

The Subcommittee on Coast Guard and Maritime Transportation

Hearing on

Coast Guard FY 2000 Operational Cuts

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PURPOSE

On June 7, 2000, the Subcommittee on Coast Guard and Maritime Transportation will conduct an oversight hearing on the Coast Guard's fiscal year 2000 shortfall of approximately \$225 million. This shortfall has resulted in Coast Guard operational reductions in various parts of the country of 20 to 30 percent. Emergency supplemental funding is necessary to cover the Coast Guard funding shortfall and avoid additional operational cutbacks later this fiscal year.

BACKGROUND

The Coast Guard was funded at the level requested by the President in fiscal year 2000, approximately \$4,180 billion. This amount included approximately \$160 million from the fiscal year 1999 Kosovo Supplemental that was carried over into fiscal year 2000. The President's budget for the Coast Guard did not include amounts to cover additional military pay and personnel entitlements authorized in the Department of Defense Authorization Act for fiscal year 2000.

The Administration requests \$4.6 billion for fiscal year 2001 for the Coast Guard, which is \$429 million or 10.3 percent more than the amount appropriated for the Coast Guard in fiscal year 2000. On May 19, 2000 the House passed the Department of Transportation Appropriations Act for fiscal year 2001, H.R. 4475, which provided funding for the Coast Guard at the requested amount of \$4.6 billion.

The following table compares the fiscal year 1999 and 2000 appropriations and the fiscal year 2001 Coast Guard budget request (in millions of dollars):

Major Coast Guard Account	Fiscal Year 1999 Enacted	Fiscal Year 2000 Enacted	Fiscal Year 2001 President's Budget Request
Operating Expenses	3,088.0	2,939	3,199.0
Acquisition, Construction, & Improvements	625.5	387.5	520.2
Environmental Compliance and Restoration	21.0	17.0	16.7
Alterations of Bridges	14.0	15.0	0.0

Retired Pay	684.0	730.3	778.0
Reserve	74.0	72.0	73.4
Training			
Research, Test, and Evaluation	17.0	19.0	21.3
TOTALS	4523.5	4179.8	4608.6

COAST GUARD READINESS NEEDS

The cumulative effects of streamlining, budgetary shortfalls, personnel shortages, inexperienced personnel, and increased demands for services have reduced the Coast Guard's overall readiness posture. In the past, the Coast Guard has deferred maintenance on vessels, cannibalized aircraft, and significantly increased the number of hours that personnel work to overcome readiness 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 the current level of operations. In addition, this fiscal year the Coast Guard has diverted funds from law enforcement operations to pay for unbudgeted cost increases related to pay and entitlement programs enacted under the National Defense Authorization Act of 2000.

In February 2000, the Commandant authorized his Operational Commanders to reduce operating hours of C-130 aircraft by 10 percent and make a 5 percent reduction in the number of days major cutters operate at sea. However, in various parts of the country, Coast Guard Operational Commanders have recently announced reductions of operating hours of 20 to 30 percent.

The Coast Guard has identified a \$225 million fiscal year 2000 funding shortfall, of which \$71 million is required to meet immediate obligations. The Coast Guard states that without immediate supplemental funding they will be required to drastically reduce Coast Guard operations and possibly close facilities. The Coast Guard's \$225 million fiscal year 2000 readiness shortfall is comprised of:

1. \$71 million immediate shortfall, includes:
 - o \$18 million medical costs.
 - o \$15 million for Basic Housing Allowance entitlement.
 - o \$5 million for military pay raise entitlement.
 - o \$2 million for Continental U.S. COLA.
 - o \$1 million for Aviator retention bonuses.
 - o \$7 million for increased fuel costs.
 - o \$15 million for recruiting and retention bonuses.
 - o \$8 million for aircraft spare parts.
2. \$103 million to correct critical maintenance and casualty repairs on its aircraft, vessels and shore facilities, that resulted from deferring maintenance on this equipment.
3. \$28 million to restore maintenance funds that were previously used to cover operating costs.

4. \$15 million to restore Coast Guard military and civilian workforce.
5. \$8 million for extraordinary costs incurred from the 1999 hurricanes.

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 20 to 30 percent operational reduction is a direct decrease in law enforcement activities, including drug and migrant interdiction, and fisheries law enforcement. In addition, the reduced operational presence may increase response times to areas where search and rescue cases often occur (i.e. fishing grounds and high traffic migrant areas).

COAST GUARD FISCAL YEAR 2000 EMERGENCY SUPPLEMENT FUNDING

On March 30, 2000, the House passed the Fiscal Year 2000 Emergency Supplemental Appropriation Act, H.R. 3908, which included \$18 million for Coast Guard medical costs and \$19 million for additional Coast Guard aircraft parts.

On May 18, 2000, the Senate passed the Fiscal Year 2001 Military Construction Appropriation bill, which included the following fiscal year 2000 supplemental funding for the Coast Guard: \$262 million for Operating Expenses (OE); \$543 million for acquisition, construction and improvements (including funding for six C130 aircraft); and \$3.7 million for Coast Guard Reserve.

WITNESSES

PANEL I

[Admiral James M. Loy](#)

Commandant
United States Coast Guard

DEPARTMENT OF TRANSPORTATION
U.S. COAST GUARD
STATEMENT OF
ADMIRAL JAMES M. LOY

ON

COAST GUARD FISCAL YEAR 2000 OPERATIONAL CUTS

BEFORE THE
SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

JUNE 7, 2000

Good afternoon, Mr. Chairman and distinguished Subcommittee members. Thank you for allowing me the opportunity to appear before you today to discuss how you and I can work together to resolve the Coast Guard's readiness and funding challenges that are causing reduced maritime services in fiscal year 2000.

The Coast Guard faces an immediate fiscal crisis because of a number of budgetary pressures that are both systemic and acute. Though these pressures have existed for several years, their effects accelerated after submission of the President's fiscal year 2000 budget. An increasing demand for services, a staffing shortfall of more than a thousand people, aging assets with increasing maintenance costs, rapidly escalating costs associated with recruiting and retaining a quality workforce, and a tight Federal budget climate have eroded the Coast Guard's readiness posture. Despite the hard work that dedicated Coast Guard men and women do every day, we find ourselves more and more challenged to achieve our mission performance goals. Our actual funding requirements have risen dramatically since the Coast Guard's fiscal year 2000 budget was enacted and the resulting shortfalls have seriously limited our ability to meet the mission objectives you expect us to meet. Accordingly, I have had to pull back on the pace of field operations.

Prudent management demanded early action to avoid more drastic cuts or operational failure later in the year. In response to the warning signs, I directed a series of reductions in operations to begin to realign Coast Guard operating tempo with the level of available workforce and maintenance support. In January, I directed my Atlantic and Pacific Area Commanders to reduce cutter days and flight hours by approximately 10 percent. This action reduced the deferral of maintenance and helped ease the strain on maintenance and personnel systems. Despite that initial reduction, it did not provide the flexibility within currently available funding to absorb an estimated \$7 million increase in fuel costs and an estimated \$17 million rise in personnel entitlements that have arisen since our budget was enacted last fall. This is in addition to the \$18 million supplemental request for fiscal year 2000 health care costs included in the President's Fiscal Year 2001 Budget. I directed my Area and District Commanders last month to adjust operations again to live within remaining fuel account funds. The budget shortfalls created by increasing health care costs and housing entitlements have sapped our discretionary funds and dictate further action to remain within our available fiscal year 2000 operating funds. Therefore, last week I directed administrative cuts and additional operational adjustments to generate savings and avoid costs. I must emphasize that immediate Search and Rescue response and related training will not be curtailed, but a reduced at-sea presence may increase our response time to areas where rescue cases often occur such as fishing grounds and high-traffic alien migrant areas. Fewer drug and migrant interdiction, aids to navigation and fisheries patrols, however, are impacting our ability to support federal programs in the maritime arena. I am holding off on other actions until next month with hopes that I will not have to cancel contracts related to various maintenance projects or reduce accession into the Coast Guard workforce. Those actions would exacerbate our current problems.

I have implemented these reduction measures with great reluctance; Coast Guard esprit de corps motivates us to get the job done, even in the face of seemingly insurmountable odds. It is my duty as Commandant, however, to manage our immediate funding challenges. I cannot endanger the Coast Guard's future by making shortsighted decisions today. The Administration recognizes the Coast Guard's needs and supports supplemental funding to remedy our budget shortfalls. As a prudent manager and a steward of the taxpayers' investment, however, I must adhere to the anti-deficiency act requirements by covering these existing shortfalls until supplemental funding is in hand. Any delay in execution of these cuts would increase the amount of operational reductions later in the fourth quarter and would

drastically affect my fiscal year 2001 readiness posture. I cannot afford to take that risk.

I appreciate your strong support for the President's Fiscal Year 2001 Budget in order to help us sustain normal operating levels and an improved readiness posture next year. I also welcome your hearty support for our requested supplemental funding for the Coast Guard to restore operations and improve readiness this year.

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