



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 17, 2002

S. 2452

National Homeland Security and Combating Terrorism Act of 2002

As ordered reported by the Senate Committee on Governmental Affairs on May 22, 2002

SUMMARY

S. 2452 would establish a new cabinet department, the Department of National Homeland Security, to plan, coordinate, and integrate the government's activities relating to homeland security, including border security, the protection of critical infrastructure, and emergency preparedness. The legislation would combine several existing agencies to form the new department. 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. Finally, the legislation would authorize the appropriation of \$200 million for fiscal year 2003 to develop technology to combat terrorism and \$5 million annually over the 2003-2005 period for emergency preparedness pilot programs.

CBO estimates that implementing S. 2452 would cost about \$1.1 billion over the 2003-2007 period, assuming appropriation of the necessary amounts. Enacting S. 2452 would not affect direct spending or receipts, so pay-as-you-go procedures would not apply. S. 2452 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table summarizes the estimated budgetary impact of S. 2452. The table shows estimated costs under the bill, as compared to the funding for the affected agencies under current law projected in the CBO baseline—that is, the 2002 appropriation adjusted for anticipated inflation in succeeding years. The legislation would combine several existing agencies to form the new department, including:

- the Federal Emergency Management Agency (FEMA);
- the U.S. Customs Service;
- the U.S. Coast Guard;
- the Department of Commerce’s Critical Infrastructure Assurance Office;
- the Federal Bureau of Investigation’s National Infrastructure Protection Center and National Preparedness Office;
- the Immigration and Naturalization Service’s Border Patrol and other enforcement activities; and
- the border offices of the Department of Agriculture’s Animal, Plant and Health Inspection Service.

The table also shows, as a memorandum item, estimated direct spending by the new agency over the 2002-2007 period, which would not be affected by the bill. The costs of this legislation fall within budget functions 050 (national defense), 350 (agriculture), 370 (commerce and housing credit), 450 (community and regional development), 750 (administration of justice), and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION						
Spending By Affected Agencies						
Under Current Law						
Estimated Authorization Level ^a	19,427	20,003	20,534	21,076	21,625	22,200
Estimated Outlays	16,279	17,163	17,943	19,485	20,671	21,652
Proposed Changes						
New Personnel, Offices, and Programs						
Estimated Authorization Level	0	79	204	208	212	216
Estimated Outlays	0	68	185	207	211	215
Acceleration Fund						
Authorization Level	0	200	0	0	0	0
Estimated Outlays	0	120	60	20	0	0
Emergency Preparedness Pilot Program						
Authorization Level	0	5	5	5	0	0
Estimated Outlays	0	5	5	5	0	0
Total						
Estimated Authorization Level	0	284	209	213	212	216
Estimated Outlays	0	193	250	232	211	215

Continued

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
Spending Under S. 2452						
Estimated Authorization Level	19,427	20,287	20,743	21,289	21,837	22,416
Estimated Outlays	16,279	17,356	18,193	19,717	20,882	21,867
MEMORANDUM:						
Direct Spending By Affected Agencies						
Under Current Law and Under S. 2452^b						
Estimated Budget Authority	416	509	1,731	1,878	1,945	2,130
Estimated Outlays	305	437	1,692	1,800	1,853	1,912

- a. The 2002 level is the amount appropriated for that year for agencies that would be combined to form the Department of National Homeland Security, as well as the National Office for Combating Terrorism. The estimated authorization levels for 2003 through 2007 are CBO baseline estimates that adjust the amounts appropriated for 2002 for anticipated inflation.
- b. CBO estimates that the level of direct spending of agencies that would be combined to form the new department would not be changed by enacting S. 2452.

BASIS OF ESTIMATE

CBO estimates that implementing the legislation would add about \$1.1 billion to the costs of the affected agencies over the 2003-2007 period. For this estimate, CBO assumes that S. 2452 will be enacted by the beginning of fiscal year 2003 and that the necessary funds will be appropriated for each fiscal year.

New Personnel, Offices, and Programs

S. 2452 would establish a new cabinet agency, the Department of National Homeland Security, and the National Office for Combating Terrorism within the Executive Office of the President. Most of the functions that would be performed by the proposed department are already performed by existing offices within the agencies that would be incorporated into the Department of National Homeland Security. CBO expects that, under S. 2452, most activities would be transferred to the new department without significantly affecting the costs that would be expected under current law.

CBO expects that creating a new cabinet-level department would require additional resources to perform certain administrative functions, including new positions to staff the offices of the Inspector General, general counsel, budget, and Congressional affairs for the new department. Based on the administrative costs the Department of Justice and other

departments, CBO estimates that it would cost about \$200 million annually to provide the centralized leadership, coordination, and support services for the Department of National Homeland Security. This represents about 1 percent of the new department's budget. Personnel and budgets to help perform these functions also would be transferred to the new department from FEMA, the Coast Guard, and the Customs Service. We expect that new departmental staff would be hired over the first two years following enactment of the legislation. This estimate assumes that the 6,500 employees currently working in the Washington, D.C. area for the agencies that would be combined to form the new department are not relocated to a central location.

S. 2452 also would authorize committees, councils, and panels to support and advise the President, the Department of National Homeland Security, and the National Office for Combating Terrorism. The legislation also would authorize the establishment of offices to coordinate and disseminate information related to homeland security. CBO estimates that those functions would require approximately 30 new positions at a cost of about \$4 million annually.

In addition, the bill would establish a National Office for Combating Terrorism within the Executive Office of the President. The new office would be similar, but not identical to the current Office of Homeland Security. For this estimate, CBO assumes the new office would take over the functions of the existing Office of Homeland Security and that the costs of this office would be similar to those that would be incurred under current law. Based on the costs of the current Office of Homeland Security, CBO estimates that the new office would cost approximately \$27 million annually, though that sum is not included as an added cost of S. 2452.

Acceleration Fund

S. 2452 would authorize the appropriation of \$200 million in fiscal year 2003 to accelerate research, development, and testing of technologies to enhance homeland security. CBO estimates that implementing this provision would cost \$200 million over the 2003-2005 period.

Pilot Program

S. 2452 would authorize the appropriation of \$5 million annually over the 2003-2005 period for a National Clearinghouse on Emergency Preparedness in the Department for National Homeland Security. The clearinghouse would award grants to private entities to pay for the federal share of the cost of improving emergency preparedness. Grants would be awarded

to develop evacuation plans and drills, improve security measures, and create public awareness campaigns. CBO estimates that implementing this section would increase discretionary spending by \$5 million annually over the 2003-2005 period, assuming appropriation of the authorized amounts.

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. Although the legislation would affect programs involving direct spending, such as the Immigration and Naturalization Service's immigration fees, the U.S. Coast Guard's boat safety grants, and the Animal and Plant Health Inspection Service's animal quarantine inspection fees, CBO estimates that enacting S. 2452 would have no effect on direct spending or receipts because the legislation would not change any of those programs.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT:

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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