



**TESTIMONY OF  
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**ON THE  
COAST GUARD FISCAL YEAR 2016 BUDGET REQUEST**

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

**FEBRUARY 25, 2015**

**INTRODUCTION**

Good morning Mr. Chairman and distinguished members of the Committee. Thank you for the continued support you have shown to the 88,000 active duty, civilian, reservists, and auxiliary personnel of the United States Coast Guard, through funding investment in our people, the recapitalization of our aging fleet, and sustainment of our front-line operations.

At all times an Armed Force, a regulatory agency, a humanitarian service, a federal law enforcement agency and a member of the intelligence community, the Coast Guard protects, defends, and promotes National interests on the high seas, in our Exclusive Economic Zone, near our coasts, and in our ports and inland waterways. The Service leverages more than 60 bilateral agreements and arrangements to address counter narcotics, illegal migration, fisheries enforcement and weapons proliferation – not only in international waters, but in many cases, extending jurisdictional reach into the territorial waters of signatory nations.

We are a maritime law enforcement service without peer and a unique instrument of international diplomacy. Many nations model their maritime forces after the U. S. Coast Guard to address transnational crime, human smuggling and foreign incursions into their respective waters. The Coast Guard uses our broad authorities, capabilities, and expansive partnerships to sustain an effective and persistent presence to ensure the most vital National interests in the maritime operating environment are met.

The U.S. Coast Guard operates in a complex, diverse and rapidly changing world. To ensure we meet the demands of today while preparing for tomorrow, the Service aligns its actions and investments with other components of the Department of Homeland Security (DHS) and national strategies. The Fiscal Year 2016 Budget continues the sound stewardship of fiscal resources to invest in the 21<sup>st</sup> Century Coast Guard. Investments in the Offshore Patrol Cutter (OPC) acquisition, improved aviation capabilities, integrated command and control systems and a proficient workforce are all critical to our future success. We remain an adaptable force, firmly committed to prioritizing operations and resources to maximize service to the Nation.

Our extraordinary people deserve America's investment in a 21<sup>st</sup> century Coast Guard. In 2016, we will bring special focus to four maritime concerns that support the Nation's interests, security, and prosperity:

- (1) Combating Transnational Organized Crime networks and securing our borders;
- (2) Safeguarding commerce;
- (3) Enhancing our internal IT security and promoting cyber security within ports; and
- (4) Maintaining our presence in the Polar Regions.

As part of the President's strategy to enhance stability, prosperity, and governance in Central America, the Coast Guard is repositioning legacy forces and investing in the people and platforms necessary to carry out an offensive strategy that targets Transnational Organized Crime networks, operating with impunity throughout the Central American region, and disrupts these criminal network operations where they are most vulnerable – at sea. For example, Coast Guard Cutter BOUTWELL returned to Naval Base San Diego this past October after completing a 90-day counter-drug patrol in the Eastern Pacific. On deck, she carried over 28,000 pounds of uncut, pure cocaine with a street value of more than half a billion dollars. It was the result of 18 different interdictions by U.S. forces. Our Helicopter Interdiction Tactical Squadron (HITRON) set a record in 2014, with 46 at sea interdictions netting over 31 metric tons of cocaine and 27 tons of marijuana. The increase in illicit trafficking of humans, drugs, and weapons into our transit zones and southern approaches is the direct result of Transnational Organized Crime networks operating with impunity throughout the Central American region. These organizations are vying for power through drug-fueled violence, the effects of which are destabilizing governments, undermining the rule of law, terrorizing citizens, and driving illegal migration from Central America to the United States, including the inhumane and perilous migration of unaccompanied children.

We continue to replace High Endurance Cutters, such as BOUTWELL, with the more capable National Security Cutters. In 2016, we will continue construction of the final three NSCs. In the future, acquisition of an affordable and capable offshore patrol cutter will also be a critical piece of the Coast Guard's Western Hemisphere Strategy to combat these networks. The OPC will be the backbone of Coast Guard offshore presence and the manifestation of Coast Guard authorities. It is essential to interdicting drug smugglers at sea, as well as for interdicting undocumented migrants, rescuing mariners, enforcing fisheries laws, responding to disasters, and protecting our ports. As the Coast Guard completes acquisition of the NSC, the OPC will become Coast Guard's number one acquisition priority.

In 2013, a new tank barge entered the stream of commerce every day in America, moving product on our maritime highways to fuel the United States economy. There has been a significant increase in barge transits carrying oil and natural gas on the Mississippi River in the last five years. The Coast guard plays an important role in ensuring the safe and secure movement of commerce on the Nation's waterways. Changes in U.S. energy production have increased the traffic levels at some of our ports. Larger tanker vessels, greater complexity of port operations and expanded movement of energy and hazardous materials increase the overall risk of an incident that could have severe environmental consequences. To keep pace with the maritime industry we regulate, the Coast Guard will continue ongoing initiatives to improve our marine safety workforce, and support innovative technologies to improve waterways management and the aids to navigation system.

In 2016, we will remain in lockstep with other components of DHS and Department of Defense (DOD) efforts to enhance cyber security to defend our own network and work with port partners to protect maritime critical infrastructure and operators.

The Coast Guard cutter POLAR STAR is underway, returning from Operation Deep Freeze in Antarctica. Her mission consists of breaking out a channel, and escorting petroleum and break bulk carriers, to resupply the United States base of operations in McMurdo Sound. That vital mission has enabled the U.S. to conduct scientific research and to implement the Antarctic treaty – a strategic necessity for our Nation. POLAR STAR is the only heavy ice breaker in the United States fleet capable of conducting this mission and providing assured access. In 2016, we continue the pre-acquisition work for procurement of a new polar icebreaker including development of a request for proposal.

In 2016, the Coast Guard will continue mobile and seasonal operations and partner with the coast guards of all Arctic nations through the Arctic Coast Guard Forum. We will continue to cooperate with the Department of State and other federal and international partners as the U.S. assumes the Chairmanship of the Arctic Council in 2015. Mobile and seasonal operations - the summer deployment of assets during Operation Arctic Shield – will continue to better understand the operational demands of the region and inform the timing and extent of any infrastructure needs based on human and economic activity in the region. Operation Arctic Shield is geared towards assessing the operational capabilities of cutters, boats, and aircraft in the Arctic while strengthening relationships with state, local, and tribal stakeholders. Research operations will continue on Coast Guard's medium ice breaker, HEALY. In addition to providing a research platform for U.S. scientists, HEALY provides a vessel of opportunity to help manage increasing human and economic activity in the Arctic. For example, last summer Coast Guard Cutter HEALY was diverted to rescue a 36-foot sailing vessel trapped in ice forty miles north of Barrow, Alaska.

The Coast Guard's daily activities support nearly every facet of the Nation's maritime interests, protect our homeland and secure our economic prosperity. The past year of Coast Guard operations was no exception. The Coast Guard responded to over 17,500 search-and-rescue cases, saving more than 3,400 lives; seized over 91 metric tons of cocaine and 48.9 metric tons of marijuana destined for the United States, worth an estimated \$3 billion; detained over 340 suspected drug smugglers; interdicted more than 3,500 undocumented migrants; conducted over 25,000 container inspections; completed over 9,600 Safety of Life at Sea (SOLAS) safety exams on foreign vessels; and responded to approximately 8,000 reports of pollution incidents.

You will not find a better return on investment than the U.S. Coast Guard. As careful stewards, the Service was the first military service to earn an unqualified audit opinion, and has done so two years running. Due to exceptional commitment and innovation, the Coast Guard has ships sailing today that are 60 years old. The Medium Endurance Cutters that make up the backbone of the offshore fleet are reaching 50 years of age. As part of the Coast Guard's plan to recapitalize for the next half century, the Service created an acquisition workforce that won five federal-level awards in 2014.

As the Service approaches 225 years of service, history has proven that a responsive, capable, and agile Coast Guard is an indispensable instrument of national security, and investing in 21<sup>st</sup> century Coast Guard platforms and people is a prudent choice despite the challenging fiscal environment.

No other investment will return more operational value on every dollar than the 88,000 extraordinary men and women of the U.S. Coast Guard. The Coast Guard will remain *Semper Paratus* – Always Ready.

### **FY 2016 REQUEST:**

The Coast Guard's FY 2016 budget preserves Coast Guard operations, invests in Coast Guard personnel and continues recapitalization efforts for our cutters, boats, aircraft, systems and infrastructure. The budget also efficiently allocates resources to optimize Coast Guard mission performance. The Coast Guard must continue meeting today's operational requirements while investing in future capability to best serve the Nation.

The Coast Guard's FY 2016 budget priorities are to:

1. Invest in the 21<sup>st</sup> Century Coast Guard;
2. Sustain mission excellence; and
3. Maximize service to nation.

#### *Invest in the 21st Century Coast Guard*

Coast Guard mission demands continue to grow and evolve. The complexities and challenges facing the Nation require well-trained Coast Guard men and women with capable platforms providing the persistent presence necessary to conduct operations. Given the age and condition of existing assets, future mission success relies on continued recapitalization of Coast Guard boats, cutters, aircraft, systems, and infrastructure. Similar to the Medium Endurance Cutter it replaces, the Offshore Patrol Cutter will provide the majority of the Coast Guard's offshore surface capacity essential to stopping drug smugglers at sea in addition to interdicting undocumented migrants, rescuing mariners in distress, deploying alongside the Navy, enforcing U.S. fisheries laws, responding to disasters, and protecting our ports. They are an important component of enhancing security as outlined in the U.S. Strategy for Engagement in Central America.

In support of the DHS's strategic objectives, the FY 2016 budget provides for the acquisition of six Fast Response Cutters, continues to invest in acquisition activities for an affordable Offshore Patrol Cutter and funds vessel sustainment projects for two 140-foot WTGB Ice-breaking Tugs and a 225-foot Seagoing Buoy Tender. The budget also continues sustainment and conversion work on legacy fixed and rotary wing aircraft, missionization of the C-27J aircraft received from the Air Force, and investment in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems.

#### *Sustain Mission Excellence*

The FY 2016 budget ensures the Coast Guard can conduct today's highest priority operations in support of national objectives. Most importantly, it sustains the Coast Guard's workforce and supports proficiency, maximizing operational safety and effectiveness. In 2016, the Coast Guard will decommission two 110-foot Patrol Boats that are being replaced by more capable Fast Response Cutters. The Coast Guard will also decommission three HC-130 aircraft and corresponding support personnel while accepting the delivery of new C-130J aircraft and C-27J aircraft. The FY 2016 budget sustains the Coast Guard's highest priority operations with current operational assets and the necessary workforce.

Maximize Service to Nation

The Coast Guard’s authorities extend well beyond our territorial sea, requiring us to meet evolving mission requirements stemming from national priorities, while remaining a trusted steward of public resources.

The FY 2016 budget sustains critical frontline operations by efficiently allocating resources across all mission programs. Coast Guard operational commanders will continue maintaining search and rescue coverage, protecting critical infrastructure, countering illicit threats from entering the United States, facilitating the proper function of the MTS to minimize disruptions to the transit of maritime commerce, safeguarding the maritime environment, and supporting foreign policy objectives and defense operations.

**FY 2016 Highlights:**

**Invest in the 21<sup>st</sup> Century Coast Guard**

- **Surface Assets..... \$533.9M (0 FTE)**  
The budget provides \$533.9 million for the following surface asset recapitalization and sustainment initiatives:
  - **National Security Cutter (NSC)** – Provides funding for the Structural Enhancement Drydock Availability (SEDA) for the NSC and post delivery activities for the fifth through eighth NSCs, completing the recapitalization of the Coast Guard’s High Endurance Cutter fleet. The acquisition of the NSC is vital to performing DHS missions in the far off-shore regions, including the harsh operating environment of the Pacific Ocean, Bering Sea, and Arctic;
  - **Fast Response Cutter (FRC)** – Provides funding to procure six 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 technical review and analysis of preliminary and contract design phase deliverables for the OPC project. The Administration’s request includes a general provision permitting a transfer to the OPC project if the program is ready to award the next phase of vessel acquisition in FY 2016. 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 activities for 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 ..... \$200.0M (0 FTE)**  
 The budget provides \$200.0 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 Asset Project Office (APO). The APO organizes logistics, training, maintenance support and ensures these newly acquired aircraft are ready for induction into the operational fleet. Funds aircraft regeneration, spares, initial training, mission system development, ground support equipment to stand up first operational unit;
  - **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 initial spare parts required for stand up of the second operational HC-130J unit.
  
- **Other Acquisition, Construction, and Improvements Initiatives..... \$65.1M (0 FTE)**  
 The budget provides \$65.1 million for other initiatives funded under the Acquisition, Construction and Improvements 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, creating a common operational picture and ensuring interoperability of all new and in-service assets;
  - **CG-Logistics Information Management System** – Continues development and deployment of a unified logistics system for Coast Guard operational assets.
  
- **Shore Units and Aids to Navigation (ATON) ..... \$101.4M (0 FTE)**  
 The budget provides \$101.4 million to recapitalize shore infrastructure for safe, functional, and modern facilities that support Coast Guard assets and personnel:
  - **Specific Projects** – Pier improvements in Little Creek, VA, to facilitate a 210’ WMEC homeport shift; renovation and restoration of electrical system at Air Station Barbers Point, HI; the first phase of the replacement of aging dry-dock facilities at the Coast Guard Yard; erosion control work at Station Siuslaw River, OR; and construction of permanent facilities at Station Vallejo, CA;
  - **ATON Infrastructure** – Construction and improvements to short-range aids and infrastructure to improve the safety of maritime transportation.
  - **Major Acquisition System Infrastructure** – Modification and construction of facilities to support newly delivered acquisitions. Includes upgrades and construction for NSC homeports, Medium Range Surveillance aircraft operational

and maintenance facilities, and engineering, feasibility, and environmental studies for future projects.

- **Personnel and Management..... \$116.9M (881 FTE)**  
The budget provides \$116.9 million for pay and benefits of the Coast Guard’s acquisition workforce.

**Sustain Mission Excellence**

- **Operational Adjustments**
  - **Cyber Security Remediation..... +\$5.2M (0 FTE)**  
This increase reflects a portion of a DHS-wide plan to address identified vulnerabilities related to a component controlled system, and the Department will track remediation of these vulnerabilities commencing in FY 2015.
  - **Support Structure Review and Rebalancing.....-\$2.5M (-18 FTE)**  
A thorough review of the Coast Guard’s support delivery structure identified personnel reductions at various locations that can be taken with no direct operational impacts and a minimal loss of current service delivery;
  - **National Capital Region Footprint Consolidation.....-\$3.0M (0 FTE)**  
Reduces the Coast Guard’s physical footprint in the National Capital Region through consolidation of personnel and offices into the Douglas A. Munro Coast Guard Headquarters building at St. Elizabeths;
  - **Professional Services Contract Reduction.....-\$44.9M (0 FTE)**  
Reduces or scales professional services contracts and redirects savings to higher priorities;
  - **Manual Continuous Monitoring Reduction .....-\$1.2M (0 FTE)**  
Due to increased capabilities of the Continuous Diagnostics and Mitigation (CDM) program, the need for manual cyber security monitoring is reduced and the Coast Guard is able to achieve savings with no loss of IT system security;
  - **Headquarters Directorate Reduction.....-\$5.0M (0 FTE)**  
Reduces funding for the overhead costs of Coast Guard headquarters directorates through a focused effort to minimize duplicative spending on consumable supplies and materials.
- **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.
  - **Patrol Boat (WPB) .....-\$1.1 M (-14 FTE)**  
Decommissions two 110-ft WPB patrol boats. These assets will be replaced with Fast Response Cutters (FRCs) in the Seventh Coast Guard District.
  - **HC-130 Aircraft Retirement.....-\$11.7M (-53 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 and C-27J aircraft will provide increased operational reliability.

**Maximize Service to the Nation**

- **Operating and Maintenance Funds for New Assets .....+\$89.9M (222 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 by FY 2016;
  - **Response Boat-Medium** – Funds operation, maintenance and support of 4 RB-Ms;
  - **FRC** – Funds operation and maintenance of FRCs #18-21 and provides funding for personnel to operate and maintain hulls #19-22, including the shore-side support personnel;
  - **NSC** – Funds personnel for NSC #6, and costs for shore side support personnel for NSCs #4-5 (to be homeported in Charleston, SC);
  - **C-27JA Aircraft** – Funds operations, maintenance, and personnel funding for the first four C-27J aircraft that will be assigned to Air Station Sacramento, CA.
  
- **Pay & Allowances .....+\$80.8 (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.

**CONCLUSION**

In closing, I will stress that you will not find a better return on investment than the United States Coast Guard. As the service approaches its 225th year, history has proven us responsive, capable, and agile. The Service provides tremendous operational results for every dollar provided to the extraordinary men and women of the United States Coast Guard. We have been and will remain *Semper Paratus* – Always Ready.