



Gene M. Seibert, National Commodore

SUBJECT:

Auxiliary Fuel Budget

The Fuel Budget

Recently, many District Commodores have informed me that the fuel shortage is becoming a major concern and that fuel shortages are impacting their districts. Some have asked how our fuel budget works and they want to know what we are doing to safeguard the fuel funds allocated to the Coast Guard Auxiliary.

Since 9/11 the Auxiliary has been providing ever-increasing levels of support to the Coast Guard. This increase in support is reflected in increasing Auxiliary operational mission-hours in all areas of Auxiliary direct operational support missions.

In the traditional Auxiliary support model, our operational services are supplied to the “operational commands”, which are the Groups, Stations, Air Stations and more recently, the Sectors. In more remote areas and sole-State waters, the Auxiliary partners with local agencies on behalf of the Coast Guard. This support model has changed dramatically in the last two years. Now, an ever-increasing share of Auxiliary resources is being utilized by the Marine Safety commands in support of Ports, Waterways and Coastal Security and efforts to support MTSA.

Auxiliary capabilities have kept pace with the increasing demands, but serious shortfalls in fuel allocations have been experienced in many Districts. The National Bridge and the Office of the Chief Director of Auxiliary are aware of this problem and we are working with the Coast Guard to devise acceptable solutions, both for the immediate shortfall and into the future. ***Unfortunately, there are no quick fixes.*** An extensive, comprehensive evaluation of the formula and mechanism of fuel allocation for Auxiliary forces is needed to meet this challenge.

How the Fuel Budget Works:

Coast Guard Fuel Model:

In order to better understand these challenges, let’s look at how the Coast Guard manages its fuel funds and the challenges that they must deal with. Each year in the fall, the Coast Guard receives appropriated funds (i.e. – funding levels enacted by Congress and approved into law by the President) to operate and maintain all of its assets: small boats, cutters, helicopters, fixed-wing aircraft, land mobile facilities... and Auxiliary facilities. The portion of these funds that are used for their fuel costs is determined from a “Coast Guard fuel model.”

The funds that are applied to this fuel model are received and then allocated to Coast Guard Headquarters fund managers. In turn, proportional allocations are made to each Coast Guard Area and District. Area and District fund managers then allocate their portions to respective operational commanders for day-to-day management.

While attempts are made to allocate these funds according to the fuel model, it is sometimes necessary to reduce the amounts of fuel funds allocated to a program in order to augment other higher priority Coast Guard programs and projects.

These higher priority allocations reduce the flexibility of utilization of Coast Guard assets and impact upon Coast Guard daily operations. These re-allocations can sometimes result in dramatic USCG fuel conservation measures, like a patrol boat spending some of its patrol time at anchor in a tactical location rather than constantly underway.

Coast Guard planning adjustments for reduced fuel situations are fairly straightforward, at least for their own Coast Guard assets. This is true because Coast Guard assets have very specific annual operating parameters and well-established rates of fuel consumption.

For example, a 110-foot patrol boat is scheduled to be underway 1,800 hours each year. That number of hours multiplied by the average fuel consumption rate results in a relatively accurate estimate of fuel required to operate for a typical patrol year. By multiplying this estimate by the total number of patrol boats, one obtains a pretty good estimate of the amount of fuel needed to operate the entire fleet of patrol boats for the year. By multiplying that annual fuel consumption by the projected cost of fuel per gallon, you arrive at a fairly accurate estimate of the cost to fuel the fleet. This example is simplified, but it can be applied across all Coast Guard asset classes to estimate total annual fuel money required. Additionally, the Coast Guard's inventory of operational assets remains comparatively steady from year-to-year, which lends greater accuracy to its annual fuel expense estimates.

Auxiliary Fuel Model:

A portion of the Coast Guard's annual fuel estimates is specifically identified to support Auxiliary operations. This is commonly referred to as the **Auxiliary Fuel Model**.

From these Auxiliary designated amounts, each Coast Guard district is allocated a share of fuel funds to support district Auxiliary patrol efforts. Like the Coast Guard fuel model, these funds are allocated to each Coast Guard operational commander (e.g. – sector commands, air stations, groups, etc). Allocations to air stations are used to support Auxiliary air patrols as part of the Auxiliary air squadron concept implemented several years ago. Likewise, allocations to Sector and Group commands are provided to support Auxiliary surface and land mobile patrols throughout each district.

Estimates of these allocations are not as precise as those for Coast Guard assets, largely because of the wide variety of Auxiliary facilities, their correspondingly varied rates of fuel consumption, and the lack of pre-determined operating parameters (schedules, underway hours, distances or duration) estimates for them.

In the past, funding of Auxiliary fuel requirements has been fairly static with best-guess adjustments for inflation. But when patrol claims surge within a region, as they have these past two years, because more facilities conduct more missions than in the previous year, the fuel expense estimate is incorrect and a fuel shortfall is the result. Of course this fuel expense shortfall is also dramatically aggravated by

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unanticipated and sharply increased fuel prices, as happened this year.

As a result of this year's shortfall, an effort has begun to rectify the entire Auxiliary fuel model and to better determine what the Auxiliary fuel base should be. This is particularly necessary now because of current Coast Guard budgetary constraints and because of the growing diversity and tempo of Auxiliary missions delegated to us from the Coast Guard (e.g. – surface and shore-side harbor patrols, air logistics missions, increased safety and security zone enforcement, surge and contingency ops augmentation).

Progress Requires a Team Approach:

Improving the current Auxiliary fuel model will require significant planning efforts across all Auxiliary regions. These efforts will help predict Auxiliary fuel needs with considerably greater accuracy. These plans may also entail the establishment of specific fuel usage factors for different types of Auxiliary facilities. Over time, fuel consumption data obtained from POMS and from Auxiliary operators will probably be utilized to help improve the accuracy of the Auxiliary fuel model.

A large part of the solution may also require us to change the way we patrol. We will “patrol smarter” and “patrol with purpose.” In other words, we more closely match our patrols schedules with the tempo of the local boating community, training necessities and our local Coast Guard unit. Patrols with ill-defined purpose or deemed unnecessary by local Coast Guard authority will be curtailed.

SAMA Introduced:

In addition to conventional Auxiliary fuel reimbursements, this fiscal year (2005) has seen the first-ever allocation of Coast Guard funds to support Standard Auxiliary Maintenance Allowance (SAMA) costs. Although this allocation of \$500,000 is not expected to fully cover all anticipated SAMA costs, Auxiliary vessel operators now receive at least partial reimbursement of SAMA expenses. This amount is in addition to reimbursement of our fuel costs. The Coast Guard established these funds by categorizing SAMA as high priority for the Auxiliary but not at the expense of overall Auxiliary fuel model funding. Additional SAMA funding is being pursued both within the Coast Guard's budget process and by me and the Chief Director.

Solutions for Stability:

In summary, the long-term solution for stability of the Auxiliary's fuel model funding includes the following:

1. A thorough analysis of Coast Guard's operational needs with focus on the fuel requirements for the Auxiliary has begun and a new fair-funding Auxiliary fuel model is being developed.
2. The new Auxiliary fuel model will consider the non-standard nature of the Auxiliary facilities and the impact of this diversity on fuel use. We will build in capacity to accommodate sustained operations with flexibility for surge operations.
3. The revised Auxiliary fuel model will also consider the need for Auxiliary program growth and will meet requirements of the operational commands.
4. Finally, the fuel consumption requirements for training and maintaining our operationally competent Auxiliary workforce will be included in our new fuel funding model.

[Note: this analysis is being conducted from the office of the Chief Director of the Auxiliary.]

Coast Guard Support Remains Strong:

We are all in agreement that funding for energy/fuel must keep pace with the Coast Guard's operational expectations of the Auxiliary. The Coast Guard cannot expect that "the loyalty of the Auxiliary volunteers" will sustain Auxiliary operations when fuel funding is not available. Consideration for the Auxiliarist, the use of our personal vessels and Auxiliary volunteer time and sacrifice is essential. At a minimum, this means there must be adequate funding for fuel.

As we work through this shortfall together, I ask that you keep the following in mind: **Insufficient funding levels experienced by some Auxiliary programs reflect the Coast Guard's temporary, higher priorities at that time. These funding shortfalls should never be misinterpreted as a reflection of *lower value* placed upon the Auxiliary.** Coast Guard support of Auxiliary operations remains very highly valued and in fact has been consistently funded over the years.

Remember that the nature of budgetary priorities may vary significantly from one region to another. Please work with your own district's leadership chain to develop solutions that work best for your district and are consistent with maintaining our mission to support the USCG and protect the Boating Public.

Local Involvement:

Finally, remember that the tenets of Operation Patriot Readiness call for continuous dialogue between operational commanders and the local Auxiliary units that support them. Such dialogue is crucial, especially at the outset of a budget year. Mission needs (e.g. – patrols on specific bodies of water, training, qualification and certification requirements, readiness exercises, etc) should be identified, matched with and attached to the funding available AT THAT TIME. As shortfalls are projected, that is the best time to advocate for additional funds. That is also the best time to manage the expectations of the Auxiliarists who will provide the mission support during the coming year.

In closing, I want to take this opportunity to thank Mr. Steve Minutolo (G-OCX-2) for his input in explaining the fuel budget process and for his current efforts in working with the various districts to development of a new Auxiliary Fuel Budget Model.

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