

# REVIEW OF FISCAL YEAR 2022 BUDGET FOR THE COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS

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(117-23)

## REMOTE HEARING

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

FIRST SESSION

JULY 21, 2021

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<sup>†</sup>Master Chief Jason M. Vanderhaden did not submit a prepared statement for the record.





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

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Katherine W. Dedrick, Staff Director

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JULY 21, 2021

**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 “Review of Fiscal Year 2022 Budget Request for the Coast Guard and Maritime Transportation Programs”

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**PURPOSE**

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Wednesday, July 21, 2021, at 11:00 a.m. EDT in 2167 Rayburn House Office Building and via Zoom to examine the President’s fiscal year (FY) 2022 budget requests for the Coast Guard and Maritime Transportation Programs. The Subcommittee will hear testimony from the U.S. Coast Guard (Coast Guard or Service), the Federal Maritime Commission (Commission or FMC), and the Maritime Administration (MARAD).

**BACKGROUND**

*COAST GUARD*

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service (established in 1790) and the Lifesaving Service (established in 1848). The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service (established in 1789), the Steamboat Inspection Service (established in 1838), and the Bureau of Navigation (established in 1884).

Under Section 102 of Title 14, United States Code, the Coast Guard has primary responsibility to enforce or assist in the enforcement of all applicable federal laws on, under, and over the high seas and waters subject to the jurisdiction of the United States; to ensure the safety of life and property at sea; to carry out domestic and international icebreaking activities; and, as one of the six armed forces of the United States, to maintain defense readiness to operate as a specialized service in the Navy upon the declaration of war or when the President directs.

The Coast Guard is directed by a Commandant, appointed by the President with the advice and consent of the Senate to a four-year term. Admiral Karl Schultz was sworn in as the 26th Commandant of the Coast Guard in June 2018.

### Coast Guard FY 2021 Enacted to FY 2022 President's Budget Request Comparison

(Dollars in Thousands)

Program	FY 2021 Enacted	FY 2022 President's Budget Request	Diff. Bet. FY 2022 Budget Request & FY 2021 Enacted	% Diff. Bet. FY 2022 Budget Request & FY 2021 Enacted
Operations & Support (O&S) .....	\$8,485,146	\$9,020,770	\$535,624	6.3%
Overseas Contingency Operations <sup>1</sup> (OCO) .....	\$—	\$—	\$—	—
Environmental Compliance & Restoration (EC&R) <sup>2</sup> .....	\$21,186	\$23,456	\$2,270	10.7%
Medicare-Eligible Retiree Health Care Fund (MERHCF) ....	\$215,787	\$240,577	\$24,790	11.5%
Procurement, Construction & Improvements (PC&I) .....	\$2,264,041	\$1,639,100	\$(624,941)	-27.6%
Research & Development (R&D) .....	\$10,276	\$7,476	\$(2,800)	-27.2%
<b>Subtotal, Discretionary</b> .....	<b>\$10,975,250</b>	<b>\$10,907,923</b>	<b>\$(65,057)</b>	<b>-0.6%</b>
Retired Pay .....	\$1,869,704	\$1,963,519	\$93,815	5.0%
State Boating Safety Grants .....	\$118,002	\$128,987	\$10,985	9.3%
Maritime Oil Spill Program .....	\$101,000	\$101,000	\$—	0.0%
General Gift Funds .....	\$2,864	\$2,864	\$—	0.0%
<b>Subtotal, Mandatory</b> .....	<b>\$2,091,570</b>	<b>\$2,196,370</b>	<b>\$104,800</b>	<b>5.0%</b>
<b>Total</b> .....	<b>\$13,066,820</b>	<b>\$13,104,293</b>	<b>\$39,743</b>	<b>0.3%</b>

<sup>1</sup> Coast Guard OCO funding is historically requested in the Navy's request but appropriated directly to the Coast Guard.<sup>2</sup> EC&R funding is now under O&S.

The chart above compares the FY 2022 budget request to the FY 2021 enacted funding level.<sup>1</sup>

#### Fiscal Year 2022 Coast Guard Budget Request

The President requests \$13.1 billion in FY 2022 for the activities of the Coast Guard, including \$10.9 billion in discretionary funding.<sup>2</sup> The Elijah E. Cummings Coast Guard Authorization Act of 2020 (Division G of P.L. 116–283) enacted as part of the William H. Thornberry National Defense Authorization Act authorized \$11.9 billion in discretionary funds for the Coast Guard in FY 2021, \$766 million (or 7 percent) more than the FY 2020 enacted level of \$11.2 billion. The FY 2022 request of \$10.9 billion for discretionary funds is a decrease of \$65 million (or 0.6 percent) from the FY 2021 enacted level of \$11 billion. The budget does not provide a specific request from the Department of Defense (DOD) Overseas Contingency Operations (OCO) account. Although the budget allocates \$10 million to the OCO Transfer Fund, it is unclear how much the Coast Guard would receive. The transfer of those funds could support the ongoing deployment of Coast Guard resources and defense operations around the world.

In FY 2019, the Coast Guard transitioned to the Department of Homeland Security (DHS) Common Appropriations Structure (CAS). Accordingly, activities funded through the previous Operating Expenses, Reserve Training, and Medicare-Eligible Retiree Health Care Fund Contribution were included as part of the new Operations and Support (O&S) account in FY 2020. Environmental Compliance and Restoration was included as part of O&S in FY 2021 and has remained in that account for FY 2022. In addition, acquisition personnel costs previously funded through the Acquisition, Construction, and Improvements account are included as part of the O&S account. The Acquisition, Construction, and Improvements account transitioned to the Procurement, Construction, and Improvements account and the Research, Development, Test, and Evaluation account became the new Research and Development account.

#### Operations and Support (previously Operating Expenses)

The President requests \$9 billion for the O&S account in FY 2022, \$536 million (or 6.3 percent) more than the FY 2021 enacted level. The O&S account supports the day-to-day activities of the Coast Guard including administrative expenses, support costs, travel, lease payments, and the operation and maintenance of infrastructure and assets. The O&S account also funds personnel compensation and benefits

<sup>1</sup> United States Coast Guard. *Budget Overview: Fiscal Year 2022 Congressional Justification*, available at [https://www.uscg.mil/Portals/0/documents/budget/2022/FY2022\\_Congressional\\_Justification.pdf?ver=YXeBcfwpAIAE7RuU94zRJg%3d%3d](https://www.uscg.mil/Portals/0/documents/budget/2022/FY2022_Congressional_Justification.pdf?ver=YXeBcfwpAIAE7RuU94zRJg%3d%3d).

<sup>2</sup> *Id.*

for the Service's approximate 41,600 active-duty military members, 7,000 reservists, and 8,200 civilian employees.

The O&S budget request includes increases in funding to cover follow-on costs for the operation and maintenance of newly acquired assets and technology and increases in other administrative expenses. These sustain critical frontline operations with high priority recapitalization efforts for cutters, boats, aircraft, systems, and infrastructure; operate new air, surface, and shore facilities; fund increases for military and civilian pay; and maintain parity with DOD Services for military pay, allowances, and health care benefits. The request includes a \$172 million increase from the FY 2021 enacted level to cover the cost of the 2022 military pay raise (2.7 percent), 2022 civilian pay raise (2.7 percent), 2021 military pay raise (3 percent), and 2021 civilian pay raise (1 percent).

The FY 2022 budget request includes an increase of 28 positions, 16 full time employees (FTEs), and \$34.8 million to fund initiatives in the Coast Guard's Technology Revolution Roadmap. This comprehensive framework outlines investments required to ensure mission execution supported by reliable, mobile, and integrated technology.<sup>3</sup> The investments in this request are focused on three primary lines of effort: modernize Command, Control, Communications, Computers, Cyber, and Intelligence (C5I) infrastructure, improve cutter connectivity, and transition to modern phone systems.<sup>4</sup> The FY 2022 budget request would include an increase of 11 positions, 6 FTEs, and \$20.6 million to fund initiatives to modernize C5I infrastructure, improve cyber readiness, and transition to modern software that provides mobility and leverages cloud technology. The FY 2022 budget request would also include an increase of 6 positions, 4 FTEs, and \$16.9 million to modernize information technology (IT) applications and deployment of monitoring systems to defend against growing cyber threats to Coast Guard IT networks.

O&S increases would be offset by \$192 million in cuts derived through decommissioning certain assets, fee and operational adjustments, annualization of prior-year initiative reductions, and the termination of one-time costs. The proposed reductions in the O&S account include:

- **Asset Decommissionings and Retirements:** The FY 2022 budget request proposes to decommission five HC-130H Long Range Surveillance Aircraft, five Island Class Patrol Boats, and five legacy 87-foot Marine Protector Class Coastal Patrol Boats. The Coast Guard estimates these decommissionings would save an estimated total of \$32.3 million (\$25.4 million, \$4.6 million, and \$2.2 million respectively for each boat class) in FY 2022.
- **Operational Adjustments:** Compared to FY 2021, the FY 2022 budget request proposes \$1.6 million in Coast Guard Detailee Reductions, \$814 thousand to consolidate redundant stations, \$895 thousand to improve boat operations, \$27.8 million to improve management efficiencies, \$3.3 million to improve mission support efficiencies, \$1 million to realign support to departmental initiatives, and \$1.9 million to rebalance maritime patrol aircraft operations.

The Environmental Compliance and Restoration (EC&R) account was moved to the O&S account in FY 2021. The President requests \$23.5 million within O&S for EC&R in FY 2022, \$2.3 million (or 10.7 percent) more than the FY 2021 enacted level. The EC&R funding provides for the clean-up and restoration of contaminated Coast Guard facilities, and for the remediation of Coast Guard assets to ensure they are safe to operate or can be decommissioned in compliance with environmental laws.

The \$23.5 million requested for EC&R continues long term monitoring at 18 sites, begins or continues investigation/remediation site work at 30 sites, and displays a commitment to ongoing identification, investigation, cleanup, and long-term management of contamination from hazardous substances and pollutants for Coast Guard systems, buildings, structures, and assets.

In January of 2020, the Coast Guard opened the Blue Technology Center of Expertise (COE) at Scripps Institution of Oceanography in La Jolla, California.<sup>5</sup> This new COE, will further act as a unique pipeline to innovation and enable sharing of information between the Coast Guard, private sector, other federal agencies, aca-

<sup>3</sup>United States Coast Guard. *Tech Revolution: Vision for the Future*, available at <https://www.dcms.uscg.mil/Portals/10/CG-6/roadmap/C5i-roadmap-FINAL-v6.pdf>.

<sup>4</sup>*Id.*

<sup>5</sup>United States Coast Guard. *Coast Guard opens new Blue Technology Center of Expertise*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Newsroom/Latest-Acquisition-News/Article/2065456/coast-guard-opens-new-blue-technology-center-of-expertise/>. January 24, 2020.

demia, and non-profit organizations.<sup>6</sup> Despite the creation of this new center, the Coast Guard requests no additional funds to support and expand the Blue Technology COE, which currently has only two billets.<sup>7</sup> The Coast Guard is still in the process of performing a Requirements Analysis for the Blue Technology COE.

*Procurement, Construction, and Improvements*

The President requests \$1.6 billion for the Procurement, Construction, and Improvements (PC&I) account, a \$625 million (or 27.6 percent) decrease over the FY 2021 enacted level. The PC&I account funds the acquisition, procurement, construction, rebuilding, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids-to-navigation, communications and information technology systems, and related equipment.

The FY 2022 budget request would include \$1 billion allocated for the acquisition of vessels and \$222.8 million for aircraft. This represents a decrease of \$575.5 million (or 3 percent) from the FY 2021 enacted level. Specifically, the budget request includes:

- \$170 million to continue the construction of Polar Security Cutter (PSC) 1, commence construction of PSC 2, purchase Long Lead Time Materials (LLTM) for PSC 3, and prepare to commence construction of PSC 3. The acquisition of three PSCs supports the program management and production activities associated with the Detail Design and Construction contract. In 2019, the joint Coast Guard and Navy Polar Security Cutter Integrated Program Office (IPO) awarded the contract for the construction of the nation's first heavy icebreaker in more than 40 years to VT Halter of Mississippi.
- \$78 million to support Post Delivery Activities (PDA) for NSCs 9–11 and class wide activities, which include test and evaluation; program execution and support; and program close-out support to ensure an adequate and complete basis of technical and logistical material and information for transition to sustainment.
- \$20 million for the acquisition of the current program of record of 58 Fast Response Cutters (FRC) for the Continental United States support production management costs, PDA, Government Furnished Equipment (GFE), and logistics and technical support for the FRC program. In 2019, FRCs 31 through 35 were delivered; in 2020 FRCs 36 through 40 were delivered and Option 4 under the Phase II contract was awarded for FRCs 57 through 60. The Coast Guard plans to deliver FRCs 41 through 45 in 2021 and 46 through 50 in 2022. Bollinger Shipyards currently has two FRC contracts (one in Phase I, one in Phase II) with to-be-determined delivery dates, and the Coast Guard expects to deliver four hulls in 2023 and four more hulls in 2024. The FRC program of record close out with Program Support will begin in 2022 and end in 2024. The FY 2022 budget request completes the FRC program of record.
- \$597 million to support the construction of Offshore Patrol Cutter (OPC) 4 and LLTM for OPC 5, and detail design efforts for the OPC recompetes effort. The funding also supports other elements including warranty, outfitting materials, spares, system stock, supply support, life cycle engineering, Economic Price Adjustment, and Antecedent Liability. The remaining funds would support Program Office technical and project support for program-wide activities and the Ship Design Team; Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) and combat system development and integration support; test and evaluation efforts; logistics management and training development; preparation for PDA; licensing, development, and procurement of government-furnished information and equipment; and contract recompetes including industry studies. The OPC program and the current contract were restructured following then-Acting Secretary McAleenan's 2019 decision to grant extraordinary contract relief under Public Law 85–804.
- \$66.5 million to support logistics requirements, regeneration, and missionization for 14 HC–27J aircraft received from the U.S. Air Force; and \$20 million for the acquisition of HC–130J aircraft, development and installation of the mission system, and associated logistics.
- \$32 million for the continued modernization and sustainment of the HH–65 helicopter fleet.
- \$18 million for C4ISR design, development, and integration.

<sup>6</sup>*Id.*

<sup>7</sup>United States Coast Guard. *Budget Overview: Fiscal Year 2022 Congressional Justification*, available at [https://www.uscg.mil/Portals/0/documents/budget/2022/FY2022\\_Congressional\\_Justification.pdf?ver=YXeBcfwpAIAE7RuU94zRjg%3d%3d](https://www.uscg.mil/Portals/0/documents/budget/2022/FY2022_Congressional_Justification.pdf?ver=YXeBcfwpAIAE7RuU94zRjg%3d%3d).



- No funding for the Alteration of Bridges program in FY 2022. The program last received funding in FY 2010. Established by the Truman-Hobbs Act of 1940 (33 U.S.C. 511 et. seq.), the Alteration of Bridges program authorizes the Coast Guard to share with a bridge's owner the cost of altering or removing privately or publicly owned railroad and highway bridges that are determined by the Service to obstruct marine navigation.

The budget requests \$279.7 million to construct or renovate shore facilities and aids-to-navigation. This request would be an \$83.5 million (or 23 percent) decrease from the FY 2021 enacted level. The Coast Guard estimates that there is a \$1 billion deferred shore facility maintenance backlog, while the Government Accountability Office (GAO) approximated that number at \$2.6 billion in February 2019 (likely higher today), according to Coast Guard information.<sup>8</sup> As of 2018, the deferred maintenance backlog included more than 5,600 projects, while the recapitalization and new construction backlog included 125 projects.<sup>9</sup> GAO's analysis of Coast Guard data found that as of November 2018, there were hundreds of recapitalization projects without cost estimates—the majority of recapitalization projects.<sup>10</sup> Coast Guard officials told GAO that these projects were in the preliminary stages of development.<sup>11</sup> From that report, the GAO recommended that the Commandant of the Coast Guard employ models for its asset lines to predict the outcome of investments, analyze trade-offs, and optimize decisions among competing investments.<sup>12</sup> The Coast Guard concurred, and in response to Section 5108 of title 14, United States Code, the Coast Guard produced their Unfunded Priorities List (UPL) in order of priority on June 29, 2021.<sup>13</sup> This included \$992.2 million for Procurement, Construction, and Improvements; and \$121.1 million for Operations and Support, totaling \$1.1 billion across the two accounts.<sup>14</sup>

*Research and Development (previously Research, Development, Test, and Evaluation)*

The President requests \$7.5 million in FY 2022 for the Coast Guard's Research and Development (R&D) account, \$2.8 million or 27.2 percent less than the FY 2021 enacted level. The R&D account supports improved mission performance for the Service's 11 statutory missions through applied research and development of new technology and methods.

The Coast Guard intends to use the requested \$7.5 million in FY 2022 for programs to develop technologies and systems that improve operational presence and response, as well as perform technology assessments to inform the early stages of the acquisition process. Of the funding, \$0.5 million is derived from the Oil Spill Liability Trust Fund as authorized by the Oil Pollution Act of 1990 (33 USC § 2701–2761).

*FEDERAL MARITIME COMMISSION (FMC)*

The FMC was established in 1961 as an independent agency that regulates ocean-borne transportation in the foreign commerce of the United States. The FMC protects shippers and carriers from restrictive or unfair practices of ocean carriers, including foreign-flagged carrier alliances. The FMC also enforces laws related to cruise vessel financial responsibility to ensure cruise vessel operators have sufficient resources to pay judgments to passengers for personal injury or death or for non-performance of a voyage.

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. Daniel B. Maffei was designated Chairman of the Commission by the President in March 2021.

<sup>8</sup> GAO, *Coast Guard Shore Infrastructure: Actions Needed to Better Manage Assets and Reduce Risks and Costs*. GAO–19–711T, September 25, 2019.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> United States Coast Guard. *FY 2022 Unfunded Priorities List*.

<sup>14</sup> *Id.*

### FMC FY 2021 Enacted to FY 2022 President's Budget Request Comparison

(Dollars in Thousands)

Account	FY 2021 Enacted	FY 2022 President's Budget Request	Diff. Bet. FY 2022 Request & FY 2021 Enacted	% Diff. Bet. FY 2022 Request & FY 2021 Enacted
Inspector General .....	\$554	\$578	\$24	4.35%
Operational and Administrative .....	\$29,746	\$30,295	\$549	1.85%
<b>Total .....</b>	<b>\$30,300</b>	<b>\$30,873</b>	<b>\$573</b>	<b>1.89%</b>

The chart above compares the FY 2022 budget request to the FY 2021 enacted funding level.<sup>15</sup>

The President requests \$30.9 million in FY 2022 for the activities of the FMC, \$573 thousand (or 1.9 percent) more than the FY 2021 enacted level. This budget request increase does not consider the 2.7 percent civilian pay raise or average Cost of Living Adjustment for 2022, which will not be released officially until October but has been estimated to be as high as 5.3 percent given recent increases in inflation.<sup>16</sup>

#### MARITIME ADMINISTRATION (MARAD)

MARAD was established in 1950. It administers financial programs to build, promote, and operate the U.S. flag fleet; manages the disposal of federal government-owned vessels; regulates the transfer of U.S. documented vessels to foreign registries; maintains a reserve fleet of federal government-owned vessels essential for national defense; operates the U.S. Merchant Marine Academy; and administers a grant-in-aid program for state operated maritime academies and other financial assistance programs to support the U.S. maritime and shipbuilding industries. Lucinda Lessley has served as the Acting Administrator of MARAD since January 2021.

### MARAD FY 2021 Enacted to FY 2022 President's Budget Request Comparison

(Dollars in Thousands)

Account	FY 2021 Enacted	FY 2022 President's Budget Request	Diff. Bet. FY 2022 Request & FY 2021 Enacted	% Diff. Bet. FY 2022 Request & FY 2021 Enacted
Operations and Training .....	\$155,616	\$172,204	\$16,588	10.66%
Assistance to Small Shipyards .....	\$20,000	\$20,000	\$—	0.00%
Ship Disposal Program .....	\$4,200	\$10,000	\$5,800	138.10%
Maritime Security Program .....	\$314,008	\$318,000	\$3,992	1.27%
Title XI—Administrative Expenses .....	\$3,000	\$3,000	\$—	0.00%
Title XI—Loan Guarantees .....	\$—	\$—	\$—	0.00%
State Maritime Academy Operations .....	\$432,700	\$358,300	\$(74,400)	-17.19%
Cable Security Fleet Program .....	\$10,000	\$—	\$(10,000)	-100.00%
Tanker Security Program .....	\$—	\$60,000	\$60,000	N/A
Maritime Transportation System Emergency Relief Authority ..	\$—	\$—	\$—	0.00%
Port Infrastructure Program .....	\$230,000	\$230,000	\$—	0.00%
<b>Total .....</b>	<b>\$1,169,524</b>	<b>\$1,171,504</b>	<b>\$1,980</b>	<b>0.17%</b>

The chart above compares the FY 2022 budget request to the FY 2021 enacted funding level.<sup>17</sup>

<sup>15</sup>The White House. *Budget of the U.S. Government Fiscal Year 2022: Appendix*, available at [https://www.whitehouse.gov/wp-content/uploads/2021/05/appendix\\_fy22.pdf](https://www.whitehouse.gov/wp-content/uploads/2021/05/appendix_fy22.pdf).

<sup>16</sup>CNBC. *Social Security cost-of-living adjustment for 2022 could be higher based on rising consumer prices*, available at <https://www.cnbc.com/2021/06/16/social-security-cola-for-2022-could-be-higher-based-on-consumer-prices.html>. June 16, 2021.

<sup>17</sup>The White House. *Budget of the U.S. Government Fiscal Year 2022: Appendix*, available at [https://www.whitehouse.gov/wp-content/uploads/2021/05/appendix\\_fy22.pdf](https://www.whitehouse.gov/wp-content/uploads/2021/05/appendix_fy22.pdf).

The President requests \$1.2 billion in FY 2022 for the activities of MARAD, \$2 million (or 0.2 percent) more than the FY 2021 enacted level.<sup>18</sup>

MARAD's budget request does not include funding for the:

- Maritime Transportation System Emergency Relief Authority,
- Cable Security Fleet Program, or
- Title XI Loan Guarantees.

#### *Operations and Training*

The President's FY 2022 budget request of \$172.2 million for Operations and Training (O&T) would be \$16.6 million more than the FY 2021 enacted level of \$155.6 million. O&T funds the salaries and expenses for each of MARAD's programs, the operation, maintenance, and capital improvements to the U.S. Merchant Marine Academy, marine highway program, the Maritime Environmental Technical Assistance Program, and financial assistance to the six state maritime academies.

#### *Assistance to Small Shipyards*

The Assistance to Small Shipyards Grant Program provides capital grants to small privately-owned shipyards to expand and modernize shipbuilding capacity, efficiency, and competitiveness. Grant requests routinely exceed available funds. The program received \$20 million in FY 2021, and the President also requests \$20 million in the FY 2022 budget.

#### *Ship Disposal*

The President requests \$10 million for the Ship Disposal Program, which would be \$5.8 million or 138.1 percent more than the FY 2021 enacted level of \$4.2 million. The program provides for the proper disposal of obsolete government-owned merchant ships maintained by MARAD in the National Defense Reserve Fleet. This request would include \$3 million to maintain the Nuclear Ship SAVANNAH in protective storage according to Nuclear Regulatory Commission license requirements, while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress. The remaining \$7 million is requested for ship disposal program support, including salaries and overhead. The National Defense Reserve Fleet is under the jurisdiction of the House Committee on Armed Services.

#### *Maritime Security Program*

The President requests \$318 million for the Maritime Security Program (MSP), an increase of \$4 million (or 1.3 percent). Under this program, \$318 million in direct payments are allocated among up to 60 U.S. flagged vessel operators engaged in foreign trade. MSP vessel operators must keep their vessels in active commercial service and provide intermodal sealift support to the DOD in times of war or national emergency. This budget request enables vessel operators to remain active and available for service. This results in \$5.3 million per stipend payment for each of the 60 ships in the program. Allocating less than \$318 million annually for the program allows U.S. vessels to exit without penalty, and likely also leave the U.S. flag registry. The MSP is under the jurisdiction of the House Committee on Armed Services.

#### *Title XI Loan Guarantees*

The President requests \$3 million for administrative expenses to carry out the guaranteed loan program, which shall be transferred to and merged with the appropriations for "Maritime Administration—Operations and Training" (Department of Transportation Appropriations Act, 2021). The Title XI Loan Guarantee program is under the jurisdiction of the House Committee on Armed Services.

#### *State Maritime Academies*

The President requests \$358.3 million for the six State Maritime Academies (SMAs), which is a decrease of \$74.4 million (or 17.2 percent) less than the FY 2021 enacted level of \$432.7 million. Operations provides federal assistance to the six SMAs, to help educate and train mariners and future leaders to support the U.S. marine transportation system. These graduates promote the commerce of the United States and aid in the national defense by serving in the merchant marine. The SMA

<sup>18</sup>The FY 2021 budget request for O&T also includes \$90.5 million for the U.S. Merchant Marine Academy, including \$85.0 million for Academy Operations; \$10 million for the Maritime Environmental and Technical Assistance Program; \$5.5 million for capital improvements, repairs, and maintenance; \$358.3 million for the six state maritime academies, including \$30.5 million for School Ship Maintenance and Repair; and \$81.7 million for MARAD Operations and Programs. The Merchant Marine Academy is under jurisdiction of the House Committee on Armed Services.

Operations request funds student financial assistance, direct assistance to each of the six SMAs, and construction of new training vessels under the National Security Multi-Mission Vessel Program.

*Tanker Security Program*

The Tanker Security Program provides direct payments to U.S. Flagship product tankers capable of supporting national economic and DOD contingency requirements. The purpose of this program is to provide retainer payments to carriers to support a fleet of militarily useful, commercially viable product tankers sailing in international trade, as well as assured access to a global network of intermodal facilities. The program will also sustain a base of U.S. Merchant Mariners to support national security requirements during times of urgent need. The FY 2022 budget requests \$60 million for this new program.

*Port Infrastructure Development Program*

The President requests \$230 million for the Port Infrastructure Development Program (PIDP), representing no change from the FY 2021 enacted level. The PIDP provides grants for coastal seaports, inland river ports, and Great Lakes ports infrastructure to improve the safety, efficiency, or reliability of the movement of goods, and to reduce environmental impacts in and around ports.

WITNESS LIST

- Admiral Karl L. Schultz, Commandant, United States Coast Guard
- The Honorable Daniel B. Maffei, Chairman, Federal Maritime Commission
- Master Chief Jason M. Vanderhaden, Master Chief Petty Officer of the Coast Guard, United States Coast Guard
- Ms. Lucinda Lessley, Acting Administrator, Maritime Administration

## **REVIEW OF FISCAL YEAR 2022 BUDGET FOR THE COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS**

**WEDNESDAY, JULY 21, 2021**

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

The subcommittee met, pursuant to call, at 11:04 a.m., in room 2167 Rayburn House Office Building and via Zoom, Hon. Salud O. Carbajal (Chair of the subcommittee) presiding.

Members present: Mr. DeFazio, Mr. Carbajal, Mr. Larsen, Mr. Auchincloss, Mr. Maloney, Mr. Lowenthal, Mr. Brown, Mr. Pappas, Mr. Gibbs, Mr. Weber, and Ms. Malliotakis.

Mr. CARBAJAL. The subcommittee will come to order.

I ask unanimous consent that the chair be authorized to declare a recess at any time during today's hearing.

Without objection, so ordered.

I also ask unanimous consent that Members not on the subcommittee be permitted to sit with the subcommittee at today's hearing and ask questions.

Without objection, so ordered.

For Members participating remotely, please let committee staff know as soon as possible if you are experiencing a connectivity issue or technical problems.

To avoid any inadvertent background noise, I request that every Member please keep their microphones muted when not seeking recognition to speak. Should I hear any inadvertent background noise, I will request that the Member please mute their microphone.

And, finally, to insert a document into the record, please have your staff email it to DocumentsT&I@mail.house.gov.

Thank you very much. With that, we will proceed with our hearing.

Good morning, and welcome to today's hearing on the review of the fiscal year 2022 budget request for the Coast Guard and maritime transportation programs.

Today, we will hear directly from the Commandant and the Master Chief Petty Officer of the Coast Guard, the Chairman of the Federal Maritime Commission, and the Acting Administrator of the Maritime Administration on the President's budget request and agency priorities.

The Coast Guard currently has approximately 41,600 Active Duty military personnel members, 7,000 reservists, and 8,200 civilian employees supporting the Service's 11 missions, including port and waterway security, marine environmental protection, marine safety, aids to navigation, and search and rescue, among others.

Despite the agency's importance as one of the six branches of the military and their role in maritime law enforcement, the Coast Guard is chronically underfunded and overextended. We must support our servicemembers with every resource available to carry out their missions.

I am particularly interested in updates on the implementation of the Small Passenger Vessel Safety Act, enacted as part of the fiscal year 2021 NDAA, and how the Coast Guard is working to ensure that another event like the *Conception* fire, which occurred in my district, does not occur again.

I also look forward to updates on the Coast Guard's ability to balance a diverse mission set, efforts to support Coasties through housing and childcare investments, the status of the Coast Guard's technology revolution, reimbursement levels to the Coast Guard from the Department of Defense for their defense readiness mission support, and the Coast Guard's diversity and inclusion efforts that will strengthen the Service.

On marine transportation, I look forward to MARAD's plan to revitalize every facet of the U.S. maritime industry, from our ports to the continually declining U.S.-flag fleet and the associated American merchant mariners.

I would like to hear more about how the Port Infrastructure Development Program can help address and prepare for climate change. I am particularly interested in how the Port Infrastructure Development Program will support the recently announced Morro Bay wind project offshore of my district.

Building out the port infrastructure to receive and transmit this energy, as well as creating laydown space for shoreside wind turbine staging, is of critical importance and will take a significant investment. This project is especially timely for areas in my home district, such as San Luis Obispo County, which may need Federal assistance to take full advantage of this budding energy industry.

We must also invest in maritime sector decarbonization. MARAD's Maritime Environmental and Technical Assistance Program is crucial to supporting the technological advances to position the United States as a leader in green shipping technology.

I am disappointed that the administration's national maritime strategy remains incomplete. While mandated by legislation in 2014, MARAD has yet to develop an implementation plan or report on regulations that impact the competitiveness of the industry.

The U.S.-flag maritime fleet has declined to an unacceptable level, and the agency tasked with its promotion has refused to act. I hope that under new leadership, we see that change.

Following up on last month's hearing on shipping container shortages and delays, and considering President Biden's Executive order promoting competitiveness in the American economy, I look forward to hearing from the FMC on how they plan to allocate resources towards addressing these market concerns and ensuring an even playing field.

We have a lot to cover and no time to waste, so let's jump into it. I look forward to our witnesses' testimonies and hearing each agency's spending priorities for the upcoming fiscal year.

[Mr. Carbajal's prepared statement follows:]

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**Prepared Statement of Hon. Salud O. Carbajal, a Representative in Congress from the State of California, and Chair, Subcommittee on Coast Guard and Maritime Transportation**

Good morning, and welcome to today's hearing on the "Review of Fiscal Year 2022 Budget Request for the Coast Guard and Maritime Transportation Programs".

Today, we will hear directly from the Commandant and Master Chief Petty Officer of the Coast Guard, the Chairman of the Federal Maritime Commission, and the Acting Administrator of the Maritime Administration on the president's budget request and agency priorities.

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We have a lot to cover and no time to waste, so let's jump into it. I look forward to our witness' testimonies and hearing each agency's spending priorities for the upcoming fiscal year.

Mr. CARBAJAL. I now would like to call on the ranking member of our subcommittee, Mr. Gibbs, for an opening statement.

Mr. GIBBS. Thank you. Before I start, Mr. Chairman, I would ask unanimous consent that Representative Van Drew's statement be submitted in the record. I guess he has laryngitis.

Mr. CARBAJAL. Without objection, so ordered.

[The information follows:]

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**Prepared Statement of Hon. Jefferson Van Drew, a Representative in  
Congress from the State of New Jersey**

Good morning Admiral Schultz and Chief Master Petty Officer Vanderhaden and thank you for appearing before the Committee for this very important hearing on the Coast Guard Budget.

The United States Coast Guard is expanding across the country and across the world. To name just a few of Coast Guard's critical missions:

- Executing freedom of navigation operations in the South China Sea;
- Conducting search and rescue operations off the U.S. Coast;
- And interdicting drug traffickers in the Gulf of Mexico.

The Coast Guard has a lot to do and plans on doing even more in the coming decades.

To execute its mission, the Coast Guard needs a robust and well-trained workforce. Over 80 percent of the Coast Guard's workforce is absorbed through Training Center Cape May in Southern New Jersey.

Training Center Cape May's barracks are nearly 60 years old. It is time to modernize and expand this important facility to ensure that the Coast Guard is ready to meet the missions of the future. Over the past year I have strongly advocated for this modernization effort through high-level hearings, meetings with members of Congress, and conversations with top Coast Guard officials.

The Coast Guard has recognized the need for this project by placing Phase I of the Training Center Cape May Barracks Recapitalization project as the #1 Housing priority in its FY22 budget request to Congress.

Furthermore, the House Committee on Appropriations has now cleared a Homeland Security Appropriations bill that includes \$55 million for Phase I of this 4-Phase project, and an additional \$10 million to support the project over its entire lifecycle. The only step remaining is for this Committee to include authorizing language in the 2022 Coast Guard Authorization Act. I have drafted language for this purpose, which I would like to submit for the record.

I urge the committee to adopt this language in the Authorization bill.

Once completed, the recapitalization project will bring tremendous benefits to the Coast Guard and the Nation. These benefits include:

- A substantial increase in the number of recruits trained every year;
- Modernization of classrooms with digital infrastructure;
- And increased opportunities for Female Coast Guard recruits.

Commandant Schultz, Master Chief Petty Officer Vanderhaden, would you both please expand upon the benefits of the Training Center Recapitalization project, and explain how this project fits in to the bigger picture of the Coast Guard's long-term growth strategy?

Mr. GIBBS. Thank you, Mr. Chairman, and thank you to our witnesses, I would like to say, for being here today.

I would like to say it would be nice if you were here in person. It is my understanding that at least one of our witnesses asked to be here in person and was told he could not be here in person, and I think that is the wrong way to go about it. Witnesses, if they choose to be here, they should be able to be here in a face-to-face interaction with committee members.

Before I get started on my comments on the budget request for the Federal maritime programs, I wanted to express to the Commandant the committee's disappointment at the Coast Guard's relying on the Department of the Interior for its maritime navigation safety responsibilities.



Since Congress passed section 414 of the Coast Guard Authorization Act of 2006, the committee has repeatedly reminded the Coast Guard of its responsibilities to establish areas necessary for safe navigation before the Department of the Interior leased areas on the Outer Continental Shelf for wind farms. Navigation safety should have taken precedence.

In 2016, after a decade of Coast Guard inaction, Congress directed the Service to undertake an Atlantic coast ports route access study. The study was conducted. The Coast Guard responded with silence when it came to implementing the study's recommendations.

But the Coast Guard is late to the party. Only after the Department of the Interior began moving forward with significant leasing did the Coast Guard finally undertake a rulemaking to implement the study's recommendations.

Yet the Coast Guard staff assures the committee that they are participating in the Department of the Interior's permit review, even though the rulemaking is now pushed off until next year.

I believe the Coast Guard should take its role as the primary Federal agency responsible for maritime navigation safety seriously, rather than act as a secondary agency commenting on Department of the Interior permits.

I was certainly heartened to see the increase in the request for the Coast Guard's operating and support account. That account has suffered restrictions under the Budget Control Act to which the other armed services were not subjected.

However, I am extremely disappointed to see another new administration fail to embrace desperately needed capital funding for the Coast Guard. The procurement, construction, and improvement account falls from an appropriated level of \$2.2 billion and an authorized level of \$3.3 billion in fiscal year 2021 to a requested level of \$1.6 billion in fiscal year 2022.

That level of funding will not even allow the Coast Guard to hold steady on the billions of dollars of shoreside construction and maintenance needs and will restrict the Service's far-behind-schedule cutter acquisition program.

But I do commend the Commandant for managing to get some amounts added to begin the long process of rehabilitating the Service's crumbling IT infrastructure, an issue I have raised in the past.

Slashing the PC&I account would also eliminate the opportunity to purchase a 12th National Security Cutter and up to 6 Fast Response Cutters before those production lines grow cold and those opportunities are lost.

I will work to see that the Congress steps in yet again to reverse the budget request's harmful impact on the Coast Guard's acquisition budget and, in turn, the Service's future mission capabilities.

The Coast Guard's missions have grown more numerous and more complex since the Department of Homeland Security blessed the current fleet mix. Congress has directed the Coast Guard to re-examine that fleet mix, and I look forward to hearing from the Commandant when we will see the updated analysis.

I also noticed there is no request for funds for the new Great Lakes icebreaker. I will work with colleagues in the Great Lakes delegation to correct this oversight.

Perhaps not today, but I would like to discuss further with the Coast Guard whether a single design may be used for a cutter that can break ice on the Great Lakes and carry out the missions of the Arctic National Security Cutter.

Finally, let me commend Coast Guard Ensign David Zenkel for his article in the U.S. Naval Institute's publication, *Proceedings*, recommending the Coast Guard establish and operate e-loran.

Since 2008, when the Coast Guard discontinued the loran-C signal, DOT and the interagency committee on position, timing, and navigation has manifestly failed to provide a recommendation on or follow Congress' direction to establish a backup timing signal.

It is nice to see that someone outside of Congress understands the urgency of the situation.

As we all know too well, the United States is in the midst of a surge of imported cargo that is pressure-testing the supply chain. It has led to greatly increased shipping costs and has negatively affected those who distribute and retail imports, and hurt some U.S. exporters, particularly ag exporters.

I hope the Federal Maritime Commission Chairman Dan Maffei can update us on the status of Fact Finding No. 29 and provide any recommendations for minimizing supply chain disruptions that may flow from that fact finding.

In addition, I am interested in whether the recent Executive order on competition provides the Commission with any authorities to prevent unfair and unreasonable practices by ocean shippers and marine terminal operators.

I am pleased to see former Coast Guard and Maritime Transportation Subcommittee staffer Lucinda Lessley back today as the Acting Maritime Administrator.

Last year, Congress enacted the Maritime Transportation System Emergency Relief Program. The U.S. maritime industry estimates it needs \$3.5 billion under the program to offset unanticipated COVID-related expenses. Yet no such funds were provided in the February COVID relief package, and none are sought in the fiscal year 2022 budget request.

I look forward to hearing MARAD's position on whether these funds are needed to help the U.S. maritime industry weather the pandemic's economic storm.

And thank you, Mr. Chairman. I yield back.

[Mr. Gibbs' prepared statement follows:]

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**Prepared Statement of Hon. Bob Gibbs, a Representative in Congress from the State of Ohio, and Ranking Member, Subcommittee on Coast Guard and Maritime Transportation**

Thank you to our witnesses for being here today.

Before getting to my comments on the budget request for federal maritime programs, I want to express to the Commandant the Committee's disappointment at the Coast Guard relying on the Department of Interior for its maritime navigation safety responsibilities.

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establish areas necessary for safe navigation before Interior leased areas on the outer continental shelf for wind farms. Navigation safety should have taken precedence.

In 2016, after a decade of Coast Guard inaction, Congress directed the Service to undertake an Atlantic Coast Ports Route Access Study. The study was conducted; the Coast Guard responded with silence when it came to implementing the study's recommendations.

But the Coast Guard is late to the party. Only after Interior began moving forward with significant leasing did the Coast Guard finally undertake a rulemaking to implement the study's recommendations. Yet, Coast Guard staff assures the Committee that they are participating in Interior's permit reviews even though that rulemaking is now pushed off until next year.

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these funds are needed to help the U.S. maritime industry weather the pandemic's economic storm.

Mr. CARBAJAL. Thank you, Mr. Gibbs.

I now would like to recognize the chairman of the Transportation and Infrastructure Committee, Chairman DeFazio.

Mr. DEFAZIO. Well, thank you, Mr. Chairman. I am disappointed. I know it's because of the trolls at OMB that the Coast Guard has only requested a 0.3-percent increase in their overall budget. I often say to agency heads, we would like to hear honestly what you need, and I have brought this up with a former Commandant in terms of the unmet needs list every year.

That is a very, very disappointing level that you have requested, and the Polar Security Cutters, Offshore Patrol Cutters, Congress is moving along with those, but the personnel are the key to the whole thing. We are getting a small pay increase. Good.

But a \$2 billion and growing backlog, which the ranking member talked about, I couldn't agree with him more, on the shoreside infrastructure; that is the housing. The Commandant was in Coos Bay last year and saw—they were doing some housing renovations, the Coasties themselves. Pretty substandard housing and obviously childcare facilities.

You are going to have trouble recruiting and retaining a workforce, a great workforce, a diverse workforce that is qualified, if you aren't providing for those sorts of basic needs, particularly for the enlisteds, given the phenomenal run-ups in rents all around the United States. On their salaries, I don't know how they are going to find decent civilian housing.

So, I have real concerns, and I would like to hear a bit about rationale for allowing that to continue and not putting forward a request. Again, I assume you have probably been constrained by OMB, but if you don't tell us about it, we can't advocate with the Appropriations Committee and look at the authorization and deal with those things.

I am pretty disappointed in the request from the President that we don't have money for the Port Infrastructure Development Program proposed in this year's budget, no funding for the Maritime Transportation System Emergency Relief Authority, so the maritime transportation system didn't get any relief during COVID, despite a number of us advocating for it in a couple of the packages.

The industry is supposed to continue full and increased operations throughout the pandemic but get no help. So, I am hoping to hear from both Chairman Maffei and Administrator Lessley about their vision for the future.

There is a miniscule increase for the Federal Maritime Commission, but you need additional resources, and we would have been pushing you to look at oversight and enforcement having to do with the big shipping conglomerates and their practices, and essentially their pricing schemes.

We have got to continue to push hard on those things, and if you don't have the investigative staff and you don't have the resources you need, it is going to be very difficult.

So, I hope you all will be just really honest with us today because if we hear about it, we can try and deal with it, but we just shouldn't deal with these—I was talking to someone at Homeland.

My State has a huge problem with Oath Keepers and Three Percenters and all that, particularly in my district.

And we asked for a Homeland Security terrorism coordinator, and OMB said, “Oh, no, we can’t have those, too expensive.” Twelve States wanted them. I mean, this is ridiculous. We need to meet the needs of the Nation, and the jerks at OMB shouldn’t be calling the shots.

[Mr. DeFazio’s prepared statement follows:]

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**Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chair, Committee on Transportation and Infrastructure**

Thank you, Chair Carbajal. Last year, we did not have a budget hearing, and after reviewing the collective budget requests for the three federal agencies responsible for overseeing, regulating, and promoting the American maritime industry, Congress has some important questions.

This fiscal year, the Coast Guard has requested only a 0.3 percent increase in their overall budget relative to the fiscal year 2021 enacted level, including a 0.6 percent or \$65 million decrease in discretionary spending. This comes at a time when the Coast Guard is tasked with expanding its mission reach and we must ensure the service is adequately funded.

I am curious to hear the Coast Guard’s plan to support the men and women who are the backbone of the service. While Congress continues to appropriate funding for Polar Security Cutters, Offshore Patrol Cutters, and other acquisitions, I am concerned that the Coasties charged with operating those assets are being left behind.

While the budget includes a 3 percent pay increase, I remain concerned that the growing backlog of shoreside infrastructure, including housing and childcare facilities, is being neglected. The Coast Guard must do everything in its power to recruit and retain highly qualified and diverse servicemembers.

As a maritime nation, our country’s security and economic strength is directly linked to our major oceans, inland rivers, deep-water ports, and waterways. The Maritime Administration is vital to ensuring successful management of U.S. maritime and shipbuilding industries.

We have seen with the unprecedented events of the past year that maritime commerce provides a direct lifeline to the economy. I am concerned that since the president’s request contains no increase compared to the fiscal year 2021 enacted level of \$230 million for the Port Infrastructure Development Program, our nation’s ports will continue to be underfunded. In order to ensure the smooth movement of cargo, we must ensure that our ports are state of the art.

Furthermore, the omission of funding for the Maritime Transportation System Emergency Relief Authority in MARAD’s budget is another cause for concern. Despite the Maritime Transportation System receiving no financial assistance during this COVID-19 public health emergency, the industry was expected to maintain full, if not increased, operations throughout the pandemic.

We need to be doing much, much more to support our maritime industry, and I hope that Admiral Schultz, Chairman Maffei, and Administrator Lessley can provide answers and a true vision for the future.

I am encouraged, however, to see a minor increase of 2 percent to the Federal Maritime Commission’s funding. It’s clear the Commission needs additional resources to enhance its oversight and enforcement capabilities due to the disruptions to the global supply chain this year.

Fact Finding 29 is an important first step toward improving efficient cargo movement and providing timely information to direct the Commission’s action, none of which can happen without Congress providing the agency adequate resources.

I look forward to hearing from our witnesses on how the president’s budget will ensure that the Coast Guard and the programs that support and regulate the U.S. maritime industry are adequately resourced.

Mr. CARBAJAL. Thank you, Mr. Chairman.

With that, I would now like to welcome the witnesses on our first panel. First, we have Admiral Karl Schultz, Commandant of the United States Coast Guard; the Honorable Daniel B. Maffei, Chair-

man of the Federal Maritime Commission; Master Chief Jason M. Vanderhaden, Master Chief Petty Officer of the United States Coast Guard; and, last, Ms. Lucinda Lessley, Acting Administrator for the Maritime Administration.

Thank you all for being here today, and I look forward to your testimony.

Without objection, our witnesses' full statements will be included in the record. Since your written testimony has been made a part of the record, the subcommittee requests that you limit your oral testimony to 5 minutes.

With that, we will proceed.

Admiral Schultz, you may proceed.

**TESTIMONY OF ADMIRAL KARL L. SCHULTZ, COMMANDANT, U.S. COAST GUARD; HON. DANIEL B. MAFFEI, CHAIRMAN, FEDERAL MARITIME COMMISSION; MASTER CHIEF JASON M. VANDERHADEN, MASTER CHIEF PETTY OFFICER OF THE COAST GUARD, U.S. COAST GUARD; AND LUCINDA LESSLEY, ACTING ADMINISTRATOR, MARITIME ADMINISTRATION**

Admiral SCHULTZ. Well, good morning, Chairman DeFazio, Chairman Carbajal, Ranking Member Gibbs, members of the subcommittee, and I appreciate each of your strong words about the fiscal challenges and readiness challenges facing our Service.

I am extraordinarily proud of our workforce and remain humble to serve as their Service Chief. I appreciate the opportunity to testify before you today and appreciate you entering my written statement for the record.

On behalf of the men and women of our Service, please accept my gratitude for your enduring support of the United States Coast Guard in our efforts to restore Service readiness.

Coast Guard readiness is at the core of our ability to meet the challenges of today while preparing for future threats and opportunities. The fiscal year 2021, last year's Consolidated Appropriations Act, helped sustain critical momentum for Coast Guard surface and aviation fleet recapitalization, it injected much needed funding to improve our aging shore and information technology infrastructure, and made essential investments in our workforce—the heart and soul of our Service.

Building off this momentum, the President's fiscal year 2022 budget request reflects some of these same priorities as we look to continue our progress for restoring readiness and providing our workforce with the capable assets, modern systems, and resilient infrastructure they need to conduct frontline operations.

Maritime security is, in fact, national security, and demand for our Coast Guard services and capabilities is increasing across the globe as the Coast Guard is viewed as the unique instrument of international diplomacy and a reliable partner to like-minded friends and allies, especially in the geographically and strategically important areas like the Arctic and the Indo-Pacific.

With your support, we continue to build the Nation's first new heavy polar icebreakers in nearly half a century. As mission demands continue to grow in the Arctic, completing the Polar Security Cutter program of record will enhance operational capability and capacity within the U.S. heavy icebreaking fleet.

Funds appropriated in 2021 will enable construction of the second Polar Security Cutter, and the fiscal year 2022 President's request continues to make investments for a third.

When fully operational, this new class of heavy icebreakers will provide global reach and the icebreaking capability necessary to sustain more persistent operations in the polar regions, access which is critical to projecting U.S. sovereignty and protecting our vital economic, environmental, and national security interests.

Additionally, the funding provided in fiscal year 2021 allowed us to maintain momentum on our Offshore Patrol Cutter, better known as the OPC program, a top acquisition priority.

Continued progress on the OPC program is absolutely vital as these cutters will replace our legacy fleet of 200- and 270-foot Medium Endurance Cutters. This legacy fleet has served with distinction for decades but is becoming increasingly challenging and expensive to maintain, and we continue to see degradation in their operational availability.

Despite the extraordinary efforts of our Coast Guard men and women, the Medium Endurance Cutter fleet has lost approximately 11 percent of operational capacity in the past 2 years due to unscheduled maintenance and repair work, negatively affecting Service readiness and frontline mission performance.

Like my concerns with our surface assets, I have become increasingly concerned about our ability to sustain operations with our legacy rotary-wing aircraft. Our current fleet of MH-65 Dolphin and MH-60 Jayhawk helicopters are undergoing essential service life extension programs, better known as SLEP, to push capabilities into the mid-2030s.

However, the rapidly declining availability of MH-65 Dolphin parts reveals that SLEP alone will no longer ensure MH-65 readiness. Hence, the Coast Guard must immediately begin transitioning towards an all MH-60 Jayhawk fleet while continuing to participate with the Department of Defense in the search for the next generation of future vertical-lift assets.

I am also mindful that every Coast Guard operational mission is supported by our aging infrastructure, which is degrading faster than we are capitalizing it.

Private organizations generally recapitalize their infrastructure at a rate of 2 to 4 percent annually. Our 10-year average of recapitalization is only 10 to 20 percent of that value.

As such, recapitalization and deferred maintenance backlogs continue to trouble the Service. To remain always ready, we must invest in and update our shore facilities to meet today's standards for efficiency and resilience.

The fiscal 2021 appropriation provided substantial support here, and the fiscal year 2022 President's request includes targeted investments to improve the condition and energy efficiency of our shore facilities, but significantly more remains to be done.

Modernized facilities, the appropriate technology, and mobility will help close our readiness gap and enable our workforce of 56,000 Active Duty, Reserve, and civilian employees to continue to demonstrate their bias for action or initiative to solve complex problems.

Critically important is operations and support, or O&S, budget growth, such as the 6 percent requested in the President's 2022 budget. In the outyears beyond 2022, sustained predictable O&S budget growth of at least 3 to 5 percent, in conjunction with strategic investments to recapitalize assets and infrastructure, is essential to restore readiness and build a 21st-century Coast Guard the Nation needs and deserves.

Thank you for the opportunity to testify today, and I look forward to answering 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

Chairman Carbajal, Ranking Member Gibbs, and distinguished members of the subcommittee, I appreciate the opportunity to testify today and thank you for your enduring support of the United States Coast Guard. The Fiscal Year (FY) 2021 Consolidated Appropriations Act sustains critical momentum for Coast Guard surface and aviation fleet recapitalization, injects much needed funding to improve our aging shore and information technology infrastructure, and makes essential investments in our workforce. Today, I look forward to addressing how the Administration's FY 2022 budget request provides a favorable trackline for the Coast Guard our Nation needs.

Amidst the unique challenges presented by the global pandemic these past 16 months, your Coast Guard continued to answer the call and deliver mission excellence. Coast Guard forces responded to new threats in the cyber domain, interdicted 130 foreign vessels engaged in illegal fishing in the U.S. Exclusive Economic Zone, conducted 16,000 search and rescue cases, and responded to the most active Atlantic Basin hurricane season on record with 30 named storms, 12 making landfall in the contiguous United States, six at hurricane strength.

This year, for the first time in nearly 40 years, the Coast Guard's sole heavy icebreaker—the 44-year-old POLAR STAR—deployed to the Arctic in the winter, overcoming treacherous environmental conditions and engineering casualties to advance America's sovereign interests and conduct vital scientific research. Coast Guard cutters on patrol in the Eastern Pacific Ocean and Caribbean Basin interdicted 158 metric tons of illegal narcotics worth \$5.6 billion, reducing Transnational Criminal Organizations' illicit profits, as well as helping to attenuate the "push factors" that trigger migration and fuel violence and instability across Central America. National Security Cutters (NSCs) STONE, BERTHOLF and KIMBALL, and Fast Response Cutters (FRCs) OLIVER BERRY and JOSEPH GERCZAK worked with strategic partners in Oceania and Latin America to combat the threat of Illegal, Unreported, and Unregulated (IUU) fishing. IUU fishing creates ecological damage to the marine environment, jeopardizes food access and sustainable fisheries, threatens the economies of fragile coastal states, and undermines the global maritime rules-based international order. This spring, two of the Service's newest FRCs, CHARLES MOULTHROPE and ROBERT GOLDMAN, made a trans-Atlantic voyage to their new homeport in Manama, Bahrain. En route, the FRCs conducted strategic engagements in Rota, Spain; Tunis, Tunisia; and the Port of Piraeus, Greece, bolstering regional cooperation.

These vessels replace two of the Service's six legacy 110-foot patrol boats stationed at Coast Guard Patrol Forces Southwest Asia, where they provide support to U.S. Navy Fifth Fleet operations in the Arabian Gulf. The Coast Guard also served at the forefront of strategically important multi-lateral venues, such as the operationally focused Arctic Coast Guard Forum and the highly effective North Pacific Coast Guard Forum, promoting dialogue across shared areas of common interest with the seven other Arctic nations, as well as North Pacific fisheries partners—Canada, Japan, Russia, China, and South Korea.

*Maritime security is national security*, and across the globe the Coast Guard is in high demand as an instrument of international diplomacy. Oftentimes viewed as the U.S. maritime service with the most relatable mission profile to many nations' maritime forces, the U.S. Coast Guard is often replicated and considered to be a tremendous partner to our like-minded friends and allies.



I am extraordinarily proud of our workforce and remain humbled to serve as their Service Chief. I would contend that it is a transformational time for our Service as we become a true 21st century Coast Guard—one that stands ready to operate in an increasingly complex, inter-connected, and technologically sophisticated maritime domain. This transformation hinges on sustained momentum to restore readiness and continued strategic investments in the Coast Guard the Nation is calling for. With the support of both Congress and the Administration, we will continue to recruit, train, and retain a new generation of Americans who better reflect the demographics of the public we serve; we will recapitalize our surface and aviation assets; we will revitalize our aging shore infrastructure; and we will invest in modern technologies. The FY 2022 President’s Budget request is a direct reflection of those priorities.

#### RESTORE READINESS

*Support the Mission Ready Total Workforce:* At the core of our mission success resides extraordinary people—the world’s most capable and talented Coast Guard comprised of over 56,000 Active Duty, Reserve, and Civilian personnel, supported by 25,000 Auxiliary volunteers. The Coast Guard entrusts and empowers its personnel at every level to lead with a bias for action—taking on-scene initiative and delivering solutions to complex problems. While extremely valuable in executing the Service’s missions, these traits may also serve to veil the true impacts of the Coast Guard’s readiness challenges. As Coast Guard men and women take it upon themselves to accomplish the mission, the thousands of added hours required to overcome asset, technology, and infrastructure readiness issues drive workforce fatigue, and can often come at the expense of training and critical skills retention.

Going forward, I remain committed to providing our dedicated and talented workforce with the tools, resources, and policies that will enable them to professionally thrive and personally grow. Our FY 2022 budget requests \$170 million for pay and benefits; and \$44 million to address workforce gaps, to modernize the Service’s antiquated training system, to enhance recruiting and retention initiatives, to expand diversity and inclusion efforts, and to continue the transition to electronic health records. This funding is vital to continue the progress we are making due in no small part to your support in the FY 2021 appropriation. This year we have continued the critically important transition to electronic health records, bolstered our childcare subsidy program, accelerated the modernization of our training system, invested in critical course development, hired additional recruiters, increased resources to support workforce mental health needs, and made substantial investments in family housing projects in Kodiak, Alaska and Staten Island, New York.

As the Coast Guard brings new assets online, it becomes increasingly critical that we remain focused on our personnel. The FY 2022 budget allows the Coast Guard to continue to pursue policies and practices that enable the Service to recruit and retain a highly talented workforce increasingly representative of the American public we serve. I remain committed to creating an environment that attracts the best of our Nation’s diverse talent and experience, and provides an inclusive and rewarding journey that positions the Coast Guard as an employer of choice in a highly competitive marketplace for talent. The budget we will discuss today highlights that commitment.

*Modernize and Sustain Operational Capability:* The Coast Guard is in the midst of the largest recapitalization effort in our history. Until the work to recapitalize is fully completed, service members must continue to conduct missions with legacy assets, many of which are over 50 years old, like our Reliance Class 210-foot medium endurance cutters and our construction and inland waterways tenders. The Service must also sustain our legacy fleet until new assets come online. This recapitalization and sustainment balance is not only applicable to our surface and aviation assets, but also for our shoreside and waterfront infrastructure, where every mission begins. With the support of Congress, we have seen significant increases to our shore recapitalization funding in recent years; however, our ten-year average recapitalization rate is at only 0.4%. A healthy organization recapitalizes its infrastructure at a rate of 2 to 4%. Our current pace equates to full replacement of the Coast Guard’s shore plant every 267 years.

#### Surface Assets

With the strong support of the Administration and Congress, we continue efforts to acquire the Nation’s first new heavy polar icebreakers in almost half a century. The \$555 million provided in the FY 2021 Consolidated Appropriations Act funds construction of the second Polar Security Cutter. The FY 2022 request of \$170 million will sustain the program and procure initial long lead time materials for the

third. When fully operational, these Polar Security Cutters will provide the global reach and icebreaking capability necessary to ensure sustained operations in the Polar or High Latitude Regions, access which is critical to projecting U.S. sovereignty and protecting our national interests, countering malign actors, and responding to new mission demands created by climate change.

The FY 2021 Coast Guard appropriation included \$546 million for the Offshore Patrol Cutter (OPC), one of the Service's highest acquisition priorities. Continued progress on the OPC program is absolutely vital to recapitalizing the capability provided by our legacy fleet of 210-foot and 270-foot Medium Endurance Cutters (MECs). The FY 2022 request provides \$597 million for construction of the fourth OPC and long lead time materials for the fifth. The OPC program is for 25 hulls. The legacy assets the OPCs will replace have been workhorses for over 50 years and have served the Nation with distinction, but the MEC fleet is becoming more difficult and expensive to maintain, and we continue to see increasing degradation in its operational availability. Despite the extraordinary efforts of our men and women, over the last two years alone, our MEC fleet has lost nearly 500 annual patrol days due to unplanned maintenance and repairs, the equivalent of 11 percent of our MEC fleet capacity. To address this critical loss of operational capacity, the FY 2022 President's Budget requests \$60 million for additional shore-side support personnel and funding to improve vessel readiness across the Coast Guard's surface fleet due to deferred maintenance, reduced dry docks and dockside availabilities, and rising costs for parts and services.

We are also making progress on the recapitalization of our fleet of inland tenders—some of which have been in service since the 1940s, shouldering the herculean responsibility of maintaining both fixed and floating aids to navigation on the U.S. Marine Transportation System (MTS)—the 25,000 miles of rivers and navigable channels that support \$5.4 trillion in annual commerce and 31 million jobs. The MTS is the lifeblood of the U.S. economy, supporting 26 percent of our Nation's Gross Domestic Product (GDP). The FY 2022 request for \$67 million would allow the Coast Guard to award a detail design and construction contract, with delivery of the first Waterways Commerce Cutter (WCC) anticipated in FY 2024, maintaining momentum from the \$25 million provided in the FY 2021 appropriation. These cutters—which will replace our legacy inland tender fleet—will feature modern designs for propulsion and crew habitability, as well as enable gender equity in this segment of our cutter forces community for the first time in history.

#### *Aviation Assets*

Like my concerns with our aging surface assets, I have become increasingly concerned about our ability to sustain operations with our legacy rotary wing fleet. Our current fleet includes 98 MH-65 Dolphin and 48 MH-60 Jayhawk helicopters. Both helicopters are undergoing essential Service Life Extension Programs (SLEP) to push current capabilities into the mid-2030s. However, the rapidly declining availability of MH-65 parts is revealing that SLEP alone will no longer ensure MH-65 readiness that far into the future. Even if a healthy supply chain existed, the MH-65 fleet will exceed its service life well before 2040 and the expected arrival of Future Vertical Lift capability. Conversely, DoD operates more than 4,000 H-60s and is poised to continue H-60 operations until Future Vertical Lift technology is fully deployed. Combined with the rapid growth in use of the H-60 variant in the civil aviation sector, the domestic H-60 supply chain will remain viable well past 2040. Hence, while completion of the MH-65 and MH-60 SLEP remains an imperative to meeting current mission demand, *the Coast Guard must immediately begin transitioning towards a single airframe rotary wing fleet comprised of MH-60 helicopters.* The FY 2021 appropriation contained \$29 million to enable the Service to convert Air Station Borinquen, Puerto Rico, a critical first step towards that transition.

The FY 2022 request proposes \$83 million to expand the Coast Guard's fleet of MH-60T helicopters with the conversion of low hour former Navy air frames at our Aviation Logistics Center. The request also supports the transition of Air Station New Orleans, Louisiana from MH-65 to MH-60 helicopters using aircraft currently in the Coast Guard's inventory. Lastly, to address broader aviation readiness concerns and improve the operational availability of both our fixed and rotary wing aircraft, the FY 2022 request includes \$97 million to help arrest the growth of aviation maintenance backlogs, rebuild critical parts inventories, and enable avionics upgrades that ensure asset airworthiness.

#### *Shore Infrastructure*

I am also particularly mindful of the condition of our aging shore infrastructure and the adverse effects it has on readiness across all mission areas. We greatly ap-

preciate the \$363 million provided by Congress in FY 2021 to support critical shore facility investments in Alaska, Florida, Hawaii, Maine, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, and Washington. While these investments enhance the resilience of our infrastructure portfolio, we still have more work to do as our facilities face new threats from natural hazards and the impacts of climate change. Sustaining this momentum going forward is essential to providing our Coast Guard men and women with the modern facilities necessary to support 21st century Coast Guard operations.

The Coast Guard has been slowly recapitalizing our shore infrastructure, updating and where possible replacing legacy military housing and support facilities, and modernizing waterfront facilities to accept new assets. Despite these efforts, the Service has a \$2 billion infrastructure recapitalization backlog. Additionally, we have accrued nearly \$1 billion in deferred, depot-level maintenance projects on our shore facilities. The FY 2022 budget supports the Coast Guard's efforts to address the \$1 billion deferred shore facility depot maintenance backlog with targeted investments to improve the condition and energy efficiency of shore facilities, and expedite the divestiture of excess real property.

*Improve Information Technology Reliability:* We are now a year into our "Technology Revolution"—a "Whole of Service" effort to ensure that our dedicated workforce is supported by a reliable, mobile, and integrated information system. With your support in the 2020 Coronavirus, Aid, Relief, and Economic Security (CARES) Act, the Coast Guard was able to make over \$85 million in investments towards crucial modernization efforts, from hardware and network upgrades that facilitated remote work and telehealth capabilities, to modern data analytics tools whose versatility helped Coast Guard leaders mitigate the unprecedented challenges of the COVID-19 pandemic with accurate and up-to-date personnel protective equipment and vaccine tracking and distribution information. Furthermore, with the more than \$100 million provided in the FY 2021 appropriation towards our "Technology Revolution," we continue investments in software modernization and network defense, replacement of obsolete hardware, enhanced connectivity aboard our cutters, and we will begin the transition to an enterprise big data platform to better inform future operations and enhance our already stellar mission effectiveness.

To stay ready, the Coast Guard must keep pace with the technological advances occurring across the maritime sphere, from the cyber domain to renewable energy, and increased space operations, in order to ensure a safe and secure Marine Transportation System. The FY 2022 budget request continues to make critical investments in the Coast Guard's network, hardware, and software—including \$17 million to increase cyber hardening and improve the reliability and integrity of Coast Guard information technology networks; \$54 million to address infrastructure shortfalls and communications equipment obsolescence, as well as build resilient network delivery architecture that ensures no single point of failure; and \$22 million to transition to modern software and provide mobile tools that improve the efficiency and effectiveness of operators in the field. To have a truly 21st Century Coast Guard, we must build off the momentum of previous Congressional support and accelerate our efforts.

#### CONCLUSION

The Coast Guard is America's maritime first responder and must be prepared for natural and manmade disasters, while also conducting an array of steady state missions that enhance economic prosperity, safeguard our environment, and advance the security of our homeland and broader national security interests. New assets alone are insufficient to sustain a mission-ready Coast Guard. A ready Coast Guard requires operational platforms, reliable infrastructure, and above all else, a well-trained and diverse workforce properly equipped with state-of-the-market technology to enable mission performance.

With the continued support of the Administration and Congress, your Coast Guard will live up to our motto—*Semper Paratus*—Always Ready. Thank you for your enduring support of the men and women of the Coast Guard.

#### FY 2022 BUDGET HIGHLIGHTS

##### BUDGET PRIORITIES:

- *Restore Readiness*—The Coast Guard must maintain momentum to restore Service readiness. More than ever, the Nation needs a ready Coast Guard with the tools and support systems necessary to operate in the increasingly complex, interconnected, and technologically advanced maritime domain.

- *Recapitalize Legacy Assets and Infrastructure*—The Coast Guard is in the midst of the largest recapitalization effort in its history—an effort critical to building the Coast Guard the Nation needs. However, until recapitalization is fully completed, service members must continue to conduct missions with legacy assets, some of which are over 50 years old.

The FY 2022 Budget requests *\$9.02 billion* for Operations and Support (O&S) and *\$1.64 billion* for Procurement, Construction and Improvements (PC&I). Budget highlights include:

RESTORE READINESS (O&S):

*Support the Mission Ready Total Workforce*

- *\$127 million* for requisite military pay and allowances per National Defense Authorization Act requirements, maintaining parity with the military branches within the Department of Defense, and *\$43 million* for civilian pay and benefits (O&S).
- *\$44 million* for workforce readiness, including recruiting, retention, diversity and inclusion, training, and healthcare (O&S).

*Modernize and Sustain Operational Capability*

- *\$194 million* to address Coast Guard depot maintenance backlogs, including: \$97 million for fixed and rotary-wing aircraft maintenance and critical parts; \$60 million for vessel deferred maintenance and shore-side support personnel; and \$37 million for shore infrastructure depot maintenance backlogs and divestiture of excess real property.
- *\$93 million* for new assets including: operations and maintenance (O&M) funds for Fast Response Cutters (FRCs) #47–51 and OPC #1; crews for FRCs #49–54, OPC #2, and NSC #10; shoreside personnel and support for FRCs #48–53 and OPC #1; support for NSC capabilities, including tactical cryptology and small Unmanned Aircraft Systems (sUAS); crew and O&M for three HC–130Js; O&M for a new C–37 Long Range Command and Control Aircraft; and funds to operate and maintain new and improved facilities at Air Station Ventura, California; the first OPC homeport in San Pedro, California; a new aircraft simulator building at Aviation Training Center Mobile, Alabama; and family housing in Perry, Maine.
- *\$23 million* to transition Air Station New Orleans, Louisiana from MH–65 to MH–60 helicopters and crew and O&M of MH–60T hull #49 to continue the Coast Guard's efforts to transition to a single-frame helicopter fleet.

*Improve C5I Reliability and Performance*

- *\$54 million* to address critical shortfalls in the Coast Guard's IT hardware and infrastructure.
- *\$22 million* to transition to modern software and provide mobile solutions for the workforce.
- *\$17 million* for improved cyber hardening to ensure resilience, reliability, and integrity of Coast Guard IT networks.

RECAPITALIZE LEGACY ASSETS AND INFRASTRUCTURE (PC&I):

- *\$1 billion* for vessels, including: \$597 million for the construction of OPC #4, as well as long lead time materials for OPC #5; \$170 million for PSC including project management for the construction of PSCs #1–2 and initial long lead time materials for PSC #3; \$78 million for post-delivery activities for National Security Cutters (NSCs) #10–11; and \$67 million for the Waterways Commerce Cutter (WCC) initial detail design and construction contract award.
- *\$280 million* for shore infrastructure improvements to support new acquisitions and the execution of Coast Guard operations including: PSC homeport in Seattle, Washington; recruit barracks at Training Center Cape May, New Jersey; continued buildout of the consolidated operational base in Charleston, South Carolina; and other infrastructure repairs and upgrades.
- *\$222 million* to recapitalize and sustain fixed and rotary-wing aircraft including: sustainment of the current MH–60T helicopter fleet and initial funding for fleet expansion; modernization and sustainment of MH–65 helicopters to extend service life into the 2030s; and continued missionization of HC–27J medium-range surveillance aircraft.

Mr. CARBAJAL. Thank you, Admiral Schultz.  
We will proceed next with Chairman Maffei.

Mr. MAFFEI. Thank you very much, and good morning to you, Chairman Carbajal, Chairman DeFazio, Ranking Member Gibbs, and all the members of the subcommittee. I am honored to appear today in support of the Federal Maritime Commission's budget request for fiscal year 2022.

The FMC is a relatively small agency with an annual budget of approximately \$30 million that is charged with ensuring a competitive and reliable international ocean transportation system that supports the U.S. economy and protects the public from unfair and deceptive practices.

At no time in decades has that mission been as important as it is today. The United States has brought in more ocean freight in less time than ever before in our Nation's history. In fact, the U.S. imported more containers in the first 5 months of 2021 than in any previous entire year.

Exports are also up, substantially, including agricultural exports, and that increase only looks modest when compared with the explosion of imports.

The American demand for consumer goods, which started largely due to online shopping during COVID, continues to increase. This spike in demand for imports has pushed cargo rates to record high, even higher now than they were when I appeared before you just a month ago.

For example, the July spot rate to move a 40-foot container from Shanghai to Los Angeles is approaching \$10,000 and is more than five times higher than in July of 2019, pre-COVID.

Depending on the specific circumstances, the actual rate to book a trans-Pacific box could cost even more than that, and this is without including congestion surcharges that can add thousands more dollars to a shipper's cost.

And rates only tell part of the story. There is not enough space on ships for all the shippers that want space, and so some are having to wait for a future sailing, and once on the ship, it may even be days or weeks of delay before it actually gets there.

All of this notwithstanding, the world's containership fleet remains effectively fully deployed, and ocean carriers have accelerated their ordering of new ships, containers, and other equipment.

Despite some gains in capacity in our ports and maximization of global container fleet, the overall capacity system is still limited by truck, rail, and warehouse bay shortages.

The situation is creating real hardship for some shippers, such as agricultural exporters that Ranking Member Gibbs mentioned, particularly those that deal with the low-margin commodities, U.S. manufacturers that depend on specific imports from abroad, and small- to medium-size importers in ocean transportation intermediaries.

It is these categories of shippers that can't afford the rates or lack sufficient market power for the carriers to value their continued business as much as they do those large, nationally known shippers.

While the Shipping Act gives the FMC no authority to place a cap on rates or set quotas for export carriage or require carriers to offer the same rates to small shippers as bigger shippers, we do have the authority to take on a major source of headaches for ship-

pers and truckers, and that is the unreasonable detention and demurrage fees.

In the spring of 2020, the FMC unanimously voted for an interpretive rule that identified when these fees would be likely unreasonable and in violation of the Shipping Act.

Late last year, the FMC launched an investigation of detention and demurrage, container return, and export carriage policies at our Nation's two largest port complexes.

The Commissioner in charge of that fact-finding, Rebecca Dye, will present her interim recommendations at the FMC meeting next week.

One recommendation that she and I have already discussed is to conduct audits of the major carriers to determine exactly what they are doing to comply with the detention and demurrage rules.

Such an audit could inform additional rulemaking or enforcement, and given the urgency of the situation, this week I used my authority as Chair to designate our managing director to lead the audits and start as soon as possible.

Two other areas in urgent need of shoring up given the current situation are our Bureau of Enforcement and the Office of Consumer Affairs and Dispute Resolution Services we call CADRS.

As Chairman, I have authorized additional hiring for these offices which is in progress, including a specific advocate for exports—an export advocate.

Now, while we are working hard to maximize this year's resources, we respectfully request \$30.8 million to fund FMC's operations for the coming year.

This amount supports an agency workforce of 128 FTE employees, many of whom must have advanced degrees and/or specialized experience to facilitate implementation of all the provisions of the Shipping Act.

That is why the bulk of our budget goes towards salaries and benefits.

Lease and security represent the next part of our Commission's budget, and the third largest part is technology which allows our workforce to do their jobs both at the office and in telework when necessary.

Again, I am grateful for this opportunity to appear before you today, and I welcome any questions you may have about our budget request or about the ocean transportation system generally. Thank you.

[Mr. Maffei's prepared statement follows:]

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**Prepared Statement of Hon. Daniel B. Maffei, Chairman, Federal Maritime Commission**

Good morning Chairman Carbajal, Ranking Member Gibbs, and Members of the Subcommittee. I am grateful to have this opportunity to appear before you today and testify in support of the Federal Maritime Commission's budget request for Fiscal Year 2022.

The Commission seeks \$30.87 million to fund its operations for the coming year to meet its mission of ensuring a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices.

Before discussing our budget request in more detail, allow me to provide a brief update on conditions in the industry since my appearance before you in June.

Overall, the situation remains largely unchanged since my last testimony.

Cargo volumes remain at record highs and show no signs of dissipating in the near term. Historic levels of U.S. consumer demand for goods manufactured overseas is primarily driving this cargo flow although demand overseas for U.S. commodities and products has also increased. Ports, marine terminals, and domestic freight delivery networks continue to work vessels and deliver the cargo, but at less-than-optimal performance due to congestion. Issues related to equipment availability, a shortage of truck drivers, backups on the rails as well as inland railyards, and lack of space at warehouses all contribute to eroding the reliability of the system overall and increase delays.

The good news is the worker absences at the ports that were due to COVID infections and quarantines has diminished, and at vital ports such as New York/New Jersey, many COVID precautions that reduced capacity have been safely drawn down. The bad news is the persistent volumes continue to overwhelm what was considered by most terminals only eighteen months ago to be an adequate workforce even in high volume times.

Many of these problems feed on themselves such as when truck, rail, and warehouse congestion cause terminals fill up with so many import-laden containers that they cannot absorb more empty containers and close to shippers and truckers trying to return those empties. Those empties then remain on chassis tying up empties and the chassis amidst shortages of both. The congestion forces truckers to wait in unusually long lines to drop off an empty and/or pick up a full container decreasing their productivity and exacerbating driver fatigue. Shortage of space on the terminal leads to inefficient ship loading and unloading and that leads to ships needing to wait at anchor and “bunch up” so that several will enter a terminal at once adding to the unload/load times, increasing the strain on our port workers, and piling up import-laden containers so fast that there is no way the land-side system can absorb them.

In short, trying to force more cargo through the freight transportation system than it can handle creates a cargo jam analogous to the traffic jam you get when forcing four lanes of cars down to one.

What will likely make this challenging situation even worse are developments outside the United States that could have a direct impact on the performance of the freight delivery system here. For example, an outbreak of COVID-19 in the Southern China port of Yantian closed that facility for four weeks in June. Yantian is the gateway for 23% of the cargo destined for the United States. Ocean carriers had to cancel vessel calls at Yantian. The closure of Yantian caused cascading problems at other ports in Southern China. Though Yantian is now operating again, the freight and ships delayed by the closure are now headed for the U.S., likely to result in an unprecedented July and August peak season and exacerbating port congestion. The consequences of Yantian’s closing will eclipse those associated with the grounding of the Ever Given in the Suez Canal.

While the capacity of the system is being pushed to the brink, the record demand for imports shows no sign of abating. As a result, cargo rates have been at record highs, and are likely to go still higher in 2021 with no substantial decline likely until at least 2022. While there are many factors contributing to the high prices, there is no indication that the carrier industry as a whole or any individual carrier is holding back on supply of cargo space. Instead, we find the world’s container ship fleet remains effectively full deployed. There are essentially no additional vessels available to increase capacity to carry cargo. In fact, as one would expect, ocean carriers are ordering new ships. A total of 286 new container ships were ordered in the first half of 2021, the highest level over the past two decades. The time it takes to build new vessels means there will be a delay before they launch and be available to shippers. Again, additional vessel capacity without the ability to better serve those ships when they call does not solve many of the underlying problems creating congestion and high rates. Additionally, carriers and intermodal equipment providers continue to buy additional containers and chassis to serve demand but there is also a lag between the order and deployment of that equipment as well.

I remain particularly concerned about exporters—especially many agricultural exporters—due to the shifting dates of when ships are expected to make their port calls and the lack of reliability of service. While export shipping rates remain much lower than import rates, they too have gone up dramatically. Furthermore, exporters are finding themselves in the frustrating position of having to deal with the fact that a carrier is making so much money on a container full of imports than exports that it is often in the carrier’s best short-term economic interest to get more empty containers back to Asian factories faster rather than carrying more export containers.

While the Shipping Act does not give the FMC authority to place a cap on rates, set quotas for export carriage, or require carriers offer the same rates to smaller shippers as bigger shippers, we are taking on a major source of headaches for shippers and truckers—unreasonable detention and demurrage fees. On April 28, 2020, the FMC unanimously voted for an interpretive rule that I believe clearly defined when carriers and terminal operators are permitted to charge these sorts of fees and when these fees are unreasonable and therefore in violation of the Shipping Act.

A supplemental order to Fact Finding 29 and issued in late November of last year directed Commissioner Rebecca Dye to investigate if the detention and demurrage policies and practices of shipping companies operating in an alliance and calling Los Angeles, Long Beach, or New York/New Jersey violate the law. The supplemental order also directed her to examine policies and practices related to container return, and container availability for U.S. export cargoes. Since then, Commissioner Dye has issued an information demand order to 27 different entities—ten ocean carriers and 17 marine terminal operators—and the information gathered in response to these orders is being examined to determine whether enforcement actions against any of these entities are warranted.

Additionally, Commissioner Dye plans to present the Commission with interim recommendations for action at our meeting next week. As you may recall, in our appearance before you in June, both Commissioner Dye and I testified that auditing the ocean carriers is action the Commission should take. In the immediate timeframe, we need to more fully examine and understand the way carriers determine who owes what fees, how they bill, what their appeals processes are, and whether they place any restrictions on shippers who refuse to pay a given fee while it is being challenged. Such an audit could inform additional rulemaking or enforcement, and I am using my administrative authority to start this program as soon as possible. I would note though that this audit program will be important, its initial scope will be limited to just the nine largest carriers and focus on their detention and demurrage billing practices. I would like to be able to conduct more comprehensive forensic audits of all major carriers and other entities with substantial effect on the cost and efficiency of ocean shipping, but that would require more resources than we currently have or are asking for today.

Circumstances and conditions causing the cargo surge and related congestion are beyond the jurisdiction, authority, or control of any one agency. Many parties, at levels from local to national, have a role to play in responding to challenges frustrating all involved in the movement of ocean cargo. Toward that end, the Commission is involved in the President's whole-of-government response and I have held calls with White House officials, the Secretary of Transportation, the Chair of the Surface Transportation Board, the Acting Administrator of MARAD and the Acting Administrator of the FMCSA, among others. Everyone is committed to interagency cooperation and doing what they can. We are grateful to be included in these efforts and will remain actively engaged in them for as long as necessary.

Two areas where the Commission can make an immediate impact is by bolstering the resources and capabilities of its Bureau of Enforcement (BoE) and Office of Consumer Affairs and Dispute Resolution Services (CADRS). We are actively assessing what additional capabilities are needed to reinforce BoE to make it more effective, particularly as I place a higher emphasis on conducting enforcement actions. In CADRS, we are in the process of hiring a Conflict Resolution Specialist to fill an existing vacancy and are moving forward with creating a new position for an Export Advocate. This will be a person who is solely responsible for assisting export shippers in overcoming issues they have in moving their cargoes.

On a related note, our Area Representatives are a resource for both BoE and CADRS. These individuals work out of field offices in Southern California, Tacoma, Washington, New York/New Jersey, Southern Florida, and Houston. We are examining whether establishing a presence in an additional city or cities would be beneficial to meeting the Commission's mission.

In recent years, we have concentrated on building our capabilities in the Bureau of Trade Analysis (BTA), which is responsible for reviewing filed agreements (including those concerning the three major carrier alliances) and then monitoring both agreements that have gone into effect as well as the broader marketplace for ocean transportation services. As a result of this emphasis, we have in place a strong group of economists and analysts with the knowledge and skillsets necessary to detect anticompetitive behavior in the marketplace. Our task going forward is to maintain the capacity we have achieved in BTA through recent hirings.

Our budget request supports an agency workforce of 128 fulltime equivalent employees, including the five Commissioners and their Counsels. The majority of our budget goes towards salaries and benefits.



Office Lease & Security represents the next largest part of the Commission's budget. The Commission, working with the General Services Administration is expected to conclude negotiation of a lease that will allow us to stay in our current Washington, D.C. location. Rent will remain a significant cost for the agency but through this effort we will avoid moving costs and mitigated the potential risk of higher future lease costs. Our workforce views the proximity of our headquarters building to a major mass transit and commuter hub as a benefit. I should highlight that the Commission was rated seventh in Small Agencies and the FMC continues as a Top 10 Best Places to Work by the Partnership for Public Service. This is the fourth year in a row the Commission has earned top ten distinction.

Information technology and cyber security are priorities for any organization and require significant overhead. The Commission is no different from any other agency and there are considerable costs associated with providing the technology our workforce needs to do their jobs, the platforms necessary to interact with our regulated entities, and the defenses required to protect our systems from nefarious actors. Past years' investments in providing our employees with the assets they needed to be telework ready have paid dividends as the Commission went to a "maximum telework" posture in response to the COVID-19 pandemic.

Responsible stewardship of the public funds appropriated to the Commission is a priority shared by myself, my colleagues, and the senior career staff of the agency. We are constantly on watch to spend a dollar more responsibly and only procure those goods and services necessary to accomplish the mission of the Commission and comply with all legal and administrative mandates.

Again, I appreciate this opportunity to appear before you today and am prepared to answer any questions you might have.

Mr. CARBAJAL. Thank you, Chairman Maffei.

Master Chief Vanderhaden, you may proceed.

Master Chief VANDERHADEN. Good morning, Chairman DeFazio, Chairman Carbajal, Ranking Member Gibbs, members of the subcommittee. I want to join Admiral Schultz in extending my utmost gratitude on behalf of the men and women of the Coast Guard for your enduring support of our efforts to restore the Service to readiness.

The Coast Guard is a truly unique agency. We are an Armed Force of the United States, the Nation's lead maritime enforcement agency, and we are a maritime safety and regulatory agency.

The men and women I represent today truly make up the finest Coast Guard in the world. Our dedicated Coasties are on the front lines every day, carrying out operations globally and protecting our homeland's maritime domain from constantly evolving threats.

Our people accomplish a broad array of missions with a relatively small force. We are successful because we foster an inclusive work environment where all members understand the importance of their service to their Nation.

As with all services, the Coast Guard faces numerous challenges. The current challenge I am most concerned about is our ability to recruit and retain the workforce needed to operate our cutters, boats, and aircraft. As we replace our aging assets, the new cutters, helicopters, and planes being built require us to grow our workforce now so that we are prepared to operate and maintain these technologically advanced craft when they arrive.

Although today we enjoy the highest retention rate of all the military services, we will need to retain the future workforce at an even higher rate to meet increasing mission demands, both domestically and abroad.

Coast Guard leadership is taking a proactive approach to improving our retention by analyzing, evaluating, and mitigating causes members might leave the Service early.

We contracted with outside agencies for several studies to provide the Coast Guard with recommendations to remove retention barriers and provide better quality of life for all our members.

Based on these recommendations, we implemented several workforce initiatives, including adjusting assignment policies to facilitate the co-location of dual military families and modernizing the body composition program to adopt compliance methods similar to what the Air Force and the Navy use.

We also updated our parental leave policy, allowing for 120 days of leave for primary caregivers, and created a program where Coast Guard reservists can be called to Active Duty to backfill members when they go on prenatal, maternity, convalescent, and primary caregiver leave.

These updates definitely enhance the quality of work life for our members while maintaining our high standards of readiness.

Policy changes are just one avenue to improve retention, but policy change alone is not enough to retain our best and brightest. We have developed an action plan to reinforce the importance of inclusive leadership at all levels, especially leadership by example.

And we started at the top, the top of the enlisted workforce, to demonstrate our commitment to good leadership. We completely changed our advancement process to master chief petty officer.

This new process includes a panel that conducts a thorough review of members' records with an emphasis on selecting proven leaders who exemplify our core values of honor, respect, and devotion to duty.

We have also stepped up our leadership game by expanding the availability of mentoring. Our Office of Leadership recently launched a new mobile-enabled mentoring program to connect mentors with mentees through traditional one-on-one mentoring on a global basis.

The industry-proven, at-base mentoring program provides flexibility to people searching for a mentor. This technology enables members from across the Service to connect with mentors of their choosing and gain valuable advice and insight to better manage their careers.

I just talked to the Chief Master Sergeant of the Air Force, Chief Bass, and the Air Force is also considering using this same mentoring program.

As we build the Coast Guard workforce of the future, we recognize the imperative to be an employer of choice that reflects the public we serve.

Last year, we entered into a study with the RAND Corporation to identify barriers of recruitment and retention of underrepresented racial, ethnic, and gender minorities in the Active Duty Coast Guard.

That completed study will be delivered later this summer. We look forward to sharing the results of the new RAND study with the subcommittee and continuing to implement the initiatives to ensure members from underrepresented minority groups can thrive in the Coast Guard.

Your Coast Guard is hard at work to attract a talented and diverse workforce, and I appreciate this committee's commitment to

creating a Coast Guard ready to protect and defend America's maritime domain.

Thank you for inviting me to testify today, and I look forward to answering your questions.

Mr. CARBAJAL. Thank you, Master Chief Vanderhaden.

Ms. Lessley, you may proceed.

Ms. LESSLEY. Thank you. Good morning, Chairman Carbajal, Chairman DeFazio, Ranking Member Gibbs, and members of the subcommittee. I am very honored to appear with my esteemed colleagues—Admiral Schultz, Master Chief Petty Officer Vanderhaden, and Chairman Maffei—and pleased to testify on the President's fiscal year 2022 budget priorities for the Maritime Administration.

Before I turn to the budget, I note that, as a former staffer of this committee, I am astounded that my words will appear in this committee's permanent record, and I want my first words in that record to be those of gratitude, first to my family; and my husband, Vivek; and my children, Sarah and Luke; and then to Congressman Elijah Cummings, for whom I worked for nearly 15 years.

For my entire time with him, I handled his assignment on the T&I Committee, and I worked on this very subcommittee during the 4 years in which he served as its chair.

Without the opportunities Chairman Cummings gave me, I would not be here today, and, more importantly, the guidance, counsel, and support he gave me and the wisdom and grace of his example made me a better person.

I also want to thank the colleagues with whom I worked on at MARAD and at the Department of Transportation. I am honored to work with these extraordinary public servants.

The Maritime Administration supports our U.S. merchant marine, maintains the Ready Reserve Fleet, administers grant programs that invest in our ports and waterways, and operates the Merchant Marine Academy.

MARAD is also supporting the President's Task Force on Supply Chain Disruption. Just last week under the leadership of Secretary Buttigieg, the Department held a roundtable with stakeholders from the Ports of Los Angeles and Long Beach to discuss opportunities to address port and supply chain congestion. We were pleased that Chairman Maffei was able to join that event.

To address critical infrastructure gaps while fostering and sustaining job opportunities in the maritime industry, the President's fiscal year 2022 budget requests just over \$1 billion in funding for MARAD.

Looking first at sealift, the President's budget requests the full authorized amount of \$318 million in funding for the Maritime Security Program, which will continue to assure DoD's access to these 60 ships.

In addition, the President's budget requests \$10 million for a new Tanker Security Program. Funding is consistent with DoD's recent study on the U.S.-flag tanker fleet, which found that there is insufficient tanker-fleet capacity in the U.S.-flag fleet to meet defense requirements.

MARAD also maintains 41 Ready Reserve vessels, that together with the military sealift command vessels, provide sealift surge capabilities in support of our military.

Funding from DoD in fiscal year 2022 will enable MARAD to continue to provide this sealift support and to advance essential recapitalization of this fleet whose vessels' average age is more than 46 years.

MARAD recently awarded a contract for a vessel acquisition manager to begin acquiring replacement vessels for our Ready Reserve. The VAM will identify, modernize, and may operate these vessels.

Looking at mariner training programs, the budget request includes \$358 million to provide Federal assistance to the six State maritime academies, including funding for the purchase of the fifth and final National Security Multimission Vessel. We remain on schedule to take delivery of the first ship in fiscal year 2023.

The fiscal year 2022 budget requests \$230 million for the Port Infrastructure Development Program, which several Members have referenced, to fund grants that improve port infrastructure and facilities.

The budget requests \$20 million for MARAD's Small Shipyards Grant Program, and it includes funding for the America's Marine Highway Program to support the increased movement of freight by water.

To advance the essential decarbonization goals set by the administration, the budget requests \$10 million to support the Maritime Environmental and Technical Assistance Program, which is researching alternative energies and technologies in the marine environment.

Finally, the budget requests \$90 million for the Merchant Marine Academy. On June 19th, I visited the Merchant Marine Academy to attend its 2021 graduation. I was inspired, as I always am whenever I visit a Service academy, by all that the graduates had accomplished, and particularly in a year that presented profound and unprecedented challenges.

But I was deeply concerned by what I saw when I toured the academy's facilities. I observed obvious disrepair and what appeared to be either severely deferred maintenance or poorly performed maintenance attempts, or both.

In the wake of my visit, the Department and MARAD have acted immediately to begin to investigate these concerns, including dispatching teams of building management and health and safety professionals to conduct reviews of the campus.

We are seeking professional assistance from GSA and developing plans to undertake a comprehensive building report. We will keep Congress closely informed of our findings.

Thank you again for the opportunity to discuss the President's budget for MARAD, and I am happy to answer any questions that you may have.

[Ms. Lessley's prepared statement follows:]



**Prepared Statement of Lucinda Lessley, Acting Administrator, Maritime Administration**

Good morning, Chairman Carbajal, Vice Chair Auchincloss, Ranking Member Gibbs, and distinguished members of the Subcommittee, and thank you for the opportunity to testify on the President's Fiscal Year (FY) 2022 budget priorities for the Maritime Administration (MARAD).

**FY 2022 BUDGET REQUEST**

The United States is a maritime nation. MARAD's statutory mission is to foster, promote, and develop a resilient United States merchant marine and maritime transportation industry. A strong, resilient, reliable, and efficient marine transportation system is required to keep the United States competitive in the global economy and to provide sealift capacity support for our military. The President's FY 2022 Budget requests a total of \$1.2 billion for MARAD, and includes investments that focus on the implementation of policies that address critical infrastructure gaps while fostering and sustaining American job opportunities in the maritime industry, increasing our global competitiveness, and leveraging technology to meet the needs and challenges of the maritime transportation system while minimizing the environmental impacts of our ports on neighboring communities and port workers. Funds requested are especially critical to support the U.S. maritime industry as it continues to rebound from the coronavirus disease 2019 (COVID-19) pandemic. The Budget also requests funds to support MARAD's ongoing work to help mitigate climate change, strengthen environmental justice, promote transportation equity and inclusion, and support improvements in safety and security in the maritime domain, including across the U.S.-flagged fleet and in American ports.

On June 19, 2021, I visited the U.S. Merchant Marine Academy to attend its 2021 graduation ceremony and tour the Academy's facilities. Although I was pleased to tour several new facilities built by the Academy in recent years, I was concerned by what I saw in some of the older facilities on the campus. I observed several instances of disrepair and what appeared to be either deferred maintenance or poorly performed attempts at maintenance. In light of the age of some of the buildings, a regular maintenance framework is essential for the health and safety of Academy staff and students. Therefore, in the wake of my visit, the Department and MARAD have acted immediately to begin to investigate these concerns, including dispatching teams consisting of building management professionals, contracting management professionals, and environmental health and safety professionals to conduct reviews of the campus. We are seeking professional assistance from the General Services Administration, and putting in place plans to undertake a comprehensive Building Evaluation Report. The Department has initiated a thorough, top-to-bottom review of the physical infrastructure and management practices, and will keep Congress informed of our findings in a timely manner. We are also developing 30-day, 60-day, and long-term work plans to address the most urgent issues.

**NATIONAL SECURITY**

America's strategic sealift provides the Nation with the capability to project power globally by deploying forces and moving cargoes worldwide during peacetime, wartime, and/or in any contested environment. Sealift requires a combination of commercial and Federal resources to succeed. The Government-owned sealift fleet, which includes the MARAD-maintained Ready Reserve Force (RRF) and the Department of Defense (DOD) Military Sealift Command's (MSC) surge sealift fleet, are supported by a fleet of privately owned, commercially operated U.S.-flag vessels in the Voluntary Intermodal Sealift Agreement, which includes vessels in the Maritime Security Program (MSP). The U.S. Merchant Marine is a fundamental component of our national defense strategy. Our strategic sealift relies on a Government-owned fleet and assured access to commercially operated U.S.-flag vessels—as well as the intermodal networks maintained by these vessel operators—to transport equipment and supplies to deploy and sustain our military forces anywhere in the world. Critical to the operation of both Government-owned and commercial U.S.-flag vessels is an adequate supply of qualified U.S. mariners to crew them.

The FY 2022 Budget requests the fully authorized level of \$318 million for the MSP, which is the heart of sustainment sealift, comprised of a fleet of 60 commercially viable, militarily useful vessels, active in international trade and available on-call to meet the Nation's need for sustained military sealift capacity. In return for a stipend, MSP operators provide the Department of Defense (DOD) assured access to their ships and their global network of critical capabilities, including intermodal facilities used to unload and transport military cargoes to final destinations. The

MSP supports and contributes to the expansion of the merchant mariner base, providing employment for approximately 2,400 U.S. merchant mariners who may also crew the U.S. Government-owned surge sealift fleet in a contingency, as well as up to 5,000 additional shore-side maritime industry jobs.

The FY 2022 Budget for MARAD also includes \$60 million to support a new Tanker Security Program (TSP) that would provide \$6 million in stipend payments for up to 10 tanker vessels that will be enrolled in the program. Funding will help to address national security requirements for commercially viable U.S.-flag product tankers engaged in international trade to support our deployed Armed Forces in contingency operations and provide a global network of distribution capabilities. Additionally, the TSP will also create and sustain U.S. mariner jobs and support economic security. In DOD's recent study on the US Flag tanker fleet<sup>1</sup> just recently provided to Congress on June 30, 2021, the report stated that there is insufficient US Flag tanker capacity to meet National Defense Strategy (NDS) requirements. The analysis from this study demonstrated the need for a TSP that, when working together with other solutions mentioned in the report, is an important step towards a comprehensive strategy to increase US Flag tanker capacity, to reduce the risk of reliance on foreign flag tankers for the most important fuel missions, and to ensure the DOD has sufficient tanker capabilities to meet NDS objectives.

MARAD maintains a fleet of Government-owned vessels in the National Defense Reserve Fleet (NDRF), including RRF ships and training ships on loan to the six state maritime academies (SMAs) and the U.S. Merchant Marine Academy (USMMA or Academy). The RRF vessels, along with a smaller number of Military Sealift Command vessels, provide sealift surge capability to deliver DOD equipment and supplies where needed during the initial stages of a response to a major contingency. The RRF fleet includes 41 vessels that are maintained and ready for operation within five days of activation to transport military cargo to critical areas of operation. In addition to providing strategic sealift support for DOD, these RRF vessels are relied upon to provide support services to emergency response personnel at impacted disaster areas during national emergencies, including severe weather events.

The President's FY 2022 Budget requests \$735 million from DOD budgetary authority for MARAD to maintain the NDRF and RRF. Funds will enable MARAD to continue to provide ready surge sealift support and special mission vessels from the RRF fleet, and also maintain MARAD's NDRF fleet mooring sites.

Our primary concern for the RRF is the recapitalization of the aging existing fleet. The budget request includes an increase of \$370 million from FY 2021 to support the acquisition of five used vessels and four used ship conversions. The RRF fleet has an average age of more than 46 years—some well past their expected use—which makes recapitalization critical. While the fleet is still capable, the budget request ensures MARAD will remain able to maintain the fleet's readiness at levels that provide confidence to operational commanders.

As authorized in the FY 2018 National Defense Authorization Act (NDAA), MARAD has advanced the acquisition of second-hand ships from the open market for service in the RRF. To assist in this effort, MARAD awarded a contract for Vessel Acquisition Manager (VAM) services in July 2021. The VAM will identify, modernize, and may operate these vessels after purchase. MARAD intends to rapidly seek suitable roll-on/roll-off (RO/RO) vessels that can be modified to meet DOD's needs for the organic sealift capability. We continue to work closely with the U.S. Navy and U.S. Transportation Command, to complete this procurement action.

#### U.S. MARITIME WORKFORCE EDUCATION AND TRAINING

MARAD provides funding and oversight for mariner training programs to produce highly skilled U.S. Coast Guard (USCG) credentialed officers for the U.S. merchant marine. It takes many years of training to develop the necessary mariner competencies for deck and engineering officer positions on large vessels in international trade. Access to an adequate pool of U.S. merchant mariners is vital to both the peacetime commercial success of the U.S.-flag fleet and to crew Government-owned surge sealift vessels needed to sustain U.S. Armed Forces overseas.

The USMMA and SMAs support our Nation with well-educated and trained merchant mariners entering the maritime industry. Despite the tremendous challenges created by the COVID-19 pandemic, the USMMA graduated 220 USCG-credentialed merchant marine officers last month who hold unlimited licenses and are available

<sup>1</sup> United States Transportation Command, FY20 NDAA Fuel Tanker Study Unclassified Executive Summary Report, June 30, 2021.

to crew U.S.-flag ocean-going ships. Additionally, the combined six SMAs graduated 757 unlimited license merchant mariners in FY 2020.

The President's FY 2022 Budget for MARAD requests \$90.5 million for the USMMA. Funding will provide \$85 million for academic operating expenses, including continued support for health and safety protocols in response to COVID-19, and \$5.5 million for facility maintenance and repair needs of the Academy's aging buildings and infrastructure. These resources will enable the Academy to educate and train the next generation of seagoing officers and maritime leaders, while providing opportunities for a world-class education.

The Academy is a major source of U.S. Navy Reserve (USNR) Officers and a principal source of new officers for the U.S. Navy's Strategic Sealift Officer Program, which maintains a cadre of approximately 2,000 USNR Officers with the necessary training and credentials to operate strategic sealift resources during operations relating to national security matters. The skilled maritime leaders and military officers produced by the U.S. Academy will keep the Nation's maritime industry competitive in the global marketplace and ready to answer the call to duty in the event of national emergencies that demand renewed sealift capacity.

The FY 2022 Budget request also includes \$358.3 million to provide Federal assistance to support the six SMAs. Of that request, \$315.6 million would fund a transformational investment through the National Security Multi-Mission Vessel (NSMV) program.

The requested NSMV funding provides for the purchase of the fifth and final NSMV vessel to be assigned to the California State University Maritime Academy. In addition to providing a state-of-the-art platform to support mariner education, the NSMVs will also provide significant new capabilities to support National humanitarian and disaster relief missions. The training ships are the most important assets provided by the Federal Government to enable these schools to operate as maritime academies, and are essential to each school's ability to provide a training program that prepares students to pass the USCG licensing examination.

Congress has recognized the need to replace these training ships, and we thank you for supporting and appropriating funding for the construction of four NSMVs. MARAD has implemented the approved acquisition strategy utilizing a contracted Vessel Construction Manager responsible for contracting for, managing, building, and delivering the new ships. Construction is underway on the first two ships—the EMPIRE STATE and the PATRIOT STATE—both are on schedule, as designed, and at a fixed price. The first NSMV is expected to be delivered to MARAD in FY 2023.

#### OTHER TRANSFORMATIONAL INFRASTRUCTURE INVESTMENTS

After reductions in trade volumes in 2020, the strong rebound in U.S. consumer demand that's reached its peak in 2021 has spurred unprecedented growth in cargo volumes that have stressed the maritime supply chains on which the U.S. economy relies. Many in the industry expect volumes to remain high throughout much of calendar year 2021, straining America's ports.

The MARAD Port Infrastructure Development Program request of \$230 million for FY 2022 will provide grants to improve port infrastructure and facilities, and to stimulate economic growth in and around ports, while also addressing climate change, improving safety and transportation equity, and strengthening port resiliency. Investing in the repair and modernization of ports creates well-paying union jobs for American workers, helps transform our deteriorating infrastructure, creates more opportunities in disadvantaged areas, and accelerates equitable long-term economic growth and resilience. This program also helps to increase our global competitiveness while leveraging technology to meet the needs and challenges of the maritime transportation system.

The FY 2022 Budget requests \$20 million for MARAD's Small Shipyards grants to support infrastructure improvements at qualified small U.S. shipyards to help improve their efficiency and ability to compete for domestic and international commercial ship construction and maintenance opportunities. Investing in shipbuilding supports job creation in a vital domestic industrial base, thereby advancing racial equity and supporting underserved communities. These grants may also support the acquisition of equipment that reduces climate impacts—including engines with lower emissions, and improved climate control technologies for buildings—and adapts technologies that reduce shipyard power consumption and its impact on the environment.

The FY 2022 Budget requests \$10.82 million for the America's Marine Highway program and will provide grants to support the increased use, development, and expansion of America's navigable waterways and landside infrastructure to enable the movement of freight by water, thereby reducing highway congestion and associated

emissions. The program facilitates partnerships with a variety of stakeholders including shippers and manufacturers, truckers, ports and terminals, ocean carriers, and U.S.-flag vessel operators to utilize our waterways to move freight. These new supply chains enable more cost-effective transportation options for U.S. shippers and manufacturers.

Within MARAD's FY 2022 Budget request, \$10 million will support the Maritime Environmental and Technical Assistance (META) program to advance alternative energies and technologies, while also supporting job growth in clean energy and maritime transportation fields. The META seeks to augment and preserve the American maritime industry's competitive edge by making maritime transportation more technologically advanced, energy efficient, safe, affordable, and sustainable.

The FY 2022 Budget request for MARAD includes \$3 million for the Maritime Guaranteed Loan (Title XI) Program. This program is designed to manage loans that help to promote economic growth and modernization of the U.S. shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering, that may otherwise be unavailable to ship owners. Funding requested will enable MARAD to manage the current loan guarantee portfolio of \$1.59 billion in outstanding loan guarantees encompassing 18 contracts, as well as new loan agreements.

The President's FY 2022 Budget also requests \$10 million for MARAD's Ship Disposal Program. As the ship disposal agent for Federal government-owned merchant-type vessels of 1,500 gross tons or greater, funding will enable MARAD to continue to put primary emphasis on the disposal of the worst conditioned non-retention vessels to mitigate environmental risks. Funding will also help to sustain the unique infrastructure of the U.S. ship recycling industry base, including supporting American jobs in economically depressed areas. This funding also supports the continued maintenance of the Nuclear Ship SAVANNAH (NSS) in protective storage pursuant to Nuclear Regulatory Commission (NRC) license requirements while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress. NSS decommissioning and license termination must be completed by December 2031. MARAD is currently on track to meet this target date several years early.

The American Jobs Plan (AJP), while a separate proposal, complements the President's FY 2022 Budget by proposing a \$6 billion multi-year investment in a Healthy Ports Program. This program would provide competitive grants for projects that minimize or mitigate environmental impacts, such as shore power and electrification of port equipment and drayage trucks. Funds may also support related infrastructure for electric vehicle charging and hydrogen production and use, and development and execution of port climate action plans, as well as support for land-side rail and other projects that facilitate intermodal connections and relieve congestion in and around ports.

#### CONCLUSION

These programs represent MARAD's priorities supported by the President's Budget. We will continue to keep this Subcommittee apprised of the progress of our program activities and initiatives in these areas in the coming year.

Mr. Chairman, thank you for the opportunity to present and discuss the President's Budget for MARAD. I appreciate the Subcommittee's continuing support for maritime programs, and I look forward to any questions you and the members of the Subcommittee may have.

Mr. CARBAJAL. Thank you, Ms. Lessley.

We will now move on to Member questions. Each Member will be recognized for 5 minutes, and I will start by recognizing Chair DeFazio.

Mr. DEFazio. Thank you, Mr. Chairman.

To Admiral Schultz, you used some language saying there would be targeted investments in the shoreside facilities, but with this \$2 billion backlog and a reduction of 23 percent in this year's budget, how much are you going to be able to chip away at that backlog?

Admiral SCHULTZ. Chairman DeFazio, thanks for the question. So let me, sir, if I could, put the President's budget request in some context. So, if you look at the 2021 enacted budget and the 2022



President's proposed budget, there is a small decrement, and that is a factual statement.

What is different in this budget is we actually have a 6-percent proposed increase in operations and support, which is unprecedented. From the imposition of the Budget Control Act back dating—what is that—2013 or so, and the caps are lifted this year, we lost 10 percent of O&S purchasing power over the good part of that decade.

So 2021 was starting to turn, 2020 a little bit; 2021 was a strong next step, 2022 tends to build on that.

The PC&I numbers are lower in this budget, but last year we looked at \$555 million for the second Polar Security Cutter. There are different step functions on different acquisition programs that come at different times—

Mr. DEFAZIO. Sorry, but that is not—again, it is really not getting at my concerns on the shoreside infrastructure, but we will let that go for now. I know you have to defend what you are told you are going to get.

Admiral SCHULTZ. Well, there is a lot of work on the infrastructure, sir, and we are starting to bite—you are absolutely correct, sir. We need to put our foot on the gas on shore infrastructure.

Last year was the highest mark. I think we really—it was north of \$350 million with [inaudible] projects. This year is smaller than last year. I spend an inordinate amount of time making the business case that, for the reasons you have talked about—retention, recruiting—folks have to have adequate facilities. They have to have mobility. And I will continue to put my voice against that, Chairman.

Mr. DEFAZIO. OK. I appreciate that. What about reimbursement from DoD? As I understand, with your extended international presence, which DoD has requested, which I think is excellent, for international relations, et cetera, but how about DoD reimbursement? I don't think we are seeing that, are we?

Admiral SCHULTZ. Well, Chairman, there are certain elements—first and foremost, we are one of the six Armed Forces, as you know. We reside over in the Department of Homeland Security. We are part of the Joint Forces team and do have responsibilities there as well.

There are Pacific—up in the Pacific Northwest, Maritime Force Protection Unit in Bangor. You understand the mission there, protecting the [inaudible] to subs. The sister element to that is down in Kings Bay. The National Capital Region Air Defense mission here in Washington. Some of our port security unit work down in places like Guantanamo Bay.

There are certain aspects where there is direct DoD reimbursement for our services. What we do on a day-to-day basis when we are over in the Arabian Gulf in the 5th Fleet, what we call Patrol Forces Southwest Asia, that is funded under overseas contingencies operations.

We brought that in 2021 into the Coast Guard budget at the appropriate level. There was an uptick last year for the new FRCs replacing two of the old *Island*, the *Island* patrol boats there.

So I would say, sir, much of the work we do as part of the Joint Forces, I think it is appropriately funded in the Coast Guard's top

line. I don't think we would do a reimbursable basis for the work we do. That would be extremely difficult.

I think it is specific things like maritime force protection work and other places that should [inaudible] counternarcotics work, there is some 050 defense readiness funds that date back into the 1980s that continue to pay forward. They haven't been updated since about 2001. There might be a conversation there, sir, but there is an interesting [inaudible] I think there is a lot of ways to look at this problem set.

I think specific end services we provide should be reimbursed for. Other stuff, I think, is best addressed in our top line, sir.

Mr. DEFAZIO. OK. Mr. Maffei, how are you doing on the President's Executive order saying FMC should ensure fair market pricing? We continue to hear a lot, but also we hear that a lot of shippers are reluctant to file formal complaints because they are dealing basically with monopolies who will then, like, maybe not serve them anymore.

Mr. MAFFEI. Thank you for the question, Chairman DeFazio. Essentially—well, first of all, I do want to thank the President for, in the wording of the Executive order, he did respect the independence of the FMC.

He did make two requests of the FMC essentially. One, as you mentioned, that we crack down on unfair or unjust fees, such as the detention and demurrage charges that were deemed unreasonable in our spring 2020 rule, and the second, that we work with the Department of Justice to investigate and punish anticompetitive conduct.

So, we have been doing a lot on the cracking down on unreasonable detention and demurrage, including an investigation launched last fall with Commissioner Dye, that continues to go through potentially for action, many, many, many different cases that we are looking at.

But it is very important that we also have an audit program. I decided that it was important to look at all nine of the major carriers, whether or not we were getting any complaints about them because the way that this is working, is it is not sort of a cut and dry thing.

It is in billing, it is in those sort of details of whether or not there really is an appeals process or that sort of thing. So, we are looking specifically at that. I would like to look at more stuff, but that we may not have the resources to do, so we are going to keep it to specifics.

And then, on the second thing with DOJ, it is very, very important. The concentrations in the industry are largely due to the mergers and acquisitions over the last 20 to 25 years that have brought us from 22 major carriers to less than 10.

But the FMC doesn't have jurisdiction over those. Those are the jurisdiction of DOJ. So we are making sure we communicate. A memorandum of understanding, well, has been signed and made public this week. And so, we are going to make sure that, with the President's leadership, that we do pay attention to that, and we are very appreciative that he is instructing DOJ to help us. They are obviously a lot bigger. But it is going to take both of us to tackle the—

Mr. DEFAZIO. I appreciate it.

Mr. MAFFEI [continuing]. Concentration issues you mentioned.

Mr. DEFAZIO. OK. Thanks. My time has expired, but, yes, this President has awakened DOJ's Antitrust Division from a very, very long slumber. So hopefully they will become more active.

Thank you, Mr. Chairman.

Mr. CARBAJAL. Thank you, Mr. Chair. I will now recognize Ranking Member Gibbs.

Mr. GIBBS. Thank you, Chairman.

Admiral Schultz, I am sure you will agree with me that the Coast Guard is the lead Federal agency for navigation safety. You concur with that, right?

Admiral SCHULTZ. Yes, sir. I do, sir.

Mr. GIBBS. OK. Section 70003, title 46 of the United States Code gives the Coast Guard the authority to designate fairways and vessel traffic separation schemes in U.S. waterways in order to recognize the paramount right of navigation over all other uses. Do you agree with that?

Admiral SCHULTZ. I do, sir. I do, yes.

Mr. GIBBS. So, as we know, there is, since early in 2006, the Coast Guard became aware of efforts to lease areas on the Outer Continental Shelf, the windmill farms, and the Department of the Interior undertook 23 lease actions between October 2010 and February 2019, but the Coast Guard was slow or negligent to implement their responsibilities under that section to provide navigational safety.

Do you want to just expound on what happened there and what your plans are to rectify this issue?

Admiral SCHULTZ. Well, Ranking Member Gibbs, first off, thanks for your pointing attention to the situation. I would say, sir, on the Atlantic coast [inaudible] project bars on access routes, I understand some frustration. This is a complex business.

We are looking at many stakeholders as the permitting for offshore wind alternative energy, as you mentioned in your opening statement. We are looking at a final rule here in 2022 coming ahead, sir.

As you sort of look inside the Coast Guard workforce on the navigation side—waterways management, marine inspectors—I think the committee here knows as well as anybody some of the challenges.

We were playing catchup ball in terms of marine inspectors, now with a landscape increasingly sophisticated complex maritime domain.

So we see, the [inaudible] and sir, for LNG and other things. So we are building out our workforce waterways—

Mr. GIBBS. OK. I don't want to run out of time, so let me just interrupt you, Admiral, and just say that we need to move on with that rulemaking, and also the Gulf of Mexico, I think, is going to be an issue, so we should be aware of that. I have more questions for you, but—

Admiral SCHULTZ. Yes, sir.

Mr. GIBBS [continuing]. I want to move on. Maybe on another round.

But, Chairman Maffei, first of all, I want to commend you yesterday for announcing you were going to do the audit for competition and everything.

I have heard from many of our exporters and importers that prices of containers have gone anywhere from \$3,000 a container to \$20,000, and that is if they can get one. And so obviously this is a big issue that needs to be addressed.

I know having the Fact Finding No. 29 was complete, but we need to move on with enforcement and find out results. And one suggestion—I would like to see what you think. I asked in a previous hearing—I forget who I asked—about the hours, especially at Long Beach and L.A. Ports.

Sometimes they could be working more, but they said they couldn't handle it because the containers, they can't offload and the infrastructure is not there.

Is there an issue, do you see, do we need to be talking with both your agency and the Surface Transportation Board, to maybe connect these? Is that part of the problem, why we can't have more operating hours at those two ports?

Mr. MAFFEI. Mr. Gibbs, I think it is, and, in fact, Marty Oberman, the Chair of the Surface Transportation Board, and I have already had discussions about how we can better work together between our two agencies to try to connect.

But I will tell you both of us are frustrated because there are areas, such as some detention and demurrage charges, that seem to not be in either one of these agency's jurisdictions, or at least it is unclear. And I will say that potentially maybe clarifying legislation might be helpful there.

But we are certainly working together, and I would say the Republicans and Democrats, in both the STB and the FMC, so we will get a more complete answer, but I know that you are—

Mr. GIBBS. Well, I have been told there is at least one rail line that is going to suspend operations from Long Beach into the interior of the country for at least 7 days to, quote, "catch up," unless you want to pay a metering—a meeting rate, a higher rate. I don't know how that helps the backlog by shutting down most of the operations. They ought to be doubling up. So, I think there is an issue there.

Before I run out of time here quickly, with your cooperation and with the regulatory capabilities doing your audit, what do you see with the Justice Department increased competition, and what ramifications might you be able to implement to help mitigate or rectify this issue we have?

Mr. MAFFEI. What issue specifically? The detention demurrage, you mean?

Mr. GIBBS. Yeah, just the whole anti—well, I don't know if it is anticompetition. The demurrage cost, this whole backlog cost, and the escalating costs going on.

Mr. MAFFEI. It is the sort of nickel-and-diming thing, that, you know, the rate is the rate and largely governed by market forces, supply and demand. But then when you have all these ancillary fees, and some of these fees we believe are being charged, like detention, even if there is no way the shipper could possibly do anything. That is what we are really trying to get at.

We don't have authority, as I mentioned, to go after rates, but we do have the authority to go after those fees if they aren't reasonable, so that is what we are focusing on. And we are doing a number of ways, and the audits is just the latest way because the investigation is going, but just like any legal process, any prosecutorial process, if you will, it is taking a little longer than I think any of us would like to bring those cases just because that is—those are the rules, and so we are going forward with audits and also so we don't need a complaint, right?

Someone, I think you mentioned maybe that the shippers are loathe to file complaints sometimes. Actually, I think it was Chairman DeFazio. So, we are going to go and look at their books and look at the process of how they do the billing, even if we don't have complaints. And maybe we will find out good things, and then we can set sort of a standard, a good standard.

Mr. GIBBS. OK. Thank you. I am out of time, but I will have questions later. Thank you.

Mr. CARBAJAL. Thank you, Ranking Member Gibbs.

I will now recognize myself.

Commandant Schultz, can you provide an update on the implementation of the new small passenger vessel safety regulations that were included in the Elijah E. Cummings Coast Guard Authorization Act of 2020? And how does the fiscal year 2022 President's budget request support private and commercial vessel safety and the marine inspection program?

Admiral SCHULTZ. Thank you, Chairman Carbajal.

First off, to the specifics of the question, so, earlier this year in January, we issued an Advance Notice of Proposed Rulemaking requirement for [inaudible] and systems aboard domestic passenger vessels. So, if you walk back from the regulatory piece of that, in the aftermath of the *Conception* tragedy, sir, in your district, as you know, we did a targeted nationwide concentrated inspection campaign, and those were with our most experienced marine inspectors, investigators go out and crawl on the 350 small passenger vessels, specifically those with overnight accommodations, and identifying immediate concerns.

We developed a risk-based approach to that fleet of vessels now. We are actually using some of the moneys that are in the 2021 budget—there's moneys in the 2022 budget—where we are using data analytics to help us refine our inspection criteria, so we can really get after those highest risk fleet with the most capable inspectors in our ranks to drive safety to the highest levels possible.

We are moving forward on the regulatory front, sir, per the naval legislation that the committee directed, and, sir, we are trying to turn that story into a lesson learned, much more constructive posture on the waterfront here with domestic passenger vessels.

Your second question, I mentioned some of that it is in tech revolution moneys. Some of that it is the people moneys, the training moneys. We are continuing to build out our marine inspectors support performance architecture. There is moneys in there for inspectors, so it is sort of spread out across many elements of budget, but there is moneys in there to get after small passenger vessel safety.

Mr. CARBAJAL. Thank you. Commandant Schultz, diversity, equity, inclusion, and justice, or DEI, issues in the Coast Guard are

a major concern, and the time for substantive action is long overdue.

What definitive meaningful steps has the Coast Guard taken to make this right? This includes reforming the Service's sexual harassment and assault prevention and adjudication procedures.

The Coast Guard's word and actions now will shape the future of the Service by attracting Coasties that represent all of America. What specifically are the Coast Guard's short-term and long-term action plans to improve DEIJ in the Service? A clear vision is imperative.

Admiral SCHULTZ. Yes. Thank you, Chairman Carabajal, for that question. Sir, we have invested both resources in manpower, energy. We were spending about \$600,000 and change in 2018 when I committed to this job. We are now investing, in step functions, more than \$12 million to advance a Coast Guard more representative of the Nation, to ensure every man or woman who enters the Service has an equitable experience, they see an organization that is welcoming, an organization that every ship is pushing each coastguardsman to the next rung on the ladder.

Sir, we have 30-plus initiatives on the D&I front. We issued, back a year ago, a diversity and inclusion action plan, and we have put that into action. We are well on our way to having 125 change agents that will be taking to the field to interact with local commands, the Leadership Diversity Advisory Council, what we call the LDAC, and they will interface and they will raise the D&I acumen of our Service. They will support leadership. They will have those difficult conversations, sir.

So, I think we have a very positive story in some regards. I think we are leading on both our words and actions here, and I am very encouraged we are heading in the right direction, sir.

We have work to do. We need to be a Service that is more representative, about 15 percent of women in our workforce. The master chief spoke to many of the initiatives, and some of those stemmed out of a RAND study we did, holistic study, at women's retention. We will be taking results.

The master chief also alluded to another RAND study here, probably in early to mid-August, that looks at underrepresented minorities and factors that influence their career success and their retention.

So, sir, I think we are getting after it. I think we have very much an improving story, and I look forward to briefing you or any other members of the committee that would like to sit down and have those conversations.

Mr. CARBAJAL. Thank you, Commandant.

Master Chief Vanderhaden, the Coast Guard needs robust investments in housing and childcare to support servicemembers and their families. Could you detail the need of our servicemembers and how this budget request addresses those needs?

What else can Congress do to help the economic viability, financial security, and peace of mind for our Coasties' families?

Master Chief VANDERHADEN. Thank you, Chairman Carabajal. I appreciate the question. Congress helped us with the childcare subsidy. Each year we put a little bit more in childcare subsidy, so we

have been able to offer our folks a little bit more money to help pay for childcare.

We also completely overhauled our subsidy delivery. We are utilizing the Navy now, and we went on a rank-based instead of income-based delivery for childcare subsidies, which has been extremely helpful for our most needy servicemembers.

And then, in housing, the Commandant has authorized in our mission support enterprise, put together our housing assistance teams. Chairman DeFazio's district is actually where we pioneered this effort. And we are putting some training to our Active Duty members to get in and get after some of our housing needs in a cost-effective way.

We can always use some help in terms of our ability to provide better housing and better quality of life for our folks. We have about 9 or 10 childcare facilities around the country, and they are located in places where the geography, the base, really supports that type of footprint. The rest of the places, we rely on the economy to provide childcare.

As we start to group our cutters and we build out some larger home ports and we give our members an opportunity to do multiple tours in the same geographic location, that will help them invest in their—perhaps purchase a house or establish a better Coast Guard leasing operation, to establish a lease-based system for our folks.

But I am optimistic that the future and that the new cutters and the way we are establishing our basing system will also help meet the needs of our people. I tell you, as a Coast Guard, we recruit young members, mostly single, but we retain families. The Coast Guard is a family-oriented organization, and most of them that reenlist in the Coast Guard are Coast Guard families.

So, I appreciate your concern and Congress' support to take care of our Coast Guard families because that really is the future of the workforce.

Mr. CARBAJAL. Thank you very much.

We will now move to Representative Malliotakis.

Ms. MALLIOTAKIS. Thank you, Chairman.

Well, first of all, Admiral Schultz, I just want to thank you and all the Coasties for what you do each and every day. I appreciate your service.

And as a Representative from Staten Island and southern Brooklyn, I am very proud to represent the New York Sector, and I had a question related to housing. As you know, in 2019, there was a terrible fire, and there was a lot of damage done to the housing at the base. Congress had allocated \$40 million to provide repairs and also to improve some safety measures and other upgrades to housing.

I would love to hear from you about what is going on now at Fort Wadsworth, when we can actually expect some construction to begin. And this is certainly something that is a concern to the Coasties that I represent.

Admiral SCHULTZ. Congresswoman, good to see you this morning, and thanks for your advocacy for those Coasties you represent there in New York.

Ma'am, I mentioned the \$40 million was in the 2021 appropriation and that is to get after rebuilding. There is going to be up to eight new Coast Guard family units there and then plans to rebuild and repair additional units, so the total housing inventory is 154 legacy units there.

There are many elements. So, when you deal with a fire situation like that, just getting your arms around what is the way forward here to build new takes a little bit of time. So, we are doing extensive environmental assessments that go with that type of project, the planning, and the environmental work.

I think the timeline question you are asking for, it is probably about 24 to 28 months before we are probably shovel-ready and starting to rebuild those units. But that has our top attention. That is a tough area. It is like many parts of the Coast Guard. To the master chief's point, housing—we have 3,200 housing units across the entire Coast Guard and an organization of 42,000 people, so housing—we are generally on the economy.

Where we have housing, it is typically in areas where it is very hard to get housing, and New York, it is one of those places. So, we are on this. Unfortunately, just the requirements with environmental assessments and those type of things, they take us some time. But it has front burner attention, and we will keep that project moving forward, ma'am.

Ms. MALLIOTAKIS. I appreciate that, and anything I can do to help advocate to move some of these reviews along, please let me know. I want to be able to be helpful in trying to get this done as soon as possible.

Do you have any idea of the impact that the not having this housing fixed is having on the Coast Guard itself? Because it is a major, major sector, and obviously New York Harbor is very busy. Just wondering if you can maybe speak to that.

Admiral SCHULTZ. Yeah, ma'am, I would say this: I would say what we do in the New York Sector is a busy sector and one of our busiest, as you know. Other members of the committee alluded to some of the challenges with the housing crisis nationally in terms of rent and things.

What we are trying to do on a national level, and I think it rolls the New York subset in because the number of units lost is fairly small, is we are having our Coasties in places really advocating for the in-bound Coasties to help them find housing.

We have got places, many Coasties sometimes want to try to buy a house, get some stability where the financial advantages are the same. They are getting outbid by tens of thousands of dollars cash purchases, and we don't necessarily set our housing allowances for purchases, but folks have that choice.

Where we have rentals, that is where it is challenging. Our folks want first month's/last month's. So we are working with things like Coast Guard Mutual Assistance, maybe help with some relief when they just can't come up with that extraordinary amount of 3 months' rent on the front side to do that.

So we are working sort of Coasties helping Coasties to help identify available units, sort of pass them down from one family that is departing to an inbound family. We are taking some ownership of that.



We started something during COVID—just to wrap up, we started what we call a float plan. Sort of a mariner takes their boat out up in New York. You tell somebody behind where you are going, so if you don't show up on time, they know something is wrong.

We started a float plan for a PCS, permanent change of station, Coastie. If you are moving from Miami to New York, there is someone tracking that. There is a call-in number 24 hours a day, if you have a problem on the road, if your house or goods get delayed. So we are much more actively managing our relocations than we ever did before, and that dates back to the COVID crisis. Some of the lessons learned we are carrying forward, ma'am.

Ms. MALLIOTAKIS. OK. And, just, I am on the Foreign Affairs Committee too, so I would be curious for you to comment on the Department of Defense making more frequent use of Coast Guard assets, including the deployment of National Security Cutter in the South China Sea.

If you could just talk a little bit about that and any other missions that are going unmet when you transfer additional assets to provide additional services to the DoD. And if you have a second, just comment on your role with regards to Cuban dissidents. There may be an uptick of refugees trying to escape the island.

Admiral SCHULTZ. Let me start with the last part, ma'am, and I know your heritage. I would say, the focus from the Coast Guard with the situation in Haiti and Cuba both is the dangers of taking to sea. You know, we had a case when Tropical Storm Elsa passed over Cuba here on the Fourth of July weekend. There were 22 Cubans on a rudimentary raft. Nine were never located. We searched for days. There were two picked up by a local passing ship, our Coast Guard, who just happened to find them and rescued 11 of them. So, 13 of 22 saved. Nine perished.

I have witnessed this over my 38-plus years in the Coast Guard how dangerous. It sounds like a short run from Cuba to Key West, 90 miles, but it is a treacherous run. So, we are focused on: Do not take to the water because you put your family, your co-inhabitants—on generally rudimentary raftings—at high risk.

So that is our message there, ma'am, and we have enhanced our presence because if there is a propensity to take there, we want to get those folks and keep them safe, first and foremost.

On the other topic about the global Coast Guard, we absolutely have an increasing demand, unprecedented demand for Coast Guard capabilities across the globe. We just had a National Security Cutter come out of the Black Sea. We hadn't been in the Black Sea since 2008. That was at the time that Russia was mounting forces near the border and things, and that was a U.S. warship, an alternative to maybe a cruiser or destroyer being there.

We are getting an increasing demand from the INDOPACOM. I am actually heading out next week with the master chief. We are commissioning three Fast Response Cutters, this is the smaller, 154-foot vessel. We are going to be operating out of Apra Harbor, Guam. But they have long, 10,000-mile lanes, and they are going to be able to go and touch places, offer an alternative to China's checkbook diplomacy by people-to-people relationships, capacity building.

So, ma'am, you are absolutely correct. We have an increasing demand for the cutter. We have a National Security Cutter getting ready to sail to the 7th Fleet right now, ma'am. We—

Mr. AUCHINCLOSS [presiding]. The gentlewoman's time has expired.

Admiral SCHULTZ. Thank you, ma'am.

Ms. MALLIOTAKIS. Thank you.

Mr. AUCHINCLOSS. The Chair recognizes Mr. Larsen for 5 minutes.

Mr. LARSEN. Thank you, Mr. Chair.

Admiral, good to see you, and my question is about Whidbey Island, which is in my district. I am hearing concerns related to a rarely used Federal anchorage called Holmes Harbor, and I am hearing from a lot of constituents about noise from the ships moored in the harbor as well as bringing up environmental concerns, and it has to do with the supply chain issues at our ports.

But, from a Coast Guard perspective, what role do you have to move these ships to lesser used anchorages quickly and reduce the impacts on small communities like Holmes Harbor bearing the brunt of the delays at ports?

Admiral SCHULTZ. Well, Congressman, from a Coast Guard perspective, and I sort of lean back to Ranking Member Gibbs' question, maritime safety, environmental stewardship—that is our job. And so, we do not specifically manage the number of the volume in the anchorage.

We would anchorage—when it is overcrowded we think that poses a safety risk to other vessels in the anchorage. At anchor, you put an anchor down, you draw a watch circle of the anchor because the ship tends to swing around the anchor. You are a man of the waterfront; you understand that.

Our role would be to come in when there are unsafe circumstances in an anchorage due to overcrowding. You are absolutely correct, the container prices, the shortage of containers, the backlogs in the ports, we have heard assertions of light noise, other noise.

That is a little bit outside the Coast Guard realm. For us, it really boils down to: Are the operations in the anchorage remaining safe, or is the overcrowding-type situation presenting a risk?

We saw a similar thing during the early days of COVID when we had a lot of tankers down in L.A., that they were all going to anchorage, and manifest risk with that with all those heavily laden tankers in close proximity. And we took a similar role there, sir. So our role is really on the safety front, maritime safety front and environmental as well, sir.

Mr. LARSEN. Yeah. So how recent—presumably these anchorages are reviewed. How recently have the anchorages at Holmes Harbor been reviewed by the Coast Guard to ensure that they are adequate for the size of the ships that are being anchored there?

Admiral SCHULTZ. Sir, I will have to get back to you on that. We do waterways analyses in an episodic periodicity, and I don't know when the last time was up there on this specific anchorage you are talking about.

So I would tell you, are we monitoring the increased activity in the anchorages, absolutely. The inspector commander in the Puget

Sound is on top of that. But in terms of when we last took a look at that anchorage and matching that analysis to what is going on today, I will have to get back with your staff with more——

Mr. LARSEN. That is great. I look forward to it. Yeah, I look forward to it.

Section 8284 of the 2020 national defense bill requires the Coast Guard to issue a report and action plan on orca enforcement opportunities, and that report was due 21 days ago, on June 30. But I have been notified the report is being reviewed at the Office of Management and Budget, so I presume that we will never see it.

However, can you give us an update on the status of that report and the action plan itself rather than waiting for OMB to never get back to us? And when do you think we can see the final product?

Admiral SCHULTZ. Well, Congressman, there are a few questions in there that I can't possibly answer. We try to meet our reporting requirements on time, and they obviously go through a clearing-house through the Department and OMB. And I am not throwing anybody under the bus.

I will tell you, sir, what we are doing, we know there is keen interest in the resident orca whale preservation up there. We are using our VTS capabilities in Puget Sound. We are partnering with the Canadians. The Canadians I know have a manned desk on that. We are sort of extrapolating, learning what they are doing and informing our business on that, sir. With the zones, the traffic zones, we are [inaudible].

In terms of reports, sir, I will pull the string on if I can give you a better estimate on when that report may make it to the Congress, sir, and in the specifics of its contents. I don't have the report. I have seen the draft of the report.

Mr. LARSEN. All right. That is fine. Thanks.

Administrator Lessley, success has many parents, and failure is an orphan, and I think we can all claim success for the assistance to the Small Shipyards Grant Program that MARAD operates. The budget is asking for \$20 million, which is the same as last year.

But do you know what the current status of 2020 funding is, or how much has been granted maybe in the 2019, and is there another allocation period coming up soon?

Ms. LESSLEY. Thank you so much for that question, sir. We have finished the awards for last year's funding, and I think we just closed the application period for this year. I want to—yeah, I want to check on that for sure, but—so those applications will be in review, and we will obviously move them as quickly as possible.

Mr. LARSEN. That is great. That is fine.

Ms. LESSLEY. OK.

Mr. LARSEN. It would just—it has been a great program. It has been successful in the Pacific Northwest and I appreciate the attention to it.

Ms. LESSLEY. Well, and we are obviously extremely pleased to see the request in the budget, and this is the first time that funding for the grant program, this one, as well as for PIDP and for the marine highways, has appeared in the budget request.

Mr. LARSEN. Right, or we haven't had to fix the administration mistake, and I appreciate that. And I thank you and yield back.

Ms. LESSLEY. Thank you.

Mr. AUCHINCLOSS. The Chair recognizes Mr. Weber for 5 minutes.

Mr. WEBER. OK. I think I have got me unmuted. Can you all hear me?

Mr. AUCHINCLOSS. Yes.

Mr. WEBER. OK. Very good. Thank you. You all bear with me. I had to drive and pull over. It has been a hectic morning. I appreciate this opportunity.

Admiral Schultz, it is good to see you again. Can you hear me, Admiral?

Admiral SCHULTZ. Congressman, I hear you loud and clear, sir.

Mr. WEBER. OK. Very good. Thank you.

So I have got a question from Texas A&M basically. The State maritime academies have inquired about whether crews and their cadets on their training vessels must wear masks at all times. And apparently the Coast Guard has said masks are required on, quote, "commercial maritime conveyances," end quote, and thus SMAs were covered. So I guess the question is, does the Coast Guard consider SMA vessels commercial vessels, and if so, why?

Admiral SCHULTZ. So, Congressman, let me do this, sir. Let me take that question back and specifically get that right answer to you on that one. I am not sure that is an informed position out there, but let me doublecheck on that, and we will get your staff an answer on that today. I think it is a very specific, targeted question. I want to get it right, and I will have you an answer on that before close of business this afternoon, sir, if that is OK.

Mr. WEBER. Well, that would be absolutely great. Thank you, Admiral. I appreciate that, and I appreciate all the work you have done on our coast because you have been a stalwart for our coast and I know the rest of the country, and we appreciate you.

Admiral SCHULTZ. And your Coasties in the gulf have been busy, sir. Last year's, you know, record Atlantic Basin hurricane season was a bit demanding on our folks, but we enjoy the partnerships with—

Mr. WEBER. Yeah.

Admiral SCHULTZ [continuing]. All the Texas first responders and partners down there.

Mr. WEBER. Well, you all stepped up and got 'er done. We appreciate that.

So let me go to Ms. Lessley, if I can. Good morning, Ms. Lessley. It is nice to get to meet you. You doing OK?

Ms. LESSLEY. Yes, sir. Thank you, sir.

Mr. WEBER. You bet. We sent you a letter. There is a project in our district by Texas GulfLink, and it is to move oil offshore through a terminal about 25 miles out in the gulf. And we actually sent a letter to Secretary Pete Buttigieg on June 23, and I think you were copied on that letter. Do you recall that letter?

Ms. LESSLEY. Yes, sir. Thank you, sir.

Mr. WEBER. Oh, you betcha. Well, thank you for being here. This is going to be cutting-edge offshore stuff that will actually move product, help with our trade, help with the imbalance of trade and with energy independence and dominance, quite frankly. And they are waiting on a permit. And I think you have got it held up maybe in MARAD. Is that my understanding?

Ms. LESSLEY. I want to be clear, sir, we are not holding the permit. We have not completed the environmental evaluation process, the NEPA process. So, once that is completed, the agency's responsibility is to issue the record of decision. The NEPA is a joint action between MARAD and the Coast Guard.

Mr. WEBER. Has the NEPA—forgive me, but I was under the impression that NEPA had already been pretty much accomplished. No?

Ms. LESSLEY. We do not have a final environmental impact statement. And you haven't asked me about this, but we are working to ensure that we have a complete record. We have had a variety of communication with the applicant, myself personally, others on our staff, to complete what is required to ensure that the NEPA is fully legally defensible and will support a record of decision. That is the process we are in.

Mr. WEBER. Is it your understanding that there is an additional 45-day comment period that has been attached to this process?

Ms. LESSLEY. We have had concerns about ensuring that limited English proficiency communities were able to participate in the NEPA process, and that is what we have asked the applicant to address, and as part of that, there would be an additional comment period, yes.

Mr. WEBER. Well, we were a little—I guess the applicant was caught a little bit by surprise because it is my understanding that they went out in the community, and when they did all of their hearings, all of their—or meetings, I guess I should say, all of their fliers and all of their distribution was bilingual. Did you all know that?

Ms. LESSLEY. Sir, we have reviewed the information that was provided to us by them and concerns remained after that review to ensure that we had all participation that was required by limited English proficiency communities. Again, that is what is being addressed, what is required to be addressed. There are other elements of the NEPA process that are also in progress.

Mr. WEBER. Well, would you be able to send our office the other requirements in this English language proficiency that you felt weren't quite met and the other NEPA concerns that you have?

Ms. LESSLEY. Yes, sir, we will provide that to you.

Mr. WEBER. Yeah. Well, thank you. I appreciate it, Ms. Lessley. And thank you, Chairman. I am going to yield back.

Mr. AUCHINCLOSS. The Chair recognizes Mr. Brown for 5 minutes.

Mr. BROWN. Thank you, Mr. Chairman, and I certainly appreciate the committee holding this important hearing.

I want to thank all of our panelists for your appearance today, making yourself available as well as your service to our Nation.

One of the areas that I focus on, particularly in my work on the House Armed Services Committee, is rooting out extremism in the military, and I am very much focused on ensuring that our Service components and the Coast Guard have the tools and the authorities to do just that. In particular, I am interested in pursuing whether membership in an extremist organization is a cause or should be a cause for separation from the Armed Forces, from the Coast Guard.

Commandant Schultz, last month, during a Homeland Security Committee hearing, you commented on the existence of extremism in the ranks in the Coast Guard, and during this hearing, as you always have, you have committed to accountability from the Coast Guard. My question is, is it your understanding, is it your view that membership in an extremist organization should be cause for removal from the Coast Guard?

Admiral SCHULTZ. Well, Congressman Brown, it is good to see you, sir. Clearly, as I said at that other hearing, I think my context was I don't kid myself to think there is not potentially extremism in our ranks. I don't think we have a prevalent problem.

But you turn back to 2019, and through our own internal systems, we caught somebody that is doing 13 years in a Federal penitentiary working with the U.S. attorney in the State of Maryland here, planning some rampant attack. So, we take it very seriously, sir.

We've done the training, self-launched on that by no later than 31 March across the Coast Guard, extreme training in the military ranks. Extremism goes against our fundamental principles in the Constitution, sir, and it goes against our core values.

So, your question about, is membership an illegal activity for disenrollment from the Service; sir, I think that has to be addressed at a level across the six armed services, probably through their legal counsel, sir. If we have folks that are demonstrating extremist behaviors beyond a membership or whether they are a member or not, then we are very concerned with that, sir. And we will investigate that, and we will root out those behaviors because they don't belong in our ranks.

I hope that is responsive to your question. In terms of a membership, I think that is solely ambiguous, and I would want to circle back and talk to our lawyers. Today that is not the standard, but I understand where you are going. If it is a——

Mr. BROWN. Yeah.

Admiral SCHULTZ [continuing]. We will absolutely investigate and take action, sir.

Mr. BROWN. Yeah. And I appreciate that, and I know that is a sticking point about, first of all, to defining extremism and then membership versus participation. All I know is that I have got to imagine if I surveyed your Coasties, and I asked them how would it impact your morale and readiness knowing that you were serving side by side with a member of the Oath Keepers, I think we would find that you would have a serious problem in your ranks.

But you are correct, it is an issue that really needs to be worked out. And we need to make sure you have got the clarification on that and the authorities to address it if that does become a standard where membership is cause for separation or ineligibility from service.

I would like to ask, last year in the Defense Authorization Act, we created the position of senior advisor basically serving as the equivalent of a chief diversity officer who would report directly to you. Can you tell us whether or not you have appointed that senior adviser on diversity, and if not, what the status of that personnel action is?

Admiral SCHULTZ. Yes, sir, Congressman, sir. The short answer is I have appointed a chief diversity officer in an acting capacity while we are doing the actual hiring. For us, if you look at our hiring process, it is unfortunately—and it has been conflated a bit in the pandemic environment—north of 135 days. But we have put someone in the spot responsive to the legislation in the NDAA, and we are working on a permanent hire, and that is afoot as we speak today, sir.

Mr. BROWN. Excellent. And then, finally, it is probably more of a comment because I don't have much time remaining. I was able to include in the Defense Authorization Act last year a GAO study requiring the GAO to study reimbursements to the Navy, particularly for some of the defense readiness resource allocations that are placing a tremendous demand on the Coast Guard and, I believe, pulling you away from a number of your 10, sort of, core non-defense mission requirements.

So, my time has expired. I, like others on the committee, are concerned to make sure that the Navy is not tapping into the Coast Guard as a resource and that you are not getting reimbursed to do your mission.

So, with that, thank you, Mr. Chair, and I yield back the balance of my time.

Mr. AUCHINCLOSS. The Chair recognizes Mr. Lowenthal for 5 minutes.

[Pause.]

Mr. AUCHINCLOSS. The Chair recognizes Mr. Lowenthal for 5 minutes.

[Pause.]

Mr. AUCHINCLOSS. It looks like Mr. Lowenthal is otherwise engaged.

The Chair recognizes myself for 5 minutes.

Ms. Lessley, this question is for you. With smart investments, we can ensure that our national security and maritime systems are as sustainable as they are effective. In my district, Bristol Community College is developing the National Offshore Wind Institute, which will provide the training and tools needed to develop a strong offshore wind sector. How will your budget request advance the President's goal to achieve 30 gigawatts of offshore wind capacity by 2030?

Ms. LESSLEY. Thank you for that question, sir. The budget request, as I mentioned, for the first time supports—actually makes requests for our grant programs. That includes the Port Infrastructure Development Program for which \$230 million is requested, as well as America's Marine Highway Program. In addition, we are requesting funding for the META program.

Our grant programs, particularly the Port Infrastructure Development Program, is our primary method of investing in port infrastructure. And I would note that this funding is available to ports that are seeking to provide, lay down areas and other infrastructure support for offshore wind.

I would also note that we have our Title XI program, which provides funding for ship construction. It would also be available for wind farm support vessels. These are really our primary areas of supporting port infrastructure.

Mr. AUCHINCLOSS. And digging more into port infrastructure and the onshore terminus, have you been engaged with Massachusetts, which is really now the site of the Nation's largest offshore wind projects with the Port of New Bedford, with Brayton Point, with the cape, on any of their infrastructure needs? And do you have operational needs or infrastructure needs that are not being addressed in your budget that would advance any aims in Massachusetts?

Ms. LESSLEY. Thank you so much for those questions. I have not met directly with those ports. I want to emphasize that the application period for our Port Infrastructure Development Program is open now. Application period closes on July 30, so we would welcome applications from any port seeking to support wind farm projects.

Mr. AUCHINCLOSS. And is this a perennial window that is opened every appropriation cycle, or how does this work?

Ms. LESSLEY. Yes, our Port Infrastructure Development Program has received funding in many recent cycles, different levels of funding. I will note that the program is severely oversubscribed. So, you know, for example, in the last round, we received requests for over \$1.1 billion in funding. We were able to award approximately \$220 million in funding.

So, we understand that there is significant need for investment to support wind projects, to support goods movement, and are extremely pleased that the budget this year, for the first time, as I mentioned, includes a budget request for that program.

Mr. AUCHINCLOSS. And can you describe the dimensions of a highly qualified applicant? What makes these requests go to the top of your list?

Ms. LESSLEY. Well, the criteria laid out in our notice of funding opportunities, we are looking for match. We are looking for projects that are ready to go. We are looking for projects that meet, of course, the administration's priorities as well.

The statute calls for supporting goods movement. These are the essential criteria. A strong application will be able to address all of the criteria and the NOFO and, of course, matching funds for the Federal funds is important because, again, the program is so oversubscribed.

Mr. AUCHINCLOSS. Are you intending to ask for a budget increase the next appropriations cycle for this initiative?

Ms. LESSLEY. Oh, well, I am not able to comment on the next year's budget. I can only speak to the budget for fiscal year 2022, or I will get in a lot of trouble. But, again, emphasize how important this program is and how important investments made through this program are.

Mr. AUCHINCLOSS. Well, recognizing that you are circumscribable, and you can't say, I would encourage you to double down on this program and to think of our office as one to work with on this program.

Ms. LESSLEY. I appreciate that. I appreciate your leadership and the leadership of the committee. You know, investments in our port infrastructure are relatively new, and I appreciate the support of this committee for those investments.



Mr. AUCHINCLOSS. I yield back my time. And the Chair now recognizes Mr. Lowenthal for 5 minutes.

Mr. LOWENTHAL. Thank you.

First, I want to thank the entire panel for their testimony today. We are discussing programs which are critical to our national security and the health of our country and to our economy.

And so I would like to ask first Chairman Maffei of the FMC. Chairman, I want to thank you for your comprehensive update in the ongoing efforts to protect exporters and to ensure that goods are moving efficiently. It has been a pleasure listening to you on that.

Can you update the committee on how the FMC plans to implement President Biden's Executive order on promoting competition in the American economy and how your operations will benefit the American people?

Mr. MAFFEI. Yes. Thank you for your question, Congressman Lowenthal. And, as always, it is good to see you, even though I have never seen you in person with your beard.

There are two ways basically, and this is because the President requests—and I do appreciate that he made it a request. He is respecting the independence of our agency. But he requests that we work with the Justice Department and that we do everything we can to make sure that we are enforcing against any of these charges, particularly detention and demurrage, that are unreasonable.

And in this case these are charges that are—for instance, if you are late to pick up a container you could get charged, or if you are late to bring back a container, you get charged. The problem with that is often the shipper or the trucker simply is not allowed to return it. The terminal could even be closed, and yet these charges still come.

We have already been doing an investigation of that. Though there has been concern expressed even in this hearing that many are not willing to complain because they are worried about retaliation or other things.

We are also doing an audit of the nine biggest carriers just to see how they do it. And maybe some of them do it fine, and we will establish good practices, but that way we can really get to the bottom of it, refer for enforcement if needed and try to set that straight.

On the working with the Justice Department, I have already signed an MOU that the Justice Department and us worked out. I think the President's interest in this is particularly helpful because, of course, the Justice Department is much bigger than us, and they do have to follow an Executive order. But we need to cooperate with them.

I think people get confused because the Federal Maritime Commission has jurisdiction over the alliances, the agreements that are filed that allow the carriers to negotiate with each other on things like space, but they do still compete on cost as opposed to a merger.

In the last 20 years, we have seen so many mergers that we have gone from 24 major carriers roughly down to 9. And that is not under our jurisdiction; it is under the Department of Justice. So the more we can work together, I think, the better. And I might

just add, Congressman Lowenthal, that it might be helpful if we did have some input into those mergers as well.

Mr. LOWENTHAL. Thank you, Chairman Maffei. It is always nice to see you, even if I do have a beard.

Mr. MAFFEI. I think it is great.

Mr. LOWENTHAL. Ms. Lessley, I would like to turn to you, and I know you already responded to some questions about the critical Port Infrastructure Development Program. I want to return to that, and excuse me if you have already answered this, but I want to focus on one part of that.

And I am glad to see that the administration has requested funding for the critical Port Infrastructure Development Program. However, Ms. Lessley, I am extremely concerned that we are not increasing funding to help address historic backlogs, as we have heard from Mr. Maffei, which are interrupting the flow of goods.

And while I am extremely pleased that the administration chose to add addressing climate change and environmental justice impacts and advancing racial equity and reducing barriers to opportunity as criteria for the program in fiscal year 2021, without additional resources, I don't believe we are going to be able to make progress on these critical priorities. Can you address how the administration plans to advance these particular goals?

Ms. LESSLEY. Thank you, sir. Thank you so much for the question. As you mentioned, the NOFO that was issued for this year's funding does indeed reflect the administration's priorities, which is ensuring economic vitality, addressing climate change, and addressing environmental justice, advancing racial equity, and, of course, leveraging Federal funding, as I mentioned. We will look to continue—

Mr. LOWENTHAL. With slightly less money. So I am just not clear, with all the infrastructure needs, how we do this.

Ms. LESSLEY. Sir, as I mentioned, I worked for the committee, so I understand the—we work with the funding that is appropriated to us. As I mentioned, we understand there is a severe backlog. And I want to get to your point. We also understand there is an extraordinary challenge right now to move freight through the Ports of Los Angeles and Long Beach and through the entire supply chain.

This is getting highest priority from MARAD, from the Department. As I mentioned, we just held a roundtable last week. We were able to meet with stakeholders across the entire spectrum, the port directors, the mayors of Los Angeles and Long Beach, Secretary Kim from CalSTA, rail, trucking, the ILWU, terminal operators, PMA.

We recognize the extensive needs for infrastructure, but we also recognize that there are opportunities to reduce friction and improve goods movement right now. I also—

Mr. LOWENTHAL. And increase the goals by increasing equity, which are worthy goals and I truly support it, with less money.

Ms. LESSLEY. Well, again, we operate with the amount that is appropriated to us. This is a remarkable budget for investment in infrastructure by—

Mr. AUCHINCLOSS. The gentleman's time has expired.

Mr. LOWENTHAL. Thank you. I yield back.

Mr. AUCHINCLOSS. The Chair recognizes Mr. Gibbs for 5 minutes.

Mr. GIBBS. Thank you, Mr. Chairman.

I have got a question here from Representative Jeff Van Drew. I guess he has laryngitis. But, Master Chief, I understand the Coast Guard is about to begin a much needed recapitalization of the Training Center Cape May barracks where all enlisted members of the Coast Guard undergo basic training. The question is, what additional capacities will the Coast Guard acquire through this recapitalization?

Master Chief VANDERHADEN. Well, Ranking Member Gibbs, thanks for asking that on behalf of Congressman Van Drew, who I happen to be a big fan of.

Cape May is a diverse place of the enlisted workforce, and we need to put through about 4,000 young folks a year in order to meet the needs of the Service. And that is difficult under—with the barracks that we have right now are—we don't have an outdoor training facility. So, when we want to test our young folks running in the wintertime, they do 26 laps around the basketball court in the gym.

It is a real challenge to be the world's best Coast Guard with the infrastructure we have at Cape May. We are grateful, very grateful for the resources to recapitalize the barracks to provide better training opportunities for folks.

We are going to grow the Coast Guard over the next 10 to 12 years to be able to crew and maintain our new cutters and aircraft, and so we have to up the throughput in Cape May. The new resources will allow us to provide approximately, probably, 250 maybe 300 more recruits a year through the training center.

Mr. GIBBS. OK. Thank you, Master Chief.

Chairman Maffei, I just want to thank you, first of all, for your comments about trying to deal with this issue of the cost of the containers and the supply management. I just want to emphasize again, the supply management issues, supply and demand, that we have got businesses back here in the United States that rely on a supply chain and also exporters, that it is more than just cost. Some of these people are going to have trouble staying in business and employing their people. So, I just want to reemphasize the importance of this and the need to expedite as much as we can to address this issue, so I want to just mention that again.

Admiral Schultz, a couple things. My understanding, we have an opportunity right now to acquire 12 National Security Cutters and up to 6 additional Fast Response Cutters while the production lines are still hot.

Missions have increased and become more complex since decisions were made on what assets are needed. Congress directed the Coast Guard to provide us a new fleet mix analysis. When do you anticipate we will see the new analysis, and—yeah, why don't you answer that first, I guess.

Admiral SCHULTZ. Congressman, first off, my guess, we are working that product. We have got the direction for that, and then we have got the letter from the committee leadership that sort of expanded the [inaudible] was in late February. I think we will have that in September timeframe.

Sir, regarding the platforms you mentioned, if you want me to address those, we have a domestic program of record of 58 FRCs all and 6 going to Bahrain for our PATFOR forces. The 15 domestic FRCs are 130 percent capacity of the 35 110-foot domestic patrol boats, *Island* class, that have been in service here in the Nation. So, we have an awful lot of FRC capability here domestically. So, like I said, a 130-percent increase is like 86,000 more operating hours than we had before.

In terms of the 12 NSCs, NSCs are great ships, sir. The program of record was eight. The Congress had supported the pyramid of a 9th, 10th, and 11th; 10 and 11 are under construction.

Like Ms. Lessley answered, you sort of have a budget. You work with it. Our top acquisition priorities in the service community right now are Polar Security Cutter, OPC, and Waterways Commerce Cutters. The whole conversation, just it would be a nice to have, but it is hard to displace our other programs of record, sir.

Mr. GIBBS. Great Lakes icebreaking, the 140-foot icebreaking tug rehabilitation program is complete. What percentage increase do you think this affects the icebreaking effort in the Great Lakes?

Admiral SCHULTZ. Sir, we have—the midlife on the 140s—has completed, you know, six up there. We brought another one into the lakes. We have the GLIB, the Great Lakes icebreaker. When that fleet is all up, I believe we can cover down on all the mission requirements up there.

Now, the fact is, those icebreaking tugs, the first one was delivered around the mid-1980s, so that is approaching a 40-year-old ship. Life expectancy reliability being a 40-year-old ship over the course of the next decade or two.

It is clear to us that the Congress is signaling for more icebreaking capacity on the Great Lakes, so we are driving in on what a Great Lakes icebreaker, GLIB, equivalent capability would be. We have an acquisition office to help with funding [inaudible] continues back in 2020, sir. And we are doing the analysis work, and then we are getting after what a solution will look like.

We are going back and taking the GLIB and redesigning that, so that is a 20-year-old plan. There is a lot of enhanced technologies, propulsion means, but that would not be a good starting point, sir. But we understand the intent of Congress to look at more capacity on the Great Lakes. And I am confident in our 140 fleet. But there is the perception that we need more capacity, and the signals have been heard, sir, and we are getting after that.

Mr. GIBBS. Well, I appreciate your willingness to address this issue and willingness to—especially the congressional Great Lakes delegation, the need for this and the importance of the Great Lakes, and I appreciate all your efforts, and I also thank you for your service. Good to see you again, Admiral.

I yield back.

Admiral SCHULTZ. Good to see you, Ranking Member. Thank you, sir.

Mr. CARBAJAL [presiding]. Thank you, Mr. Gibbs.

Mr. Maffei—oh, let me start by saying, I will recognize myself now, and it looks like maybe the last speaker as well.

Mr. Maffei, the Federal Maritime Commission levied only \$103 in fines and penalties in fiscal year 2020. This is a significant de-

crease from 2019, when \$660,000 was levied, and 2018, when \$1,108,000 were assessed for penalties. In a year of unprecedented claims of wrongdoing, how can you explain this downward trend?

Mr. MAFFEI. Well, there are a couple of different ways that are important here. One of them is whether we can get the complaints, and that does involve some of those fears that we talked about earlier about retaliation or whatever.

I will tell you, I do think there is an issue, but the number doesn't bother me so much because COVID—that is COVID-related, and concluding these cases is rather challenging and now a lot of them are coming up through the pipeline. So, just like the carriers get backed up, sometimes these cases get backed up too.

But what does concern me is that even when you do mention the times when we have been collecting fees, and I should note that I have only been Chair since late March, so both those years where there were penalties collected and the year that you mentioned, last year, I wasn't Chair, but, that said, most of those are not on carriers or large MTOs.

There are technical violations, no qualified individual. There are important things, sometimes mislabeling type issues. They are important. But I am concerned that we need more enforcement to capacity to really take on the big carriers when they do something that is against the Shipping Act.

And so your point is well taken, and that is why my emphasis has been so much on enforcement, auditing, more and more scrutiny of these carriers. We do look at the alliances because that has been our mandate for a long time, but the individual carriers themselves, particularly with industry consolidations so that there is now only nine of them, that is where I think we need a lot more scrutiny.

So, those numbers need to improve, and they will improve this year, but there are other issues that I am doing my best to address, and I believe the other Commissioners are as well.

Mr. CARBAJAL. Thank you for that answer. Although, I must say, basically, in 2020, \$100 is almost zero collected when you consider \$660,000 or \$1 million in 2018. The Commission must have been asleep at the wheel or something. Somebody was not working.

Anyways, moving on, Ms. Lessley, thank you for bringing to our attention the structural deficiencies and lack of maintenance at the Merchant Marine Academy. MARAD is the preeminent Federal institution that oversees the academy, and any deferred maintenance is unacceptable.

I am disappointed it has gotten to the point where DOT has needed to institute these measures. I am very concerned and anxiously await immediate and ongoing reports from DOT as they conduct their assessments. When can I expect to hear an update from MARAD?

Ms. LESSLEY. Thank you, sir. I thank you for that question and want to emphasize I understand the information that Congress needs so that they can have a full understanding of the situation. You have my commitment that I will update you as I learn things. You also have my commitment that we are right now working to get to the bottom of that. We have another team up there this week.

I have done investigations for a long time. I have a lot of unanswered questions. I want to get to the bottom of all of it. I want to understand both what the cause is, what the extent of the deferred maintenance is, what the immediate needs are and to move to address the immediate needs and to get systems in place to ensure that this never happens again.

And I commit to update you, the committee, and all of Congress as soon as we have information. I also recognize it is suboptimal that I am coming to you with a problem without understanding this whole extent but did not want to appear before you today with these concerns without alerting you to them.

Mr. CARBAJAL. Thank you very much. Again, I appreciate that this administration and MARAD is giving these issues the attention it deserves. I know that these have been known for a while and at least in recent years, and, again, the lack of action and followup has been unsatisfactory and inadequate. So, I appreciate the attention that you are giving this very important issue and look forward to ongoing reports.

As I mentioned in my opening remarks, the Morro Bay offshore wind leasing area off the coast of my district will require significant investments in shoreside infrastructure for staging wind turbines and transmitting clean energy to the grid. How can MARAD leverage existing programs, such as the Port Infrastructure Development Program, to invest in and promote this vital clean energy future?

Ms. LESSLEY. Thank you, sir. No, I really appreciate the questions that I have received on this critical program. I appreciate the question also on the Morro Bay program. As I mentioned, application period is open right now, so we welcome applications from all qualified ports, and due on July 30, so I encourage everybody to get it in before the deadline.

As I mentioned to Mr. Lowenthal and am mentioning to you, we recognize that the needs far exceed the availability of funding. And I would be remiss by not drawing attention to the fact that the President has proposed a significant investment in port infrastructure as part of the American jobs program.

I know obviously discussions are ongoing, but the administration recognizes the need for significant investment in ports and that is reflected in the President's proposals. So, we will, again, look forward to receiving applications, and we will review those and make awards as quickly as we can.

Mr. CARBAJAL. Well, thank you very much. And, like I said, that is extremely important, those programs, for my district.

Ms. Lessley, these and similar green infrastructure investments are critical to reach our emission reduction goals, and yet MARAD requests no additional funding for PIDP. Please explain how additional funding for the program could help to address emission reduction goals.

Ms. LESSLEY. Thank you so much. Well, obviously, if we have additional funds to invest, we can support additional port infrastructure, and that includes infrastructure that would reduce emissions.

You mentioned—I just want to be clear, for the first time, our President's budget has requested funding for the PIDP, and of course the President has proposed an entire program to address

emissions associated with port operations. So, the administration understands the extent of the need and has proposed historic and unprecedented investments in port infrastructure.

Mr. CARBAJAL. Well, thank you very much. This concludes our hearing for today.

Oh, 1 second. Ranking Member Gibbs?

Mr. GIBBS. Mr. Chairman, I request unanimous consent to submit Representative Don Young's questions for the record.

Mr. CARBAJAL. Without objection, so ordered.

With that, again, this concludes our hearing for today. I would like to thank each of the witnesses for their testimony. I ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing.

I also ask unanimous consent that the record remain open for 15 days for 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 12:52 p.m., the subcommittee was adjourned.]





## SUBMISSIONS FOR THE RECORD

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### **Prepared Statement of Hon. Sam Graves, a Representative in Congress from the State of Missouri, and Ranking Member, Committee on Transportation and Infrastructure**

Thank you, Chair Carbajal, and thank you to our witnesses for being here today.

I am concerned that despite an ever-growing mission set and ever-increasing mission complexity, the Coast Guard's budget request for "Procurement, Construction and Improvement" Account is being slashed.

Last year Congress appropriated more than \$2.2 billion to acquire needed assets, put a dent in the multi-billion-dollar shoreside maintenance and construction backlog, and begin the modernization of the Service's quickly degrading IT systems.

The Administration's request cuts that number to \$1.6 billion—well below what is needed even to allow the Coast Guard to tread water with its aging infrastructure.

I am particularly concerned that the Coast Guard is failing to take advantage of the one-time opportunities to purchase an additional National Security Cutter and up to six additional Fast Response Cutters before those production lines go cold. This opportunity for increased mission capability won't come again. The Coast Guard needs to seize the day especially while it has the Congressional support to do so.

As for the Federal Maritime Commission, the agency does not always find itself at the cutting edge of public policy issues.

However, this year it has received much public attention as a result of the ongoing cargo surge at U.S. ports. The port congestion, equipment shortages and soaring freight rates have both importers and exporters up in arms.

I hope our former House colleague and now FMC Chairman, Dan Maffei, can give us an update on any recommendations which may come out of Fact Finding #29, and on the implementation of the recent Executive Order on competition.

I continue to be concerned about the difficulties some exporters are facing, and I am concerned about the regular complaints I hear from importers ranging from folks who sell fireworks and import meat to those who distribute chemicals and healthcare products.

Finally, to Acting Maritime Administrator Lucinda Lessley (who also happens to be a former T&I Committee Staffer).

Last year, Congress authorized a Maritime Transportation System Emergency Relief program.

Unfortunately, this program was not funded in the February COVID relief package, and no funds are requested in MARAD's Fiscal Year 2022 budget.

Industry has requested \$3.5 billion in pandemic-related assistance through this program. I look forward to hearing your views on whether such relief is needed.

Thank you, Chair Carbajal. I yield back.

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**Draft Legislation for Barracks Modernization at the U.S. Coast Guard  
Training Center Cape May, Submitted for the Record by Hon. Jefferson  
Van Drew**

1   **SEC. \_\_\_\_ . BARRACKS MODERNIZATION.**

2           Of the amounts authorized to be appropriated by sec-  
3   tion **【4902(2)(A)】** of title 14, United States Code, as  
4   amended by section **【\_\_\_\_\_】** of this title, for each of fis-  
5   cal years 2022 and 2023, \$60,000,000 is authorized for  
6   the Secretary of the department in which the Coast Guard  
7   is operating to fund Phase I, in fiscal year 2022, and  
8   Phase II, in fiscal year 2023, for the recapitalization of  
9   the barracks at the United States Coast Guard Training  
10  Center Cape May in Cape May, New Jersey.

## APPENDIX

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QUESTIONS FROM HON. DON YOUNG TO ADMIRAL KARL L. SCHULTZ, COMMANDANT,  
U.S. COAST GUARD

*Question 1.* Admiral Schultz, I am interested in the Polar Security Cutter (PSC) program. The FY22 request reflects a 27.6 percent decrease in shipbuilding funding over the FY 21 enacted level.

- a. Is the FY22 request sufficient for the on-time delivery of the first PSC by 2024 as well as the 2nd and 3rd PSCs?

*ANSWER.* The FY 2022 request includes funds for ongoing program activities in support of PSC #1 and PSC #2 as well as Long Lead Time Material (LLTM) purchases for PSC #3. This level of funding is sufficient to maintain the current schedule. A contract change was executed in September 2021 to finalize the PSC design requirements, which incorporated several major additional scope items. These scope changes in conjunction with major supply chain disruptions caused by the on-going global pandemic added 12 months to the delivery schedule of PSC #1. The current contractual delivery date for PSC #1 is May 2025. Delivery dates for PSC #2 and PSC #3 are also impacted by this change.

- b. When is the anticipated delivery date for the 2nd and 3rd PSCs?

*ANSWER.* Notional delivery dates for PSC #2 and PSC #3 are FY 2027 and FY 2028, respectively. The specific delivery dates will be negotiated via future contract actions.

*Question 2.* I commend the USCG for the *Healy's* passage through the Northwest Passage this summer. As you are aware, Alaska is what makes the United States an Arctic nation.

- a. Where is the Coast Guard planning to homeport the PSCs and is it considering an Alaskan port?  
b. If not, why not?

*ANSWER.* In 2019, the Commandant of the Coast Guard approved Seattle, WA, as the homeport for PSCs # 1–3 based on a feasibility study conducted by the Coast Guard of potential homeports for icebreakers acquired by the Service, which included Alaskan ports. Future icebreaker homeport decisions will include Alaskan ports for consideration.

*Question 3.* There was a time in 2020 when the United States had zero icebreaking capability with the *Polar Star* undergoing overhaul and the *Healy* under repair for an engine fire.

- a. What is the projected service life extension for the *Healy* after the overhaul and how many icebreakers is the USCG planning to commission to fulfill its mission set?

*ANSWER.* The USCGC HEALY's Service Life Extension Program (SLEP) will maintain the vessel's operational availability at least until the Polar Security Cutter (PSC) fleet is operational. It is currently projected that the Coast Guard's first PSC will be operational in 2027. The USCGC HEALY's SLEP will enable the Service to continue to meet statutory icebreaking requirements and support strategic Arctic objectives, including scientific support.

The Coast Guard is executing the Program of Record (POR) for Polar Security Cutters (PSC), which is comprised of three heavy polar icebreakers (PSCs # 1–3). The Elijah E. Cummings Coast Guard Authorization Act of 2020 authorized the acquisition of three additional PSCs beyond the POR, for a total of six. The Coast Guard has begun preliminary pre-acquisition activities to evaluate what surface capability gaps remain in the polar regions but has not received appropriations to facilitate additional acquisitions beyond the current program.

*Question 4.* The budget request reflects a \$83.5 million decrease from the FY21 for the shoreside construction budget. This is alarming given the overall backlog and need for upgrades to shoreside infrastructure in Alaska.

a. What is the status for the Fast Response Cutter dock in Sitka?

*ANSWER.* The Coast Guard has completed its analysis of alternatives and will execute this project in conjunction with a rebuild of the existing pier, currently used by the USCGC KUKUI, a 225ft seagoing buoy tender. The Coast Guard is also in real property negotiations with the State to acquire an adjacent parcel of land as our needs have grown with the addition of the FRC. The target contract award is CY 2023, followed by approximately two years of on-site construction. The property acquisition must be complete before issuing the contract for proposal.

b. Do you have an estimate in dollars of the overall need for infrastructure upgrades across Alaska to meet the demands of your Arctic strategy?

*ANSWER.* The cost estimate for infrastructure upgrades across Alaska to meet the demands of the Coast Guard's Arctic Strategy have not been completed.

*Question 5.* It is my understanding that an 87' *Marine Protector* class patrol boat will be deployed to Petersburg, AK, in 2022.

a. Do you have any additional detail on that timeline?

*ANSWER.* The Coast Guard anticipates completing the homeport shift of USCGC PIKE, an 87' Coastal Patrol Boat, from San Francisco, CA to Petersburg, AK no later than June 30, 2022.

*Question 6.* It is my understanding the Coast Guard is on track to get estimates and make repairs on the vessel tracking radars in the Prince William Sound that are critical for oil spill response capability.

a. Is that accurate?

*ANSWER.* The Coast Guard completed repairs on all three radar sites in FY 2021. Currently, each site has one functioning radar. Additional efforts are underway to repair redundant equipment and maintain the radars.

*Question 7.* It is also my understanding that there is adequate funding to complete the repairs to the radio towers in the Gulf of Alaska that support VHF Channel 16 communications.

a. Is that accurate?

*ANSWER.* The Coast Guard included \$8.9M on its FY 2022 Unfunded Priority List (UPL) to fund the installation of new VHF radio hardware to mitigate against declining system reliability in the harsh operational environments of Alaska. If appropriated, those funds will strengthen the reliability of Coast Guard Search and Rescue operations in Alaska.

*Question 8.* Reduced year-round ice cover is likely to result in increased vessel traffic through the Bering Strait. Increasing commercial traffic in the Arctic creates a host of opportunities and risks that we should be preparing for.

a. What is the Coast Guard's current estimation of oil spill response capability in western Alaska?

*ANSWER.* There are six Oil Spill Response Organizations (OSRO) with an OSRO Classification issued by the Coast Guard in western Alaska. This region has response gaps (e.g., timeline of resources on-scene) affecting service providers' ability to meet National Planning Criteria (NPC) requirements. While industry is the primary provider of oil spill response capabilities, the Coast Guard manages a limited number of oil spill response resources located in a few locations in Alaska. Additionally, the Coast Guard may leverage resources from the U.S. Navy Supervisor of Salvage and Diving inventory through a memorandum of agreement.

b. Does the Coast Guard believe there are ample resources to respond to a major oil release incident in the Bering Strait?

*ANSWER.* The Coast Guard regulations provide vessel owners or operators with an option to submit an Alternative Planning Criteria (APC) as a risk mitigation measure until NPC in the region can be met. Due to the resource and infrastructure challenges and limitations in the Bering Strait, the Coast Guard thoroughly reviews all elements for Bering Strait APC requests, such as response capabilities, prevention and mitigation strategies, and special measures to address environmentally sensitive areas.

The Coast Guard, through the Maritime Oil-Spill Response Plan Advisory Group, will continue to engage with federal, state and, local agencies and federally recognized tribal governments in Alaska to address these complex resource challenges associated with the Bering Strait through mechanisms such as the Western Alaska Area Committee.