006, the United States was second in the world in terms of share of world container traffic.<sup>4</sup>

BTS also reported that between 2002 and 2007, U.S. water transportation had been “in a period of renewal and expansion with a 24% increase in gross output, a 22% increase in value added (gross output less intermediate output), a 35% increase in industry assets, and over 6,000 jobs added over the last 5 years.”<sup>5</sup>

In addition, BTS reported that in 2006, there were approximately 162,000 jobs in the U.S. water transportation sector—up from nearly 148,000 jobs recorded in the industry in 2002. BTS reported that of these 162,000 jobs, more than 61,000 jobs were in water transportation, including more than 38,000 jobs in sea, coastal, and Great Lakes transportation, and nearly 23,000 jobs were in inland water transportation.

Looking at the “Jones Act” fleet, which conducts the domestic coastwise trade between U.S. ports, the Maritime Administration reported in 2007 that this fleet was comprised of more than 38,000 vessels and that “[b]uilding and maintaining the Jones Act fleet sustains roughly 150,000 jobs throughout the U.S. economy.”<sup>6</sup>

However, the ongoing global economic downturn has had an impact on world and U.S. shipping volumes. In testimony before the Subcommittee on Coast Guard and Maritime Transportation, the Federal Maritime Commission (FMC) reported that “[i]n fiscal year 2008, the total volume of U.S. liner exports shipped worldwide grew by 15%, while imports declined by 6%,” however, the FMC noted that “[t]hese growth rates mask the dramatic recent declines in cargo volumes.”<sup>7</sup> Further, the FMC reported that “roughly 11% of the global containership capacity lays idle.” However, these declines are expected to be temporary and volumes are expected to rebound after economic growth resumes. Additionally, the newly expanded Panama Canal will open in 2014—allowing significantly

<sup>1</sup> Maritime Administration, *The Maritime Administration and the U.S. Marine Transportation System: A Vision for the 21st Century*, 5 (2007).

<sup>2</sup> *Id.*

<sup>3</sup> BTS, *Maritime Trade & Transportation 2007* 37 (2007).

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 49.

<sup>6</sup> Maritime Administration, *The Maritime Administration and the U.S. Marine Transportation System: A Vision for the 21st Century* 7 (2007).

<sup>7</sup> FY 2010 Budget Requests of the Coast Guard, Maritime Administration, and the Federal Maritime Commission: Hearing before the House Subcommittee on Coast Guard and Maritime Transportation, 111th Cong. 2 (2009) (statement of Joseph E. Brennan, Commissioner of the Federal Maritime Commission).

larger vessels to call on East Coast ports, provided that port infrastructure is upgraded to accommodate such vessels.

When the U.S. water transportation sector resumes its growth, the industry may face a labor shortage—particularly in on-the-water jobs—that could leave the United States without the workforce it needs to meet the demands that renewed growth in the maritime industry will create. In October 2007, at a hearing convened by the Subcommittee on Coast Guard and Maritime Transportation to examine trends in the maritime workforce, the Coast Guard indicated that the average age of a merchant mariner with a Master’s license was 51, and the average age of a Chief Engineer was 50. At that time, more than 28 percent of inland pilots and captains were over the age of 55 and would be eligible to retire in the next five years. Approximately 216,000 individuals hold a professional merchant mariner’s credential.

Additionally, the 1995 Amendments to the Convention on the Standards of Training, Certification, and Watchkeeping have imposed significant new standards for training and continuing education on mariners around the world, including in the United States. The 1995 Amendments entered into force on February 1, 1997, and all mariners were required to comply with the Amendments by February 1, 2003. U.S. mariners are subject to the 1995 Amendments if they sail beyond the U.S. boundary line (the boundary line separates the bays, harbors, and other inland waters from the ocean) on commercial vessels, even if the vessel is not on a voyage to a foreign country. Mariners are exempt from the requirements if they sail on vessels less than 200 gross tons on domestic voyages that begin and end in a U.S. port.

The 1995 Amendments were adopted to improve safety in the maritime industry by ensuring that mariners are adequately trained for the positions they fill and, thus, that human factors will be reduced as the cause of maritime accidents. However, the 1995 Amendments have also had the effect of imposing expensive and time-consuming training requirements on mariners—particularly on those who are looking to upgrade a document or license to move up the career ladder. In essence, the 1995 Amendments created unfunded training and certification mandates for unlicensed mariners who had traditionally progressed to licensed officer positions through on-the-job training. The new standards raised the bar for new workers seeking to advance in a maritime career and have caused a significant number of older workers to retire early.

The costs of obtaining a Master’s or Mate’s license can be as much \$26,000 for the specialized training and certifications required by the 1995 Amendments. Ms. Berit Eriksson, testified before the Subcommittee that the Pacific Coast Maritime Consortium obtained a grant to provide training to mariners and found that it took “a little more than two years for an unlicensed mariner working in the towing industry to complete all the certifications required for a third mate towing license at an approximate cost of \$16,000 just for the courses.”<sup>8</sup>

Employers in the maritime industry have traditionally provided little or no funding to help employees cover the costs of training,

---

<sup>8</sup>Mariner Education and Workforce: Hearing before the House Subcommittee on Coast Guard and Maritime Transportation, 110th Cong. 47 (2007) (statement of Berit Eriksson, Former Executive Director of the Pacific Coast Maritime Consortium).

and there is growing concern within the maritime industry that the cost and complexity of meeting 1995 Amendment requirements for license renewals and/or upgrades is reducing the pool of potential seafarers.

Importantly, maritime training programs are unique and are unlike typical two-year or four-year educational programs. Maritime training programs courses can be multi-week or multi-month programs and mariners take such classes on a frequent basis to obtain certification in a specific new qualification. Due to the short course length and the frequency of enrollment in new courses, the costs of these programs are not easily served by existing student loan programs.

In the 110th Congress, the Subcommittee held a hearing to consider trends in the maritime workforce on October 17, 2007. The Subcommittee received testimony on trends and innovations in mariner education and assessed how growing workforce shortages will affect the maritime industry and U.S. trade. The hearing also considered the possible impact of various factors on workforce shortages, including: wage levels; lifestyle challenges associated with employment in the maritime industry; and training requirements imposed by the Standards of Training, Certification, and Watchkeeping Convention.

Witnesses testified about the significant challenges they have recruiting and retaining vessel personnel; they also discussed the challenges mariners face as they attempt to move from entry-level jobs on deck to become Masters or, similarly, to move from entry-level positions in the engine room to become Chief Engineers. Witnesses suggested that Federal assistance could be provided to support mariner education programs. The then-Administrator of the Maritime Administration, Sean Connaughton, also indicated that a major recapitalization was occurring in practically every segment of the U.S. merchant fleet and that towing, passenger, and offshore operators were all reporting workforce shortages.

Witnesses also testified about the growth of maritime-themed high schools across the United States. Captain Art Sulzer, a member of the Board of the Maritime Academy Charter High School in Philadelphia, Pennsylvania, testified about his research on maritime-themed high school education in support of his doctoral dissertation; he testified that through his research, he had identified 16 maritime middle and high schools.<sup>9</sup> Such high schools—several of which are located in inner-city areas—are developing maritime programs that complement the traditional core high school curriculum and that can prepare a student to obtain an entry-level mariner qualification or to pursue education at a maritime training program or a state maritime academy.

#### SUMMARY OF THE LEGISLATION

##### *Section 1. Short title*

Section 1 states the legislation may be referred to as the “Maritime Workforce Development Act”.

<sup>9</sup>Mariner Education and Workforce: Hearing before the House Subcommittee on Coast Guard and Maritime Transportation, 110th Cong. 45 (2007) (statement of Captain Art Sulzer, Board Member of the Maritime Academy Charter High School).

*Sec. 2. Maritime Education Loan Program*

Section 2 adds a new section 51705 to chapter 517 of title 46, United States Code. Within new section 51705, subsections (a) through (d) establishes a program to make loans available to eligible students to fund their training in the maritime industry. The Secretary of Transportation (Secretary) is required to carry out the program established by this section acting through the Administrator of the Maritime Administration. The Secretary is also directed to develop an application process and allocate loans based on a student's needs.

*Subsection (e). Designation of maritime training institutions*

Subsection (e) permits the Secretary to designate Federal, State, commercial training institutions, and nonprofit training organizations as institutions eligible to participate in the maritime loan program; however, undergraduate students at the U.S. Merchant Marine Academy are not eligible for loans. In designating eligible institutions, the Secretary is required to consider geographic diversity and the scope of classes offered by institutions and to ensure that eligible institutions have the ability to administer the loan program and meet all requirements to provide Coast Guard-approved training.

Subsection (e)(2) allows the Secretary to exclude maritime training institutions from participating in the loan program if they had severe performance deficiencies, including deficiencies demonstrated by audits or program reviews conducted within the five previous years. The Secretary is also directed to exclude from participation in the loan program those maritime training institutions with delinquent or outstanding debts to the United States. Further, the Secretary may exclude those institutions that have failed to comply with quality standards established by the Department of Labor, the Coast Guard or a State and those institutions that fail to meet other criteria established by the Secretary to protect the financial interest of the United States.

*Subsection (f). State maritime academies*

Subsection (f) allows the Secretary to obligate up to 50 percent of funds appropriated during a fiscal year to the loan program to provide loans to undergraduate students at State maritime academies. Students receiving loans must maintain a cumulative C or equivalent average or academic standing consistent with the graduation requirements of the academy they are attending.

*Subsection (g). Loan amounts and use*

Subsection (g) limits loans to an individual student to \$15,000 per calendar year or \$60,000 in the aggregate. This subsection further specifies that loans may only be used at designated training institutions for postsecondary expenses including books, tuition, required fees, travel to and from the institution, and room and board.

*Subsection (h). Student eligibility*

Subsection (h) establishes eligibility requirements for students seeking a loan under the program. To be eligible for a loan, students must be able to hold a license or merchant mariner document issued by the Coast Guard; meet the enrollment criteria of a des-

ignated maritime training institution; and sign an agreement requiring the student to complete his/her course of study and subsequently maintain a license or document and serve as an officer or unlicensed mariner in the merchant marine on a documented vessel or vessel owned and operated by the United States for at least 18 months of sea service—including service on ocean-going vessels, on the inland and coastal waterways, on the Great Lakes, or in a maritime industry position requiring a license or document—following the date of graduation. Students must also provide such information as the Secretary may require from the student.

*Subsection (i). Administration of loan*

Subsection (i) requires that loans be evidenced by a written agreement between the student borrower and the Secretary. This written agreement must provide for the repayment of the loan principal and any origination fees in equal installments payable quarterly, bimonthly, or monthly at the student's option over a period beginning nine months from the date on which the student completes or discontinues the course of study for which the student received the loan; repayments shall be completed within 10 years. The written agreement must also provide for acceleration of repayment at the option of the student; provide the loan without security; provide that the liability to repay the loan shall be cancelled upon the death of the student borrower; contain a notice of the system through which information about default on the loan shall be provided to credit bureaus; and include provisions for the deferral of repayment as determined by the Secretary.

This subsection also details the rates of interest that will be assessed on loans; these rates will vary depending on when the first disbursement of funds is made.

Further, the subsection details specific, written disclosures that must be made to a loan recipient. Such disclosures must include the address to which repayments are to be sent; the principal amount of the loan and of all related charges; the interest rate to be paid; the yearly and cumulative total that the student may still borrow; an explanation of options for loan consolidation or refinancing; and related information.

This subsection authorizes the Secretary to require any student borrower in default on a loan to pay reasonable collection costs and to repay the loan pursuant to an income contingent repayment plan. The subsection also authorizes the Secretary to prescribe regulations reducing interest rates or origination fees as appropriate to encourage on-time loan repayment; such reductions may be offered only if they are cost neutral and in the best financial interest of the United States.

This subsection requires the Secretary to exercise due diligence in collecting loan repayments, including garnishing a loan recipient's wages if necessary. The subsection authorizes the Secretary to enter into a contract or other arrangement with a State or non-profit agency and, on a competitive basis, with collection agencies to ensure the servicing and collection of loans.

*Subsection (j). Revolving loan fund*

Subsection (j) requires the Secretary to establish a revolving loan fund that shall consist of loan and interest repayments received

from borrowers and other monies paid by or on the behalf of individuals under the loan program. The funds available in the revolving loan fund are to be available without further appropriation to cover the administrative costs of the loan program and to make loans under the program.

*Subsection (k). Annual report*

Subsection (k) requires the Secretary to submit an annual report that details the number of students who received loans in the previous year, the total amount of loans dispersed in the previous year, and the total amount of loans that are in default.

*Subsection (l). Authorization of appropriation*

Subsection (l) authorizes the appropriation in each of fiscal years 2010 through 2015 of \$10,000,000 to pay for loans under the loan program, and of \$1,000,000 to cover the administrative expenses of this program.

Section 2 also adds section 51706, *Maritime recruitment, training, and retention grant program*, to Chapter 517 of title 46.

*Subsection (a). Strategic plan*

Subsection (a) of section 51706 requires that not later than one year after the date of enactment and at least once every three years thereafter, the Maritime Administration shall publish a plan that describes the demonstration, research, and multistate project priorities of the Department of Transportation concerning merchant mariner recruitment, training, and retention for the three-year period following the date of the publication of the plan. The plan shall contain strategies and identify potential projects to address merchant mariner recruitment, training, and retention issues in the United States.

In developing this required plan, the Secretary shall consult with representatives of the maritime industry, labor organizations, other governmental entities and parties with an interest in the maritime industry. The plan shall consider, among other things, the results of existing research on these topics as well as the benefits of economies of scale and the efficiency of potential projects.

*Subsection (b). Demonstration projects*

Subsection (b) authorizes the Secretary to award grants to a maritime training institution to support demonstration projects that will implement the priorities identified in the Maritime Administration's plan on mariner recruitment, training, and retention. The Secretary shall establish guidelines and requirements to govern the award of grants on a competitive basis.

Maritime training institutions wishing to apply for grants under this program must submit a grant proposal that must include, at a minimum, information demonstrating the estimated effectiveness of the proposed project as well as a method by which the effectiveness of the project can be evaluated.

Projects eligible to receive grant funding may include:

- the establishment of maritime technology skills centers to meet the unmet skills needs of the maritime industry;
- projects that provide training to maritime workers;

- projects that promote the use of distance learning among maritime workers, using the internet or other technologies;
- projects that provide services to support the recruitment to the maritime industry of youth residing in targeted high poverty areas within empowerment zones and enterprise communities, including for example the development of turn-key curriculum packages intended for middle or high school-level students and the development of strategic partnerships between high schools and maritime entities to provide internships or other educational training opportunities;
- the establishment of partnerships with national and regional organizations that have special expertise in developing, organizing, and administering merchant mariner recruitment and training services; and,
- the establishment of maritime training programs that foster technical skills and operational productivity in communities with economies related to or dependent on the maritime industry.

*Subsection (c). Projects authorized*

Subsection (c) authorizes the Secretary to award grants to support projects that will: design, develop and test a variety of ways of providing services to recruit, retain, or train people in one or more targeted populations; test various training approaches to determine effective practices; or develop and replicate service delivery strategies throughout the maritime industry as a whole. Research projects and multistate or regional projects are eligible to receive grants. The Secretary shall establish guidelines and requirements and award grants on a competitive basis.

*Subsection (d). Authorization of appropriations*

Subsection (d) authorizes the appropriation in each of fiscal years 2010 through 2015 of \$10,000,000 to support the award of grants, and of \$1,000,000 to cover the costs of administering this program.

LEGISLATIVE HISTORY AND COMMITTEE CONSIDERATION

On June 2, 2009, Coast Guard and Maritime Transportation Subcommittee Chairman Elijah E. Cummings introduced H.R. 2651. On June 4, 2009, the Committee on Transportation and Infrastructure met in open session, and ordered the bill reported favorably to the House by voice vote with a quorum present.

RECORD VOTES

Clause 3(b) of rule XIII of the House of Representatives requires each committee report to include the total number of votes cast for and against on each record vote on a motion to report and on any amendment offered to the measure or matter, and the names of those members voting for and against. There were no recorded votes taken in connection with consideration of H.R. 2651 or ordering the bill reported. A motion to order H.R. 2651 reported favorably to the House was agreed to by voice vote with a quorum present.



## COMMITTEE OVERSIGHT FINDINGS

With respect to the requirements of clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in this report.

## COST OF LEGISLATION

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such a cost estimate is included in this report.

## COMPLIANCE WITH HOUSE RULE XIII

1. With respect to the requirement of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, and 308(a) of the Congressional Budget Act of 1974, the Committee references the report of the Congressional Budget Office included in the report.

2. With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of this legislation are to create a maritime career program that will provide loans to merchant mariners who are enrolled in a course of study with the purpose of obtaining or upgrading a document or license. H.R. 2651 also establishes a program to award grants to maritime training institutions to enable them to carry out demonstration projects that will support the development and implementation of new methods of recruiting, training, and retaining individuals in the maritime workforce.

3. With respect to the requirement of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the enclosed cost estimate for H.R. 2651 from the Director of the Congressional Budget Office:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, July 13, 2009.*

Hon. JAMES L. OBERSTAR,  
*Chairman, Committee on Transportation and Infrastructure,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2561, the Maritime Workforce Development Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Daniel Hoople.

Sincerely,

DOUGLAS W. ELMENDORF,  
*Director.*

Enclosure.

*H.R. 2561—Maritime Workforce Development Act*

Summary: H.R. 2561 would authorize appropriations totaling \$110 million over the 2010–2014 period, and \$22 million in 2015,

for the Maritime Administration to provide loans for students attending certain maritime training institutions. Such funding also would be used to award grants to those institutions to increase the recruitment, training, and retention of merchant mariners. Assuming appropriation of the specified amounts, CBO estimates that implementing the bill would cost about \$90 million over the 2010–2014 period, and \$42 million after 2014. Enacting the legislation would not affect direct spending or revenues.

H.R. 2561 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

**Estimated cost to the Federal Government:** The estimated budgetary impact of H.R. 2561 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By fiscal year, in millions of dollars—					
	2010	2011	2012	2013	2014	2010–2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Maritime Career Training Loan Program:						
Authorization Level .....	11	11	11	11	11	55
Estimated Outlays .....	5	7	8	8	9	37
Maritime Grant Program:						
Authorization Level .....	11	11	11	11	11	55
Estimated Outlays .....	9	10	11	11	11	52
Total Spending Under H.R. 2561:						
Authorization Level .....	22	22	22	22	22	110
Estimated Outlays .....	14	17	19	19	20	89

**Basis of estimate:** For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2010 and that the amounts specified will be provided for each year.

#### *Maritime Career Training Loan Program*

H.R. 2561 would authorize the appropriation of \$10 million in each of fiscal years 2010 through 2015 for the Maritime Administration to provide loans to students that enroll in one of the six state maritime academies or in another maritime training institution operated by a commercial and nonprofit organization. The legislation also would authorize the appropriation of \$1 million in each year over the same period to administer the new loan program.

Individual loans would be for a maximum of \$15,000 per year and could only be used to cover expenses related to books, tuition, required fees, travel to and from training facilities, and room and board. Students accepting a loan would be required to serve on a vessel owned or operated by the United States for at least 18 months following graduation. Repayment would begin nine months after graduation at an interest rate that would vary depending on the date of initial disbursement. Principal and interest payments made by the borrower would be deposited into a revolving loan fund. Those amounts would be available to cover administrative costs as well as to make new loans under the program, without further appropriation action.

The Federal Credit Reform Act (FCRA) requires that the budgetary impact of federal credit programs, including the loan program that would be established by this legislation, be measured in terms

of the net present value of estimated cash flows. That measure is known as the subsidy cost. Under FCRA, agencies must receive an appropriation equal to the estimated subsidy cost before making loans. FCRA further specifies that repayments of loans are unavailable for spending and that new loan obligations may be made only to the extent that new budget authority is provided in advance. In other words, direct loan repayments are not available to “revolve” into new loans. Instead, such repayments are a means of financing the original loans. In CBO’s view, the concept of using loan repayments to cover administrative costs and make new loans, as proposed in H.R. 2561, is inconsistent with the requirements of FCRA. It is possible that this inconsistency would result in the program not being implemented or being implemented in a form other than that proposed by the bill.

For purposes of this estimate, CBO assumes that the loan program would be implemented as directed by the legislation and that amounts collected from loan repayments would be available to the program for administrative expenses and to make new loans. In that case, the effective subsidy cost of the loans would be 100 percent because cash flows into the government from borrower repayment would not be credited to the original loan (as normally would be required under FCRA) but would be used to cover other costs of the program. Therefore, CBO estimates that the provision of \$60 million in loan subsidy over the 2010–2015 period, as authorized by the bill, would yield a loan volume of \$60 million.

Based on expected demand for student loans and historical expenditures of other loan programs operated by the Maritime Administration, CBO estimates that implementing the new loan program would cost \$37 million over the next five years, including \$5 million for administrative costs, and \$29 million after 2014.

#### *Maritime Grant Program*

H.R. 2561 would authorize the appropriation of \$10 million in each of fiscal years 2010 through 2015 for the Maritime Administration to award grants to maritime training institutions to establish demonstration projects and other programs to increase mariner recruitment, training, and retention. The legislation also would authorize the appropriation of \$1 million in each year over the same period to administer the new program. Based on the historical spending pattern of other grant programs operated by the agency, CBO estimates that implementing this provision would cost \$52 million over the next five years, including \$5 million for administration, and \$14 million after 2014.

Intergovernmental and private-sector impact: H.R. 2561 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal costs: Daniel Hoople; Impact on state, local, and tribal governments: Melissa Merrell; Impact on the private sector: Marin Randall.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

## COMPLIANCE WITH HOUSE RULE XXI

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 2651 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), and 9(f) of rule XXI of the Rules of the House of Representatives.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, committee reports on a bill or joint resolution of a public character shall include a statement citing the specific powers granted to the Congress in the Constitution to enact the measure. The Committee on Transportation and Infrastructure finds that Congress has the authority to enact this measure pursuant to its powers granted under article I, section 8 of the Constitution.

## FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (P.L. 104-4).

## PREEMPTION CLARIFICATION

Section 423 of the Congressional Budget Act of 1974 requires the report of any Committee on a bill or joint resolution to include a statement on the extent to which the bill or joint resolution is intended to preempt state, local, or tribal law. The Committee states that H.R. 2651 does not preempt any state, local, or tribal law.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act are created by this legislation.

## APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (P.L. 104-1).

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in *italic* and existing law in which no change is proposed is shown in *roman*):

**CHAPTER 517 OF TITLE 46, UNITED STATES CODE**  
**CHAPTER 517—OTHER SUPPORT FOR MERCHANT**  
**MARINE TRAINING**

Sec.

51701. United States Maritime Service.

\* \* \* \* \*

51705. Maritime career training loan program.

51706. Maritime recruitment, training, and retention grant program.

\* \* \* \* \*

**§ 51705. Maritime career training loan program**

(a) *ESTABLISHMENT.*—The Secretary of Transportation shall establish a maritime career training loan program (in this section referred to as the “program”) in accordance with the requirements of this section.

(b) *PURPOSE.*—The purpose of the program shall be to make maritime career training loans available to eligible students to provide for the training of United States mariners.

(c) *ADMINISTRATION.*—The program shall be carried out by the Secretary, acting through the Administrator of the Maritime Administration.

(d) *DUTIES.*—The Secretary shall—

(1) allocate, on an annual basis, the award of loans under the program based on the needs of students;

(2) develop an application process and eligibility criteria for the award of loans under the program;

(3) approve applications for loans under the program based on the eligibility criteria and allocations made under paragraph (1); and

(4) designate maritime training institutions at which loans made under the program may be used.

(e) *DESIGNATION OF MARITIME TRAINING INSTITUTIONS.*—

(1) *IN GENERAL.*—In designating maritime training institutions under subsection (d)(4), the Secretary—

(A) may include Federal, State, and commercial training institutions and nonprofit training organizations, except that undergraduate students at the United States Merchant Marine Academy shall not be eligible for loans under the program;

(B) shall designate institutions based on geographic diversity and scope of classes offered;

(C) shall ensure that designated institutions have the ability to administer the program; and

(D) shall ensure that designated institutions meet requirements to provide training instruction for appropriate Coast Guard-approved training instruction.

(2) *EXCLUSIONS.*—The Secretary—

(A) may exclude from participation in the program a maritime training institution that has had severe performance deficiencies, including deficiencies demonstrated by audits or program reviews conducted during the 5 calendar years immediately preceding the present year;

(B) shall exclude from participation in the program a maritime training institution that has delinquent or outstanding debts to the United States, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the United States, or the Secretary in the Secretary’s discretion determines that the ex-

*istence or amount of any such debts has not been finally determined by the appropriate Federal agency;*

*(C) may exclude from participation in the program a maritime training institution that has failed to comply with quality standards established by the Department of Labor, the Coast Guard, or a State; and*

*(D) may establish such other criteria as the Secretary determines will protect the financial interest of the United States and promote the purposes of this section.*

*(f) STATE MARITIME ACADEMIES.—*

*(1) USE OF FUNDS FOR LOANS TO STUDENTS ATTENDING STATE MARITIME ACADEMIES.—The Secretary may obligate not more than 50 percent of the amounts appropriated to carry out this section for a fiscal year for loans to undergraduate students attending State maritime academies receiving assistance under chapter 515 of this title.*

*(2) ACADEMIC STANDARDS FOR STUDENTS.—Students at State maritime academies receiving loans under the program shall maintain satisfactory progress toward the completion of their course of study as evidenced by the maintenance of a cumulative C average, or its equivalent, or academic standing consistent with the requirements for graduation, as determined by the institution.*

*(g) LOAN AMOUNTS AND USE.—*

*(1) MAXIMUM AMOUNTS.—The Secretary may not make loans to a student under the program in an amount that exceeds \$15,000 in a calendar year or \$60,000 in the aggregate.*

*(2) USE OF LOAN PROCEEDS.—A student who receives a loan under the program may use the proceeds of the loan only for postsecondary expenses incurred at an institution designated by the Secretary under subsection (d)(4) for books, tuition, required fees, travel to and from training facilities, and room and board.*

*(h) STUDENT ELIGIBILITY.—To be eligible to receive a loan under the program, a student shall—*

*(1) be eligible to hold a license or merchant mariner document issued by the Coast Guard;*

*(2) provide to the Secretary such information as the Secretary may require, including all current Coast Guard documents, certifications, proof of United States citizenship or permanent legal status, and a statement of intent to enter a maritime career;*

*(3) meet the enrollment requirements of a maritime training institution designated by the Secretary under subsection (d)(4); and*

*(4) sign an agreement to—*

*(A) complete a course of instruction at such a maritime training institution; and*

*(B)(i) maintain a license and serve as an officer in the merchant marine on a documented vessel or a vessel owned and operated by the United States for at least 18 months of service at sea following the date of graduation from the maritime program for which the loan proceeds will be used; or*

*(ii) serve as an unlicensed merchant mariner on a documented vessel or a vessel owned and operated by the United States for at least 18 months of service at sea following the*

*date of graduation from the maritime program for which the loan proceeds will be used.*

(i) **ADMINISTRATION OF LOANS.—**

(1) **CONTENTS OF LOAN AGREEMENTS.—***Any agreement between the Secretary and a student borrower for a loan under the program shall—*

*(A) be evidenced by a note or other written instrument that provides for the repayment of the principal amount of the loan and any origination fee, together with interest thereon, in equal installments (or, if the student borrower so requests, in graduated periodic installments determined in accordance with such schedules as may be approved by the Secretary) payable quarterly, bimonthly, or monthly, at the option of the student borrower, over a period beginning 9 months from the date on which the student borrower completes study or discontinues attendance at the maritime program for which the loans are used at the institution approved by the Secretary and not exceeding 10 years;*

*(B) include provision for acceleration of repayment of the whole, or any part, of such loan, at the option of the student borrower;*

*(C) provide the loan without security and without endorsement;*

*(D) provide that the liability to repay the loan shall be canceled upon the death of the student borrower, or if the student borrower becomes permanently and totally disabled, as determined in accordance with regulations to be issued by the Secretary;*

*(E) contain a notice of the system of disclosure of information concerning default on such loan to credit bureau organizations; and*

*(F) include provisions for deferral of repayment, as determined by the Secretary.*

(2) **RATE OF INTEREST.—***A student borrower who receives a loan under the program on or after January 1, 2010, and before October 1, 2015, shall be obligated to repay the loan amount to the Secretary, together with interest beginning in the period referred to in paragraph (1)(A), at a rate to be determined as follows:*

*(A) For a loan for which the first disbursement is made on or after January 1, 2010, and before October 1, 2011, 5.6 percent on the unpaid principal balance of the loan.*

*(B) For a loan for which the first disbursement is made on or after October 1, 2011, and before October 1, 2012, 4.5 percent on the unpaid principal balance of the loan.*

*(C) For a loan for which the first disbursement is made on or after October 1, 2012, 3.4 percent on the unpaid principal balance of the loan.*

(3) **DISCLOSURE REQUIRED PRIOR TO DISBURSEMENT.—**

**(A) IN GENERAL.—***The Secretary shall at or prior to the time the Secretary makes a loan to a student borrower under the program, provide thorough and adequate loan information on such loan to the student borrower. The disclosures required by this paragraph may be made as part of the written application material provided to the student*

borrower, as part of the promissory note evidencing the loan, or on a separate written form provided to the student borrower.

(B) *CONTENTS.*—The disclosures shall include—

(i) the address to which communications and payments should be sent;

(ii) the principal amount of the loan;

(iii) the amount of any charges collected at or prior to the disbursement of the loan and whether such charges are to be deducted from the proceeds of the loan or paid separately by the student borrower;

(iv) the stated interest rate on the loan;

(v) the yearly and cumulative maximum amounts that may be borrowed;

(vi) an explanation of when repayment of the loan will be required and when the student borrower will be obligated to pay interest that accrues on the loan;

(vii) a statement as to the minimum and maximum repayment term that the Secretary may impose, and the minimum monthly payment required by law and a description of any penalty imposed as a consequence of default, such as liability for expenses reasonably incurred in attempts by the Secretary to collect on a loan;

(viii) a statement of the total cumulative balance, including the loan applied for, owed by the student borrower to the Secretary, and an estimate of the projected monthly payment, given such cumulative balance;

(ix) an explanation of any special options the student borrower may have for loan consolidation or other refinancing of the loan;

(x) a statement that the student borrower has the right to prepay all or part of the loan, at any time, without penalty;

(xi) a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the basis of military service, pursuant to the Department of Defense educational loan repayment program (10 U.S.C. 16302);

(xii) a definition of default and the consequences to the student borrower if the student borrower defaults, together with a statement that the disbursement of, and the default on, a loan under this part shall be reported to a credit bureau or credit reporting agency;

(xiii) to the extent practicable, the effect of accepting the loan on the eligibility of the student borrower for other forms of student assistance; and

(xiv) an explanation of any cost the student borrower may incur in the making or collection of the loan.

(C) *INFORMATION TO BE PROVIDED WITHOUT COST.*—The information provided under this paragraph shall be available to the Secretary without cost to the student borrower.

(4) *REPAYMENT AFTER DEFAULT.*—The Secretary may require any student borrower who has defaulted on a loan made under the program to—



(A) pay all reasonable collection costs associated with such loan; and

(B) repay the loan pursuant to an income contingent repayment plan.

(5) *AUTHORIZATION TO REDUCE RATES AND FEES.*—Notwithstanding any other provision of this section, the Secretary may prescribe by regulation any reductions in the interest rate or origination fee paid by a student borrower of a loan made under the program as the Secretary determines appropriate to encourage ontime repayment of the loan. Such reductions may be offered only if the Secretary determines the reductions are cost neutral and in the best financial interest of the United States.

(6) *COLLECTION OF REPAYMENTS.*—The Secretary shall collect repayments made under the program and exercise due diligence in such collection, including maintenance of all necessary records to ensure that maximum repayments are made. Collection and servicing of repayments under the program shall be pursued to the full extent of the law, including wage garnishment if necessary. The Secretary of the Department in which the Coast Guard is operating shall provide the Secretary of Transportation with any information regarding a mariner that may aid in the collection of repayments under this section.

(7) *REPAYMENT SCHEDULE.*—A student borrower who receives a loan under the program shall repay the loan quarterly, bi-monthly, or monthly, at the option of the student borrower, over a period beginning 9 months from the date the student borrower completes study or discontinues attendance at the maritime program for which the loan proceeds are used and ending not more than 10 years after the date repayment begins. Provisions for deferral of repayment shall be determined by the Secretary.

(8) *CONTRACTS FOR SERVICING AND COLLECTION OF LOANS.*—The Secretary may—

(A) enter into a contract or other arrangement with State or nonprofit agencies and, on a competitive basis, with collection agencies for servicing and collection of loans under this section; and

(B) conduct litigation necessary to carry out this section.

(j) *REVOLVING LOAN FUND.*—

(1) *ESTABLISHMENT.*—The Secretary shall establish a revolving loan fund consisting of amounts deposited in the fund under paragraph (2).

(2) *DEPOSITS.*—The Secretary shall deposit in the fund—

(A) receipts from the payment of principal and interest on loans made under the program; and

(B) any other monies paid to the Secretary by or on behalf of individuals under the program.

(3) *AVAILABILITY OF AMOUNTS.*—Amounts in the fund shall be available to the Secretary, without further appropriation—

(A) to cover the administrative costs of the program, including the maintenance of records and making collections under this section; and

(B) to the extent that amounts remain available after paying such administrative costs, to make loans under the program.

(4) *MAINTENANCE OF RECORDS.*—The Secretary shall maintain accurate records of the administrative costs referred to in paragraph (3)(A).

(k) *ANNUAL REPORT.*—The Secretary, on an annual basis, shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report on the program, including—

(1) the total amount of loans made under the program in the preceding year;

(2) the number of students receiving loans under the program in the preceding year; and

(3) the total amount of loans made under program that are in default as of the date of the report.

(l) *AUTHORIZATION OF APPROPRIATIONS.*—There are authorized to be appropriated for each of fiscal years 2010 through 2015—

(1) \$10,000,000 for making loans under the program; and

(2) \$1,000,000 for administrative expenses of the Secretary in carrying out the program.

**§ 51706. Maritime recruitment, training, and retention grant program**

(a) *STRATEGIC PLAN.*—

(1) *IN GENERAL.*—Not later than one year after the date of enactment of this section, and at least once every 3 years thereafter, the Secretary of Transportation, acting through the Administrator of the Maritime Administration, shall publish in the Federal Register a plan that describes the demonstration, research, and multistate project priorities of the Department of Transportation concerning merchant mariner recruitment, training, and retention for the 3-year period following the date of publication of the plan.

(2) *CONTENTS.*—A plan published under paragraph (1) shall contain strategies and identify potential projects to address merchant mariner recruitment, training, and retention issues in the United States.

(3) *FACTORS.*—In developing a plan under paragraph (1), the Secretary shall take into account, at a minimum—

(A) the availability of existing research (as of the date of publication of the plan);

(B) the need to ensure results that have broad applicability;

(C) the benefits of economies of scale and the efficiency of potential projects; and

(D) the likelihood that the results of potential projects will be useful to policymakers and stakeholders in addressing merchant mariner recruitment, training, and retention issues.

(4) *CONSULTATION.*—In developing a plan under paragraph (1), the Secretary shall consult with representatives of the maritime industry, labor organizations, and other governmental entities and parties with an interest in the maritime industry.

(5) *TRANSMITTAL TO CONGRESS.*—*The Secretary shall transmit copies of a plan published under paragraph (1) to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate.*

(b) *DEMONSTRATION PROJECTS.*—

(1) *IN GENERAL.*—*The Secretary may award grants to a maritime training institution to carry out demonstration projects that implement the priorities identified in the plan prepared under subsection (a)(1), for the purpose of developing and implementing methods to address merchant mariner recruitment, training, and retention issues.*

(2) *GRANT AWARDS.*—*Grants shall be awarded under this subsection on a competitive basis under guidelines and requirements to be established by the Secretary.*

(3) *APPLICATIONS.*—*To be eligible to receive a grant for a project under this subsection, a maritime training institution shall submit to the Secretary a grant proposal that includes, at a minimum—*

(A) *information demonstrating the estimated effectiveness of the project; and*

(B) *a method for evaluating the effectiveness of the project.*

(4) *ELIGIBLE PROJECTS.*—*Projects eligible for grants under this subsection may include—*

(A) *the establishment of maritime technology skill centers developed through local partnerships of industry, labor, education, community-based organizations, economic development organizations, or Federal, State, and local government agencies to meet unmet skills needs of the maritime industry;*

(B) *projects that provide training to upgrade the skills of workers who are employed in the maritime industry;*

(C) *projects that promote the use of distance learning, enabling students to take courses through the use of media technology, such as videos, teleconferencing, and the Internet;*

(D) *projects that assist in providing services to address maritime recruitment and training of youth residing in targeted high poverty areas within empowerment zones and enterprise communities;*

(E) *the establishment of partnerships with national and regional organizations with special expertise in developing, organizing, and administering merchant mariner recruitment and training services; and*

(F) *the establishment of maritime training programs that foster technical skills and operational productivity in communities in which economies are related to or dependent upon the maritime industry.*

(c) *PROJECTS AUTHORIZED.*—

(1) *PROJECTS.*—*The Secretary may award grants to carry out projects identified in a plan published under subsection (a)(1) under which the project sponsor will—*

(A) design, develop, and test an array of approaches to providing recruitment, training, or retention services to one or more targeted populations;

(B) in conjunction with employers, organized labor, other groups (such as community coalitions), and Federal, State, or local agencies, design, develop, and test various training approaches in order to determine effective practices; or

(C) assist in the development and replication of effective service delivery strategies for the national maritime industry as a whole.

(2) RESEARCH PROJECTS.—The Secretary may award grants to carry out research projects identified in a plan published under subsection (a)(1) that will contribute to the solution of maritime industry recruitment, training, and retention issues in the United States.

(3) MULTISTATE OR REGIONAL PROJECTS.—The Secretary may award grants to carry out multistate or regional projects identified in a plan published under subsection (a)(1) to effectively disseminate best practices and models for implementing maritime recruitment, training, and retention services designed to address industry-wide skill shortages.

(4) GRANT AWARDS.—Grants shall be awarded under this subsection on a competitive basis under guidelines and requirements to be established by the Secretary.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for each of fiscal years 2010 through 2015—

(1) \$10,000,000 for making grants under this section; and

(2) \$1,000,000 for administrative expenses of the Secretary in carrying out this section.

