



**TESTIMONY OF
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**ON THE
COAST GUARD FISCAL YEAR 2015 BUDGET REQUEST**

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

MARCH 26, 2014

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 Appropriations Act 2014*, to recapitalize our aging fleet and sustain front-line operations.

The men and women of the United States Coast Guard continue to exhibit the honor, respect, and devotion to duty that secures the Coast Guard as the Nation's maritime first responder. For 223 years, the Coast Guard's unique authorities, cutters, boats, aircraft, infrastructure, and dedicated personnel have ensured that the Nation's safety, security, and stewardship needs are met. No matter what the challenge, the Coast Guard will remain *Semper Paratus* – "Always Ready" – and provide sound maritime governance to protect those on the sea, protect the Nation from threats delivered by the sea, and protect the sea itself.

Before discussing the Coast Guard's FY 2015 Budget Request, I would like to highlight some of the Coast Guard's recent operational successes, our role in the Department of Homeland Security (DHS), and our value to the Nation.

In performing all of our missions, in all manner of conditions, Coast Guard Active Duty, Reserve, Civilian and Auxiliarists dedicate themselves to living the Coast Guard ethos: I will protect them. I will defend them. I will save them. I am their shield. This past year was no exception. The Coast Guard responded to over 17,000 search-and-rescue cases and saved more than 3,200 lives; seized over 88.4 metric tons of cocaine and 36.8 metric tons of marijuana destined for the United States; detained 190 suspected drug smugglers; interdicted more than 2,000 undocumented migrants; conducted 5,079 marine casualty investigations; completed over 8,400 International Ship and Port Facility Code (ISPS) security exams on foreign vessels; and responded to approximately 11,146 reports of pollution incidents.

An example of the work we do every day can be found on the Great Lakes, which have experienced the worst ice cover in decades. Cutter MACKINAW recently completed almost two months of continuous icebreaking in the passages between the Great Lakes, providing escorts and direct assistance to commercial traffic, and validating decisions made nearly 15 years ago to build a new Great Lakes icebreaker.

The cutter HOLLYHOCK, along with our 140-ft icebreaking tugs, worked with Canadian icebreakers to groom navigational channels to ensure commerce could continue.

And the work we do extends beyond our own borders. One of the Coast Guard's greatest strengths is our ability to develop and sustain strong coordination and operational relationships with domestic and international maritime governance forces. It is our responsibility--working with domestic and international partners--to detect and interdict contraband and illicit trade, support enforcement of U.S. immigration laws, protect the natural resources of the sea, safeguard and protect U.S. maritime transportation systems, and defend against threats in the maritime domain. We do some of this work in foreign ports and on the high seas, because the best place to counter threats is well *before* they reach our borders. As an example, the Coast Guard has bilateral and multi-lateral agreements with over twenty-nine maritime nations in the Caribbean and in Central and South America to help facilitate our missions of law enforcement, search and rescue and pollution response. In the Northern Arabian Gulf, Patrol Forces Southwest Asia focuses on maritime security, infrastructure protection, military-to-military assistance in the U.S. CENTCOM area of responsibility. And in the Pacific, we work closely with the other member states of the North Pacific Coast Guard Forum. These activities facilitate securing our borders and safeguarding trade.

The Coast Guard's recapitalization efforts continue to make good progress and our newest assets are already proving their value to the Nation. The FY 2015 Budget includes funding for the eighth National Security Cutter (NSC), which completes the program of record for these vessels. In August we will christen the fifth NSC, Coast Guard Cutter JAMES. The NSC command and control, helicopter, and boat capabilities facilitate a broad range of coverage and interdiction tools essential to mission success in the offshore environment. This summer, CGC BERTHOLF's two week exercise with unmanned aircraft system (UAS) capabilities resulted in a maritime drug interdiction of nearly 600 kilograms cocaine when the UAS detected a suspected go-fast vessel and maintained on-scene surveillance until BERTHOLF's cutter boats and embarked helicopter could interdict it. There will be many more success stories like this as our recapitalization efforts continue.

Our new Fast Response Cutters are already integral to drug and migrant interdiction in the Caribbean and the approaches to Florida. We have taken delivery of eight of these highly capable patrol boats. We have taken delivery of 16 new HC-144 medium range surveillance aircraft, and have nearly completed the H-60 conversion project. We are standing up the Asset Project Office to accept transfer of 14 HC-27J aircraft from the U.S. Air Force as authorized in the National Defense Authorization Act of 2014. At the Coast Guard Yard, we will complete vital sustainment work on the 270-foot Medium Endurance Cutter fleet this summer and will begin a Service Life Extension Project for our fleet 140-foot Ice Breaking Tugs. And in February we awarded three Preliminary and Contract Design contracts for a new Offshore Patrol Cutter. None of these critical recapitalization milestones would have been reached without the strong support of the Administration and the Committees.

As the maritime arm of DHS, Coast Guard continues its proud tradition as both a military service and a federal law enforcement agency. The dedicated men and women of the Coast Guard train relentlessly to ensure proficiency in their craft. Our Nation faces a range of maritime opportunities and challenges that continue to grow and evolve. The global economy is spurring investment in ever larger and more complex ships to carry goods across the seas.

The Arctic is seeing increases in shipping, natural resource exploration, and other human activity. And we continue to see persistent efforts by terrorists and transnational criminal networks to exploit the maritime environment.

Equipped with capable assets, untiring commitment, and proper training, Coast Guardsmen patrol our maritime domain daily to interdict the illicit trafficking of goods and people, respond to man-made and natural disasters, rescue mariners in distress, and prevent and respond threats that jeopardize our national security and economic 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 protecting the maritime domain from illegal activity and potential acts of terrorism.*
- *The sea itself: regulating hazardous cargo transportation, holding responsible parties accountable for environmental damage and cleanup, and protecting living marine and natural resources.*

FY 2015 REQUEST:

The Coast Guard's FY 2015 Budget preserves today's critical front-line operations and invests in tomorrow's Coast Guard by continuing recapitalization efforts for new cutters, boats, aircraft, systems and infrastructure. In 2015, the Coast Guard will implement efficiencies and better business practices, overlaid with a near and long-term operational assessment, to strategically allocate resources to optimize mission performance. This approach sustains the balance between today's operational requirements and continued investment in recapitalization.

The Coast Guard's FY 2015 strategic and budget priorities are to:

1. Invest in long-term Operational Capacity;
2. Strengthen Resource and Operational Stewardship; and
3. Preserve Critical Front-Line Operations

Invest in long-term Operational Capacity

Dedicated investment to build boats, cutters, aircraft, and corresponding infrastructure capable of meeting today's threats and those of the future is essential to the Coast Guard's continued role as America's maritime first responder. The current condition and serviceability of the Coast Guard's legacy surface fleet and aircraft and the projected timelines to complete replacement of 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 2015 Budget provides for the acquisition of the eighth National Security Cutter - which completes the recapitalization of the Coast Guard's High Endurance Cutter fleet - two Fast Response Cutters, and continues to invest

in 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

The FY 2015 Budget reflects sound, risk-based allocation of resources. In 2015, Coast Guard will decommission two 1960's era High Endurance Cutters (WHECs) that are being replaced by more capable National Security Cutters. The Coast Guard will also decommission eight 110-ft patrol boats, three HC-130 aircraft, and corresponding shore side support personnel while accepting the delivery of new, more capable Fast Response Cutters, HC-144 aircraft, and HC-27J aircraft to the fleet. The FY 2015 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.

Preserve Critical Front-Line Operations

The FY 2015 Budget sustains critical frontline operations, including maintaining search and rescue coverage, protecting critical infrastructure and key resources, and preserving operational hours dedicated to proficiency. Field commanders will continue to optimize operational capacity to support safe navigation, safeguard natural resources, protect the environment, detect and interdict drugs and individuals attempting to enter the United States illegally, and support the Nation's foreign policy objectives and defense operations.

FY 2015 Highlights:

Invest in Long-term Operational Capacity

- **Surface Assets..... \$803.0M (0 FTE)**
The budget provides \$803.0 million for the following surface asset recapitalization and sustainment initiatives:
 - **National Security Cutter (NSC)** – Provides funding for the eighth NSC, completing the recapitalization of the Coast Guard's High Endurance Cutter fleet. The acquisition of NSC 8 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. The NSC also provides a robust command and control platform for homeland security contingency operations;
 - **Fast Response Cutter (FRC)** – Provides production funding to procure two FRCs. These assets replace the aging fleet of 110-foot patrol boats that 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 review of the preliminary design work for the OPC. The OPC will replace the Medium Endurance Cutter classes that conduct missions on the high seas and coastal approaches;
 - **Polar Ice Breaker (WAGB)** – Continues pre-acquisition activities for a new polar icebreaker;

- **Cutter Boats** – Continues 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 funding for sustainment projects on 140-foot ice breaking tugs (WTGB), 225-foot seagoing buoy tenders, the training Barque EAGLE (WIX), and initial sustainment on the 47-foot motor lifeboats (MLB);
 - **Survey and Design** –Continues funding for multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects.
- **Air Assets \$68.0M (0 FTE)**
The budget provides \$68.0 million for the following air asset recapitalization or enhancement initiatives:
 - **HC-144A** – Funds spare parts required to maintain the operational availability of the HC-144A Ocean Sentry aircraft;
 - **HC-27J** – Funds continued activities of the C-27J Acquisition Program Office (APO). The APO (new in 2014) will organize logistics, training, maintenance support and ensure these newly acquired aircraft are ready for induction into the operational fleet;
 - **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 and sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite;
 - **C-130J** – Funds spare parts required to maintain the operational availability of the HC-130J Long Range Surveillance aircraft.
- **Other Acquisition, Construction and Improvements (AC&I) Initiatives....\$57.3M (0 FTE)**
The budget provides \$57.3 million for other initiatives funded under the AC&I account, including the following equipment and services:
 - **Program Oversight and Management** - Funds activities associated with the transition of the Coast Guard’s assets from acquisition to operations, including delivery, provision of logistics, training and other services necessary to ensure seamless integration into the operational fleet;
 - **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 of this system to Coast Guard operational assets.
- **Shore Units and Aids to Navigation (ATON)..... \$40.6M (0 FTE)**
The budget provides \$40.6 million to recapitalize shore infrastructure for safe, functional, and modern facilities that support Coast Guard assets and personnel:
 - **Specific Project** – Funds construction of a new small arms firing range at Coast Guard Training Center in Yorktown, VA; completes the second phase of renovations to facilities at Coast Guard Station Woods Hole, MA; funds renovation of existing facilities and construction of a new maintenance and engineering building at Coast Guard Station Morro Bay, CA;

- **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**..... **\$115.3M (881 FTE)**
The budget provides \$115.3 million for pay and benefits of the Coast Guard’s acquisition workforce.

Strengthen Resource and Operational Stewardship

- **Operational Adjustments**
In FY 2015, the Coast Guard will make sound, risk based operational reductions while investing in critical recapitalization initiatives. These reductions include:
 - **Vessel Board and Search Teams (VBST)**.....**-\$1.4M (-18 FTE)**
Eliminates four VBSTs; one team each from Sector Boston, Sector Southeast New England, Sector San Diego and Sector San Francisco. VBSTs consist of law enforcement personnel dedicated to Ports, Waterways and Coastal Security (PWCS) enforcement activities. The types of boardings accomplished by these teams will be conducted by Sector Response and Station personnel or from cutter-based crews;
 - **HC-144A Programmed Flight Hours**.....**-\$4.9M (0 FTE)**
Adjusts the Coast Guard’s HC-144A annual Programmed Flight Hours from 1,200 to 1,000 hours per aircraft to align with mission demands.
 - **Fixed Wing aircraft Bravo-0 Response**.....**-\$2.2M (-24 FTE)**
Removes the fixed-wing Bravo-Zero readiness requirement from Coast Guard Air Stations, with the exception of Air Station Kodiak, AK, and Air Station Barbers Point, HI. This initiative includes a commensurate reduction to staffing of fixed-wing aircrew personnel;
 - **Aids to Navigation (ATON)**.....**-\$3.5M (-15 FTE)**
Consolidates funding for coastal and western river aids to navigation, enabled by modernization and efficiencies in servicing aids to navigation, policy modifications, and logistics. Billets at associated Aids to Navigation Teams (ANTs) will be reduced and ANT Eufaula, AL will be closed, with remaining maintenance responsibilities distributed to other ANTs;
 - **Operational Efficiencies****-\$15.0M (0 FTE)**
Operational commanders, using risk-based prioritization of patrols and operational activities, are able to adjust operations and balance emerging mission demands with daily operations. Additionally, new Coast Guard assets are equipped with enhanced intelligence and communication tools that enable field staff to target threats and prosecute them more efficiently. As a result, operational efficiencies that scale cutter, boat, and aircraft hours will reduce resources required for fuel and variable maintenance with no anticipated impact to operations. Safety of life (SAR), urgent security activities, and operational hours dedicated to meet minimum proficiency standards will be preserved.

- **Asset Decommissioning and Retirement**

As the Coast Guard recapitalizes its cutter and aircraft fleets and brings new assets into service, the older assets that are being replaced will be decommissioned or retired.

- **High Endurance Cutter (WHEC)**.....-\$14.9M (-184 FTE)
Decommissions the sixth and seventh High Endurance Cutters (WHECs).
National Security Cutters are replacing the aging WHEC fleet.
- **Patrol Boat (WPB)**-\$6.1 M (-73 FTE)
Decommissions eight 110-ft WPB patrol boats. These assets will be replaced with Fast Response Cutters (FRCs) in the Seventh and Eighth Coast Guard Districts.
- **HC-130 Aircraft Retirement**.....-\$11.6M (-43 FTE)
Eliminates funding and personnel associated with the retirement of three HC-130H to the Air Force for transfer to the U.S. Forest Service as outlined in the FY 2014 National Defense Authorization Act. Newly acquired HC-130J aircraft will provide increased operational reliability.

Preserve Critical Front-line Operations

- **Pay & Allowances** \$83.1M (0 FTE)
Maintains parity with DoD for military pay, allowances, and health care, and for civilian pay raise and retirement contributions. 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** \$72.1M (281 FTE)
Provides funding for operations and maintenance of shore facilities, as well as cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts.
 - **Shore Facilities** – Funds operation and maintenance of shore facility projects scheduled for completion prior to FY 2015;
 - **Response Boat-Medium** – Funds operation, maintenance and support of 15 RB-Ms as well as adjustments for the Standard Support Level (SSL) for the 155 RB-Ms currently in service;
 - **Rescue 21 (R21)** --Provides additional funds for the R21 System for maintenance of Coast Guard leased and owned towers, and Alaska communications sites;
 - **FRC** – Funds operation and maintenance of FRCs #13-17 and provides funding for personnel to operate and maintain hulls #15-18, including the shore-side support personnel;
 - **NSC** – Funds personnel, operations and maintenance for NSC #5, including costs for shore side support personnel. Provides new funding for operation of the NSC baseline mock-up laboratory at the Maritime Domain Awareness Center in Moorestown, NJ;
 - **HC-144A MPA** – Funds operations, maintenance, and personnel funding for aircraft #18 that will be assigned to Air Station Miami, FL.