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COAST GUARD

Reorganization Unlikely to Increase Resources or Overall Effectiveness



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Congressional Requesters

In response to requests received from the congressional leadership and the Chairman of the Senate Foreign Relations Committee, listed at the end of this letter, this report presents our analysis of selected proposals for alternative organizational placement of the U.S. Coast Guard. The report details the recent funding history of the Coast Guard and evaluates organizational alternatives in terms of their likely impact on the essential character and multimission capabilities of the Service and on its funding. The report also discusses actions the Coast Guard has taken and will need to take to ensure optimal use of the resources available to it.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the appropriate congressional committees, the Commandant of the Coast Guard, and the Secretary of Transportation. We will also make copies available to others on request.

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Executive Summary

Purpose

The U. S. Coast Guard was a frequent subject of reorganization proposals in the 1980s. Much of the impetus for these proposals stemmed from a desire to use the Service to advance particular policies and to increase its funding. Several congressional leaders requested that GAO review options for reorganizing the Coast Guard, including the option of making it independent. In examining this issue, GAO (1) evaluated proposed alternatives for organizational placement of the Service, (2) assessed the Service's recent funding history, and (3) examined actions the Service has taken to enhance its efficiency and effectiveness.

Background

Part of the Department of Transportation (DOT) since 1967, the Coast Guard by law is considered at all times to be an armed service of the United States. It nevertheless functions in an essentially civilian capacity, except when directed by the President in time of war or other national emergency to operate as part of the Navy. This dual role makes the Service unique in government. Originally established to enforce customs and other duties, the Service saw its responsibilities multiply almost immediately. The result was the emergence of a multimission form of operations under which Service personnel often perform several missions in the course of a single voyage or patrol. While multimission operations have enabled the Service to adapt to changing circumstances and priorities and take on new responsibilities, they may also have served to encourage a perception that these added duties could be absorbed with little or no increase in resources.

Results in Brief

While moving the Service or making it independent might enhance its effectiveness in certain functional areas, such steps are not likely to increase the resources available to the Service or enhance its overall effectiveness. Such actions might in fact erode the unique dual-role/multimission character of the Service and impair its ability to carry out its many transportation-related missions and such other missions as defense readiness and marine environmental protection.

Despite a widespread perception to the contrary, the budget of the Coast Guard grew in real terms in the 1980s. In constant 1988 dollars, its budget increased from \$1.7 billion to \$3.1 billion between fiscal years 1980 and 1989—24 percent overall, or an average of 2.4 percent yearly. This budget growth was made possible by funds appropriated for national defense and drug law enforcement, which the Congress added to the Service's transportation appropriations.

within DOT. They have also maintained that the Service should not be perceived as a divisible entity. To subtract out a mission because of limited focus on a single issue would, in their view, have an adverse effect on the other services that the Coast Guard provides to the public.

While making the Service independent might somewhat enhance its managerial flexibility, it would be unlikely, in the opinion of most congressional and other budget experts GAO contacted, to increase the Service's overall resources. Neither its current budget function (transportation) nor its congressional authorization and funding panels would be likely to change in the event the Service—in its present form and with its current missions—were made independent.

The potential impact on DOT of the Service's removal must also be considered. Many authorities view DOT as the epitome of the major-purpose department, uniting all important aspects of a single function (transportation). In this scheme, the Coast Guard performs in the maritime arena functions analogous to those of FAA in aviation. Because of its size, it also serves as a counterbalance to FAA and prevents DOT from being dominated by a single large element. For a variety of reasons, DOT is under threat today. A number of proposals have called for FAA's removal from the Department. Proposals to remove the Coast Guard must be evaluated in this context and in terms of their implications for DOT's continued effectiveness and viability. The Service's removal could encourage and support separatist efforts that could eventually spell DOT's end and with it the loss of many of the benefits that were argued in support of the Department's creation over 20 years ago.

Funding

During the 1980s, the long-held view of many Coast Guard officials and supporters that the Service is underfunded in relation to its diverse and ever-expanding responsibilities came to be perceived as a "function 400 problem." According to this view, the Service's placement for budget/appropriations purposes in budget function 400 (transportation) penalized the agency, making it a target of opportunity when the Congress sought funds with which to restore cuts the Administration had imposed on programs such as mass transit and passenger rail service. GAO's analysis, however, disclosed that while the potential for a "function 400 problem" existed, the Coast Guard's budget was not actually harmed by competing demands for transportation appropriations because the Congress was willing and able to make funds available to the Service out of defense appropriations and special appropriations for waging the war on drugs. The Congress provided these funds in recognition of the Service's unique dual-role/multimission character and the Service's important responsibilities in defense readiness and drug interdiction. Between

GAO examined actions the Service took to respond to earlier recommendations that it ensure optimal use of resources by developing a performance measurement system. While the Service has taken some steps to develop such a system, much remains to be done. Many of its current measures of efficiency and effectiveness are not useful in evaluating program performance, managing program activities on a daily basis, or making important planning and resource allocation decisions.

GAO Analysis

Organizational Placement

In recent years, the Service's multimission character has often led to reorganization proposals in which the Service is viewed primarily as a collection of versatile assets available for promoting particular policies or supporting efforts to deal with pressing national concerns. A desire to enhance the Service's funding can also be discerned as a motive for recent reorganization proposals. The 1966 proposal to transfer the Service from the Department of the Treasury to the newly proposed DOT exemplifies the modern tendency to focus on the versatility of the Coast Guard's assets. Likewise, proposals in the early 1980s to move the Service to the Department of Defense (DOD) and proposals in 1988 to move it back to Treasury as part of a consolidated border control and enforcement agency reflect a desire to advance particular policy objectives—in the first instance, strengthening national defense capabilities, and in the second, marshalling federal resources more effectively in support of the war on drugs.

However, while making the Service part of DOD or incorporating it into a consolidated border agency might have symbolic value in affirming the nation's commitment to a strong defense or to law enforcement, it is less clear that such moves would materially improve capabilities in these areas. Moreover, reorganizations that would emphasize a single mission or a narrow range of missions could compromise the Service's ability to carry out other missions and to meet needs in such important areas as search and rescue, aids to navigation, marine environmental protection, and boating safety.

The dual role of the Coast Guard and the diversity of its responsibilities preclude a perfect fit in any organization. However, many believe that DOT offers the best fit currently available. It was because the majority of the Service's programs are related to transportation that the Coast Guard was included as part of DOT in 1967. Coast Guard officials have consistently maintained since then that the Service's proper place is

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fiscal years 1982 and 1989, transfers to the Coast Guard of funds appropriated for defense amounted to over \$1.7 billion, or 9 percent of the Service's total funding. The Service also received nearly \$250 million in funds appropriated under antidrug legislation.

Management Effectiveness

While it has taken some of the necessary first steps, the Service has yet to fully develop and implement a performance management system capable of determining how efficiently it uses resources and how well its programs are achieving their objectives. GAO and others have recommended such a system. In the absence of good measures of efficiency and effectiveness, the Service is unable to evaluate its overall performance or ensure optimal use of the limited resources at its disposal. For example, absent good measures of effectiveness in its Recreational Boating Safety Program, the Service is unable to assess the contributions of either its own efforts or state programs it supports to enhance boating safety. Until it develops better measures and employs them in its planning, evaluation, and resource allocation processes, it will lack the means to gauge its overall effectiveness, target its efforts to achieve the greatest impact for each dollar spent, and cope effectively with the vagaries of the annual budget process. It will also be handicapped in its ability to support and persuasively argue its funding requests.

Recommendation to the Secretary of Transportation

To ensure optimal use of current resources and permit it to more accurately determine and persuasively argue future resource needs, the Coast Guard should fully implement GAO's previous recommendation that it develop managerially useful measures of effectiveness and efficiency and incorporate them into a comprehensive system of performance management. Accordingly, GAO recommends that the Secretary direct the Service to improve its current measures and apply them in day-to-day program management as well as in higher-level decision-making related to planning, programming, evaluation, and resource allocation.

Agency Comments

GAO met with the Secretary of Transportation and senior Coast Guard officials to discuss the contents of this report. These officials generally agreed with GAO's findings and conclusions. As requested, however, GAO did not obtain formal agency comments on a draft of the report.

Abbreviations

ARC	Appalachian Regional Commission
ATON	Aids to Navigation Program
BLS	Bureau of Labor Statistics
CBO	Congressional Budget Office
CRS	Congressional Research Service
DEA	Drug Enforcement Administration
DOD	Department of Defense
DOT	Department of Transportation
ELT	Enforcement of Laws and Treaties Program
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FRA	Federal Railroad Administration
GAO	General Accounting Office
GSA	General Services Administration
HHS	Department of Health and Human Services
INS	Immigration and Naturalization Service
IO	Ice Operations Program
MDZ	maritime defense zone
MEP	Marine Environmental Protection Program
MOE	measures of effectiveness and efficiency
MP	Military Preparedness Program
MS	Maritime Safety Program
NAPA	National Academy of Public Administration
NASA	National Aeronautics and Space Administration
NOAA	National Oceanic and Atmospheric Administration
OMB	Office of Management and Budget
PPBES	Planning, Programming, Budgeting, and Evaluation System
PPBS	Planning, Programming, and Budgeting System
SAR	Search and Rescue Program
SBA	Small Business Administration
UMTA	Urban Mass Transit Administration
VTS	vessel traffic service

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Introduction

Combining both military and civilian roles and administering a diverse portfolio of missions, the U.S. Coast Guard is a unique institution of government. Established in 1915, but tracing its roots virtually to the founding of the republic, the Coast Guard is one of the nation's five armed forces and has played an important role in every U.S. military conflict and in a broad array of civilian missions as well. The hybrid nature of the Service has given rise over the years to several proposals for reorganization, including some that would likely have led to its abolition, if adopted. In recent years, a renewed emphasis on its military role and its growing involvement in drug interdiction have led to additional proposals for reorganization. In contrast to earlier proposals, prompted primarily by considerations of economy and efficiency, these proposals have aimed principally at improving the Service's funding and better using its assets and expertise to pursue particular objectives, such as prosecuting the war on drugs.

Organizational History

The Coast Guard traces its origins to the Revenue Marine, created by the first Congress in 1790. The purpose of the new Service was to enforce the collection of customs and tonnage duties. Its responsibilities quickly expanded, however, and within a few years it was involved in activities as diverse as suppression of the slave trade; enforcement of quarantine, immigration, and neutrality laws; protection of natural resources; and assistance to vessels in distress. In 1915, the Revenue Marine, now called the Revenue Cutter Service, was combined with the Life Saving Service, an organization almost as old, to form the Coast Guard. Both organizations had been part of the Department of the Treasury since their inception, and the Coast Guard remained there also from the time of its establishment until its transfer to the newly created Department of Transportation (DOT) in 1967.

Emergence of a Dual Role

While the primary function of the Revenue Marine was to serve as a floating police force of the Treasury Department, because no U.S. Navy existed at the time and international tensions and threats to American trade were increasing, Service vessels (cutters) were soon assigned the responsibilities of coastal defense and protection of commerce. Even after the Navy's establishment in 1798, the Service continued to exercise important national defense functions and worked closely with the new Navy. Revenue cutters were actively engaged in military duties during such major conflicts as the War of 1812, the Mexican War (1846), and the Civil War (1861-65).

and highlights the recent reemphasis of its role in maintaining defense readiness. This role was given new prominence in 1984 through the signing of an agreement between the Secretaries of Transportation and the Navy. The agreement provided for the establishment of Atlantic and Pacific maritime defense zones (MDZ), under which the Coast Guard has primary responsibility for defending and securing harbors, coastal areas, and navigable waterways out to 200 miles at sea. Under this arrangement, the Coast Guard also has responsibility for planning, training, and exercising with the Navy in coastal defense operations, including such activities as port security, harbor defense, surveillance, and anti-terrorist measures. The Coast Guard's MDZ responsibilities form an important part of the Service's defense readiness mission, one of its three core missions.

The "More" of the slogan refers to the diverse array of activities subsumed under the core missions of maritime safety and maritime law enforcement. These include some of the oldest as well as some of the newest responsibilities of the Service. Within the maritime safety mission, such programs as search and rescue and aids to navigation represent some of the oldest continuing responsibilities of the Coast Guard. Other responsibilities within this mission include recreational boating safety, and licensing and documentation of merchant ship operators. Within the maritime law enforcement mission, which makes the Coast Guard the enforcer of all federal laws in waters under U.S. jurisdiction, one of the Service's oldest responsibilities, the prevention of smuggling has assumed great contemporary importance in the form of efforts to interdict the importation of illicit drugs. More recently acquired responsibilities in this mission area include the enforcement of fisheries laws, interdiction of illegal immigrants, and enforcement of international conventions for the prevention of marine environmental pollution.

Many of the Coast Guard's programs have both operational and law enforcement elements and thus support both the maritime safety and maritime law enforcement missions. Furthermore, many of the Service's peacetime programs—including ice-breaking operations, port safety and security, search and rescue, and aids to navigation—are also important in time of war and thus ensure that the Coast Guard will always be ready to carry out its responsibilities under its defense readiness mission.

Thus, from a very early date a fundamental feature of the Service that would become the Coast Guard was firmly established. This feature, formalized in law (14 U.S.C. 3), makes the Service a military organization and at all times a branch of the armed forces committed to maintain its defense readiness and work with the Navy during war or national emergency. This feature also makes the Service an organization that in peacetime carries out essentially civilian functions in the maritime arena.

Evolution of the Multimission Concept

Closely related to the Service's dual role is the multimission concept of organization. This concept, central to the Coast Guard's approach to managing itself, involves sharing resources across roles and missions. It permits the Service to use many of the same human and physical resources to carry out a diverse array of programs at the same time. Thus, the same personnel and facilities may be involved in a single day or in a single patrol in activities as disparate as conducting a search and rescue operation, placing or maintaining navigational aids, interdicting drug smugglers, and preventing illegal immigration. Its multimission character also provides the Service with the ability to adapt, to take on new roles and responsibilities, and to deemphasize or abandon those that have become less important or useful with the passage of time.

As the multimission character of the Service developed, its personnel and vessels came increasingly to be viewed within government as a collection of versatile assets that could be used to meet a variety of needs in the maritime environment. While frequently the Service had little say regarding the assignment of particular duties—and as a military organization was inclined, in any case, to adopt a “can do” attitude—it demonstrated a growing ability over time to anticipate and capitalize on opportunities for broadening its sphere of activity. This has been the case particularly with issues emerging as national priorities and likely to provide opportunities for growth and expansion. Notable examples include the Coast Guard's involvement with Prohibition in the 1920s and early 1930s, the development and introduction of long-range radio navigation aids in the immediate post-World War II period, the rapid development of the marine environmental protection mission in the 1970s, and the Service's steadily increasing involvement in the war on drugs in the 1980s.

An Armed Service and More

“The Coast Guard: An Armed Service and More” is an informal slogan popularized by the Coast Guard's current leadership. This phrase sums up the traditional dual role and multimission character of the Service

this category has fluctuated from year to year, reflecting its discretionary character and its vulnerability to cuts during periods of budget retrenchment. Close behind the capital expense category is retired pay (about 13 percent in fiscal year 1989, or approximately \$403 million) which, being a fixed expense, is nondiscretionary and nondeferrable. Together, these three expense categories made up more than 95 percent of the Coast Guard's budget in fiscal year 1989.

Reflecting the great increase in drug interdiction activity during the 1980s, over 35 percent of the Coast Guard's operating budget in fiscal year 1989 (\$756 million of \$2.1 billion) was devoted to the enforcement of laws and treaties. The Service's traditional maritime safety programs, search and rescue and aids to navigation, followed at approximately 21 percent each (\$450 million). Next, in descending order, were marine environmental protection (7 percent, or \$149 million), marine safety (6 percent, or \$134 million), defense readiness (5 percent, or \$117 million), and ice operations (3 percent, or \$68 million).

Objectives, Scope, and Methodology

Out of concern for the ability of the Service to fulfill its roles and carry out its mission responsibilities, the then Speaker of the House, Chairman of the Senate Foreign Relations Committee, and majority and minority leaders of both houses asked us to review options for the Coast Guard's reorganization. The emphasis in this review was to be on the potential of the various alternatives to enhance the Service's capabilities, manpower, and equipment and to provide a steady and assured source of funding.

Based on the request and subsequent agreement with the requesters' representatives, our objectives were to (1) examine selected options for the organizational placement of the Coast Guard, (2) review the recent funding history of the Service and evaluate possible funding implications of alternative organizational arrangements, and (3) examine actions taken by the Service to enhance efficiency and effectiveness and ensure the optimal use of available resources.

Because of time constraints, the scope of our review was confined largely to the 1980-89 period (although we also reviewed selected early proposals for Coast Guard reorganization—see app. I). The 1980-89 period encompasses a number of important developments for the Service, including the inauguration of an Administration with a conservative view of the role of government, the emergence of a highly

The Balance of Resources and Responsibilities

A major concern of Coast Guard managers and supporters is the adequacy of resources available for carrying out the Service's continually expanding responsibilities. While the Coast Guard continues to be assigned new duties as a result of legislation, presidential directives, international conventions, and interagency agreements, many believe the resources to carry out these responsibilities have not increased commensurately. The issue of resources has been the subject of numerous examinations, including congressional reports, studies on the Service's roles and missions, and GAO reviews. In a 1980 report, GAO pointed out that the Coast Guard did not have enough vessels to carry out its missions, that some vessels were in poor operating condition, and that the Service had too few people to meet its responsibilities.¹ GAO also predicted at the time—accurately, as it has turned out—that the Coast Guard would have problems effectively carrying out its responsibilities in the 1980s. What GAO did not predict—and probably could not have foreseen—was the dramatic growth in drug smuggling in the 1980s that would necessitate a greatly increased role for the Coast Guard in combating this threat and changes in the government's fiscal policies and spending priorities during the decade that would place added pressure on the Service's budget.

In fiscal year 1989, the strength of the Coast Guard stood at about 38,000 active-duty military and 5,400 civilian personnel, compared with a fiscal year 1980 strength of about 39,500 military and 6,300 civilians. In terms of budgetary support, the Coast Guard's appropriations have fluctuated over the past decade, even when supplemental appropriations and transfers from defense appropriations are taken into account. Expressed in constant 1989 dollars, the Service's total appropriations for fiscal year 1989 (\$3.125 billion) were lower by \$100 million than those for fiscal year 1982 (\$3.225 billion). Nevertheless, for the decade as a whole the Service experienced a moderate, real budget growth rate averaging 2.4 percent annually.

By far the greatest portion of the Coast Guard's budget (68 percent in fiscal year 1989, or \$2.1 billion of a total of \$3.1 billion) goes to operating expenses, which cover salaries as well as routine maintenance of facilities and equipment and fuel to keep vessels and aircraft running. The next largest component (about 14 percent in fiscal year 1989, or approximately \$435 million) consists of capital expenses. The size of

¹ The Coast Guard—Limited Resources Curtail Ability to Meet Responsibilities (CED-80-76, Apr. 3, 1980).

Proposed Reorganizations of the Coast Guard Are Unlikely to Improve Its Funding or Enhance Its Capabilities

The unique, hybrid character of the Coast Guard—a service organized along military lines to carry out primarily civilian, peacetime functions—has made it a frequent object of reorganization proposals. Early in this century, proposals to combine the Coast Guard with the Navy (or abolish it altogether) were prompted primarily by concerns for efficiency and economy in government and a desire to eliminate unnecessary duplication. Later, as the versatility and flexibility of the Coast Guard's multimission assets came to be more widely appreciated, the primary motivation for reorganization was often a desire to enlist the Service's assets and particular competence in pursuit of specific policy objectives. Such objectives have included better securing the nation's borders against smuggling and illegal immigration, protecting the marine environment, and promoting the conservation and development of marine and undersea resources.

The sole reorganization proposal to be implemented to date, the 1966 proposal to transfer the Coast Guard out of the Treasury Department to the new Department of Transportation, is an example of a proposal prompted by policy considerations. The policy goal in this case was to use the Coast Guard's vessels, personnel, and expertise in maritime matters to help promote the development of a safe, efficient, balanced, and integrated national transportation system. Because of the transportation-related nature of most of the Coast Guard's activities, the Service was viewed as a logical and essential component of the new department.

During the 1980s, several new proposals for the Coast Guard's reorganization were made, primarily by Members of Congress. While some of these proposals were inspired, at least in part, by a desire to advance particular policy goals—e.g., strengthening national security and defense readiness or more effectively prosecuting the war on drugs—a number of them also reflected a concern for the adequacy of the Coast Guard's funding and a desire to enhance financial support for the Service's diverse and ever-expanding portfolio of missions. Our analysis of several of the more prominent of these proposals, including an assessment of their possible consequences if they were adopted, showed that none of them was without risks to the Coast Guard, to the department of which it is now a part, or to the policy objectives that the Service's programs currently support. In addition, we found that in the present federal budget environment none of them offered much hope for improving the Coast Guard's funding.

constrained federal fiscal environment, the addition of new responsibilities, and the Service's rapidly growing involvement in the war on drugs. In addition, this period embraces a number of legislative proposals for the Coast Guard's reorganization that reflect the various influences and forces impinging on the Service during the decade. Our review was conducted between February and October 1989 and was performed at Coast Guard, DOT, and Navy headquarters in Washington, D.C.

To place Coast Guard organization issues in proper perspective and obtain an understanding of past reorganization proposals, we reviewed the legislative and organizational history of the Service, including that of its earliest antecedents. We reviewed a variety of published histories; academic studies; and DOT, Coast Guard, and other government reports; as well as earlier GAO reports dealing with the Service. We also interviewed DOT and Coast Guard officials, current and past, as well as authorities in public administration and political science associated with bodies such as the National Academy of Public Administration (NAPA) and the Congressional Research Service (CRS).

To understand current federal fiscal policies and congressional budget and appropriations processes and to obtain funding information for the Coast Guard, DOT, and a variety of other federal agencies, we interviewed congressional staff and representatives of the Budget and Appropriations Committees, the Congressional Budget Office (CBO), and the Office of Management and Budget (OMB). We supplemented budget data with information contained in congressional reports of appropriations and authorization hearings, agencies' budget documents, and various specialized publications.

To assess the Coast Guard's efforts to enhance efficiency and effectiveness and ensure optimal use of available resources, we interviewed Service officials and representatives of DOT, OMB, the Congress and the Bureau of Labor Statistics (BLS). We also reviewed Coast Guard documents, including plans, studies, internal memorandums, and correspondence.

authorities, including the current leadership of the Coast Guard, still believe that DOT offers the best organizational home for the Service.

The decade of the 1980s saw its share of proposals dealing with organizational placement of the Coast Guard. In contrast to earlier proposals, many of these proposals appeared to be prompted by a desire to secure greater and more reliable funding for the Service. Adequate funding has been a concern of Service managers and supporters for many years. With the steady expansion of the Service's responsibilities in the 1970s and 1980s, these concerns have only increased. Recent proposals that are not clearly intended to enhance the Coast Guard's funding appear to share the goal of enlisting the Service more fully and effectively in the nation's ongoing war on illicit drugs. However, in these proposals, too, a concern for the Coast Guard's welfare may be detected in the attempt to identify the Service even more closely than it already is with a policy priority to which the Congress and the executive branch have devoted substantial resources at a time of overall budget constraint.

To date, none of these proposals has managed to attract the kind of support needed to bring about major organizational realignment. Whether they or others will do so in the future remains to be seen. This will depend on a number of factors, including the persuasiveness of the rationale advanced for change, the calculus of advantages and disadvantages perceived by affected parties, and the risks that change would entail for the unique character of the Coast Guard and for its survival over the long term.

Evaluation of Recent Proposals Dealing With the Coast Guard's Organizational Placement

As noted above, the transfer of the Coast Guard to DOT in 1967 did not put an end to proposals that would alter its organizational placement. During the 1980s, such proposals continued at an accelerated rate. The following discussion deals with some of the more notable legislative proposals that were advanced in the decade just completed and attempts to assess the likely consequences of these reorganization schemes if they were to be adopted. While these proposals differ in their purposes, objectives, and salient features, several general tests seem applicable to their evaluation. These tests relate to (1) the potential impact of the proposed change on the Coast Guard's dual-role and multimission character as well as on the diverse programs the Service currently administers, (2) the likely implications of reorganization for the funding of the Coast Guard's activities and requirements, and (3) the potential of reorganization for serious, if unintended, adverse consequences.

The Service's Attraction to Reorganizers

Reorganization is a method through which change, in the name of a variety of objectives, is sought by presidents, legislators, and others. Objectives sought may include better organizing the machinery and resources of government in pursuit of particular policy goals or in response to specific problems, eliminating duplicate and overlapping functions, ensuring organizational survival, or achieving organizational aggrandizement. The Coast Guard has historically been a frequent object of reorganization proposals, largely because of its unique dual-role character. Although an armed service, the Coast Guard's responsibilities in peacetime are essentially civilian in nature, including operational, regulatory, and law enforcement functions. This hybrid nature of the Service has often attracted the attention of administrative reformers who have sought to consolidate like functions as a way of simplifying government organization and reducing unnecessary duplication. Repeatedly, going back to the early days of the Coast Guard's antecedents, the Service has been confronted with proposals that would combine it with the Navy in the name of economy and efficiency. Such proposals continued to be made even after the Coast Guard assumed its present identity in 1915. (See app. I for a discussion of early reorganization proposals).

The multimission character of the Coast Guard has also attracted the attention of administrative reformers. The broad maritime expertise of Coast Guard personnel and the versatility of Service assets result from the multimission principle of organization and management. They have made the Service an attractive object to those who would marshal its unique competence and resources in support of particular policy priorities, such as environmental protection, or in support of major national concerns, such as the current war on drugs.

Notwithstanding the many reorganization proposals in which the Service has figured over the years, only one—the 1966 proposal to transfer it from Treasury to the newly created DOT—has ever been implemented. The establishment of DOT and the Coast Guard's inclusion as a key constituent element represented the advent of the modern, major-purpose department. The new department brought together agencies representing all modes of transportation. It was intended to provide the means for formulating coherent national transportation policies and developing a balanced and integrated national transportation system. Because most of the Coast Guard's activities involved transportation, the new department was also believed to offer the best available organizational fit for the Service's multimission portfolio, as well as providing it with the opportunity for future growth and expansion. Today, many

Unintended Adverse Impacts: A third test relates to the possibility of adverse impacts from reorganization. It is possible that an otherwise soundly conceived and well-intentioned organizational proposal could carry with it risks of unintended negative consequences. One such risk is that to which the Coast Guard's current parent agency, DOT, could be exposed in the event of the Service's transfer to a new home. This risk is in fact a dual one: first, to the integrity of the organizational concept on which DOT was based; second, and more problematical, to the continued viability of DOT as a cabinet-level department.

DOT was established in 1967 to bring greater balance, coherence, and integration to transportation policy, planning, and investment. It was meant to bring together under one organizational umbrella a scattered assortment of agencies representing all modes of transportation. In this unifying organizational scheme the Coast Guard, more than any other agency, represented the various facets of waterborne transportation—and continues to do so today.

Another important feature of DOT's organizational design—and one which appears to have been crucial to the proposal's quick acceptance by the Congress, by affected transportation interests, and by the public at large—was that the proposed department was not to be dominated by any single, powerful element or interest. DOT's founders viewed the functions of the Coast Guard in water transportation as analogous to those of the Federal Aviation Administration (FAA) in aviation, and the two agencies were together viewed as complementary and counterbalancing elements in the new department. The transfer of the Coast Guard out of DOT would thus run counter to the intent of the department's original framers and would leave the department not only diminished but also, potentially, unbalanced. In addition, by compromising the organizational integrity of the department and undermining the rationale for its creation, the removal of the Coast Guard could conceivably further erode the department, giving encouragement to those who, for a variety of reasons, would like to see other organizational elements removed from the DOT orbit. (See app. I for a fuller discussion of the circumstances and considerations leading to DOT's creation).

Proposals to Transfer the Coast Guard to the Department of Defense

During the early 1980s, several proposals were made to transfer the Coast Guard to the Department of Defense (DOD), either as a part of the Navy or as a separate organizational entity equivalent in status to the Army, Navy, and Air Force. These proposals coincided with the strong emphasis on national defense that was a distinguishing feature of the

General Tests of Proposals for Reorganizing the Coast Guard

Impact on Roles, Missions, and Programs: A basic test of any proposal to alter the Coast Guard's organizational placement is its compatibility with the Service's distinctive dual-role/multimission character. Put another way, the Coast Guard, as an intact entity, must fit reasonably well within any proposed organizational scheme if there is to be any assurance of survival in its present form. A Coast Guard that is purely military or purely civilian in nature or one that is composed of specialized personnel and assets devoted to a single mission or narrow range of missions would clearly be a different organization than the one that has existed for nearly 200 years.

Therefore, the question that needs to be examined in connection with any reorganization proposal is what is likely to happen to those Coast Guard programs that do not fit well in the proposed new organizational scheme, that do not bear directly on priority goals and are tangential or irrelevant to the proposed parent agency's primary interests and concerns. It is possible, even likely, that in time such programs would either be spun off or would wane as a result of inattention and lack of support. Either development could erode the Coast Guard's historic dual-role/multimission character. Dismemberment, whether all at once or as part of a gradual process of losing missions and associated assets, has long been one of the greatest concerns of Coast Guard management. Furthermore, absent a congressional decision to terminate or drastically scale back programs and missions that might be spun off or eclipsed as a result of the Coast Guard's reorganization, some other agency or agencies would have to fund and administer these programs. The net result could well be greater total cost through duplication of facilities, equipment, and personnel and lower overall efficiency and effectiveness through the loss of the Coast Guard's expertise and multimission flexibility.

Impact on Funding: A second test relates to the potential impact of reorganization on the funding of the Coast Guard's activities. Several recent proposals for the Coast Guard's reorganization appear to have been prompted by concerns about the adequacy of funding for the Service and a desire to ensure increased budget support for its entire range of missions, including personnel and capital requirements. It is appropriate, therefore, to examine whether a particular proposed organizational change would be likely to bring about other changes—such as a change in congressional committee jurisdiction, in budget/appropriation functions, or in budgetary advocacy and support—that could translate into increased funding for the Service.

role/multimission responsibilities. In fact, under normal peacetime circumstances only a small part of the Coast Guard's activities are of a true military nature. In fiscal year 1989, for example, only about 5.5 percent of the Service's operating expenses were devoted to military activities (training, exercises, planning) designed to maintain a state of defense readiness, compared with about 4.3 percent in fiscal year 1980.

The majority of the Coast Guard's activities, as noted previously, are related to transportation. For this reason, all Coast Guard leaders since 1967 have taken the position that the Service's proper place is within DOT. Also, Coast Guard officials have long expressed concern about the ability of the Coast Guard's peacetime civilian functions to coexist, let alone thrive, in the essentially war-oriented environment of the Navy and DOD. In recent years, the Navy, too, has expressed misgivings about the compatibility of the Coast Guard's missions with its own and about the advisability of combining the two services.

With the essential nature of the two services unchanged over many years, there is little reason to believe that these longstanding concerns have lost their validity or that the Navy or DOD is more able now than in the past to offer a congenial home for the Coast Guard's civilian programs. In fact, by law and longstanding tradition, branches of the U.S. military—with the notable exception of the Coast Guard—have been excluded from a domestic civilian law enforcement role. Any substantial change in this regard—for example, making the Coast Guard part of the Navy—would not only require legislative action but would represent a profound change in attitude concerning the appropriate role of the military in our government.

Impact on Funding: The intent of these bills was to associate the Coast Guard more closely with the Administration's national defense priorities and thereby make it a beneficiary of the rapid growth in defense spending (at a time when federal spending was otherwise severely constrained). However, most of those we spoke to on the subject, including senior Coast Guard officials, did not believe that the Coast Guard would have benefited—or would benefit now—from being part of DOD. As reasons, they cited the Coast Guard's small size in relation to the size of other DOD services and the lack of understanding and appreciation of the Coast Guard's peacetime missions by these other services and by the armed services oversight and appropriations panels.

Furthermore, they believed that the Service, under its current Commandant and his predecessor, had done an effective job of emphasizing its

period and, by emphasizing the military side of the Coast Guard's dual role, were intended to position the Service to benefit from the increase in military spending that marked, in particular, the years 1981 through 1985.

The first such proposal, H.R. 4996, introduced in November 1981, was offered at a time when the pace and magnitude of the Administration's defense buildup had become apparent. It would have made the Coast Guard a part of the Navy, with the Commandant reporting to the Navy Secretary, as do the Commandant of the Marine Corps and the Chief of Naval Operations. The proposal did not attract wide support. Neither the Coast Guard nor the Navy favored an organizational scheme that would subject the Coast Guard to the operational control of the Navy in peacetime. The Navy, moreover, speaking also for DOD, argued that such control was inconsistent with the diverse missions of the Coast Guard, which are primarily civilian-oriented and regulatory or law enforcement in nature. The Navy also objected that from a manpower standpoint its commitments already exceeded its resources. To integrate the two services, it believed, would only exacerbate the resource problem and in all likelihood would result in decreased effectiveness for both.

To deal with these objections, but still accomplish the goal of identifying the Coast Guard more closely with national defense priorities and thereby improve its funding prospects, proposals were introduced in 1982 and 1983 to establish the Coast Guard as a separate military service within DOD, independent of Navy control in peacetime. One of these proposals, H.R. 5567, introduced in February 1982, would have established the Coast Guard as a separate department within DOD, headed by a civilian Secretary of the Coast Guard who would report to the Secretary of Defense. The bill's sponsor believed that the basic purpose and duties of the Coast Guard had become obscured in DOT and that the nation would be better served by putting the Service in the "proper perspective," i.e., as an entity within DOD. The other proposal, H.R. 1767, was introduced in March 1983. This proposal would have established the Coast Guard as a service within DOD independent of any military department except when operating under the direction of the Navy in time of war or national emergency. Under this bill, the Commandant would have reported directly to the Secretary of Defense. Neither of these proposals was adopted.

Impact on Roles, Missions, and Programs: While the Coast Guard under law is considered to be an armed service at all times, it is the smallest of the nation's five armed services and unique among them in having dual-

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States entered World War II—the unique status of the Coast Guard permitted it to play important military intelligence and security roles that other military services could not so easily have played.

**Proposals to Make the
Coast Guard Part of a
Consolidated Border
Management Agency**

Despite a variety of proposals over the years for creation of a consolidated border control and enforcement agency, none has been adopted to date. As far back as 1930, the Hoover Administration recommended unification of the three primary border control units of the day under the jurisdiction of the Coast Guard. Revived several times since then, proposals to create such an entity were put forward most recently in connection with deliberations on the comprehensive Anti-Drug Abuse Act of 1988. During 1988, several bills were introduced in both the House and Senate to create within Treasury an Office of Enforcement and Border Affairs headed by an Under Secretary. Reporting to this individual would be two Assistant Secretaries whose exact titles and duties varied somewhat from bill to bill. Each of these proposals envisioned the transfer of the Coast Guard out of DOT and back to Treasury as part of the new, consolidated office of border management. One of the bills (S. 2230) was titled the “Coast Guard and National Border Coordination Revitalization Act of 1988.”

An important objective of these proposals was to better coordinate and use the existing resources of government to secure the nation's borders and control the traffic in illicit drugs and illegal immigrants. The emphasis, therefore, was primarily on the Coast Guard's law enforcement mission and capabilities for preventing smuggling, a traditional responsibility dating back to the days of the Revenue Marine. However, another important objective, at least in some cases, appears to have been a desire to have the Coast Guard benefit to a greater extent than it had already from the vast budgetary resources that the Congress and the executive were allocating to the war on drugs.

In recent years, the Coast Guard has played an increasingly important part in the nation's effort to deal with the problem of drug trafficking and, on a somewhat less dramatic and visible level, the problem of economic refugees. This is illustrated by the fact that between 1980 and 1989 the portion of the Service's operating expense budget devoted to the enforcement of laws and treaties increased from 18.2 to 35.6 percent. The Service's law enforcement role is growing with the encouragement of both the Congress and the executive branch and also as part of a strategy on the part of Service officials to play a prominent role in what they perceive as a growth sector of federal activity. The willing

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national defense role and associating itself beneficially with the Administration's national defense priorities. The 1984 agreement between DOT and DOD establishing MDZs was cited as an example. Another example cited was the funding, materiel, and training support that the Coast Guard has received in recent years from DOD and through the defense appropriations process. Between fiscal years 1982 and 1989, such support amounted to nearly \$1.75 billion in total.

Moreover, these commenters expressed doubts about the long-term sustainability of the defense spending levels that characterized the early and mid-1980s and the wisdom of taking the risky step of reorganization for the sake of uncertain, short-term financial gain. Many predicted tight DOD budgets in the years ahead, as the nation's leaders attempt to balance competing priorities and address the urgent problem of mounting deficits. In such a climate, few believed that the Coast Guard's placement within DOD would be advantageous in terms of funding the Service's broad range of essentially civilian peacetime responsibilities.

Unintended Adverse Impacts: As discussed earlier, removing the Coast Guard from DOT would compromise the basic organizational concept and policy rationale on which the department was founded, would leave the department unbalanced and potentially unstable, and could well set the stage for further damage to its organizational integrity and effectiveness by providing a precedent for the removal of additional elements. Of all DOT agencies, the Coast Guard has the broadest responsibilities in the area of waterborne transportation, particularly with regard to important safety functions. Consequently, its removal would impair the ability to achieve consistency and coherence in safety promotion across transportation modes. The Coast Guard's removal would also work against the development and implementation of a comprehensive national transportation policy and the ability to foster a balanced and effectively integrated intermodal system.

Additionally, Coast Guard officials present and past, including a former commandant, expressed fear that placement of the Service within DOD would damage its humanitarian image in the eyes of the world, causing it to lose its unique identity and reputation and leading other nations to be less willing to welcome it, cooperate with it, and accept its technical, law enforcement, and other assistance. In this view, the Coast Guard's hybrid character and its location within civilian departments for virtually all of its two centuries have contributed substantially to its international acceptance and effectiveness. Even in periods of rising international tensions—as, for example, in the period before the United

still need to be carried out by someone. The development of this capability by another agency could well entail wasteful duplication of facilities, equipment, and personnel and an overall increase in cost to the public.

Questions also arise about the fate of a consolidated border management agency and its constituent elements if and when the current crisis wanes. When concern for securing the nation's borders against illicit drugs and illegal immigrants yields priority to new and no less pressing concerns, what would be the fate of the Coast Guard, particularly of a Coast Guard with a diminished multimission capability? Would it be viable? Could it be reconstituted as it was before? Would it be a candidate once again for transfer to a new home?

Impact on Funding: Similar questions arise in connection with the funding of the Coast Guard's activities. While the Coast Guard has already benefited substantially from close identification with the drug war and could be expected to continue to do so as part of a consolidated border management agency—as long as drug interdiction continued to be a high national priority—what would the funding picture be if the strategic emphasis were to shift from interdiction to demand reduction? There are authorities on the drug problem and some in the Congress who, even now, question the value of increased interdiction efforts and favor greater investment of scarce resources in local law enforcement, education, treatment, and rehabilitation. Linking the Coast Guard's future to a current, but possibly transitory, budget priority could translate to a future of resource constraint and austerity for the Service, particularly to the extent that its multimission capability had been allowed to erode and it had become more narrowly focused on and specialized in law enforcement.

Unintended Adverse Impacts: The possibility of unintended negative consequences for DOT as a result of the Coast Guard's removal from the department was discussed previously. These consequences include compromise of the department's organic concept and philosophical underpinnings (a major-purpose department uniting all modes of transportation) and of its ability to promote a balanced, coherent, and consistent approach to transportation safety, planning, and investment.

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assumption of this role by the Coast Guard demonstrates both its inherent flexibility and ability to shift priorities and its skill in identifying and capitalizing on opportunities for expansion. As one long-time observer of the Coast Guard and member of the Coast Guard Auxiliary has remarked, the Service “has so potentially large a brief that it can logically involve itself in almost anything taking place on or along the water.” That this capability may be turned into a strategic tool that the Service can use to its advantage is something that its leadership clearly understands.

Impact on Roles, Missions, and Programs: While the Coast Guard’s growing involvement in border-policing activities may be seen as a way of securing resources to support a variety of personnel and equipment needs and missions other than law enforcement, it is not clear that the Service or the nation would benefit from institutional changes that would focus solely on the law enforcement mission and ignore the Service’s other important responsibilities, such as protecting the marine environment, promoting safety, and ensuring the security of ports, harbors, and waterways. Although it would symbolically underscore the nation’s resolve to spare no effort in combating drugs, the transfer of the Coast Guard to a Treasury Office of Enforcement and Border Affairs may represent an unnecessary organizational response to problems that—while currently of grave concern—will not necessarily be a problem the nation will face in perpetuity.

Even more problematical is the question of what would happen to the Coast Guard’s multimission character as a result of such an organizational change. Debate on proposals to transfer the Coast Guard to a new border management entity would very likely involve consideration of how well some of the Service’s other responsibilities and activities would fit in the new organization and whether they belong there. Such deliberations would thus pose a risk that the Service would be dismantled and its duties and assets parceled out. Moreover, even if the Service were to be transferred intact, non-law enforcement missions might subsequently be found to be incompatible and inconsistent with the main concerns of the new parent organization and either be starved of support or eventually spun off. Candidates for such treatment might include search and rescue activities, aids to navigation, and marine environmental protection, among others. In the absence of a clear signal of policy change from the Congress, these mission responsibilities would

essential to ensuring the safety and efficiency of waterborne transportation and preserving the policy rationale on which DOT was founded. Such a move, if successful, would likely alter the character of the Coast Guard and could adversely affect its ability to carry out its remaining missions and programs. This move could also constitute the kind of dismantling of the Service that its leaders have long—and so far successfully—strived to prevent.

Impact on Funding: Given that this proposal was prompted chiefly by a desire to see the Coast Guard better funded in relation to its long and ever-growing list of responsibilities, it is appropriate to assess prospects for enhanced funding under an organizational scheme that provides for the Service's independence. While necessarily speculative, this assessment takes into account the views of congressional staff; DOT and Coast Guard officials; OMB, CBO, and CRS representatives; and others who are knowledgeable about the budget/appropriations process, the current federal fiscal situation, and the workings of the Congress and the executive branch.

The view that the Coast Guard's funding difficulties and uncertainties have their roots in philosophical disputes surrounding the funding of particular transportation programs has a number of adherents. However, this belief may result from an overly narrow perspective on the current budget environment. Rather than viewing the Coast Guard's funding needs as being in competition only with other transportation programs and priorities, it may be more accurate to view them as being in competition with the claims of all government programs for their share of an increasingly constrained federal budget. Considering that the nondefense discretionary portion of the federal budget—that portion that provides funding for virtually all nonentitlement civilian programs—declined from 25.4 to 15.8 percent of the total between fiscal years 1980 and 1989, it becomes clear that Coast Guard programs are being forced to compete in an increasingly fierce governmentwide contest for resources.

In this contest for funding priority, the Coast Guard has managed to stay ahead, enjoying gains in real dollars even as many other agencies and overall nondefense discretionary spending have had real declines. As discussed in chapter 3, the Congress in recent years has supplemented the funding of the Coast Guard's activities in the transportation budget (function 400) by providing the Service funds appropriated for defense (function 050). While this arrangement represents an ad hoc as opposed to an institutionalized response to the Service's needs, it does

Proposals to Make the Coast Guard an Independent Agency

On October 13, 1988, a bill (S. 2893) was introduced to remove the Coast Guard from DOT and establish it as an independent agency. Because it was introduced late in the 100th Congress and could not be adequately considered in the press of last-minute congressional business, the bill was reintroduced (as S. 283) on January 31, 1989, shortly after the convening of the 101st Congress.

In introducing these bills, their sponsor made it clear that his primary concern was with the adequacy and reliability of the Coast Guard's funding. Citing the important traditional functions of the Coast Guard in search and rescue and maritime safety—as well as more recently assigned duties in such areas as marine environmental protection, enforcement of fishery conservation laws, and drug interdiction—he suggested that the Coast Guard had been seriously hampered in carrying out its responsibilities by insufficient and unpredictable funding.

Reflecting a widely held view regarding the cause of this perceived problem (discussed in depth in ch. 3), he attributed the Service's difficulties to its organizational placement within DOT and its funding through the transportation budget account (budget function 400). In this view, the Coast Guard's organizational situation makes it an unwitting victim of disputes between the Congress and the Administration over national priorities and transportation funding needs, particularly disputes over subsidies for such programs as urban mass transit, passenger rail service, and essential air service to small communities. Establishing the Coast Guard as an independent agency, in the view of the bills' sponsor, would serve to eliminate these problems. In his words:

“It would free the service from entanglement with entirely irrelevant budget considerations within the Department of Transportation . . . [and give it] the stature and the visibility necessary to permit consideration of its funding needs at a higher and more appropriate level of national policy.”

Impact on Roles, Missions, and Programs: The removal of the Coast Guard from DOT would be unlikely, in and of itself, to compromise the Service's ability to carry out its traditional dual role or its diverse assortment of missions and programs—provided, that is, the Service were to remain intact. However, because of the transportation-related nature of much of what the Coast Guard does, there is a distinct possibility that DOT would seek to retain some portion of the Service's facilities, equipment, and personnel. Its motive in doing so would be to continue within the department those functions and activities deemed

safety are transportation-related activities. In fact, by the Commandant's estimate, 80 percent of what the Service does concerns transportation. This being the case, it is difficult to find a persuasive rationale for changes in appropriations subcommittee jurisdiction. Even if the Service were to be separated from DOT and established as an independent agency, its essential nature would remain unchanged—as long as it remained an intact entity, doing basically what it does at present as part of DOT.

Finally, even if it were to occur, a change in authorizing committees or appropriations subcommittees would not necessarily be beneficial for the Service. Among the members of its current authorizing and appropriations panels are individuals who, in many cases, have had a long and close association with the Service and understand its programs and missions well. In a setting where there is intense competition for a steadily shrinking pot of available funding, it is useful to ask how the Coast Guard could benefit by coming under the jurisdiction of congressional panels that do not know or understand it as well and where it would have to build relationships, understanding, and support anew. Budget authorities we questioned in this regard felt that it was highly unlikely that the Coast Guard would have fared as well as it did in the 1980s—or would fare as well in the future—under the jurisdiction of any other authorization and appropriations panels. Moreover, as appendix II shows, the recent funding history of a variety of civilian agencies offers little grounds for expecting that the Coast Guard would enjoy more liberal funding as an independent, subcabinet-level agency under the jurisdiction of the Veterans Administration, Housing and Urban Development, and Independent Agencies Subcommittees.

Unintended Adverse Impacts: The implications for DOT of making the Coast Guard independent are no different than those involved in transferring the Service to a new home in DOD, Treasury, or some other agency. Such a step, in other words, would pose the same risks to the governing organizational concept and policy goals of DOT and to its continued integrity and effectiveness as a major-purpose department of the federal government. In addition to making it more difficult to achieve consistency and balance in such important areas as transportation safety, planning, research and development, and investment and to promote the development of a truly integrated multimodal transportation system, the Coast Guard's removal from DOT could well lead to further erosion of the agency. For a variety of reasons, most having to do with the current budget crisis, a number of proposals have been made calling for the removal of FAA from DOT. The removal of the Coast Guard—with

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recognize materially the Coast Guard's military readiness mission and has been a welcome—if not always reliable and predictable—assist to the Service.

Whether the gains in funding experienced by the Coast Guard in the 1980-89 period have been commensurate with the increase in assigned responsibilities is a separate issue, and one we were not asked and are not in a position to evaluate. Many in the Coast Guard and many of its supporters in the Congress believe that they have not. It is also true, however, that this view has held through much of the history of the Service. Faced with periodic insufficiency of resources, the Coast Guard has used its considerable flexibility and discretion to shift priorities and adjust its levels of effort to the level of resources available. Actions taken by top management in recent years illustrate the determination and ability of the Coast Guard to adjust the scale and mix of its operations to the vagaries of the budget process. Admittedly, such actions are not always easy or without controversy, as illustrated by the strong negative reactions engendered by decisions in fiscal year 1988 to close, reduce, and decommission various Coast Guard facilities in the wake of across-the-board budget cuts.

Closely associated with the notion of an independent Coast Guard is the idea that the Service might enjoy greater financial success if it were funded within a different budget function and its budget and programs were overseen by congressional panels other than those that currently provide oversight. Again, the idea seems to be that if the Service could be extricated from the philosophical disputes, competing priorities, and geographical rivalries that center on transportation and dominate the attention of the transportation appropriations subcommittees it would have a better chance of obtaining the funding it believes it needs. Those budget authorities we consulted pointed out that this notion seems to overlook the fact that in today's pressurized fiscal environment all government programs and all appropriations subcommittees are faced with the kinds of political disagreements, competing priorities, and geographical rivalries that characterize transportation. There is simply less to go around than in the past, they noted, and the competition for what remains is much more intense.

Moreover, this line of reasoning seems to discount the essential nature of the Coast Guard's activities. As noted earlier, programs such as search and rescue, aids to navigation, bridge administration, icebreaking, port safety and security, commercial vessel safety, and recreational boating

also in terms of their implications for other important national objectives, for the Coast Guard itself, and for the department of which the Service is currently a part.

A proposal aimed at using the Coast Guard's versatile assets and personnel in pursuit of a single objective or a narrow set of objectives may end up compromising the achievement of other important objectives by impairing the ability of the Service to function in its traditional dual-role/multimission capacity. Such impairment could come about in a variety of ways, including by neglect of missions that bear little relation to the priorities of the new parent agency, by the transfer to other agencies of missions that are unwanted or that do not seem to fit, or by DOT's retention of Service assets and personnel deemed indispensable to the provision of essential marine transportation services. Possible consequences would be a diminished ability to support such goals as environmental protection, national defense, safety of life at sea, or conservation of marine resources.

The possible consequences for DOT of the loss of one of its key elements must also be considered. Transfer of the Coast Guard from DOT could compromise the major policy purpose and organizational principles on which the department was founded. Intended to unite under one organizational umbrella entities representing all modes of transportation, DOT could be seriously diminished and destabilized by the loss of the Coast Guard. Moreover, by undermining DOT's integrity and rationale, the Service's removal could contribute to the department's further decline, lending support to calls for the removal of other elements, notably FAA.

A common thread linking most recent proposals is the goal of increasing the Service's funding. It is important to appreciate fully the economic and institutional factors that militate against a substantial improvement in funding under any of the organizational schemes that have been proposed. In the current fiscal environment, all agencies must compete for increasingly scarce resources. While the Coast Guard in recent years has not been funded at a level that officials and supporters believe to be commensurate with its responsibilities, it has still fared better than many other agencies and has generally received more in its annual appropriations than the President requested. The Service has benefited from substantial funding made available as part of the war on drugs and through defense appropriations in support of its military readiness role. Moreover, it has been able to use its considerable flexibility and discretion to adjust levels of effort, shift program priorities, and alter mission emphasis in response to the level of funding received.

FAA one of DOT's key constituent agencies—could lend added impetus to these calls and, conceivably, lead to the eventual undoing of the Department and with it the loss of most of the advantages that were persuasively argued in support of its creation over 20 years ago.

Another unintended consequence of removing the Coast Guard from DOT and establishing it as an independent agency could be the loss of the kind of advocacy and budget support that a cabinet-level officer can provide. While DOT Secretaries and, before 1967, Secretaries of the Treasury have not all, or at all times, been staunch supporters of the Service's budget requests, such support has been an important factor on many occasions. In the Treasury years, Secretaries Morgenthau (under President Roosevelt) and Dillon (under President Kennedy) stood out as strong and effective advocates for the Coast Guard, willing and able to lobby for additional resources for the Service. More recently, DOT Secretaries Burnley and Skinner have strongly supported the Service's budget requests. An independent Coast Guard, headed by a subcabinet-level officer—whether civilian or military—would not have the representation within the highest councils of the executive branch that the Service currently enjoys.

Conclusions

While numerous proposals have been made for alternative placement of the Coast Guard, only one—the 1966 proposal to transfer the Service from Treasury to DOT—has ever been adopted. This record says something about the convincingness of arguments advanced for change, the perceived balance of advantages and disadvantages involved, and the potential risks implicit in the Coast Guard's move to a new home. Since 1966, and for many years before that, no reorganization proposal has been able to garner the support necessary to bring about fundamental change in the nature of the Service or alter its location in the structure of government.

Since 1966, proposals to move the Service have largely focused on two considerations: (1) a desire to marshal governmental resources in support of particular policies and goals or (2) a desire to assist the Coast Guard in securing better funding. In some cases, both of these motives have been evident. Proposals to reorganize the Service have included: (1) transferring it to Defense, (2) moving it back to Treasury, and (3) establishing it as an independent agency. These proposals need to be evaluated not only in terms of their objectives (stated or implied) but

Despite Fiscal Constraint, the Coast Guard's Budget Has Grown

The adequacy of the Coast Guard's funding, particularly in relation to the Service's broad and continually expanding responsibilities, has been a matter of concern to its leaders and supporters for many years. As discussed in chapter 2, during the past decade the perceived imbalance of the Service's resources and responsibilities came to be identified in many minds as a "function 400 problem." This view holds that the location of the Coast Guard in DOT and its funding under the transportation budget function oblige it to compete for the limited resources allocated to transportation and make it the unwitting victim of disputes between the Administration and the Congress over the funding of transportation grant programs, such as passenger rail service and urban mass transit.

We found, however, that despite such disputes and despite increasing federal budget constraint, which led to intensified governmentwide competition for resources, the Coast Guard still managed to achieve respectable budget growth during the 1980s. When funding from all sources, including transportation appropriations, is taken into account, the percent change in the Service's budget authority increased in real terms by 24 percent between fiscal years 1980 and 1989. This was the highest growth experienced by any DOT agency except FAA and far exceeded that for DOT as a whole.

The budget growth of the Service is attributable principally to the fact that it has received substantial funding assistance from sources outside the transportation appropriation, notably funds appropriated for national defense and funds appropriated to prosecute the war on drugs. Without such assistance over the past decade, funding for the Coast Guard would have been lower by nearly \$2 billion, its annual appropriation in 7 of 10 years would have been less than the President's budget request, and the "function 400 problem" label would have more accurately described the Service's situation.

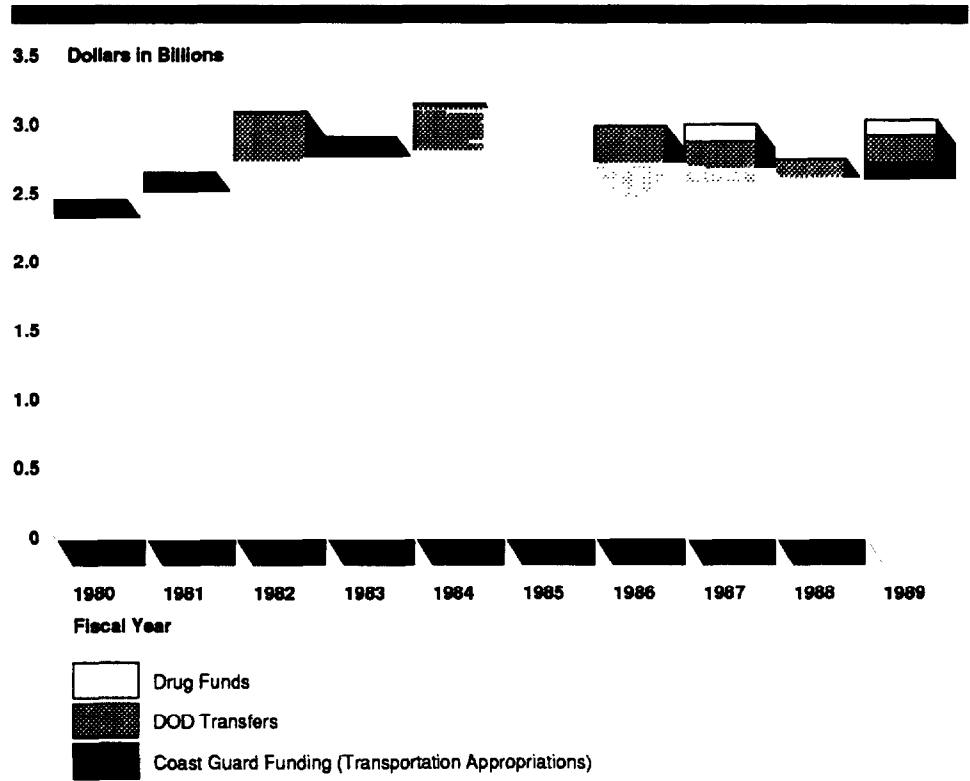
The Congress has been willing to provide support from defense appropriations in recognition of the unique dual-role character of the Coast Guard and its important responsibilities in the areas of coastal defense and military readiness. While some in the Congress and the Administration maintain that such transfers violate the budget summit agreements governing spending by major budget category, others, including members and staff of the Transportation Appropriations Subcommittees, believe that it is a reasonable and appropriate practice that ought to be institutionalized. The practice has been continued in the current fiscal year, with nearly \$300 million in defense appropriations earmarked for the Coast Guard.

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Implicit in some proposals is the belief that organizational change would be accompanied by changes in budget function, congressional committee jurisdiction, or budget advocacy that would benefit the Service in its quest for more funding. We found little support for this belief. Because the Service's activities are primarily transportation related, there is little reason to expect that either its budget function or its congressional panels would change in the event of its transfer intact to a new home. Even if these were to change, however, there is little reason to expect—in the present fiscal climate—that its funding prospects would be improved.

Where the Coast Guard should be located and what responsibilities it should exercise are essentially policy matters and, as such, can be decided only by the Congress. In incorporating the Service as a key element of DOT in 1966 and assigning it a variety of new responsibilities since then, the Congress has endorsed a certain concept of the Service, confirming and strengthening its traditional dual-role/multimission character. Many of the reorganization proposals made since 1980 have the potential to dramatically alter that unique character and adversely affect a number of important policy objectives that the Service and DOT currently support. It is important, therefore, to fully consider the potential consequences of any proposed reorganization and be as clear as possible about the trade-offs and compromises involved. None of the proposals made since 1980 has benefited from the kind of analysis and debate that accompanied the 1966 proposal to transfer the Service from Treasury to DOT. However, only through this kind of scrutiny will it be possible to make considered policy decisions and avoid results that may be as unwelcome as they are unintended.

Figure 3.1: Coast Guard Funding



Note: Figures are expressed in constant 1988 dollars.
 Source: Coast Guard

Recognizing the Coast Guard's status as an armed service with important defense readiness responsibilities, the Congress provided DOD funds to the Service starting in fiscal year 1982. With nondefense discretionary spending decreasing as a fraction of the total federal budget during the 1980s, the Congress thus significantly supported the Service and, in particular, the military side of its dual role. Between fiscal years 1982 and 1989, transfers to the Coast Guard of funds appropriated for defense (including payments-in-kind) amounted to approximately \$1.7 billion, or almost 9 percent of the Service's total funding for the period (see table 3.1).

Coast Guard's Funding Grew Between Fiscal Years 1980 and 1989 Despite Federal Budget Constraint

The Coast Guard's funding in the 1980s must be viewed in the context of mounting deficits and an increasingly constrained federal budget. Deficit reduction pressures have meant belt-tightening for most federal agencies, the Coast Guard included. However, we found that despite differences between the Administration and the Congress over the funding of transportation grant programs, the Coast Guard did not suffer as a consequence. The Congress, supportive of the Service and its defense role, augmented its funding with transfers from DOD and other appropriations.¹

Coast Guard's Defense and Law Enforcement Roles Make Possible Moderate Budget Growth

Despite increasingly tight federal budgets during the 1980s and a decline in overall spending for nondefense programs, the Coast Guard managed to achieve moderate budget growth in this period. It was able to do this largely as a result of congressional funding support for its national defense role (military readiness activities) and its steadily increasing involvement in the war on drugs (sea and air drug interdiction activities).

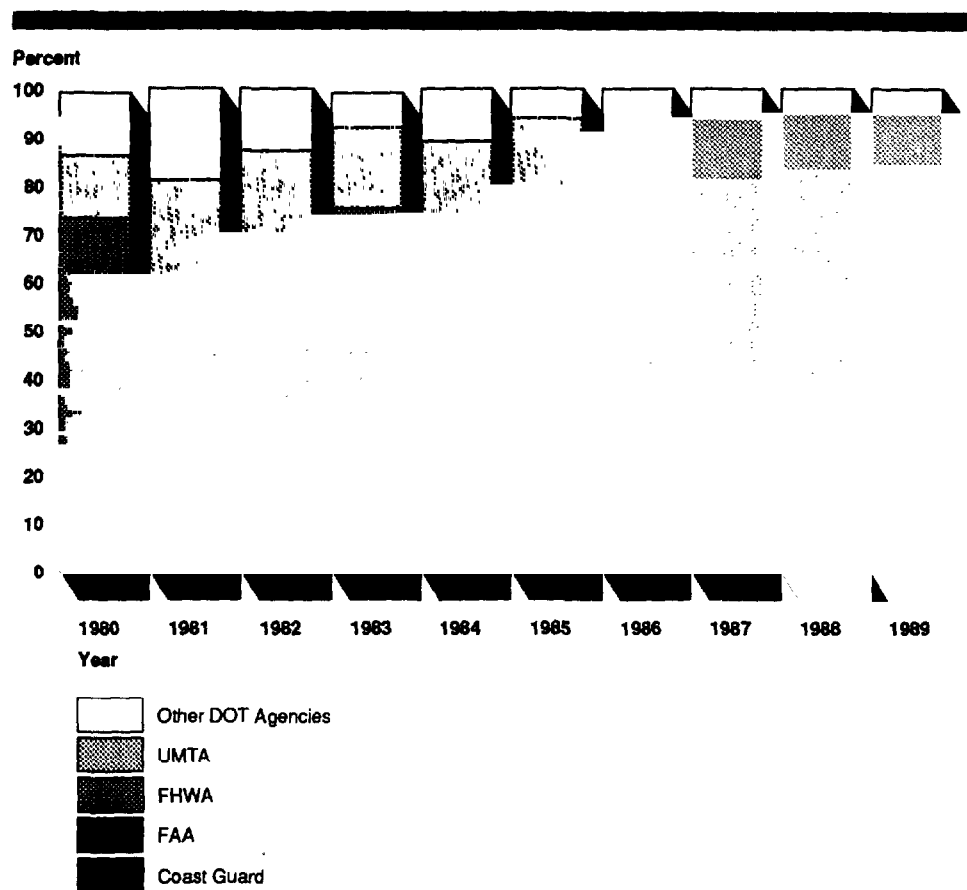
When funds from all sources are taken into account, the percent change in the Coast Guard's budget authority from fiscal year 1980 to 1989 in real terms was slightly less than 24 percent, an average real growth of 2.4 percent per year. In constant 1988 dollars, the Service's budget rose from \$2.4 billion in fiscal year 1980 to \$3.0 billion in fiscal year 1989. There were, however, several marked fluctuations during the 1980s, including sharp increases in fiscal years 1982, 1984, and 1986 attributable to fund transfers from DOD, as well as some decreases occasioned by across-the-board budget cuts and other reductions (see fig. 3.1).

¹The Coast Guard's funding includes payments-in-kind from DOD, DOD funding transfers, and unobligated balance transfers.

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Our analysis of Amtrak and Urban Mass Transit Administration (UMTA) funding showed that they both declined during the 1980s and, moreover, that the Coast Guard, in the final analysis, did not suffer as a consequence of their funding, largely because of the willingness of the Congress to give the Service funds from defense appropriations and appropriations for the war on drugs. With DOD and other funds included, the Coast Guard's budget remained a fairly stable fraction of the DOT budget between fiscal years 1980 and 1989, representing between 9 and 12 percent of DOT's budget authority. FAA, the Federal Highway Administration (FHWA), UMTA, and the remaining DOT agencies, taken together, showed greater variation in their respective shares of DOT's overall budget during the same period (see fig. 3.2).

Figure 3.2: DOT Agencies' Budgets in Relation to Overall Department Budget



Note. Percentages were calculated by using actual dollars
 Sources. DOT, Coast Guard, and FAA

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Table 3.1: DOD's Funding Assistance to the Coast Guard

Dollars in thousands

Fiscal year	Transfers to		Total funding
	Operating funds	Capital funds	
1982	\$0	\$300,000	\$300,000
1983	0	0	0
1984	0	300,000	300,000
1985	10,500	6,240	16,740
1986	109,365	384,735	494,100
1987	90,000	200,000	290,000
1988	108,000	33,000	141,000
1989	206,000	0	206,000
Total	\$523,865	\$1,223,975	\$1,747,840

Note: Figures are expressed in actual dollars.

Source: Coast Guard

In the latter part of the decade, the Coast Guard also received funds appropriated under anti-drug abuse legislation to support drug interdiction efforts. Under this legislation, the Coast Guard received \$128 million and \$116 million in fiscal years 1987 and 1989, respectively.

Overall Funding for the Coast Guard Not Hurt by Its Placement in Transportation Budget Function

Long troubled by what they believed to be an imbalance between the Coast Guard's resources and assigned responsibilities, a number of Coast Guard officials and supporters in the 1980s came to view the Service's placement in DOT and in particular its funding within the transportation budget (function 400) as key reasons for the Service's receiving less generous funding than they believed it deserved. Some, in fact, seemed to believe that the Service actually suffered as a result of its funding through the transportation appropriation. They described this in terms of a "function 400 problem."

According to this view, the Coast Guard—by virtue of its placement in DOT and the transportation budget function—is made the victim of budget forces and political disputes that have little to do with it and its missions. Because it is one of the largest DOT components and has one of the largest budgets (heavily concentrated in operating and capital expenses), the Coast Guard is particularly vulnerable when the Congress searches for funds with which to restore cuts the Administration seeks to impose on popular transportation grant programs, such as passenger rail service (Amtrak) and urban mass transit.

between fiscal years 1980 and 1989, the cumulative shortfall between the President's budget request for the Coast Guard and funds provided to the Service through transportation appropriations amounted to over \$470 million.

Had the Congress not been willing to support the Coast Guard's activities with funds appropriated for national defense and the war on drugs or, alternatively, to increase the Service's appropriations within the transportation budget function, it is clear that the Coast Guard's funding during the 1980s would have been considerably less. Under such circumstances, description of the Service's funding situation as a "function 400 problem" might well have been justified.

Table 3.3: President's Request for the Coast Guard and Total Funds Received From All Sources

Dollars in millions

Fiscal year	President's request	Transportation appropriations (budget function 400) ^a	DOD supplement	Anti-drug abuse funds	Total funds received
1980	\$1,637	\$1,718	\$0	\$0	\$1,718
1981	2,051	2,035	0	0	2,035
1982	2,075	2,226	300	0	2,526
1983	2,303	2,464	0	0	2,464
1984	2,550	2,467	300	0	2,767
1985	2,591	2,581	17	0	2,598
1986	2,556	2,285	494	0	2,779
1987	2,610	2,470	290	128	2,888
1988	2,768	2,588	141	0	2,729
1989	2,976	2,811	206	116	3,133

Note: Figures are in actual 1988 dollars.

^aBetween 1980 and 1989, the Coast Guard's function 400 appropriations fell short of the President's budget request by a total of \$472 million.

Coast Guard Prefers Full Funding From Function 400

Acknowledging the importance of DOD and other outside funds to the Coast Guard, the Commandant testified before the House Transportation Appropriations Subcommittee that if the Service had not received such assistance, its budget would be notably smaller and some of its missions would be seriously degraded. However, while the Commandant has viewed the receipt of DOD funds as vitally important to the Coast Guard's operations and has welcomed them, he told us that he would prefer to be able to count on full funding of the Service's budget within the congressionally established transportation budget function.

The possibility that DOD's funding assistance to the Coast Guard may end for any number of reasons, including increasing pressure on the defense budget, makes the Coast Guard uneasy about relying on these transfers to save it each year from a function 400 budget crisis and leads it to prefer full funding of the President's budget request through the annual transportation appropriation. In fact, the fiscal year 1989 DOD Appropriations Conference Report contained language opposing continued funding of the Coast Guard out of DOD appropriations. Nevertheless, the practice has been continued in fiscal year 1990 with DOD funding in the amount of \$300 million to be transferred to the Service.³

While some would like to see funding assistance from DOD made a permanent part of the Service's budget, others believe that such transfers violate the bipartisan budget summit agreement by moving funds from the defense budget category to the nondefense discretionary category. In a June 27, 1989, letter to the Chairman of the House Committee on Appropriations, OMB outlined its objections to the practice:

"This Administration strongly opposes the practice of providing Coast Guard equipment and resources from Department of Defense appropriations . . . [We] are concerned that funding tactics that unfairly divert funds from the Department of Defense inhibit our ability to provide adequately for our nation's defense. We also want to point out that funding domestic discretionary programs such as Coast Guard in the Defense function is inconsistent with the Bipartisan Budget Agreement."

That this view is not unanimously held in the Congress is evident in the continuation of the practice. A staff member for the House Transportation Appropriations Subcommittee told us that because the Coast Guard is an armed service and performs important defense functions, there is no reason why defense funds should not contribute to the Coast Guard's overall appropriation. He added that the Subcommittee believes it should get a formal function 050 (national defense) budget allocation for the Coast Guard but has not been able thus far to obtain needed support for this in the Budget Committee. He acknowledged that *ad hoc* use of DOD appropriations to help the Coast Guard may not be the ideal approach in terms of ensuring reliable and consistent funding of the Service's needs.

³An additional \$413 million will remain in DOD appropriations to be expended by DOD to build Coast Guard patrol boats and an ice breaker.

Fiscal Policies of the 1980s Limited Funding for Nondefense Discretionary Programs

Major factors in the Service's funding history over the past decade have been budget pressures generated by the fiscal policies and spending priorities of the Administration. While federal deficits have accumulated over several years, the deficit more than doubled between fiscal years 1981 and 1989, in part because of the Administration's massive defense buildup and opposition to raising taxes to generate additional revenues. Faced with a projected deficit for fiscal year 1986 in excess of \$200 billion, the Administration and the Congress agreed in 1985 on legislation (commonly known as the "Gramm-Rudman-Hollings Act," P.L. 99-177) requiring that the budget not exceed specified maximum deficit levels and be reduced over a 6-year period to a balanced budget in 1991. Legislation in 1987 extended the balanced budget target year to 1993 and required that the deficit be eliminated under the legislative budget process or, failing that, through automatic spending cuts (sequesters).

To facilitate budget analysis and agreements on spending priorities and limits, major functions of the government were classified into a few broad spending categories: defense, nondefense discretionary, entitlements, and interest payments. The nondefense discretionary spending category encompasses nondefense programs that are subject to annual funding decisions in the appropriations process. The Coast Guard's funding, like that of other DOT agencies and most civilian agencies, falls within this category because the Service is treated as a civilian agency for budget purposes.

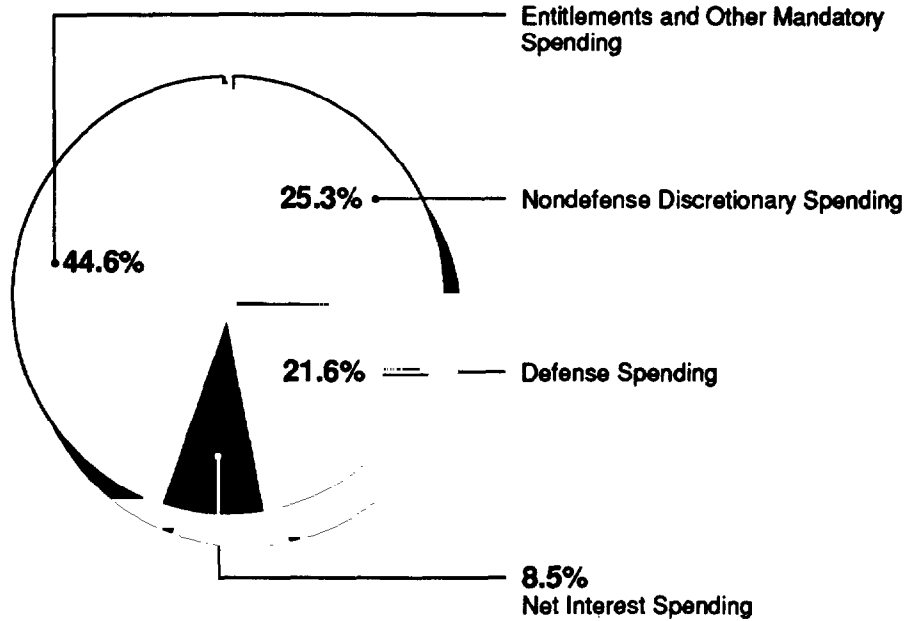
Nondefense discretionary spending has declined as a fraction of the total federal budget, decreasing from 25.3 percent in fiscal year 1980 to an estimated 15.8 percent in fiscal year 1989 (see fig. 3.3). This category was vulnerable to cuts during the 1980s for two reasons. First, the Administration placed a higher priority on building up the nation's defense. Defense spending increased as a fraction of the total federal budget, from 21.6 percent in fiscal year 1980 to 25.1 percent in fiscal year 1989. But while it increased substantially during the early years of the decade, in each of the last 4 fiscal years it has experienced declines. Second, nondefense discretionary spending was easier to cut in response to the imperatives of deficit reduction than either entitlements or interest payments. Since formulas included in laws establishing entitlements determine how much the government is obligated to spend, entitlements are essentially nondiscretionary—that is, not controllable by annual funding decisions. Interest payments, likewise, are nondiscretionary and not subject to annual decisions on funding levels. Reflecting accumulating federal budget deficits, spending on interest has increased

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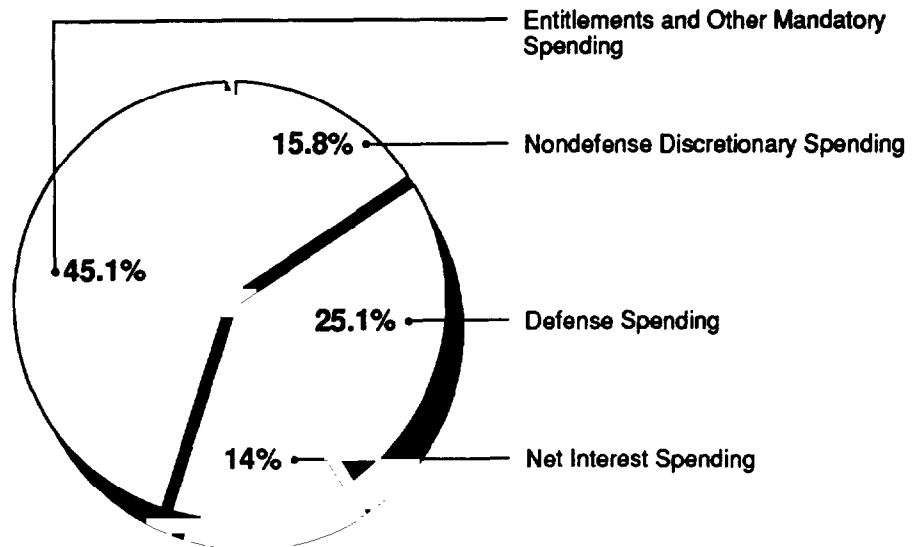
as a fraction of the federal budget, requiring 14.0 percent of total outlays in fiscal year 1989, as opposed to 8.5 percent in fiscal year 1980 (see fig. 3.3).

Figure 3.3: Outlays for Budget Categories as a Percentage of Total Spending, Fiscal Years 1980 and 1989

Fiscal Year 1980



Fiscal Year 1989

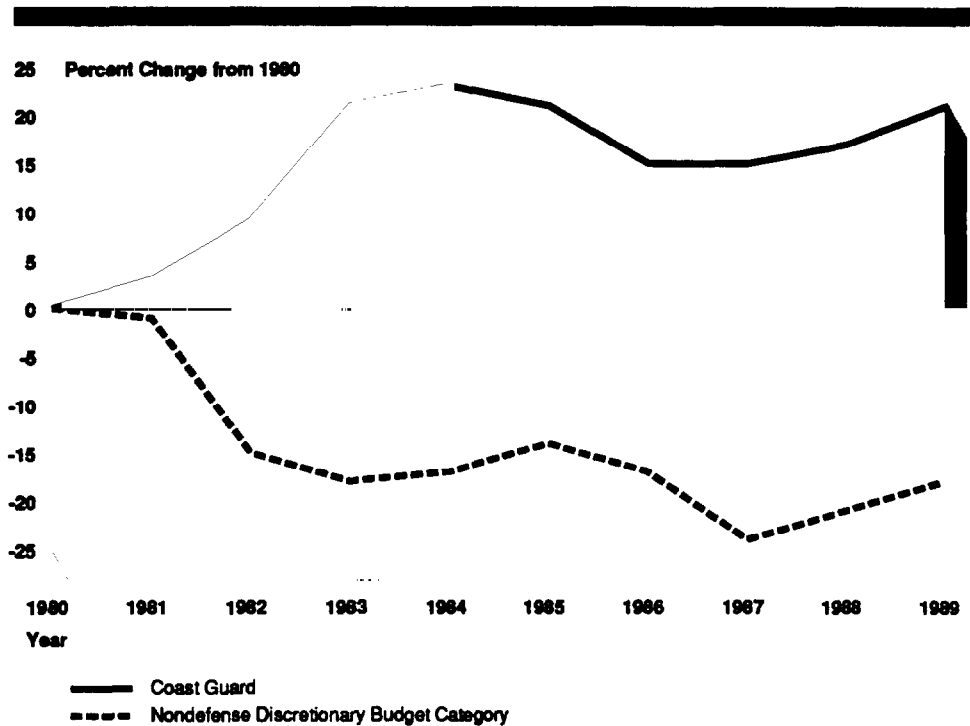


Note: Figures represent outlays and exclude offsetting receipts. Percentages do not add to 100 because of rounding.

Source: The Economic and Budget Outlook, Fiscal Years 1991-1995, CBO, January 1990

Notwithstanding the decline in nondefense discretionary spending as a fraction of the total budget during the decade of the 1980s, the Coast Guard's spending increased in real terms between fiscal years 1980 and 1989 (see fig. 3.4). However, as previously noted, this increase was made possible primarily by infusions of funding from the defense spending category (transfers of funds from DOD appropriations) and from funds appropriated for the war on drugs (one of the few areas of rapid growth within the nondefense discretionary spending category). Partly because of the benefit of such "outside" assistance, the Coast Guard's total budget grew more than the budgets of nondefense agencies, such as the Environmental Protection Agency, the Department of Health and Human Services, and the National Oceanic and Atmospheric Administration. However, the Service's budget grew less than the budgets of some civilian agencies, such as Customs, the Immigration and Naturalization Service, and the Drug Enforcement Administration, which share with the Coast Guard drug enforcement and border control responsibilities. The Service's budget also grew less than DOD agencies' budgets. (See app. V for a comparison of the Coast Guard's and other agencies' budgets.)

Figure 3.4: Percent Change in Budget Outlays for the Coast Guard and the Nondefense Discretionary Budget Category Overall, Fiscal Years 1980 to 1989



Note: Percent changes were calculated by comparing the outlays for each year with the fiscal year 1980 outlay. Annual outlay figures were converted into constant 1988 dollars.
 Sources: Coast Guard and CBO.

Coast Guard Has Taken Measures to Meet Expanded Responsibilities

Since 1980, the Congress has assigned additional responsibilities to the Coast Guard. For example, the Anti-Drug Abuse Act of 1988 (P.L. 100-690) mandated additional responsibility to engage in maritime air surveillance or interdiction in the enforcement of laws relating to drugs. It has also been assigned additional responsibilities to defend harbors and shipping lanes along our coast in times of war under an agreement between DOT and DOD covering the establishment of maritime defense zones (MDZs). Environmental responsibilities have grown under 1980 legislation (P.L. 96-478), giving the Service responsibility for administering and enforcing compliance with requirements adopted under the International Convention for the Prevention of Pollution from Ships. Finally, under the Omnibus Diplomatic Security and Antiterrorism Act of 1986, the Service received increased responsibility to protect ports against terrorist acts.

The Coast Guard has attempted to meet these responsibilities in part by shifting resources among missions and reducing and consolidating support functions to free up positions for operations. Analyzing the distribution of the Coast Guard's resources, we found significant changes between fiscal years 1980 and 1989 (see fig. 3.5). The most dramatic change has been in drug enforcement, part of the Enforcement of Laws and Treaties Program. In fiscal year 1980, the Service devoted 18.2 percent of its operating expenses to this program, with 7.3 percent of this money allocated to drug enforcement. By fiscal year 1989, the program's share of operating expenses had increased to 35.6 percent, with 24.2 percent allocated to drug enforcement.

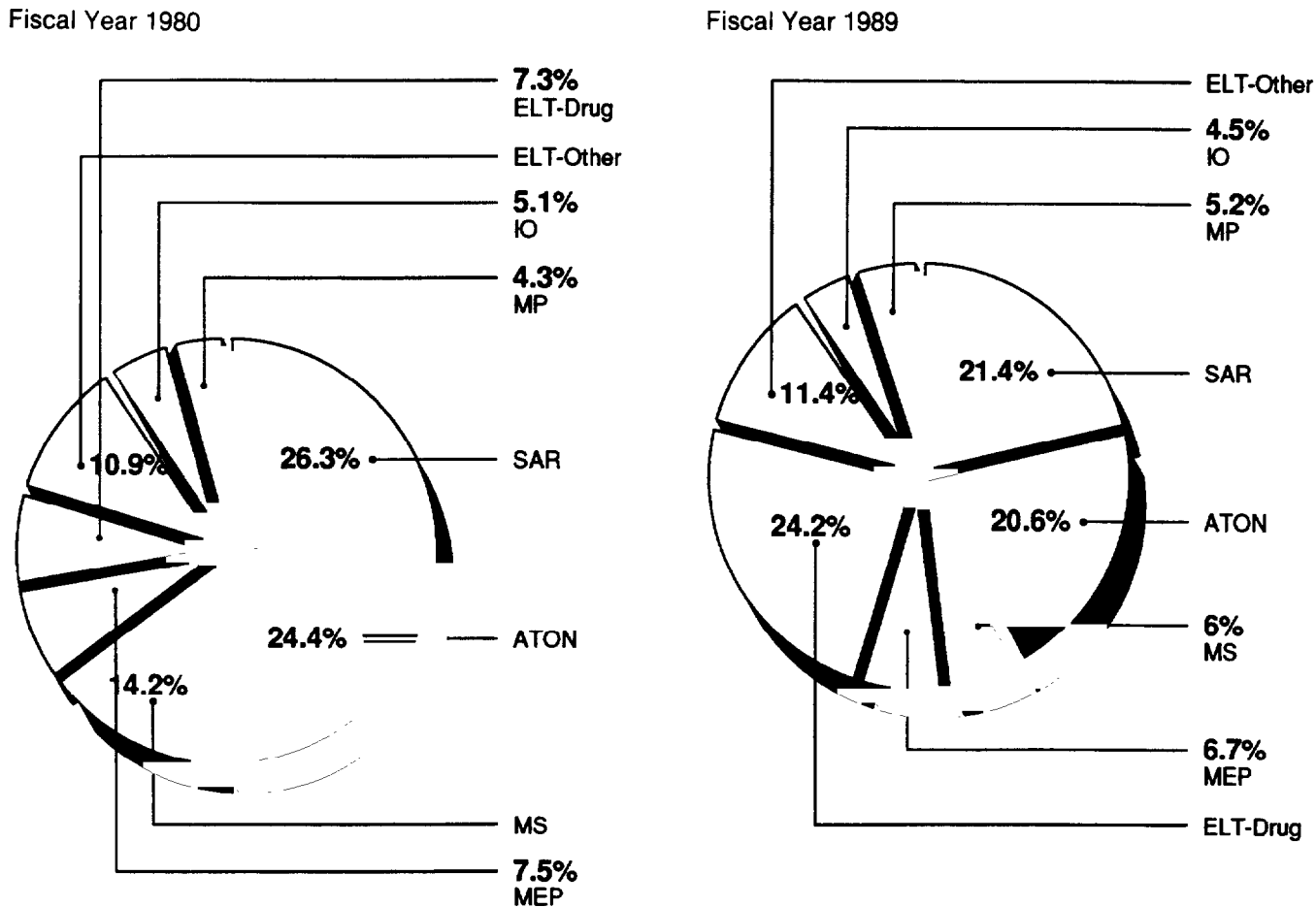
While the Enforcement of Laws and Treaties Program has grown, other Coast Guard programs have declined. In fiscal year 1980, the Search and Rescue, Aids to Navigation, Maritime Safety, and Marine Environmental Protection Programs accounted for 72 percent of operating expenses. For fiscal year 1989, the Service estimates that these programs will account for only about 54.7 percent of its operating expenses (see app. III).

In addition to shifting resources among programs, the Coast Guard has attempted to deal with budget pressures by seeking internal cost savings through a variety of initiatives. In fiscal year 1986, in response to funding cuts imposed by deficit reduction measures, the Service scaled back operations across the board to achieve savings. In fiscal year 1987, management realigned field support functions, reprogramming approximately 485 positions to operations and allowing the agency to "grow from within." In fiscal year 1988, management restructured headquarters units and reportedly saved another 142 positions for use in operations.

Conclusions

Despite the belief of a number of Coast Guard officials and supporters that the Service has suffered because of its placement in DOT and its funding under the transportation budget function, our review of the Service's total funding during the past decade shows this not to be the case. While funding for the Coast Guard has fluctuated since fiscal year 1980, when funds from all sources are included, its funding—in real terms—grew by 24 percent over the 1980-89 period. This rate of growth was exceeded in DOT only by FAA, and it far exceeded the rate of budget growth for the department as a whole.

Figure 3.5: Distribution of the Coast Guard's Operating Expenses for 1980 and 1989, by Program



Notes: The Coast Guard did not separate out the amount spent for drug interdiction in ELT in fiscal year 1980. The figure used for ELT-Drug in fiscal year 1980 is an estimate taken from a January 1988 congressional staff briefing given by the Coast Guard.

Abbreviations: ELT, Enforcement of Laws and Treaties Program (ELT Drug: Interdiction of controlled substances; ELT Other: Conservation of fisheries, enforcement of U.S. immigration law and policy); IO, Ice Operations Program; MP, Military Preparedness Program; SAR, Search and Rescue Program; ATON, Aids to Navigation Program; MS, Maritime Safety Program; and MEP, Marine Environmental Protection Program.

Source: Coast Guard.

The Coast Guard's funding history in recent years can be best understood in the context of governmentwide fiscal policies and an increasingly constrained federal budget. These conditions have led to increased competition for resources among all government agencies, especially agencies—like the Coast Guard—funded out of the vulnerable

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nondefense discretionary portion of the budget. Between fiscal years 1980 and 1989, the nondefense discretionary budget category declined from 25.4 to 15.8 percent of the total federal budget.

The Coast Guard managed to achieve real budget growth, despite the decline in nondefense discretionary spending, because of its unique dual-role character and the willingness of the Congress to support its military preparedness mission with funds appropriated for defense. It also benefited substantially from funds made available to wage war on illicit drugs. Whether the Coast Guard will continue to benefit from transfers of funds appropriated for defense is unclear now that defense is also vulnerable to the pressures of an increasingly constrained federal budget.

Outlook for Continued Tight Budgets Underscores Need for Coast Guard to Enhance Efficiency and Effectiveness and Offset Costs

Any evaluation of the Coast Guard's placement and funding issues would be incomplete if it did not consider: (1) how well the Service currently uses the resources available to it, (2) what it might do to make more efficient and effective use of these resources, and (3) how it might defray the costs of providing services by charging fees to the individuals and groups who use these services. The environment of resource scarcity and budget constraint in which the Service has operated in recent years is an inescapable reality of government in the 1990s. As government leaders search for ways to balance the demands for new and existing services against the imperatives of deficit reduction, Coast Guard managers—like managers of all other federal agencies—will find it increasingly necessary to optimize the use of limited resources and identify additional sources of revenue with which to offset costs. Well designed and properly used measures of efficiency and effectiveness (MOE) could provide the resource optimization tools that the Coast Guard will need to achieve the greatest impact for each dollar it spends. Similarly, as noted by the DOT Inspector General and others, soundly based and properly justified user fees could generate revenues to offset the Coast Guard's costs of providing services to particular individuals and groups.

Several studies, including internal Coast Guard studies and studies conducted by GAO and others, have recommended that the Service develop managerially useful MOEs as the foundation of a performance measurement and resource allocation system. We decided to revisit this matter as part of this review to determine whether the Coast Guard had implemented these recommendations. We found that while the Service has revised its planning and resource allocation system with the declared intention of incorporating the use of measures into these functions, the revision has not been fully implemented. This lack of implementation is due, in part, to the fact that many of the MOEs, as currently developed, are not useful indicators of program performance. Furthermore, the Service has not addressed specific concerns that we raised in our earlier work about the measures that were being used at that time to assess the performance of its safety programs. These problems, coupled with a lack of clear guidance and accountability for the use of MOEs, have prevented the Coast Guard from effectively integrating them into its basic management processes.

The Coast Guard expends nearly \$500 million yearly to provide a variety of specialized services to particular individuals and groups. Since 1981, the Administration has offered proposals aimed at recovering a portion of the costs of such services through user fees that

would be paid by the actual or potential beneficiaries of these services. For the most part, these proposals have not been adopted by the Congress. Part of the reason for their lack of acceptance, reported by us in 1987, is the lack of good documentation, particularly data on the cost of providing the services, to support proposed fees. In revisiting this issue in the context of this review, we found that the Coast Guard continues to be hampered in its ability to persuasively advocate user charges by the absence of reliable cost data.

Need for Tools to Assess Program Performance Previously Identified

MOES assess the success of programs in achieving their goals. MOES for safety programs, for example, assess the programs' success in preventing accidents and their consequences (property damage, injury, and death). GAO and others have made several recommendations for the Coast Guard to develop MOES to assess program performance and make critical resource allocation decisions. In 1987, as part of a comprehensive review of DOT's management, we recommended that the Service develop performance measures and use them in planning and resource allocation to promote more effective and efficient use of limited resources and strengthen accountability for program results.¹ We pointed out that the Service could improve the management of its programs by clearly defining objectives and evaluating its success in meeting them.

Recommendations similar to ours were also made by an internal Coast Guard study group and by DOT's Secretarial Safety Review Task Force. The internal Coast Guard study was performed as an adjunct to the Coast Guard headquarters' restructuring study to evaluate all MOES then in use in the Service's programs. It found that the Service's support and operating programs were not being systematically evaluated to monitor the achievement of goals and that the measures employed were determined more by information that was readily available than by information that best met the programs' needs. The study group recommended that the Service make every effort to better measure its effectiveness.

In 1988, the DOT Secretarial Task Force, established to review and analyze safety programs throughout the Department, recommended that the Coast Guard develop (1) performance indicators that better measure its effectiveness in saving lives and (2) improved measures for analyzing the effectiveness of its commercial vessel safety program. According to

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the task force, measures should provide a more direct link between program elements and the prevention of property damage, injury, and death.

MOEs Would Permit Better Targeting of Limited Resources

A performance measurement system is crucial in the Coast Guard because of the frequent need to shift resources in response to changing national priorities and fluctuations in annual funding. As noted previously, the Service has some flexibility and discretion in determining which of its program areas are in greatest need of resources and in reallocating resources accordingly. Between 1980 and 1989, for example, in response to heightened emphasis on drug interdiction, Service leaders increased the amount of operating expenses devoted to the Enforcement of Laws and Treaties Program by almost 50 percent. This increase was accompanied by decreases in other program areas. Because such shifts can significantly affect the ability of a program to meet its objectives, it is important that they be based on the best information possible. A performance measurement system can facilitate such decisions by providing decisionmakers with information on a program's effectiveness, allowing them to critically assess the likely impacts of shifts in resources.

The need for MOEs has also been demonstrated on several occasions when the Coast Guard had to decide quickly on resource use in response to budget cuts. For example, as we reported in November 1988, the Service would have been in a better position to determine which vessel traffic service (VTS) facilities (primarily used to keep vessels from colliding while transiting harbor areas) to close had it developed and used MOEs in managing the VTS Program.² The factors that the Service used to select VTS facilities for closure were chosen primarily to satisfy its immediate need to reduce operating expenses and gave little consideration to the effectiveness of each facility in enhancing the safety of vessels. Had proper MOEs been developed for the VTS Program, the Coast Guard would have been better able to objectively assess each facility's performance and thereby identify candidates for closure.

The Service, likewise, would have been in a better position to justify its 1988 decision to close various Search and Rescue Program (SAR) stations

²Coast Guard: Better Information Needed Before Deciding on Facility Closings (GAO/RCED-89-48, Nov. 29, 1988).

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if it had been systematically assessing the performance of these stations. SAR stations play an important role in protecting the lives of commercial fishermen, recreational boaters, and others involved in accidents at sea and on the nation's inland waterways. Reacting to an unexpected shortage of operating funds in early 1988, the Service decided to close nine of its SAR stations and curtail operations at six others. Because of concerns about the possibility of reduced life-saving capability, however, the Congress directed the Service to reopen closed stations and not close any others until GAO could review and report on the January 1988 decision.

In examining the supportability of the Service's decision to close or reduce SAR operations, we found that the criteria it used to evaluate SAR stations did not adequately address such key operational factors as the impact that closure or reduction actions would have on its effectiveness in saving lives or on its ability to perform other missions.³ As with the closures of VTS facilities, had the Service developed useful MOEs for SAR, it would have had the information needed to make defensible decisions on closures and cutbacks in SAR stations. The results of the measures would have served as flags, calling attention to stations which were low in performance and therefore were strong candidates for closure or reduction. Once those stations that rated low on effectiveness had been identified, Service officials could have examined other factors relevant to decisionmaking, such as proximity to a marina, the geography of the area, or the availability of alternative search and rescue capabilities.

**MOEs Required as Part of
Coast Guard's Revised
Planning and Resource
Allocation System**

Recognizing the importance of monitoring program performance, Coast Guard management required in early 1988, as part of a revision to the Service's planning and resource allocation system, that MOEs be developed for all of its programs. The revision was intended to incorporate program evaluation into the existing planning, programming, and budgeting system (PPBS)—a management decisionmaking process designed to determine objectives, select and develop the programs for achieving them, and allocate resources among these programs in a cost-effective manner. Service officials told us that the cornerstone of this process was intended to be the requirement that managerially useful MOEs be developed for all programs.

³Coast Guard: Better Process Needed to Justify Closing Search and Rescue Stations (GAO/RCED-90-98, Mar. 6, 1990).

As part of the overhaul of PPBS, management required that all program offices develop program descriptions to provide a basis for resource allocation decisions and a point of reference for reviewing and evaluating their programs' activities. In preparing descriptions, managers were given instructions to develop measures that would assess the program's success in attaining its goals. The program descriptions were supposed to identify, describe, and validate the measures selected. According to Coast Guard officials, these measures were to be used to assess program performance as part of more comprehensive evaluations.

**Problems With MOEs
Prevent Implementation of
Revised Management
System**

In October 1988, the Service reported to OMB that it had implemented the revised management decisionmaking system—now called the planning, programming, budgeting, and evaluation system (PPBES). We found, however, that no programs have been evaluated. Officials in the Service's Plans and Evaluation Division told us that ad hoc responsibilities and staffing shortfalls had prevented them from evaluating programs as contemplated in the system's overhaul.

Perhaps more telling and to the point, however, our work revealed that the measures have shortcomings that have prevented their use in evaluating programs. In examining the MOEs, we noted that some do not conform to requirements outlined in the Coast Guard's instructions or even to definitions of effectiveness and efficiency measures. The Bridge Administration Program office, for example, rather than identifying and describing its MOEs, provided raw data on such things as the number of bridge permits and regulations issued and did not develop a method for determining the efficiency and effectiveness of the program. Such raw data provide no indication of how well the Bridge Administration Program is achieving its goals.

Another program office, the Short Range Aids to Navigation Program, did not incorporate information on the resources required to perform particular activities into its MOEs. For example, program officials attempting to measure efficiency in assessing waterway marking needs merely compare the number of waterways analyzed with the total number of waterways in the district. This measure does not take into account the resources that are required to assess a particular waterway. As a result, managers using this measure cannot accurately determine the program's efficiency in using resources.

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Deficiencies in the measures are attributable, in large part, to the lack of feedback provided to the program officials who developed them. The Service's Plans and Evaluation Division was responsible for reviewing measures and providing feedback to program managers on their adequacy and conceptual soundness. Division management assigned this task to the Productivity Improvement Branch, a unit within the Division. A Branch official told us that Branch staff reviewed the measures for all programs and provided the results of their review to others within the Division. Division officials acknowledged that they received these results and agreed that there were shortcomings in many of the measures reviewed. They added, however, that competing demands prevented them from using the results of the review to provide feedback to program managers.

An official involved in overseeing the development of MOEs told us that in addition to their use in evaluating programs, they were intended to be used in the day-to-day management of programs. Again, however, because of their deficiencies, they are not being used as intended. One program official told us that he was reluctant to use measures that have been developed for his program because they are managerially useless. He added that while officials responsible for reviewing measures told him that the measures for his program have shortcomings, they did not provide assistance in developing better ones. Other program officials told us that they have no plans to use the measures that have been developed, while still others said that they do not currently collect the type of data necessary to use the measures.

Although the Service had not developed a formal measurement system at the time of our 1987 DOT management review, some program offices had developed MOEs to gauge progress in meeting their programs' goals. We examined the measures then in use in DOT for evaluating the effectiveness of safety programs and concluded that accident rates or fatalities are not appropriate measures for setting safety program goals and assessing performance. The measures are not appropriate because a falling fatality rate does not necessarily result from the agency's actions or mean that management is making the most productive use of its resources. For example, a falling boating fatality rate may reflect a temporary decline in total recreational boating activity as a result of an economic downturn or a steep increase in fuel prices such as occurred in the early 1970s. Moreover, because accident rates and fatalities reflect what has already happened, their relevance to the prevention of accidents is limited.

As part of our 1987 work, we examined the Coast Guard's Recreational Boating Safety Program and suggested that the Service would be in a better position to optimize the program's use of resources if it evaluated the impact of each of the program's three strategic elements—education of the boating public, enforcement of boating safety laws, and manufacturers' compliance with vessel construction standards. Our work in this review shows that the MOEs developed by Boating Safety Program officials have not been modified in the manner we suggested. Program managers continue to rely on the number of boating fatalities to assess the program's overall effectiveness.

A Boating Safety Program official told us that while program managers have begun to collect data on the effectiveness of each of the three elements of the program, as we suggested, he does not anticipate changing the program's existing measure of effectiveness. He told us that he believes the measure should assess the program's bottom-line goal—preventing fatalities—because this best represents its effectiveness. In contrast, an official in the Plans and Evaluation Division responsible for reviewing all measures told us that it is important for managerial purposes to assess the effectiveness of each major element of the program. He added that in the future the Division may assist Boating Safety officials in developing MOEs for each of the program's three strategic elements.

Deficiencies in the Service's MOEs of the type discussed above have prevented it from conducting comprehensive program evaluations. Officials responsible for developing PPBES acknowledged that they cannot fully implement the system and evaluate programs until useful measures are developed. Our work revealed, moreover, that there are other problems that must also be addressed before measures can be used effectively.

Measures Not Directly Linked to Resource Allocation Process

Although MOEs are considered the cornerstone of the Service's revised PPBES, we could not find a link, either formal or informal, between the use of measures and resource allocation tasks. Service officials were unable to show how the new PPBES integrates the use of measures and program evaluations into the resource allocation process. We found that there are no directives defining how and by whom measures and the results of evaluations should be used. In fact, in our discussions with officials of the Service's budget division we found that they were unaware of how measures are intended to be used in carrying out their resource allocation responsibilities.

According to Service documents, program descriptions (of which measures are supposed to be a part), are intended to guide the Coast Guard's programming and budgeting actions. In addition, they are supposed to promote the flow of information and ease difficult resource allocation decisions in each budget cycle. However, program descriptions have not been used in the resource allocation process. An official responsible for developing PPBES told us that PPBES has not been implemented in the way he had hoped and expected it would be. Another official involved in developing PPBES acknowledged that responsibilities for using measures have not been clearly defined and told us that management will incorporate more explicit instructions for the use of measures in an upcoming revision to the Service's planning manual. One top official explained that because of a shortage of staff the Service does not have the luxury of carefully assessing needs and, as a result, resource decisions are often reactive rather than proactive.

Longstanding Data Problems May Hamper Efforts to Establish User Fees

The urgent need to reduce federal deficits, coupled with a desire to find ways to support the continuation of popular government services, has prompted heightened interest in user fees. The Administration has proposed a variety of user fees for DOT and recently announced that it intends to recover from users of federally provided transportation services the maximum practical share of costs they impose. The President's budget for fiscal year 1991 assumes the enactment of legislation to impose a system of user fees for the Coast Guard's services that would generate an estimated \$200 million in revenues in the first year.

While most previous attempts to impose user fees on recreational boaters and others who benefit from the Coast Guard's services have not met with success in the Congress, the DOT Secretary has indicated that his department will seek new and creative ways to apply the user fee principle. However, the Coast Guard continues to be handicapped in justifying and supporting proposals for user fees by a lack of reliable cost data. In addition, the Service lacks effective controls over the collection of user fees.

User Fees Could Offset Costs of the Coast Guard's Services

While the Coast Guard has traditionally provided services that benefit both the general public and particular user groups, to date the Congress has authorized only limited user fees for the Coast Guard. User fees are not charged for most of the Coast Guard's services, either because federal law (46 U.S.C. 2110) prohibits the charging of such fees or the

Coast Guard has been unsuccessful in obtaining approval from the Congress to establish fees for these services.

Some of the services the Coast Guard provides—such as defense readiness, enforcement of laws and treaties, and the setting of safety standards—clearly benefit the general public, and user fees would not be appropriate in these instances. However, the Coast Guard provides direct benefits to commercial mariners and recreational boaters through such activities as search and rescue, aids to navigation, marine safety inspections, and marine environmental protection, which in the opinion of DOT's Inspector General are appropriate candidates for financing through user fees. According to a 1988 Inspector General report, the cost of providing these services amounts to \$497 million annually.

Earlier Proposals for User Fees Were Not Well Formulated or Supported

Since 1981, the Administration has been submitting to the Congress proposals to impose user fees for the Coast Guard's services. In only 2 years, 1985 and 1987, did the Administration find a sponsor to introduce legislation authorizing such fees. No user fees were enacted in either case. This lack of success has been due in part to poorly formulated and supported proposals. In 1987, we found that problems in gaining political support and determining how much should be charged to various users were not identified and corrected before the proposals were submitted for congressional action. We recognized that user fees for the Coast Guard's services are controversial and may never gain enough support to be enacted in the form DOT would like. However, we pointed out that by submitting inadequately formulated and supported proposals DOT reduced its chances for success.

Accounting System Limits Coast Guard's Ability to Support User Charges

Because of the limitations of its accounting system, the Coast Guard is unable to produce actual cost data by program for purposes of establishing and supporting user fees and similar charges. In our earlier work, we found that the Coast Guard needed to make substantial changes in its budgeting and accounting systems to provide for an integrated financial management system. Such integration is needed because the Service currently budgets and maintains accounts on the basis of "cost centers" (operating facilities or organizational units). The accounting system is designed to account for expenditures of funds by cost centers, not by programs. Program costs are developed after the fiscal year ends and are based on estimates.

In estimating a program's costs, the Service determines what its total costs are and then prorates them on the basis of operational reports showing the amount of time spent on a given program activity. Thus, if SAR operations took 10 percent of a cost center's time, 10 percent of that center's costs would be charged to SAR. Total SAR costs would be obtained by adding together the SAR cost estimates of all cost centers. This cost estimating process becomes problematic when proposals for user fees are formulated because a direct link between costs, services, and specific users of services must be established under requirements set forth in OMB circulars.

Internal Control Procedures Not Adequate to Properly Manage the Collection of User Fees

In addition to cost data problems that hamper the Service's ability to establish and support user fees, there are problems with the Coast Guard's internal control procedures for collecting and accounting for fees. The major Coast Guard activity for which user fees have been authorized and are collected is vessel documentation. DOT's Office of Inspector General found that in some instances the Coast Guard lacks effective control over the collection of vessel documentation fees. Specifically, the Inspector General found that there was an absence of controls over vessel documentation at the New York Vessel Documentation Office. Thus, the DOT Secretary, in a December 1989 letter to the President outlining material and internal control weaknesses in the Department, reported that there were material weaknesses in the Coast Guard's policies and collection procedures involving user charges. This judgment was based on an Inspector General audit that evaluated the effectiveness of policies and procedures in establishing and collecting user charges. The audit found that internal control procedures were inadequate to manage and account for fees collected.

Conclusions

In recent years, changing priorities, growing demands for services, and an increasingly constrained federal budget have required the Coast Guard to shift resources among program areas, streamline its organization to free up positions for operations, and generally seek ways to enhance productivity and "grow from within." Several studies have concluded that the Service could improve its ability to manage its activities and make difficult resource allocation decisions by developing performance measures (MOES) and integrating these measures into its basic systems for planning, budgeting, and managerial accountability. In examining the actions the Coast Guard has taken in response to past studies, we found that while the Service has taken steps to develop a

performance measurement capability, much remains to be done. Shortcomings in many of the performance measures that have been developed to date prevent them from being useful in the day-to-day management of programs and in higher-level management decisionmaking. Without managerially useful measures, however, the Coast Guard lacks an important objective means of gauging its performance and improving its use of resources. Moreover, until the Service can evaluate the performance of its programs, both the Coast Guard and others, notably the Congress, will find it difficult to accurately assess resource needs.

User charges offer a means of recovering the costs of providing services that benefit specific individuals or groups. It has been estimated that the Coast Guard annually expends nearly half a billion dollars providing services that could qualify for funding through user charges. The Administration has offered for fiscal year 1991 a proposal for a variety of user charges for the Coast Guard's services that would generate an estimated \$200 million in revenues in the first year, if enacted. The prospects for the success of this proposal are uncertain, however. Part of the reason is the controversial nature of user fees and the understandable reluctance of those who are accustomed to receiving a service for free—that is, paid for with funds derived from general tax revenues—to consent to being assessed a charge for the service. However, another reason for its uncertain prospects is that the Coast Guard has been unable in the past to make a convincing case for particular types and levels of user fees. Lacking good cost data for its programs, the Service has been hampered in its ability to formulate and defend user fee proposals capable of winning the congressional support needed for enactment.

Recommendation to the Secretary of Transportation

In response to recommendations made by us and by others, the Coast Guard has taken steps to develop performance measures to improve the use of available resources. However, because of weaknesses in the design of many of these measures and an absence of follow-up by management to ensure their refinement and implementation, the measures are not currently used in a significant way in the management of the Coast Guard's activities or in top-level decisionmaking. Accordingly, we believe that the Secretary should direct the Coast Guard to continue to improve its performance measures and use them in both the day-to-day management of programs and in higher-level decisionmaking for planning, programming, and budgeting. With a well developed system of performance measures in place and serving as a foundation for an integrated planning, evaluation, and resource allocation system, the

**Chapter 4
Outlook for Continued Tight Budgets
Underscores Need for Coast Guard to
Enhance Efficiency and Effectiveness and
Offset Costs**

Coast Guard would be in a much better position both to ensure the most effective and efficient use of the limited resources at its disposal and to more accurately determine and persuasively argue its future resource requirements.

Selected Early Proposals to Reorganize the Coast Guard and the 1966 Proposal to Create the Department of Transportation

Beginning shortly after its establishment and continuing for more than a century thereafter, the Revenue Cutter Service, the prime antecedent of the Coast Guard, was exposed to repeated threats to its survival, mainly proposals for consolidating the Service with the Navy. Some of the proposals were motivated primarily by a desire to improve the prospects for promotion, pay, and retirement of Service personnel. Others, however, were intended to eliminate what was viewed as unnecessary and wasteful duplication between the two armed services. An examination of a few of these proposals provides an opportunity to understand how they were viewed by Service supporters and top officials as threats to the organization's continued existence and the factors that led to their ultimate defeat.

1912 Taft Commission Report

Ironically, only 3 years before the Coast Guard's establishment, the Revenue Cutter Service was targeted for abolition, and another forerunner, the Life-Saving Service, was recommended for transfer from Treasury to the Department of Commerce and Labor. These actions were recommended by the Commission on Economy and Efficiency, organized at the request of President Taft to study the organization and functioning of the federal government and to suggest improvements. The Commission stated in its 1912 report that study of the Revenue Cutter Service's work convinced it that the Service did not have a single duty or function that could not be performed by some other existing agency at least as well and at lower cost. The Commission forecast savings of over a third of the Service's annual \$2.5 million budget if its recommendations were adopted.

The Commission suggested that the views of the three cabinet departments most directly concerned—Treasury, Commerce and Labor, and Navy—be sought before the President formally submitted his proposals to the Congress. Commerce and Labor was supportive of the proposal since it stood to gain new resources and responsibilities with the absorption of the Life-Saving Service. It also expected to receive some of the abolished Service's cutters for the purpose of aiding ships in distress off U.S. coasts. The Navy was somewhat more ambivalent in its views. Like Commerce and Labor, it coveted the Revenue Cutter Service's vessels and believed that they should all be transferred to it. It also welcomed the transfer of the Service's enlisted personnel but not the Service's officers and cadets who, it maintained, would be of no possible advantage but, rather, would seriously threaten personnel harmony. The Navy was also concerned about the compatibility of the Service's duties with its own national defense mission. All duties that interfere with the

training of personnel for war are “irregular,” it maintained, and, to a degree, detrimental to the fleet’s efficiency.

Not surprisingly, the response of Treasury to the recommendation that one of its services be abolished and another transferred to another department was negative. Treasury also challenged the contention that abolition of the Revenue Cutter Service would result in savings, estimating, to the contrary, that \$1.1 million more would have to be expended annually to continue the services formerly provided by the revenue cutters.

On April 4, 1912, President Taft sent the Commission’s report to the Congress, along with a recommendation that legislation be enacted to implement its proposals. At least two factors combined to prevent this. First, time was running out for the Administration and the President had lost so much support that anything he proposed was apt to be subjected to close scrutiny. Second, the proposal to abolish such a venerable institution of government had attracted considerable public notice, including a great deal of press comment favorable to the Service. This sympathetic treatment only intensified after April 14, 1912 (10 days after the President sent his message to the Congress), when the sinking of the Titanic and the loss of over 1,500 lives focused even more attention on an organization that counted the saving of life and property at sea among its principal duties.

World War I and the Risk of Absorption by the Navy

The first major threat to the fledgling Coast Guard had its origins in the transfer of the Service to the Navy’s jurisdiction with the United States’ entry into World War I. At war’s end, the Secretary of the Navy and his Assistant Secretary, Franklin D. Roosevelt, determined that the Coast Guard should remain under the Navy’s control, arguing that to return it to Treasury would only contribute to unnecessary duplication of facilities and functions. To this end, they obtained the introduction of a bill in the Congress in January 1919 that provided for the complete integration of the Coast Guard’s personnel, vessels, and stations into the Navy and the closing of redundant shore activities—in effect, putting an end to the Coast Guard after only 4 years of existence.

The Treasury Secretary, to whom a copy of the bill was provided for comment, strongly opposed the proposal. Noting that the Navy had repeatedly sought to gain control of the Revenue Cutter Service and that the Congress had consistently declined to permit this, he argued that the

Coast Guard should remain under Treasury's control in peacetime. Disputing the alleged savings to be achieved by consolidation, he also claimed that its effect would be to "utterly demoralize the enlisted personnel of the Coast Guard." He speculated that one of the real motives of the proposal lay in the desire of many Coast Guard officers to retain the temporary ranks to which they had been promoted during the war.

Supporters of the Coast Guard in the Congress introduced resolutions to return the Service to Treasury as quickly as possible. A joint resolution calling for this was adopted and sent to the President in February 1919. The matter did not end there, however. As part of what the Treasury Secretary characterized as a "remarkable campaign of propaganda" in favor of the Navy's retention of their Service, a number of Coast Guard officers contradicted the Secretary's arguments and insisted that military efficiency and economy would be enhanced were the Navy to retain the Coast Guard permanently. They also cited the "unsatisfactory" record of cutter construction in prewar years as proof of Treasury's lack of interest in their Service.

Ultimately, with the support of the Coast Guard Commandant and a small group of headquarters officers who favored the Service's return to Treasury and normal peacetime status, Treasury's position prevailed. President Wilson issued an executive order on August 28, 1919, directing the Coast Guard's return to Treasury's control.

In lending his support to the Treasury Secretary's efforts to retain control of the Coast Guard, the Commandant, Ellsworth P. Bertholf, made a number of observations about the differences between the two services that for him underscored the necessity of keeping them separate in time of peace. In his view, the fundamental reasons for the two services were diametrically opposed. While the Navy exists for the sole purpose of preparing itself for war, the Coast Guard exists to carry out duties that are essentially peacetime functions. The Coast Guard is organized along military lines because that organization best enables it to maintain itself as an emergency service and perform as an adjunct and auxiliary to the Navy in war. Wartime usefulness is thus a by-product of the Coast Guard and not its major reason for being.

Threats During the Depression Era

The next serious threat to the Coast Guard coincided with the deepening depression of the 1930s and the election of a new President. Worsening economic conditions and pressures to reduce government spending led

the Congress in 1932 and 1933 to enact legislation authorizing reorganization of executive departments in the interest of economy and efficiency and eliminating unnecessary duplication. The unique character of the Coast Guard as well as its rapid growth and high visibility during Prohibition made it a prime candidate for scrutiny. It was probable also, as events subsequently confirmed, that the new President, Franklin Roosevelt, would continue to hold the view, espoused some years earlier, that the proper place for the Coast Guard was in the Navy.

The first rumors of the Navy's takeover began to circulate soon after the President's March 1933 inauguration. This time, however, the Commandant and other officials did not wait for official notice of such a move before attempting to forestall it. They produced a number of letters and memorandums restating the arguments against consolidation that Commandant Bertholf had offered in 1919. They also developed new arguments, emphasizing the growing importance of the Coast Guard's marine law enforcement responsibilities in combating smuggling and illegal immigration, pointing out that the Navy was specifically precluded by statute from a civilian law enforcement role, and arguing that there was little or no overlapping or duplication of effort in the performance of the respective duties of the two military services. As for any possible savings to be achieved by consolidation, they maintained that claimed economies were more illusory than real.

In late 1933, after meeting with the President to discuss Coast Guard matters, the Commandant submitted a memorandum to the Treasury Secretary summarizing his view of the risks of such a move. As his predecessor had done in 1919, he pointed out that the paramount duty of the Navy is preparation for war and maintenance of the fleet in readiness. If the Coast Guard were transferred to the Navy, its duties would be sacrificed, if necessary, to meet the Navy's obligations. If appropriations were not sufficient to maintain the fleet, then those activities having no direct bearing on readiness—in particular, the activities of the Coast Guard—would be sacrificed. Similarly, the best available officers could be expected to be assigned to purely naval duties, while the less highly rated would be assigned to the Coast Guard. In every respect, in other words, the Coast Guard could be expected to be disadvantaged and to have a status inferior to that of the Navy.

Despite these arguments and a lack of enthusiasm for transfer on the part of Treasury officials, such a move appeared virtually certain in late

1933, when a committee was formed to consider the question of administration of the Service, in the event of its transfer to the Navy's jurisdiction. The committee produced a series of recommendations, the most important of which was that the Coast Guard have a status in the Navy analogous to that of the Marine Corps, with its own Commandant. Addressing the key issue of economy and efficiency, the committee forecast minimal annual savings from the transfer. At the same time, it pointed out that the expense of relocating Coast Guard headquarters near those of the Navy would be considerable.

As 1934 progressed, it became increasingly clear that the proposed transfer would not come about, notwithstanding its apparent inevitability a few months before. Possible reasons for this, beyond the minimal savings projected, were the lack of support for the transfer among any organized constituency with the exception of the Navy, the preoccupation of the President with weightier matters, and an increasingly organized opposition by Members of the Congress and some of those who more than a decade earlier had supported such a move. In contrast to 1919-20, hardly any Coast Guard personnel in 1933-34 were in favor of transfer to the Navy. As in the earlier episode, this feeling may have had more to do with an appraisal of where they were likely to be better off than with anything else. Similarly, maritime interests in 1933-34, typified by the American Steamship Owners' Association, expressed their strong opposition to any change in the Coast Guard's status. In 1919-20, these interests were just as strongly opposed to the Coast Guard's growing involvement in the regulation of commercial vessel safety and had welcomed the Service's proposed transfer to the Navy as a way of reducing, if not altogether eliminating, this unwanted intrusion into their affairs.

Finally, the Congress seems to have become increasingly interested in the proposed transfer in 1934 and increasingly determined to oppose it. In January 1934, a congressional delegation met with the President and urged him not to carry out the planned move. By the end of 1934, the transfer was a dead issue.

Creation of the Department of Transportation

The establishment of the Department of Transportation (DOT) in 1967 and the Coast Guard's transfer from Treasury to the new department represent an important watershed. This was the first proposal on the organizational placement of the Coast Guard to be adopted by the Congress in the one-and-three-quarters-century history of the Service—and

the only such proposal that has been adopted up to this time. This reorganization also marks a shift away from proposals focused primarily on considerations of economy, efficiency, and elimination of duplication to proposals aimed at using the Service's versatile assets to address particular problems or to achieve particular policy objectives, in this case the promotion and facilitation of transportation at the national level.

A concern for simplifying the organization of government and eliminating unnecessary duplication and overlap can still be discerned in some of the Coast Guard reorganization proposals made since 1967. For the most part, however, the emphasis in this period has been on marshalling the unique maritime expertise and multimission assets of the Service to advance broad policy objectives in areas as diverse as environmental protection, resource conservation and utilization, border control, and national defense.

DOT Represents the Culmination of Years of Study and Debate

The creation of DOT in 1967 is an example of an idea whose time had finally come. A steadily increasing federal role in transportation and a growing appreciation of the importance of transportation to the nation's economic well-being and security gave rise to a succession of proposals intended to bring greater balance, coherence, and integration to transportation policy, planning, and investment. The need to consolidate and coordinate proliferating federal transportation agencies and the ineffectual attempts to do so in the 1930s and 1940s caused the first Hoover Commission in 1949 to conclude that "no single government agency is in a position to evaluate total needs in transportation . . . or the net results of all federal transportation undertakings."

Between 1933 and 1961, there were at least 10 major studies of transportation policy. While many of their conclusions on policy were influential, their recommendations on organizational restructuring were, for the most part, not adopted. Independent of these studies were more than a dozen separate proposals to the Congress to create a Department of Transportation or another centralizing agency by another name. These, too, failed to bring about significant change. By 1966, however, conditions were apparently favorable for serious consideration of the idea of creating a federal Department of Transportation.

The action that triggered the relatively rapid chain of events leading to DOT's establishment was a letter written by outgoing FAA Administrator Najeeb Halaby to President Johnson in June 1965. In it he recommended

the creation of a Department of Transportation, with the Federal Aviation Administration (FAA) a key part of the new agency, as the only way to ensure that aviation and other transportation modes receive the high-level attention and support required for their proper development. The idea was quickly seized upon by staff of the executive office of the President and was unexpectedly announced as an Administration initiative in the President's State of the Union Address on January 12, 1966. By March 1966, the Administration had submitted its legislative proposal for DOT to the Congress.

Coast Guard Seen as a Key Element of the New Department

According to a former DOT Assistant Secretary for Administration, who was also a member of the task force that devised the DOT organizational concept, the Coast Guard and FAA were both viewed as key elements of the new department. Their size as well as the importance and diversity of their programs would provide the crucial mass, in terms of budget and personnel, around which a cabinet-level department could be constructed. In addition, the Coast Guard was viewed by task force participants as "the FAA of the sea," its maritime safety and navigation functions being analogous to those of FAA. For tactical reasons, also, it was deemed important that both agencies be part of the new department. Since Mr. Halaby's successor as FAA Administrator was not initially enthusiastic about the idea of his autonomous agency becoming a part of the proposed department and since the Treasury Secretary was opposed to losing the Coast Guard, it was felt that neither agency could be persuaded to move to DOT without the other. Moreover, the two agencies were seen as countervailing and complementary influences; without both, the department would be unbalanced and susceptible to domination by its largest component.

The views of Coast Guard personnel on their Service's transfer to a new organizational home were, understandably, mixed. The Service had been a part of Treasury for 176 years, and there was the normal fear of change and the unknown. Nevertheless, the transfer had its Coast Guard partisans, who viewed the move as an opportunity for the Service to grow, acquire new duties, and expand into new areas. Moreover, as a member of the task force organizing DOT pointed out, the Coast Guard suffered from a considerable amount of neglect during its last years in Treasury. It was no longer a significant factor in revenue collection (the original purpose of the Revenue Marine), and its maritime safety functions had nothing in common with the rest of Treasury. Although the basic programs of the Coast Guard involved transportation and its responsibilities were broad, appropriations for the Service

**Appendix I
Selected Early Proposals to Reorganize the
Coast Guard and the 1966 Proposal to Create
the Department of Transportation**

were relatively small. In addition, when cuts in government spending were ordered, Treasury was traditionally the first agency to respond. This economizing tendency, combined with the Coast Guard's submerged position within the department, encouraged deferring capital expenditures and improvements for the Service.

The greatest concern of Coast Guard officials and supporters was that transfer to DOT might serve as the occasion for the fragmentation and dispersal of the Service's programs, eroding the multimission concept and the Service's ability to function as an armed force in time of war or national emergency. As a concession to the Service and its supporters, who might otherwise have resisted the transfer, the Coast Guard was granted special status in DOT's legislative charter and was to be transferred as an indivisible unit whose separate identity within the Department would be permanently assured.

DOT came into being on April 1, 1967. Its organizers believed it to be the embodiment of the most advanced management concepts and the paradigmatic major-purpose department, vastly superior to the bureau form of organization characteristic of old-line departments such as Interior, Treasury, and Commerce. Under DOT's matrix organizational design, Assistant Secretaries have no line authority over the DOT agencies representing the various modes of transportation. Instead, the Assistant Secretaries have functional responsibilities (administration, budgeting, policy) that cut across DOT agencies, and they act as advisers to the DOT Secretary. The modal administrators, including the Coast Guard Commandant, report in a line capacity directly to the Secretary.

Comparison of Funding for the Coast Guard and Other Agencies Shows a Mixed Picture

Fiscal retrenchment has resulted in tight budgets for most agencies during the 1980s. To put the Coast Guard's funding in perspective, we compared its budget growth rate for fiscal years 1980 through 1989 with the rates of 14 agencies funded in the nondefense discretionary and defense budget categories. Overall, the Coast Guard's funding record compared favorably. While the Coast Guard's funding increased at a greater rate than that of some agencies, it did not increase as much as that of DOD agencies or certain agencies that also have drug enforcement and border control responsibilities. We recognize that in making comparisons, budget totals, in themselves, do not explain differences in budget growth rates. Rather, these growth rates reflect the spending priorities of the period. (App. IV lists the 14 agencies and their funding in constant dollars for fiscal years 1980 through 1989.¹ App. V shows the percent changes in funding from fiscal year 1980.)

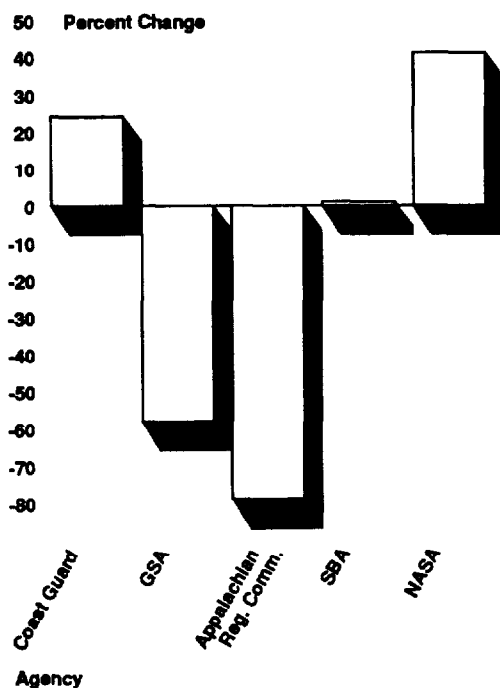
Coast Guard's Budget Grew More Than the Budgets of Some Agencies

Bearing in mind that some recent proposals have called for making the Coast Guard an independent agency, we compared the Coast Guard's budget with the budgets of the following independent agencies: the General Services Administration (GSA), the Appalachian Regional Commission (ARC), the Small Business Administration (SBA), and the National Aeronautics and Space Administration (NASA). (See fig. II.1.) Between fiscal years 1980 and 1989, the GSA and ARC budgets declined by 58 and 79 percent, respectively, and the SBA budget grew by only 1 percent. While NASA's overall budget growth rate of 41 percent for the period exceeded the Coast Guard's 24-percent rate, before fiscal year 1987 NASA's growth rate was less than that of the Coast Guard. Without \$2.1 billion for the purchase of a replacement space shuttle, NASA's budget would have grown less than the Coast Guard's in fiscal year 1987.

¹By "funding" we mean the authority the Congress gives government agencies to enter into obligations that will result in immediate or future outlays.

Appendix II
Comparison of Funding for the Coast Guard
and Other Agencies Shows a Mixed Picture

Figure II.1: Percent Changes in the Budgets of the Coast Guard and Independent Agencies Between Fiscal Years 1980 and 1989



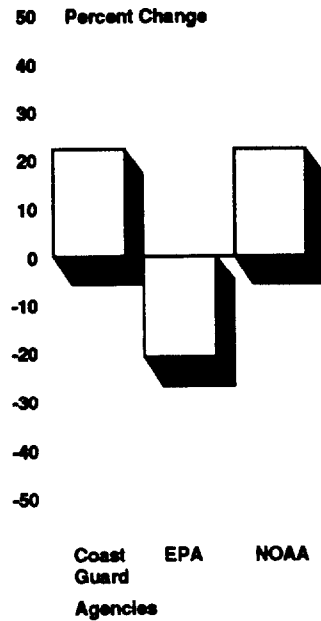
Note: Budget figures were expressed in constant 1988 dollars
 Sources: Coast Guard, GSA, Appalachian Regional Commission, SBA, and NASA

We also compared the Coast Guard's budget with the budgets of the National Oceanic and Atmospheric Administration (NOAA), the Environmental Protection Agency (EPA), the Department of Education (Education), and the Department of Health and Human Services (HHS). We selected NOAA and EPA because each shares a particular responsibility with the Coast Guard. NOAA and the Coast Guard share responsibility for enforcing fisheries laws, while EPA and the Coast Guard share certain responsibilities for protecting the maritime environment. Because of proposals to make the Coast Guard an independent agency, including the possibility of making it a departmental-level agency, we also compared the Coast Guard's budget growth rate with that of the Department of Education and the Department of Health and Human Services. The Coast Guard's budget grew more proportionately than all of these agencies' budgets between fiscal years 1980 and 1989. (See figs. II.2 and II.3.) While the Coast Guard's budget increased, EPA's and HHS's budgets declined—EPA's by 21 percent and HHS's by 6 percent. The budgets of NOAA and Education both grew, with increases of 11 and 9 percent,

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respectively—but their growth rates were not as great as the Coast Guard's 24-percent increase.

Figure II.2: Percent Changes in the Budgets of the Coast Guard and Agencies Sharing Certain Responsibilities Between Fiscal Years 1980 and 1989



Note: Budget figures were expressed in constant 1988 dollars.
Sources: Coast Guard, EPA, and NOAA.

Appendix II
Comparison of Funding for the Coast Guard
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Figure II.3: Percent Changes in the Budgets of the Coast Guard and Departmental Agencies Between Fiscal Years 1980 and 1989



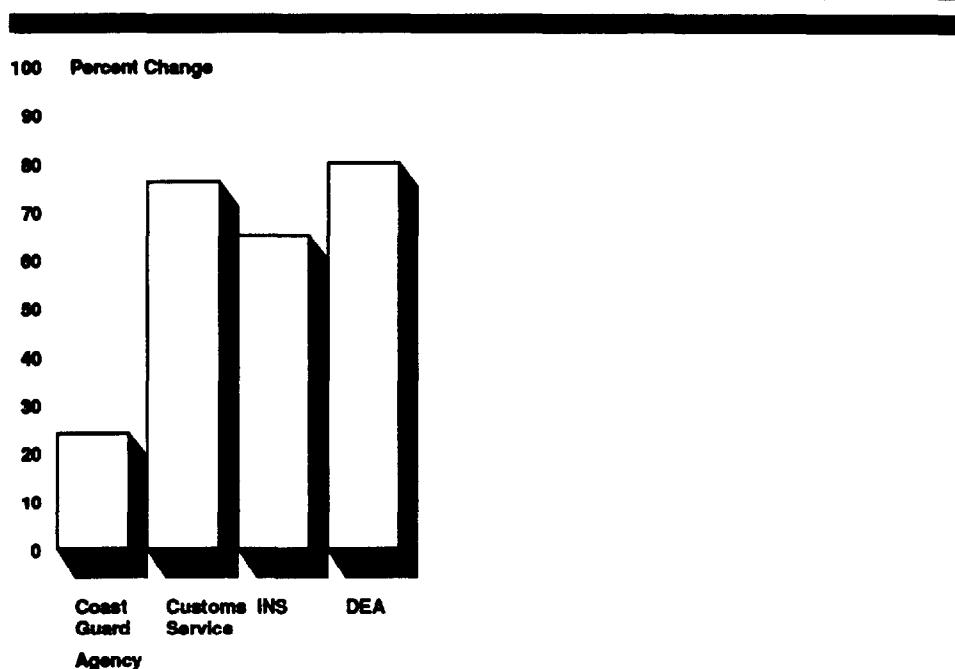
Notes: Budget figures were expressed in constant 1988 dollars.
 Percent change for HHS includes discretionary budget authority but does not include entitlement programs.
 Sources: Coast Guard, Education, HHS

Coast Guard's Budget Grew Less Than the Budgets of Some Agencies With Law Enforcement Responsibilities

We compared the Coast Guard's budget from fiscal years 1980 through 1989 with the budgets of other agencies that share law enforcement responsibilities with the Service, particularly in connection with border control and the war on drugs. These agencies include the Customs Service (Customs), the Drug Enforcement Administration (DEA), and the Immigration and Naturalization Service (INS). Between fiscal years 1980 and 1984, the Coast Guard's budget generally grew at a faster pace than the budgets of these agencies. However, starting in 1985 the trend was reversed. Although the Coast Guard's law enforcement mission significantly increased during the 1980s, the budgets in fiscal year 1989 for Customs, DEA, and INS were, respectively, 76 percent, 80 percent, and 65 percent above their 1980 budgets, compared with the Coast Guard's 24-percent increase. (See fig. II.4.)

Appendix II
Comparison of Funding for the Coast Guard
and Other Agencies Shows a Mixed Picture

Figure II.4: Percent Changes in the Budgets of the Coast Guard and Other Agencies With Law Enforcement Responsibilities Between Fiscal Years 1980 and 1989



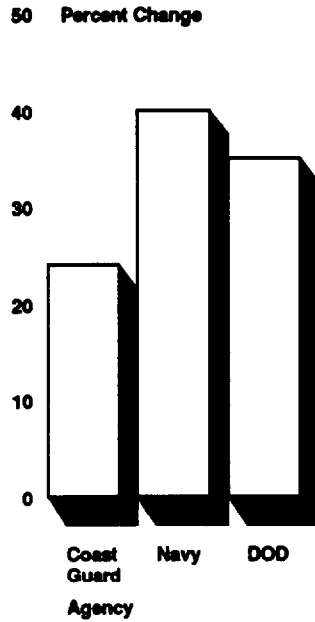
Note: Budget figures were expressed in constant 1988 dollars.
Sources: Coast Guard, Customs Service, INS, and DEA.

DOD's Budget Grew More Than the Coast Guard's Budget

In recognition of the defense responsibilities of the Coast Guard, we compared its budget with the budgets of DOD and the Navy to determine the extent to which the Service shared in the defense buildup of the 1980s. In view of proposals to make the Coast Guard a part of the Navy, we reviewed the Navy's budget growth separate from that of DOD. Between fiscal years 1980 and 1985, both DOD's and the Navy's budgets grew at a faster rate than the Coast Guard's budget. Starting in 1985, however, with the exception of 1988, the level of Coast Guard's budget growth tended to remain steady, while that of both DOD and the Navy declined. Comparison of overall growth rates between fiscal years 1980 and 1989 disclosed that DOD's and the Navy's budgets grew by 35 and 40 percent, respectively, while the Coast Guard's budget grew by 24 percent. (See fig. II.5.)

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Comparison of Funding for the Coast Guard
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**Figure II.5: Percent Changes in the
Budgets of the Coast Guard, DOD, and
the Navy Between Fiscal Years 1980 and
1989**



Note: Budget figures were expressed in constant 1988 dollars.
Sources: Coast Guard and DOD.

Percentage of Total Operating Expenses by Program and Total Operating Expenses for the Coast Guard

Program ^a	Percentage of total operating expenses									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
SAR	26.3	25.0	26.8	26.8	26.0	23.3	20.5	21.6	22.2	21.4
ATON	24.4	23.6	23.0	23.7	23.2	21.8	23.7	21.6	21.3	20.6
MS	14.2	12.3	8.6	7.6	8.1	6.9	6.4	6.7	6.3	6.0
MEP	7.5	6.6	9.8	7.3	7.6	6.8	8.2	7.1	7.1	6.7
ELT										
Drug	7.3	11.9	13.1	18.0	19.3	22.0	21.4	23.0	22.5	24.2
Fisheries ^b	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	5.6	6.9
Other	10.9	11.9	7.6	10.4	9.6	10.1	16.1	4.5	4.8	4.5
IO	5.1	4.5	5.9	1.8	1.7	3.0	3.8	4.8	4.8	4.6
MP	4.3	4.1	5.2	4.5	4.5	6.0	0.0 ^c	5.7	5.3	5.2
Total operating expenses in actual dollars (millions)	\$1,113.1	\$1,335.6	\$1,481.9	\$1,603.6	\$1,690.1	\$1,753.4	\$1,657.1	\$1,895.3	\$1,909.1	\$2,104.2

Note: Columns may not add to 100 percent because of rounding

^aAbbreviations: SAR, Search and Rescue Program; ATON, Aids to Navigation Program; MS, Maritime Safety Program; MEP, Marine Environmental Protection Program; ELT, Enforcement of Laws and Treaties Program (Drug Interdiction, Fisheries, and Others); IO, Ice Operations Program; MP, Military Preparedness Program

^bFisheries data not readily available for fiscal years 1980 to 1986

^cExcludes fiscal year 1986 funds for defense readiness totaling \$96.9 million.

Source: Coast Guard.

Funding for Federal Agencies, Fiscal Years 1980 to 1989

Dollars in millions

Agencies	Funding level ^a									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Coast Guard	\$2,440	\$2,636	\$3,073	\$2,885	\$3,127	\$2,852	\$2,969	\$2,987	\$2,729	\$3,015
Customs Service	652	645	641	673	740	802	868	1,060	1,116	1,150
INS	479	481	536	581	577	642	635	771	741	791
DEA	286	280	294	299	329	389	389	507	494	514
Navy	67,045	75,130	84,672	95,902	92,655	108,672	102,671	96,691	100,300	93,744
DOD	202,557	231,088	260,097	280,445	291,751	314,819	300,000	289,038	283,800	273,147
GSA	614	914	583	702	442	436	431	371	282	256
ARC	511	444	186	197	183	166	131	109	107	107
SBA	311	303	293	352	298	306	310	314	314	313
NASA	7,448	7,154	7,324	7,983	8,184	8,290	8,295	11,143	9,002	10,488
EPA	8,439	5,674	5,793	5,547	5,920	6,274	5,222	7,141	6,608	6,627
NOAA	1,083	1,086	1,052	1,131	1,147	1,441	1,273	1,119	1,141	1,197
Education	20,179	19,295	17,938	18,062	17,448	20,942	19,166	20,359	20,314	21,946
HHS ^b	24,580	22,623	20,592	21,211	21,527	21,453	21,455	22,618	22,467	23,143

^aAnnual budget figures are expressed in constant dollars.

^bFigures for HHS include discretionary budget authority but do not include entitlement programs.

Source: Information was provided by the respective agencies.

Percent Changes in Funding From Fiscal Year 1980

Agencies	Percent change from 1980 ^a								
	1981	1982	1983	1984	1985	1986	1987	1988	1989
Coast Guard	8	26	18	28	17	22	22	12	24
Customs Service	-1	-2	3	14	23	33	63	71	76
INS	0	12	21	21	34	33	61	55	65
DEA	-2	3	5	15	36	36	77	73	80
Navy	12	26	43	38	62	53	44	50	40
DOD	14	28	38	44	55	48	43	40	35
GSA	49	-5	14	-28	-29	-30	-39	-54	-58
ARC	-13	-64	-61	-64	-67	-74	-79	-79	-79
SBA	-3	-6	13	-4	-2	0	1	1	1
NASA	-4	-2	7	10	11	11	50	21	41
EPA	-33	-31	-34	-30	-26	-38	-15	-22	-21
NOAA	0	-3	4	6	33	18	3	5	11
Education	-4	-11	-10	-14	4	-5	1	1	9
HHS ^b	-8	-16	-14	-12	-13	-13	-8	-9	-6

^aPercent changes were calculated by comparing the annual budget of each agency with its budget for fiscal year 1980. Budget figures were converted into constant 1988 dollars.

^bPercent changes for HHS include discretionary budget authority.

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