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COAST GUARD

**Challenges during the
Transition to the
Department of Homeland
Security**

Statement of JayEtta Z. Hecker, Director Physical
Infrastructure



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Highlights of GAO-03-594T, a testimony before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

COAST GUARD

Challenges during the Transition to the Department of Homeland Security

Why GAO Did This Study

The Coast Guard is one of 22 agencies being placed in the new Department of Homeland Security (DHS). With its key roles in the nation's ports, waterways, and coastlines, the Coast Guard is an important part of enhanced homeland security efforts. But it also has important nonsecurity missions, such as search and rescue, fisheries and environmental protection, and drug and migrant interdiction. GAO has conducted a number of reviews of the Coast Guard's missions and was asked to testify about the Coast Guard's most recent level of effort for its various missions and the major operational and organizational challenges facing the agency during its transition into the newly created DHS.

What GAO Recommends

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

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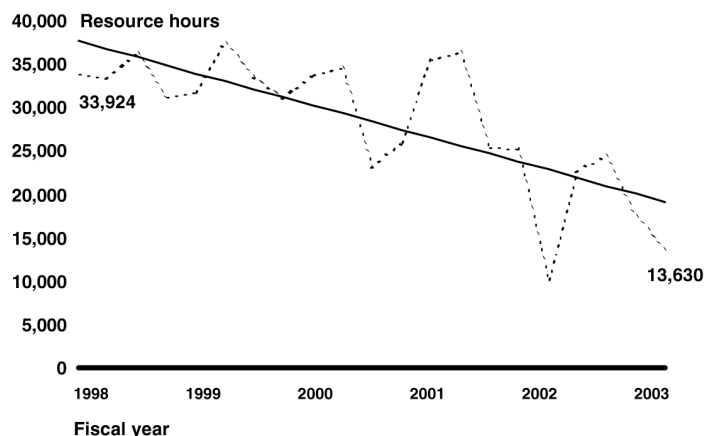
To view the full testimony, including the scope and methodology, click on the link above. For more information, contact JayEtta Hecker at (206) 512-2834 or heckerj@gao.gov.

What GAO Found

Data on the most recent levels of effort for the Coast Guard's various missions show clearly the dramatic shifts that have occurred among its missions since the September 11, 2001, attacks. Predictably, levels of effort related to homeland security remain at much higher levels than before September 11th. Other missions, such as search and rescue, have remained at essentially the same levels. In contrast, several other missions—most notably fisheries enforcement and drug interdiction—dropped sharply after September 11th and remain substantially below historical levels. Continued homeland security and military demands make it unlikely that the agency, in the short run, can increase efforts in the missions that have declined. Further, the fiscal year 2004 budget request contains little that would substantially alter the existing levels of effort among missions.

The Coast Guard faces fundamental and daunting challenges during its transition to the new department. Delays in the planned modernization of cutters and other equipment, responsibility for new security-related tasks as directed under the Maritime Transportation Security Act (MTSA), and mandatory responses to unexpected events, such as terrorist attacks or extended terror alerts, will have an impact on the Coast Guard's ability to meet its new security-related responsibilities while rebuilding its capacity in other missions. Also, as one of the agencies being merged into the new department, the Coast Guard must deal with a myriad of organizational, human capital, acquisition, and technology issues. The enormity of these challenges requires the development of a comprehensive blueprint or strategy that addresses how the Coast Guard should balance and monitor resource use among its various missions in light of its new operating reality.

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



Source: U.S. Coast Guard and GAO.

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

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss major operational and organizational challenges facing the Coast Guard during this period of transition into the newly created Department of Homeland Security (DHS). The creation of DHS represents one of the largest reorganizations and consolidations of government agencies, personnel, programs, and operations in recent history. Creating this new department means merging 22 agencies—with their disparate organizational structures, cultures, and systems—into a cohesive working unit. For these and other reasons, we have designated the implementation and transformation of DHS as a high-risk area.¹

As one of the agencies being merged into the new department, the Coast Guard must deal with a myriad of organizational, human capital, process, and technology challenges and, at the same time, carry out its expanding mission responsibilities. But the Coast Guard, even as a separate entity, was rapidly reinventing itself in many respects in the wake of the September 11, 2001, terrorist attacks. After the attacks, the Coast Guard's priorities and focus had to shift suddenly and dramatically toward protecting the nation's vast and sprawling network of ports and waterways. Cutters, aircraft, boats, and personnel normally used for traditional missions—such as drug and migrant interdiction, fisheries enforcement, and marine environmental protection—were shifted to homeland security functions, which previously consumed only a small part of the agency's operating resources. As we have recently reported,² the Coast Guard has begun restoring activity levels for many of its traditional missions, but doing so is a work in process.

To help meet its increased homeland security responsibilities and restore activity levels for its traditional missions, the Coast Guard has received substantial budget increases over the last 2 years. This trend continued with the President's fiscal year 2004 budget request for the Coast Guard of \$6.8 billion—a 9.6 percent increase over the previous year. Still, despite

¹U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Homeland Security*, [GAO-03-102](#) (Washington, D.C.: January 2003).

²U.S. General Accounting Office, *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, [GAO-03-155](#) (Washington, D.C.: November 2002); U.S. General Accounting Office, *Coast Guard: Comprehensive Blueprint Needed to Balance and Monitor Resource Use and Measure Performance for All Missions*, [GAO-03-544T](#) (Washington D.C.: March 2003).

the large budget increases for the Coast Guard since September 11th, there is much congressional concern about how—and whether—the Coast Guard can continue to meet its responsibilities for all of its missions, given the increased emphasis on and additional resources required for homeland security.

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

In summary:

- The most recent levels of effort for the Coast Guard's various missions—as measured by the use of multiple-mission resources such as cutters, patrol boats, and aircraft—show clearly the dramatic increase in the amount of time spent on homeland security following the September 11th attacks. In the months after the attacks, as the initial surge in homeland security activities was abating, activity in many other missions began returning to pre-September 11th levels, but some have not yet recovered. For example, the amount of resource hours currently being spent on search and rescue and maintaining aids to navigation are fairly consistent with traditional levels over the last 5 years. However, there have been substantial declines from traditional levels of time spent on two law enforcement missions—fisheries enforcement and drug interdiction. The fiscal year 2004 budget request for the Coast Guard, which includes a \$592 million increase over the 2003 budget, does not include initiatives that would substantially reverse these declines. The majority of this increase would cover pay increases for current or retired employees or continue certain programs already under way, such as upgrades to information technology. About \$168.5 million of the increase would fund new initiatives, most of which relate either to homeland security or to search and rescue. As such, these initiatives do not represent substantial shifts in current levels of effort among missions. This situation is further exacerbated by the diversion of Coast Guard resources to respond to heightened terror alerts at home and military operations in the Middle East.
- The Coast Guard faces fundamental challenges in being able to accomplish all of its new homeland security responsibilities, while rebuilding capacity in other missions to pre-September 11th levels. For

example, the Coast Guard's Deepwater Project, a modernization effort for cutters, patrol boats, and aircraft, has already experienced delays in the delivery of key assets, jeopardizing the agency's future ability to carry out a number of missions at optimum levels. This situation could worsen because the Coast Guard has tied successful completion of the project to levels of funding that are beyond what has been available. Another challenge involves the implementation of the Maritime Transportation Security Act of 2002 (MTSA), which requires the Coast Guard to undertake a variety of new homeland security tasks. Since an implementation strategy has not yet been fully developed for MTSA, and funding to accomplish implementation is not provided in the fiscal year 2004 budget request, for the foreseeable future, the Coast Guard will need to absorb the costs related to these tasks within its operating budget. Similarly, any unexpected events—such as terrorist attacks or extended terror alerts—could also result in using resources for homeland security purposes that would normally be used for other missions. Further, the Coast Guard's expanded role in homeland security and its relocation in the newly created DHS have changed many of its priorities and working parameters; its adjustment to this new environment is a work in progress. Altogether, these factors raise serious concerns about the Coast Guard's ability to meet traditional expectations across the broad range of all of its missions.³ In recent reports,⁴ we have pointed to several steps that are needed in such an environment. One is to continue finding ways to operate more efficiently to maximize the existing resources available. Another is to develop a comprehensive blueprint or strategy for accomplishing mission responsibilities. This blueprint needs to recognize the new operating reality created by the Coast Guard's increasing homeland security role and translate that reality into (1) realistic level-of-effort targets for all of its missions, (2) a plan for achieving these targets with appropriate performance measurements, and (3) a framework for monitoring and reporting on levels of effort and performance in achieving mission goals so that the agency and the Congress can better decide how limited dollars can be spent.

³Some additional funding may be provided to address these challenges through the proposed fiscal year 2003 supplemental budget. However, the impact of this potential funding on these challenges is unknown.

⁴U.S. General Accounting Office, *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, [GAO-03-155](#) (Washington, D.C.: November 2002), and U.S. General Accounting Office, *Homeland Security: Challenges Facing the Coast Guard as it Transitions to the New Department*, [GAO-03-467T](#) (Washington, D.C.: February 2003).

Background

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

Table 1: Security and Nonsecurity Missions of the Coast Guard

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

Source: U.S. Coast Guard.

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

As an organization that is also part of the armed services, the Coast Guard has both military and civilian positions. At the end of fiscal year 2002, the agency had over 42,000 full-time positions—about 36,000 military and about 6,600 civilians. The Coast Guard also has about 7,200 reservists who

support the national military strategy and provide additional operational support and surge capacity⁵ during emergencies, such as natural disasters. In addition, about 36,000 volunteer auxiliary personnel assist in a wide range of activities from search and rescue to boating safety education.

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

The Coast Guard's Emphasis on Security Continues to Affect Its Levels of Effort in Some Missions

The emphasis the Coast Guard placed on security after September 11th has had varying effects on its level of effort among all of its missions, as measured by the extent to which multiple-mission resources (cutters, other boats, and aircraft) are used for a particular mission.⁶ The most current available data show that some security-related missions, such as migrant interdiction and coastal security, have grown significantly since September 11th. Other missions, such as search and rescue and aids to navigation remained at essentially the same levels as they were before September 11th. However, the level of effort for other missions, most notably the interdiction of illegal drugs and fisheries enforcement, is substantially below pre-September 11th levels.

Missions with Increased Levels of Resources

Missions such as coastal security, and migrant interdiction have experienced increased levels of effort. Coastal security has seen the most dramatic increase from pre-September 11th levels. (See fig. 1.) For

⁵During emergencies, such as the events of September 11th, Coast Guard reservists can be activated or full-time agency personnel temporarily transferred to provide additional support at Coast Guard field locations where such help is needed.

⁶A 5-year time frame was used to depict trend data for all missions except coastal security. For that mission, a 4-year time frame was used.

example, it went from 2,400 resource hours⁷ during the first quarter of 1999, peaked at 91,000 hours during the first quarter of fiscal year 2002 (immediately after September 11, 2001), and most recently stood at nearly 37,000 hours for the first quarter of fiscal year 2003. In figure 1, as well as the other resource figures that follow, we have added a line developed by using linear regression⁸ techniques to show the general trend for the period. It is important to note that while such lines depict the trend in resource hours to date, they should not be taken as a prediction of future values. Other activity indicators, such as sea marshal⁹ boardings, also demonstrate an increased level of emphasis. Before September 11th, such boardings were not done; but there were over 550 boardings during the first quarter of 2003. Similarly, vessel operational control actions¹⁰ have risen by 85 percent since the fourth quarter of fiscal year 2001.

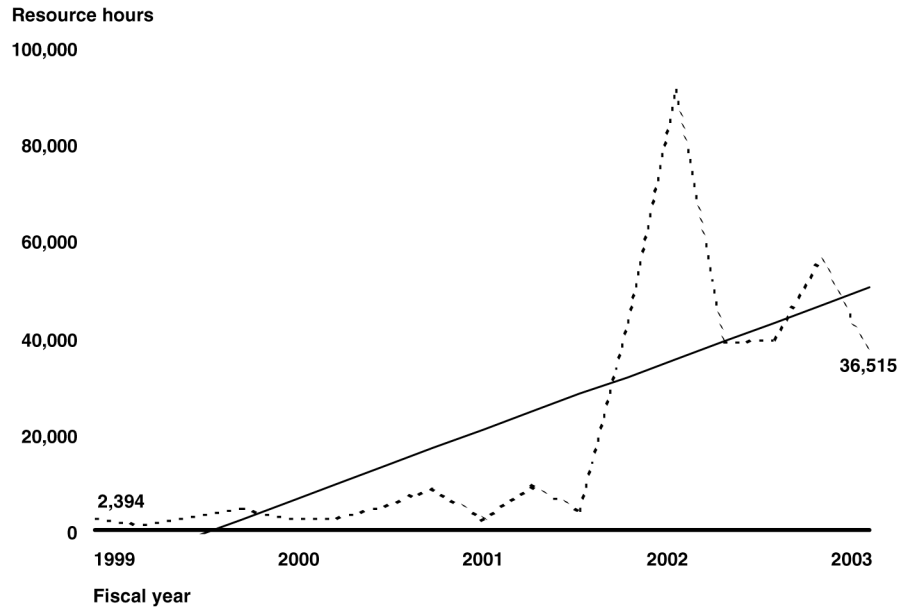
⁷The Coast Guard maintains information, on a mission-by-mission basis, about how cutters, patrol boats, and aircraft are used. Each hour that these resources are used in a mission is called a resource hour. Resource hours do not include such things as the time that the resource stands idle or the time that is spent maintaining it.

⁸Linear regression estimates the coefficients of the linear equation, involving one or more independent variables, that best predict the value of the dependent variable.

⁹Sea marshals are armed Coast Guard personnel who board selected vessels operating in and around U.S. ports and harbors and take position on the ship's bridge and other areas determined to be necessary to vessel safety. These teams provide additional security to ensure that only authorized personnel maintain control of the vessel at all times.

¹⁰Vessel operational control actions are efforts to control vessels and can include captain of the port orders, administration orders, letters of deviation, and the designation of security zones.

Figure 1: Number of Resource Hours Spent on Ports, Waterways, and Coastal Security, by Quarter, October 1998 – December 2002



Source: U.S. Coast Guard and GAO.

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

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

Missions with a Steady State of Resources

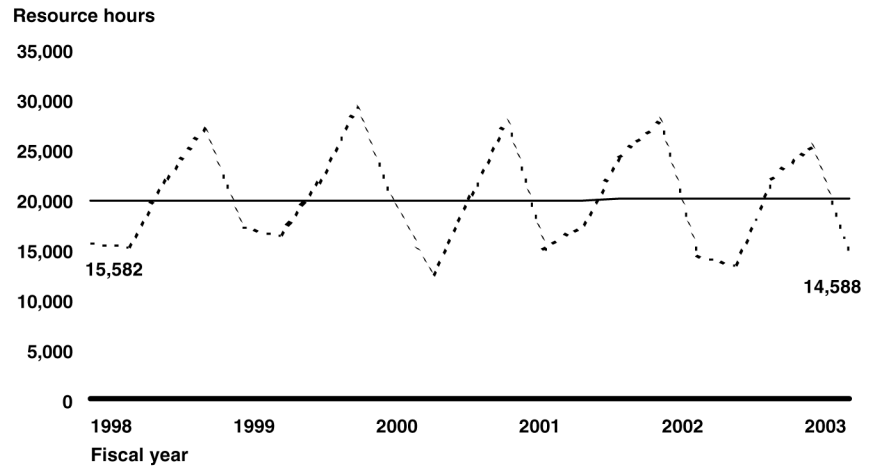
Some of the Coast Guard's traditional missions, such as providing aids to navigation and search and rescue, have been the least affected by the increased emphasis on security. (See fig. 2.) While resource hours for both of these missions have declined somewhat since the first quarter of fiscal year 1998, the overall pattern of resource use over the past 5 years has remained consistent. Although search and rescue boats and buoy tenders were used to perform homeland security functions immediately after September 11th, these activities did not materially affect the Coast Guard's ability to carry out its search and rescue or aids to navigation missions.

Search and rescue boats were initially redeployed for harbor patrols after the September 11th terrorist attacks; but the impact on the mission was minimal because the deployments occurred during the off-season, with respect to recreational boating.¹¹ Similarly, some boats that normally serve as buoy tenders—an aids to navigation function—were used for security purposes instead; but they were among the first to be returned to their former missions. For the first quarter of fiscal year 2003, the number of resource hours spent on these missions was very close to the number spent during the comparable quarter of fiscal year 1998.

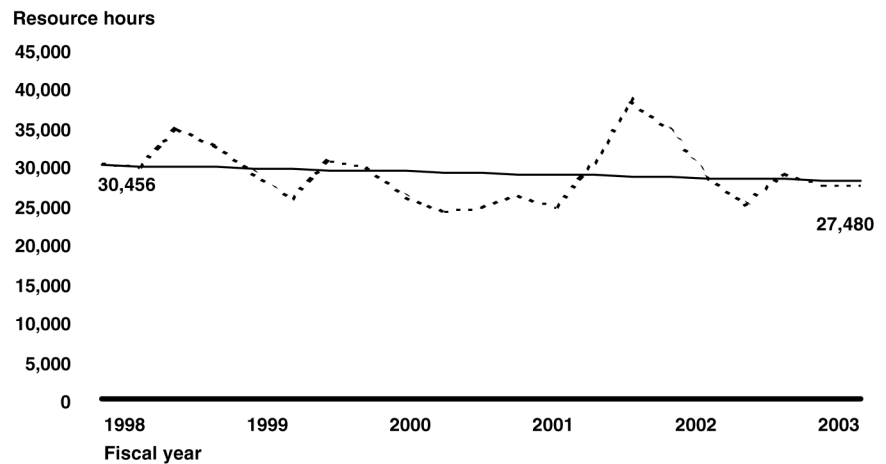
¹¹Search and rescue resources are subject to seasonal cycles, with more resources being used during the summer months when boating is at its peak.

Figure 2: Number of Resource Hours Spent on Search and Rescue and Aids to Navigation, by Quarter, October 1997-December 2002

Search and Rescue



Aids to Navigation



Source: U.S. Coast Guard and GAO.

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

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

emphasis on homeland security. For example, for search and rescue, the Coast Guard was within about half a percentage point of meeting its target for saving mariners in distress in 2002. Likewise, data show that with respect to its aid to navigation mission, in 2002 the Coast Guard was about 1 percent from its goal of navigational aid availability.¹²

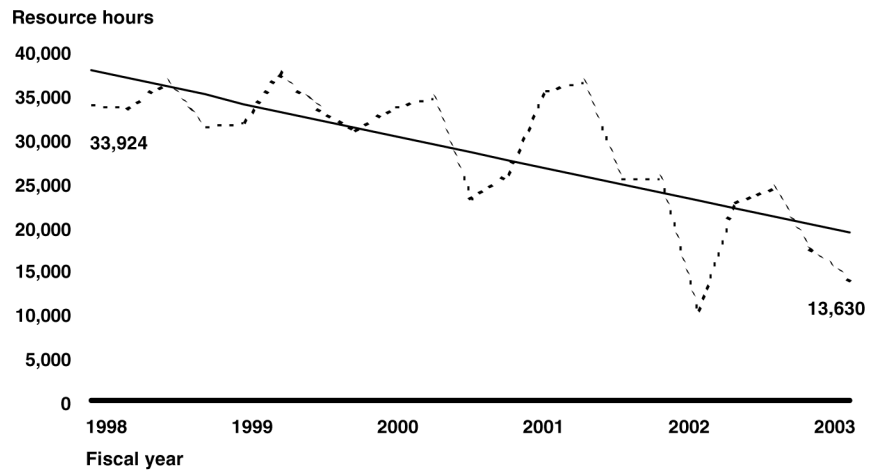
Missions with a Decline in Resource Hours

A number of missions have experienced declines in resource hours from pre-September 11th levels, including drug interdiction, fisheries enforcement (domestic and foreign), marine environmental protection, and marine safety. In particular, drug enforcement and fisheries enforcement have experienced significant declines. Compared with the first quarter of 1998, resource hours for the first quarter of fiscal year 2003 represent declines of 60 percent for drug interdiction and 38 percent for fisheries enforcement. (See fig. 3.) In fact, resource hours for these areas were declining even before the events of September 11th; and while they briefly rebounded in early 2002, they have since continued to decline. A Coast Guard official said the recent decline in both drug enforcement and fisheries can be attributed to the heightened security around July 4, 2002, and the anniversary of the September 11th terrorist attacks, as well as the deployment of resources for military operations. They said the decline will likely not be reversed during the second quarter of 2003 because of the diversion of Coast Guard cutters to the Middle East and the heightened security alert that occurred in February and March 2003.

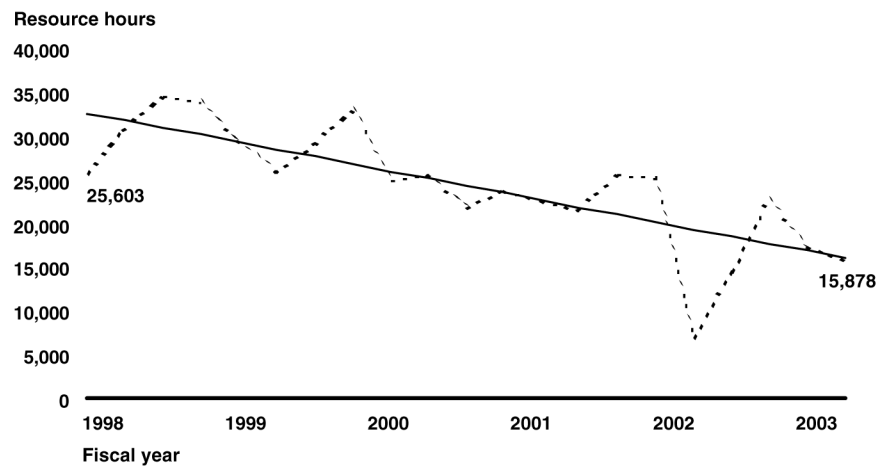
¹²The Coast Guard had a goal to save at least 85 percent of all mariners in imminent danger; they actually saved 84.4 percent. Similarly, the Coast Guard had a goal to have 99.7 percent of navigational aids available and their actual availability was 98.4 percent.

Figure 3: Number of Resource Hours Spent on Drug Interdiction and Fisheries Enforcement, by Quarter, October 1997-December 2002

Drug Interdiction



Fisheries Enforcement



Source: U.S. Coast Guard and GAO.

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

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

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

Our review of the Coast Guard’s activity levels in domestic fishing shows U.S. fishing vessel boardings and significant violations¹³ identified are both down since 2000. Similarly, the Coast Guard interdicted only 19 percent as many foreign vessels as it did in 2000.¹⁴ The reduced level of effort dedicated to these two missions is likely linked to the Coast Guard’s inability to meet its performance goals in these two areas. For instance, in 2002 the Coast Guard did not meet its goal of detecting foreign fishing vessel incursions,¹⁵ and while there is no target for domestic fishing violations, there were fewer boardings and fewer violations detected in 2002 than in 2000.¹⁶

Recently, the Coast Guard Commandant stated that the Coast Guard intends to return the level of resources directed to law enforcement missions (drug interdiction, migrant interdiction, and fisheries enforcement) to 93 percent of pre-September 11th levels (using a baseline of the 8 quarters prior to September 11, 2001) by the end of 2003 and 95 percent by the end of 2004. However, in the environment of heightened security and the continued deployment of resources to the Middle East, these goals will likely not be achieved, especially for drug interdiction and

¹³The Coast Guard defines significant violations as any or all of the following: (1) significant damage or impact to the resource or the fisheries management plan, (2) significant monetary advantage to the violator over the competition, or (3) a high regional interest of emotional or political nature as determined by regional fisheries councils.

¹⁴Activity data for foreign fishing vessels is a comparison of fourth quarters in 2000 and 2002.

¹⁵In fiscal year 2002, the Coast Guard’s goal was to detect 250 foreign fishing vessel incursions into U.S. fishing waters—only 202 were detected that year.

¹⁶According to Coast Guard officials, budget constraints that occurred in fiscal years 2000 and 2001 resulted in a 15 percent reduction in operating levels.

fisheries enforcement, which are currently far below previous activity levels.

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

The Coast Guard's budget request for fiscal year 2004 does not contain initiatives or proposals that would substantially alter the current levels of effort among missions. The request for \$6.8 billion represents an increase of about \$592 million, or about 9.6 percent in nominal dollars, over the enacted budget for fiscal year 2003.¹⁷ The majority of this increase covers pay increases for current or retired employees or continues certain programs already under way, such as upgrades to information technology. About \$168.5 million of the increase would fund new initiatives, most of which relate either to homeland security or to search and rescue. As such, these initiatives do not represent substantial shifts in current levels of effort among missions.

However, the 2004 budget request does address a long-standing congressional concern about the Coast Guard's search and rescue mission. The search and rescue initiative is part of a multiyear effort to address shortcomings in search and rescue stations and command centers. In September 2001, the Department of Transportation Office of the Inspector General reported that readiness at search and rescue stations was deteriorating.¹⁸ For example, staff shortages at most stations required crews to work an average of 84 hours per week, well above the standard (68 hours) established to limit fatigue and stress among personnel. The initiative seeks to provide appropriate staffing and training to meet the standards of a 12-hour watch and a 68-hour work week. The Congress appropriated \$14.5 million in fiscal year 2002 and \$21.7 million in fiscal year 2003 for this initiative. The increased amount requested for fiscal year 2004 (\$26.3 million) for search and rescue would pay for an additional 390 full-time search and rescue station personnel and for 28 additional instructors at the Coast Guard's motor lifeboat and boatswain's mate schools.

¹⁷The \$592 million requested increase breaks down as follows: \$440 million of the \$592 million requested increase is for operating expenses for the Coast Guard's mission areas, \$20.8 million is for capital projects, and \$131 million is for pay for retired personnel.

¹⁸*Audit of the Small Boat Station Search and Rescue Program*. MH-2001-94 (Washington, D.C.: Sept 14, 2001).

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

The Coast Guard faces fundamental challenges in balancing resource use among its missions and accomplishing everything that has come to be expected of it. We have already described how the Coast Guard has not been able, in its current environment, to both assimilate its new homeland security responsibilities and restore levels of effort for all other missions. Several other challenges further threaten the Coast Guard's ability to balance these diverse missions. For example, the Coast Guard's Deepwater Project¹⁹ has already experienced delays in delivery of key assets and could face additional delays if future funding falls behind what the Coast Guard had planned. Such delays could also seriously jeopardize the Coast Guard's ability to carry out a number of security and nonsecurity missions. Similarly, for the foreseeable future, the Coast Guard must absorb the cost of implementing a variety of newly mandated homeland security tasks by taking resources from ongoing activities. Funding for these tasks are not provided in the fiscal year 2004 budget request. The Coast Guard also faces the constant possibility that future terror alerts, terrorist attacks, or military actions will likely require it to shift additional resources to homeland security missions. Finally, the Coast Guard's transition to DHS brings additional challenges, particularly with respect to establishing effective communication links and building partnerships both within DHS and with external agencies.

Such challenges raise serious concerns about the Coast Guard's ability to accomplish all of its responsibilities and balance the level of effort among all missions in an environment where it strives to be "all things to all people," and attempts to do so as one of many agencies in a cabinet department whose primary mission is homeland security. In past work, we have pointed to several steps that the Coast Guard needs to take in such an environment. These include continuing to address opportunities for operational efficiency, especially through more partnering and developing a comprehensive blueprint or strategy for balancing and monitoring resource use across all of its missions.

¹⁹Begun in 1996, the Integrated Deepwater Project is a program to replace or modernize the Coast Guard's existing ships and aircraft, as well as make use of innovative technology such as satellites and improved detection capabilities to carry out its varied mission responsibilities.

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

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

Under the project's contracting approach, the responsibility for Deepwater's success lies with a single systems integrator²⁰ and its contractors for a period of 20 years or more. Under this approach, the Coast Guard has started on a course potentially expensive to alter. It is based on having a steady, predictable, annual funding stream of \$500 million in 1998 dollars over the next 2 to 3 decades. Already the funding provided for the project is less than the amount the Coast Guard planned for. The fiscal year 2002 appropriation for the project was about \$28 million below the planned level, and the fiscal year 2003 appropriated level was about \$90 million below the planning estimate. Further, the President's fiscal year 2004 budget request for the Coast Guard is not consistent with the Coast Guard's deepwater funding plan. If the requested amount of \$500 million for fiscal year 2004 is appropriated, it would represent another shortfall of \$83 million, making the cumulative shortfall about \$202 million in the project's first 3 years, according to Coast Guard data. If appropriations hold steady at \$500 million (in nominal dollars) through fiscal year 2008, the Coast Guard estimates that the cumulative shortfall will reach \$626 million.²¹

The shortfalls in the last 2 fiscal years (2002 and 2003) and their potential persistence could have serious consequences. The main impact is that it

²⁰The prime contractor, known as the "systems integrator," is responsible for ensuring that each ship, aircraft, or other equipment is delivered on time and in accordance with agreed to prices and in compliance with the Coast Guard's system performance specifications.

²¹The \$28 million shortfall is expressed in 2002 dollars, the \$90 million shortfall in 2003 dollars, and the \$202 million shortfall in 2004 dollars. The \$626 million dollar shortfall is expressed in 2008 dollars.

would take longer and cost more in the long run to fully implement the deepwater system. For example, due to funding shortfalls experienced to date, the Coast Guard has delayed the introduction of the new maritime patrol aircraft by 19 months and slowed the conversion and upgrade program for its 110-foot patrol boats. According to the Coast Guard, if the agency continues to receive funding at levels less than planned, new asset introductions—and the associated retirement of costly, less capable Coast Guard resources—will continue to be deferred.

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

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

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

The Coast Guard has also been tasked with a myriad of new homeland security requirements, but funding to implement them is not provided in either the enacted fiscal year 2003 budget or the fiscal year 2004 budget request. As a result, the Coast Guard will have to meet many of these requirements by pulling resources from other activities. Under the Maritime Transportation Security Act (MTSA),²² signed into law in November 2002, the Coast Guard must accomplish a number of security-related tasks within a matter of months and sustain them over the long term. For example, MTSA requires the Coast Guard to be the lead agency in conducting security assessments, developing plans, and enforcing specific security measures for ports, vessels, and facilities. In the near term, the Coast Guard must prepare detailed vulnerability assessments of vessels and facilities it identifies to be at high risk of terrorist attack. It must also prepare a National Maritime Transportation Security Plan that assigns duties among federal departments and agencies and specifies coordination with state and local officials—an activity that will require substantial work by Coast Guard officials at the port level. The Coast Guard must also establish plans for responding to security incidents, including notifying and coordinating with local, state, and federal authorities.

Because the fiscal year 2004 budget request was prepared before MTSA was enacted, it does not specifically devote funding to most of these port security responsibilities. Coast Guard officials said that they will have to absorb costs related to developing, reviewing, and approving plans, including the costs of training staff to monitor compliance, within their general budget.²³ Coast Guard officials expect that the fiscal year 2005 budget request will contain funding to address all MTSA requirements. In the meantime, officials said that the Coast Guard would have to perform most of its new port security duties without additional appropriation, and that the funds for these duties would come from its current operations budget. The costs of these new responsibilities, as well as the extent to which they will affect resources for other missions, are not known.

²²P. L. 107-295, Nov. 25, 2002.

²³The Coast Guard had already begun work on two aspects of the legislation; these aspects are accounted for in the fiscal year 2004 budget request. These two items are requirements to (1) create marine safety and security teams and (2) to dispatch armed officers as sea marshals for some port security duties.

External Uncertainties Place Additional Strain on Resources

Security alerts, as well as actions needed in the event of an actual terrorist attack, can also affect the extent to which the Coast Guard can devote resources to missions not directly related to homeland security. For example, Coast Guard officials told us that in the days around September 11, 2002, when the Office of Homeland Security raised the national threat level from “elevated” to “high risk,” the Coast Guard reassigned cutters and patrol boats in response. In February 2003, when the Office of Homeland Security again raised the national threat level to high risk, the Coast Guard repositioned some of its assets involved in offshore law enforcement missions, using aircraft patrols in place of some cutters that were redeployed to respond to security-related needs elsewhere. While these responses testify to the tremendous flexibility of a multi-mission agency, they also highlight what we found in our analysis of activity-level trends—when the Coast Guard responds to immediate security needs, fewer resources are available for other missions.

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

Transition to Homeland Security Poses Additional Challenges

The creation of DHS is one of the largest, most complex restructurings ever undertaken, and the Coast Guard, as one of many agencies joining the department, faces numerous challenges, including organizational, human capital, acquisition, process and technology issues.²⁴ One particularly

²⁴U.S. General Accounting Office, *Homeland Security: Challenges Facing the Coast Guard as it Transitions to the New Department*, [GAO-03-467T](#) (Washington, D.C.: February 2003).

formidable challenge involves establishing effective communication links and building partnerships both within DHS and with external organizations. While most of the 22 agencies transferred to DHS report to under secretaries for the department's various directorates,²⁵ the Coast Guard remains a separate entity reporting directly to the Secretary of DHS. According to Coast Guard officials, the Coast Guard has important functions that will require coordination and communication with all of these directorates, particularly the Border and Transportation Security Directorate. For example, the Coast Guard plays a vital role with Customs, Immigration and Naturalization Service, the Transportation Security Administration, and other agencies that are organized in the Directorate of Border and Transportation Security. Because the Coast Guard's homeland security activities require interface with these and a diverse set of other agencies organized within several DHS directorates, communication, coordination, and collaboration with these agencies is paramount to achieve department-wide results.

Effective communication and coordination with agencies outside the department is also critical to achieving the homeland security objectives, and the Coast Guard must maintain numerous relationships with other public and private sector organizations outside DHS. For example, according to Coast Guard officials, the Coast Guard will remain an important participant in the Department of Transportation's (DOT) strategic planning process, since the Coast Guard is a key agency in helping to maintain the maritime transportation system. Also, the Coast Guard maintains navigation systems used by DOT agencies such as the Federal Aviation Administration. In the homeland security area, coordination efforts will extend well beyond our borders to include international agencies of various kinds. For example, the Coast Guard, through its former parent agency, DOT, has been spearheading U.S. involvement in the International Maritime Organization. This is the organization that, following the September 11th attacks, began determining new international regulations needed to enhance ship and port security. Also, our work assessing efforts to enhance our nation's port security has underscored the formidable challenges that exist in forging

²⁵Most agencies within DHS are organized within one of the four directorates: Science and Technology, Information Analysis and Infrastructure Protection, Border and Transportation Security, and Emergency Preparedness and Response.

partnerships and coordination among the myriad of public and private sector and international stakeholders.²⁶

Several Types of Actions Needed to Help Address Challenges

In previous work, we have examined some of the implications of the Coast Guard's new operating environment on the agency's ability to fulfill its various missions.²⁷ This work, like our testimony today, has pointed to the difficulty the Coast Guard faces in devoting additional resources to nonsecurity missions, despite the additional funding and personnel the agency has received. In particular, we have recommended that the following actions be taken as a more candid acknowledgment of the difficulty involved:

- *Opportunities for increased operational efficiency need to be explored.* Over the past decade, we and other outside organizations, along with the Coast Guard, have studied Coast Guard operations to determine where greater efficiencies might be found. These studies have produced a number of recommendations, such as shifting some responsibilities to other agencies. One particular area that has come to the forefront since September 11th is the Coast Guard's potential ability to partner with other port stakeholders to help accomplish various security and nonsecurity activities involved in port operations. Some effective partnerships have been established, but the overall effort has been affected by variations in local stakeholder networks and limited information-sharing among ports.
- *A comprehensive blueprint or strategy is needed for setting and assessing levels of effort and mission performance.* One important effort that has received relatively little attention, while the Coast Guard has understandably put its homeland security responsibilities in place, is the development of a plan that proactively addresses how the Coast Guard should manage its various missions in light of its new operating reality. The Coast Guard's adjustment to its new post-September 11th environment is still largely in process, and sorting out how traditional

²⁶U.S. General Accounting Office, *Container Security: Current Efforts to Detect Nuclear Materials, New Initiatives, and Challenges*, [GAO-03-297T](#) (Washington, D.C.: November 2002), and U.S. General Accounting Office, *Port Security: Nation faces Formidable Challenges in Making New Initiatives Successful*, [GAO-02-993T](#) (Washington, D.C.: August 2002).

²⁷U.S. General Accounting Office, *Coast Guard: Budget and Management Challenges for 2003 and Beyond*, [GAO-02-588T](#) (Washington, D.C.: March 2001), and U.S. General Accounting Office, *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, [GAO-03-155](#) (Washington, D.C.: November 2002).

missions will be fully carried out alongside new security responsibilities will likely take several years. But it is important to complete this plan and address in it key elements and issues so that it is both comprehensive and useful to decision makers who must make difficult policy and budget choices. Without such a blueprint, the Coast Guard also runs the risk of continuing to communicate that it will try to be “all things to all people” when, in fact, it has little chance of actually being able to do so. The Coast Guard has acknowledged the need to pursue such a planning effort, and the Congress has directed it to do so. Coast Guard officials told us that as part of the agency’s transition to DHS, they are updating the agency’s strategic plan, including plans to distribute all resources in a way that can sustain a return to previous levels of effort for traditional missions. In addition, the Congress placed a requirement in MTSA for the Coast Guard to submit a report identifying mission targets, and steps to achieve them, for all Coast Guard missions for fiscal years 2003 to 2005. However, this mandate is not specific about the elements that the Coast Guard should address in the report.

To be meaningful, this mandate should be addressed with thoroughness and rigor and in a manner consistent with our recent recommendations; it requires a comprehensive blueprint that embodies the key steps and critical practices of performance management. Specifically, in our November 2002 report on the progress made by the Coast Guard in restoring activity levels for its key missions, we recommended an approach consisting of a long-term strategy outlining how the Coast Guard sees its resources—cutters, boats, aircraft, and personnel—being distributed across its various missions, a time frame for achieving this desired balance, and reports with sufficient information to keep the Congress apprised not only of how resources were being used, but what was being accomplished. The Coast Guard agreed that a comprehensive strategy was needed, and believes that it is beginning the process of developing one. Table 2 provides a greater explanation of what this approach or blueprint would entail.

Table 2: Elements of an Approach for Setting and Assessing Levels of Effort and Mission Effectiveness

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

Source: GAO.

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

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

Contacts and Acknowledgments

For information about this testimony, please contact JayEtta Z. Hecker, Director, Physical Infrastructure, at (202) 512-2834, or heckerj@gao.gov, or Margaret T. Wrightson, at (415) 904-2200, or wrightsonm@gao.gov. Individuals making key contributions to this testimony include Steven Calvo, Christopher M. Jones, Sharon Silas, Stan Stenersen, Eric Wenner, and Randall Williamson.

Scope and Methodology

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

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

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