



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

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September 29, 2017

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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 “Building a 21st Century Infrastructure for America: Coast Guard Stakeholders’ Perspectives and Jones Act Fleet Capabilities”

PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Tuesday, October 3, 2017, at 10:00 a.m., in 2167 Rayburn House Office Building to examine the status of the U.S. Coast Guard’s (Coast Guard or Service) military and civilian workforce and extensive real property infrastructure and review the capabilities of the Jones Act Fleet. The Subcommittee will hear testimony from the Coast Guard, the Maritime Administration (MARAD), and representatives of the maritime industry.

BACKGROUND

This hearing builds upon the Subcommittee’s two previous hearings which focused on the Service’s sea, land, and air capabilities. These hearings included extensive reviews of short and long-term plans for major acquisitions, including polar icebreakers. This hearing will examine the Coast Guard’s backbone – the workforce and shore infrastructure that supports all operations. In addition, it will review hurricane relief efforts for Puerto Rico by U.S.-flag vessels.

Workforce Status

As one of the Nation’s five Armed Forces, the Coast Guard has a combined military and civilian workforce. Nearly 41,000 active duty, and approximately 6,400 reserve military personnel, conduct the Coast Guard’s operational missions around the world on a daily basis. Coast Guard uniformed personnel receive the same pay and benefits as the other Armed Forces, and maintaining or attaining parity with the other Armed Forces continues to be a very important issue for the Coast Guard. Over 8,500 civilian employees of the Coast Guard provide critical support expertise to enable operations. The Coast Guard is also aided by the Coast Guard Auxiliary, an all-volunteer force of over 31,000 members.

The Coast Guard is working to close gaps in both its military and civilian workforces which resulted from budgetary pressures and an ill-timed reduction in recruiting capacity. Anticipating budget reductions as the Budget Control Act and subsequent sequester went into effect, the Coast Guard eliminated over 1,500 positions, including significant reductions to military recruiting and civilian hiring capacity, between fiscal year (FY) 2013 and FY 2015. However, contrary to initial projections, the Service’s workforce has grown over the past two years. That growth challenged the Service, as the recruiting and hiring capacity reductions placed limitations on growth. The Coast Guard is now actively taking steps to rebuild necessary capacity to fill and maintain the Service’s workforce.

On several occasions this year, Admiral Paul Zukunft, Commandant of the Coast Guard, has stated a need to grow the Coast Guard’s active duty workforce by 5,000 people over the next five years. To date, the Service has provided limited details regarding the requirements for such growth and whether current operational missions are undermanned. Nevertheless, the Committee responded to the Commandant’s request by including in Coast Guard authorization legislation (H.R. 2518) an increase in the Coast Guard’s end-strength levels for FY 2019 to 44,500 active duty military personnel, an increase of 1,500 over the previous two-year authorized level of 43,000.

Personnel Budgeting

The President’s FY 2018 budget request is the first time that the Coast Guard has requested funding and personnel Full-Time Equivalents (FTE) in alignment with workforce projections. In prior years, the Service simply added the new positions and associated funding to those appropriated in the previous year, without regard to how many of those positions were projected to be filled or how much funding would actually be necessary to pay those personnel. As a result, the Service has under-utilized appropriated FTE on a consistent basis:

FY	Appropriated FTE	Actual FTE	Unused FTE
2015	49,696	47,028	2,668
2016	49,352	46,541	2,811

Each unused FTE represents not only a Coast Guard position that went unfilled, but also appropriated funding that was not used for its intended purpose. Personnel shortfalls have resulted in the Coast Guard requesting Congressional approval to transfer and/or reprogram personnel funding to support other priorities which themselves were under-funded. For example, in FY 2016, the Coast Guard transferred and reprogrammed \$52.75 million of personnel funding to address a funding shortfall in the Offshore Patrol Cutter acquisition program.

In the FY 2017 Consolidated Appropriations Act, Congress took action to address personnel funding overages by reducing the Coast Guard’s military and civilian pay accounts by \$61.56 million to reflect “a more realistic recruiting and retention level” and “a more realistic hiring and attrition level” for the fiscal year. In addition, Congress directed the Coast Guard to “ensure that only realistic FTE and associated funding assumptions are used to develop future budget requests.” The Coast Guard followed that guidance, requesting 1,156 fewer FTE in FY 2018 than were enacted in FY 2017, despite an increase of over 200 new positions.

Manpower Requirements Plan

The *Coast Guard Authorization Act of 2016* established a requirement in 14 USC § 2904 for the Coast Guard to submit a manpower requirements plan in conjunction with the President's FY 2017 and FY 2019 budget submissions.¹ The plan is required to include for each mission of the Coast Guard:

1. An assessment of all projected mission requirements for the upcoming fiscal year and for each of the three fiscal years thereafter;
2. The number of active duty, reserve, and civilian personnel assigned or available to fulfill such mission requirements—
 - A. Currently; and
 - B. As projected for the upcoming fiscal year and each of the three fiscal years thereafter;
3. The number of active duty, reserve, and civilian personnel required to fulfill such mission requirements—
 - A. Currently; and
 - B. As projected for the upcoming fiscal year and each of the three fiscal years thereafter;
4. An identification of any capability gaps between mission requirements and mission performance caused by deficiencies in the numbers of personnel available—
 - A. Currently; and
 - B. As projected for the upcoming fiscal year and each of the three fiscal years thereafter; and
5. An identification of the actions the Commandant will take to address capability gaps identified under paragraph 4.

The Coast Guard submitted the first manpower requirements plan in November 2016². The plan details efforts to identify the ideal workforce size and composition to effectively execute the Coast Guard's missions. It stated that "the Service has analyzed approximately 70 units and begun to outline the number of active duty, reserve, and civilian personnel required to fulfill all Coast Guard mission requirements." However, the plan does not provide any details of the size or composition of the workforce. The next manpower requirements plan is due with the submission of the President's FY 2019 budget in February 2018.

Human Capital Strategy

The Coast Guard released its Human Capital Strategy in January 2016 to set "a 10-year course to ensure that [Coast Guard] functions and processes – including requirements, resource allocation, training, and human resource systems – work together to ensure a thriving and effective workforce prepared for the complexities of tomorrow."³ The Service has not released any updates on the progress of implementation of this strategy.

¹ The Secretary of Defense is required by 10 USC § 115a to submit a similar annual defense manpower requirements report.

² http://www.dcms.uscg.mil/Portals/10/CG-1/cg1B/docs/Manpower_Requirements_Plan.pdf?ver=2017-03-27-152844-857

³ <https://www.uscg.mil/SENIORLEADERSHIP/DOCS/HCS.pdf>

Real Property Status

The Coast Guard’s owned real property portfolio comprises approximately 43,400 assets nationwide, including over 7,000 buildings, 34,000 structures, and 2,000 land parcels.⁴ The Service currently has an approximately \$1.6 billion shore infrastructure construction backlog comprised of over 95 projects, including piers, Sectors, stations, aviation facilities, Base facilities, training centers, and military housing.

While Admiral Zukunft and other Coast Guard leaders consistently discuss the importance of investing in shore infrastructure,⁵ the budgetary trade-offs being made within the Coast Guard and the Administration do not reflect a genuine commitment to address this need. The President’s FY 2018 budget⁶ only requests \$10 million (0.63 percent of the backlog) to address major shore infrastructure needs and the five-year Capital Investment Plan (CIP)⁷ only includes a total of \$203 million (12.69 percent of the backlog) for such needs. That level of investment is insufficient to provide even half of the \$415 million needed for shore construction projects on the Service’s FY 2018 Unfunded Priorities List (UPL).⁸ Continuing to deprioritize shore infrastructure investment is likely to result in the shore infrastructure backlog growing rather than shrinking over the next decade.

Over the past five years, Congress has aided the Coast Guard by appropriating additional shore infrastructure funding, a 185 percent increase from requested levels:

FY	Requested	Appropriated	Congressional Plus-Up	% Increase from Request
2013	\$15,000	\$40,000	\$25,000	167%
2014	\$2,000	\$20,000	\$18,000	900%
2015	\$19,580	\$25,580	\$6,000	31%
2016	\$41,900	\$145,600	\$103,700	247%
2017	\$18,100	\$44,519	\$26,419	146%
Overall	\$96,580	\$275,699	\$179,119	185%

In addition to these extensive shore infrastructure construction needs, the Coast Guard also has an approximately \$700 million shore infrastructure maintenance backlog that continues to grow. Existing shore facilities are not being properly maintained, and failure to invest in ongoing maintenance will result in increased long-term maintenance costs, greater unplanned repair costs, and an acceleration of recapitalization timelines. In the President’s FY 2018 budget, the Coast Guard requests \$193 million for all shore maintenance needs, an increase of approximately \$3 million (1.9 percent) over the amount appropriated in FY 2017.

⁴ https://transportation.house.gov/uploadedfiles/coast_guard_inventory_of_real_property.pdf

⁵ “Investments in shore infrastructure are also critical to modernizing the Coast Guard and equipping our workforce with the facilities they require to meet mission.” Admiral Zukunft’s written testimony for July 25, 2017 hearing before the House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation.

⁶ <https://www.uscg.mil/budget/docs/FY18/FY%202018%20U.S.%20Coast%20Guard%20Congressional%20Justification.pdf>

⁷ https://transportation.house.gov/uploadedfiles/coast_guard_capital_investment_plan_fy_2018_table.pdf

⁸ https://transportation.house.gov/uploadedfiles/coast_guard_unfunded_priorities_list_upl.pdf

Real Property Divestiture and Consolidation

The Coast Guard “is committed to continuous evaluation of its real property inventory and consolidations of facilities where practical.”⁹ Each year, the Service divests itself of multiple real property assets, including previously closed and decommissioned facilities. In addition, the Coast Guard is working with the Department of Homeland Security to identify opportunities to consolidate facilities for operational and fiscal efficiency. The next real property inventory report from the Coast Guard is due no later than March 30, 2021.

Hurricane Damage

In 2016, Hurricane Matthew resulted in \$92 million in damage to Coast Guard shore infrastructure and facilities. Congress provided the Coast Guard \$15 million in the FY 2017 Consolidated Appropriations Act to address the highest priority needs resultant from Hurricane Matthew. While those projects were in their nascent stages, Hurricane Harvey, Hurricane Irma, and Hurricane Maria inflicted significant damage and additional needs are anticipated pending completion of damage assessments in affected locations. Many facilities remain non- or partially operational following these storms and the Coast Guard will require significant shore infrastructure investment to regain pre-storm capabilities. Coast Guard cost estimates for the hurricanes is \$732 million, excluding costs for Hurricane Maria. The Commandant estimates costs including Hurricane Maria will reach \$1 billion.

Puerto Rico Hurricane Relief Efforts and the Jones Act¹⁰

The Commonwealth of Puerto Rico, a United States territory located in the Caribbean, was left devastated after Hurricane Maria struck it as a category 5 hurricane. The federal government was swift in its response sending over 7,000 emergency response personnel from various Departments and agencies, including the Department of Defense, the Coast Guard, FEMA, and the Army Corps of Engineers, among many others.

According to the Federal Emergency Management Agency (FEMA), over 11,000 individuals are still taking refuge in shelters and only four percent of customers have electricity. Only nine of the 52 waste water treatment plants are operational. Cell service is available for six percent of the island and cell service around San Juan Airport has been restored.

The island’s infrastructure - airports, roads, and ports - are in various states of usability. Eleven airports are open with restrictions and one is closed. Four ports are open – San Juan, Guayanilla, Salinas, and Tallaboa. Ports open with restrictions include Arecibo, Fajardo, Vieques, Culebra, Guayama, and Mayaguez. All other ports are closed. Petroleum Terminals and Liquefied National Gas Terminals are closed. Ten fuel tankers will arrive over the next 15 days. Eleven major roads are open and eleven main roads remain closed. Public roads have been impacted by 1,925 incidents including landslides, waterway issues, blockages, and bridge issues.

⁹ Coast Guard Report to Congress “Inventory of Real Property,” August 1, 2016.

¹⁰ Given the dynamic nature of the recovery efforts in Puerto Rico, the facts and figures with regard to such efforts are as of 9-29-2107.

The Merchant Marine Act of 1920 (46 U.S.C. 55102), commonly referred to as the Jones Act, states “a vessel may not provide any part of the transportation of merchandise by water, or by land and water, between points in the United States to which coastwise laws apply, either directly or via a foreign port,” unless the vessel is built in the U.S. and documented under the laws of the United States, and wholly owned by U.S. citizens. Coastwise laws can be waived under 46 U.S.C. 501 for national defense. Under section 501(a) the Secretary of Defense can make the determination and section 501(b) requires a determination by MARAD that there is not U.S.-flag capacity to meet the requirements. The Secretary of the Department of Homeland Security issued a waiver at the request of the Secretary of Defense on September 28, 2017, for 10 days “to facilitate movement of all products to be shipped from U.S. coastwise points to Puerto Rico.”

To date, U.S.-flag vessels have been able to provide the services needed to support Puerto Rico, Texas, Florida, and the U.S. Virgin Islands during their hurricane rebuilding efforts. MARAD reports that the U.S.-flag fleet has the capacity and capability of carrying food, fuel, water, and emergency and recovery supplies that Puerto Rico needs. Jones Act companies have dispatched vessels providing: food and water; equipment and supplies needed to quickly restore the power grid; building materials; and FEMA and American Red Cross relief cargoes (e.g., first aid supplies, tarps). The U.S.-flag fleet reports that approximately 9,500 containers of goods are stationed in or expected to arrive in Puerto Rico, 6,000 containers are on the island in terminals; and nearly 4.2 million gallons of ethanol is loaded on Jones Act vessels destined for Puerto Rico for fuel blending, which will supplement the fuel sent to the island. Eight tankers with fuel are on their way to the island. In addition, foreign fuel shipments are still coming from nations that have always provided fuel to Puerto Rico.

MARAD also reports that the current problem for Puerto Rico is not the number of ships carrying cargo, but the difficulty of unloading the ships when they arrive in Puerto Rico. The ports are not working at full capacity, many of the island’s roads are impassable, and if there are trucks available, the lack of gas is impacting their ability to move cargo sitting at the terminal.

WITNESS LIST

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