

DEPARTMENT OF TRANSPORTATION
U.S. COAST GUARD
STATEMENT OF ADMIRAL JAMES S. GRACEY
ON THE FY 1987 BUDGET REQUEST
SUBCOMMITTEE ON TRANSPORTATION
SENATE COMMITTEE ON APPROPRIATIONS
16 APRIL 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. 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.

FY 1986 BUDGET UPDATE

BEFORE DISCUSSING OUR FY 1987 REQUEST, I WOULD LIKE TO PROVIDE YOU WITH AN UPDATE ON FY 1986. AS YOU MAY RECALL, THE COAST GUARD SPENT THE FIRST SEVERAL MONTHS OF THIS FISCAL YEAR CONCERNED AND ANXIOUS OVER WHETHER IT WOULD HAVE THE RESOURCES NECESSARY TO CONTINUE TO PERFORM ITS TRADITIONAL MISSIONS ON BEHALF OF THIS NATION AND THE AMERICAN PUBLIC. THESE CONCERNS ORIGINATED WITH THE SENATE PROPOSAL TO CUT \$230 MILLION FROM OUR OPERATING EXPENSES APPROPRIATION. THAT WAS LATER REDUCED TO \$30 MILLION. TO THAT REDUCTION WAS ADDED ACROSS-THE-BOARD GRAMM-RUDMAN-HOLLINGS REDUCTIONS, AND OTHER BUDGET SHORTFALLS, SUCH AS AN UNFUNDED MILITARY PAY RAISE, LEAVING THE COAST GUARD \$142 MILLION BELOW THE PRESIDENT'S BUDGET. THAT IS LESS THAN THE CUTS ORIGINALLY CONSIDERED, WHICH WOULD HAVE HAD A DISASTROUS IMPACT ON THE COAST GUARD, BUT IT HAS HAD A SIGNIFICANT IMPACT NONETHE-

LESS. HOWEVER, WE HAVE NOW MADE OUR WAY THROUGH THE FIRST HALF OF FY 1986 AND, AS WE ENTER THE SECOND HALF, SOME OF THE ANXIETIES ARE BEGINNING TO SUBSIDE...THANKS TO A NUMBER OF ACTIONS...SOME ALREADY IN PLACE AND OTHERS STILL PENDING.

THE FIRST OF THESE ACTIONS WAS THE SIGNIFICANT RESTORATION OF MOST OF THE ORIGINALLY PROPOSED CUTS IN OUR OPERATING EXPENSES PROGRAM LEVELS. THIS WAS DONE THROUGH A COMBINATION OF UNIQUE FUNDING ARRANGEMENTS SUCH AS TRANSFERS OF UNOBLIGATED BALANCES AND THE FUNDING OF OUR DEFENSE READINESS FUNCTION FROM NAVY'S OPERATING AND MAINTENANCE APPROPRIATION.

THE SECOND OF THESE ACTIONS WAS ONE I INITIATED EARLY IN THE FISCAL YEAR WHEN WE WERE OPERATING UNDER A CONTINUING RESOLUTION AND STILL FACING A POSSIBLE \$230 MILLION CUT IN FUNDING. I ORDERED A "SQUEEZE DOWN/SLOW DOWN" POLICY INTO EFFECT. MY GENERAL GUIDANCE WAS TO "SPEND NOT ONE PENNY YOU DON'T ABSOLUTELY HAVE TO TO AVOID INTERRUPTING TRULY ESSENTIAL SERVICE TO THE PUBLIC." IN VIEW OF THE SUBSEQUENTLY IMPOSED GRAMM-RUDMAN-HOLLINGS REDUCTIONS, AND THE SHORTFALLS REFLECTED IN THE CONTINUING RESOLUTION, I HAVE CONTINUED THAT POLICY. IT REMAINS IN EFFECT TODAY...AND I EXPECT IT TO CONTINUE FOR THE ENTIRE YEAR. YET, THAT POLICY DOES NOT REALLY "SAVE" MUCH MONEY. MORE ACCURATELY WHAT IT DOES IS POSTPONE SPENDING. HOWEVER, THE INVENTORIES WE ARE DEPLETING NOW WILL STILL HAVE TO BE REPLENISHED LATER; THE TRAINING WE ARE DELAYING NOW WILL STILL HAVE TO BE PROVIDED LATER; THE MAINTENANCE WE ARE DEFERRING NOW WILL STILL HAVE TO BE ACCOMPLISHED LATER. AS SUCH, "SQUEEZE

DOWN/SLOW DOWN" IS AT BEST A TEMPORARY MEASURE FOR A HIGH TEMPO, PERSONNEL-INTENSIVE, OPERATING AGENCY SUCH AS THE COAST GUARD. IT IS A POLICY WE CANNOT SUSTAIN LONG, WITHOUT EITHER GETTING SOME BUDGET RELIEF OR LAYING UP SOME OF OUR UNITS.

THE AVOIDANCE OF SUCH LAY-UPS PROMPTED THE LATEST ACTION: A "NO COST" SUPPLEMENTAL REQUEST SUBMITTED BY THE PRESIDENT ON MARCH 26, 1986, FOR AN ADDITIONAL \$35.5 MILLION FOR COAST GUARD OPERATING EXPENSES. THAT AMOUNT WILL BE AUGMENTED BY AN ADDITIONAL \$10.4 MILLION TO BE TRANSFERRED INTERNALLY FROM OUR ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS APPROPRIATION, USING THE SPECIAL AUTHORITY UNDER OUR AUTHORIZATION ACT FOR THE FIRST TIME AND IN ITS MAXIMUM AMOUNT.

THE NET RESULT OF THE ACTIONS I HAVE JUST DESCRIBED IS THAT I AM ABLE TO APPEAR BEFORE YOU THIS MORNING AND SAY THAT THE COAST GUARD WILL BE ABLE TO HANG ON...TO MAKE IT THROUGH FISCAL YEAR 1986...IF THE ACTIONS I DESCRIBED OCCUR. BUT, IT WILL BE CLOSE. WE DEFINITELY NEED THE SUPPLEMENTAL FY 1986 FUNDING NOW UNDER CONSIDERATION BY THE CONGRESS...AND WE WILL ALSO NEED YOUR CONTINUED SUPPORT...THROUGH APPROVAL OF THE PRESIDENT'S FY 1987 BUDGET REQUEST TO RETURN US TO ADEQUATE OPERATING LEVELS. FURTHER, I SINCERELY HOPE IT WILL BE POSSIBLE TO AVOID ANOTHER ROUND OF ACROSS-THE-BOARD GRAMM-RUDMAN-HOLLINGS CUTS. AFTER OUR STRUGGLE THIS YEAR, SUCH REDUCTIONS WOULD HAVE A SERIOUS IMPACT ON THE COAST GUARD.

FY 1987 TOTAL BUDGET REQUEST

OUR OVERALL FY1987 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 COMPARED TO FY1986 FTE'S OF 39,189 AND 5,571, RESPECTIVELY.

BECAUSE OF SOME UNIQUE FUNDING TRANSFERS IN FY 1986, AND GRAMM-RUDMAN-HOLLINGS REDUCTIONS, THIS YEAR'S REQUEST SHOWS AN APPARENT OVERALL INCREASE OF \$162 MILLION IN BUDGET AUTHORITY. NEVER-THE-LESS, 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 FUNDING FOR THE FY 1987 IMPACT OF THE FY 1986 MILITARY PAY AND ENTITLEMENTS INCREASES.

OPERATING EXPENSES

THE OPERATING EXPENSES APPROPRIATION REQUEST FOR \$1.833 BILLION ESSENTIALLY RETURNS US TO OUR FY 1985 LEVEL OF OPERATIONS AND FUNDS 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 REPLACEMENT 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.

OUR OPERATING EXPENSES APPROPRIATION IS OUR MOST IMPORTANT APPROPRIATION. IT FUNDS THE OPERATION AND MAINTENANCE OF ALL OUR FACILITIES. IT PAYS THE SALARIES AND EXPENSES OF OUR PERSONNEL. IT IS THE LIFEblood OF COAST GUARD OPERATIONS...OF OUR ABILITY TO

SERVE. WHEN YOU LOOK AT OUR FY 1987 BUDGET REQUEST...AND COMPARE IT TO FY 1986...PLEASE DON'T BE MISLED BY THE APPARENTLY LARGE INCREASE IN OUR BUDGET AUTHORITY. THE COAST GUARD'S BUDGET IS NOT GROWING SIGNIFICANTLY. INSTEAD, THE DIFFERENCES YOU SEE RESULT LARGELY FROM THE UNIQUE, ONE-TIME TRANSFERS USED TO FINANCE OUR FY 1986 OPERATIONS, WHICH HAVE THE EFFECT OF UNDERSTATING OUR BUDGET REQUIREMENTS FOR THAT YEAR. WHEN, AS IN FY 1987, THESE ACTIVITIES ARE RETURNED TO OUR BUDGET BASE, THE RESULT IS TO INTRODUCE LARGE VARIANCES THAT DISTORT YEAR-TO-YEAR COMPARISONS OF OUR BUDGET AUTHORITY.

THE POINT I'M TRYING TO MAKE IS...THAT AFTER ALLOWING FOR ALL THE NECESSARY BUT SOMETIMES CONFUSING ACCOUNTING ADJUSTMENTS...FY 1987 IS A NO-GROWTH BUDGET...ONE THAT WILL PERMIT US TO CONTINUE TO PERFORM THE SAME LEVELS OF OPERATIONS AS IN PAST YEARS. PLEASE SEE THESE NUMBERS FOR WHAT THEY REALLY ARE...A RETURN OF FUNDING TO OUR BASE...NOT AN INCREASE.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS

THE ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION REQUEST FOR \$77.1 MILLION IN BUDGET AUTHORITY IS \$130 MILLION BELOW THE FY 1986 LEVEL. HOWEVER, TOGETHER WITH AMOUNTS PROPOSED FOR REPROGRAMMING FROM THE COASTAL DEFENSE AUGMENTATION ACCOUNT CREATED IN DOD IN 1986, IT WILL FUND CAPITAL IMPROVEMENTS, INCLUDING AIRCRAFT PROCUREMENTS; CUTTER ACQUISITIONS, REHABILITATIONS, AND MODERNIZATION; AND REPLACEMENT AND RENOVATION PROGRAMS AT SELECTED SHORE FACILITIES.

THIS COMBINED FUNDING IS REQUIRED 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.

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 A NEW 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.

CONCLUSION

I HAVE BRIEFLY HIGHLIGHTED MAJOR PARTS OF OUR FY 1987 BUDGET REQUEST WHICH REPRESENTS ANOTHER "HOLD-THE-LINE" TYPE OF BUDGET. HOWEVER, WE WILL CONTINUE TO STRIVE FOR 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 MAKE THE COAST GUARD EVEN MORE PRODUCTIVE IN THE YEARS TO COME...AND ABLE TO SERVE THE AMERICAN PEOPLE BETTER.

AS THIS BUDGET SHOWS, THE PRESIDENT STRONGLY SUPPORTS THE COAST GUARD AND THE BENEFITS AND SERVICES IT PROVIDES TO THE PUBLIC. EVEN IN THESE DIFFICULT FISCAL TIMES, THE COAST GUARD WILL CONTINUE TO SERVE THIS NATION PROUDLY AND WELL. AT TIMES, 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.