

Background

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An Appropriator's Guide to Homeland Security

James Jay Carafano, Ph.D.

After the September 11 attacks on New York and Washington, Congress and the Bush Administration worked to address the task of adequately funding homeland security. They largely succeeded. Estimates suggest that spending on domestic security is up to two-and-one-half times greater than before 9/11.¹ Yet just throwing money at the problem is not enough. Appropriators now need to turn their attention to long-term funding.

Winning the war on terrorism is a strategic challenge—and strategic challenges require strategic solutions. President George W. Bush has proposed a homeland security budget for fiscal year (FY) 2005 that represents responsible growth.² As congressional appropriations committees review the budget request, they should be guided by a set of strategic principles that will ensure that smart spending—not just increased spending—is the guiding vision for enhancing homeland security. These principles include:

- Placing a priority on investments that will create a true national preparedness system;
- Developing federal capacity to respond to catastrophic terrorism;
- Getting the “biggest bang for the buck” by supporting programs that will make the most efficient and effective use of federal dollars;
- Watching information technology (IT) investments closely;
- Funding critical human capital programs; and

Talking Points

- When considering homeland security appropriations, Congress should place priority on investments that will create a true national preparedness system and develop federal capacity to respond to catastrophic terrorism.
- Congress should also get the “biggest bang for the buck” by supporting programs that will make the most efficient and effective use of federal dollars.
- Furthermore, Congress should watch information technology investments closely; fund critical human capital programs; and balance funding for homeland security tasks with other missions.

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(202) 546-4400 heritage.org

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- Balancing funding for homeland security tasks with other missions.

The State of Spending

The challenges of homeland security are not new. As the threat of transnational terrorism grew over the last decade, federal spending on homeland security also increased. From FY 1995 to FY 2001 annual appropriations grew from about \$9 billion to \$16 billion.³ Many of these funds were spent haphazardly on individual initiatives, some of which were poorly conceived and managed. Most programs bore little relation to one another. One comprehensive analysis concluded that programming “mushroomed without supervision, evaluation, or coordination, resulting in a confusing mess.”⁴ In addition, it was far from clear whether federal programs had addressed all the essential tasks of providing homeland security—from guarding borders to preparing for the consequences of a terrorist attack.

Much to the Bush Administration’s credit, early on it crafted a national homeland security strategy that defined critical mission areas.⁵ The Office of Management and Budget (OMB) worked to identify activities and appropriations that fit under

each mission area. For FY 2005, the Administration proposes to spend about \$47.4 billion on domestic security programs. The budget provides allocations for border and transportation security (36 percent), protecting critical infrastructure and key assets (30 percent), emergency preparedness and response (19 percent), domestic counterterrorism programs (7 percent), developing counters to catastrophic threats (7 percent), and intelligence and early warning operations (less than 1 percent).⁶ The Administration’s efforts offer legislators a strategic framework for evaluating the scope of federal investments in domestic programs.

The Bush Administration’s approach to homeland security rightly eschews the notion that there is a single, “silver bullet” solution to stopping terrorism. Rather, the President has adopted a multi-layered system that assumes no one security initiative will suffice. This strategy provides multiple opportunities to thwart or mitigate terrorist acts.⁷ Security is not provided by a single initiative, but by the cumulative effect of all the homeland security programs. For example, a terrorist might be discovered by an overseas intelligence operation while applying for a visa; by screening an international flight manifest; during inspection at a port of entry; or during a

1. See, for example, Congressional Budget Office, “Federal Funding for Homeland Security,” *Economic and Budget Issue Brief*, April 30, 2004, p. 1; 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 *Backgrounder*, March 12, 2003, p. 8, at www.csbaonline.org/4Publications/Archive/U.20030312.Homeland_Security/_U.20030312.Homeland_Security_.pdf (June 3, 2004).
2. James Jay Carafano, “The Homeland Security Budget Request for FY 2005: Assessments and Proposals,” Heritage Foundation *Backgrounder* No. 1731, March 5, 2004, at <http://www.heritage.org/Research/NationalSecurity/bg1731.cfm>.
3. Office of Management and Budget, “Securing the Homeland, Strengthening the Nation” (2002), p. 8. http://www.whitehouse.gov/homeland/homeland_security_book.html (June 3, 2004).
4. Amy E. Smithson and Leslie-Anne Levy, “Ataxia: The Chemical and Biological Terrorism Threat and the U.S. Response,” The Stimson Center *Report* No. 34, October 2000, p. 113.
5. 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*, July 2002, pp. 15–46, at <http://www.whitehouse.gov/homeland/book/> (June 3, 2004).
6. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Analytical Perspectives* (2004), p. 27, at <http://www.whitehouse.gov/omb/budget/fy2005/> (June 3, 2004). OMB projections are a matter of judgment. Many appropriations that fund homeland security also support other operations. Accounting practices are not always able to clearly distinguish homeland security costs from other spending when appropriations generally only distinguish items like salaries and general expenses. Nevertheless, OMB’s analysis offers the best available data and a credible guide to the levels and distribution of current spending on domestic security. Congressional Budget Office, “Federal Funding for Homeland Security,” p. 3.

domestic counterterrorism investigation. Thus, improving security requires ensuring that each layer of the system is sufficient to do its part of the job and that efforts are complementary.

Helping to strengthen the system overall is the most vital contribution that Congress can make to safeguard the homeland. It is appropriate for Congress to examine whether the balance of investments in the FY 2005 budget and the scope of the programs they represent are adequate.

Strategic Principles for Homeland Security Funding

Congress faces a daunting task in evaluating how well the Administration has matched strategic plans to its funding priorities. As the Congressional Budget Office points out, homeland security activities are funded through 200 different appropriations accounts.⁸ Congressional appropriators must consider how all these efforts are expected to work in concert. Merely disbursing funds to meet many demands risks spending a little on everything and not providing much security for anything.

Investing in the wrong priorities can be equally troubling. Appropriators simply cannot address homeland security funding in a piecemeal fashion. They must wade through a maze of proposals without losing sight of the big picture. Congress

needs a set of strategic guiding principles that will allow smart spending to replace more spending.

Principle #1: Build a National Homeland Security System

The first and highest priority for federal spending must be investments that assist in creating a true national preparedness system—not merely supplementing the needs of state and local governments. Dollars that might be needed to equip every state and U.S. territory with sufficient resources to conduct each critical homeland security task could run into the hundreds of billions.⁹ Although the federal government has a responsibility to assist states and cities in providing for homeland security, it cannot service every one of their needs. Indeed, state and local governments are having difficulty absorbing and efficiently using the federal funds that are already available.¹⁰

Federal funding should focus on programs that will make all Americans safer. That includes providing state and local governments with the capability to integrate their counterterrorism, preparedness, and response efforts into a national system; and expanding their capacity to coordinate support, share resources, and exchange and exploit information. In addition, the federal government must enhance its own capacity to increase situational

7. Safeguarding the homeland includes aggressive counterterrorism operations (such as military, intelligence, and law enforcement activities) overseas and recognizing that the best way to deal with transnational terrorists is to stop them before they plan, prepare, and launch their attacks. OMB projections for homeland security spending in FY 2005 do not include spending on counterterrorism operations overseas or the security of overseas military bases, embassies, or other facilities. The current level of overall spending on domestic and overseas counterterrorism activities is unclear. OMB reported that for FY 2003 total funding on counterterrorism was about \$54.9 billion. Office of Management and Budget, “2003 Report to Congress on Combating Terrorism,” September 2003, p. 9, at http://www.whitehouse.gov/omb/inforeg/2003_combat_terr.pdf (June 3, 2004). This estimate included funding for homeland security and counterterrorism operations overseas. Subsequently, OMB estimated homeland security funding at \$42.5 billion. This would make overseas counterterrorism operations for FY 2003 at about \$12.4 billion. OMB did not account for all the costs of the global war on terrorism in these estimates: Not included, for example, was the cost of all major military and intelligence operations in Afghanistan and Iraq.
8. Congressional Budget Office, “Federal Funding for Homeland Security,” p. 3.
9. For example, a study by a task force for the Council on Foreign Relations determined that effectively meeting all of the nation’s emergency response needs could total over \$98.4 billion. However, the report underestimated costs because the task force was unable to obtain reliable data on the additional requirements of state and local law enforcement agencies. In addition, the council report examined only one (disaster preparedness and response) of the six critical functions established by *The National Strategy for Homeland Security*. See Council on Foreign Relations, *Emergency Responders: Dangerously Underfunded, Drastically Unprepared: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, 2003.

awareness of national homeland security activities and to shift resources where and when they are needed.

Following the principle of making the establishment of a national homeland security system a priority, appropriations should focus on programs that make the greatest contribution to that end. As the congressionally chartered Gilmore Commission concluded, the goal should be to provide “an enterprise-wide capacity to plan, equip, train, and exercise against measurable standards.”¹¹ Emphasis should be on efforts that enhance interoperable communications and information sharing, joint planning and exercises, leader and staff training, and mutual-support programs.

Thus, for example, Congress should fully fund programs such as the Homeland Security Information Network (HSIN)—which will link states, territories, and major urban areas to the Department of Homeland Security Operations Center (HSOC).¹² Collaborative tools such as HSIN are essential for establishing the interactive communications necessary to support implementation of the Homeland Security Advisory System. On the other hand, Congress should be skeptical of programs—such as the Assistance to Firefighters Grant Programs—that dole out money with only limited impact on individual communities.¹³

Principle #2: Prepare for Catastrophic Terrorism

The age when only great powers could bring great powers to their knees is over. Long before 9/11, national security experts argued that modern technology and militant terrorist ideologies are creating conditions that increase the potential for catastrophic attacks—risking tens of thousands of lives and threatening hundreds of billions of dollars in damage.¹⁴ Catastrophic threats will overwhelm the response capacity of any state or local government.

The federal government must be prepared to fund the lion's share of response preparation to these threats. Priorities must be: detecting smuggled nuclear, radiological, chemical, and biological weapons; improving decontamination and medical responses to such dangers; ensuring the protection of critical infrastructure whose destruction might result in catastrophic damage; and harnessing scientific knowledge and tools for counterterrorism efforts.

For example, one priority for national efforts must be to enhance national medical care surge capacity that would be needed to respond to a catastrophic attack. Since 9/11, a significant portion of federal assistance (over one-third) has been given to developing local hospital surge capacity. This funding supports a questionable strategy and is perhaps

10. From FY 2001 to the Administration's FY 2005 budget request, over \$14 billion in grants will be made available. According to the Department of Homeland Security Inspector General, as of February 10, 2004, most of the grants allocated in FY 2002 and FY 2003 had not been drawn down. Office of the Inspector General, Department of Homeland Security, “Review of the Status of Department of Homeland Security Efforts to Address its Major Management Challenges,” OIG-04-21, March 2004, p. 10. Due to lack of national standards, clear prioritization, and performance measures, much of the funds that have been spent have been used inefficiently. James Jay Carafano, “Homeland Security Dollars and Sense #1: Current Spending Formulas Waste Aid to States” Heritage Foundation *Web Memo* No. 508, May 28, 2004, at <http://www.heritage.org/Research/HomelandDefense/wm508.cfm>.
11. Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, Vol. V: *Forging America's New Normalcy: Securing Our Homeland, Protecting Our Liberty*, December 15, 2003, p. iv, at <http://www.rand.org/nsrd/terrpanel> (June 3, 2004).
12. Testimony of Frank Libutti, Under Secretary, Information Analysis and Infrastructure Protection, Department of Homeland Security before the Senate Appropriations Committee, Homeland Security Subcommittee, March 4, 2004, at <http://appropriations.senate.gov/hearings/markups/record.cfm?id=218572> (June 3, 2004).
13. In FY 2003, for example, Congress appropriated over \$700 million for Assistance to Firefighter Grant programs: They overwhelmingly benefited small, rural, volunteer fire departments. Tim Ransdell, “Federal Formula Grants and California: Homeland Security,” Public Policy Institute of California, January 2004.
14. See, for example, Ashton Carter, John Deutch, and Philip Zelikow, “Catastrophic Terrorism: Tackling the New Danger,” *Foreign Affairs*, November/December 1998, pp. 80-94.

wasteful spending. A fixed hospital-based national emergency response system is not the answer. It can be assumed that local hospitals will quickly be overwhelmed by a catastrophic terrorist attack.

Assistance on the state and local level 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. Meanwhile, federal programs should be exploring innovative solutions for increasing national surge capacity.¹⁵ Appropriators should support Administration efforts to shift resources from hospital-preparedness grants to more relevant national biomedical-preparedness programs.

Principle #3: Get the Biggest Bang for the Buck

Appropriators should also ensure that funding is directed toward programs that provide the greatest contribution to supporting the critical mission areas established by the homeland security strategy. Getting the “biggest bang for the buck” is a worthwhile criterion for guiding spending decisions.

No area deserves more attention than the challenge of maritime security. Estimates for enhancing support security run into the billions of dollars.¹⁶ Lobbying efforts are underway to demand dramatic increases in federal port grants—as much as \$400 million per year.¹⁷ On the other hand, the Administration has proposed limiting port grants in FY 2005 to \$50 million.¹⁸ The government’s restraint is appropriate. The infrastructure at U.S. ports is so vast that providing resources for other than the most critical of needs may not be prudent. On the

other hand, grant programs have proven far more effective when federal money has been used to encourage public–private partnerships that adopt sustainable and effective port-security programs.

To address the considerable vulnerabilities of maritime infrastructure, the greater share of federal dollars might be more effectively used by investments in effective intelligence and early warning, domestic counterterrorism, and border and transportation security programs. These could help to reduce risks by limiting the opportunities for terrorists to reach U.S. ports.

In this respect, Congress would likely find that additional investments in U.S. Coast Guard assets providing critical support for all these missions would be a far more effective and efficient use of federal maritime security appropriations. A recent RAND study, for example, found that an accelerated and expanded 10- or 15-year acquisition program could provide the service a force structure capable of performing both current and emerging missions.¹⁹ Thus, investing an additional \$400 million in Coast Guard modernization would likely do far more to enhance maritime security than doling out a similar amount to ports to purchase fences and hire gate guards.

Principle #4: Watch Information Technology Spending

Appropriators need to pay particular attention to homeland security programs with significant IT components. The federal government’s track record in developing IT networks is checkered at best. Programs that lack senior leader involvement, well-

15. James Jay Carafano, “Improving Federal Response to Catastrophic Bioterrorist Attacks: The Next Steps,” Heritage Foundation *Background* No. 1705, November 13, 2003, at <http://www.heritage.org/Research/HomelandDefense/BG1705.cfm>.

16. James Jay Carafano, “Budgets and Threats: An Analysis of Strategic Priorities for Maritime Security,” Heritage Foundation *Lecture* No. 791, June 16, 2003, at <http://www.heritage.org/Research/HomelandDefense/HL791.cfm>.

17. See American Association of Port Authorities Press Release, “Port Security Council Formed to Address Security Funding Issues,” May 18, 2004, at <http://www.aapa-ports.org/pressroom/may1804.htm> (June 3, 2004).

18. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Analytical Perspectives*, p. 29.

19. John Birkler, et al., *The U.S. Coast Guard’s Deepwater Force Modernization Plan: Can it be Accelerated? Will it Meet Changing Security Needs*, (Santa Monica, Cal.: RAND, 2004), p. 98. As a recent General Accounting Office report makes clear, however, the Coast Guard does need to improve management of its major acquisition program. See General Accounting Office, *Contract Management: Coast Guard’s Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380, March 9, 2004.

developed enterprise architectures, appropriate management and contractual oversight, and effective risk-mitigation strategies often find that results fail to meet expectations or that IT costs balloon out of control—crowding out funding for other critical operational needs.

The Department of Homeland Security is no exception. The DHS Inspector General has already warned that IT management represents a major challenge for the department.²⁰ Congress must watch these efforts closely.

Homeland security initiatives include a number of ambitious IT programs such as efforts to strengthen border and transportation security like the US-VISIT (United States Visitor and Immigrant Status Indicator Technology program), CAPPS II (Computer Assisted Passenger Prescreening System), and ACE (Automated Commercial Environment). Appropriators must be confident that these programs have sound management practices in place. IT not only needs to perform as expected, but adequate provisions should also be made for security, integrating systems, and ensuring effective information sharing. Appropriators should not, for example, fund major programs unless they are sure these are consistent with the enterprise architecture developed by the Department of Homeland Security's Chief Information Officer (CIO) in September 2003. They should also insist on better staffing for the CIO's office and make its efforts to establish department-wide programs a higher priority.²¹

Principle #5: Fund Human Capital Programs

Human capital programs, training, professional development, and career management initiatives often receive far less attention than big-dollar acquisition programs that buy expensive, high-tech equipment. Yet human resources are often far

more critical to the long-term development and success of an organization. This dynamic is particularly true for the Department of Homeland Security, which has to wed the culture and skills of over 180,000 personnel from 22 different agencies, activities, and programs into one cohesive, versatile, and effective workforce.

Improving the department's capacity to target and inspect commercial shipping containers offers a case in point. The DHS strategy is to search high-risk containers that might be used to convey terrorist threats. Success is dependent upon an effective targeting system that can identify shipping that might be exploited by a transnational terrorist group. Effective targeting relies heavily on the skill and judgment of analysts. Yet, as the General Accounting Office has found, DHS lacks a process to test or certify whether those trained in targeting courses have "the basic skills needed to provide effective targeting."²² DHS needs to do better. Appropriators must insist that proposed funding include adequate provisions for human capital initiatives that will sustain the long-term development of department programs.

Principle #6: Consider Non-Homeland Security Funding

A final concern that must be carefully addressed by Congress is ensuring that homeland security and non-homeland activities covered by the same appropriation are not placed in competition with one another. About one-third of the DHS budget, for example, funds non-homeland security related activities. Additionally, within the department's accounts, many appropriations fund both homeland security and other missions. In some cases, it is virtually impossible to differentiate personnel costs and other general expenses supporting specific activities.²³ Thus, under-funding non-home-

20. Office of the Inspector General, Department of Homeland Security, "Review of the Status of Department of Homeland Security Efforts to Address its Major Management Challenges," p. 18.

21. General Accounting Office, *Information Technology: Homeland Security Should Better Balance Need for System Integration Strategy with Spending for New and Enhanced Systems*, GAO-04-509, May 21, 2004, p. 2.

22. General Accounting Office, *Homeland Security: Preliminary Observations on Efforts to Target Security Inspections of Cargo Containers*, GAO-04-325T, December 16, 2003, p. 2.

23. Congressional Budget Office, "Federal Funding for Homeland Security," p. 3.

land security missions or unnecessarily burdening DHS with non-essential activities could significantly detract from the department's capacity to perform its domestic security tasks.

One area of particular concern for Congress must be the myriad activities performed by the U.S. Coast Guard—many of which use the same personnel and equipment to conduct missions ranging from port security to search-and-rescue and marine environmental protection. As the service's operational requirements continue to increase, it will face greater challenges in meeting competing demands for its personnel and assets.²⁴

“No Earmark Zone”

Finally, the homeland security budget should remain primarily an “earmark-free zone” for the Congress. Certainly, earmarking can be appropriate for some appropriations, but matters of national security generally are not the right place for legislators to fund items of particular interest to their constituents.

The FY 2004 homeland security budget set an important precedent: Congress largely refrained from adding spending on “pet” projects. It should do no less this year. Earmarking would be appropriate only for programs of national significance that have a positive and substantive impact on critical mission areas.

Committees should set a high and exacting bar for congressional add-ons. In addition, when earmarks are thought necessary to support critical mission areas, Congress should ask DHS to rate proposed earmarks in accordance with the strategic principles outlined here in order to ensure they

are both appropriate and necessary. This will serve as a useful check and balance for committees in evaluating the worth of earmark proposals.

Conclusion

Congressional appropriations committees should be guided by a set of strategic principles as they review the adequacy of the President's budget proposal. These principles should include:

- Placing a priority on investments that will create a true national preparedness system—not merely supplementing the needs of state and local governments;
- Developing federal capacity to respond to catastrophic terrorism;
- Getting the “biggest bang for the buck” by supporting programs that will make the most efficient and effective use of federal dollars;
- Watching IT investments closely;
- Funding critical human capital programs; and
- Balancing funding for homeland security tasks with other missions.

Additionally, Congress should refrain from any earmarks that might serve only special interests. When earmarks are necessary to support critical mission areas, Congress should ask DHS to rate proposed earmarks in accordance with the strategic principles outlined here in order to ensure they are both appropriate and necessary.

—James Jay Carafano, Ph.D., is Senior Research Fellow for National Security and Homeland Security in the Kathryn and Shelby Cullom Davis Institute for International Studies at The Heritage Foundation.

24. See General Accounting Office, *Key Management and Budget Challenges for Fiscal Year 2005 and Beyond*, GAO-04-636T, April 7, 2004.