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BUILDING A 21ST-CENTURY INFRASTRUCTURE FOR AMERICA: COAST GUARD SEA, LAND, AND AIR CAPABILITIES, PART 1

(115–17)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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CONTENTS

Page

Summary of Subject Matter iv

TESTIMONY

Vice Admiral Charles W. Ray, Deputy Commandant for Operations, U.S. Coast Guard 5
Vice Admiral Sandra L. Stosz, Deputy Commandant for Mission Support, U.S. Coast Guard 5
Marie A. Mak, Director of Acquisition and Sourcing Management, U.S. Government Accountability Office 5
John Acton, Chairman, Coast Guard Affairs Committee, Navy League of the United States 5

PREPARED STATEMENTS SUBMITTED BY MEMBERS OF CONGRESS

Hon. John Garamendi of California 42

PREPARED STATEMENTS SUBMITTED BY WITNESSES

Vice Admiral Charles W. Ray and Vice Admiral Sandra L. Stosz, joint statement 46
Marie A. Mak 50
John Acton 74

SUBMISSIONS FOR THE RECORD

Response from U.S. Coast Guard to request for information from Hon. John Garamendi, a Representative in Congress from the State of California 27

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

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June 2, 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 "Building a 21st Century Infrastructure for America: Coast Guard Sea, Land and Air Capabilities"

PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Wednesday, June 7, 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) infrastructure and the ability of the infrastructure to meet the Service's needs in the 21st Century. The Subcommittee will hear from the Coast Guard, the Government Accountability Office (GAO), and the Navy League of the United States.

BACKGROUND

The Subcommittee has held past oversight hearings on the Coast Guard's acquisition capabilities, the Service's mission balance, and numerous GAO reports that have reviewed Coast Guard acquisitions and missions. This hearing will review: the status of the Coast Guard's recapitalization program; new technologies that could assist the Coast Guard; maintenance requirements of its ageing vessels; operating costs for the new vessels; and shore-side infrastructure needs and priorities.

The Coast Guard Acquisition Program Baseline (APB), also referred to as the program of record, is influenced by a number of other Coast Guard documents or procedural requirements - Fleet Mix Analysis (FMA), Mission Needs Statement (MNS), the Capital Investment Plan (CIP), performance gap analysis, and operational requirements.

Fleet Mix Analysis

The Coast Guard develops a number of FMA options to understand how a mix of assets can support its missions. The Coast Guard is developing a new FMA, making the 2009 FMA the current document of record. The FMA was used to develop the APB of 91 offshore Cutters –

eight National Security Cutters (NSC), 25 Offshore Patrol Cutters (OPC), and 58 Fast Response Cutters (FRC). According to the 2009 FMA, there are mission gaps with the APB, these gaps are detailed in Figures 1 and 2 in the Appendix.

Mission Needs Statement

The Coast Guard's MNS provides an overview of its statutory missions and its assets' capabilities and capacities[1] in context with current and emerging threats. The first MNS was released in 1996 and updated in 2005 to incorporate new mission demands resulting from the September 11, 2001 terrorist attacks. In 2007, the MNS used to create an approved program of record for the Coast Guard's major acquisition programs at an estimated cost of $24.2 billion. The 2016 revised MNS failed to provide details on specific assets the Coast Guard needs to meet its mission requirements. Instead, the Coast Guard specified that the new MNS was intended to provide a foundation for long-term investment planning. This effort is to culminate with detailed modeling scenarios to evaluate the effectiveness of various fleet mixes and to inform the CIP. Since the long-term investment planning has yet to be completed, the 2005 MNS remains the baseline document outlining the Coast Guard's mission needs and the required resource hours per asset necessary to achieve the mission set.

Capital Investment Plan

Section 663 of title 14, United States Code, requires the Commandant of the Coast Guard to submit a CIP to the Committee each year in conjunction with the administration's respective budget request. The CIP identifies projected funding levels over the next five fiscal years (FY) for each major acquisition, as well as estimated timelines and total costs to complete each such acquisition. The purpose of the CIP is to ensure Congress has adequate information to conduct proper oversight of the Service's budget, acquisition plans, mission needs, and readiness to conduct operations in future years. The FY 2018 CIP has not been released, leaving the FY 2017 CIP as the current document of record.

The GAO has criticized Coast Guard CIPs for failing to accurately reflect cost and schedule impacts from funding shortfalls. The 2014 GAO report entitled *Better Information on Performance and Funding Needed to Address Shortfalls* (GAO-14-450), recommended that the Coast Guard be required to regularly update the estimated timelines and total costs to complete each acquisition based upon actual appropriations. It also recommended for the Service to develop a long-term fleet modernization plan that identifies all acquisitions needed to meet mission needs and the costs associated with such acquisitions over 20 years. The Coast Guard has not released its 20-year plan.

Status summaries of the Coast Guard's major system acquisition programs and other important capital needs follow.

[1] The Coast Guard uses *capability* as a qualitative term, to refer to the kinds of missions that can be performed, and *capacity* as a quantitative term, to refer to how much (i.e., to what scale or volume) a mission can be performed.

Offshore Cutters

- **National Security Cutter (NSC):** the APB calls for eight NSCs, which the Service estimates will total $5.559 billion, averaging $695 million per cutter. Six NSCs have been delivered, with four fully operational; however, NSC1 is in dry dock for structural enhancement work and NSC2 is expected to commence the same work in August 2017. There are four legacy High Endurance Cutters still active, with a decommissioning schedule of one vessel per year through 2021. (See Figure 3 and 4 in the Appendix regarding the status of NSC production.)

  The administration's FY 2018 budget request for the NSC is $54 million. The FY 2017 appropriation was $723.6 million, which included funding for post-delivery activities for a ninth NSC, procurement and long lead time materials associated with a tenth NSC, and Structural Enhancement Dry-dock Availability for the NSC2.

- **Offshore Patrol Cutter (OPC):** the APB is 25 OPCs, which the Service estimates will cost a total of $10.523 billion, averaging about $421 million per cutter. The Service awarded the OPC contract to Eastern Shipbuilding Group on September 15, 2016. The OPC will replace 14 210-foot and 13 270-foot Medium Endurance Cutters. The Coast Guard is working on a Service Life Extension Plan for these vessels to understand maintenance costs for these vessels while building the OPC. (Figure 5 in the Appendix, provides a chart showing the end-of-service life of each legacy cutter, and a timetable detailing when each new OPC is scheduled to arrive)

  The administration's FY 2018 budget request for the OPC is $500 million to start production on the first OPC. The FY 2017 appropriation for the OPC was $89 million.

- **Fast Response Cutter (FRC):** the APB details 58 FRCs, which the Service estimates will cost a total of $3.764 billion, averaging $65 million per cutter. A total of 44 FRCs have been funded through FY 2017, 23 have been delivered and 21 are fully operational. The FRCs will replace the 110-foot Island-class Patrol Boats, of which 23 are currently operational. (Figure 6 in the Appendix for the ongoing FRC production and decommissioning schedule for the 110 foot Patrol Boats.)

  The administration's FY 2018 budget request for the FRC is $240 million. The FY 2017 appropriation for the FRC was $340 million to acquire six additional cutters.

- **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. (Figure 7 in the Appendix compares the estimated remaining service lives of the CGC POLAR STAR and CGC HEALY with the estimated production schedule of new heavy polar icebreakers.)

  The administration's FY 2018 budget request for the polar icebreaker is $19 million. The FY 2017 appropriation was $6 million. The Service reprogrammed $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 contract awards were issued in March 2017. The Coast Guard now estimates delivery of a new heavy icebreaker by 2021.

Shoreside infrastructure

Coast Guard assets are supported by the Service's shore-side infrastructure. In its annual budget request, Coast Guard shore-side infrastructure includes both major and minor shore projects and related survey and design work.

The administration's FY 2018 budget request for Major Shore, Housing, Aids-to-Navigation (ATON), and Survey and Design is $10 million, which is $135 million less than the FY 2017 appropriation of $145 million.

Shore Facilities and ATON funding supports survey and design, and provides for the recapitalization, construction, rebuilding, and improvement of the Coast Guard's shore facilities, military housing, ATON, and related equipment. Shore facilities support all Coast Guard operations and address the shore-side needs of the Service's operational communities. This funding also provides infrastructure upgrades to berth new assets when they are delivered and to ensure that these facilities are fully functional and ready prior to arrival of new assets. Survey and design work includes funding required for planning, environmental and engineering studies, and real property and land acquisitions for future year shore-side projects.

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 evolving or increased Coast Guard mission needs. The administration's FY 2018 budget request for minor shore is $5 million, which is the same as the FY 2017 appropriated level, and was also the funding level for FY 2015 and FY 2016.

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. The administration's FY 2018 budget request for MASI is $60 million, $8 million more than the FY 2017 appropriation of $52 million.

The Coast Guard has a sizable backlog of unmet shore-side infrastructure projects. Its FY 2017 prioritized shore backlog includes 30 projects with a cost of $465 million. Its FY 2017 unprioritized shore backlog consists of 68 projects with a preliminary cost estimate of $1.08 billion. The Coast Guard's total FY 2017 shore infrastructure project backlog cost estimate is $1.55 billion.

In addition, the Coast Guard has deferred shore maintenance projects. Its FY 2016 Quarter 4 backlog reaches a total cost of $707.7 million, covering projects at units or parent commands in 44 states and one territory.

The Coast Guard also has a backlog in Environmental Compliance and Restoration (EC&R) projects, which were listed in the administration's FY 2018 budget request. There are 152 backlog projects totaling $118.4 million. Estimated costs include restoration work to be completed in various stages (i.e., investigation work, site remediation work, and long-term management). The Service states that the FY 2018 budget request of $13.4 million will support investigations and remediation at seven sites, initiate partial cleanup at two sites, complete all necessary response actions at five sites, and sustain progress in conducting long-term monitoring at 24 sites.

The Service reported on April 7, 2016, that it executed a Reimbursable Work Authorization (RWA) in 2015 with the General Services Administration to sell 14 properties, consisting of 162 housing units and eight land parcels. All of the 2015 properties are expected to be transferred in 2017. (Figure 8 in the Appendix summarizes all the Coast Guard properties submitted to the GSA for divestiture.)

Aircraft

The Coast Guard has land-based fixed-wing aircraft, notably the HC-144A, the HC-130H/J, and the HC-27J aircraft. The HC-144As and the HC-27Js provide medium-range fixed-wing capability and the HC-130Hs and the HC-130Js provide long-range surveillance fixed-wing capability. The Coast Guard uses these fixed-wing aircraft to conduct airborne surveillance, detection, classification, and identification of vessels and other aircraft. The Coast Guard is waiting on an updated FMA to determine the best mix of its fleets of fixed-wing aircraft.

- **HC-144A:** the HC-144A has replaced the HU-25 Guardian. Acquisition of the HC-144A is suspended at 18 aircraft.

  HC-27Js: the Coast Guard is in the process of receiving 14 HC-27J aircraft from the U.S. Air Force per the *2014 National Defense Authorization* (P.L.113-66). Five have been regenerated from storage and are conducting initial training at the C-27J Asset Project Office in Elizabeth City, N.C. The administration's FY 2018budget request includes $52 million for missionization work for the HC-27J.

- **HC-130H/J**: the HC-130Hs will be modified to update unreliable radar and obsolete electronics to maintain the fleet until the HC-130Js are recapitalized. The Coast Guard is acquiring HC-130Js and installing a mission system that is being used in the HC-144. (Appendix Figure 9 for the decommissioning - commissioning schedule.)

The Coast Guard's fleet of rotary-wing aircraft includes the HH-60 and HH-65 helicopters. The HH-60 is a medium-range recovery helicopter, and the HH-65 is a short-range recovery helicopter. Both helicopters deploy from land-based air stations. The HH-65 is also deployed routinely aboard the Coast Guard's fleets offshore cutters. The administration's FY 2018 budget request includes $22 million in funding for HH-65 helicopter enhancement and upgrades.

- **HH-65**: the HH-65 aircraft are undergoing a conversion/sustainment project to modernize the fleet. The project has six segments including engine replacement, flight data system

replacement, and cockpit modernization. This project culminates with the delivery of 22 aircraft in each FY 2019 and 2020, and an additional 19 aircraft in FY 2021.

In FY 2018, the Coast Guard is continuing operational testing of small Unmanned Aircraft Systems (sUAS) onboard its NSC to assess effectiveness of these assets to fulfill unmanned air surveillance capability requirements. According to the Commandant of the Coast Guard, the Coast Guard does not "have enough surveillance platforms to track and take down the threats to our nation. The Coast Guard must acquire land-based, unmanned or remotely piloted systems in a meaningful way." The administration's FY 2018 budget request includes $500,000 for sUAS.

WITNESS LIST

Vice Admiral Charles W. Ray
Deputy Commandant for Operations
United States Coast Guard

Vice Admiral Sandra L. Stosz
Deputy Commandant for Mission Support
United States Coast Guard

Ms. Marie A. Mak
Director
Acquisition Sourcing and Management Team
Government Accountability Office

Ms. Cari Thomas
National Executive Director
Navy League of the United States

APPENDIX

Figure 1. 2009 Coast Guard Fleet Mix Analysis Capability and Performance

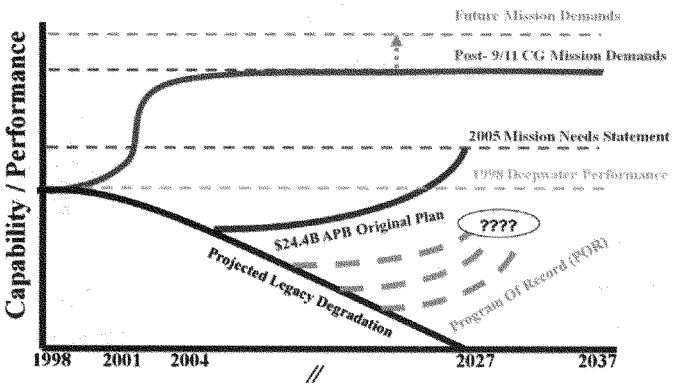


Figure ES-1 Current Level of System Performance

Figure 2. Fleet Mix Analysis, Force Mixes and Mission Performance Gaps

Table A-3. Force Mixes and Mission Performance Gaps

From Fleet Mix Analysis Phase 1 (2009)—an X mark indicates a mission performance gap

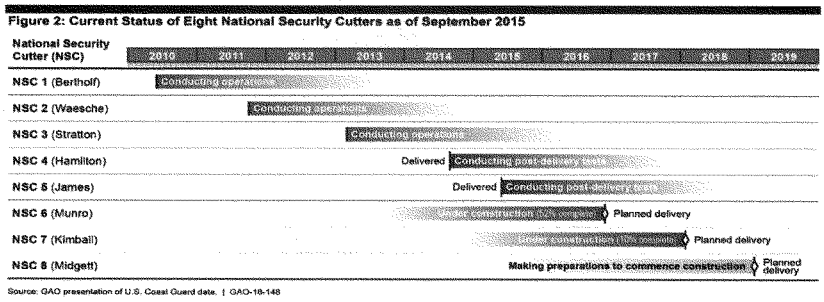
Missions with performance gaps	Risk levels of these performance gaps	Program of Record (POR)	FMA-1	FMA-2	FMA-3	FMA-4 (Objective Fleet Mix)
Search and Rescue (SAR) capability	Very high	X				
Defense Readiness capacity	Very high	X				
Counter Drug capacity	Very high	X				
Ports, Waterways, and Coastal Security (PWCS) capacity[a]	High	X	X			
Living Marine Resources (LMR) capability and capacity[a]	High	X	X			[all gaps addressed]
PWCS capacity[b]	Medium	X	X	X		
LMR capacity[c]	Medium	X	X	X		
Alien Migrant Interdiction Operations (AMIO) capacity[d]	Low/very low	X	X	X	X	
PWCS capacity[e]	Low/very low	X	X	X	X	

Source: Fleet Mix Analysis Phase 1, Executive Summary, page ES-11 through ES-13.

Notes: In the first column, The Coast Guard uses *capability* as a qualitative term, to refer to the kinds of missions that can be performed, and *capacity* as a quantitative term, to refer to how much (i.e., to what scale or volume) a mission can be performed.

a. Gap occurs in Southeast operating area (Coast Guard Districts 7 and 8) and Western operating area (Districts 11, 13, and 14)
b. Gap occurs in Alaska
c. Gap occurs in Alaska and in Northeast operating area (Districts 1 and 5)
d. Gap occurs in Southeast Western operating areas.
e. Gap occurs in the Northeast operating area.

Figure 3. National Security Cutter Operations and Delivery Dates



NSC 1 underwent Structural Enhancement Dry Dock Activities in 2016 and NSC 2 will do the same in August 2017.

Figure 4. WHEC Decommissioning and NSC Commissioning Schedule

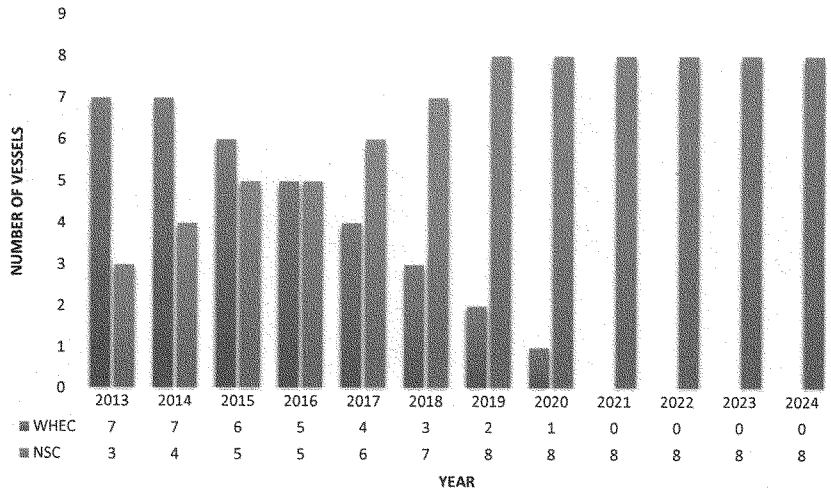
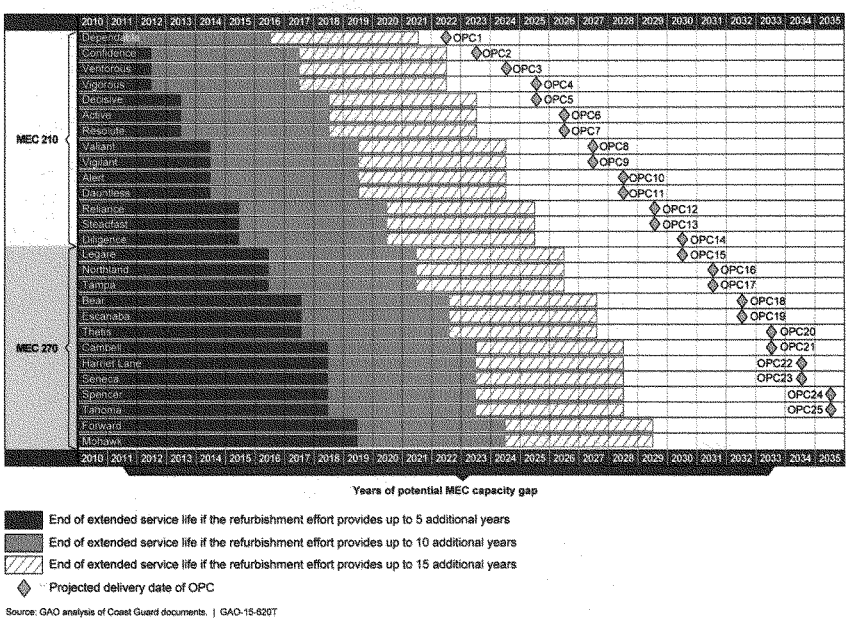


Figure 5. End of Service Lives for the Legacy Medium Endurance Cutter Fleet with the Planned Offshore Patrol Cutter Delivery Dates



Source: GAO analysis of Coast Guard documents. | GAO-15-620T

Figure 6. 110 Decommissioning and Fast Response Cutter Commissioning Schedule

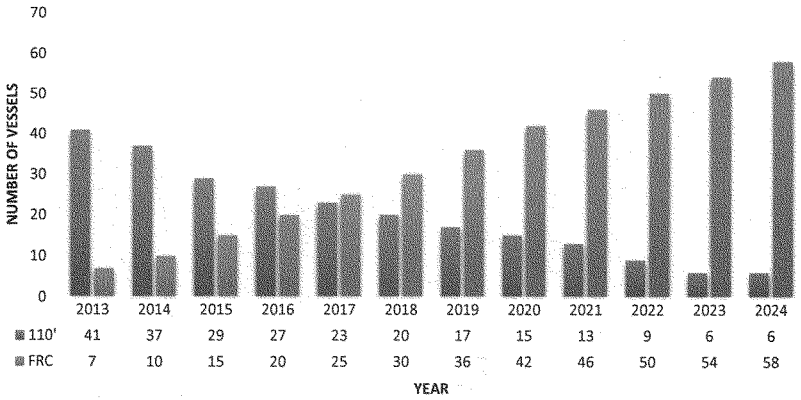


Figure 7. Icebreaker Availability and Expected Capability Gap

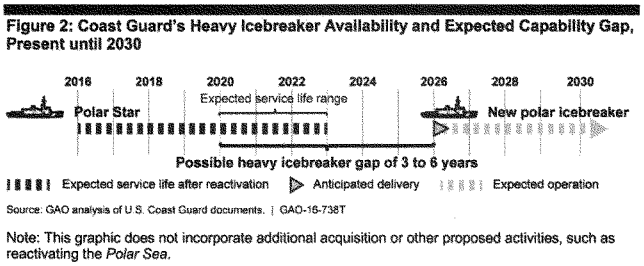
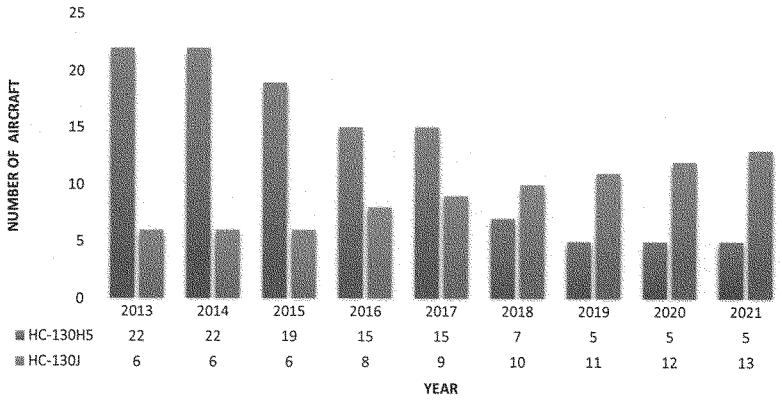


Figure 8. Summary of Coast Guard Properties with GSA for Divestiture

Property type	Quantity	Estimated Value (Millions)	Estimate Source	Owned or Withdrawn	Status/Plan
Land Parcels	3	$6.2	Appraisal	Owned	With GSA
Land Parcels	9	$0.1	CG Accounting Value	Owned	With GSA
Housing Units	77	$16.0	Appraisal	Owned	With GSA
Housing Units	480	$196.0	Plant Replacement Value	Owned	With GSA
Tower Sites	3	$1.9	Plant Replacement Value	Owned	With GSA

Figure 9. HC-130H5 Decommissioning and HC-130J Commissioning Schedule



BUILDING A 21ST-CENTURY INFRASTRUCTURE FOR AMERICA: COAST GUARD SEA, LAND, AND AIR CAPABILITIES, PART 1

WEDNESDAY, JUNE 7, 2017

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:03 a.m. in room 2167, Rayburn House Office Building, Hon. Duncan Hunter (Chairman of the subcommittee) presiding.

Mr. HUNTER. The subcommittee will come to order. Thanks for being here, everybody, today. And before we start off, I want to just call out a few people.

Reyna, this is her last hearing. Lieutenant Commander Reyna McGrail, she has been our Coast Guard Fellow. She has been working with John Rayfield quite a bit. Just want to give her a happy sendoff, and tell you thank you very much for your service to the committee and the country.

Next, Captain Tom Allan—there he is, he is sitting back there—this is his last hearing, too. And they are really—they are all very happy about this, actually.

[Laughter]

Mr. HUNTER. This is it for them. They don't have to do this any more.

But Captain Allan is going on to do bigger and better things, right? And we will miss you sorely here.

And lastly, Jo-Ann Burdian, Commander Burdian, is leaving to go be a dependent——

[Laughter]

Mr. HUNTER [continuing]. Or whatever you are doing in Washington State. And we just want to thank you for what you have done. Especially Jo-Ann Burdian, we have spent countless hours with Joe Kasper and Jo-Ann, talking Coast Guard stuff. We have learned so much from you, and hopefully you were able to take a lot from us, too.

We think that this has been one of the most legislatively ambitious chairmanships of this subcommittee. At least that is what we have been trying to do, really pushing acquisition reform, really pushing icebreakers, and trying everything we can do to make the Coast Guard love itself. We want to weaponize cutters, we want to give you your own UAS. You are going to be on par with the Navy

now, when it comes to block buys and lead-time materials, so—and icebreakers, eLoran system, all of these things that we thought were needed.

Jo-Ann definitely is responsible for helping put the Coast Guard on the right track. I know there are lots of Coasties, it takes a lot of people to make the liaison office stuff work. But I will just tell you, Jo-Ann, you are going to be sorely missed, too. We don't know what we are going to do.

And we actually introduced a bill yesterday that said we are going to withhold $1.3 billion until Jo-Ann Burdian is reinstated as the House liaison.

[Laughter]

Mr. HUNTER. So we will see how far that goes.

But you are all going to be missed. Thank you very much for what you have done for the country and for the Congress, and for working with us, and making us better at what we do.

So, with that, the subcommittee is meeting today to review the status of Coast Guard infrastructure and how ongoing infrastructure improvements will move the Coast Guard into the 21st century.

The Service has been undergoing a recapitalization of its assets for over two decades to replace assets that are over 30 years old. It has been a long record with some hard lessons learned along the way, but progress is being made to ensure the Coast Guard has the assets it needs to conduct its missions. We now need to assure that the Service has the resources to operate their recapitalized assets.

The subcommittee has held oversight hearings over many Congresses to review the Coast Guard's progress from fledgling acquisition capabilities to its now fully developed acquisition programs. In addition, our oversight has included hearings on Government Accountability Office reports reviewing Coast Guard acquisition programs and how the new assets will support Service missions, along with where gaps may exist.

An important part of this subcommittee's oversight is to understand mission capabilities within the asset recapitalization: how to identify mission gaps with new and aging assets; how maintenance of aging vessels can impact budget decisions; where new technologies could be used to provide improved mission domain awareness and assist the Coast Guard with better utilizing its assets and its personnel; and how other Coast Guard infrastructure may have been affected by the cutter recapitalization.

The cost to recapitalize Coast Guard assets is in the billions of dollars, and the Coast Guard has worked to do so within smaller budgets and appropriations since 2010. The Service has done its best to keep asset acquisition moving forward, but has been forced to make choices on what programs its limited funding will support. To focus on the much-needed new assets, the Coast Guard has continued funding for these acquisitions programs, while shoreside infrastructure, shore maintenance, and the environmental cleanup and restoration programs have incurred backlogs.

The Commandant of the Coast Guard, in his state of the Coast Guard address, acknowledged the shore infrastructure backlog, stating the current backlog exceeds $1.6 billion. We understand the shore maintenance backlog is roughly $708 million. The bottom

line is Congress needs to understand the needs of the Coast Guard, clearly and succinctly.

I have requested the Coast Guard send a wish list of projects to Congress, a wish list and unfunded requirement list. The list will not be available until the end of June, according to the Coast Guard. However, I look forward to discussing with our witnesses today the status of existing and new assets, any known gaps and measures being taken to address them, areas that can be streamlined, and impacts of operations and maintenance costs.

I would like you to talk about what your June request will look like, even though it is not the end of June, it is the beginning of June. But I think you guys know what it looks like, and we would just like to hear—if you are going to have icebreakers in there, we authorized six new cutters to go help CENTCOM [U.S. Central Command]. Those got approved in our authorization request. We would like to talk about how you plan on actually building those, what your plans are, going forward, and if those are going to be on your unfunded list to the appropriators.

So, with that, I now yield to Ranking Member Garamendi.

Mr. GARAMENDI. Thank you, Mr. Chairman. You started off with an appropriate thank-you to those many men and women that have assisted us from the Coast Guard, Jo-Ann and all the team. And we—I could repeat all of that. Shall I?

Mr. HUNTER. Sure.

Mr. GARAMENDI. Sure, we will go ahead and do it.

We will let it go, Jo-Ann. Thank you so very much, to be able to work with you and your team.

So let's get on with it here. I am looking forward to renewing our oversight and the progress that is being made to date in building our ready, capable, and adaptable Coast Guard for this century. Your enduring role in protecting our shores and facilitating our maritime commerce, both nearshore, offshore, and around the world: few things are more important to our Nation's future prosperity.

In fact, I was talking to my wife last night and she said, "You got the Coast Guard here?" I said, "Yeah." She said, "Why don't you tell them that the real wall is the Coast Guard?" So I am going to tell you. The real wall, Mr. President, is the Coast Guard. So let's pay attention to that.

Considerable progress has been made. The Coast Guard is nearing completion of building out the program of record for the National Security Cutter, the most cutting-edge vessel ever to sail with the Coast Guard's distinctive red racing stripe.

Additionally, the Coast Guard has successfully awarded the contract and moved forward to begin the second phase of the Fast Response Cutter program. Ultimately, this program will provide the Coast Guard with 58 cutters of remarkable versatility and capability to meet the challenging demands found in the U.S. coastal waters, and allow the Coast Guard to retire its legacy fleet of Medium Endurance Cutters and the 110-foot *Island* class patrol boats.

Perhaps even more important, the Coast Guard last year awarded the contract to Eastern Shipbuilding to complete the detailed design and initial construction of the most expensive segment of the recapitalization, a fleet of 25 Offshore Patrol Cutters. This

progress is real, and I appreciate the work that has been done by the Coast Guard in moving it along. The Coast Guard's acquisition directive deserves credit for keeping these programs on budget and on schedule.

Several challenges remain, however. Always the case. And that is the critical three-letter B–U–T word. But the Coast Guard can ill-afford to rest on its laurels.

First, the Coast Guard's icebreaking fleet remains a liability, potentially a very serious gap in the Coast Guard's operational capability in high-latitude regions. Prodded by the chairman and some of us, the Coast Guard has taken steps to expedite the design for a new heavy icebreaker.

And, yes, Admiral Ray, I will be asking you about this. We are going to want to hear more details and when can we expect to have the award, and how are we doing with the Navy on this. So, yes, there will be questions.

I am also concerned that the Coast Guard's capital planning has failed to adequately account for the need to recapitalize the Service's inland river buoy tender fleet, which operates in my Sacramento-San Joaquin Delta. So, we want to hear about that. What are we going to do about it, and when and how?

Additionally, regarding aircraft, I remain concerned about the 14 C–27J surveillance aircraft. The Air Force—well, we won't tell you what the Air Force has done; they seem to have unloaded something they didn't want on the Coast Guard. I think we all had a piece of that puzzle. But let's hear about how that is coming along.

And I remain supportive of the Coast Guard's continuing efforts to upgrade its fleet of 100 H–65 Dolphin helicopters. The unfortunate reality is the manufacturer of this aircraft isn't making them any more. So what are we going to do about this? This is a long-term program, but we better be thinking about it today.

Just a few of the issues we will get into in detail. So thank you.

Oh, the chairman did mention shoreside. We ought to hear about that, too. Thank you very much. Let's get on with it.

Mr. HUNTER. One thing I would like to talk about, too, if you could—a note for when you give your testimony here, coming up—is the Navy's budget this year produces no new ships over last year's budget. They are doing a strategic pause, where they are going to shore up a lot of their vessels that aren't able to fulfill—they are at, like, you know, 30 percent capability. They want to move those to 80 or 90 percent capability.

So they didn't write in—with the President's budget, they didn't request any new ships over last year's budget. That is all going to come on in 2019, right?

Is the Coast Guard doing the same thing? It doesn't look like it. It looks like you are going to keep on building and adding new things, like the six additional cutters that we authorized for CENTCOM. But I'm just curious on your take on that, and if you have been asked to look at doing the same thing that the Navy is doing, or if they are in a totally different place because of the overuse of their assets, and just having to be out all the time, and not having time to fix up their stuff.

And the shoreside stuff is important, simply because it is something you have to do. So, I mean, it is not integral to your mission,

but it is important to your mission. And we want to know how you are going to balance your operational side with simply having to put money into repairs and things that have been taking a back seat to your operational capability.

So today we will hear testimony from Vice Admiral Charles Ray, Deputy Commandant for Operations with the United States Coast Guard; Vice Admiral Sandra Stosz, Deputy Commandant for Mission Support with the United States Coast Guard; Ms. Marie Mak, Director of Acquisition and Sourcing Management with the GAO; and Mr. John Acton, Chairman of the Coast Guard Affairs Committee with the Navy League of the United States.

Admiral Ray, I recognize you right now for your statement.

TESTIMONY OF VICE ADMIRAL CHARLES W. RAY, DEPUTY COMMANDANT FOR OPERATIONS, U.S. COAST GUARD; VICE ADMIRAL SANDRA L. STOSZ, DEPUTY COMMANDANT FOR MISSION SUPPORT, U.S. COAST GUARD; MARIE A. MAK, DIRECTOR OF ACQUISITION AND SOURCING MANAGEMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; AND JOHN ACTON, CHAIRMAN, COAST GUARD AFFAIRS COMMITTEE, NAVY LEAGUE OF THE UNITED STATES

Admiral RAY. Good morning, Chairman Hunter, Ranking Member Garamendi, distinguished members of the subcommittee. It is my pleasure today to discuss Coast Guard operational capabilities. And I am pleased to testify alongside Vice Admiral Stosz. It is kind of unprecedented. The mission support that she represents is, as you know, vital to the field. I certainly appreciate the opinions of GAO and their recommendations, and we take those on board. And then Admiral Acton and the Navy League for—since Teddy Roosevelt they have been supporting the sea services, and we appreciate that.

Mr. Chairman and all the members of the subcommittee, I appreciate your recognition of our Coast Guard Fellows here that have served you for the last few years. We need them back out in the fleet to get them reblued in the Coast Guard. And so we will take care of them, but thank you for taking care of them while they were here.

On a daily basis, the men and women of the Coast Guard use the resources provided by the Congress to save lives, protect our borders, prevent terrorism, interdict drugs, and facilitate commerce. And as our Secretary has said on numerous occasions, the Coast Guard plays a vital role in border security starting 1,500 miles south of the Rio Grande in the offshore transit zone, as we work to address the significant threats from transnational criminal networks.

We address these threats by a force package that consists of, really, advanced intelligence, maritime patrol aircraft, advance cutters, airborne use-of-force-capable helicopters, Over-the-Horizon boats, and highly trained and armed boarding teams. And in 2016—I think most of you are aware, but it is worth restating—the Coast Guard interdicted more cocaine at sea in 2016 than all the other law enforcement agencies in our Nation, Federal, State, and local, combined, by doing what we do at sea.

National Security Cutters and Fast Response Cutters have proven how effective a modernized, intelligence-driven Coast Guard can be. And we certainly are excited at the opportunity to welcome the Offshore Patrol Cutter, thanks to this subcommittee, into the fleet starting in 2021. We appreciate your continued support.

And in addition to what we are doing now, we have got a well-documented surveillance gap along all of our mission set. But we have—and we are looking forward to embracing the advantages of land-based, unmanned systems moving forward. In fact, next week I am going to Sierra Vista, Arizona, with CBP [U.S. Customs and Border Protection] to look at how they are operating and what they are doing with those systems right now.

As this subcommittee well knows, our Nation and our Service must also pay attention to our borders to the north. You all are well aware, from the open-source reporting, of the Russian and Chinese activity in the Arctic. And I would be glad to provide you with a classified briefing at a different time that goes into great detail, what they are doing up there, or what we assess they are doing.

And so, to begin to address these challenges, our Nation needs a fleet of at least three heavy and three medium icebreakers, and we really appreciate the leadership of this subcommittee in getting that moving forward.

Closer to home, the Coast Guard plays a vital role in maintaining our Nation's Maritime Transportation System: 26,000 miles of waterways, the rivers, ports—contributes to $4.5 trillion economic impact. Over one-quarter of a million U.S. jobs are all hinging on this Maritime Transportation System.

We have got 35 Inland River Tenders that the ranking member referred to for everywhere from Omaha, Nebraska, to Morgan City, Louisiana. And those are—those ships average 52 years old, and it is time to start replacing them. And so we appreciate the downpayment we got in fiscal year 2017 of $1 million to start that process.

We also need more marine inspectors. And it is not just inspectors, it is people that do pollution response, it is people that do accident investigations. This river system is vital to our economy, and we need more marine safety folks to address the challenges and keep up with the pace of—because the Coast Guard intends to facilitate commerce and not be a roadblock.

And finally, we thank you for your support for our cyber forces. For what you gave us in fiscal year 2017 we will put 70 Cyber Protection Team folks on the front lines, and they are working this right now, problem sets both classified that we could talk about, another set, and the things that you all see in the open news. Working both .mil and .gov, so we work within the Department of Defense network and within our DHS.

And then, finally, in closing, I want to thank you for your support by telling you a little bit about the fruits of your labor. A week and a half ago, I was in New York City with Secretary Kelly, we went aboard the Coast Guard cutter *Hamilton*. That crew had been gone for 7 of the last 10 months, first two patrols of what will be a 40-year career for that cutter, no doubt.

And so, these men and women, I gathered with them on the flight deck. Most of them—you know, about 140 of them—most of

them younger than either of my sons. They were so fired up. During the course of this 7 months, they sailed from New York to South America. They were the first U.S. asset—the first asset of any kind on Haiti when the earthquake came through last fall. They interdicted migrants in the Straits of Florida. They went through the Panama Canal, rescued a merchant mariner 600 miles west of Costa Rica, saved his life. In 11 different instances they interdicted 19 tons of cocaine and arrested 77 people in the transit zone. All of that on their first trip out of the barrel.

And so, rest assured we are going to talk about things we need to do better in the Service today, and we look forward to having that conversation. But the resources you provide our Coast Guard are being put in good hands, and our men and women are doing great things with them.

So I thank you for the opportunity to testify, and look forward to your questions. Thank you.

Mr. HUNTER. Thank you, Admiral.

Admiral Stosz?

Admiral STOSZ. Good morning, Chairman Hunter, Ranking Member Garamendi, and distinguished members of the subcommittee. And on behalf of the Commandant and our devoted men and women, thank you very much for your oversight and for your continued strong support of the Coast Guard and our people.

I am honored to share this table this morning with the GAO and with the Navy League, and I value our effective working relationship with the GAO and the strong support of the Navy League, and appreciate the opportunity to jointly testify with Ms. Mak and Rear Admiral Acton. There is a strong linkage between Coast Guard operations and Coast Guard mission support, and I am thankful to testify alongside my colleague, Admiral Ray.

Thank you for the opportunity to speak about the Coast Guard's activities and support, our mission execution, both in the near term and into the future. As Deputy Commandant for Mission Support, I am proud to lead a talented team responsible for the policies and programs that equip, train, and staff our Coast Guard.

My organization is responsible for human resources and personnel readiness, acquisitions and contracting, engineering and logistics, shore infrastructure, security, and the information systems and networks that enable Coast Guard operations in support of the Commandant's strategic intent and priorities.

And consistent with those priorities, the Coast Guard is undergoing a critical transformation through the necessary recapitalization and modernization of our fleet of cutters, patrol boats, aircraft, information, and shore infrastructure.

We are committed to excellence in our acquisition programs, and I am pleased to report that our last five Fast Response Cutters to be delivered were delivered with zero production deficiencies. And last year, when we awarded the offshore patrol contract, that largest contract in history, that was awarded without protest.

So mission support is a business. And, as such, we are committed to the affordability and continuous improvement. We utilize a mission support business model that employs the four cornerstones of total asset visibility, configuration management, product line man-

agement, and bi-level maintenance to drive down costs and increase operational availability.

And, in fact, as I speak this morning, there are 50-year-old Coast Guard cutters that have deployed from their home ports on the east coast of our country, down through the Caribbean, through the Panama Canal, and are serving in the eastern Pacific Ocean, conducting missions like Admiral Ray just described. And they are 50 years old. And that is the power of the mission support business model.

And to that end, sir, I will be happy to take questions on the Coast Guard maintenance philosophy, and how that allows us to continue to drive these ships down to the 50-year age mark and keep them running while we are acquiring new ships.

One of my top priorities is moving our new ships and aircraft successfully from acquisition to sustainment. By investing in planned, depot-level maintenance, we have more than doubled the service life of most of our cutters and aircraft, fully optimizing our scarce resources. And beyond ships and aircraft, we must invest in our shore infrastructure and our IT networks—that is something we haven't talked as much about—to enable operations and support functions to ensure security of our facilities, and to provide safe work environments for our people.

And, speaking of our people, they are absolutely the most valuable asset of all. And we don't speak about them enough. But thanks for calling out the three people who are working for you who will be moving on. We must invest in talent management, the recruiting, the training, and retaining of a diverse professional workforce with the knowledge, skills, and abilities to give our Service the competitive advantage that we need to perform our many missions and keep our Nation safe and secure.

In closing, I am pleased that this subcommittee understands that the 21st-century infrastructure and transportation network for America includes a vibrant and efficient Maritime Transportation System, and that a well-equipped and resourced Coast Guard is essential to ensure our prosperity in national security.

And thank you very much for the opportunity to testify. I look forward to your questions.

Mr. HUNTER. Thank you, Admiral.

Ms. Mak?

Ms. MAK. Good morning, Chairman Hunter, Ranking Member Garamendi, and members of the subcommittee. Thank you for inviting me here today to discuss GAO's body of work on the Coast Guard's recapitalization efforts.

Since the Coast Guard took over the role as lead systems integrator in 2007 to recapitalize the surface, air, and information technology assets, we have recognized that it has made great strides in its investments. For example, it has established individual acquisition program baselines for each of its new assets.

However, as the Coast Guard moves forward in managing this multibillion-dollar acquisition portfolio to modernize its aging assets, the Coast Guard is facing several key challenges. The two areas that I would like to highlight today are, first, the impact of increased depot maintenance and equipment issues for some of the

new assets on operational availability; and, second, the overall affordability of its acquisition portfolio.

It is widely recognized that the National Security Cutter, the NSCs, and the Fast Response Cutters, the FRCs, are more capable than the assets that they are replacing. And they are contributing toward mission success. For example, the FRC and the NSC have greater fuel capacity and better handling, which improve endurance and effectiveness, and have led to an increase in drug interdictions.

However, we found in March of this year that these assets have not been meeting their minimum availability rates, resulting in lost operational days. This is due to an increase in depot maintenance needed to correct equipment and design problems. The engines for both of these cutters have been problematic, despite ongoing efforts by the Coast Guard.

For example, the NSC's engines overheat in waters above 74 degrees, which makes up a significant portion of the NSC's operating area, given that they are intended to be deployed worldwide.

The FRC has also experienced engine problems, requiring 20 engines to be replaced throughout the fleet. Fortunately, the cost of these replacements was covered by the FRC's contract warranty. Until these issues are resolved, operations will likely continue to be negatively impacted.

Second, we have consistently reported concerns about the affordability of the Coast Guard's acquisition portfolio. While the Coast Guard is in the process of developing a long-term acquisition strategy, it continues to use its annual budget requests as its primary strategic planning tool to manage its major acquisitions.

Since 2014, we have found that there are funding gaps between what the Coast Guard estimates it needs and what it traditionally requests and receives. The affordability of the Coast Guard's portfolio will only worsen once it starts funding the Offshore Patrol Cutter [OPC]. The OPC will absorb anywhere from half to about two-thirds of the Coast Guard's acquisition funding annually, beginning in 2018 through 2032, while it is being built.

One of the most critical challenges the Coast Guard faces is the gap between the expected service life of its Medium Endurance Cutter fleet and the OPCs, the first of which is expected to be delivered in 2021. To address this gap, the Coast Guard must use limited acquisition dollars to extend the service life of the 270-foot Medium Endurance Cutter fleet at the same time it is building and procuring the OPCs.

During the same period, the Coast Guard must also recapitalize other assets, such as the polar icebreaker and its fleet of river buoy tenders, as these assets continue to age beyond their expected service lives, and in some cases have been removed from service without a replacement.

For instance, the Coast Guard is currently operating one heavy polar icebreaker since the *Polar Sea* has been removed from service. Plans are underway to develop a new fleet of heavy icebreakers, but there is no formal cost estimate for that acquisition program at this time.

The Coast Guard faces some difficult and complex decisions with potentially significant cost and mission implications. As we have

previously recommended, the Coast Guard needs a plan to identify affordable priorities with realistic tradeoffs, and communicate where gaps exist, so that funding decisions align with the priorities to enable long-term mission success.

Efforts are underway to address this issue through the development of a 20-year Capital Investment Plan intended to identify all acquisitions necessary for maintaining at least its current level of service and the fiscal resources necessary to build these assets. But to date, efforts by DHS and the Coast Guard have not led to the difficult tradeoff decisions needed to begin addressing the long-term affordability of its portfolio.

Chairman Hunter, Ranking Member Garamendi, members of the subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have. Thank you.

Mr. HUNTER. Thank you, Ms. Mak, and perfect timing.

Mr. Acton, you are recognized.

Mr. ACTON. Chairman Hunter, Ranking Member Garamendi, and members of the subcommittee, thank you for the opportunity to appear before you today. I request that my full written testimony be entered into the record.

This committee has long been one of the greatest champions of the Coast Guard, and the Navy League is very appreciative of your leadership. The Navy League is the foremost citizens' organization to support all the sea services, including the Coast Guard.

It is a privilege to be here today to talk about the Coast Guard's capabilities and how they contribute to the administration's pledge to invest in American infrastructure. We are a maritime Nation that benefits from global trade, and investments in the associated infrastructure have been crucial to our prosperity.

The Coast Guard safeguards this free and safe movement of goods so key to our national welfare. With only 40,000 Active Duty servicemembers and a budget that averages around $10 billion, the Coast Guard does far more to safeguard our national security than its size would suggest.

The Coast Guard's unique role in safeguarding our national infrastructure includes a wide spectrum of responsibilities, including port security, safety of navigation, and coastal homeland security. Yet, from the Navy League's perspective, the Coast Guard itself is a key part of our integrated infrastructure, part of what makes our national prosperity possible, and one crucial to our homeland security and our way of life.

The Coast Guard protects our maritime sovereignty and borders from illegal activity. It fights terrorism off our coast. It inspects ports, both here and abroad, and ensures mariners on our waterways are safe, and that the waterways are navigable. It ensures the integrity of our exclusive economic zone, and protects the cyber vulnerabilities in our Maritime Transportation System. The Coast Guard is always there, providing an environment in which America can thrive.

Yet to truly invest in American infrastructure, we must invest in the Coast Guard and its people. Two of the administration's biggest pledges directly affect the Coast Guard: strengthening our military and investing in our infrastructure. Investment in Coast Guard assets, including the recapitalization of its fleet, has already led to

some notable successes, like the National Security Cutter and the Fast Response Cutter. Yet the Coast Guard needs greater investment to build a 21st-century infrastructure for America.

The Navy League recommends, first, procuring six Fast Response Cutters per year; second, a steady acquisition, construction, and improvements, or AC&I, budget of $2 billion per year; third, to fulfill its challenging mission in the Arctic frontier, the Coast Guard needs three heavy and three medium icebreakers; and finally, and perhaps most critically, an additional $750 million in fiscal year 2018 funding to meet the 2020 icebreaker production goal.

The Coast Guard faces a $1.6 billion shore infrastructure backlog that is being paid off too slowly, increasing operational costs and risks. The Coast Guard does much with little, but a real investment in this part of American infrastructure would be beneficial to all.

The proposed Presidential budget breaks its promise to this military service at a time when the Coast Guard is under strain, overextended, and underfunded. This budget proposal would hamper a Service already operating on a shoestring. The Coast Guard suffers from the same readiness crisis facing our other military services, including recruiting challenges, needed maintenance funding, and dollars for such basic needs as fuel.

Unfortunately, the operational funds needed to keep pace with recapitalization have remained flat. Without investing in operational funds for things like fuel, spares, training, and manning, these recapitalization investments will be underutilized. To fully fund costs under a flat-lined operations budget, the Coast Guard has had to make reductions elsewhere, ones that affect its people.

The Coast Guard will always put its mission operations before all else, without complaint. It is just part of their organizational DNA. But we are seeing the impacts of reduced operational funding.

Navy League councils in the field have relayed stories of unit galleys closing and the opening of needed child development centers postponed. We know about reductions in training centers and tuition assistance, the cancellation of educational services officer program, reduction in medical benefits, and fewer TRICARE medical advisors and health promotion coordinators.

Individually, these may not cause anyone to rethink their service, but they add up. At a time when the Service needs to grow by 5,000 people, and the Coast Guard needs to invest in its people through programs like these, it instead is forced to make difficult tradeoffs to ensure mission execution.

The Navy League would like to thank this committee for its bipartisan leadership, and thank Congress for ensuring that this underfunded and vitally important military service has the needed resources.

These are critical strategic investments, investments not just in the Coast Guard, but in our national security and safety, in our environment and economy, and in our maritime infrastructure.

These are investments in our national sovereignty. Thank you.

Mr. HUNTER. Thank you, Mr. Acton. Because we actually have some people here today, which is kind of fun, I am going to recognize Mr. Mast first.

Mr. MAST. Appreciate it, Chairman.

Hey, I got a couple of quick questions for you. I am going to start with you, Admiral Stosz. I appreciate the testimony from all of you. One kind of general, and then one a little bit more pinpointed to south Florida.

I know you all are mission-first. I love it, Semper Paratus. I love everything about it. I got to connect with my Coasties down in Fort Pierce. They took me out on the water. And, you know, anybody that spends time on the water, we know how maintenance-intensive it is, anything that operates on saltwater on a daily basis.

So what I want to get to is the force that you have that is conducting day-to-day maintenance out there. How much of the actual force of the Coast Guard is dedicated to maintenance, to keeping everything running? And are they having the resources that they need? I am talking about in the minutiae of it, to keep the engines going, to keep—you know, to keep the things moving, keep it afloat. Can you give me a little bit more specific picture of what that looks like?

Admiral STOSZ. Yes, sir. So we have—part of the mission support business model is our operational and our depot-level maintenance.

So what you are seeing out there at the station is your operational-level maintenance, where those are funded locally, those are operational personnel that belong to the area commander, the district commanders. And I do the depot-level maintenance, my people up at—when those boats come in for overhauls. Even the small boats come in for what we call sometimes cutter boat pooling. We will bring those together, bring them back into a depot where we can strip them down and give them back to the operators.

And we are deferring maintenance on both sides of—the operational and the depot level. But what we try to do is make sure we are funding the depot level, so that we are not repairing problems that happen on the spot. We don't want that cutter, that boat, to be out there and stopped in the water with an engine problem.

So we are making sure that we get the depot maintenance to keep its engines going. And then the people at the optional end, they normally have—much of the resources they need, it is more at the depot level that we need to make sure we have the resources. And we are looking at the backlogs.

Mr. MAST. What does that deferment look like, in terms of your operational capability and drug interdiction, in terms of life-saving capability? What does that, literally, look like when you talk about that deferment?

Admiral STOSZ. So the deferment at the depot level, what that does is it just slides those availabilities—sometimes the service life extensions that you see on the—this is more for the cutters—they will have to be slid to the right. And we should do those earlier, in order to save ourselves on the maintenance, because it just costs more money to maintain if you don't do the depot level, and you have got to put them into the operational—put more money into them, operationally, instead of doing the depot work that will get them ready for—back to sea again.

Mr. MAST. Well, thank you. Thanks for helping me understand that a little bit. I know it is important, because they are never going to take the—make the mission lighter for you. It is always

going to continue. But you have to have the appropriate resources to go out there and do it.

I want to just focus a little bit also on Port Everglades. I just want to make sure, because it's down there in my area, and I wanted to ask you all. Are you having the appropriate amount of communication, with all of the infrastructure that is going on, surrounding the expansion of Port Everglades? I know we have to move around one of your stations down there. Is there anything that we need to know about impact on operations, anything that you want to address on that front, now that you have us here?

Admiral STOSZ. Sir, I will just say, from my side, the civil engineers who work for me are working closely with the Army Corps of Engineers, and we don't have any concerns. We are monitoring that with them, and we are—I would defer to my colleague on anything operational, but we are set with the actual move.

Admiral RAY. Sir, you are aware, since you have been there, about how operationally important—that is a Seventh District unit, and that is the busiest district, you know, last year I think 5,000 lives saved in that district alone, and hundreds of law enforcement cases.

So we are tracking, we understand the importance of the moves, and we have got plans in place to maintain operational capability. So thanks for keeping up with it.

Mr. MAST. Outstanding. I appreciate your testimony, again, and I yield back the balance of my time, Chairman.

Mr. HUNTER. I thank the gentleman. Mr. Garamendi is recognized.

Mr. GARAMENDI. Mr. Chairman, I am going to take up an issue that is extremely important to the minority, both in the overall Transportation and Infrastructure Committee, as well as in other committees. And if you will indulge me to do this—and this is for Admiral Ray and the background.

One of the essential functions of this committee is to exercise oversight of the executive branch agencies over which we have legislative jurisdiction. Thorough oversight is required for Congress and this committee to develop effective legislation that benefits the American taxpayers and meets our security requirements.

It has come to our attention that the Trump administration, in an opinion from the Office of Legal Counsel, has determined that only—only—the chairman of the committee or subcommittee of jurisdiction may exercise the oversight functions of that committee.

Further, the opinion instructs that an agency should not consider an oversight request from any other Member of Congress, including the ranking member of the committee or subcommittee with jurisdiction as an inquiry requiring a response. It states that the agency may exercise its own discretion in determining whether to respond to these inquiries from the minority.

Therefore, Admiral Ray, is it the policy of the Coast Guard to respond substantively to oversight inquiries made by the ranking member of this committee or subcommittee?

Admiral RAY. Sir, I am not familiar with the policy that you refer to, but I am familiar with our practice in the Service of responding to subcommittees and committees. And we pride ourselves on being responsive. And we have a team of folks here that you recognize,

three of them today. They make sure we get the questions, and then they make sure that we get the answers back. And we have processes for that.

I am not aware of any way that we separate the questions, depending on the words. And if they come from the Congress, we are making every attempt to answer.

Mr. GARAMENDI. I need not expand further how important I believe this issue is. Apparently, the Office of Legal Counsel leaves it to the discretion of the agency. And I am pleased to hear that, as of now, your exercise of that discretion would allow the minority questions to be answered. Is that correct?

Admiral RAY. Yes, sir.

Mr. GARAMENDI. Thank you. Then let me move on.

Ms. Mak, thank you for your testimony. In its fullness, you seem to be stating that the current budget and appropriations for the Coast Guard significantly understates the requirements that the Coast Guard has to meet its obligations. Is that correct?

Ms. MAK. Absolutely, sir. The budget does not reflect reality. For example, if you look at the President's 2018 budget request, the OPCs cost almost half a billion dollars, almost half of the acquisition budget. The FRCs, almost a quarter of the acquisition budget. So that leaves you a quarter left. That does not address the 10th NSC, the FRC plus-ups, the icebreakers, the service life extension for the Medium Endurance Cutters, or the shore infrastructure, which we have already said is $1.6 billion, in terms of backlog.

Mr. GARAMENDI. Have you developed the amount of money that would be necessary to meet those requirements?

Ms. MAK. No, that is where we believe that the Coast Guard needs to develop their 20-year plan with the strategies, with the assets that they need to meet their missions, and the cost that is required, before tradeoffs can begin to be discussed.

Mr. GARAMENDI. Thank you for that setup.

Now, Admiral Ray?

[Laughter]

Admiral RAY. Sir, as our Commandant has stated, recently before this subcommittee we have established the program of record for the assets that we need, whether it is National Security Cutters, Offshore Patrol Cutters, icebreakers, and various other assets. And to kind of summarize it, he stated repeatedly—and we believe it puts us in good shape—to have—we need to get our—the growth of our operations and maintenance budget, our daily O&M budget that we do to do operations, to be at least 5 percent per year.

That is something we haven't obtained. We have had a net 10-percent reduction in purchase power, or buying power of our O&M budgets, since 2010. We need a $2 billion predictable recurring AC&I budget to do acquisition.

Mr. GARAMENDI. The setup question by Ms. Mak wasn't completely answered. So let me put it to you directly. I think it is the responsibility of this committee—and I am almost certain that the chairman would agree—that we need to have a long-term vision, and we need to prepare the Coast Guard for its current and future tasks.

In order for that to be done, the Congress must exercise its authority and responsibilities to set the pace and to provide the

money. We have not done so. In order for us to do so, we need to have from the Coast Guard your full requirements for funding to meet the program that is of record.

Therefore—and I will work this out with the chairman, so that we could both ask the question for you to develop for us the money necessary, year by year going forward, to fully address the requirements of the Coast Guard—we are talking acquisition budget here—so that 20 years looking out there, which Ms. Mak just discussed.

Also, Mr. Acton, in your testimony, you made a very forceful statement about the needs—it seems to me that it is time for us to fully fund the requirements of the Coast Guard in every way. And all of the acquisition programs, the program of record in its fullness, so that we know what it is the requirements are. We may or may not be able to meet that, but our task is one of making choices.

I said earlier in my view the Coast Guard is the wall. I believe we have some $2 billion that is going to be added to the ongoing physical wall on the terrestrial side. So we need to make a choice. Could we move $2 billion from the terrestrial wall to the water? What would that do for the Coast Guard?

So, anyway, help us with this. And I would like to work with the chairman to put forth a request for the full funding over the next 20 years, year by year, to meet the full requirements, as Ms. Mak has stated it. So, with that, I yield back.

Thank you, Mr. Chairman, for the extra time.

Mr. HUNTER. I thank the ranking member. And once again, we are just happy to have people here. So I am going to recognize the gentleman from Louisiana, Mr. Graves.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman.

Admiral Ray, I would love to talk to you a little bit about acquisition strategy. And I think that, under Congressman Mast's questions earlier, you guys covered this a bit.

But there is this perception out there in Congress and in the public that spending Federal money is, effectively, a waste of money and causes deficits and things along those lines. Could you talk a little bit about your experiences, through the investment of the FRC and the NSC, and how that program is actually performing, in terms of the financial return on investment, compared to your legacy equipment?

Admiral RAY. Yes, sir. I can, and the—I have had quite a bit of interaction in a security cutter fleet from my time in the Pacific area, where I served before this. And the effectiveness of those assets on patrol, whether in the Bering Sea, whether the approaches between South America and Central America, their ability to stay on station, seakeeping, the capability they have for intelligence, which—we should really have a separate classified briefing on that—it is foundationally different than how we have done business in the past.

There are cutters that are getting underway right now—and the—specifically, National Security Cutters. While we are certainly proud of our 50-year-old, 210-foot cutters that are doing great service, the return on investment for a National Security Cutter patrol, the amount of seizures they get, the amount of intelligence they

process, and their contribution to attack in these transnational criminal organizations is without question. There is no question of the effectiveness.

With regards to the Fast Response Cutters, we are pushing them further downrange. We are pushing Fast Response Cutters with a crew of 25 people all the way down to the shores of South America, along the Leeward Islands. And the effectiveness—and these are crews that we would—that is a long ways for a patrol boat to go.

And the effectiveness they have, whether they are communications—we just had a seizure off the coast of Martinique, and the patrol boat skipper wrote back specifically talking about the C4IT system that is on board that Fast Response Cutter, and how he couldn't have done—couldn't have found the bad guy, couldn't have caught him, and couldn't have processed him without the systems that are on there.

I could go on and on, sir, but that is the answer.

Mr. GRAVES OF LOUISIANA. So you are seeing better performance, you are seeing better return, in terms of your ability to perform your mission. And what about O&M costs, are you seeing an O&M cost comparison that you could comment on?

Admiral RAY. Yes, sir. The O&M costs are higher than they were with our previous assets, and that is one of the reasons our Commandant has gone on record saying we need at least 5 percent growth in the just planning factor for O&M costs per annum.

Mr. GRAVES OF LOUISIANA. Well, actually, let me follow up on something you said. You made mention of your Pacific forces in Southwest Asia, the work you are doing with DoD over there. Have you received any indication, any signal from DoD about your continued presence, the need for the Coast Guard's continued presence in that area?

Admiral RAY. You referring to the South China Sea, sir, East China Sea, that area?

Mr. GRAVES OF LOUISIANA. Yes, yes.

Admiral RAY. We have been in conversations with the Department of Defense. Unfortunately, several of those are classified, in terms of our contribution. We have a longstanding recurring relationship with the Department of Defense, so we are interoperable. Primarily, National Security Cutters, once again.

So yes, sir, we have been in communications on that. We don't have any units deployed there, as of right now.

Mr. GRAVES OF LOUISIANA. Do you think that, under the contract you have right now for FRC, that you have sufficient flexibility to provide adequate hulls for presence that you are providing right now in the Pacific theater?

Admiral RAY. We have got a capacity challenge right now, sir, so we can't get those assets out there fast enough. And, thanks to this subcommittee, we are turning the corner on the FRCs with this year's budget. So it is—the capability is not in question, it is a capacity challenge.

Mr. GRAVES OF LOUISIANA. OK. Switching gears a little bit into navigation. While I think there is a lot more attention to OPC, FRC, NSC, which I understand, a little bit sexier vessels, some of your inland waterways and some of your buoy tenders—if we are talking about 21st-century infrastructure, can you talk a little bit

about your existing assets that, in many cases, are 50, 70 years old that are carrying out those inland waterway missions, and how you think those assets are able to perform in a 21st-century environment, as we work to help to improve the infrastructure in an inland waterway system?

And talk a little bit about your strategy for replacing those.

Admiral RAY. Yes, sir. With the assistance of this subcommittee, for the first time ever in fiscal year 2017, you know, we have got $1 million to do the analysis on the—kind of start the program, moving it forward, because they need to be replaced.

There are some changes in technology that will probably work on the margins for this 35-ship fleet that are, literally, all over the heartland, from Omaha, as I said, Oak Island, North Carolina, down to Morgan City, and everywhere in between. And so, we will work on the margins, some modern technology.

But at the end of the day, the river changes—as you know, when the river changes and goes up and down there is really not much substitute for a boat—own station planting those buoys so when you have got a barge coming down that is four wide and seven long moving grain and petroleum products out of the heartland—and that is our competitive advantage, as a Nation, is that river system—and you got to have buoys on the water to do that. And there is no way to do it except the way we have been doing it. And so, those vessels need to be replaced.

Mr. GRAVES OF LOUISIANA. Well, just as a—I think important to this subcommittee, if the Coast Guard could help convey a comprehensive strategy, acquisition strategy for us, I think it would be very helpful in us being able to help you, in terms of upgrading some of those assets that I think are needed if we are truly looking at 21st-century capabilities.

Let me just clarify. Certainly South and East China, important, but I think you have an ongoing mission—I am going to have this roll off the tongue—PATFORSWA [Patrol Forces Southwest Asia]—did I do that right? All right. Where you have a presence in Bahrain and other areas. And I think that also applies to having a presence of NSC and FRC in those areas. So I just wanted to clarify that.

Thank you, I yield back.

Mr. HUNTER. I thank the gentleman. Mr. Larsen is recognized.

Mr. LARSEN. Thank you. Thanks, Mr. Chairman.

Admirals—you can choose to answer this—about shoreside infrastructure, where this year's budget reflects about a 93-percent cut in shoreside infrastructure facilities, aids to navigation, and housing.

So, if we enact the budget as-is, it will be impossible for the Coast Guard to address the current $460 million backlog in shoreside infrastructure that you have prioritized. So I am just wondering how shoreside infrastructure fits into your priorities if we are sending folks off on state-of-the-art platforms and coming home to infrastructure that is, literally, falling apart in some places.

How can we always be—how can you always be ready, if that is the case? Can you try to address that for me?

Admiral STOSZ. Yes, sir. I am happy to do that. So investing in shore infrastructure is one of my top priorities. Rebuilding, I am—

the Coast Guard's crumbling buildings, training centers, our classrooms and our barracks, our housing, our shoreside facilities like our piers and our boat lift facilities and our covered moorings, those aren't just good for the Coast Guard. That is good for America, because that creates construction jobs in communities across the Nation. So I am passionate about reinvesting in our infrastructure.

As you know, we have had to make the tough tradeoff decisions over the years of decremental budget environments. And often, shore was where we made that tradeoff, as we wanted to keep production lines running with the capital assets we have been talking about thus far.

Now, you have heard the Commandant say we need to rebuild and repair and modernize the Coast Guard, invest in our modernization, invest in our infrastructure. We do have a $1.6 billion backlog in our shore construction account, and a $700 million backlog in our maintenance account. And what we need to do to get at that is we need to have a $2 billion CIP, Capital Investment Plan.

Mr. LARSEN. Right.

Admiral STOSZ. We need to have the 5-percent O&M funding per year that is going to get at that $700 million backlog and continue the maintenance we need to do, the preventative maintenance that has to keep these assets available, because they are what support our operations and our people. Not just the operations——

Mr. LARSEN. So——

Admiral STOSZ [continuing]. But the people that run them.

Mr. LARSEN. So it sounds like you have not only run the numbers that we see today, but you have run the numbers out 5 to 10 years to play catchup, as well.

So, if that is the case, then how are these tough tradeoffs being made, knowing full well that the end result is that we have shoreside facilities that are really not in a position to support all these great new platforms? And they are great, and they will be new, these great new platforms that they are supposed to support. What discussion is taking place inside the Coast Guard, inside DHS, and inside OMB on this?

Admiral STOSZ. Yes, sir. Thank you for the question. And I want to thank the Congress for supporting our major acquisition shore infrastructure funding. That gets tied to our new ships and aircraft, and that has been funded. So you will see, when we have a home port, where we are clustering our cutters, we are getting the money—and that is usually tens of millions of dollars per port—to build out that infrastructure. So we are doing that.

What is—and we are rebuilding from hurricanes. Thank you for the $15 million downpayment on our $90 million damage assessment for Hurricane Matthew.

Mr. LARSEN. Yes.

Admiral STOSZ. But it is the other routine recurring—our training centers, the other facilities that fall into the backlog that—there isn't any room left at the table, once you have funded all that, and then you have looked at those—like I said, the production lines always trump the infrastructure that—we say we can get at that tomorrow. And we are waiting for that day, and that is why we need the $2 billion CIP.

Mr. LARSEN. Yes. Again, I don't know which one of you will—can answer this, but on the OPC timelines—and this is sort of the opposite of the discussion we just had, sort of this discussion about where you put your money. Even with service life extension providing up to 15 additional years to the existing Medium Endurance Cutter fleet, you are looking at anywhere from a 2- to 5-year gap for your OPC replacement for your nearly—your nearly 1-to-1 replacement.

So, does that mean we—are we anticipating seeing service life extensions going 17 years to 20 years, or are we going to accept a gap on those replacement timelines?

Admiral STOSZ. Congressman, what we are going to do on there is—you see that chart that GAO submitted?

Mr. LARSEN. Yes.

Admiral STOSZ. It is a great chart. There is only about a 2- to 5-year gap, as you said.

Mr. LARSEN. Right, depending on the——

Admiral STOSZ. Yes, sir.

Mr. LARSEN [continuing]. Open sea, right, yes.

Admiral STOSZ. When they come off their service life. And, well, we do love those 50-year-old cutters. So if we stretch those to 50 years, we will be able to close that gap, sir. So we do plan on making sure those cutters, those 270-foot cutters, last until the Offshore Patrol Cutters come online.

Mr. LARSEN. So, I am sorry, are you saying that your plan, then, is not to allow those gaps?

Admiral STOSZ. No, sir, we are not going to allow those gaps.

Mr. LARSEN. Is that right? OK. All right, thank you.

Thank you, Mr. Chairman.

Mr. HUNTER. I thank the gentleman. I would now like to recognize Mr. Lewis from Minnesota, the vice chairman of the subcommittee.

Mr. LEWIS. Thank you, Mr. Chairman, and thank everyone for coming today, and your presence here. I want to talk a little bit about the administration's proposal and prioritization and everything we are supposed to do here.

Ms. Mak, you had mentioned that the administration's proposal for the Offshore Patrol Cutter as well as the Fast Response Cutters amount to about 75 percent of the budget. There are, right now, two icebreakers that get a lot of attention, the Arctic icebreakers.

But there is quite a bit of commerce in the Great Lakes region, my part of the country, and we need to make certain that those shipping lanes remain open during the very, very harsh winters there in the Great Lakes. Third largest economy in the world, with a GDP over $5.7 trillion. Much of this—this is our economy—much of it travels on the Great Lakes, 160 million tons of waterborne cargo transported on the Great Lakes.

I know that at one point—I believe it was in the Appropriations Act of last year—we had—or maybe it was 2 years ago, 2016—we had about $2 million for the survey and design work associated with icebreaking capacity in the Great Lakes. Now we have got one heavy and one medium, Arctic-wise. Where are we for the Coast Guard's plan on funding those icebreakers in the Great Lakes right now?

Ms. Mak, we will start with you.

Ms. MAK. Thank you, sir. Right now I believe we have a team that is actually doing work for this subcommittee on the heavy icebreakers, and is about to report out in the next week or two. But the concerns we have with the heavy icebreakers generally, if there is pressure—if funding is made available earlier, there may be pressure to make decisions earlier. And that would mean sometimes making decisions without all complete knowledge.

And we have done plenty of work in GAO to show when decisions are made, procurement decisions are made without all the available knowledge, there is definitely an increase in costs, changes during the contract performance and schedule delays at that point.

So broadly, I would also say that there is some concerns with the heavy icebreaker, in terms of who is going to be managing that acquisition process. Is it DHS or is it the Navy? Who has oversight of that program? Who has oversight of the contracting? And who has final say of the requirements, depending on who has oversight of the contracting? Those are some of our broad concerns when it comes to heavy icebreakers.

Mr. LEWIS. Is it a matter of additional resources or organizational control that you allude? I mean what is our fleet capability right now for icebreaking missions in the Great Lakes?

Ms. MAK. I would defer that question to the Coast Guard for what their actual capabilities are.

Mr. LEWIS. Go ahead, Vice Admiral Ray.

Admiral RAY. Sir, as you know, we have got Coast Guard cutter *Mackinaw*, important, in the Great Lakes, and we have got a fleet of 140-foot icebreakers which are going through a service life extension right now.

We performed an analysis that was delivered to the Congress in 2016 about the requirements for additional icebreaking capability, and we haven't moved forward since then, in terms of additional capability, because our assessment is that the priority is for this other Arctic and Antarctic icebreaking capability, and—when you compare things in the balance.

So, our plan right now is to address the Great Lakes icebreaking requirements with the *Mackinaw* and the 140s. And Admiral Stosz could talk about the service life extension on those 140s—and she was the commanding officer of one of them, and so the—kind of the effectiveness of those.

Mr. LEWIS. Admiral Stosz, please.

Admiral STOSZ. Sir, absolutely. We have the survey and design money to look at the new—a new icebreaker for the Great Lakes, the GLIB [Great Lakes icebreaker] style, as opposed to the 140 style. So we have that money. We are using that to look into the initial design and surveying, what we would need to do to replace that. So that is still in progress, sir. We don't have any report on that yet.

Mr. LEWIS. But to Ms. Mak's point—or suggestion, anyway—are there enough resources, once the survey and design is done, to move forward in a relatively timely manner?

Admiral STOSZ. Sir, we are not even sure we need to move forward with that construction at this point, because we are extending

the service life of those 140-footers. And we—and the GLIB is still fairly new, as Coast Guard standards go.

Mr. LEWIS. So you think you are mission-capable?

Admiral STOSZ. I would defer the mission-capable to Admiral Ray.

Admiral RAY. Yes, sir. Yes, sir. I mean we had some—obviously, 2014 and 2015 were tough ice years on the lakes. To mitigate that in the current state of affairs we have got memorandums of agreement with the Canadians to share assets, and that is how we would get after it in the near term.

Mr. LEWIS. All right. Thank you. I yield back.

Mr. HUNTER. I thank the gentleman.

Mr. Garamendi, I yield to him, and——

Mr. GARAMENDI. Mr. Chairman, you and I have had a little discussion here. I would like you to pick up the next point, and then I will take my turn after you.

Mr. HUNTER. So thank you very much. And thanks to all the Members who came to the subcommittee hearing, again.

I guess the first question I have is where is your—where is the 20-year CIP? Where is the 5-year Capital Investment Plan?

Admiral STOSZ. Mr. Chairman, thank you for the question. So the 5-year Capital Investment Plan is under development, and the 20-year plan needs to——

Mr. HUNTER. When is the 5-year Capital Investment Plan due?

Admiral STOSZ. That is—sir, we submit that——

Mr. HUNTER. When you make your budget request, right?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. You have already made your budget requests, though, right?

Admiral STOSZ. And because the budget year, sir, is a bit different this year with the change of administration, we are submitting the CIP—we are developing and submitting that up through the review process, sir. And that 5-year CIP, when we get that, we can then build on the 20-year CIP.

We owe the 20-year CIP. We are—we want to—we know we need to submit that 20-year CIP. So that is all in progress right now, sir.

Mr. HUNTER. Because we are looking at all this stuff, but this stuff doesn't make any sense if you don't have a 20-year plan. If you don't have a long-term plan, this is just pie in the sky, right?

Admiral STOSZ. Yes, sir. And we know the Auth Act in 2015 directed us to submit that 20-year CIP, and we are working on that, sir.

Mr. HUNTER. Could you tell me explicitly what is the holdup on the 5-year plan, due to change in administration? How would that affect what the Coast Guard needs to operate?

Admiral STOSZ. It——

Mr. HUNTER. No matter who the President is.

Admiral STOSZ. It needs to go through a review. So we need to go through the process and the steps and submission of that CIP.

Mr. HUNTER. Submission, it is going to be reviewed by OMB?

Admiral STOSZ. Yes, sir. It goes up the chain.

Mr. HUNTER. OK. OMB, who proposed to cut you by $1.3 billion, and your CIP has to go through them before we get to see it? So

we get the scrubbed version, not necessarily what the Coast Guard really needs 5 or 20 years out?

Admiral STOSZ. That is the process we follow, sir.

Mr. HUNTER. OK.

Mr. GARAMENDI. Look at the law.

Mr. HUNTER. Is that in law that you have to—that OMB gets to scrub your request to Congress?

Admiral STOSZ. I don't know the answer to that question, sir. I would have to get back to you.

Mr. HUNTER. Or is that just the way it has always been done?

Admiral STOSZ. I don't know.

Mr. HUNTER. OK. Second question is we started a year or two ago in the Armed Services Committee a National Sea-Based Deterrence Fund because of the submarines we have to build, and how expensive they are, and how much of the Navy budget they are going to take up, right? It looks like you are going to have the same issues, where you don't have the money for—I mean we are—Mr. Graves talked about it, Ms. Mak talked about it, the 75 percent of your budget going towards two types of cutters, and that leaves almost nothing for icebreakers, for anything else, for land-based UAS. It is a really small amount.

Have you put any thought towards doing something like that, doing—are you familiar with the account that I am talking about?

Admiral STOSZ. I am not familiar with that, sir.

Mr. HUNTER. It is basically a pot of money that they have created where they can put money into it every year to prepare for a big chunk of their budget being taken to make submarines. That is what they have done.

Admiral STOSZ. I have not——

Mr. HUNTER. Looking forward.

Admiral STOSZ. I have not looked into that, sir. I would like to. We always like to benchmark for best practices with our sister services. I would like to look into that, but do not know that program.

Mr. HUNTER. OK. After speaking with Mr. Garamendi, what we might do on the House floor is create this fund for you. We probably wouldn't put any money into it—depends on what the appropriators say—but that is something I would look at, if I were you, is a way to hedge against unforeseen needs that—things that you might need later, 5 or 10 years out, and also simply to add money to it, going forward, so that you have more money when you get to—when you have to recapitalize, and to build new stuff.

Number two, let's go up to this chart, too. Mr. Rayfield was telling me that, since 2010, you have had the money to go from the dark blue to the turquoise.

Admiral STOSZ. Yes, sir. We have had the money in our survey and design to look at the plans, the specifications, determining the work that needs to be done to extend the service lives of those 270s. So there is a number of different pieces of maintenance and work items you have to come up with. So that is what we are in the process of doing right now.

Mr. HUNTER. But it has been 7 years.

Admiral STOSZ. Well, and we are also looking at trying to——

Mr. HUNTER. Or sorry, since 2013.

Admiral STOSZ. We are trying to layer this in with the Offshore Patrol Cutter acquisition, sir.

Mr. HUNTER. Yes, but what I don't understand is if you wait long, if you keep waiting, you are not going to need to do any service life extensions, because it is going to overlap the OPCs.

Admiral STOSZ. And, sir, we will adjust the work list that we need to do in that service life, so it might cost less for us to do that, because we might do a smaller one to get those assets to the—to close that gap. We will have to do the analysis to make sure we do the right work that is needed to be done to close the gap.

Mr. HUNTER. How much money do you have in that account?

Admiral STOSZ. I don't know how much we have now, sir. We have been given several million dollars to work on the design of the work specification.

Mr. HUNTER. So what—so, just really simply, tell me what takes 4 years? Have you not wanted to do it, or are there technical difficulties, or——

Admiral STOSZ. Sir, we are making those tough tradeoff decisions. So we are trying to layer this in after the Offshore Patrol Cutter reward, and make sure that we have—doing the tough tradeoff decisions on what you can fund.

Mr. HUNTER. OK. I am not understanding. This chart is fake. This is a fake chart, because all you have is the dark blue. You were supposed to get out to the turquoise. At least start doing that, right? So the turquoise doesn't exist. Correct? There is—the turquoise on this doesn't exist, and the little dash lines don't exist, either. All you have is—the dark blue is what you have right now.

So, right now, the very first ship, the *Dependable*, should have been decommissioned in 2011. It did not get a service life extension. It didn't get—it hasn't been upgraded in any way. So it is 2017, so you are 6 years past its decommissioning date, and you haven't done any upgrades to it. But you have the money. And you have had the money for 4 years. I am just not understanding.

Admiral STOSZ. Sir, we haven't had the money to do the work. We have had the money to——

Mr. HUNTER. To design?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. OK. I am still not understanding.

Admiral STOSZ. We are still——

Mr. HUNTER. But that means you haven't done the design work, if you still have the money in the account.

Admiral STOSZ. Oh, sir, I am not sure how much money we have in the account. I apologize, I don't know the answer to that question. I will have to look and see how much of that we have. But I know that we are—I just talked about this project with my program yesterday, and we are working on providing that specification so that we can determine what the right level of work is so that we can close that gap.

We are committed to closing the gap. I am sorry about the details. I would offer you a brief to go over it in detail, sir.

Mr. HUNTER. But if you keep analyzing things, you are never going to do anything.

Admiral STOSZ. And I am not sure it is analyzing as much as it is developing that list and looking at where we need to put the effort. I will get you a brief, sir.

Mr. HUNTER. OK. All right, Admiral. We will take you on that.

The six FRCs that we authorized that were requested by CENTCOM to operate in Southwest Asia, Middle East, how do you plan on paying for those? Is that going to be in your unfunded requirements list? Because now we have authorized it, it wouldn't necessarily be an unfunded requirements list. But is that going to be included in your June submittal?

Admiral STOSZ. Mr. Chairman, we are going to look at that unfunded priorities list, and the—when you come to the assets, the 6 percent of our budget that is funded for defense with offshore contingency operations, for instance, that is one part of funding we might be able to use. And if that was the case, we might not need it on the unfunded priorities list for appropriated funds. So we haven't come to the determination yet on what the funding would be. And nor are we really the decision authority on that. So we are still looking at the options for recapping.

I did—my people did a maintenance assessment of those 110-foot patrol boats that are over there. I have got a little less than 5 years left on them. We have some time, and we are starting to work towards what that replacement capability looks like, sir.

Mr. HUNTER. OK. I am going to yield to Mr. Garamendi now. But I have got more questions when it comes back around.

Oh, I am sorry. What is—Mr. Lowenthal is recognized.

Dr. LOWENTHAL. Thank you. Thank you, Mr. Chair. It seems to me that rising sea levels will be a challenge for the Coast Guard.

What kinds of assessments have you made regarding rising sea levels? And how vulnerable are your facilities? And what are you—what plans do you have in place to address these vulnerabilities?

Admiral STOSZ. Thank you for the question, sir. We have a shore infrastructure vulnerability assessment ongoing right now with my civil engineering staff. We are looking at natural disasters, we are looking at rising tide. I have got buildings that aren't able to withstand the seismic activity in some parts of the country. I have got shore facilities that aren't going to be, in the longer haul, able to withstand the rising tide.

So that study is in progress, and my people will have some answers to us in the near future. And then we will use those in—to inform our investment decisions.

Dr. LOWENTHAL. I assume that when you are talking about rising tides, you are talking about sea level rise.

Admiral STOSZ. Yes, sir. Or it could be for flood, hurricane——

Dr. LOWENTHAL. Oh, I understand that, but I am just concerned about sea level rise right now.

Admiral STOSZ. Yes, sir. Both. There is different parts of the coast that are—can rise faster than the other, based on whether the plates are sinking and the sea level is coming up, or just the sea level.

Dr. LOWENTHAL. Thank you. And, Vice Admiral Ray, my question is I know you are aware of how important the Port of Long Beach is to our national economy. A cyber event in the port could have

far-reaching impacts and cause considerable damage to the regional and also to the national economy.

What is the Coast Guard doing to safeguard our ships and ports from cyberattack?

Admiral RAY. Thank you for the question, sir. We have been—I am proud of the proactive approach our folks have taken in this cyber arena. We have got authority to work this issue, and we have really been working—for the past 3 years, we worked awareness with industry. And that ranges, depending on the sophistication of the business entity involved. And we have got these coordinating units at each of our major ports, and Long Beach no exception.

And we have got Area Maritime Security Committees, and we—each one of those now has a cyber element to it. So primarily, up until now, we have been working the awareness phase, along with awareness of industry standards for security.

And then the next phase is to include this when we do our visits to port facilities and to ships, to work through—and this is not an onerous, over-the-top-type viewpoint, it is working with the facilities to say this is what we think you should be concerned about, given your lay-down. And kind of work with them on that. So I think we have been moving out smartly on this.

The good thing, too, is there is—industry has a lot of—at all facilities they have a lot of motivation to get this right. And they are aware of the threat, for obvious reasons.

Dr. LOWENTHAL. Thank you, and I yield back.

Mr. HUNTER. I thank the gentleman. I am going to yield to Mr. Garamendi, because we got out of order.

Mr. GARAMENDI. I thank you, Mr. Chairman. And thank you for the series of questions, and also the question about sea level rise. Extremely important.

We have got a major problem here. Ms. Mak, thank you so very much for, you know, really identifying and clearly positioning this issue before us.

I understand the Coast Guard. Admirals, I know the problem that you have. I think you fully understand the situation, but you are being reined in by the OMB, and not allowed at this point to fully express to us the full needs of the Coast Guard.

I think that we do have the obligation to demand from you the unvarnished, unscrubbed, and uncensored information necessary for us to adequately address the Coast Guard's acquisition needs, as well as its operational needs. And so I will work with the chairman to develop a series of questions for you to deliver to us the specific requirements that you have, unscrubbed by OMB, to fully address your acquisitions, as well as your ongoing operations and maintenance requirements. At the present time we do not have that information.

It may be that the—Ms. Mak, you may have more information. You deferred when I asked you the question about what the requirements would be. You deferred to the Coast Guard, as I thought you might. But perhaps you have some sense of what those numbers are, at least in general terms, and I would appreciate it if you could deliver to us your assessment of what those requirements are, so that both the operations, maintenance requirements

of the Coast Guard, and the acquisition requirements can be at least known to us.

The Navy League, Mr. Acton, you spoke to this. If you have any sense of this, I would appreciate those numbers also from your sense of it.

Also, the chairman a moment ago suggested that we might—we were having a little offline discussion up here about putting in to the Coast Guard authorization legislation, which will soon be on the floor, a floor amendment that would set up a separate account, similar to what the Navy has, so that there would be the normal operational accounts and ongoing maintenance accounts and budgets for that, and then a special account in which the acquisition money could be separated off.

Right now these two are in competition, the result of which is something—it isn't going to work. Your ships are going to simply be laid up for lack of maintenance or even fuel, and we will go build a bunch of new ships that won't be able to operate for lack of fuel and maintenance, and so forth. So we got a problem here that we are going to have to find a way of addressing in the larger sense of it. And the chairman and I will work on that, as he said a moment ago.

I do have a series of other questions. Some of them are—would seem to be minor, in comparison with what I just talked about.

Buoy tenders, what is the cost of a buoy tender, a new one? Any idea? Just a rough estimate.

Admiral STOSZ. Are you talking the River Tenders, sir?

Mr. GARAMENDI. Yes.

Admiral STOSZ. Inland River Tenders? It is about $25 million. Those are off-the-shelf, available from the Army Corps of Engineers.

Mr. GARAMENDI. $25 million a pop? One hundred million dollars, four or five a year, a couple hundred million dollars a year, we get eight? OK. This just takes us back to the question I just raised a moment ago, the issue.

The Offshore Patrol Cutter. You have got a new program underway. Just a quick status report. I know it is real new, but it is—basically, less than 4 months, I believe. Just a quick status report.

Admiral STOSZ. Yes, sir. The Offshore Patrol Cutter is contract-awarded. The shipbuilder is going through detail design. We have established an on-site office, what we call a project resident office, down there. We have the funds in 2017 and 2018 are going to purchase the construction for number 1, and the long lead-time materials for number 2.

Mr. GARAMENDI. And the delivery?

Admiral STOSZ. Delivery is 2021 for the first ship.

Mr. GARAMENDI. OK. I had the opportunity to visit the shipyard and meet your team that is down there. So we will periodically ask for an update.

I believe the contract is similar to the Fast Response Cutter contract in which there is a warranty. Is that correct?

Admiral STOSZ. Yes, sir.

Mr. GARAMENDI. Excellent. I like the idea of warranties, because I was—also visited the Bollinger facility, and there was a repair team there from the engine manufacturer that was rebuilding the

manifold, if I recall correctly. Is that—so keep the warranties in place.

A couple of other questions. This is to you, Admiral Stosz. It has come to my attention that the Coast Guard is facing a major gap in funding to cover the healthcare expenses for retired Coast Guard personnel. Is that correct?

Admiral STOSZ. I don't know. I am not aware that——

Mr. GARAMENDI. Well, it is correct. And this takes us to something that the chairman and I will have to work on on the Defense Authorization Act, in which the Coast Guard personnel requirements, both active and retirement, should line up with the general military requirements. And I think we are going to need to put a clause in the NDAA to address that.

If you can, come back with some specific information for us, so that we can—I think the NDAA is taken up this month. So we want to watch that carefully.

Admiral STOSZ. Yes, sir.

[The information follows:]

The Coast Guard does not face a funding gap with respect to covering healthcare expenses for retirees.

The Coast Guard does face a funding gap with regards to the newest retirement system—the Blended Retirement System (BRS). We have the unique challenge of funding all new BRS components but being the only armed service outside of the Department of Defense's (DoD) Military Retirement Trust Fund.

Essentially, when the 2016 National Defense Authorization Act (NDAA) modernized the military's retirement system, it left the Coast Guard behind. If the NDAA is implemented, as currently enacted, the Coast Guard may be forced to reduce operations to fund servicemember retirement benefits.

The DoD's method of accrual accounting (e.g., the Military Retirement Trust Fund) creates immense discretionary savings over the first 5 years that they will use to fund BRS increments (e.g., Continuation Pay and Thrift Savings Plan matching contributions). There are no savings available to the Coast Guard since we use a pay-as-you-go method to fund retired pay. Absent legislative action, the Coast Guard could face an annual bill in excess of $35 million in the years following BRS implementation, thus forcing us to make operational tradeoffs such as: an 18-percent reduction in operational fuel funding, a 76-percent reduction in military accession and training programs, a 1-percent reduction of the military force, or the loss of 12 major cutter dry-dock maintenance periods.

We do not believe that it was the intent of the 2016 NDAA to create this unique challenge for the smallest of the five armed services; however, without legislative assistance the Coast Guard faces difficult decisions in the near future.

Mr. GARAMENDI. Mr. Acton, the eLoran. We can go into it—question. Based upon your experience with the Department of Homeland Security and with the Coast Guard, do you think the eLoran system could help eliminate the problems with the GPS?

Mr. ACTON. Yes, sir. As you know, the GPS system has been around for a while. It is fairly easy to disrupt. There is a growing reliance on that system in virtually every technology area, and yet our adversaries are gaining a growing capacity to be able to disrupt that.

So, from our perspective, GPS is a single point of failure from much of our infrastructure. And this issue has been known for

quite a number of years. Although the Coast Guard should not have the lead, and does not have the lead on that, I believe it is the Secretary of Transportation overseeing the National Executive Committee for Space-Based PNT [Positioning, Navigation, and Timing], the executive committee, the Coast Guard does have a key supporting role in that.

So, as a single point of failure that has been recognized for some time, the Navy League would support advancing a backup program like eLoran.

Mr. GARAMENDI. OK. In our Coast Guard reauthorization, we actually give to the—instruct the Department of Homeland Security to take up this issue—excuse me, Department of Transportation to take up this issue, and to work with the Coast Guard on implementing it.

Do you think—well, let's just—one more thing, and this brings us back to this overarching budget problem here.

Ultimately, the Coast Guard did do this. They did do the loran system. And the question is, are they capable of doing the eLoran system? The answer is, of course, if they have the money. Correct, Admirals?

Admiral RAY. Yes, sir. Given the required resources, we could—we have taken on a lot of missions over the years.

Mr. GARAMENDI. Give us the money and you can get it done, right?

[Laughter]

Mr. GARAMENDI. OK. I have been beating this drum so many times, but yes, it is in the authorization—it is in the reauthorization, and we are going to try to make sure the money is there, also.

You mention IT networks in the testimony. Could you expand on that?

Admiral STOSZ. Yes, sir. So our information technology network is the foundation on which our mission systems operate, our shore-based mission systems, our programs and software, and on which the cyber capability rides. So Admiral Ray can't implement his cybersecurity operations unless I have got the enterprise mission platform up to date.

And right now we have aging IT infrastructure systems. Like our electronic health record system, as you probably are well aware, has had to go back to paper. We are in the process of that acquisition. It has become a major acquisition for us. And these IT acquisitions had not been major acquisitions in the past. Or they are formal acquisitions, rather.

Also, our core accounting system, we are working with a lot of these aging systems that run much of our Coast Guard and also our mission systems, our applications that we rely upon to do our Coast Guard business. So there is a lot to that infrastructure for our IT, and we are starting to fund that, and we are on it. We have requirements we have to meet through DoD on the .mil side to do much of that work.

Mr. GARAMENDI. Both the chairman and I are on the Strategic Forces Subcommittee, which deals with a lot of this IT stuff. And for the Department of Defense, this is a huge issue. This is the first I have heard about this issue in this context with the Coast Guard. I would appreciate a more complete briefing about this overarching

issue. It is not only your ability to communicate and to keep track of what is going on, but also the question of the security of the system.

Admiral STOSZ. Yes, sir. We are in the same exact place the DoD is with this. We are on the .mil side, we are aligned with them, we are going through all the same processes and procedures that you will see on your other committee.

Yes, sir, I will get you a brief on that.

Mr. GARAMENDI. All right. I am going to just quickly, if I might, Mr. Chairman—I am way over time, I am sorry, here.

Mr. HUNTER. It is just us. Go ahead. It is just us.

Mr. GARAMENDI. OK. Icebreakers. We have had a couple of questions back and forth about the icebreaker. Again, just a very quick update. I missed part of the testimony—I think you may have answered it—for the Great Lakes issue. Let's go back to the heavy icebreaker, and bring us up to date on that.

Admiral STOSZ. Yes, sir. The heavy icebreaker, where we are with that is, first of all, I am happy to hear the President, at the Coast Guard Academy graduation a couple weeks ago, call for building many heavy icebreakers. And I am glad to hear the support that Secretary Kelly gave us yesterday during his testimony for supporting icebreakers.

We have stood up an integrated program office with the Navy. This is the best thing, ever. We are leveraging the expertise of both parties to reduce costs and increase the speed we can deliver this icebreaker. And that timeline is now 2023 for delivery.

That integrated program office is doing some great things. One of them is that they are looking at the requirements and doing tradeoff analysis to drive that cost down well under $1 billion. They are—we issued out five industry studies, as you might be aware. I am very excited about those. They are charged with looking at reducing risks, but looking at identifying technical elements, and they are looking at, specifically, block buying, what the possibility is for that.

And we have also been doing tank test trials with the Canadian partners, and that acquisition is, like I said, looking to deliver in 2023. The funding in 2017 and 2018 is going to get us the RFP, request for proposals. That will be out in 2018. And then we will be ready to issue detailed design and construction in 2018 or 2019.

Mr. GARAMENDI. So we are moving along on schedule. You quickly mentioned Canada. Could you expand on that?

Admiral STOSZ. Yes, sir. Canadians have a lot of experience with icebreaking, too, and so we are partnering with them to do tank test trials of the hull form to look at validating viability of different hull forms. It is part of the——

Mr. GARAMENDI. Are they interested in the heavy icebreaker, also?

Admiral STOSZ. Yes, sir. They have heavy icebreakers, also. That has been a part of their history.

Mr. GARAMENDI. So is there a possibility that Canada and the United States will build a similar icebreaker and, instead of three, there may be four or more, depending on what Canada wants?

Admiral STOSZ. Sir, I don't know where the Canadians are with their icebreaking right now. I have got people who do. We can get

back to you on that, sir. But we are partnering with everybody we can on this to make sure we get it faster and better.

Mr. GARAMENDI. OK. Also in the Authorization Act which will soon be on the floor there is the issue of a study of a rental or lease of an icebreaker.

Admiral STOSZ. I defer to my colleague on that one, sir, Admiral Ray.

Admiral RAY. We have been in contact with the folks that are interested in leasing an icebreaker, sir, and just—in fact, just last week—they have developed ice trial, a proposed way to do ice trials, because this one that is available for lease has never actually broken ice, as you know.

So we have been in communication with them as recently as last week and told them we would be interested in sending Coast Guard observers for this ice trial, if and when they do that.

Mr. GARAMENDI. And if that works out, that would be for an interim period of time, and that would be the operations budget? And that takes us back to the issue of acquisition budget in competition with operations budgets. We go back and forth here.

Please keep us up to date on it. I know it is a priority among some of the members of the committee, and so we want to stay on top of that trial. And if you will, let us know about that.

Mr. Chairman, I could probably go on for an hour, but I have gone on 10 minutes past my time, so I will ask for forgiveness and yield back.

Mr. HUNTER. I thank the ranking member. Let's stay on the *Aiviq* for a minute, right? That is the only U.S.-made icebreaker that exists, besides the two that you have sometimes when they work.

So you said last week they developed a sea trial plan?

Admiral RAY. No, sir. They developed this a few weeks ago. But we—they sent it to us to review several weeks ago, and our folks took the time and due diligence in reviewing the sea trial, ice trial plan for the *Aiviq*, and we responded to them a week before last and told them, you know, kind of a—that it looked like a reasonable plan. And this is not a quote, but you know, a reasonable plan, and that we would be interested in sending Coast Guard folks to observe it, if and when they do execute those plans.

Mr. HUNTER. OK. So when they execute the ice trials, according to what the Coast Guard wants them to do, you are going to have Coast Guard observers?

Admiral RAY. We offered that. We haven't closed the—we haven't gotten a response back from the offer that we gave them as of yesterday, when I asked.

Mr. HUNTER. OK. Thank you. Admiral Stosz, really quick, the VA just came out and said they are going to use the DoD's electronic health record system, finally. I mean this has been going on for a decade now, where they each have their own thing, and they don't talk to each other. Why don't you guys piggyback on DoD?

Admiral STOSZ. I would love to, sir.

Mr. HUNTER. So now you are not going to—but you have developed your own system.

Admiral STOSZ. We aren't developing our own system. We are going out right now, doing the market research because we are required to by the acquisition process.

Mr. HUNTER. Why would you go out and do market research on something the Department of Defense already has? You are part of the Department of Defense.

Admiral STOSZ. We are. Well, no. We are a military service, not part of the Department of Defense. We are trying to get in on the DoD's acquisition program. Now that the VA has come on board with that program, we see an opportunity to leverage in to that. It was—there were some challenges on the contracting side, with leveraging into the DoD program, given where they were with the contract, with the VA just looking to get on.

We are excited. Just yesterday I was talking to my staff about get me a brief on this, and how fast we can move on this, given that we are at paper records right now, and there is nothing good about that. I am very excited about this right now. We need to look and see what the requirements are.

As you probably well know, we have an audit undergoing right now. Because of the IHIS [Integrated Health Information System], the old—the problems we had with the program in the past, we want to make sure we do everything right. So we are—that is what we are doing, is making sure we do it right. But if we have a chance to get in here and get onto this program that is—this acquisition that DoD and VA are getting on to, we would love to do that. And we owe it to our people to be compatible, to have—from first handshake to retirement, to have a compatible healthcare system.

Mr. HUNTER. And the committee would highly recommend that you don't do your own thing, and that you piggyback on DoD's plan.

Admiral STOSZ. Yes, sir.

Mr. HUNTER. All right? You talked about cyber—I am just curious, really quick—and Mr. Garamendi asked for a hearing on that.

If we could do a classified hearing, that would be great, because I would like to hear about the bad guy spoofing when we try to track them, and—because that would nullify your game theory which you use to not check 99 percent of the cargo containers coming into the U.S. The 1 percent that gets checked is basically done by—you are saying this is coming from a bad place or going through a bad place, and we are going to check this. That could probably be affected through cyberattacks or spoofing, and that kind of thing. So if we could do a classified hearing on what Mr. Garamendi talked about, that would be great.

Is a heavy icebreaker going to be on your unfunded requirements list?

Admiral STOSZ. Mr. Chairman, we would prefer that that icebreaker was appropriated funds, either this ship conversion Navy that the—was used last time for the Coast Guard cutter *Healy*, or in our appropriated funds. But if not, then that will be something that is at the top of the list that we submit.

Mr. HUNTER. It wouldn't hurt to pile on.

[Laughter]

Mr. HUNTER. Right? To ask for more than once.

And there is something here that I don't understand. You said you are requesting $10 million in this year's budget request—and tell me if I am wrong—$10 million for shoreside infrastructure. Is that correct?

Admiral STOSZ. I believe that $10 million is the number, sir. I need to pull out my sheet.

Mr. HUNTER. So what number?

Admiral STOSZ. I believe that is the number.

Mr. HUNTER. OK. So let's just say it is $10 million, and maybe $8 million, or it may be $15 million. Let's even say it was $20 million or something. I don't understand. There is a $1.6 billion construction backlog, right?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. And the $700 million maintenance backlog, right?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. And the Coast Guard is requesting $10 million, $1.8 billion plus $700 million, or $1.6 billion plus $700 million, that is more than $10 million.

Admiral STOSZ. Yes, sir, that——

Mr. HUNTER. I don't understand.

Admiral STOSZ. That goes to the tough tradeoff decisions that we have to make.

Mr. HUNTER. Yes, but I guess my question is, though, again, this is about the Coast Guard not requesting what you need. So why wouldn't you request what you need?

Admiral STOSZ. It won't fit within the budget that we have to build.

Mr. HUNTER. But my—we go around this all the time, back and forth, back and forth. You are there to request the budget for what you need to accomplish your missions, right?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. And you have mission needs statements, which lay out your statutory missions. There are 11, right?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. OK. So you have that. But then you don't request the funding that would allow you to meet those mission sets. I just don't understand. I mean $10 million is paltry. That is nothing. So why even have this? Why even say you have—I mean so you say you have this massive backlog, all these things you have to do.

I guess, Admiral Ray, operations-wise, is not getting that infrastructure fixed up going to have an effect on the new assets that you are purchasing?

Admiral RAY. Yes, sir. It does, ultimately. I mean, as the Congress—as the ranking member said, we got to have a place for folks to come back home to.

And so, what our Commandant has stated moving forward is we got to reconcile this, just as we did with this—we made a statement about the $2.0 billion AC&I recurring. We would like to—our target on that is $300 million recurring for shoreside infrastructure. We are not there yet. We have had to make tough decisions like other folks, and our—as an operational agency, we have tended to favor operational assets. And that is where we have been, up until recent years.

So, moving forward, we are going to have to adjust. But to answer your question, these resources, the shoreside infrastructure is important to operations, as well.

Mr. HUNTER. And what there is right now—and, Ms. Mak, I am going to kind of ask you to fill in the blanks here—you have a total disconnect between the budget you are receiving, or the budget request the Coast Guard has given Congress, and the President's budget request is totally out of connection with what the President has said. Totally.

In fact, you guys remember back about a month or two ago OMB was planning on cutting your operational budget by, like, $1.3 billion out of your $10 billion budget, right? That is a total disconnect from what the President says. So either the President's office has no input whatsoever with your budget request, or the requirements that the President has for you and the U.S. Coast Guard, or they just don't care what the President says in OMB.

What do you—Ms. Mak, what do you think the issue is here? Because there is a total disconnect.

In fact, we found out about the OMB budget cuts the day after the President gave his State of the Union, where he talked about transnational terrorism and crime and drugs, which is what the Coast Guard does, and then they are going to propose to cut you by 10 percent. I don't get it.

So what is the disconnect?

Ms. MAK. I agree with you, sir. You are absolutely right. There has been a disconnect. We have been reporting that for years, as you are well aware of.

For the deferred acquisitions, the Coast Guard's answer is that because of budget limitations they have been deferring their acquisitions. As a result, that has created this bow wave, and it has come to the point where now it is unsustainable.

And I think the first step, a positive step, is this 20-year plan that we have been talking about, to be able to lay out all their assets, all their missions, and then all the funding that is required, because then they can begin tradeoff discussions. What may impact what missions, what missions they may not be able to do as effectively.

But that can't be done until that is all laid out in a plan to see, OK, we have this much and this is how much we need. What assets are we not going to get? What assets are we going to get, and how they impact mission. So that is what we believe is a first step.

Mr. HUNTER. Well, why do you think the disconnect exists between what the President has said he wants to do and wants to use the Coast Guard for, and the lack of funding?

Ms. MAK. That could just be priorities further up in DHS or OMB. I can't make that call about where those priorities and decision are being made.

Mr. HUNTER. OK. Do any of you know how much money out of OCO was earmarked for homeland security out of the National Defense Authorization Act?

[No response.]

Mr. HUNTER. Because I believe Secretary Kelly got some money, or at least requested some money in what is going to be OCO coming up. But you guys don't recall how much that is? And obviously,

then, you wouldn't know if any of that is earmarked towards the Coast Guard.

Mr. GARAMENDI [to the chairman]. You mentioned CENTCOM.

Mr. HUNTER. Yes. This is——

Admiral STOSZ. I don't recall the amount, but we received in 2017 the OCO funding we need.

Mr. HUNTER. What was the OCO funding spent on?

Admiral STOSZ. That is spent on our fast response—excuse me, our 110-foot patrol boats over in the CENTCOM AOR.

Mr. HUNTER. And that is what the six FRCs we requested are supposed to take the place of, or to help bolster that?

Admiral STOSZ. Mr. Chairman, when those six 110-foot patrol boats over there are no longer capable of serving—and my assessment is that they have about 5 years left—the operational analysis is being done to look at what the replacement capability is. It might not necessarily be one for one. We have to look at that. But that——

Mr. HUNTER. Well, I mean, CENTCOM asked us to request six FRCs for you.

Admiral STOSZ. I am just saying, sir, that is the number we have now. It—we just do a whole analysis to make sure we are doing things cheaper and the right way. So making sure we get the right cost and drive down the cost of the acquisition.

But certainly the OCO money is a viable place to look to fund new assets to go over there, we just haven't looked into that, and that is not our call.

Mr. HUNTER. Do you have a plan on—if those six FRCs—so let's say that the six are cut down to three or something in the Senate or with Appropriations. Do you have a plan on how to put those in to the build cycle for FRCs? Do you add one a year for 3 years or something? Or what do you do?

Admiral STOSZ. Are you talking, sir, about if we do use the Fast Response Cutters to replace those 110s over in the CENTCOM AOR?

Mr. HUNTER. Yes. So we authorized six FRCs in our authorization bill we just passed. Six more because of a request by CENTCOM to us, which—I am sure that was in consultation with the Coast Guard at some level. What have you done to work that into your plans, assuming that a few of those get approved and there is funding for them?

Admiral STOSZ. I will defer to my colleague on that. We haven't gotten that final auth bill yet, and we haven't—I haven't worked that issue yet.

Admiral RAY. Sir, we are working with the Navy staff and with the folks over at the Department of Defense to kind of fine-tune. We got the clear demand signal from CENTCOM, clear demand signal from the NAVCENT [U.S. Naval Forces Central Command] over there that the patrol boats that are currently there, they need that capability, moving forward, regardless of—now then, the question that we haven't answered yet is how to be funded, whether it is OCO, whether it is appropriated, we haven't answered that question yet.

We are working on requirements right now, which are fairly straightforward. We are working directly with the Navy staff. And

the one thing that we have made—where we have discussed this is we do not—if it is an FRC that replaces them, we do not want that to take the place of the fielding plan we have right now for our FRCs, the schedule that we are on.

So the 58 that we are planning to deploy around the country, if this will be over and above—in other words, we wouldn't take those and divert them. That is the planning document or the planning strategy we have right now for that.

Mr. HUNTER. I thank you. Mr. Garamendi is recognized.

Mr. GARAMENDI. Mr. Chairman, you are on to a series of questions here that are, I think, really, really important. There are two pieces of this, a request for six FRCs. Are these the new FRCs, are these part of the 58 that we are supposed to have? Or are these additional to that? Are we going to send the FRCs that are presently available over there, rather than somewhere around the continental United States? What is going on here?

Admiral RAY. Sir, our intent is to take the 58 that are currently scheduled, the program of record, and keep them going where they are supposed to go in the United States or in our territories, you know, Puerto Rico, et cetera.

Mr. GARAMENDI. So if the Defense Department wants 6, these are in addition to the 58? And so these would be available at some day in the future?

Admiral RAY. That is correct, sir.

Mr. GARAMENDI. OK. Well, we are going to need some detail here. Somebody is going to have to find the money for those six, right?

Admiral RAY. Absolutely, sir.

Mr. GARAMENDI. What do they cost, apiece? What is the cost of a—couple hundred million?

Admiral STOSZ. I don't have that right at my——

Mr. GARAMENDI. Well, OK. There is a certain number here. If there are 6—so you are saying those 6 do not come out of the 58 that are—so these are additional? And the CENTCOM wants them. Who is going to pay for the, DoD budget or Homeland Security budget? Meaning your budget. OK, we need some detail here, folks.

Admiral STOSZ. Yes, sir.

Mr. GARAMENDI. Soon.

Admiral STOSZ. I do have fiscal year 2017 enacted for six of those. It is $325 million.

Mr. GARAMENDI. Now—thank you. We presently have how many Coast Guard ships in the Persian Gulf?

Admiral RAY. Six 110-foot patrol boats.

Mr. GARAMENDI. Six?

Admiral RAY. Yes, sir.

Mr. GARAMENDI. Who is paying for the—is the cost of those operations out of the OCO fund?

Admiral RAY. Yes, sir. That is correct. That is completely OCO funded.

Mr. GARAMENDI. OK, very good. Thank you. Obviously, we need some more information here about that. We are looking at some additional ships being built, or else we are going to go short on the operational plans to protect our coasts.

Airplanes, quickly on airplanes. Your C–27Js, the current budget that has been proposed by the President basically guts the upgrading of these so that you could use them. Is that correct?

Admiral STOSZ. Congressman, the C–27s, they do come with us needing to be missionized——

Mr. GARAMENDI. Right.

Admiral STOSZ [continuing]. And needing to have all the sparing. So that is what the money is for right now, is we have regenerated those, we have regenerated six of those out to Air Station Sacramento. We are regenerating the rest of them, and the money is for missionization and the sparing.

Mr. GARAMENDI. But your budget proposal doesn't provide the money to do that. Is that correct?

Admiral STOSZ. I know we have money in the budget for the sparing and the missionization. It might not be as much as you are thinking.

Mr. GARAMENDI. Well, I am—this goes to the overarching question that the chairman was raising a few moments ago, and that is that the budget of the Coast Guard has been seriously censored by OMB. And the money necessary for acquisition of new ships is now in competition with operations and for upgrades, including the C–27Js.

It is essential that we have good data and good information, because we are—it is our responsibility to make choices about where to spend the taxpayers' money. And the current information that we have available from the Coast Guard is inadequate. It does not provide us with the necessary data that we need to make a choice about spending money for acquisitions, for operations, for maintenance, and amongst the various other requirements of the Government, specifically the Department of Defense, which is plussed up by some, I think, $30 billion.

And it appears to me that some of that plus-up comes directly out of the Coast Guard procurement and operations, in which case we have got a problem that we need data and information.

I would like to work with the chairman to put a specific question—a series of questions to the Coast Guard about the money that you need for operations, maintenance, as—and also money you need for the ongoing procurement programs, which stretch across—which include both ships, planes, unmanned aerial vehicles, and the rest, so that we can have the data necessary to make some tough decisions.

That means I need information that is not scrubbed, censored, and otherwise altered by OMB. The chairman was trying to get at this, and I will—I am going to support him in every way to get the data and information that we need directly from the Coast Guard.

So I suspect we will pursue that, Mr. Chairman. I thank you. I am going to yield back.

Mr. HUNTER. I thank the ranking member. I think, you know, one of the big things is, too, we are on the Armed Services Committee. So we see the service chiefs come in all the time and say, "Here is what we need, here is what we want. DoD is not asking for this." They go out there and fight for what they need, right? You don't do that.

In fact, you are highly censored by your overseers at OMB, so you are not even able to come in and say, "Here are all the things that the Coast Guard really needs, OMB can go to hell. The President says here is the mission that he wants us to accomplish, and here is what we need to accomplish the mission."

That is what all the other service chiefs do. They do roundtables with us, they do classified roundtables, where they go, "Here is, no joke, what we need to survive and do what we need to do." You don't do that. And we are trying to get you to do that. All right?

We have given you the acquisition capabilities that the other military services have, finally. I don't know how you went for decades without having the same acquisition authority for lead time materials and block buys and all that stuff. I mean no wonder everything was so jacked up for so long. So we are trying to get you there, but we need you to fight for yourselves.

So, Mr. Acton, let me close with this last question. If the Coast Guard—and, Ms. Mak, you might be able to pile on here—if the Coast Guard was—is—the Coast Guard is an armed service. We are trying to make you more armed. We want to really weaponize all your stuff more than it is. But if the Coast Guard is an armed service, and it is within the Department—but it is not within the Department of Defense—if it was in the Department of Defense, right, at least for those missions that were not regulatory in nature, do you think we would be having this same conversation about them not having the money that they would need to accomplish their mission?

Mr. ACTON. Sir, I think, living in a different culture than DoD is, I am sure the Coast Guard would react differently to some of the issues that they are facing.

But the larger issue is that the Coast Guard assets are multimission. They are both law enforcement and DoD, and it is unique in that regard. And that really is what enhances the Coast Guard's value to the country, is being able to be both title 10 military and title 14 law enforcement. So, really, it is a capability multiplier for the Nation.

And so the different areas that we have been talking about today regarding investments in Coast Guard assets and people and training, those are really strategic investments and national issues and national platforms. It is more than just aircraft, ships, and people. This is important to the Nation.

Mr. HUNTER. OK. Let me ask you. Just because you are in DoD doesn't mean you can't do law enforcement. Like right now they are in the Department of Homeland Security and they can do DoD missions. Where you put them doesn't matter in terms of what they can do in their capabilities. It has to do with what their funding is and where it comes from.

Mr. ACTON. Yes, sir. That is correct. Unlike the Reserve or National Guard, the Coast Guard does not switch hats from title 32 to title 10. The Coast Guard is at all times, simultaneously, a title 10 military organization and a title 14 law enforcement. So they keep those two hats on all the time and don't have to switch. And that gives the Coast Guard some real operational advantages that the country should be leveraging.

Mr. HUNTER. So my question is, then, is on funding. If the Coast Guard were in DoD, and not in the Department of Homeland Security, do you think that their funding levels would be different?

Mr. ACTON. Yes, sir. I think they would be higher.

Mr. HUNTER. Ms. Mak?

Ms. MAK. GAO does not have a position on where the Coast Guard should fit, whether it should be under DoD or DHS.

But I will address your bigger concern of cost. We currently have ongoing work looking at the recapitalization base for your subcommittee. We also have ongoing work that is looking at O&M costs, as well as shore infrastructure, which just kicked off. So hopefully in the next year we should be able to provide you some realistic costs that the Coast Guard needs to do some of these things to meet their missions.

Mr. GARAMENDI. Can we get back at this in a couple of months?

Mr. HUNTER. Yes, we can. And we will—Mr. Garamendi just asked if we could take this up in a few months again. What we would really like to see is your 20-year plan, because, even when you get all—so say that everything works beautifully, and more money gets dumped in, and all these new assets, they are all done, and they are on time, and they are on budget.

You don't know what your operations and maintenance is going to be. And you said it is more expensive, and I can see that, it is like taking in a new 2017 truck compared to a 1969 truck that you can just open up the hood and change out the carburetor or something, but now you got to plug it in. It is much, much more complex. You don't know what those are going to be.

And if you have a flat budget, and you are not preparing for that higher O&M, then you are going to be in the same situation you are now in 15 years, which I don't think you want to be in. So you need to get the 20-year plan to us so we can look at that, and you can look at it. Because, obviously, if you don't have it, not even you can see it if you—if it doesn't exist, so you can see what your O&M costs are going to be.

I think that is kind of what we need, we need to see the plans. And the 5-year plan you will have to us——

Mr. GARAMENDI. Unscrubbed.

Mr. HUNTER. You will have to us when?

Admiral STOSZ. Mr. Chairman, the 5-year plan is under development, and it is going through the process.

Mr. HUNTER. I got you. So you are going to have your unfunded requirement list at the end of the month. Why wouldn't you have your 5-year plan along with that? Because then how do you know what you need, if you don't have a 5-year plan? How can you give us an unfunded——

Admiral STOSZ. Yes, sir. The 5-year plan is the first, then the 20-year plan, and the unfunded priorities lists build on that. So these are all——

Mr. HUNTER. Right, that is what I am saying. You are going to have—the Commandant said he is going to have the unfunded requirement list to us by the end of this month, right?

Admiral STOSZ. Yes, sir.

Mr. HUNTER. So if the unfunded requirement list builds off the 5- and the 20-year plans, but you don't have the 5- and 20-year

plans, then how would you have an unfunded requirement list based on them that don't exist?

Admiral STOSZ. They are building in sequence, sir, and then we will have them——

Mr. HUNTER. OK, but you are not understanding what I am saying.

Admiral STOSZ. Yes, sir.

Mr. HUNTER. The unfunded requirement list you are going to have to us at the end of this month.

Admiral STOSZ. Yes, sir.

Mr. HUNTER. But you said it is sequential, and they—and that that list will build off the 5-year plan and the 20-year plan.

Admiral STOSZ. So——

Mr. HUNTER. So if you are going to have the third thing to me in 20 days, then why wouldn't you have the 5- and 20-year plans, which it builds off, at the same time or beforehand?

Admiral STOSZ. To my knowledge, sir, that is how they come. They will all come by the 30th of June.

Mr. HUNTER. OK. So we will have them all this month, the 5-year plan, the 20-year plan, and the unfunded requirement list in the next 23 days?

Admiral STOSZ. And, sir, I can't control the timing of the process, but that is certainly the goal.

Mr. HUNTER. OK.

Mr. GARAMENDI. If I might?

Mr. HUNTER. Sure. I yield to the ranking——

Mr. GARAMENDI. Mr. Chairman, you are on to an extremely important issue here, and it is one that I have taken up a couple of times.

There is the plan developed by the Coast Guard, internal to the Coast Guard. It appears as though that plan cannot be delivered to us until OMB approves it. In other words, censors it, reduces it, and brings it into compliance with their notion of the overall Federal budget, which puts the Coast Guard in a very difficult situation, and puts us as though we are mushrooms kept in the dark.

We really need to know what the Coast Guard needs, unscrubbed, uncensored, and direct from the Coast Guard without OMB.

I think we understand OMB very clearly. Mr. Mulvaney at OMB has his own vision of Government. I do not—it is certainly not my vision, nor do I believe it is a vision of Government that meets the needs of the Coast Guard in protecting all of the title 10 and title 14 responsibilities that the Coast Guard has.

So what I would like to work with the chairman on is to get directly from the Coast Guard uncensored information about what the operational and maintenance requirements are for the Coast Guard over the next 5 years, and beyond, as well as the acquisition requirements of the Coast Guard to meet their program of record funding requirements.

Without that information, we cannot do our job. That is the job of making choices, choices about what the Coast Guard needs, versus all the other requirements of Government. And so that is what I think we need. I will work with the chairman to try to get

that directly from the Coast Guard uncensored, unscrubbed. Let's see if we can do it.

And Mr. Acton, you are quite correct. The Coast Guard has been very, very good soldiers. They salute and carry out the responsibilities that have been given to them as modified and directed by the President and the Office of Management and Budget. However, we have our responsibilities, too. And they are somewhat different.

I yield back.

Mr. HUNTER. I thank the ranking member. So here is what we are going to do. We are going to have a hearing in July on the 5-year plan and the 20-year plan and on your unfunded requirements list. Because what—the easy way to take care of this is when you submit your request to OMB, and they scrub it, you take all the things that they took out, and you have put all of those, prioritized, in an unfunded requirement list. Then, in essence, you have done what the ranking member just said. That means we get to see the unvarnished, everything that you have asked for, presented to Congress. That is what I would like you to do.

So you have the budget that you have—go ahead.

Mr. GARAMENDI. Mr. Chairman, my experience at the Department of the Interior is that there is a step in here, and that is the Office of Management and Budget sends to the agencies the parameters in which they must then develop their budget, which is again a control mechanism by the Office of Management and Budget. But that doesn't necessarily provide us with the information we need about the acquisition and the maintenance and operations.

So, I want to be careful here about what we are actually getting.

Mr. HUNTER. And please try to get us as much as you can, whether it has been approved or not. Like I said, we will have a hearing at the end of July on this stuff, and hopefully have the answers by then.

And, with that, the last thing I would like to do right now, since there are no further questions, is recognize Reyna. I would like to take a few minutes to recognize Lieutenant Commander Reyna Hernandez McGrail—you are Irish, Hispanic, everything? That is good. That is good.

Reyna is a native of Roswell, New Mexico. She is a Coast Guard Academy graduate with a master's degree in international and public policy from Johns Hopkins University. She is who John Rayfield described as a no-joke boat operator, which I think every Coastie likes to hear, even though you have been stuck here.

During her career in the Coast Guard, she has served on the Coast Guard cutters *Decisive*—and I think the *Decisive* on that chart was supposed to be decommissioned, like, 5, 6 years ago. So good luck to you.

[Laughter]

Mr. HUNTER. The *Decisive*, *Haddock*, the *Key Biscayne*, and *Monomoy*, which brought her to the Middle East during Operation Enduring Freedom.

During her tenure in Washington, DC, she served in Coast Guard headquarters, and as the senior duty officer in the White House Situation Room during parts of the Bush and Obama administrations. She then found her service taking her here, to the Capitol.

She has been with the subcommittee since 2014, and her knowledge of and experience with the Coast Guard have made her an indispensable asset to have on staff. Her interpersonal skills and professionalism every day show she is an exemplary Coast Guard officer, and she was a great representative of the Service during her time with the subcommittee.

Reyna's time with the subcommittee is coming to an end today on June 7th. She will be heading down to Pascagoula, Mississippi, to join her crew on the Coast Guard cutter *Decisive*. On behalf of the committee and the subcommittee, I would like to thank her for her service, for her time with us, and wish her well in her future endeavors.

Reyna, thank you very much.

[Applause]

Mr. HUNTER. And, with that, the hearing is adjourned.

[Whereupon, at 12:02 p.m., the subcommittee was adjourned.]

STATEMENT OF
THE HONORABLE JOHN GARAMENDI
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
HEARING ON
"BUILDING A 21ST CENTURY INFRASTRUCTURE FOR AMERICA: COAST GUARD SEA, LAND AND AIR CAPABILITIES"
JUNE 7, 2017

Thank you, Mr. Chairman. I look forward to renewing our oversight on the progress to date in building a ready, capable, and adaptable Coast Guard for the 21st Century.

The Coast Guard has an enduring role in protecting our shores and in facilitating our maritime commerce. Few things are as important towards ensuring our Nation's future prosperity and security as providing our Coast Guard with the equipment it needs.

Considerable progress has been made, and that is good news. The Coast Guard is nearing completion of building out the program of record for the National Security Cutter – the most cutting-edge vessel ever to sail with the Coast Guard's distinctive red "racing stripe".

Additionally, the Coast Guard has successfully awarded the contract and moved forward to begin the second phase of the Fast Response Cutter procurement.

Ultimately, this program will provide the Coast Guard with 58 cutters of remarkable versatility and capability to meet the challenging demands found in U.S. coastal waters and allow the Coast Guard to retire its legacy fleets of Medium Endurance Cutters and 110 foot Island Class Patrol Boats.

Perhaps even more important, the Coast Guard last year awarded the contract to Eastern Shipbuilding to complete detailed design and initiate construction of the most expensive segment of recapitalization – a new fleet of 25 Offshore Patrol Cutters.

This progress is real. The Coast Guard's Acquisition Directorate deserves credit for keeping these programs on budget and on schedule.

Several challenges remain, however, so the Coast Guard can ill-afford to rest on its laurels.

First, the Coast Guard's icebreaker fleet remains a liability, and potentially, a very serious gap in Coast Guard operational capability in the high latitude regions. Prodded by the members of this subcommittee, the Coast Guard has taken steps to expedite the design for a new heavy icebreaker.

This has been a welcome development. I will want to hear more details from Admiral Ray on when we can expect the Coast Guard to award a contract for final design, and when we can expect the first new heavy icebreaker to slide down the ways.

I am also concerned that the Coast Guard's capital planning has failed to adequately account for the need to recapitalize the Service's inland river buoy tender fleet which is vital to maintaining safe navigation on our Western rivers.

Additionally, regarding aircraft, I remain concerned that progress in missionizing the fourteen C-27 J surveillance aircraft transferred from the Air Force is slipping. This aircraft is too important to maritime domain awareness operations, and I want to find out exactly where things stand.

Moreover, I remain supportive of the Coast Guard's continuing efforts to upgrade its fleet of one hundred H-65 Dolphin helicopters. The unfortunate reality, however, is that the manufacturer is no longer building this versatile aircraft. Consequently, the Coast Guard needs to begin thinking soon of what it will need to replace this all-purpose aircraft.

These are just of few of the issues I would like to discuss today, and I welcome the opportunity to hear from our witnesses. Thank you.

U. S. Department of Homeland Security
United States Coast Guard

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TESTIMONY OF
VICE ADMIRAL CHARLES W. RAY
DEPUTY COMMANDANT FOR OPERATIONS
AND
VICE ADMIRAL SANDRA L. STOSZ
DEPUTY COMMANDANT FOR MISSION SUPPORT

ON
BUILDING A 21ST CENTURY INFRASTRUCTURE FOR AMERICA:
COAST GUARD SEA, LAND, AND AIR CAPABILITIES

BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

JUNE 07, 2017

Good morning, Mr. Chairman and distinguished members of the Subcommittee. We appreciate the opportunity to testify today and thank you for your enduring support of the United States Coast Guard.

As the world's premier, multi-mission, maritime service, the Coast Guard offers a unique and enduring value to the Nation. The only branch of the U.S. Armed Forces within the Department of Homeland Security (DHS), a federal law enforcement agency, a regulatory body, a first responder, and a member of the U.S. Intelligence Community – the Coast Guard is uniquely positioned to help secure the maritime border, combat transnational criminal organizations (TCO), and safeguard commerce on America's waterways.

Indeed, the Coast Guard's combination of broad authorities and complementary capabilities squarely align with the President's national security and economic prosperity priorities. We are proud of the return on investment your Coast Guard delivers on an annual basis.

We appreciate the unwavering support of this Subcommittee to address our most pressing needs. We will continue working with Secretary Kelly and this Congress to preserve momentum for our existing acquisition programs, and employ risk-based decisions to balance readiness, modernization, and force structure with the evolving demands of the 21st century.

Appropriately positioned in DHS, the Coast Guard is a military service and a branch of the Armed Forces of the United States at all times.[1] We are also an important part of the modern Joint Force[2] and a force multiplier for the Department of Defense (DoD). We are proud of our enduring defense contributions to Combatant Commanders around the globe.

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[1] 14 U.S.C. § 1; 10 U.S.C. § 101

[2] In addition to the Coast Guard's status as an Armed Force (10 U.S.C. § 101), see also Memorandum of Agreement Between the Department of Defense and the Department of Homeland Security on the Use of Coast Guard Capabilities and Resources in Support of the National Military Strategy, 02 May 2008, as amended 18 May 2010.

Secretary Kelly leads the Department's efforts to secure our borders, and the Administration's strategy "to deploy all lawful means to secure the Nation's southern border"[3] relies on the Coast Guard supporting this comprehensive security strategy. The Coast Guard protects the U.S. maritime border – not just by operating in U.S. territorial waters, but also by conducting operations off the coasts of South and Central America. As Secretary Kelly has stated, "the defense of the southwest border really starts about 1,500 miles south."[4]

We continue to face a significant threat from TCOs. The Coast Guard is best positioned to combat these criminal networks where they are most vulnerable: at sea. We leverage over 40 international maritime law enforcement bilateral agreements to enable partner-nation interdictions and prosecutions. We also employ a robust interdiction package consisting of assets, specialized personnel and broad authorities to seize multi-ton loads of drugs at sea before they can be broken down into small quantities ashore.

In close collaboration with partner nations and agencies, the Coast Guard works to engage threats as far from U.S. shores as possible. In 2016, Coast Guard and partner agencies interdicted more cocaine at sea than was seized at the land border and across the entire Nation by all federal, state and local law enforcement agencies combined. The same year, a Service-record 201.3 metric tons of cocaine (7.1 percent of estimated flow)[5] was removed from the western transit zone, and 585 smugglers were detained for further prosecution.

Coast Guard readiness relies on the ability to simultaneously execute our full suite of missions and sustain support to Combatant Commanders, while also being ready to respond to contingencies. Your Coast Guard prides itself on being *Semper Paratus* – Always Ready – and predictable and sufficient funding is necessary to maintain this readiness in the future. Prudence demands that we continue investing in a modernized Coast Guard. Indeed, recapitalization remains our highest priority, and today's efforts will shape your Coast Guard and impact national security for decades. Your support has helped us make tremendous progress, and it is critical we build upon our successes to field assets that meet cost, performance, and schedule milestones. We are encouraged by our progress to date.

In 2016, we awarded a contract to complete buildout of our fleet of 58 Fast Response Cutters at an affordable price, and the last five ships (numbers 19 through 23) were delivered by Bollinger Shipyards with zero production discrepancies. In September, we awarded a contract for Detail Design and Construction of the Offshore Patrol Cutter (OPC).

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[3] Executive Order on Border Security and Immigration Enforcement Improvements, 25 January 2017.

[4] Secretary Kelly Hearing Testimony, "Ending the Crisis: America's Borders and the Path to Security" before the House Homeland Security Full Committee and Subcommittee on Border and Maritime Security Joint Hearing on America's Borders, Panel 1, 07 February 2017.

[5] US Department of Homeland Security, Office of Inspector General, *Review of U.S. Coast Guard's Fiscal Year 2016 Drug Control Performance Summary,* OIG Report, OIG-17-33, February 1, 2017.

These cutters will eventually comprise 70 percent of Coast Guard surface presence in the offshore zone. OPCs will provide the tools to enforce federal laws more effectively, secure our maritime borders by interdicting threats before they arrive on our shores, disrupt TCOs, and respond to 21st-century threats. We will order long-lead-time material for the first OPC later this year, and plan for its delivery in 2021.

We also generated momentum to build new polar icebreakers. In July of last year, we made the commitment and partnered with the Navy to establish an Integrated Program Office to acquire new heavy icebreakers. This approach leverages the expertise of both organizations and is delivering results. The recent award of multiple Industry Studies contracts – a concept the Navy has utilized in previous shipbuilding acquisitions to drive affordability and reduce schedule and technical risk – is an example of the positive results of this partnership. We will refine the system specification and release a request for proposal for Detail Design and Construction in FY 2018.

We are working to recapitalize our long-overlooked fleet of 35 river, construction and inland buoy tenders, with an average age of 52 years. This fleet is critical to sustaining the overall safety of the inland river maritime transportation system.

We are also making progress with unmanned aerial systems. A recent small Unmanned Aerial System (sUAS) proof of concept aboard a National Security Cutter (NSC) conducted actual interdiction operations, which enhanced the overall effectiveness of the cutter. In its inaugural month underway, Coast Guard Cutter STRATTON's sUAS logged 280 flight hours, providing real-time surveillance and detection imagery for the cutter, and assisted the embarked helicopter and law enforcement teams with the interdiction or disruption of four go-fast vessels carrying more than 5,000 pounds of contraband. In addition, we are exploring options to build a land-based UAS program that will improve domain awareness and increase cued intelligence that our surface assets rely on to close illicit pathways in the maritime transit zone. While long-term requirements are being finalized, we are moving quickly to field this much-needed capability.

In concert with efforts to acquire new assets, we are also focused on improving the existing fleet of cutters and aircraft through sustainment programs. The current work being conducted at the Coast Guard Yard in Curtis Bay, Maryland, includes a Service Life Extension Project (SLEP) to enhance mission readiness and extend the service life of the 140-foot icebreaking tug class by approximately 15 years. Also, last year, the Coast Guard initiated a Midlife Maintenance Availability on 225-foot sea-going buoy tenders that will address obsolescence of critical ship components and engineering systems. The work on these two platforms is vital to sustaining current mission performance and essential to maritime commerce. Additionally, the Aviation Logistics Center in Elizabeth City, North Carolina, conducts centralized, world-class depot maintenance activities to enhance mission performance of our rotary and fixed-wing aviation assets.

We are also ever mindful of the condition of our shore infrastructure. In some cases, aging infrastructure adversely affects operational efficiency and readiness across mission areas. The Coast Guard currently has a $1.6 billion shore infrastructure construction backlog comprising of over 95 projects that include piers, Sectors, stations, aviation facilities, Base facilities, training centers, and housing facilities. Investments in shore infrastructure are vital to modernizing the Coast Guard and equipping our workforce with the facilities they require to meet mission.

While readiness and modernization investments improve current mission performance, the right force is central to success. We are incredibly proud of our 88,000 active duty, reserve, civil service, and auxiliary members. We are working aggressively to validate a transparent and repeatable model to identify the appropriate force structure required for the Coast Guard to respond simultaneously to global, national, and regional events.

Funding 21st-century Coast Guard platforms, infrastructure, and personnel is a smart investment, even in this challenging fiscal environment. Investments in Coast Guard personnel are especially important, as our greatest strength will always be our people. Coast Guard operations require a capable, proficient, and resilient workforce that draws upon the broad range of skills, talents, and experiences found in the American population. Together, modern platforms and a strong, resilient workforce will maximize the Coast Guard's capacity to meet future challenges.

History has proven that a responsive, capable, and agile Coast Guard is an indispensable instrument of national security. With the continued support of the Administration and Congress, the Coast Guard will continue to live up to our motto. We will be *Semper Paratus* – Always Ready. Thank you for the opportunity to testify before you today and for all you do for the men and women of the Coast Guard. We look forward to your questions.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

For Release on Delivery
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COAST GUARD RECAPITALIZATION

Matching Needs and Resources Continue to Strain Acquisition Efforts

Statement of Marie A. Mak, Director,
Acquisition and Sourcing Management

GAO-17-654T

GAO Highlights

Highlights of GAO-17-654T, a testimony before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

In order to meet its missions of maritime safety, security, and environmental stewardship, the Coast Guard, a component within the Department of Homeland Security (DHS), employs a variety of surface and air assets, several of which are approaching the end of their intended service lives. As part of its efforts to modernize its surface and air assets (an effort known as recapitalization), the Coast Guard has begun acquiring new vessels, such as the National Security Cutter, Fast Response Cutter, and a number of air assets, and developing the Offshore Patrol Cutter. Despite the addition of new assets, concerns surrounding capability and affordability gaps remain.

This statement addresses (1) the capabilities provided by the newer Coast Guard assets, (2) maintainability and equipment challenges for the new cutters, and (3) the overall affordability of the Coast Guard's acquisition portfolio. This statement is based on GAO's extensive body of work examining the Coast Guard's acquisition efforts spanning several years, including the March 2017 report on the NSC and FRC's maintainability.

What GAO Recommends

GAO is not making recommendations in this statement but has made recommendations to the Coast Guard and DHS in the past regarding recapitalization and the specific assets involved, including that the Coast Guard develop a 20-year fleet modernization plan that identifies all acquisitions needed to maintain the current level of service and the fiscal resources needed to acquire them. DHS agreed with this recommendation.

View GAO-17-654T. For more information, contact Marie A. Mak at (202) 512-4841 or makm@gao.gov.

June 7, 2017

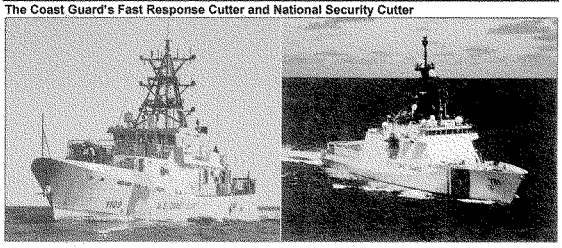
COAST GUARD RECAPITALIZATION

Matching Needs and Resources Continue to Strain Acquisition Efforts

What GAO Found

The Coast Guard is currently procuring three new cutter classes that are intended to have more capability than the legacy assets they are replacing. In particular, the National Security Cutter (NSC) and the Fast Response Cutter (FRC) are generally demonstrating improved mission performance (see figure). Both cutters have greater fuel capacity and efficiency and handling/sea-keeping than the legacy assets they replace, all of which increase endurance and effectiveness. Another new asset—the Offshore Patrol Cutter (OPC)—is also expected to provide increased capabilities compared to the Medium Endurance Cutter it is replacing, such as the ability to conduct longer patrols.

The Coast Guard's Fast Response Cutter and National Security Cutter



Source: U.S. Coast Guard. | GAO-17-654T

The Coast Guard, however, has not been able to take full advantage of the FRC's and NSC's capabilities because of maintenance and equipment issues limiting their time available for operations. GAO found in March 2017 that while both cutters met their minimum mission capable targets on average over the long-term, more recently—from October 2015 to September 2016—they fell below their minimum targets due to needed increased depot-level maintenance. Both cutters have also been plagued by problems with critical equipment, such as the diesel engines, which have contributed to lost operational days.

In June 2014, GAO found gaps between the funding amounts the Coast Guard estimates its major acquisitions need and what it has requested. This has continued. For example, senior Coast Guard officials peg acquisition needs at over $2 billion per year, but the President's budget requested $1.2 billion for fiscal year 2018. In an effort to address funding constraints, the Coast Guard delayed new acquisitions through the annual budget process, but lacks a long-term plan to set forth affordable priorities. As a result of these issues, it is facing a gap in the capability provided by its Medium Endurance Cutters, which are slated to reach the end of their service lives before all the OPCs are operational. GAO recommended in 2014 that the Coast Guard develop a 20-year fleet modernization plan that identifies all acquisitions needed to maintain the current level of service—aviation and surface—and the fiscal resources needed to buy the identified assets. DHS concurred with the recommendation, but it is unclear when the Coast Guard will complete this effort .

Chairman Hunter, Ranking Member Garamendi, and Members of the Subcommittee:

I am pleased to be here today to discuss key challenges the Coast Guard faces as it acquires new assets, a program referred to as Coast Guard recapitalization, as well as the overall affordability of the Coast Guard's acquisition portfolio. The U.S. Coast Guard, within the Department of Homeland Security (DHS), is the principal federal agency responsible for maritime safety, security, and environmental stewardship. In addition, the Coast Guard has assumed increasing responsibility for security related missions since the September 11, 2001, terrorist attacks. In order to meet these missions, the Coast Guard employs a variety of surface and air assets. As part of its efforts to modernize its aging fleet, the Coast Guard has begun acquiring new vessels, such as the Fast Response Cutter (FRC) and National Security Cutter (NSC), to replace the legacy Island Class Patrol Boat and High Endurance Cutter, respectively. The new cutters are designed to provide the Coast Guard with additional capabilities above those offered by the legacy vessels.

Despite the addition of these and other new assets, concerns surrounding capability and affordability gaps remain. For example, the expected service life for the Coast Guard's Medium Endurance Cutter will expire prior to delivery of the first Offshore Patrol Cutter (OPC), potentially leaving the Coast Guard unable to execute all of its missions. Additionally, the Coast Guard has one active heavy icebreaker, which is already past its initial expected service life, and at times has been unable to provide this capability due to equipment failures. As it seeks to manage these issues while building new assets, the Coast Guard will continue to be hampered by ongoing affordability concerns, forcing difficult trade-off decisions to be made. These decisions may become more difficult as the affordability of the Coast Guard's overall fleet also faces a significant challenge from the upcoming OPC procurement, which is planned to cost $12.1 billion and will consume about two-thirds of the Coast Guard's planned acquisition budget between 2018 and 2032 based on its recent funding history. The Coast Guard's ability to accomplish all of these objectives within its planned budget is not known because the Coast Guard has yet to provide a long-term plan that matches its needs with its planned budget. In June 2014 we recommended that the Coast Guard develop a 20-year fleet modernization plan that identifies all acquisitions needed to maintain the current level of service and the fiscal resources

necessary to build the identified assets.[1] The Coast Guard concurred with the recommendation, but it is unclear when it plans to complete this effort.

My statement today will address (1) the capabilities provided by the newer Coast Guard assets, (2) maintainability and equipment challenges for the new Coast Guard cutters, and (3) the overall affordability of the Coast Guard's acquisition portfolio. This statement is based on our extensive body of work examining the Coast Guard's acquisition efforts spanning the past several years, including our March 2017 report on the NSC and FRC's maintainability.[2]

For the reports cited in this statement, among other methodologies, we analyzed Coast Guard guidance, data, and documentation, and interviewed Coast Guard officials at its headquarters and field units to determine how the Coast Guard allocated its assets, how data are used to make annual asset allocation decisions, and how the Coast Guard determines future resource needs. Each of the reports cited in this statement provide further detailed information on our scope and methodology. We also updated, through our ongoing work, information regarding acquisitions that will need to be funded concurrently with the OPC, and obtained updates on the Coast Guard's actions in response to our prior recommendations.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

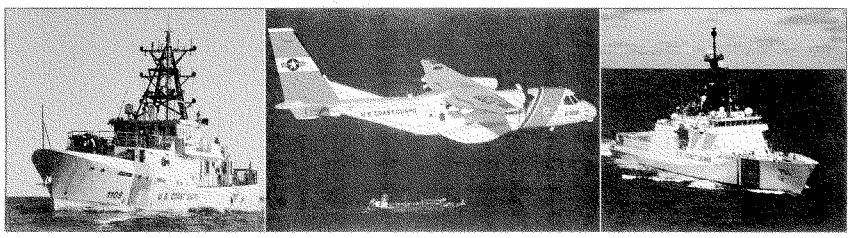
[1]GAO, *Coast Guard Acquisitions: Better Information on Performance and Funding Needed to Address Shortfalls,* GAO-14-450 (Washington, D.C.: June 5, 2014). The 20-year fleet modernization plan that we recommended is being called a 20-year Capital Investment Plan according to Coast Guard officials.

[2]For examples see: GAO, *Coast Guard Cutters: Depot Maintenance Is Affecting Operational Availability and Cost Estimates Should Reflect Actual Expenditures,* GAO-17-218 (Washington, D.C.: Mar. 2, 2017); *National Security Cutter: Enhanced Oversight Needed to Ensure Problems Discovered during Testing and Operations Are Addressed,* GAO-16-148 (Washington, D.C.: Jan. 12, 2016); *Coast Guard Aircraft: Transfer of Fixed-Wing C-27J Aircraft is Complex and Further Fleet Purchases Should Coincide with Study Results,* GAO-15-325 (Washington, D.C.: Mar. 26, 2015); and GAO-14-450.

Background

In the 1990s, the Coast Guard began an initial effort to modernize its aging assets that would allow it to successfully meet mission demands. After the September 11, 2001 terrorist attacks, the Coast Guard became a component of the newly established Department of Homeland Security (DHS), which resulted in an increase in mission demands.[3] In order to meet this increase, the Coast Guard completed a Mission Needs Statement—the document that describes the mission(s) and needed capabilities to justify a given program—in 2005. The 2005 Mission Needs Statement compared the new assets for which the Coast Guard originally planned to procure—in 1996 prior to the creation of DHS—to replace its legacy assets to the demands of the new missions as laid out by the recently formed DHS. Based on the 2005 Mission Needs Statement, DHS approved a program of record in 2007—known as the Deepwater program—that provided the additional capability required. This effort was expected to last 25 years at a cost of $24.2 billion resulting in either the rebuilding or replacing of vessels and aircraft that were reaching the end of their expected service lives and were in deteriorating condition. Figure 1 shows some of the Coast Guard's newer assets that are part of this broader modernization effort.

Figure 1: The Coast Guard's National Security Cutter, HC-144A Maritime Patrol Aircraft, and Fast Response Cutter



Source: U.S. Coast Guard. | GAO-17-654T

[3]The Coast Guard's increased mission demands following the terrorist attacks of September 11, 2001, included incorporating improved capabilities to operate in conditions of chemical, biological, and radiological contamination; greater antiterrorism weaponry; development of airborne use of force capabilities; improved communications systems; and enhanced flight decks.

In 2016, the Coast Guard revised its Mission Needs Statement in response to statutory requirements and committee report language, but this revision states it was not intended to provide details on the specific assets the Coast Guard needs to meet its mission requirements.[4] Further, according to the Coast Guard, the 2016 update to the Mission Needs Statement is to provide a foundation for long-term investment planning that is to culminate with detailed modeling scenarios to evaluate the effectiveness of various fleet mixes, and inform the Coast Guard's Capital Investment Plan.[5] The 2016 revision, however, does not identify specific assets or fiscal resources necessary to meet the Coast Guard's long-term mission requirements, as we had recommended in June 2014.

Unlike the 2005 Mission Needs Statement, the 2016 version did not result in a new program of record for the Coast Guard's recapitalization effort. However, since the original program of record in 2007, the Coast Guard's recapitalization program has undergone changes as major acquisition programs have been completed and/or modified in response to affordability concerns. Figure 2 depicts the Coast Guard's 2007 recapitalization program of record and the current 2017 program of record.

[4]See the Howard Coble Coast Guard and Maritime Transportation Act of 2014, Pub. L. No. 113-281, § 215, 128 Stat. 3022, 3034-35; H.R. Rep. No. 113-481 (2014); S. Rep. No. 113-198 (2014): and explanatory statement, 161 Cong. Rec. H275, 282 (daily ed., Jan. 13, 2015), on H.R. 240, the Department of Homeland Security Appropriations Act, 2015, which became Pub. L. No. 114-4.

[5]A fleet mix refers to the appropriate mixture of assets the Coast Guard will need to execute its mission set under varying constraints such as funding.

Figure 2: The Coast Guard's 2007 and 2017 Recapitalization Efforts

Source: GAO presentation of Coast Guard information. | GAO-17-654T

Note: Dashed lines represent new programs in the 2017 program of record that were modified or added to the recapitalization portfolio.

The Coast Guard's Newer Assets Offer Greater Capability than Its Legacy Fleet

The Coast Guard is currently procuring three new cutter classes that will have more capability than the legacy assets they are intended to replace. The FRC will replace the legacy Island Class Patrol Boat, the OPC will replace both classes of the legacy Medium Endurance Cutter (210-foot class and 270-foot class), and the NSC will replace the legacy High Endurance Cutter. As we reported in June 2014, several of the Coast Guard's newest asset classes are generally demonstrating improved mission performance compared to the assets they are replacing, according to Coast Guard officials who operate these assets.[6] Specifically, the FRC and NSC have greater fuel capacity and efficiency, engine room and boat launch automation, handling/sea-keeping, and food capacity, all of which increase endurance and effectiveness. In addition, the FRC and NSC both have a stern ramp that allows them to launch and recover the cutters' small boats more safely and in a fraction of the time

[6]GAO-14-450.

that the Island Class Patrol Boats and High Endurance Cutters require, which allows the cutters to more efficiently and effectively conduct missions. The OPC is also expected to provide increased capabilities compared to the Medium Endurance Cutter it is replacing. Table 1 provides comparison information on selected Coast Guard legacy and new surface assets.

Table 1: Comparison of the Coast Guard's Legacy and New Surface Assets as of April 2017

Legacy Assets				
	High Endurance Cutter	**Medium Endurance Cutters**		**Island Class Patrol Boat**
		210-foot	**270-foot**	
Number in fleet	12 (4 still in service)	14	13	41 (24 still in service)[c]
Year first-in-class cutter commissioned	1967	1964	1983	1986
Length	378 feet	210 feet	270 feet	110 feet
Maximum time at sea without reprovisioning	45 days	21 days	21 days	5 days
Range	14,000 miles[b]	6,100 miles	9,900 miles	1,900 miles
Operational Tempo	185 days away from home port per year	185 days away from home port	185 days away from home port	1,800 operational hours per year
New Assets				
	National Security Cutter	**Offshore Patrol Cutter**		**Fast Response Cutter**
Number in fleet	9 planned (6 operational)	25 planned (not yet operational)		58 planned (22 operational)
Year first-in-class cutter commissioned	2008	Planned for fiscal year 2021		2012
Length	418 feet	To be determined		154 feet
Range	12,000 miles	8,500 to 9,500 miles		2,500 miles
Maximum time at sea without reprovisioning	60 days	45 days to 60 days		5 days to 7 days
Operational Tempo	230 days away from home port per year[a]	230 days away from home port		2,500 operational hours per year

Source: GAO presentation of Coast Guard data. | GAO-17-654T

[a]To achieve 230 days away from homeport, the Coast Guard plans to use a "crew rotational concept" in which four crews staff and operate three cutters on a rotating basis.

[b]According to the Coast Guard, High Endurance Cutters can achieve a 14,000 nautical mile range only if they ballast their fuel tanks once the tanks are depleted, a procedure that is rarely undertaken. High Endurance Cutters have a range of 9,600 nautical miles under normal circumstances.

[c]The 110-foot Patrol Boat fleet originally included 49 vessels. The Coast Guard converted 8 of the 110-foot Patrol Boats to 123-foot Patrol Boats, but discontinued further conversions in 2005 and decommissioned the 123-foot Patrol Boats in 2007 because they were experiencing technical difficulties, such as hull buckling, and were not able to meet post-September 11, 2001 mission requirements.

The Coast Guard commissioned its first FRC in 2012 and, as of April 2017, has received 23 of these vessels. The Coast Guard exercised a contract option for detail design for the OPC in September 2016, and there are separate options for the production of each cutter currently under contract. The Coast Guard anticipates receiving the first vessel in fiscal year 2021, with deliveries each year through 2035 when the program is scheduled to achieve full operating capability. Additionally, since 2008, the Coast Guard has received a total of 6 NSCs, with 3 in various stages of construction.[7] Due to its improved capabilities, the NSC has been able to complete longer deployments, which has in part resulted in more successful drug interdictions than the legacy asset it replaces.

The Coast Guard is also updating and acquiring new aviation assets that have increased capabilities compared to the legacy assets they are replacing. For example, the fleets of H-65 helicopters are being upgraded to allow for greater reliability, maneuverability, and interoperability between the H-65 and other government assets. In addition, the Coast Guard restructured its HC-144A acquisition program in 2014 to accommodate 14 C-27J aircraft it received from the U.S. Air Force. The Coast Guard plans to use these twin-engine propeller-driven aircraft to conduct all types of Coast Guard missions, including search and rescue and disaster response. As we reported in June 2014, officials at Air Station Miami stated that since they began regularly operating the HC-144A in fiscal year 2011, the aircraft has had a significant role in improving the effectiveness of the Coast Guard's counterdrug and alien migrant interdiction operations.[8] However, the HC-144A only fully met three of its seven key performance parameters during initial operational testing, but the Coast Guard plans to conduct additional tests in fiscal year 2017 to demonstrate additional key performance parameters. As we reported in March 2015, the Coast Guard faces several challenges to making the C-27Js operational, including purchasing spare parts and a lack of access to the manufacturer's technical data that are required to make modifications to the aircraft's structure to incorporate, among other things, the radar.[9] The Coast Guard is currently in the process of

[7]Although the Coast Guard has planned for 8 NSCs, the Consolidated Appropriations Act, 2016 stated that, of the funds provided by the Act, not less than $640 million shall be immediately available and allotted to contract for the production of the ninth NSC, notwithstanding the availability of funds for post-production costs. Pub. L. No. 114-113 129 Stat. 2242, 2501 (2015).

[8]GAO-14-450.

[9]GAO-15-325.

transitioning to a new mission system on all of its fixed-wing aircraft, which is a system currently used by the U.S. Navy and DHS's Customs and Border Protection. The new mission system is intended to enhance operator interface and sensor management, as well as replace obsolete equipment, which is to enable more commonality between the fixed-wing fleet.

New Coast Guard Cutters Are Experiencing Maintenance and Equipment Issues

FRC and NSC Mission Capable Rates Are Lower than Expected

The Coast Guard has not been able to take full advantage of increased capabilities of the FRC and NSC due to maintenance issues that have limited their time available for operations. As we reported in March 2017, while over the past few years both the FRC and NSC met their minimum mission capable targets on average, which are 48 percent for the FRC and 49 percent for the NSC, our analysis of a more recent period—from October 2015 to September 2016—found that both cutters fell below their minimum targets due to needed increased depot-level maintenance.[10] See table 2.

[10]GAO-17-218.

Table 2: Fast Response Cutter's and National Security Cutter's Average Asset Status

Asset status	Fast Response Cutter percentage of time in asset status (target mission capable range, 48 – 60 percent)		National Security Cutter percentage of time in asset status (target mission capable range, 49 – 61 percent)	
	March 2012 – September 2016	October 2015 – September 2016	November 2013 – September 2016	October 2015 – September 2016
Fully mission capable	47.0	39.5	31.8	27.2
Partially mission capable	2.3	3.3	22.4	9.9
Total mission capable	**49.3**	**42.8**	**54.2**	**37.2**
Not mission capable due to maintenance (equipment failures)	9.9	4.1	2.1	2.8
Not mission capable due to supply	0.3	0.1	0.2	0.1
Not mission capable due to depot-level maintenance	40.5	53.0	43.4	60.0
Total not mission capable	**50.7**	**57.2**	**45.8**	**62.8**

Source: GAO analysis of Coast Guard data. | GAO-17-654T

Note: The Fast Response Cutter was equipped with the Electronic Asset Logbook system to track this data beginning in March 2012 while the National Security Cutter wasn't equipped with this system until November 2013.

According to Coast Guard officials, the FRC's decrease in monthly mission capable rates below its minimum target is primarily because of a phased warranty repair drydock period that was not initially anticipated. The average warranty repair drydock period will last approximately 15 weeks, with at least one FRC not mission capable due to depot-level maintenance at all times from January 2016 to November 2019. These drydocks were triggered by continuing structural concerns and problems with equipment that was installed during production, including continued failures with the main diesel engine. Given that only a few FRCs have completed the warranty drydock to date, it is difficult to determine whether the overall fleet's mission capable rate will meet its target range once the drydocks are completed.

As we noted in our March 2017 report, while the FRC's decrease is attributable to the unanticipated drydocks, the NSC's mission capable rates are influenced by a roughly 2-year anticipated post-delivery maintenance period called the post shakedown availability, which is

scheduled for each newly delivered NSC.[11] During this shakedown period, the NSC will be rendered not mission capable due to depot-level maintenance for a majority of its time. For example, from January 2015 until September 2016, the NSC Hamilton spent 70.9 percent of its time in depot-level maintenance, and the NSC James spent 82.6 percent of its time in depot-level maintenance from September 2015 to September 2016. With only five NSCs in operation as of September 2016, having two cutters spend the majority of their time not mission capable due to depot-level maintenance is negatively affecting the overall fleet's mission capable rates. This will continue as the Coast Guard introduces new NSCs into the fleet and the last cutter completes its 2-year post shakedown period—scheduled for 2022 as the ninth cutter is scheduled for delivery in 2020. While the first three NSCs achieved their mission capable rate targets on average from January 2014 to September 2016, it is uncertain if the overall fleet mission capable rate will increase once all NSCs complete their post shakedown availabilities.

New Assets Are Being Fielded with Known Problems

In addition to the negative effect that depot-level maintenance is having on both the FRC and NSC's mission capable rates, our March 2017 report found that both cutter classes have been plagued with equipment failures resulting in lost operational days or a partially mission capable status.[12] This means that the cutters are either not able to or are conducting operations in a limited capacity. The main diesel engines on both cutters, which were manufactured by the same vendor, were among the equipment systems that resulted in the most lost operational days from 2014 through 2016 and have been problematic since the cutters became operational.[13] Problems with the FRC's engine resulted in roughly 355 days spent not mission capable due to maintenance. However, the FRC's warranty clause has covered several engine problems and, according to the FRC's contracting officer, has avoided about $77 million in potential maintenance costs for the Coast Guard it

[11]GAO-17-218.

[12]GAO-17-218.

[13]The Coast Guard classifies lost operational days as the number of days in which a cutter was either not mission capable due to an equipment failure or not mission capable due to a lack of spare parts. From 2014 to 2016 the FRC's top three equipment systems with the most problems resulted in about 827 combined lost operational days and partially mission capable days while the NSC's top three equipment systems with the most problems resulted in about 993 combined lost operational days and partially mission capable days.

otherwise would have needed to pay as of August 2016.[14] Furthermore, the FRC's contracting officer stated that as of October 2016, all of the 18 operational FRCs have undergone various corrective repairs on their main diesel engines, including replacing engines on 6 of the cutters.

Similar to the FRC, the NSC's engines have experienced problems and, as we found in January 2016, the engines overheat in waters above 74 degrees Fahrenheit, which constitutes a portion of the NSC's operating area given that they are intended to be deployed worldwide.[15] This can cause the cutters to operate 2 to 4 knots below their top speed of 28 knots. As a result, the Coast Guard has been forced to operate the NSCs at reduced speeds during some missions, such as counter drug missions, where reaching maximum speeds would be operationally useful. The NSC's inability to achieve top speed in warm waters has also inhibited the cutters' ability to complete their regularly scheduled full power trials, which are periodic tests of the propulsion plant operated at maximum rated power. The results of these tests advise operators and maintenance personnel of the cutter's full power performance characteristics and can provide the basis for maintenance activity. Without these tests, the Coast Guard lacks sufficient information that could be useful for assessing propulsion systems and planning maintenance.

Further, as we reported in March 2017, the Coast Guard is conducting design changes for some critical systems post-delivery for the NSC in order to minimize the cost increase of the extra work and to adhere to the cutters' production schedule. One such design change involves the NSC's gantry crane, which was not designed for a maritime environment and is inadequately sealed to prevent water intrusion.[16] This has led to accelerated corrosion and the need for excessive repairs that are not considered suitable over the NSC's life cycle. The design change to replace the gantry crane was initiated in January 2010 and the new crane was approved for fleet-wide replacement. However, all of the remaining NSCs will be built with the original gantry crane installed and then replaced during their post-shakedown periods.

[14]For additional information on the FRC's warranty see GAO: *Navy and Coast Guard Shipbuilding: Navy Should Reconsider Approach to Warranties for Correcting Construction Defects*, GAO-16-71 (Washington, D.C.: March 3, 2016).

[15]GAO-16-148.

[16]The gantry crane is a crane on the rear of the cutter that aides in deploying the NSC's cutter boat.

During the work for our March 2017 report, Coast Guard officials stated that no formal analysis was developed or documented to determine whether a design change should be installed during production or post-delivery. Instead, they used the professional judgment of Coast Guard and shipyard officials to determine the most cost efficient timing of when to install design changes. Keeping the NSC delivery dates on schedule was one of the primary reasons officials gave for not installing some design changes during production. Given that the program has been aware of these design changes for many years, the Coast Guard had an opportunity to install the design changes during production instead of during the post-delivery period. We concluded that by not installing the design changes during production, the Coast Guard will need to maintain the original equipment installed during production for all NSCs, including the ninth NSC (the separate production contract for which was awarded in December 2016), and then later conduct retrofits after accepting delivery of the cutters. This will necessitate the installation of systems with known defects or deficiencies during production only to replace such systems later, requiring maintenance on some of these systems until the retrofits are complete. In our March 2017 report, we therefore recommended that the Coast Guard update the Joint Surface Engineering Change Process Guide to require a documented cost analysis to provide decision makers with adequate data to make informed decisions regarding the expected costs and when it is most cost effective to install design changes.[17] The Coast Guard concurred with our recommendation and plans to incorporate a documented cost analysis requirement into an update to its guidance by December 31, 2017.

Affordability of the Coast Guard's Acquisition Portfolio Remains in Doubt

As we found in June 2014, there are gaps between what the Coast Guard estimates it needs to carry out its program of record for its major acquisitions and what it has traditionally requested and received.[18] This issue has continued since we issued our report. For example, senior Coast Guard officials have stated a need for over $2 billion per year, but the President's budget requested $1.2 billion for fiscal year 2018, after asking for $1.1 billion in fiscal year 2017. In an effort to address the funding constraints it has faced annually, the Coast Guard has been in a reactive mode, delaying and reducing its capability through the annual budget process by delaying new acquisitions, and does not have a plan to

[17]GAO-17-218.

[18]GAO-14-450.

realistically set forth affordable priorities. For instance, the Coast Guard has realized delays in many of its programs but, in particular, is facing a gap in the capability provided by its Medium Endurance Cutter fleet, which will likely begin reaching the end of their service lives before the OPCs are operational. In 2014, Coast Guard, DHS, and Office of Management and Budget officials acknowledged that the Coast Guard could not afford to recapitalize and modernize its assets in accordance with its current plan at current funding levels. While efforts have been underway to address this issue for several years, the Coast Guard has made little progress in improving the affordability of its acquisition portfolio. As a result, the Coast Guard faces significant capability gaps if funding increases do not materialize.

The Coast Guard Has Not Accomplished Long-Term Planning Actions that Would Help Ensure its Needs Match its Resources

Since 2011, we have recommended that DHS and the Coast Guard take several actions to gain an understanding of what the Coast Guard needs to meet its missions within its likely acquisition funding levels. These key actions included: 1) the Coast Guard conducting a comprehensive portfolio review across all its acquisitions to develop revised baselines that meet mission needs and reflect realistic funding scenarios and 2) the Coast Guard developing a 20-year plan that identifies all necessary recapitalization efforts and any fiscal resources likely necessary to complete these efforts.[19]

Following our September 2012 report, Congress asked the Coast Guard to examine its mission needs across its portfolio of assets.[20] In 2016, the Coast Guard revised its 2005 Mission Needs Statement, which provides a basic foundation for long-term investment planning that is to serve as the basis for evaluating the effectiveness of various fleet mixes, and inform the Coast Guard's Capital Investment Plan—its key portfolio planning tool. However, the 2016 Mission Needs Statement did not identify specific assets the Coast Guard needs to achieve its missions, nor did it update

[19]GAO, *Coast Guard: Portfolio Management Approach Needed to Improve Major Acquisition Outcomes*, GAO-12-918 (Washington, D.C.: Sept. 20, 2012) and GAO-14-450.

[20]14 U.S.C. § 569. The legislation requires that on the date on which the President submits to Congress a budget for fiscal years 2016, 2019, and every 4 years thereafter, the Commandant submit to congressional committees an integrated major acquisition mission need statement which, among other things, is to identify current and projected gaps in Coast Guard capabilities using specific mission hour targets and explain how each major acquisition program addresses gaps if funded at the level provided for in the Coast Guard's Capital Investment Plan.

the annual hours it needs from each asset class to satisfactorily complete its missions. In line with our past recommendation from September 2012, the Coast Guard is currently in the process of updating its fleet mix analysis to detail the assets it needs to meet requirements, but this analysis is not planned to be finalized until the 2019 President's budget is submitted.[21] Once completed, this analysis could serve as a foundation for understanding potential trade-offs that could be made across the Coast Guard's portfolio of acquisitions to better meet mission needs within realistic funding levels.

In June 2014, we also recommended that the Coast Guard develop a 20-year fleet modernization plan that identifies all acquisitions necessary for maintaining at least its current level of service and the fiscal resources necessary to build these assets.[22] Such an analysis would facilitate a full understanding of the affordability challenges facing the Coast Guard while it builds the OPC. DHS concurred with the recommendation, but it is unclear when the Coast Guard plans to complete this effort.

Coast Guard Affordability Challenges Have Resulted in Delayed Acquisition Schedules and Potential Capability Gaps

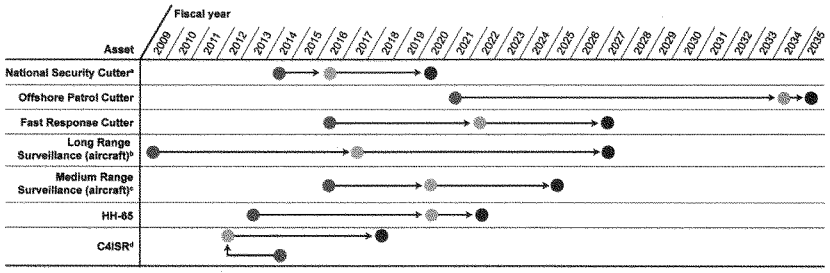
As we reported in April 2017, the full operational capability date has been delayed for several Coast Guard acquisition programs.[23] For example, the FRC program experienced a delay of more than 4 years because affordability constraints necessitated that it reduce the quantity of cutters procured annually from a proposed 6 cutters to 4 cutters per year. In addition, the Coast Guard delayed the OPC procurement by 14 years from the 2007 program of record to develop the requirements for this cutter and conduct a competition, while prioritizing acquisition of the NSC. Figure 3 shows the proposed full operational capability date as of the original 2007 program of record, the first DHS-approved baseline for each program, and the current baseline.

[21]GAO-12-918.

[22]GAO-14-450.

[23]GAO, *Homeland Security Acquisitions: Earlier Requirements Definition and Clear Documentation of Key Decisions Could Facilitate Ongoing Progress,* GAO-17-346SP (Washington, D.C.: Apr. 6, 2017).

Figure 3: Full Operational Capability Delays for New Assets as of January 2017



Source: GAO analysis of Coast Guard data. | GAO-17-654T

Note: The Polar Icebreaker and unmanned aircraft system programs have not yet reached the point in the acquisition life cycle where they are required to have a baseline, therefore they were not included.

[a]The current baseline includes cost and schedule estimates for eight NSCs. However, the Coast Guard is working on updating the baseline to reflect a ninth NSC.

[b]Formerly two separate acquisition programs, the acquisition program baseline for this combined program was approved in July 2012.

[c]The 2007 baseline only included one aircraft type. The current baseline includes both the HC-144A and HC-27J programs.

[d]C4ISR stands for Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance. C4ISR does not have an intended full operational capability date to signal the end of the acquisition phase, instead these dates reflect their planned transition from proprietary software and interoperability upgrades.

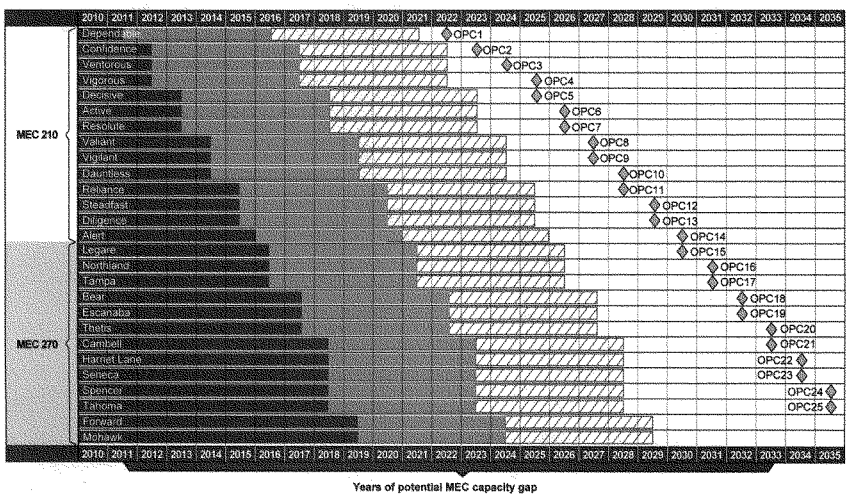
As we reported in July 2012, the Coast Guard's delay in the OPC acquisition has resulted in potential mission capability shortfalls as the condition of the legacy Medium Endurance Cutters further declines.[24] The 210-foot Medium Endurance Cutters—originally built in the 1960s—will be nearly 60 years old by the time they are replaced and have already

[24]GAO, *Coast Guard: Legacy Vessels' Declining Conditions Reinforce Need for More Realistic Operational Targets*, GAO-12-741 (Washington, D.C.: July 31, 2012).

exceeded their expected service lives.[25] In September 2014, the Coast Guard conducted refurbishment work for the Medium Endurance Cutters (both the 210-foot and 270-foot) that could provide an additional 5, 10, or 15 years of service. However, senior Coast Guard officials responsible for these efforts at the time indicated that the estimate of up to 15 years was optimistic and that the refurbishment provided needed upgrades to the Medium Endurance Cutters, but was not designed to further extend the cutters' useful lives. As depicted in figure 4, even with the most optimistic projection for the current extended useful life of the Medium Endurance Cutters, we found as of May 2017 that there would be a gap before the planned OPCs are operational, which the Coast Guard does not expect to begin until at least 2022.

[25]In our July 2012 report we found that the 210-foot Medium Endurance Cutters had an estimated service life of 47 years, which included an additional 15 years that was added to the cutters through a Major Maintenance Availability that was conducted between 1987 and 1998. See GAO-12-741.

Figure 4: Comparison of the Projected Extended Useful Lives for the Legacy Medium Endurance Cutter (MEC) Fleet with the Planned Offshore Patrol Cutter (OPC) Delivery Dates



Source: GAO analysis of Coast Guard documents. | GAO-17-854T

The Coast Guard May Need to Fund Several New Acquisitions Concurrent with OPC Procurement

As we reported in June 2014 and, more recently in our April 2017 assessment of DHS major acquisition programs, the Coast Guard faces affordability challenges that could result in additional capability gaps.[26] The upcoming OPC procurement, for which the planned acquisition costs are $12.1 billion—making it the largest Coast Guard acquisition program to date—is going to create additional strain on the Coast Guard's

[26]GAO-14-450 and GAO-17-346SP.

acquisition budget. According to the Coast Guard, the OPC is its top priority and, as such, it will be funded before other assets, such as the River Buoy Tenders and helicopters. However, if the Coast Guard's acquisition budget remains at its current levels, the funding remaining for other assets will be very limited. Beginning in September 2018, the OPC will absorb about two-thirds of the Coast Guard's annual acquisition funding until 2032 based on recent funding history. The Coast Guard initially plans to fund one OPC per year and eventually two OPCs per year until all 25 planned cutters are delivered. If the OPC experiences cost growth during development, the acquisition funding available for other programs could be reduced if the program attempts to meet its current delivery schedule, or the funding constraints could be prolonged if the delivery schedule for the OPC is extended.

Any remaining Coast Guard acquisition programs will have to compete for acquisition funds not used for the OPC. For instance, the Coast Guard must also recapitalize other assets such as the polar icebreakers—to alleviate a current capability gap—and refurbish other legacy vessels such as its fleet of river buoy tenders, as these assets continue to age beyond their expected service lives and, in some cases, have been removed from service without a replacement. The following are some examples that we identified in our June 2014 report of Coast Guard assets that will likely require some level of funding while the OPC is in development:[27]

Icebreakers—The Coast Guard currently has a gap in its heavy icebreaking capability and has previously been without any heavy polar icebreakers when the legacy vessels were in disrepair from 2010 to 2013. In 2014, the Coast Guard returned one of these heavy icebreakers back to service, but still has one fewer heavy icebreaker than it has historically operated and two fewer than it needs, according to the Coast Guard's June 2013 heavy icebreaker mission need statement.[28] The 2017 President's budget requested $147.6 million to begin funding the first heavy icebreaker—with preliminary estimates of about $1 billion. The

[27]GAO-14-450.

[28]For recent GAO work regarding the Arctic and Coast Guard icebreakers see GAO, *Coast Guard: Arctic Strategy Is Underway, but Agency Could Better Assess How Its Actions Mitigate Known Arctic Capability Gaps,* GAO-16-453 (Washington, D.C.: June 15, 2016) and *Arctic Planning: DOD Expects to Play a Supporting Role to Other Federal Agencies and Has Efforts Under Way to Address Capability Needs and Update Plans,* GAO-15-566 (Washington, D.C.: June 19, 2015).

Coast Guard's preliminary estimates indicate that the first new heavy icebreaker could be available for operations in fiscal year 2023.

River Buoy Tenders—The Coast Guard fleet of river buoy tenders was mostly constructed between the 1950s and the 1970s and are in need of replacing. The Coast Guard plans to initiate a program to begin development and construction of new vessels to replace the legacy assets, however, no date has been provided as to when this effort will begin.

Service Life Extension for the 270-foot Medium Endurance Cutters—The Coast Guard plans to conduct a service life extension on the 270-foot Medium Endurance Cutters to help keep the cutters operational until the OPCs are delivered. Coast Guard officials said they have no plans to conduct service life extension work on the 210-foot Medium Endurance Cutters.

H-60 and H-65 Helicopter Fleets—The Coast Guard is planning to conduct a service life extension of both the H-60 and H-65 fleets. Extending these aircraft into the mid-2030s will enable the Coast Guard to potentially complete the OPC acquisition before starting a recapitalization effort for its rotary fleet. Regardless of the future path, significant acquisition dollars will be required to maintain annual flight hours for the next 20 years, according to Coast Guard program officials.

While the Coast Guard faces affordability challenges with these programs, it has also taken steps to mitigate affordability challenges in other programs. For example, the 2007 program of record planned to acquire 45 unmanned aircraft systems at a total cost of $503 million. However, the Coast Guard truncated this program and now plans to outfit the NSC fleet with six unmanned aircraft systems for $104 million. The Coast Guard is currently in the process of demonstrating a small unmanned aircraft system on the NSC and, according to officials, plans to issue a request for proposals from industry later this year to outfit the rest of the NSC fleet.

In conclusion, as the Coast Guard continues to field new or refurbish existing cutters and aircraft with improved capabilities, it is important that the Coast Guard plan for the affordability of its future portfolio so that it can minimize the capability gaps that can occur as legacy assets reach the end of their service lives before the new assets become operational. We have made several recommendations in recent years intended to help

the Coast Guard plan for these future acquisitions and the difficult trade-off decisions that it will likely face. If the Coast Guard fully implements these recommendations, it will likely position itself to provide decision makers with critical knowledge needed to prioritize its constrained acquisition funding. Without these efforts, the Coast Guard will continue, as it has in recent years, to plan its future acquisitions through the annual budgeting process, which has led to delayed and reduced capabilities. A thorough plan regarding the affordability of its future acquisitions would provide timely information to decision makers on how to spend scarce taxpayer dollars in support of a modern, capable Coast Guard fleet.

Chairman Hunter, Ranking Member Garamendi, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Marie A. Mak, (202) 512-4841 or makm@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony include Richard A. Cederholm, Assistant Director; Peter W. Anderson; Erin Butkowski; John Crawford; Laurier Fish; and Roxanna T. Sun.

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WRITTEN TESTIMONY OF

John Acton

Chairman, Coast Guard Affairs Committee, Navy League of the United States

BEFORE THE UNITED STATES HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Building a 21st Century Infrastructure for America: Coast Guard Sea, Land, and Air Capabilities

June 7, 2017

Washington, D.C.

Chairman Hunter, Ranking Member Garamendi, and Members of the Committee — thank you for the opportunity to appear before you today on such an important topic. This committee has long been one of the greatest champions of the Coast Guard, and the Navy League is very appreciative of your leadership on these important issues. The Navy League, comprised of 50,000 civilians in more than 240 councils around the world, is the foremost citizens' organization to serve, support and stand with all the sea services -- the Navy, Marine Corps, Coast Guard and U.S.-flag Merchant Marine – their members and their families

It is an honor and a privilege to be here to today talk about the Coast Guard's capabilities and how they can contribute to the Administration's pledge to invest in American infrastructure. This is a bipartisan priority, and investments in infrastructure, like our ports, maritime highways and navigation systems, historically have been crucial to American prosperity. We are a maritime nation that benefits from global trade and the movement of goods to and from our shores, in and out of our ports, through our inland waterways and ultimately to our homes, is an important part of that economic prosperity. This free and safe movement of goods, so key to our success as a country, is safeguarded by the Coast Guard.

The Coast Guard is a unique service with both military and civil responsibilities, as well as humanitarian missions that have accrued through Acts of Congress since the service's founding in 1790. Its extraordinarily broad portfolio of 11 statutory missions serves the nation well. With only 42,000 service members and a budget that averages around $10 billion, it is already the leanest military service, doing far more to safeguard our national security than its size would suggest. The Coast Guard furthers the nation's priorities and, most importantly, saves lives by the thousands every year. The results they achieve, with so little and so few, reflects the best of the American ethos of hard work and service to others.

The Coast Guard's unique role in safeguarding our national infrastructure includes a wide spectrum of responsibilities, including GPS backup, port security, safety of navigation, coastal homeland security and more. But from the Navy League's perspective, the Coast Guard *itself* is a key part of our integrated infrastructure—part of what makes our national prosperity possible, an organization we would suffer without and one crucial to our homeland security and way of life. The Coast Guard inspects ports, here and abroad, to keep people and goods safe. It fights terrorism off our coasts. It ensures mariners on inland waterways are safe and the waterways are navigable. It protects our maritime sovereignty and borders from illegal activity. It ensures the integrity of our exclusive economic zone (EEZ) and protects the cyber vulnerabilities in our maritime transportation system. The Coast Guard is always there, ensuring the safety and environment for America to thrive. To truly invest in American infrastructure, we must invest in the Coast Guard and its people.

Investment in Coast Guard assets has led to some incredible successes and the recapitalization of its cutter fleet has led to some truly innovative and cutting-edge programs. The National Security Cutters routinely seize drugs in such large quantities that the cutters have paid for themselves and Fast Response Cutters are closing the "patrol gap" the Coast Guard was facing as its fleet aged. The Coast Guard is also developing new cyber teams to help combat terrorism and safeguard our maritime system, which is dependent on GPS and other potentially vulnerable data systems.

Yet, two of the Administration's biggest pledges directly impact the Coast Guard: strengthening our military and investing in our infrastructure. Some of these assets need greater investment to truly build a 21st Century Infrastructure for America. The Navy League recommends: 1) procuring six Fast Response Cutters per year; 2) a steady Acquisition, Construction, and Improvements (AC&I) budget of $2 billion per year to provide the steady funding the Offshore Patrol Cutter needs; and 3) to fulfill its challenging mission in the Arctic frontier, the Coast Guard needs three heavy and three medium icebreakers, and an additional $750 million in FY2018 funding to meet the 2020 production goal. The Coast Guard provides the strongest American presence in the Arctic, against a backdrop of increasing Russian activity and safeguarding national security infrastructure in the region. With the Coast Guard as the dominant maritime guardian of the Western Hemisphere, the Navy is able to focus its own thinly-stretched fleet in areas of global concern. The Coast Guard also faces a $1.6 billion shore infrastructure backlog that is being paid off far too slowly, increasing operational costs and risks. The Coast Guard does much with little, but a real investment in this part of American infrastructure would be beneficial to all Americans.

The proposed presidential budget breaks its promise to this military service, while the Coast Guard is under strain, over-extended and underfunded. This proposal would hamper a service that already operates on a shoestring, with aging vessels and a shore infrastructure so old many facilities are now historical landmarks. The Coast Guard also suffers from the same readiness crisis facing our other military services. A lack of people, maintenance funding, and dollars for such basic needs as fuel has put the service under constant stress, with a disproportionate effect on the men and women of the Coast Guard. Congress has been supportive of the Coast Guard's acquisition needs by keeping its recapitalization program on track. This Committee especially understands the Coast Guard's need to build new cutters and icebreakers. Unfortunately, the operational funds needed to keep pace with the recapitalization have remained flat. Without investing in operational funds for things like fuel, spares, training and manning, these cutting-edge technological marvels will be underused—a waste of the wise investments your committee has made.

To fully fund these operational costs under a flat-lined operations budget, the Coast Guard has had to make reductions elsewhere, ones that affect its people. This committee knows better than most that the Coast Guard will endure numerous sacrifices on behalf of our country, and its people are beginning to pay that price. The Coast Guard, by its very nature, will put mission operations before all else, without complaint—but we are seeing the impacts reduced operational funds is having. Navy League councils in the field have heard the stories of unit galleys and child development centers closing. We know about reductions in training centers and tuition assistance, the cancellation of the educational services officer program, reductions in medical benefits, and fewer Tricare medical advisors and health promotion coordinators. Individually, these are sufficient to cause anyone to rethink their service—but they add up. At a time when the Coast Guards needs to grow by 5,000 people and pilot retention is a constant challenge across the military, the Coast Guard needs to invest in its people through programs like these, but is forced to make these difficult trade-offs to ensure mission execution.

Consider what the Coast Guard does in a single, average day, on this small budget: conducting 45 search and recues cases, saving 14 lives, assisting 66 people in distress, seizing 1,214 pounds of cocaine and 144 pounds of marijuana, conducting 40 waterborne patrols of critical maritime infrastructure, screening 329 merchant vessels for security threats prior to arrival in U.S. ports, and facilitating the movement of $12.6 billion worth of goods and commodities the our maritime transportation system. Imagine what they could do with full funding.

Budgets are not just numbers. These tradeoffs the Coast Guard is forced to make hurts real people, people like Aviation Survival Technician 2nd Class Darren Harrity, a rescue swimmer who, after a hoisting mechanism malfunctioned during a search-and-rescue operation in 2015, had to swim four trips to pull four men 250 yards to shore in 57-degree water, five-foot waves and 30-mph winds in the dark of night. We need to keep people like Darren Harrity focused, trained, and ready for when we need them. We need people like Darren to have access to the best, most capable, and most dependable cutters and aircraft.

The Navy League would like to thank this Committee for its leadership, and thank Congress for being supportive of the Coast Guard in ensuring they have the resources they need. We are very lucky that this Congress, and especially this committee, has shown such incredible bipartisan leadership in championing this underfunded and vitally important service—a true part of American infrastructure and the backbone of the American way of life.

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