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Coast Guard Cutter Procurement: Background and Issues for Congress

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Summary

The Coast Guard is procuring a combination of National Security Cutters (NSCs), Offshore Patrol Cutters (OPCs) and Fast Response Cutters (FRCs) as replacements for 90 earlier-generation Coast Guard high-endurance cutters, medium-endurance cutters, and patrol craft, respectively.

National Security Cutters are the Coast Guard's largest and most capable general-purpose cutters; they replaced the Coast Guard's 12 Hamilton-class high-endurance cutters. The Coast Guard's 2004 Program of Record (POR) called for procuring 8 NSCs; a total of 11 were eventually procured, with the 10th and 11th being funded in FY2018. NSCs had an estimated average procurement cost of about $670 million per ship.

The 10th NSC was commissioned into service in April 2024. In March 2025, it was reported that construction of the 11th ship had been halted since at least November 2024 with the ship 15% complete due to "material conformance concerns," and that the Coast Guard and the shipbuilder were working to resolve the issue. In June 2025, it was reported that the Coast Guard and the shipbuilder had agreed to cancel construction of the ship, making the 10th NSC the final one to be completed and enter service. The Navy in November and December 2025 announced a plan to build a new class of frigates whose design would be based on that of the NSC.

Offshore Patrol Cutters are intended to replace the Coast Guard's 29 aged medium-endurance cutters. The 2004 POR calls for procuring a total of 25 OPCs. Coast Guard officials describe the OPC program and the Polar Security Cutter (PSC) program (which is covered in another CRS report) as the service's highest acquisition priorities. The first OPC was funded in FY2018, and additional OPCs were funded in subsequent years. The first four OPCs were being built by Eastern Shipbuilding Group (ESG) of Panama City, FL. In June 2022, the Coast Guard announced that it had awarded a contract to Austal USA of Mobile, AL, to produce up to 11 OPCs (i.e., OPCs 5 through 15).

The OPC program has experienced significant cost growth and schedule delays. In July 2025, the Department of Homeland Security (DHS) announced a partial termination of ESG's OPC contract, canceling the construction of OPCs 3 and 4. In November 2025, it was reported that ESG had decided to suspend its OPC construction work—a development that appears to relate to OPCs 1 and 2. As of January 2026, no OPCs have entered service.

Fast Response Cutters are considerably smaller and less expensive than OPCs; they are replacing the Coast Guard's 49 aging Island-class patrol boats. The 2004 POR originally called for procuring 58 FRCs, but that figure was increased in subsequent years. Drawing on $1.0 billion in funding for procurement of FRCs provided by Section 40001 of the FY2025 reconciliation act (H.R. 1/P.L. 119-21 of July 4, 2025, also referred to as the One Big Beautiful Bill Act [OBBBA]), the Coast Guard on September 10, 2025, awarded a $507 million contract for 10 FRCs, bringing the total number of FRCs procured to 77. As of August 10, 2025, 59 FRCs have been commissioned into service. The 60th and 61st were accepted by the Coast Guard on June 26, 2025, and October 23, 2025, respectively.

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Introduction

This report provides background information and potential oversight issues for Congress on the Coast Guard's National Security Cutters (NSC), Offshore Patrol Cutter (OPC), and Fast Response Cutters (FRC) procurement programs. The issue for Congress is whether to approve, reject, or modify the Coast Guard's funding requests and acquisition strategies for the NSC, OPC, and FRC programs. Congress's decisions on these three programs could substantially affect Coast Guard capabilities and funding requirements, and the U.S. shipbuilding industrial base.

The NSC, OPC, and FRC programs have been subjects of congressional oversight for many years, and were previously covered in other CRS reports dating back to 1998 that are now archived.[1] The Coast Guard's plans for modernizing its fleet of polar icebreakers are covered in a separate CRS report.[2]

Background

Older Ships to Be Replaced by NSCs, OPCs, and FRCs

NSCs, OPCs, and FRCs are intended to replace 90 older Coast Guard ships—12 high-endurance cutters (WHECs), 29 medium-endurance cutters (WMECs), and 49 110-foot patrol craft (WPBs).[3] The Coast Guard's 12 Hamilton (WHEC-715) class high-endurance cutters entered service between 1967 and 1972.[4] The Coast Guard's 29 medium-endurance cutters included 13 Famous (WMEC-901) class ships that entered service between 1983 and 1991,[5] 14 Reliance (WMEC-615) class ships that entered service between 1964 and 1969,[6] and 2 one-of-a-kind cutters that originally entered service with the Navy in 1944 and 1971 and were later transferred to the Coast

[1] This CRS report was first published on June 13, 2012. The earlier CRS reports were CRS Report RL33753, *Coast Guard Deepwater Acquisition Programs: Background, Oversight Issues, and Options for Congress*, by Ronald O'Rourke (first version December 18, 2006, final [i.e., archived] version January 20, 2012); CRS Report RS21019, *Coast Guard Deepwater Program: Background and Issues for Congress, by Ronald O'Rourke* (first version September 25, 2001, final [i.e., archived] version December 8, 2006); and CRS Report 98-830 F, *Coast Guard Integrated Deepwater System: Background and Issues for Congress*, by Ronald O'Rourke (first version October 5, 1998, final [i.e., archived] version June 1, 2001). From the late 1990s until 2007, the Coast Guard's efforts to acquire NSCs, OPCs, and FRCs were parts of a larger, integrated Coast Guard acquisition effort aimed at acquiring several new types of cutters and aircraft that was called the Integrated Deepwater System (IDS) program, or Deepwater for short. In 2007, the Coast Guard broke up the Deepwater effort into a series of individual cutter and aircraft acquisition programs, but continued to use the term Deepwater as a shorthand way of referring collectively to these now-separated programs. In its FY2012 budget submission, the Coast Guard stopped using the term Deepwater as a way of referring to these programs.

[2] CRS Report RL34391, *Coast Guard Polar Security Cutter (PSC) and Arctic Security Cutter (ASC) Icebreaker Programs: Background and Issues for Congress*, by Ronald O'Rourke.

[3] In the designations WHEC, WMEC, and WPB, W means Coast Guard ship, HEC stands for high-endurance cutter, MEC stands for medium-endurance cutter, and PB stands for patrol boat.

[4] Hamilton-class cutters are 378 feet long and have a full load displacement of about 3,400 tons.

[5] Famous-class cutters are 270 feet long and have a full load displacement of about 1,800 tons.

[6] Reliance-class cutters are 210 feet long and have a full load displacement of about 1,100 tons.

Guard.[7] The Coast Guard's 49 110-foot Island (WPB-1301) class patrol boats entered service between 1986 and 1992.[8]

Many of these 90 ships are manpower-intensive and increasingly expensive to maintain, and have features that in some cases are not optimal for performing their assigned missions.[9] The high-endurance cutters and Island-class patrol boats have been or are being removed from service as they are replaced by NSCs and FRCs. The last of the Coast Guard's 12 Hamilton-class high-endurance cutters was decommissioned on April 24, 2021.[10]

Missions of NSCs, OPCs, and FRCs

NSCs, OPCs, and FRCs, like the ships they are intended to replace, are to be multimission ships for routinely performing 7 of the Coast Guard's 11 statutory missions, including

- search and rescue (SAR);
- drug interdiction;
- migrant interdiction;
- ports, waterways, and coastal security (PWCS);
- protection of living marine resources;
- other/general law enforcement; and
- defense readiness operations.[11]

Smaller Coast Guard patrol craft and boats contribute to the performance of some of these seven missions close to shore. NSCs, OPCs, and FRCs perform them both close to shore and in the deepwater environment, which generally refers to waters more than 50 miles from shore.

[7] These were the *Acushnet* (WMEC-167), which originally entered service with the Navy in 1944, and the *Alex Haley* (WMEC-39), which originally entered service with the Navy in 1971. The *Acushnet* served in the Navy from until 1946, when it was transferred to the Coast Guard. The ship was about 214 feet long and had a displacement of about 1,700 tons. The *Alex Haley* served in the Navy until 1996. It was transferred to the Coast Guard in 1997, converted into a cutter, and reentered service with the Coast Guard in 1999. It is 282 feet long and has a full load displacement of about 2,900 tons.

[8] Island-class boats are 110 feet long and have a full load displacement of about 135 to 170 tons.

[9] A July 2012 Government Accountability Office (GAO) report discussed the generally poor physical condition and declining operational capacity of the Coast Guard's older high-endurance cutters, medium-endurance cutters, and 110-foot patrol craft; see Government Accountability Office, *Coast Guard[:]Legacy Vessels' Declining Conditions Reinforce Need for More Realistic Operational Targets*, GAO-12-741, July 2012, 71 pp.

[10] See, for example, Seapower Staff, "Coast Guard Decommissions Service's Final High-Endurance Cutter," *Seapower*, April 26, 2021; Associated Press, "US Coast Guard Decommissions Storied Cutter in Alaska," *Associated Press*, April 28, 2021. See also Patricia Kime, "The Coast Guard Is Retiring Its Last Hamilton-Class High Endurance Cutter," *Military.com*, April 22, 2021.

[11] The four statutory Coast Guard missions that are not to be routinely performed by NSCs, OPCs, and FRCs are marine safety, aids to navigation, marine environmental protection, and ice operations. These missions are performed primarily by other Coast Guard ships. The Coast Guard states, however, that "while [NSCs, OPCs, and FRCs] will not routinely conduct [the] Aids to Navigation, Marine Safety, or Marine Environmental Protection missions, they may periodically be called upon to support these missions (i.e., validate the position of an Aid to Navigation, transport personnel or serve as a Command and Control platform for a Marine Safety or Marine Environmental Response mission, etc.)." (Source: Coast Guard information paper provided to CRS on June 1, 2012.)

NSC Program

National Security Cutters (**Figure 1** and **Figure 2**)—also known as Legend (WMSL-750)[12] class cutters because they were named for legendary Coast Guard personnel[13]—are the Coast Guard's largest and most capable general-purpose cutters.[14] They are larger and technologically more advanced than Hamilton-class cutters, and were built by Huntington Ingalls Industries' Ingalls Shipbuilding of Pascagoula, MS (HII/Ingalls).

Figure 1. National Security Cutter

Source: Cropped version of photograph accompanying Huntington Ingalls Industries, "National Security Cutter Kimball (WMSL 756)," December 22, 2018.

[12] In the designation WMSL, W means Coast Guard ship and MSL stands for maritime security cutter, large.

[13] For a Coast Guard news release that mentions the naming rule for the class, see U.S. Coast Guard, "Acquisition Update: Keel Authenticated for the Fifth National Security Cutter," May 17, 2013.

[14] The NSC design is 418 feet long and has a full load displacement of about 4,500 tons. The displacement of the NSC design is about equal to that of Navy's now-retired Oliver Hazard Perry (FFG-7) class frigates, which were 453 feet long and had a full load displacement of about 4,200 tons. The Coast Guard's three polar icebreakers are much larger than NSCs, but are designed for a more specialized role of operations in polar waters. The Coast Guard states that

> The largest and most technologically advanced of the Coast Guard's newest classes of cutters, the NSCs replace the aging 378-foot high endurance cutters, which have been in service since the 1960s. Compared to legacy cutters, the NSCs' design provides better sea-keeping and higher sustained transit speeds, greater endurance and range, and the ability to launch and recover small boats from astern, as well as aviation support facilities and a flight deck for helicopters and unmanned aerial vehicles.
>
> ("National Security Cutter," accessed April 19, 2018, at https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/National-Security-Cutter/.)

Figure 2. National Security Cutter

Source: Cropped version of photograph accompanying Huntington Ingalls Industries, "Bertholf (WMSL 750) Builder's Trials," March 22, 2019. The caption to the photograph states that it was taken on December 4, 2007.

The Coast Guard's acquisition program of record (POR)—the service's list, established in 2004, of planned procurement quantities for various new types of ships and aircraft—called for procuring 8 NSCs as replacements for the service's 12 Hamilton-class high-endurance cutters. The Coast Guard's FY2020 budget submission estimated the total acquisition cost of a nine-ship NSC program at $6.030 billion, or an average of about $670 million per ship.[15]

Congress fully funded the procurement of 11 NSCs—three more than the 8 in the Coast Guard's POR—including the 10th and 11th in FY2018, which (like the 9th NSC) were not requested by the Coast Guard.

The 10th NSC was commissioned into service on April 20, 2024. In March 2025, it was reported that construction of the 11th ship had been halted since at least November 2024 with the ship 15% complete due to "material conformance concerns," and that the Coast Guard and the shipbuilder were working to resolve the issue.[16] A June 5, 2025, press report stated that the Coast Guard and the shipbuilder had agreed to cancel construction of the ship, making the 10th NSC the final one to be completed and enter service:

> The Coast Guard and HII Ingalls Shipbuilding agreed to stop construction on what was set to be the last Legend-class National Security Cutter, a company spokesperson told USNI News on Thursday [June 5].
>
> The proposed USCGC *Friedman* (WMSL-760) was set to be the 11th in the line of the 4,600-ton cutters that are the service's most capable surface vessel.

[15] Source: Coast Guard Five-Year (FY2020-FY2024) Capital Investment Plan (CIP) funding table for the Procurement, Construction and Improvements (PC&I) account.

[16] Cal Biesecker, "Construction Halted On Last National Security Cutter Over Conformance Issues," *Defense Daily*, March 10, 2025.

> According to Ingalls, the company and the Coast Guard settled a contract dispute in late May over the construction of *Friedman*. The Coast Guard issued the contract for that cutter, along with USCGC *Calhoun* (WMSL-759), as part of a $930 million contract option for the two ships.
>
> While Calhoun delivered in 2023, [construction of] *Friedman* stalled sometime after HII announced the official start of fabrication in 2021. At the time, the Coast Guard expected the ship to be delivered in 2024.
>
> "The forecasted delays and setbacks were associated with a contract-related dispute. We worked collaboratively with the Coast Guard to reach a mutually acceptable resolution that supports and aligns with the Coast Guard's overall cost-saving objectives," Ingalls spokeswoman Kimberly Aguillard told USNI News in a Thursday statement. "In mutual agreement with the USCG, we have signed a contract modification that identifies an alternate strategy related to the sunsetting of the NSC program, which has already exceeded the original acquisition objective of eight ships. Rather than proceeding with construction of the eleventh ship of the NSC class, we have agreed to execute a plan that maximizes readiness of the existing NSC fleet, by supporting overall operational availability and capability of the first ten NSCs in service."
>
> HII declined to comment on the amount of work that had been completed on *Friedman* or the financial terms of the contract….
>
> Following an earlier version of this post, DHS [Department of Homeland Security] issued a statement from Secretary of Homeland Security Kristi Noem.
>
> "Huntington Ingalls owed us this cutter over a year ago. As the Trump administration is revitalizing the U.S. Coast Guard through Force Design 2028, we need to be smart with the American taxpayer's money," reads Noem's statement. "This project was over time and over budget. Now the money can be redirected to ensuring the Coast Guard remains the finest, most-capable maritime service in the world. I would like to extend my thanks to Huntington Ingalls for negotiating in good faith."
>
> The statement said $260 million went back to the government and the Coast Guard would get $135 million in spare parts from Ingalls.[17]

The Navy in November and December 2025 announced a plan to build a new class of frigates whose design would be based on that of the NSC.[18]

OPC Program

Overview

Coast Guard officials describe the Offshore Patrol Cutter (OPC) program and the Polar Security Cutter (PSC) program (which is covered in another CRS report)[19] as the service's two highest acquisition priorities. OPCs (**Figure 3** through **Figure 9**)—also known as Heritage (WMSM-915)[20] class cutters because they are being named for past cutters that played a significant role in

[17] Sam LaGrone, "Ingalls, Coast Guard Scrap 11th National Security Cutter Over Contract Impasse, Says HII," *USNI News*, June 5, 2025. See also Cal Biesecker, "Final Coast Guard National Security Cutter Canceled," *Defense Daily*, June 5m 2025.

[18] For additional discussion, see CRS Report R44972, *Navy Constellation (FFG-62) and FF(X) Class Frigate Programs: Background and Issues for Congress*, by Ronald O'Rourke.

[19] For more on the PSC program, see CRS Report RL34391, *Coast Guard Polar Security Cutter (Polar Icebreaker) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[20] In the designation WMSM, W means Coast Guard ship and MSM stands for maritime security cutter, medium.

the history of the Coast Guard and the Coast Guard's predecessor organizations[21]—are in some respects less capable than NSCs.[22] OPCs are to have a length of 360 feet, which will make them about 86% as long as NSCs, which have a length of 418 feet. OPCs were earlier estimated to have a full load displacement of 3,500 tons to 3,730 tons, which would have made them about 80% as large in terms of full load displacement as NSCs, which have a full load displacement of about 4,500 tons[23] As the OPC design matured, however, its estimated displacement grew to about 4,500 tons, making it essentially as large as the NSC in terms of full load displacement.[24]

The Coast Guard's POR calls for procuring 25 OPCs as replacements for the service's 29 medium-endurance cutters. A February 2025 Government Accountability Office (GAO) report states that as of April 2024, the OPC program's total estimated procurement cost was $12,833 million (i.e., about $12.8 billion), or an average of about $513.3 million per ship.[25] A June 2023 GAO report states that as of 2022, the OPC's total acquisition cost estimate (which includes both procurement cost and other costs) was $17.6 billion, or average of about $704 million per ship.[26]

The first four OPCs were being built by Eastern Shipbuilding Group (ESG) of Panama City, FL. On June 30, 2022, the Coast Guard announced that it had awarded a fixed-price incentive (firm target) contract to Austal USA of Mobile, AL, to produce up to 11 OPCs (i.e., OPCs 5 through 15). The first OPC funded in FY2018. It was launched (i.e., put into the water for the final phase of its construction) on October 27, 2023.[27] Construction of the fifth OPC (the first to be built by Austal USA) began in August 2024.

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[21] For the naming rule for the class and a list of the names of the first 11 OPCs, see U.S. Coast Guard, "The Offshore Patrol Cutter (OPC) Is The Coast Guard's Highest Investment Priority and Will Play A Critical Role in the Service's Future," undated, accessed March 30, 2023, at http://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Newsroom/OPC_Day/. See also Sam LaGrone, "Coast Guard Celebrates Birthday by Naming 11 Planned Offshore Patrol Cutters," *USNI News*, August 4, 2017 (updated August 5, 2017).

[22] The service states that OPCs

> The OPCs will provide the majority of offshore presence for the Coast Guard's cutter fleet, bridging the capabilities of the 418-foot national security cutters, which patrol the open ocean, and the 154-foot fast response cutters, which serve closer to shore. The OPCs will conduct missions including law enforcement, drug and migrant interdiction, search and rescue, and other homeland security and defense operations. Each OPC will be capable of deploying independently or as part of task groups and serving as a mobile command and control platform for surge operations such as hurricane response, mass migration incidents and other events. The cutters will also support Arctic objectives by helping regulate and protect emerging commerce and energy exploration in Alaska.
>
> ("Offshore Patrol Cutter," accessed April 20, 2018, https://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-Acquisitions-CG-9/Programs/Surface-Programs/Offshore-Patrol-Cutter/Offshore-Patrol-Cutter-Program-Profile/.)

[23] As of May 26, 2017, the OPC's light ship displacement (i.e., its "empty" displacement, without fuel, water, ballast, stores, and crew) was preliminarily estimated at about 2,640 to 2,800 tons, and its full load displacement was preliminarily estimated at about 3,500 to 3,730 tons. (Source: Figures provided to CRS by Cost Guard liaison office, May 26, 2017.) In terms of full load displacement, this would have made OPCs roughly 80% as large as NSCs.

[24] Source: Email from Coast Guard liaison office to CRS, November 25, 2019. See also **Figure 9**.

[25] Source: Government Accountability Office, *DHS Annual Assessment[:] Improved Guidance on Revised Acquisition Goals Would Enhance Transparency*, GAO 25-107317, February 2025, p. 64.

[26] Government Accountability Office, *Coast Guard Acquisitions[:] Offshore Patrol Cutter Program Needs to Mature Technology and Design*, GAO 23-105805, June 2023, highlights page.

[27] Source for scheduled delivery date: Testimony of Vice Admiral Tom Allan JR., United States Coast Guard, on "America Builds: Coast Guard Assets & Infrastructure" before the House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation, March 5, 2025, PDF page 2 of 5.

Figure 3. Offshore Patrol Cutter

Artist's rendering

Source: Photograph accompanying Kirk Moore, "Coast Guard's Birthday Present: Naming the Next Cutters," *WorkBoat*, August 4, 2017. A caption to the rendering credits the rendering to Eastern Shipbuilding Group.

Figure 4. Offshore Patrol Cutter

Artist's rendering

Source: "Offshore Patrol Cutter Notional Design Characteristics and Performance," accessed September 16, 2016, at https://www.dcms.uscg.mil/Portals/10/CG-9/Surface/OPC/OPC%20Placemat%2036x24.pdf?ver=2018-10-02-134225-297.

Figure 5. Offshore Patrol Cutter

Artist's rendering

Source: Eastern Shipbuilding Group (http://www.easternshipbuilding.com/), accessed September 9, 2019.

Figure 6. Offshore Patrol Cutter

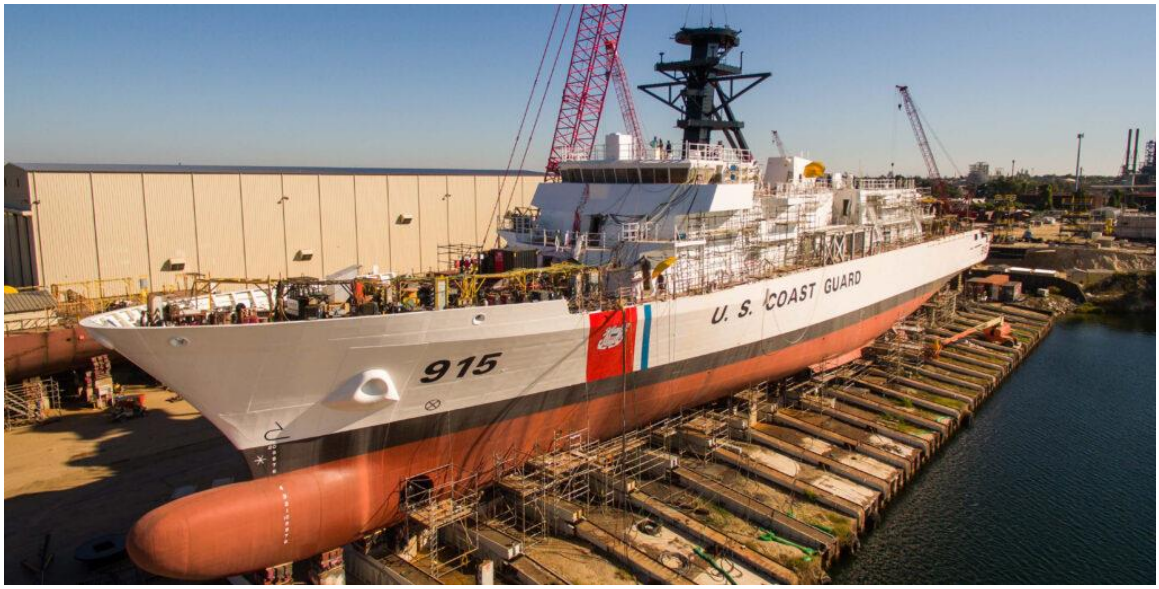
Artist's rendering

Source: Image received from Coast Guard liaison office, May 25, 2017.

Figure 7. First Offshore Patrol Cutter Under Construction

Source: Photograph accompanying Allyson Park, "Coast Guard Launching First Offshore Patrol Cutter," *National Defense*, October 17, 2023. The caption credits the photograph to Eastern Shipbuilding.

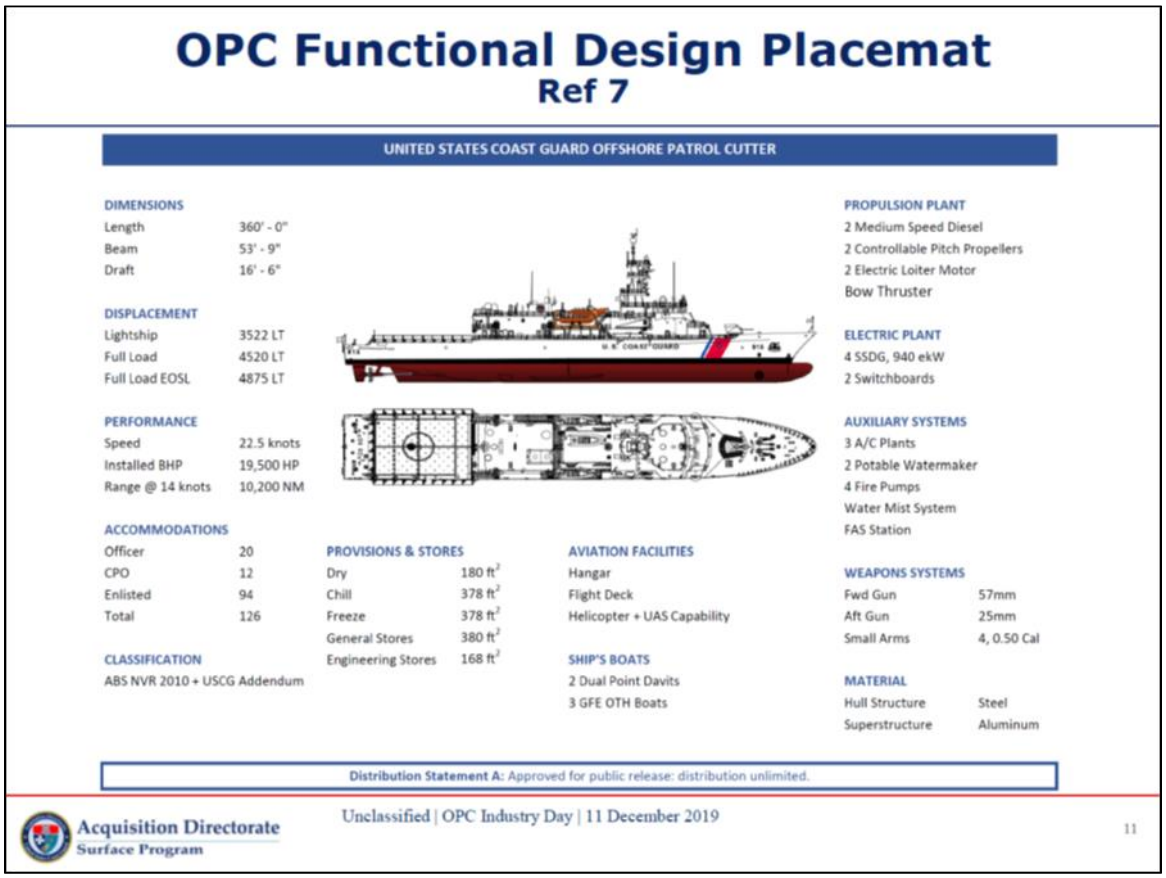
Figure 8. First Offshore Patrol Cutter Under Construction



Source: Photograph accompanying Chuck Hill, "'Christening and Launch Ceremony for U.S. Coast Guard's First Offshore Patrol Cutter Friday, October 27, 2023'—Eastern Shipbuilding," *Chuck Hill's CG Blog*, October 17, 2023. The caption credits the photograph to Eastern Shipbuilding.

Figure 9. Offshore Patrol Cutter Functional Design

"Placemat" summary from Coast Guard



Source: Slide 11 from Coast Guard presentation at OPC Industry Day, December 11, 2019, updated December 13, 2019, accessed December 17, 2019, at https://beta.sam.gov/opp/bf0b9b0a1fe2428e9a73043259641c13/view.

The OPC program has experienced significant cost growth and schedule delays. July 2023 GAO testimony on the OPC program stated that "OPC's acquisition cost estimate [which includes both procurement cost and other costs] increased from $12.5 billion to $17.6 billion between the program's 2012 and 2022 life-cycle cost estimates."[28] A February 2025 GAO report states that delivery of the lead ship has been delayed more than four years, and that the program's Initial Operational Capability (IOC) date is projected to be June 2029, a 78-month (6.5-year) delay from the originally projected IOC date of December 2022.[29]

In July 2025, the Department of Homeland Security (DHS), of which the Coast Guard is a part, announced a partial termination of ESG's OPC contract, canceling the construction of OPCs 3 and 4. In November 2025, it was reported that ESG had decided to suspend its OPC construction work—a development that appears to relate to OPCs 1 and 2. As of January 2026, no OPCs have entered service.

[28] Government Accountability Office, *Coast Guard Recapitalization[:] Actions Needed to Better Manage Acquisition Programs and Address Affordability Concerns*, Statement of Marie A. Mak, Director, Contracting and National Security Acquisitions, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, July 27, 2023, GAO 23-106948, p. 9.

[29] Source: Government Accountability Office, *DHS Annual Assessment[:] Improved Guidance on Revised Acquisition Goals Would Enhance Transparency*, GAO 25-107317, February 2025, p. 64.

Original Competition and September 2016 Contract Award

In response to a Request for Proposals (RFP) released by the Coast Guard on September 25, 2012, at least eight shipyards expressed interest in the OPC program.[30] On February 11, 2014, the Coast Guard announced that it had awarded Preliminary and Contract Design (P&CD) contracts to three of those eight firms—Bollinger Shipyards of Lockport, LA; Eastern Shipbuilding Group (ESG) of Panama City, FL; and General Dynamics' Bath Iron Works (GD/BIW) of Bath, ME.[31] On September 15, 2016, the Coast Guard announced that it had awarded the detail design and construction (DD&C) contract to ESG. The contract covered detail design and production of up to 9 OPCs and had a potential value of $2.38 billion if all options were exercised.[32]

October 2019 Contractual Relief and Program Restructuring

On October 11, 2019, DHS announced that it had granted extraordinary contractual relief to ESG under P.L. 85-804 as amended (50 U.S.C. 1431-1432), a law originally enacted in 1958 that authorizes certain federal agencies to provide certain types of extraordinary relief to contractors who are encountering difficulties in the performance of federal contracts or subcontracts relating to national defense.[33] ESG reportedly submitted a request for extraordinary relief on June 30,

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[30] The firms were the following: Bollinger Shipyards of Lockport, LA; Eastern Shipbuilding Group of Panama City, FL; General Dynamics Bath Iron Works (GD/BIW) of Bath, ME; Huntington Ingalls Industries (HII) of Pascagoula, MS; Marinette Marine Corporation of Marinette, WS; General Dynamics National Steel and Shipbuilding Company (GD/NASSCO) of San Diego, CA; Vigor Shipyards of Seattle, WA; and VT Halter Marine of Pascagoula, MS. (Source: U. S. Coast Guard Offshore Patrol Cutter (OPC) List of Interested Contractors Updated July 2012, accessed October 23, 2012, at http://www.uscg.mil/ACQUISITION/opc/pdf/companiesinterested.pdf; and Kevin Brancato and Anne Laurent, *Coast Guard's $12 Billion Cutter Competition Spurs Eight Shipyards to Dive In*, Bloomberg Government Study, November 8, 2012, 6 pp. The Coast Guard document states that these firms "expressed interest in the Offshore Patrol Cutter acquisition and have agreed to their names provided on the Coast Guard website." See also Stew Magnuson, "New Coast Guard Cutter Sparks Fierce Competition Among Shipbuilders," *National Defense* (www.nationaldefensemagazine.org), April 2013, accessed March 26, 2013, at http://www.nationaldefensemagazine.org/articles/2013/4/1/2013april-new-coast-guard-cutter-sparks-fierce-competition-among-shipbuilders.)

[31] "Acquisition Update: U.S. Coast Guard Awards Three Contracts for Offshore Patrol Cutter Preliminary and Contract Design," February 11, 2014, accessed February 14, 2014, at https://www.dcms.uscg.mil/Portals/10/CG-9/Newsroom/In%20The%20News%20Archives/2014/opc021114.pdf?ver=2017-05-23-145011-727. HII and VT Halter Marine reportedly filed protests of the Coast Guard's award decision on February 24 and 25, respectively. The Coast Guard issued stop work orders to Bollinger, Eastern, and GD/BIW pending GAO's rulings on the protests. (Calvin Biesecker, "Coast Guard Issues Stop Work Orders On OPC Following Protests," *Defense Daily*, February 28, 2014: 2-3. See also Christopher P. Cavas, "Ingalls Protesting US Coast Guard Cutter Contract," *DefenseNews.com*, February 26, 2014.) On June 5, 2014, it was reported that GAO had rejected the protests, and that the Coast Guard had directed Bollinger, Eastern, and GD/BIW to resume their work. (Calvin Biesecker, "Coast Guard Directs Design Work Continue On OPC After GAO Denies Protests," *Defense Daily*, June 5, 2014: 1; Christopher P. Cavas, "US Coast Guard Cutter Award Upheld," *Defense News* (http://www.defensenews.com), June 5, 2014. For the text of the decision, see Government Accountability Office, Decision in the Matter of Huntington Ingalls Industries, Inc.; VT Halter Marine, Inc., June 2, 2014.)

[32] "Acquisition Update: Coast Guard Selects Offshore Patrol Cutter Design," September 15, 2016; "Acquisition Update: Coast Guard Moves Forward To Next Phase Of OPC Acquisition," October 5, 2016. See also "Coast Guard Exercises Long Lead Time Materials Option For First Offshore Patrol Cutter," September 7, 2017.

[33] 50 U.S.C. 1431 states in part

> The President may authorize any department or agency of the Government which exercises functions in connection with the national defense, acting in accordance with regulations prescribed by the President for the protection of the Government, to enter into contracts or into amendments or modifications of contracts heretofore or hereafter made and to make advance payments thereon, without regard to other provisions of law relating to the making, performance, amendment, or modification of contracts, whenever he deems that such action would facilitate the national defense.

(continued...)

2019, after ESG's shipbuilding facilities were damaged by Hurricane Michael, which passed through the Florida panhandle on October 10, 2018.

The Coast Guard announced that the contractual relief would be limited to the first four hulls in the OPC program, and that the OPC program would be restructured to include a competition for a new contract to build subsequent OPCs,[34] identified later as OPCs 5 through 15.[35] The Coast Guard refers to the follow-on competition as the Stage 2 competition. Ships 1 through 4 in the program are now referred to as the Stage 1 ships.

A November 25, 2019, letter to the Acting Secretary of DHS from the chair and ranking member of the House Transportation and Infrastructure Committee and the chair and ranking member of that committee's Coast Guard and Maritime Transportation subcommittee regarding the OPC program posed a number of questions regarding the Coast Guard's October 2019 contractual relief and restructuring of the OPC program. The text of this letter, including these questions, is presented in **Appendix E**. Congress also passed a provision relating to P.L. 85-804 as part of the Coast Guard Authorization Act of 2020.[36]

> The authority conferred by this section shall not be utilized to obligate the United States in an amount in excess of $50,000 without approval by an official at or above the level of an Assistant Secretary or his Deputy, or an assistant head or his deputy, of such department or agency, or by a Contract Adjustment Board established therein.

For more on P.L. 85-804 as amended, see CRS Report 76-261, *Extraordinary Contractual Relief Under Public Law 85-804*, April 28, 1976, by Andrew C. Mayer. The report was prepared at the request of the House Armed Services Committee and converted by the committee into a committee print (70-905 O), dated May 10, 1976, that can be viewed at https://ufdc.ufl.edu/AA00022546/00001/1j. See also David H. Peirez, "Public Law 85-804: Contractual Relief for the Government Contractor," *Administrative Law Review*, Vol. 16 (Summer 1964): 248-264, accessed October 11, 2019, at https://www.jstor.org/stable/40708469; and "Presidential Power: Public Law 85-804 (50 U.S.C. §§ 1431-35)," Brennan Center for Justice, undated, accessed October 11, 2019, at https://www.brennancenter.org/sites/default/files/analysis/50%20USC%201431-1435.pdf. (Although it is undated, it appears to have been written no earlier than 2014, as it includes three references to the year 2014, including one that states, "As of 2014….") The text of P.L. 85-804 as originally enacted is posted at https://www.govinfo.gov/content/pkg/STATUTE-72/pdf/STATUTE-72-Pg972.pdf.

[34] Department of Homeland Security, "DHS Extends Contract Relief for Offshore Patrol Cutter," October 11, 2019; U.S. Coast Guard, "Department of Homeland Security Approves Limited Extraordinary Relief for Offshore Patrol Cutter Contract," October 11, 2019; "DHS, Coast Guard Extend Limited Contract Relief for Offshore Patrol Cutter," *Coast Guard News (coastguardnews.com)*, October 11, 2019.

[35] Under P.L. 85-804 as amended, Congress had 60 days of continuous session to review the announced contractual relief, with the 60-day period in this case starting October 11, 2019. 50 U.S.C. 1431 states in part,

> The authority conferred by this section may not be utilized to obligate the United States in any amount in excess of $25,000,000 unless the Committees on Armed Services of the Senate and the House of Representatives have been notified in writing of such proposed obligation and 60 days of continuous session of Congress have expired following the date on which such notice was transmitted to such Committees. For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die at the end of a Congress, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain, or because of an adjournment sine die other than at the end of a Congress, are excluded in the computation of such 60-day period.

[36] Division G of the FY2021 National Defense Authorization Act (H.R. 6395/P.L. 116-283 of January 1, 2021) is the Elijah E. Cummings Coast Guard Authorization Act of 2020. Section 8221 of Division G of H.R. 6395/P.L. 116-283 states

> SEC. 8221. MODIFICATION OF ACQUISITION PROCESS AND PROCEDURES.
>
> (a) EXTRAORDINARY RELIEF.—
>
> (1) IN GENERAL.—Subchapter III of chapter 11 of title 14, United States Code, is amended by adding at the end the following:
>
> ''§ 1157. Extraordinary relief

(continued...)

June 2025 Stop Work Orders for OPCs 3 and 4

At a June 5, 2025, hearing on Coast Guard programs and structure before the Coast Guard and Maritime Transportation subcommittee of the House Transportation and Infrastructure Committee, an exchange between the Coast Guard witness—acting Coast Guard Commandant Admiral Kevin E. Lunday—and subcommittee chairman Representative Mike Ezell indicated that the Coast Guard had issued stop work orders to ESG for OPCs 3 and 4 due to contractor performance issues and was assessing whether to select another shipbuilder to complete the construction of the two ships.[37]

July 2025 Contract Termination of OPCs 3 and 4

On July 11, 2025, DHS announced a partial termination of ESG's OPC contract, canceling the construction of OPCs 3 and 4, stating,

> Today, United States Department of Homeland Security Secretary Kristi Noem announced the partial termination of a wasteful shipbuilding contract to protect American taxpayer dollars while revolutionizing the United States Coast Guard for the 21st century….
>
> An existing Offshore Patrol Cutter (OPC) contract with Eastern Shipbuilding Group (ESG) has been slow to deliver four OPCs, harming the U.S.'s defense capabilities and wasting American's hard-earned money. In light of that, Secretary Noem partially canceled ESG's contract for two out of the four OPCs expected from ESG in Panama City, Florida because it was not an effective use of taxpayer money….

> ''(a) IN GENERAL.—With respect to any prime contracting entity receiving extraordinary relief pursuant to the Act entitled 'An Act to authorize the making, amendment, and modification of contracts to facilitate the national defense', approved August 28, 1958 (Public Law 85–804; 50 U.S.C. 1432 et seq.) for a major acquisition, the Secretary shall not consider any further request by the prime contracting entity for extraordinary relief under such Act for such major acquisition.
>
> ''(b) INAPPLICABILITY TO SUBCONTRACTORS.—The limitation under subsection (a) shall not apply to subcontractors of a prime contracting entity.
>
> ''(c) QUARTERLY REPORT.—Not less frequently than quarterly during each fiscal year in which extraordinary relief is approved or provided to an entity under the Act referred to in subsection (a) for the acquisition of Offshore Patrol Cutters, the Commandant shall provide to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report that describes in detail such relief and the compliance of the entity with the oversight measures required as a condition of receiving such relief.''.
>
> (3) ANALYSIS FOR CHAPTER 11.—The analysis for chapter 11 of title 14, United States Code, is amended by inserting after the item relating to section 1156 the following:
>
> ''1157. Extraordinary relief.''.
>
> (b) NOTICE TO CONGRESS WITH RESPECT TO BREACH OF CONTRACT.—Section 1135 of title 14, United States Code, is amended by adding at the end the following:
>
> ''(d) NOTICE TO CONGRESS WITH RESPECT TO BREACH OF CONTRACT.—Not later than 48 hours after the Commandant becomes aware that a major acquisition contract cannot be carried out under the terms specified in the contract, the Commandant shall provide a written notification to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives that includes—
>
> ''(1) a description of the terms of the contract that cannot be met; and
>
> ''(2) an assessment of whether the applicable contract officer has issued a cease and desist order to the contractor based on the breach of such terms of the contract.''.

[37] For a press report about this exchange at the hearing, see Cal Biesecker, "Performance Issues Force Coast Guard To Stop Work On Two OPCs; First Ship Likely Delayed," *Defense Daily*, June 5, 2025.

> The Coast Guard stopped work on OPCs 3 and 4 after ESG notified the service earlier this year they could not fulfill their contractual duty to deliver all four OPCs without unabsorbable loss. The money saved will redirected to ensure it's actually benefiting the Coast Guard….
>
> The Coast Guard's goal is to procure 25 OPCs—and that has not changed. The Coast Guard remains intent on acquiring and delivering the full OPC class as fast as possible to address the Nation's security and safety needs.[38]

November 2025 Press Reports Regarding Suspension of OPC Work

In November 2025, it was reported that ESG had decided to suspend its OPC construction work—a development that appears to relate to OPCs 1 and 2. A November 14, 2025, press report stated:

> Florida-based Eastern Shipbuilding Group (ESG) has finally made the tough decision of suspending work on the troubled Offshore Patrol Cutters (OPCs) program, a development that comes six months after the Trump administration announced partial termination of the contract owing to delays and cost overruns.
>
> ESG CEO Joey D'Isernia announced that owing to the significant financial strains caused by the program's structure and conditions, the company has opted to suspend work on its in-construction Heritage-class OPCs, resulting in layoffs….
>
> The decision has immediate effects for the first and second OPC hulls. The first, USCGC *Argus*, was launched in 2023 and was in outfitting for delivery in 2026.[39]

A November 18, 2025, press report states that DHS "has issued a request for information on towing two of the hulls to a new yard to be completed, but the department hasn't made a decision on how to go forward."[40]

Stage 2 Competition

March 2020 Contract Awards for Industry Studies

On January 10, 2020, the Coast Guard released an RFP for industry studies in connection with the Stage 2 competition, with responses due by January 31, 2020. On March 20, 2020, the Coast Guard announced that it had awarded nine Stage 2 industry study contracts to the following firms:

- Austal USA of Mobile, AL;
- General Dynamics/Bath Iron Works (GD/BIW) of Bath, ME;
- Bollinger Shipyards Lockport of Lockport, LA;
- Eastern Shipbuilding Group (ESG) of Panama City, FL;

[38] Department of Homeland Security, "Secretary Noem Protects American Taxpayers Against Wasteful Contracts While Revolutionizing Coast Guard for the 21st Century," news release dated July 11, 2025. See also Mike Schuler, "Trump Admin Cancels Offshore Patrol Cutters at Eastern Shipbuilding Over Delays and Rising Costs," *gCaptain*, July 12, 2025; Cal Biesecker, "Noem Terminates Eastern Shipbuilding's Work For Third And Fourth OPCs," *Defense Daily*, July 13, 2025.

[39] Maritime Executive, "Eastern Shipbuilding Suspends Work on Offshore Patrol Cutter Program," *Maritime Executive*, November 14, 2025.

[40] Caitlyn Burchett, "Eastern Shipbuilding Halts Work on Coast Guard Cutter Program, Cites Financial Strain and Program Conditions," *USNI News*, November 18, 2025. See also Mike Schuler, "Eastern Shipbuilding Suspends Work on Coast Guard's Offshore Patrol Cutter Program," *gCaptain*, November 18, 2025; Ken Hocke, "Eastern Shipbuilding Stops Work on Offshore Patrol Cutter Program," *WorkBoat*, November 20, 2025.

- Fincantieri Marinette Marine (F/MM) of Marinette, WS;
- General Dynamics/National Steel and Shipbuilding Company (GD/NASSCO) of San Diego, CA;
- Huntington Ingalls Industries/Ingalls Shipbuilding (HII/Ingalls) of Pascagoula, MS;
- Philly Shipyard of Philadelphia, PA; and
- VT Halter Marine Inc. of Pascagoula, MS.[41]

October 2020 Draft RFP

On October 9, 2020, the Coast Guard released a draft RFP for the Stage 2 competition. Responses to the draft RFP, which helped inform the Coast Guard's drafting of the final version of the RFP, were due by November 23, 2020.

May 2021 Release of RFP

On January 29, 2021, the Coast Guard released the RFP for the Stage 2 competition, with responses due by May 28, 2021. The Coast Guard planned to award the Stage 2 contract in the second quarter of FY2022,[42] with the contract to be a Fixed Price Incentive Firm (FPIF) contract for detail design and construction of up to 11 OPCs, including long lead-time materials (LLTM), as well as logistics, training, and life-cycle engineering. One observer stated on March 29, 2021, that

> In the current 11-ship [Stage 2] proposal, the Coast Guard is giving interested shipyards an enormous amount of leeway to redesign the cutter's innards, a tactic that, according to stakeholders, facilitates increased competition. Newly proposed ships must look generally the same [as ESG's OPC design] from the outside, but almost everything "under the hood"—outside of a few major components—can be changed, shifted or modified.[43]

[41] Most of the contracts had a base award value of $2.0 million and a total potential value of $3.0 million. The exceptions were the contract awarded to ESG, which had a base award value of $1.1 million and a total potential value of $1.2 million (a difference that appeared to reflect ESG's status as the builder of the first four OPCs), and the contract awarded to VT Halter, which has a total potential value of $2.9 million. The Coast Guard stated in its contract-award announcement that

> Under their respective contracts, the awardees will assess OPC design and technical data, provided by the Coast Guard, and the program's construction approach. Based on their analyses, the awardees will recommend to the Coast Guard potential strategies and approaches for the follow-on detail design and construction (DD&C). The awardees will also discuss how they would prepare the OPC functional design for production. The awardees may also identify possible design or systems revisions that would be advantageous to the program if implemented, with strategies to ensure those revisions are properly managed.
>
> The Coast Guard will use the industry studies results to further inform its follow-on acquisition strategy and promote a robust competitive environment for the DD&C award. Participation in industry studies is not a pre-requisite for submitting a DD&C proposal.
>
> (U.S. Coast Guard, "Coast Guard Awards Nine Contracts for Offshore Patrol Cutter Industry Studies," March 20, 2020.)

[42] In January 2022, the Coast Guard confirmed that it plans to award the contract in the spring of 2022. (Cal Biesecker, "Coast Guard Still Planning On Spring Award For OPC Phase 2 Contract," *Defense Daily*, January 12, 2022.)

[43] Craig Hooper, "U.S. Coast Guard Seeks Builders For Big New Cutters," *Forbes*, March 29, 2021.

In June 2021, it was reported that firms that had publicly disclosed that they were bidders for the Stage 2 competition included ESG, Huntington Ingalls Industries (HII), and Bollinger Shipyards.[44]

June 2022 Contract Award

On June 30, 2022, the Coast Guard announced that it had awarded a fixed-price incentive (firm target) contract to Austal USA of Mobile, AL, to produce up to 11 offshore patrol cutters (OPCs). The initial award is valued at $208.3 million and supports detail design and procurement of LLTM for the fifth OPC, with options for production of up to 11 OPCs in total. The contract has a potential value of up to $3.33 billion if all options are exercised.[45]

July 2022 Protest of Contract Award

On July 21, 2022, it was reported that ESG on July 15, 2022, had filed a protest with GAO over the Coast Guard's decision to award the Stage 2 contract to Austal USA. GAO's decision on the protest was due by October 24, 2022.[46]

October 2022 Withdrawal of Protest and Court Case

An October 5, 2022, announcement stated

> The Coast Guard today issued a notice to Austal USA, the offshore patrol cutter (OPC) Stage 2 contractor, to proceed on detail design work to support future production of OPCs. The Coast Guard issued the notice following the withdrawal of an award protest filed in July with the Government Accountability Office by an unsuccessful Stage 2 offeror.

An October 6, 2022, press report stated

> Eastern Shipbuilding Group said it plans to take its fight over a recent U.S. Coast Guard contract to the U.S. Court of Federal Claims after withdrawing its complaint with the Government Accountability Office.
>
> The Florida shipbuilder said it will seek in court the disclosure of materials the Coast Guard did not release during the GAO protest process. The company's attorneys are preparing their initial filing now, an Eastern Shipbuilding spokesperson told Defense News....
>
> Eastern Shipbuilding in mid-July protested the award with the Government Accountability Office. Under GAO policy, the Coast Guard had 30 days to provide a report responding to the protest arguments, Eastern would then have 10 days to respond to that report, and GAO would have about two months to consider the case....
>
> In this instance, though, the company spokesperson said the Coast Guard exercised its option to file for a protective order. The Coast Guard has declined to release Austal's

[44] Cal Biesecker, "Eastern Shipbuilding, Huntington Ingalls Also Bid On Coast Guard OPC Program," *Defense Daily*, June 14, 2021.

[45] Source: U.S. Coast Guard, "Coast Guard Awards Contract for Stage 2 of Offshore Patrol Cutter Acquisition," June 30, 2022. See also Megan Eckstein, "Coast Guard Selects Austal to Build Offshore Patrol Cutters over Incumbent Eastern Shipbuilding," *Defense News*, June 30, 2022; Mallory Shelbourne, "Coast Guard Issues Austal USA Contract Worth up to $3.3B for Offshore Patrol Cutter," *USNI News*, July 1, 2022.

[46] See, for example, Megan Eckstein, "Eastern Shipbuilding Protests Coast Guard Award of Cutter Contract to Austal," *Defense News*, July 21, 2022; Cal Biesecker, "Eastern Shipbuilding Protests Offshore Patrol Cutter Award To Austal USA," *Defense Daily*, July 21, 2022; Sam LaGrone, "Eastern Shipbuilding Protests Coast Guard Offshore Patrol Cutter Award to Austal USA," *USNI News*, July 21, 2022.

> winning proposal or its own scoring evaluations under this protective order, meaning neither Eastern Shipbuilding nor GAO could review the material....
>
> GAO updated its website Wednesday [October 5] to note the protest has been withdrawn. That same day, the Coast Guard announced it was allowing Austal to proceed with work on its first cutter, which could not begin while the protest was in active consideration.[47]

Another October 6, 2022, press report stated

> "The federal procurement process is designed to be fair and transparent," Joey D'Isernia, the company's [ESG's] president said in a statement to Breaking Defense on Wednesday night [October 5]. "Ordinarily, the government discloses reasonable justification for its award decisions to the attorneys representing the parties in a protest. The government has declined to voluntarily disclose the information that might offer that justification. As a result, we are seeking the information and justification through a different legal pathway."
>
> In response to questions from Breaking Defense, a company spokesperson confirmed ESG will pursue a case in the US Court of Federal Claims "to seek the disclosure materials that have been withheld by the USCG in the GAO protest."...
>
> The Court of Federal Claims "is not an appeal, but a new proceeding challenging the agency's procurement award decision, independent of the GAO protest (though GAO protest documents will become part of the record at the court)," the company spokesperson told Breaking Defense.[48]

A November 15, 2022, press report stated

> The U.S. Court of Federal Claims has directed Eastern Shipbuilding Group (ESG) and the U.S. government to make their final written arguments by next February over the shipbuilder's protest of the Coast Guard's $3.3 billion contract to Austal USA in June for the second stage of the offshore patrol cutter (OPC).
>
> Once the government and contractor make their final cases on paper, the court will schedule an oral argument, Elaine Kaplan, the chief judge assigned to rule on ESG's protest, said in an order issued on Oct. 26. ESG filed its protest with the court on Oct. 21 and this week the court released redacted version of the company's filing.
>
> The final motions are due on Feb. 10, 2023.[49]

On December 18, 2023, it was reported that the U.S. Court of Federal Claims had ruled against ESG's protest on November 6, 2023, upholding the Coast Guard's award, and had kept its judgment under seal until December 14, 2023, so as to provide an opportunity for parties relevant to the case to propose redactions to the court's opinion.[50]

Notional Construction Schedule and Resulting Ages of Ships Being Replaced

The posting for the RFP for the Stage 2 industry studies included an attached notional timeline for building the 25 OPCs. Under the timeline, OPCs 1 through 7 (i.e., OPCs 1-4, to be built by ESG,

[47] Megan Eckstein, "Eastern Shipbuilding Says It Will Go to Court over Cutter Program," *Defense News*, October 6, 2022.

[48] Justin Katz, "Eastern Shipbuilding to Sue Coast Guard over Offshore Patrol Cutter Award," *Breaking Defense*, October 6, 2022. See also Sam LaGrone, "Eastern Shipbuilding Withdraws Coast Guard OPC GAO Protest, Will Pursue 'Different Legal Pathway,'" *USNI News*, October 5, 2022.

[49] Cal Biesecker, "Coast Guard, Eastern Shipbuilding Have Until February To Finalize Motions Over OPC Protest," *Defense Daily*, November 15, 2022.

[50] See, for example, Cal Biesecker, "Federal Court Upholds Coast Guard Stage 2 OPC Award To Austal," *Defense Daily*, December 18, 2023; Megan Eckstein, "New Court Doc Sheds Light on Austal's 2022 Offshore Patrol Cutter Win," *Defense News*, December 18, 2023.

plus OPCs 5-7, which are the first three OPCs to be built by the winner of the Stage 2 competition) are to be built at a rate of one per year, with OPC-1 completing construction in FY2022 and OPC-7 completing construction in FY2028. The remaining 18 OPCs (i.e., OPCs 8 through 25) are to be built at a rate of two per year, with OPC-8 completing construction in FY2029 and OPC-25 completing construction in FY2038.

Using these dates—which are generally 10 months to about two years later than they would have been under the Coast Guard's previous (i.e., pre-October 11, 2019) timeline for the OPC program[51]—the Coast Guard's 14 Reliance-class 210-foot medium-endurance cutters would be replaced when they would be (if still in service) about 54 to 67 years old, and the Coast Guard's 13 Famous-class 270-foot medium-endurance cutters would be replaced when they would be (if still in service) about 42 to 52 years old.[52] July 2023 GAO testimony provided updated estimates of these potential replacement ages based on subsequent developments in the OPC program, stating that the Reliance-class cutters would be replaced when they would be (if still in service) about 60 to 65 years old, and the Famous-class cutters would be replaced when they would be (if still in service) about 34 to 52 years old.[53]

Appendices with Additional Information

For additional background information on the impact of Hurricane Michael on the OPC program at ESG, see **Appendix D**. As mentioned earlier, the text of a November 25, 2019, letter to the Acting Secretary of DHS from the chair and ranking member of the House Transportation and Infrastructure Committee and the chair and ranking member of that committee's Coast Guard and Maritime Transportation subcommittee regarding the October 2019 contractual relief and restructuring of the OPC program under P.L. 85-804 is presented in **Appendix E**.

[51] Source for ships 1-4: An October 15, 2019, press report states

> Under the new plan, the Coast Guard intends for Eastern Shipbuilding Group (ESG) to build up to four OPCs rather than the minimum of nine contracted for a year ago, with the first ship now delayed 10 to 12 months and the three subsequent ships about nine to 10 months each from that point, Shultz said at an event hosted by the Center for Strategic and International Studies. Delivery of the first OPC, which began construction in January, has been pushed back to 2022.
>
> (Cal Biesecker, "Decision To Reopen OPC Competition Will Stretch Out Acquisition," *Defense Daily*, October 15, 2019. See also Gina Harkins, "Despite Hurricane Damage, Coast Guard Pressing On with Next-Gen Cutter Construction," *Military.com*, October 15, 2019; Ben Werner, "Coast Guard Seeks To Bring Bidders Onto Modified Offshore Patrol Cutter Contract," *USNI News*, October 15, 2019.)

Source for ships 5-25: CRS comparison of notional timeline's completion dates with those shown in Figure 4 on p. 17 of Government Accountability Office, *Coast Guard Recapitalization[:] Matching Needs and Resources Continue to Strain Acquisition Efforts*, GAO-17-654 T, June 7, 2017. (Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, Statement of Marie A. Mak, Director, Acquisition and Sourcing Management.)

[52] Source: CRS estimate based on replacement sequence shown in Government Accountability Office, *Coast Guard Recapitalization[:] Matching Needs and Resources Continue to Strain Acquisition Efforts*, GAO-17-654 T, June 7, 2017. (Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, Statement of Marie A. Mak, Director, Acquisition and Sourcing Management.)

[53] Government Accountability Office, *Coast Guard Recapitalization[:] Actions Needed to Better Manage Acquisition Programs and Address Affordability Concerns*, Statement of Marie A. Mak, Director, Contracting and National Security Acquisitions, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, July 27, 2023, GAO 23-106948, Figure 4 on p. 14.

FRC Program

Fast Response Cutters (**Figure 10** and **Figure 11**) are considerably smaller and less expensive than OPCs, but are larger than the older Island-class patrol boats that the FRCs are replacing.[54] A Dutch patrol boat design, the Damen Stan 4708 design, was used as the parent design for the FRC design.[55] FRCs, which are built by Bollinger Shipyards of Lockport, LA, are also called Sentinel (WPC-1101)[56] class patrol boats because they are being named for enlisted leaders, trailblazers, and heroes of the Coast Guard and its predecessor services of the U.S. Revenue Cutter Service, U.S. Lifesaving Service, and U.S. Lighthouse Service.[57]

The Coast Guard's POR originally called for procuring 58 FRCs as replacements for the service's 49 Island-class patrol boats. Under the original POR, all 58 FRCs would be for domestic use. The Coast Guard subsequently modified the POR to call for procuring up to 71 FRCs, including 59 (rather than 58) for domestic use, another 6 for use by the Coast Guard in the Persian Gulf as elements of a Bahrain-based Coast Guard unit, called Patrol Forces Southwest Asia (PATFORSWA), which is the Coast Guard's largest unit outside the United States,[58] and up to 6 more for use in the Indo-Pacific region. As shown in **Appendix A**, a 2011 Coast Guard fleet mix analysis showed a need for as many as 91 FRCs.

Drawing on $1.0 billion in funding for procurement of FRCs provided by Section 40001 of the FY2025 reconciliation act (H.R. 1/P.L. 119-21 of July 4, 2025, also referred to as the One Big Beautiful Bill Act [OBBBA]), the Coast Guard on September 10, 2025, awarded a $507 million contract for 10 FRCs, bringing the total number of FRCs procured to 77.[59]

As of August 10, 2025, 59 FRCs have been commissioned into service. The 60th and 61st were accepted by the Coast Guard on June 26, 2025, and October 23, 2025, respectively.

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[54] FRCs are 154 feet long and have a full load displacement of 353 tons.

[55] See, for example, U.S. Coast Guard, *The Cutters, Boats, and Aircraft of the U.S. Coast Guard*, undated but with an internet address suggesting it is the 2015-2016 edition, dated June 14, 2018, p. 142, accessed June 11, 2025, at https://www.uscg.mil/Portals/0/documents/CG_Cutters-Boats-Aircraft_2015-2016_edition.pdf?ver=2018-06-14-092150-230; U.S. Coast Guard, Acquisition Directorate, Assistant Commandant for Acquisition, briefing entitled "Sentinel Class Patrol Boat Media Round Table," RADM Gary T. Blore, Assistant Commandant for Acquisition, CAPT Richard Murphy, Sentinel Class Project Manager, September 30, 2008, posted online at https://web.archive.org/web/20170224062148/http://www.uscg.mil/ACQUISITION/newsroom/pdf/sentinelmediabrief.pdf; and U.S. Coast Guard, Acquisition Directorate, Patrol Boast Program, briefing entitled "Fast Response Cutter (FRC), Sentinel Class Patrol Boat," Industry One-on-One Market Research, Mr. Carl McGill, CAPT Doug Subocz, Mr. Ian Grunther, October 2011. See also "Sentinel-Class Cutter," *Wikipedia*, updated June 11, 2025, accessed June 11, 2025.

[56] In the designation WPC, W means Coast Guard ship and PC stands for patrol craft.

[57] Source for class naming rule: U.S. Coast Guard bulletin, "ALCOAST 349/17 - Nov 2017 New Fast Response Cutters Named for Coast Guard heroes," November 22, 2017, accessed November 20, 2017, at https://content.govdelivery.com/accounts/USDHSCG/bulletins/1c6c844.

[58] For additional information on PATFORSWA, see U.S. Coast Guard, "Patrol Forces Southwest Asia, PATFORSWA," accessed April 13, 2022, at https://www.atlanticarea.uscg.mil/Our-Organization/Area-Units/PATFORSWA/; U.S. Coast Guard, "CG Patrol Forces SWA Org Chart," accessed April 13, 2022, at https://www.atlanticarea.uscg.mil/Our-Organization/Area-Units/PATFORSWA/Departments/; Edward Lundquist, "Coast Guard's Force in Middle East Supports National Security Mission," *Seapower*, June 21, 2022; Edward H. Lundquist, "PATFORSWA Serves Forward in the Arabian Gulf," *Defense Media Network*, March 19, 2018; Eric D. Nielsen (posted by Connie Terrell), "PATFORSWA: Guardians of the Arabian Gulf," *Coast Guard Compass*, August 22, 2016.

[59] See, for example, Gary Warner, "Coast Guard Uses First Part of Record Funding to Buy 10 More Cutters," *Stars and Stripes*, September 10, 2025; Cal Biesecker, "Coast Guard Taps Beautiful Bill Funds To Award Bollinger Contract For 10 FRCs," *Defense Daily*, September 10, 2025.

Figure 10. Fast Response Cutter

With an older Island-class patrol boat behind

Source: U.S. Coast Guard photo accessed May 4, 2012, at http://www.flickr.com/photos/coast_guard/6871815460/sizes/l/in/set-72157629286167596/.

Figure 11. Fast Response Cutter

Source: Photograph accompanying Mallory Shelbourne, "Coast Guard Takes Delivery of Sixth Bahrain-Based Fast Response Cutter," USNI News, January 6, 2022. The article credits the photograph to Bollinger Shipyards.

Issues for Congress

Planned Procurement Quantities

One oversight issue for Congress is whether planned procurement quantities for NSCs, OPCs, and FRCs are too high, too low, or about right. Planned procurement quantities for NSCs, OPCs,

and FRCs reflect the Coast Guard's program of record (POR), which in turn is informed by a Coast Guard fleet mix analysis. A Coast Guard fleet mix analysis conducted in 2011 (the most recent fleet mix analysis that has been publicly released) concluded that the then-planned total of 91 NSCs, OPCs, and FRCs (including 58 FRCs) would provide 61% of the cutters that would be needed to fully perform the service's statutory missions in coming years, in part because Coast Guard mission demands were projected to be greater in coming years than they were in the past. (For further discussion of the 2011 fleet mix analysis, see **Appendix A**.)

The Coast Guard completed a new fleet mix analysis in 2023. At an April 18, 2023, hearing on the Coast Guard's proposed FY2024 budget before the Coast Guard and Maritime Transportation subcommittee of the House Transportation and Infrastructure Committee, then-Commandant of the Coast Guard Admiral Linda L. Fagan stated "We recently—I recently signed out a fleet mix analysis that indicates we need eight to nine icebreakers."[60] Admiral Fagan's testimony did not otherwise characterize the results of the fleet mix analysis.[61] At a June 21, 2023, hearing before the same subcommittee on the on the Coast Guard's emerging challenges and statutory needs, the Vice Commandant of the Coast Guard, Admiral Steven D. Poulin, similarly stated that the Coast Guard "recently delivered to this committee and other committees our fleet mix analysis, and in that fleet mix analysis we concluded that we likely need eight to nine new icebreakers."[62] Admiral Poulin's testimony, like Admiral Fagan's, did not otherwise characterize the results of the fleet mix analysis.

Regarding future mission needs for general-purpose Coast Guard cutters, some observers see a potential for increased illegal fishing in certain U.S. fisheries, such as those in the central Pacific,[63] and the Coast Guard since at least 2019 has been highlighting its deployments of cutters to the Western Pacific to operate in conjunction with U.S. Navy ships as part of a U.S. effort to counter China's increasing capabilities and operations in those waters.[64] As noted earlier, the

[60] CQ transcript of hearing.

[61] Congressional offices seeking further information on the fleet mix analysis may contact the author of this CRS report.

[62] CQ transcript of hearing.

[63] A July 26, 2023, press report, for example, states, "The United States Coast Guard is in talks with Pacific Island countries to expand its maritime law enforcement role by allowing U.S. officers to board and search vessels suspected of illegal activity within their [exclusive] economic zones [EEZs], officials said. The push to expand the role of U.S. Coast Guard across millions of [square] kilometres of ocean could see U.S. officials board Chinese vessels and comes after an intensification of rivalry in the Pacific between the U.S. and China, which is also seeking to increase its security and fisheries roles." (Kirsty Needham, "US Coast Guard Seeks Bigger Role to Search, Board Vessels in Pacific," *Reuters*, July 26, 2023.)

[64] See, for example, Gabriel Dominguez, "With Ramped-Up Activities, U.S. Coast Guard Plots Greater Indo-Pacific Role," *Japan Times*, October 23, 2024; Micah McCartney, "US Sends Coast Guard to Contested South China Sea Waters," *Newsweek*, July 18 (updated July 23), 2024; John Grady, "Assisting Pacific Island Nations is 'Sweet Spot' for Coast Guard, Says USCG Commandant Fagan," *USNI News*, April 29, 2024; Stephen Wright and Agnes Herbert, "US Coast Guard Expands Its Pacific Reach with Harriet Lane Deployment," *Radio Free Asia*, March 26, 2024; Seth Robson, "Coast Guard Cutter Makes Historic Visit to Philippines as Tensions Flare in South China Sea," *Stars and Stripes*, October 24, 2023; David Rising, "US Given OK to Enforce Maritime Law around Palau as Washington Vies with China for Pacific Influence," *Associated Press*, August 29, 2023; Kirsty Needham, "U.S. Coast Guard to Search, Board for Papua New Guinea in Stepped Up Pacific Role," *Reuters*, July 31, 2023; Ryo Nakamura, "U.S. Coast Guard to Widen Indo-Pacific Presence with Eye on China," *Nikkei Asia*, June 12, 2023; Michael Fabey, "US Coast Guard Looks to Augment Operations with Pacific Partners as It Increases Regional Presence," *Janes Navy International*, May 31, 2023; Rene Acosta, "Philippine Coast Guard Will Hold First-Ever Trilateral Exercise with U.S., Japan," *USNI News*, May 29, 2023; CNN Philippines Staff, "PH, Japan, and US to Hold First Trilateral Joint Coast Guard Drills in June," *CNN Philippines*, May 29, 2023; Cliff Venzon, "Philippines, U.S., Japan Coast Guards to Hold First Joint Drills," *Nikkei Asia*, May 29, 2023; Jeff Schogol, "Why the US Coast Guard Is Ramping Up Deployments to the Western Pacific," *Task and Purpose*, February 28, 2023; Maritime Executive, "U.S. Coast Guard Prepares for (continued...)

Coast Guard has increased the POR figure for FRCs from 58 to up to 71, with the figure of up to 71 including up to 6 FRCs for use in the Indo-Pacific region. On September 27, 2024, the Coast Guard announced that it planned to double—from three to six—the number of FRCs homeported at Guam.[65]

Reported Coast Guard-Shipbuilder Agreement to Cancel Construction of 11th NSC

Another oversight issue for Congress concerns the earlier-discussed June 2025 press report that the Coast Guard and the NSC shipbuilder have agreed to cancel construction of the 11th and final NSC. The Coast Guard's original program of record (POR) called for procuring a total of 8 NSCs. Congress funded a total of 11, with the 9th, 10th and 11th being unrequested by the Coast Guard.

The 10th and 11th NSCs were funded together in the FY2018 DHS Appropriations Act, which was enacted as Division F of H.R. 1625/P.L. 115-141 of March 23, 2018, the Consolidated Appropriations Act, 2018. As detailed in an earlier version of this CRS report,[66] on November 21, 2017, the Senate Appropriations Committee released a Chairman's recommended bill text and explanatory statement for the FY2018 DHS appropriations act. The paragraph in the bill text that makes appropriations for the Coast Guard's Acquisition, Construction, and Improvements (AC&I) account[67] states that within the total appropriated for the account, "$95,000,000 shall be immediately available and allotted to contract for long lead time materials for the eleventh National Security Cutter notwithstanding the availability of funds for production or post production costs." The chairman's explanatory statement states

> *National Security Cutter*.—The NSC program was originally established to replace the fleet of High Endurance Cutters, which are now 50-years-old. Since that time, the Coast Guard's responsibilities have changed, and threats to the homeland have multiplied…. The existing program of record for NSC's will provide only 61 percent as many new cutters as the Coast Guard has calculated would be required to fully perform its anticipated missions in the coming years. Additionally, concepts initiated by the Coast Guard that underpinned the assumption that 12 High Endurance Cutters could be replaced with fewer NSCs have proven ineffective. Until the FRCs and OPCs are fully operational, continued investment in the NSC line is prudent, low-risk, and the most expeditious means by which to provide state of the art ships. In recent months, Coast Guard leadership has communicated to the Committee that a tenth NSC would be a valuable asset to the Coast Guard as it performs its high-seas missions. Therefore, the Committee strongly supports the recapitalization of the Coast Guard's aging fleet and the continued production of the NSC. To this end, the Committee recommends $540,000,000 for the construction of a tenth NSC and $95,000,000 to be made immediately available to contract for LLTM [long leadtime material] for an eleventh NSC. (Pages 58-59)

Division F of H.R. 1625/P.L. 115-141 of March 23, 2018, provided a total of $1,241 million (i.e., about $1.2 billion) in funding for the NSC program—a sum intended to support the procurement

Expanded Presence in Western Pacific," *Maritime Executive*, February 23, 2023; Lauren C. Williams, "Coast Guard to Triple Western-Pacific Deployments, Policy Chief Says," *Defense One*, February 22, 2023; Gidget Fuentes, "Coast Guard Moving Cutter to Pacific as Regional Missions Expand," *USNI News*, February 15, 2023; Mike Cherney, "Coast Guard Looks at More Ships, Innovative Patrols to Ramp Up Pacific Presence," *Wall Street Journal*, February 9, 2023.

[65] See, for example, Seth Robson, "Coast Guard to Send 3 More Cutters to Guam, Has No Plans to Escort Philippine Ships," *Stars and Stripes*, September 27, 2024; Nestor Licanto, "US Coast Guard Pacific Commander: 'We Are Doubling' Guam Force," *Pacific Daily News*, October 1, 2024.

[66] See the version dated April 20, 2018.

[67] This account is now called the Procurement, Construction, and Improvements (PCI) account.

of two NSCs (the 10th and 11th). The paragraph that appropriates funds for the Coast Guard's AC&I account states that of the amount provided for the account, "$95,000,000 shall be immediately available and allotted to contract for long lead time materials for the eleventh National Security Cutter notwithstanding the availability of funds for production or post production costs." The explanatory statement for Division F states

> *National Security Cutter*. The total includes $1,241,000,000 for the NSC program. This amount includes $540,000,000 for the construction of a tenth NSC, $95,000,000 to be made immediately available to contract for LLTM for an eleventh NSC, and $540,000,000 for the construction of the eleventh NSC. Crewing concepts initiated by the Coast Guard that underpinned the assumption that 12 High Endurance Cutters could be replaced with 8 NSCs have proven unworkable. (PDF page 46 of 134)

Potential oversight questions for Congress include the following:

- What specific factors led to the reported agreement between the Coast Guard and the shipbuilder to cancel construction of the 11th NSC? If the primary cause was cost growth, how much additional funding would be needed to complete the ship? If the cause was labor shortfalls at the shipbuilder—a shipyard that also builds destroyers and amphibious ships for the Navy—why did the Coast Guard and/or shipbuilder decide to address that shortfall by canceling construction of the 11th NSC, as opposed to canceling or slowing down the construction of other ships being built by the shipbuilder? Has the Coast Guard briefed the Coast Guard authorization and appropriations committees of Congress on the specific reasons why the Coast Guard and the shipbuilder agreed to cancel construction of the ship? Does Congress have adequate visibility into the situation?
- Congress funded the procurement of the 11th NSC notwithstanding that the Coast Guard did not request the ship, making the procurement of the 11th NSC a matter of specific interest for Congress that reflects Congress's assessment regarding the number of NSCs that the Coast Guard will need in coming years to perform its missions. Has the Coast Guard consulted with, and received approval from, the Coast Guard authorization and appropriations committees of Congress regarding the Coast Guard-industry intent to cancel construction of the ship? If not, what implications would canceling the construction of a ship funded for procurement by Congress without consulting with and receiving approval from the Coast Guard authorization and appropriations committees have for Congress's Article I power to make appropriations for specific purposes (i.e., the power of the purse)? If the Coast Guard were to cancel the construction of the ship without consulting with and receiving approval from the Coast Guard authorization and appropriations committees of Congress, would this set a precedent for any military service to do the same for the procurement of any defense end item (e.g., ship, aircraft, ground vehicle, or weapon) funded for procurement by Congress?
- Does the Coast Guard intend to use some of the funding appropriated for the 11th NSC for other purposes, as indicated in the June 2025 press report? If so, would this amount to a reprogramming of funds in an amount that would require congressional approval? If so, has the Coast Guard submitted a reprogramming request? If it would not amount to a reprogramming request because the funding would be applied to other purposes within the NSC program as a whole, should Congress take this into account when appropriating funds in the future for the procurement of Coast Guard cutters?

OPC Cost Growth and Schedule Delays

Overview

Another oversight issue for Congress concerns substantial cost growth and schedule delays in the OPC program. As discussed earlier, the OPC program has experienced significant cost growth and schedule delays. July 2023 GAO testimony on the OPC program stated that "OPC's acquisition cost estimate [which includes both procurement cost and other costs] increased from $12.5 billion to $17.6 billion between the program's 2012 and 2022 life-cycle cost estimates."[68] A February 2025 GAO report states that delivery of the lead ship has been delayed more than four years, and that the program's Initial Operational Capability (IOC) date is projected to be June 2029, a 78-month (6.5-year) delay from the originally projected IOC date of December 2022.[69]

Increase in Ship's Estimated Full Load Displacement

The earlier-mentioned increase in the OPC's estimated full load displacement from 3,500 to 3,730 tons as of May 2017 to 4,500 tons as of November 2019—an increase of more than 20%—raised a possibility that the cost to build OPCs might increase, perhaps substantially, from earlier estimates, since, as a general matter, the procurement cost of a ship of a given type is roughly proportional to its displacement.

November 2025 GAO Report

A November 2025 GAO report on the OPC program states:

> The stage 2 shipbuilder and Coast Guard incorporated some leading practices while developing the stage 2 design, such as conducting collaborative design reviews that supported timely decisions. But construction of OPC 5 began in August 2024 without a stable design. Starting construction of more stage 2 OPCs before stabilizing the design, as the Coast Guard plans to do, increases the risk that stage 2 will also encounter costly rework and schedule delays.
>
> The OPC program is at risk of not meeting its cost goals, in part, because the program used outdated cost information to establish them. The program is updating this information to account for recent stage 1 cost increases. GAO also found that the program reported an aggregated cost goal for all 25 OPCs instead of by stage. Reporting cost goals by stage would enable decision-makers to hold the program and OPC shipbuilders accountable for their performance.
>
> The program plans to acquire stage 3 ships after testing whether the existing designs meet OPC's performace goals, which is consistent with Department of Homeland Security (DHS) policy. However, the program is unlikely to have the test results before starting stage 3 procurement activities, such as developing the request for proposals. Incorporating the knowledge gained from testing—as well as other shipbuilding leading practices—into

[68] Government Accountability Office, *Coast Guard Recapitalization[:] Actions Needed to Better Manage Acquisition Programs and Address Affordability Concerns*, Statement of Marie A. Mak, Director, Contracting and National Security Acquisitions, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, July 27, 2023, GAO 23-106948, p. 9.

[69] Source: Government Accountability Office, *DHS Annual Assessment[:] Improved Guidance on Revised Acquisition Goals Would Enhance Transparency*, GAO 25-107317, February 2025, p. 64.

the procurement process for stage 3 could help the Coast Guard make better investment decisions. It could also improve the timeliness of future OPC deliveries.[70]

February 2025 GAO Report

A February 2025 GAO report assessing DHS acquisition programs stated the following in its section on the OPC program:

> **Key Findings**
>
> • **Cost and Schedule.** The OPC program rebaselined [i.e., established a new schedule baseline] for a third time in 2024 to reflect changes in the stage 1 [OPCs 1-4) testing and delivery schedule and to establish an initial baseline for stage 2 (OPCs 5-15). The revised baseline reflected further delays in the delivery of the stage 1 lead ship and IOC [Initial Operational Capability]. However, according to Coast Guard officials, ESG [Eastern Shipbuilding Group, the builder for OPCs 1-4] is still reviewing the costs and schedules for OPCs 2-4, which may lead to further milestone delays. The program also completed a combined ADE [Acquisition Decision Event] 2B/C review for stage 2 to obtain approval for Austal [thre builder for OPCs 5-15] to begin construction.
>
> • **Design and Construction.** ESG has made slow progress constructing the stage 1 lead ship and struggled to complete testing of a prototype of the davit [i.e., the ship's crane] in 2024. DHS leadership approved Austal to begin construction of its first ship without demonstrating the stage 2 davit, which does not align with our shipbuilding leading practices….
>
> Since October 2020, we have made more than a dozen recommendations to DHS and the Coast Guard regarding management of the OPC program and its shipbuilding policy (see [GAO reports] GAO-23-105805; and GAO-21-9). For example, we recommended in October 2020 that the Coast Guard and ESG update the schedules for OPCs 1-4 and fully incorporate schedule risk analysis to address deficiencies we found with the estimates. As of December 2024, this recommendation and six others remain open.
>
> **Cost and Schedule Status**
>
> In August 2024, DHS approved the program's combined ADE 2B/C for Austal to begin construction of its first ship (OPC 5). To inform this review, the program updated its cost estimate and rebaselined for a third time. The updated cost estimate is within the program's revised baseline goals. However, DHS determined that the cost estimate does not fully reflect the current status of the program because it was based on data from 2022.
>
> Since 2020, we have reported that delivery of stage 1 ships had been delayed multiple times and ESG had made slow progress with technology development, design, and construction. In July 2023, after notifying the Coast Guard that it could not meet its revised delivery dates, ESG began reviewing costs and schedules for OPCs 1-4. Coast Guard officials stated that, as of September 2024, ESG had only completed its review for OPC 1 and was still reviewing OPCs 2-4.
>
> The Coast Guard now expects delivery of the stage 1 lead ship by December 2025, which is more than 4 years late. Additionally, the program further delayed IOC from March 2026 to June 2029 after it decided to complete initial operational testing on OPC 2 instead of the lead ship. This is because the Coast Guard has approved the lead ship to be delivered without the Coast Guard standard machinery control system, with noncompliant shafting, and with different communications gear. The change resulted in a schedule breach, which the program remediated in its revised baseline.

[70] Government Accountability Office, *Offshore Patrol Cutter[:] Coast Guard Should Gain Key Knowledge Before Buying More Ships*, GAO-26-107583, November 2025, highlights page.

Design and Construction

We previously reported that the Coast Guard authorized construction of all stage 1 ships prior to demonstrating the maturity of the program's sole critical technology and stabilizing the ship design—contrary to shipbuilding leading practices we previously identified. This critical technology, the davit, is a crane that raises and lowers OPC's small boats into the water. In March 2024, ESG failed to test a prototype of its selected davit because, according to Coast Guard officials, the davit was not mature enough. Coast Guard officials said that the test was redone in September 2024 and the results are pending. Additionally, construction of the stage 1 lead ship progressed less than 2 percent from May 2023 to May 2024. Coast Guard officials attributed the lack of progress primarily to rework.

In June 2023, we recommended that the Coast Guard follow our shipbuilding leading practices for stage 2 by demonstrating the davit and achieving a sufficiently stable design prior to construction. The Coast Guard did not concur with the recommendations and, in August 2024, DHS leadership approved Austal to begin construction on its first ship.

However, as of July 2024, the stage 2 functional design, which details the size and positioning of structural components and distributive systems, was 95 percent complete. Coast Guard officials also stated that testing of the stage 2 davit was planned for February 2025. This increases the risk that stage 2 will encounter delays. We have ongoing work to further review the design and construction progress of OPC stages 1 and 2.

Program Office Comments

We provided a draft of this assessment to the program office for review and comment. The program office provided technical comments, which we incorporated where appropriate. The program office maintained that its design maturity standards are appropriate for cutters and the regulatory and policy environments in which they are built. However, as we recommended in our prior work, the program should follow our shipbuilding leading practices by demonstrating technology maturity and achieving a stable design prior to construction. We also recommended that the Coast Guard update its policy to reflect these leading practices.[71]

OPC Annual Procurement Rate

Another oversight issue for Congress concerns the planned OPC procurement rate in relation to the ages of the medium-endurance cutters that the OPCs are to replace. The current procurement profile for the OPC, which reaches a maximum projected annual rate of two ships per year, would deliver OPCs many years after the end of the originally planned service lives of the medium-endurance cutters. As mentioned earlier, July 2023 GAO testimony states that under the OPC program's current procurement schedule, the Coast Guard's 14 Reliance-class 210-foot medium-endurance cutters would be replaced when they would be (if still in service) about 60 to 65 years old, and the Coast Guard's 13 Famous-class 270-foot medium-endurance cutters would be replaced when they would be (if still in service) about 34 to 52 years old.[72] These ages, particularly for the Reliance-class cutters, would be very high, raising questions as to whether the ships could be made to last that long, and whether they would be able to cost effectively perform their missions at such ages.

[71] Source: Government Accountability Office, *DHS Annual Assessment[:] Improved Guidance on Revised Acquisition Goals Would Enhance Transparency*, GAO 25-107317, February 2025, pp. 64-65.

[72] Government Accountability Office, *Coast Guard Recapitalization[:] Actions Needed to Better Manage Acquisition Programs and Address Affordability Concerns*, Statement of Marie A. Mak, Director, Contracting and National Security Acquisitions, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, July 27, 2023, GAO 23-106948, Figure 4 on p. 14.

Coast Guard officials have testified that the service plans to extend the service lives of the medium-endurance cutters until they are replaced by OPCs. There will be maintenance and repair expenses associated with operating aged medium-endurance cutters, particularly during their final years of intended service, and if the Coast Guard does not also make investments to increase the capabilities of these ships, the ships may have less capability in certain regards than OPCs.[73] GAO's July 2023 testimony stated

> The delays in the OPC and PSC [Polar Security Cutter] programs have increased the likelihood of operational capability gaps. Further, it has forced the Coast Guard to invest at least $325 million to extend the life of its legacy assets, the Medium Endurance Cutters (MEC) and the [polar icebreaker] Polar Star, in addition to the $850 million it has spent to maintain them over the last decade. Further, the Coast Guard is confronted with a costly backlog of shore infrastructure projects—such as piers, docks, boat stations, air stations, and housing units—but has requested funding that falls short of its estimated infrastructure needs. The affordability of the Coast Guard's surface fleet is in jeopardy, given the increasing costs to maintain legacy assets, costs for the OPC and PSC acquisition programs, and the overall infrastructure needs to support Coast Guard assets….
>
> Specifically, with the surface assets, the risk of having an operational gap increases as the new ships are delayed because the legacy ships they are replacing continue to age and face increasing risk of mechanical failure. For example, in June 2023, we reported that given the delays in delivery of the OPC, the Coast Guard projects to have a reduction in asset availability—or a reduction in the number of cutters available for operations—starting in 2024 and through 2039.20 This operational gap is at risk of increasing if the OPC delivery delays are realized and pushed further to the right….
>
> Given these challenges, the Coast Guard will likely need to further maintain and keep the MECs in service longer or otherwise face a reduction of assets. Coast Guard officials told us that they do not anticipate the need to employ alternative options to meet mission requirements. However, officials stated that if the Coast Guard needs to decommission cutters earlier than planned, they could reallocate cutters to support emergent needs, employ other cutters to support missions previously handled by MECs, or extend the date for other planned decommissions to support continued operations….
>
> In addition, we previously found that these legacy assets are getting harder and more expensive to maintain. In July 2018, we found that it is unclear how the Coast Guard will be able to fund planned SLEPs on several aging assets in order to sustain them—that is, keep them operating at acceptable levels—until replacement assets are available. We found that several of the Coast Guard's aging cutters have spent more on depot-level maintenance than was planned. Combined, these cutters—the 210-foot and 270-foot MECs, and the [polar icebreaker] Polar Star—expended about $550 million, more than twice what was originally estimated (standard support levels), from 2010 to 2017.24 In June 2023, we reported that depot-level maintenance costs for the MECs totaled about $300 million from 2018 through 2021….
>
> In addition to increased maintenance costs, Coast Guard operators have had to make do with deteriorating legacy assets.
>
> • **MEC:** The MECs have generally met or remained within target levels for operational and materiel availability. However, we found that maintenance being conducted was on significant systems that were resulting in casualties for the cutters. For example, in fiscal year 2021, MEC crews reported 317 casualties with their propulsion system's main diesel engines, generators, and the hull. Some of these casualties rendered the cutters disabled for multiple days. In addition, habitability remains a concern for both 210-foot and 270-foot

[73] For further discussion, see Government Accountability Office, *Coast Guard Acquisitions[:] Actions Needed to Address Longstanding Portfolio Management Challenges*, GAO 18-454, July 2018, pp. 32-36.

> MECs. Crews experience problems maintaining heating, venting, and air conditioning (HVAC) systems and those HVAC inefficiencies have led to high levels of condensation and mold in crew living spaces, such as berthing areas. Coast Guard crews told us they try to address these issues as they occur, but the number and frequency of maintenance issues, in addition to their regular mission duties, make living in these conditions a fact of life….
>
> When combined with the challenges facing the acquisition portfolio noted above, the Coast Guard will likely struggle to pay for the maintenance of older assets, a situation that could lead to deferred maintenance and lost operational capability.[74]

One possible option for addressing this situation would be to increase the maximum annual OPC procurement rate from the currently planned two ships per year to three or four ships per year. Doing this could result in the 25th OPC being delivered a few to several years sooner than under the currently planned maximum rate. Increasing the OPC procurement rate to three or four ships per year could require a substantial increase to the Coast Guard's Procurement, Construction, and Improvements (PC&I) account,[75] an issue discussed in **Appendix B**, and/or providing additional funding for the procurement of OPCs through the Navy's budget.

Increasing the maximum procurement rate for the OPC program could, depending on the exact approach taken, reduce OPC unit acquisition costs due to improved production economies of scale. It might also expand opportunities for using competition in the program. Notional alternative approaches for increasing the OPC procurement rate to three or four ships per year include but are not necessarily limited to the following:

- increasing the production rate to three or four ships per year at a single shipyard—an option that would depend on that shipyard's production capacity;
- using two shipyards for building OPCs to a single OPC design;
- using two shipyards for building OPCs to two designs, with each shipyard building OPCs to its own design—an option that would result in two OPC classes (similar to how the Coast Guard currently operates two primary classes of medium-endurance cutters); or
- building additional NSCs in the place of some of the planned OPCs—an option that might include de-scoping equipment on those NSCs where possible to reduce their acquisition cost and make their capabilities more like that of the OPC.

The fourth alternative above—which could be viewed as broadly similar to how the Navy is using a de-scoped version of the San Antonio (LPD-17) class amphibious ship as the basis for its LPD-17 Flight II (LPD-30) class amphibious ships[76]—could be pursued in combination with one of the first three alternatives.

OPC Use of Annual or Multiyear (Block Buy) Contracting

Another issue for Congress is whether to acquire OPCs 5 through 25 using annual contracting or multiyear contracting. The Coast Guard typically uses contracts with options for its shipbuilding

[74] Government Accountability Office, *Coast Guard Recapitalization[:] Actions Needed to Better Manage Acquisition Programs and Address Affordability Concerns*, Statement of Marie A. Mak, Director, Contracting and National Security Acquisitions, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, July 27, 2023, GAO 23-106948, pp. 12-13, 15-18.

[75] Prior to FY2019, the PC&I account was called the Acquisition, Construction, and Improvements (AC&I) account.

[76] For additional discussion, see CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.

programs. Although a contract with options may look like a form of multiyear contracting, it operates more like a series of annual contracts. Contracts with options do not achieve the kinds of reductions in acquisition costs that are possible with multiyear contracting. Using multiyear contracting involves accepting certain trade-offs.[77]

One form of multiyear contracting, called block buy contracting, can be used at the start of a shipbuilding program, beginning with the first ship. (Indeed, this was a principal reason why block buy contracting was in effect invented in FY1998, as the contracting method for procuring the Navy's first four Virginia-class attack submarines.[78]) Section 311 of the Frank LoBiondo Coast Guard Authorization Act of 2018 (S. 140/P.L. 115-282 of December 4, 2018) provides permanent authority for the Coast Guard to use block buy contracting with economic order quantity (EOQ) purchases (i.e., up-front batch purchases) of components in its major acquisition programs. The authority is codified at 14 U.S.C. 1137.

[77] These trade-offs include the following:

- reduced congressional control over year-to-year spending, and tying the hands of future Congresses;
- reduced flexibility for making changes in Coast Guard acquisition programs in response to unforeseen changes in strategic or budgetary circumstances (which can cause any needed funding reductions to fall more heavily on acquisition programs not covered by multiyear contracts);
- a potential need to shift funding from later fiscal years to earlier fiscal years to fund economic order quantity (EOQ) purchases (i.e., up-front batch purchases) of components;
- the risk of having to make penalty payments to shipbuilders if multiyear contracts need to be terminated due to unavailability of funds needed for the continuation of the contracts; and
- the risk that materials and components purchased for ships to be procured in future years might go to waste if those ships are not eventually procured.

[78] For additional discussion, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke.

Appendix A. Planned Procurement Quantities Under 2004 Program of Record

This appendix provides further discussion on the issue of planned procurement quantities for NSCs, OPCs, and FRCs.

Overview

The Coast Guard's planned procurement quantities for NSCs, OPCs, and FRCs reflect the Coast Guard's program of record (POR), which in turn is informed by a Coast Guard fleet mix analysis. As noted below, the Coast Guard stated in 2023 that it has signed out a new fleet mix analysis. The most recent fleet mix analysis that has been publicly released was done in 2011. The Coast Guard's 2004 POR for NSCs, OPCs, and FRCs (including 58 rather than 65 FRCs) includes about 61% as many cutters as the 2011 fleet mix calculated would be needed to fully perform the Coast Guard's then-projected future missions.

The 2004 POR was heavily conditioned by Coast Guard expectations in 2004 about future funding levels in the Coast Guard's Procurement, Construction, and Improvements (PC&I) account. Those expectations may now be different, as suggested by the willingness of Coast Guard officials in 2017 to begin regularly mentioning the need for a higher annual PC&I funding level (see **Appendix B**).

2023 Coast Guard Fleet Mix Analysis

As mentioned earlier in this report, at an April 18, 2023, hearing on the Coast Guard's proposed FY2024 budget before the Coast Guard and Maritime Transportation subcommittee of the House Transportation and Infrastructure Committee, the Commandant of the Coast Guard, Admiral Linda L. Fagan, stated "We recently—I recently signed out a fleet mix analysis that indicates we need eight to nine icebreakers."[79] Admiral Fagan's testimony did not otherwise characterize the results of the fleet mix analysis.[80] At a June 21, 2023, hearing before the same subcommittee on the on the Coast Guard's emerging challenges and statutory needs, the Vice Commandant of the Coast Guard, Admiral Steven D. Poulin, similarly stated that the Coast Guard "recently delivered to this committee and other committees our fleet mix analysis, and in that fleet mix analysis we concluded that we likely need eight to nine new icebreakers."[81] Admiral Poulin's testimony, like Admiral Fagan's, did not otherwise characterize the results of the fleet mix analysis.

2009/2011 Coast Guard Fleet Mix Analysis

The Coast Guard estimated in 2009 that with the POR's then-planned force of 91 NSCs, OPCs, and FRCs (including 58 rather than 65 FRCs), the service would have capability or capacity gaps[82] in 6 of its 11 statutory missions—search and rescue (SAR); defense readiness; counterdrug operations; ports, waterways, and coastal security (PWCS); protection of living marine resources

[79] CQ transcript of hearing.

[80] Congressional offices seeking further information on the fleet mix analysis may contact the author of this CRS report.

[81] CQ transcript of hearing.

[82] The Coast Guard uses *capability* as a qualitative term, to refer to the kinds of missions that can be performed, and *capacity* as a quantitative term, to refer to how much (i.e., to what scale or volume) a mission can be performed.

(LMR); and alien migrant interdiction operations (AMIO). The Coast Guard judged that some of these gaps would be "high risk" or "very high risk."

Public discussions of the POR frequently mention the substantial improvement that the POR force would represent over the legacy force. Only rarely, however, have these discussions explicitly acknowledged the extent to which the POR force would nevertheless be smaller in number than the force that would be required, by the Coast Guard's 2011 estimate, to fully perform the Coast Guard's statutory missions in coming years. Discussions that focus on the POR's improvement over the legacy force while omitting mention of the considerably larger number of cutters that would be required, by Coast Guard estimate, to fully perform the Coast Guard's statutory missions in coming years could encourage audiences to conclude, contrary to Coast Guard estimates, that the POR's planned force of NSCs, OPCs, and FRCs would be capable of fully performing the Coast Guard's statutory missions in coming years.

In a study completed in December 2009 called the Fleet Mix Analysis (FMA) Phase 1, the Coast Guard calculated the size of the force that in its view would be needed to fully perform the service's statutory missions in coming years. The study referred to this larger force as the objective fleet mix. **Table A-1** compares planned numbers of NSCs, OPCs, and FRCs in the POR to those in the objective fleet mix.

Table A-1. Program of Record Compared to Objective Fleet Mix

From Fleet Mix Analysis Phase 1 (2009)

Ship type	Program of Record (POR)	Objective Fleet Mix From FMA Phase 1	Objective Fleet Mix compared to POR	
			Number	%
NSC	8	9	+1	+13%
OPC	25	57	+32	+128%
FRC	58	91	+33	+57%
Total	**91**	**157**	**+66**	**+73%**

Source: Fleet Mix Analysis Phase 1, Executive Summary, Table ES-8 on p. ES-13.

As can be seen in **Table A-1**, the objective fleet mix includes 66 additional cutters, or about 73% more cutters than in the 2004 POR. Stated the other way around, the 2004 POR includes about 58% as many cutters as the 2009 FMA Phase I objective fleet mix.

As intermediate steps between the POR force and the objective fleet mix, FMA Phase 1 calculated three additional forces, called FMA-1, FMA-2, and FMA-3. (The objective fleet mix was then relabeled FMA-4.) **Table A-2** compares the POR to FMAs 1 through 4.

FMA-1 was calculated to address the mission gaps that the Coast Guard judged to be "very high risk." FMA-2 was calculated to address both those gaps and additional gaps that the Coast Guard judged to be "high risk." FMA-3 was calculated to address all those gaps, plus gaps that the Coast Guard judged to be "medium risk." FMA-4—the objective fleet mix—was calculated to address all the foregoing gaps, plus the remaining gaps, which the Coast Guard judge to be "low risk" or "very low risk." **Table A-3** shows the POR and FMAs 1 through 4 in terms of their mission performance gaps.

Table A-2. POR Compared to FMAs 1 Through 4

From Fleet Mix Analysis Phase 1 (2009)

Ship type	Program of Record (POR)	FMA-1	FMA-2	FMA-3	FMA-4 (Objective Fleet Mix)
NSC	8	9	9	9	9
OPC	25	32	43	50	57
FRC	58	63	75	80	91
Total	**91**	**104**	**127**	**139**	**157**

Source: Fleet Mix Analysis Phase 1, Executive Summary, Table ES-8 on p. ES-13.

Table A-3. Force Mixes and Mission Performance Gaps

From Fleet Mix Analysis Phase 1 (2009)—an X mark indicates a mission performance gap

Missions with performance gaps	Risk levels of these performance gaps	Program of Record (POR)	FMA-1	FMA-2	FMA-3	FMA-4 (Objective Fleet Mix)
Search and Rescue (SAR) capability	Very high	X				
Defense Readiness capacity	Very high	X				
Counter Drug capacity	Very high	X				
Ports, Waterways, and Coastal Security (PWCS) capacity[a]	High	X	X			
Living Marine Resources (LMR) capability and capacity[a]	High	X	X			[all gaps addressed]
PWCS capacity[b]	Medium	X	X	X		
LMR capacity[c]	Medium	X	X	X		
Alien Migrant Interdiction Operations (AMIO) capacity[d]	Low/very low	X	X	X	X	
PWCS capacity[e]	Low/very low	X	X	X	X	

Source: Fleet Mix Analysis Phase 1, Executive Summary, page ES-11 through ES-13.

Notes: In the first column, The Coast Guard uses *capability* as a qualitative term, to refer to the kinds of missions that can be performed, and *capacity* as a quantitative term, to refer to how much (i.e., to what scale or volume) a mission can be performed.

a. This gap occurs in the Southeast operating area (Coast Guard Districts 7 and 8) and the Western operating area (Districts 11, 13, and 14).

b. This gap occurs in Alaska.

c. This gap occurs in Alaska and in the Northeast operating area (Districts 1 and 5).

d. This gap occurs in the Southeast and Western operating areas.

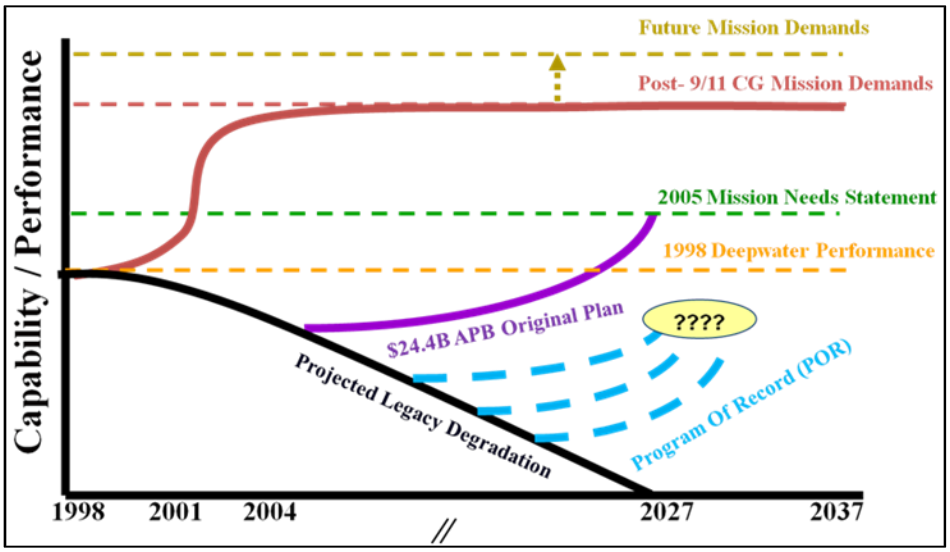
e. This gap occurs in the Northeast operating area.

Figure A-1, taken from FMA Phase 1, depicts the overall mission capability/performance gap situation in graphic form. It appears to be conceptual rather than drawn to precise scale. The black line descending toward 0 by the year 2027 shows the declining capability and performance of the Coast Guard's legacy assets as they gradually age out of the force. The purple line branching up from the black line shows the added capability from ships and aircraft to be procured under the

POR, including the 91 planned NSCs, OPCs, and FRCs. The level of capability to be provided when the POR force is fully in place is the green line, labeled "2005 Mission Needs Statement." As can be seen in the graph, this level of capability is substantially below a projection of Coast Guard mission demands made after the terrorist attacks of September 11, 2001 (the red line, labeled "Post-9/11 CG Mission Demands"), and even further below a Coast Guard projection of future mission demands (the top dashed line, labeled "Future Mission Demands"). The dashed blue lines show future capability levels that would result from reducing planned procurement quantities in the POR or executing the POR over a longer time period than originally planned.

Figure A-1. Projected Mission Demands vs. Projected Capability/Performance

From Fleet Mix Analysis Phase 1, Executive Summary



Source: Fleet Mix Analysis Phase 1, Executive Summary, Figure ES-1 on p. ES-2.

FMA Phase 1 was a fiscally unconstrained study, meaning that the larger force mixes shown in **Table A-2** were calculated primarily on the basis of their capability for performing missions, rather than their potential acquisition or life-cycle operation and support (O&S) costs.

Although the FMA Phase 1 was completed in December 2009, the figures shown in **Table A-2** were generally not included in public discussions of the Coast Guard's future force structure needs until April 2011, when GAO presented them in testimony.[83] GAO again presented them in a July 2011 report.[84]

The Coast Guard completed a follow-on study, called Fleet Mix Analysis (FMA) Phase 2, in May 2011. Among other things, FMA Phase 2 includes a revised and updated objective fleet mix called the refined objective mix. **Table A-4** compares the POR to the objective fleet mix from FMA Phase 1 and the refined objective mix from FMA Phase 2.

As can be seen in **Table A-4**, compared to the objective fleet mix from FMA Phase 1, the refined objective mix from FMA Phase 2 includes 49 OPCs rather than 57. The refined objective mix

[83] Government Accountability Office, *Coast Guard[:]Observations on Acquisition Management and Efforts to Reassess the Deepwater Program, Testimony Before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives, Statement of John P. Hutton, Director Acquisition and Sourcing Management*, GAO-11-535T, April 13, 2011, p. 10.

[84] Government Accountability Office, *Coast Guard[:]Action Needed As Approved Deepwater Program Remains Unachievable*, GAO-11-743, July 2011, p. 46.

includes 58 additional cutters, or about 64% more cutters than in the 2004 POR. Stated the other way around, the POR includes about 61% as many cutters as the refined objective mix.

Table A-4. POR Compared to Objective Mixes in FMA Phases 1 and 2

From Fleet Mix Analysis Phase 1 (2009) and Phase 2 (2011)

Ship type	Program of Record (POR)	Objective Fleet Mix from FMA Phase 1	Refined Objective Mix from FMA Phase 2
NSC	8	9	9
OPC	25	57	49
FRC	58	91	91
Total	**91**	**157**	**149**

Source: Fleet Mix Analysis Phase 1, Executive Summary, Table ES-8 on p. ES-13, and Fleet Mix Analysis Phase 2, Table ES-2 on p. iv.

Compared to the POR, the larger force mixes shown in **Table A-2** and **Table A-4** would be more expensive to procure, operate, and support than the POR force. Using the average NSC, OPC, and FRC procurement cost figures presented earlier (see "Background"), procuring the 58 additional cutters in the Refined Objective Mix from FMA Phase 2 might cost an additional $10.7 billion, of which most (about $7.8 billion) would be for the 24 additional FRCs. (The actual cost would depend on numerous factors, such as annual procurement rates.) O&S costs for these 58 additional cutters over their life cycles (including crew costs and periodic ship maintenance costs) would require billions of additional dollars.[85]

The larger force mixes in the FMA Phase 1 and 2 studies, moreover, include not only increased numbers of cutters, but also increased numbers of Coast Guard aircraft. In the FMA Phase 1 study, for example, the objective fleet mix included 479 aircraft—93% more than the 248 aircraft in the POR mix. Stated the other way around, the POR includes about 52% as many aircraft as the objective fleet mix. A decision to procure larger numbers of cutters like those shown in **Table A-2** and **Table A-4** might thus also imply a decision to procure, operate, and support larger numbers of Coast Guard aircraft, which would require billions of additional dollars. The FMA Phase 1 study estimated the procurement cost of the objective fleet mix of 157 cutters and 479 aircraft at $61 billion to $67 billion in constant FY2009 dollars, or about 66% more than the procurement cost of $37 billion to $40 billion in constant FY2009 dollars estimated for the POR mix of 91 cutters and 248 aircraft. The study estimated the total ownership cost (i.e., procurement plus life-cycle O&S cost) of the objective fleet mix of cutters and aircraft at $201 billion to $208 billion in constant FY2009 dollars, or about 53% more than the total ownership cost of $132 billion to $136 billion in constant FY2009 dollars estimated for POR mix of cutters and aircraft.[86]

Potential oversight questions for Congress include the following:

- Under the POR force mix, how large a performance gap, precisely, would there be in each of the missions shown in **Table A-3**? What impact would these

[85] The FMA Phase 1 and Phase 2 studies present acquisition and life-cycle ownership cost calculations for force mixes that include not only larger numbers of NSC, OPCs, and FRCs, but corresponding larger numbers of Coast Guard aircraft.

[86] Fleet Mix Analysis Phase 1, Executive Summary, Table ES-11 on p. ES-19, and Table ES-10 on p. ES-18. The life-cycle O&S cost was calculated through 2050.

performance gaps have on public safety, national security, and protection of living marine resources?

- How sensitive are these performance gaps to the way in which the Coast Guard translates its statutory missions into more precise statements of required mission performance?
- Given the performance gaps shown in **Table A-3**, should planned numbers of Coast Guard cutters and aircraft be increased, or should the Coast Guard's statutory missions be reduced, or both?
- How much larger would the performance gaps in **Table A-3** be if planned numbers of Coast Guard cutters and aircraft are reduced below the POR figures?
- Has the executive branch made sufficiently clear to Congress the difference between the number of ships and aircraft in the POR force and the number that would be needed to fully perform the Coast Guard's statutory missions in coming years? Why has public discussion of the POR focused mostly on the capability improvement it would produce over the legacy force and rarely on the performance gaps it would have in the missions shown in **Table A-3**?
- What projected mission demands or other factors may have changed since the Coast Guard's 2011 Fleet Mix Analysis, and how might these changes affect future required numbers of Coast Guard cutters and other Coast Guard assets?[87]

[87] For a blog post discussing this issue, see Chuck Hill, "Is Our Fleet Recapitalization on Course? Do We Need to Change the Destination?" *Chuck Hill's CG Blog*, September 8, 2019.

Appendix B. Requested Funding Levels in PC&I Account

This appendix provides background information on requested funding levels in the Coast Guard's Procurement, Construction, and Improvements (PC&I) account.[88]

Overview

Coast Guard officials have stated since 2011 that requested funding levels for the PC&I account are well below the level that the Coast Guard calculates would be needed to fully fund Coast Guard PC&I-funded programs. In 2024, the Coast Guard testified that the PC&I account would need to be at least $3 billion per year, and perhaps closer to $4 billion a year, to fully fund Coast Guard PC&I account programs.

Using Past PC&I Funding Levels as a Guide for Future PC&I Funding Levels

In assessing future funding levels for executive branch agencies, a common practice is to assume or predict that the figure in coming years will likely be close to where it has been in previous years. While this method can be of analytical and planning value, for an agency like the Coast Guard, which goes through periods with less acquisition of major platforms and periods with more acquisition of major platforms, this approach might not always be the best approach, at least for the PC&I account.

More important, in relation to maintaining Congress's status as a co-equal branch of government, including the preservation and use of congressional powers and prerogatives, an analysis that assumes or predicts that future funding levels will resemble past funding levels can encourage an artificially narrow view of congressional options regarding future funding levels, depriving Congress of agency in the exercise of its constitutional power to set funding levels and determine the composition of federal spending.

Past Coast Guard Statements About Required PC&I Funding Level

2011 Testimony and Reported Remarks

At an October 4, 2011, hearing on the Coast Guard's major acquisition programs before the Coast Guard and Maritime Transportation subcommittee of the House Transportation and Infrastructure Committee, the following exchange occurred:

> REPRESENATIVE FRANK LOBIONDO:
>
> Can you give us your take on what percentage of value must be invested each year to maintain current levels of effort and to allow the Coast Guard to fully carry out its missions?
>
> ADMIRAL ROBERT J. PAPP, COMMANDANT OF THE COAST GUARD:

[88] Prior to FY2019, the PC&I account was called the Acquisition, Construction, and Improvements (AC&I) account.

> I think I can, Mr. Chairman. Actually, in discussions and looking at our budget—and I'll give you rough numbers here, what we do now is we have to live within the constraints that we've been averaging about $1.4 billion in acquisition money each year.
>
> If you look at our complete portfolio, the things that we'd like to do, when you look at the shore infrastructure that needs to be taken care of, when you look at renovating our smaller icebreakers and other ships and aircraft that we have, we've done some rough estimates that it would really take close to about $2.5 billion a year, if we were to do all the things that we would like to do to sustain our capital plant.
>
> So I'm just like any other head of any other agency here, as that the end of the day, we're given a top line and we have to make choices and tradeoffs and basically, my tradeoffs boil down to sustaining frontline operations balancing that, we're trying to recapitalize the Coast Guard and there's where the break is and where we have to define our spending.[89]

An April 18, 2012, blog entry stated the following:

> If the Coast Guard capital expenditure budget remains unchanged at less than $1.5 billion annually in the coming years, it will result in a service in possession of only 70 percent of the assets it possesses today, said Coast Guard Rear Adm. Mark Butt.
>
> Butt, who spoke April 17 [2012] at [a] panel [discussion] during the Navy League Sea Air Space conference in National Harbor, Md., echoed Coast Guard Commandant Robert Papp in stating that the service really needs around $2.5 billion annually for procurement.[90]

2012 Testimony

At a May 9, 2012, hearing on the Coast Guard's proposed FY2013 budget before the Homeland Security subcommittee of the Senate Appropriations Committee, Admiral Papp testified, "I've gone on record saying that I think the Coast Guard needs closer to $2 billion dollars a year [in acquisition funding] to recapitalize—[to] do proper recapitalization."[91]

2013 Testimony

At a May 14, 2013, hearing on the Coast Guard's proposed FY2014 budget before the Homeland Security Subcommittee of the Senate Appropriations Committee, Admiral Papp stated the following regarding the difference between having about $1.0 billion per year rather than about $1.5 billion per year in the PC&I account:

> Well, Madam Chairman, $500 million—a half a billion dollars—is real money for the Coast Guard. So, clearly, we had $1.5 billion in the [FY]13 budget. It doesn't get everything

[89] Source: CQ transcript of hearing.

[90] David Perera, "The Coast Guard Is Shrinking," *FierceHomelandSecurity.com*, April 18, 2012, accessed July 20, 2012, at http://www.fiercehomelandsecurity.com/story/coast-guard-shrinking/2012-04-18.

[91] Source: CQ transcript of hearing. Papp may have been referring to remarks he made to the press before giving his annual state of the Coast Guard speech on February 23, 2012, in which reportedly stated that the Coast Guard would require about $2 billion per year in acquisition funding to fully replace its current assets. (See Adam Benson, "Coast Guard Cutbacks Will Cost 1,000 Jobs," *Norwich Bulletin*, February 23, 2012, accessed May 31, 2012, at http://www.norwichbulletin.com/x1138492141/Coast-Guard-cutbacks-will-cost-1-000-jobs. See also "Coast Guard Leader Calls For More Ships," *MilitaryFeed.com*, February 24, 2012, accessed May 31, 2012, at http://militaryfeed.com/coast-guard-leader-calls-for-more-ships-5/; Associated Press, "Coast Guard Commandant Calls for New Ships," *TheLog.com*, March 10, 2012, accessed May 31, 2012, at http://www.thelog.com/SNW/Article/Coast-Guard-Commandant-Calls-for-New-Ships-to-Replace-Aging-Fleet; Mickey McCarter, "Congress Poised to Give Coast Guard More Money Than Requested for FY 2013," *HSToday.us*, May 10, 2012, accessed May 31, 2012, at http://www.hstoday.us/focused-topics/customs-immigration/single-article-page/congress-poised-to-give-coast-guard-more-money-than-requested-for-fy-2013.html.) See also "Interview, Adm. Robert Papp, US Coast Guard Commandant," *Defense News*, November 11, 2013: 30.

> I would like, but it—it gave us a good start, and it sustained a number of projects that are very important to us.
>
> When we go down to the $1 billion level this year, it gets my highest priorities in there, but we have to either terminate or reduce to minimum order quantities for all the other projects that we have going.
>
> If we're going to stay with our program of record, things that have been documented that we need for our service, we're going to have to just stretch everything out to the right. And when we do that, you cannot order in economic order quantities. It defers the purchase. Ship builders, aircraft companies—they have to figure in their costs, and it inevitably raises the cost when you're ordering them in smaller quantities and pushing it off to the right.
>
> Plus, it almost creates a death spiral for the Coast Guard because we are forced to sustain older assets—older ships and older aircraft—which ultimately cost us more money, so it eats into our operating funds, as well, as we try to sustain these older things.
>
> So, we'll do the best we can within the budget. And the president and the secretary have addressed my highest priorities, and we'll just continue to go on the—on an annual basis seeing what we can wedge into the budget to keep the other projects going.[92]

2014 Testimony

At a March 12, 2014, hearing on the Coast Guard's proposed FY2015 budget before the Homeland Security subcommittee of the House Appropriations Committee, Admiral Papp stated the following:

> Well, that's what we've been struggling with, as we deal with the five-year plan, the capital investment plan, is showing how we are able to do that. And it will be a challenge, particularly if it sticks at around $1 billion [per year]. As I've said publicly, and actually, I said we could probably—I've stated publicly before that we could probably construct comfortably at about 1.5 billion [dollars] a year. But if we were to take care of all the Coast Guard's projects that are out there, including shore infrastructure that that fleet that takes care of the Yemen [sic: inland] waters is approaching 50 years of age, as well, but I have no replacement plan in sight for them because we simply can't afford it. Plus, we need at some point to build a polar icebreaker. Darn tough to do all that stuff when you're pushing down closer to 1 billion [dollars per year], instead of 2 billion [dollars per year].
>
> As I said, we could fit most of that in at about the 1.5 billion [dollars per year] level, but the projections don't call for that. So we are scrubbing the numbers as best we can.[93]

2015 Testimony

At a March 24, 2015, hearing on the Coast Guard's proposed FY2016 budget before the Homeland Security subcommittee of the House Appropriations Committee, Admiral Paul Zukunft, Admiral Papp's successor as Commandant of the Coast Guard, stated the following:

> I look back to better years in our acquisition budget when we had a—an acquisition budget of—of $1.5 billion. That allows me to move these programs along at a much more rapid pace and, the quicker I can build these at full-rate production, the less cost it is in the long run as well. But there's an urgent need for me to be able to deliver these platforms in a timely and also in an affordable manner. But to at least have a reliable and a predictable acquisition budget would make our work in the Coast Guard much easier. But when we see variances of—of 30, 40% over a period of three or four years, and not knowing what

[92] CQ transcript of hearing. The remarks were made in response to a question from Sen. Mary Landrieu.

[93] CQ transcript of hearing.

> the Budget Control Act may have in store for us going on, yes, we are treading water now but any further reductions, and now I am—I am beyond asking for help. We are taking on water.[94]

2017 Testimony and Interview

An April 13, 2017, press report states the following (emphasis added):

> Coast Guard Commandant Adm. Paul Zukunft on Wednesday [April 12] said that for the Coast Guard to sustain its recapitalization plans and operations the service needs a $2 billion annual acquisition budget that grows modestly overtime to keep pace with inflation.
>
> The Coast Guard needs a "predictable, reliable" acquisition budget "and within that we need 5 percent annual growth to our operations and maintenance (O&M) accounts," Zukunft told reporters at a Defense Writers Group breakfast. Inflation will clip 2 to 3 percent from that, but "at 5 percent or so it puts you on a moderate but positive glide slope so you can execute, so you can build the force," he said.[95]

In an interview published on June 1, 2017, Zukunft said the following (emphasis added):

> We cannot be more relevant than we are now. But what we need is predictable funding. We have been in over 16 continuing resolutions since 2010. I need stable and repeatable funding. **An acquisition budget with a floor of $2 billion.** Our operating expenses as I said, they've been funded below the Budget Control Act floor for the past five years. I need 5 percent annualized growth over the next five years and beyond to start growing some of this capability back.
>
> But more importantly, we [need] more predictable, more reliable funding so we can execute what we need to do to carry out the business of the world's best Coast Guard.[96]

2024 Testimony

At a May 23, 2024, hearing on the Coast Guard's proposed FY2025 budget before the Coast Guard and Maritime Transportation subcommittee of the House Transportation and Infrastructure Subcommittee, Admiral Linda Fagan, Commandant of the Coast Guard, testified:

> Our procurement, construction and improvements appropriation is at its lowest level in nearly a decade.
>
> To properly invest in our readiness today and for the future the Coast Guard needs at least $3 billion annually in [PC&I]. We're extremely grateful to the committee for the $3.4 billion in [PC&I] funding included in the Coast Guard Authorization Act, which just passed the House a few weeks ago.[97]

Later in the hearing, the following exchange occurred:

> REPRESENATIVE RICK LARSEN:
>
> So on the [PC&I] budget you have $1.56 billion [requested for FY2025] and you said in your testimony, you really need $3 billion. Is that what I got? I understood.

[94] CQ transcript of hearing. The remarks were made in response to a question from Rep. John Culberson.

[95] Calvin Biesecker, "Zukunft Wants $2 Billion Baseline Acquisition Budget; Sustained Growth In O&M Funding," *Defense Daily*, April 13, 2017: 1.

[96] Jill Aitoro, "Interview: Adm. Paul Zukunft Demands Coast Guard Respect," *Defense News*, June 1, 2017.

[97] Source: CQ transcript of hearing.

ADMIRAL LINDA FAGAN:

Yeah, closer to $3 to $4 billion is the actual [PC&I] a year [i.e., the actual calculated figure of what would be needed].

LARSEN:

And do you—did you ask for that and it got pared down by DHS or what is that to the extent that you can enlighten us in that process or at DHS?

FAGAN:

So as we work to submit a top line budget to the department, hard offset decisions need to be made within—within the service. And so as a capital-intensive frontline operating organization, we prioritize people and operating assets as we work to create that top line of budget. And you can see in the chart that was shown earlier, we're at our lowest level of [PC&I] funding in ten years.[98]

2025 Testimony

At a March 5, 2025, hearing on Coast Guard assets and infrastructure before the Coast Guard and Maritime Transportation subcommittee of the House Transportation and Infrastructure Committee, the Acting Coast Guard Commandant, Vice Admiral Tom Allan Jr., stated: "We continue to say that the Coast Guard is a $20 billion organization operating on a $12 billion budget. We need to get that at $20 billion and part of that $20 billion needs to be $4 billion in PC&I future force money."[99]

[98] Source: CQ transcript of hearing. See also Cal Biesecker, "Coast Guard Needs $3 Billion to $4 Billion Annual Acquisition Budget, Fagan Says," *Defense Daily*, May 23, 2024.

[99] Source: CQ transcript of hearing.

Appendix C. Some Considerations Relating to Warranties in Shipbuilding

This appendix presents some considerations relating to warranties in shipbuilding and other defense acquisition.[100]

In discussions of Navy and Coast Guard shipbuilding, one question that sometimes arises is whether including a warranty in a shipbuilding contract is preferable to not including one.

Including a warranty in a shipbuilding contract (or a contract for building some other kind of military end item), while potentially valuable, might not always be preferable to not including one—it depends on the circumstances of the acquisition, and it is not necessarily a valid criticism of an acquisition program to state that it is using a contract that does not include a warranty (or a weaker form of a warranty rather than a stronger one).

Including a warranty generally shifts to the contractor the risk of having to pay for fixing problems with earlier work. Although that in itself could be deemed desirable from the government's standpoint, a contractor negotiating a contract that will have a warranty will incorporate that risk into its price, and depending on how much the contractor might charge for doing that, it is possible that the government could wind up paying more in total for acquiring the item (including fixing problems with earlier work on that item) than it would have under a contract without a warranty.

When a warranty is not included in the contract and the government pays later on to fix problems with earlier work, those payments can be very visible, which can invite critical comments from observers. But that does not mean that including a warranty in the contract somehow frees the government from paying to fix problems with earlier work. In a contract that includes a warranty, the government will indeed pay something to fix problems with earlier work—but it will make the payment in the less-visible (but still very real) form of the up-front charge for including the warranty, and that charge might be more than what it would have cost the government, under a contract without a warranty, to pay later on for fixing those problems.

From a cost standpoint, including a warranty in the contract might or might not be preferable, depending on the risk that there will be problems with earlier work that need fixing, the potential cost of fixing such problems, and the cost of including the warranty in the contract. The point is that the goal of avoiding highly visible payments for fixing problems with earlier work and the goal of minimizing the cost to the government of fixing problems with earlier work are separate and different goals, and that pursuing the first goal can sometimes work against achieving the second goal.[101]

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[100] This appendix is adapted from Appendix C of CRS Testimony TE10019, *Options and Considerations for Achieving a 355-Ship Navy*, by Ronald O'Rourke.

[101] It can also be noted that the country's two largest builders of Navy ships—General Dynamics (GD) and Huntington Ingalls Industries (HII)—derive about 60% and 96%, respectively, of their revenues from U.S. government work. (See General Dynamics, *2016 Annual Report*, page 9 of Form 10-K [PDF page 15 of 88]) and Huntington Ingalls Industries, *2016 Annual Report*, page 5 of Form 10-K [PDF page 19 of 134]). These two shipbuilders operate the only U.S. shipyards currently capable of building several major types of Navy ships, including submarines, aircraft carriers, large surface combatants, and amphibious ships. Thus, even if a warranty in a shipbuilding contract with one of these firms were to somehow mean that the government did not have pay under the terms of that contract—either up front or later on—for fixing problems with earlier work done under that contract, there would still be a question as to whether the government would nevertheless wind up eventually paying much of that cost as part of the price of one or more future contracts the government may have that firm.

The Department of Defense's guide on the use of warranties states the following:

> Federal Acquisition Regulation (FAR) 46.703 states that "the use of warranties is not mandatory." However, if the benefits to be derived from the warranty are commensurate with the cost of the warranty, the CO [contracting officer] should consider placing it in the contract. In determining whether a warranty is appropriate for a specific acquisition, FAR Subpart 46.703 requires the CO to consider the nature and use of the supplies and services, the cost, the administration and enforcement, trade practices, and reduced requirements. The rationale for using a warranty should be documented in the contract file….
>
> In determining the value of a warranty, a CBA [cost-benefit analysis] is used to measure the life cycle costs of the system with and without the warranty. A CBA is required to determine if the warranty will be cost beneficial. CBA is an economic analysis, which basically compares the Life Cycle Costs (LCC) of the system with and without the warranty to determine if warranty coverage will improve the LCCs. In general, five key factors will drive the results of the CBA: cost of the warranty + cost of warranty administration + compatibility with total program efforts + cost of overlap with Contractor support + intangible savings. Effective warranties integrate reliability, maintainability, supportability, availability, and life-cycle costs. Decision factors that must be evaluated include the state of the weapon system technology, the size of the warranted population, the likelihood that performance requirements can be achieved, and the warranty period of performance.[102]

[102] Department of Defense, *Warranty Guide*, Version 2.0, October 30, 2020, accessed February 25, 2025, at https://www.dau.edu/sites/default/files/Migrated/CopDocuments/Warranty_Guide_Version_2.0.pdf, pp. 5, 14.

Appendix D. Impact of Hurricane Michael on OPC Program at Eastern Shipbuilding

This appendix provides additional background information of the impact of Hurricane Michael on the OPC program at Eastern Shipbuilding Group (ESG).

An August 22, 2019, press released from Eastern Shipbuilding states

> On August 16th, 2019 Eastern Shipbuilding Group, a Panama City, Florida shipyard building both government and commercial vessels, successfully delivered the tug Capt. Jim McAllister. This is the fifth vessel to be delivered by the shipyard since Hurricane Michael, a category 5 storm—which devastated the region. This delivery marks another milestone in Eastern's accelerated return to normal operations, as well as its commitment to long term sustained recovery and economic stability for the industrial base of the Florida Panhandle. Other shipbuilding projects include three Staten Island Ferries, the Coast Guard Offshore Patrol Cutters, a large commercial fishing trawler, two harbor tugs, and two river pushboats. Eastern is actively bidding other projects and is poised to maintain its position as the go to shipyard on the US Gulf. All of these projects support skilled manufacturing jobs for Northwest Florida and over twenty five other states where Eastern buys material, equipment, and specialized services.
>
> Since the hurricane, Eastern has repaired or replaced all of its impacted equipment, buildings, and shipbuilding infrastructure as part of a major company-funded recapitalization effort. Additionally, Eastern has invested in new technology aimed at increasing shipbuilding efficiency. Eastern has also partnered with State and local Governmental agencies to plan additional investments of over $45 Million towards enhancing shipbuilding efficiency and capacity in both Bay and Gulf Counties in order to ensure long term stability and growth of the shipbuilding industry in Northwest Florida.
>
> As part of its recovery and growth from a once-in-a-generation storm, Eastern is actively recruiting and hiring additional personnel to join its team and support its long term commitment to building the best vessels for its government and commercial customers. Eastern remains grateful for the unwavering Federal, State, and local support during this recovery—empowering a devastated area by providing manufacturing and industrial employment opportunities.[103]

A July 31, 2019, press report states

> A bill needed to continue a long-awaited multi-billion-dollar Coast Guard shipbuilding project in Panama City sailed through a U.S. Senate committee on Wednesday [July 31].
>
> The bill, which received bipartisan support in the Senate Committee on Commerce, Science and Transportation, would let the Coast Guard renegotiate its $10.5 billion contract with Eastern Shipbuilding Group to account for higher labor costs and shortages caused by Hurricane Michael. The bill should help the project get back on track after the hurricane to create hundreds of new jobs that are needed more than ever as the area still recovers from the Category 5 storm, some officials say.
>
> According to a Wednesday news release, the committee approved U.S. Sen. Marco Rubio's Restore Coast Guard Capabilities Act [S. 2319] as part of the Coast Guard Reauthorization Act of 2019. Rubio's bill would give the Coast Guard the authority to renegotiate the contract with Eastern Shipbuilding to construct the first series of up to 25 offshore patrol

[103] Eastern Shipbuilding, "Eastern Shipbuilding Group, Inc. Successfully Delivers Fifth Vessel Since Hurricane Michael," August 22, 2019.

cutters. Without a way to renegotiate the contract, the project could be delayed by years, Rubio's office warned.

The Coast Guard requested the authority to renegotiate, while not exceeding the original affordability requirement set forth by the government in the existing contract, because of skyrocketing labor costs caused by the hurricane.

The historic storm, which hit the Panhandle on Oct. 10, significantly damaged Tyndall Air Force Base. The press release states that the labor needed to rebuild the base is competing directly with the labor required to fulfill Eastern Shipbuilding's contract.[104]

A May 22, 2019, press report states

A Category 5 hurricane that battered Florida's panhandle region last fall, including shipbuilder Eastern Shipbuilding Group, will impact the new medium-endurance cutter ship the company is building for the Coast Guard but at the moment it's unclear what the effects will be on cost and schedule, Coast Guard Commandant Adm. Karl Schultz said on Tuesday [May 21].

[104] Patrick McCreless, "Bill Passes Committee to Renogotiate Panama City Coast Guard Shipbuilding Contract," *Panama City News Herald*, July 31, 2019. The press release mentioned in the article, dated July 31, 2019, states

Today, U.S. Senator Marco Rubio (R-FL) applauded the Senate Committee on Commerce, Science, and Transportation's approval of his Restore Coast Guard Capabilities Act (S.2319) as part of the Coast Guard Reauthorization Act of 2019 (S. 2297). Rubio's bill would give the U.S. Coast Guard the authority to take into account the impacts of Hurricane Michael to modify its Offshore Patrol Cutter (OPC) contract with Panama City-based Eastern Shipbuilding.

On October 10, 2018, Hurricane Michael wreaked havoc in Northwest Florida, and made history as one of only four category 5 hurricanes to make landfall on the U.S. mainland. The Coast Guard has requested this authority that would provide much needed flexibility to modify the OPC contract, while not exceeding the original affordability requirement set forth by the government in the existing contract, as a result of skyrocketing labor costs due to Hurricane Michael. The Coast Guard maintains that acquisition of the OPC is its highest investment priority.

"Continuing authorizations for the Coast Guard to protect Florida's waterways and our nation's homeland security is imperative," Rubio said. "I applaud the Senate Commerce Committee on approving this larger reauthorization, which includes several of my joint priorities that are critical to the Coast Guard's mission readiness. As a result of my partnership with Senator Scott, the bill now includes our Restore Coast Guard Capabilities Act, which will ensure the Coast Guard has the tools necessary to safeguard the Offshore Patrol Cutter even after the devastation caused by Hurricane Michael."

Today, the Senate Committee on Commerce, Science and Transportation approved the Coast Guard Reauthorization Act of 2019 (S. 2297), which included several Rubio priorities:

- The Restore Coast Guard Capabilities Act (S. 2319), adopted as an amendment offered by Senator Scott
- Section 426: Coast Guard Shore Infrastructure Improvement Act
- Section 221: Continuation of Coast Guard pay during lapse in appropriations. Senator Rubio is a cosponsor of the Pay Our Coast Guard Act (S. 21)

Background:

Eastern Shipbuilding is under contract with the Coast Guard to deliver up to 25 OPCs, the Coast Guard's highest priority investment program. However, Hurricane Michael significantly damaged Tyndall Air Force Base and the labor needed to rebuild the base is competing directly with the labor to fulfill the OPC contract. As a result, the Coast Guard has requested authorization from Congress to potentially revisit the contract to take into account the increased labor costs associated with the category 5 hurricane.

("Rubio Applauds Commerce Committee Passage of the Restore Coast Guard Capabilities Act to Build Offshore Patrol Cutters," July 31, 2019, accessed September 10, 2019, at https://www.rubio.senate.gov/public/index.cfm/press-releases?ID=52E5D8E4-2559-4F67-AFBD-D70EE38FC7A5.)

> Eastern Shipbuilding's analysis of Hurricane Michael's impact on the Offshore Patrol Cutter (OPC) is due to the Coast Guard by May 31, and from there the service expects to have an understanding on the way forward with the program before the end of June, Schultz said in response to questions from Rep. Garret Graves (R-La.), during a hearing hosted by the House Transportation and Infrastructure Coast Guard and Maritime Transportation Subcommittee. He said Eastern Shipbuilding will provide "perspectives" on the cost and schedule and any other impacts.
>
> "It's safe to say that we understand the impacts of a Category 5 hurricane on Eastern Shipbuilding Group will have an impact on the OPC program," Shultz said. He expects there to be some "puts and takes" after Eastern Shipbuilding submits its analysis.
>
> Rep. Peter DeFazio (D-Ore.), citing a press report earlier in the hearing, said that Sen. Marco Rubio (R-Fla.) has inserted language in a draft disaster assistance bill allowing the Coast Guard and Eastern Shipbuilding to renegotiate the firm fixed-price contract the shipbuilder is working under for the OPC to account for damage to shore side facilities from Hurricane Michael and increased labor costs.
>
> DeFazio said he is skeptical of the company's claim, noting, "I'm pretty sure they had insurance," and adding that "I question whether or not this has something to do with their original bid, which some thought was low." He also said he has concerns that a former Coast Guard Commandant that works for Eastern Shipbuilding has said he'll have authority to negotiate with his former service.
>
> Retired Adm. Robert Papp, the 24th commandant of the Coast Guard, runs Eastern Shipbuilding's Washington, D.C., operations.
>
> Eastern Shipbuilding did not respond to a query from Defense Daily about impacts to the OPC program from Hurricane Michael and any relief it may need from the current contract.
>
> Schultz said that the OPC contract can't be renegotiated without legislative authorities from Congress. He said the Coast Guard, in response to an "ask" from Congress, provided language to help with drafting the proposed legislation related to the OPC in the disaster bill.
>
> Schultz also said that the Coast Guard is not involved in Eastern Shipbuilding's lobbying efforts with Congress.[105]

A May 17, 2019, press report stated

> As the Senate continues to negotiate the particulars of the supplemental disaster relief bill that seems poised to go to a vote next week, a new provision to save something many likely didn't know was at risk has been added.
>
> A new line in the draft bill will let Eastern Shipbuilding Group renegotiate its contract with the U.S. Coast Guard to build up to 25 new off-shore patrol cutters.
>
> "Under the old contract we were prohibited from negotiating for additional money for increased costs," said Admiral Bob Papp, President of Washington Operations for Eastern.
>
> That meant that after Hurricane Michael, they would be unable to negotiate with the Coast Guard to help cover a slew of new costs associated with both the project and the hurricane, such as the damage from the Category 5 storm that needed repairs, the prolonged schedule and the "skyrocketing" costs of labor, Papp said. The contract—the largest in the Coast Guard's history at more than $10 billion—didn't account for a natural disaster.

[105] Calvin Biesecker, "Coast Guard Expects Impact To OPC Program From Hurricane Michael, Commandant Says," *Defense Daily*, May 22, 2019.

> It was going to be hard, Papp said, for Eastern to complete the project and to "stay healthy" without some negotiations. At stake in the community are 900 planned jobs and up to 5,000 indirect jobs officials believe will help jump-start the region's manufacturing economy.
>
> But an official in Sen. Marco Rubio's office said the latest version of the supplemental disaster relief bill now includes a provision that will allow negotiations.
>
> Rubio, according to the official, spoke with the President Donald Trump on Air Force One following the president's rally in Panama City Beach last week, helping to secure the language that made it into the bill.
>
> "We've waited far too long (for disaster relief), and we're also involved in some Florida-specific issues," Rubio said in a recent video. "For example, the Hurricane had an impact on a very important Coast Guard project that's in Northwest Florida and we want to make sure that project stays on target and continues to feed jobs because Northwest Florida desperately needs those jobs to recover. We're very hopeful. Cautiously optimistic, that next week can be a very good week."
>
> Papp thanked the area's congressional delegation for stepping up to advocate for this project, saying the company is "honored and delighted" to receive help.[106]

A January 28, 2019, press release from Eastern Shipbuilding stated

> Panama City, FL, Eastern Shipbuilding Group [ESG] reports that steel cutting for the first offshore patrol cutter (OPC), Coast Guard Cutter ARGUS (WMSM-915), commenced on January 7, 2019 at Eastern's facilities. ESG successfully achieved this milestone even with sustaining damage and work interruption due to Hurricane Michael. The cutting of steel will start the fabrication and assembly of the cutter's hull, and ESG is to complete keel laying of ARGUS later this year. Additionally, ESG completed the placement of orders for all long lead time materials for OPC #2, Coast Guard Cutter CHASE (WMSM-916).
>
> Eastern's President Mr. Joey D'Isernia noted the following: "Today represents a monumental day and reflects the dedication of our workforce - the ability to overcome and perform even under the most strenuous circumstances and impacts of Hurricane Michael. ESG families have been dramatically impacted by the storm, and we continue to recover and help rebuild our shipyard and community. I cannot overstate enough how appreciative we are of all of our subcontractors and vendors contributions to our families during the recovery as well as the support we have received from our community partners. Hurricane Michael may have left its marks but it only strengthened our resolve to build the most sophisticated, highly capable national assets for the Coast Guard. Today's success is just the beginning of the construction of the OPCs at ESG by our dedicated team of shipbuilders and subcontractors for our customer and partner, the United States Coast Guard. We are excited for what will be a great 2019 for Eastern Shipbuilding Group and Bay County, Florida."[107]

A November 1, 2018, statement from Eastern Shipbuilding states that the firm

> resumed operations at both of its two main shipbuilding facilities just two weeks after Hurricane Michael devastated Panama City Florida and the surrounding communities….
>
> … the majority of ESG's [Eastern Shipbuilding Group's] workforce has returned to work very quickly despite the damage caused by the storm. "Our employees are a resourceful and resilient group of individuals with the drive to succeed in the face of adversity. This has certainly been proven by their ability to bounce back over the two weeks following the

[106] Katie Landeck, "Provision Added to Disaster Relief Bill to Help Eastern Shipbuilding," *Panama City News Herald*, May 17, 2019.

[107] Eastern Shipbuilding press release entitled "Eastern Shipbuilding Group Announces Commencement of Steel Cutting for USCGC ARGUS (WMSM-915)," January 28, 2019, p. 1.

> storm. Our employees have returned to work much faster than anticipated and brought with them an unbreakable spirit, that I believe sets this shipyard and our community apart" said [Eastern Shipbuilding] President Joey D'Isernia. "Today, our staffing levels exceed 80% of our pre-Hurricane Michael levels and is rising daily."
>
> Immediately following the storm, ESG set out on an aggressive initiative to locate all of its employees and help get them back on the job as soon as practical after they took necessary time to secure the safety and security of their family and home. Together with its network of friends, partners, and customers in the maritime community, ESG organized daily distribution of meals and goods to employees in need. Additionally, ESG created an interest free deferred payback loan program for those employees in need and has organized Go Fund Me account to help those employees hardest hit by the storm. ESG also knew temporary housing was going to be a necessity in the short term and immediately built a small community located on greenfield space near its facilities for those employees with temporary housing needs.
>
> ESG has worked closely with its federal, state and commercial partners over the past two weeks to provide updates on the shipyard as well as on projects currently under construction. Power was restored to ESG's Nelson Facility on 10-21-18 and at ESG's Allanton Facility on 10-24-18 and production of vessels under contract is ramping back up. Additionally, all of the ESG personnel currently working on the US Coast Guard's Offshore Patrol Cutter contract have returned to work….
>
> "We are grateful to our partners and the maritime business community as a whole for their support and confidence during the aftermath of this historic storm. Seeing our incredible employees get back to building ships last week was an inspiration," said D'Isernia. "While there is no doubt that the effects of Hurricane Michael will linger with our community for years to come, I can say without reservation that we are open for business and excited about delivering quality vessels to our loyal customers."[108]

An October 22, 2018, press report states the following:

> U.S. Coast Guard officials and Eastern Shipbuilding Group are still assessing the damage caused by deadly category 4 Hurricane Michael to the Panama City, Fla.-based yard contracted to build the new class of Offshore Patrol Cutters.
>
> On September 28, the Coast Guard awarded Eastern Shipbuilding a contract to build the future USCGC *Argus* (WMSM-915), the first offshore patrol cutter (OPC). The yard was also set to build a second OPC, the future USCGC *Chase* (WMSM-916). Eastern Shipbuilding's contract is for nine OPCs, with options for two additional cutters. Ultimately, the Coast Guard plans to buy 25 OPCs.
>
> However, just as the yard was preparing to build *Argus*, Hurricane Michael struck the Florida Panhandle near Panama City on October 10. Workers from the shipyard and Coast Guard project managers evacuated and are just now returning to assess damage to the yard facilities, Brian Olexy, communications manager for the Coast Guard's Acquisitions Directorate, told USNI News.
>
> "Right now we haven't made any decisions yet on shifts in schedule," Olexy said….
>
> Since the yard was just the beginning stages of building *Argus*, Olexy said the hull wasn't damaged. "No steel had been cut," he said.
>
> Eastern Shipbuilding is still in the process of assessing damage to the yard and trying to reach its workforce. Many employees evacuated the area and have not returned, or are in

[108] Eastern Shipbuilding news release, November 1, 2018, entitled "Eastern Shipbuilding Group, Inc. Resumes Operations."

the area but lost their homes, Eastern Shipbuilding spokesman Justin Smith told USNI News.

At first, about 200 workers returned to work, but by week's end about 500 were at the yard, Smith said. The company is providing meals, water, and ice for its workforce.

"Although we were significantly impacted by this catastrophic weather event, we are making great strides each day thanks to the strength and resiliency of our employees," Joey D'Isernia, president of Eastern Shipbuilding, said in a statement.[109]

[109] Ben Werner, "Coast Guard, Shipbuilder Assessing Hurricane Damage to Yard Building Offshore Patrol Cutter," *USNI News*, October 22, 2018. See also Paul McLeary, "Hurricane Michael Hits Coast Guard's Largest Program, Leaving Devastation," *Breaking Defense*, October 18, 2018; Marex, "Despite Hurricane Michael, Eastern Shipbuilding Keeps Working," *Maritime Executive*, October 16, 2018; Samuel Hill, "Eastern Shipbuilding Hit Hard by Hurricane Michael," *Workboat*, October 16, 2018; Kris Osborn, "How One Shipyard Survived a Hurricane and Built a New Coast Guard Cutter," *National Interest*, January 7, 2021.

Appendix E. November 25, 2019, House Committee Letter Regarding OPC Program

This appendix presents text from a November 25, 2019, letter to the Acting Secretary of DHS from the chair and ranking member of the House Transportation and Infrastructure Committee and the chair and ranking member of that committee's Coast Guard and Maritime Transportation subcommittee regarding the OPC program. The letter states in part

> The Committee on Transportation and Infrastructure has reviewed your proposal to provide extraordinary relief under Public Law 85-804 as requested by Eastern Shipbuilding Group (ESG) for the construction of the Offshore Patrol Cutter (OPC). We are skeptical that such truly extraordinary relief is justified given that this "crisis" was foreseeable and mostly avoidable. Further, we are concerned that this relief sets a damaging precedent that any current or future contract with the United States Coast Guard (Coast Guard or Service) could be renegotiated outside the Federal Acquisition Regulations.
>
> As you know, the Coast Guard is in the middle of a rnulti-decade, multi-billion-dollar recapitalization of its cutter fleets. Last fall, the Service entered into a fixed price contract with ESG for the largest single acquisition in its history for the OPC. Shortly after entering into that contract, on October 10, 2018, Hurricane Michael hit the ESG shipyard and devastated the surrounding Panama City, Florida area where much of the shipyard workforce lived. The shipyard claims the impacts of the disaster rendered its facilities and workforce incapable of meeting the terms of the contract. The Department of Homeland Security (DHS) and the Service now propose to expand the timeframes for the delivery of each of the first four OPCs, spend up to an additional $659 million to complete those cutters, and then re-compete the contract earlier than previously planned. The decision to proceed with the current contractor raises a number of concerns for the Committee. Foremost among those concerns being the delay in delivering the cutters as well as the use of the Public Law No. 85-804 authority, which ultimately eliminates the Coast Guard's claim of getting the best value through a firm, fixed-price contract. If that were a priority for the Service, it would make more sense to pivot to a contractor who had competed for the original contract and is positioned to execute on it rather than create continued uncertainty around the OPC.
>
> For more than a decade, the Committee has tracked the widening capability gap between the existing legacy fleet of Medium Endurance Cutters (MECs)—several built during the Vietnam War—and the commissioning of new OPCs. During that time, the Committee has repeatedly urged the Coast Guard to undertake a ship life extension program (SLEP) for the MECs and advocated for the Service to look at alternative methods to acquire new mission capabilities. Due to limited funding provided for the Coast Guard's Procurement, Construction and Improvements account, the Service made the decision to defer initiating an MEC SLEP to partially offset the loss of MEC capability as those cutters aged out. Rather than heeding the Committee's caution, the Service decided to prioritize construction of the OPCs at the earliest possible time to allow the Coast Guard to continue to effectively carry out its law enforcement, drug and migrant interdiction, and search and rescue missions.
>
> The Service then compounded the risks of this "all-or-nothing" strategy by entering into a contract with ESG; a company that has never built a ship for the Federal government and whose bid came in at a per-vessel price far below that of other qualified bidders. This action led many observers to question whether the Coast Guard was taking too great a risk, but the Service believed, nonetheless, that the risk was acceptable.
>
> Regrettably, ESG began lobbying lawmakers for "relief" from the contract barely six months after agreeing to its terms. Within nine months, ESG formally notified the Coast

Guard that they could no longer meet the contractual schedule or deliver the OPC at the contract price.

In all, it appears the Coast Guard's initial failure to adequately examine the risks of using a shipyard with no government shipbuilding experience could be perpetuated by DHS granting this extraordinary relief under Public Law No, 85-804. The Committee is concerned that the Coast Guard, along with DHS, embarked on exploring options to resuscitate ESG and prevent it from defaulting on the OPC contract without first completing a transparent and objective alternatives analysis. Additionally, the veil of secrecy regarding its analysis and the absence of any meaningful consultation by the Coast Guard and DHS with the Committee, provides us scant confidence that any revised OPC contract will not encounter a similar fate as the original contract.

Accordingly, the Committee would like to know

- Why did the Coast Guard fail to stop construction on hull #1 as soon as they learned the contractor was informing lawmakers that it would be unable to meet the terms of the contract?
- What interim measures are available to mitigate the lost mission capabilities while the OPC contract is being delayed and recompeted?
- Is the Coast Guard considering the use of leased barges to support helicopter operations, the acquisition of additional National Security Cutters or Fast Response Cutters, or other available options?
- What national security missions will be carried out by each of the four OPCs for which relief is sought?
- What is the status of the ship life extension program for the 270B MECs?

Regarding a revised OPC contract, the Committee would like to know?

- Has the Department requested authority from Congress to expedite the re-compete of the OPC contract?
- How will the Coast Guard ensure that no additional extraordinary relief will be needed beyond the potential upward limit of $659 million and the proposed schedule extensions?
- Are the federal/non-federal share lines for each of the first four OPCs set in the DHS decision granting limited Public Law No. 85-804 extraordinary relief, and if not, what are these share lines and what is their justification request?
- In which fiscal years will it be necessary to request funds above the amounts projected for the OPCs in the Coast Guard's latest Capital Improvement Plan? In what amounts?
- On what ship design will the re-compete be based?
- Can you confirm that the Coast Guard owns the OPC design?
- How many additional construction hours above the amount on which the initial bid was based are now anticipated for each of hulls #1-4?
- What controls will be instituted to ensure that there is no excessive overage in production hours?
- What conditions do the Coast Guard intend to include in a revised contract to ensure transparency in all financial transactions; accountability with all performance metrics and timetables for deliverables; certification and notification standards and protocols before the Coast Guard or DHS exercises an option on hulls #2-4?

- Given the fact that the contractor is unable to perform under the terms of the original contract, will any effort be made to receive the performance bond associated with the contract?

The Committee will continue to investigate these issues and closely monitor this situation. We are concerned about the impacts any further delays of this contract will have on the Service's ability to carry out its critical mission responsibilities and the overall impact the escalated cost of producing these assets will have on the Coast Guard's Procurement, Construction and Improvements account for the foreseeable future. As we begin negotiations with the Senate on the Coast Guard Authorization Act of 2019, we will examine if further legislation is necessary to protect U.S. taxpayers from profligate, unwise spending, notwithstanding the urgent need to provide the Coast Guard with the modern assets it needs to remain the world's preeminent Coast Guard.[110]

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Disclaimer

[110] The letter was accessed November 27, 2019, at https://transportation.house.gov/imo/media/doc/2019-11-25%20DHS%2085-804%20Big%204%20Letter.pdf.