



U.S. House of Representatives
Committee on Transportation and Infrastructure

Washington, DC 20515

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SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Coast Guard and Maritime Transportation

FROM: Subcommittee on Coast Guard and Maritime Transportation Staff

SUBJECT: Hearing on United States Coast Guard Fiscal Year 2008 Budget Requests and Authorization

PURPOSE OF HEARING

The purpose of this hearing is to consider the Administration's FY 2008 budget requests for the U.S. Coast Guard. The subcommittee will receive testimony from the Coast Guard on the service's FY 2008 budget request and the Deepwater Acquisition Program. The Subcommittee will also receive testimony from the Inspector General of the Department of Homeland Security, and the General Accountability Office on the Deepwater Acquisition Program.

BACKGROUND

FY 2008 Coast Guard Budget Request: The President requests nearly \$8.2 billion in FY 2008 for activities of the United States Coast Guard, \$196 million (or 2.4 percent) increase over the total amount enacted for FY 2007.

The Coast Guard's request is designed to sustain the Coast Guard's ability to support America's maritime safety, security, and stewardship interests in Fiscal Year 2008.

Operating Expenses (OE): The overall budget request for Coast Guard Operating Expenses (OE) in FY 2008 is approximately \$5.9 billion, an increase of more than \$416 million, or 7.6 percent, over the FY 2007 enacted level. The Operating Expenses account comprises over two-thirds of the Coast Guard's budget and provides for the safety of the public and the

Coast Guard's workforce. This will fund 47,368 positions (both military and civilian) in the Coast Guard.

The OE request includes \$80.5 million for personnel costs that had been attributed to the Acquisition, Construction, and Improvements (AC&I) part of the Coast Guard's budget in previous fiscal years. It also reflects a \$2.65 million dollar decrease due to transfer of the personnel costs for the Bridge Administration Program to the Maritime Administration in the Department of Transportation. Proposed funding levels for search and rescue, marine safety, aids-to-navigation, icebreaking, and protection of living resources are all lower than amounts that were appropriated for FY 2007. Funding for marine environmental protection, drug interdiction, migrant interdiction, and ports and waterways security were all increased.

In FY 2006, funding for Coast Guard polar icebreakers was transferred to the National Science Foundation (NSF) which was then directed to reimburse the Coast Guard for costs associated with operating the Service's three polar icebreakers (POLAR SEA, POLAR STAR, and HEALY). The FY 2008 request again provides operation and maintenance funds for the polar icebreakers through NSF.

Finally, the President's Operating Expenses request funds pay increases for officers and enlisted members and civilian employees of the Coast Guard.

Reserve Training: The President requests approximately \$126.9 million for training of Coast Guard Reserve personnel representing a 3.7 percent increase over the FY 2007 appropriated level of \$122.4 million. The Coast Guard Reserve provides qualified individuals for mobilization in the event of national emergency or disaster. Reservists maintain readiness through mobilization exercises and duty alongside regular Coast Guard members during routine and emergency operations.

In addition, the Coast Guard Reserve fills critical national security and national defense roles through both the Department of Homeland Security and in direct support of the Department of Defense. The Coast Guard Reserve continues to be deployed in support of Operation Iraqi Freedom.

Environmental Compliance and Restoration: The President requests approximately \$12.1 million for environmental compliance and restoration, a 10.8 percent increase from the FY 2007 appropriated level of \$10.9 million. The funds under this account are used to mitigate environmental problems resulting from the operation of former and current Coast Guard facilities, and to ensure that Coast Guard facilities are in compliance with applicable laws and regulations.

Acquisitions, Construction, and Improvements (AC&I): The President requests nearly \$998 million to fund all Coast Guard capital acquisitions in FY 2008, an approximately \$332.1 million (25 percent) decrease from the FY 2007 appropriated level of \$1.33 billion. These funds support the acquisition, construction, and improvement of vessels, aircraft, information management resources, shore facilities, and aids to navigation. Of the \$998 million request, \$837 million, an approximately \$250 million decrease (-21,5%) from the enacted funding for FY 2007, is for the Deepwater program, the Coast Guard's integrated

capital asset replacement program. However in the FY 08 request, \$80.5 million for the administration of the program is included in the OE account rather than in AC&I. The request also proposes to rescind \$50 million in FY 06 Deepwater funds for the Offshore Patrol Cutter. The budget requests \$80.9 million for Rescue 21, the Service's new "maritime 911" program. In FY 2007, \$39.6 million was appropriated for Rescue 21.

The Coast Guard's Integrated Deepwater Systems (Deepwater) program will result in a nearly complete recapitalization of all Coast Guard aircraft, vessels and support systems over a 20-25 year period. Fundamental changes in the mission and requirements of the USCG have occurred since the terrorist attacks of 2001. These changes have required substantive revisions in the timing, budget, system components and acquisition strategy for Deepwater.

The AC&I budget request also includes:

- \$12 million to begin deployment of a nation-wide automatic identification system for ships, a transponder based collision avoidance system that will also allow the Coast Guard to track vessels for security purposes.
- \$9.2 million to build the initial response boat mediums, the replacement for the Coast Guard's 41-foot patrol boats.
- \$11.5 million for National Capital Air Defense acquisition costs, a mission to intercept aircraft on an unauthorized approach to Washington, D.C. that has been transferred from Customs and Border Protection (CBP).

The President's budget has requested \$161 million for non-Deepwater capital expenses, including only \$35 million for shore-based facilities. This is significantly less than amounts provided historically for these capital needs. In FY 2005 Congress appropriated \$360 million for non-Deepwater capital expenses to help pay for the maintenance and construction of the Coast Guard's facilities and equipment.

Research, Development, Test, and Evaluation: The President's budget requests approximately 17.6 million for Research, Development, Test and Evaluation. This is \$600,000 (3.4 percent) above the amount appropriated for FY 2007.

Alteration of Bridges: No funds were requested for alteration of bridges that impact navigation. Approximately \$16 million was appropriated in FY 2007. Instead, the President's budget proposes to transfer responsibility for the Truman-Hobbs bridge alteration program to the Department of Transportation and requests \$6 million for the program. The Bridge Alteration program provides the Federal government's share of the costs for altering or removing bridges determined to be obstructions to navigation. Under the Truman-Hobbs Act of 1940, (33 U.S.C. 511 et seq.), the Coast Guard shares, with the bridge owner, the cost of altering railroad and publicly-owned highway bridges which obstruct the free movement of vessel traffic.

Retired Pay: The President's budget assumes that \$1.2 billion will be needed for retired pay in Fiscal Year 2008. This represents a \$200 million increase over the fiscal year 2007 enacted level.

PORT SECURITY GRANTS

The President's budget proposes \$210 million for port security grants for FY 2008, which is equal to the funding level that was appropriated in FY 2007.

(in millions)

PROGRAM	FY2007 ENACTED	HOUSE PASSED FY2007 AUTH.	FY2008 PRESIDENT'S BUDGET	DIFF. OF FY2008 PRES. BUDGET AND FY2007 ENACTED
Operating Expenses	5,477.6	5,680.0	5,894.3	416.7 (7.6%)
Acquisition & Constr.	1,330.2	2095.9	998.1	-332.1(-25%)
Environ. Compliance	10.9	12.0	12.1	1.2 (11%)
Alteration of Bridges	16.0	17.0	0	-16 (-100%) *
Retired Pay	1,063.3	1,063.3	1,184.7	121.4 (11.4%)
Research & Dev.	17.0	24.0	17.6	.6 (3.5%)
Reserve Training	122.4	124.0	126.8	4.4 (3.6%)
Total	8,037.4	9,016.2	8233.5	196.1 (2.4%)

WITNESSES

PANEL I

Admiral Thad W. Allen
Commandant
United States Coast Guard

Charles W. Bowen
Master Chief Petty Officer
United States Coast Guard

PANEL II

Richard L. Skinner
Inspector General
Department of Homeland Security

Mr. Steven Caldwell
General Accountability Office