

# **The Subcommittee on Coast Guard and Maritime Transportation**

## **Hearing on**

### **Coast Guard FY 2001 Supplemental Funding Needs**

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#### **PURPOSE**

On March 8, 2001, the Subcommittee on Coast Guard and Maritime Transportation will conduct an oversight hearing on the Coast Guard's fiscal year 2001 shortfall of approximately \$91 million. This shortfall has resulted in a 10 percent reduction in Coast Guard operations. Emergency supplemental funding is necessary to cover the Coast Guard funding shortfall and avoid a 30 percent reduction in operations during the third and fourth quarters of the year.

#### **BACKGROUND**

## CRITICAL FISCAL YEAR 2001 COAST GUARD BUDGET SHORTFALL

In the past, the Coast Guard has deferred maintenance on vessels and shore facilities, cannibalized aircraft, and significantly increased the number of hours that personnel work to overcome budget shortfalls. However, the Coast Guard has deferred maintenance on its aircraft, vessels and shore facilities to the point that it is no longer able to sustain its typical level of operations.

During fiscal year 2001, the Coast Guard has diverted funds from its law enforcement operations to pay for unbudgeted cost increases related to new and expanded personnel entitlement programs enacted under the National Defense Authorization Act for Fiscal Year 2001, unanticipated fuel cost increases, and shortages of critical aviation spare parts. In February 2001, the Commandant authorized his Operational Commanders to reduce operations by 10 percent and is projecting a 30 percent nation-wide reduction in operations starting this April.

The Coast Guard has identified a \$91 million fiscal year 2001 funding shortfall comprised of:

- o \$36 million for new and expanded entitlements enacted in the National Defense Authorization Act for Fiscal Year 2001.
- o \$27 million for critical aviation spare parts.
- o \$28 million for unanticipated Department of Defense fuel contract and utilities cost increases.

According to the Coast Guard, the current operational cutbacks are required to preserve search and rescue capability, critical personnel training, and contract obligations. The impact of a 30 percent operational reduction is a direct decrease in law enforcement activities, including drug and migrant interdiction as well as fisheries law enforcement. In addition, the reduced operational presence may increase response times to areas where search and rescue cases often occur such as fishing grounds and high traffic migrant areas.

The Coast Guard is requesting to be included in any Department of Defense emergency supplemental request submitted by the Administration.

## ANALYSIS OF THE COAST GUARD'S BUDGET

Congress appropriated \$3.192 billion for Coast Guard Operating Expenses (OE) in fiscal year 2001, a \$336 million or 12 percent increase over the fiscal year 2000 appropriated level. This figure was \$7 million less than was requested by the previous Administration. While the requested level and appropriated level of funding was nearly identical, the National Defense Authorization Act for Fiscal Year 2001, which was enacted into law after the Department of Transportation Appropriations Act for Fiscal Year 2001, contained a number of expanded personnel entitlements which had not been included in the President's budget request.

In fiscal year 2000, the Coast Guard received \$700 million in emergency supplemental funding for increased pay, healthcare, and housing allowances required by the National Defense Authorization Act for Fiscal Year 2000, and to purchase six new C-130's and one Gulf-Stream aircraft.

The following table compares the fiscal year 1999, 2000 and 2001 appropriations (in millions of dollars):

Major Coast Guard Account	Fiscal Year 1999 Actual	Fiscal Year 2000 Enacted	Fiscal Year 2001 Enacted
Operating Expenses	3,045.0	2,856.0	3,192.0
Acquisition, Construction, & Improvements	624.4	1,010.5	415.0
Environmental Compliance and Restoration	21.0	16.9	16.5
Alterations of Bridges	37.6	14.9	15.5
Retired Pay	672.5	730.3	778.0
Reserve Training	74.0	71.9	80.3
Research, Test, and Evaluation	17.0	19.0	21.3
<b>TOTALS</b>	<b>4,491.5</b>	<b>4,719.5</b>	<b>4,518.6</b>

**WITNESSES**

**PANEL I**

[Admiral James M. Loy](#)  
Commandant  
United States Coast Guard

UNITED STATES COAST GUARD  
STATEMENT OF  
ADMIRAL JAMES M. LOY  
ON  
COAST GUARD FISCAL YEAR 2001 SUPPLEMENTAL FUNDING NEEDS  
BEFORE THE  
SUBCOMMITTEE ON COAST GUARD AND MARITIME  
TRANSPORTATION  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
U.S. HOUSE OF REPRESENTATIVES  
MARCH 8, 2001

Good morning, Mr. Chairman and distinguished Subcommittee members. Thank you for allowing me the opportunity to appear before you today to discuss the status of Coast Guard's FY 2001 funding. First, let me thank you and this committee for your strong support last year for the President's FY 2001 Budget and for addressing the Coast Guard's FY 2000 operating expense requirements in the FY 2001 Military Construction Act. We look forward to your continued support for the Coast Guard and its important missions.

As you know, the FY 2001 appropriation bill provided a six percent increase in operating expenses over the previous year to cover additional personnel and operational costs. This FY 2001 funding level should permit the Coast Guard to save approximately 5,000 lives, seize approximately 80,000 pounds of cocaine, interdict approximately 3,000 illegal migrants, and prevent 130 foreign fishing vessel incursions into U.S. waters, as well as, continue our traditional missions such as maintaining Aids to Navigation and protecting our maritime environment. The Coast Guard will continue to wisely target our available resources to provide

the best possible service to the American public, as evidenced by last week's record seizure of 28,845 pounds of cocaine.

However, in FY 2001, two significant issues exist that have put pressure on the Coast Guard operations budget: new entitlements provided for all members of the Armed Services under the FY 2001 National Defense Authorization Act (NDAA), and rising energy costs.

First, the FY 2001 NDAA contained several important provisions to expand entitlements to service members in the areas of health care coverage, housing, and pay, among other items. These enhanced benefits are greatly appreciated by Coast Guard personnel. Meeting the costs associated with them, however, is an ongoing challenge for our budget since NDAA was enacted after the FY 2001 Transportation Appropriations Act, and so funding for these new provisions was not part of the President's Budget request.

Second, our energy costs have continued to grow well beyond the levels we projected last summer. Part of the problem stems from overall inflation in the energy market nationally. The other part of the problem for us stems from a Department of Defense contract price adjustment for fuel that was made after the President's FY 2001 Budget was submitted to Congress.

Our challenge now is to make budget adjustments for these increased costs that best balance our mission performance, especially our emergency response capability, without exceeding the budgetary resources provided to the Coast Guard for FY 2001. We have chosen to adjust Coast Guard operations tempo in certain missions as well as our operational support and depot maintenance plans. We hope these adjustments are sufficient to meet our increased expenses within appropriated funds.

I am very pleased that the President's FY 2002 Budget requests funding for the Coast Guard under the President's initiative to fully fund the Western Hemisphere Drug Elimination Act over five years. The Act authorizes funds for enhanced drug interdiction efforts, and this funding will also help support our Deepwater Project to recapitalize aging ships and aircraft that are important assets in our drug interdiction efforts. I ask for your support for the President's request.

Thank you for the opportunity to discuss this important issue with you today. I will be happy to answer any questions you may have.