

Less for More: U. S. Coast Guard Budgets.

© 2010 William R. Wells, II

Appropriation cuts, reductions, curtailments and shortages are nothing novel to the U. S. Coast Guard or its predecessor services. They are facts.

In 1989, Thad W. Allen wrote in his MIT master's thesis that Coast Guard budgets have been problems for forty years. Writing of funding the "drug war,"

"The end of the 1970s also raised several policy issues which carried over onto the agenda of the 1980's. The foremost question was, how many resources should or could the Coast Guard put into the [then] lengthening drug war. External economic conditions were forcing operating costs in the form of fuel price increases and the federal budget deficit problem was forming.." ¹

In 2006, he became Commandant with an academic, historical understanding of the inevitability of budgetary problems

The budget crisis escalated into 1982 when then-Commandant Admiral John Hayes closed three air stations, decommissioned eleven cutters and closed twenty "coastal" stations. However, congressional action restored most of these, but Allen noted the "battle for funds has continued to rage through the 1980s." The same sort of unit closures came in 1988 and the Coast Guard again received relief to keep them going. The cycle of closure threat and congressional restoration continued in a political dance that cost the Coast Guard, and the public, time and eventually more money.

On March 17, 2010, the homeland security subcommittee in Congress questioning Admiral Allen followed a traditional line on funding and personnel cuts,

He said he had to make the service's \$1.4 billion acquisition budget a priority in tough financial times, so he had to eliminate 1,112 active-duty billets. Because the Coast Guard plans to hire some civilians, the net loss to the Coast Guard will be 773 positions. ²

A feistier summation by Mackenzie Eaglen and James Dolbow in a March 10, declared a proposal to reject the Coast Guard's bread winning mission, since 2001, maritime security,

"President Obama's fiscal year (FY) 2011 budget request for the Coast Guard explores killing five of the 12 Maritime Safety and Security Teams (MSSTs) in addition to nine aircraft and five cutters.

The information for their comments came from a leaked draft memorandum of the nominated commandant Vice Admiral Robert Papp. Papp too, played the same hand and advocated the same reductions of Allen and Hayes.

Erroneously, Eaglen and Dolbow used World War II personnel figures to make their point but these numbers have no bearing on the current Coast Guard or its appropriations difficulties.

"Moreover, the Coast Guard's current end strength already constitutes a substantial reduction from the level it achieved at the end of World War II, with some 1,677 vessels (including 600 cutters) and 171,192 personnel."³

The statistics of the immediate post-World War II era are more applicable.

	Officers	Warrant Officers	Enlisted
1940	628	693	12,070
June 1945	4,678 (including about 500 from BMI)	1,073	198,725 total 27,535 (active)
Sept, 1945 (projected)	3,500	1,600	30,000 ⁴
June 1946	3167 (467 BMI)	1,000	20,000

The ending of World War II created a rush to discharge people to get them off the payroll. By the end of 1946, enlisted numbers fell to just over fifteen thousand. However, the reductions would go further and causing shortages so severe as not to have enough people to operate fully the existing cutters.

Comparatively, by 1990, the active force increased to 5,077 officers, 1,342 warrant officers and 30,255 enlisted personnel. By 1996, the commissioned officer corps grew by 627,

warrant officers by 297 but the enlisted forces shrank by 1,854 about the same number in 1945. Although suggestive of personnel cycles, the post-World War II era is not illustrative of fiscal difficulties.

What Eaglen and Dolbow, and others, have missed is the any historical comparisons that do not include the Great Depression are wholly off the mark. That period was the most fiscally challenging and mission development era in the Coast Guard's history and hold significant parallels to contemporary problems.

In 1932, the Coast Guard had 443 commissioned officers, 775 warrant officers (CWO and WO) and 11,033 enlisted men. In the same year, fiscal policies imposed 30-day furloughs without pay each year on all personnel and eventually ended paid leaves of absence altogether.⁵

The Annual Report of 1934 noted Coast Guard's was \$50,968,634.24 including \$25,031,872 was from the National Industrial Recovery Appropriation—the federal economic stimulus of the era. Coast Guard Commandant Rear Admiral Harry G. Hamlet announced the 1934 “expenditures as twenty million dollars. The original appropriation for that year had been twenty-six million as compared to twenty-eight million dollars for 1933 and thirty-three million for 1932.⁶

The bulk of the 1934 cuts were in pay and allowances. The 1934 appropriation for pay and allowances fell to an unsteady \$18,900,000. A further cut to sixteen million caused a full fifteen percent pay for all personnel. In addition, the loss of paid leave, a massive disrating of personnel took place to incur more savings. Among those disrated were five hundred and sixty chief petty officers. By the end of 1934, the Coast Guard lost another 2.3 million dollars for pay and allowances. It became impossible to maintain the force it had.

Captain L. C. Covell, Assistant Commandant in 1933, noted because of the initial six million dollars in cuts, “It was decided that as far as practicable cuts would be taken on items other than personnel,” because, “The Service was faced with the problem of operating its units and carrying on the work of the Service with as great a degree of efficiency as the limited funds would permit.”⁷

Like Allen’s 2010 suggestion, other 1930s cuts included decommissioning seven destroyers, seventy-four patrol boats, sixty picket boats, three life-saving stations (with more stations closed later) and the closure of four bases. The Coast Guard’s normal attrition numbered around five hundred men annually but stepped up the number of discharges to meet appropriations levels. Hamlet also dismissed about fifteen hundred temporary enlisted men and one hundred fifty temporary warrant officers. Because of the large number of men being cut, they could not all go at once (something not learned at the end of World War II).

The overall plan was to discharge the temporary men first; others were given a choice of reduction in grade or discharge; then, if possible, some of these latter men could reenter the Coast Guard to maintain their eligibility for retirement. However, it all depended upon future appropriations. This was the first time the Coast Guard had to resort to such heavy reductions in personnel, but by 1930, some personnel cuts by attrition were already in place.⁸ In the past of the revenue cutter service, the Treasury Department laid off entire cutter crews either for seasonal or budgetary concerns. Officers also numbered in nineteenth century layoffs, but during the Depression, the officer corps had been self-regulating and not risen by any great number by controlling input. Eighty-four cadets at the Coast Guard Academy in 1934, compared to 143 in October 1930. The Coast Guard’s leadership made choices, set priorities, imposed limits and, more importantly, relied on its own knowledge and powers of decision-making.

What the Coast Guard did not cut between 1933 and 1934 were the capital projects. From 1929 to 1939, the Coast Guard, during the worst economic downturn in the nation's history, planned and completed twenty new modern vessels in two classes and created an up-to-date aviation mission. Compared to the 1930s, the 2010 announcement of personnel cuts, in comparative numbers, are small and reasonable. The Coast Guard's current plans to remove from the 2011 budget, "The \$10.08 billion fiscal 2011 budget proposal calls for a net reduction of 773 people and the decommissioning of four high-endurance cutters and one medium-endurance cutter."⁹ In all, the Coast Guard hopes to save in personnel and decommissioning about 78 million dollars. The 1930s six million dollar cut would equal about 95 million in 2009 dollars.

The proposed decommissioning means only five vessels gone. The placing into service the National Security Cutters (NSC) will be of little help. They are coming into service far too slowly and as soon as the number reaches four; two will have to be taken out of service to complete updates and repairs not done in the initial building process.

This means the 270-foot *Famous Class*, built in the spate of construction in the 1980s and coming to a faster end of life cycle, will have to shoulder the effort, as will the remaining 210' *Reliance* class. The Coast Guard could end up with even fewer cutters in full operation than it had in 1934. The FRC and OPC class, not yet built, will take a larger and unprogrammed share of the work.

VADM Papp called for the "proposed scaling back the agency's current counterterrorism priorities in favor of running traditional search and rescue operations that save people in imminent danger on the water, and maintaining the maritime transportation system"¹⁰

may be no different from Commandant Hamlet's removal of the destroyers and patrol boats used for Prohibition patrols. The need was no longer there.

Nevertheless, Papp later noted the conclusions made of his comments in the memorandum were out of context to the assignment he had to write it,

"Papp said. "Clearly, no leader in the Coast Guard, no one more than me, wants to see anything reduced in the Coast Guard. We have scarcely enough to perform all the missions we do right now."¹¹

However, Coast Guard history is replete with personnel reductions during periods of budget difficulties. In 1995, then commandant, Admiral Robert E. Kramek removed some 1400 personnel and reorganized administrative functions.¹²

Vice Admiral Papp, in his November 2009 memorandum, duplicated mid-1930s comments. He, as commandant, "would cut funding for programs in the agency's homeland security plan, including patrols and training exercises that critics claim duplicate the efforts of other military operations."

This raised some eyebrows but it is consistent with what Allen proposed a decade earlier. A budget shortfall of 2000, caused then-Rear Admiral Thad W. Allen, 7th Coast Guard District Commander, to announce "Absent success in obtaining this funding, we may be faced with much deeper cuts that would reduce our law enforcement presence in the Caribbean by as much as 90 percent for the remainder of the fiscal year."¹³ However, the Congress approved the Coast Guard's FY 200 4.2 billion dollar budget, but it did not include money "for military pay increases and other personnel benefits approved in a separate Defense Department bill."

Like Papp's notation of duplication also has historical foundation. In 1933, President Franklin Roosevelt proposed transferring the U. S. Coast Guard to the Navy Department to be a service within that department on the same level as the U. S. Marine Corps.¹⁴ The reason was economy, efficiency, and a nineteenth century gambit. The Navy Department could not place

half of its U. S. Naval Academy graduates and needed the positions the Coast Guard could provide. Roosevelt, following his predecessor, tried to place the U. S. Border Patrol and U. S. Customs Patrol in the Coast Guard.

Vice Admiral Papp, and other senior officers, certainly knew the same thing that Rear Admiral Hamlet knew in the 1934. Some people will have to be sacrificed to retain the recapitalization “of a rapidly aging Coast Guard fleet as well as maintaining the image that the Deepwater program” begun during 1993 had to be supported.

Allen, with history on his side, noted in his Feb. 13, 2010, State of the Coast Guard address,

“As Commandant, I supported this budget as it has provided me the flexibility, and the Coast Guard the flexibility, to continue our recapitalization needs. Collectively, the personnel reductions, decommissioned units and recapitalizing funding reflect hard choices, choices that best position the Coast Guard to optimize our performance and protect the nation within the funding provided and still replace aging cutters and aircraft. Our intent is to manage current operations as funded in order to sustain our recapitalization program.”

In 1930, Commandant F. C. Billiard had similar budget problems because of the “present state of appropriations and in accordance with the President’s economy program . . . all advancements [of enlisted personnel]” will be prohibited.¹⁵ However, by 1934, severe personnel shortages surfaced in some critical ratings but the most serious shortage was in Seamen.¹⁶ The solution was to enlist more men or close down “small units.”

The differences in the two eras was that the contemporary had far more opportunity and funding long before and wound up doing less with more. The current recapitalization was long time in coming seemingly without awareness of cyclic budget shortfalls that are inherent to the Coast Guard.

In March 2010, Rear Admiral Ronald T. Hewitt announced, mirroring the 1930s, “In the President's FY2011 budget there are 1112 military billet reductions . . . we will have over 1500 more active duty military people than we are funded.”¹⁷ These numbers included an over

staffing of officers. However, unlike in 1934, the Coast Guard made no plans to decrease Coast Guard Academy. Hewitt advised,

“We will continue to track the FY2011 budget approval process along with the attrition rates over these coming months to determine if we will need to use involuntary measures (reduced opportunity of selection for officers and performance-based retention panel for enlisted members) to ensure a healthy advancement/promotion rate for our members and align body to billet strength.”¹⁸

The Coast Guard’s active duty force totals by January 31, 2010, were 6,681 commissioned officers, 1,574 warrant officers and 34,134 enlisted personnel. However, the primary ingredient used by the Coast Guard in like appropriation reductions was to keep the recapitalization on track with its ever-expanding costs. This may mean further personnel reductions in the future.

The 1930s Coast Guard was successful in its organizational skills than those of the first decade of the 21st century because it recognized the past. Just as most of the leadership of the 2008 failed financial institutions had no personal knowledge of the 1980s financial collapse; the Coast Guard’s leadership carries little institutional knowledge of its past. All the senior leadership evolved from the 1970s and are largely unaware the Coast Guard plans rebuilding programs of the mid-1960s. The plan to construct thirty-five *Hamilton* class cutters ended in another budget crisis and there was no one to take up the project in the future. Defense Secretary Robert Gates predicted the same for the U. S. Navy, “I observed that fiscal realities will preclude the Navy from reaching its goal of 313 ships if each ship is over budget and costs billions of dollars.”¹⁹ There is no expectation that the Coast Guard will produce the whole number of replacement cutters under the Deepwater Program.

The irony between the 1930s and the current era recapitalization is they are nearly identical. The Coast Guard plans to build twenty-five “Offshore Patrol Cutters” that would replicate the 250-foot *Lake Class* cutters. The National Security Cutter mirrors, in scope, the

327-foot *Secretary Class* and the proposed 158-foot *Sentinel Class* is a reworked image of the 165-foot (B) *Thetis Class*.

Historical parallels do not apply to all situations and circumstances but to carry on as if similar events and procedures did not exist is simple unawareness. The “Great Depression” and the “Great Recession” are only a few letters apart. The Coast Guard is fortunate that major fiscal downturns come infrequently because it appears unprepared when they do. This too is a fact of service life and certainly a cultural universal for the Coast Guard.

In his May 8, 2010 address, Robert Gates quoted Dwight D. Eisenhower, “I say the patriot today is the fellow who can do the job with less money.” If true, the Coast Guard has been the most patriotic of United States armed services for centuries.

¹ Thad William Allen, “The Evolution of Federal Drug Enforcement and The United States Coast Guard’s Interdiction Mission: A Case Study.” Master of Science in Management Thesis, Sloan School of Management, Massachusetts Institute of Technology, (n.p. 1989). p. 261.

² Susan Schept “At CG budget hearing, DHS planning faulted” *Navy Times*, March 17, 2010, http://www.navytimes.com/news/2010/03/coastguard_homeland_security_031710w/ (Hereafter Schept)

³ Eaglen and Dolbow Budget Cuts

⁴ “Coast Guard Exceeding Its Quota in Demobilization of Wartime Personnel., *Coast Guard Bulletin*, November 1945, p. 84-85.

⁵ National Archives Record Group 26, Records of the U. S. Coast Guard. Entry 283, Classification 701, Compliments, “Economy Act of 1932.”

⁶ “Coast Guard Cut in Men and Craft,” *The New York Times*, May 13, 1933., p. 5.

⁷ National Archives Record Group 26, Records of the U. S. Coast Guard. Entry 283, Classification 701, Compliments, 1933. Letter to Mr. Charles Israel, City Editor, Philadelphia *Evening Bulletin*, August 30, 1933.

⁸ National Archives Record Group 26, Records of the U. S. Coast Guard. Entry 283, Classification 701, Compliments, 1929-30. F. C. Billiard to Commanding Officers, “Reduction in Enlisted Personnel,” October 17, 1930.

⁹ Schept.

¹⁰ Jennifer Grogan, “Papp faces new challenges in Coast Guard's top post,” *The Day*, April 4, 2010 (on line <http://www.theday.com/article/20100427/NWS09/304279913/-1/NWS>) (Hereafter Grogan, ‘Papp’)

¹¹ Grogan, ‘Papp’

¹² Don Phillips, “Coast Guard Plans to Cut 1,400 Jobs,” *The Washington Post*, October 18, 1995. This plan anticipated saving \$100 million a year starting in fiscal 1996

¹³ Jim Abrams, “Coast Guard Crisis Forces Cutbacks,” Associate Press, June 7, 2000.

¹⁴ “Opposes Merger of Coast Guard,” *The New York Times*, December 17, 1933. Sec. 1.

¹⁵ National Archives Record Group 26, Records of the U. S. Coast Guard. Entry 283, Classification 701, Compliments, 1929-30. F. C. Billiard to All Units, “Personnel,” October 17, 1930.

¹⁶ National Archives Record Group 26, Records of the U. S. Coast Guard. Entry 283, Classification 701, Compliments, 1929-30. W. B. Scheiben, Assistant Chief of Personnel to Captain Alger, Memorandum, "Enlisted personnel situation," November 8, 1934.

¹⁷ Ronald T. Hewitt, "Active Duty Military Workforce Situation Report," U. S. Coast Guard Flag Voice 323. (Hereafter Hewitt "Situation Report")

¹⁸ Hewitt "Situation Report"

¹⁹ Remarks as Delivered by Secretary of Defense Robert M. Gates, Abilene, KS, Saturday, May 08, 2010. Eisenhower Library (Defense Spending).