

Federal Funding for Homeland Security: An Update

The terrorist attacks of September 11, 2001, heightened Congressional and public interest in federal spending for homeland security. Funding for that purpose is divided among more than 200 appropriation accounts within the federal budget and involves many different functional areas of the government. Much of the funding resides within accounts that primarily finance programs not classified as homeland security activities. That accounting arrangement makes it difficult for budget analysts to identify and track homeland security spending.

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). On the basis of those reports, the Congressional Budget Office (CBO) estimates that federal resources dedicated to homeland security will total \$49.1 billion in 2005—nearly triple the amount allotted for that purpose before September 11.¹ For fiscal year 2006, the Administration has proposed a slight increase in homeland security funding, to \$49.7 billion (see Table 1).²

What Is Homeland Security?

The executive branch has defined 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.”³ The activities that make up that mission are divided into six categories:

- *Intelligence and warning*—Includes efforts to detect threats and monitor potential sources of terrorism before attacks occur within the United States. Those

activities are carried out primarily by the Department of Homeland Security (DHS).

- *Border and transportation security*—Encompasses airline security and inspection of cargo at points of entry into the United States to prevent unauthorized individuals or weapons from entering the country. Those activities are performed primarily by DHS’s Directorate of Border and Transportation Security (BTS), which includes the Transportation Security Administration (TSA)—created in November 2001 in the wake of the terrorist attacks—the Bureau of Customs and Border Protection (CBP), and the Bureau of Immigration and Customs Enforcement (ICE).
- *Domestic counterterrorism*—Consists largely of federal law-enforcement and investigative activities aimed at identifying and apprehending terrorists. Primary responsibility for those operations resides with the Federal Bureau of Investigation (FBI), an arm of the Department of Justice.
- *Protection of critical infrastructure and key assets*—Includes ensuring the physical security of critical infrastructure (for example, bridges and power plants), national landmarks, and federal buildings and installations. The Department of Defense (DoD) receives the largest share of funding for this purpose.

1. This brief updates estimates of homeland security spending originally presented in Congressional Budget Office, *Federal Funding for Homeland Security* (April 2004), available at www.cbo.gov.

2. All years referred to in this brief are fiscal years.

3. See Office of Homeland Security, *The National Strategy for Homeland Security* (July 2002), p. 2, available at www.whitehouse.gov/homeland/book/index.html; Office of Management and Budget, *2003 Report to Congress on Combating Terrorism* (September 2003), available at www.whitehouse.gov/omb/infocoreg/2003_combat_terr.pdf; and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006: Analytical Perspectives* (February 2005), pp. 37-52, available at www.whitehouse.gov/omb/budget/fy2005/pdf/spec.pdf.

Table 1.**Total Federal Resources Allocated for Homeland Security, 2001 to 2006**

(Budget authority in billions of dollars)

	2001	2002	2003	2004	Estimated 2005 ^a	Requested 2006 ^a
Discretionary Budget Authority						
Regular appropriations	15.0	17.1	32.2	36.5	43.0	42.2
Supplemental appropriations	3.6	12.3	5.9	0.1	0.6	0
Fee-funded activities	0.7	2.0	2.6	3.2	3.3	5.4
Mandatory Spending	<u>1.5</u>	<u>1.7</u>	<u>1.8</u>	<u>1.9</u>	<u>2.2</u>	<u>2.2</u>
Gross Budget Authority^b	20.7	33.0	42.5	41.7	49.1	49.7

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

Note: Components may not sum to totals because of rounding. All years referred to are fiscal years.

- a. The figures in this brief differ slightly from those published by the Office of Management and Budget as part of the Administration's 2006 budget request because CBO used different estimates of spending for mandatory and fee-funded activities.
- b. Excludes offsetting collections and receipts, which are recorded as negative budget authority. (For 2004, those totaled \$5.0 billion. For 2005, according to CBO's estimates, they will total \$5.3 billion.)

- *Defense against catastrophic threats*—Covers research, development, and deployment of technologies and medical measures designed to detect and counter the threat posed by weapons of mass destruction (biological, chemical, or nuclear).
- *Emergency preparedness and response*—Encompasses efforts, primarily by DHS and the Department of Health and Human Services (HHS), to mitigate the effects of future terrorist attacks, including creating federal-response plans and providing equipment and training for local “first responders” (such as firefighters, police, and medical personnel).

On the basis of data reported by OMB, CBO estimates that nearly 37 percent of the \$49.1 billion provided for homeland security in 2005 is designated for border and transportation-security operations, and another 31 percent is allotted for the protection of critical infrastructure and key assets. The remaining funds are for emergency preparedness and response (17 percent); domestic counterterrorism (8 percent); defense against catastrophic threats (7 percent); and intelligence and warning (1 percent).⁴

Other definitions of homeland security are possible and could encompass a different set of activities and funding amounts. The executive branch's definition focuses only on those activities aimed at preventing or responding to

terrorist attacks within U.S. borders and not, for example, on those devoted to combating terrorism overseas. Budget reports separately account for overseas activities—such as security at U.S. embassies and military facilities and some intelligence efforts classified as Overseas Combating Terrorism Funding (OCTF). OMB estimates that OCTF in 2005 totaled about \$11 billion; of that amount, DoD and other national security agencies received over \$7 billion, and the Department of State, about \$1.7 billion.

There is not a clear distinction between activities aimed at making the nation more secure against terrorist attacks and those directed toward other purposes. For example, of DoD's expenditures, OMB includes in the homeland security category only security at domestic military bases and some defense research facilities, as well as certain activities aimed at defending the nation against weapons of mass destruction. And even that categorization is not always clear. For instance, it does not include the security and counterterrorism operations that DoD undertook in response to the September 11 attacks—such as Noble Eagle, which encompasses combat air patrols over the

4. Numbers in the text and tables of this brief may not add up to totals because of rounding. For further discussion of the various aspects of homeland security and their associated funding levels, see Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006: Analytical Perspectives*, p. 37.

United States and increased security at military facilities. (The 2005 costs of Noble Eagle are not yet available; in 2004, the cost of that operation was almost \$4 billion.)

A similar difficulty in clearly categorizing homeland security activities arises with regard to emergency preparedness and response, especially when considering assistance for first responders. To meet the Administration's definition of homeland security, the primary purpose of that assistance must be to deal with the aftereffects of terrorism. However, because first responders employ their equipment and training in a wide range of public-safety activities, it is difficult to distinguish between their expenditures for homeland security and expenditures for other functions.

In preparing this brief, CBO used the executive branch's definition for two reasons: it is narrow enough to permit meaningful analysis, and it allows analysts to use data that OMB has collected over the past few years and that have been considered by policymakers during the legislative process.

Homeland Security and the Federal Budget

Most funding for homeland security is classified as discretionary spending and provided through appropriations, which for 2005 total \$46.9 billion. The collection of fees, mostly by TSA, offsets over \$3 billion of that amount. Mandatory spending finances some additional homeland security activities; CBO projects that such funding will total just over \$2 billion in 2005.⁵ Nearly three-quarters of that mandatory amount is spent for border protection and enforcement of immigration laws; according to CBO's estimates, most of those expenditures will be offset by immigration and customs user fees, which the budget records as offsetting receipts.

5. Mandatory spending refers to funding that is not subject to annual appropriations. It includes some programs and activities that have their own built-in financing (such as user fees and receipts), which allows them to operate without annual appropriations.

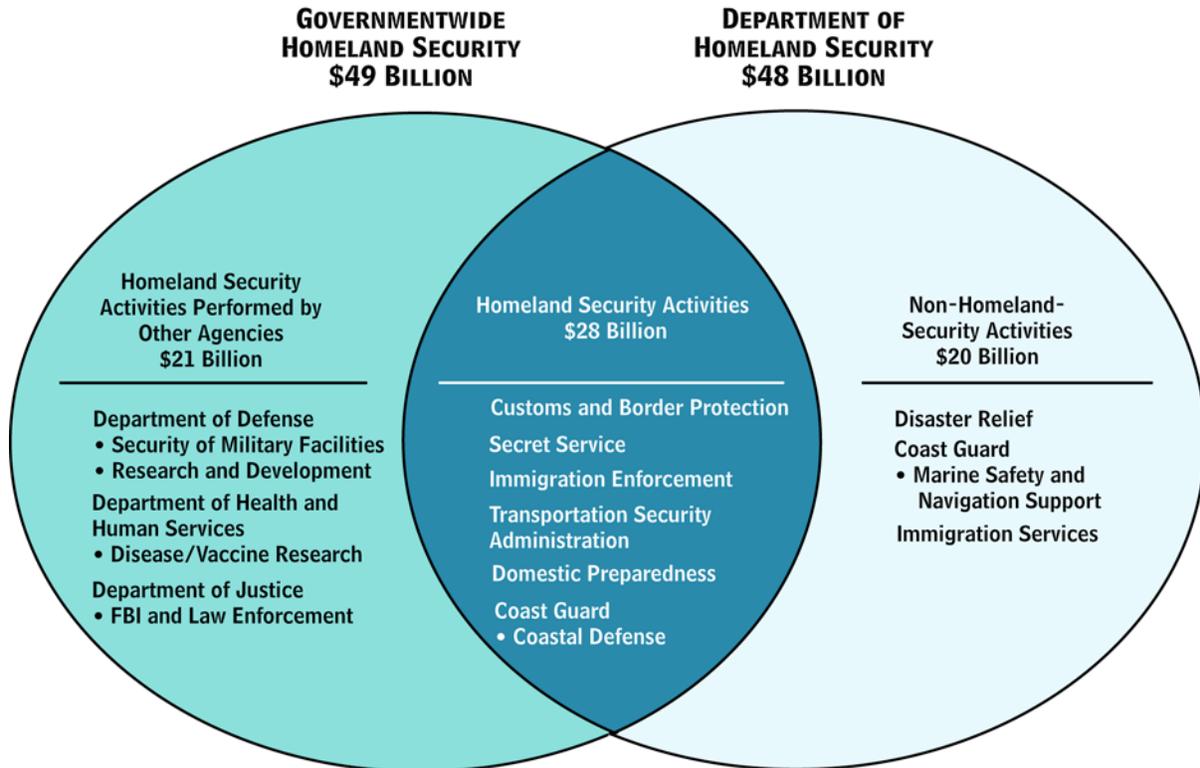
The allocation of homeland security funding to over 200 appropriation accounts within the federal budget substantially complicates efforts to track such spending. In addition, agencies do not separate that funding in their accounts from money appropriated for their other activities. Indeed, much of the money for homeland security activities resides within accounts that also finance spending not related to homeland security, such as departmental salaries and expenses. That accounting practice makes it difficult to clearly identify homeland security funding as it moves through the appropriation process.

Section 889 of the Homeland Security Act of 2002 directed OMB to produce an annual report on homeland security funding to accompany the President's annual budget submission. The reports, which contain data on homeland security spending collected by federal agencies and updated throughout the fiscal year, do not always provide a consistent picture of expenditures.⁶ Classifying and reporting spending on homeland security activities require judgments about particular projects and programs. In addition, under the current data-collection process, definitions of homeland security and current year and prior year funding levels are frequently modified and updated. (It is particularly hard to reliably compare the estimated 2005 funding level of \$49.1 billion with the data collected before 2001.)⁷ Those limitations remain even after the consolidation of a number of activities under the new Department of Homeland Security because appropriation accounts and programs are essentially the same as they were before being shifted to the new agency.

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6. Before 2004, that information was provided by OMB in an annual *Report to the Congress on Combating Terrorism*, as required by section 1051 of the National Defense Authorization Act of 1998.
 7. Before 2002, OMB's annual reports focused on the definition of "combating terrorism," which included overseas activities. Beginning in 2002, the report has focused on "homeland security," which expands the previous definition to include border enforcement activities of the Immigration and Naturalization Service and the Customs Service but narrows it to exclude overseas activities. The 2002 report included data for 2001 that had been adjusted to reflect the new definition.

Figure 1.

Funding for the Department of Homeland Security and for Governmentwide Homeland Security, 2005



Source: Congressional Budget Office.

Note: FBI = Federal Bureau of Investigation.

The Department of Homeland Security

The Department of Homeland Security was created in November 2002 to bring together in one agency activities that had previously been spread throughout the federal government. Agencies that are now part of DHS include the Coast Guard, the Federal Emergency Management Agency (FEMA), the Secret Service, the Transportation Security Administration, the Bureau of Customs and Border Protection, and the Bureau of Immigration and Customs Enforcement. Gross budget authority for the department (excluding income from fees and other offsetting receipts) totals nearly \$48 billion for 2005, according to CBO's estimates. For 2006, the Administration has requested just over \$40 billion in gross budget authority, a decrease of about 15 percent. However, the 2005 funding included \$6.5 billion in supplemental disaster-relief

funds and \$2.5 billion in advance appropriations for Project Bioshield, which are not included in the 2006 budget; taken together with the proposed increase in airline-passenger fees, they effectively account for the reduction.

Only about \$28 billion of DHS's 2005 budget is directed toward purposes that meet the executive branch's definition of homeland security (see Figure 1). Those activities include, among other things, border and coastal security, immigration enforcement, and grants to first responders. The remaining \$20 billion finances non-homeland-security functions that have been transferred to DHS along with the homeland security activities performed by their original agencies. The Coast Guard, for example, carries out both homeland security activities (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 DHS discharges are disaster relief and immigration services previously performed by the Immigration and Naturalization Service.

Homeland Security Activities of Other Federal Agencies

Although many homeland security activities have been consolidated under the mantle of DHS, other federal agencies also continue to carry out such activities. On the basis of data from OMB, CBO estimates that those agencies have been allocated a total of about \$21 billion in gross budget authority for 2005. Of that amount, activities within the Department of Defense (such as security at military installations, as well as research and development of antiterrorism technologies) account for nearly \$9 billion (see Table 2). Homeland security activities of the Departments of Health and Human Services and Justice account for another \$4 billion and \$3 billion, respectively. Most of the HHS funds support the Public Health and Social Services Emergency Fund and research at the National Institute of Allergy and Infectious Diseases. The Department of Justice's homeland security funding includes a portion of the FBI's budget, as well as support for other law-enforcement activities undertaken to detect and apprehend terrorists.

Trends in Homeland Security Funding

Funding for homeland security activities has risen substantially since 2001 and would grow slightly under the President's budget proposal for 2006. Gross budget authority in 2001 for those purposes, excluding supplemental appropriations enacted immediately after September 11, totaled about \$17 billion. Adding the supplemental appropriations raises that figure by almost \$4 billion, bringing total funding for 2001 to \$21 billion. That amount was increased to about \$33 billion in 2002 (including \$12 billion in supplemental appropriations), to \$43 billion in 2003 (including about \$6 billion in sup-

plemental appropriations), to \$42 billion in 2004, and to an estimated \$49 billion for 2005.

In dollar terms, activities within the Department of Homeland Security have received the largest portion of funding increases in the past several years. Before the department was established, its component agencies received \$10.7 billion in gross budget authority for homeland security activities in 2001, according to CBO's estimates; almost \$2 billion of that amount was provided in supplemental appropriations enacted after September 11. For 2005, CBO estimates, DHS received gross appropriations of about \$28 billion for homeland security activities—more than two and one-half times the amount provided in 2001. Funding for the Transportation Security Administration accounts for about \$5 billion of the increase.⁸ Of the remainder, \$3 billion is for grants to state and local first responders, \$4 billion funds increases for border security activities, and nearly \$3 billion is allocated to biodefense research.

Funding for homeland security efforts within the Departments of Defense and Justice has also increased since September 2001. Homeland-security-related appropriations for DoD rose from about \$5 billion in 2001 (including over \$1 billion in supplemental funding) to nearly \$9 billion in 2005. Most of the additional funds have been used to strengthen security at domestic military installations. Homeland security funding for the Department of Justice rose from about \$1 billion in 2001 to nearly \$3 billion in 2005, with much of that increase going to pay for domestic counterterrorism activities of the FBI.

The largest percentage 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 over \$4 billion in 2005.

8. TSA was not officially created until fiscal year 2002, but \$1.6 billion in unobligated funds—originally appropriated soon after the terrorist attacks in 2001—was transferred to the new agency to help pay its start-up costs. If that amount is excluded, TSA has added about \$6 billion to DHS's budget.

Table 2.**Funding for Homeland Security, by Agency**

(Gross budget authority in billions of dollars)

	2001 ^a	2002	2003	2004	Estimated 2005	Requested 2006
Department of Homeland Security ^b						
Border and Transportation Security						
Border and immigration enforcement	5.5	8.5	8.0	8.0	8.7	9.7
TSA and air marshals	<u>1.6</u>	<u>3.7</u>	<u>5.9</u>	<u>5.3</u>	<u>6.1</u>	<u>6.3</u>
Subtotal (BTS)	7.1	12.2	13.9	13.2	14.8	15.9
Emergency preparedness and response	0.1	1.3	0.2	1.0	2.6	0.1
State and local grant programs	0	0.2	3.5	3.3	3.1	3.4
Coast Guard	2.5	2.6	3.6	3.3	3.7	3.9
Science and technology	0	0.2	0.5	0.8	1.0	1.3
Other	<u>0.9</u>	<u>1.3</u>	<u>1.4</u>	<u>2.2</u>	<u>2.3</u>	<u>2.5</u>
Subtotal (DHS)	10.7	17.7	23.1	23.8	27.6	27.1
Department of Defense	5.4	5.2	8.4	7.0	8.6	9.5
Department of Energy	1.0	1.2	1.4	1.4	1.6	1.7
Department of Justice	1.0	2.1	2.3	2.2	2.9	3.1
Department of Transportation	0.4	1.2	0.4	0.3	0.2	0.2
Department of Health and Human Services	0.3	1.9	4.1	4.1	4.3	4.4
National Science Foundation	0.2	0.3	0.3	0.3	0.3	0.3
Department of Agriculture	0.2	0.6	0.4	0.4	0.6	0.7
Postal Service	0	0.6	0	0	0.5	0
Other Agencies	<u>1.5</u>	<u>2.3</u>	<u>1.9</u>	<u>2.2</u>	<u>2.5</u>	<u>2.7</u>
Subtotal (All other agencies)	10.0	15.3	19.4	17.9	21.5	22.6
Gross Budget Authority for HLS^c	20.7	33.0	42.5	41.7	49.1	49.7

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

Note: Components may not sum to totals because of rounding. All years referred to are fiscal years.

- Figures for 2001 include \$3.6 billion in supplemental spending enacted immediately after September 11, 2001.
- The Department of Homeland Security did not exist until fiscal year 2003. Figures for 2001 and 2002 represent spending incurred by the agencies that eventually made up the new department.
- Excludes offsetting collections and receipts, which are recorded as negative budget authority. (For 2004, those receipts and collections totaled about \$5 billion. For 2005, according to CBO's estimates, they will total about \$5.3 billion.)

The President's Budget Request for 2006

For 2006, the President has requested \$49.7 billion for homeland security activities, an increase of about \$0.6 billion (1.2 percent) over the 2005 level.

Under the President's proposals, the Department of Homeland Security would receive nearly \$500 million

less for homeland security activities in 2006 despite increases in funding for a number of functions within the department. The decrease is primarily due to the fact that over \$2.5 billion was appropriated in advance for 2005 for Project Bioshield (a project to develop and procure tools to address the public-health consequences of terrorism), with no more funding to follow until another advance appropriation of nearly \$2.2 billion in 2009.

The Directorate of Border and Transportation Security would receive the largest increase in funding for homeland security activities within the department for 2006. Its resources would grow by more than \$1 billion, to nearly \$16 billion. Those funds would be used to augment salaries and expenses at TSA, CBP, and ICE, as well as to create the new Office of Screening Coordination and Operations. The increase would be financed by raising air-passenger fees, which would generate an additional \$1.7 billion. When added to another proposed \$200 million increase in fees for issuing credentials to airline personnel and other collections, those added fees would result in an increase of over \$1.9 billion in collections for BTS, which would be available for spending. That increment would be partially offset by a reduction of about \$800 million in funds appropriated to the directorate. Elsewhere in the department, the Coast Guard would receive over \$200 million more than it was allocated in 2005, roughly split between operating expenses and acquisitions accounts and offset by a small anticipated reduction in retirement pay.

State and local grant programs of the Department of Homeland Security that were categorized as homeland

security spending in 2005 would be cut by nearly \$200 million. The President has proposed reclassifying firefighter-assistance grants as homeland security spending, thus adding \$500 million to that category in 2006, for a net increase of \$300 million in the President's budget.

Homeland security funding for other departments would rise under the President's proposed budget. Nearly \$1 billion more would go to the Department of Defense, primarily to augment procurement programs and to support operations and maintenance activities. Smaller increases would be distributed among various other agencies. Those increases would be partially offset by a decrease for the Postal Service; after receiving \$503 million of homeland-security-related funding in 2005, it would receive none in 2006. (That appropriation in 2005 was to address the dangers of hazardous materials in the mail.)

This issue brief was prepared by Mike Waters, with contributions from Matthew Schmit and Gerard Trimarco. It and other CBO publications are available at the agency's Web site (www.cbo.gov).

