



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

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March 10, 2017

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Hearing on the “Authorization of Coast Guard and Maritime Transportation Programs”

PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will meet on Wednesday, March 15, 2017, at 10:30 a.m., in 2253 Rayburn House Office Building to examine the United States Coast Guard (Coast Guard or Service) and maritime transportation programs. The Subcommittee will hear from the Coast Guard, the Federal Maritime Commission (FMC), and the Maritime Administration (MARAD).

BACKGROUND

Each Congress the Subcommittee on Coast Guard and Maritime Transportation moves an authorization bill principally to authorize appropriations for the Coast Guard and also the FMC. The last reauthorization bill (the *Coast Guard Authorization Act of 2016*, P.L. 114-120), provided a two-year authorization of appropriations for fiscal years (FY) 2016 and 2017, with \$9.1 billion authorized for each year. This Congress, we will need to move another authorization bill. Such bill may include: provisions suggested by the Coast Guard to improve its operations and programs; studies or reports to be conducted by the Government Accountability Office to review laws and regulations implemented by the Service; legislative changes to maritime laws; land conveyances; and miscellaneous maritime policy items. Historically, the Subcommittee works with the House Armed Services Committee to authorize appropriations for MARAD in the National Defense Authorization bill which is passed each session of Congress. The Subcommittee retains jurisdiction over non-national security aspects of the merchant marine and when appropriate addresses relevant issues in authorization bills.

United States Coast Guard

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service (established in 1790) and the Lifesaving Service (established in 1848). The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service (established in 1789), the Steamboat Inspection Service (established in 1838), and the Bureau of Navigation (established in 1884).

Under section 2 of title 14, United States Code, the Coast Guard has primary responsibility to enforce or assist in the enforcement of all applicable federal laws on, under, and over the high seas and waters subject to the jurisdiction of the United States; to ensure safety of life and property at sea; to carry out domestic and international icebreaking activities; and, as one of the five armed forces of the United States, to maintain defense readiness to operate as a specialized service in the Navy upon the declaration of war or when the President directs.

The Coast Guard is directed by a Commandant, who is appointed by the President with the advice and consent of the Senate to a four-year term. On May 30, 2014, President Obama appointed Admiral Paul F. Zukunft as Commandant of the Coast Guard.

The Coast Guard was appropriated \$8.4 billion in FY 2015 and \$9.2 billion in FY 2016 in discretionary funding. The Administration requested was \$8.4 billion for FY 2017 for the Service's discretionary programs. Under the FY 2017 Continuing Resolutions (P.L. 114-223 and P.L. 114-254), the Service was appropriated a total of \$5.23 billion through April 28, 2017.

The Coast Guard is composed of approximately 40,000 active duty military members, 7,500 reservists, and 8,400 civilian employees. The Coast Guard's personnel operate a diverse fleet of surface and air assets. Vessels under 65 feet in length are classified as "boats" and usually operate near shore and on inland waterways. The Coast Guard operates roughly 1,000 boats, ranging in size from 12 to 64 feet in length. A "cutter" is any Coast Guard vessel 65 feet in length or greater. The Coast Guard has 247 cutters, including harbor tugs, buoy tenders, construction tenders, patrol cutters, and three polar icebreakers (only two of which are operational). Additionally, the Coast Guard maintains an inventory of roughly 192 fixed and rotary wing aircraft.

For over two decades, the Coast Guard has been recapitalizing its fleets of offshore cutters, a multi-billion-dollar effort to procure eight National Security Cutters, 25 Offshore Patrol Cutters, and 58 Fast Response Cutters. These cutters will replace ninety cutters and patrol craft of advanced age: 12 high-endurance cutters; 29 medium-endurance cutters; and 49 110-foot patrol boats.

- National Security Cutter (NSC): the Service estimates the total acquisition cost for eight cutters at \$5.559 billion, an average of about \$695 million per ship. In FY 2016, the Service was appropriated \$743 million, including funding for award and production costs associated with construction and delivery of a ninth NSC. The Administration requested \$127 million for FY 2017 for NSC Post Delivery Activities. The FY 2017 Continuing Resolutions appropriated a total of \$512.1 million for the NSC program.

- Offshore Patrol Cutter (OPC): the Service estimates the total acquisition cost of the 25 ships at \$10.523 billion, averaging about \$421 million per ship. FY 2016 appropriations included a total of \$89 million for the OPC program, with \$70.5 million to be used to exercise the option for Detail Design and to commence Phase II of the OPC acquisition. The Administration's FY 2017 request was \$100 million for OPC Detail Design and award of Long Lead Time Materials. The Service received \$4 million for the OPC in the FY 2017 Continuing Resolutions. The Service awarded the OPC contract to Eastern Shipbuilding Group on September 15, 2016.
- Fast Response Cutter (FRC): the Service estimates the total acquisition cost of the 58 cutters at \$3.764 billion, averaging about \$65 million per cutter. A total of 38 FRCs have been funded through FY 2016. FY 2016 appropriations included a total of \$340 million for the acquisition of six additional cutters. The Administration's FRC request for FY 2017 was \$240 million for four FRCs. The FY 2017 Continuing Resolutions provided to the Service a total of \$219 million.
- Polar Icebreaker: the Coast Guard has one active heavy icebreaker, Coast Guard Cutter (CGC) POLAR STAR, and one active medium icebreaker, CGC HEALY. The Service estimates it will cost roughly \$1 billion for a new heavy polar class icebreaker. In FY 2016, the Service was appropriated \$6 million. For FY 2017 the Administration's request was \$147.6 million and the Service received \$6 million in the FY 2017 Continuing Resolutions. The Service initiated a reprogramming of \$30 million from the OPC account in FY 2017 to support six different industry studies to decrease the timeframe for the completion of the first heavy polar icebreaker. The awards of these contracts will be issued in March, 2017.

Coast Guard assets are supported by the Service's shoreside infrastructure. In its annual budget request, Coast Guard shoreside infrastructure includes both major and minor shore projects and survey and design work. Survey and design work includes funding required for planning, environmental and engineering studies, and real property and land acquisitions for future year shoreside projects. For each FY 2015 and 2016, the Service was appropriated \$500,000 for survey and design work; the Administration requested that same amount in FY 2017.

Minor shore construction projects usually require less advanced planning than major projects and generally fall under (1) emergency repair projects (with cost estimates of greater than 50 percent of the replacement value), or (2) minor facility improvements (costing more than \$1 million) to adapt to changing or increased Coast Guard missions. For each FY 2015 and 2016, the Service was appropriated \$5 million for minor shore projects. The Service requested that same amount in its FY 2017 budget. The FY 2017 Continuing Resolutions did not appropriate funds for minor shore projects.

Major Acquisition Systems Infrastructure (MASI) includes shore facility infrastructure modifications, upgrades, and new construction associated with homeporting new or modified cutters, boats, and/or aircraft. It also includes logistic, maintenance, and training support for new or modified assets. For FY 2015, MASI received \$16 million in appropriations and in FY 2016,

the Service received \$52 million for these activities. The Administration requested \$28 million for MASI for FY 2017.

The FY 2017 Continuing Resolutions include a combined appropriation of \$117.5 million for Coast Guard's Major Shore, Aids to Navigation (ATONS), and Survey and Design projects. The Service's spend plan for this appropriation is incomplete and will remain that way until the FY 2017 appropriations are finalized. The Service must also address repairs needed for damage caused along the Georgia and Carolina coasts by Hurricane Matthew, and the estimated cost for these 14 projects is \$92.3 million.

In addition, the Coast Guard has a sizable backlog of unmet shoreside infrastructure projects. Its prioritized shore backlog includes 30 projects with a cost of \$465 million. Its unprioritized shore backlog consists of 68 projects with a preliminary cost estimate of \$1.08 billion. The Coast Guard's total shore infrastructure project backlog cost estimate is \$1.55 billion.

Federal Maritime Commission(FMC)

The FMC was established in 1961 as an independent agency responsible for the regulation of oceanborne transportation in U.S. foreign commerce. The FMC administers a limited antitrust exemption for ocean carriers pursuant to agreements filed with the FMC to ensure competition among carriers. The FMC also enforces laws related to cruise vessel financial responsibility to ensure cruise vessel operators have sufficient resources to pay judgments to passengers for personal injury or death or for nonperformance of a voyage.

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The Commission is led by a Chairman designated by the President. The Acting Chairman is Michael Khouri who was appointed by President Trump on January 23, 2017.

In each FY, 2015 and 2016, the FMC received \$25.7 million in appropriations, with 74 percent covering personnel expenses and 13 percent for rent accounts. The Administration requested \$27.5 million for FY 2017. Under the FY 2017 Continuing Resolutions (P.L. 114-223 and P.L. 114-254), the FMC was appropriated a total of \$14.7 million through April 28, 2017.

Maritime Administration (MARAD)

MARAD was established in 1950. The agency administers financial programs to build, promote, and operate the U.S. flag fleet; manages the disposal of federal government-owned vessels; regulates the transfer of U.S. documented vessels to foreign registries; maintains a reserve fleet of federal government-owned vessels essential for national defense; operates the U.S. Merchant Marine Academy; and administers a grant-in-aid program for state operated maritime academies.

MARAD is led by an Administrator appointed by the President with the advice and consent of the Senate. The position is currently vacant. The Acting Maritime Administrator is MARAD Executive Director Joel Szabat.

In FY 2015, MARAD was appropriated \$341 million and, in FY 2016, MARAD received \$399 million. The Administration requested \$403.1 million for FY 2017 to support MARAD programs. Under the FY 2017 Continuing Resolutions (P.L. 114-223 and P.L. 114-254), MARAD was appropriated a total of \$223 million through April 28, 2017.

WITNESS LIST

Admiral Paul F. Zukunft
Commandant
United States Coast Guard

Master Chief Steven W. Cantrell
Master Chief Petty Officer of the Coast Guard
United States Coast Guard

Mr. Michael A. Khouri
Acting Chairman
Federal Maritime Commission

Mr. Joel Szabat
Executive Director, in Lieu of the Administrator
Maritime Administration