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## **OVERVIEW OF THE ADMINISTRATION'S FY 2005 REQUEST FOR HOMELAND SECURITY**

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The Bush Administration's fiscal year (FY) 2005 budget request includes \$47.4 billion for homeland security.<sup>1</sup> About \$27.2 billion of this request is allocated to the newly created Department of Homeland Security (the Department would also receive \$13.0 billion for non-homeland security missions, such as maritime safety). Another \$8.0 billion would be provided to the Department of Defense (DoD) for its homeland security-related programs and activities. The remaining \$12.2 billion would be divided between the Departments of Health and Human Services (\$4.3 billion), Justice (\$2.6 billion), Energy (\$1.5 billion), and some two dozen other departments and agencies. This *Update* provides a brief overview of the FY 2005 request for homeland security. Among other things, this analysis finds that:

- The FY 2005 request for homeland security is \$6.1 billion above the level provided for FY 2004. It represents a 12.7 percent increase in real (inflation-adjusted) terms (all funding changes noted in this analysis are expressed in real terms).<sup>2</sup> Excluding funding for Project BioShield, for which Congress, last year, provided \$2.5 billion in FY 2005 advance appropriations, the administration's request amounts to a 9.1 percent increase.
- Under the administration's request, non-DoD funding for homeland security (excluding Project BioShield) would grow to \$36.8 billion in FY 2005. This is a \$3.4 billion, or 8.4 percent, increase from the amount provided for FY 2004.
- The administration has not yet provided a comprehensive estimate of the long-term funding requirements for homeland security. However, under the administration's plan *discretionary* funding<sup>3</sup> for *non-defense* homeland security programs and activities would be increased at an average annual rate of about 1.7 percent over the FY 2006-9 period. This is slightly lower than the

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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 Management and Budget (OMB), *2003 Report to Congress on Combating Terrorism* (September 2003), p. 3.

<sup>2</sup> For homeland security, overall, and for all non-DoD departments and agencies, OMB's composite deflator was used to estimate real change in funding levels. OMB, *Budget of the United States Government, Fiscal Year 2005, Historical Tables* (Washington, DC: US Government Printing Office, 2004), p. 25. For DoD, the Defense Department's own deflators were used.

<sup>3</sup> In addition to discretionary funding, which must be appropriated by Congress (generally on an annual basis), the homeland security budget includes a lesser amount of mandatory spending, for which annual appropriations are not required (i.e., the spending is provided automatically based on provisions specified in previously enacted legislation). The FY 2005 request for homeland security includes \$2.61 billion in mandatory spending, as well as \$4.081 billion in activities funded by user fees.

annual rate of increase projected for national defense (2.3 percent), and substantially higher than the projections for other non-defense discretionary programs (for which funding is projected to decline by an average of 1.7 percent annually).<sup>4</sup>

- The FY 2005 request for homeland security is roughly one-ninth 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 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.

## FUNDING TRENDS

Federal funding for homeland security grew dramatically after the terrorist attacks of September 11, 2001. Under the administration's latest budget plan, overall funding for homeland security *provided through regular, annual appropriations* would be \$31.5 billion, or 177 percent, higher in FY 2005 than it was in FY 2001. Moreover, even prior to the terrorist attacks of 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 \$9 billion to about \$16 billion,<sup>5</sup> an increase of some 60 percent. Altogether, assuming the administration's FY 2005 request is enacted, funding for homeland security will have increased by \$38.4 billion, or 336 percent, over the past decade. In addition to this funding provided through regular, annual appropriations, about \$18.5 billion in additional funding has been provided for homeland security through various emergency supplemental appropriations enacted since the terrorist attacks of 9/11.<sup>6</sup>

## MAJOR MISSION AREAS

The budget for homeland security can be broken down in a variety of different ways. One way the administration categorizes funding for homeland security is by "National Strategy Mission Area" (see Table 1).<sup>7</sup> Two of these mission areas—Border and Transportation Security, and Protecting Critical Infrastructure and Key Assets—account for two-thirds of the budget for homeland security. In dollar terms, the largest increase included in the FY 2005 request is for Border and Transportation Security

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<sup>4</sup> According to the Congressional Budget Office (CBO), over the FY 2006-09 period discretionary funding for defense, non-defense homeland security and other non-defense programs is projected to grow by average annual rates of, respectively, 4.8 percent, 4.0 percent and 0.5 percent in nominal terms. CBO, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2005* (Washington, DC: CBO, March 2004), p. 9. Based on OMB deflators, these figures equate to real changes of 1.7 percent, 2.3 percent and -1.7 percent, respectively.

<sup>5</sup> OMB, "Securing the Homeland, Strengthening the Nation," 2002, p. 8.

<sup>6</sup> For a discussion of these various supplemental appropriations and how their funding was allocated, see Steven M. Kosiak, "Funding for Defense, Military Operations, Homeland Security, and Related Activities Since 9/11," CSBA, January 21, 2004.

<sup>7</sup> OMB, *Budget of the United States Government, Fiscal Year 2005, Analytical Perspectives* (Washington, DC: US Government Printing Office, 2004) p. 25-38.

activities. In percentage terms, the largest increase is for the Intelligence and Warning mission area. Funding trends in the six main homeland security mission areas are described below.<sup>8</sup>

- **Border and Transportation Security:** This mission area covers a broad range of activities related to preventing the illegal entry of persons and contraband into the United States and safeguarding the country's transportation system. Among other things, it includes inspections (e.g., for immigration, customs and agricultural compliance) and security at ports-of-entry into the United States, border patrols, maritime patrols along the US coast, and aviation security. About 93 percent of the funding for this mission area is provided to the Department of Homeland Security (DHS). For FY 2005, the administration is requesting \$17.1 billion for border and transportation security, making it the most costly mission area—accounting for 36 percent of the funding in the administration's FY 2005 request for homeland security. The request would provide a \$1.75 billion, or 9.5 percent, increase from the level provided in FY 2004. Of this amount, \$600 million would be provided to help improve aviation security, and \$100 million to strengthen activities related to the detention and removal of illegal aliens.
- **Protecting Critical Infrastructure and Key Assets:** Funding in this area pays for a range of activities intended to protect critical elements of the country's infrastructure. The FY 2005 request includes a total of \$14.1 billion for this mission area, \$1.5 billion, or 9.9 percent, more than was provided for in FY 2004. It accounts for about 30 percent of the funding included in the administration's request for homeland security. By far the largest portion of this funding (54 percent) is provided to DoD to help protect US military personnel and bases from terrorist attack. Under the request, DoD would receive \$7.6 billion for infrastructure protection. DoD also accounts for \$1 billion of the \$1.5 billion increase provided for infrastructure protection in the budget request. The FY 2005 request allocates \$2.6 billion to DHS for infrastructure protection (18 percent of the request for this mission area). This is about \$145 million above this year's level. DHS is responsible for cataloguing, prioritizing and directing improvements to a wide range of infrastructure elements, including the country's information infrastructure. The Department of Energy coordinates efforts to protect the country's energy supplies, as well as its nuclear weapons complex. Under the budget request, the Department of Energy would receive \$1.4 billion for infrastructure protection in FY 2005, accounting for about 10 percent of the funding in this mission area. The remaining \$2.55 billion included for infrastructure protection in the request would be allocated among 25 other departments and agencies.
- **Emergency Preparedness and Response:** Federal activities designed to prepare for and mitigate the effects of terrorist attacks make up this mission area. The FY 2005 request includes \$8.8 billion for emergency preparedness and response. This is \$1.7 billion more than was provided in FY 2004. The mission area accounts for about 19 percent of the total request for homeland security. Nearly all of the projected increase for emergency response and preparedness is due to Project BioShield, an effort to encourage companies to develop countermeasures against new biological weapons. The administration proposed Project BioShield in FY 2004 and Congress provided a total of \$5.6 billion for the multiyear project. This included \$885 million appropriated for FY 2004 and \$2.5 billion in advance appropriations for FY 2005 (plus an additional \$2.2 billion in advance appropriations for

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<sup>8</sup> The FY 2005 request also includes a seventh, "other," category with \$197 million.

FY 2009). Exclusive of Project BioShield, the FY 2005 budget request includes \$6.3 billion for emergency preparedness and response activities, a 1.3 percent decline from this year's level. DHS accounts for \$5.9 billion (68 percent) of the funding requested for this mission area. In addition to Project BioShield, DHS funding consists primarily of grant assistance to state and local first responders (e.g., police, fire and rescue personnel). About \$2.2 billion (25 percent) of the funding included in the request for emergency preparedness and response activities is allocated to the Department of Health and Human Services. This is slightly below the level provided in FY 2004. The Department of Health and Human Services is charged with maintaining the supply of vaccines and other countermeasures, and assisting local public health care providers with efforts to improve their response capabilities.

- **Domestic Counterterrorism:** Funding in this mission area pays for various law enforcement-related efforts to identify, investigate and prosecute terrorists, and to prevent and disrupt terrorist operations directed against the United States. For FY 2005, the administration has requested \$3.4 billion for domestic counterterrorism activities (accounting for about 7 percent of the total request for homeland security). This is \$426 million, or 12.3 percent, more than was provided for this year. Most of the funding (57 percent) requested for this mission area is provided to the Department of Justice, primarily for the Federal Bureau of Investigation (FBI). Most of the remaining funding in the request (41 percent) is provided to DHS, largely to cover costs related to immigration and customs enforcement.
- **Protecting Against Catastrophic Threats:** This mission area consists of efforts to research, develop and deploy technologies and medical measures (e.g., vaccines and antidotes) that will improve the country's ability to detect and counter the threat posed by chemical, biological, radiological, and nuclear (CBRN) weapons. These weapons (also referred to as weapons of mass destruction, or WMD) pose a special challenge because of the large number of casualties they are capable of inflicting, and the potential for such weapons to cause widespread panic, even if casualties can be kept relatively low.<sup>9</sup> The FY 2005 request includes a total of \$3.6 billion for this mission area, \$531 million, or 16.7 percent, more than was provided for FY 2004. Efforts aimed at improving defenses against CBRN account for about 7 percent of the funding included in the administration's request for homeland security. Most of this funding (57 percent) is allocated to the Department of Health and Human Services for the development of next-generation vaccines and therapeutics, as well as technologies capable of providing earlier detection and characterization of CBRN attacks. The request includes \$886 million for DHS, with most of this funding also directed toward the development of improved countermeasures.
- **Intelligence and Warning:** This mission area includes intelligence collection and analysis activities, as well as efforts to disseminate effectively information on terrorist threats to federal, state, local and private authorities. Most of the funding in this mission area is provided to the Departments of Homeland Security (61 percent) and Justice (19 percent). Under the administration's request, funding for Intelligence and Warning would increase by \$205 million, or 73.4 percent, between FY 2004 and FY 2005. While this is by far the largest increase projected for any of the Homeland Security mission areas, at \$474 million, funding for intelligence and warning activities would remain

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<sup>9</sup> For a discussion of these threats, see Steven M. Kosiak, *Homeland Security, Terrorism and Weapons of Mass Destruction: A Diagnostic Assessment* (Washington, DC: CSBA, forthcoming, March 2004).

far below the levels provided in all but one of the other mission areas. On the other hand, this total does not include funding for most foreign intelligence activities, even though some of this intelligence is likely to inform homeland security activities.

**Table 1: Homeland Security Funding by Mission Area (in millions of dollars)**

Mission	FY 2003*	FY 2004	FY 2005 Request	Share of FY 2005 Request
Border and Transportation Security	15,171	15,323	17,075	36%
Protecting Critical Infrastructure	12,893	12,571	14,060	30%
Emergency Preparedness and Response	3,873	7,133	8,802	19%
Domestic Counterterrorism	2,509	2,994	3,420	7%
Defending Against Catastrophic Threats	2,428	2,827	3,358	7%
Intelligence and Warning	125	269	474	1%
Other	118	191	197	0%**
<b>Total</b>	<b>37,118</b>	<b>41,307</b>	<b>47,386</b>	<b>100%</b>

\*This figure does not include \$5.3 billion in homeland security funding provided in the FY 2003 Emergency Supplemental Appropriations Act.

\*\* Rounds to less than one percent.

Source: OMB.

## THE BIG FIVE

Another way to break down federal funding for homeland security is by department and agency. Five departments account for \$43.6 billion, or 92 percent, of the \$47.4 billion requested by the administration for homeland security in FY 2005. This section provides a brief description of homeland security-related funding in the administration's request for these five departments (see Table 2).

- Homeland Security:** The administration's FY 2005 request includes \$40.2 billion for the DHS. As noted earlier, this includes \$27.2 billion for homeland security-related missions and \$13 billion for other activities, such as maritime safety and immigration services. Altogether, DHS accounts for 57 percent of the overall budget request for homeland security. Two mission areas—Border and Transportation Security, and Emergency Preparedness and Response—account for 80 percent of homeland security-related funding in the FY 2005 request for DHS.
- Defense:** The administration has proposed a defense budget of \$423.1 billion for FY 2005, including \$402.6 billion for DoD. Of this total, \$8.0 billion is for homeland security. Thus, DoD accounts for about 17 percent of the overall request for homeland security. Some 94 percent of this funding is allocated to infrastructure protection—specifically, protecting military bases, other facilities and personnel from terrorist attacks. DoD also provides some support for defending against catastrophic threats, as well as border enforcement and consequence management activities. DoD's FY 2005 request for homeland security-related missions represents a real increase of about 12 percent from the level provided for FY 2004. This is substantially greater than the 5 percent increase projected for defense, overall, in the request.
- Health and Human Services:** The proposed FY 2005 budget for homeland security activities includes about \$4.3 billion for the Department of Health and Human Services. Most of the Department's funding for homeland security is directed towards Defending Against Catastrophic Threats (e.g., developing new vaccines for biological weapons) and Emergency Preparedness and Response (e.g., maintaining vaccine stockpiles and assisting local health providers prepare for

CBRN attacks). These two mission areas account for, respectively, 45 percent and 51 percent of the homeland security funding included in the Department of Health and Human Services' FY 2005 request. The request is \$167 million, or 2.3 percent, above the level provided for FY 2004.

- **Justice:** The Department of Justice's proposed FY 2005 budget for homeland security activities is about \$2.6 billion. This is \$415 million, or 17.1 percent, more than was provided for FY 2004. The FBI accounts for two-thirds of the Justice Department's homeland security funding, and virtually all of the Department's projected increase for FY 2005. Most of this increase is directed towards improving the FBI's domestic counterterrorism capabilities. The next biggest share of the Justice Department's homeland security budget (17 percent) is allocated to the Bureau of Alcohol, Tobacco and Firearms' counterterrorism efforts.
- **Energy:** The administration's FY 2005 request includes \$1.5 billion for homeland security-related funding in the Department of Energy. This is \$128 million, or 8.0 percent, more than was provided this year. Protecting Critical Infrastructure and Key Assets—including nuclear weapons facilities and nuclear power plants, as well as natural gas, oil and other energy-related activities—accounts for 93 percent of the homeland security funding included in department's FY 2005 request.

**Table 2: FY 2005 Request for Homeland Security, by Agency (in millions of dollars)**

Department/Agency	Funding	Share
Homeland Security	27,215	57%
Defense	8,023	17%
Health and Human Services	4,276	9%
Justice	2,581	5%
Energy	1,497	3%
State	955	2%
Agriculture	651	1%
National Science Foundation	344	1%
Veterans Affairs	297	1%
Transportation	243	1%
NASA	207	1%
Social Security	155	0%*
Other	942	2%
<b>Total</b>	<b>47,386</b>	<b>100%</b>

\* Rounds to less than one percent.

Source: OMB.

## CONCLUSION

Estimating how much needs to be spent on homeland security in order to effectively protect the United States from terrorist attacks is an extremely difficult task—far beyond the scope of this brief overview of the administration's funding request for FY 2005. Given the enormous challenges related to homeland security that the United States faces, it is possible that substantially more funding may be needed than has been proposed by the administration. For example, a 2003 report by a task force of the Council on Foreign Relations concluded that US funding for emergency responders (e.g., police, fire and rescue personnel) was roughly \$20 billion a year below the level needed to meet requirements.<sup>10</sup> Similar

<sup>10</sup> Report of an Independent Task Force Sponsored by the Council on Foreign Relations (CFR), Warren B. Rudman, Chair, *Emergency Responders: Drastically Underfunded, Dangerously Unprepared* (New York, NY: CFR, 2003). 13.

shortfalls may exist in other areas of homeland security as well. Conversely, even if more funding is needed, 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 several years. In some areas, there may also be significant limitations as to how much—realistically—providing additional funding can do to improve US homeland security.

Another important question—also beyond the scope of this *Update*—is whether the administration’s current defense plan strikes the proper balance between funding for homeland security and national defense. Altogether, the administration’s FY 2005 request for homeland security is roughly one-ninth the size of its 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 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.

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