

# COAST GUARD MODERNIZATION AND RECAPITALIZATION: STATUS AND FUTURE

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(115-56)

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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September 21, 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 “Coast Guard Modernization and Recapitalization: Status and Future”

**PURPOSE**

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Wednesday, September 26, 2018, at 10:00 a.m. in 2167 Rayburn House Office Building to review the status of U.S. Coast Guard (Coast Guard or Service) modernization and recapitalization. The Subcommittee will hear testimony from the 26<sup>th</sup> Commandant of the Coast Guard, Admiral Karl L. Schultz.

**BACKGROUND**

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service and the Lifesaving Service.<sup>1</sup> The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service, the Steamboat Inspection Service, and the Bureau of Navigation.<sup>2</sup> Today, the Coast Guard 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.<sup>3</sup>

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

<sup>1</sup> Established in 1790 and 1848, respectively.

<sup>2</sup> Established in 1789, 1838, and 1884, respectively.

<sup>3</sup> 6 U.S.C. § 468. Preserving Coast Guard mission performance.

### **Modernization**

Throughout its long history, the Coast Guard has found success by changing with the times. Over the years, the Service has incorporated new missions, altered its focus, and changed its structure to meet emerging demands. The Coast Guard's evolution has most often been spurred by external events (e.g., absorbing the missions of the Bureau of Marine Inspection and Navigation during World War II), but the concept of a broader modernization effort began in the 1980s with an internal organizational review conducted by Rear Admiral Marshall Gilbert.<sup>4</sup> The Coast Guard conceived of a modernization program consisting of efforts to update command structure, support systems, and business practices to ensure the Service could fulfill traditional missions (e.g., fisheries law enforcement, maritime safety, interdiction of drugs, search and rescue) while also meeting emerging demands. Following budget-driven streamlining during the 1990s and the Service's transfer to the new Department of Homeland Security in the aftermath of 9/11, modernization became essential to appropriately address new homeland security missions (e.g., port security, defense readiness) while still maintaining traditional readiness.<sup>5</sup>

The Coast Guard's most recent modernization program began in 2006, under the tenure of Admiral Thad Allen, the 23<sup>rd</sup> Commandant of the Coast Guard. Admiral Allen issued 10 action orders that formed the framework for the program. Those actions included reforming acquisition and finance processes, realigning the logistics system, establishing a deployable operations group, and significantly changing the most senior positions within the command and control organization. The goal of these multi-year efforts was to strengthen unity of effort within the Service, enhance accountability and efficiency in mission support systems, and reinforce alignment with the Department of Homeland Security, the Department of Defense, and other interagency partners.

In 2009, the Government Accountability Office (GAO) issued a report examining the progress of the Coast Guard modernization program.<sup>6</sup> GAO found that the Coast Guard efforts appeared to be on track and that the Service had established implementation timelines to help guide the process. However, the report also noted that the Coast Guard was requesting additional statutory authorities, conducting external outreach, and working to incorporate recommendations provided by the National Academy of Public Administration.<sup>7</sup> The GAO report issued in June 2009 was the last comprehensive study of the Coast Guard's modernization program.

Coast Guard modernization efforts continue today and are based on the plan set in place by Admiral Allen over a decade ago. However, the Coast Guard has changed substantially over that time, due to the continuation of modernization, as well as changes in technology and mission demands. Over the past 12 years, the Coast Guard has made major strides in recapitalizing its aging assets, combating emerging new threats (e.g., cyber and unmanned systems), and incorporating technological advances (e.g., command and control systems). However, the

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<sup>4</sup> Government Accountability Office. June 24, 2009. *Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program*. GAO-09-530R Coast Guard Command Realignment.

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> National Academy of Public Administration. April 2009. *U.S. Coast Guard Modernization Study*.

Service has a long way to go in replacing outdated assets and is plagued with numerous outdated and inefficient legacy systems that impede the Service's ability to meet full potential.

A large component of the modernization program is recapitalization - the replacement of the aging fleet of ships, aircraft, and shore infrastructure that are critical to Coast Guard operations. In 2006, the Coast Guard offshore cutter fleet needed replacement. The Integrated Deepwater System Program – managed through a joint venture between Lockheed Martin and Northrup Grumman known as Integrated Coast Guard Systems LLC (ICGS) – was failing to produce those replacements. Ultimately, the ICGS contract was cancelled and the Coast Guard established an in-house Acquisition Directorate. Since that time, the Coast Guard has added seven National Security Cutters (NSCs) and 30 Fast Response Cutters (FRCs). The Service also strengthened the hulls of the two NSCs produced under the ICGS contract. In 2014, GAO recommended that the Coast Guard develop a 20-year modernization plan to guide ongoing recapitalization efforts, including discussion of the budgetary resources and trade-offs required.<sup>8</sup> However, no such long-term recapitalization plan has materialized. Instead, GAO reports that the Coast Guard's current approach to acquisitions (planning year-to-year with a five year time horizon) has left the Coast Guard with a buildup of near-term unfunded acquisitions, negatively affecting recapitalization efforts and limiting the effectiveness of long-term planning.<sup>9</sup> While Coast Guard leaders routinely state the Service's need for new assets, the Service's strategic vision for its entire acquisition portfolio remains disassociated from budget constraints and timeline realities.

Another major tenet of the modernization program was restructuring the command and control organization of the Coast Guard. In 2006, Admiral Allen directed the elimination of existing Area commands and established four new organizational entities: the Deputy Commandant for Mission Support (DCMS), the Deputy Commandant for Operations (DCO), Operations Command (OPCOM), and Force Readiness Command (FORCECOM).<sup>10</sup> He envisioned each of these entities having a distinct mission and purpose: support and logistics (DCMS), operational policies and plans (DCO), global mission execution (OPCOM), and overall readiness capabilities (FORCECOM). While the Coast Guard stood up three of these new entities, Admiral Robert Papp, the 24<sup>th</sup> Commandant of the Coast Guard, cancelled further implementation before OPCOM was established or the Area commands dissolved. Consequently, today the Area commands remain responsible for mission execution, DCO and DCMS largely fill their intended roles, and FORCECOM fulfills a subset of its initial readiness mission by focusing on training.

On June 1, 2018, Admiral Karl Schultz became the 26<sup>th</sup> Commandant of the Coast Guard. He introduced guiding principles for the Service – Ready, Relevant, and Responsive – to set the tone for his tenure. Admiral Schultz and his senior leadership team immediately put those principles into action through a series of initial efforts to improve the workforce, enhance capabilities, and strategically position the Service for the future. As part of those efforts, he

<sup>8</sup> Government Accountability Office. June 5, 2014. *Better Information on Performance and Funding Needed to Address Shortfalls*. GAO-14-450.

<sup>9</sup> Government Accountability Office. July 2018. *Actions Needed to Address Longstanding Portfolio Management Challenges*. GAO-18-454.

<sup>10</sup> Government Accountability Office. June 24, 2009. *Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program*. GAO-09-530R Coast Guard Command Realignment.

directed a review of the Coast Guard's modernization efforts. He is expected to share the results of that review with the Subcommittee, and also to discuss his vision for how the Coast Guard will continue to move forward in coming years.

**WITNESS LIST**

Admiral Karl L. Schultz  
Commandant  
United States Coast Guard





## COAST GUARD MODERNIZATION AND RECAPITALIZATION: STATUS AND FUTURE

WEDNESDAY, SEPTEMBER 26, 2018

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

The subcommittee met, pursuant to call, at 10:02 a.m., in room 2167, Rayburn House Office Building, Hon. Brian J. Mast (Chairman of the subcommittee) presiding.

Mr. MAST. The subcommittee will come to order.

Without objection, the Chair is authorized to declare a recess at any time.

Today we hold a hearing on the Coast Guard modernization program, which started over 10 years ago and has persisted through the tenure of three Commandants. Today we will hear from the 26th Coast Guard Commandant on the status of a decade-old modernization program and his vision for the future of this program and the Service.

Modernization is especially important as the Coast Guard faces some unique challenges, increasing cyber threats, growing maritime transportation in the Arctic with limited infrastructure, while also working to complement its assets with emerging technologies to conduct its 11 statutory missions.

In tandem with the modernization program, the Service is undertaking a multidecade recapitalization of aging assets, the replacement of vessels, aircraft, and shore infrastructure. The Coast Guard is nearing completion of production on the National Security Cutters and Fast Response Cutters while ramping up efforts on the Offshore Patrol Cutters and starting construction on the first vessel, a new polar icebreaking fleet.

Successfully acquiring new and relevant assets is essential to a modern and responsive Coast Guard. As it modernizes its fleets of assets, the Coast Guard needs to determine its manpower needs. New assets may not have the personnel needs of old assets, while emerging technologies might also allow for more efficient placement and usage of Coast Guard personnel.

How the Coast Guard brings all of these parts together is important to the success of the Service efficiently and effectively conducting its missions and supporting its servicemembers.

As we near the end of another active hurricane season, we see the Coast Guard at the front lines of the response efforts to our Nation's emergencies. We are grateful for the Coast Guard servicemen

and servicewomen who have contributed to the response and the recovery efforts. I just got to witness those efforts personally down in North Carolina.

These events remind us that the continued success of the Coast Guard is reliant on an effective and an efficient modernization plan that is implemented by trained personnel using capable assets and technology. In Florida, we are familiar with the significant role of the Coast Guard in responding to national emergencies and disasters.

I would like to recognize Admiral Schultz, many Active Duty service tours in Florida, his service down there, including most recently as the Director of Operations for U.S. Southern Command and the Commander of Coast Guard Sector Miami. Very close to home for me. I thank Admiral Schultz for being here today, and I look forward to hearing his thoughts on these issues.

I will now yield to Ranking Member Garamendi for 5 minutes to make an opening statement that he may have.

Mr. GARAMENDI. Mr. Chairman, delighted to sit next to you. Congratulations on assuming this task and the importance of the Coast Guard, as you well know. So I look forward to working with you. And we have had a good session with our previous chair, and I am sure it will be repeated in your tenure as chair of this committee. So welcome, and congratulations.

I also want to take a moment to acknowledge and welcome Admiral Schultz to the committee for his first opportunity to testify as the 26th Commandant of the Coast Guard.

Good morning, and welcome. You have sat in that chair before but in a different role.

The Coast Guard has now endured some tumultuous times, especially having to respond and cope with the aftermath of three consecutive devastating hurricanes last year and, most recently, Hurricane Florence in the Carolinas. So the Coast Guard has been busy in your command. Here you go.

I commend the men and women of the Coast Guard for their stellar response to these disasters and for the unfailing ability to remain *semper paratus*—always ready. Whenever, wherever, you are always good to go.

The Coast Guard also has to contend with other serious challenges, those of human-induced variety, that either diminish or erode the Coast Guard's capabilities and mission readiness. And I would like to explore some of those this morning.

For example, I have advocated for years that, to sustain the Coast Guard at a level to meet the demands that we have placed on it, we have insufficient investments to ensure that the Coast Guard servicemembers have the assets, the training, and the support they need to get the job done and done quickly and correctly.

Consequently, I commended the administration earlier this year when it requested for the Coast Guard in its fiscal 2018 budget \$1.1 billion or 11-percent increase over the fiscal 2017 enacted level. Considering the administration's abysmal fiscal 2017 budget request, which was a cut of \$1.3 billion or 14 percent, which fortunately didn't happen, I thought that we had turned a corner. I am not so sure that my optimism was justified and may very well have been premature.

Earlier this summer, word leaked out that the administration was looking to transfer funds from agencies within the Homeland Security Department, including the Coast Guard, to U.S. Immigration and Customs Enforcement, or ICE, in order to fund the administration's highly controversial, if not inhumane, family separation and deportation activities on the southern border.

Transportation and Infrastructure Committee Ranking Member Peter DeFazio and I wrote to OMB Director Mick Mulvaney urging him in the strongest possible terms to not transfer funds from the Coast Guard and certainly not shortchange the Coast Guard further as the hurricane season was approaching.

Well, it appears as though our pleas fell on deaf ears. With no notice to the members of this committee, OMB cut roughly \$32.1 million from the Coast Guard's budget, an amount roughly equivalent to the entire Coast Guard budgets for both research and development and environmental compliance and restoration.

Admiral Schultz, I want to hear it from you where that \$32 million came from and what it means to the Coast Guard. Moreover, I want to learn the impact on your programs.

Aside from trying to provide a stable budget for the Coast Guard, this Service also must confront new maritime challenges facing our Nation. As the Arctic warms more quickly, then we will have as little as 5 to 10 years to get this job done. We are talking icebreakers, we are talking the High North and what the strategy is for the Arctic as well as the Antarctic.

Fortunately, we have made some progress on the recapitalization of the Coast Guard's fleet of heavy icebreakers. That is good news. The bad news, however, delivered recently by the Government Accountability Office, indicates that perhaps the Coast Guard's business case for the acquisition of the lead ships, Coast Guard icebreakers, has serious risks, especially with certain design assumptions and an overoptimistic schedule.

I am not sure I agree with the GAO. I would love to hear your view on this, Admiral Schultz. We need to find out if the Coast Guard agrees with those recommendations.

These are just two issues that immediately spring to mind. There are others, and we will get to those in the Q&A.

In closing, Admiral Schultz, you have assumed command at a critical juncture in the Coast Guard's history, a time when the Service is midstream in the most expensive and far-reaching recapitalization in its history, while simultaneously being forced to stay ahead of the many turbulent, shifting, economic and security challenges as well as the environmental challenges that confront not only the Coast Guard but the world.

Admiral Schultz, your call to build a Coast Guard that is ready, relevant, and responsive—the three R's—is both admirable and aspirational. Moreover, such principles are completely on target with the demands that you have acquired and inherited as the 26th Commandant. It is my expectation that you will infuse those principles into the Coast Guard during your watch, and to that end, we will help you.

Thank you. I yield back.

Mr. MAST. Our witness today is Admiral Karl L. Schultz, who assumed duties as the 26th Commandant of the Coast Guard in June 2018.

I ask unanimous consent that our witness's full statement be included in the record.

Without objection, so ordered.

Since your written testimony has been made a part of the record, the subcommittee would request that you limit your oral testimony to no longer than 5 minutes.

Admiral Schultz, you are recognized to give your statement.

**TESTIMONY OF ADMIRAL KARL L. SCHULTZ, COMMANDANT,  
U.S. COAST GUARD**

Admiral SCHULTZ. Good morning, Chairman Mast, Ranking Member Garamendi, distinguished members of the subcommittee. Thank you for the opportunity to address you as the 26th Commandant for my first time.

Our United States Coast Guard safeguards the American people and promotes economic prosperity. Our leadership and presence spans from the Arctic to the Persian Gulf to our inland waterway system. As challenges to our national security and global influence grow more complex, the need for a ready, relevant, and responsive Coast Guard has never been greater.

Looking back at the transformative changes that have taken place within the Coast Guard over the last 15 to 20 years, it is clear that our efforts to modernize the Service have been effective. Today, we employ a unified command structure; we speak with one voice on mission strategy; utilize progressive business practices; and have made tremendous strides in our financial management, acquisitions, and human capital processes.

Moving forward, our soon-to-be-released strategic plan captures my vision for the Service over the next 4 years, supports Department of Homeland Security objectives and the National Security Strategy. Our lines of effort will emphasize our investment in Service readiness while fine-tuning mission execution and operational support to meet the needs and demands of the Nation.

Maximizing readiness today and into the future is my top priority, and our people are the cornerstone of Service readiness. We must recruit, support, and retain what I term a mission-ready total workforce that not only positions the Service to excel across our full spectrum of missions but also represents the diverse Nation we serve.

While readiness starts with our servicemembers, we must also modernize key capabilities and assets. With the support of the administration and the Congress, we continue to build momentum on our recapitalization efforts, including our highest priorities: the Offshore Patrol Cutter and the Polar Security Cutter.

Beyond surface recapitalization, we must also invest in reliable C5I enterprise systems and buy down a shore infrastructure backlog that currently exceeds \$1.6 billion, both of which are critical to our frontline operations and the operators.

While improving the readiness of our Armed Forces has been the focus of recent budgetary increases, our Coast Guard, one of the five armed services, has not received a comparable increase in our

operations and support funding, which is crucial to keeping our modern assets on the water and operating at full capacity.

A mission-ready total workforce, coupled with sufficiently resourced assets, modern systems, and resilient infrastructure, will enable our Coast Guard to address the Nation's complex maritime challenges.

Our maritime border to the south is being exploited by violent transnational criminal organizations, and the Coast Guard is a key component of a comprehensive approach to border security. We tackle threats before they reach our shores.

In fiscal year 2017, the Coast Guard interdicted 223 metric tons—that is 490,000 pounds—of illegal narcotics and transferred 606 smugglers to the Department of Justice for prosecution here in the United States. These efforts promote regional stability in the Central American corridor and deter illegal immigration at our southern land border.

Our Coast Guard bridges the gap where homeland security and homeland defense intersect. We seamlessly integrate into today's joint force, supporting the Department of Defense across the globe, typically at five of the six geographic combatant commander regions on a near daily basis. For example, since 2003, a fleet of six Coast Guard *Island*-class patrol boats have provided vital support to the Central Command commander in Southeast Asia conducting maritime security operations on the Arabian Gulf.

The Coast Guard also leverages partnerships with maritime stakeholders to facilitate the safe and efficient transit of commerce, contributing \$4.6 trillion annually to our Nation's economy.

The Marine Transportation System, a vital latticework of waterways and seaports, is highly dependent on a complex, globally networked system of automated technologies, one always vulnerable to today's cyber disruptions. As the Nation's maritime first responder, Americans trust their Coast Guard to thrive in crisis and recovery, and we will continue to deliver excellence anytime, anywhere.

Less than 2 weeks ago, the Nation once again witnessed the Coast Guard's bias for action and operational agility. After Hurricane Florence made landfall, almost 3,000 Coast Guard responders engaged in search-and-rescue efforts, saving almost 1,000 lives.

As technology advances, global competition surges, our adversaries become more sophisticated, and the maritime environment more complex, our Coast Guard provides solutions from cooperation to armed conflict. As noted in my introduction, the demand for Coast Guard services has never been greater.

I look forward to working with this committee to ensure our Coast Guard remains always ready to meet the maritime challenges of our great Nation. Thank you for the opportunity to testify, and I look forward to your questions.

[Admiral Schultz's prepared statement follows:]

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**Prepared Statement of Admiral Karl L. Schultz, Commandant, U.S. Coast Guard**

## INTRODUCTION

Good afternoon, distinguished members of the subcommittee. It is an honor and a privilege to appear before you today. Thank you for the opportunity to address this subcommittee for my first time as the 26th Commandant of the United States Coast Guard. I look forward to working with you over the next 4 years to ensure that the Coast Guard remains Always Ready to meet the maritime needs of our great nation.

Our country is facing an increasingly complex global maritime environment, driving a demand for Coast Guard services that I feel has never been greater. As Commandant, I intend to leverage the Coast Guard's broad authorities, capabilities, and partnerships to safeguard the American people, promote economic prosperity, and advance our national interests. Our unique position within the Department of Homeland Security (DHS), and our enduring operations with the Department of Defense (DoD), enables us to leverage our specialized capabilities and drive domestic and international maritime cooperation, build stakeholder capacity, and exert influence at home and abroad. To that end, I am steadfastly committed to delivering a mission ready total workforce that can identify complicated risks, quickly adapt to change, and thrive in both steady state operations and crisis response. At the core of this effort are the women and men of the Coast Guard. Our Active Duty, Reserve, Civilian, and Auxiliary members are the key to our Service's success and their readiness is my top priority.

In the coming months, I will finalize my vision to move the Service forward over the next 4 years—The U.S. Coast Guard Strategic Plan 2018–2022—and I look forward to sharing that with you once it is complete. However, as we map out our future, it is important to assess where we have been. To borrow a nautical metaphor, only after we “take a fix” to establish our current position can we chart a proper course to reach our intended destination. In that spirit, over the past several months my leadership team and I examined the transformative changes that have taken place within the Coast Guard—known as “Modernization”—in the recent past.

## COAST GUARD MODERNIZATION

Coast Guard Modernization involved more than simply retooling the Service's organizational structure or upgrading its assets or equipment. Modernization fundamentally altered the Coast Guard's way of doing business across the Service, for every mission, at every level.

Prior to Modernization, geographically separate Coast Guard units operated largely independent of each other and did not have cohesive, uniform business processes. Even Areas and Districts tended to establish region-specific policies, systems, and standards, and relied on nonstandard equipment. As the Coast Guard's portfolio of responsibilities steadily increased, a patchwork of region-specific and program-specific responsibilities made it difficult to manage the Service's business processes—policy, logistics, acquisitions, finance, human capital—in a standardized way.

Recognizing the critical need for change, Coast Guard leaders developed plans to modernize the Service. Those plans were grounded in a number of principles and priorities, including: centralization of operational policy at the strategic level; unity of effort across mission programs and with stakeholders; an emphasis on standardization of systems, equipment, and processes in mission support; robust business practices linking strategy to resource allocation; systems thinking to include improved financial management and acquisition processes; all of which enabled transparency with internal and external stakeholders; and smarter use of—and better support for—our Coast Guard people.

Modernization involved multiple initiatives over a number of years. It included field-level reorganizations, including the stand-up of unified Sector commands, as well as consolidation of operational strategy and mission support in enterprises led by Deputy Commandants. It also created new functionally based support systems and retooled the Service's financial management and acquisition processes. The transformative efforts of Modernization have come to fruition in the Coast Guard you see today—a military Service that is more efficient, more nimble, and more effective in carrying out its missions.

## DCO: SPEAKING WITH ONE VOICE ON OPERATIONAL STRATEGY AND POLICY

Prior to Modernization, individual Coast Guard program offices would develop operational plans and policies largely independent of each other—without a robust mechanism to ensure alignment with national and enterprise-wide priorities. The establishment of the Deputy Commandant for Operations (DCO) injected the necessary oversight and alignment. DCO now manages and oversees operational planning, policy, and external engagements for all mission programs at the strategic level. It also coordinates with external stakeholders to advance national, homeland security, and Coast Guard strategic goals, working through key external forums such as the National Security Council, the Homeland Security Council, the DHS, and the DoD. Further, through its Assistant Commandant for Intelligence (CG-2), DCO acts as a member of our nation's Intelligence Community (IC), coordinating with other IC members to design reliable, all-source products that benefit both the Coast Guard and other intelligence customers—creating strategic advantages for U.S. forces worldwide.

The Coast Guard is a strategy-driven organization, and DCO uses an enterprise-wide perspective to balance and calibrate strategy, plans, and policy across all Coast Guard mission programs. When released, the Coast Guard Strategic Plan 2018–2022 will function as the Service's overarching strategic document that establishes our priorities and details the supporting objectives. It will be informed by and directly support the National Security Strategy and the DHS goals and priorities. The long-term Coast Guard strategies and strategic outlooks, such as the Western Hemisphere, Cyber, Arctic, Maritime Commerce and Human Capital, are enduring and will remain essential in addressing the challenges for which they were generated. Each of these strategies, along with other functional and geographic strategic plans, will be framed and implemented through the lens of the Coast Guard Strategic Plan 2018–2022.

## DCMS: MISSION SUPPORT FOR THE 21ST CENTURY

Mission support also underwent a significant overhaul through Modernization. For 200 years, Coast Guard mission support functions were distributed across separate commands and program offices, relying on different information systems and business processes to perform the same functions—acquisition, logistics, maintenance, and supply management—for different asset types. Today, the Deputy Commandant for Mission Support (DCMS) is the single source that delivers support to enable the Coast Guard to effectively carry out its missions.

Using a business model drawn from best practices in the maintenance and overhaul industry and combined with support concepts from the Coast Guard aviation community, DCMS manages the entire life cycle of Coast Guard assets from acquisition and accession through decommissioning and retirement.

Prior to Modernization, the Coast Guard's acquisition process faced significant challenges including out of date policies, inconsistent standards, and confusing governance. Under the DCMS umbrella, we modernized our acquisition program to better manage the multi-billion dollar investments that are reshaping our operational capabilities. As the Lead Systems Integrator for major acquisitions, the Coast Guard now collaborates with technical authorities and partner agencies to manage the risks associated with the engineering, technical, and business challenges that confront all complex acquisition projects. This streamlined organization has also enabled tighter alignment with the DHS Security Acquisition Management and Review Process—facilitating unity of effort through transparency and regular communication with the Department.

DCMS also brought improvements in human capital processes. The Human Resources (HR) community recruits, hires, trains, and retains a diverse workforce to meet the human capital needs of the Coast Guard. It also provides a host of products and services, including training and education, compensation, health care, work-life programs, housing, safe working conditions, morale and recreation programs, and leadership opportunities. By adopting a functionally based approach consistent with Modernization, the H.R. community can now better meet the personnel needs of the Coast Guard—and the needs of the Coast Guard's workforce.

## INVESTING IN A 21ST CENTURY COAST GUARD

At the same time, the Coast Guard was undergoing the transformative changes of Modernization, the Service was simultaneously recapitalizing its aging fleet of vessels, aircraft, systems, and shore infrastructure. Today those efforts continue and recapitalization remains a top Service priority. The support of this subcommittee has helped us make tremendous progress, and it is critical we build upon our suc-

cesses to continue 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 icebreaking Polar Security Cutters (PSCs). This past March, we released a request for proposal (RFP), setting the stage for award of a Detail Design and Construction (DD&C) contract in fiscal year 2019 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 plan 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 Transnational Criminal Organizations (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.

Production of the fleet of new FRCs is on budget and on schedule. Earlier this summer, we exercised the second option under the Phase II contract to begin production of six more FRCs. The fiscal year 2018 appropriation also included funding for two additional FRCs, beyond our domestic program of record of 58 hulls, to initiate the vital replacement of our six patrol boats supporting long-term 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 marine transportation system, 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. Further, we are continuing our partnership with Customs and Border Protection (CBP) and exploring options to expand the joint land-based UAS program to enhance intelligence, surveillance, and reconnaissance (ISR) and support end-game prosecution in the maritime transit zone.

In concert with efforts to acquire new assets, we are focused on sustaining our existing fleet of cutters and aircraft. The current work being conducted at the Coast Guard Yard in Curtis Bay, Maryland, includes a Service Life Extension Project (SLEP) on our icebreaking tugs and a Midlife Maintenance Availability (MMA) on sea-going buoy tenders to address obsolescence of critical ship components and engineering systems. 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 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 \$1.7 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 2018 to rebuild our damaged shore infrastructure to resilient, modern-day standards after the devastating series of 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.

#### LOOKING AHEAD: READY, RELEVANT, AND RESPONSIVE IN THE TWENTY-FIRST CENTURY

Through my Guiding Principles—*Ready, Relevant, and Responsive*—the Coast Guard will continue to invest in the future of our Service and apply Modernization principles and lessons learned to best position the Service to meet the ever increasing demand for Coast Guard services.

*Ready:* My top priority for the Coast Guard is readiness; we must build a mission ready total workforce of Active Duty, Reserve, Civilian, and Auxiliary members by



rethinking how we deliver personnel services, and how we recruit and retain an inclusive team. While our people are the cornerstone of Coast Guard readiness, we must also continue to field modernized, capable assets and provide sufficient resources to operate and maintain them. This means continuing to recapitalize our surface fleet, including the important acquisitions of the OPC and PSC, ensuring dependable information technology systems, and identifying emerging technologies to meet future readiness needs.

*Relevant:* The Coast Guard possesses unique authorities, broad jurisdiction, flexible operational capabilities, and an expansive network of domestic and international partnerships. These are all fundamental to addressing the nation's increasingly complex maritime challenges. As a key component in the DHS, we secure the nation's maritime borders, protect our maritime infrastructure from potential attacks, and enable the efficient movement of legitimate maritime trade and travel. As a military Service, we advance American influence by cooperating globally in ways that other military services cannot. However, we are keenly aware of the increasingly competitive security environment and are diligently preparing to respond to evolving national security threats.

*Responsive:* As the nation's premier maritime first responder, the Coast Guard thrives in crisis response and recovery. Consistent with focus areas of Modernization, we must improve risk management, integrate planning efforts across the government, and incentivize information sharing to ensure we are ready to answer the call. Our bias for action and propensity to exercise on-scene initiative are ingrained in our Service's character and allows us to meet the dynamic needs of the nation—in response to crisis or in a complex steady-state operating environment.

#### CONCLUSION

Twenty years ago, the Coast Guard's field units covered overlapping areas; its strategy was stove-piped within independent program offices; and its business models were inefficient. Today, the Coast Guard employs a unified command structure at each Coast Guard Sector; speaks with one voice on mission strategy; employs modernized business practices; and has made tremendous strides in its financial management, acquisition processes, and the use of human capital. Modernization and its underlying principles set the Coast Guard on a proper course, leading from its industrial age roots to the information age in which the Service now finds itself. Our heading will remain steady, and we will continue to apply Modernization principles and lessons learned as we build on our successes and close the policy and performance gaps we uncover along the way. By doing so, we will keep the Coast Guard operating in a manner that the country expects and deserves—*Ready, Relevant, and Responsive* to meet its maritime service needs. Thank you for the opportunity to testify today. I look forward to your questions.

Mr. MAST. Thank you, Admiral Schultz.

I will now recognize Members for 5 minutes of questioning, beginning with myself.

And, again, I do thank you for your service. It was an honor to see your men and women out there on the ground in North Carolina doing their work. It was incredible to see. And they were making a difference in the lives of the people that I got to speak to in and around the communities.

I would like to touch off a little bit on what is going on with property and significant real property portfolio that requires constant maintenance and management that the Coast Guard has.

Through modernization, you have established the Shore Infrastructure Logistics Center in order to enhance the acquisition, maintenance, alteration, refurbishment, and disposal of shore facilities in order to enable the Coast Guard's mission execution.

However, much of the legacy shore infrastructure management structure, including civil engineering units which operate outside of the standard district and area of geographical constraints, those remain in place. We understand that your civil engineers remain responsible for not only construction and maintenance but also overall management of the real property portfolio.

So this is where I wanted to ask, how do you plan to continue to modernize and enhance the Coast Guard's shore infrastructure management in order to maximize the usage of existing space more efficiently and more effectively spend that limited funding that is available?

Admiral SCHULTZ. Well, thank you, Chairman, for the question.

We do work our real property, our facilities, through our Shore Infrastructure Logistics Center. That is part of our modernized efforts where, essentially, we have a holistic, across-the-service look.

In past years, in the premodernized Coast Guard, we would look through regional commanders—the Atlantic Command, the Pacific Command, down through the nine districts. Now we have a holistic look. I think we make decisions that are enterprise decisions, that take account of risk, that allow us to put finite dollars against the most pressing capital projects.

We do have, as I mentioned, a shoreside backlog that exceeds \$1.6 billion. The supplemental dollars that the Congress awarded us in the 2018 timeframe to make right after Hurricane Matthew and deal with it in 2016 and deal with the 2017 hurricane season injected, you know, a good chunk of moneys on top of the work that was ongoing for actual repairs, some resiliency money. That has been very helpful. That bought down about \$100 million of that backlog.

And the backlog has grown. It remains about \$1.6 billion, but it was really on a trajectory to \$1.7 billion.

I will tell you today, Chairman, I believe our modernized enterprise is in a better situation. We are looking to bring on a senior individual to help manage that infusion of moneys. Our shore infrastructure, we have had some reductions in bodies in that space. So we are bringing someone in to make sure we execute the funds that Congress allocated to us in terms of supplements for the hurricanes and get after our ongoing challenges in what has been—I hate to use the term—a bit of a neglected space, but organizations make choices, and we have been funded at a Budget Control Act level here the last 7 or 8 years, and we haven't got the shore infrastructure dollars we need.

But we have seen an uptick there. I will continue to talk about that in my appearances before you and on the Senate side in the months ahead.

Mr. MAST. And, Admiral, speaking of those constraints that you mentioned, you know, how do you actually foresee rationalizing the Service's existing holdings into a more coherent, more easily managed portfolio based on the Coast Guard's mission needs rather than what you might be able to call a mishmash of legacy properties currently owned by the Coast Guard?

I have seen it worked on a number of different fronts, to include in my area, you know, properties that just haven't been used for very long periods of time, maybe don't even have any infrastructure on them whatsoever. How do you foresee rationalizing them?

Admiral SCHULTZ. Mr. Chairman, I would like to actually get back to you and maybe give your team a brief on this.

We constantly are looking at those, and it is the puts and takes. There are those legacy properties that, arguably, may have not been addressed sufficiently or in a timely fashion, as you see as you

sit in your Florida congressional district, versus the incoming work. And there is a finite amount of human capacity to get after those challenges.

We are aware of those. We are tracking those. Probably best if I could defer that to maybe come in and brief your staff and give you some of the specifics. I am not well-positioned today to tell you, you know, across the country where those are.

But we constantly look at that inventory. And I think we do that more effectively today. Arguably, do we do it as effectively as this committee would like from an oversight perspective? There is probability some room for improvement there.

Mr. MAST. Thank you, Admiral.

I did also want to ask, you know, when recapitalization is actually complete, the Coast Guard will have over 15,000 less major cutter operational hours than it did just 15 years ago. And we are looking at the increasing mission sets. So, while modern cutters, that may be more capable, less operational hours will mean less coverage. So, in order to bridge that projected capability gap, the Coast Guard would need four additional National Security Cutters, more than four Offshore Patrol Cutters.

So how do you see the Coast Guard continuing to respond to increasing demands despite that capability gap?

Admiral SCHULTZ. Well, Mr. Chairman, as I think you know, the program of record for the National Security Cutter was eight vessels. The 2018 omnibus actually funds a 10th and 11th National Security Cutter. One version of the appropriations bill for 2019 that is under deliberation by the Congress right now includes long lead time, potentially, for a 12th National Security Cutter.

So we did get more National Security Cutters in the program of record, which will bite into a little bit of that shortfall you speak to. We are very encouraged. I think we will be announcing this week a production award for the first OPC and long-lead materials for number 2. That is a program of record of 25 ships. Obviously, the Congress will have an opportunity to weigh in if they think 25 ships is the appropriate number.

We are well into the build-out of 58 Fast Response Cutters. The Fast Response Cutters are proving significantly more capable than the 110-foot *Island*-class cutters they replaced. The Fast Response Cutters, 154 feet over waterline versus 110 feet. It has a stern-launch boat. It has highly sophisticated C5ISR capability. So that vessel, we just pushed one out of Hawaii past Guam 2,000 miles away. We couldn't do that with an *Island*-class patrol boat yesterday.

So I think what we are seeing and we are just starting to get our arms and brains around is just how much more capable these assets are. That National Security Cutter is able to contribute and process national-level security. And on the water, we are just amazed almost daily about what that ship is capable to do in the fight on drugs. We rolled the National Security Cutter into San Juan Harbor during the response to Hurricane Irma. We moved our command-and-control node from shore that was damaged onto that National Security Cutter and didn't miss a beat.

So I think there is a conversation there about just how much more capable the new assets are versus just solely focusing on the number of hours.

Mr. MAST. Very good, Admiral. I appreciate your response to my questions.

I will now recognize Mr. Garamendi for 5 minutes of questions.

Mr. GARAMENDI. Thank you, Mr. Chairman.

Well, let's start with the \$34 million or so that was transferred. Where did it come from? What does it mean to the operations of the Coast Guard that you have \$34 million less, or maybe even more than \$34 million? Bring us up to date. Where did the money—where was it taken from your budget to transfer to ICE? What does that mean to your operations?

Admiral SCHULTZ. Well, Ranking Member Garamendi, yes, in fact, it was about a \$32 million-plus transfer. What I would say, sir, is, is that without consequence? Absolutely not. You know, an organization that takes every dollar supported by the taxpayer towards I think what I would say is goodness for the Nation, obviously every nickel matters.

But, in this case, I would say we have the maneuver space. Reprogrammings are a typical part of budgets. We are 1 of 22 agencies that sit within the Department of Homeland Security. As I have been in and out of Washington the last 15, 20 years of my life, I am not sure I have seen a budget cycle where there hasn't been a reprogramming in the department the Coast Guard has sat in, whether that was Department of Transportation of yesteryear or DHS today.

That said, sir, I think to answer in response to your question, I think we take some shortages on spare parts. Some of it goes towards, you know, efforts to support shore infrastructure recapitalization, in terms of the execution of that. There is consequence, but it is manageable. I will assure you it has not diminished our ability to respond to frontline operations, such as recent Hurricane Florence response operations and recovery operations.

Mr. GARAMENDI. So you are saying it wasn't terribly important and therefore we can take \$34 million out of next year's budget?

Admiral SCHULTZ. Sir, I am not saying that taking a dollar from the Coast Guard budget isn't important. I will say, you know, as an operating organization, as a component under a larger department with broad-ranging duties spread across 22 components, it is a part of, I guess—

Mr. GARAMENDI. You have been involved in Hurricane Florence recovery?

Admiral SCHULTZ. Sir, I will tell you with great certainty it did not diminish our ability to respond to Hurricane Florence in any capacity.

Mr. GARAMENDI. What was the daily cost of the search and rescue in Florence?

Admiral SCHULTZ. Sir, I don't have a number. I would say our search and rescue costs are rolled into our ops and support. Our budget model, as you know, is very complicated because of our multimission nature.

But we surged 27 aircraft essentially operating out of the Carolinas. We had 11 fixed-wing aircraft. We surged, you know, up-

wards of 3,000 Coast Guard men and women. We had the maneuver space in our budget, sir, to do that without any diminishment of capability or capacity.

Mr. GARAMENDI. And Florence is the last hurricane this year?

Admiral SCHULTZ. Sir, as the chairman talked about, as the season, you know, drove towards an end here, it is pretty early in the year, and typically we are on high alert until the end of the hurricane season on 30 November, sir. So we are paying a lot of the attention to the Atlantic Basin activity.

Mr. GARAMENDI. So you will be able to develop and deliver to this committee the average daily cost of those 27 aircraft and 3,000 personnel that were involved in Florence?

Admiral SCHULTZ. Yes, sir, 3,000, but we will deliver that back to you, Mr. Ranking Member.

Mr. GARAMENDI. The average daily cost?

Admiral SCHULTZ. Yes, sir.

[The information from the U.S. Coast Guard follows:]

With the exception of activated reservists, costs for Coast Guard personnel responding to Hurricane Florence would have also occurred in the performance of normal Coast Guard missions. These are not included in the estimated cost of the response. However, the travel costs for those responders not permanently stationed in the response area are included in the estimated cost of the response.

Similarly, Coast Guard assets supporting the Hurricane Florence response would have otherwise been utilized to support normal Coast Guard missions. Only costs associated with use beyond what would have occurred in the course of normal operations are included in the estimated cost of the response.

The costs for responding to Hurricane Florence are based on the 11-day period during which the National Response Coordination Center activated before standing down (September 9–20, 2018).

The estimated total cost of the Coast Guard's response to Hurricane Florence was \$7,115,924. The estimated daily cost was \$646,902.

In addition to these estimated costs for the Hurricane Florence response, there is an opportunity cost for the Coast Guard that is more difficult to quantify. As the Service surged assets and personnel from around the country to support the response, normal Coast Guard operations were delayed or suspended at multiple shore units; Coast Guard cutters interrupted or deferred maintenance and diverted from patrols to support response operations; aircraft scheduled for maritime patrols were reassigned to provide transportation and overflight capability for the response; training for Deployable Specialized Forces was canceled to allow teams to deploy for shallow water rescue support. While this opportunity cost is difficult to estimate, it further erodes the future readiness of the Coast Guard.

Mr. GARAMENDI. I would appreciate that. I suspect there will be another hurricane. And that \$34 million is coming out of something.

Admiral SCHULTZ. Aye, Mr. Garamendi. Got it.

Mr. GARAMENDI. OK.

Potomac River security closings, big hullabaloo about that. In 2017, Admiral Zukunft said that the eastern side of the Potomac would not be closed whenever the President arrived on the western side. Those closings, I am told, are now—that the east is closed and the west is closed whenever the President is at his golf course.

Could you bring us up to date on the current policy?

Admiral SCHULTZ. Yes, sir. Ranking Member Garamendi, regarding the river closure, there is a river closure when the President is at the Trump National Golf Club there, but there is what I would say is a reasonable accommodation. We provide security at the behest of the U.S. Secret Service for Presidential security. They have asked us to mitigate the risks on that waterway.

I understand there is an ongoing lawsuit filed here recently earlier this month. There is a mechanism by which kayakers, canoers, other waterway users can contact Sector Maryland-National Capital Region. They can request a passthrough. I believe that area is served by a cellular phone where there should be a means to reach the sector.

We are aware there is some frustration that, you know, the final rule went into effect and there has been comments after that. We are sensitive to those comments. We will reach back to waterway users, understand suggested alternatives and look at that.

But I will say, first and foremost, as an operating agency of the Government, we respond to the U.S. Secret Service request to support the President from a security standpoint.

Mr. GARAMENDI. Thirty-six times you have closed the river?

Admiral SCHULTZ. Sir, I am not sure the exact number. There is a significant number of times. But there is a means—what I would say I think is a reasonable accommodation for folks to transit through that section of the river. It is about a 2-mile stretch of the river that is impacted.

Mr. GARAMENDI. Apparently that is not the case now that the—your current policy is to close the river completely.

I am out of time.

Admiral SCHULTZ. Mr. Garamendi, I will get back to you. The closure with no passthrough is not my understanding of the circumstances. But I will circle back, sir, with you or your staff and clarify that if I am mistaken on that.

Mr. GARAMENDI. If you would, please.

Admiral SCHULTZ. Yes, sir.

[The information from the U.S. Coast Guard follows:]

Upon U.S. Secret Service notification that POTUS will be present at Trump National, U.S. Coast Guard Sector Maryland-NCR releases a Broadcast Notice to Mariners (BNM) via VHF radio providing public notification of Security Zone enforcement. The BNM is then broadcast throughout the enforcement of the Security Zone. In addition to BNMs, members of the public may check for notice of enforcement at [www.news.uscg.mil/Baltimore/](http://www.news.uscg.mil/Baltimore/) or call (410) 576-7200 (pre-recorded message when Security Zone is in effect).

In order to enforce the Security Zone, U.S. Coast Guard Sector Maryland-NCR partners with the Maryland Department of Natural Resources who provides a vessel with embarked U.S. Coast Guard law enforcement and U.S. Secret Service security personnel.

During enforcement, the Maryland side of the Security Zone is a transit lane. This lane is the designated portion of the river that vessels may pass through. Prior to entering the transit lane, vessels should request verbal authorization to pass through the transit lane from the on-scene law enforcement vessel, the U.S. Coast Guard Captain of the Port (COTP), or the COTP's designated representative (can call 410-576-2693, SEC MNCR Command Center 24x7).

This process is the same as the accommodation announced by ADM Zukunft in July 2017.

This zone has been enacted approximately twenty-five times.

Mr. GARAMENDI. I yield back.

Mr. MAST. Thank you, Mr. Garamendi.

The Chair will now recognize Mr. Weber for 5 minutes.

Mr. WEBER. Thank you, Mr. Chairman.

And welcome, Admiral. Congratulations, I think. It is always good to see you. I really appreciate you all's response during Hurricane Harvey back along our district.

For the members of the committee that may not know, I have the first three coastal counties in Texas, starting at Louisiana, so we were ground zero for Harvey flooding. And let me just tell you, the Coast Guard got in gear, and it was amazing what they did.

And, Admiral, you were there, and I appreciated you all's efforts very greatly.

And so this discussion with Congressman Garamendi about moving \$34 million out is of interest to me, because I have seen you all up close and personal and what you do and how important it is.

And so I appreciate that, John, your questioning there.

Admiral, what is the total budget of the Coast Guard? Do you know offhand?

Admiral SCHULTZ. Congressman Weber, our total budget, discretionary and nondiscretionary, is a little bit north of \$12 billion here. That was the high-water mark for the Coast Guard here coming out of the fiscal year 2018 omnibus budget.

Mr. WEBER. OK. Thank you.

You mentioned in your comments that modernization has fundamentally altered the system. And so I want you to talk about that a little bit. Good, bad, indifferent? Can you effect that change?

You mentioned several things in your comments about how it has altered the way that you work together, the different facets of the Coast Guard. But you are seeing a lot of storms. Congressman Garamendi was asking you about it, and I am really a little disappointed that you wouldn't guarantee him no more hurricanes, you know.

But when you say fundamentally altered, as a new Commandant, good, bad, indifferent? I know modernization has helped. Are you able to effect that, be more cohesive? Describe that for us.

Admiral SCHULTZ. Thank you for the question, Congressman Weber. And I would say absolutely it has been positive across the board. It is fundamentally a different approach in how we do business.

Probably two of the large pieces, if you look at how we work here in Washington, our Deputy Commandant for Operations looks strategically at operations policy across the entire Coast Guard. That is coast to coast; that is our international, global operations. Our Deputy Commandant for Mission Support has adopted the best of what was originally our aviation model, where it had an operations-level and a depot-level maintenance model. We have visibility on our assets from acquiring of new assets until we retire them typically many, many years, for the Coast Guard, usually decades later. We have visibility on those.

I will give you an example on the maintenance side. So the 270-foot *Medium Endurance*-class ship, which we have 13 of, we built them in the mid-1980s. They are 30-plus years old. In the past, we

would have an engineering unit in Portsmouth, Virginia, where we have five of those ships homeported, that would do maintenance there. And then we had three ships in Boston and then another naval engineering support unit that would do maintenance there. A couple in Key West, a couple in Maine. They were different. They didn't have visibility across the budget for the entire Service for that type of ship. Today, we have a product line that manages all 13 of those 270-foot ships.

We are making enterprise choices, given finite amounts of dollars, to say, all right, across that fleet, what has to be done today to put as many of those ships in the fight as many days as possible across a given calendar year. I would argue we are exponentially more strategic. We are allocating taxpayer dollars in a much more sophisticated and purposeful fashion.

Equipment, our acquisition processes, under mission support acquisitions resides, human capital resides. All those enabling functions that allow us to have a Coast Guard that is ready, relevant, and responsive that I talk about through my guiding principles, all benefited from this effort to modernize the Coast Guard.

I am very excited about where we are, and we will continue to embrace those principles of modernizing to make sure we are putting the best Coast Guard forward to support the Nation.

Mr. WEBER. Well, and we appreciate that. And just for my lack of really not knowing, percentage-wise—you are going to have national security along the waters. You are going to have, obviously, storm response, rescue and recovery. How would you categorize your three major areas that you guys work in? What are your top three areas?

Admiral SCHULTZ. Congressman, I would say—

Mr. WEBER. And put them in order, if you can.

Admiral SCHULTZ. Yes, sir. I would say, first and foremost, as a component within the Department of Homeland Security, we are focused on the security of the Nation, the national security, you know, more specifically, the homeland security. We are a globally deployed—

Mr. WEBER. Do you include storms in that?

Admiral SCHULTZ. Sir, I would say, from a national security standpoint, storms clearly factor into that.

I would say, number 2, the economic prosperity of the Nation. I had mentioned the Marine Transportation System. About \$4.6 trillion of activity occurs in our 361 seaports, our 25,000 miles of coastline, our vast inland river system that you are familiar with. We enable that, whether it is navigation, it is partnering with the Army Corps, it is reopening those waterways.

What I found after the storms of 2017, 2016, States with ports, the Governors are on the phone with me or my field commanders in about 24 to 48 hours: When does my port get opened?

Mr. WEBER. I remember.

Admiral SCHULTZ. The product coming into L.A.—L.B., it is about 3 to 5 days on the shelves of the Wal-Marts and Targets. So I would say we are a critically key role there.

Support to the Department of Defense, the national security roles. I mentioned support to five of the six combatant commanders on any given day. We have coastguardsmen on Guantanamo Bay



supporting the detention camp operations there on a persistent, everyday basis; in the Middle East, on the Arabian Gulf, dealing with the Iran threats and the maritime security operations there. We are in the Arctic. We are asserting an influence through presence. We are the only real U.S. Government presence other than the Navy on an episodic basis up there on any kind of a routine basis.

So it is about projecting sovereign presence.

Mr. WEBER. Sure. Well, thank you, Admiral. And we appreciate what you all do and appreciate you coming in today.

Admiral SCHULTZ. Thank you, Congressman.

Mr. MAST. Thank you, Mr. Weber.

The Chair will now recognize Ms. Plaskett for 5 minutes.

Ms. PLASKETT. Thank you, Mr. Chair.

And at this time, I will yield to Mr. Cummings.

Mr. CUMMINGS. Thank you very much. I want to thank the gentlelady for yielding.

First of all, Admiral, it is good to see you again. And as you probably are well aware, back in 1961, President John F. Kennedy was at an inaugural parade, and the Coast Guard was marching, and he looked out and said, there is not one single black person. That was 1961. And the Coast Guard seems to have struggled with regard to diversity.

I just want to know—and, recently, there have been a number of complaints with regard to discrimination and disparate treatment with regard to disciplinary action.

As you know, a few years ago, I spoke before the Academy because we were having problems then, again, maybe 5, 6 years ago. And I am sure you are well aware, because you did the invitation, that Congressman Bennie Thompson, Congressman Courtney, and I are coming up to the Academy, I think it is in November to again address the cadets.

Just two questions. Tell me, how are we doing with regard to diversity in the ranks? How are we doing with diversity with regard to faculty?

And how are we doing with regard—it is not just good enough to have nice numbers. What are we doing with regard to climate? As you know, I sit on the Naval Academy board of visitors, and I have been there for now 12 years. And we have to work hard at diversity but also at climate.

And the other question would be, I want to know, how we are doing with regard to women? Because that has been a problem in the past at the Naval Academy and still is, to some degree.

Admiral SCHULTZ. Congressman, good to see you this morning, and I welcome the questions.

Sir, I would say, first and foremost, when you talk about discrimination in the Service, I would like to narrow that conversation—

Mr. CUMMINGS. Sure.

Admiral SCHULTZ [continuing]. To the Academy. I think that was your intent, sir.

Mr. CUMMINGS. OK.

Admiral SCHULTZ. I would say, writ large, my guiding principles, that hit the street on 1 June when I became the 26th Commandant. I spoke very overtly to the Coast Guard's need to be

more representative of the Nation we serve, from the folks that you see in the Coast Guard, leading the Coast Guard. We have about 5 percent of our workforce is African American. That is insufficient. About 14½, 15 percent of our workforce is female.

We have pockets where we are doing very well. The United States Coast Guard Academy Cadet Corps, which numbers almost 1,100, is comprised of 40 percent females. At some point, we turned the corner, you know, in the last decade-plus where women are in sufficient numbers there, where they are equally integrated. If that was a 60/40 split, women to men—I mean, I am not sure where that goes, but there is a good story there.

Underrepresented minorities at the Academy, we still have room to go. You know you have my personal commitment, as does Mr. Thompson and Mr. Courtney, to support the Academy, work with the Academy. We have and continue to investigate any incidents of discrimination or racial bias up there and get after that, take action on that.

We have created a task force that I get briefed on on a routine basis about what we are doing up there to ensure the Academy—we talk about diversity, and that is the numbers. And you are right. Talking about the numbers, we had 18 African Americans that graduated in the class of 2018, the most ever. That is a good-news uptick. We had smaller numbers the year before, rivaling where we were in 1977. That is inexplicable in 2017.

So we are focused on that, but it is really about inclusivity. We need the men and women of all walks of life to feel included. They need to be part of the fabric of the Academy. The numbers need to come up where we get where we were with the women, in terms of, you know, you look around and there is folks like you and they are succeeding. We need to make sure underrepresented minorities are graduating at the same percentages of their majority counterparts.

In terms of writ large in the Service, sir, we are underway, intending to wrap up late January or February, with a women's retention study. We find retention of women trails—and I don't know the percentage, but there is a trail behind their male counterparts, to some degree.

We are not waiting until January-February to get after that. We are trying to tease out the findings. I have created what I call a Personnel Readiness Task Force and assigned a full-time handful of people to start understanding these challenges and start actioning these challenges.

So I think there is a good-news story to say we are focused on it. I welcome your, Mr. Thompson's, and Mr. Courtney's, you know, interest. I welcome the chance to bring you to the Academy to be part of the conversation that says we are serious about this, we are getting better at this.

The Coast Guard does not benefit—my intent, the Coast Guard's intent to be more representative of the society we serve does not fare well when there are articles that say the Academy isn't a welcoming place to people of all backgrounds. That just sets us back, sir, and we don't have time for that.

So I would love to get you up there. And I appreciate your commitment to doing that, where we can say, hey—as you say—this is

our watch, and we are going to better things on our watch. And I am personally invested in that, Congressman.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Ms. PLASKETT. Mr. Chairman, if I may ask this committee's indulgence that, giving my time to Mr. Cummings, that on the next Democratic person, I may be able to ask questions?

Mr. MAST. Absolutely. Without objection.

Ms. PLASKETT. Thank you.

Mr. MAST. The Chair will now recognize another former chairman, Mr. Young, for 5 minutes.

Mr. YOUNG. Thank you, Mr. Chairman.

Thank you, Admiral. And congratulations, sir. You are my 10th Commandant. Ten Presidents and ten Speakers. Ten is a good number. I am trying for, actually, 11. So serve your full 4 years, and I will serve 4 more. And those who don't like it, they can go do what with it.

Mr. WEBER. Is the gentleman including his wife, Anne, in that last?

Mr. YOUNG. Pardon?

Mr. WEBER. Are you including Anne in that list?

Mr. YOUNG. Oh, yeah, of course.

Mr. WEBER. I am just checking.

Mr. YOUNG. She is an officer. I am not. I am a private E-1.

This is a strange question, Admiral, and you can't answer it right now, and then I have two other more serious questions. Of your \$12 billion in your budget—did you say \$12 billion?—I want a report back from you on how many lawyers are you employing now and the amount of money spent from your budget in the legal field defending your agency against other agencies and the private sector.

This is important to me, because a lot of people forget it; I know, personally, when I first came into this office, you had very few lawyers. You have a potful right now. And I just want to know how much money is being spent, because it takes away from, I think, the mission which we directed you to do.

One of the things that I am interested in, of course, is the port access route in the Chukchi Sea, the Bering Sea, and the effect upon Alaska Natives up there, the sea resources. What assets, mobile or fixed, does the Coast Guard have available to address the concerns raised by Alaska Natives regarding the region's being unprepared for an oil spill response?

Admiral SCHULTZ. Mr. Chairman, thank you for the question.

On the first question on lawyers, we will take that and get back to you. What I will say—I am speaking to the Judge Advocate General's Corps today. And what I will say, sir, is those lawyers absolutely enable our Coast Guard operations. Our missions have gotten increasingly complex. I am not defending the numbers, but we will give you the answer on numbers, we will give you the cost on that, as soon as we can quickly turn on that.

Regarding—

Mr. YOUNG. Just stop right there. The reason I am asking, it is just not you.

Admiral SCHULTZ. Yes, sir.

Mr. YOUNG. You have to defend yourself. It is a lot of other people doing this that take away from the mission. And it counts against the budget which you are trying to serve. And, you know, I would like to put a stop to the whole thing, because, very frankly, most of it is misspent money. I am prejudiced that way.

Admiral SCHULTZ. I understand your concern, sir.

Mr. YOUNG. Go ahead.

Admiral SCHULTZ. Yes, sir.

Sir, regarding the Chukchi, the Beaufort areas in Alaska, we have been operating through a framework where we have brought mobile capabilities up there generally from about 1 June into October here. We have supported what we call Arctic Shield Operations here this past year with four different cutters. We have forward-operated two MH-60 Jayhawk helicopters to Kotzebue. We have worked, I think, upwards of almost 20 rescue cases. We have involved, you know, engaged the local community on safety on the water, on oil spill response capability. We continue to do exercises up there across the range of our portfolios.

You know, there is obviously talk, discussion, I think more in the Army Corps lane than the Coast Guard lane, about deepwater-port-type facilities and the future of the Arctic. And the Coast Guard potentially would derive some benefit from that. I don't believe we are the lead agency on those conversations.

But we will continue to press into the Arctic. We are on the precipice of, you know, potentially a detailed design and contract award for a Polar Security Cutter. The first time we are talking about that conversation in more than four decades here. We are keeping the *Polar Star*, you know, alive on life support to bridge that gap.

But, sir, we will probably continue—not “probably”—we will, for the foreseeable future, until we get, you know, that new Polar Security Cutter or multiple new Polar Security Cutters built, we will operate on this maritime-capable-platform-type scenario.

Mr. YOUNG. All right. You have a very good reputation in the Arctic; I want you to know that. Which reminds me, in the Arctic, I would call it, program, what role are you taking? Is it the Navy? Is it the Department of Homeland Security? Is it the Coast Guard? Who is the head dog?

Admiral SCHULTZ. Well, sir, I think you may have seen Secretary Mattis recently visited the Arctic and talked about, you know, we need to pay more attention—

Mr. YOUNG. I am aware of that.

Admiral SCHULTZ. Yes, sir.

Mr. YOUNG. But what I am worried about is there is a lot of talk. If something happens, are you in charge? Is it the Defense Department? Or is it NOAA? Or who runs the shop?

Admiral SCHULTZ. Sir, if we are talking about some type of a spill because of increasing activity—

Mr. YOUNG. An oil spill, but not necessarily that. How about a freeze in? How about navigational aids, all that? Is that still going to be under your jurisdiction?

Admiral SCHULTZ. I believe that defaults to your United States Coast Guard, sir. We have a leadership role in the Arctic.

The Navy is there from a defense standpoint. The SecNav is interested. We are partnered with the Navy. We are partnered with

the Navy through the integrated program office on this icebreaker that is helping us drive down schedule, cost, acquisition risk. We are partnered with NOAA and the Navy here as we look at, you know, evolving mission requirements.

But things like oil spills, things like rescues, sir, those are missions that are statutorily in our wheelhouse. And I believe that, you know, we will be the lead agency on that.

Mr. YOUNG. Do you have—the Department of Homeland Security and yourselves are working together, or are you looked at as the lesser of those two agencies?

Admiral SCHULTZ. Specific to the Arctic, sir?

Mr. YOUNG. No, no. The Department of Homeland Security. The head of the Department of Homeland Security and yourselves, are there good communications there? Are you able to establish your priorities, or is it the Department of Homeland Security?

Admiral SCHULTZ. Congressman, I would say we are a very good fit in the Department of Homeland Security. I was with the Secretary yesterday. I have great accessibility to her. She understands our challenges. We are part of the conversation of pushing our borders out.

I believe that it is a good fit. There is no perfect fit in the Federal Government for the Coast Guard because of our broad missions, but I think the right fit is DHS. We have great support from the Department on this Polar Security Cutter, the Secretary's personal interest, the staff's interest. I think things are very positive with our relationship with our parent department.

Mr. YOUNG. Well, I know, Mr. Chairman, my time is up.

But, Admiral, keep in mind you have a big supporter here. And if you see someone trying to override your decisions concerning the seas, let us know. Because sometimes they have a tendency to say, we are this and we are that and you are little and you don't mean much. And I am saying, huh-uh. You are the one that runs the seas. You are the ones that run the navigational aid, search and rescue, oil spill responsibility, immigration interdiction, the whole gamut—drug interdiction. And if you need help, let us know.

We haven't funded you adequately. And one thing I will condemn Congress—we gave you more responsibility, but we haven't funded you as we should, and it seems the money goes someplace else. So keep that in mind.

And thank you for your service. Thanks for being the new 10th Commandant I have served with.

Admiral SCHULTZ. Thank you, Chairman.

Mr. MAST. Thank you, Chairman Young.

It is now my pleasure to recognize Ms. Plaskett again. You are now recognized for 5 minutes.

Ms. PLASKETT. Thank you, Mr. Chairman.

And thank you, Commandant, for being here.

I wanted to ask if you could provide an update on the current status of the Coast Guard's operations in the U.S. Caribbean, specifically if you could speak about the level of readiness and preparedness during this hurricane season.

I know that you all did an excellent job in the Virgin Islands and Puerto Rico after Hurricanes Irma and Maria and again after Florence. But how does the hurricane activities in other areas affect

your preparedness for hurricane season and utilizing the lessons learned that you have now from the previous year?

Admiral SCHULTZ. Well, thank you for the question, Ms. Plaskett.

I would assure you, ma'am, we are prepared for any type of a major storm, hurricane in the Commonwealth of Puerto Rico, the U.S. Virgin Islands. We have derived lessons learned from last year's unprecedented hurricane season.

We have fielded some new technologies aboard our Coast Guard rotary wing, our helicopters. We actually have greater visibility on where those helicopters are. Once we dispatch them out to a rescue, a recovery mission, we can see that in our command centers. We have employed what we call Coast Guard OneNet, which is an enabling technology platform that allows us to layer in different NOAA flood-type predictions, other information. So we pride ourselves on being a learning organization, and we have pulled some things forward.

With the support of the Congress and the administration, it is about \$300 million going to Puerto Rico to reconstitute our facilities in San Juan. That is our key operational node to deal with our air station in Borinquen on the northwest side of the island. Both of those locations suffered some fairly serious damage to the operations, to the support functions, our healthcare center in Borinquen, our child care centers. Over in St. Thomas, our detachment there, that facility needs a major overhaul.

But we are standing the watch in those facilities. Our men and women are there living in less-than-ideal situations. I have made a commitment to make sure as—you know, it takes time to—I define a project, contract a project. Some of those challenges are even exacerbated in more remote locations like the Commonwealth of Puerto Rico or the U.S. Virgin Islands.

So we will make sure our men and women come into an adequate level of existence today, with the hope that in the coming years we will better those and get those places more resilient.

Ms. PLASKETT. So do you have a report that has been prepared on the lessons learned and how you are implementing what you learned in the past? Is there some sort of document or something that you could share?

Admiral SCHULTZ. Congresswoman, we have internal, you know, lessons-learned-type stuff. We could probably roll up something to your staff to tell you what are those things we pulled forward from the 2017—

Ms. PLASKETT. That would be helpful.

As you may know, I sit on the Committee on Oversight and Government Reform. And we have requested from—I have requested, other members have requested, and we had scheduled hurricane review with FEMA. But I think there are other agencies, like yourself as well as the Army Corps of Engineers, that would really be beneficial to be part of a hearing or a discussion like that. Because I know how much you all worked in tandem with one another during those. And you all have really gotten, I think, a good handle on what went well and what didn't go well during that discussion.

Admiral SCHULTZ. Yes, ma'am.

And on an annual basis, across all those contingency operations, be it hurricanes, oil spoils, as Chairman Young spoke about, we do

about 700 annual exercises, exercising our area contingency plans, our security-type plans. I mean, we are a learning, practicing organization that takes contingency operations very seriously. So I would be happy to get back to you on that.

[The information from the U.S. Coast Guard follows:]

The lessons learned related to the 2017 Hurricane Season are captured in the Coast Guard's "2017 Hurricane Season Strategic Lessons Learned" After Action Report (AAR).<sup>†</sup>

Ms. PLASKETT. Well, moving outside of necessarily hurricane preparedness, but I know that in the past we have talked about the need for additional support, additional funding that I thought would be very beneficial to the Virgin Islands and Puerto Rico because of our borders and the high level of drugs and other activity that are going on there.

Do you feel that you are getting the funding? Will you be able to ramp that up? Have the cuts taken an effect on that as well?

Admiral SCHULTZ. Congresswoman, I think there is a good-news story there. My last job as Atlantic area commander, I committed to surging, I believe it was somewhere, 12, 13, 14 additional bodies to support security operations out of the Virgin Islands.

Secondly, one of my early action items was to commit to standing up a base in San Juan. We have a sector command there. The sector has a logistics department. That is a complex operation, from the security threats, the downrange—that area spans from the Commonwealth of Puerto Rico to the U.S. Virgin Islands, essentially to the north coast of Venezuela. That is a large area. Captain King there has a full-time job just meeting his operational requirements.

So we are standing a base up. We will be putting bodies into that between now and the upcoming assignment season, summer of 2019. That will be a better-supported location for Coast Guard frontline operations with more capable mission-support enablers.

Ms. PLASKETT. Thank you.

And one last thing is I really wanted to ask you here in this hearing and to others that are on the bases, particularly in St. Thomas and in St. John, that we have a real issue with regard to vessels and individuals who are mooring and living near our harbors and are not necessarily permitting. It has become an environmental issue, as well, for us.

And as you are well aware, we have very scarce resources with our own local department of natural resources being able to enforce that. And I know as a mandate, part of Coast Guard's mandate is, in fact, protecting the environment. And there are going to be real issues, long term, if we continue to have individuals living in the harbor without proper sewage and other facilities on those vessels. You know, you are really hard-pressed to go swimming in some of those places where once individuals like myself, when you were younger, were able to.

So I would love to have your support in being able to do that.

<sup>†</sup> This report is categorized as "For Official Use Only" and its distribution has been limited to the Subcommittee on Coast Guard and Maritime Transportation. It is not included in the hearing record.

Admiral SCHULTZ. Congresswoman, we will work with our local commander there, Captain King at the sector, and look what we can do in our existing authorities, you know, things that fall under our OPA 1990, the Oil Pollution Act of 1990, authorities in terms of remediation, environmental risk. We have authorities there.

There are other places where we would have to work in partnership with probably the Government of the U.S. Virgin Islands to figure out what we can do collectively in partnership on those type of situations.

Ms. PLASKETT. Thank you.

I yield back.

Mr. MAST. Thank you again, Ms. Plaskett.

Admiral, there is interest in another round of questioning. I am going to begin with recognizing myself for another 5 minutes.

And I would like to begin with some questions about immediate hurricane response in suburban and urban areas, what Mr. Weber has seen, of course, in Texas, what I just witnessed in North Carolina, and what we have witnessed in other places where you are seeing those roads literally completely underwater, homes underwater, and the Coast Guard having to go out there and undertake lifesaving capabilities.

In that kind of situation, you are not talking about, you know, an extremely large vessel that was christened and sent off into the rough seas. We are talking about small, flat-bottom vessels, teams of individuals that have to go out there around downed power lines and downed trees and livestock and so many other issues that are not necessarily always thought of when you are thinking about the Coast Guard mission.

And so, as it relates to that, I was wondering if you could speak just a little bit to do you have the resources, the assets that you need in place for responding to hurricanes in situations like that, whether it is these small vessels, whether it is advancement in your drone program and being able to go out there and look beyond your line of sight to find individuals that are in peril.

Can you speak a little bit to how that is advanced and what the benefits are that you have seen just in these last couple years with hurricanes as it relates to that and if you see anything on the horizon that you think you have further need of in order to provide the adequate response. I would appreciate that, Admiral.

Admiral SCHULTZ. Congressman, thank you for the question. And there is a lot in that question.

I would say, at a macro level, in terms of our response, an area of concern for me is the size of our Coast Guard Reserves. At one point years back, we had authority to go to 10,000 reservists. We never got above 8,100 reservists. Today, we are at about 6,300, plus or minus, reservists.

For something like Hurricane Florence, even where we were in the 2017 hurricane season, we met mission there with that size Reserve. But if this was a protracted, multimonth Superstorm Sandy and this scenario went on for many months or a Deepwater Horizon that went on for many months—in Deepwater Horizon, we would have had activated all 6,300 Reserves today and then some, because we got almost up to 7,000-plus back then.

So I would say one area of concern for me is our Reserve Force.



In terms of those Flood Punt Teams, the shallow-water capabilities you rode with the other day, those are low-cost things. We pull those teams in from all over, our strike teams—Atlantic Strike Team, Gulf Strike Team, Pacific Strike Team—maintaining those capabilities. Our Eighth District, which is the heartland States—23 States in the heartland have these to deal with high flooding along the Mississippi and the other major river arteries there. So we can pull those boats together pretty easily. We can go out and contract for those boats out of a Bass Pro Shop, I mean, as long as we do that legally.

I can take deployable Specialized Force folks, our high-end operators that are assigned to maritime safety security teams, and I could pull them from all over the country to operate those boats with a very short ramp-up. So I think we have bandwidth and capacity and capability there.

And those folks have shown their ability. You know, Hurricane Harvey was 12,000 people rescued—11,000, almost 12,000 rescued, a lot from the air but equal or more from the water on those inland capabilities on those Flood Punt Teams.

You saw us fly a small drone. Our R&D center is doing some innovative things on how do we bring off-the-shelf capabilities like small drones out to surveil areas to make us more effective, more impactful.

We are partnered up, and I think what you get with the Coast Guard that really is part of our special sauce is the ability to work with the locals, with the States, support FEMA, support the Governors. And we really speak that jurisdictional, multilingual language. We can plug in from a town with one sheriff, and we are a named member of the national intelligence community, so we work across that.

In the recent response, we were lashed up with the First Air Force. Admiral Buschman's team was talking to them. Had this been a different storm, had it been a high-wind, high-impact, you know, thousands of people in distress from the word "go," DoD had a large amphib offshore, they had the *Arlington* offshore, they had, you know, the V-22s onboard to fly in MH-60 helicopters. There was a lot more capability that you didn't see that was ready for a different type of response. The Air Force had put, you know, search and rescue crews around the perimeter area to support the Coast Guard and other agencies.

So I think we are well-positioned, sir. I don't think there are any large needs. But I will tell you, the one thing is the Reserve Force. I will come back to this committee and anytime I am on the Hill and talk about my concerns about getting our Reserve Force up near the authorized, I think it is 7,100 or 7,000. We need to get closer to that number, sir.

Mr. MAST. I appreciate your response. I would absolutely welcome your return to speak very specifically about that Reserve Force. It is vitally important across all branches of our military. I began my career in the Reserve Force, and so I am familiar with it on the Army side of the House.

But it is in that that I will now recognize my friend Mr. Garamendi for another 5 minutes.

Mr. GARAMENDI. Thank you, Mr. Chairman.

I would love to get into the GAO report on what we now call the Polar Security Cutters. I think I am going to like that name. But I think I am going to let it go. The report came out very recently. I understand there was discussion about doing a specific hearing on that, and so I will wait on that.

Just generally, your view of their report? Are we still on track, taking into account their positions or those recommendations? Just quickly, are we OK?

Admiral SCHULTZ. Ranking Member Garamendi, I would say I believe we are OK. We welcome GAO's interests. We welcome GAO's recommendations.

We have not built a large icebreaker, what we are now terming a Polar Security Cutter. Before, it was a heavy icebreaker. Polar Security Cutter, I think, is a little bit adaptive to the nature of the work. It is a competitive space. I mentioned SecDef before talking about, you know, cooperating where we can, compete where we must. I think the Arctic is a competitive space, sir.

I believe we are in a good place. The technical inputs have come in here in August. We are looking at those. Cost inputs will come in November. This is an ongoing dialogue. Because it is a void there for decades and we haven't built this type of ship, we need to continually enhance our knowledge.

I mentioned earlier in my comments in one of the questions about working through this integrated project office with the Navy. You know, the Navy builds more big ships. This is going to be a large ship. This is going to be a big acquisition. So we are deriving benefit from the Navy's interest, from the SecNav's interest. I think that does drive down cost, schedule, performance risk.

2023 is aggressive. My predecessor said, you know, we are behind. I have coined the phrase "6-3-1," a minimum of six icebreakers, a minimum of three being heavy Polar Security Cutters, and the "1" is one now. We are chasing this space—

Mr. GARAMENDI. Yeah. Just answer my question. You are on it?

Admiral SCHULTZ. We are on it, sir.

Mr. GARAMENDI. We will have a hearing in due course here, and we will get into it in significant detail.

There is another set of ships that we have not built for a long time, a program currently called inland waterways/Western Rivers tenders, which we are now going to call Waterway Commerce Cutters, which is a much better name. We have appropriated \$1.1 million to get started on this program. There is \$5 million in the upcoming fiscal 2019 budget.

Where are we with this? I understand the captain that was responsible for the program has moved on to other tasks or retired. It is a priority. It is a priority in that this is the commerce of the United States in the inland waterways and beyond. So bring us up to date.

Admiral SCHULTZ. Ranking Member Garamendi, thanks for that question.

The Waterways Commerce Cutter is going to get after replacing a fleet of 35, kind of a hodgepodge: small river tenders, 75-foot pushing barges, 160-foot construction tenders, a wide range of vessels. We are excited about that.

And one piece you left out was actually the 2018 omnibus injected an additional \$25 million on top of the \$1.1 million. So we got \$26.1 million last year. That signals loud and clear to me that the Congress is interested in this vessel. It ties to that \$4.6 trillion economic engine annually on our waterways.

So we are on this, sir. We are in the acquire phase of the acquisition. We are looking and talking to the Army Corps, other users, about what technologies we can pull forward.

We recognize the desire to do this expediently. I have ships in that class, or those classes, that are 72 years old. The *Smilax* is the queen of the fleet—72 years old. The average age of that fleet is five-decades-plus, 50-plus years. I traveled on the *Sangamon* outside St. Louis in my previous capacity, and the cook was wearing double hearing protection and a helmet because there was so much vibration as he made the crew their meal. So we owe it to our sailors to recapitalize those vessels as soon as possible.

There is a great-news story here. We are building National Security Cutters; we are getting ready to award on the OPC here imminently; Fast Response Cutters; Polar Security Cutters; Waterways Commerce Cutters.

We have not been in this position before, sir, but your signal, your interest in this is absolutely clear on me. Our acquisitions workforce is stretched, but they understand my expectation is we are going to deliver this ship to the waterfront as soon as possible.

Mr. GARAMENDI. Very briefly, I am concerned about the teamwork that is going to be necessary, the integration of your best people into the design and then ultimately the construction of these ships, as well as the advice and counsel of the folks that are on the river already, not only from the Coast Guard, but you mentioned the Army Corps of Engineers. Good.

I would be interested in hearing from you, your design team, what kind of a group you are going to put together to manage this as well as to bring into the process the best thinking of folks that are intimately familiar with the tasks beyond just the Coast Guard.

Admiral SCHULTZ. Yes, sir, Congressman. I think we have issued two requests for information, RFIs—I believe one was back in the early part of this calendar year and one was closer to the summer—to draw at exactly that, those expertise, those lessons learned.

This is not a—I am loathe to put a number out, but I think you are talking a \$25 million, plus or minus, ship. This is not—as we are talking about OPCs and NSCs, I think we have to be reasonable in our requirements. You know, we have to build a ship that is purposeful to operate on the inland waterways and do the type of work it does.

And there is a lot of—the Army Corps has a prototype they are sailing, I believe out of St. Louis. We are going to derive the learning from that. And there are other waterway users, sir, that we absolutely, through our mature acquisitions process, want to draw the best knowledge out there, and we want to get after this. And to do that quickly, that is by looking and drawing from others, from others that are experts in this field.

Mr. GARAMENDI. If you could report back on the status.  
I yield back my time.

Admiral SCHULTZ. Yes, sir, we will.

Mr. MAST. Thank you, Mr. Garamendi.

I am now going to recognize Mr. Weber for another 5 minutes.

Mr. WEBER. Thank you, Mr. Chairman.

Thank you, Admiral.

I want you to talk about, if you have the numbers—and if you don't, that is fine. It looks like we are going to get a Department of Defense bill across the line, we are hoping, today and a lot of our—some of our appropriation bills, at least. But when we don't, when we are—what is the word—hampered by a CR, a continuing resolution, what does that do to the Coast Guard?

Admiral SCHULTZ. Congressman, thanks for the question.

I guess I would say, and maybe it is a bit cynical, but we have been hampered by CRs here almost 40 percent of the time here in the last eight or nine budget cycles. So we have gotten adept at that.

What does it do to an agency, an operating agency like the Coast Guard? It strains that. We have the ability to put our uniform members, those civilians that conduct frontline operations, like a search and rescue control or in a rescue coordination center like Houston that you visited, or a watch standard, a vessel traffic service, a civilian there that is supporting frontline operations, we can bring them to work under a CR or, you know, under a Government shutdown in extreme cases.

But what we do lose is, you know, if it is a shutdown, we lose those supporting folks that enable frontline operations. So we can do the operations, but things like scheduled maintenance, training, those things fall by the wayside.

CRs preclude us from starting new projects at the beginning of the year. So, a year ago when we had a CR, we were getting ready to do a Service Life Extension Program on our MH-60 Jayhawk helicopters. And you saw just how critical those helicopters were to the Harvey response in Houston, over in your Beaumont-Port Arthur area. We had a lot of helicopters doing a lot of important things for Texans there. And, you know, deferring those projects like that SLEP any amount of time, that just sets us back a little bit, sir.

So there is a consequence, and we work around it. But, ideally, having a budget at the start of a fiscal year makes us the most capable organization we can be.

Mr. WEBER. Do you have a dollar amount in difference for your funding? Or are those numbers you didn't bring with you?

Admiral SCHULTZ. Congressman, I would have to get back to you in terms of, you know, there is probably some loss, inefficiencies that come from operating under a CR that I would probably want to bring back to you here in a follow-on, if I could.

[The information from the U.S. Coast Guard follows:]

The impacts to frontline operations and acquisition programs under the current CR through 7 December are considered manageable. However, if the CR extends further into the fiscal year, the Coast Guard would likely incur impacts to readiness and operations. Pay accounts become significantly stressed during extended CR periods and paying our military workforce becomes challenging. Pay shortfalls force untenable trade-offs between paying our workforce and sustaining frontline operations that keep our Nation safe.

In addition, the CR prevents the Coast Guard from moving out on new programs due to start in a fiscal year. This often postpones the start of critical acquisition projects or delays on-going projects due to limited funding. If a CR continues into later in the fiscal year, several programs will likely be impacted, including: POLAR STAR sustainment and the MH-60T Service Life Extension Project.

With the current FY 2019 CR in place through 7 December, the Coast Guard has operated under 34 CRs from FY 2010 through FY 2019 and over 40 percent of the time since the start of FY 2010. Just like the other Armed Services, CRs impact the readiness of forces and assets at a time when security threats are extraordinarily high. As CRs extend further into the fiscal year, the more damage they do. CRs have administrative costs that are wasteful, as well as readiness and operational costs that are unrecoverable. Over time they erode the foundation of a strong military and sound financial management practices.

Mr. WEBER. OK. Well, I appreciate that. We do appreciate what you all do with what you have, and appreciate your service. Thank you, Admiral.

I yield back.

Mr. MAST. Thank you, Mr. Weber.

If there are no further questions, I would thank Admiral Schultz for his testimony, thank all the Members for their participation.

Before we close, I would take this opportunity to thank Captain Noland for his detailed work in writing this review. We appreciate that, and it is absolutely recognized here.

I would now ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers in writing to any questions that may be submitted to the Coast Guard and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

The subcommittee stands adjourned.

[Whereupon, at 11:09 a.m., the subcommittee was adjourned.]