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SUBJECT:

Auxiliary Finances

Where does the Auxiliary obtain funds and how are those funds expended?

These are the questions about funding that I hear most often:

What are the funding sources of Coast Guard Auxiliary?

Doesn't the Coast Guard completely fund the Coast Guard Auxiliary?

Why does National have to raise dues, can't we just cut expenses?

What do my dues provide?

Before I go into detail, let me assure you that the Coast Guard Association, Inc. is continually working to develop diverse income-producing revenue streams and enhanced fundraising initiatives. Their goal is to make the Association a self-sustaining organization and thereby support our fiscal commitment to the Auxiliary membership and to the Coast Guard.

We continue to manage our annual **zero-based budget** with the exception of 2005. In 2005 the National Board was compelled to approve, for the first time, a deficit budget.

I hope that the following explanation will give you a better idea of both Auxiliary funding sources and the associated Auxiliary expenditures associated with operating the Coast Guard Auxiliary.

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The Coast Guard Auxiliary receives revenues from six primary sources:

1. Membership dues
2. Sale of public education materials
3. Sale of uniforms and other items through the Auxiliary Center
4. Fundraising (i.e., Associate Membership, direct solicitation)
5. Grants
6. The US Coast Guard

The majority of Auxiliary gross revenue is received from fundraising and grants. These are “revenue neutral” since these dollars are usually a “*pass through*” to the individual units or directed to a specific project. In these cases, the Coast Guard Auxiliary Association functions merely as the broker for the Auxiliary unit.

All money collected from whatever source, is used in the day-to-day operation of the Coast Guard Auxiliary. These funds go toward supporting the U.S. Coast Guard Auxiliary's diverse activities.

Below, I show that while the Coast Guard Auxiliary continues to increase its missions, programs and activities in support of the Coast Guard, we are faced with declining income and increasing costs.

Two main sources of Auxiliary revenue (excluding the Coast Guard) are the sale of public education materials and membership dues. The sale of public education materials is showing a declining trend as we face increased competition from “no cost” internet and state boating courses. We have also lost almost 8,000 members in 2004 as a result of the Personal Security Qualification Process with many members choosing to retire after 15 years of service.

While we continue to evaluate the balance of our missions, programs and activities, the fact is that the cost associated with performing these missions continues to increase.

Coast Guard Funding:

The Coast Guard funds only a portion of Auxiliary activities, missions, and program requirements. Coast Guard emphasis on Operations since 9/11, combined with their move into the Department of Homeland Security has made sustaining current Auxiliary programs and ever-increasing Auxiliary responsibilities more challenging.

In fact, the percentage of the Coast Guard budget devoted to the Auxiliary has decreased or at best, has held steady over the past five years. This decline has severely hampered the

Auxiliary's ability to support its current and expanding missions, as well as its authorized programs.

The Coast Guard's funding of the Auxiliary averages about \$11 million per year. These funds are a part of an appropriation received from Congress to support the activities and missions of the whole Coast Guard. *There are two very important points to understand about these funds.*

First, *in any given year*, the funds designated for the Auxiliary (and any or all Coast Guard programs) *can be "taxed"*. This can occur as a result of Coast Guard budget challenges or congressional reprogramming. Unanticipated Coast Guard Strategic Maritime Homeland Security and Coast Guard Operational expenses (i.e., Deepwater, Rescue 21, armed helicopters, etc.) can and do impact Auxiliary funding from the Coast Guard. It is very likely that the Coast Guard will be facing budget shortfalls over the next several years as it moves to meet its varied and increasing safety and security missions. *This means the Auxiliary cannot count on receipt of the full amount allocated to us from the Coast Guard.*

Second, it is important to understand that the *total funds allocated by the Coast Guard to the Auxiliary are not entirely used to support the operations and programs of the Auxiliary*. A large part of these funds goes to salaries and O&M (operation and maintenance) of active duty Coast Guard personnel who provide administrative support to the Auxiliary. These Coast Guard allocated funds also go to provide training materials and a limited amount of classroom training at service schools, some travel expense reimbursement for selected Auxiliarists, limited amounts for membership recruitment materials, administrative manuals (Auxiliary Manual, Operations Policy Manual, Boat Crew Manual, etc.) and postage.

The Coast Guard does reimburse the Auxiliary for operational activities (patrol orders) to a limited extent, but this is a direct replacement for, or in addition to, funds designated for the Coast Guard's own Operations.

The Coast Guard provides for the operation of the Auxiliary National Support Center (ANSC), via a Coast Guard civilian contractors. ANSC distributes U.S. Coast Guard provided forms and materials in support of the district Auxiliary offices and local Auxiliary units.

Finally, the Coast Guard provides the Auxiliary with approximately 1 million dollars worth of personal protection equipment (PPE) annually.

Auxiliary Association Funds:

The Coast Guard Auxiliary Association, Inc., funds many of the other program requirements (producing and purchasing texts used in public education classes, materials for distribu-

tion to the public. These include VSC decals, manuals, pocket guides, *America's Waterway Watch* information, web site hosting/maintenance, insurance, grants to local units, additional travel (e.g., travel to N-Train for certain DSOs), and operation of the Auxiliary Center.

The Coast Guard Auxiliary Association realizes that without additional financial resources to support the Auxiliary's current and future programs, the Auxiliary will experience declining mission performance and possible loss of membership.

The Coast Guard Auxiliary Association is the sole, non-profit organization authorized by the Commandant to support the U. S. Coast Guard Auxiliary including the management of its business functions and finances. The task of providing the funds needed to manage many Auxiliary programs falls upon the Association. The Coast Guard is shifting more financial responsibility onto the Auxiliary – particularly for *non-operational* programs such as Recreational Boating Safety.

The following paragraphs outline the funding responsibilities that the Auxiliary relies on the Auxiliary Association to support. The Auxiliary's only available means to obtain the funds necessary is through the Auxiliary Association.

The Board of Directors for the Auxiliary Association is comprised of the elected officers of the U.S. Coast Guard Auxiliary National Board (DCOs, ARCOs, NAVCO, NACO as well as NIPCO and NAPDIC). The Association is responsible for providing the funding required to carryout all Auxiliary programs including those not funded or under-funded by the U.S. Coast Guard.

Members involved in *Operational programs* on authorized Coast Guard orders, continue to receive reimbursement for expenses involved with use of their facilities. The expenses include fuel and oil, damage claim reimbursements (if approved) and safety equipment such as PEPERBS and exposure suits (PPE).

The Coast Guard continues to try and find a way to fund a maintenance allowance for the use of member vessel facilities. However the members still shoulder those costs as well as the cost of outfitting their vessels to meet facility standards and other costs associated with operating their vessels.

Members involved in other Auxiliary program areas do not receive the same level of support from the Coast Guard. The Auxiliary, through the Association, supports most of these other efforts through various income sources that include member dues, sales of textbooks and other educational products, the sale of other materials through the Auxiliary material officer system, and through partnerships with other organizations and companies as well as seeking grants. The Association provides approximately \$1.5 million annually in support of these non-

operational program requirements.

Described below are the various expenses for the non-operational Auxiliary programs, identifying the sources of funding to support those expenses. These are not all inclusive but they do represent the majority of today's sources of revenue and expenditures associated with operating the Coast Guard Auxiliary.

The expenditures and sources of funds shown below do not include those expenditures at the division and flotilla levels. These levels generate most of their funding through membership dues and sale of educational courses. The Auxiliary Association does assist local units in obtaining funding through its 501(C)3 non-profit status for grants, donations, etc., from outside individuals and organizations,. The Association also provides the capability for members to channel Employer Volunteer Program funds to the flotillas.

Association funding and support:

Educational Courses - \$350,000 (debit)

This includes the development costs and printing/delivery of course materials to central distribution location (AUXCEN). Courses include ABC, ACN-BCN, BSC, BS&S, *GPS for Mariners*, *Let's Go Sailing*, PWC, and *How to Read a Nautical Chart*. Materials include course books; student study guides; examination booklets, answer sheets and answer keys; course completion certificates; student cards used in making up the course, supplements and instructor kits.

Grants/donors - \$100,000/\$65,000 (revenue neutral)

Includes development of RBS grants to fund Vessel Safety Check program requirements including VSC manuals development/publishing, VSC pocket guides, VSC forms, RBSVP displays, RBSVP Manuals, etc. Also includes coordination for obtaining a donor to cover expenses of producing the VSC decals. Note that these are funds received from outside sources for a specific purpose or program (flow through) and bring no net gain to the Auxiliary

America's Waterway Watch Program - \$96,000 (revenue neutral)

Funds/expenditures were obtained from a specific donor, which enabled funding development and procurement of *America's Waterway Watch* program materials that include brochures, vinyl stickers, VHS/DVD's and other training materials and *How to Locate a Recreational Boating Safety Specialist in Your Area*.

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Internet hosting/maintenance - \$28,000 (debit)

This includes all costs and maintenance expenses associated with www.cgaux.org, which provides National, district, division and flotilla level website hosting. It also includes expenses for development and hosting server for AUXplus database. This database will provide us the ability to track education student data and graduate information, VSC recipients, donors and other vital information. This will permit a follow-up capability for future opportunities to engage these members of the boating public with additional services provided by the Auxiliary.

General insurance - \$42,100 (debit)

The insurance provides coverage for all Auxiliary elected and appointed officers under its Directors and Officers policy when acting within the scope of their official duties. In addition, it provides umbrella coverage and liability coverage for all Auxiliarists in the performance of their Auxiliary duties. Finally, it provides a travel accident policy for the elected and staff officers during travel related to their duties as an Auxiliarist.

Organizational/local government grant programs - \$50,000 (revenue neutral)

Provides the vehicle by which flotillas may apply for and receive grants for local boating safety initiatives, clean water initiatives and other local government programs. The Association, as a 501(c)3 non-profit organization, may receive the funds then issue checks to flotillas/divisions with projects awarded grant funds.

Corporate Employee Volunteer Programs/Donations to Auxiliary units - \$69,750 (revenue neutral)

A number of employers offer special donation programs on behalf of their employees that volunteer their time to charitable organizations. The Association, as a 501(c)3 non-profit organization, provides the mechanism for employers to make these contributions to Auxiliary units for the employee's charitable service as an Auxiliarist. The Association then forwards all funds received to the designated unit of the employee/Auxiliarist.

Training - \$27,600 (debit)

Provides Per Diem and Lodging for six designated District Staff Officers (DSO) from each Auxiliary district/region to participate in train-the-trainer sessions at the annual National Training Conference (N-TRAIN) meeting. (Note that travel expenses for these DSOs are provided by the Coast Guard). Also includes expenses for training rooms and equipment support. Additionally, the total expense includes Per Diem, lodging and travel for two instructors for each courses presented.

Leadership and management - \$116,160 (debit)

This provides Per Diem and lodging and travel for DCOs/NAPDIC to participate in Area planning sessions and attend to official Auxiliary National Board duties and responsibilities. This expense includes meeting rooms and equipment charges. It also includes Per Diem, lodging and travel for National elected officers to perform their official Auxiliary National Board duties and responsibilities and for National Directorate Commodores participation.

Program implementation - \$44,900 (debit)

Includes Per Diem, lodging and travel for Auxiliary department personnel to perform mission related sessions with cognizant Coast Guard personnel and conduct intra-organizational coordination between departments and meet with national board members to discuss programs, direction, and issues.

Officer support - \$24,000 (debit)

This includes funds to replace paper, ink, cartridges and other expendable items used by designated Auxiliary officers in performing official duties as well as reimbursements for official telephone and electronic communication expenses.

Program liaison and support - \$10,000 (debit)

This includes Per Diem and lodging and travel for the Auxiliary to interface with and partnerships within the boating safety regional, national and international communities. Includes participation on technical and subject expertise committees and other cooperative efforts with organizations such as National Safe Boating Council (NSBC), National Association of State Boating Law Administrators (NASBLA), International Boating and Water Safety Summit (IBWSS), National Boating Federation (NBF), United States Power Squadrons (USPS) and others as well as organizational membership dues.

National staff/staff element support - \$63,825 (debit)

This includes Per Diem, lodging and travel for official staff duties in support of various functions such as National Auxiliary Conference (NACON), National Training Conference (N-TRAIN), board meetings, Operational Committee meetings, and other national board functions. Provides all support functions for such meetings/training sessions and services to all attendees.

Operation of Auxiliary Center (AUXCEN) - \$381,700 (debit)

This includes annual rent, insurance policies (property, crime, employee travel, volunteers helping at AUXCEN, workers compensation, employee health, Association Directors and

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Officers, umbrella coverage and liability), utilities, employee compensation, freight and postage, repairs and maintenance, printing, support travel and supplies.

The Auxiliary Center operates on a 40-hour week Monday through Friday excluding holidays, with five full-time paid employees (non-Auxiliarists). Auxiliarists also volunteer to assist in providing services at the AUXCEN on a frequent basis. The Auxiliary Center (AUXCEN), located in St. Louis, MO (Crestwood), differs from the Auxiliary National Supply Center (ANSC), located in Granite City, IL).

The AUXCEN is the source used by the districts to purchase the educational materials for the public education classes as well as uniform accessories and other Auxiliary related and logo items.

The ANSC is a civilian contracted operation managed by the Office of the Chief Director to provide storage and distribution of government furnished materials, forms, publications, etc. provided to the members by the Coast Guard. ANSC also provides materials to the Directors of Auxiliary in supporting the Auxiliary program.

The basic difference between ANSC and AUXCEN is: ANSC – Government-funded and provided by Chief Director or Directors of Auxiliary; AUXCEN – Coast Guard Auxiliary Association funded and purchased through District Materials System.

BREAKDOWN OF ITEMS SUPPORTED BY THE AUXILIARY ASSOCIATION AND THE COAST GUARD

<u>ASSOCIATION FUNDED/SUPPORTED</u>	<u>COAST GUARD FUNDED</u>
Education course materials development and production	Government patrol orders
Auxiliary Officers indemnity insurance coverage	Coast Guard C-Schools
MDA and <i>America's Waterway Watch</i> materials	Liability coverage when within scope of assigned orders
Hosting/maintenance of National/district/division/flotilla web sites	Navigator
International Search and Rescue Competition (USCG Auxiliary hosted and shared expenses)	ANSC including government provided manuals/forms/pubs

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<u>ASSOCIATION FUNDED/SUPPORTED</u>	<u>COAST GUARD FUNDED</u>
Operating expense for AUXCEN to provide support materials and other items	CHDIRAUX office and staff
National display	DSOs travel only to N-TRAIN for six DSO's from each district
Printing and awards materials	DIRAUX offices and Staff
Mechanism for obtaining grants and donations to benefit Auxiliary programs including district/flotilla level gifts	District's board and staff meetings
Major program grants for VE/RBSVP/PE and others to develop program initiatives including manuals and other materials	DCO/VCO/RCO/IPDCO/DCP/DSOs orders to district mtgs./D-TRAIN/CG sponsored training.
National Board and Staff support	Qualification Examiners support and travel.
NACO/NAVCO/ARCOs/NIPCO/DCOs/NAPDIC orders to NACON, N-TRAIN, NAPMS, etc.	District EXCOM travel/support
National Dept officers to NACON and N-TRAIN including inst. for training sessions, meeting rooms and support/training equipment	Post N-TRAIN training by DSOs
DSO Per Diem and Lodging for N-TRAIN	Member support equipment
Grants / donors to fund VSC decals, program materials and development.	Electronic Communications
<i>Beacon</i> Publication	Reproduction Expenses
	Awards
	Member Training Equipment

Summary:

The Coast Guard Auxiliary Association was formed to provide capital and income for internal and external functions that are not financially supported by the Coast Guard. This includes the day-to-day expense of Association and Auxiliary operations, as well as much of the RBS activity.

Above, I've outlined above where we stand financially today. I hope this will help you all to understand how the finances of the Auxiliary work. The good news is that we have teams of very good people working very hard to develop innovative and effective programs to overcome our current financial shortfalls. I look forward to sharing these ideas with you all in the near future.