



**TESTIMONY OF
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**ON THE
COAST GUARD FISCAL YEAR 2014 BUDGET REQUEST**

**BEFORE THE
HOUSE COAST GUARD & MARITIME TRANSPORTATION SUBCOMMITTEE**

APRIL 16, 2013

INTRODUCTION

Good morning Mr. Chairman and distinguished members of the Committee. Thank you for the continuing support you have shown to the men and women of the United States Coast Guard, including the funding provided in the *Consolidated and Further Continuing Appropriations Act, 2013* to recapitalize the aging fleet and sustain front-line operations.

This year marks our 223rd year of protecting those on the sea, protecting the Nation from threats delivered by the sea, and protecting the sea itself. The Coast Guard is the Nation's maritime first responder. We are vested with unique authorities, equipped with capable cutters, boats, aircraft and infrastructure, and are composed of the best people the Nation has to offer. We are *Semper Paratus* – "Always Ready" to meet the Nation's evolving maritime safety, security and stewardship needs. We are locally based, nationally deployed and globally connected.

I am here today to discuss the Coast Guard's FY 2014 Budget Request. Before discussing the details of the request, I would like to take this opportunity to highlight some of the Coast Guard's recent operational successes, and our value and role in the Department of Homeland Security (DHS) and in service to the Nation.

Over the past year, Coast Guard men and women (Active Duty, Reserve, Civilian and Auxiliarists), with strong support from our families, continued to deliver premier service to the public. When Hurricane Sandy threatened the eastern seaboard, the Coast Guard acted with the speed, agility and courage that America expects during natural disasters. In advance of the storm's landfall, we worked with the interagency, industry and state and local partners to ensure our ports and maritime transportation system were prepared. As the storm raged, our aircrews and cutters responded to the foundering HMS BOUNTY, rescuing 14 crewmembers from the 30-foot seas and 60-knot winds. In the Port Authority of New York and New Jersey, Coast Guard personnel restored the aids to navigation system within days; worked with U.S. Customs and Border Protection, the Army Corps of Engineers, local government and industry to reopen the port to commerce; helped de-water flooded tunnels leading to Manhattan, and contained 378,000 gallons of diesel fuel that had spilled into the Arthur Kill waterway when the storm surge caused the failure of shoreside fuel storage tanks.

To prepare to meet the emerging challenges in the Arctic, we successfully completed *Operation Arctic Shield*, a nine-month interagency effort to assess our capabilities, including the deployment of a National Security Cutter and two of our ocean going, light ice capable buoy tenders, as well as the temporary assignment of two H-60 helicopters 300 miles north of the Arctic Circle.

Last year, the Coast Guard responded to 19,790 search-and-rescue cases and saved more than 3,500 lives; seized over 107 metric tons of cocaine and 56 metric tons of marijuana destined for the United States; seized 70 vessels, and detained 352 suspected smugglers; conducted more than 11,600 annual inspections of U.S. flagged vessels; conducted 4,600 marine casualty investigations; conducted more than 9,000 Port State Control and Security examinations on foreign-flagged vessels; and responded to 3,300 pollution incidents.

This past year we made great strides in recapitalizing the Coast Guard's aging fleet. In October we will christen the fourth National Security Cutter, Coast Guard Cutter HAMILTON. In addition to providing us off-shore presence in the Arctic during heightened summer activity, these remarkable ships have excelled in interdicting drug and migrant smuggling in the eastern Pacific and have enabled the Coast Guard to provide command and control, helicopter, and boat capabilities from the farthest reaches of the Pacific to the Bering Sea. I am also very pleased with our new Fast Response Cutters (FRC's). To date, we have taken delivery of five of these new highly capable patrol boats. We have also taken delivery of 14 new HC-144 medium range surveillance aircraft, contracted for the ninth HC-130J and have nearly completed the H-60 conversion project. At the Coast Guard Yard, we completed work on the Patrol Boat Mission Effectiveness Project, extending the service lives of our 110-foot patrol boats, and continued work on the sustainment projects for our fleet of Medium Endurance Cutters. We also recently completed an overhaul of the Cutter POLAR STAR, returning the Nation's only heavy icebreaker to active service. None of these critical recapitalization milestones would have been reached without the strong support of the Administration and the Committees.

As a military service, we provide unique, specialized capabilities as part of the Joint Force. But the Coast Guard is much more. We are the maritime arm of the DHS. We seek to prevent dangerous or illicit maritime activities, and if undesirable or unlawful events do occur, (whether deliberate or accidental), to rapidly respond in order to protect the Nation, minimize the impact, and recover.

Every day the Coast Guard acts to prevent and respond to an array of threats that, if left unchecked, could disrupt regional and global security, the economies of partner nations, access to resources and international trade. All of these are vital elements to our national prosperity. And it is this prosperity that spurs investment and global development, provides jobs, and provides the resources to pay for both our national security and our national defense. It is Coast Guard men and women, working every day in the maritime domain, who enhance our security, reinforce the rule of law, support stability at home and abroad, and increase our prosperity.

The Coast Guard protects:

- *Those on the sea: leading responses to maritime disasters and threats, ensuring a safe and secure Maritime Transportation System, preventing incidents, and rescuing those in distress.*
- *The Nation from threats delivered by sea: enforcing laws and treaties, securing our ocean resources, and ensuring the integrity of our maritime domain from illegal activity.*
- *The sea itself: regulating hazardous cargo transportation, holding responsible parties accountable for environmental damage and cleanup, and protecting living marine and natural resources.*

FY 2014 REQUEST:

The Coast Guard's FY 2014 Budget continues the critical balance between investment in current operations and recapitalization. The FY 2014 Budget strategically allocates resources to best mitigate current and long-term operational risks, while investing in new cutters, boats, aircraft, systems and infrastructure necessary to ensure the viability of the Coast Guard in the future.

The Coast Guard's FY 2014 strategic and budget priorities are to:

1. Build Essential Coast Guard Capability for the Nation;
2. Strengthen Resource and Operational Stewardship; and
3. Sustain the Most Critical Front-Line Operations

Highlights from our request are included in Appendix I.

Build Essential Coast Guard Capability for the Nation

Recapitalization is essential for the long term viability of the Coast Guard. The condition and serviceability of the Coast Guard's in-service surface fleet, the aging of fixed and rotary wing air assets, and the projected timelines to replace these assets require continued investment in surface and air recapitalization programs to maintain the capability to operate. To strengthen DHS' layered security approach offshore, the FY 2014 budget provides for the acquisition of a seventh National Security Cutter and two more Fast Response Cutters, and continues pre-acquisition activities for the Offshore Patrol Cutter and Polar Icebreaker. The budget also continues sustainment and conversion work on fixed wing and rotary wing aircraft, procurement of cutter boats, and investment in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems.

Strengthen Resource and Operational Stewardship

In FY 2014, Coast Guard will decommission two High Endurance Cutters (WHECs) that are being replaced by more capable National Security Cutters. The Coast Guard will also consolidate regional assets where overlapping capabilities exist by closing Air Facilities in Newport, OR and Charleston, SC. The 2014 budget ensures that our resources are aligned to our Nation's highest

priorities in a manner that balances key investments for the future with sustaining essential investment in today's missions and capabilities that provide the highest return on investment.

Sustain the Most Critical Front-Line Operations

The FY 2014 budget sustains the most critical front-line operations, including maintaining search and rescue coverage, protecting critical infrastructure and key resources, supporting safe navigation, safeguarding natural resources, protecting the environment, detecting and interdicting drugs and individuals attempting to enter the United States illegally, and supporting the Nation's foreign policy objectives.

CONCLUSION

The United States is a maritime nation. Foreign trade relies upon the safety and security of our Nation's ports and waterways. Coast Guard missions, authorities and capabilities are crucial to providing for that safety and security and preserving our national interests. We ensure the safe and secure flow of commerce, patrol our vast exclusive economic zone, fight maritime drug smuggling and human trafficking, provide the nation's maritime first response force to both natural and manmade disasters, and protect our shores against transnational criminals, extremists, and others who seek to do us harm. We remain focused on protecting the United States as the strong maritime arm of the DHS. The Coast Guard's FY 2014 budget request allocates resources to the highest priority initiatives to counter the most emergent threats, mitigate risks, and keep the maritime domain safe and secure. I request your full support for the funding requested for the Coast Guard in the President's FY 2014 Budget. Again, thank you for the opportunity to testify before you today. I am pleased to answer your questions.

Appendix I - FISCAL YEAR 2014 BUDGET REQUEST

Build Essential Coast Guard Capability for the Nation

- **Surface Assets..... \$743.0M (0 FTE)**

The budget provides \$743.0 million for surface assets, including the following surface asset recapitalization and sustainment initiatives:

- **National Security Cutter (NSC)** – Provides funding for the seventh NSC; NSCs will replace the aging fleet of High Endurance Cutters, first commissioned in 1967. The acquisition of NSC-7 is vital for performing DHS missions in the far off-shore regions, including the harsh operating environment of the Pacific Ocean, Bering Sea, and Arctic as well as providing for robust homeland security contingency response.
- **Fast Response Cutter (FRC)** – Provides production funding to procure two FRCs. These assets replace the aging fleet of 110-foot patrol boats, and provide the coastal capability to conduct Search and Rescue operations, enforce border security, interdict drugs, uphold immigration laws, prevent terrorism, and enhance resiliency to disasters.
- **Offshore Patrol Cutter (OPC)** – Supports continued initial acquisition work and design of the OPC. The OPC will replace the Medium Endurance Cutter class to conduct missions on the high seas and coastal approaches.
- **Polar Ice Breaker (WAGB)** – Continues funding for pre-acquisition activities for a new Coast Guard polar icebreaker. This cutter will provide continued heavy icebreaking capability to the nation for missions in the Arctic and Antarctic following the projected end of service life of the POLAR STAR on or about 2022.
- **Cutter Boats** – Provides continued funding for production of multi-mission cutter small boats that will be fielded on the Coast Guard’s major cutter fleet beginning with the NSC.
- **In-Service Vessel Sustainment** – Continues to fund sustainment projects on 140-foot ice breaking tugs (WTGB), 225-foot seagoing buoy tenders, and the training Barque EAGLE (WIX).
- **Survey and Design** – Builds upon previous years to continue multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects.

- **Air Assets \$28.0M (0 FTE)**

The budget provides \$28.0 million for the following air asset recapitalization or enhancement initiatives:

- **HH-65** – Continues modernization and sustainment of the Coast Guard’s fleet of HH-65 helicopters, converting them to MH-65 Short Range Recovery (SRR) helicopters. The modernization effort includes reliability & sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite.
- **C-130H/J** – Funds sustainment of avionics systems on existing C-130H aircraft. The Avionics 1 Upgrade (A1U) installations on C-130H aircraft enhances the capability of the C-130H fleet by replacing aging/obsolete equipment, and updating avionics to comply with Communications Navigation Surveillance/Air Traffic Management (CNS/ATM) requirements.

- **Other (Asset Recapitalization)..... \$59.9M (0 FTE)**
The budget provides \$59.9 million for asset recapitalization, including the following equipment and services:
 - **Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR)** – Provides design, development, upgrades and assistance on C4ISR hardware and software of new and in service assets.
 - **CG-Logistics Information Management System** – Continues development and deployment to Coast Guard operational assets and support facilities.
 - **Nationwide Automatic Identification System (NAIS)** – Completes deployment of the permanent transceiver system to recapitalize the existing interim NAIS capability in 58 ports and 11 coastal areas.

- **Shore Units and Aids to Navigation (ATON)..... \$5.0M (0 FTE)**
The budget provides \$5.0 million to recapitalize shore infrastructure for safe, functional, and modern facilities that support Coast Guard assets and personnel:
 - **Specific Project** – Completes Phase One of Base Miami Beach waterfront facilities.
 - **ATON Infrastructure** – Maintains transportation safety on Federal waterways through construction and improvements to short-range aids and infrastructure to improve the safety of maritime transportation.

- **Personnel and Management..... \$115.8M (818FTE)**
The budget provides \$115.8 million to provide pay and benefits for the Coast Guard’s acquisition workforce.

Strengthen Resource and Operational Stewardship

FY 2014 Major Decreases:

- **Asset Decommissionings**
In FY 2014 the Coast Guard will make targeted operational reductions to prioritize front-line operational capacity and invest in critical recapitalization initiatives.
 - **High Endurance Cutter (WHEC) Decommissionings.....-\$14.2M (-184 FTE)**
The FY 2014 budget decommissions the fifth and sixth High Endurance Cutters (WHECs). National Security Cutters, including the seventh NSC which is fully funded in this budget request, replace the aging HEC fleet.
 - **Cutter Shoreside Support Personnel Reduction-\$0.8 M (-10 FTE)**
Reduces WHEC Maintenance Augmentation Team (MAT) and Surface Forces Logistics Center (SFLC) billets associated with the decommissioning of two WHECs.

- **HU-25 Aircraft Retirements** **-\$9.4M (-36 FTE)**
Retires the eight remaining HU-25 aircraft assigned to Coast Guard Air Station Corpus Christi, TX; Aviation Logistics Center, Elizabeth City, NC; and, Aviation Training Center, Mobile, AL. This will allow for the transition to HC-144A aircraft.
- **HC-130 Aircraft Retirements****-\$7.7M (-29 FTE)**
This initiative eliminates funding and personnel associated with two HC-130H aircraft. The newly acquired HC-130J aircraft will provide increased operational reliability.
- **Close Air Facilities****-\$5.1M (-28 FTE)**
The Coast Guard will close AIRFACs at Charleston, SC and Newport, OR. The Search and Rescue response times within the AIRFAC areas of responsibility will remain within national standards.
- **Programmatic Reductions**
The budget proposes targeted reductions in several base program areas. These base adjustments recognize changes in requirements need for selected activities and prioritizes sustainable investment in recapitalization programs.
 - **CG Headquarters Staffing****-\$6.7M (-53 FTE)**
Reflects the anticipated reduction in Coast Guard Headquarters personnel as a result of the existing hiring freeze and normal workforce attrition.
 - **Targeted Intelligence Program****-\$1.5M (-14 FTE)**
Scales intelligence activities across the Service by consolidating analysts at centers, Areas, and Districts; consolidating IT support positions at headquarters; and, eliminating the 24/7 call-in maritime watch at the El Paso Intelligence Center (EPIC) that provides services that will remain available through a different watch floor.
 - **Port State Control Examinations****-\$1.7M (-20 FTE)**
Reduces Port State Control personnel by limiting examination activities aboard some foreign flagged vessels assessed as lower risk.
 - **Coast Guard Training****-\$43.2M (-153FTE)**
Leverages web-based distance learning and reduces schoolhouse throughput. Specialty and technical training schools will group into centers of expertise to leverage available resources. Educational benefits will be focused on enlisted personnel who are pursuing an initial undergraduate degree. Reduces accessions and support staffs as well as operational and maintenance funds at the Coast Guard Academy, Leadership Development Center, and Officer Candidate School commensurate with anticipated reduction in out-year accession projections based on reduced workforce levels.

- **Other Targeted Program Reductions**-\$1.2M (-26 FTE)
The Coast Guard will make targeted reductions to Auxiliary Program Management, the International Port Security Program, and District Drug and Alcohol Program Inspectors (DAPI). Routine DAPI functions will shift to Coast Guard Marine Inspectors and Investigators.

Sustain the Most Critical Front Line Operations

- **Pay & Allowances** \$43.9M (0 FTE)
The budget provides \$43.9 million to fund the civilian pay raise and maintain parity of with DoD for military pay, allowances, and health care. As a branch of the Armed Forces of the United States, the Coast Guard is subject to the provisions of the National Defense Authorization Act, which include pay and personnel benefits for the military workforce.
- **Operating and Maintenance Funds for New Assets** \$64.7M (213 FTE)
The budget provides a total of \$64.7 million to fund operations and maintenance of shore facilities and cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts. Funding is requested for the following assets and systems:
 - **Shore Facilities** – Funding for the operation and maintenance of shore facility projects scheduled for completion prior to FY 2014.
 - **Response Boat-Medium** – Funding for operation, maintenance and support of 30 RB-Ms as well as personnel for maintenance support requirements and instructors to support fleet training requirements.
 - **Rescue 21 (R21)** – Funding for the support of the R21 System as well as maintenance of Coast Guard leased and owned towers, Western Rivers communications sites, and encrypted communications for over-the-air-re-key (OTAR).
 - **FRC** – Operating and maintenance funding for FRCs #10-12 and funding for personnel to operate and maintain hulls #11-12, homeported in Key West, FL as well as the first two San Juan, PR hulls.
 - **NSC** -- Operating and maintenance funding for NSC #4 to be homeported in Charleston, SC. The initiative also provides personnel to operate NSCs # 4-5.
 - **HC-144A MPA** – Operating and maintenance and personnel funding to operate and support aircraft #16-17 that will be assigned to Air Station Corpus Christi, TX. Also funds maintenance of the first 17 Mission System Pallets (MSPs)—the sensor package for each operational HC-144A.
 - **Manned Covert Surveillance Aircraft (MCSA)** – Operating, maintenance and personnel funding to operate and support the first aircraft which is planned to operate out of Miami, FL and provide an additional 1,000 hours of maritime surveillance capacity.
 - **Air Station Corpus Christi Transition** – Provides funding for the transition from operating HU-25 aircraft to operation of HC-144A aircraft.

- **Financial Systems Modernization \$29.5M (0 FTE)**
Provides funding to support the Financial Management Service Improvement Initiative (FMSII) for Coast Guard and Transportation Security Administration (TSA). This initiative will plan, prepare, configure, test, and migrate the Coast Guard's and TSA's financial management system (FMS) including the financial, contract, and asset accountability management systems to a shared service provider (SSP).