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2004 REPORT

FY 2003 Performance Report

FY 2005 Budget in Brief

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An Average Day in the Coast Guard

Each day, the men and women of the 39,000 active duty Coast Guard, 8,100 Reservists and 37,000 Auxiliarists provide the following services...

- ◆ Boards 3 high interest vessels
- ◆ Enforces 103 security zones
- ◆ Boards 138 vessels of law enforcement interest
- ◆ Seizes 39 pounds of marijuana and 324 pounds of cocaine with a street value of \$10.8 million
- ◆ Interdicts and rescues 15 illegal migrants
- ◆ Conducts 106 Search and Rescue Cases
- ◆ Saves 11 lives
- ◆ Assists 136 people in distress
- ◆ Protects \$3.2 million in property
- ◆ Performs 450 missions underway in port, waterway, and coastal areas
- ◆ Flies 165 air missions, logging 320 hours
- ◆ Opens 38 new cases for marine violation of federal statutes
- ◆ Processes 238 mariner licenses and documents
- ◆ Boards 152 large vessels for port safety checks
- ◆ Conducts 20 commercial fishing vessel safety exams and issues 11 fishing vessel compliance decals
- ◆ Responds to 19 oil or hazardous chemical spills totaling 2,700 gallons
- ◆ Investigates 38 vessel casualties involving collisions, allisions or groundings
- ◆ Services 135 aids to navigation
- ◆ Monitors the transit of 2,557 commercial ships entering and leaving U.S. ports
- ◆ Assists 8 vessels in ice conditions during winter, each vessel averaging 30,000 tons in cargo.
Each vessel's cargo averages \$1 million in value during the Great Lakes ice season
- ◆ Conducts 296 vessel safety checks and teaches boating safety courses to 289 boaters



THE COMMANDANT OF THE UNITED STATES COAST GUARD
WASHINGTON, D.C. 20593-0001

1 February, 2004

The President's fiscal year 2005 budget builds on previous years' investments, enhancing the Coast Guard's capability and competencies to perform both safety and security missions. It supports the goals of the President's National Strategy for Homeland Security to prevent terrorist attacks, reduce our vulnerabilities, and minimize damage from attacks that do occur.

During the past year, the United States led the international maritime community in adopting a new international security regime requiring vessels and port facilities to develop security plans. This effort in the U.S. culminated in the Maritime Transportation Security Act (MTSA), which was enacted in November 2002. These regulations will ensure that American ports, vessels, and facilities each have a plan to protect against terrorist attacks. The Coast Guard's 2005 budget requests over \$100 million to review these plans and ensure compliance with MTSA.

The fiscal year 2005 budget provides resources to continue the multi-year effort to modernize the Coast Guard. With a nine percent growth over fiscal year 2004 funding, it will positively impact our performance in all assigned missions and is critical to the sustainment of the Coast Guard's high standards of operational excellence. It reflects steady progress in our plan to meet America's present and emerging maritime safety and security needs, specifically the need to:

- recapitalize operational assets;
- enhance performance across all missions by leveraging Coast Guard authorities, capabilities, competencies, and partnerships;
- aggressively implement the comprehensive requirements of MTSA; and
- expand awareness of activities occurring in the maritime domain.

I have asked every member of the Coast Guard to continue to focus intently and act boldly on the three elements of my direction: improve Readiness; enhance the growth, development, and well being of our People, and practice good Stewardship. With this diligence in executing our multi-year resource plan, we will fulfill our operational commitment to America and maintain our high standards of excellence.

A handwritten signature in black ink, appearing to read "T. H. Collins".

T. H. Collins
Admiral, U.S. Coast Guard

Providing Essential Services

In 2003, Americans . . .



Knew that defense of the homeland from terrorism was paramount and keeping the waterways safe and secure were some of the Coast Guard's primary missions.



Purchased 845,200 recreational boats. Took to the water in 17 million recreational boats; 76 million boaters spent \$30.3 billion on boats and accessories.



Suffered more than 650 drug-related murders, and lost nearly 19,000 lives to drug abuse; spent more than \$64 billion to purchase illegal drugs and lost \$160 billion in costs relating to drug abuse.



Harvested 4.5 million tons of fish and employed 300,000 people in the commercial and recreational fishing industry with a \$55 billion impact on the U.S. economy.



Shipped over 318 billion gallons of petroleum products in vessels on waterways throughout the U.S.

Employed over 1.5 million people in maritime and port industries.

Operated cruise ships capable of carrying 7.3 million passengers.

Moved 1.04 billion tons of domestic cargo on U.S. navigable waters.

Facilitated 95% of overseas cargo through U.S. ports.



Enjoyed worldwide free trade made possible by freedom of the seas.

Relied on peacekeeping and partnerships to maintain peace around the world.

In 2003, the Coast Guard. . .

Provided Maritime Homeland Security by

- Conducting more than 36,000 port security patrols, 3,600 air patrols, 8,000 security boardings, and 7,000 vessel escorts.
- Maintaining more than 115 security zones.
- Instituting and enhancing new initiatives such as Sea Marshals and deployable Maritime Safety and Security Teams.
- Receiving over 2,326,520 volunteer hours from the Coast Guard Auxiliary.



Saved the lives of nearly 5,100 mariners in distress and responded to more than 31,500 calls for rescue assistance.

Conducted more than 109,000 recreational vessel examinations, more than 10,000 foreign commercial vessel boardings and more than 20,000 inspections on commercial vessels.



Seized or disrupted delivery of more than 136,865 pounds of cocaine, over 14,059 pounds of marijuana and more than 800 pounds of hashish before these drugs could reach the U.S. Interdicted over 6,000 undocumented migrants attempting to enter the country illegally by sea.



Protected high value U.S. fish stocks. Boarded more than 3,400 fishing vessels to enforce safety, environmental and economic laws, and partnered with federal and state agencies to enhance protection to Marine Protected Species, enabling populations to begin recovery to healthy, sustainable levels.



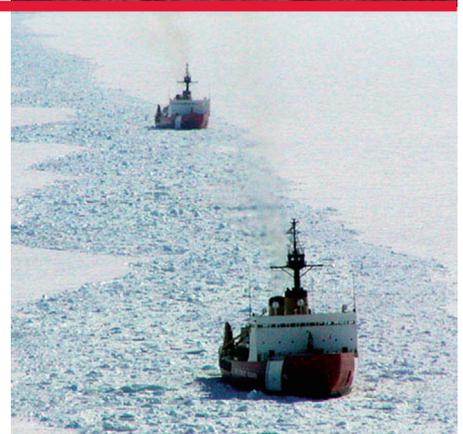
Conducted more than 2,000 inspections aboard mobile offshore drilling units, outer continental shelf facilities, and offshore supply vessels.

Ensured more than 1 million safe and secure passages of commercial vessels through congested harbors with Vessel Traffic Services.



Responded to 19,234 reports of water pollution or hazardous material releases, from the National Response Center, resulting in 4,777 response cases.

Deployed the largest contingent of Coast Guard personnel (1,250) and assets (11 cutters and 13 units) overseas since Vietnam to meet the Combatant Commander's requirements for unique Coast Guard capabilities during Operation Iraqi Freedom. The U.S. Coast Guard mobilized 64% of our reserve force to enhance protection of U.S. ports, waterways, and key assets during heightened states of alert and for outload operations.



To allow delivery of critical energy products, kept shipping channels clear of ice during the Great Lakes and New England winter shipping season, and maintained more than 50,000 federal aids to navigation along 25,000 miles of maritime transportation waterways.

Responded to and corrected 12,000 aids to navigation discrepancies, and provided 99.1% availability of Differential Global Positioning System (DGPS) coverage to over 95,000 miles of U.S. waterways.

Homeland Security

Protecting our homeland has been a responsibility for the Coast Guard since the Revenue Marine was established in 1790. In today's vulnerable world with non-state actors intent on using unconventional and asymmetric weapons to inflict harm on American citizens, the American economy, and American symbols of democracy, the need for a robust Coast Guard is greater than ever. A terrorist incident in one of our critical ports would have a serious and long-lasting impact on global shipping, and the global economy. Our ports and waterways have significant strategic military value. As a result, protection of our vast maritime resources and infrastructure, which spans 95,000 miles of coastline, 361 ports, over 10,000 miles of navigable rivers, and 3.4 million square miles of ocean, is a critical piece of the President's National Strategy for Homeland Security.

The Homeland Security Act of 2002 specifies five homeland security missions for the Coast Guard:

- Ports, Waterways, and Coastal Security
- Defense Readiness
- Drug Interdiction
- Migrant Interdiction
- Other Law Enforcement, including reducing Foreign Fishing Vessel Incursions.

Working in concert with Federal, state, and local agencies, the maritime industry, and other international partners, the Coast Guard has developed a strategic approach to maritime security that places a premium on identifying and intercepting threats well before they reach U.S. shores.

This can only be done by conducting layered, multi-agency, maritime security operations; strengthening the port security posture of our strategic economic and military ports; fostering and leveraging international cooperative security efforts; and making risk-based decisions. To quantify risk in terms of economic perspective, a major port closure for one month is estimated to cost \$60 billion.



Response Boat-small from MSST 91106 patrols New York Harbor



HITRON (armed helicopter) patrols the skies over Los Angeles/Long Beach Harbor

The Coast Guard's fiscal year 2005 budget request provides for increased capacity and capability for maritime security operations. Specifically, the request includes \$101 million to begin implementing the Maritime Transportation Security Act of 2002. It provides for crucial field resources to review, approve and verify implementation of over 10,000 domestic vessel, 5,000 domestic facility, and 48 domestic port security plans as well as verification of security plan implementation for 8,100 foreign vessels calling on U.S. ports annually. It provides for critical increases in intelligence capabilities to enhance Maritime Domain Awareness (MDA). MDA will provide comprehensive, timely and detailed visibility into events, conditions and trends in the maritime domain that will assist Coast Guard operational commanders in early detection of potential threats and optimizing allocation of operational assets. The budget request provides for new and expanded capabilities, including underwater threat detection for the highly successful Maritime Safety and Security Teams, which were fielded immediately after the attacks of September 11th to counter emerging maritime threats. Additionally, the request provides funding to implement a comprehensive Liquefied Natural Gas (LNG) deepwater port application processing program. Finally, the request provides for critical funding for the Deepwater, Rescue 21, Automatic Identification System and Response Boat-Medium projects. These projects are all vital to recapitalize operational assets needed for America's maritime homeland security, not just today, but for decades to come.

“Inside the United States, where the war began, we must continue to give our homeland security and law enforcement personnel every tool they need to defend us.”

—President George W. Bush
January 20, 2004, State of the Union Address

“Many of our troops are listening tonight. And I want you and your families to know: America is proud of you. And my administration, and this Congress, will give you the resources you need to fight and win the war on terror.”

—President George W. Bush
January 20, 2004, State of the Union Address

Serving the Nation...

A 213-Year Tradition

In addition to providing maritime leadership in the war on terror, the Coast Guard offers a broad array of services to protect people and the maritime environment from a host of other dangers. Globally interlinked economies and innovations in maritime transportation and information systems combine with the unforgiving nature of the sea – presenting challenges to the mariner. More than ever, America will call upon the Coast Guard to protect lives and serve national interests on the high seas, along the Nation's maritime borders and coasts, and in the inland waterways. Mindful of these responsibilities, the Coast Guard continues its tradition of multi-mission maritime professionalism.

The Homeland Security Act of 2002 specifies six non-homeland security missions for the Coast Guard:

- Search and Rescue
- Marine Safety
- Aids to Navigation
- Ice Operations
- Living Marine Resources
- Marine Environmental Protection

Collectively, these missions contribute to preserve maritime safety, maritime mobility and protecting our nation's natural resources.

Fundamental national interests require the safeguarding of the lives and property of U.S. citizens, preserving of the Nation's and the world's environment, and protecting the nation's economy, by facilitating commerce and trade through enhanced maritime mobility. In partnership with other federal agencies, state and local governments, marine industries, and individual mariners, the Coast Guard preserves safety at sea through a focused program of prevention, response and investigation. As the number of recreational and commercial marine users continues to increase, the U.S. Coast Guard stands ready with the expertise, assets, and around-the-clock, on-call capability to conduct search and rescue (SAR) missions in all areas of the maritime environment. Since the 1700s, mariners have depended on the Coast Guard to provide rescue services in time of need.

Each year, over 1.04 billion tons of domestic and international freight and 318 billion gallons of petroleum products are transported through U.S. ports and waterways. Additionally, our strategic ports have played a fundamental role in every overseas military engagement the nation has ever undertaken, most recently in Iraq. The Coast Guard works to facilitate maritime commerce and eliminate interruptions and impediments to the efficient movement of goods and peoples, while maximizing recreational access to and enjoyment of the water.



Coast Guard 41-foot Utility Boat & HH-65 Dolphin helicopter respond to a pleasure boater emergency near Kewalo Basin in Hawaii

The Coast Guard is the nation's guarantor of maritime environmental protection in the inland coastal waters and on the high seas. With the largest Exclusive Economic Zone (EEZ) in the world and growing world population, the Coast Guard will be called upon to exert global leadership in protecting the marine environment and our economically critical fisheries resources through strong participation in international forums as well as direct operations.

The Coast Guard's fiscal year 2005 budget request seeks funding for improved planning and response to maritime distress incidents. The Rescue 21 maritime communications system modernization project and Response Boat Medium (RB-M) procurements will aid the Coast Guard in providing more accurate and timely multi-mission response. The Integrated Deepwater System (IDS) program will begin Command, Control, Computers, Communications, Intelligence, Surveillance, and Reconnaissance (C4ISR) upgrades to legacy cutters, aviation assets, and shore command centers to improve interoperability and situational awareness through establishment of a Common Operational Picture (COP). The budget request also provides for enhanced Vessel Traffic Services to facilitate timely, secure, and safe transportation of waterborne commerce and reduce the risk of collisions, allisions, and groundings in the nation's busiest seaports.

“Too often Americans forget about this branch of our military, but when you think about it, the U.S. Coast Guard has traditionally performed one of the toughest and most demanding missions of our uniformed armed forces, patrolling 3.4 million square miles of ocean space, 95,000 miles of shoreline and more than 350 domestic ports... it is the Coast Guard which stands between our families and many of mankind's more demented and determined criminals.”

**—Senator Trent Lott press
Release of July 18, 2003**

“The United States Coast Guard remains an invaluable member of the team that works to protect the American people. With pride and gratitude, we thank you for your commitment to the cause of freedom – and for the tenacity with which you live out that commitment – each and every day.”

**—Tom Ridge, Secretary
June 11, 2003**

Integrated Deepwater System (IDS)

The Coast Guard's greatest threat to mission performance continues to be that its patrol boats, cutters (larger ships), helicopters, fixed-winged aircraft and the systems and logistics infrastructure that support these assets are aging, technologically obsolete, and require replacement and modernization. The majority of these assets will reach the end of their planned service life by 2008, and have increasing operating and maintenance costs, which results in lost mission effectiveness, unnecessary risks, wear and tear on people, and an inefficient return on the public's investment. These assets are failing at an alarming rate, and lack needed capabilities in speed, sensors for search, detection and identification, a network-centric command, control and communications architecture, joint operability with DOD, other federal, state, and local agencies, first responders, and other Coast Guard assets, further reducing mission effectiveness and efficiency. Coast Guard ships and planes are essential to the Service's homeland security missions, providing a layered defense throughout ports, waterways, coastal regions and extending far offshore, as well as sustaining other mission area efforts, such as search and rescue.

The demand for Coast Guard services was outpacing the ability to recapitalize the Service's fleet of cutters and aircraft before September 11, 2001 and this is even more true today. Our nation faces a growing array of threats from the sea that could harm maritime commerce, coastal population centers, and critical infrastructure within America's maritime domain. The maritime domain is home to America's most valuable and vulnerable transportation system, facilitating 95% of overseas trade. One month of port disruption is estimated to equal \$60 billion of economic loss. Due to increased responsibilities within the Department of Homeland Security, the need to sustain core mission effectiveness, and the need to reverse the trend of deteriorating asset material condition and readiness, the recapitalization of the Coast Guard's inventory of major cutters, aircraft and their supporting systems is a near-term national priority, and is now more critical than ever.

With the 25 June 2002 contract award for the Integrated Deepwater System (IDS), the Coast Guard completed a critical step toward its long-term goal to build a modern multi-mission force equal to the task of fulfilling a broad range of increasingly challenging homeland security requirements and other growing core missions such as search and rescue and environmental protection. The contract, covering the second phase of the IDS acquisition strategy, was awarded to Integrated Coast Guard Systems (ICGS), a joint venture established by Lockheed Martin and Northrop Grumman. The performance-based contract with ICGS is for an initial five-year term, with the potential for five additional five-year award terms through the expected duration of the recapitalization effort.



When deployed Deepwater assets will be interconnected and interoperable

The Coast Guard has the responsibility to ensure its assets are able to perform their missions and a duty to the men and women who operate these platforms that they can do so safely. The aging inventory of patrol boats, aircraft, helicopters, cutters, and systems has generated growing concerns over the Coast Guard's ability to effectively and safely perform all of its assigned missions. For example, the Coast Guard fleet of 110-foot Patrol Boats has suffered 20 hull breaches requiring emergency dry docks, the Service's fleet of High and Medium Endurance cutters routinely miss operations due to failing sub-systems, and the Coast Guard's fleet of HH-65 helicopters in-flight engine power loss mishaps are increasing at an alarming and dangerous rate (32 reports of in-flight engine power losses in fiscal year 2003 as compared to the combined total of 32 reported mishaps during the previous three years). Additionally, maintenance failures and their subsequent impact on operational readiness exemplify the declining readiness spiral created by increasingly aging capital assets. This declining spiral phenomenon is caused through deferred modernization that creates aging assets, reduced readiness, rising maintenance needs, and increased total ownership costs. Recapitalization funds are spent on keeping old assets operating, which only defers modernization starting the cycle over again. This "declining spiral" which the Coast Guard predicted prior to the Deepwater Program is now upon us.

The IDS solution is the answer to these concerns and entails far more than the progressive replacement of this aging inventory. Unlike previous acquisition strategies of replacing obsolete or unsupportable assets on a one-for-one basis, IDS is an integrated systems approach to upgrading existing legacy assets while transitioning to newer and more capable platforms—including modernized logistical systems, and the cornerstone command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) architecture that will serve as a critical link for air, shore and surface assets.

The Coast Guard has developed a "system-of-systems" approach for the design, development, and acquisition phases of this recapitalization program. The Coast Guard's industry partners are obligated to satisfy capabilities-based system performance specifications with the overarching goals of maximizing operational effectiveness and reducing total-ownership costs. This integrated, system-of-systems acquisition makes possible the transition from the old to the new without degrading the Coast Guard's operational performance.

The Deepwater Program has made considerable progress since contract award. In February 2003, the 110-foot USCGC MATAGORDA became the first Island-class patrol boat to enter Bollinger Shipyard in Lockport, LA, to undergo conversion to a 123-foot vessel that includes upgraded operational capabilities. Also in February, ICGS was awarded a contract to commence concept and technology development work on the Bell Helicopter Eagle Eye vertical takeoff-and-landing unmanned aerial vehicle (VUAV) – an asset that will extend surveillance, detection, and identification capabilities. In April 2003, two subcontracts totaling

"...I hold in high esteem the United States Coast Guard. We've got a plan to beef up the Coast Guard, to modernize her ships, to make sure the Coast Guard is available around all the coasts of the country to protect the homeland."

**—President George W. Bush
February 27, 2002**

"....the Coast Guard is well positioned to respond to the Nation's future maritime homeland security and safety needs. The Integrated Deepwater System project will re-capitalize the Coast Guard's aging cutters, aircraft, and offshore Command and Control network to help push out the U.S. borders and increase our Maritime Domain Awareness (MDA). It is a flexible program, able to meet emerging requirements for maritime security."

**—Admiral Thomas Collins,
Commandant**

"The world's best Coast Guard... Ready today... Preparing for tomorrow."

Integrated Deepwater System (IDS)—Continued

\$129 million were awarded to Northrop Grumman Corporation's Ships Systems sector initiating detail design and long-lead material procurement for the National Security Cutter (NSC). Construction is expected to begin in the summer of 2004, and the first NSC is scheduled to be delivered in 2006. In May 2003, the Coast Guard ordered the design, testing, and delivery of two CASA CN-235 300M aircraft that will serve as Medium Range Maritime Patrol Aircraft. Delivery of two stock airframes is slated for early 2006 with modifications to the aircraft for Coast Guard use to be completed later that year. The first C4ISR upgrades to legacy deepwater assets including the installation of Secret Internet Protocol Network (SIPRNET) and secure local area network capabilities on the 270-foot Medium Endurance Cutter USCGC NORTHLAND were completed during Fall, 2003. This upgrade was performed in conjunction with similar upgrades to the Communication Area Master Station Atlantic, which completed INMARSAT/SIPRNET installation and training in mid September 2003. In January 2004, ICGS was directed to take immediate action to re-engine the HH-65 helicopter fleet to ensure unrestricted safe and reliable operations.

When the transformational Deepwater program is fully implemented, the total proposed IDS system will consist of three classes of new cutters and their associated small boats, a new fixed-wing aircraft fleet, a combination of new and upgraded helicopters, and both cutter-based and land-based unmanned aerial vehicles. As noted in the National Strategy for Homeland Security, approved by President Bush in July 2002, "The United States asks much of its U.S. Coast Guard, and we will ensure the service has the resources needed to accomplish its multiple missions."

Deepwater system assets leverage technology to perform maritime security and safety missions more effectively through a completely integrated and interoperable system. All of Deepwater's highly capable assets will be linked with modern C4ISR systems and will be supported by an integrated logistics system. The ability to link and network disparate platforms seamlessly over vast distances is an essential aspect of the Coast Guard's ability to achieve maritime domain awareness. And, in the post-9/11 national security environment, such linkages also must extend beyond Coast Guard



Deepwater assets



First WPB conversion: USCGC MATAGORDA's conversion will result in a modern bridge; completely upgraded command and control systems, improved habitability, and the addition of 13 feet to the hull which includes stern boat ramp launch capability.

assets. The Deepwater system will be sufficiently capable and interoperable to deploy with and respond to a crisis alongside the U.S. Navy and other Homeland Security agencies. The IDS cutters and aircraft will have the ability to remain on-scene and provide vital command and control capability for an extended period of time, and will provide the Coast Guard with far better dynamic capabilities to detect and interdict potential threats on the high seas.

In addition to the improved operational capabilities, Deepwater will tend to much-needed improvements in the Coast Guard's ability to execute its comprehensive Maritime Homeland Security Strategy during the years ahead. As the lead federal agency for maritime homeland security within the new Department of Homeland Security, the Coast Guard's capital assets and systems will be relied on to provide the bulk of this effort. The modern, capable, and efficient system that Deepwater will provide is critical to meeting our nation's maritime homeland security needs now and into the future.

IDS cutters, patrol boats, maritime patrol aircraft, and unmanned aerial vehicles will operate on America's maritime front lines, providing layered defense throughout the Nation's maritime regions, including ports, waterways and coastal areas. The IDS will enhance the Coast Guard's ability to counter threats throughout the maritime domain, thwart catastrophes to vulnerable infrastructure (oil rigs, deepwater channels, shipping) and keep commerce safe in the near shore zones at harbor entrances and between ports. Deepwater will deliver to the Coast Guard 21st-Century capability to face the nation's 21st-Century challenges. The investment in the Deepwater program is an investment in homeland safety and security and means a more secure America.

The Coast Guard's Integrated Deepwater System (IDS) is the Nation's answer to meeting America's future maritime needs. Deepwater is essential for the safety and security of the American public:

- Homeland Security necessitates pushing America's maritime borders outward, away from ports and waterways so layered, maritime security operations can be implemented. Deepwater provides this capability.
- Maritime Domain Awareness (MDA) — knowledge of all activities and elements in the maritime domain — is critical to maritime security. IDS is a critical enabler for enhancing current MDA and developing a far more robust and effective system. Deepwater provides this capability.
- A network-centric system of Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) is required for effective accomplishment of all Coast Guard missions. Deepwater provides this capability.
- Interdiction of illegal drugs and migrants and protection of living marine resources are important elements of Homeland Security and require capable Deepwater assets. Deepwater provides this capability.

Budget Highlights

The Coast Guard's Fiscal Year (FY) 2005 budget proposal contains critical new resources to provide the capacity and capabilities to perform the full spectrum of Coast Guard maritime security, maritime safety, protection of natural resources, maritime mobility and national defense roles.

The Coast Guard's objectives for FY 2005 are:

- Recapitalize operational assets
- Maximize mission performance
- Aggressively implement the Maritime Transportation Security Act (MTSA) of 2002
- Enhance Maritime Domain Awareness (MDA)

RECAPITALIZING OPERATIONAL ASSETS

Recapitalization of Coast Guard assets and infrastructure is essential for the Coast Guard to achieve its performance targets as it effectively secures our Nation's maritime borders.

1. *Integrated Deepwater System - \$678M in Acquisition, Construction, and Improvement (AC&I)*: The IDS acquisition will replace or modernize obsolete and maintenance intensive assets that are not capable of meeting the current mission demand. This level of investment modestly accelerates the project to be completed in 22 years. The FY 2005 Budget requests:

- Funding for the second National Security Cutter (to be delivered in FY 2007)
- Continued improvement to the patrol boat fleet
- Three Short Range Prosecutor boats
- One Long Range Interceptor boat
- Two Vertical take off and landing Unmanned Aerial Vehicles (VUAV)
- Design and development of Common Operating Picture technology at shore-based Command Centers
- Integrated Logistics Support System

2. *Rescue 21 - \$161M in AC&I*: The Rescue 21 project is a quantum leap forward in coastal command, control and distress communications technology, and is scheduled for completion in FY 2006.

3. *Response Boat-Medium - \$12M in AC&I*: The Response Boat-Medium project will replace the aging 41-foot Utility Boat to meet current mission requirements for search and rescue and emerging homeland security missions.

4. *Great Lakes Icebreaker - \$7.75M in AC&I*: The new Great Lakes Icebreaker is scheduled to replace the 57 year old USCGC MACKINAW in 2006.

MAXIMIZING MISSION PERFORMANCE

Due to the Coast Guard's multi-missioned nature, resources provided to the Coast Guard assist in the performance of all missions. New assets will conduct fishery enforcement patrols and prosecute search and rescue cases as well as protect the nation against terrorist attacks. Critical new operational capabilities requested in FY 2005 include:

- 47-foot Motor Life Boat safety configuration changes
- Five 170-foot Patrol Coastals transferring to the Coast Guard from the U.S. Navy
- Eleven 87-foot Coastal Patrol Boats (built in FY 2003 and 2004)

AGGRESSIVELY IMPLEMENTING THE MARITIME TRANSPORTATION SECURITY ACT OF 2002

This request will provide over \$100 million to implement the MTSA of 2002, creating a new maritime security regime that provides a framework for security in U.S. ports and a global security standard in the U.S. Resources requested to implement MTSA include:

- Approximately 500 personnel to approve plans for all aspects of maritime security, ensure vessels and facilities are sustaining their security efforts, and perform Port State Control on foreign vessels
- 14 personnel to process new deepwater port permit applications for natural gas
- Enhanced analytical and fusion capability for the Coast Guard's intelligence program
- Underwater detection equipment for the Maritime Safety and Security Teams

ENHANCING MARITIME DOMAIN AWARENESS (MDA)

This request will provide increased MDA to develop visibility into events occurring in the maritime domain and will provide operational commanders the information and knowledge necessary to prosecute missions. In 2005, critical initiatives include:

- Automatic Identification System (AIS) shore-side equipment – \$4M in AC&I
- MDA implementation team – \$2.2M in Operating Expenses to coordinate all MDA activities including AIS, Deepwater and Rescue 21

“We’re making progress because we have got skilled professionals on the job. And we’ve got a clear strategy. We reorganized our government to enhance our strategy, and we’ve set three national objectives for homeland security. One, to prevent attacks on America, to reduce our vulnerabilities, and to prepare for any attack that might come.”

—President George W. Bush

“We have forged an ever stronger partnership with the Coast Guard fighting the war on terrorism. Our coastal patrol ships (PCs) have done a wonderful job on point since we canceled their deployments and redirected them to major U.S. ports. They are operating day-in and day-out with the Coast Guard and doing great work.”

**—Admiral Vern Clark
Chief of Naval Operations
October 2002**

Annual Performance Goals

As a multi-mission service, the U.S. Coast Guard is reducing risk in the maritime environment. With our recent move to the Department of Homeland Security (DHS), we have aligned our mission programs with DHS strategic goals while continuing to balance the requirements of all missions to ensure the best performance outcome. Because of the Coast Guard's unique multi-mission nature, most of the strategies and initiatives discussed in the context of homeland security also contribute to traditional Coast Guard missions.

The Coast Guard's outcome-oriented performance goals and measures are used to track and manage its progress in attaining strategic goals. In addition to performance measures and outcomes outlined on the following pages, the Coast Guard is expanding its goals and measures to evaluate the success of its homeland security role. The Coast Guard also continues to use and develop output measures to capture the status of critical activities that enable the service to achieve its performance goals.

The table below shows alignment between the Coast Guard's eleven mission-programs and DHS's Strategic Goals:

USCG MISSION-PROGRAMS AND ALIGNMENT WITH THE DEPARTMENT OF HOMELAND SECURITY

Shown in the table below, the eleven Coast Guard missions, cited in Section 888 of the Homeland Security Act (HSA) of 2002 align with both DHS' strategic goals and our five roles (referred to herein as BUDGET ACTIVITY).

	VISION STATEMENT - Preserving our freedoms, protecting America... we secure our homeland. MISSION STATEMENT - We will lead the unified national effort to secure America. We will prevent and deter terrorist attacks and protect against and respond to threats and hazards to the Nation. We will ensure safe and secure borders, welcome lawful immigrants and visitors, and promote the free-flow of commerce.										
	DHS Strategic Goals (2 Jan 2004) AWARENESS - Identify and understand threats, assess vulnerabilities, determine potential impacts, and disseminate timely information to our homeland security partners and the American public. PREVENTION - Detect, deter, thwart, and mitigate threats to our homeland. PROTECTION - Safeguard our people and their freedoms, critical infrastructure, property and the economy of our Nation from acts of terrorism, natural disasters and other emergencies. RESPONSE - Lead, manage, and coordinate the national response to acts of terrorism, natural disasters and other emergencies. RECOVERY - Lead national, state, local, and private sector efforts to restore services and rebuild communities after any act of terrorism, natural disaster or other emergencies. SERVICE - Serve the public effectively by facilitating legitimate trade, travel and immigration. ORGANIZATIONAL EXCELLENCE - Value our most important resource, our people. Create a culture that promotes a common identity, innovation, mutual respect, accountability, and teamwork to achieve efficiencies, effectiveness, and operational synergies.										
(DHS Goal Alignment with USCG programs)	Awareness										
	Prevention					Protection				Recovery	Response
USCG Mission-Program	Marine Safety	Aids to Navigation	Ice Operations	Defense Readiness	Drug Interdiction	Migrant Interdiction	Ports, Waterways, and Coastal Security (PWCS)	Other Law Enforcement (LE)	Living Marine Resources	Marine Environmental Protection (MEP)	Search & Rescue
USCG Mission-Program Performance Measure	Maritime Fatalities and Injuries Index (five-year average)	Collisions, Allisions, Groundings (five-year average)	Winter Closures of Great Lakes Waterways	% time USCG units achieve Navy* SORTS readiness level 2	Cocaine Removal Rate (formerly Cocaine Seizure Rate)	Interdiction or deterrence percentage by USCG on maritime routes	Maritime Security Condition (MARSEC) I Attainment	Exclusive Economic Zone incursions by FFVs	Fishing regulations compliance percentage	Oil and Chemical Spills-to-Shipped Ratio (five year average of spills greater than 100 gallons per 100 million tons shipped)	Percent mariners' lives saved that were in imminent danger
USCG Role	Maritime Safety	Maritime Mobility		National Defense	Maritime Security			Protection of Natural Resources (PNR)		Maritime Safety	
*SORTS: Status Of Resources and Training System, Category Level 2: Unit possesses the resources and is trained to undertake most of the wartime mission(s) for which it is organized or designed.											

United States Coast Guard

Summary of FY 2003 Performance Goal Results

STRATEGIC GOAL (PUB1 ROLE)	MISSION-PROGRAM	FY 2003 PERFORMANCE GOALS AND TARGETS	FY-END RESULTS	TARGET MET?
MARITIME SAFETY	Search and Rescue (SAR)	Save at least 85% of all mariners in distress	87.7%	Yes
	Marine Safety	Reduce five-year average of maritime injuries and fatalities to 1,543 or less	See note ¹	TBD
MARITIME MOBILITY	Aids to Navigation (AtoN)	Reduce five-year average of collisions, allisions, and groundings (CAG) to 2,010 or less	1,523	Yes
	Ice Operations	Limit closures to 8 days (severe winter)	7 days	Yes
PROTECTION OF NATURAL RESOURCES	Marine Environmental Protection (MEP)	Reduce five-year average of oil and chemical spills—greater than 100 gallons per 100 million tons shipped—to 42.6 or lower	29.4	Yes
	Living Marine Resources (LMR)	Raise percent of fishers found in compliance with regulations to 97% or above	97.1%	Yes
MARITIME SECURITY	Illegal Drug Interdiction	Seize 20.7% or more of cocaine entering the United States through maritime means	See note ²	TBD
	Undocumented Migrant Interdiction	Interdict or deter at least 87% of illegal migrants entering the U.S. through maritime means	85.3%	No
	Enforcement)	Reduce number of detected EEZ incursions by foreign fishing vessels to 202 or less	153	Yes
	Ports, Waterways, and Coastal Security (PWCS)	Percent attainment of Maritime Security Condition (MARSEC) I	Targets and measure under development	TBD
NATIONAL DEFENSE	Defense Readiness	Maintain an Overall Combat Readiness SORTS rating of C-2 or better for 100% of assets required in Operational Plans	78% of assets required in Operational Plans maintained C-2 rating	No

Footnotes:

1 Marine Safety: MARITIME INJURIES AND FATALITIES includes maritime workers, commercial vessel passengers, and recreational boaters. Preliminary Maritime Industry ACTUAL is 673, down 10% and below 801 target for fatalities and injuries. This number does not include Recreational Boating data since the states collect and report the recreational boating fatalities and injuries by calendar year.

2 Illegal Drug Interdiction measure and targets were revised to COCAINE REMOVAL RATE for fiscal years 2004 - 2009. The U.S. Coast Guard seized 136,865 lbs of cocaine in FY 2003. This amount is second only to the FY 2001, when 138,393 lbs were seized (though this doesn't take into account flow rates for FY 2001 and FY 2003). FLOW RATE data that is developed by a select group of counter-drug experts—the Interagency Assessment of Cocaine Movement (IACM) - will not be published until between late March and early April of 2004. Once flow information for FY 2003 is known, the Drug program's lead performance measure for FY 2003 - Cocaine Seizure Rate - will be calculated and released. For FY 2004, the U.S. Coast Guard will be transitioning from a Cocaine Seizure Rate to a Cocaine Removal Rate (the better measure includes drugs jettisoned during pursuit).

“In Operation Iraqi freedom, our Coast Guard is playing a critical role. We have sent many Coast Guard cutters and over a thousand of our finest active duty and reserve members to the Persian Gulf and surrounding waters. Coast Guard personnel are protecting key ports and Iraqi oil platforms. They're detaining prisoners of war. Members of the Coast Guard are performing their duties with bravery and excellence, and America appreciates your fine service.”

—President George W. Bush, speaking at the Port of Philadelphia, March 31, 2003

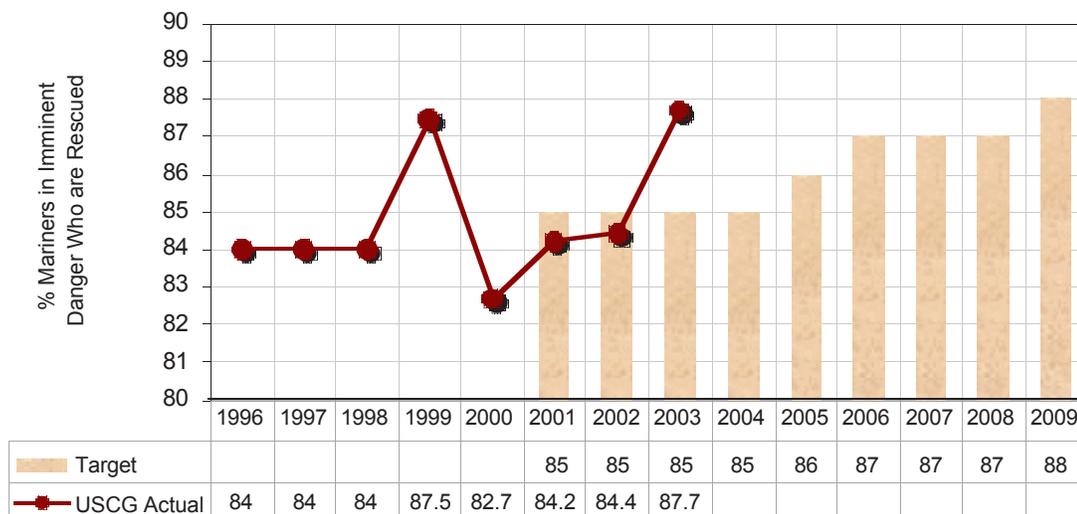
Search and Rescue

The number of recreational and commercial marine users continues to increase as more Americans move to coastal areas and as global trade grows. Each year many mariners lose their lives, many more are injured, and billions of dollars of property are at risk. The U.S. Coast Guard is the sole government agency that has the expertise, assets, and around-the-clock, on-call readiness to conduct search and rescue (SAR) missions in all areas of the maritime environment. Annually, the Coast Guard responds to approximately 40,000 calls for assistance. Since the 1700s, mariners have depended on the Coast Guard to provide rescue services in time of need.

In FY 2003 SAR performance exceeded the performance goal of 85% of mariners in imminent danger rescued (FY 2003 results: 87.7% mariners rescued). This change is the result of continuing improvements in responding resource and SAR system capabilities.

A number of projects are underway which will recapitalize critical elements of the Coast Guard's response infrastructure and improve the Coast Guard's ability to plan and respond to maritime distress incidents. These efforts will assist the Coast Guard in meeting long-term SAR performance goals. The Response Boat-Small (RB-S) and Medium (RB-M) procurements and Rescue 21 communications system modernization will provide more accurate and timely SAR response. Continued improvements in training and search planning tools of our rescue coordination centers and operations centers will enhance the effectiveness of our front line SAR planning. The Integrated Deepwater System (IDS) program will begin Command, Control, Computers, Communications, Intelligence, Surveillance, and Reconnaissance (C4ISR) upgrades to legacy cutters, aircraft, and command centers to improve interoperability and situational awareness through the initial establishment of a Common Operational Picture (COP).

Save All Mariners in Distress





Coast Guard personnel from Coast Guard Station Gulfport, MS rescue two people in the water after their vessel capsized

Search and Rescue Funding Profile

(Dollars in millions)

	OE*	AC&I*
FY03	\$467.0	\$112.1
FY04	\$631.2	\$196.0
FY05	\$683.8	\$191.3

* OE: Operating Expenses; AC&I: Acquisitions, Construction and Improvements

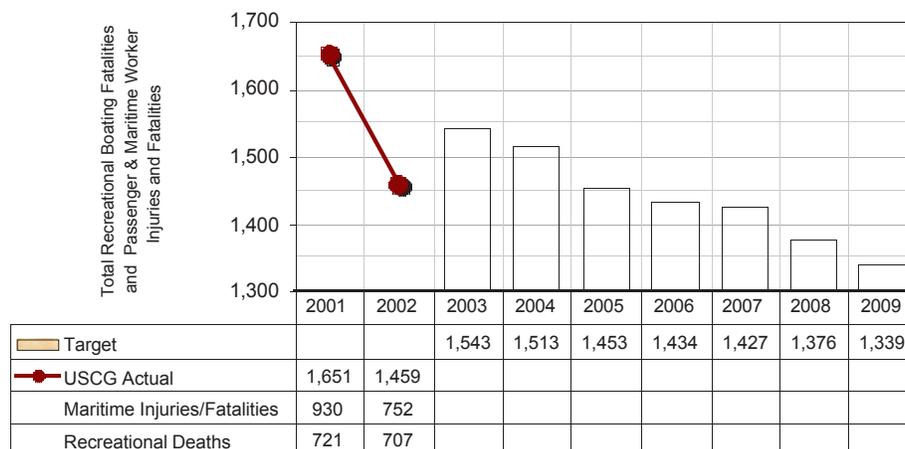
Marine Safety

In today's global economy, the U.S. remains dependent on maritime commerce for economic viability. The Coast Guard has the primary role in preventing loss of life and property in our maritime domain. The efficiency and effectiveness of the U.S. Marine Transportation System depends on the efforts of thousands of maritime workers. Continued recreational enjoyment of the nation's vast waterways depends on ensuring safe and competent operation of all recreational vessels. The Coast Guard commercial vessel and recreational boating safety programs aim to ensure the safety of passengers, maritime workers and recreational boaters on board thousands of vessels using many broad approaches, including preventive activities (such as commercial vessel safety inspections), ensuring the competency of commercial mariners and recreational boaters, and investigating accidents to prevent them from happening again. The Coast Guard develops and implements appropriate U.S. Federal regulatory standards on domestic vessels, and contributes to development and expansion of international treaties and conventions concerning the safety of lives at sea.

Improvements in recreational boating safety have been accomplished by collecting and analyzing accident data, establishing and enforcing boat-manufacturing standards, requiring recalls of defective boats, establishing and enforcing equipment carriage and safe operation regulations, voluntarily educating and outreaching to recreational boat operators, striving toward uniformity of Federal and State boating laws, and enhancing coordination and support of our state, local and safety organization partners.

The Coast Guard now reports its marine safety performance as a five-year average of passenger and maritime worker injuries and fatalities plus the annual number of recreational boating fatalities. As recreational boating fatalities are reported by the states on a calendar year (CY) basis, the CY 2003 recreational boating fatalities data is not yet available. However, the five-year average number of passenger and maritime worker injuries and fatalities continued to decrease in FY 2003. The FY 2003 number of 673 is considerably below the target of 801, and meets the targets that have been established through FY 2005.

Maritime Fatalities and Injuries



NOTE: Primary measure combines recreational boating fatalities, and passenger and maritime worker injuries & fatalities. Examine each performance measure separately to understand the trend and the way the data from them interact.

Nearly half of FY 2003 maritime worker injuries and more than half of the fatalities occurred on fishing vessels, which make up one-third of all commercial vessels. Even though the number of fishing vessel casualties continued a downward trend, this is double the percentage of casualties that occurred on towing vessels, the vessel-type with the next highest number of casualties. Reducing the number of fishing vessel casualties remains a significant challenge and is key to achieving further overall progress in marine safety.

The Ports and Waterways Safety System (PAWSS) follow-on will provide enhanced Vessel Traffic Services, and thereby facilitate timely, secure, and safe transportation of waterborne commerce.

The overall decreases in the five-year average and one-year total casualties suggest that relevant Coast Guard activities have had a positive influence on marine safety.



Coast Guard Activities Baltimore personnel observe emergency fire drill while inspecting 450-foot Russian freighter in Baltimore Harbor

Marine Safety Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$326.0	\$15.0
FY04	\$330.4	\$23.0
FY05	\$352.4	\$13.1

Aids to Navigation

The Coast Guard Aids to Navigation (AtoN) program consists of long-range (radio aids) and short-range aids. The Radio AtoN program consists of two radio-navigation systems: Differential Global Positioning System (DGPS) and LORAN-C. These systems provide continuous, accurate all-weather positioning capability to military and civilian maritime and aviation transportation users, in order to prevent disasters, collisions, and wrecks of vessels and aircraft.

Short-Range Aids-to-navigation (SRA) are combinations of visual, sound, and radar enhanced signals placed on floating and fixed stations in the maritime environment. These include lighthouses, ranges, beacons, and buoys that guide mariners during coastal, harbor approach, and restricted phases of navigation. The SRA system creates an enabling infrastructure that supports the Coast Guard's Strategic Goals and serves a range of interdependent military, security, government, commercial, and recreational transportation objectives throughout the U.S. Marine Transportation System.

The SRA system is used synergistically with radio navigation, communications, vessel traffic services, dredging, charting, regulation, licensing, and other federal activities to manage transit risk on behalf of the general public. SRA contributes to a system of public-private interventions that reduce the risk of vessels from colliding, alliding, or grounding. SRA also serves to improve the efficiency of transit.

The five-year average of the number of collisions, allisions, and groundings (CAG) continued to decline in FY 2003. The availability of the AtoN system that provides the visual and electronic "roadway" for vessels to travel by is one reason for improved performance. The LORAN-C availability this year exceeded the target of 99.7% by chain (LORAN-C stations function in groups of 3 to 5 stations called chains). While still exceeding the performance target, a number of system improvements were made which required down time. All LORAN-C Stations received technical upgrades in FY 2003. DGPS availability for FY 2003 (99.11%) fell short of the target of 99.7%. The primary reason for not meeting the availability goal was extended outages at a small number of historically poor performing sites. These extended outages were a combination of environmental issues (lightning and other bad weather) and extensive site improvement work (improved grounding systems and antennas). A secondary factor was the time required to gain access, troubleshoot, and repair failed equipment at the transmitter sites.

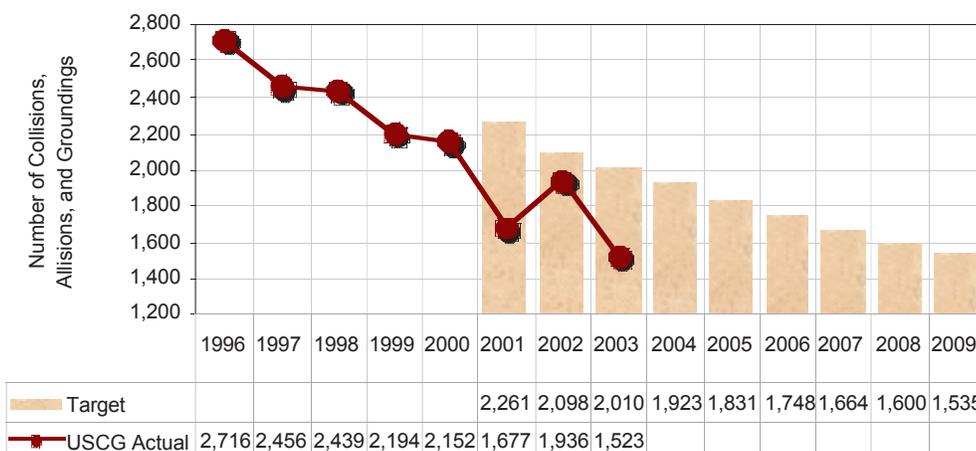
Aids functioned properly 98.2% of the time in FY 2003, down from 98.3% in FY 2002. Many aid outages caused by Hurricane Isabel (600) were responsible for the slight decline.

Aids to Navigation Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$734.0	\$38.0
FY04	\$734.1	\$38.5
FY05	\$791.6	\$45.0

Reduce Collisions, Allisions, and Groundings



To facilitate safe transportation of waterborne commerce, the Coast Guard will continue to pursue a variety of DGPS equipment improvements and work with the Federal Aviation Administration on the future of the LORAN-C system.

The Coast Guard and Bearing Point, in response to our Program Assessment Rating Tool (PART) review, is also conducting a competitive sourcing review of the AtoN program.

Ice Operations

Providing a robust icebreaking capability to facilitate year-round maritime commerce is critical to national and economic security. Shipping in the Great Lakes and Northeast during winter months provides the most cost-effective transportation of raw materials and goods for many industries, particularly those that ship bulk cargoes and home heating oil. Approximately 15 million tons of materials (iron ore, coal, steel, etc.) are shipped during the winter on the Great Lakes alone. Home heating oil and other petroleum products are the cargoes requiring icebreaking services on the U.S. east coast. With the formation of ice in critical U.S. waterways, marine traffic is sustained only with U.S. Coast Guard icebreaking services. Winter waterway closures increase transportation costs substantially. Studies indicate that Coast Guard icebreaking services have an estimated annual outcome value of \$49 to \$93 million to industry alone. In addition to direct benefits, the Great Lakes iron ore, steel and freight transportation industries constitute a considerable economic force within the United States, employing about 500,000 people, drawing an estimated annual payroll in excess of \$6.7 billion. The total value of the cargo on the ships assisted by Great Lakes icebreakers was estimated at over \$1 billion dollars.

The Great Lakes winter of 2002/2003 was among the most “severe” the Great Lakes basin has suffered in the last 50 years. Unpredicted amounts of ice formed in early December, a month ahead of forecasts and normal dates. Records for earliest recorded freezes were set in many waterways causing some shipping routes to be closed. These extreme conditions caused a greater number of “waterway closures” than expected.



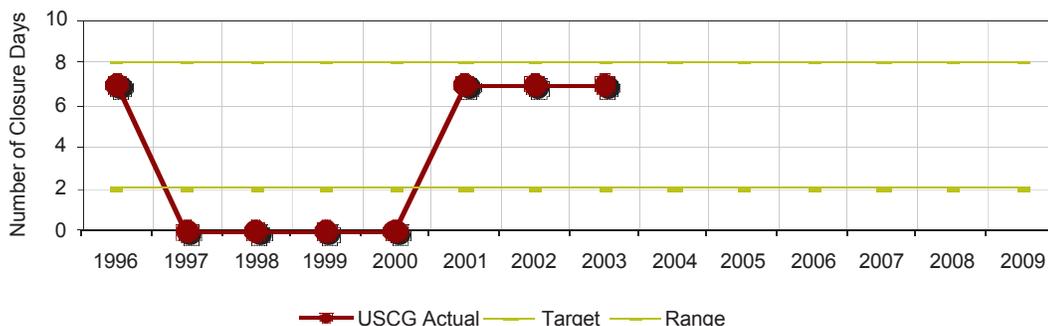
USCGC MACKINAW breaking ice in the Great Lakes.

The Coast Guard is in the process of replacing the WWII-era USCGC MACKINAW, the largest icebreaker on the Great Lakes, with a modern multi-missioned Great Lakes Icebreaker (GLIB) cutter with improved ice breaking capability and enhanced maneuverability. The GLIB will meet all foreseeable needs for a “heavy” icebreaker on the lakes, as well as incorporating other capabilities. It is scheduled to be operational in FY 2007.

The Coast Guard operates the nation's polar icebreakers, which enable our Service to project U.S. national presence and protect national interests in the Arctic and Antarctic regions. These polar vessels re-supply the U.S.'s polar facilities and support the research requirements of the National Science Foundation.

Ice Operations Funding Profile		
<i>(Dollars in millions)</i>		
	OE	AC&I
FY03	\$157.5	\$8.4
FY04	\$145.2	\$9.0
FY05	\$155.1	\$14.3

Limit Closures to Critical Waterways to 2 Days



Living Marine Resources (LMR)

The U.S. Exclusive Economic Zone (EEZ) is the largest in the world, covering nearly 3.4 million square miles of ocean and 95,000 miles of coastline. The EEZ is a major source of renewable wealth providing a livelihood for commercial fishermen, a vast supply of food, and recreation opportunities. Commercial and recreational fisheries contribute approximately \$50 billion annually to the U.S. economy. Responsible management of ocean resources is critical as the world's population continues to grow, demanding increased food sources. The Coast Guard is the only agency with the maritime authority and infrastructure to project Federal law enforcement presence over this huge area.

At-sea enforcement is a critical component to the success of Fishery Management Plans (FMPs). To improve species health and prevent over-fishing, the Coast Guard continues to measure the rate of compliance with Federal regulations. The FY 2003 observed compliance rate (97.1%) was just above the program goal of 97%. Although the trend for the last three years is downward, this may be related to a change in reporting methods and improved Coast Guard operational efficiency, rather than an actual decrease in industry-wide compliance. Regardless, this high rate of observed compliance is an indicator of overall adherence to the Federal fisheries regulations.

This year the Coast Guard improved operational efficiency by leveraging use of a nationwide Vessel Monitoring System (VMS) and industry intelligence while working more closely with Federal and state enforcement partners.

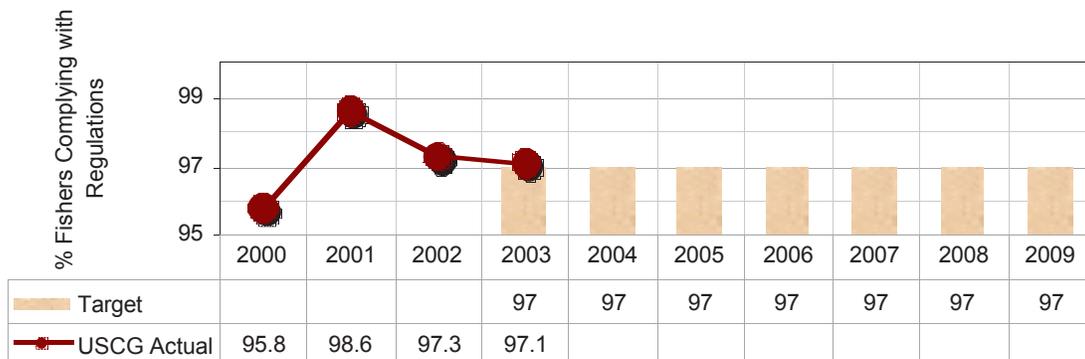
The 87-foot Coastal Patrol Boats follow-on, integration of five Patrol Coastals (PC-170) from the Navy, the Response Boat – Medium (RB-M) project, and the Integrated Deepwater System (IDS) will increase the assets available for coastal surveillance and intercepting and boarding of fishing vessels.

Living Marine Resources Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$347.0	\$82.4
FY04	\$453.2	\$170.6
FY05	\$497.9	\$140.0

Fishery Protection





A Coast Guard boarding officer inspects hauling of fishing nets on board a fishing vessel in the North Atlantic

Marine Environmental Protection (MEP)

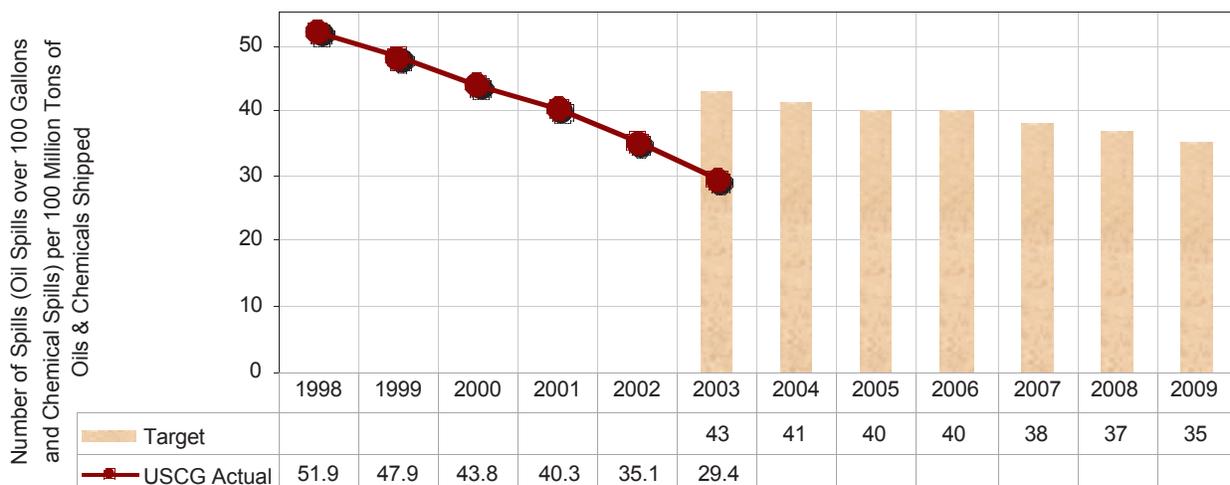
The nation's oceans, harbors, rivers, and lakes are an important and irreplaceable natural resource. Petroleum products represent a major energy source and import for the U.S., thus protection of the maritime environment from accidental oil spills is of permanent importance. Our approach to environmental protection focuses foremost on prevention programs. The Coast Guard represents the United States at the International Maritime Organization advocating responsible international environmental and operational standards for vessels. The Coast Guard also develops and implements appropriate U.S. Federal regulatory standards for domestic vessels and marine-transportation related petroleum facilities. Personnel stationed at field offices around the country enforce standards by conducting periodic inspections and boardings. When accidents happen, the Coast Guard responds with other federal agencies, state governments, and the maritime industry to ensure the impacts of a spill are minimized. Core prevention, preparedness, and response programs, including industry partnerships and incentive programs, have been effective in reducing the volume of oil spilled annually.



Atlantic Strike Team inspects absorbant boom used to clean oil spilled in Buzzards Bay, MA in May 2003

The Coast Guard reports its Marine Environmental Protection (MEP) performance as a five-year average of the number of chemical spills and oil spills into maritime waters from vessels and facilities subject to Coast Guard regulation. The measure uses number of spills per 100 million short tons shipped. The annual number of spills decreased from 231 in FY 2002 to 160 in FY 2003. This is a continuation of a decade-long trend – there were 679 spills in FY 1994. The five-year average declined to 29.4 spills per 100 million short tons shipped which is well below the FY2003 target.

Reduce Oil & Chemical Spills



Marine Environmental Protection (MEP) Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$114.2	\$9.0
FY04	\$194.0	\$33.1
FY05	\$209.8	\$35.5

The total volume of oil and oil products discharged into maritime waters by vessels and facilities subject to Coast Guard regulation has fallen to 323,490 gallons in FY 2003, down 45 percent from the 588,001 gallons recorded in FY 2002. Large discharge incidents typically account for a substantial portion of the total volume spilled. In FY 2002, more than 72 percent of the total oil spilled was from 8 incidents where discharge amounts exceeded 10,000 gallons. In FY 2003, more than 59 percent of the total oil spilled was from 6 incidents where discharge amounts exceeded 10,000 gallons.

Reduction in spills along with the increased volume of petroleum and chemical products shipped, suggests that ongoing Coast Guard activities have had a positive influence on MEP.



USCGC BAYBERRY with skimming system deployed to pick up oil on surface of water in Puget Sound, Seattle, WA

Drug Interdiction

The U.S. Coast Guard apprehends smugglers at sea attempting to import illegal drugs into the United States. The Coast Guard's efforts to halt the destructive influence of drug consumption by disrupting the drug market also stems other criminally related acts and prevents potential funding sources for other illegal activities, such as terrorism.

The Coast Guard seized 136,865 pounds of cocaine in FY 2003, a 16% increase from the previous fiscal year and second only to the record setting total of 138,393 pounds seized in FY 2001. The Coast Guard also seized 14,059 pounds of marijuana and 56 vessels, and arrested 283 criminals. As in recent years, the majority of cocaine seizures took place in the Eastern Pacific; 103,251 pounds or 75% of the total. Coast Guard Law Enforcement Detachments (LEDETs) operating off United States Navy, United Kingdom, Netherlands, and Belgian warships accounted for 79,898 pounds of cocaine, or 58.4% of the total seized. Helicopter Interdiction Tactical Squadron (HITRON) armed helicopters, as part of Operation New Frontier, continue to be an effective endgame asset. In FY 2003, they interdicted 34.8% of the total cocaine seized.

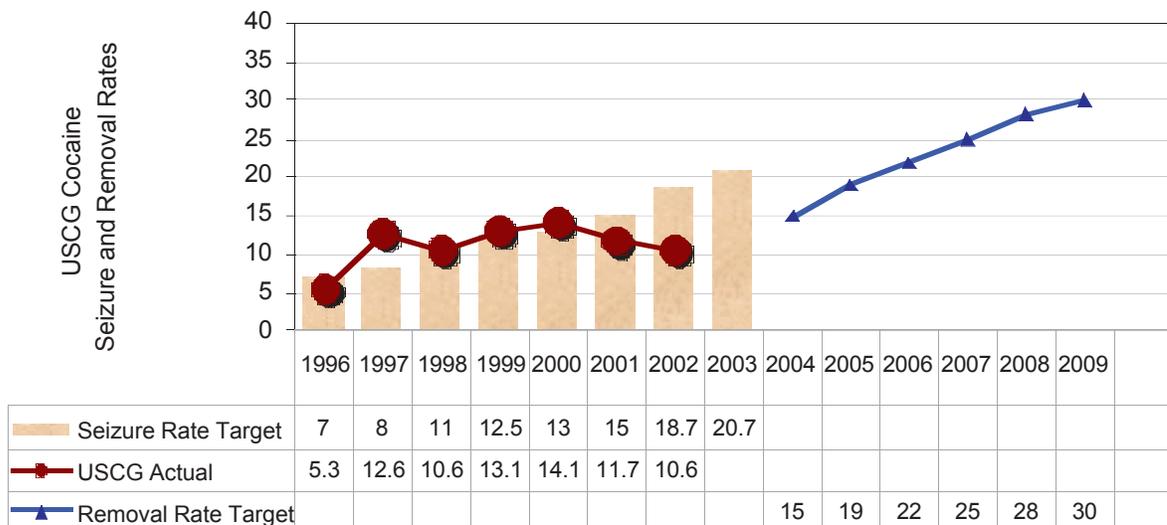
Improved intelligence and intelligence collection methods continue to be the lynchpin of our success. The increase in actionable intelligence (raw intelligence coupled with necessary analytical resources) allowed for quicker and more thorough sorting of targets and more efficient use of surface and air resources.

Drug Interdiction Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$513.2	\$124.0
FY04	\$587.0	\$173.9
FY05	\$652.8	\$154.7

Seizure Rate for Cocaine in the Transit Zone



Graph Explanation: In order to more accurately reflect Coast Guard counter-drug efforts and results, beginning in FY 2004 the USCG is transitioning to a Cocaine Removal Rate, which encompasses both cocaine removed from the market as well as cocaine seized. The cocaine Removal Rate is the amount of cocaine lost to the smuggler (through seizures, jettison, burning, and other non-recoverable events) will be based on values vetted through the Inter Agency Consolidated Counter-drug Data (CCDB). The previously discussed seizure rate is a subset of removal rate.



USCGC TAMPA seizes 5,000 pounds of marijuana and 300 pounds of hashish oil off of the Bahamas

The International Maritime Interdiction Support provisions incorporated in several of our bilateral counter-drug agreements, coupled with outstanding interagency post-seizure cooperation and coordination, were instrumental in conveying detainees and evidence to the United States for prosecution while keeping assets in theater for continued interdiction.

Seizure rate data for FY 2003 will not be available until April 2004 when the non-commercial maritime flow estimate is published in the 2003 Interagency Assessment of Cocaine Movement. Despite the near record performance and the fact that counter-drug resources have returned to near normal levels, it is unlikely that we will achieve the FY 2003 target of 20.7%.

Migrant Interdiction

Illegal immigration poses a serious threat to America's economic and social well-being and challenges the integrity of our borders. Thousands of people try to enter this country illegally every year using maritime routes, many via coordinated smuggling operations. A significant number of migrants may perish when overloaded, un-seaworthy vessels capsize. The Coast Guard maintains an effective presence in migrant departure, transit and arrival zones. The Coast Guard patrols more than 144,000 square miles of ocean between Haiti and the U.S. including areas around the Bahamas and Cuba. In addition, we respond to intelligence on voyages along the east and west coasts and throughout U.S. territories in the Pacific in our efforts to curtail illegal migration.

In FY 2003, there were 3,793 successful arrivals and an estimated threat of 25,750 migrants, yielding an 85.3% performance result. This value is just shy of the 87% goal. However, there were 5,331 Coast Guard migrant interdictions this year compared to 2,409 in FY 2002 (estimated threat was 21,750), an increase of over 120% for interdictions against an 18.4% increase in estimated threat. This rise in migrant activity resulted in an increase in Coast Guard resource hours dedicated to this mission in FY 2003.

To maintain effective presence in migrant departure, transit and arrival zones, the Coast Guard's FY 2005 budget contains funding for operating eleven additional coastal patrol boats being built in FY 2004, five PC-170's and Response Boat Mediums (RB-M) to conduct layered security and defense operations and implementing the Integrated Deepwater System.

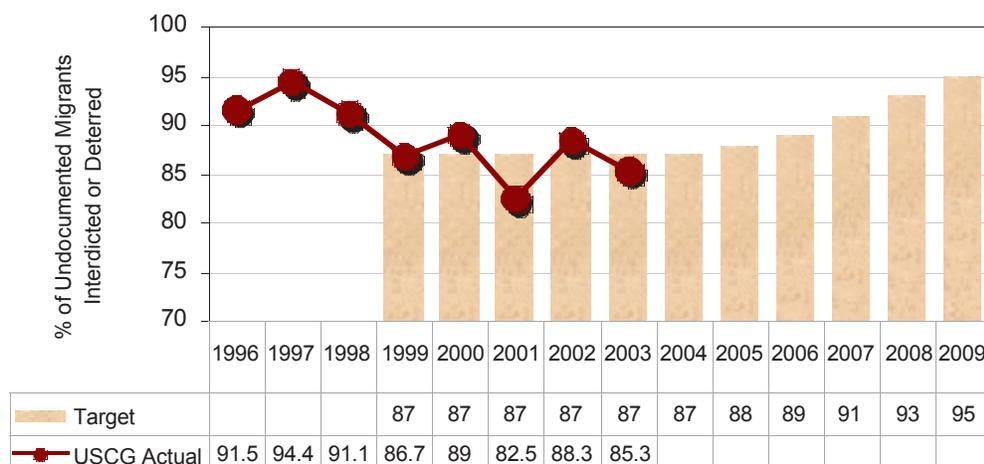
The Coast Guard is currently working with the Center for Naval Analysis on a thorough evaluation of the migrant interdiction program in response to our Program Assessment Rating Tool (PART) review, which calls for independent evaluation.

Migrant Interdiction Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$300.6	\$82.4
FY04	\$145.6	\$59.8
FY05	\$160.6	\$54.4

Undocumented Migrants Interdicted or Deterred





USCGC LEGARE interdicts sailing vessel overloaded with 301 Haitian migrants off the coast of Haiti

Ports Waterways and Coastal Security (PWCS)

The Coast Guard, as an integral part of the Department of Homeland Security, will prevent maritime terrorist attacks, reduce America's vulnerability to terrorism, and minimize the damage from attacks that do occur. The Coast Guard will continue to harness and share information and intelligence, leverage partnerships, perform layered security operations, and enforce security requirements in the international arena, on the high seas, and in U.S. ports and waterways. The Coast Guard recognizes the valuable yet vulnerable nature of the U.S. maritime infrastructure and the required balance between upholding maritime security and facilitating legitimate use of our waterways. The Coast Guard is also bound by law to sustain its maritime safety, mobility, and environmental protection missions, while expanding its role in homeland security.

To describe increasing threat levels and to identify corresponding activities to meet the threat, the Coast Guard established Maritime Security (MARSEC) levels I, II, and III. These MARSEC levels are tied to the DHS Homeland Security Advisory System (HSAS). The table below compares the Coast Guard's MARSEC levels to the DHS HSAS. MARSEC I generally



USCGC CAMPBELL conducts port security patrol in New York Harbor

corresponds with HSAS condition LOW (green), GUARDED (blue), and ELEVATED (yellow). MARSEC II is generally set when HSAS condition is HIGH (orange), and MARSEC III is generally set whenever HSAS condition is SEVERE (red).

MARSEC includes the following activities: vessel escorts, tracking and screening High Interest Vessels (HIV), conducting port security assessments and maritime patrols.

Long-term program goals (2009) are to reduce terror-related risk in the maritime domain. This is attainable with the capability to operate at an 85% level of MARSEC 1 activity levels nationwide indefinitely, 85% of MARSEC 2 nationwide for up to 60 days, and 95% of MARSEC 3 at multiple ports on each coast for up to 30 days.

Ports, Waterways & Coastal Security Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$1,300.6	\$175.5
FY04	\$1,265.0	\$270.0
FY05	\$1,501.0	\$251.1

Notional Comparison Maritime Security (MARSEC) Condition Levels to the Homeland Security Alert System (HSAS)

HSAS Condition	MARSEC Levels	SCOPE	ANTICIPATED DURATION	NATURE OF THREAT	EMPHASIS	SAMPLE MEASURES
SEVERE	MARSEC III	Multiple ports	Up to 30 days	Incident imminent; response to specific event or intelligence	Protection and response	Control access to port
HIGH	MARSEC II	Up to Nationwide	Up to 60 days	Non-specific threat based on intelligence or other warning	Heightened deterrence and detection	Increase random security boardings
ELEVATED	MARSEC I	Nationwide	Continuously	General threat against ports, harbors, waterways, and approaches	Heightened awareness and preparedness – Baseline deterrence & detection	"New Normalcy"
GUARDED						
LOW						



A crew from Coast Guard Station Boston patrols the Boston waterfront in support of Homeland Security Alert System Level Orange (MARSEC II)

Implementation of the Maritime Transportation Security Act of 2002 (including Sea Marshalling and Maritime Safety and Security Teams), operational funding of additional Patrol Boats, and improved Maritime Domain Awareness will enhance the Coast Guard's ability to prevent maritime terrorist attacks, reduce America's vulnerability to terrorism, and minimize the damage from attacks that do occur. The Coast Guard's Integrated Deepwater System (IDS), will transform its current fleet of aging, technologically obsolete cutters, aircraft and support systems into an integrated, interoperable network centric system that provides a layered defense to stop terrorist activity prior to reaching United States shores.

Other Law Enforcement

The 1976 Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA) established the U.S. Exclusive Economic Zone (EEZ) as the maximum EEZ allowed by international law, extending 200 miles from U.S. shores. The U.S. EEZ is the largest in the world, covering nearly 3.4 million square miles of ocean and 95,000 miles of coastline. The Coast Guard is the only agency with the maritime authority and infrastructure to project federal law enforcement presence over this huge area. The EEZ is a major source of renewable resources, providing a livelihood for U.S. commercial fishermen and numerous related enterprises, and recreational opportunities for millions of people. Within the EEZ, U.S. citizens have primary harvesting rights to fish stocks; foreign fishing is significantly limited and has been restricted since 1991. As the primary agency responsible for at-sea enforcement of the MSFCMA, it is the Coast Guard's responsibility to ensure foreign fishermen do not illegally harvest U.S. fish stocks.

The Coast Guard detected 153 incursions into the U.S. EEZ in 2003, down sharply from the previous year. Decreased detections in the Central/Western Pacific (89 to 15) and along the US/Russian (RS) Maritime Boundary Line (MBL) (22 to 6) (see graph) are mainly responsible for the smaller number. The reduction in incursions along the US/RS MBL was most likely due to three primary factors: a) our ability this year to maintain a near constant enforcement presence on the MBL; b) an increased presence of Russian patrol vessels in the vicinity; and c) a stronger enforcement posture toward this mission, including the option of employing warning shots and disabling fire against violators. The decrease in observed incursions in District 14 (Central and Western Pacific) is not as easily explained. Cutter and aircraft coverage of this part of the EEZ was limited this year, as a two-month High Endurance Cutter patrol and several HC-130 aircraft deployments scheduled for EEZ enforcement were redirected to thwart known ongoing illegal high seas driftnet fishing in the North Pacific. This lack of enforcement presence could have reduced detections, but over the past several years, most detected incursions have come from third party reports and intelligence sources rather than directly from Coast Guard enforcement assets. The reduction in EEZ encroachments is more likely attributed to oceanic and climatic shifts (El Nino/La Nina) that cause a significant fluctuation in the migratory patterns of important migratory fish stocks that cross EEZ boundaries in this region. This causes illegal fishing activities and EEZ encroachments to increase or decrease as commercial fishermen follow their intended catch. Detected incursions in the Gulf of Mexico were near historic lows. The actual number of Gulf of Mexico incursions is believed to be much higher and reported levels in coming years may be higher as reporting methods for this particular region are strengthened.

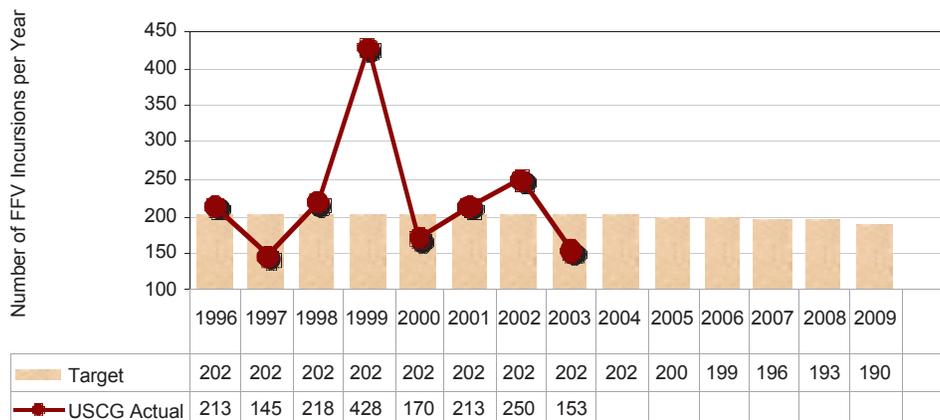
There are a number of initiatives underway to thwart illegal foreign fishing. For example, installation of AN/SPS-40 air search radar for USCGC ALEX HALEY, providing an all weather helicopter platform in D17, will allow the Coast Guard to better perform vessel interceptions, boardings and coastal surveillance.

Other Law Enforcement (LE) Funding Profile

(Dollars in millions)

	OE	AC&I
FY03	\$193.5	\$40.4
FY04	\$66.0	\$20.3
FY05	\$75.4	\$16.7

Foreign Fishing Vessels Incursions



Defense Readiness

The U.S. Coast Guard – as one of the five military services and a branch of the Armed Forces – provides essential and unique capabilities that support our National Security and National Military Strategies. The Department of Defense (DOD), the Department of Homeland Security, the Navy and Coast Guard identified appropriate Coast Guard roles targeted to the Service’s core competencies and unique skills in Maritime Interception Operations; Port Operations, Security and Defense; Coastal Sea Control Operations; Military Environmental Response Operations; and Theater Security Cooperation. Today, the Coast Guard is playing an ever-increasing role in the defense of the nation as a force provider to Combatant Commanders in support of the global war on terrorism.

Operation Iraqi Freedom was the primary focus for providing Coast Guard assets to DOD in 2003. The Coast Guard provided eight patrol boats, four port security units, six law enforcement detachments, two High

Defense Readiness Funding Profile

(Dollars in millions)

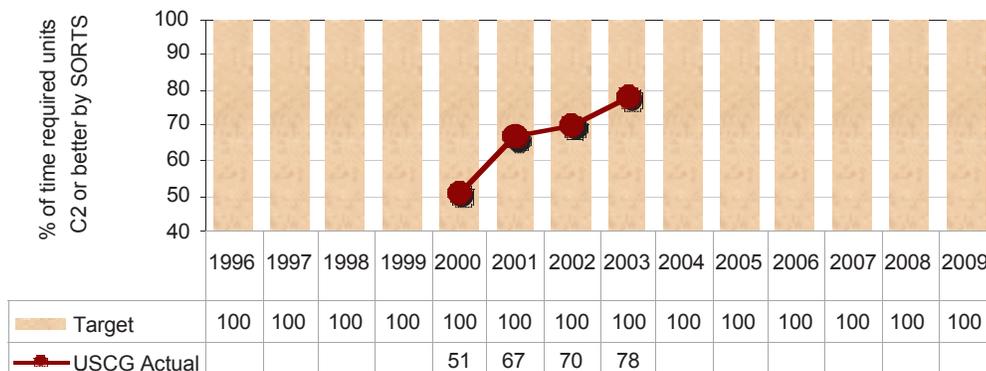
	OE	AC&I
FY03	\$466.1	\$33.0
FY04	\$166.1	\$27.3
FY05	\$92.8	\$26.4



A 25-foot transportable port security boat attached to Port Security Unit 313 (based in Tacoma, WA) skims the waters off Kuwait Naval Base, while on security patrol in support of Operation Iraqi Freedom

Endurance Cutters with helicopters, two patrol boat support units, one buoy tender and one oil pollution response detachment to support the Combatant Commander requirements. The Coast Guard also provided one Medium Endurance Cutter for Theater Security Cooperation in Europe and one Medium Endurance Cutter and one Buoy Tender for Theater Security Cooperation in the Caribbean and South America (Theater Security Cooperation, formerly know as Peacetime Military Engagement, focuses on military-to-military cooperation with countries partnering with the U.S. in the war on terrorism).

Defense Readiness Level





USCGC BARANOF & USCGC BOUTWELL inspect tanker in the Arabian Gulf

The performance goal for Defense Readiness is to maintain a readiness level of 2 or better under the Navy Status of Resources and Training System (SORTS) for the planned number of assets that may be used by Combatant Commanders in wartime. The measure of this goal is the percent of time Coast Guard assets included in Operation Plans are ready at level 2 (Unit possesses the resources and is trained to undertake most of the wartime mission(s) for which it is organized or designated). While the target of 100 percent was not met, Coast Guard SORTS readiness levels continue to rise. This year the Coast Guard achieved a SORTS level 2 for required assets 78% of the time. This is 8 percentage points higher than last year. Many readiness degradations were linked to equipment casualties associated with operating an aging cutter fleet and unit training deficiencies. Equipment deficiencies apply to cutters and training deficiencies apply to both cutters and PSUs. Overall, PSU readiness was higher than in past years. In FY 2003, four PSUs were mobilized, giving members more time on active duty to complete training qualifications that are usually difficult to maintain during scheduled reserve drill time.

To provide essential and unique capabilities that support our National Security and National Military Strategies, the Coast Guard is requesting funding for crew and support staffs to operate and maintain five Patrol Coastals (PC-170's) that are being transferred to the Coast Guard from the Navy. These multi-mission platforms will provide improved, C4ISR, armament & sea-keeping abilities, compared to existing patrol boats.

Budget in Brief

(Dollars are in millions) USCG Funding Accounts	FY 2003 Actual	FY 2004 Enacted	FY 2005 Request
OPERATING EXPENSES (OE) ^{1,2,3}	4,920	4,718	5,173
ACQUISITION, CONSTRUCTION & IMPROVEMENTS (AC&I) ^{3,4}	720	1,021	943
ENVIRONMENTAL COMPLIANCE & RESTORATION (EC&R) ³	17	17	17
ALTERATION OF BRIDGES (AB) ³	17	19	
RETIRED PAY (MANDATORY)	889	1,020	1,085
RESERVE TRAINING ³	86	94	117
RESEARCH, DEVELOPMENT, TEST & EVALUATION (RDT&E) ^{3,5}	22	15	
OIL SPILL RECOVERY (MANDATORY)	75	61	61
BOAT SAFETY (MANDATORY)	65	64	64
TOTAL	6,811	7,030	7,460

¹ FY03 OE number includes \$628M from Iraqi Freedom and Liberty Shield Supplemental (P.L. 108-11). FY03 also includes a 0.65% rescission (P.L. 108-7).

² FY04 OE number includes \$103M from Iraqi Freedom and Hurricane Isabel Damages Supplemental (P.L. 108-106).

³ FY04 includes a proposed rescission of .59%.

⁴ FY04 includes a DOD transfer of \$60 million dollars for C-130J missionization.

⁵ FY05 Coast Guard R&D, including operational funding of the R&D Center is being requested through the DHS Science & Technology Directorate.

Operating Expenses

Funding requested in this account provides for the safety of the public, and the Coast Guard's work force, with an enhanced emphasis on its maritime homeland security missions. The bulk of the funding requested in this account supports the operations of the Coast Guard as it carries out its unique duties as a peacetime operating agency and a branch of the armed forces. To fulfill its missions, the Coast Guard employs multipurpose vessels, aircraft, and shore units, strategically located along the coasts and inland waterways of the United States and in selected areas overseas. Personnel expenses represent approximately 67% of the total funding requested.

FY 2004 Recurring Budget Authority (dollars are in the thousands): 4,713,055

Programmatic Reductions	
Termination of One-time Costs	- 52,785
Annualization of FY2004 Management Savings	- 5,428
Management and Technology Efficiencies	-13,280
Subtotal Category I	-71,493
Built-in Changes	
Annualization of FY04 Part-year Funding	118,637
Annualization of FY04 Pay Raise	22,458
Pay Inflation	
Mandatory Personnel Entitlements	124,335
Accrual Funding	47,000
Non-Pay Inflation	
Non-Pay Inflation	31,383
Operational Adjustments	1,374
Operate New Facilities	
Shore Facility Construction Follow-On	13,134
Coastal Patrol Boats Follow-On	13,497
Great Lakes Icebreaker Follow-On	3,029
Operate 85-Foot Fast Patrol Craft (FPC)	1,542
Operate C-130J	4,229
Ports and Waterways Safety System (PAWSS) Follow-On	9,777
Operate PC-170 Patrol Boats	26,249
USCGC Alex Haley Radar Follow-On	180
Rescue 21 Follow-On	6,456
Information Technology Projects Follow-On	5,467
National Security Cutter (NSC)	442
Subtotal Category II	429,189

Transfers	
OE Adjustment to Reserve Training	-12,000
Subtotal Category III	-12,000
Operating Expenses – Required Changes By Budget Category	
New/Enhanced/Restoration Initiatives	
Increase Maritime Domain Awareness	2,200
Pay and Performance Demonstration Project	10,000
MLB Safety Configuration Changes	600
Implement Maritime Transportation Security Act of 2002	101,669
Subtotal Category IV	114,469
Total FY 2005 Changes	460,165
Operating Expenses – Total Budget Authority	5,173,220

Operating Expenses – Historical Funding Profile <i>(dollars in millions)</i>				
2001	2002	2003	2004	2005
\$3,295.2	\$3,757.2	\$4,919.7	\$4,717.8	\$5,173.2

Acquisitions, Construction and Improvements

Funding requested in this account will support the Coast Guard's continuing plans for fleet expansion and modernization.

The majority of the funding requested in this account is to acquire, construct, and improve, vessels, aircraft, information management resources, shore facilities, and aids to navigation required to execute the Coast Guard's missions and achieve its performance goals.

Vessels – In 2005, the Coast Guard will continue to acquire multi-mission platforms that use advanced technology to reduce life cycle operating costs. The Great Lakes icebreaking replacement project will continue and is scheduled for commissioning in 2006. The

Response Boat-Medium project will replace the aging 41-foot Utility Boats at multi-mission stations.

Deepwater – The Deepwater capability replacement project continues with full scale development and is modestly accelerated to complete the project in 22 years, reflecting the deteriorating status of our legacy assets. Milestones will include acquisitions of a second National Security Cutter, continued investment in IDS patrol boats, development of the Common Operational Picture (COP), and re-engineing the HH65 helicopter.

Aircraft – In 2005, the Coast Guard will invest in increased aviation capability by prototyping armed HH60J helicopters.

Other Equipment – In 2005, the Coast Guard will invest in numerous management information and decision support systems that will result in increased efficiencies. Rescue 21, will continue forward for nationwide deployment of 70% in FY05 with completion in FY06. Automatic Identification System equipment will continue to be deployed across Coast Guard operation centers.

Shore Facilities – In 2005, the Coast Guard will invest in modern structures that are more energy-efficient, comply with regulatory codes, minimize follow-on maintenance requirements and replace existing dilapidated structures.

FY 2005 Request (dollars are in the thousands)

Vessels and Critical Infrastructure Projects	
Great Lakes Icebreaker (GLIB) Replacement	7,750
Response Boat – Medium (RB-M)	12,000
Subtotal — Vessels	19,750
Deepwater Project	
Integrated Deepwater Systems	678,000
Aircraft	
Armed Helicopter Equipment Part I (LEGACY ASSET)	1,800
Subtotal — Aircraft	1,800

Continued on next page

FY 2005 Request (dollars are in the thousands)—*Continued*

Other Equipment	
Rescue 21	161,000
Automatic Identification System for MDA	4,000
Subtotal — Other Equipment	165,000
Shore Facilities and Aids to Navigation	
Survey and Design – Shore Operational and Support Projects	1,000
Minor AC&I Shore Construction Projects	1,600
Small Arms Range at ISC Honolulu, HI	1,600
Waterways Aids to Navigation Infrastructure	800
Subtotal — Shore Facilities and Aids to Navigation Facilities	5,000
Personnel and Related Support Costs	
Subtotal — Personnel	500
Direct Personnel Costs	72,500
AC&I Core	73,000
Total FY 2005 Capital Acquisitions Request	942,550

Acquisition, Construction and Improvements — Historical Funding Profile (dollars in millions)

2001	2002	2003	2004	2005
\$406.0	\$701.6	\$720.2	\$1,021.4*	\$942.5

* Includes a DOD transfer of \$60 million dollars for C-130J missionization

Environmental Compliance & Restoration

The U.S. Coast Guard Environmental Compliance and Restoration account provides resources to carry out environmental compliance and restoration responsibilities resulting from the operation of former and current Coast Guard facilities. This program focuses on specific restoration projects, driven by the level of hazard posed to the environment and tempered by the demands of federal, state and local environmental regulatory agencies. Continuing compliance initiatives include meeting the more stringent emission requirements of the Clean Air Act Amendments of 1990, developing hazardous waste minimization strategies and implementing pollution preventing shore facility improvement projects, performing proactive compliance audits to preclude regulatory action, and prototyping of more environmentally friendly equipment.

Environmental Compliance & Restoration — Historical Funding Profile (*dollars in millions*)

<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
\$16.6	\$16.9	\$16.8	\$16.9	\$17.0

Alteration of Bridges

This appropriation provides the Federal Government's share of the costs for altering or removing bridges determined to be obstructions to navigation. Alteration of obstructive highway bridges is eligible for funding from the Federal-Aid to Highways Program. The Coast Guard will continue to administer the bridge program, including making determinations regarding bridge obstructions to navigation. Generally, bridges to be altered were built with what are now insufficient vertical and/or horizontal clearances for free navigation on navigable waters of the United States. Currently, under the Truman-Hobbs Act of 1940, as amended, the U.S. Coast Guard shares the cost of altering railroad and publicly owned highway bridges, which obstruct the free movement of marine traffic. In addition, the U.S. Coast Guard exercises administrative control over the construction, maintenance and operation of bridges across navigable waters in the United States. No funds are requested for Alteration of Bridges in FY 2005.

Alteration of Bridges — Historical Funding Profile (*dollars in millions*)

<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
\$15.4	\$15.4	\$17.0	\$19.1	--

Retired Pay

This appropriation provides funding to pay retired military personnel of the Coast Guard, Coast Guard Reserve and members of the former Lighthouse Service. It also makes payments to their survivors pursuant to the Retired Serviceman's Family Protection Plan and the Survivor Benefits Plan. Payments for career status bonuses under the National Defense Authorization Act of FY 2000, the medical care of retirees and dependents — formerly financed by the Department of Health and Human Services under the Dependent's Medical Care Act — are funded under this account.

Retired Pay — Historical Funding Profile (*dollars in millions*)

2001	2002	2003	2004	2005
\$778.0	\$876.4	\$889.0	\$1,020.0	\$1,085.0

Reserve Training

The U.S. Coast Guard Reserve forces provide qualified personnel for response to conflict, national emergency, or natural and man-made disasters. Reserve Personnel maintain their readiness through realistic coordinated mobilization exercises, formal military training and duty alongside regular Coast Guard members during routine and emergency operations. The requested level of \$117 million provides resources to fully train, support and sustain a Selected Reserve force of 8,100 members, to include approximately 500 reservists in a mobilized status. The U.S. Coast Guard is one of the five armed services and is a full partner on the joint national security team. The U.S. Coast Guard's commitment in this area is demonstrated by the employment of Port Security Units (PSUs) and surge forces in response to Department of Defense and Coast Guard requirements as seen in Operations Iraqi Freedom and Noble Eagle. PSUs are a mix of active duty and reserve personnel units that protect mission essential cargo in vital load-out and destination ports (high value assets such as ammunition and cargo ships, oil tankers, and troop carriers from damage or destruction while in ports and harbors). This wartime or national security mission is a natural extension of the port safety function that the U.S. Coast Guard performs daily in peacetime. The U.S. Coast Guard Reserve also provides a cost-effective surge capacity for responses to human and natural disasters (e.g., hurricanes, flooding, earthquakes, immigration). Only the U.S. Coast Guard can simultaneously fill such maritime safety, maritime law enforcement and marine environmental protection roles. These unique capabilities are products of the U.S. Coast Guard's mission diversity, which Reserve personnel supplement as surge capacity for Coast Guard operations. Over the past two years, over 60% of the Coast Guard Reserve component was mobilized, including many mobilized for more than 12 months. Part of the costs of our reserve forces are now borne by Operating Expense funds due to extended active duty contracts and the recall to active-duty of over 1900 individuals at its peak in FY 2004. As these reservist are released, the reserve training appropriation will need to absorb their costs for drills/equipment/training until the next contingency looms.

Reserve Training — Historical Funding Profile (*dollars in millions*)

2001	2002	2003	2004	2005
\$80.1	\$83.0	\$85.9	\$94.4	\$117.0

Research, Development, Test & Evaluation (RDT&E)

The Coast Guard transition to the Department of Homeland Security presents a unique opportunity to partner and leverage its existing Research and Development (R&D) capability with a robust and focused technology and research capacity within the Department's Science and Technology (S&T) Directorate. Historically, the Coast Guard R&D program has been constrained to the limits of its annual RDT&E appropriation. The FY 2005 request removes these constraints by funding Coast Guard R&D activities, including operations and maintenance of the Coast Guard R&D Center, within the much larger capacity of S&T. This integration of funding and effort will go far to minimize redundancy and maximize the effectiveness of Coast Guard R&D while ensuring all Coast Guard mission requirements remain a key part of S&T planning and resources decisions.

Research, Development, Test & Evaluation — Historical Funding Profile *(dollars in millions)*

2001	2002	2003	2004	2005
\$21.2	\$20.2	\$21.8	\$14.9	*

* Included in DHS Science & Technology Directorate budget request

Oil Spill Recovery, Coast Guard

The Oil Spill Liability Trust Fund provides a source of funds for removal costs and damages, including assessment of damaged natural resources, paying claims and for federal expenses necessary to administer the Fund. In accordance with the provisions of the Oil Pollution Act of 1990, the fund may finance annually up to \$50 million of emergency resources and all valid claims from injured parties resulting from oil spills. The \$61.2 million request consists of \$50 million for emergency response costs, \$10 million for payment of claims and \$1.2 million for the Oil Spill Recovery Institute. The Coast Guard is currently engaged in a National Pollution Fund Center study to optimize its staffing structure.

Oil Spill Recovery— Historical Funding Profile *(dollars in millions)*

2001	2002	2003	2004	2005
\$76.2	\$67.8	\$75.0	\$61.2	\$61.2

Boat Safety [Aquatic Resources Trust Fund]

Boating Safety funds provide \$59 million for grants to states and national nonprofit public service organizations to develop and carry out recreational boating safety programs, and \$5 million for Coast Guard coordination of the National Recreational Boating Safety Program, established by the Federal Boat Safety Act of 1971, as amended.

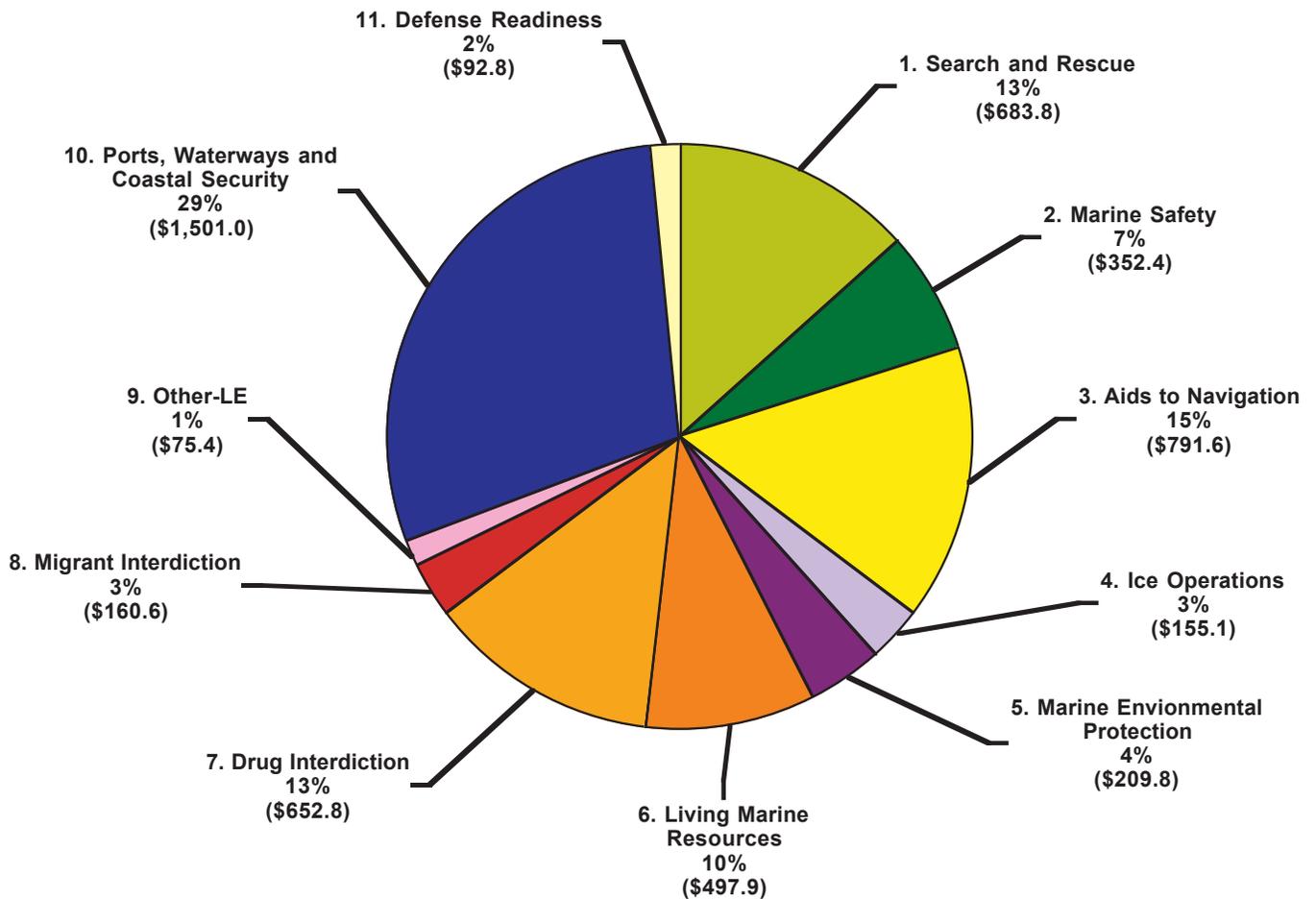
Boat Safety — Historical Funding Profile *(dollars in millions)*

<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
\$64	\$64	\$65	\$26.7*	\$64*

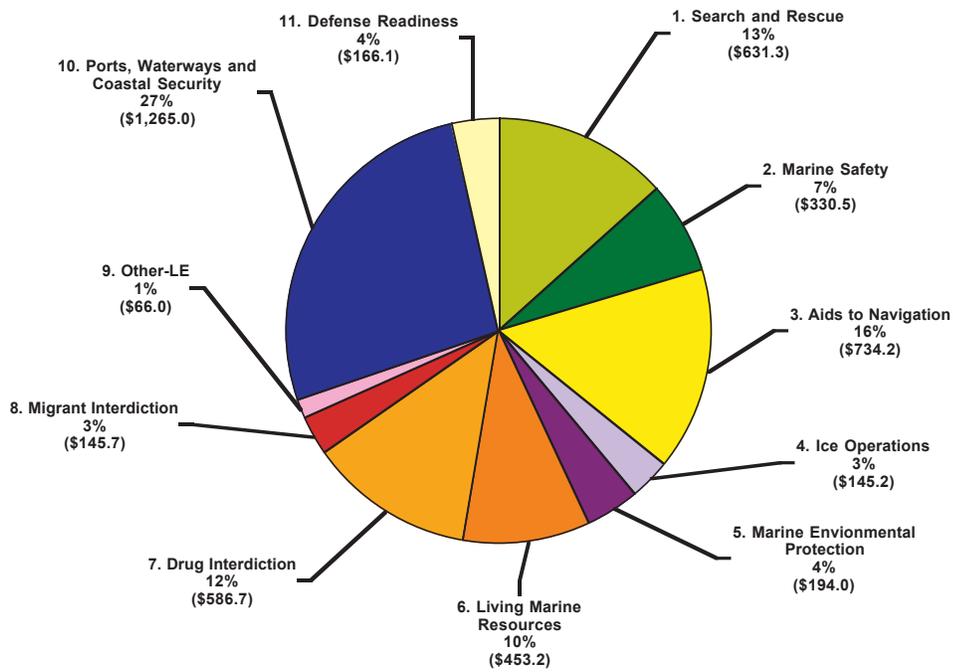
* At the time of printing \$26.7 million was appropriated in FY 2004 via the Surface Transportation Extension Act. As drafted, the re-authorization bill for the Transportation Equity Act for the 21st-Century would continue to provide funding for Boat Safety from the Aquatic Resources Trust Fund in the amount of \$64 million annually.

Operating Expenses Budget by Major Programs

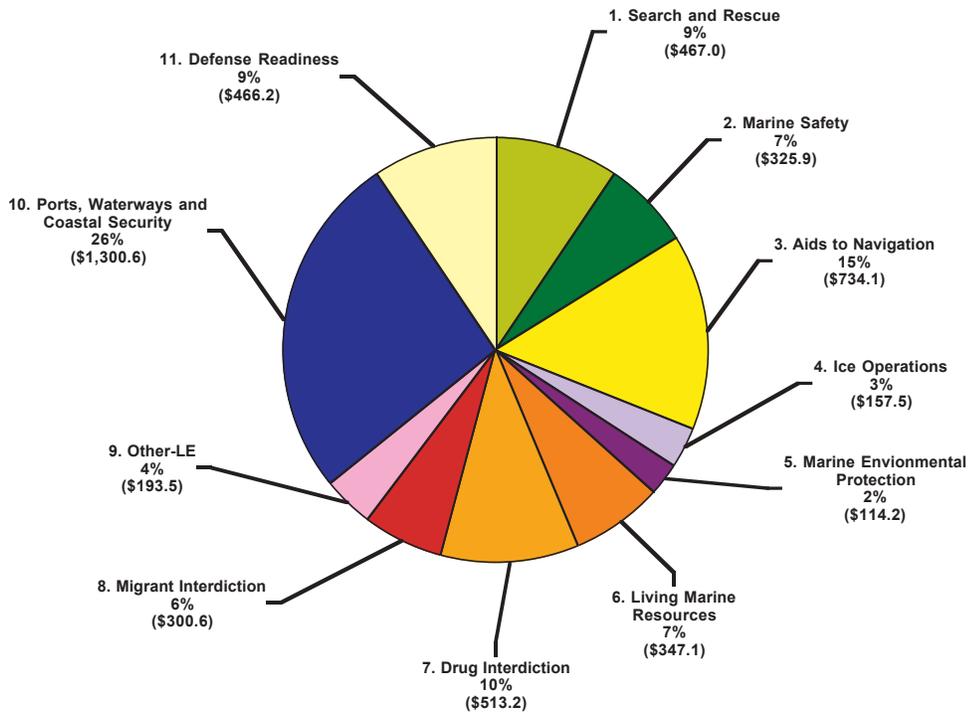
Operating Expenses Budget by Major Programs - FY 2005 (Request)
(Dollars in Millions)



Operating Expenses Budget by Major Programs - FY 2004 (Enacted)
(Dollars in Millions)



Operating Expenses Budget by Major Programs - FY 2003 (Actual)
(Dollars in Millions)



THE TYPE OF PERSON SAFEGUARDING YOUR FREEDOM:



**Maurice Hawkins
SK2, USCG**

Unit: Group
St. Petersburg, Fla.
Age: 22

**Who is
Petty Officer Hawkins?**

He joined the Coast Guard in 1998 and has been assigned to Station Annapolis and the Coast Guard Cutter Dependable.

He's readying to become part of Group St. Petersburg's local Partnership in Education program.

"I have had the good fortune to participate in, and experience, a wide array of Coast Guard missions..."

"Through my experiences, I have accumulated a keen sense of what it means to serve in this organization. As an African-American in the armed services, I also feel I have a responsibility to assist the Coast Guard as it continues to strive to be an organization that embraces diversity."

"In short, my philosophy is that you get out of the Coast Guard what you put into it. I see this [the Coast Guard's Shield of Freedom recruiting campaign] as another opportunity to put something into the Coast Guard."



**THE SHIELD OF
FREEDOM™**

