

UPDATE ON COAST GUARD ACQUISITION PROGRAMS AND MISSION BALANCE AND EFFECTIVENESS

(115–50)

HEARING BEFORE THE SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

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U.S. House of Representatives
Washington, DC 20515

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July 19, 2018

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 “Update on Coast Guard Acquisition Programs and Mission Balance and Effectiveness”

PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Tuesday, July 24, 2018, at 10:00 a.m., in 2167 Rayburn House Office Building to review the U.S. Coast Guard’s (Coast Guard or Service) integration of their acquisition, manpower, and maintenance plans with their mission needs to assure the Service has the assets, personnel, and expertise it needs to carry out its missions. The Subcommittee will hear testimony from the Coast Guard and the Government Accountability Office.

BACKGROUND

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service and the Lifesaving Service.¹ The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service, the Steamboat Inspection Service, and the Bureau of Navigation.² Today, the Service is responsible for the execution of 11 statutory missions: marine safety; search and rescue; aids to navigation; living marine resources (fisheries law enforcement); marine environmental protection; ice operations; ports, waterways and coastal security; drug interdiction; migrant interdiction; defense readiness, and other law enforcement.³

Nearly 41,000 active duty and approximately 7,000 reserve military personnel conduct Coast Guard operations in support of those missions around the world. In addition, over 8,500 civilian employees provide critical support and expertise to enable Coast Guard operations. The

¹ Established in 1790 and 1848, respectively.

² Established in 1789, 1838, and 1884, respectively.

³ 6 U.S.C. § 468. Preserving Coast Guard mission performance.

Coast Guard is also aided by the Coast Guard Auxiliary, an all-volunteer force of over 31,000 members.

While the Coast Guard conducts operations around the world every day, the Service's unique adaptability and ability to respond to the needs of the Nation were on display in the response to the major hurricanes in the fall of 2017. As has been the case in the wake of major storms for over two centuries, the Coast Guard was one of the first governmental entities on scene in Texas, Florida, Puerto Rico, and the U.S. Virgin Islands in the aftermath of the recent hurricanes. The Coast Guard's multi-mission character and broad statutory authorities were critical to the Service's ability to play a large role in response to these storms, including:

- Conducting extensive search and rescue operations, saving nearly 12,000 lives;
- Facilitating the opening of ports and re-establishing affected aids to navigation necessary for the continuation of commerce;
- Responding to discharges of oil and hazardous substances into navigable waters of the United States impacted by the storms.

More broadly, the Coast Guard's unique character as a United States Armed Force, a law enforcement agency, and a regulatory agency with broad authorities was critical to its ability to work closely with other federal, state, and local agencies and provide critical supplies to inaccessible areas.

The Coast Guard's actions in the aftermath of these storms was well-documented, but it is important that Congress have a broader knowledge of the Service's day-to-day mission effectiveness. The purpose of this hearing is to determine the effectiveness of current Coast Guard operations and to better understand the status of, and planning for, the Coast Guard's assets, workforce, and infrastructure which directly impact mission performance.

Assets

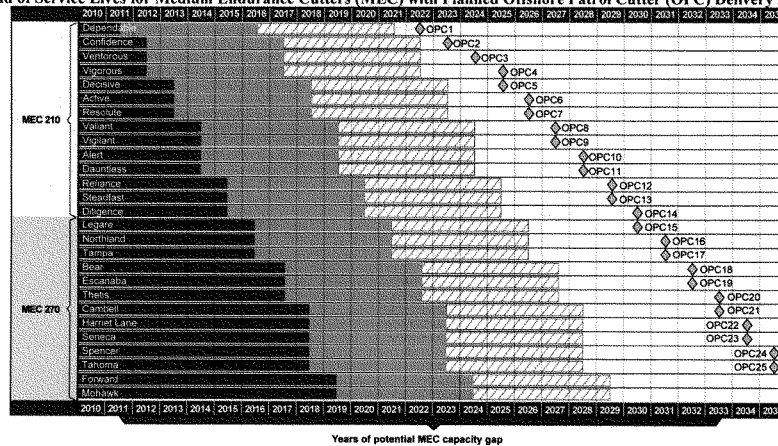
For over two decades, the Coast Guard has been recapitalizing its fleet of offshore cutters, a multi-billion-dollar effort to replace ninety cutters and patrol craft of advanced age: 12 high-endurance cutters; 29 medium-endurance cutters; and 49 110-foot patrol boats. The increased operational capabilities of these assets have enhanced the Service's mission effectiveness. However, the cutter recapitalization effort will not be complete for over 15 years, and the Service has not yet begun to recapitalize its rotary-wing fleet comprised of two classes of helicopters which are already well-beyond the flight hours of similar fleets of the other Armed Forces.

Status of Coast Guard Recapitalization

	Legacy Asset	#	New Asset	Program of Record	Currently Funded	Full Operating Capability
Cutters	High-Endurance Cutters	12	National Security Cutters	9	11	FY 2022
	Medium-Endurance Cutters	29	Offshore Patrol Cutters	25	1	FY 2034
	110-Foot Patrol Boats	49	Fast Response Cutters	58	48	FY 2023
	Heavy Icebreakers	1	New Heavy Icebreakers	3	0.3	FY 2028
	River & Construction Tenders		Waterways Commerce Cutters	TBD	-	TBD
Aircraft	HC-130H	22	HC-130J	22	14	FY 2027
	HH-65	98	Unknown	TBD	-	TBD
	MH-60	49	Unknown	TBD	-	TBD

The ongoing recapitalization of the Service's cutters was planned two decades ago to address mission demands at that time. The world and mission demands have changed since that time and it is critical that the Service be ready to respond to the demands of today, as well as those that will exist in decades to come. It is also important that the Coast Guard be prepared to manage capability gaps that are likely to occur as recapitalization continues. For example, given current Coast Guard plans, there will potentially be significant gaps between the time when the Medium Endurance Cutters are no longer operable and when new Offshore Patrol Cutters (OPC) are ready to take their place, as illustrated in the following chart:

End of Service Lives for Medium Endurance Cutters (MEC) with Planned Offshore Patrol Cutter (OPC) Delivery Dates



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

The Coast Guard attempts to link mission demands to Service needs through its Mission Needs Statements (MNS). The MNS provides an overview of the Service's statutory missions and its assets' capabilities and capacities in context with current and emerging threats.⁴ The first MNS was released in 1996, with updates in 2000, 2004, and 2015. The 2004 MNS, the second update and full rewrite, aligned the Integrated Deepwater System (IDS) program with Department of Homeland Security missions, vision, and strategic goals.⁵ The 2004 MNS also included projected gaps between mission demands and assets capacities and capabilities. Now, 14 years later, such gaps still exist, as seen in the figures included as Appendix A.

In 2011, the Service disaggregated the IDS program and redistributed individual project funding into existing sub-appropriations. The 2015 MNS provides an overview of Coast Guard's missions within the context of current and emerging threats; however, it does not identify asset gaps or a material solution to meet Coast Guard's mission needs. Instead, the Service includes performance measures, either strategic or management, for each of its 11 missions in the 2015 MNS.⁶ The Service includes in its Capital Investment Plan (CIP) how new assets would meet mission requirements and address capability gaps.

The decisions being made today will shape the Coast Guard of the future. The cutters being built today have a planned 30-year service life and will probably serve longer. In fact, the final OPC is projected to be patrolling the seas until 2064. Congress needs accurate information from the Service to determine whether current asset recapitalization plans will provide capabilities sufficient to meet future demands.

Workforce

The Coast Guard's active duty workforce is smaller than that of the New York City police department and less than ¼ the size of the next smallest U.S. Armed Force. From 2012 to 2016, the Coast Guard end-strength fell by over 3,200 as a result of budgetary reductions, less emphasis on recruiting, and an improving national economy. In contrast, through enacted appropriations over the past three fiscal years, Congress has added new Coast Guard positions and provided the Service with funding for a sustainable workforce. However, the Coast Guard's previous Commandant, Admiral Paul Zukunft, regularly stated a need to grow the Coast Guard's active duty workforce by 5,000 people over the next five years. To date, the Service has provided limited details regarding the requirements for such growth or whether current operational missions are undermanned. Nevertheless, the Committee responded to the Admiral Zukunft's request by increasing Coast Guard end-strength levels for fiscal year 2019 to 44,500 active duty military personnel in Coast Guard authorization legislation (H.R. 2518 and Division D of H.R. 5515), an increase of 1,500 over the previous two-year authorized level of 43,000.

The Coast Guard submitted a Manpower Requirements Plan to Congress in April 2018, which expanded upon its previous plan (submitted in November 2016) and supports its Human

⁴ 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.

⁵ The IDS program was a long-term acquisition. The original IDS was based on 1998 needs, it did not meet Government Performance and Results Act (GPRA) targets or reflect post 9/11 mission demands.

⁶ Strategic measures may be released as part of DHS Annual Performance Report. Management measures are reported internally to DHS, OMB, and Congress, but may or may not be reported publicly.

Capital Strategy. Both the 2016 and 2018 plans detail efforts to identify the ideal workforce size and composition to execute the Coast Guard's missions effectively. However, those efforts are only partly complete. The Service has been unable to establish details of the optimum workforce, other than to say that "preliminary results indicate a workforce deficit."⁷ The next manpower requirements plan is due with the submission of the President's fiscal year 2023 budget, at which time "the Coast Guard looks forward to delivering [a plan] with even greater specificity."⁸

The Coast Guard's Human Capital Strategy was released in January 2016 to set "a 10-year course to ensure that [Coast Guard] functions and processes – including requirements, resource allocation, training, and human resource systems – work together to ensure a thriving and effective workforce prepared for the complexities of tomorrow."⁹ However, the Service has not released any updates on the progress of implementing this strategy.

Congress has encouraged the Coast Guard to better understand and articulate its workforce needs to meet current and emerging needs. It is likely that the Service will need to make tough, strategic decisions regarding how best to allocate Coast Guard personnel. While Congress has provided funding for new personnel in recent years, those personnel will serve onboard or support the assets. In mission areas for which there are no new assets on the horizon (e.g., marine safety), the Service will need to make trade-offs to meet emerging demands. Even before the advent of a new cybersecurity operating domain, the Coast Guard was struggling to meet mission demands. Creating a cybersecurity workforce while also conducting legacy operations poses an additional challenge that must be addressed immediately.

Shore Infrastructure

The Coast Guard's real property portfolio comprises approximately 43,400 assets nationwide, including over 7,000 buildings, 34,000 structures, and 2,000 land parcels owned by the Coast Guard.¹⁰ Unfortunately, much of that property is in dire need of rebuilding or repair. Even after receiving \$719 million in supplemental funding to repair damages suffered during the 2017 hurricanes, the Coast Guard still has a backlog of 95 prioritized shore infrastructure projects that will cost an estimated \$1.5 billion to complete.¹¹

While Coast Guard leaders consistently stress the importance of investing in shore infrastructure, the budgetary trade-offs being made within the Coast Guard and the Administration do not reflect this need. Despite the shore infrastructure backlog, the Coast Guard's fiscal year 2019 budget request only includes \$30 million to address shore infrastructure projects. Over the past five years, Congress has aided the Coast Guard by appropriating additional shore infrastructure funding, resulting in an average of 204 percent increase from requested levels (dollars in thousands):

⁷ Coast Guard Manpower Requirements Plan, Report to Congress, April 13, 2018.

⁸ Coast Guard Manpower Requirements Plan, Report to Congress, April 13, 2018.

⁹ https://www.overview.uscg.mil/Portals/6/Documents/PDF/CG_Human_Capital_Strategy.pdf?ver=2016-10-13-123005-583, visited June 19, 2018.

¹⁰ https://transportation.house.gov/uploadedfiles/coast_guard_inventory_of_real_property.pdf

¹¹ Coast Guard Response to Question, Email dated March 05, 2018.

FY	Requested	Appropriated	Congressional Plus-Up	% Increase from Request
2014	\$2,000	\$20,000	\$18,000	900%
2015	\$19,580	\$25,580	\$6,000	31%
2016	\$41,900	\$145,600	\$103,700	247%
2017	\$18,100	\$44,519	\$26,419	146%
2018	\$10,000	\$42,400	\$32,400	324%
Overall	\$91,580	\$278,099	\$186,519	204%

In addition to these extensive shore infrastructure construction needs, the Coast Guard also has an approximately \$700 million shore infrastructure maintenance backlog that continues to grow. Existing shore facilities are not being properly maintained, and failure to invest in ongoing maintenance will result in increased long-term maintenance costs, greater unplanned repair costs, and an acceleration of recapitalization timelines. In the President's fiscal year 2019 budget, the Coast Guard requests \$195 million for all shore maintenance needs, an increase of approximately \$2 million (1.0 percent) over the amount appropriated in fiscal year 2018.

Shore infrastructure is critical to every Coast Guard mission – cutters need piers, aircraft need runways, service members need barracks and offices, etc. The Service has found ways around the paucity of shore infrastructure investment for many years. It remains unclear how these shortfalls and those workarounds continue to impact mission effectiveness and overall performance. The Service needs to develop a comprehensive infrastructure plan based on an objective assessment of current facilities and their influence on Coast Guard operations and the workforce that conducts them.

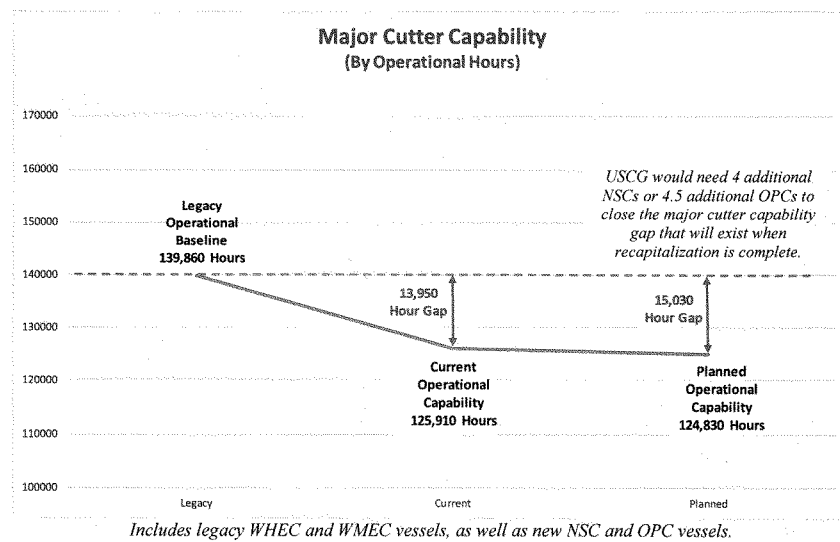
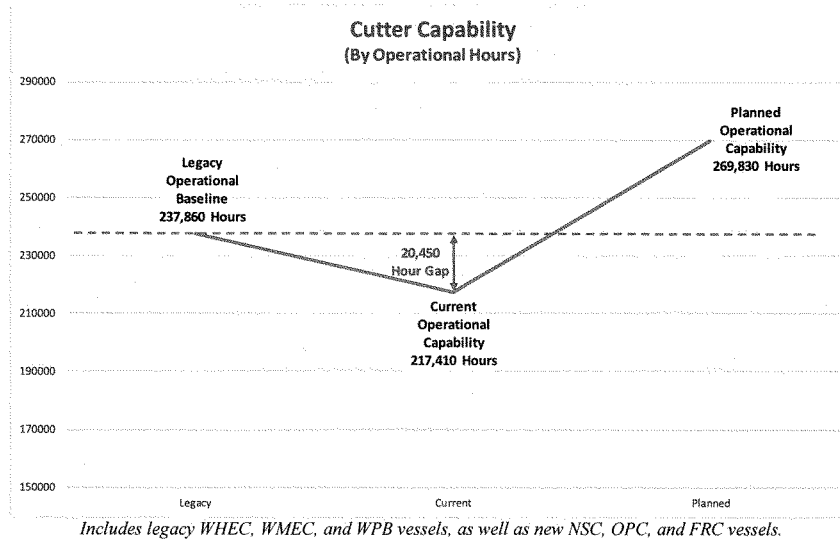
WITNESS LIST

Vice Admiral Daniel Abel
Deputy Commandant for Operations
United States Coast Guard

Vice Admiral Michael McAllister
Deputy Commandant for Mission Support
United States Coast Guard

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

Appendix A: Cutter Capability Gaps



UPDATE ON COAST GUARD ACQUISITION PROGRAMS AND MISSION BALANCE AND EFFECTIVENESS

TUESDAY, JULY 24, 2018

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

The subcommittee met, pursuant to notice, at 10:02 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. Before we start I would like to do a pause for a moment.

July 24, 1998, was a Friday 20 years ago, a normal day in Congress, until an armed man entered the Capitol. Two heroic individuals, Police Officer Jacob Chestnut and Special Agent John Gibson, engaged the gunman and saved numerous Members, staff, and tourists in the building. Both brave men lost their lives that day.

As we go about our daily lives, we may not always remember the dangerous situations first responders, police officers, firemen, our service men and women put themselves in when they go to work every day. By remembering Police Officer Chestnut and Special Agent Gibson, we honor their lives and sacrifice. It reminds us of the many officers and servicemembers who fall in the line of duty. It is important for us to remember it takes dedication, devotion, and selfless acts to protect their fellow citizens and their Nation.

Let us pause for a moment of silence to remember Officer Chestnut and Special Agent Gibson.

[A moment of silence was observed.]

Mr. HUNTER. Thank you. Now we will talk Coast Guard.

The subcommittee is meeting today to review how the Coast Guard is integrating their acquisition, manpower, and maintenance plans to align to their mission needs and assure the Service has the assets, personnel, and expertise needed to carry out its missions.

On June 1, 2018, Admiral Karl Schultz became the 26th Commandant of the Coast Guard. His guiding principles for the Service are: ready, relevant, and responsive. He said, "These guiding principles frame my direction and will support the Department of Homeland Security, the Secretary of Defense and combatant commanders, and other national and global maritime interests."

Admiral Schultz and his senior leadership team are in the midst of reviewing the status of the Coast Guard and making changes to align the Service with those guiding principles. Today, we will hear from two members of that team, and look forward to better understanding their perspectives on the status of the Coast Guard.

The ongoing recapitalization of the Service's cutters was planned two decades ago to address mission demands at that time. The world and the demands of the Coast Guard have since changed, and it is critical that the Service be ready to respond to the demands of today, as well as those that will exist in decades to come.

It is also important that the Coast Guard is prepared to manage capability gaps that are occurring and likely to continue to occur as recapitalization continues.

The decisions being made today will shape the Coast Guard of the future. The cutters being built today have a planned 30-year service life and will probably serve much longer. And the final OPC [Offshore Patrol Cutter] in production is projected to be patrolling the seas until 2064.

Like Admiral Schultz, Congress wants to ensure the Coast Guard is ready, relevant, and responsive for years to come. In order to do so, we need accurate information from the Service to determine whether current plans will provide the capabilities to meet future demands.

Even more important than Coast Guard ships and aircraft are the people who operate them. The Coast Guard's Active Duty workforce is only slightly larger than that of the New York City Police Department and less than one-quarter the size of the next smallest U.S. Armed Force. Congress has encouraged the Coast Guard to better understand and articulate its workforce needs to meet current and emerging needs.

Looking forward, it is likely that the Service will need to make tough strategic decisions regarding how Coast Guard personnel are allocated. Even before the advent of a new cybersecurity operating domain, the Coast Guard was struggling to meet mission demands. Creating a cybersecurity workforce while also conducting legacy operations poses an additional challenge that must be addressed immediately.

In addition to our focus on Coast Guard assets and personnel, this subcommittee has continually pushed the Service to improve its shore infrastructure made up of approximately 43,400 assets nationwide. Unfortunately, even after several years of us stressing the need for action, much of that property is in dire need of rebuilding or repair.

While Coast Guard leaders consistently stress the importance of investing in shore infrastructure, the budgetary tradeoffs being made within the Coast Guard and the administration do not reflect a genuine commitment to address this need. For example, despite a shore infrastructure backlog of more than \$1.5 billion, the Coast Guard's fiscal year 2019 budget request only includes \$30 million to address those projects.

Shore infrastructure is critical to every Coast Guard mission: cutters need piers, aircraft need runways, inspectors need buildings, etc. And if the Service truly desires to remain ready, relevant,

and responsive, it needs to find ways to address these critical needs.

The Government Accountability Office, GAO, has issued a number of reports since 2012 reviewing Coast Guard acquisition programs and providing recommendations to improve those programs. Over the years the Coast Guard has agreed with many of these recommendations, and agreed to take action on them. However, the new GAO report released today notes that the Coast Guard has not fully implemented those prior recommendations. Hopefully, today's hearing will help us understand why that is.

A new senior leadership team brings new perspectives, new ideas, and new priorities. I look forward to hearing from our witnesses today on how they see the Coast Guard and how we can best position the Service for success going forward.

I now yield to Ranking Member Garamendi.

You are recognized.

Mr. GARAMENDI. Once again, Mr. Chairman, thank you for the hearing. Thank you for your leadership on this, and your statement which covers most everything I was about to say.

So I won't say it all, but I will ask that it go into the record. And so—

Mr. HUNTER. Without objection.

Mr. GARAMENDI. Thank you. And then I will go on for the next 4½ minutes and cover some things.

The bottom line of it is the Coast Guard has far more responsibilities than they have money to carry out those responsibilities. I think all of us believe that they are working hard to achieve the goal and make the most that they can with what they have available.

But I am perplexed that in the time of extraordinary need for the Coast Guard to protect our Nation from immigrants, drug traffickers, the melting of the Arctic Ocean ice, China and Russia claiming not only access, but rights to the land beneath the ocean, the Arctic Ocean, that the House Appropriations Committee will tomorrow take up the Homeland Security appropriation bill and cut the Coast Guard by over \$1 billion so that a border wall can be built, a big, beautiful border wall that the President so much wants.

I find it very difficult to believe that the Appropriations Committee will actually do that. No, I believe they will do that: \$1 billion—or more, actually—out of the Coast Guard budget for a big, beautiful wall.

So my questions are going to be on that issue to the three witnesses today. What does it mean? I think we all need to be aware of what it means.

Also, the money for the icebreakers was eliminated. My question to us, really—not to the Coast Guard so much, but to us—is what in the hell are we doing here, that we are so incorrect in our prioritization of issues? Yes, we make choices. This is a particularly bad choice being made by the Appropriations Committee.

Mr. GARAMENDI. So with that, I yield back. And you know where I am going to go in this hearing.

[Mr. Garamendi's prepared statement follows:]

Prepared Statement of Hon. John Garamendi of California

Thank you, Mr. Chairman, I am looking forward to this morning's update on the status of several important Coast Guard acquisition programs. Allow me to welcome our witnesses from the Coast Guard and the Government Accountability Office.

I am interested in learning what the Coast Guard has done to better integrate its acquisition programs with its workforce levels and its performance measures.

As we all know, the Coast Guard is in the middle of the most expensive and far-reaching recapitalization of its offshore fleets of cutters and airframes in the history of the Service. Fortunately, from what we know the new assets delivered thus far, while expensive, have more than demonstrated their worth in terms of increased capability.

Unlike the other armed services, however, the Coast Guard was hurt by the mandatory funding cuts imposed under the Budget Control Act. And while I am certainly pleased with the increased funding levels provided in the Coast Guard's fiscal year 2018 appropriation, we would be foolish to expect such increases to be maintained in the face of the ballooning budget deficit.

It remains critical then, that the Coast Guard correctly balance the integration of new assets with the new demands placed upon the Service. Yet, within this calculus, it also remains critical that the Coast Guard not allow its traditional missions, such as marine safety inspections and environmental law enforcement, to be neglected or allowed to wither.

It is incumbent upon this subcommittee to make sure that the Coast Guard is indeed striking the correct balance. And if not, we must be prepared to take whatever appropriate actions necessary to make sure that the Coast Guard is applying its resources to address its missions' needs.

Again, I thank Chairman Hunter for convening this morning's hearing and look forward to the discussion.

Mr. HUNTER. I thank my friend from California.

Today we are going to hear from Vice Admiral Michael McAllister, Deputy Commandant for Mission Support of the Coast Guard; Vice Admiral Daniel Abel, Deputy Commandant for Operations of the Coast Guard; and Ms. Marie Mak, Director of Contracting and National Security Acquisitions with the GAO.

Admiral McAllister, you are recognized to give your statement.

TESTIMONY OF VICE ADMIRAL MICHAEL F. MCALLISTER, DEPUTY COMMANDANT FOR MISSION SUPPORT, U.S. COAST GUARD; VICE ADMIRAL DANIEL B. ABEL, DEPUTY COMMANDANT FOR OPERATIONS, U.S. COAST GUARD; AND MARIE A. MAK, DIRECTOR OF CONTRACTING AND NATIONAL SECURITY ACQUISITIONS, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Admiral MCALLISTER. Well, good morning, Chairman Hunter, Ranking Member Garamendi, distinguished members of the subcommittee. Thank you for the opportunity to highlight the key role of the mission support enterprise and your continued strong support of the Coast Guard and our people. And I request that our joint written testimony between Admiral Abel and myself be entered into the record.

Mr. HUNTER. Without objection.

Admiral MCALLISTER. I am pleased to have the opportunity to testify today alongside Ms. Mak, as well as my colleague, Vice Admiral Abel, to speak to the Coast Guard's activities to achieve readiness in the near term, as well as in the future.

Admiral Abel and I have only been in our new positions a few weeks now, but already our focus areas are becoming clear. And I would like to share some of those with you today.

By way of introduction, Coast Guard mission support is responsible for manning Coast Guard—managing Coast Guard assets—ships, aircraft, shore facilities, C4IT [command, control, communications, computers, and information technology] systems—from the day we initiate an acquisition until the day we decommission the asset.

But I really want to start off by talking about a more important support mission. We are focused on recruiting, developing, supporting, and retaining the Service's most critical asset, our people, to be part of a mission-ready Coast Guard workforce. Attracting the best to our Service demands a focus on diversity, and I am proud to note that this year's entering class at the Coast Guard Academy, who was just sworn in a few weeks ago now, is one of the most diverse ever, with 36 percent under-represented minorities and 40 percent women. And while the Coast Guard has among the highest retention rates of all the military services, we continue to focus on keeping our skilled, high-performing, and diverse workforce into the future.

We are also committed to ensuring that Coast Guard women and men have the right knowledge and tools to successfully execute our challenging missions, and Admiral Schultz has focused on enhancing career development, closing gaps in training, and providing the right information technology to enhance performance in the field, among other initiatives.

Recapitalization continues to be a Coast Guard priority. With the help of Congress, and particularly this subcommittee, we have made great progress in refining our acquisitions programs to deliver assets on time and on budget. We have seen both acquisition and operation success in National Security Cutters and Fast Response Cutters. And this week we will welcome the 28th Fast Response Cutter to the fleet in a ceremony in Alexandria: the Coast Guard cutter *Nathan Bruckenthal*, named in honor of a Coast Guard enlisted member who was killed in the line of duty while carrying out critical maritime security duties during the Iraq War.

We are on track to award a contract for small, unmanned aircraft system capability for the National Security Cutter fleet this fiscal year. We expect to begin production of the first Offshore Patrol Cutter later this year, and we are well poised to award the detail design and construction contract in our heavy polar icebreaker program in fiscal year 2019. And we are continuing activities to recapitalize the inland waterways fleet.

And while recapitalizing an aging fleet is critical, sustaining that fleet and the related shore infrastructure is also a priority. The Coast Guard needs to rebuild readiness with sound investments in our operations and maintenance accounts. While the other Armed Forces have begun to be made whole, your Coast Guard has not yet seen much relief. This results in deferred maintenance, fewer spare parts, and reliability and security concerns with our C4IT systems. For these reasons, ensuring our Service's readiness is one of Admiral Schultz's top priorities.

I thank Congress for your support in fiscal year 2018, both in the omnibus appropriations and the recent supplemental funding to rebuild our shore infrastructure following last fall's catastrophic hurricanes.

Admiral Abel and I took the opportunity just last week to visit some of our most impacted units in Puerto Rico and the Virgin Islands. We have amazingly resilient Coast Guard members there who, despite the impacts of the storms on their homes and their communities, are focused on rapidly restoring full Coast Guard mission capability. Our commitment is to ensure that we take care of our people, both in the near and long term, while we wisely rebuild with a focus on resiliency.

In closing, I would like to recognize the oversight and strong support that this subcommittee continues to provide to your Coast Guard. Today, together it is our people and our assets that allow the Coast Guard, as our Commandant, Admiral Schultz says, and Chairman, as you noted before, to be ready, relevant, and responsive to our Nation's needs.

As this subcommittee knows, a well-equipped and resourced Coast Guard is essential to ensure prosperity and national security.

Thank you very much for the opportunity to testify, and I look forward to your questions, sir.

Mr. HUNTER. Thank you, Admiral McAllister.

Admiral Abel, excuse me, you are recognized.

Admiral ABEL. Good morning, Chairman Hunter, Ranking Member Garamendi, distinguished members of the subcommittee. I thank you for the opportunity to testify on the U.S. Coast Guard mission balance and allocation of operational resources.

I am pleased to appear alongside Ms. Mak, the Government Accountability Office, and Vice Admiral McAllister, my shipmate who does mission support.

It is the strong support of the administration and Congress that enables the Coast Guard to be a ready, relevant, and responsive Service. Today's Coast Guard broad authorities and complementary capabilities align with national security, marine safety, as well as economic prosperity priorities like no other military service or Federal agency.

On a daily basis, we balance our assets and crews across these national priorities, ensuring a strong and valuable \$4.6 trillion Maritime Transportation System: protecting our borders seaward, where transnational criminal organizations are the most vulnerable, eroding corrosive elements in Central American nations that serve as catalysts for migration, enforcing our Nation's sovereignty in the Arctic, and ensuring proper stewardship for the maritime and expanding into the vitally important maritime cyber domain.

The Coast Guard Service objective is a balance of missions, so that limited resources are optimized and applied to the highest risks and threats. We confront and mitigate these risks and threats by leveraging a force package that incorporates intelligence, Maritime Patrol Aircraft, advanced cutters, airborne use-of-force helicopters, over-the-horizon boats, and, most importantly, highly trained Coast Guard women and men.

Our allocational resources to meet these missions are nimble, adaptive, and well-integrated with our partners, domestic and international. Whether we are targeting illicit traffickers or responding to a large-scale natural disaster, the Coast Guard prides itself on applying its limited resources to the areas of highest risk.

As you are aware, 2017 was a noteworthy year for your Coast Guard. During Hurricanes Harvey, Irma, and Maria, Coast Guard women and men in helicopters, boats, cutters, vehicles, and on foot rescued 11,300 people and over 1,500 pets. During Hurricane Harvey, Coast Guard helicopter crews started rescuing people around noon off of Corpus Christi, Texas, even before Hurricane Harvey had made landfall.

For every one of these disasters, Coast Guard crews, Active Duty, Reserve, auxiliary and civilians, typically are the first Federal responders to reenter an impacted area to make rescues, assess damage, and to begin the recovery process. And they apply our cultural focus on on-scene initiative and a bias for action. As for context, in an average year the Coast Guard saves about 3,600 lives. The Coast Guard tripled that number in Harvey alone.

In addition to search-and-rescue operations, the Coast Guard continued to deploy forces to impacted regions to restore ports and waterways, respond to pollution, provide security and additional law enforcement throughout the region, and protection of offshore petrochemical platforms. Within 5 weeks of Hurricane Harvey and Maria, which had affected over 2,500 miles of coastline, the Coast Guard had responded to 1,200 aids to navigation discrepancies necessary to provide the relief of supplies and restore commerce, handled 290 pollution cases, targeted over 3,600 vessels aground, removing over 1,600 of them.

The Coast Guard damage and recovery assistance teams were on scene within hours, determining port status, leveraging technology, including the employment of electronic aids to navigation to reopen the ports.

Additionally, the Coast Guard excelled in our day-to-day mission. We interdicted more cocaine at sea in 2017 than all other law enforcement agencies combined: 223 metric tons, hitting in bulk where the transnational criminal organizations are the most vulnerable.

More important, we referred over 600 suspected smugglers to the Department of Justice for prosecution, which bolsters a unified, all-of-Government approach to dismantle these networks.

These operational examples demonstrate our Service's ability to leverage strategic planning process and maximize our limited resources to the greatest effects. Our strong sustained performance during periods of national and international crisis that demand a high operational tempo are the hallmark of our Coast Guard. And it is often accomplished by stretching our crews and taking measured risks in the application of our national assets.

The resources you provide our Coast Guard are being put into good hands. When the citizens of our Nation are having their worst day, your Coast Guard is at its best.

The National Security Cutters and Fast Response Cutters have yielded an effective, modernized, intel-driven Coast Guard, and we are eager to introduce the Offshore Patrol Cutter, Waterway Commerce Cutter, and the heavy polar icebreaker into our fleet mix. This mix of assets will ensure that your Coast Guard is semper paratus well into the future.

Thank you, Mr. Chairman, Ranking Member, and members of this committee. I appreciate the opportunity to testify, and I look forward to your questions.

[The joint prepared statement of Vice Admiral McAllister and Vice Admiral Abel follows:]

Joint Prepared Statement of Vice Admiral Michael F. McAllister, Deputy Commandant for Mission Support, and Vice Admiral Daniel B. Abel, Deputy Commandant for Operations, U.S. Coast Guard

Good morning, Chairman Hunter, Ranking Member Garamendi, 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 (TCOs), facilitate and safeguard commerce on America's waterways, and protect our nation's interests in the Polar Regions.

The Department's efforts to secure our borders and execute the Administration's direction "to deploy all lawful means to secure the Nation's southern border"¹ relies on the Coast Guard to support this comprehensive security strategy. The Coast Guard protects the U.S. maritime border—not just by operating in U.S. territorial waters, but by extending out our nation's borders by conducting operations off the coasts of South and Central America. Employing an interdiction package consisting of air and surface assets, specialized personnel, and broad authorities, the Coast Guard is positioned to disrupt illicit trafficking ventures and threats to our nation far from our shores, and where they are most vulnerable—at sea.

Leveraging nearly 30 multilateral and bilateral agreements and working with a host of U.S. and foreign government organizations, the Coast Guard's long-term counter-TCO efforts promote stability and strengthen the rule of law throughout the Western Hemisphere. Improved governance and regional stability decreases TCO-driven violent crime and increases economic opportunities—factors that will result in a reduction in illegal immigration into our Nation.

Working with U.S. Government interagency partners, the Coast Guard seized 223 metric tons of cocaine and detained and transferred 606 smugglers for criminal prosecution in fiscal year 2017. Beyond the important task of removing cocaine from the illicit trafficking system that delivers drugs to U.S. streets, prosecuting smugglers facilitates a deeper understanding of TCOs and helps bolster a unified, all-of-government approach to dismantle these organizations.

The Coast Guard is at all times an Armed Service² that advances national security objectives in ways no other military service can. Our combination of broad authorities and complementary capabilities squarely align with the President's national security and economic prosperity priorities. Appropriately positioned in DHS, the Coast Guard is also an important part of the modern Joint Force³ and offers trusted access to advance mutual interests and preserve U.S. security and prosperity.

As one of the five Armed Forces, the Coast Guard serves as a force multiplier for the Department of Defense (DOD) and deploys worldwide to execute our statutory defense operations mission in support of national security priorities. On any given day, 11 cutters, two maritime patrol aircraft, five helicopters, two specialized boarding teams, and an entire Port Security Unit are supporting all geographic DOD Combatant Commanders, as well as U.S. Cyber Command, on all seven continents. In the Middle East, our squadron of six patrol boats and crews continue to police the waters of the Northern Arabian Gulf in close cooperation with the U.S. Navy, promoting regional peace and stability. Likewise, as one of the principal Federal

¹Executive Order on Border Security and Immigration Enforcement Improvements, 25 January 2017.

²14 U.S.C. § 1; 10 U.S.C. § 101.

³In 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.

agencies performing detection and monitoring in the southern maritime transit zone, the Coast Guard provides more than 4,000 hours of maritime patrol aircraft support and 2,000 major cutter days to U.S. Southern Command each year.

We are also the nation's "maritime first responder." Our bias for action, and ability to rapidly surge resources in response to emerging threats, as most recently demonstrated during last fall's devastating hurricane season, are hallmark traits of our Service. Over a 5-week period, Hurricanes HARVEY, IRMA, MARIA, and NATE impacted over 2,540 miles of shoreline and Coast Guard men and women in helicopters, boats, cutters, vehicles and on foot rescued over 11,300 people. In addition to vital search and rescue operations, the Coast Guard also facilitated the rapid re-opening of affected portions of the country's Marine Transportation System (MTS), opening critical ports and waterways for relief supplies and minimizing impacts to the flow of commerce.

Coast Guard mission readiness relies on the ability to simultaneously execute our full suite of missions, while also being ready to respond to contingencies. Your Coast Guard prides itself on being *Semper Paratus*—Always Ready—and predictable and sufficient resources are necessary to maintain Service readiness in the future. Prudence demands we continue investing in a modernized Coast Guard. Indeed, recapitalization remains a top 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.

With the support of the Administration and Congress, we are making significant progress toward building new Polar icebreakers. This past March, we released a request for proposal (RFP) as a full and open competition, setting the stage for award of a Detail Design and Construction (DD&C) contract in fiscal year for the construction of up to three heavy Polar icebreakers. We are as close as we have ever been to recapitalizing our Polar icebreaking fleet; continued investment now is vital to solidify our standing as an Arctic nation and affirms the Coast Guard's role in providing assured, year-round access to the Polar Regions for decades to come.

Later this year, we will start to cut steel on the first Offshore Patrol Cutter (OPC). The OPC will provide the tools to effectively enforce Federal laws, secure our maritime borders, disrupt TCOs, and respond to 21st century threats. Continued progress on this acquisition is absolutely vital to recapitalizing our aging fleet of Medium Endurance Cutters (MECs), some of which have already been in service for over a half century. We are in advanced planning to extend the service life of a portion of our MEC fleet as a bridge until OPCs are delivered, beginning in 2021. In concert with the extended range and capability of the National Security Cutter (NSC) and the enhanced coastal patrol capability of the Fast Response Cutter (FRC), OPCs will be the backbone of the Coast Guard's strategy to project and maintain offshore presence.

We continue to deliver the fleet of new FRCs on budget and on schedule. Later this summer we plan to exercise the second option under the Phase II contract to begin production of six more FRCs. The fiscal year appropriation included funding for two additional FRCs, beyond our domestic program of record of 58 hulls, to initiate the recapitalization of our six patrol boats supporting enduring U.S. Central Command missions in southwest Asia.

The Service continues efforts to accelerate recapitalization of our long-overlooked fleet of 35 river, construction, and inland buoy tenders, with an average age of over 52 years. Replacing this aging fleet with Waterways Commerce Cutters (WCC), for a modest cost, is critical to sustaining the overall safety of our nation's MTS, which contributes \$4.6 trillion annually to our Gross Domestic Product.

We are also making progress with fielding unmanned aircraft systems, and are working toward awarding a service contract to operate small Unmanned Aircraft Systems (sUAS) on our NSC fleet. During the proof of concept testing aboard STRATTON, sUAS capabilities enhanced effectiveness of the cutter by providing real-time surveillance and detection imagery while assisting the embarked helicopter and law enforcement teams with interdiction operations. Further, we are exploring options for a land-based UAS program to enhance intelligence, surveillance, and reconnaissance (ISR), improve maritime 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 still being finalized, we are moving quickly to field this much-needed capability.

The Coast Guard is also currently seeking statutory authority, along with a number of other DHS Operational Components, to acquire and operate capabilities to counter illicit use of UAS when such use threatens the security of the United States. Although the Coast Guard already possesses limited authority to counter UAS's under DOD authority, the additional authority that would be provided in this new

authorization will enable the Coast Guard to more effectively conduct its broad range of homeland security missions.

In concert with efforts to acquire new assets, we are 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 icebreaking tugs by approximately 15 years. We are also continuing the Midlife Maintenance Availability (MMA) on sea-going buoy tenders to 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.

In addition to vessel sustainment projects, work continues at the Aviation Logistics Center in Elizabeth City, North Carolina, where centralized, world-class depot maintenance has been crucial to sustaining the mission performance of our rotary and fixed-wing aviation assets. The Coast Guard has initiated efforts to extend the service life of our aging helicopter fleet until the mid—2030's, when we plan to recapitalize these assets in conjunction with DOD's Future Vertical Lift program.

We are also mindful of the condition of our aging shore infrastructure and the adverse effects it has on readiness across all mission areas. The Coast Guard currently has a \$1.6 billion shore infrastructure construction backlog that includes piers, sectors, stations, aviation facilities, base facilities, training centers, and military housing units. We appreciate the tremendous support of Congress for supplemental funding appropriated in fiscal year to rebuild our damaged shore infrastructure to resilient, modern-day standards after a series of devastating hurricanes. Continued investment in shore infrastructure is 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, our Service's greatest strength is undoubtedly our people. We are incredibly proud of our 48,000 Active Duty and Reserve members, 8,500 civilians, and over 27,000 volunteer members of the Coast Guard Auxiliary. Coast Guard operations require a resilient, capable workforce that draws upon the broad range of skills, talents, and experiences found in the American population. Together with modern platforms, our proficient, diverse, and adaptable workforce maximizes the Coast Guard's capacity to respond effectively to an increasingly complex operating environment.

History has proven that a ready, relevant, and responsive Coast Guard is an indispensable instrument of national security. With the continued support of the Administration and Congress, we will 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. Thank you for the opportunity to testify before you today and for all that you do for the men and women of the Coast Guard. We look forward to your questions.

Mr. HUNTER. Thank you, Admiral.

Ms. Mak, you are recognized.

Ms. MAK. Good morning, Chairman Hunter, Ranking Member Garamendi, and members of the subcommittee. Thank you for inviting me here today to discuss the Coast Guard's recapitalization efforts. These efforts are critical, given that many of its legacy assets are beyond their service life and are costing a great deal to keep operational.

However, our most recent report on recapitalization, which issued today, continues to indicate that the Coast Guard is facing several key challenges with its acquisition portfolio management approach.

Despite better efforts to request what it needs in the fiscal year 2019 Capital Investment Plan, or CIP, and the unfunded priorities list, the Coast Guard continues to take the short-term focus for planning and prioritizing, and it is not addressing the long-term affordability of its portfolio. This results in where we are today, of having to recapitalize so many assets simultaneously.

The two areas that I would like to highlight today are, first, how this planning process impacts the current acquisition of its heavy

polar icebreaker; and, second, how it is driving the Coast Guard to operate and sustain certain aging assets longer than expected.

We found, as far back as 2014, and in our report issued today, that the Coast Guard's annual budget-driven tradeoff approach creates constant churn, often resulting in capability and cost being pushed into the future. Further, we found that the Coast Guard's 5-year CIP continues to demonstrate a pattern of ineffective planning practices. By not articulating the tradeoffs that are made in the acquisition programs, and not showing the effects of those annual decisions, it makes it difficult for Congress and other stakeholders, such as DHS [Department of Homeland Security] and OMB [Office of Management and Budget], to fully understand the alternatives and risks.

Based on our ongoing work, we have found that the Coast Guard's short-term planning has driven the acquisition of its heavy polar icebreaker program to its current situation, where it has not established a sound acquisition business case. For shipbuilding programs to be successful, a sound business case is essential, which means attaining critical levels of knowledge at key points in the process before significant investments are made.

We found that the schedule for delivering the new heavy icebreaker is optimistic. It is based on when the Coast Guard's only operational heavy icebreaker, the *Polar Star*, may no longer be operational, rather than building a schedule based on knowledge, such as using historical lead ship construction times. This puts the program at risk of missing its delivery dates, and potentially widening the icebreaking capability gap.

Second, with regards to sustainment, the short-term acquisition management approach has driven both the *Polar Star* and the Medium Endurance Cutters to operate well beyond their design service lives. While it is not unusual for the Coast Guard to operate assets well beyond what was originally planned, both of these assets are requiring a larger amount of time and resources just to keep their current operational capacity.

Specifically, the *Polar Star* is requiring additional time for its annual maintenance. Although the Coast Guard plans for a service life extension for this icebreaker, it is unclear how the Coast Guard will be able to complete this work as planned during the already-extended maintenance timeframes and continue meeting its annual Antarctica mission.

With the Medium Endurance Cutters, obsolescence of parts is a significant issue, and maintenance costs continue to rise. At this time, the Coast Guard has yet to determine how many of these cutters will undergo a service life extension program before the Off-shore Patrol Cutters become operational.

The bottom line is that the Coast Guard cannot continue to use its annual budgets to plan for the long-term affordability of its major acquisitions. The Coast Guard is in a position where it faces some difficult and complex decisions with potentially significant costs and mission implications. As maritime conditions and threats continue to change, it is not ideal timing to have any capability gap with icebreakers or Medium Endurance Cutters. As a result, it is vitally important for the Coast Guard to develop a more strategic and comprehensive approach for managing its acquisition 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.
 [Ms. Mak's prepared statement follows:]

Prepared Statement of Marie A. Mak, Director, Contracting and National Security Acquisitions, Government Accountability Office

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 seeks to modernize its aging assets, a process referred to as Coast Guard recapitalization, including the management of the overall Coast Guard acquisition portfolio. The Coast Guard continues to rely on the annual budget process and its 5-year Capital Investment Plan (CIP) for long-term acquisition planning, processes which we found have contributed to capability gaps and funding shortfalls.¹ For example, as the Coast Guard continues this short-sighted approach, it is currently experiencing a gap in its polar icebreaking capability, because the Coast Guard does not have assets available to conduct its missions in both the Arctic and Antarctic regions year round. The Coast Guard identified a need for three heavy and three medium icebreakers in 2010, but to date it has only one active heavy and medium icebreaker. Exacerbating this capability gap is the condition of the Coast Guard's only operating heavy polar icebreaker, the *Polar Star*, which we found has experienced longer than expected maintenance periods in 2016 and 2017 to prepare for its annual mission to Antarctica.²

My statement today will address challenges in the (1) management of the overall Coast Guard acquisition portfolio, and (2) sustainment of certain aging assets. This statement is based on our extensive body of work examining the Coast Guard's acquisition efforts spanning the past several years, including our report on Coast Guard acquisitions released today in conjunction with this statement.³ We also include preliminary information based on our ongoing review of the Coast Guard's heavy polar icebreaker acquisition.

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 the total cost of the Coast Guard's acquisition portfolio and how the Coast Guard manages its acquisition portfolio. Further detailed information on our scope and methodology can be found in the reports cited in this statement. For our ongoing work on the polar icebreaker, we assessed the status of the Coast Guard's efforts to recapitalize its heavy polar icebreaking fleet.

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.

¹GAO, *Coast Guard Acquisitions: Actions Needed to Address Longstanding Portfolio Management Challenges*, GAO-18-454 (Washington, DC.: July 24, 2018); *Coast Guard Acquisitions: Limited Strategic Planning Efforts Pose Risk for Future Acquisitions*, GAO-17-747T (Washington, DC.: July 25, 2017); *Coast Guard Recapitalization: Matching Needs and Resources Continue to Strain Acquisition Efforts*, GAO-17-654T (Washington, DC.: June 7, 2017); *Coast Guard Acquisitions: Better Information on Performance and Funding Needed to Address Shortfalls*, GAO-14-450 (Washington, DC.: June 5, 2014); *Coast Guard: Portfolio Management Approach Needed to Improve Major Acquisition Outcomes*, GAO-12-918 (Washington, DC.: September 20, 2012); *Coast Guard: Actions Needed as Approved Deepwater Program Remains Unachievable*, GAO-11-743 (Washington, DC.: July 28, 2011).

²GAO-18-454.

³For examples of past work see: GAO-18-454; *Homeland Security Acquisitions: Leveraging Programs' Results Could Further DHS's Progress to Improve Portfolio Management*, GAO-18-339SP (Washington, DC.: May 17, 2018); GAO-17-747T; GAO-17-654T; GAO-14-450.

COAST GUARD FACES CHALLENGES IN EFFECTIVELY MANAGING ITS ACQUISITION
PORTFOLIO

*Short-term Prioritization through the Annual Budget Process and the 5-Year
Capital Investment Plan Limit Effective Planning*

We found in September 2012, and in our July 2018 review, that the Coast Guard's approach of relying on the annual budget process and the 5-year CIP to manage portfolio affordability does not provide the best basis for making decisions to develop a more balanced and affordable portfolio in the long term.⁴ Further, in June 2014, we found that there is no evidence that short-term budget decisions will result in a good long-term strategy, and the Coast Guard's annual budget-driven tradeoff approach creates constant churn as program baselines must continually realign with budget realities instead of budgets being formulated to support program baselines.⁵ This situation results in tradeoff decisions between capability and cost being pushed into the future. For example, since 2010, the Coast Guard has a stated requirement for three medium polar icebreakers, but it has only one operational medium icebreaker, the Healy, which has an expected end of service life—the total period for which an asset is designed to operate—in 2029. Despite the requirement for three medium polar icebreakers, Coast Guard officials said they are not currently assessing acquisition of the medium polar icebreakers because they are focusing on the heavy icebreaker acquisition and plan to assess the costs and benefits of acquiring medium polar icebreakers at a later time.

As required by statute, the Coast Guard has, since 2012, prepared a 5-year CIP that it is required to update and submit annually with the administration's budget request.⁶ The 5-year CIP is the Coast Guard's key acquisition portfolio planning tool. However, in our July 2018 review, we found that shortcomings of that plan that limit its effectiveness.⁷ Specifically, we found that the Coast Guard's 5-year CIPs continue to demonstrate a pattern of certain ineffective planning practices, such as not identifying priorities or tradeoffs between acquisition programs and not providing information about the effect of current decisions on the overall affordability of the acquisition portfolio.

These shortcomings limit the Coast Guard's ability to manage the affordability of its acquisition portfolio. Coast Guard officials said the CIP reflects the highest priorities of the department within the given top funding level and that prioritization and tradeoff decisions are made as part of the annual budget cycle. However, the reasoning behind these decisions, and the resulting impacts on affected programs, are not articulated in the CIPs. While the Coast Guard is not required under statute to identify the effects of tradeoff decisions in the CIP, failing to show which acquisitions would take on more risk—such as delays to certain recapitalization efforts—so other acquisitions can be prioritized and adequately funded within budget parameters also makes it difficult for Congress and other stakeholders, such as Department of Homeland Security (DHS) and the Office of Management and Budget (OMB), to understand any other options the Coast Guard considered. GAO's Cost Estimating and Assessment Guide states that comparative analyses showing facts and supporting details among competing alternatives, such as budget priorities, should consider tradeoffs needed to identify solutions and manage risk.⁸ In the report we issued today, we recommended that the Coast Guard work with Congress to include a discussion of the acquisition programs it prioritized and describe how tradeoff decisions made could affect other acquisition programs in the Coast Guard's annual 5-year CIP.⁹ DHS agreed with our recommendation and plans to include additional information in future CIP reports to address how tradeoff decisions could affect other major acquisition programs. The Coast Guard plans to implement this recommendation by March 2020.

In June 2014, we found that the Coast Guard needed to take a more strategic approach in managing its acquisition portfolio.¹⁰ We recommended that the Coast Guard develop a 20-year fleet modernization plan that would identify all acquisitions necessary for maintaining at least its current level of service and the fiscal

⁴ GAO-18-454 and GAO-12-918.

⁵ GAO-14-450.

⁶ 14 U.S.C. § 2902. Since 2012, the Coast Guard has been required to submit its CIP with the President's budget in any given year. The CIP is approved by DHS and the Office of Management and Budget and, as we have reported in the past, is subject to significant change each year.

⁷ GAO-18-454.

⁸ GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, DC.: March 2009).

⁹ GAO-18-454.

¹⁰ GAO-14-450.

resources necessary to build these assets. DHS concurred with this recommendation and the Coast Guard is in the process of developing a 20-year Long-Term Major Acquisitions Plan to guide and manage the affordability of its acquisition portfolio, but DHS has not yet approved the plan. Such an analysis would facilitate a fuller understanding of the affordability challenges facing the Coast Guard while it builds the Offshore Patrol Cutter, among other major acquisitions.

The lack of a long-term plan and continuing to determine priorities and make tradeoff decisions based on the annual budget have rendered the Coast Guard's acquisition planning reactive. We found that reactive planning and the Coast Guard's constrained budget environment have created a bow wave of near-term unfunded acquisitions, negatively affecting future acquisition efforts and potentially affecting future operations.¹¹ This bow wave consists of new acquisition programs and recapitalization efforts, as well as high-cost maintenance projects that use the same acquisition construction and improvements account, which continue to put pressure on available resources. These projects include some that are not currently identified in the 5-year CIP. For instance, the Coast Guard's 87-foot patrol boats are forecast to require recapitalization beginning in 2023. Additionally, the ocean-going 175-foot coastal buoy tenders are past the point in their service lives when a midlife maintenance availability would normally have been conducted.¹² In July 2018, we found that the Coast Guard has historically operated vessels well past their expected end of service life, and it will likely need to do so with these assets given limited available acquisition funding.¹³

Executive Oversight Council Has Not Conducted Annual Reviews of All Acquisitions Collectively

The Coast Guard has a management body—the Executive Oversight Council—in place to conduct oversight of its major acquisition programs; however, this management body has not conducted oversight across the entire acquisition portfolio using a comprehensive, collective approach.¹⁴ Among the Coast Guard's three cross-directorate groups that have roles in the acquisition process, we found in July 2018 that the Executive Oversight Council is best positioned to oversee the portfolio collectively and has the potential to implement key portfolio-wide management practices, including conducting formal reviews and issuing reports. This council has cross-directorate senior-level management representation, access to information on acquisition programs, and support from the other two cross-directorate groups (the Systems Integration Team and the Resource Councils). However, this council has not carried out these portfolio-wide practices.

In 2014, the Coast Guard updated the Executive Oversight Council's charter, in response to our September 2012 recommendation, adding the responsibility for portfolio-wide oversight to include conducting an annual review to assess and oversee acquisitions collectively. However, in our July 2018 review, we found that the Coast Guard revised the council's charter in June 2017, removing this responsibility.¹⁵ According to Executive Oversight Council officials, this responsibility was removed from the 2017 charter because the council did not conduct these annual reviews. Instead, Executive Oversight Council officials indicated that the council facilitates a balanced and affordable portfolio of acquisition programs through the individual program-level reviews. Best practices states that successful organizations assess product investments in aggregate, rather than as independent projects products or programs.¹⁶ For example, by considering the requirements, acquisition, and budget processes collectively, it helps organizations prioritize their product investments.

Further, we found that the Executive Oversight Council has not engaged in overseeing or reporting on the acquisition portfolio collectively and annually. OMB's 2017 Capital Programming Guide outlines a capital programming process, including how agencies should effectively and collectively manage a portfolio of capital as-

¹¹ According to GAO's schedule assessment guide and cost estimating and assessment guide, bow wave refers to a large amount of funding that will be required in the future to complete an acquisition due to deferred or delayed work. Often the funding required at the peak of a bow wave is unrealistic. See GAO, *Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-12-120G (Washington, DC: May 2012) and GAO-09-3SP.

¹² Midlife maintenance availabilities occur near the midpoint of a cutter's life and are intended to correct system obsolescence issues and maintain asset reliability and supportability throughout the remainder of a cutter's service life.

¹³ GAO-18-454.

¹⁴ According to OMB guidance, portfolio-wide management should collectively prioritize capital assets, such as the Coast Guard's major acquisition programs.

¹⁵ GAO-18-454.

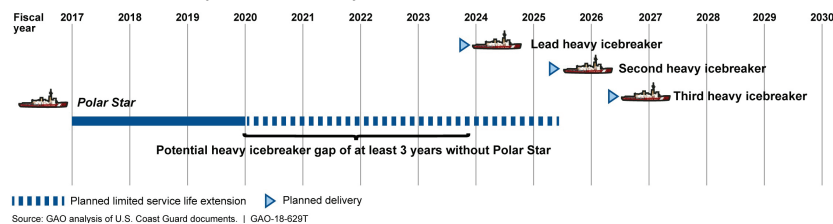
¹⁶ GAO, *Best Practices: An Integrated Portfolio Management Approach to Weapon System Investments Could Improve DOD's Acquisition Outcomes*, GAO-07-388 (Washington, DC: Mar. 30, 2007).

sets.¹⁷ This OMB guidance states that a senior-level executive review committee should be responsible for reviewing the agency's entire capital asset portfolio on a periodic basis and for making decisions or priorities on the proper composition of agency assets needed to achieve strategic goals and objectives within the budget limits. In the case of the Coast Guard, only the Executive Oversight Council has members at the senior-level executive level and has the responsibility for oversight of its major acquisition programs. Without conducting comprehensive, collective portfolio reviews at the senior management level, the Coast Guard does not have sufficient cross-directorate information to determine needed tradeoffs in the major acquisitions realm, considering budget realities. It is also limiting its ability to make strategic decisions on future requirements and capability gaps in a timely manner within the acquisition portfolio. In our July 2018 report on Coast Guard recapitalization efforts, we recommended that the Commandant of the Coast Guard should require the Executive Oversight Council, in its role to facilitate a balanced and affordable acquisition portfolio, to annually review the acquisition portfolio collectively, specifically for long-term affordability.¹⁸ DHS disagreed with our recommendation stating that other bodies within the Coast Guard, such as the Investment Board, Deputies Council, and Investment Review Board—are responsible for making decisions regarding out-year funding, while the Executive Oversight Council works outside of the annual budget process. DHS also stated that, to meet the spirit of our recommendation, the Coast Guard will update the Executive Oversight Council's charter to require a review of the collective acquisition portfolio, specifically evaluating long-term planning. We believe that updating the Executive Oversight Council's charter to include long-term planning is a positive step. However, we continue to believe that in addition to long-term planning, the Executive Oversight Council should include the major acquisition portfolio's budget realities faced by the Coast Guard in its reviews, or long-term affordability. If the planning accounts for long-term funding considerations to achieve the Coast Guard's acquisition goals and objectives, we believe the intent of our recommendation would be met.

Coast Guard's Heavy Polar Icebreaker Program's Optimistic Schedule Is Driven by Capability Gap Rather Than Knowledge-Based Analysis

The Coast Guard's short-term planning focus has, in part, driven the acquisition of its heavy polar icebreaker program to its current situation—trying to meet a highly optimistic schedule. The heavy polar icebreaker program is intended to field three new icebreakers to replace the Coast Guard's sole operational heavy polar icebreaker, the *Polar Star*. The *Polar Star* is expected to reach the end of its service life between 2020 and 2023 while the first heavy polar icebreaker is expected to be delivered in fiscal year 2023, with the second and third icebreakers expected to be delivered in 2025 and 2026, respectively. Figure 1 shows the potential icebreaking capability gap.

Figure 1: The Coast Guard's Potential Heavy Polar Icebreaker Capability Gap and Planned Delivery of New Heavy Polar Icebreakers



Source: GAO analysis of U.S. Coast Guard documents. | GAO-18-629T

We are currently conducting a review of the heavy polar icebreaker acquisition, and, preliminarily, we have found that the Coast Guard set an optimistic schedule baseline for the delivery dates for new polar icebreakers based on the ice-breaking capability gap rather than an analysis of what is realistic and feasible. Rather than building a schedule based on knowledge—such as determining realistic schedule targets and analyzing how much time to include in the schedule to buffer against potential delays, and comprehensively assessing schedule risks—the Coast Guard used the estimated end date of the *Polar Star*'s service life as the primary driver to set the lead icebreaker's objective (or target) delivery date of September 2023 and threshold (latest acceptable) delivery date of March 2024. Design study information

¹⁷ OMB's 2017 Capital Programming Guide, Supplement V 3.0 OMB Circular A-11, Planning, Budgeting, and Acquisition of Capital Assets.

¹⁸ GAO-18-454.

provided by several shipbuilders estimated that it could take up to 3.5 years to build the lead icebreaker, but the Coast Guard is planning for a more optimistic estimate of 2.5 years for the delivery date.¹⁹ Our best practices for developing project schedules state that estimating how long an activity takes should be based on the effort required to complete the activity and the resources available and not driven by a specific completion date.²⁰

In addition, preliminary findings indicate the Coast Guard did not conduct analysis to identify a reasonable amount of margin or time to include in the program schedule baseline to account for any delays in the program. The current heavy polar icebreaker's schedule includes only 6 months of margin between the Coast Guard's target and latest acceptable delivery dates. However, our analysis of recent shipbuilding acquisitions shows that longer schedule delays, whether they are in the program's control or not, should be expected. For example, among the 12 selected shipbuilding acquisition programs active in the last 10 years that we analyzed, the Navy and the Coast Guard have delayed delivery of all but one lead ship from their original planned delivery dates, with delays ranging from 9 to 75 months. We have found in our past shipbuilding work that delays have resulted from a number of issues, including redesign work to address discoveries during predelivery testing, and key system integration problems, and design quality issues among others.²¹ However, Coast Guard officials told us such risks are not accounted for in the Heavy Polar Icebreaker schedule. We plan to issue a report on the Coast Guard's heavy polar icebreaker acquisition this summer. In addition, we will continue to review this program in our annual assessment of major acquisition programs.

COAST GUARD FACES SUSTAINMENT CHALLENGES FOR THE POLAR STAR AND 270-FOOT MEDIUM ENDURANCE CUTTERS

We found in July 2018 that the Coast Guard's heavy polar icebreaker *Polar Star* and the Medium Endurance Cutters are currently either approaching or operating beyond the end of their design service lives.²² These cutters are in need of major maintenance overhauls—or Service Life Extension Projects (SLEP)—in order to continue providing capabilities to operators. According to Coast Guard officials, SLEPs are necessary because the Coast Guard does not have the funds available to initiate a new major acquisition program to recapitalize these assets in the short term, or because a significant amount of maintenance work is required to keep these assets operational until replacements are fielded. These planned SLEPs involve several risks including scheduling and funding.

Heavy Icebreaker Polar Star has Required More Maintenance than Planned to Remain Operational

After being placed in a nonoperational status in 2006 due to equipment problems, the Coast Guard conducted reactivation work on the *Polar Star* from 2010 to 2013, and the icebreaker resumed its primary mission for the annual deployment to the National Science Foundation's McMurdo Research Facility in Antarctica in 2014. Further, our July 2018 review indicated that the Coast Guard is planning a SLEP on the *Polar Star* to keep it operational until the first and second new heavy polar icebreakers are delivered in order to bridge a potential operational gap. This approach, according to Coast Guard officials, would allow the Coast Guard to operate a minimum of two heavy icebreakers once the first polar icebreaker is delivered and provide the Coast Guard with a self-rescue capability—the ability for one icebreaker to rescue the other if it became incapacitated while performing icebreaking operations.

However, we found that the Coast Guard's plans to conduct this SLEP during its annual depot-level maintenance periods—that is, maintenance that is beyond the capability of the crew of a cutter or other asset—may not be feasible given the amount of maintenance already required on the cutter. Specifically, the *Polar Star*'s mission capable rating (an asset's availability to conduct operations) has been decreasing in recent years and reached a low point of 29 percent—well below the tar-

¹⁹In February 2017, the Coast Guard contracted with five shipbuilders to conduct design studies to examine major design cost drivers and technology risks for the heavy polar icebreaker program.

²⁰GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-16-89G (Washington, DC.: Dec. 2015).

²¹GAO-18-339SP; *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-17-333SP (Washington, DC.: March 30, 2017); *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-15-342SP (Washington, DC.: Mar. 12, 2017); *Homeland Security Acquisitions: DHS Could Better Manage Its Portfolio to Address Funding Gaps and Improve Communications with Congress*, GAO-14-332 (Washington, DC.: Apr. 17, 2014).

²²GAO-18-454.

get of 41 percent—from October 2016 to September 2017. Based on mission capable data, we found this was mostly due to additional time spent in depot-level maintenance, which has increased in recent years from about 6 months in 2015 to more than 8 months in 2017. Additionally, the *Polar Star* has required extensions of about 3 months for its annual dry dock periods—the period of time when a cutter is removed from the water so that maintenance can be conducted—in 2016 and 2017 to complete required maintenance activities. These dry docks were originally planned to last between 2½ months and 4 months. We found in July 2018 that these delays and extensions are likely to continue as the cutter ages.²³ According to Coast Guard officials, the *Polar Star*'s SLEP work will be conducted during the annual dry dock periods by adding an additional 1 or 2 months to the annual dry docks. However, if the work is unable to be completed during this timeframe, it could force the Coast Guard to miss its commitment to conduct its annual Antarctica mission.²⁴ Coast Guard maintenance officials stated that until the *Polar Star* completes the SLEP, its repairs will likely continue to get more expensive and time consuming.

As we found in July 2017, the *Polar Star* SLEP effort has a rough-order cost estimate of \$75 million, which is based on the reactivation work completed in 2013.²⁵ However, we found this estimate may be unrealistic based on assumptions the Coast Guard used, such as that it would continue to use parts from the Coast Guard's other heavy polar icebreaker, the *Polar Sea*, which has been inactive since 2010.²⁶ The Coast Guard's recent assessment of the *Polar Star*'s material condition—the physical condition of the cutter, which includes the hull structure, habitability, major equipment systems, and spare parts availability—was completed in January 2018.²⁷ The material assessment stated that many of the available parts from the *Polar Sea* have already been removed and installed on the *Polar Star*. As a result of the finite parts available from the *Polar Sea*, the Coast Guard may have to acquire new parts for the *Polar Star* that could increase the \$75 million SLEP estimate. The *Polar Star*'s recent material assessment will form the basis to determine which systems will be overhauled during the SLEP and for a more detailed cost estimate. The Coast Guard expects the *Polar Star* SLEP to begin by June 2020, at which time the *Polar Star* could reach the end of its current useful service life (currently projected to be between 2020 to 2023). This timeline contains risk that the *Polar Star* could be rendered inoperable before the cutter is able to undergo a SLEP. We will continue to monitor the *Polar Star*'s SLEP through our annual review of DHS programs.

Coast Guard Is Developing Plans to Extend Medium Endurance Cutters' Service Lives

The Coast Guard operates two fleets of Medium Endurance Cutters (270-foot and 210-foot cutters) and both are either approaching or have exceeded their design service lives. According to Coast Guard officials, there are no plans to extend the service lives of the 210-foot Medium Endurance Cutters due to the age of the vessels (some of the cutters will be over 60 years old when they are expected to be removed from service). However, we found in July 2018 that, according to Coast Guard maintenance officials, the primary problem facing the 270-foot Medium Endurance Cutters is obsolescence of parts.²⁸ The cutters have several systems that are no longer manufactured, and in many cases the original manufacturer no longer makes parts for the systems, such as the generators, fire pumps, and main diesel engines. To sustain the 270-foot Medium Endurance Cutters until the replacement cutters—the Offshore Patrol Cutters—are delivered, the Coast Guard is planning to conduct a

²³ GAO-18-454.

²⁴ The Coast Guard was previously unable to conduct the annual mission to the McMurdo Research Facility from 2010 to 2013 due to both heavy icebreakers being inoperable. During that time, the National Science Foundation leased a commercial icebreaker to open a channel for resupply ships.

²⁵ GAO-17-747T.

²⁶ The *Polar Sea* is the sister ship to the *Polar Star* and has been inactive since experiencing a major engine casualty in June 2010.

²⁷ The Ship Structure and Machinery Evaluation Board is the prime source of information on the material condition and remaining service life of the cutter classes. This information allows the Coast Guard to formulate cutter acquisition plans and modernization alternatives. A fundamental step in this planning cycle is to periodically evaluate the remaining service life of each cutter and standard boat class and compare this against the future mission requirements. The board thoroughly evaluates the material condition of the cutter or standard boat class and determines its remaining service life.

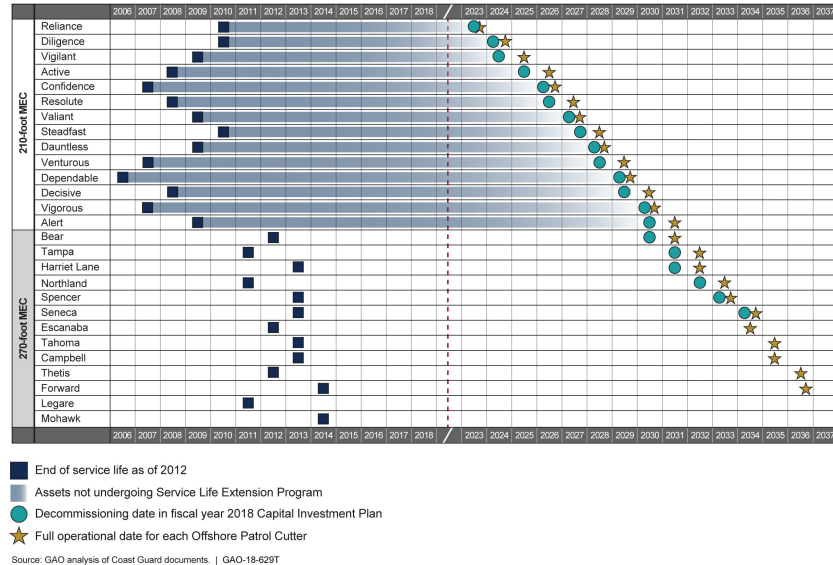
²⁸ GAO-18-454.

SLEP. Coast Guard officials stated they are evaluating how many of the 13 270-foot cutters will undergo the SLEP.

According to Coast Guard officials, the Offshore Patrol Cutter acquisition program is on track to meet its cost and schedule goals. The Coast Guard is in the process of completing the design of the cutter before starting construction, which is in-line with GAO-identified shipbuilding best practices. In addition, Coast Guard officials stated that the program is using state-of-the-market technology that has been proved on other ships as opposed to state-of-the-art technology, which lowers the risk of the program. The Coast Guard expects to start construction of the first Offshore Patrol Cutter in fiscal year 2019 and procure a total of 25 ships, with plans to initially fund one cutter per year and eventually two cutters per year until all 25 cutters are delivered. Further, Coast Guard officials have stated that if the Offshore Patrol Cutter program experiences any delays, it will likely decrease the Coast Guard's operational capacity because the legacy Medium Endurance Cutters will likely require increased downtime for maintenance and other issues, reducing their availability. As we indicated earlier, short-term planning limits the Coast Guard's ability to identify and consider tradeoffs with its acquisition portfolio.

The Coast Guard is evaluating how long the 270-foot Medium Endurance Cutters should remain in service. According to Coast Guard officials, this decision is at least partially dependent on the delivery of the Offshore Patrol Cutters—specifically the shipbuilder's ability to deliver two cutters per year, which is expected to start in fiscal year 2024 with the fourth and fifth cutters. Officials stated that the Coast Guard does not plan to operate any Medium Endurance Cutters once all 25 Offshore Patrol Cutters are operational, yet the fiscal year 2018 through 2022 CIP report indicates that 7 of the 270-foot Medium Endurance Cutters will still be in service when all 25 Offshore Patrol Cutters are delivered and operational. Officials said this is a contingency plan in case not all Offshore Patrol Cutters are delivered on time. Figure 2 shows the planned delivery dates for the Offshore Patrol Cutters and the proposed decommissioning dates for the legacy Medium Endurance Cutters.

Figure 2: Comparison of the End of the Useful Life for the Legacy Medium Endurance Cutter and the Planned Offshore Patrol Cutter Delivery Dates



Note: The fiscal year 2018 Capital Investment Plan does not specifically list when each hull will be decommissioned, but lists the number of hull to be decommissioned each year. We notionally went in order of the oldest to the newest cutters as provided by the Coast Guard.

The Coast Guard plans to have two Offshore Patrol Cutters delivered per year starting in 2024, but the full operational date is 2 years later due to the need for post-delivery work.

The Coast Guard conducted a Midlife Maintenance Availability on the 210-foot Medium Endurance Cutters between 1987 and 1998 that added 15 years to their service lives. The end of service life shown represents this 15-year extension.

The fiscal year 2018 through 2022 CIP shows that there is little, if any, gap between when the 210-foot and 270-foot Medium Endurance Cutters will be removed from service and when the Offshore Patrol Cutters will be operational. However, both Medium Endurance Cutter classes will be well past their end of service lives by the time they are decommissioned. For instance, in our July 2012 report, we found that the 210-foot Medium Endurance Cutter *Dependable* reached its end of service life in 2006.²⁹ Nevertheless, based on the fiscal year 2018 through 2022 CIP, we found that the Coast Guard plans for the cutter to operate for an additional 23 years (until 2029) without any major sustainment work to extend its service life. While it is not unusual for the Coast Guard to operate cutters for longer than originally planned, the lack of a more comprehensive, collective portfolio management approach, in part, will result in some of the Medium Endurance Cutters operating over 60 years, which is 30 years beyond their original design service lives.

In addition, the Coast Guard's own assessments indicate likely challenges. For instance, the Coast Guard's February 2017 Sustainability Assessment of the 210-foot Medium Endurance Cutters, it rated 5 of the 14 cutters as a high risk for sustainability, which reflects either a poor material condition or high maintenance costs.³⁰ Moreover, the most recent material condition assessments for the Medium Endurance Cutters, completed in 2015, found that

- 210-foot Medium Endurance Cutters cannot be expected to meet operational requirements using the normal depot-level maintenance funding levels due to the

²⁹ GAO, *Coast Guard: Legacy Vessels' Declining Conditions Reinforce Need for More Realistic Operational Targets*, GAO-12-741 (Washington, DC: July 31, 2012).

³⁰ Sustainability Assessments are annual assessments that rank each cutter's ability to be affordability sustained.

time required to complete maintenance and the increased maintenance costs in recent years; and

- mission effectiveness of the 270-foot Medium Endurance Cutters will continue to degrade without a near-continuous recapitalization of older sub-systems.

In July 2012, we found that as assets age beyond their design service lives, they can negatively affect the Coast Guard's operational capacity to meet mission requirements as the cutters require more maintenance.³¹

We will continue to monitor the Medium Endurance Cutters' SLEP and the Off-shore Patrol Cutter acquisition in our annual review of major acquisition programs.

In conclusion, as the Coast Guard continues modernizing its fleet and sustaining existing assets for longer than planned, it is important that it develops a more strategic and comprehensive approach for managing its portfolio so that future requirements and capability gaps can be addressed in a timely manner. The Coast Guard has a history of using its annual budgets to plan its acquisition portfolio, which leads to ever changing priorities and creates deferred acquisitions and a bow wave of future funding requirements. This bow wave has begun and the Coast Guard will continue to add to it until it begins to have a longer term focus, such as with the creation of the 20-year Long Term Major Acquisition Plan that we recommended in 2014. The Coast Guard has an opportunity with this plan to lay the foundation for the success of the future acquisition portfolio by showing what assets are needed and how much it is expected to cost, and it will position itself to provide decision-makers with critical knowledge needed to prioritize its constrained acquisition funding. In the meantime, the Coast Guard would benefit from describing in the 5-year CIP how the annual tradeoff decisions that are made could affect other acquisition programs. This would help decisionmakers understand the needs of the Coast Guard so that they can know how to better allocate taxpayer dollars as they invest in new more capable Coast Guard assets.

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

Mr. HUNTER. Thank you, Ms. Mak. I am now going to start recognizing Members for questions, starting with myself. And we are going to start with the appropriations.

The appropriators cut \$1.4 billion. That is slightly more than half of what the subcommittee is seeking to authorize. About \$750 million of that was the icebreaker that they cut, and the rest was, I think, shoreside infrastructure, mostly. Is that correct, Admirals?

Admiral McALLISTER. Yes, sir. My understanding was the largest portion of that was certainly the \$750 million that the President proposed for the polar icebreaker program.

Mr. HUNTER. But they also cut another \$700 million past that, and that was mostly going toward shoreside infrastructure?

Admiral McALLISTER. Sir, I don't have the details of—but I know the polar icebreaker was the biggest portion of that.

Mr. HUNTER. OK, so at least \$400 million of that was shoreside, and the other stuff might have been broken up. So can you just walk us through what the appropriators appropriated, compared to what we authorized, and what, if any, gaps, critical gaps, and problems you see with that?

Admiral McALLISTER. I believe the most critical gap there is certainly the polar icebreaker. You know, we certainly appreciate the support of both the administration and Congress for our polar icebreaker recapitalization program, and we are hopeful that the fiscal year 2019 appropriations, once enacted, will fund that program so that we can continue on schedule, take advantage of the significant industry interest that is currently sparked by that program, keep that program on schedule.

³¹ GAO-12-741.

And as Ms. Mak has already testified, you know, we have got a challenge with the *Polar Star*, which is our, you know, only current heavy icebreaker, and keeping her operating. And any delays in the schedule of the new heavy icebreaker will put our ability to field critical icebreaking capability to protect our national sovereignty at risk.

Mr. HUNTER. Let me—how do you expect to—and Ms. Mak, you can answer this, too. Can you stay on track, if they only—if they cut it by \$750 million? How can you possibly stay on track with that kind of a cut?

Admiral MCALLISTER. Yes, sir. I think certainly the schedule is going to be at risk if we do not get the \$750 million in fiscal year 2019.

Mr. HUNTER. Right, so the current schedule is off if that appropriations cut goes through.

Admiral MCALLISTER. As it is structured now, our intention is to not only award detailed design and construction in fiscal year 2019, but do the purchase of a variety of different elements under that contract, which could include long lead-time materials to buy into the second. We are not going to be able to do that without that \$750 million in fiscal year 2019, sir.

Mr. HUNTER. OK, thank you.

Ms. Mak, do you concur?

Ms. MAK. Yes, I concur. They can do the detailed design contract with the money they already have. But without the \$750 million, there is no way they can purchase the construction or contract for the construction of the lead ship in 2019. And we already have concerns with the schedule, even as it is.

The Coast Guard did not buffer any timeframes in the schedule, other than the 6 months between the target date and the baseline date of when the lead ship should be delivered. There are a number of issues that usually occur in contracts for major acquisitions that have optimistic schedules, such as funding delays, equipment deliveries, and rework based on testing. None of that is incorporated in their schedule baseline.

So our concern is that the schedule is already very optimistic, and that is with the assumption that the Coast Guard will receive that funding.

Admiral ABEL. Mr. Chairman, as the operator, I would add, too, that, like Admiral McAllister said, there is no wiggle room here. You know, our plans on the high latitudes north and south are, you know, modernize governance, domain awareness—what is going on—and partnerships. You can't do any of that if you can't show up.

We have no buddy system with the heavy icebreakers. And as the *Polar Star* gets older and older and older, she is more at risk. If something were to happen to her when she is at the high latitude, there is nothing with a U.S. flag that can come rescue her. So not only do we need the polar replacement quickly, but limping along the *Polar Star* continues to put the Coast Guard at risk.

Mr. HUNTER. Thank you. I have time for one more, one more quick question here.

Going through the end-of-service lives from the Medium Endurance Cutters compared to when the OPC comes online, in the best-

case scenarios there are still 4- or 5-year gaps. If you look at the—in 2028, 2029 to 2034, and then—and that is if the service life extensions go 15 years on the MECs [Medium Endurance Cutters], right? Not 5 or 10, but they all last for 15. You have a best-case scenario at the end of 5 years, a best-case scenario of a year. That is the smallest amount.

So that is my question. Do we wait to fix that until it becomes more pressing, or are we fixing it now? Or what is the plan? Or is it so far off we are just waiting?

And then my second question is, going through the cutter capability gaps, based off—and I could give you this, if you need to see it, but I will try to explain it. This includes every vessel, including the NSCs [National Security Cutters], OPCs, FRCs [Fast Response Cutters], the medium endurance, et cetera. The legacy operational baseline is 20,000 hours, roughly, over the current operational capability. And the planned operational capability is way above the legacy baseline that we are not meeting right now. Does that make sense?

That also goes for the MEC, HECs [High Endurance Cutters], NSCs, and just the OPCs. You have a gap right now that is roughly 14,000 hours under the legacy baseline, and a planned operational capability that is also lower than the old legacy baseline.

So could you just elaborate on those two things?

Admiral MCALLISTER. Sir, I can certainly field the question on the Medium Endurance Cutter life expectancy and our plans to extend that. And then I think Admiral Abel might have some additional information that he can share with you on the kind of total capacity of the system.

So our 210-foot cutters, which average about 50 years old, we do not plan on doing a service life extension program for those. Those would be the first that are decommissioned. And I think—I believe in the chart they show the last of those decommissioned in 2030—2029 to 2030.

We do intend to do a service life extension program on the 270-foot *Medium Endurance* class cutters. Those are between 27 and 35 years old. We will do some condition-based assessments to determine which ones are the most likely to be able to continue service, as you indicate, well into the 2030s. And we have asked for money to plan that service life extension. That will add about 10 years to those cutters. I think we are planning to start that in 2021 or 2022, so that ought to get us through 2035, when the Offshore Patrol Cutters are through their production and in operation, sir.

Mr. HUNTER. So, to be clear, the 210-footers, you are not planning a service life extension on those.

Admiral MCALLISTER. That is correct, sir. Now, they will continue to go through depot-level maintenance. And I would submit to you, as is the case with many of our assets, you know, they are getting old, and it costs more to do the depot-level maintenance there. And so that explains our current focus on the operations and maintenance money to restore readiness of the Coast Guard.

Mr. HUNTER. Thank you.

Admiral Abel?

Admiral ABEL. Mr. Chairman, on the capability side, to echo what Mike said, you know, many of these Medium Endurance Cutters share their birth year with us, which is pretty old, candidly.

But all cutter days and cutter hours are not created equal. A cutter that was built in the sixties does not have the capabilities, the technology, the sensors, and the return on investment and the bang for the buck that you get with a modern National Security Cutter, and we are hoping to get from the Offshore Patrol Cutter.

So while day for day there may be a dip there, I can tell you that what we are doing with—there is nothing more powerful than a National Security Cutter right now in the transit zone for catching bad guys. And linked with the small UAS [unmanned aircraft system], you have got air cap that comes from the Navy and Customs and Border Protection. It has got an armed helicopter that will stop at multiple, over-the-horizon small boats. It has got the sensors, and now a UAS to finish off the game.

So I can tell you that you are getting a lot more from the new assets than you have from the ones that are being sunsetted.

Mr. HUNTER. And Ms. Mak, because I have taken so much time, I am going to yield now to Mr. Garamendi. But if you could, when we get back to this again, I guess my question would be, then, it would be great to see your analytics on capability versus just hours. Right?

I mean that—because that is all we—if you are just going by hours, it looks bad. If you are going by capability, probably it looks better than it did, right? But I don't think we have anything that shows an analysis of capability based on the assets capability, versus just hours spent in the ocean.

Thank you. I yield to Mr. Garamendi.

Mr. GARAMENDI. Thank you, Mr. Chairman. I am going to be relatively brief here. I have already talked about the Appropriations Committee and the damage that they are doing to the Coast Guard budget. It looks to be over \$1 billion, maybe \$1.2 billion, \$1.4 billion.

It is not clear if the Appropriations Committee intends to specify where those cuts are—for example, the icebreakers or the Offshore Patrol Cutters or shore maintenance and the like. I would appreciate immediately from the Coast Guard information on how those cuts would affect your ongoing programs, icebreaker, whatever. I intend to have a grand fight here with the Appropriations Committee; it would be helpful.

I am often reminded that we can authorize, but we don't have the money. And at some point we are going to have to have a brawl with the Appropriations Committee, particularly when they intend to beef up border walls and diminish the Coast Guard and other activities.

So, if you could provide that, that would be very helpful to us.

I am not going to go further into the Arctic issue. I see Mr. Larsen is here, and he rightfully claims the Arctic issue to himself, since he has been at it some 16 years. But I will let him pick that up.

The other issue that I would like—and the chairman, once again, went into a lot of the details about the operations—if you could also supply us with information on the shore facilities, the \$700 million

that was available for shore facilities, where that money is being spent, and what remains to be done after that money has been used to upgrade certain shore facilities—I know we went at this last time around.

I am going to let it go at that. It is information received. I don't know—if you have it with you today, then go ahead. Otherwise, deliver it immediately. If you don't have it, then just say so and we will go from there.

Admiral MCALLISTER. Well, Congressman, I don't have all the details, but of course we would be pleased to provide that for the record.

I assume that you are speaking of the hurricane supplemental funds, the \$719 million that the Coast Guard has already started spending to repair many of our facilities. And we are putting together the more detailed plans for those facilities that are beyond repair that we will rebuild to a higher level of resiliency.

I would offer to you that the facilities that the Coast Guard has rebuilt over the past 4 or 5 years, weathered those storms well. And so I think we can get this one right.

We appreciate your focus, not only on infrastructure that was damaged, you know, through these hurricanes, but infrastructure writ large, and the people, Coast Guard women and men, that need to work out of those facilities. That is where every mission that we operate, that we do, you know, starts and ends.

Admiral ABEL. Congressman, I would also say that, in the trip we had last week we are mindful of the fact that the money you provided, provided some Band-Aids to get the folks back in the fight to immediately make mission.

Then we are going to do some suturing—to continue the analogy here—to get us through the next couple years. Then eventually there are some permanent fixes, like Admiral McAllister mentioned, with hurricane resistance, new construction that is going to take time.

But we are mindful of the fact that these folks need to make mission, their families need to have a place to live and work, and we are going to make sure that we do right by the folks in the near term, as well as looking out over the horizon for resilient facilities that will last for the next storm and the storm after that.

Mr. GARAMENDI. Ms. Mak, any comment on this? Have you done an analysis? Have you been following it? If so, what do we need to know?

Ms. MAK. With regards to the Medium Endurance Cutters, I will say that they have been operating at a higher operational tempo than what was intended. So therefore, there are going to be consequences because they are not doing all the planned depot maintenance that they usually have scheduled. And in a matter of time, that could lead to a catastrophic failure.

In terms of whether these decommissioning dates in the Capital Investment Plan are realistic, I don't have any basis to make that call. But I will say even the Coast Guard's own studies have indicated that both the 210s and 270s are not in really good condition.

For instance, the 210s, the study rated 5 out of their 14 for high risk, for sustainability. For the 270s, for mission effectiveness, they are going to continue to degrade because according to Coast

Guard's own report in 2015 on Material Condition Assessment, it said that they are nearly continuously replacing the older subsystems. So in the long term, it is just a matter of time before those ships experience failures.

Mr. GARAMENDI. So a powerful argument to get on with the re-capitalization of the ships. Fair enough.

The C-27Js, the gift that keeps on taking, what is the status of them, the modernization of it, so forth?

[No response.]

Mr. GARAMENDI. Navy Minotaur systems, where are we with the C-27J aircraft?

Admiral McALLISTER. So, Congressman, a couple of items of good news. We were able to award the last of five contracts to build our parts inventory. As you know, that was critical to restoring the reliability, particularly of the aircraft out in Air Station Sacramento.

And so we have ordered about 80 percent of the parts that we need for Sacramento, about 60 percent, fleetwide. The rest of the aircraft are not yet missionized or at an active air station.

And with respect to the Minotaur system, we have got the first prototype fielded, and so we are assessing the usefulness of that system. It is a DoD-based system that is also carried by CBP, so I think there is a good news story there, in terms of interoperability, both with DHS and DoD. We are confident that that system will be really valuable to us in the future.

And in the meantime, again, to ensure that Air Station Sacramento has the capability it needs, we are putting an interim operational capability on board that has the EO/IR [electro-optical infrared] system and the communication system, the Satcom, so that we can missionize those in a more rapid sense while we are waiting for the Minotaur system to be, you know, fully tested and deployed to the C-27 fleet.

Admiral ABEL. From an operational perspective, missionizing, it can't be overstated, the importance there. I mean the value of this platform, in addition to being able to carry cargo, really is the fact it is a sensor.

And as Admiral McAllister mentioned, the fact that this is a like system with Customs and Border Protection that does a lot of the high cap and the transit zone and the source zones down in the East Pac, Caribbean, as well as the fact it plugs and plays with the Navy and DoD system is really going to be huge for the Coast Guard, and will be a like system, and all of our fixed-wing aircraft will have Minotaur.

Mr. GARAMENDI. I thank you. Finally, back to the maintenance backlog. I think the committee would appreciate a detailed schedule of the maintenance programs, going forward: how are you going to spend the \$700 million; what remains to be done for those particular facilities that were damaged; and then the other facilities out ahead of you.

I know some of this has been presented in the past. An update would be appreciated.

With that, I yield back.

Mr. HUNTER. I thank the gentleman. The gentleman from Louisiana is recognized, Mr. Graves.

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

Admirals, just at a 100,000-foot level, listening to some of the discussion that has been occurring over the last several minutes, you have got some major challenges with Medium Endurance Cutters and SLEP [service life extension program] and their service life. And when the OPC comes online you have got major problems with your acquisition strategy for heavy icebreakers.

Can you just help me understand at a 100,000-foot level how we are going to address these problems over the long term? I don't understand how this strategy is compatible with the Coast Guard's mission, with your desire to increase manpower, to try and sustain some of the incredible capabilities that you are now charged with maintaining. It just seems like we are headed off a cliff.

Admiral MCALLISTER. Congressman, thanks very much for the question. You know, I look at our overall service readiness in kind of three buckets.

The first is people. And, as I mentioned earlier, Admiral Schultz has us focused on trying to support our people better with better training, better tools. The second is sustainment of assets that we already have, and we have talked about the shortage of operations and maintenance money to be able to keep assets running long enough for us to properly replace them through the third bucket, which is really our acquisitions programs. And while we have made great strides there, as you know, there is a lot more left to do.

As Ms. Mak said—I think I wrote it down—these are difficult and complex decisions for us, but each of those buckets requires some level of focus and some balance. And that is what we are trying to achieve in the Coast Guard to be able to meet mission needs.

Mr. GRAVES OF LOUISIANA. Well, look. Certainly, as the chairman noted, the appropriations issue is something that I think is incumbent upon Congress and for this subcommittee and others to work on addressing.

But even under your own budget request, it is difficult to see how you achieve some of the objectives that you have outlined in the outyears, very concerning.

Perhaps digging into that a little bit more, Ms. Mak noted that the Coast Guard fails to establish a sound business case for some acquisition programs, including icebreaker. How would you respond to that?

Admiral MCALLISTER. So, Congressman, as you know, we have, under the guidance of this subcommittee, made significant changes, improvements to our acquisition programs over many years.

And, you know, GAO has been an excellent partner in helping us to continue to refine those processes and the issues that Ms. Mak notes we have taken to heart. And so, for many of the things that she and her folks have recommended, we are taking for action.

I don't think that in any way diminishes our confidence nor the confidence that I hope that you have in us in being able to deliver the right assets for our people, affordable assets on time and on budget. And we will continue to focus on doing that.

I would also add, you know, more particular to the question of balancing these needs, under the guidance of this subcommittee we now are submitting a Capital Investment Plan with additional information on tradeoffs. We have committed to continue to try to refine that product so that it is useful to you.

And you have asked for and we now have given you, I think, a couple of years' worth of unfunded priority lists. And that helps us to reveal to you the tradeoff decisions that we have had to make in the process of fitting all of this work into budget guidance.

Admiral ABEL. And Congressman, I would say also—your question is how do we make it work. From an operational perspective, we try to maximize the resources we do have to the highest risks. And sometimes that does require taking risks in other areas.

A good example would be Maritime Safety and Security Teams typically focus on national security events, but they can deploy down to a hurricane, because we don't have forces in garrison. Who responds when the Coast Guard needs to surge? Either we take it from operational missions or we take it from some special use MSSTs, MSRTs. They flow in there, and they are the extra capacity we have. But that accepts a little risk of what the MSST or MSRT would be doing normally.

So we try to move the chess pieces around as the Nation needs them to the optimal impact, and make sure we are managing the risks for the Nation.

Mr. GRAVES OF LOUISIANA. But yes or no, Admiral. Would you concur that that is unsustainable, looking at your outyears?

Admiral ABEL. We are going to be challenged, absolutely, and——

Mr. GRAVES OF LOUISIANA. Let me just grab my time back. One more question.

The transportation worker identification credential, the TWIC cards, you have a rule that is supposed to be going in place next month, I believe. There has been a lot of back-and-forth in this subcommittee and private meetings and other places about that, and some DHS issues in regard to it, as well.

I think a number of us have strong concerns about how blunt that rule was proposed, meaning that it is going to end up covering areas that don't have any business being within a secure TWIC-required area. I think you know that there is legislation moved to the House last week—I think it was last week—to address this. Without Senate concurring and this going to the President's desk, does the Coast Guard even have the ability to enforce this?

Admiral ABEL. Well, first of all, we——

Mr. GRAVES OF LOUISIANA. And, by the way, I know there was an updated rule that I still think is problematic, but——

Admiral ABEL. Yes, sir. Well, we fully endorse the fact—a universal identification card that is good nationwide, if you are in the transportation business, makes sense. So that you can show your credentials——

Mr. GRAVES OF LOUISIANA. And I think we all agree.

Admiral ABEL. As far as the most recent issue—and we put a notice of proposed rulemaking out the end of June. And the four areas that the TWIC card was going to kick in on the end of August, one was facilities to take over 1,000 passengers, large-capacity vessel. Everyone agrees that makes sense. Vessels that discharge or take on certain dangerous cargoes, it makes sense that you need to be credentialed. The other two, which are vessels that have certain dangerous cargoes but are not transporting them, or

transferring them, as well as shoreside facilities that are not transferring them, those last two were problematic for the industry.

And so what we did was we went out with this notice of proposed rulemaking and said we would like to wait on those last two for a number of years until we work with industry to make sure it is commonsense regulation for those particular facilities.

So we are looking to be responsive with industry. But overall, we—there is value in a TWIC card, a universal ID that transportation workers use.

Mr. GRAVES OF LOUISIANA. Thank you.

In closing, Mr. Chairman, I just want to say that, you know, certainly everyone up here supports maritime security. I think the challenge is that you have facilities that were not designed to have segregated secure areas, or isolated secure areas that have access to the waterside.

And so now you are forcing these huge—tens of acres—facilities to come in and entirely retrofit their facilities and start segregating different components that have access to water or waterside access, and others that don't—whatever the facilities—were never made that way. They were never designed to have that segregated component. And you may have a really integral part of the facility that is right up against the water. It creates huge problems.

Certainly everyone here supports maritime security and the TWIC card, but I think that finding a way to be more surgical with the rule is something that is important.

I apologize for going over. I yield back.

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

Mr. LARSEN. Thank you, Mr. Chairman.

Ms. Mak, you cited as one of the issues here the Coast Guard relying on a manual budget process, which we are not going to change. But this 5-year CIP, as well, for long-term planning, did—in your report—I didn't see it—did you recommend any specific changes to the statutory requirement that we have put in place to improve this situation? Or nonstatutory solutions?

Ms. MAK. Thank you for that question. In our recapitalization report that we issued today we do make a recommendation, which Admiral McAllister mentioned, and they did concur that they will start showing the tradeoffs and the impacts in their Capital Investment Plan. So that is an important step.

We still would like to see the recommendation that we made back in 2014 for a 20-year plan be implemented. But at least with the tradeoffs and the different impacts, if they show it consistently over time, I think we will be able to start seeing some of the risks and getting more information for Congress to be able to make better informed decisions.

With the unfunded priorities list, we have some concerns right now, because it is just a menu of different projects that the Coast Guard could do if it received more funding. There is no prioritization. So, theoretically, Congress could fund a large portion of that list if there was money available. And the Coast Guard may not even still address the main gaps that we have been talking about, the sustainment of the Medium Endurance Cutters and the *Polar Star*.

Mr. LARSEN. Yes.

Ms. MAK. So we would like to see more prioritization, we would like to see more impacts and tradeoffs over time. Although the CIPs are changing from year to year with the current budget year, the long-term impacts still could be laid out, and it should be consistent over the years.

Mr. LARSEN. Yes, thanks.

Admiral McAllister, are you—you or Admiral Abel—the one to recommend a change in the statute, if necessary, to address this issue? And if so, have you—do you have any recommendations on that?

Admiral McALLISTER. Well, Congressman, as Ms. Mak indicates, we have been trying to improve the value of the information that we provide to you, through both the 5-year Capital Investment Plan, the unfunded priority list, and the 20-year long-range acquisition portfolio without the need for legislation.

And we have taken the recommendations from GAO for action, working with our department and with the administration, again, to continue to refine those products, so that they are useful to you.

Mr. LARSEN. OK. Can I just shift gears to the OPC? I think probably for Admiral McAllister, if there was more money available, is there capacity in the system to move OPC availability—you know, acquisition—to the left to address this, as one measure to address the gap between the MEC and the OPC?

Admiral McALLISTER. Well, Congressman, we are poised to award the OPC construction here within the next few months.

Mr. LARSEN. Right.

Admiral McALLISTER. And so I would tell you there may be those opportunities, but I don't think you will find it shows up on our unfunded priorities list because there are other opportunities to accelerate things that are probably a higher priority, at least to the Coast Guard.

And so, you know, I couldn't necessarily give you the details here, but I would be happy to assess that and provide it for the record.

Mr. LARSEN. Could you do that? But if you could do that it would be great. But what I hear you saying is that the service life extension for MEC is a better approach to take, rather than constructing the additional OPCs if the money was available.

Admiral McALLISTER. I think—yes, sir. So I think service life extension, particularly for the 270, the younger of the MECs, is inevitable at this point.

And I would just—I think this the Capital Investment Plan reflects this, but you know, there is a critical juncture—I believe it is at hulls 3 and 4, or 4 and 5—in the OPC contract, where we go from one a year to two a year, per year, and I think that is critical to ensuring that we minimize the risk in trying to extend the life of these 210s and 270s.

Mr. LARSEN. Yes, thanks. As well for Admiral McAllister on OPCs, the selection criteria the Coast Guard is using for homeporting Offshore Patrol Cutters, can you cover those? And I will say I obviously have a bias here, but I just wanted to get it directly from you all.

Admiral McALLISTER. Sir, if you don't mind, that process is actually run by our operations division as an operational requirement.

Mr. LARSEN. Great.

Admiral ABEL. Congressman, thanks for that question. I think you know that we have committed the first four Offshore Patrol Cutters—two will go to Kodiak and two will go into L.A.

As far as looking beyond there, we only have a five-part test. Number one is logistics. Clustering ships is efficient, as far as shoreside detachments, sparing equipment that you need.

The second one is operations. Is it close to where the ship is going to do its work? So you have reduced the transit time and you get more return on investment in away time.

The next one is port and port facilities. Are you going to have to dredge, build pier face—all the things that you need.

Vitally important, too, is the people. Is there housing, are there schools, child development centers, employment opportunities, housing, all those things that you need to make it—and the last one is any impact on the environment.

So, as we look forward past the original first four, we will do that five-part test to try to decide where best to bed down these cutters.

Mr. LARSEN. And just finally, is there a timeline, then, for this next decision on home ports?

Admiral ABEL. I think we are just now starting to look at viable options, and starting to run them through the five-part test. So we are getting into the window right now to make those decisions. Yes, sir.

Mr. LARSEN. All right, thank you. And I yield back. I will be around for a second round. Thank you.

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

Mr. LEWIS. Thank you, Mr. Chairman. Just a couple of quick questions on unfunded acquisitions as it pertains to my particular part of the country, Great Lakes, Minnesota.

I do want to talk about icebreaking in the Great Lakes. We had plenty of—a pretty significant ice season last year—surprise, surprise in Minnesota and Duluth and Superior, right? And the Coast Guard did a great job on ensuring the safety of the transportation of community there and across the lakes.

However, the only cutter there is the *Mackinaw*, and it is beginning to get pretty old. I am interested in, first of all, talking a little bit about that, or looking at that, and whether the Coast Guard needs to continue to conduct these icebreaking missions up on the lakes, or the plans to do so, or are there plans for another icebreaker, and then move on to the inland waterways after that. But let me just open that up to the panel first.

Admiral ABEL. Sir, let me just start on the requirements in the Great Lakes, and then Mike may talk to the plans for the *Mackinaw* and some money we have for that.

First of all, vitally important, of course, to make sure that that water is kept open for industry and trade, and it is a vital artery for all those States up there. We have done a number of things.

One is we have partnered very, very well with the Canadians to make sure that that shared waterway—we are working together with their icebreaking capability, as well as ours.

Also, the 140-foot—the smaller icebreakers that are distributed around the coast there, vitally important. We are making a huge investment in the service life extension of those. Very innovative

ships that have a bubbler that pushes forced air out the hull to help it slide up. Very effective for doing icebreaking. So we are working that, as well.

And we are also looking at the future requirements, as far as what it could take, going forward.

I will defer to Admiral McAllister on the plans for the *Mackinaw*.

Admiral McALLISTER. So, sir, as Admiral Abel had indicated, we are using the money that you had provided us, that Congress had appropriated to us, to do, essentially, a fleet mix analysis on the Great Lakes to see what assets we might need, moving forward, and to assess where we are today, both for the *Mackinaw* and for our 140s, in terms of maintenance practices and how we can include those in future planning for whatever assets are needed on the lakes.

I would also offer we are right in the middle of a service life extension program for the 140s. I was on board those assets that are in our Coast Guard yard right now just the other day, and you would be impressed as to how much work we are doing on those assets to update them and ensure that their continued ready for service moving forward here.

Mr. LEWIS. Ms. Mak?

Ms. MAK. We did not look at the *Mackinaw* in our recapitalization work. But I will say that if it is undergoing any service life extension, it is the same funding type that is used for all of these other service life extension programs, as well as the major acquisition programs that we have been talking about.

So like the Medium Endurance Cutters, the icebreakers, it goes back to this bow wave of acquisition programs that aren't funded fully to be able to replace them.

Mr. LEWIS. In the fiscal year 2019 budget you are talking about there is not enough acquisition funding?

Ms. MAK. In the long term, the Coast Guard does not have enough to cover everything it needs to acquire or replace, so it needs to prioritize.

Mr. LEWIS. OK. Let me talk quickly about inland waterways a little bit. The eastern part of my district is the Mississippi out of the Twin Cities, and navigating—maintaining, I should say—those inland waterways are absolutely critical to the free flow of commerce. It is a huge piece of our commercial endeavors in the upper Midwest.

So some of the oldest vessels in active Government service are in those inland waterways. What is our update on recapitalization of those vessels?

Admiral McALLISTER. So, Congressman, as you had mentioned, those assets are critical, not only to the western rivers, but to a variety of other areas. As an example, during the hurricane we surged assets to the Port of Houston to open it as rapidly as we could. So I appreciate your recognition of the importance of those.

We are actually doing the alternatives analysis right now for establishing a Waterway Commerce Cutter to replace up to 35 existing vessels. That alternative analysis, we are engaging with the Army Corps of Engineers, who runs similar vessels through their maritime design center. We have gone out with some requests for information to the industry to understand the state of the market,

shipyard capabilities. And so we are in that process of identifying the best way to move forward on that acquisition.

Mr. LEWIS. Anyone else? That is good. All right, thank you. I yield back.

Mr. HUNTER. I thank the gentleman. We are now in our second round of questioning. Mr. Larsen is recognized.

Mr. LARSEN. Now to the icebreakers. Can you enlighten me about the current planning on connecting the shore infrastructure with the people with the icebreaker plan, especially with the focus on the Arctic? Obviously, we have been agitating and advocating for icebreaker construction. But the shore infrastructure, having the people, and our support efforts in the Arctic are critical, as well.

So I think it is important to hear that, as well as can you tell us where in the budget that exists, if it exists at all right now?

Admiral ABEL. Well, Admiral McAllister mentioned, when it comes to the home porting decision, that that kind of lives in the operator's lane. But it balances a bunch of decisions, as far as sustainment of the people, logistics. Does it make sense from an engineering and a port standpoint?

As you know, Congressman, these are large vessels that go long distances for long times.

Mr. LARSEN. Yes.

Admiral ABEL. So, obviously, seeking a port that is a little bit closer when you are talking—you are gone for 6 months, there may be advantages to being a little further away from the operating area, but that makes sense if it is better for logistics, and the port can support it, as well.

We have not gotten far enough along in the polar acquisition to even talk about where it would be home-ported. So I will leave it to Admiral McAllister to talk about how, typically, when that happens, MASI, which is the money we use, how that is applied to the shoreside of the vessel when it shows up.

Mr. LARSEN. Yes.

Admiral MCALLISTER. So the MASI that Admiral Abel referred to is our major acquisitions system infrastructure account, and that is where we ask for the piers, the maintenance facilities. In the case of aviation, it might include hangars, the training facilities. And so that would be part of our 5-year Capital Investment Plan.

Occasionally you will find those items on our unfunded priorities list, if we can't fit it within the budget constraints that we have. But as Admiral Abel had indicated, we have not yet laid those into our plan for the polar icebreakers, because we haven't yet quite got to that point in the development of the ship, itself, that it is warranted.

Mr. LARSEN. So how long is that time lag, then? Will it be 5 years out, 6 years out, depending on the delivery of the first—

Admiral MCALLISTER. Yes, sir. So it is typically 4 to 5 years out, depending on this—the scope of the infrastructure needs. So this is the time that we would start putting that—and you would—start being reflected in the Capital Investment Plan. So we appreciate your question, and that is part of our current workload.

Admiral ABEL. Congressman, I would also say the Coast Guard is also looking—as we begin the decisions on where Fast Response Cutters go, Offshore Patrol Cutters go, the new icebreakers, there

is a compounding effect, and we may end up with a megaport that we go, "How did we get here?" because we are making individual decisions.

So the Commandant has asked us to take a holistic picture and say, if you were to fast forward out 10 or 15 years, does it make sense, where there is a large presence of Coast Guard and Coast Guard families, and does it make sense, as far as logistics support and the way that we maintain all the shore infrastructure?

So we are doing a heat map, which basically is looking at potentials to make sure it is a deliberate evolution. And as we work all these acquisitions in parallel, it makes sense and it is logical and deliberate, where we put the cutters. And we will all be proud of the fact where we put them 10, 15 years from now.

Mr. LARSEN. Yes. And then, finally, UAS and counter-UAS. Obviously, I am on the Aviation Subcommittee. Therefore, we have got some interest in the DHS and DOJ [Department of Justice] requests to get authorities similar to what DoD has, but also with a concern that FAA [Federal Aviation Administration] is supposed to be regulating the airspace, and we don't want to nickel-and-dime—slice up the airspace in such a way that we are giving other agencies the ability to do things that then interfere with what you might say legacy users of the airspace, including general aviation.

How is the Coast Guard thinking through that, as you are part of the DHS's request to get counter-UAS authorities?

Admiral ABEL. Well, first of all, the Coast Guard is getting big into using unmanned aerial systems. We mentioned the *Stratton* twice has deployed. We have gotten about 400 hours on those assets. We have ended up with nine intercepts and actually caught about 7,000 pounds of narcotics through that. That is the small system, and last month we have awarded a contract.

We are taking a lead from the Navy. Contractor-owned, contractor-operated, candidly, puts a risk on the contractor without us buying a 50-year asset. So that is the goal that we are going with, as far as the approach to fielding that.

Large UAS, real quick, the MQ-12—

Mr. LARSEN. I am sorry, I want to be clear. You are talking about the counter-UAS?

Admiral ABEL. Counter-UAS.

Mr. LARSEN. Yes.

Admiral ABEL. Yes, sir. We are familiar with that. Recently we have gotten some authority to protect some Coast Guard facilities with the same authorities of some other high-valued assets in the Nation.

Some of our cutters over in the Persian Gulf—the six 110s at the classified level have some capabilities that I can certainly share with you, if you would like, at a classified venue.

Mr. LARSEN. That would be great. But maybe including in that—and I will yield back in a moment—including in that the—your counter-UAS, your force protection here in CONUS [continental United States].

Admiral ABEL. Yes, sir. We are looking at whether that particular system would be adaptable in a large metropolitan area where there is other things you have to worry about—

Mr. LARSEN. Yes.

Admiral ABEL [continuing]. Than over working for a Central Command in a war zone.

Mr. LARSEN. Great. Well, I will look forward to hearing back from you on that. Thank you.

Thank you, Mr. Chairman, and I yield back.

Mr. HUNTER. I thank the gentleman. I have got one last question here.

You did your modernization, you changed where the districts are, and that kind of thing, but there was no manpower staffing plan to accompany. Wouldn't that help? Do you not need one?

Admiral MCALLISTER. Sir, I think we would all say we need to do our manpower requirements analysis. And I know we submitted a report to you recently, and I guess I am not surprised that you might have found that it wasn't fully complete.

The fact is we have only done about 50 percent of our organization thus far with the most rigorous manpower requirements analysis. We are doing that as part of our new force planning construct. And so I think, as you see further versions of the report to Congress, you will see a continued maturation of that process over time.

The conclusion that we did come to—and we included in the report—was that our initial observations are that the Coast Guard is under-resourced, from a manpower perspective, to do our everyday missions, no less the surge requirements that we have from time to time, like hurricane response.

Admiral ABEL. But Congressman, I would also say that doesn't imply that modernization wasn't successful. When we showed up in 1983 or 1984 as ensigns, we had a bifurcated Coast Guard. The port had a marine safety office that did all the prevention, and you had the response, which worked for the group. It confused the Coast Guard, it confused industry, it confused the local officials in the port. You had some redundancies there.

So creating the sectors was a very good thing for unity of effort, efficiency, unity of command. So that was a win, as far as getting better and not having to grow people to get better.

Mr. HUNTER. Thank you. I just want to stress this one last time. Your fiscal year 2018 acquisition budget was \$2.6 billion. And if everything stays as planned, your fiscal year 2019 acquisition budget will be \$1.43 billion. That is a massive cut, right? A massive cut.

So I guess, Ms. Mak, beyond just the commentary on it, at what point of the Coast Guard not having the acquisition dollars that they requested and that this subcommittee requested, at what point does the buck stop? Meaning at what point do you look at these different extensions and the SLEPs for whatever, and you say, "Wait a minute, we are off. This is over, game over. It is—we have—we don't have enough now and we are falling so far behind that we have to relook at everything, including the missions again that the Coast Guard has"?

Ms. MAK. I would say, if you look at our funnel chart that is in our recap report that we issued today, we are there already. There is only so much funding. That is why we keep pushing for the need to prioritize. At a certain point, likely in the mid-2020s, the Coast Guard's continuing acquisition of the polar icebreaker and the OPCs getting two at a time, there is not enough funding to do all

of that simultaneously along with several service life extension programs. And all the programs that are at the top of the funnel are important, but there is no funding for it.

That is why we keep focusing on the need for the Coast Guard to prioritize and to prioritize consistently from year to year, so that we can figure out what are the implications and what are the risks. If there is no money for them to do certain things, then the Coast Guard needs to at least identify those risks, have those discussions, and make it known that these are the risks they will have to take, as a result of the particular budget from that year.

So we are at that point now.

Mr. HUNTER. Does that make sense, or do you disagree with that, gentlemen?

Admiral ABEL. Well, from a capability standpoint, I think Ms. Mak is absolutely right. We are trying to limp some assets along, older assets that are expensive that bring near-term capability while we wait for some assets. Fast Response Cutters have been phenomenal. National Security Cutters, phenomenal. We just need to get to the new assets, absolutely. So we are trying to limp, near term. But what we are getting, certainly, is more return, more capability, and higher return for the Nation.

Admiral MCALLISTER. Chairman, I agree that, you know, we are going to need additional resources to produce the Coast Guard that the Nation is demanding, that you are demanding.

You know, we do try to make those risk tradeoffs, as we have indicated a couple times during the hearing here, among sustainability, new acquisitions, personnel costs, and so forth.

Our previous Commandant and our new Commandant are both—you know, made it very clear that we are going to need some additional resources to build the Coast Guard of the future.

Mr. HUNTER. Do you sense any mixed signals? I mean the President of the United States, your Commander in Chief, our Commander in Chief, has stressed border security, interdiction of immigrants, interdiction of drugs, and not just border security, but homeland security. And the Coast Guard is the first line of defense. The first line of defense isn't the border wall, even though it is awesome. The first line of defense is you, in South America, or you in the Western Pacific, right? That is the first line of defense.

So when you see your budget cut by over \$1 billion out of a small acquisition budget to begin with, how do you match that up with what the President says he needs a Coast Guard to do and what is important for him and the country?

Admiral ABEL. Well, we would agree with you that certainly a comprehensive border strategy includes land and water, and we are with you as far as push the border out, get it at the transit zone and the source zones.

I would rather catch a 10-pound bowling ball than 10 pounds of BBs, which is what happens once it hits the beach and then gets distributed to all these cities and municipalities, the smaller packages of drugs, absolutely.

And your comment about Central and South America, we need to go after the push factor. The corrosive elements of these transnational criminal organizations are driving folks to leave their

home and come to the United States. So it is the away game, and that is what the Coast Guard seeks to do.

Mr. HUNTER. If there's no further questions, I thank the witnesses for their testimony and Members for participation.

The subcommittee stands adjourned. Thank you.

[Whereupon, at 11:13 a.m., the subcommittee was adjourned.]

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