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Coast Guard: Analysis of the FY2000 Budget

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ABSTRACT

Congress considers FY2000 appropriations for the Coast Guard as part of the annual Department of Transportation and Related Agencies bill. CRS Report RL30208, *Appropriations for FY2000: Department of Transportation and Related Agencies*, discusses the many accounts and issues associated with this bill. For the Coast Guard, an expanded role in high seas-based illegal drug and immigration activities has put pressure on the agency's resources. Capital replacement needs for replacing aging craft and proposed new user fees to offset increasing budget pressures are two major issues. The President signed the Department of Transportation and Related Agencies Appropriations Act on Oct. 9, 1999, P.L. 106-69. This report will be updated as events warrant.

Coast Guard: Analysis of the FY2000 Budget

Summary

Congress is considering FY2000 appropriations for the Coast Guard as part of the annual Department of Transportation and Related Agencies appropriations bills. The Senate and House passed funding in their respective versions of H.R. 2084/ S. 1143. The Senate-approved amount of \$4.0 billion was slightly below, and the House-passed \$4.0 billion almost level with, the requested \$4.1 billion. The Conference Committee agreed to \$4.024 billion, which Congress passed, and the President signed into law, P.L. 106-69. An expanded role in high seas-based illegal drug and immigration activities has put pressure on the Agency's resources. Capital replacement needs for replacing aging craft, and proposed new user fees to offset increasing budget pressures are two major issues.

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Coast Guard: Analysis of the FY2000 Budget

Introduction

The Coast Guard appropriation is constrained, and its management challenged, by increased responsibilities for drug and illegal immigrant interdiction on the high seas as well as its aging watercraft and aircraft. The Administration requests \$4.1 billion for Coast Guard discretionary funds in FY2000; both appropriations subcommittees have held hearings on the proposal and reported legislation. On June 23, 1999, the House passed the appropriation. Compared to the total \$4.5 billion appropriated in FY1999, the FY2000 request would be \$357 million, or 8%, less than all appropriated FY1999 funds.¹ However, compared to the base appropriation, excluding the one-time emergency and supplemental FY1999 funds, the request could be considered an actual increase of about \$230 million, or 6%. In addition to these discretionary funds, there are mandatory funds of \$64 million for State Boating Safety grants. Compared to the \$4.1 billion requested, the Senate September 16th recommended \$4.0 billion in H.R. 2084 (S. 1143, S.Rept. 106-55) and, on June 23, 1999, the House passed \$4.0 billion in H.R. 2084 (H.Rept. 106-180). The Conference Committee agreed to \$4.024 billion, which Congress passed and the President signed into law, P.L. 106-69. Coast Guard programs are authorized every 2 years; see CRS Report RS20117, *Coast Guard FY2000 and FY2001 Authorization Issues* for discussion of current congressional consideration of authorization bills.

The budget request and subsequent appropriations would allow the Coast Guard to continue its activities against drug smuggling and recapitalize aircraft and vessel fleets. Table 1 shows the base appropriations, the request and congressional actions.

¹This includes \$3.9 billion in the FY1999 Department of Transportation and Related Agencies Appropriations Act as included in P.L. 105-277; an additional \$387 million in emergency funds in the Omnibus Consolidated and Emergency Supplemental Appropriations Act (P.L.105-277, Division B); and another \$200 million in the FY1999 Supplemental, P.L. 106-31). The Omnibus Appropriation Act included additional emergency funds for the Coast Guard for drug interdiction, hurricane relief, and Y2K activities. The \$200 million included in the FY1999 Supplemental may be carried over to FY2000.

Table 1. Coast Guard Appropriations FY1999 Base, FY2000 Request, and Congressional Actions.
(in millions of dollars)

Major Account	FY1999 Approp.	FY2000 Request	Senate-passed H.R.2084/ S. 1143	House-passed H.R.2084	P.L. 106-69
Operation & Maintenance	3,048.0	2,941.0	2,772.2	2,791.0	2,781.0
Acquisition, Construction, Improvements	625.5	350.3	370.4	410.0	389.3
Environment Compliance Restoration	21.0	19.5	12.5	18.0	17.0
Alteration of Bridges	14.0	0	14.0	15.0	15.0
Retired Pay	684.0	721.0	730.0	721.0	730.3
Reserve Training	74.0	72.0	72.0	72.0	72.0
Research, Test, and Evaluation	17.0	21.7	17.0	21.0	19.0
TOTAL	4,483.5_a	4,125.6_b	3,988.2	4048.0	4023.7

a. P.L. 105-277 contained certain additional emergency appropriations for the Coast Guard counter-drug, hurricane relief and Y2K activities. These totals include include the emergency funding. P.L. 106-31, the FY1999 Supplemental, includes \$200 million for Coast Guard acquisitions to be carried into FY2000 which may be applied to several accounts.

b. Total excludes a \$41 million offset for proposed user fees rejected by House and Senate.

The annual Department of Transportation and Related Agencies Appropriation bill includes Coast Guard funding. (For a discussion of this bill, see CRS Report RL30208, *Appropriations for FY2000: Department of Transportation and Related Agencies*.) Within the Coast Guard appropriation, there are seven major accounts covering operations, capital projects, environmental activities, alteration of bridges, retired pay, reserves, and research. Coast Guard funds are included in the roughly 21%, or about \$12 billion, of the roughly \$55 billion appropriation that is not firewalled, essentially a fixed appropriation tied to trust funds and thus not under the annual control of the appropriations committee.² The House Appropriations Committee explained in its report that the Coast Guard's requested level was "simply not possible due to the firewalls." While the bill enjoyed an 8% increase under the budget allocation, highway and other needs took most of that increase leaving the Coast Guard scrambling "for the remaining crumbs," according to the committee. Essentially, both reported versions fund most Coast Guard activities at FY1999 base appropriation levels.

Operation and Maintenance

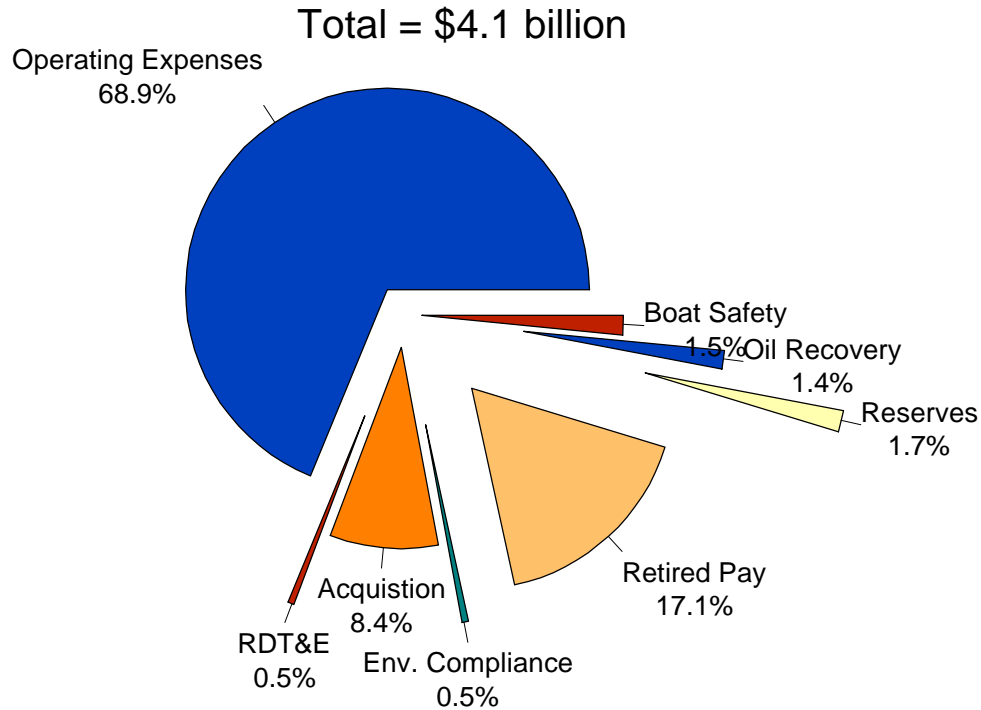
For the operations and maintenance program (O&M), the budget seeks \$3.0 billion in budget authority — \$107 million, or 4%, less than FY1999. Representing about two-thirds of the Coast Guard's resources, this program account funds seven central mandates assigned to the agency. These include search and rescue, aids to navigation, marine safety, marine environmental protection, enforcement of laws and treaties, ice operations, and defense readiness. Each of these would increase 4% above FY1999 levels under the proposal. Five hundred twenty-one million dollars of the total operations budget would be directed to drug interdiction activities, plus \$21 million in capital expenses, for a total of \$542 million, an amount approved by both committees. Roughly one-half of the O&M account, or \$1.4 billion, is for compensating personnel. This includes 4,524 civilian and 34,869 military personnel. In FY1999 emergency and supplemental funding measures, Congress added over \$148 million to this account.

In actions on the FY2000 request for O&M, the Senate approved \$2.8 billion; the House \$2.8 billion. The Senate and House marks are at roughly FY1999 levels for personnel resources, operation and maintenance, for all commands, districts and headquarters. This level should not negatively affect the operational readiness of the Coast Guard, according to the Committee. The Senate bill includes legislative language allowing the Secretary of Transportation to transfer up to \$60 million from Federal Aviation Agency operations to Coast Guard operating expenses "for the purpose of providing additional funds for drug interdiction activities or activities related to the Office of Intelligence and Security."³ The report of the Conference Committee, H. Rept. 106-355, stated "the Secretary of Transportation may use any surplus funds that are made available to the Secretary, to the maximum extent practicable, for drug interdiction activities of the Coast Guard."

²For additional discussion of this see H.Rept. 106-180, p. 3 and CRS Report RL30208: *Appropriation for FY2000: Department of Transportation and Related Agencies*.

³Senate Report 106-55, p.33.

Coast Guard FY2000 Budget Request



A significant part of the request is a proposal to authorize the collection and spending of a user fee for Coast Guard navigation services to commercial vessels. The budget anticipates the FY2000 fee collections would be \$41 million and future year collections \$165 million per year. Both the Senate- and House-passed bills deny this proposal and include language restricting the use of FY2000 funds for developing user fee proposals in the future.

Acquisition, Construction and Improvement

Another major component of the request would allocate funds for acquisition, construction and improvement; the Administration seeks \$350 million, \$45 million, or 13% less than FY1999 base funding⁴, and \$275.2 million, or 44%, less than the total funds appropriated in FY1999. Each of the five main program activities would decline by about 13%. The Senate approved \$370 million and the House \$410 million for this account. The Conference agreed to \$389 million.

Both appropriation committees shared concern over how the Coast Guard would fund the deepwater major vessel replacement in future fiscal years. The Senate would establish a special new account and both versions would authorize that the proceeds from the sale of surplus property be deposited into this appropriation account. The FY2000 request of \$44 million is still for planning the replacement. The Senate approved \$45 million and up to \$15 million more in discretionary funds for a total of

⁴Base funding, excluding emergency and supplemental funds, was \$395.5 million.

\$60 million; the House approved \$40 million. The Conference approved \$44 million with up to a total of \$50 million in FY 2000 with the additional funds derived from proceeds of sale of surplus property.

Environmental Compliance

To address Coast Guard responsibilities for complying with environmental provisions, the budget seeks \$19.5 million in budget authority, some 7% less than current year funding. Much of this — \$12.3 million — is targeted to restoring and mitigating environmental contamination, especially thousands of batteries disposed of by the Coast Guard in many offshore buoy locations. Also being addressed are hazardous waste sites at Kodiak, AK, Elizabeth, NC, and Cape Cod, MA. Another part of the program addresses polychlorinated biphenyl (PCB) -laden cutters and boats. One-fourth of this account, or \$4 million, would be devoted to complying with environmental provisions and preventing pollution. This includes hazardous waste minimization, a variety of small compliance projects, and meeting compliance requirements under the Oil Pollution Act, Clean Air and Clean Water Acts.

Both appropriation committees praised the Coast Guard's efficient management of its environmental restoration project. The Senate approved \$12.5 million for this account; the House \$18 million; and the Conference agreed to \$17 million.

Alteration of Bridges

For four bridge replacement projects, the Senate approved \$14 million, the amount requested, and the House \$15 million. The Conference agreement was \$15 million.

Retirement

At a level of \$730 million, the allocation for retirement pay would be \$46 million, or 7% greater than FY1999. The Senate approved \$730 million; the House \$721 million. This is scored as a mandatory appropriation. An issue with this account involved the Administration's request that this funding be considered indefinite budget authority and that a set appropriation level be replaced by "such sums as are necessary." Both committees denied this overture and continued to require that this account be subject to appropriations. The Conference approved an appropriation of \$730 million.

Reserve Training

The Administration requested, and both bodies approved, \$72 million to train, support, and sustain a ready military Selected Reserve Force of 7,600 members for direct support to the Department of Defense and to provide surge capacity for responses to emergencies such as clean-up operations following oil spills. The requested level would be \$2 million, or 3%, less than current year funding.

With an anticipated strength of 12,853, about 100 less than the current year level, the Coast Guard Reserve is ready for active duty should a conflict, national

emergency, or disaster occur. This account helps maintain this readiness through mobilization and other exercises.

Research, Development, Test and Evaluation

Funding for research would increase 27% to a level of \$22 million under the FY2000 proposal. The House approved \$21 million and the Senate \$17 million, level with FY1999 funding. The Conference agreed to \$19 million. This account funds various activities to develop techniques, methods, hardware and systems to support Coast Guard missions. "Priorities for 2000 include drug interdiction surveillance, fuel cell vessel propulsion, computerized search-and-rescue tools, and more effective oil spill response techniques," states the Coast Guard's budget justification.

Most of the planned increase for FY2000 would be devoted to fuel cell research with an eye to future use and significant reduction of operating costs and crewing requirements. The other priority is maritime sensor technology used in drug interdiction efforts to identify and intercept high speed "go fast" boats used by drug smugglers.

Oil Spill Liability Trust Fund

The Coast Guard administers the \$1 billion Oil Spill Liability Trust Fund and annually about one-tenth of the fund is allocated to the Coast Guard for its regular responsibilities. The budget seeks \$48 million for various associated costs including cleaning up spills .

Boat Safety

No discretionary appropriations are requested for the national recreational boating safety program which is now a mandatory appropriation. The Transportation Equity Act for the 21st Century (TEA21) includes permanent appropriations of \$64 million annually from the Aquatic Resources Trust Fund maintained by a motorboat fuel tax of 18.4 cents per gallon. This includes \$59 million for grants to states and \$5 million for the Coast Guard's coordination activity. Other Coast Guard requested funding includes \$61 million for spill clean-up and initial damage assessment, available without further appropriation from the Oil Spill Liability Trust Fund.

Key Issues Associated with the Budget Request

The two key issues that have dominated debate over the FY2000 request for the Coast Guard involve the deepwater replacement program and user fees.

Managing Replacement of Coast Guard Capital Resources. A prominent issue is the Coast Guard's management of a major planned replacement of aging and outmoded high seas vessels and aircraft. Only planning and analysis funds are included for this in the FY2000 request; actual purchases of nearly \$10 billion are anticipated over a 20-year period beginning in FY2001. At House Transportation and Infrastructure hearings on February 11, 1999, and at the House Appropriations Transportation Subcommittee March 16, 1999, the General Accounting Office

criticized the agency's handling of this vital replacement program. CRS Report 98-830, *Coast Guard Integrated Deepwater System: Background and Issues for Congress*, discusses the issues associated with the program.

Both appropriations committees voiced concern over the deepwater replacement program. Two things dominate that concern: the budgetary magnitude of the effort compared to the budgetary limitations affecting the Coast Guard budget, and the Agency's management of the replacement program so far. To deal with the capital needs, the Senate and House have recommended certain account changes. However, concern persists over how the replacement program is being managed. In March 16 testimony before authorizing and appropriating committees (GAO/T-RCED-99-116, *Strategies for Procuring New Ships, Aircraft, and Other Assets*), GAO has criticized the Coast Guard's planning to date and raised concerns about how the agency will manage this complex multi-billion dollar replacement project. Specifically, GAO maintains that the Coast Guard has not sufficiently justified the project and produced key data. Further, the GAO sees the need for a new Coast Guard budget strategy since the costs of this project will outstrip resources. The Senate report stated: "Committee remains concerned that this maybe too ambitious and unproven for an agency that has experienced difficulty in managing large and complex acquisition projects."⁵

Coast Guard User Fee Proposal. Another issue involves the Coast Guard's planned use of user fees. The budget anticipates using \$41 million from new user fees to recapitalize vessels, information management and Coast Guard shore infrastructure not part of the deepwater replacement effort. The Administration will propose legislation to authorize user fees for commercial cargo vessels and cruise ships; it anticipates collecting \$41 million in FY2000 and \$165 million annually when fully operational. Proposals for user fees for traditional Coast Guard services such as buoy placement and vessel traffic regulation have been controversial. Some argue that these services should be funded from general funds because of their widespread benefits; others argue that user fees should be assigned in instances where the beneficiaries can be clearly identified.

Based on Senate and House report language, the current proposal to institute commercial vessel user fees appears to be defeated. Future planning of such proposals also would be prohibited under Senate- and House-reported bills which include legislative language prohibiting the Coast Guard from spending funds on development of user fee proposals.

⁵S.Rept 106-180, p. 33.

