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COAST GUARD

**Comprehensive Blueprint
Needed to Balance and
Monitor Resource Use and
Measure Performance for
All Missions**

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Physical Infrastructure





Highlights of [GAO-03-544T](#), a testimony before the Subcommittee on Oceans, Atmosphere, and Fisheries, Senate Committee on Commerce, Science, and Transportation

COAST GUARD

Comprehensive Blueprint Needed to Balance and Monitor Resource Use and Measure Performance For All Missions

Why GAO Did This Study

The September 11th attacks decidedly changed the Coast Guard's priorities and markedly increased its scope of activities. Homeland security, a long-standing but relatively small part of the Coast Guard's duties, took center stage. Still, the Coast Guard remains responsible for many other missions important to the nation's interests, such as helping stem the flow of drugs and illegal migration, protecting important fishing grounds, and responding to marine pollution. For the past several years, the Coast Guard has received substantial increases in its budget to accommodate its increased responsibilities. GAO was asked to review the Coast Guard's most recent level of effort on its various missions and compare them to past levels, analyze the implications of the proposed 2004 budget for these levels of effort, and discuss the challenges the Coast Guard faces in balancing and maximizing the effectiveness of all its missions.

What GAO Recommends

In order to monitor resource use and measure performance, GAO recommended in November, 2002 that the Coast Guard develop a longer-term strategy outlining how resources will be distributed across missions, a time frame for achieving this desired balance, and a useful format for reporting progress to the Congress. The Coast Guard agreed with the need for such a strategy and has started an effort to develop one.

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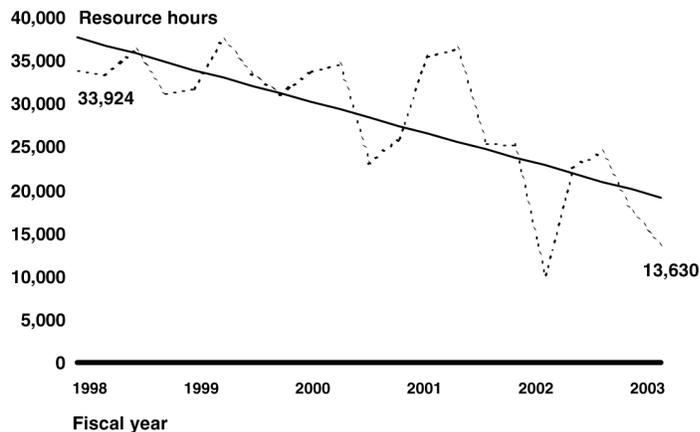
To view the full testimony, including the scope and methodology, click on the link above. For more information, contact JayEtta Hecker at (206) 512-2834 or heckerj@gao.gov.

What GAO Found

The most recent levels of effort for the Coast Guard's various missions show clearly the dramatic shifts that have occurred among its missions since the September 11th attacks. Predictably, levels of effort related to homeland security remain at much higher levels than before September 11th. Levels of effort for two major nonsecurity missions—search and rescue and aids to navigational—are now relatively consistent with historical levels. By contrast, several other missions—most notably fisheries enforcement and drug interdiction—dropped sharply after September 11th and remain substantially below historical levels. Although the Coast Guard has stated that its aim is to increase efforts in the missions that have declined, continued homeland security and defense demands make it unlikely that the agency, in the short run, can deliver on this goal. The 2004 budget request contains little that would appear to substantially alter the existing levels of effort among missions. The initiatives in the proposed budget relate mainly to enhancing homeland security and search and rescue missions.

Although the 2004 budget request represents a sizeable increase in funding (9.6 percent), the Coast Guard still faces fundamental challenges in meeting its new security-related responsibilities while rebuilding its capacity to accomplish other missions that have declined. Given the likely constraints on the federal budget in future years, it is important for the Coast Guard to identify the likely level of effort for each of its missions; lay out a plan for achieving these levels; and tie these levels to measurable outputs and goals, so that the agency and the Congress can better decide how limited dollars should be spent.

Number of Resource Hours Spent on Drug Interdiction, by Quarter, October 1997-December 2002.



Source: U.S. Coast Guard and GAO.

Note: Drug interdiction is one of several missions with levels of effort that are substantially below those that existed prior to the September 11th attacks. The dotted line shows actual quarter-by-quarter totals; the thicker line is a regression line showing the general trend.

Madame Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the President's fiscal year 2004 budget request for the Coast Guard and the challenges the agency faces in this and future budgets. Since the terrorist attacks of September 11, 2001, the Coast Guard has had to reinvent itself in many respects, shifting its focus and resources from many of its traditional missions—such as stemming the flow of illegal drugs and protecting important fishing grounds—to homeland security. The President's fiscal year 2004 budget request for the Coast Guard is \$6.8 billion, a 9.6 percent increase in nominal dollars from the previous year. If the request is approved, about half of the agency's operating expenses will be directed to fulfilling expanded homeland security responsibilities. How—and whether—the Coast Guard can continue to meet its responsibilities for all of its missions, given the increased emphasis on and resources required for homeland security, is a matter of great concern to the Congress.

My testimony today, which is based on recently completed work, addresses three topics: (1) the most recent levels of effort for the Coast Guard's various missions, and how these levels compare to those in the past; (2) the implications of the proposed 2004 budget for these various levels of effort; and (3) the challenges the Coast Guard faces in balancing its resources among its missions and ensuring and maximizing its effectiveness in each of its missions. The scope and methodology of our review is described in the appendix.

In summary:

- The most recent levels of effort for the Coast Guard's various missions, as measured by the use of multiple-mission resources such as cutters, patrol boats, and aircraft, show clearly the dramatic increase in the amount of time spent on homeland security following the September 11th attacks. In the months after the attacks, as the initial surge in homeland security activities was abating, activity in many other missions began returning to pre-September 11th levels, but some have not yet recovered. For example, the amount of resource hours currently being spent on search and rescue and maintaining aids to navigation are fairly consistent with traditional levels over the last 5 years. However, there have been substantial declines from traditional levels of time spent on two law enforcement missions—fisheries enforcement and drug interdiction. Although the Coast Guard Commandant has stated that the Coast Guard would like to return all law enforcement missions to 93 percent of pre-September 11th levels by the end of 2003 and 95 percent by the end of 2004, it appears unlikely that the

Coast Guard can meet these goals. Achieving these goals depends heavily on not having to respond to such contingencies as heightened terror alerts or deployment of Coast Guard resources in military operations. However, in the current environment, such contingencies continue to occur, as evidenced by the recent deployment of several cutters and patrol boats to the Persian Gulf as part of the Middle East buildup.

- The fiscal year 2004 budget request for the Coast Guard contains little that would substantially change the levels of effort for most missions. The budget request of \$6.8 billion represents an increase of about \$592 million, or almost 10 percent over the previous year. About \$168 million is earmarked for new initiatives, mainly in homeland security and search and rescue missions. Coast Guard officials said that some of the new initiatives, such as establishing better intelligence networks, would have potential benefit for other security-related missions, such as migrant and drug interdiction, but the initiatives do not directly pertain to augmenting activities or adding new capacity in those missions that have seen substantial declines in activity.
- Although the Coast Guard has received substantial budget increases in recent years to deal with its increased responsibilities—a trend that continues in the proposed budget—the Coast Guard still faces fundamental challenges in being able to accomplish all the responsibilities it has been given. The Coast Guard’s Deepwater Project, a modernization effort for cutters, patrol boats, and aircraft, has already experienced delays in the delivery of key assets, jeopardizing the agency’s future ability to carry out a number of missions at optimum levels. This situation could worsen because the Coast Guard has tied successful completion of the project to levels of funding that are beyond what has been available. Another budgetary challenge is that, for the foreseeable future, the Coast Guard must implement a variety of recently mandated homeland security tasks by taking resources from other activities. Similarly, any unexpected changes—such as terrorist attacks or extended terror alerts—could also result in using resources for homeland security purposes that would normally be used for other missions. Such challenges raise serious concerns about the Coast Guard’s ability to meet traditional expectations across the broad range of all of its missions. In recent reports¹, we have pointed to several steps that are needed in such an environment. One is to

¹*Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions.* [GAO-03-155](#) (Washington, D.C.: Nov. 12, 2002), and *Homeland Security: Challenges Facing the Coast Guard as it Transitions to the New Department.* [GAO-03-467T](#) (Washington, D.C.: Feb 12, 2003)

continue finding ways to operate more efficiently to maximize the existing resources available. Another is to develop a comprehensive blueprint for accomplishing mission responsibilities. This blueprint needs to recognize the new operating reality created by the Coast Guard's increasing homeland security role and translate that reality into establishing realistic level-of-effort targets for its all of missions, a plan for achieving these targets, and appropriate measurement and reporting of results so that the agency and the Congress can better decide how limited dollars can be spent.

Background

The Coast Guard, which became a part of the Department of Homeland Security on March 1, 2003, has a wide variety of both security and nonsecurity missions. (See table 1.) The Coast Guard's equipment includes 141 cutters, approximately 1,400 small patrol and rescue boats, and about 200 aircraft. Coast Guard services are provided in a variety of locations, including ports, coastal areas, the open sea, and in other waterways like the Great Lakes and the Mississippi River. The Coast Guard's installations range from small boat stations providing search and rescue and other services to marine safety offices that coordinate security and other activities in the nation's largest ports.

Table 1: Security and Nonsecurity Missions of the Coast Guard

Mission area^a	Activities and functions within each mission area
Security missions	
Ports, waterways, and coastal security	Conducting harbor patrols, vulnerability assessments, intelligence gathering and analysis, and other activities to prevent terrorist attacks and minimize the damage from attacks that occur.
Drug interdiction	Deploying cutters and aircraft in high drug trafficking areas and gathering intelligence to reduce the flow of illegal drugs across maritime boundaries.
Migrant interdiction	Deploying cutters and aircraft to reduce the flow of undocumented migrants entering the United States by maritime routes.
Defense readiness	Participating with the Department of Defense (DOD) in global military operations; deploying cutters and other boats in and around harbors to protect DOD force mobilization operations.
Nonsecurity missions	
Maritime safety	Setting standards and conducting vessel inspections to better ensure the safety of passengers and crew aboard cruise ships, ferries, and other passenger vessels and commercial and fishing vessels; partnering with states and boating safety organizations to reduce recreational boating deaths.
Search and rescue	Operating small boat stations and national distress and response communication system; conducting search and rescue operations for mariners in distress.
Living marine resources	Protecting our nation's fishing grounds from foreign encroachment; enforcing domestic fishing laws and regulations through inspections and fishery patrols.
Environmental protection	Preventing and responding to marine oil spills; preventing the illegal dumping of plastics and garbage into our nation's waters.
Aids to navigation	Maintaining the extensive system of navigation aids in our waterways; monitoring marine traffic through traffic service centers.
Ice operations	Conducting polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity; conducting domestic icebreaking operations to facilitate year-round commerce.

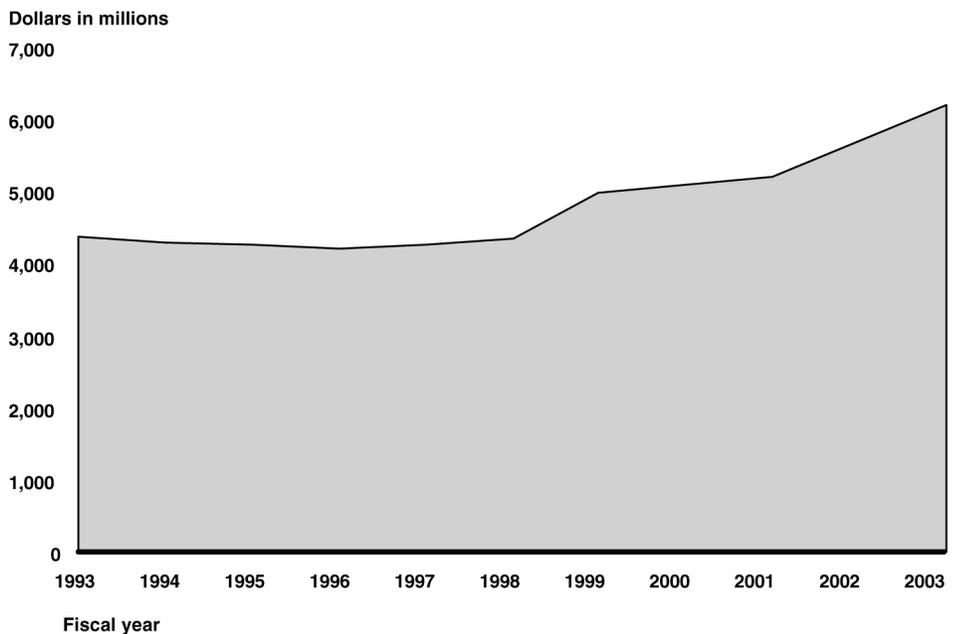
Source: U.S. Coast Guard.

^aThe Coast Guard's security and nonsecurity missions are delineated in the Homeland Security Act of 2002 (Pub. L. 107-296, Nov. 25, 2002).

As an organization that is also part of the armed services, the Coast Guard has both military and civilian positions. At the end of fiscal year 2002, the agency had over 42,000 full-time positions—about 36,000 military and about 6,600 civilians. The Coast Guard also has about 7,200 reservists who support the national military strategy and provide additional operational support and surge capacity during emergencies, such as natural disasters. In addition, about 36,000 volunteer auxiliary personnel assist in a wide range of activities from search and rescue to boating safety education.

Overall, after using fiscal year 2003 inflation-adjusted dollars to adjust for the effects of inflation, the Coast Guard's budget grew by about 41 percent between fiscal years 1993 and 2003. However, nearly all of this growth occurred in the second half of the period. During fiscal years 1993-1998, after taking inflation into account, the budget remained essentially flat. (See fig. 1.) Significant increases have occurred since fiscal year 1998.

Figure 1: Annual Budgets for the Coast Guard, Fiscal Years 1993-2003



Source: Office of Management and Budget (data); GAO (analysis).

Note: Amounts are presented in fiscal year 2003 dollars.

The events of September 11th caused the Coast Guard to direct its efforts increasingly into maritime homeland security activities, highlighted by the Coast Guard's establishing a new program area: Ports, Waterways, and Coastal Security (coastal security). Prior to September 11th, activities related to this area represented less than 10 percent of the Coast Guard's operating budget, according to Coast Guard officials. In the fiscal year 2004 request, Coastal Security represents about one-quarter of the Coast Guard's operating budget. Other mission areas, most notably drug interdiction, have declined substantially as a percentage of the operating budget.

Security Emphasis Continues to Affect Levels of Effort in Some Missions

The emphasis the Coast Guard placed on security after September 11th has had varying effects on its level of effort among all of its missions, as measured by the extent to which multiple-mission resources (cutters, other boats, and aircraft) are used for a particular mission. The most current available data show that some security-related missions, such as migrant interdiction and coastal security, have grown significantly since September 11th. Other missions, such as search and rescue and aids to navigation remained at essentially the same levels as they were before September 11th. However, the level of effort for other missions, most notably the interdiction of illegal drugs and fisheries enforcement, is substantially below pre-September 11th levels.

Missions with Increased Levels of Resources

Missions such as ports, waterways, and coastal security, and migrant interdiction have experienced increased levels of effort. Coastal security has seen the most dramatic increase from pre-September 11th levels. (See fig. 2.) For example, it went from 2,400 resource hours² during the first quarter of 1999, peaked at 91,000 hours during the first quarter of fiscal year 2002 (immediately after September 11, 2001), and most recently stood at nearly 37,000 hours for the first quarter of fiscal year 2003. In figure 2, as well as the other resource hour figures that follow, we have added a line developed by using a linear regression³ to show the general trend for the period. It is important to note that while such lines depict the trend in resource hours to date, they should not be taken as a prediction of future values. Other activity indicators, such as sea marshal⁴ boardings, also demonstrate an increased emphasis in this area. Before September 11th, such boardings were not done, but as of the first quarter of 2003 there have been over 550 such boardings. Similarly, vessel operational control

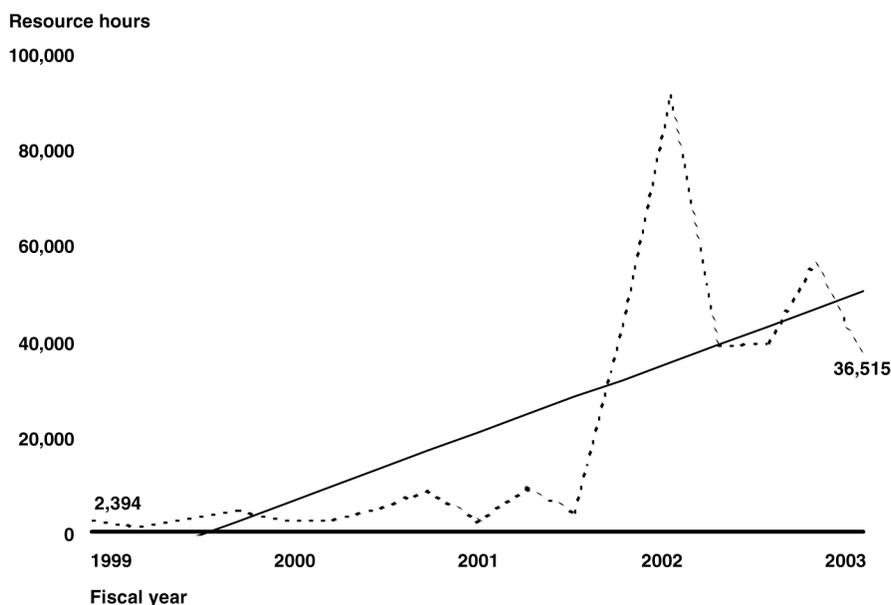
²The Coast Guard maintains information, on a mission-by-mission basis, about how cutters, patrol boats, and aircraft are used. Each hour that these resources are used in a mission is called a resource hour. Resource hours do not include such things as the time that the resource stands idle or the time that is spent maintaining it.

³Linear regression estimates the coefficients of the linear equation, involving one or more independent variables, that best predict the value of the dependent variable.

⁴Sea marshals are armed Coast Guard personnel who board selected vessels operating in and around U.S. ports and harbors and take position on the ship's bridge and other areas determined to be necessary to vessel safety. These teams provide additional security to ensure that only authorized personnel maintain control of the vessel at all times.

actions⁵ have risen by 85 percent since the fourth quarter of fiscal year 2001.

Figure 2: Number of Resource Hours Spent on Ports, Waterways, and Coastal Security, by Quarter, October 1998 – December 2002



Source: U.S. Coast Guard and GAO.

Note: GAO analysis of data from the Coast Guard's Abstract of Operations includes resource hours for cutters, boats, and aircraft. Figures shown are for the first quarter of fiscal year 1999 and 2003, respectively. The dotted line shows actual quarter-by-quarter totals; the thicker line is a regression line showing the general trend.

Given the emphasis on homeland security, it is not surprising that efforts to interdict illegal immigrants have also increased. For example, during the first quarter of 2003, the level of effort in this area was 28 percent higher than it was for the comparable period in 1998.

Missions with a Steady State of Resources

Some of the Coast Guard's traditional missions, such as aids to navigation and search and rescue, have been the least affected by the increased emphasis on security. While resource hours for both of these missions

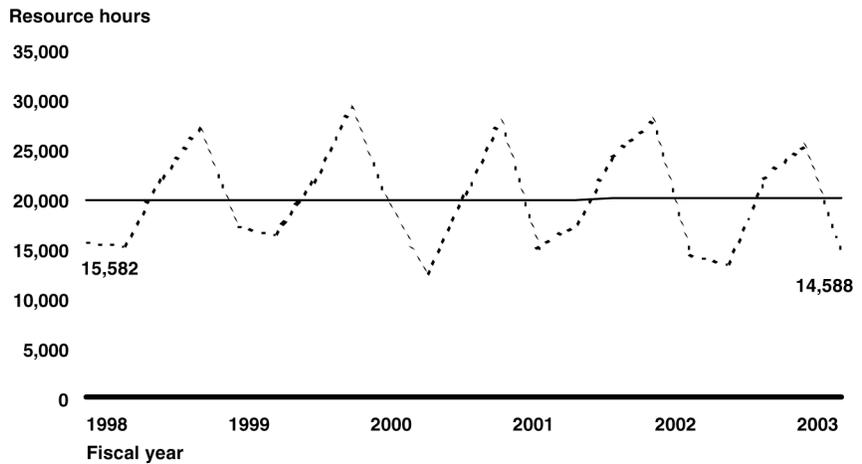
⁵Vessel operational control actions are efforts to control vessels and can include captain of the port orders, administration orders, letters of deviation, and safety and the designation of security zones.

have declined somewhat since the first quarter of fiscal year 1998, the overall pattern of resource use over the past 5 years has remained consistent. Although search and rescue boats and buoy tenders were used to perform homeland security functions immediately after September 11th, their doing so did not materially affect the Coast Guard's ability to carry out its search and rescue or aids to navigation missions. Search and rescue boats were initially redeployed for harbor patrols after the terrorist attacks, but the impact on the mission was minimal because the deployments occurred during the off-season with respect to recreational boating.⁶ Similarly, some boats that normally serve as buoy tenders—an aids to navigation function—were used for security purposes instead, but they were among the first to be returned to their former missions. For the first quarter of fiscal year 2003, the number of resource hours spent on these missions was very close to the number spent during the comparable quarter of fiscal year 1998.

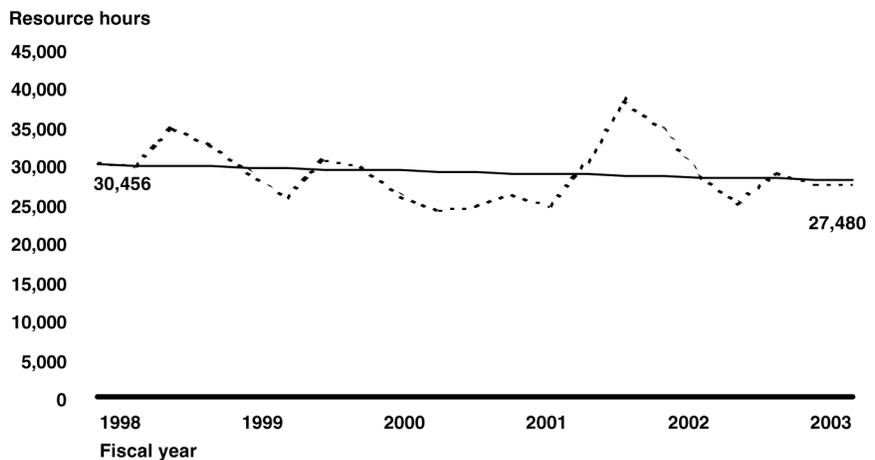
⁶Search and rescue resources are subject to seasonal cycles, with more resources being used during the summer months when boating is at its peak.

Figure 3: Number of Resource Hours Spent on Search and Rescue and Aids to Navigation, by Quarter, October 1997-December 2002

Search and Rescue



Aids to Navigation



Source: U.S. Coast Guard and GAO.

Note: GAO analysis of data from the Coast Guard's Abstract of Operations includes resource hours for cutters, boats, and aircraft. Figures shown are for the first quarter of fiscal year 1998 and 2003, respectively. The dotted line shows actual quarter-by-quarter totals; the thicker line is a regression line showing the general trend.

Performance measurement data further demonstrates the relatively minimal impact on these missions resulting from the Coast Guard's

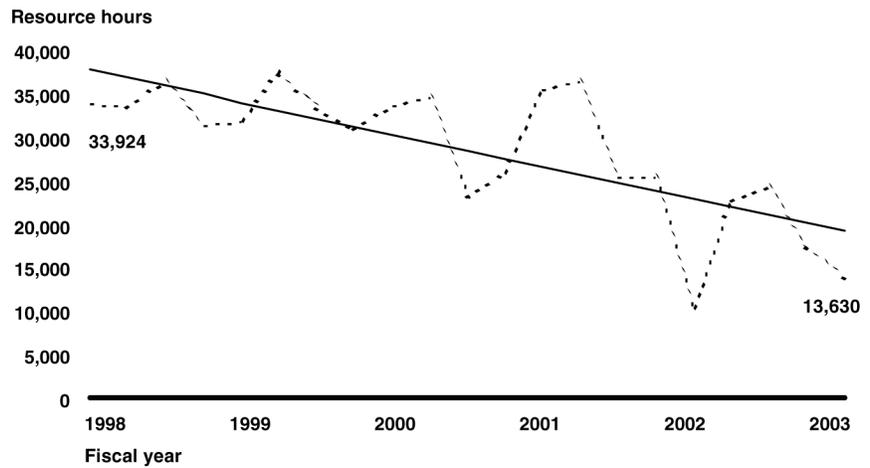
emphasis on homeland security. For example, for search and rescue, the Coast Guard was within about half a percentage point of meeting its target for saving mariners in distress in 2002 (84.4 percent actual, 85 percent goal). Likewise, data show that with respect to its aid to navigation mission, in 2002 the Coast Guard was about 1 percent from its goal of navigational aid availability (98.4 percent actual, 99.7 percent goal).

Missions with a Decline in Resource Hours

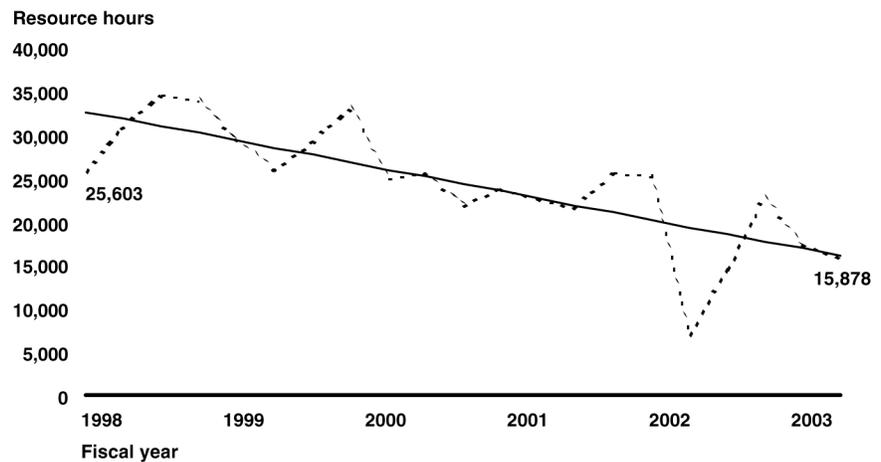
A number of missions have experienced declines in resource hours from pre-September 11th levels, including drug interdiction, fisheries enforcement (domestic and foreign), marine environmental protection, and marine safety. In particular, drug enforcement and fisheries enforcement have experienced significant declines. Compared with the first quarter of 1998, resource hours for the first quarter of fiscal year 2003 represent declines of 60 percent for drug interdiction and 38 percent for fisheries enforcement. (See fig. 4.) In fact, resource hours for these areas were declining even before the events of September 11th, and while they briefly rebounded in early 2002, they have since continued to decline. A Coast Guard official said the recent decline in both drug enforcement and fisheries can be attributed to the heightened security around July 4, 2002, and the anniversary of the September 11th terrorist attacks, as well as the deployment of resources for military operations. They said the decline will likely not be reversed during the second quarter of 2003 because of the diversion of Coast Guard cutters to the Middle East and the heightened security alert that occurred in February 2003.

Figure 4: Number of Resource Hours Spent on Drug Interdiction and Fisheries Enforcement, by Quarter, October 1997-December 2002

Drug Interdiction



Fisheries Enforcement



Source: U.S. Coast Guard and GAO.

Note: GAO analysis of data from the Coast Guard's Abstract of Operations includes resource hours for cutters, boats, and aircraft. Figures shown are for the first quarter of fiscal year 1998 and 2003, respectively. The dotted line shows actual quarter-by-quarter totals; the thicker line is a regression line showing the general trend.

The reduction in resource hours over the last several years in drug enforcement is particularly telling. In the first quarter of 1998, the Coast

Guard was expending nearly 34,000 resource hours on drug enforcement, and as of first quarter of 2003, the resource hours had declined to almost 14,000 hours—a reduction of nearly two-thirds. Also, both the number of boardings to identify illegal drugs and the amount of illegal drugs seized declined from the first quarter of fiscal year 2000. The Coast Guard's goal of reducing the flow of illegal drugs based on the seizure rate for cocaine has not been met since 1999. During our conversations with Coast Guard officials, they explained that the Office of National Drug Control Policy (ONDCP) set this performance goal in 1997, and although they recognize they are obligated to meet these goals, they believe the goals should be revised.

Our review of the Coast Guard's activity levels in domestic fishing shows U.S. fishing vessel boardings and significant violations⁷ identified are both down since 2000. The Coast Guard interdicted only 19 percent as many foreign vessels as it did in 2000.⁸ The reduced level of effort dedicated to these two missions is likely linked to the Coast Guard's inability to meet its performance goals in these two areas. For instance, in 2002 the Coast Guard did not meet its goal of detecting foreign fishing vessel incursions,⁹ and while there is no target for domestic fishing violations, there were fewer boardings and fewer violations in 2002 than in 2000.

Recently, the Coast Guard Commandant stated that the Coast Guard intends to return law enforcement missions (drug interdiction, migrant interdiction, and fisheries enforcement) to 93 percent of pre-September 11th levels by the end of 2003 and 95 percent by the end of 2004. However, in the environment of heightened security and the continued deployment of resources to the Middle East, these goals will likely not be achieved, especially for drug interdiction and fisheries enforcement, which are currently far below previous activity levels.

⁷The Coast Guard defines significant violations as any or all of the following: (1) significant damage or impact to the resource or the fisheries management plan, (2) significant monetary advantage to the violator over the competition, or (3) a high regional interest of emotional or political nature as determined by regional fisheries councils.

⁸Activity data for foreign fishing vessels is a comparison of fourth quarters in 2000 and 2002.

⁹In fiscal year 2002, the Coast Guard's goal was to detect 250 foreign fishing vessel incursions into U.S. fishing waters. Only 202 were detected that year.

Fiscal Year 2004 Budget Request Will Not Substantially Alter Current Levels of Effort

The Coast Guard's budget request for fiscal year 2004 does not contain initiatives or proposals that would substantially alter the current distribution of levels of effort among mission areas. The request for \$6.8 billion represents an increase of about \$592 million, or about 9.6 percent in nominal dollars, over the enacted budget for fiscal year 2003. The majority of the increase covers pay increases for current or retired employees or continues certain programs already under way, such as upgrades to information technology. About \$168.5 million of the increase would fund new initiatives, most of which relate either to homeland security or to search and rescue. Another \$20.8 million of the increase is for the capital acquisitions request,¹⁰ which totals \$797 million. The capital acquisition request focuses mainly on two projects—the Deepwater Project for replacing or upgrading cutters, patrol boats, and aircraft, and the congressionally mandated modernization of the maritime distress and response system.

Operating Expenses Would Increase by \$440 Million

About \$440 million of the \$592 million requested increase is for operating expenses¹¹ for the Coast Guard's mission areas. This requested increase in operating expenses is 10 percent higher than the amount for operating expenses in the enacted budget for fiscal year 2003. The requested increase is made up of the following:

- pay increases and military personnel entitlements: \$162.5 million;¹²
- funding of continuing programs and technical adjustments: \$81 million; (These are multiyear programs that the Coast Guard began in previous years. Examples include continuing development of information technology projects and operating new shore facilities started with funds from previous budgets. Technical adjustments provide for the

¹⁰For fiscal year 2004, the Capital Acquisition account includes funding previously requested in the Coast Guard Acquisition, Construction, and Improvement account, and Research, Development, Test and Evaluation accounts, as well as the Alteration to Bridges account. We have reflected this change when making comparisons to the fiscal year 2003 enacted budget.

¹¹For fiscal year 2004, the Operating Expense account consolidates funding previously requested in the Coast Guard Operating Expenses, Environmental Compliance and Restoration, and Reserve Training accounts. We have reflected this change when making comparisons to the fiscal year 2003 enacted budget.

¹²This does not include an increase of \$131 million in pay for retired personnel. Because retirees are not part of ongoing operations, their pay is not considered to be an operating expense. However, the \$131 million increase for retired pay is included in the overall requested increase of \$592 million.

annualization of expenditures that received only partial-year funding in the prior fiscal year.)

- Reserve training: \$28 million; and
- new initiatives: \$168.5 million. (These initiatives are described in more detail below.)

New Initiatives Relate Primarily to Search and Rescue and Homeland Security

The Coast Guard's budget request includes three new initiatives—one for search and rescue and two for homeland security. (See table 2.) As such, these initiatives do not represent substantial shifts in current levels of effort among missions. The search and rescue initiative is part of a multiyear effort to address shortcomings in search and rescue stations and command centers. In September 2001, the Department of Transportation Office of the Inspector General reported that readiness at search and rescue stations was deteriorating.¹³ For example, staff shortages at most stations required crews to work an average of 84 hours per week, well above the standard (68 hours) established to limit fatigue and stress among personnel. The initiative seeks to provide appropriate staffing and training to meet the standards of a 12-hour watch and a 68-hour work week. The Congress appropriated \$14.5 million in fiscal year 2002 and \$21.7 million in fiscal year 2003 for this initiative. The amount requested for fiscal year 2004 (\$26.3 million) would pay for an additional 390 full-time search and rescue station personnel and for 28 additional instructors at the Coast Guard's motor lifeboat and boatswain's mate schools.

¹³*Audit of the Small Boat Station Search and Rescue Program*. MH-2001-94 (Washington, D.C.: Sept 14, 2001).

Table 2: New Initiatives in the Fiscal Year 2004 Budget Request for Operational Expenses

New Initiative	Amount (in millions)
Maritime Search and Rescue/Personnel Safety 390 new full time personnel for search and rescue stations and command centers Additional Instructors and Training Enhancements	\$26.3
Maritime Domain Awareness Intelligence program Information sharing and systems	\$33.5
Homeland Security Operations 6 new marine safety and security teams 51 sea marshals 43 small response boats 2 port security units Establish stations at Washington, D.C. and Boston	\$108.7
Total fiscal year 2004 new initiatives	\$168.5

Source: U.S. Coast Guard.

Coast Guard officials said the two initiatives designed mainly for homeland security purposes would help the Coast Guard in other mission areas as well. For example, the information-sharing effort under maritime domain awareness is designed to improve communications between cutters and land stations. It also pays for equipping cutters with the universal automated identification system, which allows the Coast Guard to monitor traffic in its vicinity, including the vessel name, cargo, and speed. These capabilities are important not only for homeland security missions, but also for law enforcement and search and rescue, according to Coast Guard officials. Likewise, the units being added as part of the homeland security operations initiative will focus primarily on security issues but will also serve other missions, according to Coast Guard officials. For example, the new stations that would be established in Washington and Boston would be involved in search and rescue, law enforcement, and marine environmental protection.

Capital Acquisition Budget Focuses on Two Main Projects

The capital acquisition budget request for fiscal year 2004 is \$797 million, an increase of \$20.8 million in nominal dollars over fiscal year 2003. The majority of the request will go to fund two projects—the Integrated Deepwater System and the Coast Guard’s maritime distress and response system, called Rescue 21. Other acquisitions include new response boats to replace 41-foot utility boats which serve multiple missions, more coastal patrol boats, as well as a replacement icebreaker for the Great Lakes. (See table 3.)

Table 3: Fiscal Year 2004 Capital Acquisition Budget Request

Item	Amount (in millions)
Integrated Deepwater System	\$ 500.0
Other systems	
Rescue 21	\$ 134.0
Defense Message System implementation	\$ 4.5
Vessels and critical infrastructure projects	
Great Lakes icebreaker replacement	\$ 2.0
41' utility boat replacement	\$ 12.0
Additional coastal patrol boats to enforce security zones	\$ 52.5
Personnel and related support costs	\$ 70.0
Research, development, testing, and evaluation	\$ 22.0
Total	\$ 797.0

Source: U.S. Coast Guard.

At \$500 million, the Deepwater Project accounts for about 63 percent of the amount requested for capital acquisitions. This project is a long-term (20 to 30 years) integrated approach to upgrading cutters, patrol boats, and aircraft as well as providing better links between air, shore, and surface assets. When the system is fully operational, it will make the Coast Guard more effective in all of its missions, particularly law enforcement where deepwater cutters and aircraft are key to carrying out critical functions such as drug and migrant interdiction and fisheries enforcement.

Rescue 21, the second major program, provides for the modernization of the command, control, and communication infrastructure of the national distress and response system. The current system suffers from aging equipment, limited spare parts, and limited interoperability with other agencies. Of particular concern to the Coast Guard and the maritime community are the current system's coverage gaps, which can result in missed maritime distress calls. The Congress has mandated that this system be completed by the end of fiscal year 2006. The \$134 million request for fiscal year 2004 would keep the project on schedule, according to Coast Guard officials.

Significant Challenges Raise Concerns About Coast Guard's Ability to Accomplish Its Diverse Missions

Despite the billion-dollar (19 percent) budget increase it has received over the past 2 years, the Coast Guard faces fundamental challenges in attempting to accomplish everything that has come to be expected of it. We have already described how the Coast Guard has not been able, in its current environment, to both assimilate its new homeland security responsibilities and restore other missions, such as enforcement of laws and treaties, to levels that are more reflective of past years. The fiscal year 2004 budget request does not provide substantial new funding to change these capabilities, except for homeland security and search and rescue. In addition, several other challenges further threaten the Coast Guard's ability to balance these many missions. The first is directly tied to funding for the Deepwater Project. The project has already experienced delays in delivery of key assets and could face additional delays if future funding falls behind what the Coast Guard had planned. Such delays could also seriously jeopardize the Coast Guard's ability to carry out a number of security and nonsecurity missions. Similarly, for the foreseeable future, the Coast Guard must absorb a variety of new mandated homeland security tasks by taking resources from existing activities. To the extent that these responsibilities consume resources that would normally go elsewhere, other missions will be affected. Finally, in its new environment, the Coast Guard faces the constant possibility that terror alerts, terrorist attacks, or military actions would require it to shift additional resources to homeland security missions.

Such challenges raise serious concerns about the Coast Guard's ability to be "all things to all people" to the degree that the Coast Guard, the Congress, and the public desire. In past work, we have pointed to several steps that the Coast Guard needs to take in such an environment. These include continuing to address opportunities for operational efficiency, especially through more partnering; developing a comprehensive strategy for balancing resource use across all of its missions; and developing a framework for monitoring levels of effort and measuring performance in achieving mission goals. The Coast Guard has begun some work in these areas; however, addressing these challenges is likely to be a longer-term endeavor, and the success of the outcome is not clear.

Continued Funding Shortfalls Could Delay the Deepwater Project and Adversely Affect the Coast Guard's Mission Capabilities

Under current funding plans, the Coast Guard faces significant potential delays and cost increases in its \$17 billion Integrated Deepwater Project. This project is designed to modernize the Coast Guard's entire fleet of cutters, patrol boats, and aircraft over a 20-year period. Given the way the Coast Guard elected to carry out this project, its success is heavily dependent on receiving full funding every year. So far, that funding has not materialized as planned. Delays in the project, which have already occurred, could jeopardize the Coast Guard's future ability to effectively and efficiently carry out its missions, and its law enforcement activities—that is, drug and migrant interdiction and fisheries enforcement—would likely be affected the most, since they involve extensive use of deepwater cutters and aircraft.

Under the project's contracting approach, the responsibility for Deepwater's success lies with a single systems integrator and its contractors for a period of 20 years or more. Under this approach, the Coast Guard has started on a course potentially expensive to alter. It is based on having a steady, predictable funding stream of \$500 million in 1998 dollars over the next 2 to 3 decades. Already the funding provided for the project is less than the amount the Coast Guard planned for. The fiscal year 2002 appropriation for the project was about \$28 million below the planned level, and the fiscal year 2003 appropriated level was about \$90 million below the planning estimate. And even the President's fiscal year 2004 budget request for the Coast Guard is not consistent with the Coast Guard's deepwater funding plan. If the requested amount of \$500 million for fiscal year 2004 is appropriated, this would represent another shortfall of \$83 million, making the cumulative shortfall about \$202 million in the project's first 3 years, according to Coast Guard data. If appropriations hold steady at \$500 million (in nominal dollars) through fiscal year 2008, the Coast Guard estimates that the cumulative shortfall will reach \$626 million.¹⁴

The shortfalls in the last 2 fiscal years (2002 and 2003) and their potential persistence could have serious consequences. The main impact is that it would take longer and cost more in the long run to fully implement the deepwater system. For example, due to funding shortfalls experienced to date, the Coast Guard has delayed the introduction of the Maritime Patrol

¹⁴The \$28 million shortfall is expressed in 2002 dollars, the \$90 million shortfall in 2003 dollars, and the \$202 million shortfall in 2004 dollars. The \$626 million dollar shortfall is expressed in 2008 dollars.

Aircraft by 19 months and slowed the conversion and upgrade program for the 110-foot Patrol Boats. According to the Coast Guard, if the agency continues to receive funding at levels less than planned, new asset introductions—and the associated retirement of costly, less capable Coast Guard legacy assets—will continue to be deferred.

The cost of these delays will be exacerbated by the accompanying need to invest additional funds in maintaining current assets beyond their planned retirement date because of the delayed introduction of replacement capabilities and assets, according to the Coast Guard. For example, delaying the Maritime Patrol Aircraft will likely require some level of incremental investment to continue safe operation of the current HU-25 jet aircraft. Similarly, a significant delay in the scheduled replacement for the 270-foot Medium Endurance Cutter fleet could require an unplanned and expensive renovation for this fleet.

System performance—and the Coast Guard’s capability to effectively carry out its mission responsibilities—would also likely be impacted if funding does not keep pace with planning estimates. For example, Coast Guard officials told us that conversions and upgrades for the 110-foot Patrol Boat would extend its operating hours from about 1,800 to 2,500 per year. Once accomplished, this would extend the time these boats could devote to both security and nonsecurity missions. Given the funding levels for the project, these conversions and upgrades have been slowed. Coast Guard officials also said that with significant, continuing funding shortfalls delaying new asset introductions, at some point, the Coast Guard would be forced to retire some cutters and aircraft—even as demand for those assets continues to grow. For example, in 2002, two major cutters and several aircraft were decommissioned ahead of schedule due to their deteriorated condition and high maintenance costs.

Some New Homeland Security Duties Are Not Fully Factored into the Coast Guard’s Distribution of Resources

A second challenge is that the Coast Guard has been tasked with a myriad of new homeland security requirements since the fiscal year 2004 budget request was formulated and will have to meet many of these requirements by pulling resources from other activities. Under the Maritime Transportation Security Act (MTSA),¹⁵ signed into law in November 2002, the Coast Guard must accomplish a number of security-related tasks within a matter of months and sustain them over the long term. MTSA

¹⁵Pub. L. 107-295, Nov. 25, 2002.

requires the Coast Guard to be the lead agency in conducting security assessments, developing plans, and enforcing specific security measures for ports, vessels, and facilities. In the near term, the Coast Guard must prepare detailed vulnerability assessments of vessels and facilities it identifies to be at high risk of terrorist attack. It must also prepare a National Maritime Transportation Security Plan that assigns duties among federal departments and agencies and specifies coordination with state and local officials—an activity that will require substantial work by Coast Guard officials at the port level. The Coast Guard must also establish plans for responding to security incidents, including notifying and coordinating with local, state, and federal authorities.

Because the fiscal year 2004 budget request was prepared before MTSA was enacted, it does not specifically devote funding to most of these port security responsibilities. Coast Guard officials said that they will have to absorb costs related to developing, reviewing, and approving plans, including the costs of training staff to monitor compliance, within their general budget.¹⁶ Coast Guard officials expect that the fiscal year 2005 budget request will contain funding to address all MTSA requirements; in the meantime, officials said that the Coast Guard would have to perform most of its new port security duties without additional appropriation, and that the funds for these duties would come from its current operations budget. The costs of these new responsibilities, as well as the extent to which they will affect resources for other missions, are not known.

External Uncertainties Place Additional Strain on Resources

Security alerts, as well as actions needed in the event of an actual terrorist attack, can also affect the extent to which the Coast Guard can devote resources to missions not directly related to homeland security. Coast Guard officials told us that in the days around September 11, 2002, when the Office of Homeland Security raised the national threat level from “elevated” to “high” risk, the Coast Guard reassigned cutters and patrol boats in response. In February 2003, when the Office of Homeland Security again raised the national threat level to “high risk,” the Coast Guard repositioned some of its assets involved in offshore law enforcement missions, using aircraft patrols in place of some cutters that were redeployed to respond to security-related needs elsewhere. While

¹⁶The Coast Guard had already begun work on two aspects of the legislation; these aspects are accounted for in the fiscal year 2004 budget request. These two items are requirements to (1) create marine safety and security teams and (2) to dispatch armed officers as sea marshals for some port security duties.

these responses testify to the tremendous flexibility of a multi-mission agency, they also highlight what we found in our analysis of activity-level trends—when the Coast Guard responds to immediate security needs, fewer resources are available for other missions.

The Coast Guard’s involvement in the military buildup for Operation Enduring Freedom in the Middle East further illustrates how such contingencies can affect the availability of resources for other missions. As part of the buildup, the Coast Guard has deployed eight 110-foot boats, two high-endurance cutters, four port security units, and one buoy tender to the Persian Gulf. These resources have come from seven different Coast Guard Districts. For example, officials from the First District told us they sent four 110-foot patrol boats and three crews to the Middle East. These boats are multi-mission assets used for fisheries and law enforcement, search and rescue, and homeland security operations. In their absence, officials reported, the First District is more flexibly using other boats previously devoted to other tasks. For instance, buoy tenders have taken on some search and rescue functions, and buoy tenders and harbor tug/icebreakers are escorting high-interest vessels. Officials told us that these assets do not have capabilities equivalent to the patrol boats but have been able to perform the assigned mission responsibilities to date.

Several Types of Actions Needed to Address Challenges

In previous work, we have examined some of the implications of the Coast Guard’s new operating environment on the agency’s ability to fulfill its various missions.¹⁷ This work, like our testimony today, has pointed to the difficulty the Coast Guard faces in devoting additional resources to nonsecurity missions, despite the additional funding and personnel the agency has received. In particular, we have suggested that the following actions need to be taken as a more candid acknowledgement of the difficulty involved:

- *Opportunities for increased operational efficiency need to be explored.* Over the past decade, we and other outside organizations, along with the Coast Guard itself, have studied Coast Guard operations to determine where greater efficiencies might be found. These studies have produced a number of recommendations, such as shifting some responsibilities to

¹⁷ *Coast Guard: Budget and Management Challenges for 2003 and Beyond* [GAO-02-588T](#) (Washington, D.C.: Mar. 19, 2002), and *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions* [GAO-03-155](#) (Washington, D.C.: Nov. 12, 2002).

other agencies. One particular area that has come to the forefront since September 11th is the Coast Guard's potential ability to partner with other port stakeholders to help accomplish various security and nonsecurity activities involved in port operations. Some effective partnerships have been established, but the overall effort has been affected by variations in local stakeholder networks and limited information-sharing among ports.

- *A comprehensive blueprint is needed for setting and assessing levels of effort and mission performance.* One important effort that has received relatively little attention, in the understandable need to first put increased homeland security responsibilities in place, is the development of a plan that proactively addresses how the Coast Guard should manage its various missions in light of its new operating reality. The Coast Guard's adjustment to its new post-September 11th environment is still largely in process, and sorting out how traditional missions will be fully carried out alongside new security responsibilities will likely take several years. But it is important to complete this plan and address in it key elements and issues so that it is both comprehensive and useful to decision makers who must make difficult policy and budget choices. Without such a blueprint, the Coast Guard also runs the risk of continuing to communicate that it will try to be "all things to all people" when, in fact, it has little chance of actually being able to do so.

The Coast Guard has acknowledged the need to pursue such a planning effort, and the Congress has directed it to do so. Coast Guard officials told us that as part of the agency's transition to the Department of Homeland Security, they are updating the agency's strategic plan, including plans to distribute all resources in a way that can sustain a return to previous levels of effort for traditional missions. In addition, the Congress placed a requirement in MTTSA for the Coast Guard to submit a report identifying mission targets, and steps to achieve them, for all Coast Guard missions for fiscal years 2003-2005. However, this mandate is not specific about the elements that the Coast Guard should address in the report.

To be meaningful, this mandate should be addressed with thoroughness and rigor and in a manner consistent with our recent recommendations—it requires a comprehensive blueprint that embodies the key steps and critical practices of performance management. Specifically, in our November 2002 report on the progress made by the Coast Guard in restoring activity levels for its key missions, we recommended an approach consisting of a long-term strategy outlining how the Coast Guard sees its resources—cutters, boats, aircraft, and personnel—being distributed across its various missions, a time frame for achieving this

desired balance, and reports with sufficient information to keep the Congress apprised not only of how resources were being used, but what was being accomplished. The Coast Guard agreed that a comprehensive strategy was needed, and believes that they are beginning the process to develop one. Table 4 provides greater explanation of what this approach or blueprint would entail.

Table 4: Elements of an Approach for Setting and Assessing Levels of Effort and Mission Effectiveness

Element	Explanation
Setting realistic targets for levels of effort in each mission area	Targets need to take into account the finite Deepwater and other resources available in the near to medium term and the likely homeland security scenarios based on resource requirements needed to respond to various potential terrorist threats and attacks
Developing an action plan for achieving targets	Action plan needs to include: <ul style="list-style-type: none"> • an analysis of the mix of resources needed and timetables required to achieve level-of-effort targets; • strategies for partnering with other public and private sector organizations to accomplish mission activities; • contingency plans for addressing responsibilities for all of its missions during prolonged “high alert” periods; • new approaches and techniques, including the use of new technology, for achieving mission responsibilities; and • identifying operational efficiencies that would free up funds for more mission-enhancing needs, such as keeping the Deepwater Project on schedule.
Establishing realistic performance measures for all missions	Includes two steps: <ul style="list-style-type: none"> • completing performance measures for homeland security, and • evaluating and revising, where necessary, performance measures, such as those for drug interdiction, for all missions.
Collecting sufficiently complete, accurate, and consistent performance data to measure effectiveness in meeting performance targets	Includes data on: <ul style="list-style-type: none"> • resources being applied to each mission (money, personnel, and capital assets), • output measures that describe what is being done with these resources (e.g., numbers of patrols and inspections conducted), and • outcome data on the extent that program goals are being achieved.

Source: GAO.

The events of recent months heighten the need for such an approach. During this time, the budgetary outlook has continued to worsen, emphasizing the need to look carefully at the results being produced by the nation’s large investment in homeland security. The Coast Guard must be fully accountable for investments in its homeland security missions and able to demonstrate what these security expenditures are buying and their value to the nation. At the same time, recent events also demonstrate the extent to which highly unpredictable homeland security events, such as heightened security alerts, continue to influence the amount of resources available for performing other missions. The Coast Guard needs a plan that will help the agency, the Congress, and the public understand and

effectively deal with trade-offs and their potential impacts in such circumstances.

Madame Chair, this concludes my testimony today. I would be pleased to respond to any questions that you or Members of the Subcommittee may have at this time.

Contacts and Acknowledgments

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Appendix

Scope and Methodology

To determine the most recent levels of effort for the Coast Guard's various missions and how these levels compare to those in the past, we reviewed the data from the Coast Guard's Abstract of Operations. These data, reported by crews of cutters, boats, and aircraft, represent the hours that these resources spent in each of the Coast Guard's mission areas. We reviewed these data to identify how resources were utilized across missions both before and after September 11th, and to identify any trends in resource utilization. In addition, we spoke with Coast Guard officials at headquarters about the use of Coast Guard resources both before and after September 11th.

To determine the implications of the proposed fiscal year 2004 budget request for these various levels of effort, we reviewed the President's fiscal year 2004 budget request for the Coast Guard, as well as the enacted budget for the Coast Guard for fiscal year 2003. We used the Department of Commerce's chain-weighted price index for gross domestic product to adjust nominal dollar figures for the effect of inflation. In addition, we spoke with Coast Guard officials within the Coast Guard's Office of Programs and Operations Directorate, the Marine Safety Directorate, and the Integrated Deepwater Systems Program Office.

To identify the challenges the Coast Guard faces in balancing its resources among its missions and ensuring and maximizing its effectiveness in each of its missions, we reviewed our previous reports on performance management and developing performance measures. We also reviewed Coast Guard strategic documents and discussed these with staff in the Coast Guard's Program Management and Evaluation Division. In addition, we met with officials from the Coast Guard's Department of Homeland Security Transition team to discuss strategic planning and transition issues.