

REVIEW OF THE RECAPITALIZATION OF THE UNITED STATES COAST GUARD

(118–60)

HEARING
BEFORE THE
SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
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JUNE 7, 2024

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Subcommittee Hearing on “*Review of the Recapitalization of the United States Coast Guard*”

I. PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation of the Committee on Transportation and Infrastructure will meet on Wednesday, June 12, 2024, at 10:00 a.m. ET in 2167 Rayburn House Office Building to receive testimony on the “*Review of the Recapitalization of the United States Coast Guard*.” The Subcommittee will receive testimony from the United States Coast Guard (Coast Guard or Service) and the Government Accountability Office (GAO) on Coast Guard recapitalization efforts, specifically focusing on major surface assets including the Offshore Patrol Cutters (OPC) and Polar Security Cutters (PSC), rotary wing aircraft, shoreside infrastructure, and Information Technology (IT).

II. BACKGROUND

THE UNITED STATES COAST GUARD RECAPITALIZATION PROGRAM

Recognizing that many of its assets were nearing the end of their service lives or were technologically insufficient, in 2007 the Coast Guard approved a program of record to modernize its surface, air, IT, and shoreside infrastructure, which has subsequently been updated.¹ The Coast Guard is more than 15 years into this recapitalization program and though significant progress has been made, two major cutter acquisition programs remain behind schedule and one has no agreed upon timeline or cost estimate. In addition, one of the Coast Guard’s two rotary wing aircraft is aging out, and one of its medium-range fixed-wing aircraft is being retired.²

While the Coast Guard has successfully undertaken some of the steps outlined in its original recapitalization vision, such as the procurement and deployment of the Fast Response Cutter (FRC), programs such as the Offshore Patrol Cutters (OPC), Polar Security Cutters (PSC), rotary wing aircraft, shoreside infrastructure, and Information Technology (IT) remain dangerously behind schedule due to inadequate funding requests, and equally inadequate appropriations, mismanagement, poor processes, and a lack of long-term planning on the part of the Coast Guard. These

¹ U.S. GOV’T ACCOUNTABILITY OFF., GAO-17-654T, COAST GUARD RECAPITALIZATION: MATCHING NEEDS AND CONTINUED RESOURCES TO STRAIN ACQUISITION EFFORTS (2017), available at <https://www.gao.gov/assets/690/685201.pdf>.

² *Budget Hearing—Fiscal Year 2025 Request for United States Coast Guard: Hearing Before the Subcomm. on Homeland Security of the H. Comm. on Appropriations*, 118th Cong., (2024) (statement of Admiral Fagan, United States Coast Guard).

shortcomings have created serious capability gaps in the ability of the Service to field the assets required to fulfill its mission demands.³

Most notably in 2014, the GAO estimated that a roughly \$800 million gap existed between the Coast Guard's recapitalization needs and the President's budget request—a trend that has only worsened in subsequent years.⁴ In an effort to address the funding constraints it has faced annually, the Coast Guard has been in a reactive mode, limiting its capability through the annual budget process by delaying new acquisitions and failing to develop a plan to realistically set forth affordable priorities.⁵ These shortcomings have seriously jeopardized Coast Guard capabilities across several vital areas, including shoreside infrastructure and surface assets.

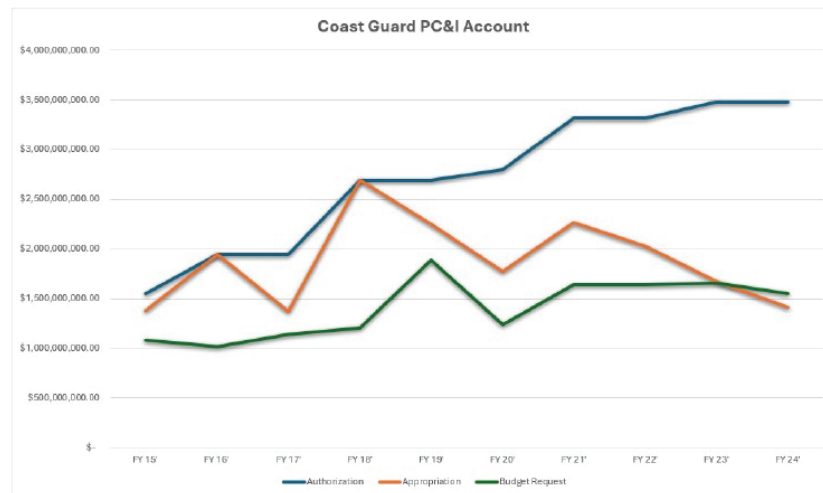


Figure 1: Comparison of authorization levels, appropriations levels and request levels for the Coast Guard's PC&I account over the last ten years (created based on analysis done by Committee staff).

Demonstrating this reality, the President's budget request for fiscal year (FY) 2025 includes \$1.56 billion for the Procurement, Construction, and Investment (PC&I) Account, which funds the Coast Guard major acquisition and capital investment projects.⁶ This number is insufficient to support Coast Guard mission readiness and is less than half the amount authorized for PC&I in H.R. 7659, the Coast Guard Authorization Act of 2024.⁷ If the Coast Guard PC&I account is not substantially increased to at least \$3 billion per year, more in line with the Committee's authorized amount, the funding shortfall will be compounded in future years as the Offshore Patrol Cutter Program moves to two hulls per year, and the Polar Security Cutter Program requires additional investments which could amount to 100 percent of two years of current PC&I levels.⁸

³ GAO, GAO-17-654T, COAST GUARD RECAPITALIZATION: MATCHING NEEDS AND CONTINUED RESOURCES TO STRAIN ACQUISITION EFFORTS (2017), available at <https://www.gao.gov/assets/690/685201.pdf>.

⁴ *Id.* at 12.

⁵ *Id.* at 13.

⁶ UNITED STATES COAST GUARD, FY 2025 CONGRESSIONAL BUDGET JUSTIFICATION (2024), available at https://www.dhs.gov/sites/default/files/2024-04/2024_0322_us_coast_guard.pdf [hereinafter BUDGET JUSTIFICATION]; Consolidated Appropriations Act, 2024, Pub. L. No. 118-47 [hereinafter 2024 CAA].

⁷ Coast Guard Authorization Act of 2024, H.R. 7659, 118th Cong. (2024) (noting this legislation was passed out of the House of Representatives on May 15, 2024) [hereinafter CGAA 2024].

⁸ *Review of the Fiscal Year 2025 Maritime Transportation Budget Requests, Pt 2: The Coast Guard: Hearing before the Subcomm. on Coast Guard and Maritime Transp. of the H. Comm. on Transp. and Infrastructure*, 118th Cong. (May 23, 2024) (response from Admiral Linda Fagan, Commandant of the United States Coast Guard).

III. COAST GUARD SURFACE ASSET ACQUISITION

OFFSHORE PATROL CUTTER (OPC)

The Coast Guard has stated that the acquisition of the OPC is its highest investment priority, as it will be the work horse of the Coast Guard's offshore presence.⁹ The Coast Guard intends to replace its 28 medium-endurance cutters, all of which have far surpassed their planned service lives and are becoming increasingly expensive to maintain and operate, with 25 OPCs.¹⁰ The OPCs are designed to provide the majority of offshore presence for the Coast Guard, bridging the gap between the open ocean National Security Cutters and the close to shore Fast Response Cutters. At 360 feet long, the OPCs are considerably larger and more technologically advanced than the legacy 210-foot and 270-foot medium-endurance cutters they are replacing, necessitating shoreside infrastructure upgrades to adequately support them.¹¹ Contrary to initial estimates, the OPCs cannot use existing medium-endurance cutter homeports or Navy bases due to pier space and personnel limitations.¹² This has created ancillary shoreside acquisition costs, including pier extensions, upgraded shore-ties, new maintenance buildings, and most notably a new floating dry dock lift at the Coast Guard yard since fewer commercial shipyards will be able to accommodate an OPC sized vessel for repairs and the Coast Guard yard currently lacks a sufficiently long pier.¹³

The first four OPCs are being built by Eastern Shipbuilding Group (ESG) of Panama City, Florida.¹⁴ In 2019, ESG sought a cash infusion from the Coast Guard in order to maintain operations at their yard.¹⁵ The Department of Homeland Security subsequently authorized up to \$659 million in relief for the yard, including up to \$65 million for costs not related to OPC construction, in order to shore up the yard's financial position.¹⁶

On June 30, 2022, the Coast Guard announced that it had awarded the phase II fixed-price incentive contract to Austal USA of Mobile, Alabama, to produce up to 11 OPCs.¹⁷ The Coast Guard's proposed FY 2025 budget requested \$530 million in procurement funding for the construction of the seventh OPC, the procurement of long lead-time materials (LLTM) for the eighth OPC, and other program costs.¹⁸ In FY 2024, the Coast Guard was appropriated \$579 million in procurement funding for the OPC, which was the amount it requested.¹⁹ Starting in FY 2026, the Coast Guard plans to increase the acquisition cadence of OPCs to two per year, or almost two thirds of the PCI amount appropriated in FY 2023 and FY 2024, raising concerns about the feasibility of the long term acquisition plan for the OPCs.²⁰

On October 27, 2023, the Coast Guard christened the first OPC, *USCGC ARGUS* in Panama City, Florida.²¹ Following the christening, ESG launched the cutter into the water for the first time.²² As of September 2023, the Coast Guard estimated hulls 1-4 could be delivered with the funds already appropriated and the construction completion rates were: OPC #1: 84 percent, OPC# 2: 69 percent, OPC# 3: 47 percent, OPC# 4: 20 percent.²³

⁹ UNITED STATES COAST GUARD, *Acquisition Directorate, Offshore Patrol Cutter*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/Offshore-Patrol-Cutter/>.

¹⁰ CONG. RSCH SERV. R42567, COAST GUARD CUTTER PROCUREMENT: BACKGROUND AND ISSUES FOR CONGRESS 1 (last updated June 21, 2023), available at <https://crsreports.congress.gov/product/pdf/R/R42567/162> [hereinafter CRS BACKGROUND].

¹¹ GAO, GAO-23-105805, COAST GUARD ACQUISITIONS: OFFSHORE PATROL CUTTER PROGRAM NEEDS TO MATURE TECHNOLOGY AND DESIGN 28 (2023), available at <https://www.gao.gov/assets/gao-23-105805.pdf> [hereinafter GAO OPC].

¹² *Id.*

¹³ *Id.*

¹⁴ CRS BACKGROUND, *supra* note 9, at 10.

¹⁵ *Id.* at 7.

¹⁶ UNITED STATES COAST GUARD, *Offshore Patrol Cutters Acquisition: Extraordinary Relief* (FY 2022, Fourth Quarter) Report to Congress (on file with Comm.).

¹⁷ *Id.* at 13.

¹⁸ BUDGET JUSTIFICATION, *supra* note 5.

¹⁹ 2024 CAA, *supra* note 5.

²⁰ United States Coast Guard Briefing to Congress, FY 2024 Quarter 1: Quarterly Acquisition briefing (Dec. 15, 2023) (on file with Comm.) [hereinafter Briefing].

²¹ UNITED STATES COAST GUARD, *Coast Guard christens first offshore patrol cutter* (Oct. 31, 2023), available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Newsroom/Latest-Acquisition-News/Article/3574259/coast-guard-christens-first-offshore-patrol-cutter/>.

²² *Id.*

²³ Briefing, *supra* note 19.



Figure 2: Offshore Patrol Cutter

Although the OPC has been labeled as a key priority for the Coast Guard, serious program mismanagement has led to long delays, cost overruns, and the emergence of a gap in the Coast Guard's offshore medium endurance capabilities. A June 2023 GAO report found the OPC's total acquisition cost estimate increased from \$12.5 billion to \$17.6 billion between 2012 and 2022.²⁴ The program attributes the 40 percent increase to many factors, including restructuring the stage 1 contract [for OPCs 1 through 4], recompeting the stage 2 requirement [for OPCs 5 through 15], and increased infrastructure costs for homeports and facilities.²⁵ In addition, the program incurred a one and a half year delay in the delivery of the first four OPCs due to issues related to manufacturing the cutter's propulsion system.²⁶ GAO also found indicators that the shipbuilder's significant level of complex uncompleted work may lead to further delays.²⁷

GAO also attributed these delays and cost overruns to fundamental flaws in the Coast Guard's design and construction process. GAO found the Coast Guard has been undertaking a high-risk approach to the acquisition of the OPC that attempts to concurrently overlap the acquisition phases of technology development, design, and construction.²⁸ While some overlap is common in the industry, the Coast Guard has exceeded industry standards.²⁹ Specifically, the Coast Guard does not require completion of basic and functional designs or maturity of all critical technologies, nor does it require completion of the design of distributive systems—systems that affect multiple zones of the ship—prior to construction of the lead ship.³⁰ These approaches result in the need for significant design rework late in construction, further increasing costs and delays.³¹ This will subsequently extend the Coast Guard's dependence on its current fleet of medium-endurance cutters, further straining the Coast Guard's budget with increased repair and maintenance costs.

²⁴ GAO OPC, *supra* note 10.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

POLAR SECURITY CUTTER (PSC)

Figure 3: Design Mockup of Polar Security Cutter

The Coast Guard anticipates the need for enhanced arctic capabilities in the coming years to support United States economic, security, and scientific interests.³² The *Polar Star* is currently the Coast Guard's only operational heavy ice breaker and is barely able to meet the ever-increasing mission requirements in the Arctic and Antarctic regions. Commissioned in 1976, the *Polar Star* has far surpassed its regular service life and has been dependent on constant service life extension programs to allow it to function—heavily straining Coast Guard resources.³³ Despite this, the vessel is currently undergoing substantial overhaul to further extend its service life into the next decade. The Coast Guard also operates one medium icebreaker, *USCGC HEALY*, and received appropriations in FY 2024 for the acquisition of a commercially available icebreaker.³⁴

The Coast Guard is working to replace and expand its fleet of heavy icebreakers with at least three PSCs.³⁵ Additionally, the Service is considering the acquisition of additional medium icebreakers through the Arctic Security Cutter Program.³⁶ In 2019, the Coast Guard and United States Navy, operating through an integrated program office, awarded VT Halter Marine Inc. of Pascagoula, Mississippi, a fixed price incentive contract for the detail, design and construction of the lead PSC.³⁷ The yard was subsequently purchased by Bollinger Shipyards, LLC. Construction on the first PSC was planned to begin in 2022 with contract delivery planned for the mid-2020s.³⁸ Design delays have plagued the program, and despite repeated requests from the Committee, the Coast Guard is unable to commit to a timeline or cost for the first PSC.³⁹ While the Coast Guard is in the process of renegotiating the contract with the yard to arrive at a new contract price and timeline, the first hull is likely to be substantially delayed and come in significantly higher than the original estimated cost.⁴⁰

³² UNITED STATES COAST GUARD, *Acquisitions Directorate, Polar Security Cutter*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/Polar-Icebreaker/>.

³³ *Id.*

³⁴ 2024 CAA *supra* note 5.

³⁵ Ronald O'Rourke, CONG. RSCH SERV., RL34391, COAST GUARD POLAR SECURITY CUTTER (POLAR ICEBREAKER) PROGRAM: BACKGROUND AND ISSUES FOR CONGRESS (July 31, 2023), available at <https://www.crs.gov/reports/pdf/RL34391/RL34391.pdf> [hereinafter CRS PSC Report].

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Review of Fiscal Year 2024 Budget Request for the Coast Guard: Hearing before the H. Subcomm. on Coast Guard and Maritime Transp. of the H. Comm. on Transp. and Infrastructure*, 118th Cong. (April 18, 2023) (response from Admiral Linda Fagan, Commandant of the United States Coast Guard).

⁴⁰ United States Coast Guard Briefing to Committee, January 11, 2024

The Coast Guard faces many hurdles in building the PSC, including building the first heavy ice breaker in the United States in more than 50 years.⁴¹ Icebreakers have substantial design and construction differences from traditional vessels, including hulls with thicker steel and dense framing structures.⁴² A GAO study found that the program suffers from unreliable schedule and cost estimates, and the complexity of the design has led to a substantial schedule delays.⁴³ To date, the final design is still incomplete.

The Coast Guard has received appropriations for PSC hulls one and two.⁴⁴ However, because of subsequent cost increases, it's unlikely the appropriated money intended for the first two PSCs will be sufficient to cover the cost of one PSC.⁴⁵ The Coast Guard did not request funding for the PSC program in the President's FY 2025 Budget, but will require substantial additional funding in future years.⁴⁶

WATERWAYS COMMERCE CUTTER (WCC)

The Coast Guard maintains a fleet of inland tenders responsible for maintaining more than 28,200 marine aids to navigation throughout 12,000 miles of inland waterways, on which 630 million tons of cargo move annually.⁴⁷ The current fleet of inland tenders has been in operation for an average of more than 57 years, far exceeding their design service life.⁴⁸ The Coast Guard established the WCC Program to replace the capability provided by the inland tender fleet with 16 River Buoy Tenders, 11 Inland Construction Tenders, and three Inland Buoy Tenders. To increase efficiency, these vessels will be self-propelled monohulls instead of the current tug-and-barge configuration.⁴⁹ The contract calls for the first vessel to be delivered in the middle of 2026.⁵⁰

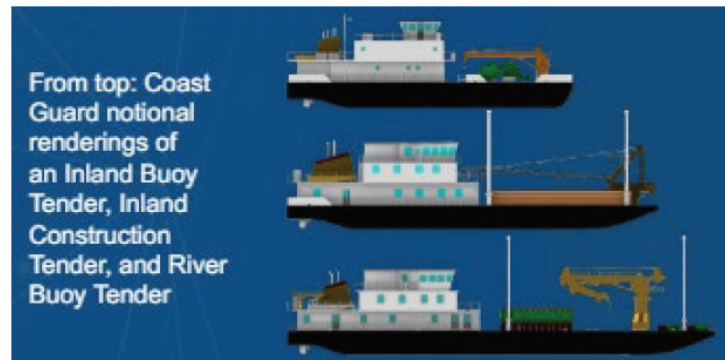


Figure 4: Renderings of WCC

The initial contract for the WCC was awarded to Birdon America, Inc. (Birdon) located in Denver, Colorado, in October of 2022.⁵¹ However, after the contract was awarded, challenges to the contract award were made based on the small business set aside requirements (FAR 52.219 14). Even though the Small Business Administration (SBA) initially determined that Birdon met its small business requirements during its pre-decision evaluation, on May 26, 2023, the SBA informed the Coast Guard that Birdon, under its WCC proposal, does not meet the status of a small

⁴¹ GAO, GAO-23-105949, COAST GUARD ACQUISITIONS: POLAR SECURITY CUTTER NEEDS TO STABILIZE DESIGN BEFORE STARTING CONSTRUCTION AND IMPROVE SCHEDULE OVERSIGHT: (2023), available at <https://www.gao.gov/products/gao-23-105949>.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ 2024 CAA, *supra* note 5.

⁴⁵ *Supra* note 40.

⁴⁶ BUDGET JUSTIFICATION, *supra* note 5.

⁴⁷ UNITED STATES COAST GUARD, *Acquisitions Directorate, Waterways Commerce Cutter*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/WCC/>.

⁴⁸ *Id.*

⁴⁹ CONG. RSCH SERV., IF11672, COAST GUARD WATERWAYS COMMERCE CUTTER (WCC) PROGRAM: BACKGROUND AND ISSUES FOR CONGRESS (2024), available at <https://crsreports.congress.gov/product/pdf/IF/IF11672>.

⁵⁰ Briefing, *supra* note 20.

⁵¹ *Supra* note 47.

business. The Coast Guard's legal analysis concluded a new size determination does not prevent the Service from continuing contract performance.⁵² While the small business set aside issue has been overcome, a new issue arose when the prime subcontractor exited the project, leaving Birdon without a shipyard in which to complete the contract.⁵³ On January 31, Birdon notified the Coast Guard of its intent to purchase Metal Shark Alabama, a shipyard where it would plan to build the WCC.⁵⁴ The Coast Guard is evaluating the ability of the new facility to execute the project, and any potential impact the change to a new shipyard will have on the project.

IV. COAST GUARD AIR ASSET ACQUISITION

MH-65 REPLACEMENT PROGRAM

The MH-65 currently makes up the majority of the Coast Guard's rotary-wing fleet, and the Coast Guard is the largest single operator of the platform in the world. However, in 2018 Airbus Helicopters announced that it would be stopping production of the civilian variant of the MH-65, impacting the supply chain and resulting in shortages of critical parts for the fleet.⁵⁵ The Coast Guard is part of the Department of Defense's Future Vertical Lift (FVL) program, which is expected to reach foreground initial operating capability by the late 2030's and full operating capability by the late 2040's.⁵⁶ The Service Life Extension Program (SLEP) for the MH-65 will not be able to cover this gap, leaving the Coast Guard with a critical air capability shortage.⁵⁷



Figure 5: A Coast Guard MH-65 in the background and a MH-60 in the foreground

The Coast Guard intends to replace its existing fleet of MH-65s with MH-60s, a platform the Service currently operates. Furthermore, the Coast Guard plans to replace them on the basis of flight-hour parity.⁵⁸ Since the MH-60 has a higher endurance than the MH-65, the Coast Guard believes it can downsize its current fleet of 146 helicopters to 127 units without losing mission capability.⁵⁹ Further clarifying this risk, a recent GAO review determined that the Coast Guard has failed to determine the type and number of helicopters needed to meet its mission de-

⁵² Email from Earl Potter, Commander, United States Coast Guard, to Subcomm. on Coast Guard and Maritime Transp. Staff (May 30, 2023, 17:07 EST) (on file with Comm.).

⁵³ Email from Earl Potter, Commander, United States Coast Guard, to Subcomm. on Coast Guard and Maritime Transp. Staff (Feb. 6, 2024, 16:00 EST) (on file with Comm.).

⁵⁴ *Id.*

⁵⁵ United States Coast Guard Briefing to Congress, Coast Guard Rotary-Wing Fleet Transition, January 2023 (on file with Comm.).

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

mands.⁶⁰ At the same time, questions remain about the suitability of the larger MH-60 for critical missions traditionally accomplished by the smaller MH-65, such as cutter deployment and other specialized air missions.⁶¹ The introduction of a folding-tail design used on the Navy's variant, which is needed to allow the MH-60 to deploy on Coast Guard vessels, also has the potential to introduce increased maintenance and operational challenges.⁶²

HC-130J ACQUISITION

The Coast Guard uses fixed wing assets to provide heavy air transport and long-range maritime patrol capability.⁶³ Each aircraft is capable of serving as an on-scene command and control platform or as a surveillance platform with the means to detect, classify, and identify objects and share that information with operational forces across multiple domains.⁶⁴

The Coast Guard has a Program of Record to acquire a fleet of 22 new, fully missionized HC-130J aircraft to replace its legacy HC-130Hs.⁶⁵ However, the Coast Guard has not requested funding for these aircraft in their annual budget requests, and the appropriators did not provide funds to purchase any C-130Js in FY 23 or FY 24. The program has stalled out at 19 airframes. Advances in engine and propeller technology incorporated in the HC-130J provide a 20 percent increase in speed and altitude and a 40 percent increase in range compared to the outgoing HC-130H platform.⁶⁶ This will increase the Coast Guard's ability to respond to emergencies, conduct long range search and rescue missions, and counter illicit operations.⁶⁷ H.R. 7659, the Coast Guard Authorization Act of 2024 authorized \$138,500,000 for the acquisition or procurement of 1 missionized HC-130J aircraft in FY 2025.⁶⁸

V. INFORMATION TECHNOLOGY (IT) AND SHORESIDE INFRASTRUCTURE

The Coast Guard requires enhancements to its shoreside and cyber infrastructure to facilitate new assets and more complex mission sets. Currently, limitations in existing physical and data infrastructure have hindered newer platforms from utilizing the full scope of their capabilities. H.R. 7659, the Coast Guard Authorization Act of 2024 authorized \$36,300,000 to modernize the Coast Guard's IT systems, and \$1.1 billion to fund maintenance, construction, and repairs for Coast Guard shoreside infrastructure in FY 2025 and FY 2026.⁶⁹ Of this amount, \$350 million is authorized for the improvements to facilities at Training Center Cape May, \$160 million for improvements at the Coast Guard Academy, \$170 million for a floating dry-dock at Coast Guard yard in Baltimore, \$80 million for a HC-130J Hangar at Air Station Barbers Point in Hawaii, and \$180 million for waterfront improvements of Base Seattle.⁷⁰ The measure also provided additional funds for the Coast Guard to update the Merchant Marine Credentialing System, which will improve recruitment and retention efforts for Merchant Mariners.⁷¹

⁶⁰ GAO, GAO-24-106374, COAST GUARD: AIRCRAFT FLEET AND AVIATION WORKFORCE ASSESSMENTS NEEDED (2024), available at <https://www.gao.gov/products/gao-24-106374>.

⁶¹ *Id.*

⁶² *Supra* note 55

⁶³ UNITED STATES COAST GUARD, *Acquisitions Directorate, HC-130J Long Range Surveillance Aircraft*, available at <https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Air-Programs/LRS-HC-130J/> [hereinafter *HC-130J Long Range Surveillance Aircraft*].

⁶⁴ *Id.*

⁶⁵ Briefing, *supra* note 20

⁶⁶ *HC-130J Long Range Surveillance Aircraft*, *supra* note 63.

⁶⁷ *Id.*

⁶⁸ CGAA 2024, *supra* note 4

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

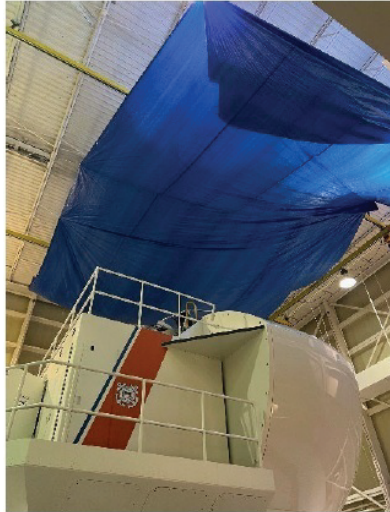


Figure 6: Tarp protecting helicopter simulator from water damage from leaking roof

The Coast Guard estimates that there is a \$1 billion deferred shore facility maintenance backlog, while GAO approximated that number at \$2.6 billion in February 2019 (likely higher today).⁷² As of 2018, the deferred maintenance backlog included more than 5,600 projects, while the recapitalization and new construction backlog included 125 projects.⁷³ GAO's analysis of Coast Guard data found that as of November 2018, there were hundreds of recapitalization projects without cost estimates—representing a majority of recapitalization projects.⁷⁴ Coast Guard officials told GAO that these projects were in the preliminary stages of development.⁷⁵ From that report, 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.⁷⁶

VI. WITNESSES

- Vice Admiral Paul Thomas, Deputy Commandant for Mission Support, United States Coast Guard
- Ms. Shelby Oakley, Director, Contracting and National Security Acquisitions, United States Government Accountability Office

⁷² GAO, GAO-19-711T, COAST GUARD SHORE INFRASTRUCTURE: ACTIONS NEEDED TO BETTER MANAGE ASSETS AND REDUCE RISKS AND COSTS (2019), *available at* <https://www.gao.gov/assets/gao-19-711t.pdf>.

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.*

REVIEW OF THE RECAPITALIZATION OF THE UNITED STATES COAST GUARD

WEDNESDAY, JUNE 12, 2024

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

The subcommittee met, pursuant to call, at 10:17 a.m., in room 2167 Rayburn House Office Building, Hon. Daniel Webster (Chairman of the subcommittee) presiding.

Mr. WEBSTER OF FLORIDA. The Subcommittee on Coast Guard and Maritime Transportation 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, show that ordered.

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

Without objection, show that ordered.

As a reminder, if Members wish to insert a document into the record, please also email it to DocumentsTI@mail.house.gov.

I now recognize myself for the purpose of an opening statement for 5 minutes.

OPENING STATEMENT OF HON. DANIEL WEBSTER OF FLORIDA, CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Mr. WEBSTER OF FLORIDA. Today, our subcommittee will receive testimony from the Coast Guard's efforts to recapitalize its surface, air, IT, and shoreside assets.

I would like to welcome the witnesses: Vice Admiral Paul Thomas, Deputy Commandant for Mission Support, and Shelby Oakley, Director of Contracting and National Security Acquisitions at the United States Government Accountability Office.

Vice Admiral Thomas, I understand this is the last time you will be at this hearing, which may be a great joy to you. And so, we are thankful for you, glad you did what you did during your nearly 40-year career. And we really appreciate it. On behalf of the subcommittee, I would like to thank you for your service to the Nation. In the spirit of today's hearing, we all wish you fair winds and following seas as you embark on this new chapter.

But, before we let you go, sail off into the sunset, we are here today to discuss the Coast Guard's slow, multidecade recapitaliza-

tion program campaign. The Service can count significant successes, including the near completion of its National Security Cutter and Fast Response Cutter programs, though we hope to squeeze in a few more Fast Response Cutters. The Coast Guard has made substantial investments into the shoreside facilities necessary to homeport these new assets.

Unfortunately, challenges remain. Despite clearly articulated needs, the administration's yearly budget requests consistently fall short of the resources needed to carry out the Service's own recapitalization plans. Now, the Coast Guard is left with the lowest appropriation for its procurement account in a decade and is facing a Grand Canyon-sized hole in its future-year budgets.

This subcommittee has repeatedly warned the Coast Guard that it is approaching a fiscal cliff. Now it has arrived. The Offshore Patrol Cutter moves from one to two hulls per year, starting in fiscal year 2026, and the substantial need will grow even more, as soon as fiscal year 2026, to keep the Polar Security Cutter program moving forward. The current budget request cannot sustain the Service's program of record without a significant increase. In contrast to meager appropriations and budget requests, this committee has consistently authorized levels to provide at least a bare minimum needed to keep the Service from losing even more ground.

The Commandant appeared before our subcommittee 3 weeks ago, and while she was unable to commit to a timeline or cost for the Polar Security Cutter, the subcommittee commended her for recognizing the Service requires at least \$3 billion in procurement funding to move its programs forward. While I don't expect you to commit to a Polar Security Cutter timeline, I do look forward to learning what progress is being made on the Coast Guard's major acquisition programs, including the Polar Security Cutter, Offshore Patrol Cutter, and Waterways Commerce Cutter.

Aside from surface assets, the Coast Guard's aging aviation fleet requires modernization. As the Service phases out the C-27 platform and replaces its no-longer-manufactured MH-65s with more capable MH-60s, funding needs only grow. I remain concerned with the plan to reduce the total number of helicopter assets, as well as the suitability for the larger MH-60 platform for specialized Coast Guard missions and cutter operations. I assure you that the committee will continue to track these transitions very closely.

Finally, the Coast Guard's IT and shoreside infrastructure are in dire need of repair and modernization. The Coast Guard Authorization Act of 2024 provides \$1.1 billion in fiscal years 2025 and 2026 to modernize the Coast Guard's shoreside infrastructure, including substantial investments at the Coast Guard Academy and the Coast Guard's sole enlisted accession point at Cape May, both of which are literally crumbling.

To our witnesses, thank you for participating today.

Vice Admiral Thomas, as this is your last hearing before us before you retire, I encourage you to provide us with your full, unvarnished view of how we ought to right the ship.

[Mr. Webster of Florida's prepared statement follows:]

**Prepared Statement of Hon. Daniel Webster of Florida, Chairman,
Subcommittee on Coast Guard and Maritime Transportation**

Today our subcommittee will receive testimony on the Coast Guard's efforts to recapitalize its surface, air, I.T. and shoreside assets. I'd like to welcome our witnesses—Vice Admiral Paul Thomas, Deputy Commandant for Mission Support, and Shelby Oakley, Director of Contracting and National Security at the United States Government Accountability Office.

Vice Admiral Thomas, I understand you will be retiring at the end of this month after a nearly 40-year career in the Coast Guard. On behalf of the Subcommittee, I would like to thank you for your service to our nation. In the spirit of today's hearing, we all wish you fair winds and following seas as you embark on your next chapter.

But before we let you sail off into the sunset, we are here today to discuss the Coast Guard's slow multi-decade recapitalization campaign. The Service can count significant successes, including the near completion of its National Security Cutter and Fast Response Cutter programs—though we still hope to squeeze in a few more Fast Response Cutters. The Coast Guard has also made substantial investments in the shoreside facilities necessary to homeport these new assets.

Unfortunately, challenges remain. Despite clearly articulated needs, the Administration's yearly budget requests consistently fall short of the resources needed to carry out the Service's own recapitalization plans. Now, the Coast Guard is left with the lowest appropriation for its procurement account in a decade and is facing a Grand Canyon-sized hole in its future-year budgets.

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Finally, the Coast Guard's I.T. and shoreside infrastructure are in dire need of repair and modernization. The Coast Guard Authorization Act of 2024 provides \$1.1 billion over fiscal years 2025 and 2026 to modernize the Coast Guard's shoreside infrastructure, including substantial investments at the Coast Guard Academy and the Coast Guard's sole enlisted accession point at Cape May, both of which are literally crumbling.

To our witnesses—thank you for participating today. Vice Admiral Thomas—as this is your last hearing before you retire, I encourage you to provide us with your full unvarnished view on how we can right the ship.

Mr. WEBSTER OF FLORIDA. Now, I will recognize—actually recognize the——

Mr. LARSEN OF WASHINGTON [interrupting]. Recognized, sir?

Mr. WEBSTER OF FLORIDA. Well, I think so.

Mr. LARSEN OF WASHINGTON. OK.

Mr. WEBSTER OF FLORIDA. So, Representative Larsen, you are recognized.

OPENING STATEMENT OF HON. RICK LARSEN OF WASHINGTON, RANKING MEMBER, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Mr. LARSEN OF WASHINGTON. Thanks. I thank the chair.

I want to start by recognizing Admiral Thomas' service and his retirement, as well, later this month. Congratulations and thank you for your service.

I also want to recognize Lieutenant Iia Carter who is moving from the Office of Leg Affairs, or whatever you-all call the Coast Guard and will be the CO at Station L.A. So, then you will just have to deal with Carbajal directly instead of all of us.

So, today's hearing is an opportunity for this committee to receive an update on the Coast Guard's now 17-year-old recapitalization plan. Included in this plan and subsequent update in 2017 is the acquisition of National Security Cutters, Fast Response Cutters, Offshore Patrol Cutters, Polar Security Cutters, Waterways Commerce Cutters, and the HC-130J.

Many of these acquisition programs have experienced significant delays and budgetary issues.

For instance, the Coast Guard awarded the contract for the design and construction of three Polar Security Cutters in 2019. And, now 5 years later, the shipyard that won that contract has been sold, the design is only 60 percent complete, and the Coast Guard has not determined the delivery date or final cost for these vessels.

The Coast Guard awarded the contract for 25 Offshore Patrol Cutters in 2016, and the program is currently behind schedule and over budget. Four cutters are currently under construction, and the Service has amended the contract to move production to another shipyard after these four are delivered.

The contract to build 27 Waterways Commerce Cutters was awarded in 2022 but has been delayed due to a Small Business Administration determination. Further, the contractor has recently purchased a new shipyard to complete construction.

These three acquisition programs are the largest currently underway in the Coast Guard, utilizing nearly all the procurement, construction, and improvements account. And they have a few things in common. They are all over budget, delayed, and construction will not be completed in the shipyard that was awarded the initial contract.

Additionally, while the delivery of HC-130J aircraft has been well-received by Coast Guard aviators—providing better range, speed, and technology than its predecessor—the program is stalled at 19 airframes due to a lack of funding. This, coupled with the unplanned retirement of the C-27 fleet, creates a large gap in Coast Guard aviation capabilities.

While it is appropriate to scrutinize the Coast Guard's decisions, we in Congress must consider our own actions and the structural impediments facing the Service. The Service is dealing with inadequate resources and an inadequate industrial base.

U.S. shipyards are having a hard time competing in the global marketplace. This is not because our yards and workers are any less capable, but because foreign shipyards receive large direct subsidies. For instance, between 2010 and 2018, the Chinese Govern-

ment provided \$132 billion to its shipping and shipbuilding industry.

While I support the Small Shipyard Grant Program, the Title XI Shipbuilding Program, and the Capital Construction Program, collectively these programs pale in comparison to the support other nations provide to their shipbuilding industries. Government shipbuilding becomes much more costly without a robust domestic commercial shipbuilding industry.

I am pleased that Secretary Del Toro of the Navy has directed the Navy to lead the newly formed Government Shipbuilders Council. Working with the Coast Guard, the Maritime Administration, and NOAA, the council seeks to bolster the commercial shipbuilding industry.

Congress must strengthen U.S. shipyards, the merchant marine, and the Jones Act to ensure commercial business for U.S. shipyards.

While I am confident the Coast Guard will complete the ongoing recapitalization effort, I am concerned that Congress and the administration are not prepared to provide the appropriate level of resources.

Before this subcommittee 3 weeks ago, the Commandant testified that the Coast Guard PC&I account would need to be funded in excess of \$3 billion annually in order to adequately cover each acquisition program. Unfortunately, that number does not include the shoreside infrastructure needs, such as piers, hangars, and repair facilities, to support those new assets.

Finally, we can't forget about the women and men who will be operating the new cutters and aircraft once they are delivered. The growing shoreside infrastructure backlog has real-world consequences for the women and men of the Coast Guard.

I have visited numerous Coast Guard stations across the country and have seen firsthand the unacceptable living conditions. No servicemember should be asked to live with mold or asbestos. They deserve better. Congress needs to do better.

As Congress funds the construction of assets, we need to ensure that servicemembers get the shoreside support that they deserve. This includes workstations, housing, healthcare, and childcare.

With that, I want to thank the chair and the ranking member for holding this hearing and look forward to the testimony ahead.

Thank you. I yield back.

[Mr. Larsen of Washington's prepared statement follows:]

**Prepared Statement of Hon. Rick Larsen of Washington, Ranking Member,
Committee on Transportation and Infrastructure**

I'd like to start by recognizing Admiral Thomas' service and retirement later this month. Congratulations and thank you for your service.

I also want to recognize Lieutenant Lia Carter, who is moving from the Office of Legislative Affairs and will be the Chief Officer at the Station Los Angeles. Then you'll just have to deal with Carbajal directly instead of all of us.

Today's hearing is an opportunity for this Committee to receive an update on the Coast Guard's now 17-year-old recapitalization plan.

Included in this plan, and the subsequent update in 2017, is the acquisition of National Security Cutters, Fast Response Cutters, Offshore Patrol Cutters, Polar Security Cutters, Waterways Commerce Cutters and HC-130J aircraft.

Many of these acquisition programs have experienced significant delays and budgetary issues.

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These three acquisition programs are the largest currently underway in the Coast Guard, utilizing nearly all the Procurement Construction and Improvements (PC&I) account, and they have a few things in common.

They are all over budget, delayed and construction will not be completed in the shipyard that was awarded the initial contract.

Additionally, while the delivery of HC-130J aircraft has been well received by Coast Guard aviators—providing better range, speed, and technology than its predecessor—the program has stalled at 19 airframes due to a lack of funding.

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I have visited numerous Coast Guard stations across the country and seen firsthand the unacceptable living conditions. No servicemember should be asked to live with mold or asbestos. They deserve better and Congress needs to do better.

As Congress funds the construction of assets, we need to ensure that servicemembers get the shoreside support they deserve. This includes workstations, housing, healthcare and childcare.

Thank you, Chairman Webster and Ranking Member Carbajal, for holding this hearing, and I look forward to the testimony.

Mr. WEBSTER OF FLORIDA. Thank you.

I now recognize Representative Carbajal.

Ranking Member, you are recognized for 5 minutes.

OPENING STATEMENT OF HON. SALUD O. CARBAJAL OF CALIFORNIA, RANKING MEMBER, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Mr. CARBAJAL. Thank you, Mr. Chair.

And congratulations, Lia Carter, on your upcoming post in the State of California, what many call paradise. We only accept the best of the best. So, you are going to fit right in. Congratulations.

And, to Admiral Thomas, thank you for your service to our Nation. I wish you the best in your upcoming retirement and really appreciate all the contributions you have made to the Coast Guard over the years. So, congratulations on your upcoming retirement, as well.

Before we get started into the substance of today's hearing, I am compelled to express my disappointment again with the newest account of the Coast Guard's handling of Operation Fouled Anchor. The latest disturbing revelations by the former sexual assault and response coordinator at the Coast Guard Academy details a disturbing and blatant disregard for victims in an effort to protect the reputation of the Coast Guard.

If the Coast Guard wants to mend its reputation, it must commit to real transparency and real accountability, which includes the senior leadership. The Coast Guard is a great organization, but those who have dedicated their lives to service deserve better.

The Coast Guard is in the midst of recapitalizing cutters, boats, airplanes, helicopters, shoreside infrastructure, and information technology. In recent years, in almost every case, the procurements have been over budget and over schedule.

While it is important to recapitalize and modernize Coast Guard assets, we must address the ongoing production issues to ensure timely and cost-effective delivery.

The Government Accountability Office, or GAO, has reported several times that the acquisition of new Coast Guard assets routinely comes in delayed and over budget. This is a concerning trend, particularly for a small and underresourced Service that is forced to rely on aging and obsolete assets to conduct its missions.

Improving the acquisition program requires investment so the Coast Guard can bolster its oversight and create internal capabilities. It also requires investing in U.S. shipbuilding to ensure we have shipyards capable of building the assets we need.

U.S. shipyards depend on contracts from the Navy and Coast Guard to support their business. The Coast Guard is oftentimes outbid by the size and value of Navy contracts. Recently, this has forced the Coast Guard to rely on the lack—or should I say, on shipyards that lack experience with Government contracts.

We cannot rely on the Coast Guard to be the subsidizer for the ship industry. Time is of the essence to bring on new cutters, shoreside infrastructure, and IT systems. Not only do modern assets mean improved mission readiness, but they also mean better quality for life for our Coasties.

Servicemembers want their families to live in the best quality housing and want to work in buildings that are not falling down around them. That starts with investing more in shoreside infrastructure and eliminating the estimated \$3 billion backlog.

Ultimately, servicemembers deserve to live and work in places that are not on the brink of failure. Congress and Coast Guard leadership owe it to the personnel to deliver this. I have visited countless Coast Guard stations where buildings are either damaged, outdated, or completely unusable.

I have said it before, and I will say it again: We must fund the Coast Guard at the levels significantly higher than requested and appropriated in recent years. I welcome the Commandant's push to be a \$20 billion agency by 2030, including a need to more than double the procurement, construction, and improvements account, otherwise known as PC&I.

Even GAO has recognized that the funding typically requested by the Coast Guard underestimates their need for recapitalization by more than \$800 million each year. All signs point to the need to fund the Coast Guard at higher levels.

I was heartened to see the House appropriations mark included a \$500 million above-the-budget request for the PC&I account. That is a step in the right direction, but future PC&I funding must match or exceed \$3 billion per year, as reflected in the Coast Guard Authorization Act and the Commandant's recent statements.

I hope this hearing continues to shed light on the growing resource gap, and this serves as a wakeup call.

With that, I yield back with 1 second to spare.

[Mr. Carbajal's prepared statement follows:]

Prepared Statement of Hon. Salud O. Carbajal of California, Ranking Member, Subcommittee on Coast Guard and Maritime Transportation

Before we get into the substance of today's hearing, I feel compelled to express my disappointment with the newest account of the Coast Guard's handling of Operation Fouled Anchor.

The disturbing post by the former Sexual Assault and Response Coordinator at the Coast Guard Academy details a blatant disregard for victims in an effort to protect the reputation of the Coast Guard.

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I hope this hearing continues to shed light on the growing resource gaps and this serves as a wakeup call.

With that, I yield back.

Mr. WEBSTER OF FLORIDA. With 1 second to spare, yes.

I would now like to welcome our witnesses and thank them for being here today.

Briefly, take a moment to explain our lighting system. Green means go; yellow means slow down; and red means stop. That's it.

I ask unanimous consent that the witnesses' full statements be included in the record.

Without objection, show that ordered.

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 have been submitted to them in writing.

Without objection, show that ordered.

I also ask unanimous consent that the record remain open for 15 days for any additional comments or information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, show that ordered.

So, as your written testimony has been made a part of the record, the subcommittee asks that you limit your oral remarks to 5 minutes.

And, with that, we are going to stop, and so, we are going to adjourn until the votes are done. If you-all can come back, that would be fantastic.

And we are in recess.

[Recess.]

Mr. WEBSTER OF FLORIDA. The Subcommittee on Coast Guard and Maritime Transportation will reconvene the previously recessed hearing.

We will now turn to our witnesses. Your written testimony has been made a part of the record. The subcommittee asks that you limit your oral remarks to 5 minutes.

And, with that, Vice Admiral Thomas, you are recognized for 5 minutes.

**TESTIMONY OF VICE ADMIRAL PAUL F. THOMAS, DEPUTY
COMMANDANT FOR MISSION SUPPORT, U.S. COAST GUARD;
AND SHELBY S. OAKLEY, DIRECTOR, CONTRACTING AND NA-
TIONAL SECURITY ACQUISITIONS, U.S. GOVERNMENT AC-
COUNTABILITY OFFICE**

**TESTIMONY OF VICE ADMIRAL PAUL F. THOMAS, DEPUTY
COMMANDANT FOR MISSION SUPPORT, U.S. COAST GUARD**

Admiral THOMAS. Well, good afternoon, Chairman Webster and distinguished members of the subcommittee.

My testimony, I believe, has been entered into the record.

Thank you for this opportunity to update you on the Coast Guard's ongoing activities to recapitalize the Service's assets and capabilities and continue to meet the increasing mission demands across the Nation and around the world.

On behalf of the Commandant and the entire Coast Guard workforce, I express my sincere appreciation for your oversight and for your support of our Service.

In response to ever-increasing demand for the Coast Guard's unique capability, we anticipate a need over the next two decades to field new, more capable assets and expand our enduring presence in critical areas like the Arctic and the Indo-Pacific without reducing our domestic capabilities. We must also build new C5I infrastructure and grow our workforce to operate and maintain these assets.

To do this, the Coast Guard must continue investing in a multi-billion-dollar acquisition portfolio to meet mission needs of today and tomorrow. The Commandant requested that I reiterate the Service's sincere thanks for this committee's support of her efforts to become the Coast Guard the Nation needs with an authorization of \$3.4 billion in PC&I funding. We greatly appreciate your support.

This subcommittee has been a great advocate for the Polar Security Cutter, one of our Service's top two acquisition priorities. The PSC acquisition continues to move forward, and I am optimistic that the design will mature to the degree the Service can authorize start of construction later this year.

The Service's other top acquisition priority is the Offshore Patrol Cutter, and the OPC celebrated a milestone last year with the launch of OPC 1 Coast Guard Cutter *Argus*. There is still much work to be done before *Argus* is delivered, but we are eager to deploy these new cutters to replace the aging Medium Endurance fleet.

In addition to those major cutters, our oldest cutters are our inland tenders, some of which were built during World War II and all of which need to be recapitalized. The Waterways Commerce Cutter will replace those ships, and we recently ordered long lead-time material for the initial WCC.

The Service is also keenly focused on continued investment in our aviation fleet to meet the mission demands of today and tomorrow. The expansion of the MH-60T fleet is critical as the MH-65 approaches end-of-service life.

The HC-130J is the Coast Guard's largest and most capable aircraft, and the Service recently took the delivery of our 17th HC-

130J. Number 18 and 19 are still in the acquisition process, and we need your support to complete our existing program of record of 22 aircraft.

As the subcommittee is well aware, the Coast Guard has significant needs across our shore infrastructure portfolio. We are focused on conducting the planning necessary to make well-informed requests in future years to address concerns across the Service, including at our critical accession points: the Training Center Cape May and the Coast Guard Academy.

The Service remains committed to building the fleet of the future and delivering systems capability that will maximize return on investment. To advance the Service's recapitalization efforts and properly plan to meet mission requirements, we must have stable, predictable funding. Our Commandant has stated our Coast Guard must be a \$20 billion organization by 2033. And, in line with your recent \$3.4 billion PC&I authorization, we need at least \$3 billion annually in recapitalization dollars. However, we are constrained by fiscal limits, and increasing operating and sustainment costs restrict our ability to invest in recapitalization.

As the Commandant has said, most of our recent funding increases have gone to running the Service of today, not to building the Service for tomorrow.

The Coast Guard recognizes your efforts to change that paradigm, and we look forward to working with you to ensure the Service continues to field the capabilities and the personnel necessary to meet our Nation's demands.

Congressman Carbajal mentioned yesterday's hearing and the recent revelations by our former sexual assault response coordinator at the Coast Guard Academy.

Congressman, I just wanted to take this opportunity to speak directly to the victims who may be out there or folks who may know victims out there, because the most concerning part of that report was the potential that some victims have not been able to access healthcare that they need through the VA. And we have and we continue to stand ready to assist any victims' access to healthcare efforts. And I personally am ready to do that, but we also have an enterprise victim advocate that can help any victims out there.

So, thank you for your support. I appreciate the opportunity to testify, and I look forward to your questions.

[Admiral Thomas' prepared statement follows:]

Prepared Statement of Vice Admiral Paul F. Thomas, Deputy Commandant for Mission Support, U.S. Coast Guard

INTRODUCTION

Good morning, Chairman Webster, Ranking Member Carbajal, and distinguished members of the Subcommittee. Thank you for your continued oversight and strong support of the Coast Guard. I am honored to appear before you today to update you on our ongoing efforts to recapitalize our aging surface and aviation fleets; Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance and Reconnaissance (C5ISR) systems; and shore infrastructure.

Our Commandant speaks regularly about the need to adapt to the ever-increasing pace of change. To keep up with the changing world around us, we must provide our total workforce with modern assets, systems, and infrastructure to support mission execution. In line with this direction, the Service needs continued Congress-

sional support to invest in a multibillion-dollar portfolio of acquisition programs that will deliver the right capabilities for the Service. At the same time, the Coast Guard continues to prioritize investments in shore infrastructure, where every mission begins and ends: the facilities, piers, runways, and buildings that are as necessary for operations as our ships, boats, aircraft, and C5ISR systems.

Indeed, the Service's largest recapitalization effort since World War II remains a top priority for the Commandant. Today's efforts to invest in tomorrow's needs will shape the Coast Guard and impact national security for decades. This Subcommittee's continued support has helped us make tremendous progress, and it is critical that we continue to deliver assets to the field that improve mission execution and provide the capabilities the Nation needs. Simply put, we must act today to be prepared for tomorrow.

THE COAST GUARD ACQUISITION ENTERPRISE

As the Chief Mission Support Officer of the Coast Guard, I lead a talented team of professionals dedicated to building and maintaining a modern force of assets, infrastructure, and systems that meet the needs of the Service. Acquisitions require executable strategies that consider the need to plan and scope acquisitions before work begins; to oversee the design and production processes; and to prepare future crews and the maintenance community for the delivery and future operation of new capabilities.

To bolster acquisition oversight, the Coast Guard has developed an acquisition governance structure, continues to refine that structure, strengthen processes, institutionalize the roles of our technical authorities, and focus on recruiting and retaining a highly capable acquisition workforce. We continue to implement initiatives to minimize risks and maximize affordability within our complex acquisition programs. We leverage the experience and expertise of our partners to perform key functions and guide Coast Guard decision-makers throughout the acquisition life cycle.

STATUS OF KEY ACQUISITION EFFORTS

The Coast Guard continues to make progress in our efforts to recapitalize the fleet and support systems. The Service is taking delivery of new cutters, aviation assets, boats, C5ISR capabilities, and upgraded shore infrastructure, and investing in critical mission-enabling service life extensions, major maintenance, and key upgrades of the legacy surface and aviation fleet to enhance mission readiness and performance.

Surface Programs:

With the strong support of this Subcommittee, we are moving forward with the acquisition of the Nation's first new heavy polar icebreakers in over four decades. The United States is an Arctic nation, and we have both sovereign rights and responsibilities to safeguard our interests in the Arctic. Similarly, the United States has strong interests in the Antarctic region. Coast Guard polar icebreakers are the foundation of U.S. operational presence and influence in the polar regions. These multi-mission cutters provide assured, year-round access not only for Coast Guard missions, but also in support of critical activities that protect key U.S. interests in the high latitudes.

Along with the Offshore Patrol Cutter (OPC), the Polar Security Cutter (PSC) is the Coast Guard's top acquisition priority. When fully operational, the three PSCs the nation requires will provide the global reach and icebreaking capability necessary to project U.S. presence and influence, conduct Coast Guard missions in the high latitudes, and advance our national interests in the Arctic and Antarctic regions.

The Coast Guard and Navy have established an Integrated Program Office (IPO) to leverage each service's experience and expertise in large, complex vessel acquisition programs. Both services remain committed to attaining the necessary design maturity prior to beginning production activities. This approach ensures shipyard readiness and mitigates overall schedule risk. Detail design activities are ongoing, and long lead-time material for the lead ship have been delivered to the shipyard. The IPO has adopted an innovative and incremental approach to support early production, Prototype Fabrication Assessment (PFA), which is based on Navy best practices. By prioritizing and starting construction on up to eight low-risk modules, PFA allows the shipbuilder to progressively build workforce capability, test new processes and equipment, and reduce production risk. To date, four modules have been authorized for construction. These modules have achieved near 100 percent design maturity and present very low risk of re-work. These modules, unlike work done under special studies previously authorized, will be part of the first PSC.

Earlier this year and in accordance with statutory and policy requirements, the Coast Guard notified Congress that the PSC program would exceed cost and schedule thresholds. The program is in the process of reviewing cost and schedule projections provided by the PSC prime contractor to formally establish new cost and schedule parameters in the acquisition program baseline. This work is occurring in parallel with ongoing program activities to support delivery of the PSC fleet as quickly as possible.

The OPC also remains a top acquisition priority for the Service and is vital to recapitalizing the capability provided by our legacy fleet of 210-foot and 270-foot Medium Endurance Cutters (MEC). The program is progressing, with production of OPCs 1–4 underway with the Stage 1 contractor. The lead OPC, *Argus*, was launched and christened October 27, 2023, and production activities continue with delivery of OPC 1 scheduled in Fiscal Year (FY) 2025. Additionally, the Service is continuing with design activities on the Stage 2 contract, which will lead to the future production of up to 11 additional OPCs.

As a bridging strategy to maintain mission capabilities until the OPCs are delivered, the Coast Guard has begun 270-foot MEC service life extension program (SLEP) activities that address key systems and component obsolescence on board the MECs, the first of which just exceeded 40 years in service. Two SLEP prototypes have been completed to date, including CGC *Harriet Lane*, which recently returned to the operational fleet, was designated as the Indo-Pacific Support Cutter and is currently providing additional mission capability in that critical region. The first full 270-foot MEC SLEP is currently underway at the Coast Guard Yard.

In 2022, the Coast Guard awarded a contract for the design and future production of the river buoy tender and inland construction tender variants of the Waterways Commerce Cutter (WCC) fleet. The contract includes options for production of up to 27 cutters, and a separate effort is planned to deliver three inland buoy tenders to achieve a total fleet of 30 WCCs. The program recently established the required cost, schedule, and performance parameters to allow the Service to proceed with the initial purchases of long lead-time material to support construction of the first two WCC variants.

Investment in our inland fleet is critical to the continued operation of the Marine Transportation System, which facilitates more than \$5.4 trillion in annual economic activity. The legacy fleet is approaching obsolescence, maintenance costs are rising, and the vast majority of these cutters do not support mixed-gender berthing. Continued progress toward delivering these new assets and replacing the legacy fleet, which has an average age of over 55 years, is critical to maintaining the Coast Guard's capability to execute this important mission.

The Service continues to deliver National Security Cutters (NSC) and Fast Response Cutters (FRC) to the fleet, providing game changing capabilities to operational commanders and supporting expanded mission demands around the globe. The Coast Guard commissioned the tenth NSC, CGC *Calhoun*, into service this April and has commissioned 55 FRCs into service. Last month, with the support of the Administration and Congress, the FRC program used an available contract option to order two additional FRCs (hulls 66–67) to further the Indo-Pacific Strategy of the United States. The FRCs have demonstrated unmatched capacity to support engagement with partners throughout the Indo-Pacific, and the President's FY 2025 budget request includes additional investments to increase meaningful presence in the region. These investments are absolutely essential to support the rules-based international system, enhance partner capabilities, deter malign actors, and combat the illegal, unreported, and unregulated fishing that threatens economies throughout the Indo-Pacific.

The Department of Homeland Security Appropriations Act, 2024 provides funding for the acquisition of a commercially available polar icebreaker (CAPI). The Service has completed market research and, in large part due to Congressional support to streamline the acquisition process, the Coast Guard is moving forward with an acquisition strategy to procure and begin initial modifications of a CAPI for future service in the Arctic on an accelerated timeline.

In concert with our efforts to acquire new assets, the Service is also focused on sustaining and improving our existing fleet through the In-Service Vessel Sustainment (ISVS) program. The Service is approaching the completion of Major Maintenance Availability activities for the 225-foot seagoing buoy tenders at the Coast Guard Yard in Curtis Bay, Maryland; the last cutter is scheduled to leave the Coast Guard Yard in FY 2025. Planning is underway in advance of future ISVS efforts to conduct a major maintenance availability on the 175-foot Coastal Buoy Tender fleet and the CGC *Healy* SLEP.

CGC *Healy* is the Service's medium polar icebreaker and will begin its SLEP in the near future. That SLEP will be modeled after the phased approach the Service

used for our only heavy polar icebreaker, CGC *Polar Star*. Like CGC *Polar Star*'s SLEP, CGC *Healy*'s SLEP will include five phased availabilities around CGC *Healy*'s annual operations.

The Coast Guard is also making investments across the boat fleet, producing the next generation of cutter boats to enhance interdiction capabilities of parent cutters. Additionally, the Coast Guard continues to perform SLEP activities to extend the useful service life of the Service's 47-foot motor lifeboats by replacing obsolete, unsupportable, or maintenance-intensive equipment, and standardizing configuration across the fleet.

Aviation Programs:

The Coast Guard has formally established a program baseline to govern SLEP activities on the existing MH-60T fleet and to continue the transition of the rotary-wing fleets to a single airframe through new fleet growth increments. These efforts will be accomplished using a combination of converted low-time U.S. Navy helicopters and newly manufactured hull components. When combined with structural fitting and dynamic component replacements through the SLEP, the new hulls will extend the service life of the Coast Guard's vertical lift capability into the 2040s. Service life extension work also continues on the H-65 fleet, including critical avionics upgrades.

Acquisition of new HC-130J airframes is significantly enhancing the Coast Guard's capabilities to conduct airborne surveillance, detection, classification, and identification of vessels and other aircraft missions in coordination with the surface fleet and shoreside facilities. Later this year, we plan to take delivery of the 18th and final HC-144B following the completion of Minotaur missionization and Ocean Sentry Refresh activities. In light of the clear signal from Congress in FY 2024's appropriation, the Service is transitioning away from the HC-27J—we have ceased missionization activities and will retire the remaining un-missionized HC-27J aircraft over the next several years. In the near future the Coast Guard will be providing a brief on the way ahead for our medium range fixed wing capability, including consideration for unmanned systems.

The Coast Guard is delivering standardized missionization packages, based on the U.S. Navy's Minotaur Mission System Suite, that improve system performance, address obsolescence concerns, improve cyber security of the mission system, and increase compatibility with Department of Defense and Department of Homeland Security assets and systems.

Additionally, the Coast Guard continues to leverage the use of unmanned aircraft system (UAS) capabilities to support the surveillance and maritime domain awareness capabilities of the NSC fleet. Nine operational NSCs have been equipped with UAS infrastructure and equipment and routinely deploy with UAS capabilities as part of the cutter's total force package that dramatically enhances their ability to gain maritime domain awareness and interdict smugglers.

C5ISR and Information Technology Programs:

The Coast Guard continues to acquire C5ISR and information technology (IT) systems that enhance the mission capabilities of new and recapitalized Coast Guard assets to operate in challenging environments. The systems provide standardized capability to major cutters and aircraft, enabling assets to receive, evaluate and act upon information, and facilitate interoperability and information sharing inside and outside the Coast Guard. IT efforts like the Cyber and Enterprise Mission Platform program address the need to replace and modernize obsolete support systems to improve mission readiness and operational effectiveness.

Shore Infrastructure:

As Coast Guard leadership have repeatedly noted in testimony before this Subcommittee, shore facility maintenance and recapitalization are critical to mission success. New, more capable assets must be paired with investments in our infrastructure needs. The Coast Guard is committed to taking a leading-edge approach to project planning to ensure the Service is able to effectively execute and deliver the modern and resilient infrastructure required to meet the operational demands of today and tomorrow.

CONCLUSION

Since 1790, the Coast Guard has safeguarded our Nation's maritime interests and natural resources on our rivers, in our ports, on the high seas, and around the world. Each day, the Coast Guard carries out its missions to protect lives, protect the environment, secure our maritime borders, facilitate commerce, and defend our national security. Our mission support and acquisition enterprises are, likewise,

working each day to plan and deliver the assets and capabilities needed to support these critical missions.

The cutters, boats, aircraft, C5ISR systems, and shoreside infrastructure we acquire today will provide vital capability for decades to come. We are committed to maximizing the Nation's return on these important investments. Thank you for the opportunity to testify before you today and for all you do for the women and men of the U.S. Coast Guard. I look forward to answering your questions.

Mr. WEBSTER OF FLORIDA. Thank you for your testimony.

Now we turn to Ms. Oakley.

You are recognized for 5 minutes.

**TESTIMONY OF SHELBY S. OAKLEY, DIRECTOR, CONTRACTING
AND NATIONAL SECURITY ACQUISITIONS, U.S. GOVERN-
MENT ACCOUNTABILITY OFFICE**

Ms. OAKLEY. Good morning, Chairman Webster, Ranking Member Carabajal, and members of the subcommittee.

Thank you for the opportunity to talk about challenges with Coast Guard's acquisition portfolio affordability.

My testimony today should not be a shock to anyone. The Coast Guard's acquisition portfolio is unaffordable, given historic and predicted budgetary levels. We have been consistently reporting this for over 10 years.

The Commandant recently testified that, while the Coast Guard's budget request included nearly \$1.6 billion to recapitalize assets, in fact, up to \$4 billion is what is actually required.

While the Coast Guard has the lion's share of responsibility for the budget predicament they are in, others play an important role, too. This includes OMB and DHS, as well as congressional decisionmakers.

As a result, my statement today will focus on two main areas. First, I will cover the actions the Coast Guard can take to improve the portfolio's affordability. Second, I will raise key questions that decisionmakers need to address if they want to begin tackling these challenges.

From where I sit, I see two main areas the Coast Guard needs to improve. First, Coast Guard needs to do better when it comes to managing cost growth and schedule delays on its major acquisition programs. This includes the high-priority PSC and OPC programs.

These programs are now collectively costing \$13 million more than initially planned and are 4 to 5 years behind schedule. These outcomes make affordability challenges worse. They extend the need for resources and prolong the wait for new and necessary capabilities.

Second, Coast Guard needs to better articulate the full scope of its funding needs and identify tradeoffs that will be necessary when and if those needs cannot be met. The Coast Guard and DHS have consistently kicked the can down the road and have not taken steps to realistically lay out a plan for meeting its mission needs outside of the constrained budget process.

Ten years ago, we recommended that the Coast Guard develop a 20-year fleet modernization plan that identifies all assets necessary to meet its missions and the funding needed for those assets. Similarly, in 2019, we recommended the Coast Guard include

supporting details about tradeoff decisions and congressional budget requests and related reports. Coast Guard has yet to address these recommendations in part because of limitations imposed by OMB and DHS.

I want to be clear. I am not suggesting that the Coast Guard operate in its planning without constraints. That is necessary. What I am suggesting is that, without the Coast Guard identifying what it needs to fund the ships, aircraft, and infrastructure it needs to meet its missions now and in the future, decisionmakers are left with limited insight. This precludes them from making tough decisions to prioritize and fund programs essential to the Coast Guard's missions or to advocate for additional resources.

Speaking of decisionmakers, that brings me to my next point. Coast Guard does not make budget requests in a vacuum. It must align with the President's topline budget numbers, which are set by OMB and DHS. Congressional decisionmakers have tried to help by consistently funding programs on the Coast Guard's unfunded priorities list. The Coast Guard has come to rely on this as a way to get more resources, and this can take decisions about priorities out of the Coast Guard's hands.

Decisionmakers will have to eventually address difficult decisions about the affordability of the Coast Guard's portfolio.

First, what can the Coast Guard do to improve management of its acquisition programs and achieve better cost and schedule outcomes?

Second, when will the Coast Guard develop a long-term plan that can inform tradeoff decisions?

Third, which programs may need to be cut, reduced, or deferred?

Finally, what gaps or reductions in mission capability will operators and the public face due to these challenges?

We have 16 open recommendations to the Coast Guard that could help answer some of these questions, and the Coast Guard should prioritize implementing them.

For example, holding programs accountable to stabilizing ship designs before proceeding with construction is in line with leading practices and will result in better cost and schedule outcomes. That is a decision that is facing the PSC program in the near future.

Again, none of these questions are new, but they are even more critical today as the Coast Guard's budget will be increasingly consumed by programs like OPC and PSC in the coming years.

Chairman Webster, Ranking Member Carbajal, and members of this subcommittee, this completes my oral statement. I am happy to answer any questions that you have.

[Ms. Oakley's prepared statement follows:]

**Prepared Statement of Shelby S. Oakley, Director, Contracting and
National Security Acquisitions, U.S. Government Accountability Office**

COAST GUARD ACQUISITION: ACTIONS NEEDED TO ADDRESS AFFORDABILITY
CHALLENGES

HIGHLIGHTS

Why GAO Did This Study

The U.S. Coast Guard employs a variety of vessels and aircraft, several of which are approaching the end of their intended service lives. Consequently, the Coast Guard plans to invest billions of dollars to acquire several high priority assets. These include three Polar Security Cutters, 25 Offshore Patrol Cutters, and 79 additional MH-60T helicopters.

This statement addresses (1) challenges with the affordability of the Coast Guard's portfolio of major acquisitions, and (2) key questions that the Coast Guard and Congressional decision-makers will need to address because of these challenges. The statement also highlights GAO's prior recommendations and matters for Congress which, if implemented, would help address the challenges. This statement is largely based on GAO's prior work on Coast Guard acquisitions issued from 2012 through 2024, including GAO-18-454, GAO-23-105805 and GAO-23-105949. Information about the scope and methodology of prior work on which this statement is based can be found in those products.

What GAO Recommends

Since 2012, GAO has made 48 recommendations (16 of which remain open) on how to better manage the Coast Guard's major acquisition programs. GAO will continue to monitor the agency's progress in addressing these recommendations. GAO has also made matters for congressional consideration to improve Coast Guard acquisitions. Two of these matters remain open.

What GAO Found

The Coast Guard plans to spend over \$40 billion to modernize its vessels and aircraft. But it faces persistent challenges managing its major acquisition programs—generally those with life-cycle cost estimates of at least \$300 million. These challenges include:

Cost growth. Coast Guard's planned investments for its portfolio of major acquisitions increased by \$8.2 billion since 2018. The increase is primarily related to cost increases on the Offshore Patrol Cutter program and additional investments in MH-60T helicopters. This problem increases the cost pressure on the overall portfolio.

Lack of long-term planning. The Coast Guard makes short-term budget decisions that obscure the trade-offs needed to balance the long-term affordability of the portfolio. In 2014, GAO recommended that the Coast Guard develop a long-term plan to manage its highest priority efforts. The agency agreed and statute directed the Coast Guard to develop such a plan. But the Coast Guard, as of June 2024, has yet to produce one.

Affordability. The Coast Guard's short-term budget decisions have resulted in a buildup—or bow wave—of near-term unfunded acquisitions. These decisions could negatively affect future acquisition efforts and operations.

Program uncertainties. Further, the Coast Guard faces uncertainties—such as unrealistic schedules and cost estimates—on two of Coast Guard's highest priority programs: the Offshore Patrol Cutter and Polar Security Cutter. These uncertainties will likely exacerbate portfolio affordability challenges.

GAO has made several recommendations and matters for Congressional consideration that, if implemented, would inform key questions for decision-makers, such as:

- How can Coast Guard manage its acquisition programs to achieve better cost and schedule outcomes?
- Which programs will decision-makers cut, reduce, or defer to balance the affordability of the Coast Guard portfolio?

Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee:

I am pleased to be here today to discuss the Coast Guard's management of its acquisition portfolio, including key challenges with the affordability of this portfolio. The affordability of the Coast Guard's portfolio has consequences affecting its ability to accomplish its vitally important missions. These include search and rescue; ports, waterways and coastal security; migrant interdiction; drug interdiction; aids to navi-

gation; and ice operations. Having the right assets to accomplish these missions relies, in part, on being able to afford them within expected budgets, and, if necessary, make hard decisions about what to prioritize. However, the Coast Guard continues to rely on the annual budget process and its 5-year Capital Investment Plan for long-term acquisition planning, processes which we found have contributed to affordability problems.

My statement today will address (1) challenges with the affordability of the Coast Guard's portfolio of major acquisitions, and (2) key questions that decision-makers will need to address because of these challenges. I will also highlight areas where our prior recommendations, if implemented, would help the Coast Guard address these challenges. This statement is based on our extensive body of work examining the Coast Guard's acquisition efforts spanning more than a decade.¹

For the reports cited in this statement, among other methodologies, we analyzed Department of Homeland Security acquisition management policy and Coast Guard guidance, data, and documentation. We interviewed Coast Guard officials at its headquarters and selected field units to determine the total cost of the Coast Guard's acquisition portfolio and how the Coast Guard manages its acquisition portfolio. Further detailed information on our scope and methodology can be found in the reports cited in this statement. For this statement, we obtained some updated information from the Coast Guard on program costs and funding.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

COST GROWTH, SHORT-TERM PLANNING, AND UNCERTAINTY ABOUT HIGH PRIORITY PROGRAMS EXACERBATE AFFORDABILITY CHALLENGES OF THE COAST GUARD'S PORTFOLIO

Major Acquisition Portfolio Increased \$8.2 Billion from 2018 to 2024

From 2018 to 2024, the Coast Guard's planned investments for its portfolio of major acquisition programs increased from \$32.3 billion to at least \$40.5 billion, or by 25.5 percent.² This represents an \$8.2 billion increase over the 6-year period. For some of these programs, however, the Coast Guard is developing or updating its cost baselines, which may reveal additional estimated costs. Additionally, the Coast Guard currently estimates that it will need about \$18 billion to complete development and acquire the assets. See table 1 for details on the increased estimated cost and remaining investment required of each major acquisition program.

Table 1: Total Estimated Acquisition Cost and Remaining Investment Required for Coast Guard Major Acquisition Programs in 2018 and 2024

(then-year dollars in millions)

Program	Total estimated acquisition cost ^a		Remaining investment required	Estimated date program completes acquisition ^b
	2018	2024	2024	
National Security Cutter	\$6,135	\$7,831	\$421	2027
Fast Response Cutter	\$4,243	\$3,779 ^c	(\$296) ^d	2027
Offshore Patrol Cutter	\$12,101	\$14,576 ^e	\$10,691	2038
Polar Security Cutter	\$3,207	\$3,121 ^f	\$1,539	TBD
Waterways Commerce Cutter	n/a	\$1,075 ^g	\$871	TBD
Medium Range Surveillance Aircraft (HC-144B/HC-27J)	\$2,507	\$2,397	\$552	2032 ^h
Long Range Surveillance Aircraft (HC-130J)	\$3,038 ⁱ	\$2,644	\$616	2032
Short Range Recovery Helicopter (MH-65E)	\$1,070	\$1,070	\$209	2024
Medium Range Recovery Helicopter (MH-60T)	n/a	\$4,034 ^j	\$3,269	2030

¹ GAO, *Coast Guard Acquisitions: Actions Needed to Address Longstanding Portfolio Management Challenges*, GAO-18-454 (Washington, D.C.: July 24, 2018); *Coast Guard Acquisitions: Better Information on Performance and Funding Needed to Address Shortfalls*, GAO-14-450 (Washington, D.C.: June 5, 2014); and *Coast Guard: Portfolio Management Approach Needed to Improve Major Acquisition Outcomes*, GAO-12-918 (Washington D.C.: Sept. 20, 2012).

² The Department of Homeland Security generally defines major acquisition programs as those with life-cycle cost estimates of at least \$300 million.

Table 1: Total Estimated Acquisition Cost and Remaining Investment Required for Coast Guard Major Acquisition Programs in 2018 and 2024—Continued

(then-year dollars in millions)

Program	Total estimated acquisition cost ^a		Remaining investment required	Estimated date program completes acquisition ^b
	2018	2024	2024	
Total	\$32,301	\$40,527	\$17,872	n/a

Source: GAO presentation of and analysis of Coast Guard data. GAO-24-107584

Legend: n/a = not applicable.

^aTotal estimated acquisition cost is the threshold cost from the acquisition program baseline, which establishes a program's costs, schedule, and performance parameters. The acquisition program baseline is the agreement between the acquisition program, component, and department-level officials that establishes how systems being acquired will perform, when they will be delivered, and what they will cost. In accordance with DHS policy, the acquisition program baseline for a program establishes objective (target) and threshold (maximum acceptable costs, latest acceptable milestones, and minimum or maximum acceptable performance) parameters for a program.

^bAs provided by the Coast Guard's 5-year Capital Investment Plan, dated fiscal year 2022, estimated completion dates can reflect the completion of different activities depending on the program and are based on funding levels in the 5-year plan.

^cThe 2024 acquisition program baseline cost estimate does not include costs associated with personnel and shore infrastructure for the Fast Response Cutter. The prior estimate in 2018 includes these costs. The Coast Guard estimates that personnel costs are \$184.8 million and shore infrastructure costs are \$267.2 million in base year 2008 dollars.

^dThe Fast Response Cutter program of record was increased in 2020 by six and again in 2022 by one, for a total of seven additional cutters beyond the program of record. The program was subsequently rebaselined to account for this change in quantities. In 2024, the Coast Guard received \$220 million for two additional Fast Response Cutters. According to the Coast Guard, the Fast Response Cutter program is rebaselining to address the recent increase to the program of record.

^eThe Coast Guard has yet to develop an acquisition program baseline that covers the entire duration of the program. It plans to have the updated acquisition program baseline for the Offshore Patrol Cutter program approved in late fiscal year 2024.

^fAn updated acquisition program baseline that will include an updated cost estimate is expected in the first quarter of fiscal year 2025. In April 2024, the Congressional Budget Office estimated the cost of the three Polar Security Cutters to be \$5.1 billion.

^gThis reflects the cost estimate in the preliminary acquisition program baseline for the Waterways Commerce Cutter program. As of May 2024, the initial acquisition program baseline had yet to be approved.

^hDate applies to the completion of the HC-27J program. The acquisition effort for the HC-144B aircraft is close to completion, with full operational capability expected in 2024.

ⁱThe 2018 total estimated acquisition cost included funding for the HC-130H program. This program was canceled in the 2014 Consolidated Appropriations Act and the acquisition program baseline was updated in March 2020 to reflect this change. The 2024 total estimated acquisition cost is only for the HC-130J acquisition.

^jMH-60T includes three increments. Increments 1 and 2 both have a current acquisition program baseline with a current cost estimate. Increment 3 has a preliminary acquisition program baseline with a preliminary cost estimate.

The \$8.2 billion increase is primarily related to cost increases on the Offshore Patrol Cutter (OPC) program and the addition of the medium range recovery helicopter or MH-60T to the portfolio, which we discuss in greater detail below. This problem increases the cost pressure on the overall portfolio.

Lack of Long-Term Planning Hinders the Coast Guard's Ability to Make Necessary Trade-offs

For over 10 years, we have repeatedly found two main challenges in how decision-makers, including the Office of Management and Budget (OMB), the Department of Homeland Security (DHS), and the Coast Guard, budget for the Coast Guard's portfolio of acquisitions (1) the expected cost of the Coast Guard's portfolio does not align with its plans and funding levels; and (2) OMB, DHS, and the Coast Guard have made short-term budget decisions that obscure the trade-offs needed to balance the long-term affordability of the portfolio.³ For example:

- In 2012, we found that the Coast Guard's approach of relying on the annual budget process to manage portfolio affordability did not provide the best basis for making decisions to develop a more balanced and affordable portfolio in the long-term.⁴ To help provide decision-makers with current information to determine budgets, we recommended that the Coast Guard conduct a comprehensive portfolio review to develop revised baselines that reflect acquisition priorities as well as realistic funding scenarios. DHS agreed with the recommendation. However, as part of our recommendation follow-up procedures, we found that the Coast Guard's efforts to implement the recommendation did not include significant trade-off decisions needed to improve the affordability of the portfolio. We eventually closed the recommendation as not implemented. However, we continue to believe that a comprehensive portfolio review that reflects acquisition priorities as well as realistic funding scenarios would aid the Coast Guard in managing the affordability of its portfolio.
- In 2014, we found that the Coast Guard's annual budget-driven trade-off approach created constant churn as program baselines had to continually realign with budget realities instead of budgets being formulated to support program

³ GAO-12-918; GAO-14-450; and GAO-18-454.

⁴ GAO-12-918.

baselines.⁵ This resulted in trade-off decisions between capability and cost being pushed into the future. At the time, OMB, DHS, and the Coast Guard took steps to address the affordability challenges of Coast Guard's acquisition portfolio. For example, OMB conducted annual performance and mission-based reviews of the Coast Guard's acquisition portfolio as part of the annual budget process. OMB officials told us at the time that they made little progress in identifying the trade-offs that would make the portfolio more affordable, such as adjusting the quantities or capabilities of assets needed to meet mission needs.

To help the Coast Guard improve the long-term outlook of its portfolio, in 2014, we recommended that the Coast Guard develop a 20-year fleet modernization plan that identified all acquisitions needed to maintain its current level of service and the fiscal resources necessary to build the identified assets. The Coast Guard agreed with the recommendation. Subsequently, in 2016, the Coast Guard Authorization Act of 2015 directed the Coast Guard to complete a 20-year Long-term Major Acquisitions Plan, to be submitted to congressional committees as part of a report on the status of the Coast Guard's major acquisition programs.⁶ In November 2017, Coast Guard officials told us they were developing a 20-year long-term plan that specifically focused on their highest priority recapitalization and sustainment efforts to meet the intent of the 2016 congressional mandate.

In June 2021, however, as part of our recommendation follow-up procedures, Coast Guard officials told us they did not yet have an approved 20-year plan. According to officials, the plan must be approved by relevant agencies, including OMB and DHS. In 2021, we closed the recommendation as not implemented, since we had no evidence that this plan was imminent. As of June 2024, the Coast Guard has yet to submit a 20-year plan to Congress. We continue to believe that a 20-year plan identifying all acquisitions needed to maintain the current level of service and the fiscal resources needed to build the identified assets would help decision-makers take informed steps to improve the long-term outlook of the Coast Guard's portfolio of major acquisitions.

- In 2018, we found the Coast Guard continued to manage its acquisitions through its annual budget process and a statutorily mandated 5-year Capital Investment Plan.⁷ Coast Guard officials said the Capital Investment Plan reflected the highest priorities of the department and that trade-off decisions were made as part of the annual budget process. However, the effects of those decisions, such as which acquisitions would take on more risk so others could be prioritized and adequately funded, were not communicated in the Capital Investment Plan to key decision-makers. This was because including such information was not statutorily required.

We recommended, in 2018, that the Coast Guard include in the Capital Investment Plan a discussion of how it prioritizes acquisition programs and describe how its trade-off decisions could affect other acquisition programs. This would provide decision-makers with the information needed to see how annual trade-offs were affecting other current and future programs. DHS agreed with this recommendation and the Coast Guard included limited trade-off information in its Capital Investment Plan, starting with the fiscal year 2021–2025 document. We closed the recommendation as implemented.

More recently, in April 2023, in response to congressional direction, the Coast Guard completed a fleet mix analysis of its cutters.⁸ The analysis determined the number and types of cutters the Coast Guard needs.

⁵ GAO–14–450.

⁶ Pursuant to 14 U.S.C. § 5103(a), the broader status report on the Coast Guard's major acquisition programs is to be submitted to the Senate Committee on Commerce, Science, and Transportation of the Senate and the House Committee on Transportation and Infrastructure every 2 years. See the Coast Guard Authorization Act of 2015, Pub. L. No. 114–120, § 204(e) (2016) (codified at 14 U.S.C. § 5103(e), formerly numbered § 2903, adding the long-term major acquisitions plan). In addition, the Commandant of the Coast Guard is to submit the long-term major acquisitions plan to the House Committee on Homeland Security. Pub. L. No. 114–120, § 101(f).

⁷ GAO–18–454. See 14 U.S.C. § 5102 (formerly numbered § 2902). Since 2012, the Coast Guard has been required to submit its Capital Investment Plan with the President's budget in any given year. The Capital Investment Plan is approved by DHS and the Office of Management and Budget and, as we have reported in the past, is subject to significant change each year.

⁸ 168 Cong. Rec. H1709, H2404 (Mar. 9, 2022) (explanatory statement accompanying the Department of Homeland Security Appropriations Act, 2022, Pub. L. No. 117–103, div. F); 168 Cong. Rec. S8553, S8564 (explanatory statement accompanying the Department of Homeland Security Appropriations Act, 2023, Pub. L. No. 117–328, div. F. (2022)).

These include enforcement and security cutters, seagoing and coastal aids to navigation cutters, inland aids to navigation cutters, polar icebreaking cutters, and domestic ice operations cutters. The Coast Guard noted that the analysis was not constrained by any projected budgetary levels. As such, the fleet mix results did not mirror the Coast Guard's current program of record, which is reflected in the Capital Investment Plan. For example, the study showed that the Coast Guard's desired fleet level includes more cutters than the Coast Guard is currently planning to acquire. The extent that this analysis will be incorporated into annual budget requests for the Coast Guard is unclear.

Further obfuscating the outlook of the Coast Guard's portfolio affordability is that amounts received for certain programs in recent years has exceeded what the President's annual budget request requested for the Coast Guard. This has included funding for HC-130Js, three additional National Security Cutters not included in the original program of record, and additional new airframes for the MH-60T helicopters. These additional funds have allowed the Coast Guard to purchase or field assets sooner than planned. However, this process also contributes to the Coast Guard's affordability problem as it allows the Coast Guard, DHS, and OMB to avoid making tough trade-off decisions that would otherwise be necessary to include these items in the President's annual budget requests.

Additionally, as required by statute, the Coast Guard submits an annual Unfunded Priorities List after its budget is submitted.⁹ The list includes program or mission requirements that were not selected for funding in the proposed budget but that are deemed necessary to address operational needs. For instance, the Coast Guard has included post-delivery activities for the 11th National Security Cutter in the last three Unfunded Priorities Lists. These activities are essential for each cutter to reach full operational capability, yet the President's annual budget request did not include funding for them. The Coast Guard's five most recent Unfunded Priorities Lists have averaged \$1.1 billion in procurement, construction, and improvement activities, which adds 75 percent to the Coast Guard's already stated needs in the annual President's budget submission.

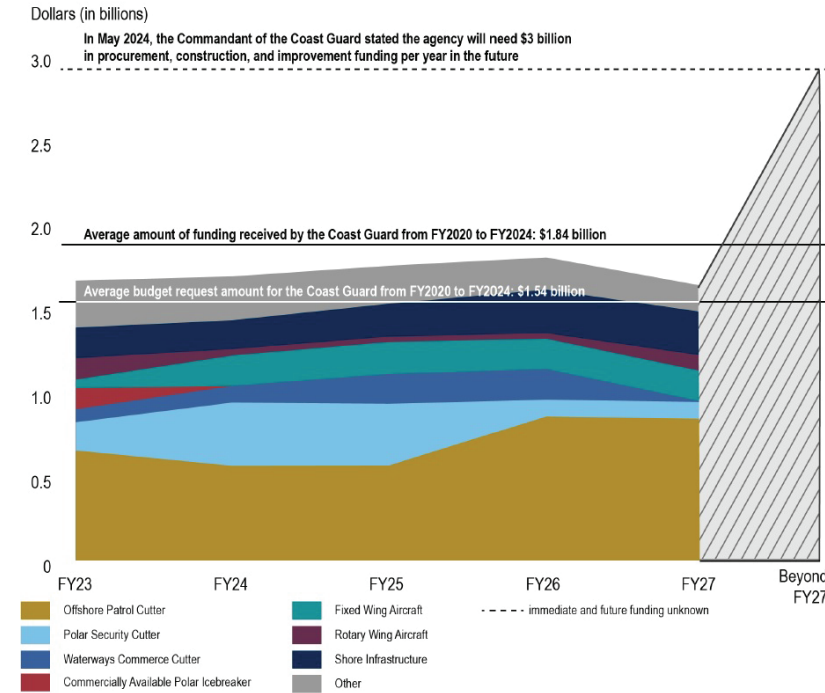
Coast Guard Faces Bow Wave of Unaffordable Acquisitions in Both the Near-Term and Long-Term

For over 10 years, we have reported that the Coast Guard's short-term term budget decisions have resulted in a buildup—or bow wave—of near-term unaffordable acquisitions. This bow wave of funding needs negatively affects future acquisitions efforts and potentially affects future operations.¹⁰ This bow wave consists of new acquisition programs and recapitalization efforts, as well as maintenance projects, which continue to put pressure on available resources. Further, the Coast Guard has been asked to conduct additional missions in recent years, placing greater strain on operational assets. For example, the planned Arctic Security Cutters will fulfill a mission that the Coast Guard is not currently executing due to a lack of available assets. Figure 1 provides aggregate projected funding for various major Coast Guard acquisitions from fiscal years 2023 through 2027 Capital Investment Plan, along with average budget requests and funding received from fiscal years 2020 through 2024.

⁹ 14 U.S.C. § 5108.

¹⁰ GAO, *Coast Guard Acquisitions: Limited Strategic Planning Efforts Pose Risk for Future Acquisitions*, GAO-17-747T (Washington, D.C.: July 25, 2017); *Coast Guard Recapitalization: Matching Needs and Resources Continue to Strain Acquisition Efforts*, GAO-17-654T (Washington D.C.: June 7, 2017); GAO-18-454; and GAO-14-450.

Figure 1: Coast Guard's Procurement, Construction, and Improvement Funding Projections as Depicted in Its Fiscal Year (FY) 2022 Capital Investment Plan for FYs 2023 through 2027



Source: GAO analysis of Coast Guard data. | GAO-24-107584

Note: The "other" category depicted in the graphic contains funding projections for the National Security Cutter and Fast Response Cutter, among other programs.

As reflected in the figure, the Coast Guard's projected needs from fiscal years 2023 through 2027 exceed the average amount requested from fiscal years 2020 through 2024. Also, the Coast Guard's average funding received exceeded the average budget request for the Coast Guard by \$300 million over the last 5 years. Further, the Commandant of the Coast Guard recently stated, during a Congressional hearing in May 2024, that the agency will need up to \$3 billion in annual funding to support its planned acquisitions.

The cost growth and uncertainties on two of the Coast Guard's highest priority programs—Polar Security Cutter (PSC) and Offshore Patrol Cutter (OPC)—are not fully reflected in the figure above and will likely exacerbate the affordability concerns of Coast Guard's portfolio.

- **PSC.** In November 2023, the PSC program declared a cost breach.¹¹ The program determined it required additional funding in excess of its \$3.1 billion cost threshold, based on updated cost data. The program plans to submit its updated life-cycle cost estimate to DHS for approval by September 2024. The program also plans to submit its revised acquisition program baseline to DHS by the end of 2024.¹² While the cost estimate is not complete, the program's remediation

¹¹ According to DHS policy, a program that has not met or will not meet any of its cost, schedule, or performance thresholds approved in its acquisition program baseline will be considered in breach status. In other instances, if an acquisition program cannot meet an approved cost, schedule, or performance parameter due to a change in scope, resulting from circumstances beyond the program's control, it may be approved for an administrative update as an alternative to being considered in breach status.

¹² According to DHS policy, programs in breach status are required to develop a remediation plan that outlines a time frame for the program to either return to its parameters, rebaseline (i.e., establish new cost, schedule, or performance parameters), or have a DHS-led program review that results in recommendations for a revised baseline.

plan indicated that updated costs exceeded 20 percent of the previous baseline threshold of \$3.1 billion, or at least \$600 million. Additionally, as noted above, in April 2024, the Congressional Budget Office estimated the cost of the PSC program to be about \$5.1 billion, or 63 percent more than what is reflected in the program's cost baseline. This gap raises further questions about the affordability of this program in a constrained budget environment.

- *OPC.* In June 2023, we found that, since the OPC program's inception in 2012, the program had experienced cost growth of over 40 percent.¹³ The program attributed its cost increase to several factors, including damage caused by Hurricane Michael in 2018; additional costs incurred by the decision to split the program into multiple stages and award stage 2 to a new shipbuilder; and increased infrastructure costs.¹⁴ However, we found indicators that other problems also pose additional risk to OPC's costs, such as the shipbuilder's quantity of complex work remaining. Further, the program has yet to set a cost baseline for the entire program, which currently consists of 2 stages. The updated baseline is expected to be approved in late fiscal year 2024. Given the program's troubled past with cost growth on stage 1 and uncertainties surrounding stage 2, the estimated costs for the program could be greater than the \$14.6 billion reflected in its current baseline. The pressure on the affordability of the portfolio will likely worsen towards the end of the 5-year window of the 2022 Capital Investment Plan. The OPC is projected to begin requiring almost 50 percent of the Coast Guard's total acquisition budget starting in 2026 to fund the planned two cutters per year.

Further, in May 2024, we found that the PSC and OPC have struggled with achieving a stable design to support construction, as called for by the shipbuilding leading practices that we identified in 2009.¹⁵ We previously found that, when a program proceeds into construction with an unstable design, it increases the risk of completing out-of-sequence construction and rework, which can result in further increased cost growth, as it already has for the OPC program.

The Coast Guard also faces a bow wave of unfunded acquisitions beyond the 5-year window of the current Capital Investment Plan. Figure 2 shows the current and future acquisitions that, based on current Coast Guard programs and requirements, need to be addressed for the Coast Guard to meet its statutory missions, along with the backlog of shore infrastructure projects.¹⁶

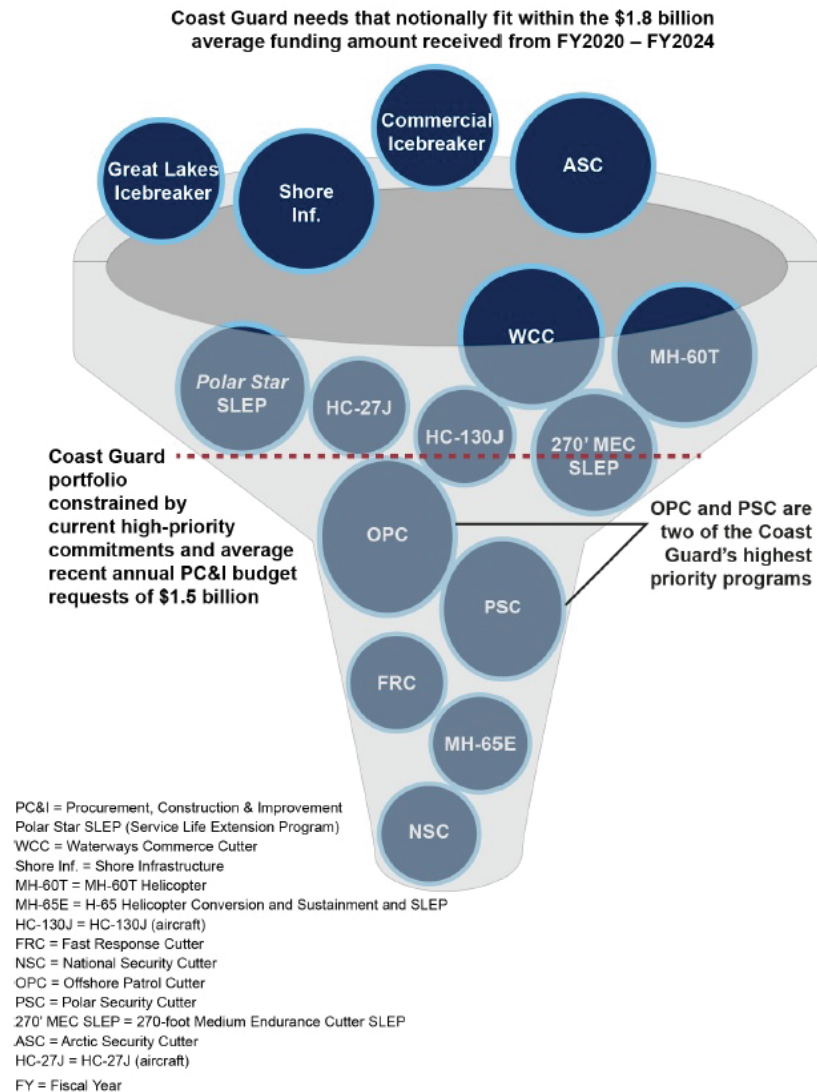
¹³ GAO, *Coast Guard Acquisitions: Offshore Patrol Cutter Program Needs to Mature Technology and Design*, GAO-23-105805 (Washington, D.C.: June 20, 2023).

¹⁴ After Hurricane Michael devastated the original shipbuilder's facilities, the Coast Guard split the program into two stages, with stage 1 covering OPCs 1-4 and stage 2 covering OPCs 5-15. The Coast Guard plans to acquire OPCs 16-25 under a separate stage.

¹⁵ GAO, *Coast Guard Acquisitions: Opportunities Exist to Improve Shipbuilding Outcomes*, GAO-24-107488 (Washington, D.C.: May 7, 2024).

¹⁶ See 6 U.S.C. § 468 (defining the Coast Guard's statutory missions).

Figure 2: Notional Depiction of Coast Guard Acquisition's Priorities in Constrained Budget Environment



Source: GAO analysis of Coast Guard data. | GAO-24-107584

This bow wave of longer-term programs brings with it significant uncertainty around the total funding the Coast Guard will need in the future. These programs include the PSC, OPC, shore infrastructure, and the MH-60T helicopter:

- **PSC.** The PSC program has experienced significant schedule delays that have affected the timing of its funding needs. In July 2023, we found the program did not have a realistic program schedule and experienced an approximate 3-year delay in maturing the PSC's design—which, as of May 2024, is now almost

4 years behind.¹⁷ According to program officials, the delay was attributable to several factors, including U.S.-based designers and shipbuilders generally lacking experience with heavy polar icebreakers, the complexity of the ship design, shipbuilder design errors, design changes to meet government specifications, and COVID-19 effects. The delay led the program to declare a schedule breach in November 2023. The program is in the process of updating its schedule estimates to develop a new schedule baseline. The PSC program originally planned to complete the design and start lead ship construction by no later than June 2021. However, as of May 2024, Coast Guard officials stated they were assessing the decision on when to start lead ship construction as part of the ongoing breach remediation process.¹⁸

Figure 3: The Coast Guard's Polar Security Cutter



Source: Bollinger Mississippi Shipbuilding. GAO-24-107584

It is unclear when and to what extent the anticipated PSC cost growth—which could be as high as \$2 billion, as noted earlier—will require funding given the delays and the unrealistic program schedule. Nevertheless, it is clear that this growth will exacerbate the concerns about the affordability of the Coast Guard's portfolio.

- **OPC.** The Coast Guard is in the midst of fielding the most expensive acquisition program in its portfolio—the OPC. As noted earlier, it is uncertain whether the OPC will cost more than the \$14.6 billion reflected in its most current acquisition program baseline for 25 OPCs. The Commandant of the Coast Guard has previously called the OPC the agency's top priority. As such, the Coast Guard is likely to prioritize the OPC in its budget requests over other acquisition programs.

¹⁷GAO, *Coast Guard Acquisitions: Polar Security Cutter Needs to Stabilize Design Before Starting Construction and Improve Schedule Oversight*, GAO-23-105949 (Washington, D.C.: July 27, 2023).

¹⁸The PSC program adopted an unrealistic schedule at the outset of the program. In September 2018, we found that the PSC's planned delivery dates were not informed by a realistic assessment of shipbuilding activities. We recommended that the program develop a schedule in accordance with leading practices for project schedules to set realistic schedule goals for all three PSCs before the contract option for construction of the lead ship was awarded. However, we closed the recommendation as not implemented because the program proceeded with the award in April 2019 without developing a realistic schedule. See GAO, *Coast Guard Acquisitions: Polar Icebreaker Program Needs to Address Risks before Committing Resources*, GAO-18-600 (Washington, D.C.: Sept. 4, 2018).

Figure 4: The Coast Guard's Offshore Patrol Cutter



Source: U.S. Coast Guard. | GAO-24-107584

However, since 2020, we have found that Coast Guard has allowed the OPC program to repeatedly move forward through key acquisition decisions, despite significant risks with the program.¹⁹ To help mitigate some of the risks, in October 2020, we recommended that the program mature technology for the davit—a crane that lowers and raises a ship's small boats—for stage 1 ships prior to moving further through construction.²⁰ DHS concurred with this recommendation. In June 2023, the program had not yet developed a plan to mature the technology.²¹ As of August 2023, the Coast Guard said that it was still tracking two remaining high-risk issues with the davit—one of which may have implications for completing the design of a portion of the ship. Further, the Coast Guard awarded a detail design and construction contract for the stage 2 ships without adequately maturing the stage 2 davit. It remains to be seen how the Coast Guard will manage stage 2 of the program and the consequences this will have on the longer-term affordability of the portfolio.²²

- *Shore infrastructure.* In February 2019, we found that the Coast Guard is confronted with a costly backlog of shore infrastructure projects—related to piers, docks, boat stations, air stations, and housing units—that is contributing to concerns of affordability for its recapitalization and related sustainment efforts.²³ This backlog totaled at least \$2.6 billion at that time. We also found that Coast Guard budget requests did not provide accurate information about its shore infrastructure needs. Specifically, Coast Guard targets for recapitalization of shore assets exceeded \$290 million annually. However, budget requests for fiscal years 2012 through 2018 ranged from about \$5 million to about \$99 million annually. Further, at various points during this period, the Coast Guard re-

¹⁹ GAO, *Coast Guard Acquisitions: Opportunities Exist to Reduce Risk for the Offshore Patrol Cutter Program*, GAO-21-9 (Washington, D.C.: Oct. 28, 2020); GAO-23-105805; and GAO-24-107488.

²⁰ GAO-21-9.

²¹ GAO-23-105805.

²² The Coast Guard plans to start lead ship construction for OPC stage 2 by September 2024. We will continue to monitor the program's stage 2 progress and status.

²³ GAO, *Coast Guard Shore Infrastructure: Applying Leading Practices Could Help Better Manage Project Backlogs of at Least \$2.6 Billion*, GAO-19-82 (Washington, D.C.: Feb. 21, 2019).

ceived more funding than requested for shore infrastructure needs, ranging from about \$5 million to about \$130 million annually.

Figure 5: Damage at Station Port Aransas in Texas, Resulting from Hurricane Harvey in 2017



Source: GAO. | GAO-24-107584

We recommended that the Coast Guard include supporting details about competing project alternatives and report trade-offs in congressional budget requests and related reports. In 2019, DHS agreed with our recommendation, but the Coast Guard noted, in 2021, that addressing this recommendation is challenging due to limitations such as budget caps imposed by OMB and DHS. As of January 2024, the Coast Guard was working toward publishing some related information on its website, according to officials, such as its shore infrastructure annual report. Without such information about Coast Guard's realistic budgetary requirements, Congress will lack critical information that could help to prioritize funding to address the Coast Guard's shore infrastructure backlogs. This situation could worsen as the Coast Guard will likely require additional infrastructure upgrades for the three PSCs and future Arctic Security Cutters. We continue to believe that implementing this recommendation will aid decision-makers and the Coast Guard in making better trade-off decisions.

Further, since identifying the \$2.6 billion in shore infrastructure costs in our February 2019 report, we found additional shore infrastructure costs related to the Coast Guard's plans for increasing its fleet of MH-60T helicopters. The Coast Guard estimates that this expansion will require \$1.3 billion in air station infrastructure upgrades. It is unclear how the Coast Guard intends to pay for these upgrades given the large backlog of infrastructure projects previously identified.

- **MH-60T.** In January 2021, the Coast Guard decided to consolidate its helicopter fleet to an all medium-range (MH-60T) fleet and phase out its short-range (MH-65D/E) fleet. This would grow the MH-60T fleet by 79 aircraft. According to Coast Guard documentation, it made this decision because the MH-65D/E helicopter manufacturer ended production of the helicopter in 2018. The Coast Guard noted that this led to an increased difficulty in obtaining critical parts, such as gearboxes, which decreased fleet availability. As a result, the Coast Guard had to reduce flight hours for the MH-65D/E fleet. The Coast Guard plans for its future helicopter fleet to be comprised of at least 127 MH-60T helicopters.²⁴ Once implemented, the Coast Guard's fleet size would be 13 percent smaller—moving from its current 146 units to at least 127 units.

²⁴ As stated above, the Coast Guard estimates that, as part of growing the MH-60T fleet, it will require \$1.32 billion for air station infrastructure changes to accommodate the larger MH-60T aircraft.

Figure 6: The Coast Guard's MH-60T Helicopter



Source: U.S. Coast Guard. | GAO-24-107584

However, as we found in April 2024, the Coast Guard has not assessed whether the MH-60T helicopter best meets its mission needs under its plans to consolidate its fleet.²⁵ This is because the Coast Guard did not assess alternatives to support this approach. Coast Guard officials stated that the MH-60T helicopter is more capable than the MH-65D/E. However, questions remain on its ability to meet certain mission demands, particularly those operations that require helicopters to operate and be secured on a cutter. We recommended that the Commandant of the Coast Guard assess the type of helicopters the Coast Guard requires to meet its mission demands, as part of an analysis of alternatives. DHS agreed with this recommendation but noted that the Coast Guard had already assessed the type and number of helicopters it needed to meet its mission demands, based on a 2020 RAND study.²⁶ DHS noted that, based on that study, the Coast Guard should move towards greater medium-range helicopter recovery capacity, as those aircraft provide favorable cost solutions and increased capability.

However, as we stated in our April 2024 report, the RAND study also supported the Coast Guard maintaining a mix of helicopter types. Specifically, the RAND study identified a benefit to the Coast Guard having a fleet composed primarily of MH-60T helicopters along with sufficient short-range helicopters to complete certain missions, such as drug interdiction. However, the Coast Guard did not assess alternative helicopters to the MH-60T that may meet its cutter deployment demands. Notably, during our review, Coast Guard headquarters officials stated that they could benefit from assessing different helicopter types to guide their acquisition approach and address capability shortfalls before the introduction of the MH-60T program's successor. As we stated in our April 2024 report, the Coast Guard can benefit from further analysis as it examines how its helicopter fleet can best meet its mission demands in the coming decades. We continue to support our recommendation that an analysis of alternatives would help the Coast Guard make the best use of its resources.

KEY QUESTIONS REMAIN ABOUT THE AFFORDABILITY OF THE PORTFOLIO

Decision-makers, including Congress, OMB, DHS, and Coast Guard will have to make difficult decisions to address the affordability concerns surrounding the Coast Guard's acquisition portfolio.²⁷ Key questions to inform those decisions include:

- What steps can Coast Guard take to better manage its acquisition programs to achieve better cost and schedule outcomes?

²⁵ GAO, *Coast Guard: Aircraft Fleet and Aviation Workforce Assessments Needed*, GAO-24-106374 (Washington, D.C.: Apr. 9, 2024).

²⁶ RAND Homeland Security Operational Analysis Center, *Meeting U.S. Coast Guard Airpower Needs: Assessing the Options*, (2020). The Homeland Security Operational Analysis Center is a federally funded research and development center operated by the RAND Corporation under contract with the Department of Homeland Security.

²⁷ In May 2024, we testified on steps that Coast Guard could take to improve its acquisition outcomes, including implementing GAO's prior recommendations and considering adoption of ship design leading practices. See GAO-24-107488 and GAO, *Navy Shipbuilding: Increased Use of Leading Design Practices Could Improve Timeliness of Deliveries*, GAO-24-105503 (Washington, D.C.: May 2, 2024).

- When will Coast Guard, in coordination with OMB and DHS, develop a long-term plan to inform the affordability of Coast Guard's acquisition portfolio?
- Which programs will decision-makers cut, reduce, or defer to balance the affordability of the Coast Guard portfolio?
- What capability gaps or reductions in mission capability will Coast Guard operators and the public face because of the unaffordable portfolio?

Our prior recommendations and matters for Congress, if implemented, will help inform actions to address these questions.

In conclusion, the Coast Guard's persistent challenges in managing its programs within established cost and schedule goals highlight the need for the Coast Guard to reexamine how it manages its acquisition portfolio. Since 2012, we have made 48 recommendations to DHS and the Coast Guard on how to better manage the Coast Guard's portfolio of major acquisition programs. Currently, we have 16 recommendations that the Coast Guard has yet to fully address and eight others that we closed because of Coast Guard's inaction or because they were overcome by events. Fully addressing the remaining recommendations will help position the Coast Guard to make hard decisions about its portfolio.²⁸

Additionally, I wanted to note how important your oversight has been to help the Coast Guard make difficult trade-off decisions. Ensuring that decision-makers answer those key questions I posed earlier should help provide you with better information moving forward to provide oversight of the Coast Guard's budget. Similarly, over the last 13 years, we have made four matters for congressional consideration to improve the management of Coast Guard acquisitions, including the affordability of the portfolio.²⁹ Congress has yet to act on two of these matters, including that the Coast Guard update its acquisition policy to establish that all shipbuilding programs should 1) mature critical technologies to a technology readiness level 7 prior to a program's contract award for detailed design and construction, and 2) achieve 100 percent completion of basic and functional design prior to the start of lead ship construction.³⁰ Another matter was closed as not implemented when it became overcome by events due to changes the Coast Guard made to the information included in the Capital Investment Plan. I encourage you to consider these matters as you deliberate the Coast Guard's current budget request.

Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

Mr. WEBSTER OF FLORIDA. Thank you for your testimony. I really appreciate that.

And now comes questions. I yield myself 5 minutes for questions.

Admiral Thomas, prior to the hearing, this committee requested an updated 5-year capital improvement plan, but we were told basically don't expect it.

As a result, we are kind of relying on an old one from back in 2022. As we explore throughout this hearing, circumstances have changed since fiscal year 2023. Why can't the Coast Guard produce an updated capital investment plan?

Admiral THOMAS. Mr. Chairman, we owe you an updated CIP. We are working through the Department right now. We expect to have a 2024 CIP to the committee by this summer, and we have already begun work on the fiscal year 2025 CIP. So, we have that for action, sir.

Mr. WEBSTER OF FLORIDA. Will it be before you leave?

²⁸ GAO-23-105949; and GAO-23-105805.

²⁹ GAO, *Coast Guard: Action Needed As Approved Deepwater Program Remains Unachievable*, GAO-11-743 (Washington, D.C.: July 28, 2011); GAO-14-450; and GAO-23-105805.

³⁰ Technology readiness level 7 occurs when a system prototype demonstration occurs in an operational or realistic environment. Basic and functional design include key tasks such as routing all major distributive systems (electricity, water, and utilities), providing information on the position of piping, and includes a 3D model of the ship structure and major system, with vendor-furnished information incorporated to support understanding of final system design. Leading practices indicate that completing basic and functional design leads to design stability.

Admiral THOMAS. Not much is going to happen between now and when I leave, but it will happen this summer.

Mr. WEBSTER OF FLORIDA. Ms. Oakley, anything you would like to add, why the CIP is important to the acquisition planning process?

Ms. OAKLEY. Yes, I mean, the CIP at least provides some information beyond the current budget year in terms of what the Coast Guard's priorities are and what it is looking to fund. But it doesn't provide the necessary information that matches what is realistically going to be attained in the budget. And so, the CIP is kind of the perfect example of looking at that kind of bow wave of funding that is going to be required in the outyears.

And so, I think we have some open recommendations to the Coast Guard to really take a look at improving the information included in the CIP that includes better information on the risks that are being accepted by the decisions and then identifying realistic resources that are needed to address the acquisition program priorities.

And I would encourage the Coast Guard to incorporate those as they are working on the future CIPs.

Mr. WEBSTER OF FLORIDA. Admiral Thomas, Coast Guard reported challenges in meeting mission demands, including the \$1.77 billion that is there in the backlog.

What is the minimum amount of annual funding needed for the Coast Guard to prevent the growth of the total shoreside infrastructure backlog?

Admiral THOMAS. Mr. Chairman, thank you for this committee's continuous focus on our shore infrastructure because it is as critical to our mission success as anything that floats or flies.

We have a shore infrastructure portfolio valued at about \$24 billion. Industry standards would say you need to invest 2 to 4 percent of your infrastructure portfolio each year to maintain it. For us, that would mean steady, regular O&S funding of around a half a billion dollars. That would allow us to get after our maintenance backlog. And then, of course, we would need the PC&I money to do the recapitalization and new infrastructure that we need.

Mr. WEBSTER OF FLORIDA. Do you have a long-term plan to modernize your shoreside infrastructure? Does it include efforts to modernize the process by which the Coast Guard plans, designs, and builds shoreside infrastructure?

Admiral THOMAS. We do. We are currently in the midst of modernizing our civil engineering program, and one of the key aspects of that is to ask Congress for more money to do survey and design work so that we can then come back with more realistic requests for what it is going to take to do our shore infrastructure upgrades and maintenance.

Mr. WEBSTER OF FLORIDA. Do you think that will live within the confines of the President's overall total?

Admiral THOMAS. I am sorry, Congressman. I didn't quite catch that.

Mr. WEBSTER OF FLORIDA. Do you think that all you just said will live within the confines of the President's overall request?

Admiral THOMAS. I think the—our Commandant has said we need to be a \$20 billion Coast Guard. And, until we are there, we are not going to be able to get after any of these backlog numbers.

Mr. WEBSTER OF FLORIDA. Ms. Oakley, would you like to respond to that also?

Ms. OAKLEY. I mean, \$2.6 billion is quite a significant backlog, and I think that only includes costs of projects that have cost estimates.

And there are about 200-plus more projects that still to be estimated that continue to add to that backlog, not to mention additional shoreside infrastructure that will be required for new mission sets like in the Arctic that need to be considered as they are making decisions about how to fund and how to dig out of that hole and build for the future.

It is important work, and I know we are doing some work for you all to update some of our work from 2019 and provide you new data on what those numbers are from a shoreside perspective. So, look for that in the coming months.

Mr. WEBSTER OF FLORIDA. Well, my time has run out.

So, Mr. Carbajal, you are recognized.

Mr. CARBAJAL. Thank you, Mr. Chair.

Ms. Oakley, the Polar Security Cutter and Offshore Patrol Cutter programs are both behind schedule and over budget. On both programs, complications have arisen due to an immature level of design.

While the Coast Guard generally follows the Navy's standards for design completion before moving to production, what is the effect of starting construction before obtaining a mature design?

Ms. OAKLEY. Put simply, the lack of knowledge leads to decisions to move forward that aren't well-informed about what the resources or risks are going to be associated with the effort.

And so, when you think about it from the perspective of you wouldn't start building your house before it has been designed, right? And so, very simply, those are the kinds of decisions that we are talking about.

And so, we have been recommending for many years to both the Coast Guard and the Navy to put in that early effort, put in that early time to really understand that basic and functional design, what the structure is going to look like, where the major systems are going to be, how the piping is going to run through the ship, to be able to then have confidence, as you are stepping into the construction period for those ships, where it becomes more expensive to make changes that might be necessary as the design continues to evolve.

And I think that, unfortunately, when you see bad outcomes, it is a result of continuing instability in the design that is leading to changes that become increasingly expensive as you move through the construction process.

Mr. CARBAJAL. Thank you. It sounds like the F-35 in the House Armed Services.

Admiral Thomas, each of the new assets we have discussed today will require experienced Coast Guard servicemembers to operate and maintain them. It is critical that we pair these investments

with initiatives to address the 10-percent personnel shortage that the Coast Guard is facing.

How will the new assets and investments in infrastructure further Coast Guard's efforts to recruit and retain a diverse cadre of personnel? And what else is the Coast Guard doing to ensure its workforce is sufficient to manage these assets and carry out its missions?

Admiral THOMAS. Well, thank you for that question, Ranking Member Carbajal.

Absolutely, the workforce is what makes these assets come to life and get the mission done.

One of the things that we can do to improve our retention and recruiting is to provide world-class shore infrastructure for our forces to work in.

I think Congressman Larsen mentioned he has visited a number of areas where the conditions that we are asking our people to work in are just substandard. That doesn't help us retain our workforce.

I am happy to report we are making progress with our recruiting. We are at record numbers this year; numbers we haven't seen since prior to COVID. And our retention is up, as well. So, we are working on closing that workforce gap.

But the fact of the matter is we do not currently have the capacity at our accession points to meet the future workforce demands of our Service. We cannot get enough people through Cape May each year without building infrastructure there, and we cannot get enough people through the Coast Guard Academy each year for our future needs without improving infrastructure there.

Mr. CARBAJAL. Thank you.

Ms. Oakley, the Polar Security Cutter program is now over 5 years behind its initial schedule in part due to challenges associated with its shipbuilding programs. These delays are associated with \$2 billion in cost increases.

How important are investments in commercial U.S. shipyards and shipbuilding to ensure cost efficiency for the Coast Guard and the Navy, and how else can the Coast Guard improve its shipbuilding outcomes?

Ms. OAKLEY. Well, in general, supporting the U.S. shipbuilding industrial base is critical, given what both the Coast Guard and the Navy are trying to do in terms of building up their fleets to meet their increasing mission demands.

One thing that I would like to comment on that is I see this as needing to be a whole-of-Government approach to supporting that industrial base. And, in preparing for this hearing, I am reviewing the Navy's 30-year fleet shipbuilding plan. And it talks a lot about industrial base and supporting the naval industrial base and the commercial industrial base, but the Coast Guard isn't mentioned in there at all.

And so, I think that is one thing that the Navy and the Coast Guard need to think about is how they can kind of approach and attack this holistically, because there is a lot of money right now being thrown at the shipbuilding industrial base through the Navy and through the Department of Defense, in particular.

And so, I think that the Coast Guard will benefit from that, but I would like the Coast Guard to be a little bit more strategic in directing those benefits to things that will support them in the long run.

And then, just to quickly answer your question about improving outcomes, the Coast Guard should really look toward the practices that we have identified by going out and looking at commercial shipbuilders and buyers and how they go about getting ships done on time and on budget and on predictable cycle.

And I don't mean done in 10 years. I mean done, designed to launch in less than 4 years sometimes for very complex ships. There is a reason why they can do that, because they take disciplined approaches. They put in place the right kinds of tools. They have the right kinds of expertise to be able to oversee these programs and execute these programs, and that is where I direct both the Coast Guard and the Navy to begin looking to, to improve their outcomes.

Mr. CARBAJAL. Thank you.

And I will be following up, sitting on House Armed Services, on this collaborative shipbuilding issue.

Thank you, Mr. Chairman.

I yield back.

Mr. WEBSTER OF FLORIDA. Mr. Ezell, you are recognized for 5 minutes.

Mr. EZELL. Thank you, Mr. Chairman.

Thank you both for being here today. We appreciate it.

Our priorities are the same. They were the last time we had our hearing here. Congress must do all it can to help the shipbuilding industry by ensuring efficiency and transparency, bolstering the workforce, and incentivizing domestic shipbuilding.

Ms. Oakley, what are the three top actions that Congress can take to help address the affordability challenges the Coast Guard is facing now?

Ms. OAKLEY. There are a couple of things.

First, the Congress should really enforce what it has asked the Coast Guard to do, develop a 20-year fleet modernization plan so that you-all have the ammunition to be able to advocate for additional resources for the Coast Guard to be able to meet its increasing mission needs. So, that is one thing.

The Coast Guard has yet to develop that type of plan. The Navy develops one every year. So, I don't see that there should be any reason why the Coast Guard couldn't follow suit to provide you-all with that information.

The second thing I would say is that the Congress should demand the Coast Guard to push forward with disciplined programs. And, when I say "disciplined programs," I mean following those practices that I was talking about from the commercial ship buyers and builders, not making decisions to proceed with construction with a design that is not even remotely finished to be able to support informed decisions in that regard, and really push the Coast Guard to think about what it needs and how it is going to effectively prioritize and assess the risks associated with its future portfolio.

And it can do that in that long-term plan or it can do that in that CIP that we talked about earlier, that capital investment plan. So, those are just some quick things that I think you-all could do.

Mr. EZELL. Thank you very much.

Admiral THOMAS, how do you respond to the claims that the Coast Guard has a lot of redtape? And can you describe some of the changes you are making to make more people want to bid on these contracts? Help us get here.

Admiral THOMAS. So, Congressman, I would say that the redtape in the Coast Guard is the redtape that is in Federal law, regulations, and requirements from our Department.

The Coast Guard is one of the premier agencies in all of Government that does business with small businesses, and I am proud of that fact. We work hard to ensure that we can send our business to small businesses.

Mr. EZELL. Very good.

How can this committee better equip the Coast Guard with the tools it needs to provide detailed and accurate information relating to communication and transparency in the acquisition process? How can we help you?

Admiral THOMAS. I would have to have a conversation with you, Congressman, to understand where you think there is a lack of communication and transparency.

I think the key is in our budget requests.

Mr. EZELL. OK.

Admiral THOMAS. And that is where your frustration lies.

And our budget request for fiscal year 2024, particularly in our PC&I was, you know, we asked for more than we got.

Mr. EZELL. OK. Got it.

In your testimony, you mentioned a recent acquisition of the Nation's first heavy polar icebreakers in over four decades. How do you plan to navigate this process and meet deadlines since no shipyard has built an icebreaker in all these decades?

Admiral THOMAS. Yes, so, that is a very key point, and I am glad that you brought it up. The polar icebreaker is not like any commercial vessel ever built, and it is not like any vessel built in the United States ever.

So, it is a complex vessel, and it is a complex—we are currently working with the shipyard. They have put in what is called a Request for Equitable Adjustment to kind of rightsize the contract.

That, combined with the work we are doing to understand their overtarget budget, overtarget schedule analysis, I think will allow us to report to this committee a good estimate in both cost and schedule by this fall.

Mr. EZELL. Thank you.

We toured down there recently a few months ago, and it was really neat to see the innovation that is going on in Bollinger down there. So, thank you very much for that.

The last question is for the panel, if we have time. This committee has heard that one of the challenges in building a PSC is the support of the local industrial base, that is, finding enough workers.

What can we do to try to help everybody, I guess you would say? Because we hear that all over the place, we are having problems finding people. What can we do to help that?

Admiral THOMAS. So, I think there are two things that we need to do. One is we need to invest in our shipyards. And we need to understand that the Polar Security program will result in ships that our Nation needs, but it will also result in a shipyard that our Nation needs.

And the second is we need to really invest in STEM education. We are finding that the engineers, the scientists, the technicians that are required to put a ship that complex together, both in terms of design and construction, just don't exist in our Nation. So, we need to focus on that.

Mr. EZELL. Thank you.

And thank you for all your testimony and your hard work.

Mr. Chairman, yield back.

Dr. BABIN [presiding]. Thank you.

And now I would like to recognize the gentlewoman from Michigan, Ms. Scholten.

Ms. SCHOLTEN. Thank you so much, sir.

And thank you to our witnesses for being here, Vice Admiral Thomas, for your service to our country.

I have a number of questions today. So, I am going to get right into it.

First, the Great Lakes play a vital role not only in our local communities and back home in west Michigan, but within the U.S. economy as a whole. These waterways are critical to ensuring reliability of supply chains and the integrity of our country's maritime border.

As such, I want to be as helpful as I can to support adequate icebreaking in the Great Lakes to allow for free movement of cargo in the region year-round. While we have had minimal ice this particular year, next year is a different story.

Vice Admiral, despite receiving \$20 million in fiscal year 2024 and over \$19 million in previous years, the Coast Guard has not officially designated a new heavy Great Lakes icebreaker as acquisition in this program of record.

Given the importance of the region, is there anything preventing the Coast Guard, sir, from accelerated acquisition of an additional icebreaker beyond access to funding?

Admiral THOMAS. Congresswoman, I share your passion for the Great Lakes. It is a national treasure, and we are committed to recapitalizing our system of icebreakers there. We think we need 2 heavies, about 11 mediums, and about 7 of the smaller ones so we can essentially plow the highways, the side roads, and the parking lots.

We are moving forward. We are at AD1, Access Decision 1, with the GLIB, the Great Lakes icebreaker. The money that was appropriated in fiscal year 2024 will allow us to move forward with the analyze-and-select phase.

We are going to need additional appropriations to move forward with that particular acquisition, but it is a program of record. We have a program office, and we are moving forward.

Ms. SCHOLTEN. Thank you. I appreciate that, sir.

I appreciate this discussion, and frankly, I had a lot more questions today that I was hoping to talk about with respect to the GLIB program. But, unfortunately, the U.S. Coast Guard is once again in the headlines for horrible mishandling of sexual assault cases related to Operation Fouled Anchor. I would be remiss if I didn't ask some questions here.

First and foremost, sir, while the Coast Guard has been before this committee and other committees many times, talking about the tragedy and the impact on these victims, sir, is the Coast Guard leadership aware of the impact on everyday citizens that distractions like these continue to have over and over again?

The subject matter of today's hearing is where we are behind on so many of these different programs. And I can't help but notice we are not able to get to the questions that we need today because we are also talking about yet another scandal.

Does the Coast Guard appreciate the lack of fiscal responsibility, as well, that scandals continue to have on the program itself?

Admiral THOMAS. First, Congresswoman, let me just offer you an in-person brief on GLIB so we can answer all your questions.

Ms. SCHOLTEN. Thank you, sir.

Admiral THOMAS. I appreciate your recognition that the ongoing disclosures regarding sexual assaults and unacceptable behavior in the Coast Guard can be a distraction, not just for our Service and our servicemembers, but for the Nation because they lose focus on all the good news that is in our Service.

That is why we are really focused hard on improving and strengthening our Service culture, providing all the support that we can to victims. I had mentioned earlier that I stand personally ready to help victims access the healthcare that they need at the VA, and we have an enterprise victim advocate to do that.

But you are absolutely right. It can be a distraction, and it can take away from the good story of the Coast Guard.

Ms. SCHOLTEN. Sir, I appreciate your comments. As everyone here knows and as we heard in the testimony in the Senate, unfortunately, these most recent allegations were about how these instances are continuing to be ongoing.

And I am wondering what the Coast Guard is doing to ensure transparency in the process so that the American public can trust that what you are saying now is true; that, even as we speak, that there are not coverups like this happening.

Admiral THOMAS. Our Commandant has testified—and you can choose to assess the veracity of her testimony—that we are, she is absolutely committed to being transparent.

I am personally responsible for our sexual assault prevention and response program. I spend a lot of time working on it, and we are being as transparent as we possibly can.

Ms. SCHOLTEN. I don't mean to interrupt you, sir. I have one more very important question and I just—I would ask you that, you know, we have heard a lot of words.

And I think the American public and this committee—I know I personally am going to need a lot more than words to assure us of the veracity of these assurances that these will continue to be taken seriously.

One of the most horrifying details I think to come out of this is that victims were not provided with the CG-6095 that would ensure access to VA health benefits. I think it goes without saying, sir, that survivors should never be denied benefits in an attempt to help the Coast Guard protect its reputation.

What are you doing to ensure that every survivor, both in the past and in the future, even those we don't yet know about, is provided with a CG-6095, ensuring their access to benefits?

Admiral THOMAS. So, I have a CG-6095 right here. We do provide them.

Ms. SCHOLTEN. Do the survivors have it, sir, is the question.

Admiral THOMAS. So, we have an enterprise victim advocate that is available to survivors who can get access to this form. Our sexual assault response coordinators around the Coast Guard have access to the form.

And this week, I will recommunicate both internally and externally through social media where victims can go to get these forms so that we can assure that they get the care that they deserve and that they need.

Ms. SCHOLTEN. I would ask that you provide a more proactive approach to make sure that these survivors have actually access to these forms, sir.

Admiral THOMAS. We will, Congresswoman, including outreach to known victims. We have done that over the course of the last year.

Ms. SCHOLTEN. Our personnel, our Coasties across the country are the most precious resource that the Coast Guard has, sir, and we ask you to look out for them in every possible way.

I yield back the remainder of my time.

Dr. BABIN. The gentlewoman's time has expired. Thank you very much.

Admiral THOMAS. It is my greatest privilege to look out for our workforce.

Dr. BABIN. I want to thank the witnesses for being here today.

First off, I would like say how much southeast Texas, where my district is, appreciates all the hard work that the Coast Guard has been doing in responding to our recent storms in southeast Texas. I have five or six of my counties have been declared disasters, as well as several other congressional districts.

My question is to you, Admiral. As the Coast Guard looks to transition to the MH-60 rotary-wing fleet, I understand that the Coast Guard is slowly phasing out many of its aging MH-65s with the intention of reducing the overall rotary-wing fleet.

Air Station Houston currently hosts three MH-65 Dolphin helicopters, and I understand that the current plan is to phase these three helicopters out and replace them with just two MH-60s. And, while I recognize that the MH-60 is a very capable platform compared with the MH-65, I have concerns that reducing the number of airframes in service may impact the Coast Guard's operational capabilities.

Presumably with just two aircraft at Air Station Houston, it would be more challenging to respond to multiple search-and-rescue missions, storm responses, or providing support to the Houston ship channel, given that a single helicopter can only be in one place

at one time with the reality that individual helicopters are often stuck in the hangar, dealing with maintenance issues.

In addition, for Air Station Houston, I understand there may be some issues regarding the hangar size and space and ability to facilitate the 60s. Do you have any information available on the plan moving forward at Air Station Houston's air assets? Briefly, if you would.

Admiral THOMAS. Yes, so, Congressman, I will just say I am familiar with high-water events in southeast Texas. I was in command in Galveston when Allison hit, and I was in command of the eighth district when Harvey hit. And we saved tens of thousands of people using aircraft from Air Station Houston and surged in aircraft. In the most recent event, Air Station Houston was able to medevac a 12-hour-old baby to neonatal care who was isolated by the floods. So, Air Station Houston is an asset for that area, and we will continue to fly our aircraft out of there.

We will have to make some modifications across the country to our hangars in order to accommodate the 60s. It is another reason why we need a \$3 to \$3.4 billion PC&I budget so we can build the aircraft and the hangars.

Dr. BABIN. So, it is a funding issue.

Admiral THOMAS. Absolutely.

Dr. BABIN. You just don't have the funds to get more than three.

Admiral THOMAS. Right now, we have a program of record of 127 60s. If we are going to grow that, it is going to require more funds.

Dr. BABIN. OK. Considering the pending polar icebreaker construction program, I understand the construction contracts for the polar program and the Great Lakes program require all United States laws to be followed.

Has the question of propulsion arrangement and patent rights been resolved in the case of the polar program, and, if not, why not? And how do you propose to resolve that question so that lawsuits and further delays do not occur?

Admiral THOMAS. So, to date, there have been no official raising of patent issues associated with the polar icebreaker. So, we haven't taken any actions to resolve those because there just haven't been any claims.

Dr. BABIN. OK. As the Coast Guard explores ways to make the most of its limited funding, operation and procurement of long-range air assets presents a significant challenge. The Coast Guard currently collaborates with CBP regarding the use of long-range autonomous systems including the use of Coast Guard pilots and the use of systems in key areas of Coast Guard operation.

Given the ability of these systems to expand the Coast Guard's ability to monitor large areas in a cost-effective manner, the fact that the HC-130J program appears stalled at 19 airframes and the apparent shift away from the C-27 program, does the Coast Guard plan to explore the acquisition of its own long-range UAS systems? And what sort of unmanned systems could provide the Coast Guard with more complete persistent marine domain awareness?

Admiral THOMAS. Yes, we absolutely need to move into unmanned systems, particularly for our maritime patrol missions. In fiscal year 2025 budget, we have about \$100 million aimed just at doing that. We do operate the MQ-9s with CBP. We think that is

probably the platform that we need as we build out our fleet, but we are also going to need to build more than our current program of record of C-130s because we are sunseting the C-27s.

Dr. BABIN. OK. Thank you, and I appreciate you very much.

We certainly need to up our ante on—I know you need the funding, but we have got to have enough airframes to get things done.

So, with that, I will yield myself back and recognize the gentleman from Alaska, Mrs. Peltola.

Mrs. PELTOLA. Thank you, Mr. Chairman.

My first questions are for Admiral Thomas. Thank you for being here. Thank you for your service to our country.

The Coast Guard has previously said that the acquisition of the Polar Security Cutter, which you mentioned a little bit ago, is the Coast Guard's top acquisition priority.

And ensuring that the program stays on track and that the Coast Guard has the resourcing it needs to oversee that program, while staying on top of recapitalization priorities in all your other places, is one of my top priorities, as well, as a Member of the House.

In a Homeland Security hearing a few weeks ago, the Coast Guard indicated that the design for the Polar Security Cutter was about 65 percent completed. And I am wondering when you estimate being able to begin the construction phase. And do you have an updated estimate for when the first Polar Security Cutter will be off the assembly line, in the water, and ready to go?

Admiral THOMAS. So, we are in the process of getting much greater clarity on both cost and schedule, and I think we will have that this fall. We are working with the contractor both in terms of renegotiating portions of the contract but also at analysis they are doing to look at their cost and schedule.

That said, we have seen an increase in design maturity that leads us to be optimistic about being able to authorize start of construction by the end of this year.

I will say that I don't think we will be at 90 percent design maturity. That term "design maturity" is defined differently in different places. But we will certainly be at the level of maturity that we need to start the modules that we start. So, we are optimistic we will start this year.

Mrs. PELTOLA. OK. That is good news.

And are you able to provide an update on the acquisition of the commercially available icebreaker that the Coast Guard received funding for in the fiscal year 2024 appropriation cycle?

Admiral THOMAS. Well, first of all, we appreciate the support of Congress to get the money to acquire a commercial icebreaker that will increase our ability to be present and to match presence with presence in the Arctic, and particularly off of Alaska.

The next step is the request for proposal that we are working on. There is one sole source. We are going to see what we can actually buy for the \$125 million that we got.

But, critical, we asked for about \$20 million in O&S funding so that we can outfit and operate that vessel. And, in fiscal year 2024, that was reduced to \$1 million.

So, we are going to need an additional appropriation fiscal year 2025 so that we can operate what we buy.

Mrs. PELTOLA. OK. That is a very good heads-up.

And one of the things my office is tracking are the three major homeporting projects currently in Alaska.

And I like to remind people that, if Alaska were a country, we would be the 18th largest country, and we have more coastline than all of the lower 48 combined. At low tide, Alaska could fit three Texases inside of us. So, we are enormous.

And really, you are our presence. And we know that we have had foreign adversaries practicing war drills in our waters off our shores, and we really appreciate you being there and the presence of the Coast Guard.

And that is not even to mention the search-and-rescue operations that you provide, it seems like every week or multiple times a week. As Alaskans, we are very dependent on you. Our fishing industry is dependent on you. Our tourists are very dependent on you.

So, regarding the three major homeporting projects, there is a Fast Response Cutter headed to Seward, there is a Fast Response Cutter headed to Sitka, and the commercially available icebreaker will be homeported in Juneau.

And I am wondering if you could give us an update on how those projects are going.

Admiral THOMAS. Absolutely. I've been focused on our Alaska projects. Our crews love to work and live in Alaska. In Seward in particular, we have acquired the property that we need. We requested about \$42 million to build out the FRC facility there. We've been appropriated about \$25 million. We think we can put a pier there. We probably can't put the support buildings there that we need for that. So, we're going to need additional appropriation there.

The challenge in Seward is that we need to build housing as well, and though we've gotten appropriated about \$13 million to do that, that will get us property and utilities. It won't actually build us homes. We're working with a community there and community builders.

In Sitka, we have enough money to build the FRC pier and recapitalize the buoy tender pier but not enough yet to build the buildings ashore, and we're still working our way through negotiations with regard to acquiring land.

With regard to Juneau, there's not been any appropriations to build a home port in Juneau. So, we haven't even begun the planning process there.

Mrs. PELTOLA. OK. Thank you for that update. In Admiral Fagan's state of the Coast Guard speech last year, she said that the American taxpayer won't find a better return on investment than the U.S. Coast Guard, and I agree with her. I have a continued frustration by the size of the Coast Guard's budget year after year. I am a big proponent of making investments where they need to be made. I've heard some say that the Coast Guard should be about a \$20 billion organization as you mentioned earlier. In a world where the Coast Guard were to receive a major uptick in funding, what are some of the acquisitions or initiatives that the additional funding would be spent on?

Admiral THOMAS. So, I've said that the Coast Guard is a \$20 billion organization on a \$13 billion diet. The Space Force is a \$40

billion budget. The Space Force has a \$10 billion PC&I budget. If we had a \$3.4 billion PC&I reliable current year dollars, we could get after all the home port work that we just talked about, all the shore infrastructure recapitalization, and our current program on record with regard to ships and aircraft.

Mrs. PELTOLA. OK. I apologize for going over time, Mr. Chairman. Thank you very much.

Admiral THOMAS. Thank you.

Dr. VAN DREW [presiding]. The gentlelady yields back, and I recognize myself for 5 minutes. Thank you for being here.

Vice Admiral, Training Center Cape May has many projects in urgent need of completion, as you know, especially the barracks. I'm glad to see that \$225 million is authorized in FY25 for the improvements to facilities at the training center and an additional \$60 million for the barracks for phase 2. However, I've been getting mixed messages about the status of phase 1, and I'd really like to clarify that. Vice Admiral Thomas, thank you again for being here today. We do appreciate you even when we are giving you tough questions. That's part of the deal, right?

Admiral THOMAS. It's part of the deal.

Dr. VAN DREW. You didn't expect to come here for the easy questions. Can you provide an update on the progress for phase 1 of the barracks? Are there any problems in the bidding, the contracting process, and when can we expect construction to actually begin?

Admiral THOMAS. We have not encountered any problems. We are just about to issue the request for proposal. I think, just to be honest with you, we asked for money in FY22, and it's a totally different market than what we have now. So, we will do a design-bid-build RFP, and we will get what we can get for the \$55 million that we have. I think that the phase 2 will be more than \$60 million if we are truly going to build what we need to build there. And then we need to continue to invest in Cape May, because as I've said earlier, the size of our future workforce, we cannot support it right now with the capacity that we have at Cape May.

Dr. VAN DREW. I'd love to know those numbers, and I understand what you're saying about phase 1, and originally, actually, I understand it was going to be enough. Inflation, God knows we know what inflation is doing to the country in general.

Secondly, we then had approached you-all and said, "Do you need more money?" Originally yes, and then you said, "No, we're going to be OK. We're going to live with this amount. We're going to live under that budget," and I assume that's where you are now.

Admiral THOMAS. As I said, we're going to do a design-bid-build, and we're going to get what we get for the money that we have.

Dr. VAN DREW. OK. I have to think on that a little bit. And you assume—obviously, you're going to get what you're going to get, but it has to be adequate. It has to be appropriate. It has to fulfill the needs that we have.

Admiral THOMAS. Congressman, if we can't get—if we can't get something that will be functional and suitable, then we will come back and ask for more money.

Dr. VAN DREW. Right. Which we approached you on that, and you said you didn't think you would. I want to be clear. If it's not good and it's not the right thing—and believe me, I don't like

spending money. We've got a lot of debt. But we also have to take care of what's most important, which is our military, which includes the Coast Guard, which includes you-all, which includes the biggest training center in the country, which is Cape May. If we need to do that, then we need to know that. We need to open those lines—if I sound—we need to open those lines of communication.

Admiral THOMAS. I'm committed to keeping you informed, Congressman, on where we stand, and we will know more as we put out that RFP this summer.

Dr. VAN DREW. So, I'm really looking forward to the RFP, and we should know a lot more, period, whether we need more money, et cetera. And the real timeframe. We'd love to really get a start date here. We hope to have that definitely by this summer.

Training Center Cape May has prepared a draft strategic development plan which identifies potential projects over a 25-year horizon, and I know you're familiar with it. I've previously requested this information, and the Coast Guard has referred me to the traditional budget process through the Office of Management and Budget, OMB, which is fine, but let's be clear. Congress is a co-equal branch of Government. It is essential as the oversight branch, and that we are, that we're able to communicate directly with agencies, and we absolutely appropriate to do so on the budgetary matters that this Congress oversees.

From my and this committee's legislative goals, it's important that we're able to see this plan, this 25-year plan, and work to provide for the proposed projects as the Coast Guard outlines them. It's a relatively simple request I'm making, Vice Admiral. It highlights, quite frankly, what's wrong with this Government—not with you—the Government in general. We have to plan more. We can't just plan for the year or 2 years. It's good to have a 25-year plan. It doesn't mean that it doesn't change, but we need a plan.

Congress has been missing a long-term outlook, and it's why we're in a terrible fiscal position. We, as Congress, should be able to see what such a critical asset as the Training Center Cape May needs over the next quarter of a century, and it's unclear to me—this is what's unclear, why the Coast Guard deflected this request to OMB.

I want to make this real simple. I do. Will you commit to me and this committee, because it's important to the committee as well, that you will provide a copy of the strategic development plan of Training Center Cape May as soon as possible? We need to look at it. I know there will be changes in a quarter of a century, but it gives us an overview. It gives us a vision. Please respond.

Admiral THOMAS. I can commit to providing you our area of development plan for Training Center Cape May and all the planning documents that go with it.

Dr. VAN DREW. Which would include the 25-year plan. Part of it—it's there. We know for a fact. So, can you commit to that?

Admiral THOMAS. You know for a fact that we have a 25-year plan?

Dr. VAN DREW. That is my understanding, yes. That's what we've been told when we asked, yes. We didn't make that up. We asked you folks. That's what I was told.

Admiral THOMAS. Absolutely. If we have it, I don't know why we wouldn't share it. I'm not personally aware of it.

Dr. VAN DREW. This is what I would ask. If you can personally look into that. If you have it, share it, and you've made that commitment already. If you don't have it, please explain to me what planning documents you do have and why we received that incorrect information so that we know how to move forward.

Admiral THOMAS. Specific to Cape May, happy to do that.

Dr. VAN DREW. Specific to Cape May. I think it's a good idea in general, but I am going to be a little parochial here. So, we're going to start with Cape May and hopefully expand it on.

Admiral THOMAS. I'll tell you, Congressman, I kind of share your frustration. One of the last decision memos that I have signed is one that will establish a shore infrastructure project office in our contracting shop so that we start buying shore infrastructure like we buy ships and airplanes, and that will give us the level of discipline that we need and that you expect.

Dr. VAN DREW. And I hope—that's a great goal. It's a great goal for you, for this committee, for all of us. I thank you. I thank you for being here. I yield back.

Are there any further questions from any members of the subcommittee who have not been recognized? OK.

Seeing none, that concludes our hearing for today. I would like to thank both of you for being here. I appreciate it. I would like to thank each of the witnesses, which are you-all, for your testimony. This subcommittee stands adjourned.

[Whereupon, at 12:16 p.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS TO VICE ADMIRAL PAUL F. THOMAS, DEPUTY COMMANDANT FOR MISSION SUPPORT, U.S. COAST GUARD, FROM HON. DANIEL WEBSTER

Question 1. In your testimony, you stated that industry standards call for a two to four percent yearly investment to properly maintain the Coast Guard's shoreside infrastructure. Based on the Service's \$24 billion property portfolio, that would equate to approximately \$500 million a year in shoreside maintenance costs. However, the two to four percent maintenance estimate assumes the facilities to which the estimate applies have received regular ongoing maintenance. The reality is that many shoreside assets have not received such maintenance and already need significant investment in addition to the two to four percent of value.

Question 1.a. To that end, what is the projected yearly cost to prevent the Coast Guard's shoreside maintenance backlog from growing when you factor in work that currently needs to be done to the Service's shoreside facilities for which ongoing maintenance has long been deferred?

ANSWER. Annual infrastructure maintenance funding needs are estimated at \$490M to \$980M, assuming the industry and government standard of investment at 2 to 4 percent of the Coast Guard's shore infrastructure plant replacement value (currently \$24.5B). Additional funding is only part of the solution. It must be coupled with increased staffing to appropriate levels and divestiture of unnecessary property, in order to reduce the size and severity of the Coast Guard's shore maintenance and repair backlog.

Question 1.b. What is the total size of the Coast Guard's current shoreside maintenance backlog?

ANSWER. The Service's current shore maintenance backlog is estimated at \$2.7B, which includes depot-level and organizational-level maintenance projects.

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