



Defense/Non-Defense Classification

November 3, 2017

Fiscal Year 2017 Report to Congress



**Homeland
Security**

National Protection and Programs Directorate

Message from the Senior Official Performing the Duties of the Under Secretary

November 3, 2017

I am pleased to present the following report, “Defense/ Non-Defense Classification,” which has been prepared by the National Protection and Programs Directorate (NPPD).

This document has been compiled pursuant to language set forth in the Joint Explanatory Statement accompanying the Fiscal Year (FY) 2017 Department of Homeland Security (DHS) Appropriations Act (P.L. 115-31). The report describes the definitions and process used to categorize NPPD funding, within the appropriation and program, project, and activity structure as either defense or non-defense.



In accordance with congressional requirements, this report is being provided to the following Members of Congress:

The Honorable John R. Carter
Chairman, House Appropriations Subcommittee on Homeland Security

The Honorable Lucille Roybal-Allard
Ranking Member, House Appropriations Subcommittee on Homeland Security

The Honorable John Boozman
Chairman, Senate Appropriations Subcommittee on Homeland Security

The Honorable Jon Tester
Ranking Member, Senate Appropriations Subcommittee on Homeland Security

If you have any questions, please do not hesitate to contact me at (202) 282-8260 or the Department’s Acting Chief Financial Officer, Stacy Marcott, at (202) 447-5751.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Krebs", written over a light blue horizontal line.

Christopher C. Krebs
Senior Official Performing the Duties of the Under Secretary
National Protection and Programs Directorate

Executive Summary

The budget function classification system provides a framework for Federal Government spending by category of activity, rather than by agency or type of financing. Defense funding is classified as (050), which includes military spending but which is not limited to activities within the Department of Defense. Prior to the Department's transition to a common appropriations structure (CAS) in FY 2017, the alignment of NPPD's defense/non-defense (050/non-050) funding was as follows: all funding in NPPD's Management and Administration, Office of Biometric Identity Management, and Federal Protective Service accounts was categorized as non-defense (non-050), and all funding in NPPD's Infrastructure Protection and Information Security account was categorized as defense (050).

With the implementation of CAS, DHS adopted standardized appropriations for all Components, requiring NPPD's defense/non-defense classification to be delineated in this new account structure. DHS worked closely with the Office of Management and Budget (OMB), as well as with the Congressional Appropriations Committees and the Congressional Budget Office (CBO) to ensure consensus on how all of NPPD's funding would be categorized. These agreed-upon percentages were used for the FY 2017 DHS Appropriations Act and the FY 2018 President's Budget submission.

A functional reclassification of funding would need to be approved by OMB, in consultation with the Congressional Appropriations Committees and CBO via an annual OMB Budget Data Request exercise. As such, NPPD's defense/non-defense allocation cannot be changed until the FY 2019 Budget at the earliest and with the appropriate approvals.



Defense/Non-Defense Classification

Table of Contents

I.	Legislative Language.....	1
II.	Background.....	2
III.	Discussion.....	4
III.	Data Report.....	5
V.	Conclusion.....	7
Appendix.	List of Abbreviations.....	8

I. Legislative Language

This document was compiled pursuant to the report language set forth in the Joint Explanatory Statement accompanying the Fiscal Year (FY) 2017 Department of Homeland Security (DHS) Appropriations Act (P.L. 115-31), which states:

Not later than 90 days after the date of enactment of this Act, NPPD shall provide a report to the Committees describing the definition and process used to categorize each amount in the NPPD PPAs as either defense or non-defense.

II. Background

The budget function classification system provides a framework for Federal Government spending by category of activity, rather than by agency or type of financing. The budget function classification system organizes the spending of the Federal Government into categories, or “functions,” that describe the public purpose of each activity. Within the system, spending categories are called functions, and each is coded with both an explanatory title and numeric code ending in zero (and shown in parentheses). Defense funding is classified as (050), which includes military spending but which is not limited to activities within the Department of Defense (DOD). Within the (050) classification are three subclassifications: (051), (053), and (054). The (051) category encompasses DOD military spending and makes up 96 percent of the (050) category. The (053) category covers Atomic Energy Defense Activities and includes the Departments of Energy and Labor as well as the U.S. Army Corps of Engineers. The (053) category accounts for three percent of the (050) category. Finally, the (054) category covers all other defense-related activities and includes the Departments of Homeland Security and Justice as well as the Central Intelligence Agency, and accounts for the remaining one percent of the category. About two-thirds of funds in this category go to the Federal Bureau of Investigation. All of NPPD’s defense funding is in category (054).

Prior to the Department’s transition to a common appropriations structure (CAS), the alignment of NPPD’s defense/non-defense (050/non-050) funding was aligned by appropriation. Under the legacy account structure, all funding in NPPD’s Management and Administration (M&A), Office of Biometric Identity Management (OBIM), and Federal Protective Service (FPS) accounts was categorized as non-defense (non-050), and all funding in NPPD’s Infrastructure Protection and Information Security (IPIS) account was categorized as defense (050).

With the implementation of CAS, the defense/non-defense classification that was associated with each of the activities within the legacy accounts was tracked into the new CAS structure to ensure a consistent accounting for the defense/non-defense funds. Working closely with the Department, the Office of Management and Budget (OMB), the Congressional Appropriations Committees, and the Congressional Budget Office (CBO), NPPD validated the activities and associated funding amounts in each CAS appropriation and program, project, and activity (PPA) associated with defense/non-defense activities to establish the proportions of 050/non-050 funding for each appropriation and PPA. NPPD then worked to gain consensus with all stakeholders to establish the percentages outlined below for each CAS PPA associated with defense/non-defense funding.

Research and Development

- All 050. To calculate 050 funding, use the appropriation total.

Procurement, Construction, and Improvements

- The entire OBIM PPA is non-050.
- The Cybersecurity and Emergency Communications PPAs are 050.
- To calculate 050 funding for the appropriation, take the account total and subtract the amount designated for the OBIM PPA.

Operations and Support

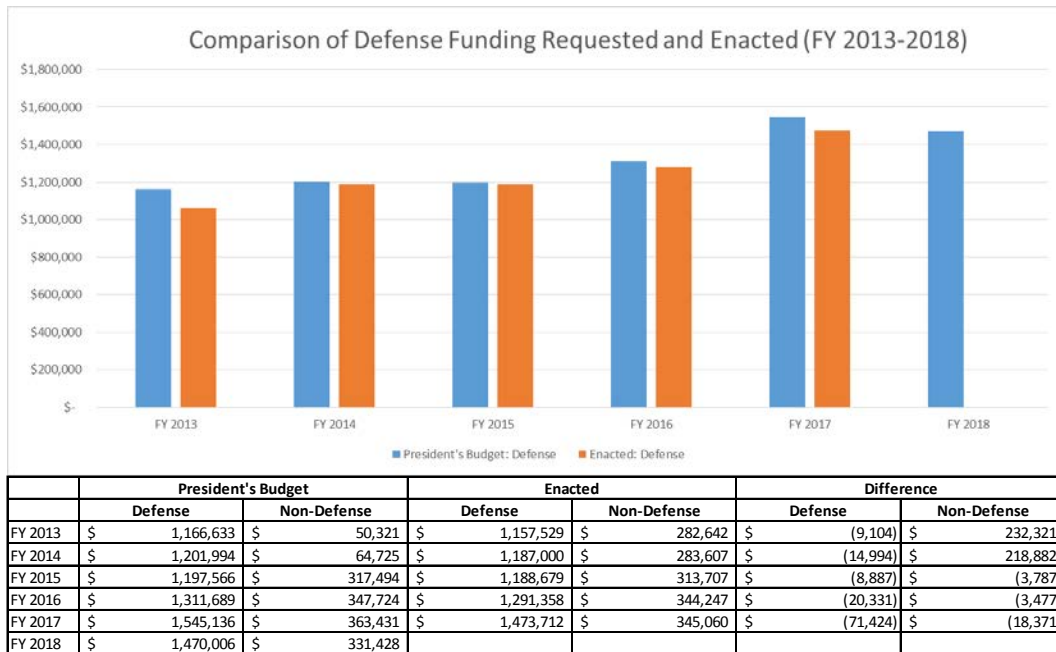
- Non-050:
 - o For the Mission Support PPA, 69 percent is non-050 (31 percent is 050).
 - o For the Cybersecurity PPA, 0 percent is non-050 (100 percent is 050).
 - o For the Infrastructure Protection PPA, 0 percent is non-050 (100 percent is 050).
 - o For the Emergency Communications PPA, 0 percent is non-050 (100 percent is 050).
 - o For the Integrated Operations PPA:
 - For the Cyber and Infrastructure Analysis PPA Level II, 0 percent is non-050 (100 percent is 050).
 - For the Critical Infrastructure Situational Awareness PPA Level II, 9 percent is non-050 (91 percent is 050).
 - For the Stakeholder Engagement and Requirements PPA Level II, 10 percent is non-050 (90 percent is 050).
 - For the Strategy, Policy, and Plans PPA Level II, 34 percent is non-050 (66 percent is 050).
 - o For the OBIM PPA, 100 percent is non-050 (0 percent is 050).

These percentages were used for the FY 2017 DHS Appropriations Act and the FY 2018 President's Budget submission. A functional reclassification of funding would need to be approved by OMB, in consultation with the Congressional Appropriations Committees and CBO via an annual OMB Budget Data Request exercise. As such, the 050/non-050 allocation cannot be changed until the FY 2019 Budget at the earliest and with the appropriate approvals.

III. Discussion

The nature of the defense/non-defense allocation has had unintended consequences for the growth of NPPD functions, especially regarding cybersecurity and infrastructure protection, both of which fall primarily into the defense (050) funding category. Since FY 2013, DHS appropriations for defense funding have been consistently below the levels requested in the President’s Budget (see Fig. 1), and the House Appropriations Subcommittee on Homeland Security has drawn the connection between this and the defense classification. The House subcommittee noted in the report that accompanied its FY 2017 DHS Appropriations Bill that “the funding level for government-wide cybersecurity activities and acquisitions is underfunded in the bill by more than \$100 million, a direct result of the subcommittee’s limited allocation for Defense function programs. To ensure that upgrades to federal cyber networks are deployed on time, the subcommittee’s Defense function will need to be significantly increased before the bill is enacted.” Likewise, the House Appropriations Subcommittee on Homeland Security noted in the report that accompanied its FY 2018 Appropriations Bill that the bill included a reduction to NPPD’s Operations and Support account of \$28,213,000 below the requested amount and that the “reduction to the request is due to budget constraints on funding for Defense functions.”

Fig. 1



	President's Budget		Enacted		Difference	
	Defense	Non-Defense	Defense	Non-Defense	Defense	Non-Defense
FY 2013	\$ 1,166,633	\$ 50,321	\$ 1,157,529	\$ 282,642	\$ (9,104)	\$ 232,321
FY 2014	\$ 1,201,994	\$ 64,725	\$ 1,187,000	\$ 283,607	\$ (14,994)	\$ 218,882
FY 2015	\$ 1,197,566	\$ 317,494	\$ 1,188,679	\$ 313,707	\$ (8,887)	\$ (3,787)
FY 2016	\$ 1,311,689	\$ 347,724	\$ 1,291,358	\$ 344,247	\$ (20,331)	\$ (3,477)
FY 2017	\$ 1,545,136	\$ 363,431	\$ 1,473,712	\$ 345,060	\$ (71,424)	\$ (18,371)
FY 2018	\$ 1,470,006	\$ 331,428				

Note: FY 2013 and FY 2014 President’s Budget Non-Defense amounts do not include United States Visitor and Immigrant Status Indicator Technology.

III. Data Report

The following table shows NPPD defense/non-defense funding from FY 2016 through FY 2018.

(\$000)	FY 2016 Revised Enacted			FY 2017 Enacted			FY 2018 Request			Delta FY 2018-2017			Defense	Non-Defense	Defense Dollars	Non-Defense		
	FTP	FTE	Total	FTP	FTE	Total	FTP	FTE	Total	FTP	FTE	Total	Percentage	Percentage		Dollars		
Operations & Support	2,275	1,792	1,292,747	2,389	1,867	1,372,268	2,557	2,085	1,455,275	168	218	83,006			\$	1,163,947	\$	291,327
Mission Support	418	356	89,995	385	348	69,408	435	349	87,517	50	1	18,109			\$	27,130	\$	60,387
Mission Support	418	356	89,995	385	348	69,408	435	349	87,517	50	1	18,109	31%	69%	\$	27,130	\$	60,387
Cybersecurity	603	408	583,735	725	505	669,414	743	579	720,557	18	74	51,143			\$	720,558	\$	-
Cyber Readiness & Response	309	230	153,534	369	263	196,904	376	286	200,965	7	23	4,061	100%	0%	\$	200,965	\$	-
Cyber Infrastructure Resilience	34	15	42,186	45	27	44,053	48	38	41,944	3	11	(2,109)	100%	0%	\$	41,944	\$	-
Federal Cybersecurity	260	163	388,015	311	215	428,457	319	255	477,649	8	40	49,192	100%	0%	\$	477,649	\$	-
Infrastructure Protection	624	499	184,662	667	523	186,292	681	573	187,955	14	50	1,663			\$	187,955		
Infrastructure Capacity Building	337	267	110,025	360	291	116,735	374	318	115,515	14	27	(1,220)	100%	0%	\$	115,515	\$	-
Infrastructure Security Compliance	287	232	74,637	307	232	69,557	307	255	72,440	0	23	2,883	100%	0%	\$	72,440	\$	-
Emergency Communications	126	103	100,551	126	97	102,041	137	108	113,921	11	11	11,880			\$	113,920	\$	-
Emergency Communications Preparedness	96	77	43,558	96	71	44,097	107	82	49,966	11	11	5,869	100%	0%	\$	49,966	\$	-
Priority Telecommunications Services	30	26	56,993	30	26	57,944	30	26	63,956	0	0	6,012	100%	0%	\$	63,955	\$	-
Integrated Operations	334	265	118,552	316	238	109,684	391	322	125,896	75	84	16,212			\$	114,383	\$	11,513
Cyber & Infrastructure Analysis	110	69	41,354	100	93	41,880	148	116	43,322	48	23	1,442	100%	0%	\$	43,322	\$	-
Critical Infrastructure Situational Awareness	39	34	13,702	38	32	16,176	51	41	21,222	13	9	5,046	91%	9%	\$	19,312	\$	1,910
Stakeholder Engagement & Requirements	113	104	50,108	104	59	41,959	118	102	46,904	14	43	4,945	90%	10%	\$	42,214	\$	4,690
Strategy, Policy, & Plans	72	58	13,388	74	54	9,669	74	63	14,448	0	9	4,779	66%	34%	\$	9,536	\$	4,912
Office of Biometric Identity Management	170	161	215,252	170	156	235,429	170	154	219,429	0	(2)	(16,000)			\$	-	\$	219,428
Identity & Screening Program Operations	170	161	69,827	170	156	71,954	170	154	68,825	0	(2)	(3,129)	0%	100%	\$	-	\$	68,825
IDENT/HART Operations & Maintenance	0	0	145,425	0	0	163,475	0	0	150,603	0	0	(12,872)	0%	100%	\$	-	\$	150,603
Procurement, Construction, & Improvements	0	0	333,523	0	0	440,035	0	0	335,033	0	0	(105,002)			\$	294,933	\$	40,100
Cybersecurity	0	0	189,173	0	0	299,180	0	0	241,309	0	0	(57,871)	100%	0%	\$	241,309	\$	-
Cybersecurity	0	0	189,173	0	0	299,180	0	0	241,309	0	0	(57,871)	100%	0%	\$	241,309	\$	-
Infrastructure Protection	0	0	0	0	0	0	0	0	4,219	0	0	4,219	100%	0%	\$	4,219	\$	-
Infrastructure Protection	0	0	0	0	0	0	0	0	4,219	0	0	4,219	100%	0%	\$	4,219	\$	-
Emergency Communications	0	0	78,550	0	0	88,055	0	0	48,905	0	0	(39,150)	100%	0%	\$	48,905	\$	-
Next Generation Networks Priority Services	0	0	78,550	0	0	88,055	0	0	48,905	0	0	(39,150)	100%	0%	\$	48,905	\$	-
Biometric Identity Management	0	0	65,800	0	0	52,800	0	0	40,100	0	0	(12,700)	0%	100%	\$	-	\$	40,100
IDENT/HART	0	0	65,800	0	0	52,800	0	0	40,100	0	0	(12,700)	0%	100%	\$	-	\$	40,100
Integrated Operations Assets and Infrastructure	0	0	0	0	0	0	0	0	500	0	0	500	100%	0%	\$	500	\$	-
Integrated Operations Assets and Infrastructure	0	0	0	0	0	0	0	0	500	0	0	500	100%	0%	\$	500	\$	-

(\$000)	FY 2016 Revised Enacted			FY 2017 Enacted			FY 2018 Request			Delta FY 2018-2017			Defense	Non-Defense	Defense Dollars	Non-Defense
	FTP	FTE	Total	FTP	FTE	Total	FTP	FTE	Total	FTP	FTE	Total	Percentage	Percentage		Dollars
Research & Development	0	0	6,119	0	0	6,469	0	0	11,126	0	0	4,657			\$ 11,126	\$ -
Cybersecurity	0	0	2,030	0	0	2,030	0	0	4,695	0	0	2,665	100%	0%	\$ 4,695	\$ -
Cybersecurity	0	0	2,030	0	0	2,030	0	0	4,695	0	0	2,665	100%	0%	\$ 4,695	\$ -
Infrastructure Protection	0	0	4,089	0	0	4,439	0	0	2,431	0	0	(2,008)	100%	0%	\$ 2,431	\$ -
Infrastructure Protection	0	0	4,089	0	0	4,439	0	0	2,431	0	0	(2,008)	100%	0%	\$ 2,431	\$ -
Integrated Operations R&D	0	0	0	0	0	0	0	0	4,000	0	0	4,000	100%	0%	\$ 4,000	\$ -
Integrated Operations R&D	0	0	0	0	0	0	0	0	4,000	0	0	4,000	100%	0%	\$ 4,000	\$ -
Federal Protective Service	1,481	1,386	1,443,449	1,602	1,507	1,451,078	1,602	1,507	1,476,055	0	0	24,977			\$ -	\$ 1,476,055
Federal Protective Service	1,481	1,386	1,443,449	1,602	1,507	1,451,078	1,602	1,507	1,476,055	0	0	24,977	0%	100%	\$ -	\$ 1,476,055
FPS Operations	1,481	1,386	336,458	1,602	1,507	368,892	1,602	1,507	360,079	0	0	(8,813)	0%	100%	\$ -	\$ 360,079
Countermeasures	0	0	1,106,991	0	0	1,082,186	0	0	1,115,976	0	0	33,790	0%	100%	\$ -	\$ 1,115,976
GROSS DISCRETIONARY TOTAL, NPPD	3,756	3,178	3,075,838	3,991	3,374	3,269,850	4,159	3,592	3,277,489	168	218	7,638			\$ 1,470,006	\$ 1,807,482
<i>Offsetting Collections</i>	1,481	1,386	1,443,449	1,602	1,507	1,451,078	1,602	1,507	1,476,055	0	0	24,977			\$ -	\$ 1,476,055
APPROPRIATED TOTAL, NPPD (NET DISCRETIONARY)	2,275	1,792	1,632,389	2,389	1,867	1,818,772	2,557	2,085	1,801,434	168	218	(17,338)			\$ 1,470,006	\$ 331,427

V. Conclusion

With the Department's implementation of CAS in FY 2017, NPPD carefully tracked the movement of specific activities from the legacy appropriations structure. This ensured that all funding that had been from NPPD's legacy M&A, OBIM, and FPS accounts maintained its categorization as non-defense funding (non-050) in the new structure and that all funding that had been in NPPD's legacy IPIS account maintained its categorization as defense funding (050).

Appendix. List of Abbreviations

Abbreviation	Definition
CAS	Common Appropriations Structure
CBO	Congressional Budget Office
DHS	Department of Homeland Security
DOD	Department of Defense
FPS	Federal Protective Service
FY	Fiscal Year
HART	Homeland Advanced Recognition Technology
IDENT	Automated Biometric Identification System
IPIS	Infrastructure Protection and Information Security
M&A	Management and Administration
NPPD	National Protection and Programs Directorate
OBIM	Office of Biometric Identity Management
OMB	Office of Management and Budget
PPA	Program, Project, and Activity
R&D	Research and Development