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## **HOMELAND SECURITY: ADMINISTRATION'S PLAN APPEARS TO PROJECT LITTLE GROWTH IN FUNDING**

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The Bush Administration's fiscal year (FY) 2004 budget request includes \$41.3 billion for homeland security.<sup>1</sup> About \$23.9 billion of this request is allocated to the newly created Department of Homeland Security (the Department would also receive \$12.2 billion for other missions, such as maritime safety). Another \$6.7 billion would be provided to the Department of Defense (DoD), for its homeland security-related programs and activities. The remaining \$10.7 billion would be divided between the Departments of Health and Human Services (\$3.8 billion), Justice (\$2.3 billion), Energy (\$1.4 billion), and more than a dozen other departments and agencies. This *Update* provides a brief overview of the FY 2004 request for homeland security. Among other things, this analysis finds that:

- The FY 2004 request for homeland security represents, at best, a modest increase in real (inflation-adjusted) terms from the level of funding provided for FY 2003.<sup>2</sup> It would provide essentially no real increase from the level *requested* for FY 2003. As such, it marks the end of a period of rapid growth in funding for homeland security programs and activities. Between FY 2001 and FY 2003, funding for homeland security increased by some 240 percent (excluding funding provided through emergency supplemental appropriations).
- The administration has not yet provided a public estimate of the overall level of funding it believes will be necessary to adequately fund homeland security efforts over the long term. However, the limited information it has provided concerning long-term funding plans would seem to suggest that it expects funding for homeland security to be increased only relatively modestly, if at all, over the next five years. Under the administration's latest plan, for example, funding for the Department of Homeland Security, which currently accounts for more than half of all homeland security funding, is projected to remain essentially flat over the next five years.
- Whether or not the FY 2004 budget request for homeland security is adequate is unclear. Given the enormous challenges related to homeland security that the United States faces, further substantial increases may be needed in FY 2004. On the other hand, it might be appropriate to allow the departments and agencies involved in the homeland security mission some time to absorb the large increases in funding enacted over the past two years.

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<sup>1</sup> 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." Office of Homeland Security, *National Strategy for Homeland Security* (July 2002), p. 2.

<sup>2</sup> Unless otherwise noted, all changes in funding cited in this analysis are expressed in real terms.

- While the administration's plan to hold funding for homeland security relatively flat in FY 2004 might be appropriate, its apparent assumption that relatively little, or possibly no, growth in funding will be required over the longer term may be unrealistic.
- The administration's plan for homeland security appears to differ significantly from its plans for defense. The FY 2004 request for homeland security is roughly one tenth the size of the proposed budget for national defense. Moreover, under the administration's latest proposal, funding for defense is projected to grow by some 12 percent in real terms between FY 2004 and FY 2009. Few would suggest that the United States should spend as much money on homeland security as it does on defense, but some might question the relative balance between these two priorities reflected in the administration's budget request. On the other hand, power projection and other capabilities funded through the defense budget can also contribute significantly to countering foreign terrorist organizations and other threats to the US homeland.

## **FY 2003 AND PRIOR-YEAR FUNDING FOR HOMELAND SECURITY**

Federal funding for homeland security grew dramatically after the terrorist attacks of September 11, 2001. However, even prior to 9-11, funding for homeland security had been increased significantly. Between FY 1995 and FY 2001, funding for homeland security provided in the regular annual appropriations bills was boosted from about \$9 billion to \$16 billion, a real increase of some 60 percent. After 9-11, Congress approved about \$64 billion in emergency funding. This included \$20 billion for FY 2001 and about \$44 billion (provided in two separate supplemental appropriations) in FY 2002. Most of this funding was allocated either to helping with recovery efforts in the United States or fighting the war in Afghanistan. However, perhaps one-third of the \$64 billion was directed to support homeland security programs and activities. The Bush Administration requested about \$41 billion for homeland security in FY 2003.<sup>3</sup> It appears that Congress provided roughly the level of funding requested for most agencies and programs. However, it provided significantly less than requested for "first responders" (e.g., local police and fire personnel). Reflecting this difference, Congress appears to have approved a total of about \$39 billion for homeland security in FY 2003.<sup>4</sup> Altogether, between FY 2001 and FY 2003, funding for homeland security was increased by some 240 percent (excluding funding provided through emergency supplemental appropriations).

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<sup>3</sup> The exact size of the administration's FY 2003 request for homeland security is unclear. Last year, the administration indicated that its request for FY 2003 included \$37.7 billion for homeland security (plus \$8.5 billion for combating terrorism overseas). But in its most recent budget submission the administration put the cost of the FY 2003 request at about \$41 billion. It is unclear what accounts for this apparent discrepancy, but one possibility is that the Office of Management and Budget (OMB) has modified the definitions it uses to categorize various programs and activities.

<sup>4</sup> Congress did not approve funding for non-defense homeland security programs and activities until February 2003, when it passed a \$397 billion omnibus appropriations bill. This bill included funding normally provided through 11 separate appropriations measures. At press time, it was unclear precisely how much was included for various homeland security activities in the omnibus appropriations bill. However, it appears that the main difference between the request and the approved budget for homeland security was Congress's failure to provide about \$2 billion in assistance to first responders. Philip Shenon, "White House Concedes that Counterterror Budget Is Meager," February 27, 2003, [www.nytimes.com/2003/02/27/politics/27home.html](http://www.nytimes.com/2003/02/27/politics/27home.html).

## THE FY 2004 REQUEST

The administration has requested about \$41.3 billion for homeland security in FY 2004. This represents, at best, a modest increase from the level provided for FY 2003.<sup>5</sup> It represents essentially a flat budget compared to the level of funding *requested* for FY 2003. Whether or not the administration's FY 2004 budget request for homeland security is adequate is unclear. Given the enormous challenges related to homeland security that the United States faces, further substantial increases may be needed in FY 2004. One group of analysts, for example, recently suggested that funding for homeland security should be increased to about \$45 billion, some \$3.7 billion above the administration's requested level.<sup>6</sup> Moreover, Democratic leaders in Congress have advocated adding as much as \$16 billion to the administration's FY 2004 request for homeland security.<sup>7</sup> On the other hand, it might be appropriate to refrain from providing another large increase in funding next year, to allow the departments and agencies involved in the homeland security mission some time to absorb the large increases in funding enacted over the past two years.

More troubling may be the administration's long term plans for homeland security. The administration has not provided a public estimate of the overall funding level it expects to provide for homeland security over the long term. However, the limited information it has provided regarding those plans would seem to suggest that it expects funding for homeland security to be increased only relatively modestly, if at all, over the next five years. Under the administration's plan, funding for the Department of Homeland Security, which accounts for some 58 percent of the overall request for homeland security in FY 2004, is projected to stay essentially flat over the FY 2004-08 period. Since about one-third of the Homeland Security Department's budget is allocated to programs and activities unrelated to homeland security, the fact that its overall budget is projected to stay essentially flat does not necessarily mean that funding for the Department's homeland security programs could not grow.<sup>8</sup> But it does mean that this growth could only come if offsetting cuts were made in other Homeland Security Department programs and activities. Making such cuts might be difficult for many reasons, including political ones.<sup>9</sup>

The administration's long-term plans for homeland security also appear to differ significantly from its plans for defense. While the administration's plans envision little or no growth in funding for the Department of Homeland security, under the administration's latest proposal, funding for national defense is projected to grow by some 12 percent between FY 2004 and FY 2009. Altogether, the administration's FY 2004 request for homeland security is roughly one tenth the size of the proposed budget for national defense. Few would suggest that the United States should spend as much money on homeland security as it does on national defense, but some might question the relative balance between

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<sup>5</sup> Assuming \$39 billion is an accurate estimate of the level of funding provided for homeland security in FY 2003, the administration's FY 2004 request would mark a real increase of about 4.5 percent.

<sup>6</sup> Ivo Daalder, et al., *Protecting the American Homeland: One Year Later* (Washington, DC: The Brookings Institution, January 2003), p 7.

<sup>7</sup> Helen Dewar, "Democrats Criticize Homeland Security Budget," *The Washington Post*, February 15, 2003, p. A19.

<sup>8</sup> OMB has provided an estimate of the Department of Homeland Security's budget over the FY 2004-08 period, but it has not provided a breakdown over that period for how much of the Department's budget would be allocated to homeland security vice other programs and activities.

<sup>9</sup> Among other things, making such reductions could require cutting important domestic programs and activities funded through the Homeland Security Department, such as the national immigration service system. In addition, since only one-third of the Homeland Security Department's budget is allocated to non-homeland security functions, every one percent increase in homeland security funding would require offsetting cuts in other Department functions of roughly two percent.

these two priorities reflected in the administration's budget request. On the other hand, power projection and other capabilities funded through the defense budget can also contribute significantly to countering foreign terrorist organizations and other threats to the US homeland. In the aftermath of 9-11, determining what the proper balance is between defensive and offensive measures is one of the key tasks that confronts US policymakers attempting to effectively meet US security requirements.

## **THE BIG FIVE**

Five federal departments account for \$38 billion, or 92 percent, of the \$41.3 billion requested by the administration for homeland security in FY 2004. The following sections briefly describe the administration's proposals for homeland security in these five departments, including a discussion of proposed changes in funding levels. (See the table on page 5 for a breakdown of the FY 2004 budget request for homeland security by agency.)

### **Homeland Security**

The administration's FY 2004 request includes \$36.2 billion for the newly created Department of Homeland Security. The Department is structured around four major organizations: border transportation and security; emergency preparedness and response; information analysis and infrastructure protection; and science and technology. Funding in the FY 2004 request includes \$500 million to assess and address vulnerabilities in critical infrastructure (e.g., nuclear power plants, telecommunications networks, and transportation systems), \$350 million for the development of new technologies related to homeland security, \$373 million for border security and trade initiatives, and \$3.5 billion to assist in training and equipping first responders. Altogether, about \$23.9 billion of the Department's FY 2004 request is for homeland security missions; the remaining \$12.2 billion is for other activities, such as maritime safety and immigration services.

### **Defense**

The administration has proposed a defense budget of \$399.1 billion for FY 2004, including \$379.9 billion for DoD. Of this total, about \$6.7 billion is allocated to homeland security. These activities involve support to civilian authorities and domestic force protection, guarding critical infrastructure, supporting border enforcement, and consequence management activities (e.g., responding to terrorist attacks). The FY 2004 request for homeland security-related missions represents a decline in real terms of 26 percent from the level provided for FY 2003. The administration attributes this reduction to the fact that a large share of FY 2003 funding was for one-time force protection requirements. In addition, the decline reflects some small shift in research and development funding from DoD to the Department of Homeland Security.<sup>10</sup> Overall, programs and activities in DoD related to homeland security continue to absorb only a very small portion of the Department's budget. The \$6.7 billion request amounts to less than 2 percent of DoD's total request for FY 2004. Even if other areas directly related to homeland

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<sup>10</sup> In January 2003, DoD announced it will transfer \$420 million from its FY 2003 funding to the Homeland Security Department. These funds include about \$385 million in Defense Threat Reduction Agency programs, including \$25 million for basic research, \$137 million for applied research, \$162 million for advanced technology development, \$55 million for advanced component development and prototypes; and \$6 million for support functions. Of the remaining funding, \$30 million was drawn from defense-wide procurement and \$5 million from military construction. "DoD Transfers Funds to Homeland Security Dept to Study Bioweapons," *Inside the Pentagon*, January 9, 2003, p. 1.

security, such as ballistic missile defense programs, are included in the total, homeland security activities would appear to account for only around 5 percent of DoD's total budget.

### Health and Human Services

The department's proposed FY 2004 budget for homeland security activities is about \$3.8 billion. This represents a real decline of about 7 percent from the FY 2003 budget request. In part, this reduction reflects the transfer of various programs from Health and Human Services to the Homeland Security Department, including the National Disaster Medical System, the Metropolitan Medical Response System, Disaster Medical Assistance Teams, Veterinary Medical Assistance Teams, Disaster Mortuary Support Teams, and the National Pharmaceutical Stockpile, as well as management of the Select Agent Registration Enforcement Program, which tracks the transfer of pathogens for scientific and medical research. The vast majority (\$3.5 billion) of the Department's proposed budget for homeland security is related to countering bioterrorism. These activities include medical research, enhancing state and local preparedness, and protecting the food supply.

**FY 2004 Request for Homeland Security, by Agency (in billions of dollars)**

Department/Agency	Funding	Share
Homeland Security	23.9	58%
Defense	6.7	16%
Health and Human Services	3.8	10%
Justice	2.3	6%
Energy	1.4	3%
State	0.8	2%
Agriculture	0.4	1%
National Science Foundation	0.3	1%
Transportation	0.3	1%
NASA	0.2	0%*
Commerce	0.2	0%*
Other	1.0	2%
<b>Total</b>	<b>41.3</b>	<b>100%</b>

\* Round to less than one percent.

Source: OMB.

### Justice

The Department of Justice's proposed FY 2004 budget for homeland security activities is about \$2.3 billion. In real term this represents an increase of about 16 percent over the FY 2003 budget request (\$1.9 billion). This increase in funding is projected despite the fact that a significant level of resources has been transferred from the Department of Justice to the new Homeland Security Department. For example, the enforcement functions of the Immigration and Naturalization Service (INS) will become part of the Homeland Security Department's Border and Transportation Security Directorate. In addition, the Office of Domestic Preparedness and the programs it oversees, which provides assistance to state and local public safety personnel charged with responding to terrorist incidents, was transferred to the Homeland Security Department.

The bulk (\$287 million)<sup>11</sup> of the Justice Department's increase in homeland security funding can be attributed to new or expanded initiatives in counterterrorism and counterintelligence operations intended to prevent terrorist attacks, provide timely warning of terrorist threats, respond to and investigate terrorist incidents, and prosecute and incarcerate terrorists. The Department's homeland security assets were also increased modestly by the transfer of the Bureau of Alcohol, Tobacco, and Firearms (ATF) to the Department of Justice. The ATF provides additional resources for investigating and responding to terrorist acts involving explosives and firearms.<sup>12</sup>

## **Energy**

The administration's FY 2004 budget request includes \$1.4 billion in homeland security-related spending for the Department of Energy. This represents a real increase of 15 percent from the level requested for FY 2003 (\$1.2 billion). Virtually all this boost (\$173 million in new spending) is accounted for by increases in funding for safeguarding nuclear facilities, materials, and information. Altogether, activities related to securing nuclear weapons facilities and protecting nuclear waste sites, laboratories, and other facilities account for 87 percent of the Department's proposed homeland security budget. The Department's budget request also reflects the transfer of some programs to the Homeland Security Department, including activities related to chemical/biological research and development, nuclear smuggling, energy assurance programs, and nuclear threat assessment capabilities.<sup>13</sup>

## **CONCLUSION**

Estimating how much needs to be spent on homeland security in order to effectively protect the United States from terrorist and other attacks is an extremely difficult task. It may be that the administration is correct that only a relatively modest increase in funding for homeland security is needed in FY 2004, given the large amounts of funding that have been provided over the last few years. On the other hand, it may be that at least some additional funding should be provided in FY 2004, given the substantial threats to homeland security that may confront the United States. A more serious concern about the administration's latest plans for homeland security is whether it projects adequate resources for these programs over the long term.

Although the administration has not released a long-term plan that projects *total* funding for homeland security, it has provided information concerning long-term plans for the Department of Homeland Security, which accounts for over half of all homeland security funding. Those plans seem to suggest that the administration expects relatively flat spending on homeland security not only in FY 2004, but over the next five years. Such a funding profile may be unrealistic. It also appears to differ substantially from plans for national defense. Few would suggest that the United States should spend as much money on homeland security as it does on defense, but some might question the relative balance between these two priorities as reflected in the administration's budget request.

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<sup>11</sup> *The Fiscal Year 2004 Budget of the US Government*, pp. 186-188.

<sup>12</sup> *Ibid.*, p. 186.

<sup>13</sup> "Secretary of Energy Unveils DOE '04 Budget," <http://www.energy.gov/HQPress/releases03/febpr/pr03027.htm>.

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