



UNITED STATES COAST GUARD



POSTURE
STATEMENT

2018
BUDGET
OVERVIEW

2016
PERFORMANCE
HIGHLIGHTS



Coast Guard Cutter PAMLICO's crew removes an aids to navigation tower from a wooden structure on the Mississippi River near New Orleans. The FY 2018 Budget initiates efforts to recapitalize our Service's Inland Waterways and Western River cutter fleet, which includes vessels that have been in service for over 70 years.



THE COMMANDANT OF THE UNITED STATES COAST GUARD

WASHINGTON, D.C.

I am pleased to provide the Coast Guard's annual Posture Statement, which provides strategic context for the Service, outlines my Fiscal Year (FY) 2018 Budget focus, and offers performance highlights from 2016.

The world's premier, multi-mission, maritime service, the Coast Guard confronts an array of evolving threats to offer a unique and enduring value to the Nation. A strategy-driven organization, where intelligence drives operations to make best use of its resources, the Coast Guard is well positioned to help secure the maritime border, disrupt transnational criminal organizations, and safeguard the waterways that contribute to America's economic prosperity.

In FY 2018, we will continue to Invest in the 21st Century Coast Guard, Sustain Mission Excellence, and Maximize Service to the Nation. I am exceptionally pleased this budget builds on existing progress to replace our aging cutter fleet with modernized resources such as the Offshore Patrol Cutter and Fast Response Cutter. The FY 2018 Budget also expedites the critical acquisition of our icebreaking capabilities, a resource required to preserve U.S. security and sovereignty in the Polar Regions. These investments, coupled with increased funding for our workforce, set the conditions for sustained mission excellence.

I could not be prouder of the operational successes of our active duty, civil service, reserve, and auxiliary personnel. The 2016 Performance Highlights provided in this year's *Posture Statement* demonstrate the Coast Guard's return on investment and our enduring value to the United States. Our presence and capabilities have never been more critical to our national priorities. Coast Guard readiness relies on the ability to simultaneously execute our full suite of missions and sustain support to Combatant Commanders, while also being ready to respond to contingencies.

History has proven that a responsive, capable, and agile Coast Guard is an indispensable instrument of national security. With continued support of the Administration and Congress, the Coast Guard will continue to live up to our motto – *Semper Paratus – Always Ready*.



A handwritten signature in blue ink that reads "Paul F. Zukunft".

PAUL F. ZUKUNFT
Admiral, U.S. Coast Guard



POSTURE STATEMENT

America's Coast Guard

The Coast Guard is the only branch of the U.S. Armed Forces within the Department of Homeland Security. A law enforcement agency, member of the U.S. Intelligence Community, and first responder during natural disasters – the Coast Guard leverages an expansive array of interagency, military, international, and industrial relationships for maximum strategic effect.

Strategic Landscape

Challenging global economic conditions, weak foreign governance, rapid technological advancement, and stress on international institutions are converging to create a challenging operating environment for the military. These global trends undermine already-weak nation states and fuel instability, providing ideal conditions for Transnational Organized Crime networks, Violent Extremists, and other asymmetric threats.

This dynamic global landscape increases potential threats to our Nation. The domestic demand for illicit narcotics continues to foster a criminal marketplace that directly undermines border security. Adversaries are adapting their nefarious methods to leverage technological advances. These advances are exposing new cyber vulnerabilities that could disrupt the maritime transportation system. Additionally, the physical world is changing – waters in the Arctic are opening to permit increased access to resources in this remote region. In preparing for the future, the Coast Guard will leverage its agility and broad operational capabilities to protect our Nation and ensure its prosperity.

Strategic Focus

The Coast Guard is a strategy-driven organization, where intelligence drives operations and risk-based decisions make best use of resources to maximize our enduring value to the Nation. Taxpayers demand solutions that optimize efficiency and effectiveness, maximizing the fiscal and budgetary return on public investments.

The Coast Guard will continue to implement a suite of regional and functional strategies that position our Service to best respond to maritime risks that may evolve over the next ten years. The first two of these strategies – the Arctic Strategy and the Western Hemisphere Strategy – address our highest priorities in their respective regions. The Coast Guard's Cyber Strategy and Human Capital Strategy are complementary, as they underpin the success of all Coast Guard activities. These strategies are informed by applicable Department of Homeland Security and national strategies and are coordinated to augment Department of Defense priorities.

The Western Hemisphere represents a strategic focus area for missions that support U.S. national security and economic prosperity.

- I. Combating Transnational Organized Crime (TOC) Networks.** TOC networks are funded by profits from drug and human trafficking operations. The TOC networks' indiscriminate use of violence weakens regional governments, impedes legitimate economic activity and development, and constitutes a threat to regional stability and security. The Coast Guard's long-term counter-TOC effort integrates a host of governmental organizations, both at home and in the countries of origin. With the Department of Homeland Security, the Coast Guard fosters diplomatic partnerships, leverages its dual status as a military service and law enforcement agency, and capitalizes on U.S. Intelligence Community membership to support this fight.

- II. Securing the Southern Border.** Maritime border security not only requires the defense of our ports, waterways, and infrastructure at home, it also necessitates an offshore presence to identify and disrupt illicit networks seeking to exploit transit zones on the high seas, which leads to increased drug traffic across the southern U.S. border. Leading the national effort to secure our maritime borders, the Coast Guard employs a strategic approach to improve awareness, prioritize threats, and advance an adaptable interdiction posture. Early detection requires close coordination between and among maritime partners, intelligence collectors, and state-of-the-market technologies, such as Unmanned Aircraft Systems (UAS). By fully leveraging the available suite of tools, the Coast Guard is able to optimize our presence and confront maritime threats before they reach our shores.
- III. Safeguarding Maritime Commerce.** The United States has one of the largest systems of ports, waterways, and critical maritime infrastructure in the world. This maritime highway contributes \$4.6 trillion to the Nation’s economic activity each year and is a conduit for nearly 90 percent of U.S. trade by volume. The safe, efficient, and secure movement of commerce upon the Nation’s waterways is critical to maintaining America’s competitive edge in a global economy. As Captain of the Port, the Coast Guard’s role in overseeing the safety and security of port operations is a vital component of the maritime transportation system.
- IV. Enhancing Cybersecurity.** Cyber threats are endemic to the government, public, and private sector alike. In addition to protecting its own networks and systems, the Coast Guard is actively assessing the cyber vulnerabilities that might hamper our maritime transportation system. By leveraging its authorities and promoting private-public partnerships, the Coast Guard works with industry to develop and implement measures that will secure critical maritime infrastructure from those who seek to do harm.
- V. Adapting in the Polar Regions.** Reduced polar ice coverage has increased human activity in the Arctic and interest in its natural resources. At-sea presence is intrinsic to preserving U.S. interests and asserting U.S. sovereignty in the Arctic Region. To meet security, safety, and governance needs, the Coast Guard is positioned to provide improved awareness, and promote broader partnerships as a strategic advocate in this vital region. Additionally, the Coast Guard continues to support scientific endeavors in both Polar Regions.

Investing in the 21st Century Coast Guard

Given the Coast Guard’s geostrategic landscape and organizational priorities, our Fiscal Year 2018 Budget priorities maximize our value to the Nation, sustain mission success, and fund necessary investments in the 21st Century Coast Guard. From infrastructure and capitalized assets, to our most important resource – *our people* – the Coast Guard remains always ready to confront the challenges, both domestic and international, to our national security and American way of life.





FY 2018 BUDGET PRIORITIES

The Coast Guard's FY 2018 Budget sustains Coast Guard operations and continues recapitalization efforts for cutters, boats, aircraft, systems, and infrastructure. The budget also efficiently allocates resources to optimize Coast Guard mission performance. The Coast Guard must continue meeting today's operational requirements while investing in future capability to best serve the Nation.

The Coast Guard's FY 2018 Budget priorities are:

**Invest
in the 21st Century
Coast Guard**

**Sustain
Mission
Excellence**

**Maximize
Value to
Nation**

THE FY18 BUDGET OVERVIEW

➤ Invest in the 21st Century Coast Guard

Coast Guard mission demands continue to grow and evolve. The complexities and challenges facing the Nation require well-trained Coast Guard men and women with capable platforms providing the persistent presence necessary to conduct operations. Given the age and condition of the Coast Guard's legacy assets, future mission success relies on continued recapitalization of Coast Guard boats, cutters, aircraft, systems, and infrastructure.

The FY 2018 Budget provides funding for the acquisition of the first Offshore Patrol Cutter (OPC). OPCs will be the cornerstone of our Service's future surface fleet and comprise 70 percent of the Coast Guard's offshore presence. Furthermore, the budget provides funds to continue acquisition of a new polar icebreaker to meet growing demands in the Polar Regions. It also funds four Fast Response Cutters and sustains the 140-foot Icebreaking Tug and 225-foot Seagoing Buoy Tender fleets. The budget also initiates efforts to recapitalize our Service's aging Inland Waterways and Western River Tender fleet by providing funds to conduct an analysis of alternatives. In addition to surface recapitalization efforts, the FY 2018 Budget continues sustainment and conversion work on in-service fixed and rotary wing aircraft, including missionization of the C-27J aircraft received from the Air Force, and investment in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems.

➤ Sustain Mission Excellence

The FY 2018 Budget ensures the Coast Guard can conduct today's highest priority operations in support of national objectives. Most importantly, it sustains the Coast Guard's workforce and supports proficiency, maximizing operational safety and effectiveness. In 2018, the Coast Guard will decommission one High-Endurance Cutter (WHEC) and three Patrol Boats (WPBs) while accepting delivery of more capable, modernized assets, including one National Security Cutter and five Fast Response Cutters. In 2018, the Coast Guard will also implement the new Blended Retirement System for eligible Service members, changing the current military retirement system to one that includes both defined contributions and defined benefits. In all, the FY 2018 Budget increases the workforce by 578 positions to support Coast Guard activities across six mission programs.

➤ Maximize Value to Nation

In best serving the Nation, the Coast Guard must continue to meet evolving mission requirements stemming from national priorities and remain a trusted steward of public resources. The 2018 Budget sustains frontline operations by efficiently allocating resources across all mission programs. Coast Guard Operational Commanders will maintain search and rescue coverage, protect critical infrastructure, counter illicit threats from entering the United States, facilitate safe navigation within the vital Maritime Transportation System (MTS), safeguard the maritime environment, support foreign policy objectives, and conduct defense operations.



Acquisition, Construction, and Improvements (AC&I)

Surface Assets \$877.1 million (0 FTE)

The budget provides \$877.1 million for the following surface asset recapitalization and sustainment initiatives:

- **National Security Cutter (NSC)** – Provides funding for Post Delivery Activities for the fifth through eighth NSCs, and test and evaluation activities. The acquisition of the NSC is vital to performing DHS missions in the far off-shore regions, including the harsh operating environments of the Pacific Ocean, Bering Sea, and Arctic. The NSC also provides a robust command and control platform for homeland security and contingency operations;
- **Offshore Patrol Cutter (OPC)** – Provides funding to begin construction of the first OPC, which is scheduled for delivery in 2021. The OPC will replace the Medium Endurance Cutter classes that conduct missions on the high seas and coastal approaches;
- **Fast Response Cutter (FRC)** – Funds procurement of four FRCs, totaling 48 of 58 on contract. These assets replace the less capable 110-foot patrol boats, enhancing the Coast Guard's coastal capability to conduct Search and Rescue operations, enforce border security, interdict drugs, uphold immigration laws, prevent terrorism, and enhance resiliency to disasters;
- **Polar Icebreaker** – Continues efforts towards awarding a contract for detail design and construction in 2019, and to deliver a new heavy polar icebreaker in 2023. New heavy polar icebreakers will provide the Nation with assured surface access to the Polar Regions for decades to come;
- **Cutter Boats** – Continues funding for production of multi-mission cutter boats that will be fielded on the Coast Guard's major cutter fleet including the NSC;
- **In-Service Vessel Sustainment** – Continues funding for sustainment projects on 140-foot Ice Breaking Tugs, 225-foot Seagoing Buoy Tenders, and 47-foot Motor Lifeboats; and
- **Survey and Design** – Continues funding for multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects. Funds are included to conduct an engineering survey and evaluate options to extend the service life of 270-foot Medium Endurance Cutters.

Air Assets \$82.6 million (0 FTE)

The budget provides \$82.6 million for the following air asset recapitalization or enhancement initiatives:

- **HC-27** – Funds continued activities of the C-27J Asset Project Office (APO). The APO organizes logistics, training development, maintenance support, and ensures these newly acquired aircraft are ready for induction into the operational fleet. Continues funding for spare parts and logistics, training, and mission system development;
- **HH-65** – Continues modernization and sustainment of the Coast Guard's fleet of H-65 Short Range Recovery (SRR) helicopters, converting them to multi-mission MH-65E variants. The modernization effort includes reliability and sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite. Initial funding is also included to extend aircraft service life for 10,000 hours;
- **HH-60** – Includes initial funding to extend aircraft service life for another 10,000 hours to better align with DOD's H-60 replacement timeline;
- **C-130J** – Funds upgrade of the mission system processor and equipment required to maintain the operational availability of the HC-130J Long Range Surveillance aircraft; and
- **sUAS** – Continues program funding to deploy small Unmanned Aircraft Systems (sUAS) onboard the National Security Cutter (NSC).

Shore Units and Aids to Navigation (ATON) \$75.0 million (0 FTE)

The budget provides \$75.0 million to recapitalize shore infrastructure that supports Coast Guard assets and personnel, as well as construction and improvements to ensure public safety on waterways:

- **Specific Projects** – Funds permanent boat maintenance, waterfront, and support facilities for Station Vallejo, CA; recapitalizes runway lighting system at Elizabeth City, NC; and funds minor shore infrastructure construction projects;
- **ATON Infrastructure** – Maintains transportation safety on Federal waterways through construction and improvements to short-range aids and infrastructure; and
- **Major Acquisition Systems Infrastructure** – Funds modification and construction of facilities to support newly delivered assets. Includes upgrades and construction for Fast Response Cutter (FRC) homeports.

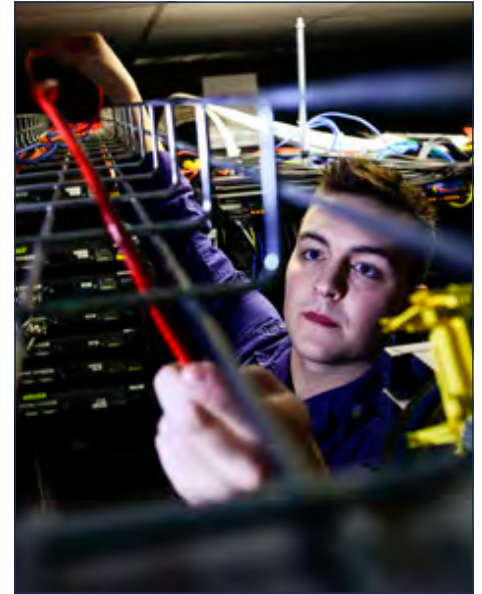
Other (Asset Recapitalization) \$50.8 million (0 FTE)

The budget provides \$50.8 million for other initiatives funded under the Acquisition, Construction, and Improvements account, including the following equipment and services:

- **Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR)** – Provides design, development, upgrades, and assistance on C4ISR hardware and software of new and in-service assets;
- **Program Oversight and Management** – Funds activities associated with the transition of the Coast Guard's assets from acquisition to operations, including delivery, provision of logistics, training, and other services necessary to ensure seamless integration into the operational fleet;
- **CG-Logistics Information Management System** – Continues development and deployment of this system to Coast Guard operational assets; and
- **Other Equipment and Systems** – Funds end-use items costing more than \$250,000 used to support Coast Guard missions, including equipment to support operation and maintenance of vessels, aircraft, and infrastructure.

Acquisition Personnel and Management \$118.2 million (835 FTE)

The budget provides \$118.2 million for pay and benefits of the Coast Guard's acquisition workforce.



Operating Expenses (OE)

Operating and Maintenance of New Assets +\$98.6 million (+233 FTE)

Increases funding for operations and maintenance of shore facilities and provides sustainment funding for new cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts:

- **Shore Facilities** – Funds operation and maintenance of shore facility projects scheduled for completion prior to FY 2018;
- **FRC** – Funds operation and maintenance of FRCs #26-30, as well as personnel for FRC crews #29-33 and shore-side support for FRCs #27-30;
- **NSC** – Funds operations and maintenance of NSC #7 and NSC small Unmanned Aircraft Systems (sUAS), as well as personnel for NSC crew #8, shore-side support for a third NSC homeport, and SCIF crews for NSCs #7-8;
- **C-27J Aircraft** – Funds fixed-wing aircraft support personnel at the Aviation Logistics Center;
- **HC-130J Aircraft** – Funds operations, maintenance, and personnel for HC-130J airframes #8-9;
- **MH-60T Aircraft** – Funds operations, maintenance, and personnel for a MH-60T airframe;
- **Logistics Information Management System** – Funds operations and maintenance of the Coast Guard Logistics Information Management System (CG-LIMS); and
- **Shipboard Control and Navigation Training System (SCANTS)** – Funds operations and maintenance of the SCANTS simulator.

Pay & Allowances +\$109.8 million (0 FTE)

As a branch of the Armed Forces of the United States, the Coast Guard is subject to the provisions of the National Defense Authorization Act, which include pay and personnel benefits for the military workforce. The FY 2018 Budget maintains parity with DOD for military pay, allowances, and health care, and for civilian pay raise and retirement contributions, including providing a 2.1 percent military and 1.9 percent civilian pay raise.

Asset Decommissionings

As the Coast Guard recapitalizes its cutter and aircraft fleets and brings new assets into service, the older assets that are being replaced will be decommissioned:

- **Patrol Boat (WPB) -\$1.7 million (-23 FTE)**
Decommissions three 110-foot Patrol Boats (WPBs). These assets are being replaced with Fast Response Cutters (FRCs);
- **High Endurance Cutter (WHEC) -\$8.4 million (-92 FTE)**
Decommissions one 378-foot High Endurance Cutter (WHEC). These assets are being replaced with National Security Cutters (NSCs); and
- **HC-130H Aircraft -\$4.0 million (-14 FTE)**
Decommissions one HC-130H aircraft. These assets are being replaced with HC-130J aircraft.

Operational Adjustments

In FY 2018, the Coast Guard will make sound, risk based operational decisions while investing in critical recapitalization and new workforce initiatives:

- **Mission Essential Systems and Cyber Security +\$27.3 million (+2 FTE)**
Funds sustainment of critical network infrastructure and DOD working capital fund increases necessary to comply with DOD information network and cybersecurity requirements;
- **Federal Aviation Administration (FAA) Compliance +\$16.9 million (0 FTE)**
Funds fixed-wing aircraft equipment upgrades and associated equipment replacement necessary to comply with FAA 2020 airspace requirements;
- **Workforce Support Improvements +\$9.1 million (+34 FTE)**
Provides funding and personnel to manage the new Blended Retirement System, increase the frequency of Personnel Security (PERSEC) suitability background investigations, and enhance capabilities to handle sexual assault allegations;
- **GSA and Other Governmental Rent +\$4.8 million (0 FTE)**
Funds GSA and other governmental rent increases; and
- **Management and Support Efficiencies -\$13.9 million (-13 FTE)**
Reflects savings generated from an enterprise-wide efficiency review that can be taken with no direct operational impacts and a minimal loss of current service delivery.



Table 1: Appropriation Summary

| Appropriation (\$000) | FY 2016 Revised Enacted ¹ | FY 2017 Annualized CR ¹ | FY 2018 President's Budget |
|---|---|---------------------------------------|-------------------------------|
| Operating Expenses (OE) | 6,827,776 | 6,879,692 | 7,213,464 |
| Acquisition, Construction, and Improvements (AC&I) | 1,928,393 | 1,924,127 | 1,203,745 |
| Environmental Compliance and Restoration (EC&R) | 13,221 | 13,196 | 13,397 |
| Reserve Training (RT) | 110,099 | 109,890 | 114,875 |
| Research, Development, Test, and Evaluation (RDT&E) | 18,019 | 17,986 | 18,641 |
| Medicare-Eligible Retiree Health Care Fund Contribution (MERHCFC) | 168,847 | 175,506 | 195,784 |
| Sub-total (Discretionary Funding) | \$ 9,066,355 | \$ 9,120,397 | \$ 8,759,906 |
| Retired Pay | 1,604,000 | 1,604,000 | 1,690,824 |
| Boat Safety | 114,326 | 113,049 | 118,416 |
| Maritime Oil Spill Program | 107,329 | 101,000 | 101,000 |
| Gift Fund | 1,621 | 2,214 | 2,864 |
| Sub-total (Mandatory Funding) | \$ 1,827,276 | \$ 1,820,263 | \$ 1,913,104 |
| OSLTF Contribution | [45,000] | [44,914] | [45,000] |
| Overseas Contingency Operations | 160,002 | 160,002 | - |
| Alteration of Bridges (rescission of unobligated balances) | - | - | (12,400) |
| Sub-total (Transfers and Supplementals) | \$ 160,002 | \$ 160,002 | (\$ 12,400) |
| TOTAL BUDGET AUTHORITY | \$ 11,053,633 | \$ 11,100,662 | \$ 10,660,610 |

¹ Reflects rescissions and reprogrammings/transfers, as applicable.

Table 2: Net Discretionary Budget Authority – Breakout by Statutory Mission

| Coast Guard Mission (\$000) | FY 2016 Revised Enacted ¹ | FY 2017 Annualized CR ¹ | FY 2018 President's Budget | FY 2017 +/- FY2018 |
|--|---|---------------------------------------|-------------------------------|-----------------------|
| Aids to Navigation | 1,357,099 | 1,371,485 | 1,283,614 | (87,871) |
| Defense Readiness | 464,750 | 432,672 | 599,748 | 167,076 |
| Drug Interdiction | 1,629,923 | 1,500,315 | 1,479,440 | (20,875) |
| Ice Operations | 201,760 | 468,759 | 186,136 | (282,623) |
| Living Marine Resources | 1,032,030 | 949,230 | 896,369 | (52,861) |
| Marine Environmental Protection | 204,108 | 207,199 | 217,744 | 10,545 |
| Marine Safety | 580,676 | 568,061 | 549,718 | (18,343) |
| Migrant Interdiction | 780,673 | 871,462 | 874,666 | 3,204 |
| Other-Law Enforcement (Foreign Fish) | 171,294 | 124,849 | 112,286 | (12,563) |
| Ports, Waterways and Coastal Security | 1,735,338 | 1,717,266 | 1,756,284 | 39,018 |
| Search and Rescue | 908,704 | 909,099 | 803,901 | (105,198) |
| Net Discretionary Excluding Supplementals and Transfers | \$ 9,066,355 | \$ 9,120,397 | \$ 8,759,906 | (\$ 360,491) |
| Mandatory Funding | \$ 1,827,276 | \$ 1,820,263 | \$ 1,913,104 | \$ 92,841 |
| OSLTF Contribution | [45,000] | [44,914] | [45,000] | [86] |
| Overseas Contingency Operations | 160,002 | 160,002 | - | (160,002) |
| Rescission of Unobligated Balances | - | - | (12,400) | (12,400) |
| TOTAL BUDGET AUTHORITY² | \$ 11,053,633 | \$ 11,100,662 | \$ 10,660,610 | (\$ 440,052) |

¹ Reflects rescissions and reprogrammings/transfers, as applicable.

² The Coast Guard budgets by appropriation rather than by individual missions. The Coast Guard projects resource allocations by mission through the use of an activity-based costing system. Actual allocations will vary depending on operational environment and mission need.

Table 3: FY 2018 Acquisition, Construction, and Improvements (AC&I)

| Appropriations (\$000) | FY 2018 President's Budget |
|---|-------------------------------|
| Vessels | \$ 877,100 |
| Survey and Design - Vessel and Boats | 1,500 |
| In-Service Vessel Sustainment | 60,500 |
| National Security Cutter (NSC) | 54,000 |
| Offshore Patrol Cutter (OPC) | 500,000 |
| Fast Response Cutter (FRC) | 240,000 |
| Cutter Boats | 1,000 |
| Inland Waterways and Western Rivers Cutter | 1,100 |
| Polar Icebreaker | 19,000 |
| Aircraft | \$ 82,600 |
| HC-27J Conversion/Sustainment | 52,000 |
| HH-65 Conversion/Sustainment Projects | 22,000 |
| MH-60T Sustainment | 2,500 |
| Long Range Surveillance Aircraft (C-130H/J) | 5,600 |
| Unmanned Aircraft System (UAS) | 500 |
| Other | \$ 50,800 |
| Program Oversight and Management | 15,000 |
| C4ISR | 22,000 |
| CG-LIMS | 9,800 |
| Other Equipment and Systems | 4,000 |
| Shore and ATON | \$ 75,000 |
| Major Shore, ATON and S&D | 10,000 |
| Major Acquisition Systems Infrastructure | 60,000 |
| Minor Shore | 5,000 |
| Personnel and Management | \$ 118,245 |
| Direct Personnel Costs | \$ 118,245 |
| TOTAL | \$ 1,203,745 |

Table 4: Operating Expenses FY 2017 to FY 2018 Budget Change

(DOLLARS IN THOUSANDS)

| | Pos. | FTE | AMOUNT |
|--|------------------|------------------|---------------------|
| FY 2016 REVISED ENACTED ^{1,2} | 48,104 | 45,263 | \$6,827,776 |
| FY 2017 ANNUALIZED CR | 48,104 | 46,563 | \$6,879,692 |
| TRANSFERS TO AND FROM OTHER ACCOUNTS | | | |
| WCF TRANSFER | - | - | (1,472) |
| TOTAL TRANSFERS | - | - | (1,472) |
| PRICING CHANGES | | | |
| INCREASES | | | |
| ADJUSTMENT FOR NON-RECURRING RESCISSIONS | - | - | 21,796 |
| ADJUSTMENT FOR 2017 INITIATIVES | 259 | 286 | 81,733 |
| ANNUALIZATION OF 2017 INITIATIVES | - | 373 | 58,293 |
| MANDATORY PERSONNEL ENTITLEMENTS | | | |
| ANNUALIZATION OF 2017 MILITARY AND CIVILIAN PAY RAISE | - | - | 15,930 |
| 2018 MILITARY PAY RAISE | - | - | 35,654 |
| 2018 CIVILIAN PAY RAISE | - | - | 11,757 |
| 2018 MILITARY ALLOWANCES | - | - | 45,252 |
| 2018 CIVILIAN ALLOWANCES | - | - | 1,204 |
| OPERATIONAL ADJUSTMENTS | | | |
| DEFENSE INFORMATION SYSTEMS AGENCY (DISA) SYSTEM FEE INCREASE | - | - | 1,125 |
| GSA AND OTHER GOVERNMENTAL RENT | - | - | 4,815 |
| BASE RE-ALLOCATIONS (NON-ADD) | | | |
| MILITARY AND CIVILIAN FTP AND FTE TRANSFER | [37] | [37] | [4,513] |
| PPA FUNDING ADJUSTMENT | - | - | [1,559] |
| TOTAL INCREASES | 259 | 659 | 277,559 |
| DECREASES | | | |
| TERMINATION OF ONE-TIME COSTS | - | - | (43,110) |
| ANNUALIZATION OF 2017 INITIATIVE REDUCTIONS | - | (168) | (22,040) |
| TOTAL DECREASES | - | (168) | (65,150) |
| TOTAL ADJUSTMENTS-TO-BASE | 259 | 491 | 212,409 |
| PROGRAM CHANGES | | | |
| INCREASES | | | |
| OPERATIONAL ADJUSTMENTS | | | |
| PERSONNEL SECURITY & INVESTIGATIONS | 7 | 4 | 4,732 |
| MISSION ESSENTIAL SYSTEMS AND CYBER SECURITY | 3 | 2 | 26,207 |
| MODERNIZED RETIREMENT SYSTEM TRAINING & MANAGEMENT (2016 NDAA) | 36 | 28 | 3,862 |
| SPECIAL VICTIMS' COUNSEL (2016 NDAA) | 3 | 2 | 552 |
| CG AIRCRAFT FAA COMPLIANCE & OBSOLETE EQUIPMENT REPLACEMENT | - | - | 16,871 |
| OPERATING AND MAINTENANCE FUNDS FOR NEW ASSETS | | | |
| SHORE FACILITY FOLLOW-ON | 12 | 10 | 5,290 |
| LOGISTICS INFORMATION MANAGEMENT SYSTEM (CG-LIMS) FOLLOW-ON | - | - | 2,304 |
| SHIP CONTROL AND NAVIGATION TRAINING SYSTEM (SCANTS) FOLLOW-ON | - | - | 315 |
| FAST RESPONSE CUTTER (FRC) FOLLOW-ON | 178 | 87 | 25,716 |
| NATIONAL SECURITY CUTTER (NSC) FOLLOW-ON | 283 | 101 | 52,404 |
| C-27J AIRCRAFT SUPPORT FOLLOW-ON | 21 | 11 | 2,919 |
| HC-130J AIRCRAFT FOLLOW-ON | 35 | 18 | 5,972 |
| MH-60T HELICOPTER FOLLOW-ON | 23 | 6 | 3,711 |
| TOTAL INCREASES | 601 | 269 | 150,855 |
| DECREASES | | | |
| OPERATIONAL ADJUSTMENTS | | | |
| DIRECT SUPPORT EFFICIENCIES | (16) | (10) | (1,412) |
| MANAGEMENT EFFICIENCIES | (5) | (3) | (7,364) |
| TRAINING EFFICIENCIES | - | - | (5,118) |
| ASSET DECOMMISSIONINGS AND RETIREMENTS | | | |
| ONE HIGH ENDURANCE CUTTER (WHEC) | (184) | (92) | (8,441) |
| THREE 110-FOOT PATROL BOATS | (54) | (23) | (1,659) |
| ONE HC-130H AIRCRAFT | (28) | (14) | (4,026) |
| TOTAL DECREASES | (287) | (142) | (28,020) |
| TOTAL PROGRAM CHANGES | 314 | 127 | 122,835 |
| FY 2018 CURRENT SERVICES | \$ 48,677 | \$ 47,181 | \$ 7,213,464 |
| FY 2018 OPERATING EXPENSES REQUEST | \$ 48,677 | \$ 47,181 | \$ 7,213,464 |
| FY 2017 TO FY 2018 OPERATING EXPENSES TOTAL CHANGE | 573 | 618 | 333,772 |

¹ EXCLUDES FUNDING PROVIDED TO THE COAST GUARD FOR OVERSEAS CONTINGENCY OPERATIONS (OCO).

² REFLECTS FY 2016 FTE ACTUALS.



On an average day, the Coast Guard:

Conducts **45** search and rescue cases; *saves* **14** lives; *assists* **66** people in distress;
seizes **1,214** pounds of cocaine and **144** pounds of marijuana;
conducts **40** waterborne patrols of critical maritime infrastructure; *interdicts* **17** undocumented migrants;
escorts **7** high-capacity passenger vessels; *conducts* **16** security boardings in and around U.S. ports;
screens **329** merchant vessels for potential security threats prior to arrival in U.S. ports;
conducts **13** fisheries conservation boardings; *services* **82** buoys and fixed aids to navigation;
investigates **32** pollution incidents; *completes* **25** safety examinations on foreign vessels;
conducts **110** marine inspections; *investigates* **18** marine casualties involving commercial vessels;
facilitates movement of **\$12.6B** worth of goods and commodities through
the Nation's Maritime Transportation System.

Semper Paratus – *Always Ready*

A Coast Guard Air Station Cape Cod helicopter crew conducts hoisting operations with the Coast Guard Cutter SENECA. Aviation and cutter crews regularly train together to maintain readiness levels and proficiency in challenging operational tasks.





2016 PERFORMANCE HIGHLIGHTS

The Coast Guard effectively and efficiently performs activities that support the Department of Homeland Security in its mission priorities: *Prevent Terrorism and Enhance Security, Secure and Manage Our Borders, Enforce and Administer Our Immigration Laws, Safeguard and Secure Cyberspace, and Ensure Resilience to Disasters.*

Coast Guard activities cross six mission programs:

1. Maritime Law Enforcement;
2. Maritime Response;
3. Maritime Prevention;
4. Maritime Transportation System Management;
5. Maritime Security Operations;
6. Defense Operations.

Every day Coast Guard men and women work with DHS, DOD, and other Federal, State, local, and international partners to provide the service the Nation has come to expect over our 226 year history. In 2016, operations across the six Coast Guard mission programs supported National goals and achieved phenomenal results.

Crew members from the Coast Guard Cutter DILIGENCE assist Cuban migrants down an accommodation ladder and onto the cutter's small boat. The migrants were transferred from DILIGENCE to the Coast Guard Cutter CHARLES DAVID JR., for repatriation back to Cuba.



MARITIME LAW ENFORCEMENT

The Maritime Law Enforcement program protects America's maritime borders, defends our Nation's maritime sovereignty, facilitates legitimate use of the waterways, and suppresses violations of U.S. Federal law on, under, and over the seas. The Coast Guard is the only agency with both the authorities and capabilities to enforce national and international law on the high seas, outer continental shelf, and inward from the U.S. Exclusive Economic Zone (EEZ) to inland navigable waters, including the Great Lakes.

New, state-of-the-market ships and enhanced intelligence capabilities complement the work of Coast Guard crews to stem the maritime drug flow. In 2016, the Coast Guard once again had record breaking results, interdicting 201 metric tons of cocaine from the maritime domain and detaining 585 suspected smugglers for prosecution. During a three-month deployment to the Eastern Pacific, Coast Guard Cutter BERTHOLF detained 22 suspected narco-traffickers and interdicted more than 12.2 metric tons of cocaine. This deployment was highlighted by the seizure of a self-propelled semi-submersible (SPSS) vessel carrying more than \$200 million of illegal narcotics.

To protect America's natural resources, endangered marine species, and marine sanctuaries, the Coast Guard conducted 4,600 fisheries boardings on U.S. vessels and cited 147 significant fishery violations. Close collaboration with partner agencies was a key part of this effort. The Coast Guard also conducted other law enforcement mission responsibilities related to foreign flagged fishing vessels. Under the auspices of bilateral enforcement agreements and Regional Fisheries Management Organizations, the Coast Guard boarded 103 foreign vessels on the high seas and in EEZs of partner nations to suppress Illegal, Unregulated, and Underreported (IUU) fishing. IUU fishing is global in reach, harmful to ecosystems, and a threat to global food security. The Coast Guard's efforts are critical to stemming this illegal activity. The Coast Guard also detected 176 illegal incursions by foreign flagged fishing vessels into the U.S. EEZ, protecting our Nation's sovereignty and natural resources.

The Coast Guard secures the Southern Border and Approaches by conducting patrols and coordinating with other Federal agencies and foreign countries to interdict undocumented migrants at sea, denying them entry via maritime routes to the United States, its territories, and possessions. Thousands of people attempt to illegally enter the United States every year using maritime routes, many via smuggling operations. Interdicting migrants at sea reduces the safety risks involved in such transits. Migrants can be quickly returned to their countries of origin, avoiding the more costly processes required if they successfully enter the United States. During 2016, the Coast Guard interdicted 6,346 undocumented migrants attempting to illegally enter the United States by maritime routes and repatriated 5,299 Cuban migrants, 570 Dominican migrants, and 365 Haitian migrants back to their country of origin.



OUR BUDGET AT WORK

As the lead Federal agency for drug interdiction on the high seas, Coast Guard operations support national and international strategies to deter and disrupt illegal drug traffickers. These efforts are crucial to Federal efforts to dismantle Transnational Organized Crime (TOC)/ Drug Trafficking Organizations (DTOs), and prevent transnational threats from reaching U.S. shores.

\$5.9
billion

Wholesale value of illegal narcotics removed by the Coast Guard in 2016.

A Coast Guard Station San Juan crewmember monitors passengers using the marine escape system to awaiting life rafts as they abandon the CARIBBEAN FANTASY ferry vessel a mile north of San Juan, Puerto Rico. An engine room fire, which eventually spread to other compartments, forced all 511 passengers and crew to abandon ship.



MARITIME RESPONSE

The Maritime Response program mitigates the consequences of marine casualties and disastrous events. The Coast Guard minimizes loss of life and property by searching for and rescuing persons in distress in the maritime environment. Coast Guard preparedness efforts ensure incident response and recovery resources are fully ready and capable to minimize impacts of disasters to people, the environment, and the economy.

As the federal expert in search and rescue and marine pollution response, the Coast Guard is an effective leader in the maritime domain. The Coast Guard's presence in the Arctic and our work with the Coast Guard Arctic Forum are improving the Nation's capability to respond to a maritime incident in the region. In September 2016, the Coast Guard and U.S. Northern Command conducted an exercise to simulate a mass rescue operation in the Arctic and to test response capabilities in this remote maritime domain. As receding sea ice invites increased human activity in commercial and private ventures, there will be increased demand for a Coast Guard presence in this vast and unforgiving frontier.

The Coast Guard's robust multi-mission capabilities and ready-force posture enable protection of life, property, and the environment in response to disasters. This multi-mission capability ensured the Service was ready to respond to 16,343 Search and Rescue (SAR) cases in 2016, assisting 24,089 people and saving 5,174 lives. In August 2016, the ocean going ferry CARIBBEAN FANTASY suffered an engine room fire that quickly spread out of control. With the vessel disabled and adrift two miles north of San Juan, Puerto Rico, the order was given for all 511 passengers and crew to abandon ship. Coast Guard District Seven and Sector San Juan activated their respective Mass Rescue Response plans, and within minutes, air and surface assets arrived on scene to assist. All 511 passengers and crew were rescued and brought to awaiting emergency medical services shore-side.

As the principal Federal Maritime Security Coordinator and Federal On-Scene Coordinator in the coastal zone, the Coast Guard coordinates the response to oil and other hazardous materials spills in navigable waterways up to and including Spills of National Significance. In October 2015, the Coast Guard led response efforts to safely remove 48,000 gallons of contaminated water, 1,600 gallons of benzene, and 10,000 pounds of spent carbon from the Tank Barge ARGO in Lake Erie after it was identified as an environmental threat. Responders working under Coast Guard direction completed the complex emergency cleanup, which required specialized dive operations.



OUR BUDGET AT WORK

The Coast Guard provides emergency response to save lives in peril, minimize loss of life, injury, and property damage. Responsible for the execution of the National Search and Rescue Plan, the Coast Guard plans searches, organizes, and dispatches assets to search, locate, and rescue mariners in distress, and provides initial medical advice, assistance, and evacuation. The Coast Guard relies on extensive partnerships to conduct SAR and coordinates SAR operations with international, federal, state, local, and tribal authorities.

5,174

Lives saved
during Coast Guard
operations in 2016.

In preparation for the CRYSTAL SERENITY's voyage through the Northwest Passage, a Coast Guard marine inspector observes crew members as they test the capabilities of a crane and hydrostatic release raft. The Coast Guard conducted multiple examinations to test the crew's ability to react in the event of an emergency.



MARITIME PREVENTION

The Maritime Prevention program mitigates the risk of human casualties and property losses, minimizes security risks, and protects the marine environment. The Coast Guard does so by providing the maritime governance that ensures safe, secure, and environmentally sound maritime approaches to the Nation.

Maritime governance is established by Coast Guard regulations and operating standards for domestic vessels and marine facilities. Enforcement of those regulations occurs primarily through comprehensive inspections. In 2016, the Service conducted over 22,000 container inspections and monitored 1,000 oil, hazardous substance, or explosives transfers to ensure security of the maritime domain. The Coast Guard also inspected more than 1,500 marine facilities for compliance with safety and environmental protection regulations. In addition, the Coast Guard investigates commercial marine casualties to determine causal factors and provide recommendations to prevent future incidents. In 2016, the Coast Guard conducted more than 6,400 incident investigations and partnered with the National Transportation Safety Board (NTSB) to investigate 45 major marine casualties involving public interest, including convening a Commandant's Marine Board of Investigation (MBI) after the sinking of the EL FARO.

The Coast Guard also regulates recreational boating. In 2016, the Coast Guard boarded over 41,000 recreational vessels and conducted over 2,600 recreational boat manufacturer inspections to ensure compliance with federal regulations. Coast Guard supported state agencies also conducted an additional 1.3 million recreational vessel boardings in 2016.

As an active member of the International Maritime Organization (IMO), the Coast Guard shares a global responsibility to facilitate safe and secure maritime commerce. Through the Port State Control program, the Coast Guard conducted over 9,300 safety examinations on foreign commercial vessels, resulting in 117 IMO detentions.

The Coast Guard also minimizes security risks to the homeland through activities to prevent incidents in the maritime domain, upon the global supply chain, or to the maritime transportation system. In 2016, the Service conducted over 5,900 inspections at Maritime Transportation Security Act regulated facilities to identify potential port security risks. The Coast Guard also visited more than 50 maritime trading partner countries to assess the effectiveness of anti-terrorism measures in over 150 foreign port facilities.



OUR BUDGET AT WORK

As a component of the Department of Homeland Security and member of the Intelligence Community, the Coast Guard minimizes security risks to the Nation by screening vessels, crew members, and passengers prior to arrival in a U.S. port.

32.4 million

Merchant vessel crew members and passengers screened for potential security threats prior to arrival in U.S. ports in 2016.

A Coast Guard Petty Officer from Aids to Navigation Team Woods Hole climbs a structure in Buzzards Bay to replace an outdated lantern with a self-contained LED light. Aids to Navigation Team Woods Hole is responsible for maintaining 250 buoys, 20 lighthouses, and 54 structures along the southeastern coast of Massachusetts.



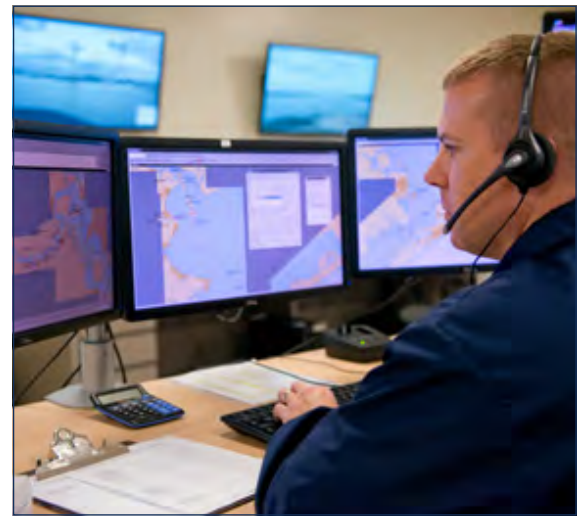
MARITIME TRANSPORTATION SYSTEM MANAGEMENT

The Maritime Transportation System Management program ensures a safe, secure, and environmentally sound waterways system. The Coast Guard minimizes disruptions to maritime commerce by assessing and mitigating risks to safe navigation by providing waterways restoration capabilities after extreme weather events, marine accidents, or intentional incidents. The Coast Guard works in concert with other Federal agencies, state and local governments, marine industries, maritime associations, and the international community to optimize balanced use of the Nation's Maritime Transportation System. The Coast Guard also works with these key maritime industry stakeholders to recognize and address the growing cyber security vulnerabilities to the Maritime Transportation System.

Our Nation's waterways support \$4.6 trillion in economic activity for the United States. In 2016, the Coast Guard played a critical role in facilitating the safe transport of goods and services within the Maritime Transportation System by performing maintenance on 29,750 buoys and beacons and responding to more than 6,600 aids to navigation infrastructure discrepancies.

The Coast Guard is leveraging technology to improve safety and resilience of the Maritime Transportation System. In conjunction with port partners and industry stakeholders, electronic aids to navigation are being tested in locations in which they can best augment, and possibly replace, the existing physical system of buoys and beacons. The Coast Guard envisions an integrated system where a combination of electronic and physical Aids to Navigation improves the overall safety, efficiency, and resiliency of our waterways. In the summer of 2016, the Coast Guard partnered with the Army Corps of Engineers, and surveyed and marked a temporary Intercoastal Waterway channel from the Mississippi River through Breton and Chandeleur Sounds to the Gulfport Ship Channel. The 59 physical buoys and beacons placed by the Coast Guard were augmented with an additional 32 Automatic Identification System Aids to Navigation (AIS-ATON). The temporary alternate route ensured critical Intercoastal Waterway traffic was able to safely transit, uninterrupted, through the Mississippi River delta area.

Following two historically harsh winters on the Great Lakes, 2016 marked a return to average seasonal conditions. Coast Guard domestic icebreakers conducted more than 3,400 hours of icebreaking to facilitate the movement of two million tons of dry bulk and six million barrels of liquid cargoes through ice-impeded waters of the Great Lakes and Eastern Seaboard. Throughout the 2016 ice season, Coast Guard icebreaking assets kept all high priority waterways open without interruption.



OUR BUDGET AT WORK

The Coast Guard is responsible for maintaining secure and safe waterways for the benefit of commerce. Efforts require close coordination with all levels of government and the maritime industry to effectively manage inland and coastal navigational aids and keep critical maritime routes open during winter months.

\$4.6 trillion

Economic activity linked to U.S.
waterways every year.

The Coast Guard's Maritime Security Response Team (MSRT) participates in a training evolution in Hyannis, Massachusetts. The highly trained and specialized team, using a real-world underway ferry, practiced tactical boardings-at-sea, active shooter scenarios, and detection of radiological material.



MARITIME SECURITY OPERATIONS

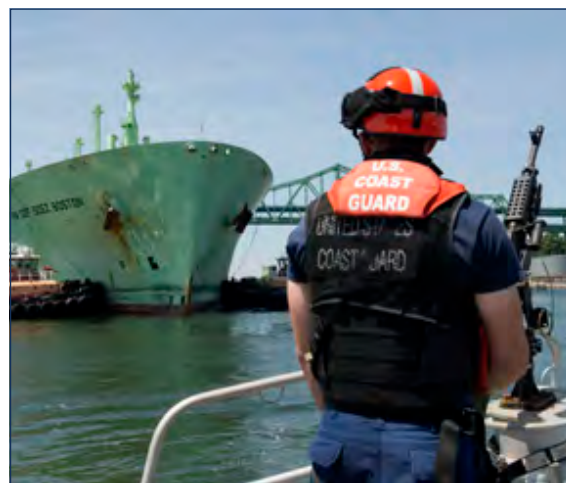
Maritime Security Operations encompass activities conducted to detect, deter, prevent, and disrupt terrorist attacks, and other criminal acts in the U.S. maritime domain. It includes the execution of antiterrorism, response, and select recovery operations. This program conducts the operational element of the Coast Guard's Ports, Waterways, and Coastal Security mission and complements our Maritime Prevention efforts.

The Ports, Waterways, and Coastal Security mission is a critical component of a layered approach to homeland security. It is conducted in coordination with other Department of Homeland Security agencies and the Department of Defense. The approach places a premium on intercepting threats before they reach U.S. shores by conducting layered, multi-agency, maritime security operations and by strengthening the port security posture of strategic economic and military ports. In this construct, the Coast Guard conducts both offshore and inshore security operations.

Preventing and disrupting terrorist attacks requires integrated, comprehensive operations that maximize effectiveness without duplicating efforts. The Coast Guard is a critical component in the effort to safeguard the Maritime Transportation System. The Service uses its unique authorities, competencies, operational capabilities, and partnerships to board and escort suspect vessels, enforce fixed security zones around maritime critical infrastructure and key resources, and patrol the maritime approaches, coasts, ports, and rivers of America. As part of critical force protection activities for the Nation's strategic assets, Coast Guard Maritime Force Protection Units, located in Bangor, Washington, and Kings Bay, Georgia, provided effective waterborne, armed security for U.S. Navy ballistic missile submarines during 212 home-port surface transits in 2016.

The Coast Guard also plays a key role surging to support Maritime Security Response Operations to known security threats and high-profile events. In 2016, Coast Guard assets established and enforced fixed security zones in support of National Special Security Events, including the United Nations General Assembly in New York, the Presidential Conventions in both Cleveland and Philadelphia, and Super Bowl 50 in the San Francisco Bay Area.

To help protect the American people from maritime security threats, the Coast Guard conducted 14,606 waterborne patrols of critical maritime infrastructure, escorted over 2,629 high-capacity passenger vessels, and conducted 5,982 security boardings in and around U.S. ports during 2016.



OUR BUDGET AT WORK

Coast Guard efforts to enhance port security involve detecting, deterring, preventing, disrupting, and aiding in recovery from terrorist attacks and other criminal acts in the maritime domain.

558

High interest vessels boarded for potential security risks to the United States in 2016.

Coast Guard Cutter STRATTON and the littoral combat ship USS CORONADO (LCS 4) steam in formation while transiting in the Pacific Ocean.



DEFENSE OPERATIONS

The Defense Operations program exercises the Coast Guard's unique authorities and capabilities to support the National Military Strategy. The program portfolio comprises eight activities including: Maritime Interdiction Operations; Combating Maritime Terrorism; Port Operations Security and Defense; Military Environmental Response Operations; Coastal Sea Control Operations; Maritime Operational Threat Response (MOTR); Rotary Wing Air Intercept Operations; and Support for Theater Security Cooperation Initiatives.

The Coast Guard is involved in fighting terrorism not only in U.S. waters but around the world through its support of Department of Defense (DOD) partners. As both a federal law enforcement agency and an Armed Service, the Coast Guard is uniquely positioned to conduct defense operations in support of Combatant Commanders by performing rotary-wing air intercept operations and providing assets to work with U.S. naval forces. An example of the synergy between the Services is the Cooperative Strategy for 21st Century Seapower; this strategy reaffirms the importance of the maritime domain and the Coast Guard, Navy, and Marine Corps' role in supporting national, defense, and homeland security priorities across the globe. Coast Guard multi-mission forces are able to integrate with DOD in a wide range of maritime operations.

Overseas deployments demonstrate to the DOD, Joint Forces, and Combatant Commanders that the Coast Guard possesses relevant competencies to contribute to the successful accomplishment of naval warfare missions and Theater Security Cooperation (TSC) initiatives. For example, Coast Guard Port Security Units (PSUs) have been deployed almost continuously to strategic ports in Kuwait since 2002 for port security; Island class patrol boats have conducted security for Iraqi oil platforms continuously since 2002 and in more recent years have been conducting TSC missions throughout the U.S. Central Command's area of responsibility. In addition to these TSC missions, Coast Guard Tactical Law Enforcement Teams conducted 26 deployments onboard U.S. Navy and Allied vessels in 2016. One such deployment aboard the USS SHAMAL (PC-13) supported Joint Interagency Task Force South and resulted in the interdiction of two go-fast vessels, five suspected smugglers, and the removal of 800 kg of cocaine.

The Coast Guard is also uniquely positioned to assist other nations in developing maritime forces and is involved in a diverse range of productive Security Sector Assistance (SSA) partnerships around the world. The Coast Guard is a full-service maritime development partner with the technical and professional capabilities to address a range of small-service maritime development issues. As a Service with a global reputation for humanitarian response, the Coast Guard often enjoys a level of entry not afforded to other U.S. or foreign military organizations. In 2016, Coast Guard boat handling and boat maintenance experts joined U.S. Marines on Joint Riverine Training Teams on deployments to Central America in support of U.S. Southern Command. The teams trained Belize, Costa Rica, and Guatemala Marine and Riverine forces in maritime interdiction procedures.



OUR BUDGET AT WORK

The Department of Homeland Security's efforts to combat terrorism and enhance security include detecting, deterring, preventing, disrupting, and aiding in recovery from terrorist attacks and other criminal acts in the maritime domain. The Coast Guard also has a leading role in the National Capital Region Air Defense mission to provide 24/7 continuous airspace protection over the National Capital Region.

139

DoD directed Rotary Wing Air Intercept operational missions conducted by the Coast Guard in 2016.



A few armed vessels, judiciously stationed at the entrances of our ports, might at a small expense be made useful sentinels of the laws.

*— Alexander Hamilton,
Founder*



U.S. COAST GUARD HEADQUARTERS
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