

Executive Summary Background

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The Homeland Security Budget Request for FY 2005: Assessments and Proposals

James Jay Carafano, Ph.D.

The Bush Administration's fiscal year 2005 budget proposal calls for \$47.4 billion in total funding for homeland security, an increase of approximately 13 percent over estimated FY 2004 spending. This budget represents a significant and appropriate growth in homeland security expenditures. Most important, the Administration's funding priorities dovetail well with the critical mission areas established in the national homeland security strategy.

Congress should take a hard look at the budget, ensuring that new initiatives are properly funded. Specifically, Congress should consider the following:

- Spending on intelligence and early warning should focus on developing programs that promote intelligence sharing across the public and private sectors.
- The key principle guiding federal investments in border and transportation security should be ensuring the adoption of a layered security system.
- The guiding principle for enhancing domestic counterterrorism should be adopting programs that expand the capacity to conduct counterterrorism operations without impinging on civil liberties or detracting from other law enforcement priorities.
- Protecting critical infrastructure and key assets requires programs that ensure responsible, effi-

cient, and cost-effective cooperation between the public and private sectors.

- Research and development efforts should focus funding on developing new means to prevent, respond to, and mitigate the unprecedented dangers posed by catastrophic threats.
- Spending for emergency preparedness and response should be used to create a true national preparedness system.

Proposed Refinements. This paper's specific proposals for refining the President's budget include:

- Shifting funding for the Terrorist Threat Integration Center and the Terrorist Screening Center to the Department of Homeland Security.
- Dramatically increasing appropriations for the Coast Guard's Deepwater modernization program.
- Expanding funding for pilot programs that employ select state and local law enforcement assets for immigration counterterrorism investigations.
- Limiting spending on port security grants.

This paper, in its entirety, can be found at:
www.heritage.org/research/homelandsecurity/bg1731.cfm

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- Reviewing the effectiveness of Project BioShield.
- Not increasing emergency preparedness and response grants to state and local governments.

Conclusion. Overall, the Bush Administration has proposed a responsible budget for enhancing homeland security. America faces a protracted war against global terrorism and requires a homeland security system that is equal to the task. The Administration has accomplished this goal by fund-

ing priorities that are in line with the national homeland security strategy. It remains for Congress to take a hard look at the budget, ensuring that new initiatives are properly funded to support the President's program.

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The Homeland Security Budget Request for FY 2005: Assessments and Proposals

James Jay Carafano, Ph.D.

The Bush Administration's fiscal year (FY) 2005 budget proposal calls for \$47.4 billion in total funding for homeland security,¹ an increase of approximately 13 percent in real (inflation-adjusted) terms over estimated FY 2004 spending.² This budget represents a significant and appropriate growth in homeland security expenditures.

For the most part, the additional funding reflects the maturing of programs in the Department of Homeland Security (DHS) and, equally important, a bolstering of domestic security, counterterrorism, critical infrastructure protection, and preparedness programs in other federal agencies. Most important, the Administration's funding priorities dovetail well with the critical mission areas established in the national homeland security strategy.³

Congress should support the Administration's request without additional earmarks that might favor special interests. Rather, legislators should review the new programs to ensure that they are prudent investments in accordance with funding principles and will ensure the national goals of providing added security, protecting individual rights, and promoting economic growth.

1. The Administration defines homeland security as "a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from attacks that do occur." White House, Office of Homeland Security, *National Strategy for Homeland Security*, July 2002, p. 2.

Talking Points

- Spending on intelligence and early warning should focus on developing programs that promote intelligence sharing across the public and private sectors.
- Federal investments in border and transportation security should ensure the adoption of a layered security system.
- The guiding principle for enhancing domestic counterterrorism should be adopting programs that expand the capacity to conduct counterterrorism operations without impinging on civil liberties or detracting from other law enforcement priorities.
- Protecting critical infrastructure and assets requires programs that ensure responsible, efficient, and cost-effective cooperation between the public and private sectors.
- Research and development efforts must focus funding on new means to prevent, respond to, and mitigate the dangers posed by catastrophic threats.
- Emergency preparedness and response spending should be used to create a true national preparedness system.

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A Brief History of Homeland Security Spending

Increased funding for homeland security began before the September 11, 2001, attacks on New York and Washington. Between FY 1995 and FY 2001, the federal government increased homeland security spending in the regular annual appropriations bills from \$9 billion to \$16 billion, an increase of 60 percent.⁴ In many areas, however, growth was extremely modest. Expenditures for weapons of mass destruction (WMD) preparedness from 1995 to 2000 grew from effectively zero to \$1.5 billion.⁵ While increased spending reflected a tacit recognition of the growing danger of transnational terrorism, it was woefully inadequate to creating a national homeland security system capable of effectively integrating federal, state, and local government assets as well as private-sector assets.⁶

In contrast, federal spending on homeland security grew dramatically after 9/11. Congress approved \$64 billion in emergency funding, including \$20 billion for FY 2001 and \$44 billion (in two separate supplemental appropriations) in FY 2002. Perhaps

one-third of the \$64 billion was directed to homeland security programs and activities. The Administration spent \$42.4 billion on homeland security in FY 2003.⁷ Altogether, between FY 2001 and FY 2003, funding for homeland security was increased by some 240 percent.⁸

In the FY 2004 budget, overall spending on homeland security actually declined slightly in real terms, largely because of a large supplemental appropriation in FY 2003 (over \$6 billion), which included many one-time costs such as added security measures in response to national homeland security advisory warnings and Department of Defense (DOD) force protection enhancements.⁹

Stabilizing funding for two years was prudent. While enormous security challenges remain, allowing the many agencies involved some time to absorb the large increases since 9/11 made sense, particularly since this period saw the creation of the DHS and consolidation of a workforce of over 180,000 personnel spread around the country and the world into under its authority. The FY 2004 budget also

2. FY 2004 spending (including annual and supplemental appropriations) is estimated at about \$41.4 billion. Discretionary funding (including defense homeland security spending) for FY 2004 (\$34.9 billion) and FY 2005 (\$38.5 billion) shows a real increase of about 9 percent. Office of Management and Budget, *Fiscal Year 2005: Budget of the United States Government* (Washington, D.C.: U.S. Government Printing Office, 2004), p. 370. Calculations for discretionary spending are based on excluding mandatory spending, discretionary fee-funded activities, and funding for Project BioShield (\$2.5 billion for FY 2005), authorized in a multi-year appropriation in FY 2004 to develop biodefense medicines. For further discussion of BioShield funding, see Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government* (Washington, D.C.: U.S. Government Printing Office, 2004), p. 216.
3. Critical mission areas represent essential tasks that must be performed to protect the nation from terrorist threats. The National Strategy for Homeland Security, issued by the Bush Administration in July 2002, identified six critical mission areas. White House, *National Strategy for Homeland Security*, pp. 15–46.
4. James Jay Carafano and Steven M. Kosiak, “Homeland Security: Administration’s Plan Appears to Project Little Growth in Funding,” Center for Strategic and Budgetary Assessments *Background*, March 12, 2003, p. 2, at www.csbonline.org/4Publications/Archive/U.20030312.Homeland_Security_/U.20030312.Homeland_Security_.pdf.
5. Richard A. Falkenrath, “The Problems of Preparedness: Challenges Facing the U.S. Domestic Preparedness Program,” Executive Session on Domestic Preparedness Discussion Paper, John F. Kennedy School of Government, Harvard University, 2000, p. 1.
6. For example, meeting all of the nation’s needs to conduct effective emergency response could total over \$98.4 billion. However, the report may have underestimated costs since the task force was unable to obtain reliable data on the additional requirements of state and local law enforcement agencies. Council on Foreign Relations, *Emergency Responders: Dangerously Underfunded, Drastically Unprepared: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, 2003.
7. Office of Management and Budget, *Fiscal Year 2005: Budget of the United States Government*, p. 370.
8. Carafano and Kosiak, “Homeland Security,” p. 1.
9. In inflation-adjusted dollars, total spending decreased by 4 percent. Net non-defense discretionary homeland security spending (including annual and supplemental appropriations) declined from \$29.5 billion to \$27.9 billion. Office of Management and Budget, *Fiscal Year 2005: Budget of the United States Government*, p. 370.

marked the first complete congressional appropriations cycle for the DHS.

Looking forward to the FY 2005 budget and beyond, there was never any question that increased funding would be needed once a firm foundation for the nation's homeland security architecture had been established.¹⁰ The face of 21st century global terrorism leaves little room for complacency.

Building a Federal Homeland Security Effort

An important hallmark of the 2005 budget proposal is its recognition that homeland security responsibilities cut across all federal departments. Even after the consolidation of over two dozen agencies, offices, and activities, many federal entities outside the DHS retain important homeland security functions.

The DHS budget (\$40.1 billion) accounts for 57 percent of all domestic security expenditures.¹¹ In addition, in the FY 2005 budget proposal, total non-DHS funding grew at a slightly higher rate than the proposed budget for the DHS. The homeland security budgets of the Departments of Defense (\$8 billion), Health and Human Services (\$4.3 billion), Energy (\$1.5 billion), Justice (\$2.6 billion), and State (\$1 billion) along with DHS account for all but 6 percent of proposed homeland security funding.

With the exception of the Department of Defense, all agencies with major homeland security responsibilities would receive increased funding in FY 2005. In the DOD, however, real spending (in

Agency	2003	2004	2005
Department of Homeland Security	23,063	23,583	27,214
Department of Defense-Military	8,442	7,024	8,023
Department of Health and Human Services	4,144	4,109	4,276
Department of Justice	2,350	2,182	2,581
Department of Energy	1,409	1,363	1,497
Environmental Protection Agency	133	123	97
Department of State	634	701	955
Department of the Treasury	80	90	87
Corps of Engineers	75	103	84
Department of Agriculture	410	327	651
Other Agencies	436	461	525
Department of Veterans Affairs	154	271	297
National Science Foundation	285	328	344
Department of Transportation	383	284	243
National Aeronautics and Space Administration	205	191	207
Department of Commerce	112	131	150
Social Security Administration	132	143	155
Total	42,447	41,414	47,386

Source: Office of Management and Budget, *Fiscal Year 2005, Budget of the U.S. Government*, p. 370, Table S-6.

inflation-adjusted dollars) from FY 2003 to FY 2005 would decline by 9 percent.¹²

The lack of significant new DOD homeland security initiatives is difficult to understand. The department has a major role to play in developing an effective national security system, particularly in improving U.S. maritime defenses, securing vital defense critical infrastructure, contributing new technologies, and preparing to respond to catastrophic terrorist attacks.¹³

Congress should:

- **Examine** the need for more resources for the U.S. Northern Command (the military headquarters responsible for protecting the homeland).

10. In the wake of 9/11, some lawmakers predicted that federal spending would soon reach \$57 billion a year. William Mathews, "The Politics of Security," *Armed Forces Journal*, February 2003, p. 8.

11. The Department of Homeland Security's budget also includes non-homeland security funding. Approximately 67 percent of its budget (\$27.2 billion) is for homeland security missions. Other funding is for regulatory and service functions including immigration services and non-homeland security Coast Guard missions such as search and rescue.

12. While defense spending increased by \$1 billion from the FY 2004 appropriations, FY 2004 funding declined significantly from FY 2003 (\$8.4 billion) due to one-time force protection investments. This total does not include DOD funding for homeland defense operations, such as combat air patrols over the U.S.

- **Increase** appropriations to expand the National Guard's capacity to respond to catastrophic terrorist attacks.
- **Require** initiatives for enhancing the role of U.S. naval forces in protecting U.S. territorial waters from terrorist attack and better integrating the service's activities and acquisition programs with the U.S. Coast Guard.
- **Establish** programs to better leverage military technologies for homeland security missions.

FY 2005 Budget Priorities

However, increased spending on homeland security alone is not the measure of success. Additional resources are appropriate only if they can be invested efficiently and effectively and contribute substantively to the strategic goals of building a national homeland security system and better preparing the nation to respond to catastrophic terrorist attacks. By these measures, the FY 2005 budget proposal appears largely on the mark.

The following analysis looks at funding in each of the critical mission areas established by the national strategy and proposes principles to guide the consideration of investments in each category. In light of these principles, several areas of concern are highlighted.

Intelligence and Early Warning. This critical mission area includes activities related to detecting terrorists and disseminating threat information and warning. The key principle that should guide investments is the development of programs that promote intelligence sharing across the public and private sectors. Effective intelligence sharing is a prerequisite for exploiting the full potential of national capabilities to respond to potential terrorist threats.

Agency	2004 Enacted	2005 Request
Department of Homeland Security	239.9	290.3
Department of Justice	24.5	91.1
Intelligence Community Management Account	1.0	72.4
Department of Agriculture	0.8	19.8
Department of the Treasury	2.5	0.6
Total	268.7	474.1

Source: Office of Management and Budget, *Fiscal Year 2005, Analytical Perspectives of the U.S. Government*, p. 27, Table 3-3.

For FY 2005, the Administration proposes to spend \$500 million on intelligence and early warning, an increase of 73 percent.¹⁴ While the lion's share of this funding (61 percent) is for the DHS, significant spending falls outside the department's purview. (See Table 2.) This is appropriate given that intelligence and early warning must be a national activity, not a task performed by the DHS in isolation.

However, greater consolidation of budget authority might be justified in regard to the newly established Terrorist Threat Integration Center (TTIC) and Terrorist Screening Center (TSC). In the Administration's current proposal, the TTIC, overseen by the Director of Central Intelligence, would be staffed by an interagency group that would gather, assess, and disseminate all terrorist-related information to federal agencies. The TSC, an interagency staff overseen by the FBI director, would be responsible for consolidating, deconflicting, and dispensing terrorist watch list information. In both cases, the DHS would play only a subordinate role.¹⁵

Establishing critical programs such as the TTIC and the TSC outside the oversight of the DHS is

13. For a discussion of defense areas that require additional attention, see James Jay Carafano, "Improving NORTHCOM," Heritage Foundation *Commentary*, June 16, 2003, at www.heritage.org/Press/Commentary/ed061603b.cfm, and James Jay Carafano, "Testimony Before House Committee on Government Reform," April 29, 2003, at www.csbaonline.org/4Publications/Archive/T.20030429.Testimony_before_H/T.20030429.Testimony_before_H.htm.

14. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 27.

15. James Jay Carafano and Ha Nguyen, "Better Intelligence Sharing for Visa Issuance and Monitoring: An Imperative for Homeland Security," Heritage Foundation *Background* No. 1699, October 27, 2003, at www.heritage.org/Research/HomelandDefense/BG1699.cfm.

problematic. The current arrangement appears to conflict with the intent of the Homeland Security Act of 2002¹⁶ and raises concerns over whether such an approach will optimize intelligence sharing. It is deeply troubling that the DHS, as the primary consumer of intelligence for providing domestic security, does not have primary control over the mechanisms for fusing and disbursing information.

The current arrangement leaves the DHS as little more than just another intelligence end user, competing with other members of the national security community to ensure that its priority requirements are met. For the near term, this concern might be ameliorated somewhat by placing all appropriations for the TTIC and the TSC under the purview of the DHS, giving the DHS secretary substantial responsibility for determining the long-term development of these capabilities. In addition, the DHS secretary should be given oversight responsibilities for both the TTIC and the TSC.

The DHS Homeland Security Advisory System (HSAS) is another critical program that affects the sharing of intelligence and warning information across the public and private sectors. The HSAS employs a series of color codes to designate various levels of national preparedness in anticipation of a terrorist attack.

The \$10 million requested for FY 2005 is not an issue of contention. On the other hand, implementation of the system could have a significant impact on future requirements for supplemental funding. Increased security resulting from changing the alert level requires an estimated \$1 billion per week. Of

significant concern is that the system does not appear to work well in alerting state and local governments, the private sector, and the general public.¹⁷ Funding should be contingent on undertaking significant revisions.

An effective alert system and better means of coordinating and disseminating critical intelligence information are the cornerstones of creating an effective intelligence and early warning system. It is critical to get these programs right.

Congress should:

- **Provide** all appropriations for the TTIC and the TSC through the DHS.
- **Appropriate** additional funding to overhaul the HSAS and make funding contingent on adopting major reforms to overhaul the program.

Border and Transportation Security. Protecting border and transportation systems includes managing the border and ports of entry, ensuring aviation and maritime security, and developing guidelines and programs for protecting national transportation systems. The key principle guiding federal investments in this area should be ensuring the adoption of a layered security system: a combination of effective, mutually supporting initiatives that simultaneously provide useful counterterrorism measures, protect civil liberties, and do not encumber the flow of travel and commerce.

Proposed spending for FY 2005 totals \$17 billion. The recommended increases for border and transportation security (\$1.7 billion) represent a real increase of approximately 9 percent over the FY 2004 budget.¹⁸ The DHS appropriation accounts

16. According to the legislation, it is the responsibility of the Assistant Secretary for Information Analysis and Infrastructure Protection “(1) To access, receive, and analyze law enforcement information, intelligence information, and other information from agencies of the Federal Government, State and local government agencies (including law enforcement agencies), and private sector entities, and to integrate such information in order to—(A) identify and assess the nature and scope of terrorist threats to the homeland; (B) detect and identify threats of terrorism against the United States; and (C) understand such threats in light of actual and potential vulnerabilities of the homeland.” Public Law 107–296, Sec. 201.

17. For concerns and recommendations on revising the system, see Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, *Forging America’s New Normalcy: Securing Our Homeland, Preserving Our Liberty*, Fifth Annual Report to the President and the Congress, Vol. 5, December 15, 2003, pp. 27, D-1, and D-7-2, at www.rand.org/nsrd/terrpanel/volume_v/volume_v.pdf.

18. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 28. Actual total spending remained about the same. FY 2003 appropriations were about \$15.2 billion, but the Administration requested supplemental spending of about \$1.9 billion. Much of the supplemental spending was for one-time costs associated with additional security measures in response to changes in the alert levels set by the HSAS.

for 94 percent of the border and transportation security budget, reflecting one of the key objectives of the Homeland Security Act: consolidating responsibility for these functions under a single federal entity. Most of the additional spending (88 percent) is also within the DHS as part of the budgets of the Border and Transportation Security (BTS) Directorate and the U.S. Coast Guard. Passport and visa issuance programs within the Department of State account for most of the remaining additional spending.

While the overall increase is substantial, funding for the DHS role in maritime security is an issue of concern. In particular, the appropriation for the U.S. Coast Guard's Integrated Deepwater acquisition program—a long-term modernization effort to recapitalize the service's fleet of cutters, aircraft, sensors, and command and control—is inadequate.

The Coast Guard's fleet is old, expensive to operate and maintain, and poorly suited for some homeland security missions.¹⁹ Deepwater was to be funded at \$330 million (in 1998 dollars) in the first year and \$530 million (in constant dollars) per year in the following budgets, but no annual budget before FY 2004 matched the required rate of investment. Meanwhile, the Coast Guard's increased operational tempo and expanded mission requirements since 9/11 have been wearing out the fleet faster than anticipated, putting the modernization program even farther behind schedule.

In the Administration's FY 2005 budget, Deepwater would receive \$678 million, an increase of \$10

Border and Transportation Security Funding (in \$millions)		
Agency	2004 Enacted	2005 Request
Department of Homeland Security	14,403.2	15,943.4
Department of State	668.9	919.0
Department of Agriculture	163.1	169.2
Department of Justice	20.1	24.4
Department of Transportation	67.2	18.6
Total	15,322.5	17,074.6

Source: Office of Management and Budget, *Fiscal Year 2005, Analytical Perspectives of the U.S. Government*, p. 28, Table 3-4.

million.²⁰ This level of funding is totally inadequate to support rapidly building up an essential component of the nation's homeland security system. Dramatically increasing the budget for Deepwater would not only establish the capabilities needed for a long-term security system sooner, but also garner significant savings (perhaps as much as \$4 billion) in lower procurement costs.²¹ Reducing life-cycle expenses by retiring older and less capable systems would realize additional savings.

While Deepwater funding should be greatly accelerated, Congress should consider taking a "go slow" approach on the United States Visitor and Immigrant Status Indicator Technology (US-VISIT) program. The purpose of US-VISIT is to establish a system that can collect, maintain, and share biometric²² and biographic data on foreign nationals for border and immigration enforcement. The goal of the system is to screen all foreign nationals from non-visa-waiver countries entering and exiting the United States.²³

19. Ronald O'Rourke, "Homeland Security: Coast Guard Operations—Background and Issues for Congress," Congressional Research Service, RS21125, November 22, 2002, p. CTS-2, and Independent Assessment of the United States Coast Guard, "Integrated Deepwater System," Acquisition Solutions Issue Brief, July 14, 2001, p. 6.

20. U.S. Department of Homeland Security, *Budget in Brief: FY 2005*, February 2004, p. 33.

21. See the recommendations for the costs and benefits on accelerating the Deepwater program in U.S. Coast Guard, *Report to Congress on the Feasibility of Accelerating the Integrated Deepwater System*, at govt-aff.senate.gov/presslinks/031203cgreport.pdf.

22. Biometrics are automated methods of recognizing a person based on a physiological or behavioral characteristic. Biometrics are read by scanners, machines that evaluate a range of physical characteristics to verify identity. The seven leading biometric technologies are facial recognition, fingerprint identification, hand geometry, iris recognition, retina recognition, signature recognition, and voice recognition.

Implementing US-VISIT is an enormous challenge. While the program could become a valuable tool for identifying terrorists or other inadmissible persons, poor implementation could unnecessarily impede international travel and compromise individual privacy while failing to function effectively in identifying individuals who pose a security threat. In addition, establishing the program will rely heavily on creating new systems that employ cutting-edge biometric and information technologies. Even if done effectively, establishing and operating the system could eventually cost \$10 billion.²⁴ Failure to master the US-VISIT's complex requirements could lead to ballooning costs or poor system performance.

The DHS proposes to fund US-VISIT at \$340 million for FY 2005, an increase of \$12 million.²⁵ However, substantially increasing the program at this point may not be warranted. Key parameters, such as how biometric data²⁶ would be employed, are not yet established. Until critical system design parameters are addressed, accelerating the rollout of US-VISIT would be imprudent.

Congress should:

- **Add** sufficient additional resources for Deepwater acquisition to enable the Coast Guard to speed up procurement and save more than \$4 billion in procurement costs.

Agency	2004 Enacted	2005 Request
Department of Justice	1,677.7	1983.3
Department of Homeland Security	1,246.2	1410.1
Department of Treasury	45.2	46.0
Department of Transportation	21.0	21.0
Social Security Administration	4.0	4.4
Total	2,994.1	3,419.8

Source: Office of Management and Budget, *Fiscal Year 2005, Analytical Perspectives of the U.S. Government*, p. 30, Table 3-5.

- **Refrain** from increasing funding for US-VISIT until the program has established an overall enterprise architecture that accounts for controlling costs, protects individual privacy, minimizes impact on international travel, and demonstrates effectiveness as a counterterrorism tool.

Domestic Counterterrorism. This mission area comprises law enforcement efforts—principally by the FBI and U.S. Immigration and Customs Enforcement—to identify, thwart, and prosecute terrorists. The guiding principle for enhancing this critical mission area should be adopting programs that expand the capacity to conduct counterterrorism operations without impinging on civil liberties or detracting from other law enforcement priorities.

23. Twenty-eight countries are part of the U.S. Visa Waiver Program, allowing their citizens to enter the U.S. for 90 days without a visa. For a list of countries and program details, see U.S. Department of State, Bureau of Consular Affairs, "Visa Waiver Program (VWP)," at travel.state.gov/vwp.html (October 16, 2003).

24. Dibya Sarkar, "Northrop, EDS Join CSC on US-Visit Bid," *Federal Computer Week*, February 6, 2004, at www.fcw.com/fcw/articles/2004/0202/web-csc-02-06-04.asp.

25. U.S. Department of Homeland Security, *Budget in Brief: FY 2005*, p. 17.

26. For example, if the DHS adopts a one-to-many screening system for verifying biometric data, then each time identification is presented, the data will have to be checked electronically against a central database (which must contain the biometric records of all individuals registered in the system). Large databases might be vulnerable to privacy abuses, prone to error, and costly to establish and maintain. On the other hand, if the DHS adopts a one-to-one match, individuals could be issued visa smart cards. (A smart card is a plastic card containing a small chip that includes a microprocessor and memory and can allow other devices to communicate with the card. The chip can be programmed to reveal relevant information to an authorized scanner.) A traveler's identity could be quickly verified at ports of entry and exit using a scanner that takes a biometric reading and compares it to information embedded in the visa card. Ensuring that security risks do not obtain visas can be achieved by improving intelligence support to the issuance and monitoring process. Carafano and Nguyen, "Better Intelligence Sharing for Visa Issuance and Monitoring."

The Administration proposes to spend \$3.4 billion on domestic counterterrorism in FY 2005, an increase of 10 percent. Appropriately, 97 percent of the proposed appropriations is for the DHS and the Department of Justice.²⁷

One area in which capacity to conduct investigations might be expanded to good effect is in cooperation among federal, state, and local law enforcement agencies in immigration investigations that relate to counterterrorism. Using state and local law enforcement officers to enforce federal immigration laws has long been controversial, and the issue has come under greater scrutiny since 9/11.²⁸

In June 2002, the Immigration and Naturalization Service (INS) and the state of Florida established a pilot program that could serve as a model for enhanced and appropriate cooperation. Under the program, select state and local law enforcement officers were trained to assist in immigration domestic counterterrorism investigations.²⁹ Florida officers had to be members of the state counterterrorism task forces and were permitted to engage in these activities only when they are taking part in a counterterrorism operation supervised by INS officers.

When the DHS assumed the functions of INS, the memorandum of understanding governing the program was renewed. The Florida pilot program represents an ideal model for the limited and appropriate use of state and local support in expanding the investigatory capacity of the DHS.

Protecting Critical Infrastructure and Key Assets Funding (in \$millions)		
Agency	2004 Enacted	2005 Request
Department of Defense	6,543.8	7,550.7
Department of Energy	1,254.9	1,397.7
Other Agencies	883.4	866.4
Department of Justice	413.4	484.0
National Science Foundation	300.9	316.6
National Aeronautics and Space Administration	191.0	207.0
Department of Transportation	180.1	189.0
Department of Health and Human Services	164.6	173.8
Department of Agriculture	86.5	166.0
Social Security Administration	139.4	150.6
Total	12,571.0	14,060.0

Source: Office of Management and Budget, *Fiscal Year 2005, Analytical Perspectives of the U.S. Government*, p. 31, Table 3-6.

Congress should:

- **Provide** sufficient resources to allow the DHS to offer programs based on the Florida model to other states and U.S. territories.
- **Appropriate** funds for sustainment training and support for state programs.

Protecting Critical Infrastructure and Key Assets. This critical mission area includes national efforts to secure public and private entities.³⁰ Since over 85 percent of the nation's critical infrastructure and key assets are not federally owned, developing programs to ensure responsible, efficient, and cost-effective cooperation between the public and private sectors should be the principle guiding investments in this area.

27. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 30.

28. Muzaffar A. Chishti, "The Role of States in U.S. Immigration Policy," *Annual Survey of American Law*, Vol. 58, No. 3 (November 2002), pp. 371-376.

29. Under the agreement, INS investigators trained and certified a select group of state and local officers. Certified officers had the same arrest authority granted to INS officers and are permitted to administer oaths, transport noncitizens, and assist in pre- and post-arrest processing. The agreement also specifies stringent training and experience criteria for officers who participate in the program. "INS and Florida Enter MOU to Allow State Officers to Enforce Immigration Law," *Immigrants' Rights Update*, Vol. 16, No. 5 (September 10, 2002), at www.nilc.org/immlawpolicy/arrestdet/ad054.htm.

30. Critical infrastructure comprises agriculture and food, water, public health, emergency services, defense industrial base, telecommunications, energy, transportation, banking and financing, chemical industry and hazardous materials, and postal and shipping services. Key assets include national monuments and icons, nuclear power plants, dams, government facilities, and selected commercial assets. White House, *The National Strategy for the Physical Protection of Critical Infrastructure and Key Assets*, February 2003.

The Administration has requested \$14 billion for critical infrastructure and key asset protection in FY 2005, a real increase in budget authority of approximately 10 percent over the previous fiscal year.³¹

Funding for this critical mission is appropriately distributed among all federal agencies. The DHS budget accounts for only 18 percent (\$2.6 billion) of 2005 funding. All federal agencies have responsibilities in protecting their own infrastructure and coordinating with their counterparts in state and local governments and the private sector.³²

The security of U.S. ports is one area requiring particular attention.³³ The bulk of U.S. exported or imported goods pass through American ports, making their security vital to the national economy. Port security also has a critical national security dimension.³⁴ Making these challenges particularly pressing is that U.S. ports must comply with new security provisions detailed in the International Maritime Organization's International Shipping and Port Security Standards (ISPS) and the U.S. Maritime Security and Transportation Act of 2002.³⁵

However, in developing a funding strategy to improve port security, the Administration should not become overly "port-centric." Addressing all the critical infrastructure concerns at U.S. ports could well require many billions of dollars.³⁶ On the other hand, the DHS awarded only \$245 million in port grants in FY 2003 (albeit the largest amount of any year to date).

This restraint is appropriate. Addressing the considerable vulnerabilities of maritime infrastructure does not necessarily require a dramatic infusion of federal dollars. For example, effective intelligence and early warning, domestic counterterrorism, and border and transportation security programs can help to reduce risks to critical infrastructure by limiting the opportunities for terrorists to reach U.S. ports. In addition, the overwhelming preponderance of maritime infrastructure is in private hands. Initiatives that enable and encourage the private sector to take a more expansive and proactive role should be central to any protection program.

Federal port grants should be used sparingly, as a tool to promote appropriate public-private sector

31. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 31.

32. In particular, DOD's role is crucial since it is responsible for protecting infrastructure directly related to the nation's ability to protect and employ military forces. Requested appropriations for DOD infrastructure protection for FY 2005 are \$7.6 billion. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 31.

33. The Office of Management Budget (OMB) includes port security under the category of border and transportation security funding. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 29. Considering these funds in this critical mission area, however, provides a better appreciation of the nation's overall investments in critical infrastructure protection.

34. The overwhelming bulk of American military power is still moved around the world by ship. Most military supplies and hardware move through only 17 seaports. Only four of these ports are designated specifically for the shipment of arms, ammunition, and military units through DOD-owned facilities. For an overview of the military's reliance on ports and associated security risks, see U.S. General Accounting Office, *Combating Terrorism: Preliminary Observations on Weaknesses in Force Protection for DOD Deployments Through Domestic Seaports*, GAO-02-955TNI, July 23, 2002. See also U.S. General Accounting Office, *Combating Terrorism: Actions Needed to Improve Force Protection for DOD Deployments Through Domestic Seaports*, GAO-03-15, October 2002, pp. 5-10.

35. Leslie Miller, "Maritime Security Lag Cited," *Boston Globe*, January 1, 2004, at www.boston.com/news/nation/articles/2004/01/01/maritime_security_lag_cited.

36. In August 2000, the Interagency Commission on Crime and Security in U.S. Seaports estimated that the costs to upgrade security infrastructure at the nation's 361 ports ranged from \$10 million to \$50 million per port. Congress funded \$93 million for security improvements with the passage of the Maritime Security and Transportation Act (MTSA) in 2002 but received grant applications for as much as \$697 million in the first year of the program alone. U.S. General Accounting Office, *Transportation Security: Post-September 11th Initiatives and Long-Term Challenges*, GAO-03-616T, April 1, 2003, pp. 5 and 16. The Coast Guard has estimated that it will require at least \$1.4 billion in the first year and \$6 billion over 10 years for private port facilities to meet the baseline security mandates required by the MTSA. James Jay Carafano, "Budgets and Threats: An Analysis of Strategic Priorities for Maritime Security," *Heritage Foundation Lecture No. 791*, June 16, 2003, at www.heritage.org/Research/HomelandDefense/HL791.cfm.

solutions. Therefore, despite the looming July 2004 deadline, the Administration was right to limit port grants for FY 2005 to \$50 million.³⁷

In addition, the Administration proposes to phase out Operation Safe Commerce in FY 2005. Launched in November 2002, the program was intended to use pilot projects in the ports of Seattle–Tacoma, Los Angeles–Long Beach, and New York–New Jersey to test technologies and practices, including cargo tracking, anti-tampering, information protection, and real-time data reporting.³⁸ However, it has shown only limited results, and the research and development effort could be performed better and more efficiently under a development program in the DHS Science and Technology Directorate.

Congress should:

- **Limit** funding for port security as proposed by the Administration.
- **Transfer** Safe Commerce initiatives to the DHS Science and Technology Directorate.

Defending Against Catastrophic Threats. This critical mission area includes developing better sensors and procedures to detect smuggled nuclear, radiological, chemical, and biological weapons; improving decontamination and medical responses to such weapons; and harnessing scientific knowledge and tools for counterterrorism efforts. The guiding principle for investments in this mission area must be to focus funding on developing new means to prevent, respond to, and mitigate the

Agency	2004 Enacted	2005 Request
Department of Health and Human Services	1,754.5	1,930.3
Department of Homeland Security	774.0	886.0
Department of Agriculture	20.8	227.0
Department of Defense	146.8	161.3
Department of Commerce	60.0	69.5
Department of Justice	27.9	41.0
National Science Foundation	27.0	27.0
Nuclear Regulatory Commission	16.2	16.1
Department of Energy	*	*
Total	2,872.2	3,358.2

*Negligible amount.
Source: Source: Office of Management and Budget, *Fiscal Year 2005, Analytical Perspectives of the U.S. Government*, p. 32, Table 3-7.

unprecedented dangers posed by catastrophic threats.

The Administration proposes to spend \$3.4 billion (an increase of 19 percent) on such measures in FY 2005, in addition to \$2.5 billion on Project BioShield.³⁹ Appropriately, the DHS (\$0.9 billion) and the Department of Health and Human Services (\$1.9 billion) account for 82 percent of the homeland security research and development effort.⁴⁰

While the overall level of science and technology funding appears appropriate, Project BioShield, in which both the DHS and the Department of Health and Human Services (HHS) participate, bears watching. Originally proposed by the Administration in February 2003 as a 10-year, \$6 billion program, its goal is to develop new biomedical countermeasures.⁴¹ Both the management and

37. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 29.

38. Alex Fryer, "Port-Security Project Endangered Murray Claims," *Seattle Times*, February 12, 2004, at seattletimes.nwsourc.com/html/localnews/2001856193_homeland12m.html.

39. See footnote 2. The OMB categorizes BioShield funding under the emergency preparedness and response category since products to be developed are intended for distribution through a national strategic stockpile of medical supplies and equipment. BioShield, however, is principally a research and development program and therefore should be listed in this category so that it can be compared with other investments in science and technology. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, pp. 32–33.

40. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 33.

41. White House, "President Details Project BioShield," February 3, 2003, at www.whitehouse.gov/news/releases/2003/02/20030203.html.

resources dedicated to the program are subjects that should be revisited.

The program might benefit from the consolidation of responsibilities in a single department. While the BioShield appropriations are directed through the Federal Emergency Management Agency (FEMA) in the DHS, HHS has far more expertise in managing large-scale medical research programs.⁴²

The scope of resources dedicated to the program is also an issue. For FY 2005, spending is authorized at \$2.5 billion. It is unclear, however, whether this funding will produce dramatic results. Major pharmaceutical companies, like Merck and Pfizer, spend more than \$6 billion a year to develop only a handful of new drugs. BioShield may not be sufficiently attractive to the private sector to result in significant new developments.⁴³

Congress should:

- **Streamline** management of the program by placing all appropriations and responsibility for the program in HHS.
- **Require** that metrics be established to evaluate progress in the program.
- **Require** alternative strategies for the commercial development of biomedical technologies in case BioShield fails.

Emergency Preparedness and Response. This critical mission area includes preparing for, responding to, and mitigating the affects of terrorist attacks. The overarching principle that must guide funding is that federal resources should be used to assist in creating a true national preparedness system, not merely to supplement the needs of state and local governments.

Agency	2004 Enacted	2005 Request
Department of Homeland Security	4,268.0	5,965.5
Department of Health and Human Services	2,189.8	2,172.0
Other Agencies	567.0	565.8
Department of Energy	107.6	99.2
Total	7,132.5	8,802.4

Source: Source: Office of Management and Budget, *Fiscal Year 2005, Analytical Perspectives of the U.S. Government*, p. 33, Table 3-8.

The FY 2005 budget calls for spending \$6.3 billion for national preparedness, about the same amount as in FY 2004. Approximately 92 percent is in the budgets of the DHS (\$3.6 billion) and HHS (\$2.2 billion).⁴⁴ Consolidating most emergency preparedness and response programs under the two agencies that bear primary responsibility for organizing federal response efforts makes sense. Concentrating effort also reduces the number of entry points and requirements for state and local governments needing federal assistance. In addition, bundling resources allows the DHS and HHS to focus activities on addressing the greatest risks and vulnerabilities.

One area that will attract significant attention is grants to emergency responders, which would be reduced by \$800 million.⁴⁵ From 2001 to 2004, the federal government allocated \$13.4 billion to state and local governments for state and local preparedness.⁴⁶ This rush of spending was certainly justified in the wake of 9/11, when the nation found itself largely unprepared to deal with a concerted, serious transnational terrorist threat, but

42. James Jay Carafano, "Improving Federal Response to Catastrophic Bioterrorist Attacks: The Next Steps," Heritage Foundation *Backgrounder* No. 1705, November 13, 2003, at www.heritage.org/Research/HomelandDefense/BG1705.cfm.

43. For example, see the discussion on the program's potential limitations in Frank Gottron, "Project BioShield," Congressional Research Service, RS21507, September 23, 2003.

44. Most funding for other agencies is in support of specialized response assets that they maintain. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 33.

45. U.S. Department of Homeland Security, *Budget in Brief: FY 2005*, February 2004, p. 57.

46. Office of Management and Budget, *Fiscal Year 2005: Analytical Perspectives of the U.S. Government*, p. 34.

spending to provide long-term security and establish a true national preparedness system will require a more deliberate effort.

The Administration should not provide significant new funding until a structure is in place to establish national performance standards, prioritize funding, measure readiness, and evaluate the effectiveness of spending.⁴⁷ In addition, the DHS should consolidate proposed appropriations into a single fund and eliminate individual categories that serve special interests (e.g., the Assistance to Firefighter Grant “Fire Grants” program) so that all available resources can be focused on the highest priorities.

At the same time, the structure of HHS grant funding should be examined. Currently, aid to state and local entities is too “hospital-centric.” For FY 2005, HHS proposes to spend \$476 million on improving hospital infrastructure. Making improvements in local hospital surge capacity a priority is a mistake. A fixed hospital-based national emergency response system is not the answer. A terrorist attack could quickly overwhelm local hospitals.

Current funding supports a questionable strategy and is perhaps wasteful. Assistance to the state and local levels should focus on medical surveillance, detection, identification, and communication so that problems can be identified quickly and regional and national resources can be rushed to the scene.⁴⁸ The federal government should be responsible for providing a national medical surge-capacity.⁴⁹

Congress should:

- **Refrain** from increasing grants to state and local responders. In fact, for FY 2005, Congress should consider providing only enough funds to support the Urban Area Security Initiative and emergency planning functions and use the remainder to fund other critical DHS priorities (such as Deepwater).
- **Eliminate** separate Fire Grants.
- **Shift** grants for hospital infrastructure to improving public health preparedness.

Conclusion

Overall, the Administration has proposed a responsible budget for enhancing homeland security. America faces a protracted war against global terrorism and requires a homeland security system that is equal to the task. The Bush Administration has accomplished this goal by funding priorities in line with the national homeland security strategy.

It remains for Congress to take a hard look at the budget, ensuring that new initiatives are properly funded to support the President’s program.

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47. James Jay Carafano, “Homeland Security Grant Bill Needs Revision But Is a Step in the Right Direction,” Heritage Foundation Executive Memorandum No. 909, January 8, 2004, at www.heritage.org/Research/HomelandDefense/EM909.cfm.

48. Proposed appropriations for hospital infrastructure preparedness should be used to restore planned reductions in support for state and local public health programs and Centers for Disease Control and Prevention capacity research. Alice Lipowicz, “Health Officials Warn of Dangers from Cuts to Preparedness Programs,” *Congressional Quarterly*, February 3, 2004.

49. Carafano, “Improving Federal Response to Catastrophic Bioterrorist Attacks.”