

DEPARTMENT OF TRANSPORTATION  
U.S. COAST GUARD  
STATEMENT OF ADMIRAL JAMES S. GRACEY  
ON THE FY 1987 BUDGET REQUEST  
SUBCOMMITTEE ON COAST GUARD AND NAVIGATION  
COMMITTEE ON MERCHANT MARINE AND FISHERIES  
HOUSE OF REPRESENTATIVES  
6 FEBRUARY 1986

MR. CHAIRMAN, I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH YOU AND OTHER MEMBERS OF THIS SUBCOMMITTEE TO REVIEW AND DISCUSS THE COAST GUARD FISCAL YEAR 1987 BUDGET REQUEST AND THE IMPACT OF THE GRAMM-RUDMAN-HOLLINGS LEGISLATION ON COAST GUARD APPROPRIATIONS. ACCOMPANYING ME ARE THE VICE COMMANDANT, VICE ADMIRAL BENEDICT STABILE; MY CHIEF OF STAFF, REAR ADMIRAL DONALD THOMPSON; THE CHIEF OF THE PROGRAMS DIVISION, CAPTAIN JOHN TRAINOR; AND THE CHIEF OF THE BUDGET DIVISION, CAPTAIN KENT WILLIAMS.

FY1987 BUDGET REQUEST

OUR OVERALL REQUEST, TOTALING ABOUT \$2.4 BILLION IN BUDGET AUTHORITY, ALLOWS A CONTINUATION OF PLANS TO MODERNIZE AND IMPROVE THE EFFECTIVENESS OF THE COAST GUARD'S CAPITAL PLANT; TO INCREASE THE CAPABILITY OF EXISTING RESOURCES; AND TO ACHIEVE SAVINGS THROUGH IMPROVED EFFICIENCY OF OPERATIONS AND, WHERE FEASIBLE, CONTINUED CONTRACTING OUT OF SUPPORT ACTIVITIES.

THIS REQUEST...LIKE OUR REQUESTS IN RECENT YEARS...CONTINUES TO EMPHASIZE MISSIONS SUPPORTING SAFETY, DEFENSE READINESS, AND MARITIME LAW ENFORCEMENT.

FUNDING REQUESTED FOR FY 1987 WILL PROVIDE FOR FULL-TIME EQUIVALENT (FTE) POSITIONS FOR 38,541 MILITARY PERSONNEL AND 5,527 CIVILIAN PERSONNEL.

BECAUSE OF SOME UNIQUE FUNDING TRANSFERS IN FY 1986, THIS YEAR'S REQUEST SHOWS AN APPARENT INCREASE IN BUDGET AUTHORITY. NEVERTHELESS, IT IS A NO-GROWTH BUDGET AND WILL FUND ESSENTIALLY THE SAME PROGRAM LEVELS AS THE PRESIDENT'S FY 1986 BUDGET REQUEST. PART OF THE INCREASE IN FY 1987 BUDGET AUTHORITY REFLECTS A RETURN TO THE COAST GUARD'S BUDGET BASE OF \$25.5 MILLION OF THE FIXED COSTS ASSOCIATED WITH POLAR ICEBREAKING OPERATIONS. THESE COSTS WERE FUNDED PREVIOUSLY THROUGH REIMBURSEMENTS. THE INCREASE ALSO REFLECTS RESTORATION TO THE COAST GUARD'S BUDGET BASE OF \$100 MILLION FOR DEFENSE READINESS FUNDED BY THE DEPARTMENT OF DEFENSE, NAVY, OPERATIONS AND MAINTENANCE IN 1986. THE INCREASE ALSO INCLUDES ANNUALIZATION OF FUNDING FOR THE FY1986 MILITARY PAY INCREASE.

#### OPERATING EXPENSES

THE OPERATING EXPENSES APPROPRIATION REQUEST FOR \$1.833 BILLION IS TO FUND THE OPERATION AND MAINTENANCE OF COAST GUARD SHIPS, AIRCRAFT, AND SHORE UNITS, INCLUDING FACILITIES ACQUIRED THROUGH CAPITAL INVESTMENTS IN RECENT YEARS. OF THESE NEW ACQUISITIONS, FUNDING WILL PROVIDE FOR OPERATION OF THE FIRST OF THE COAST GUARD OWNED AEROSTATS...MOBILE, TETHERED-BALLOON, RADAR SURVEILLANCE SYSTEMS...FOR USE IN OUR DRUG INTERDICTION EFFORT. ALSO, IN FY 1987 WE WILL PUT INTO SERVICE 2 MORE OF OUR NEW 270 FOOT MEDIUM ENDURANCE CUTTERS AND 5 MORE OF OUR NEW 110-FOOT PATROL BOATS, AS WELL AS 26 ADDITIONAL SHORT-RANGE RECOVERY (SRR) HELICOPTERS.

IN ADDITION, THE TOTAL AMOUNT FOR OPERATING EXPENSES WILL BE AUGMENTED BY \$30 MILLION TO BE DERIVED FROM THE BOAT SAFETY ACCOUNT. UNDER EXISTING LAW, \$15 MILLION IS THE MAXIMUM AMOUNT THAT CAN BE TRANSFERRED BETWEEN THESE TWO APPROPRIATIONS. HOWEVER, WE ARE PROPOSING LEGISLATION TO INCREASE THAT AUTHORITY TO \$30 MILLION.

#### ACQUISITION, CONSTRUCTION AND IMPROVEMENTS

THE ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION REQUEST FOR \$77.1 MILLION IN BUDGET AUTHORITY, TOGETHER WITH OTHER RESOURCES PROPOSED FOR REPROGRAMMING FROM THE COASTAL DEFENSE AUGMENTATION ACCOUNT CREATED IN DOD IN 1986, WILL FUND CAPITAL IMPROVEMENTS, INCLUDING AIRCRAFT PROCUREMENTS; CUTTER ACQUISITIONS, REHABILITATIONS, AND MODERNIZATION; AND REPLACEMENT AND RENOVATION PROGRAMS AT SELECTED SHORE FACILITIES.

THIS COMBINED FUNDING PROVIDES FOR THE CONSTRUCTION OF A NEW RIVER TENDER AS WELL AS THE CONTINUED RENOVATION OF BOTH THE 210 FOOT MEDIUM ENDURANCE AND THE 378 FOOT HIGH ENDURANCE CLASSES OF CUTTERS. 10 OF 13 OF THE NEW 270 FOOT CLASS OF CUTTERS AND 78 OF THE 96 NEW, REPLACEMENT, SHORT-RANGE RECOVERY (SRR) HELICOPTERS WILL HAVE BEEN DELIVERED BY THE END OF FY 1987. MODERNIZATION OR REPLACEMENT OF OBSOLETE SHORE FACILITIES WILL ALSO CONTINUE. IN LOOKING TO THE FUTURE, FY 1987 FUNDS WILL BE USED TO BUY A PROTOTYPE OF A PATROL BOAT REPLACEMENT AND TO BEGIN A MAJOR LIFEBOAT REPLACEMENT PROGRAM.

#### ALTERATION OF BRIDGES

NO FUNDS ARE BEING REQUESTED FOR ALTERATION OF BRIDGES FOR FY 1987.

### RETIRED PAY

THE RETIRED PAY APPROPRIATION REQUEST OF \$354 MILLION IS BASED UPON AN AVERAGE OF 24,673 ANNUITANTS ON THE ROLLS. THE REQUEST REFLECTS THE PRESIDENT'S LEGISLATIVE PROPOSAL TO FOREGO COST-OF-LIVING ADJUSTMENTS IN 1987 FOR ALL SUCH RETIREMENT PROGRAMS.

### RESERVE TRAINING

THE RESERVE TRAINING PROGRAM, PROPOSED AT \$65.2 MILLION, WILL SUPPORT THE SELECTED RESERVE AT AN INCREASED LEVEL OF 13,000 PEOPLE. THIS 500 INCREASE IS WELL JUSTIFIED, CONSIDERING OUR GROWING MARITIME DEFENSE ZONE RESPONSIBILITIES. THE COAST GUARD RESERVE IS A VALUABLE CONTRIBUTOR TO OUR NATIONAL SECURITY, ESPECIALLY IN THE AREAS OF STRATEGIC MOBILITY, PORT SECURITY AND OTHER MARITIME DEFENSE ZONE ACTIVITIES. IT IS ALSO A COST-EFFECTIVE ASSET IN SUPPORT OF PEACETIME COAST GUARD MISSIONS AND ITS PERSONNEL ARE AVAILABLE FOR NATIONAL EMERGENCY OR DOMESTIC DISASTER.

### RESEARCH, DEVELOPMENT, TEST & EVALUATION

THE RESEARCH, DEVELOPMENT, TEST AND EVALUATION REQUEST TOTALING \$20.5 MILLION IS CONSISTENT WITH THE LEVEL APPROPRIATED IN FISCAL YEAR 1986. THIS APPROPRIATION IS DIRECTED TOWARDS IMPROVING THE EXECUTION OF EXISTING MISSIONS AND PROGRAMS ALONG WITH DEVELOPING THE CAPABILITIES ANTICIPATED FOR FUTURE MISSION REQUIREMENTS. RESEARCH AND DEVELOPMENT OFFERS THE OPPORTUNITY FOR INCREASED RETURNS IN FUTURE YEARS THROUGH ENHANCED PRODUCTIVITY OR COST AVOIDANCES.

### BOAT SAFETY ACCOUNT

THE BOATING SAFETY REQUEST IS FOR \$45 MILLION. THIS CONTINUES THE FUNDING LEVEL AT THE AMOUNT APPROPRIATED FOR FISCAL YEAR 1986. HOWEVER, AS NOTED EARLIER, PROPOSED LEGISLATION WOULD MAKE \$30 MILLION AVAILABLE FOR USE IN THE OPERATING EXPENSES APPROPRIATION AND THE OTHER \$15 MILLION AVAILABLE FOR FINANCIAL ASSISTANCE TO STATES.

### OTHER FUNDS

FOR THE POLLUTION FUND \$7 MILLION IN PERMANENT AUTHORITY IS REQUESTED, AS IT HAS BEEN IN PREVIOUS YEARS. FOR THE OFFSHORE OIL POLLUTION COMPENSATION FUND AND THE DEEPWATER PORT LIABILITY FUND, \$1 MILLION IS REQUESTED FOR EACH APPROPRIATION ALONG WITH A MAXIMUM OBLIGATION LIMIT IN THESE TWO FUNDS OF \$60 MILLION AND \$50 MILLION, RESPECTIVELY.

### USER FEES

OUR REQUEST THIS YEAR AGAIN PROPOSES A SYSTEM OF USER FEES. HOWEVER, NO NEW USER FEE LEGISLATION WILL BE SUBMITTED. H.R. 1936 EFFECTIVELY COVERS THE ADMINISTRATION'S PROPOSAL FOR SUCH FEES. ENACTMENT OF THAT LEGISLATION IN 1986 AND ITS IMPLEMENTATION IN 1987 WOULD PROVIDE REVENUES OF \$238 MILLION IN 1987 AND \$476 MILLION ANNUALLY THEREAFTER.

### GRAMM-RUDMAN-HOLLINGS REDUCTIONS

COAST GUARD'S BUDGET AUTHORITY FOR FY 1986 TOTALED APPROXIMATELY \$2.3 BILLION. AMOUNTS REPORTED FOR SEQUESTERING UNDER THE BALANCED BUDGET AND EMERGENCY CONTROL ACT OF 1985...THE GRAMM-RUDMAN-HOLLINGS LEGISLATION...WOULD EFFECTIVELY REDUCE THAT TOTAL

BY \$95.7 MILLION. THIS DECREASE REFLECTS APPLICATION OF AN ACROSS-THE-BOARD REDUCTION OF 4.3 PERCENT IN ALL COAST GUARD APPROPRIATIONS THAT RECEIVED FY 1986 BUDGET AUTHORITY WITH THE EXCEPTION OF OUR RETIRED PAY ACCOUNT. IN THAT ACCOUNT THE 4.3 PERCENT WAS APPLIED ONLY TO THE \$27 MILLION IDENTIFIED FOR MEDICAL CARE OF RETIRED PERSONNEL AND THEIR DEPENDENTS. THE ADDITIONAL REDUCTION INDICATED FOR RETIRED PAY REFLECTS ELIMINATION OF THE PLANNED FY 1986 COST-OF-LIVING ADJUSTMENT FOR MILITARY RETIREES AS MANDATED BY THE GRAMM-RUDMAN-HOLLINGS LEGISLATION.

COAST GUARD RESOURCES THAT WERE PROVIDED IN DEPARTMENT OF DEFENSE (DOD) LEGISLATION WILL ALSO BE REDUCED BUT BY THE 4.9 PERCENT APPLICABLE TO DOD. THESE RESOURCES INCLUDE THE \$100 MILLION IN NAVY'S OPERATION AND MAINTENANCE ACCOUNT TO FUND OUR DEFENSE READINESS ACTIVITY AS WELL AS THE \$15 MILLION TO PROVIDE COAST GUARD LAW ENFORCEMENT PERSONNEL ON SURFACE NAVAL VESSELS AT SEA IN A DRUG-INTERDICTION AREA. THEY ALSO INCLUDE THE \$375 MILLION PROVIDED IN THE NEWLY ESTABLISHED DOD ACCOUNT FOR COASTAL DEFENSE AUGMENTATION.

OBVIOUSLY, ALL OF THESE REDUCTIONS WILL HAVE AN IMPACT BUT THOSE AFFECTING OUR OPERATING EXPENSES APPROPRIATION WILL BE THE MOST NOTICEABLE. THOSE FY86 REDUCTIONS FOR GRAMM-RUDMAN-HOLLINGS ALONE TOTAL \$76 MILLION. WHEN OTHER FACTORS ARE TAKEN INTO CONSIDERATION SUCH AS THE \$36 MILLION SHORTFALL FROM THE PRESIDENT'S FY1986 BUDGET REQUEST AND THE \$30 MILLION COST OF THE FY 1986 INCREASE IN MILITARY PAY AND ENTITLEMENTS, THE TRUE REDUCTION FROM PLANNED OPERATING LEVELS AMOUNTS TO \$142 MILLION.

WE HAVE ALREADY ACCOUNTED FOR A PART OF THIS REDUCTION THROUGH SLOW-DOWN EFFORTS INITIATED WHILE OPERATING FOR THE FIRST QUARTER OF THIS FISCAL YEAR UNDER THE CONSTRAINTS OF SEVERAL SHORT-TERM CONTINUING RESOLUTIONS. HOWEVER, MANY OF THOSE ACTIONS WERE TEMPORARY EXPEDIENTS...POSTPONEMENTS OF THINGS WE MUST EVENTUALLY DO...SORT OF A "PAY-ME-NOW OR PAY-ME-MORE-LATER" SITUATION. WE ARE EVALUATING VARIOUS STRATEGIES TO ACHIEVE RECURRING SAVINGS TO OFFSET ALL OUR SHORTFALL AND TO MINIMIZE...TO THE EXTENT POSSIBLE... ITS IMPACT ON OUR OPERATIONS AND OUR SERVICE TO THE PUBLIC.

#### CONCLUSION

I HAVE BRIEFLY HIGHLIGHTED MAJOR PARTS OF OUR FY 1987 BUDGET REQUEST WHICH REPRESENTS ANOTHER "HOLD-THE-LINE" TYPE OF BUDGET. I HAVE ALSO INDICATED THE IMPACT THAT REDUCTIONS ASSOCIATED WITH THE GRAMM-RUDMAN-HOLLINGS LEGISLATION WILL HAVE ON COAST GUARD APPROPRIATIONS. THE ACTIONS NECESSARY TO REDUCE THE NATIONAL DEFICIT WILL NATURALLY AFFECT ALL OF THE FEDERAL GOVERNMENT, INCLUDING THE COAST GUARD. WE WILL STRIVE TO MAKE UP SOME OF THE RESULTING CUTS THROUGH PRODUCTIVITY IMPROVEMENTS, INCREASED EFFICIENCIES, AND MORE EFFECTIVE USE OF OUR RESOURCES, INCLUDING THOSE NEW AND IMPROVED RESOURCES ACQUIRED AS A RESULT OF RECENT MAJOR CAPITAL INVESTMENTS... THE NEW 110 AND 270 FOOT CUTTERS, THE 210 FOOT AND 378 FOOT CUTTERS REHABILITATION AND MODERNIZATION PROGRAMS, OUR NEW SHORT-RANGE RECOVERY HELICOPTERS AND SENSORS LIKE FLAR AND AIREYE. THESE INVESTMENTS WILL BENEFIT THE COAST GUARD IN THE YEARS TO COME.

OVER THE PAST SEVERAL MONTHS I HAVE ANSWERED COUNTLESS LETTERS, SOME ON BEHALF OF THE PRESIDENT AND THE SECRETARY OF TRANSPORTATION...LETTERS THAT EXPRESSED CONCERN OVER THE FUNDING AND STAFFING AND EVEN THE FUTURE OF THE COAST GUARD...LETTERS FROM MEMBERS OF CONGRESS, THE MEDIA, THE PUBLIC, AND FROM COAST GUARD PERSONNEL OR THEIR FAMILIES. I WOULD LIKE TO LEAVE A MESSAGE WITH THIS COMMITTEE...TO BE PASSED ON TO ALL THOSE WHO MIGHT BE CONCERNED ABOUT THE COAST GUARD:

THE COAST GUARD WAS ESTABLISHED IN 1790 AS THE REVENUE CUTTER SERVICE...THROUGH THE YEARS...DURING PEACE AND WAR...ITS NAME CHANGED AND ITS MISSIONS GREW...BUT 150 YEARS LATER IN THE 1940'S IT WAS STILL THERE...AS PART OF THE NAVY IN WORLD WAR TWO...PERFORMING RESCUE MISSIONS OFF THE COAST OF NORMANDY, TAKING LANDING CRAFT ONTO THE BEACHES AT IWO JIMA...IN 1947 RESCUING THE 69 PERSONS ON BOARD THE ILL-FATED AIRPLANE, BERMUDA SKY QUEEN, AFTER IT DITCHED IN THE ATLANTIC...IT WAS THERE 10 YEARS LATER IN THE 1950'S DURING THE KOREAN CONFLICT...IN 1959 ESTABLISHING A CHAIN OF LORAN-C STATIONS...IN THE 1960'S IT WAS SERVING WITH DISTINCTION IN VIETNAM...IN THE 1970'S IT WAS ENFORCING THE FEDERAL WATER POLLUTION CONTROL ACT OF 1972 AND RESPONDING TO ENVIRONMENTAL THREATENING INCIDENTS SUCH AS THE GROUNDING AND BREAKING UP OF THE TANKER ARGO MERCHANT OFF THE COAST OF NEW ENGLAND...IT WAS PATROLLING THE 200-MILE ZONE CREATED BY THE FISHERY CONSERVATION AND MANAGEMENT ACT OF 1976...IN THIS DECADE, IT WAS THERE OFF THE COAST OF ALASKA ASSISTING IN THE RESCUE OF ALL 520 PASSENGERS FROM THE SINKING CRUISE SHIP PRINSENDAM...ITS CUTTERS WERE THERE TO HELP FULFILL

THIS NATION'S COMMITMENT IN GRENADA...IT SUPPORTED THE HUMANITARIAN EFFORT IN OPERATION BOATLIFT FOR CUBAN REFUGEES...IT HAS RESPONDED TO FLOODS, OIL SPILLS, AND MARINE DISASTERS...IT PROVIDED WATERSIDE SECURITY FOR OUR OLYMPIC GAMES...AND CONTINUES TO MAINTAIN STRONG MARITIME LAW ENFORCEMENT EFFORTS FOR BOTH FISHERIES AND DRUG SMUGGLING...IT HAS MOVED INTO THE SPACE AGE WITH ITS JOINT DEVELOPMENTAL WORK ON USE OF A SEARCH AND RESCUE SATELLITE SYSTEM TO LOCATE DISTRESS CASES THAT PREVIOUSLY WENT UNDETECTED. THROUGHOUT THE IMPORTANT TIMES IN OUR NATION'S HISTORY THE COAST GUARD HAS ALWAYS BEEN THERE...SERVING IN WHATEVER WAYS IT WAS NEEDED.

IT IS NOT BY COINCIDENCE THAT I HAVE MENTIONED THE PERIOD OF THE 40'S THROUGH THE 80'S...THESE ARE THE VERY YEARS THAT I PERSONALLY HAVE BEEN A PART OF THE COAST GUARD...OR, PERHAPS MORE APPROPRIATELY, THAT THE COAST GUARD HAS BEEN A PART OF ME. SO I FEEL I CAN SPEAK WITH CERTAINTY, A MEASURE OF PRIDE - AND ALL SINCERITY - WHEN I SAY LET NO ONE DOUBT THAT THE COAST GUARD WILL CONTINUE ITS UNIQUE AND SPECIAL ROLE IN OUR HISTORY...THAT THERE WILL ALWAYS BE A COAST GUARD TO SERVE THIS NATION. IT MAY BE IN FEWER LOCATIONS...IT MAY BE WITH FEWER PEOPLE AND RESOURCES...BUT BE THERE IT WILL...AND WITH ITS ESSENTIAL CHARACTER UNCHANGED STILL DOING ITS PRIMARY MISSIONS OF MARINE SAFETY, DEFENSE READINESS, AND MARITIME LAW ENFORCEMENT THE BEST IT CAN. AND THAT BEST IS WITHOUT EQUAL - ANYWHERE.

THIS CONCLUDES MY STATEMENT. I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS THE COMMITTEE MIGHT HAVE.