



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 14, 2002

S. 2452 **National Homeland Security and Combating** **Terrorism Act of 2002**

*As ordered reported by the Senate Committee on Governmental Affairs
on July 25, 2002*

SUMMARY

S. 2452 would establish the Department of Homeland Security (DHS) to promote homeland security, prevent terrorist attacks within the United States, reduce the United States' vulnerability to terrorism, and minimize the damage and assist in the recovery from any attacks or other natural or man-made disasters that occur within the United States. The new department would consist of 25 existing federal agencies or portions of agencies. Each of those agencies would continue to be responsible for carrying out its other, nonhomeland-security functions. S. 2452 also would establish a National Office for Combating Terrorism within the Executive Office of the President to coordinate threat assessments, to craft and oversee a National Strategy to Combat Terrorism, and to plan and coordinate the budget to combat terrorism.

CBO estimates that implementing S. 2452 would cost about \$11 billion over the 2003-2007 period, assuming appropriation of the necessary amounts. Of this amount, we estimate that about \$10.6 billion would be funded through appropriations—\$1.1 billion for the added costs of creating and administering the new department and \$9.5 billion for new programs and activities authorized by the bill. The \$10.6 billion is in addition to projected net spending for ongoing activities of the transferred agencies—about \$19 billion in 2002, growing to over \$33 billion by 2007 under CBO's baseline assumptions. The estimate does not include the cost of developing the integrated information and communications systems authorized by section 171. Such costs could exceed \$1 billion, but CBO has no basis to estimate them with precision because no development plan currently exists, and some similar improvements are planned in the absence of a new department.

Enacting S. 2452 also would increase direct spending from federal retirement funds by about \$107 million in 2003 and by \$650 million over the 2003-2012 period. Therefore, pay-as-you-go procedures would apply.

S. 2452 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the cost to comply with the mandate would not exceed the threshold established in that act (\$58 million in 2002, adjusted annually for inflation). The bill contains no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

S. 2452 would combine 25 existing agencies and portions of agencies to form the new department. The major components would include the following:

- the Federal Emergency Management Agency (FEMA);
- the U.S. Secret Service;
- the U.S. Customs Service;
- the U.S. Coast Guard;
- functions of the Immigration and Naturalization Service (INS);
- the Transportation Security Administration of the Department of Transportation (DOT);
- the Federal Protective Service (FPS) and the Federal Computer Incident Response Center of the General Services Administration (GSA);
- the National Infrastructure Protection Center, the National Office of Domestic Preparedness, and the Office of Domestic Preparedness of the Department of Justice (DOJ);
- the Critical Infrastructure Assurance Office and Computer Security Division of the National Institute of Standards and Technology of the Department of Commerce;
- the National Communications System of the Department of Defense;
- the border offices of the Animal, Plant and Health Inspection Service and the Select Agent Registration program of the Department of Agriculture;
- the Federal Law Enforcement Training Center of the Department of the Treasury; and
- various programs of the Department of Energy and the Department of Health and Human Services.

The following table summarizes the estimated net budgetary impact of reorganizing these agencies and programs, administering them within a new cabinet-level department, and implementing certain new activities authorized by the bill.

The first two lines of the table show funding for the agencies and programs to be transferred at the CBO baseline levels (that is, the 2002 appropriation adjusted for anticipated inflation

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 2452

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION						
Net Spending By Affected Agencies						
Under Current Law						
Estimated Authorization Level ^a	29,947	30,770	31,576	32,415	33,273	34,167
Estimated Outlays	19,007	26,168	27,252	29,685	31,707	33,366
Proposed Changes						
Reorganize Agencies and Administer						
New Department						
Estimated Authorization Level	0	160	250	255	260	265
Estimated Outlays	0	125	235	254	259	264
Directorate of Intelligence						
Estimated Authorization Level	0	30	10	10	10	10
Estimated Outlays	0	20	20	10	10	10
Research and Development						
Programs						
Estimated Authorization Level	0	350	403	456	509	562
Estimated Outlays	0	154	289	402	474	533
Immigration-Related Costs						
Estimated Authorization Level	0	185	215	220	231	243
Estimated Outlays	0	175	214	220	231	242
National Bio-Weapons Defense Analysis						
Center						
Estimated Authorization Level	0	420	429	438	447	457
Estimated Outlays	0	231	362	433	442	451
Firefighting Grants						
Authorization Level	0	1,000	1,000	0	0	0
Estimated Outlays	0	150	450	650	550	200
Emergency Preparedness Enhancement						
Pilot Program						
Authorization Level	0	5	5	5	0	0
Estimated Outlays	0	5	5	5	0	0
Other Newly Authorized DHS Activities						
Estimated Authorization Level	0	20	20	20	20	20
Estimated Outlays	0	20	20	20	20	20

Continued

TABLE 1. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
Government-Wide Voluntary Separation Payments						
Estimated Authorization Level	0	360	480	120	120	120
Estimated Outlays	0	360	480	120	120	120
Amtrak Grants						
Authorization Level	0	1,208	0	0	0	0
Estimated Outlays	0	437	263	350	130	28
Total Changes						
Estimated Authorization Level	0	3,738	2,812	1,524	1,597	1,677
Estimated Outlays	0	1,677	2,338	2,464	2,236	1,868
Net Spending Under S. 2452						
Estimated Authorization Level	29,947	34,508	34,388	33,939	34,870	35,844
Estimated Outlays	19,007	27,845	29,590	32,149	33,943	35,234

CHANGES IN DIRECT SPENDING

Additional Federal Retirement Payments						
Estimated Budget Authority	0	107	199	109	48	38
Estimated Outlays	0	107	199	109	48	38

MEMORANDUM:
**Net Direct Spending By Affected Agencies
Under Current Law and Under S. 2452^b**

Estimated Budget Authority	257	321	1,907	2,054	2,121	2,306
Estimated Outlays	42	269	1,854	1,950	2,002	2,058

- a. The 2002 level is the amount appropriated for that year for agencies that would be combined to form the Department of Homeland Security, including \$6.5 billion from the 2002 Supplemental Appropriations Act for Further Recovery From and Response To Terrorist Attacks on the United States. The estimated authorization levels for 2003 through 2007 are CBO baseline estimates that adjust the amounts appropriated for 2002 for anticipated inflation. Those amounts are net of offsetting collections credited to appropriation accounts.
- b. CBO estimates that the amount of direct spending by agencies that would be combined to form the new department would not be changed by enacting S. 2452. Authority to collect Customs user fees expires at the end of 2003. CBO estimates that those fees will total \$1.3 billion in 2003.

in succeeding years). These figures include \$6.5 billion that was provided by the 2002 Supplemental Appropriations Act for Further Recovery From and Response To Terrorist Attacks on the United States. That legislation was signed by the President on August 2, 2002.

The changes in direct spending shown in the table would result from higher federal retirement and health care costs that CBO estimates would occur over the 2003-2007 period because of the voluntary separation payments authorized by section 2203. The table also shows, as a memorandum item, the estimated direct spending of federal agencies transferred to the department. CBO estimates that the amount of direct spending for these agencies' existing programs would not be affected by enactment of the bill.

The costs of this legislation fall within budget functions 050 (national defense), 250 (general science, space, and technology), 350 (agriculture), 370 (commerce and housing credit), 400 (transportation), 450 (community and regional development), 550 (health), 750 (administration of justice), and 800 (general government).

BASIS OF ESTIMATE

CBO estimates that implementing S. 2452 would cost about \$10.6 billion over the 2003-2007 period, assuming appropriation of the necessary funds. In addition, we estimate that enacting the bill would increase direct spending by \$0.5 billion over the next five years. These costs are in addition to those that would be incurred by the National Office for Combating Terrorism, which we assume would succeed the existing Office of Homeland Security. Estimated costs include expenses to establish, house, and administer a new cabinet-level department, carry out within the department new activities specifically authorized by the bill, and implement other specified programs, such as government-wide voluntary separation payments and certain grant programs. Unless the bill specifically authorizes them, this estimate generally does not include additional funds to enhance the homeland security functions of the agencies that would be transferred to the new department.

For this estimate, CBO assumes that S. 2452 will be enacted before January 1, 2003, and that the necessary funds will be appropriated for each fiscal year. The estimated costs of implementing the bill are based on information obtained from GSA, the General Accounting Office, and other federal agencies affected by the proposed reorganization.

Reorganize Affected Agencies and Administer the New Department

CBO estimates that establishing, housing, and administering the new department would cost about \$1.1 billion over the 2003-2007 period.

Initial Costs to Consolidate Agencies and Fulfill Reporting Responsibilities. CBO expects that most of the estimated 2003 authorization level would be spent on one-time costs to hire, house, and equip key personnel to manage the new 170,000-person department. This estimate includes the cost of renovating space for several hundred positions in an existing

federally owned or leased facility somewhere in the Washington, D.C. area. We expect that eventually—but not within the next five years—some staff of the agencies consolidated into the new department would be relocated in a new facility, either by constructing or leasing a new headquarters building or by taking over the space of another federal agency. Also included in this estimate is the acquisition of basic computer systems for administrative functions, such as budget and finance.

The estimated 2003 authorization includes \$10 million to develop plans for information and communication systems as required by section 171 but does not include the costs of implementing that plan. The costs of developing an integrated information and communication system for all homeland security agencies cannot be estimated until a plan has been adopted—probably within the next two years. It is possible, however, that much of the cost of developing such a system—which could exceed \$1 billion—would be incurred in the absence of legislation to enhance federal homeland security efforts. For example, spending on information technology by four of the agencies that would constitute the DHS would grow from more than \$350 million in 2002 to around \$800 million in 2003 under the President’s budget request.

The balance of the estimated authorization level for 2003 year is for partial-year funding of salaries and other expenses for new department personnel. New positions, which CBO assumes would be filled over the first two years following enactment, would include appointees such as under secretaries and assistant secretaries, key managers such as a general counsel and an inspector general, and other departmental-level personnel to perform administrative functions such as policy development, legislative affairs, and budget and finance activities.

Ongoing Administrative Costs. CBO estimates that it would cost about \$250 million annually to administer the DHS, including centralized leadership, coordination, and support services for a cabinet-level department. The estimated annual cost represents about 1 percent of spending for the transferred agencies and is in addition to the current costs of operating them. This estimate is based on the assumption that most assets of each transferred agency and a proportionate share of department-level personnel, equipment, and other assets used to administer that agency would be transferred to DHS from each department where that agency is currently located. If sufficient resources are not transferred, the additional annual cost to operate DHS would be higher. Ongoing administrative costs include those typically incurred by any federal department—policymaking, resource management, budget and finance functions, and legal and investigative services. For the DHS, they would also include costs to coordinate with other federal agencies, international, state, and local authorities, and other organizations and to manage newly created entities and programs.

New Program Authorizations

S. 2452 would authorize the DHS to initiate several new programs that are not currently conducted by any of the agencies that would be transferred to the new department. Based on information from the Administration and on the costs of other similar efforts, CBO estimates that these new efforts would cost about \$750 million in 2003 and about \$7 billion over the 2003-2007 period, subject to appropriation of the necessary amounts.

Directorate of Intelligence. Section 132 would create within DHS a Directorate of Intelligence to integrate intelligence collected by other agencies. Based on the costs of carrying out similar programs at the Federal Bureau of Investigation and the Department of the Army, CBO estimates that the new directorate would spend about \$20 million for information technology systems in 2003 and \$10 million a year beginning in 2003 for personnel and other expenses to analyze intelligence information. This estimate is based on the assumption that the new center would incorporate existing intelligence activities of the Coast Guard, Customs Service, INS, and Federal Protective Service.

Directorate of Science and Technology. Section 135 would establish a Directorate for Science and Technology within DHS that would fund various research and development (R&D) activities related to homeland security. CBO estimates that implementing this section would cost about \$1.9 billion over the 2003-2007 period.

Security Advanced Research Projects Agency. Section 135 would authorize the appropriation of \$200 million for 2003 and such sums as may be necessary in future years for R&D projects administered by the new Security Advanced Research Projects Agency (SARPA) within DHS. At least 10 percent of that funding would have to be spent on projects done in conjunction with the Coast Guard on security and protection capabilities for ports, waterways, and coastal areas. CBO expects that spending for SARPA projects would average about \$300 million annually over the next five years. This estimate is based on trends at other agencies that support mission-related R&D, such as the Federal Aviation Administration, the Federal Highway Administration, and others that purchase systems involving innovative technologies. For this estimate, CBO assumes that spending would be at the \$200 million level specified for 2003 and increase by about \$50 million a year thereafter. Those levels suggest an average annual appropriation of \$300 million a year and outlays totaling \$1.3 billion over the five-year period.

Health Research. In addition, the bill would authorize the DHS to conduct health-related biological, biomedical and infectious disease research. That research would be in addition to research conducted at the National Institutes of Health (NIH). Based on information provided in the President's 2003 budget request for civilian bioterrorism research activities and on the general scope of new research initiatives at NIH, CBO estimates that \$125 million would be needed each year to fund research initiatives sponsored by DHS. At this

level, outlays would total about \$430 million over the next five years, assuming adjustments for anticipated inflation.

Other Science and Technology Activities. Section 135 also would establish new offices within the directorate to perform analytical functions supporting science and technology decisions. For example, the bill would create an Office of Risk Analysis and Assessment to analyze and develop methods for predicting, assessing, and responding to threats; monitor and evaluate novel scientific findings; design metrics for measuring program effectiveness; and design field tests and exercises for the Office of Emergency Preparedness. An Office for Technology Evaluation and Transition would serve as a clearinghouse for information on new technologies and conduct testing and evaluation to ensure that new technologies can be deployed in the field. Based on amounts spent by other agencies for such analytical support, CBO estimates that the cost of these functions could range from \$10 million a year, if the office were to primarily review work funded by other agencies, to \$30 million a year, if the office were to conduct independent analyses. For this estimate, CBO estimates that spending for this activity would be about \$20 million annually.

Finally, Section 135 would direct the Secretary to establish a National Emergency Technology Guard (NETGuard), a corps of volunteers with expertise in science and technology that could assist local communities' efforts to respond and recover from emergencies. CBO estimates that the department would spend about \$5 million a year to maintain a database of such volunteers and to establish procedures for certifying, mobilizing, and deploying them.

Immigration-Related Activities. S. 2452 would abolish the INS and replace it with the Directorate of Immigration Affairs, which would consist of the Bureau of Immigration Services and the Bureau of Enforcement and Border Affairs. The bill would authorize the appropriation of whatever sums are necessary to adjudicate refugee and asylum claims, and would establish a new Office of the Ombudsman for Immigration Affairs within the Directorate.

Assuming appropriation of the necessary amounts, CBO estimates that the costs for these activities would total \$1.1 billion over the 2003-2007 period, most of which would be for adjudicating refugee and asylum claims. These costs include:

- *Refugee and Asylum Adjudication.* Current law authorizes the INS to collect fees to cover the costs of adjudicating applications for immigration services, such as citizenship and employment eligibility. (Those collections and the spending of them are recorded in the budget as direct spending.) The agency is permitted to set fees at a level to recover all such costs, including the costs of providing immigration services at no charge to certain individuals (including applicants for asylum and refugee status). Consequently, the INS charges fees that exceed the amount needed for cost

recovery for some applicants in order to cover the costs of others. This practice would be prohibited by S. 2452. CBO expects this change would lead to approximately equal reductions in collections and direct spending.

To pay for the costs of processing asylum and refugee claims that would not be covered by fees, S. 2452 would authorize the appropriation of such sums as necessary. CBO estimates that implementing this provision would cost about \$180 million in 2003 and \$1 billion over the 2003-2007 period.

- *Ombudsman Program.* Under S. 2452, CBO expects that the new department would establish at least one local ombudsman office in each state to assist individuals and employers in resolving problems with the agency. We estimate that this service would cost about \$25 million annually, beginning in fiscal year 2004.

National Bio-Weapons Defense Analysis Center. Section 161 would establish a National Bio-Weapons Defense Analysis Center within the Department of Defense. The bill also would transfer this function to the new department. This new center would be responsible for coordinating public and private research on biological counterterrorism and on area monitoring systems. The cost of operating the center would depend on the level of funding that the Congress chooses to provide for this research as well as the degree to which existing personnel are consolidated into the new agency. CBO estimates that implementing section 161 would cost about \$420 million a year (adjusted for inflation), based on the funding requested by the President for the proposed center in fiscal year 2003.

Grants for Firefighting Personnel. Section 169 would authorize FEMA, or its successor within DHS, to provide grants to state and local agencies to pay salaries and benefits for new firefighting personnel. For this purpose, the bill would authorize the appropriation of \$1 billion for each of fiscal years 2003 and 2004. Assuming the appropriation of these amounts, CBO estimates that implementing section 169 would cost \$2 billion, mostly over the 2003-2007 period.

Emergency Preparedness Enhancement Pilot Program. Section 153 would authorize the appropriation of \$5 million annually over the 2003-2005 period to award grants to private entities to pay for activities to improve emergency preparedness, such as evacuation plans. CBO estimates this section would cost \$15 million over the 2003-2005 period.

Other Authorized DHS Activities. S. 2452 would authorize several other smaller programs at DHS. CBO estimates that those new programs would cost about \$20 million annually. We estimate that the costs would include:

- \$5 million a year to establish a privacy officer within DHS whose primary responsibility would be to monitor the collection, use, and disclosure of personal information,
- \$5 million a year to establish a National Crisis Action Center to monitor emergencies, notify affected agencies and state and local governments, and coordinate federal support,
- \$4 million a year for activities to coordinate the work of DHS and first responders, including \$1 million for the Advisory Council for the Federal Interagency Committee on First Responders and \$3 million for homeland security liaison officers in each of the 50 states,
- \$5 million a year for a long-term homeland security plan, and
- \$1 million a year for a National Combating Terrorism Strategy Panel, which would be responsible for making an independent assessment of programs and policies to combat terrorism.

Costs to Continue Agency Functions and Enhance Homeland Security Mission

As shown in Table 2, CBO estimates that existing 2002 discretionary and mandatory budget authority for the agencies that would form DHS totals about \$35 billion—a significant portion of which will be used to combat and respond to threats against homeland security. (This funding includes \$6.5 billion provided by the 2002 Supplemental Appropriations Act for Further Recovery From and Response To Terrorist Attacks on the United States, as cleared by the Congress on July 24, 2002). Nearly \$5 billion of the 2002 funding is offset through various fees and collections. Four agencies account for more than 75 percent of the 2002 funding—FEMA, the Coast Guard, TSA, and INS. (The President’s 2003 budget would provide about \$31 billion in discretionary and mandatory funding for functions and agencies that would be transferred to the new department under the bill.)

CBO’s estimate of the cost of establishing a Department of Homeland Security as specified in S. 2452 does not include additional funding for the affected agencies to enhance their homeland security functions, except for those added responsibilities specified in the bill. The CBO baseline funding level for those agencies in 2003 and beyond assumes adjustments to account for anticipated inflation but does not reflect the amount of additional spending that may be necessary to prevent terrorist attacks, reduce the nation’s vulnerability to attacks, and recover from any attacks. CBO has not estimated how much those agencies might need to spend to enhance homeland security. Such additional spending may occur whether or not a new department is created.

TABLE 2. CBO ESTIMATES OF 2002 ENACTED SPENDING AND THE PRESIDENT'S 2003 REQUEST FOR AGENCIES AND FUNCTIONS AFFECTED BY S. 2452 (In billions of dollars)

	Discretionary Budget Authority ^a	Estimated Mandatory Budget Authority	Estimated Fees and Receipts ^b
Enacted for 2002			
Federal Emergency Management Agency	11.6	0.0	-0.1
Coast Guard (DOT)	4.6	1.0	0.0
Immigration and Naturalization Service (DOJ)	4.1	1.8	-2.2
HHS Chemical and Biological Research and Response	1.3	0.0	0.0
Customs Service (Treasury)	3.1	0.6	-1.2
Secret Service (Treasury)	1.0	0.2	0.0
Border Activities of the Animal and Plant Health Inspection Service (USDA)	0.1	0.2	0.0
Federal Protective Services (GSA)	0.4	0.0	0.0
Transportation Security Agency (DOT)	3.7	0.0	-1.3
Other Affected Agencies	<u>1.3</u>	<u>0.0</u>	<u>0.0</u>
Total	31.2	3.8	-4.8
Proposed for 2003			
Federal Emergency Management Agency	6.6	0.0	-0.1
Coast Guard (DOT)	5.0	1.0	0.0
Immigration and Naturalization Service (DOJ)	4.0	1.8	-2.1
HHS Chemical and Biological Research and Response	0.6	0.0	0.0
Customs Service (Treasury)	3.0	0.6	-1.5
Secret Service (Treasury)	1.0	0.2	0.0
Border Activities of the Animal and Plant Health Inspection Service (USDA)	0.1	0.3	0.0
Federal Protective Services (GSA)	0.4	0.0	0.0
Transportation Security Agency (DOT)	4.8	0.0	-2.7
Other Affected Agencies	<u>1.2</u>	<u>0.0</u>	<u>0.0</u>
Total	26.7	3.9	-6.4

NOTE: Numbers may not add up to totals due to rounding.

a. Includes \$6.5 billion provided by the 2002 Supplemental Appropriations Act for Further Recovery From and Response To Terrorist Attacks on the United States. Does not include the Administration's proposal that federal agencies pay the full cost of benefits for their employees as such benefits accrue. Such payments would total about \$1.4 billion in 2003.

b. Includes offsetting collections credited to appropriation accounts as well as offsetting receipts; excludes fees classified as revenues.

Government-Wide Initiatives

Other provisions of the bill would authorize the appropriation of funds for grants to Amtrak and create a government-wide program to offer voluntary separation payments and early retirement to federal workers.

Amtrak Grants. Section 168 would authorize the appropriation of \$1.2 billion to DOT for grants to Amtrak, consisting of \$55 million for emergency repairs to train cars, \$778 million for tunnel repairs, and \$375 million for security enhancements. CBO expects that DOT would make appropriated funds for the emergency repairs available to Amtrak immediately, but that funds for security enhancements and for rehabilitating train tunnels in New York, Washington, and Baltimore would be provided as needed over the multiyear construction period.

Voluntary Separation Program. In order to encourage some workers to leave federal employment, title XXII would provide permanent, government-wide authority to offer early retirement benefits and voluntary separation payments to eligible employees. Assuming that participation in the buyout program would resemble that for similar recent initiatives, CBO expects that about 50,000 workers would take advantage of this provision over the 2003-2007 period and that about 5,000 workers a year would continue to do so after 2007. We estimate that the total cost of making payments—up to \$25,000 per eligible employee—would be about \$360 million in fiscal year 2003 and a total of \$1.2 billion over the 2003-2007 period, assuming appropriation of the necessary amounts.

In addition, implementing the buyout and early-out provisions would cause some federal employees to retire sooner than they otherwise would have, increasing retirement benefits paid from the Civil Service Retirement and Disability Fund (CSRDF) by an estimated \$88 million in 2003 and \$399 million over the 2003-2007 period. This provision also would increase direct spending for health benefits because many employees who take advantage of title XXII would be eligible for coverage under the Federal Employees Health Benefits (FEHB) program. (The government's share of premiums for retirees is paid from a mandatory spending account.) CBO estimates that additional direct spending for health benefits would be \$19 million in 2003 and about \$102 million over the 2003-2007 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. S. 2452 would increase direct spending for payments made from federal retirement and health care funds. Those changes are summarized in Table 3 below. For the purposes of enforcing pay-as-you-go procedures, only

the effects through 2006 are counted. CBO estimates that implementing the voluntary separation provisions of title XXII would increase direct spending from the CSRDF and for the FEHB programs by a total of \$463 million over the 2003-2006 period.

TABLE 3. ESTIMATED EFFECTS OF S. 2452 ON DIRECT SPENDING AND RECEIPTS

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	107	199	109	48	38	35	33	30	27	24
Changes in receipts	Not Applicable										

Implementing section 135 of the bill also could result in new direct spending because new R&D programs could be carried out through cooperative agreements or cost-sharing arrangements. Under such arrangements, DHS would collect and spend funds contributed by nonfederal partners without further appropriation. CBO estimates that contributions and spending under such agreements would have no net effect on the federal budget.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2452 contains an intergovernmental mandate as defined in UMRA because it would expand federal whistle-blower protection laws to cover airport security personnel who are employed by a state or municipal government or an airport authority. Such an expansion would prohibit state or local governments from dismissing or disciplining employees for disclosing violations of federal law pertaining to air carrier safety. CBO estimates that the costs of complying with the mandate would not be significant and would not exceed the threshold established in UMRA (\$58 million in 2002, adjusted annually for inflation). The remaining provisions of the bill contain no mandates and would impose no costs on state, local, or tribal governments. The bill contains no private-sector mandates.

PREVIOUS CBO ESTIMATES

On June 17, 2002, CBO transmitted a cost estimate for S. 2452, the National Homeland Security and Combating Terrorism Act of 2002, as ordered reported by the Senate Committee on Governmental Affairs on May 22, 2002. On July 9, 2002, we transmitted a

cost estimate for H.R. 5005, the Homeland Security Act of 2002, as introduced on June 24, 2002. On July 23, 2002, we transmitted a cost estimate for H.R. 5005, as ordered reported by the House Select Committee on Homeland Security on July 19, 2002. While all four versions of this legislation would authorize the establishment of a Department of Homeland Security, they would consolidate different agencies to form the new department and would authorize some different activities for the new department. Some would also authorize various activities not related to homeland security. CBO's cost estimates for the different versions of these bills reflect those differences.

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