



**TESTIMONY OF
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**ON
COAST GUARD FISCAL YEAR 2017 BUDGET REQUEST**

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

MARCH 15, 2016

INTRODUCTION

Good morning Mr. Chairman and distinguished members of the Committee. Thank you for the tremendous support you have shown to the men and women of the United States Coast Guard, including the significant investments provided in the FY 2016 Consolidated Appropriations Act.

As the world's premier, multi-mission, maritime service responsible for the safety, security and stewardship of the Nation's waters, the Coast Guard offers a unique and enduring value within the Department of Homeland Security and to the American public. At all times a military service and branch of the U.S. Armed Forces, a federal law enforcement agency, a regulatory body, a first responder, and a member of the U.S. Intelligence Community, the Coast Guard serves on the front line for a Nation whose economic prosperity and national security are inextricably linked to vast maritime interests.

To preserve these interests at home and abroad, the Coast Guard employs its broad authorities; an expansive network of interagency, military, and industry relationships; and unique operational capabilities and international partnerships to maximum strategic effect.

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, maritime safety, and foreign incursions into their respective waters.

We live in a complex, diverse and rapidly changing world. To ensure we meet the demands of today while preparing for tomorrow, the Coast Guard aligns its actions and investments with the Department of Homeland Security (DHS) and our national strategies.

Since my testimony last year, we have developed a five-year Strategic Intent and continued to focus on our Western Hemisphere, Arctic, and Cyber strategies. By using these strategies as guideposts, leveraging the intelligence community, and employing a risk-based approach to focus our limited resources where they are needed most, we are able to address maritime threats with greater precision and effect.

Fueled by the Service's unique authorities and capabilities, our Western Hemisphere Strategy is bearing fruit. Working with interagency partners, the Coast Guard helped seize 191.8 metric tons of cocaine and detain over 700 smugglers for prosecution in Fiscal Year 2015; of which, 144 metric tons and 500 smugglers were seized by Coast Guard assets alone. I was aboard Coast Guard Cutter (CGC) STRATTON this past August when they off-loaded 32 metric tons of cocaine in San Diego. Not to be outdone, her sister ship CGC BERTHOLF, interdicted 22 metric tons of cocaine in one patrol, including a record eight metric ton cocaine seizure from a semi-submersible in the Eastern Pacific. Without question, the National Security Cutters (NSCs) have been a game-changer for our operations.

But our strategy is about more than just interdicting bales of cocaine; it is about supporting a broader interagency effort to promote regional stability in Central America that is being eroded by Transnational Criminal Organizations. The Coast Guard's offshore presence and associated interdiction efforts in the region are a critical element of this effort.

Looking further abroad, the Coast Guard is engaged around the world. In the Middle East, our squadron of six patrol boats continues to police the waters of the Northern Arabian Gulf in close cooperation with the U. S. Navy, promoting regional peace and stability.

As we look further toward our high latitudes, CGC HEALY led a scientific mission to the North Pole this past summer – the first United States surface ship to independently accomplish this feat. In another example of NSC capability and versatility, CGC WAESCHE deployed to the Arctic during the ice-free season, monitoring offshore drilling activity in the Chukchi Sea, while providing critical maritime domain awareness of an Arctic exercise among the combined navies of Russia and China. The Coast Guard is committed to the safety, security and environmental stewardship of the Arctic, and we will remain closely engaged with the Arctic Coast Guard Forum which includes members from every Arctic Nation, including Russia. By focusing on collaboration over conflict, we are ensuring that shared responsibilities for mass search and rescue, pollution response and safe navigation remain paramount among Arctic Nations.

Meanwhile, CGC POLAR STAR recently completed Operation DEEP FREEZE in Antarctica. CGC POLAR STAR was not only flying the flag as our Nation's sole operational heavy icebreaker capable of operating in ice up to 21 feet thick, but also supporting U. S. strategic interests and the National Science Foundation by breaking a navigable shipping lane to deliver fuel and supplies to the U. S. base at McMurdo Sound.

The daily activities of Coast Guard men and women are heroic, as they support nearly every facet of the Nation's maritime interests, protect our homeland and secure our economic prosperity. In addition to the large-scale success in our counter-drug mission, over the past year the Coast Guard responded to over 16,000 search-and-rescue cases, saving more than 3,500 lives; interdicted more than 6,000 undocumented migrants; completed over 9,300 Safety of Life at Sea (SOLAS) safety exams on foreign vessels; and responded to over 12,800 reports of pollution incidents.

The Nation expects that high level of performance from the Coast Guard and the Fiscal Year 2017 President's Budget allows us to build upon those successes and continue moving forward to meet emerging demands.

Coast Guard recapitalization remains my highest priority, and the Fiscal Year 2017 budget continues to reflect this vital investment in your 21st Century Coast Guard. While our new assets have significantly enhanced our capabilities, the maritime environment remains harsh and maintaining our aged assets presents an increasing challenge.

This is why I am particularly pleased the President's Budget includes \$150 million to accelerate the acquisition of a new heavy Polar Icebreaker. This investment reflects our interests as an Arctic nation, and affirms the Coast Guard's role in providing access to the Polar Regions with heavy icebreakers. Since the President announced this initiative last summer, we made notable progress by finalizing operational requirements across the interagency and beginning robust industry engagement to ensure we develop and execute the most effective acquisition strategy. Make no mistake, this project will take time, but the President's Budget lays a trackline to rebuild the polar capabilities the Nation needs in the 21st Century. We look forward to working with the Congress to deliver this vital capability.

The President's Budget also includes funding for final design and procurement of Long Lead Time Materials for our first Offshore Patrol Cutter (OPC), a major milestone in the Coast Guard's largest acquisition. Continued progress is absolutely vital to recapitalizing our aging fleet of Medium Endurance Cutters (MECs), some of which will be over 55 years old when the first OPC is delivered. In concert with the extended range and capability of the NSC and the enhanced coastal patrol capability of the Fast Response Cutter (FRC), OPCs will be the backbone of the Coast Guard's strategy to project and maintain offshore presence.

History has proven that a responsive, capable, and agile Coast Guard is an indispensable instrument of national security, and funding 21st century Coast Guard platforms and people is an especially prudent investment given the challenging fiscal environment. Our greatest strength is undoubtedly our people. Coast Guard operations require a resilient, capable workforce that draws upon the broad range of skills, talents, and experiences found in the American population. In FY2017, the Coast Guard will maintain a proficient, diverse and adaptable workforce that responds effectively to changing technology, an increasingly complex operating environment and dynamic partnerships. Together, modern platforms and a strong, resilient workforce will maximize the Coast Guard's capacity to meet future challenges.

No other investment will return more operational value on every dollar than the extraordinary men and women of the U.S. Coast Guard – including 48,000 Active Duty and Reserve members, 8,500 civilians, and over 27,000 members of the Coast Guard Auxiliary.

FY 2017 REQUEST:

The FY 2017 President's Budget funds Coast Guard operations and continues recapitalization efforts for 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 2017 budget priorities are:

1. Invest in the 21st Century Coast Guard
2. Sustain Mission Excellence
3. Maximize Value to Nation

Invest in the 21st Century Coast Guard

Coast Guard mission demands continue to evolve. The complexities and challenges facing the maritime environment 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 the Coast Guard’s legacy assets, future mission success relies on completing the planned recapitalization of Coast Guard boats, cutters, aircraft, systems and infrastructure.

The FY 2017 Budget accelerates acquisition of a new polar icebreaker to meet anticipated demands in the Polar Regions. It provides funds for the acquisition of four Fast Response Cutters, continues to invest in an affordable Offshore Patrol Cutter and funds vessel sustainment projects for two 140’ WTGB Icebreaking Tugs and a 225’ Seagoing Buoy Tender. The budget also continues sustainment and conversion work on in-service fixed and rotary wing aircraft, missionization of the HC-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 2017 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 2017, the Coast Guard will decommission four Coastal Patrol Boats (WPBs) that are being replaced by more capable Fast Response Cutters. The Coast Guard will also decommission one High-Endurance Cutter (WHEC) while accepting the delivery of a new National Security Cutter. In all, the FY 2017 budget increases the workforce by 328 FTE to support the Coast Guard’s eleven missions.

Maximize Value to Nation

In best serving the Nation, the Coast Guard must continue to meet evolving mission requirements stemming from national priorities and remain a trusted steward of public resources.

The 2017 Budget sustains frontline operations by efficiently allocating resources across all mission programs. Coast Guard Operational Commanders will maintain search and rescue coverage, protect critical infrastructure, counter illicit threats from entering the United States, facilitate safe navigation within the vital Maritime Transportation System (MTS), safeguard the maritime environment and support foreign policy objectives and defense operations.

FY 2017 Highlights:

Acquisitions, Construction, & Improvements (AC&I)

Surface Assets.....\$704.1M (0 FTE)

The budget provides \$704.1 million for the following surface asset recapitalization and sustainment initiatives:

- **National Security Cutter (NSC)** – Provides funding for Post Delivery Activities for the fourth through eighth NSCs, test and evaluation activities, and unmanned systems. 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. The NSC also provides a robust command and control platform for homeland security contingency operations;

- **Fast Response Cutter (FRC)** – Funds procurement of four FRCs. These assets replace the less capable 110-foot patrol boats, enhancing the Coast Guard’s 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. Funding also provides for procurement of Long Lead Time Materials for the lead ship. The OPC will replace the Medium Endurance Cutter classes that conduct missions on the high seas and coastal approaches;
- **Polar Ice Breaker** – Accelerates the acquisition of a new polar icebreaker to begin production activities in 2020. The new icebreaker will provide continued U.S. Polar icebreaking capability for years to come;
- **Cutter Boats** – Continues funding for production of multi-mission cutter 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, 225-foot seagoing buoy tenders, the training Barque EAGLE, and 47-foot motor lifeboats;
- **Survey and Design** – Continues funding for multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects. Funds are included to conduct engineering survey and design work to either reactivate or extend the life of an existing heavy polar-class icebreaker.

Air Assets.....\$201.3M (0 FTE)

The budget provides \$201.3 million for the following air asset recapitalization or enhancement initiatives:

- **HC-144A** – Funds mission system processor upgrade on the HC-144A Ocean Sentry aircraft;
- **HC-27J** – Funds continued activities of the HC-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; also includes missionization of two aircraft;
- **H-65** – Continues modernization and sustainment of the Coast Guard’s fleet of 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;
- **HC-130J** – Funds upgrade of the mission system processor and initial spare parts and equipment required to maintain the operational availability of the HC-130J Long Range Surveillance aircraft.

Other (Asset Recapitalization).....\$59.355M (0 FTE)

The budget provides \$59.355 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 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).....\$51.1M (0 FTE)

The budget provides \$51.1 million to recapitalize shore infrastructure that supports Coast Guard assets and personnel, as well as construction and improvements to ensure public safety on waterways:

- **Specific Projects** – Funds a service life extension of Air Station Elizabeth City airfield apron and taxiways and minor shore infrastructure projects;
- **ATON Infrastructure** – Maintains transportation safety on Federal waterways through construction and improvements to short-range aids and infrastructure. Funds initial phase of an aid to navigation relocation in the Delaware River;
- **Major Acquisition System Infrastructure** – Funds modification and construction of facilities to support newly delivered assets. Includes upgrades and construction for a Fast Response Cutter homeport and upgrades to existing aviation facilities.

Acquisition Personnel and Management.....\$120.933M (897 FTE)

The budget provides \$120.933 million for pay and benefits of the Coast Guard’s acquisition workforce.

Operating Expenses (OE)

Operating and Maintenance Funds for New Assets..... ..+\$121.1M (+300 FTE)

Increases funding for operations and maintenance of shore facilities and provides sustainment funding for new 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 2017;
- **Rescue 21 (R21)** – Provides funding to support Rescue 21, the Coast Guard’s primary system that facilitates command, control, and communications in the inland and coastal zones, which will be fully delivered to the Western Rivers and Alaska in FY 2017;
- **FRC** – Funds operation and maintenance of FRCs #22-25, provides funding for crews for hulls #24-28, and funds shore-side support personnel for hulls #23-26;
- **NSC** – Funds operations, maintenance, and personnel for NSC #6 and 7 and funds a permanent increase in crew size for all NSCs deployed or under contract (#1-7).
- **HC-27J Aircraft** – Funds operations, maintenance, and personnel for HC-27J airframes #5 and 6, as well as support personnel at the Aviation Logistics Center, Aviation Technical Training Center, and Aviation Training Center;
- **HC-130J Aircraft** – Funds operations, maintenance, and personnel funding for HC-130J airframes #8 and 9, as well as upgrades necessary to ensure two airframes comply with FAA requirements and remain usable in all flight regimes and airspace;

- **MH-60T Helicopter** – Funds operations, maintenance, and personnel funding for MH-60T helicopter #45.

Pay & Allowances.....+\$99.9M (0 FTE)

Maintains parity with DoD for military pay, allowances, and health care, and for civilian pay raise and retirement contributions, including providing a 1.6% military and civilian pay raise in FY 2017. 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.

Operational Adjustments

In FY 2017, the Coast Guard will make sound, risk based adjustments while investing in critical recapitalization and new workforce initiatives:

- **National Capital Region Footprint Consolidation.....-\$3.9M (0 FTE)**
Savings generated by reduction of 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; completes the transfer of all staff from Ballston;
- **National Security Cutter Energy Efficiency.....-\$13.5M (0 FTE)**
Reflects savings from a re-calculation of National Security Cutter (NSC) energy costs based on observed energy expenditures during NSC operations, without impacting the ability to carry out those operations;
- **Workforce Support Improvement.....+\$8.6M (27 FTE)**
Provides necessary funding and personnel to enhance military justice capabilities, including the handling of sexual assault allegations, and to conduct Personnel Security (PERSEC) and suitability background investigations required to maintain the Coast Guard workforce.

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.

- **Patrol Boat (WPB).....-\$4.6 M (-55 FTE)**
Decommissions four 110-ft WPB patrol boats. These assets are being replaced with Fast Response Cutters (FRCs).
- **High Endurance Cutter (WHEC).....-\$7.3M (-92 FTE)**
Decommissions one 378-foot High Endurance Cutter (WHEC). These assets are being replaced with National Security Cutters (NSCs).

CONCLUSION

In closing, I firmly believe you will not find a better return on investment than the United States Coast Guard. As we have for more than 225 years, your Coast Guard stands ready to meet the persistent threats in our complex global maritime environment. We have been and will remain *Semper Paratus* – Always Ready.