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Federal Funding for Homeland Security

The tragic events of September 11, 2001, have focused attention on federal spending for homeland security, but tracking and analyzing that spending have proved difficult. Funding for those activities is split among 200 different appropriation accounts within the federal budget and involves many different functional areas of the government. Furthermore, most of the funding resides within accounts that primarily finance activities not directed at homeland security.

Most of the current data on funding for homeland security are provided in annual reports to the Congress by the Administration's Office of Management and Budget (OMB). Largely on the basis of those reports, CBO estimates that federal resources dedicated to homeland security activities totaled almost \$43 billion in 2003—more than double the amount allotted to them before September 11. The Administration requested slightly less funding for 2004—about \$41 billion. The total amount provided for homeland security for that year appears to be close to the President's request.

What Is Homeland Security?

Homeland security, as defined by the Administration, represents “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.”¹ That mission comprises six areas of activity:

- *Intelligence and warning*—Includes efforts to detect and track potential threats before attacks occur within the United States.
- *Border and transportation security*—Encompasses airline security and inspection of cargo at points of entry into the United States to prevent unwanted individuals or weapons from entering the country. Those activities are performed primarily by the Transportation Security Administration (TSA), which was established in November 2001, and by the entities that previously constituted the Immigration and Naturalization Service and the Customs Service.
- *Domestic counterterrorism*—Consists primarily of federal law enforcement and investigative activities that center on tracking and apprehending terrorists. Primary responsibility for those activities rests with the Federal Bureau of Investigation (FBI).
- *Protection of critical infrastructure and key assets*—Includes the physical security of national landmarks and critical infrastructure as well as the physical security of federal government buildings and installations.
- *Defense against catastrophic threats*—Entails efforts to prevent terrorists from obtaining weapons of mass destruction (chemical, biological, or nuclear) and activities to mitigate the effects of such weapons if they are used.
- *Emergency preparedness and response*—Includes efforts to mitigate the effects of future terrorist attacks—including creating federal response plans and providing equipment and training for local “first responders” (in general, local fire, police, and medical personnel who are likely to be first on the scene of a terrorist attack).

1. See Office of Homeland Security, *National Strategy for Homeland Security* (July 2002), available at www.whitehouse.gov/homeland/book/index.html; and Office of Management and Budget, *annual Report to Congress on Combating Terrorism* (September 2003, available at www.whitehouse.gov/omb/inforeg/2003_combat_terr.pdf).

According to OMB, about 38 percent of the \$43 billion provided for homeland security in 2003 went toward border and transportation security activities, and another 32 percent was allotted to protecting critical infrastructure and key assets. The remaining funds were used for emergency preparedness and response (14 percent), domestic counterterrorism (9 percent), defense against catastrophic threats (6 percent), and intelligence and warning (1 percent).

The Administration's definition of homeland security focuses only on activities aimed at preventing or responding to terrorist attacks within U.S. borders and not on those devoted to combating terrorism overseas. Overseas activities, such as security at U.S. embassies and military facilities, are classified separately. OMB estimated that for 2003, about \$12 billion was allotted to those activities. Of that amount, the Department of Defense and other national security agencies received almost \$9 billion, and the Department of State, more than \$1 billion. This discussion, however, focuses only on domestic security activities.

Homeland Security and the Federal Budget

Most funding for homeland security is classified as discretionary spending and provided through appropriations, which for 2003 totaled about \$41 billion. The collection of fees, mostly by the TSA, offset almost \$3 billion of that amount (see *Table C-1*). Mandatory spending finances some additional homeland security activities; for 2003, that funding totaled almost \$2 billion.² About three-quarters of that amount was used for border protection and immigration enforcement, and most of that spending was offset by immigration and customs user fees, which the budget records as offsetting receipts.

The allocation of homeland security funding to about 200 appropriation accounts within the federal budget substantially complicates efforts to track spending. In addition, although funding levels for homeland security are included in the President's budget request, agencies' accounts do not separate homeland security funding from

2. Mandatory spending refers to funding that is not subject to annual appropriations.

money appropriated for their other activities. Indeed, much of the money for homeland security activities resides within accounts that fund primarily non-homeland security spending, such as departmental salaries and expenses. That accounting practice makes it difficult to clearly identify homeland security funding on an ongoing basis.

Section 1051 of the National Defense Authorization Act of 1998 directs OMB to produce an annual report on combating terrorism, and that report also contains data on homeland security funding that are collected by federal agencies and updated throughout the year.³ But classifying and reporting such spending requires judgments about particular projects and activities. Under the current data-collection process, definitions of homeland security and current- and prior-year funding levels are frequently modified and updated. It is particularly hard to reliably compare the \$43 billion funding level reported for 2003 with the data collected before 2001 because of the changes in definitions and data-collection methods over the past few years.⁴

The Department of Homeland Security

In response to the terrorist attacks of September 11, the President and the Congress created the Department of Homeland Security in November of 2002, bringing together in one agency activities that were previously spread throughout the federal government. Agencies that are now part of the new department include the Coast Guard, the Federal Emergency Management Agency (FEMA), the Secret Service, and the Transportation Security Administration, as well as activities that were for-

3. Beginning in 2004, OMB's annual *Report to the Congress on Combating Terrorism* will be replaced by a similar analysis to be included with the President's annual budget request, as required by section 889 of the Homeland Security Act of 2002.

4. Before 2002, OMB's annual reports defined "combating terrorism" as including overseas activities. Beginning in 2002, the reports focused on "homeland security," which expanded the definition to include border enforcement activities of the Immigration and Naturalization Service and the Customs Service but excluded overseas activities. The 2002 report included data for 2001 that had been adjusted to reflect the new definition.

Table C-1.**Total Federal Resources for Homeland Security**

(Billions of dollars of budget authority)

	2001	2002	2003
Discretionary Budget Authority			
Regular appropriations	15.0	17.1	32.8
Supplemental appropriations	3.6	12.3	5.3
Fee-funded activities	0.4	1.8	2.7
Mandatory Spending	<u>1.1</u>	<u>1.7</u>	<u>1.8</u>
Gross Budget Authority^a	20.1	32.9	42.5

Sources: Congressional Budget Office; Office of Management and Budget.

a. Excludes offsetting collections and receipts, which are recorded as negative budget authority. For 2003, negative budget authority totaled about \$3.5 billion.

merly part of the Immigration and Naturalization Service (INS) and the Customs Service. Gross budget authority (excluding income from fees and other offsetting receipts) for the new department totaled about \$36 billion in 2003. More than \$7 billion of that amount came from supplemental appropriations. On the basis of the recently enacted Department of Homeland Security Appropriations Act, 2004 (Public Law 108-90), CBO estimates that gross budget authority for the Department of Homeland Security for 2004 will total about \$35 billion.

Despite its name, the Department of Homeland Security's activities are not limited strictly to that mission. Only about \$23 billion of its 2003 budget was directed toward purposes that met the executive branch's definition of "homeland security" (see *Figure C-1*). Those activities include, among other things, border and coastal security, immigration enforcement, and grants to first responders. The remaining \$13 billion funded non-homeland security functions that were transferred to the new department along with the homeland security activities performed by their original agencies. The Coast Guard, for example, carries out both homeland security (such as coastal defense and port security) and non-homeland security activities (such as marine safety and navigation support). Other examples of non-homeland security duties that are discharged by the new department include disaster relief, which before 2003 was administered by FEMA, and immigration services previously provided by the INS.

Homeland Security Activities in Other Federal Agencies

Other federal agencies also carry out homeland security activities, for which funding in 2003 totaled about \$20 billion in gross budget authority (see *Table C-2*). Of that amount, activities within the Department of Defense (such as security at military installations as well as research and development of antiterrorism technologies) accounted for about \$9 billion. Homeland security activities of the Departments of Health and Human Services (HHS) and Justice accounted for another \$4 billion and \$2 billion, respectively. Most of the HHS funds supported research related to the development of methods to detect and vaccinate against possible biological agents. The Department of Justice's homeland security funding includes a portion of the budget of the FBI as well as support for other law enforcement activities to detect and apprehend terrorists.

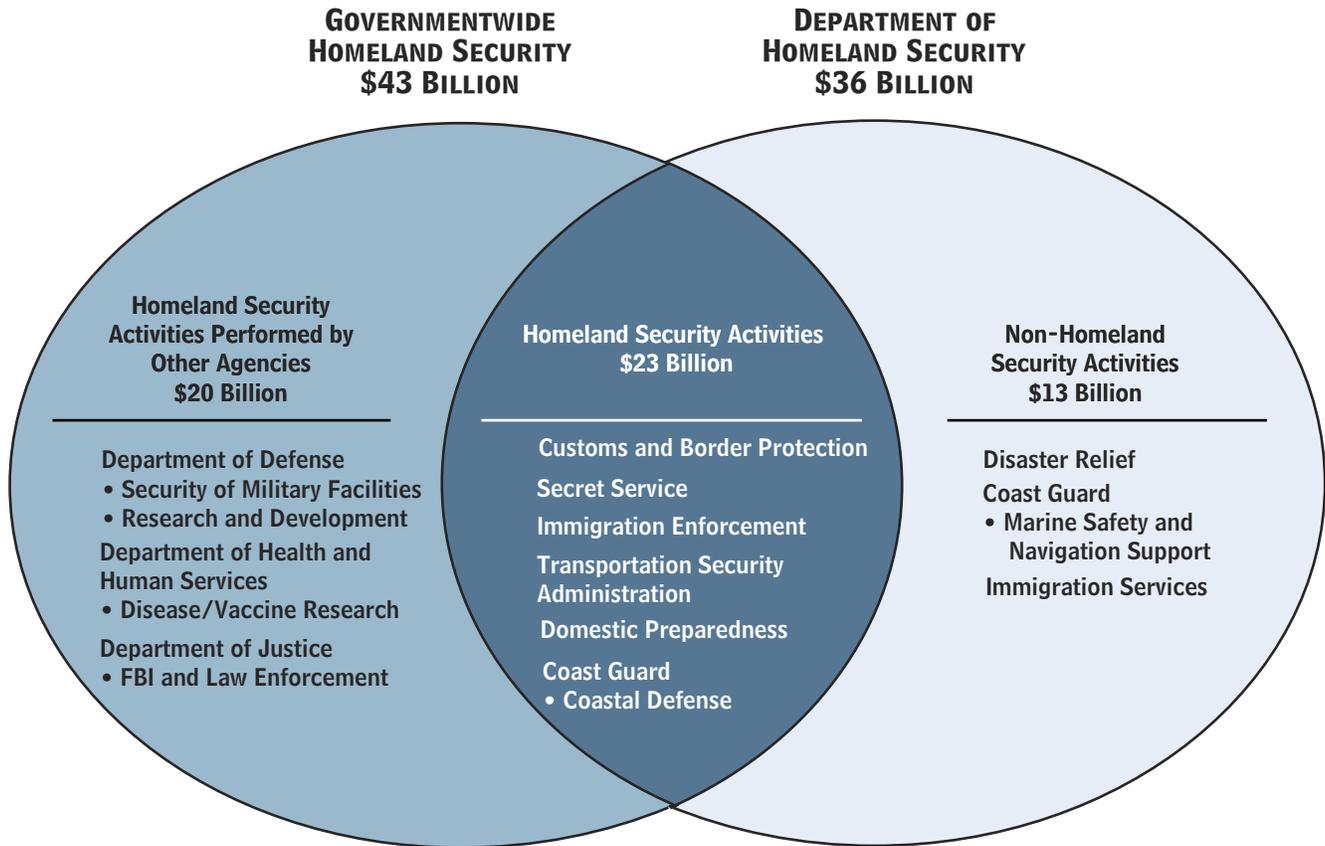
Trends in Homeland Security Funding

Funding for homeland security activities has risen substantially over the past two years. Gross budget authority for those functions, excluding supplemental appropriations enacted immediately after the terrorist attacks, totaled about \$16 billion in 2001. Including the supplemental appropriations adds about \$4 billion to that figure, bringing total funding for 2001 to \$20 billion. The Congress and the President increased that funding to about \$33 billion in 2002 and \$43 billion in 2003 (including about \$5 billion in supplemental appropriations).

Figure C-1.

Funding for the New Department of Homeland Security and for Governmentwide Homeland Security, 2003

(Billions of dollars of gross budget authority)



Source: Congressional Budget Office.

Note: FBI = Federal Bureau of Investigation.

Activities within the new Department of Homeland Security have received the largest portion of the increased funding over the past two years. CBO estimates that before the department was established, its component agencies received about \$10 billion in gross budget authority for homeland security activities in 2001, almost \$2 billion of which was provided in the post-September 11 supplemental appropriations. In 2003, the new department received gross appropriations of about \$23 billion for homeland security activities—more than double the amount provided in 2001. Funding for the Transportation Security Administration (which was established in 2002) accounted for almost \$5 billion of the increase. Of the remainder, grants to states and local first responders

accounted for \$3 billion, and increased funding for border security activities claimed \$2 billion.

Funding for homeland security efforts within the Departments of Defense and Justice has nearly doubled since September 2001. Homeland security-related appropriations for the Department of Defense increased from about \$5 billion in 2001 (including over \$1 billion in supplemental funding) to almost \$9 billion in 2003. Much of the additional money has been used to increase security at domestic military installations and conduct combat air patrols over the United States. A portion of that funding—which financed one-time site improvements and new equipment—will not necessarily be re-

Table C-2.**Funding for Homeland Security by Agency**

(Billions of dollars of budget authority)

	2001 ^a	2002	2003
Department of Homeland Security ^b	10.0	17.4	23.0
Department of Defense	5.4	5.2	8.9
Department of Health and Human Services	0.3	1.9	3.8
Department of Justice	1.0	2.1	2.4
Department of Energy	1.0	1.2	1.4
Department of Agriculture	0.2	0.6	0.5
Department of Transportation	0.4	1.4	0.4
National Science Foundation	0.2	0.3	0.3
Other Agencies	1.5	2.8	1.9
Gross Budget Authority^c	20.1	32.9	42.5

Sources: Congressional Budget Office; Office of Management and Budget.

- Includes \$3.6 billion in supplemental spending enacted immediately after September 11, 2001.
- The Department of Homeland Security was established in 2003. Figures for 2001 and 2002 represent budget authority of the agencies that eventually composed the new department.
- Excludes offsetting collections and receipts, which are recorded as negative budget authority. For 2003, negative budget authority totaled about \$3.5 billion.

quired in future years. Homeland security funding for the Department of Justice has increased from about \$1 billion in 2001 to more than \$2 billion in 2003, with much of that increase going to pay for domestic counterterrorism activities performed by the FBI.

In relative terms, the largest increase in homeland security funding since September 11 has been for activities within the Department of Health and Human Services: those activities claimed about \$300 million of HHS's budget in 2001 and almost \$4 billion in 2003. About \$2 billion of the increase is attributable to additional funding for research by the National Institutes of Health—specifically, to find new ways to detect and combat biological agents. In addition, the Centers for Disease Control and Prevention received an increase of about \$1 billion in homeland security funding to help improve local hospitals' responses to catastrophic events.

Funding for 2004

The last regular appropriation laws for fiscal year 2004 have recently been enacted. However, because of the time agencies require to allocate funding and report back to OMB, several weeks may elapse before 2004 budget data

on homeland security activities are available. The Administration's budget request for that year included about \$41 billion in total funding for such activities (including mandatory spending), which represents about a 3 percent drop in funding relative to the amount provided in 2003 (including \$5 billion in supplemental appropriations). Appropriations enacted earlier in the fiscal year, which cover homeland security activities of the Departments of Defense and Homeland Security, have been close to the levels that the President proposed. CBO estimates that net discretionary budget authority for homeland security totals about \$37 billion for 2004 (see *Table 3-4 on page 53*). In addition, CBO anticipates that homeland security activities will receive about \$4 billion in mandatory funding and in funding offset by fees and receipts. Gross budget authority for 2004 will thus total about \$41 billion, CBO expects.

For 2004, the Congress and the President have created a number of new programs that are classified as homeland security activities. The largest is Project BioShield, which will, among other things, create incentives to increase research for new vaccines. Although the authorizing language has yet to be finalized, the Congress has provided

almost \$6 billion in advance appropriations for the program, including \$890 million for 2004, as part of the Department of Homeland Security Appropriations Act, 2004.

The Administration and the Congress have also increased funding for a number of existing programs. In particular, policymakers provided an additional \$650 million in funding for the Information Analysis and Infrastructure Protection Directorate of the Department of Homeland Security to allow the organization to assess the vulnerability of the nation's critical infrastructure.

For certain categories of homeland security spending, budgeted amounts for 2004 are lower than they were for 2003. For example, the Congress and the President reduced funding for the Department of Defense's homeland security activities from \$9 billion in 2003 to \$7 billion in 2004, because purchases of force-protection equipment made in 2003 will not be repeated in 2004. Similarly, they reduced total funding for the TSA's homeland security activities from almost \$6 billion (including supplemental appropriations) in 2003 to about \$4.5 billion in 2004. The higher level in 2003 is explained by the significant one-time startup costs associated with the new agency, such as the purchase of baggage-screening devices and training for new employees.