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# NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

## THESIS

**IMPACT OF ESTABLISHING THE DEPARTMENT OF  
HOMELAND SECURITY:  
MISSION AND BUDGET ANALYSIS OF THE  
DEPARTMENT OF DEFENSE AND OTHER  
GOVERNMENT AGENCIES**

by

Bradford C. Ellis

December 2004

Thesis Advisor  
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Jerry McCaffery

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SECURITY: MISSION AND BUDGET ANALYSIS OF THE DEPARTMENT OF  
DEFENSE AND OTHER GOVERNMENT AGENCIES**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

from the

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## **ABSTRACT**

The most notable impact upon the Department of Defense (DOD), in creating the Department of Homeland Security (DHS), has occurred in how DOD prepares for and provides homeland defense and homeland security. Creating DHS produced friction for DOD resulting in re-focused training on domestic military missions and homeland security that has reduced combat effectiveness in some units. Resource allocation throughout DOD and DHS is an area of important concern regarding long-term sustainment in the war on terrorism. This study concludes that the current mission approach for DOD is not sustainable over the long term. Furthermore, greater fiscal responsibility in strategically funding homeland defense and homeland security needs to be exercised without compromising national security.



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# **I. INTRODUCTION**

## **A. PURPOSE**

The purpose of this thesis is to assess the effects the Department of Homeland Security (DHS) has had on the mission and budgets of key government agencies. Specifically, analysis will be on mission adjustment for the Department of Defense in terms how the DOD homeland security mission has changed and how domestic military missions are affecting DOD. Additionally, budgetary analysis will be conducted to determine the impact of DHS on various departments within the federal government as well as the overall federal budget. This study will serve as a tool for determining the feasibility of the defense department's current mission approach in the ongoing war on terrorism. In addition, it will serve as a springboard for further studies to determine the overall effectiveness of the Department of Homeland Security and the Nation's Homeland Security Strategy in fighting the war on terrorism.

## **B. BACKGROUND**

In the aftermath of the terrorist attacks against America on September 11, 2001 President George W. Bush decided twenty-two previously disparate domestic agencies needed to be coordinated into one department to protect the nation against threats to the homeland. In the 2002 National Defense Authorization Act, the Department of Defense was directed to conduct a study on its role in homeland security and to develop a comprehensive plan that would provide for the most beneficial organization structures for supporting U.S. homeland security (Cavil, 2002: 23). The restructuring of the defense department delineates a shift in mission focus away from its traditional homeland defense mission, which focuses on the use of military forces abroad to protect U.S. interests, to include the additional responsibility of providing domestic military support to the Department of Homeland Security. In fulfilling the objectives of the U.S. Homeland Security Strategy, the Department of Defense developed an internal organization that facilitates effective security support to the Department of Homeland Security. The resulting structural changes within DOD are only one aspect in a very complex post September 11 environment that requires DOD to execute direct support to DHS especially with regarding domestic military missions. The

latter point is one focus of this study, which will expand on previous studies in DOD structural change to include how actual support is being executed outside of the Pentagon at the combatant command level.

The resulting impact on the defense department has seen major adjustments in how DOD will accomplish its missions; the most significant change includes the development of U.S. Northern Command. Furthermore, there has been the addition of many non-military domestic missions to the already full plate of DOD. Moreover, several budgetary issues have arisen as a result of creating DHS and analysis of the precise impact is difficult due to the fact that spending on homeland security is so widespread. The most significant trend, however, has been the overall increase in spending for homeland security. Rather than shift funding in accordance with missions to specific agencies that comprise the Department of Homeland Security, the overall level of spending on homeland security, as a whole, has increased.

### **C. RESEARCH OBJECTIVES**

The primary objective of this research is to answer three overarching questions: (1) is the current homeland security strategy sustainable from a fiscal and operational tempo standpoint, (2) what are the implications for the Department of Defense in supporting the National Security Strategy in a post 9/11 world, and (3) how much will DHS need to satisfy its mission in the next decade and will this eventually take money from the DOD budget?

### **D. RESEARCH METHODOLOGY**

In answering these questions, I reviewed vast amounts of published material related to fiscal policy, departmental agencies, agency-specific budgets, and missions for the Department of Defense and the Department of Homeland Security. I reviewed Congressional testimony from the Secretary of Defense and Chairman of the Joint Chiefs of Staff with regards to DOD current and future roles. I further studied Congressional Budget Office analyses and General Accounting Office reports on budgetary proposals and fiscal outlooks. Department of Defense Directives provided keen insight on the legal aspects of the use of military force especially in terms of supporting civil authorities. The web sites for the Department of Homeland Security and U.S. Northern Command proved invaluable as sources of consolidated information related to protecting the homeland. Fiscal Year budgets

for 2004 and 2005 along with analytical perspectives from the Center for Strategic and Budgetary Assessments provided unbiased analysis for how the United States plans to budget for homeland security.

## **E. CHAPTER OVERVIEW**

Beginning with Chapter II, I describe mission adjustments for the Department of Defense and what impact the Department of Homeland Security has had on DOD missions relative to the new Homeland Security Strategy. I describe how DOD military and non-military missions differ and how they have changed. In addition, I detail the DOD homeland security mission and conclude with an analysis of sustainability given the current mission approach. In Chapter III, I will describe the budgetary impacts resulting from establishing the Department of Homeland Security. I will examine the amounts that have been spent on homeland security prior to the September 11 attacks and chronicle significant trends in the post September 11 environment. I will provide a break-down of homeland security outlays in terms of major federal, and defense department shares. I conclude chapter III with a comparative analysis of DHS, DOD, and Department of Transportation (DOT) budgets. In Chapter IV, I provide a summary, recommendation, and conclusions from my findings.

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## II. MISSIONS ADJUSTMENTS FOR THE DEPARTMENT OF DEFENSE

### A. IMPACT OF DHS ON DOD MISSIONS

#### 1. How DOD Military and Non-Military Missions Differ

Department of Defense military and non-military missions differ in a number of ways, which include the DOD role, duration, acceptance, and capabilities employed during or in support of its missions (GAO, 2003: 8). Military missions are generally those warfighting functions performed in defense of the nation and are directed by the President functioning as Commander-in-Chief. With military missions there are usually specific objectives to achieve and a flexible timeline incorporated in getting the missions completed. In military missions, “DOD is the lead federal agency, operates without a predefined end date, cannot reject the proposed mission, and uses combat support capabilities for their intended purposes” (GAO, 2003: 8). Conversely, DOD provides a more supportive role to civil authorities in non-military missions. Table 1 provides more details on the key differences.

**Table 1. Key Differences between DOD Military and Non-Military Missions**

<b>Military missions</b>	<b>Nonmilitary missions</b>
Acts as the lead federal agency and executes orders issued by the President functioning as the Commander-in-Chief.	Supports a lead federal agency as directed by the President or the Secretary of Defense.
Performs duties under extraordinary circumstances that do not necessarily have defined end dates.	Provides support on a temporary or emergency basis normally with agreed upon termination dates.
Cannot reject these missions.	Has some discretion to accept or reject these requests based on six established criteria and uses a review process guided by DOD Directive 3025.15. <sup>a</sup>
Applies military combat capabilities that only DOD possesses.	Augments U.S. civil authorities' capabilities with DOD's assets or capabilities, which are applied in a noncombat manner.

Source: GAO analysis.

<sup>a</sup>*Military Assistance to Civil Authorities*, Feb. 18, 1997.

Military missions involve warfighting functions such as battles and campaigns that are generally conducted overseas relative to the United States in support of or in defense of the United States' interests. Operation Desert Storm in 1991 and Operation Iraqi Freedom in 2003 are examples of such missions. In contrast, Operation Noble Eagle

is a domestic military operation, which started on September 11, 2001 to identify the victims of the attacks. Operation Noble Eagle is comprised of a multidisciplinary team from the *Armed Forces Institute of Pathology* (AFIP) and their mission is ongoing today. Captain Glenn N. Wagner, USN, served as the senior officer during the operation immediately following the September 11 attacks. He stated that his team consisted of forensic pathologists, odontologists, a forensic anthropologist, DNA experts, investigators, support personnel and members from every branch of the service (Kelly, 2004: ¶ 2). Operation Noble Eagle represents a textbook case study in understanding the multitude of coordination between the military services and civil services required to conduct a domestic non-military mission. For example, during the hours immediately following the crash of American Airlines Flight 77 into the Pentagon, the acting Armed Forces Medical Examiner, Abubkr Marzouk, Col, USAF, began working with FBI and local Virginia law enforcement officials to create an effective plan for first recovering and then identifying the victims. At the same time, personnel from the Office of the Armed Forces Medical Examiner positioned and staged equipment to begin operations at Dover Air Force base.

According to DOD Directive 5525.5 requests for non-military missions generally seek DOD assistance after a natural or man-made disaster has occurred or in particular cases when indirect assistance with civil law enforcement is required. These requests are evaluated by the defense department against criteria set forth in the *Military Assistance to Civil Authorities* directive (GAO, 2003: 9). Specifically, DOD directive 3025.15 (as cited in GAO study) denotes that requests for non-military support be evaluated against the following criteria:

- Legality (compliance with laws), Lethality (potential use of lethal force by or against DOD forces),
- Risk (safety of DOD forces), Cost (who pays, impact on the DOD budget),
- Appropriateness (whether it is in the interest of DOD to conduct the requested mission),
- Readiness (impact on DOD ability to perform its primary mission).

The Government Accounting Office reported that the defense department conducted over 230 non-military missions, in fiscal years 2001 and 2002, which included assisting with wildfires, recovering from tropical storms, and providing security for national security special events such as presidential inaugurations (GAO, 2003: 9). During this same period DOD rejected several missions based on the above criteria. For example, “in November 2001, DOD declined a request from the U.S. Capitol Police to provide military medical personnel...” (GAO, 2003: 9).

Legal issues surrounding non-military missions entail some important history dating back to 1878 with the Posse Comitatus Act. The Posse Comitatus Act prohibits the use of the Army and Air Force to execute the laws of the United States unless authorized by the Constitution or acts of Congress. Interestingly, Federal courts have interpreted “to execute laws” to mean that federal military troops may not be used in an active role of direct civilian law enforcement. According to DOD directive 5525.5, direct involvement in law enforcement includes search, seizure, and arrest (as cited in GAO, 2003: 11). However, the act does not apply to military operations at home or abroad, and it does not apply to the National Guard when subject to orders via a state governor (GAO, 2003: 11). What this meant is that many people were confused as to whether military personnel could be deployed in direct support of civilian law enforcement for homeland security.

In response to the confusion, President George W. Bush directed a review of the legal authority for military assistance in domestic security. This review included the legal boundaries of the Posse Comitatus Act. The Office of Homeland Security (OHS) states in the National Strategy for Homeland Defense that the,

Threat of catastrophic terrorism requires a thorough review of the laws permitting the military to act within the United States in order to determine whether domestic preparedness and response efforts would benefit from greater involvement of military personnel and, if so, how (OHS, 2002: 48).

In addition to this review, as reported by the Government Accounting Office in its July 2003 report on Homeland Security, Congress directed DOD to review and report on the legal implications of members of the armed forces operating in support of homeland security via



domestic military missions. Upon concluding its review DOD reported to Congress that the President had sufficient authority to order the military to provide support to civilian law enforcement authorities when necessary (GAO, 2003: 12). Hence, the Department of Defense does not view that the Posse Comitatus Act impedes the nature or timeliness of its response to homeland security missions.

However, is it possible for the defense department to support non-military missions, domestic military missions, and traditional homeland defense missions with an already tensely strained force? The operational tempo issue will be addressed later in this study.

### **1. How DOD Military and Non-Military Missions Have Changed**

Title 10 of The United States Code requires that the chairman of the Joint Chiefs of Staff review, not less than every two years, the missions and responsibilities (including geographic boundaries), of each combatant command and recommend to the President, through the Secretary of Defense, any necessary changes. While the defense department made significant changes from a structural standpoint at the Pentagon level in 2001 it was not until 2002 that combatant command changes were made so that the homeland security department's strategy could be executed beyond the walls of the Pentagon. The Unified Command Plan serves as a detailed source for studying such changes at the operational level.

#### ***a. Unified Command Plan***

The Unified Command Plan establishes the missions and geographic responsibilities among the combatant commanders. The Unified Command Plan that was approved in September 1999 had to be adjusted after September 11, 2001. The events of September 11 and the ensuing war on terrorism, as well as the new defense strategy articulated in the 2001 Quadrennial Defense Review, highlighted the requirement to further adjust the plan. Revisions to the plan that took place on Oct. 1, 2002 were:

- U.S. Northern Command – new combatant command assigned to defend the United States and support military assistance to civil authorities.
- U.S. Joint Forces Command – focus became transforming U.S. military forces; geographic responsibilities shift to Northern and European commands.

- U.S. Space Command and Strategic Command merged into an expanded STRATCOM, headquartered at Offutt Air Force Base, Neb



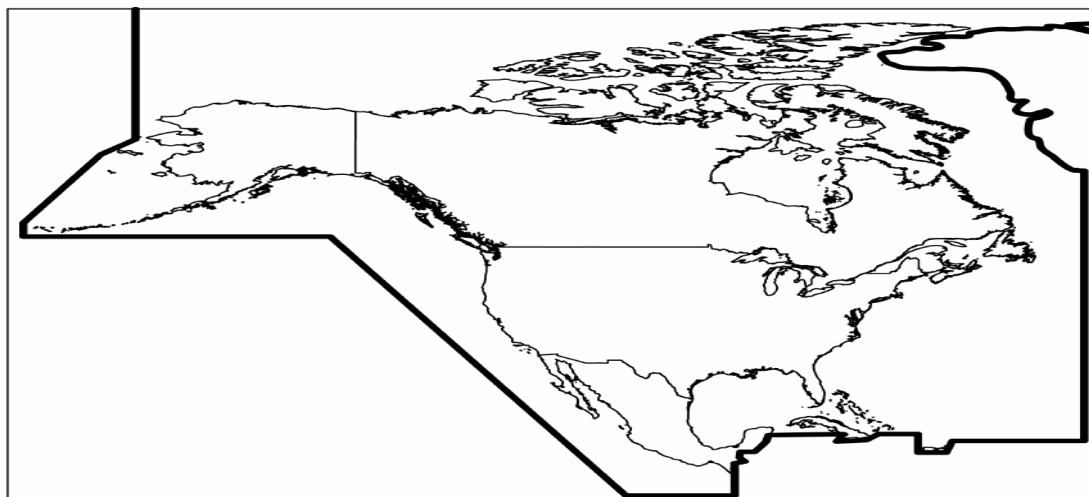
**Figure 1. Combatant Commanders' Areas of Responsibilities**

Source: <http://www.defenselink.mil/specials/unifiedcommand>

There have been a number of changes in the way the Department of Defense has reorganized its force structure and mission assignments in response to the National Security Strategy articulated after September 11, 2001. One particular adjustment involves that of U.S. Joint Forces Command, which shifted U.S. Joint Forces Command's geographic area of responsibility to the U.S. Northern Command (see Figure 2 for US NORTHCOM AOR) and U.S. European Command. This enabled U.S. Joint Forces Command to focus on transforming U.S. military forces. “The transition – along with the turnover of combatant responsibilities to other unified commands – also marked the completion of U.S. Joint Forces Command’s (USJFCOM) evolution to a strictly functional unified command, focused almost entirely on military transformation and joint interoperability issues” (Wimbush, 2004: ¶ 3) .

Other key USJFCOM combatant duty turnovers include the shift of the command’s North Atlantic Ocean area of responsibility along with subordinate commands U.S. Forces Azores and Iceland Defense Force to U.S. European Command. USJFCOM’s Joint Force Headquarters Homeland Security (JFHQ-HLS) will continue to

defend the land and shores of the continental United States along with military assistance. Furthermore, JFHQ-HLS subordinate commands, the Fort Monroe, Virginia based Joint Task Force-Civil Support (JTF-CS), which provides military assistance to civil authorities and the Fort Bliss, Texas-based Joint Task Force 6, which provides military counter drug support to civil authorities, was also moved under NORTHCOM. Though NORTHCOM has combatant command over the Nation's homeland security missions, USJFCOM will still has a homeland security role according to JFHQ-HLS commander, Army Maj. Gen. Russel Honorè” (Wimbush, 2004: ¶ 4).



Source: GAO presentation of DOD data.

Note: U.S. Northern Command is responsible for defending Alaska; however, U. S. forces stationed in Alaska remain assigned to U.S. Pacific Command.

**Figure 2. US Northern Command's Area of Responsibility**

***b. Force Structure Reorganization***

Department of Defense managers have made a number of changes in the organizational force structure in response to the creation of the Department of Homeland Security. The most significant change has been the development of U.S. Northern Command (which became fully operational on October, 1 2003) and its campaign plan to support domestic military missions. Prior to the existence of NORTHCOM Joint Forces Command had responsibility to defend against sea and land based threats while NORAD was responsible for defending against airborne threats to the United States. By giving the NORTHCOM Commander authority over NORAD a unity of command has been

established, which will greatly assist in focusing these units on a single mission with less equivocality in training and intelligence sharing critical for mission success.

*c. U.S. Northern Command*

U.S. Northern Command was formed to organize the military response to domestic emergencies; including terrorism. Its area of responsibility includes the continental United States, Alaska, Canada, Mexico, and the surrounding waters out to approximately 500 nautical miles, which includes Cuba, the Bahamas, British Virgin Islands, and Turks and Caicos. As the nation's sole military command dedicated to homeland security, U.S. Northern Command will conduct operations to deter, prevent, and defeat threats and aggression aimed at the United States, its territories, and interests within the assigned area of responsibility; as directed by the President or Secretary of Defense. In addition, U.S. Northern Command will provide military assistance to civil authorities including consequence management operations. The development of U.S. Northern Command created a new combatant command with the mission of defending the United States and supporting the full range of military assistance to civil authorities. Has this change been effective?

U.S. Northern Command Chief, General Ralph Eberhart seems to think so. According to an interview of General Eberhart conducted by Jim Garamone for *American Forces Press Service* in October, 2003, "The United States is better prepared to face terrorist threats today and the U.S. Northern Command will continue to improve [its capabilities]". The development of U.S. Northern Command reflects a substantial mission change for the Department of Defense. Previous to NORTHCOM's existence many combatant commands shared in the role of providing support for domestic military missions. Today this is the sole responsibility of NORTHCOM. U.S. Northern Command is responsible for the United States military's homeland security mission. "NORTHCOM has the responsibility to plan, coordinate, exercise command and control of, and supervise the execution of federal military responses to external threats and aggression" (Garamone, 2003: ¶ 4). This also applies to emergency and extraordinary domestic circumstances such as hurricane or flood related disasters where the secretary of defense has approved military support. According to General Eberhart, his unit is able to focus

100% of its efforts on the homeland security mission. It allows him to forge relationships with all agencies involved in homeland security, which include law enforcement, emergency services, intelligence agencies, and the military. Such relationships will likely help ensure U.S. NORTHCOM's success in dealing with an attack on the homeland. Much like a military unit trains together and builds an esprit de corps that results in overall improved combat effectiveness; the training exercises NORTHCOM does with local agencies will help ensure success in providing homeland security through domestic military missions. To foster such esprit NORTHCOM has conducted approximately 20 exercises that include tabletop exercise to actual field exercises. "We try to be inclusive...we don't want to be exchanging business cards at the scene of the incident...we want to already know each other...we want to already have worked together [and] have confidence in each other..."(Garamone, 2004 ¶ 18). The efforts of U.S. Northern Command are based on tried and true concepts applied over the years in successful military training. Applying them to domestic military missions in defense of the homeland presents unique challenges for the command and they will no doubt be put to the test in the future.

*d. DOD Homeland Security Mission*

Historically, the U.S. military has focused the majority of its efforts on expeditionary warfare overseas with minimal involvement in domestic operations in the homeland. "With the heightened concern about large-scale terrorism, have come efforts to involve DOD more closely with federal, state and local agencies in their homeland security activities" (Bowman, 2003: 1) Steve Bowman points out in his report to Congress that the Department of Defense makes a distinction between "homeland security" and "homeland defense" in defining its mission responsibilities.

-Homeland security is defined in the National Strategy for Homeland Security as:

a concerted national effort to prevent terrorist attacks within the United States, reduce the vulnerability of the United States to terrorism, and minimize the damage and assist in the recovery from terrorist attacks.

- Homeland defense is further defined as:

the military protection of United States territory, domestic population, and critical defense infrastructure against external threats and aggression. It also includes routine, steady state activities designed to deter aggressors and to prepare U.S. military forces for action if deterrence fails.

As previously mentioned, the DOD role in homeland security missions is to operate in support of a civilian lead federal agency only when needed. In contrast, DOD has a larger, more predominant, role in the area of homeland defense wherein it operates as the lead federal agency. In an effort to manage the inevitable conflicts between homeland security and homeland defense missions Secretary of Defense Donald Rumsfeld created the office of Assistant Secretary of Defense. The assistant SECDEF is thus charged with leading the department's activities in homeland security and defense. "This office will also serve as Secretary of Defense's liaison with the staffs of a new Department of Homeland Security, the National Security Council, and the White House's Office" (Bowman, 2003: 5).

Generally speaking, DOD contribution can be divided into two areas: deterrence and response (Bowman, 2003: 6). First and foremost, regarding deterrence, DOD is heavily reliant upon timely and accurate intelligence. Moreover, as the September 11 Commission has revealed, the sharing of this intelligence between DOD and DHS is paramount to DOD success in satisfying its homeland security mission. This "intelligence-sharing" points to one of any number of friction points for DOD in assuming its new homeland security role. The friction lies in the way that DHS has been structured with regard to its intelligence community as well as the increased responsibilities for DOD in fulfilling a homeland security role.

DHS legislation establishing an Under-Secretary for Information and Infrastructure Protection grants the new department access to all reports, assessments, and analytical information relating to threats or terrorism in the United States, and to all information concerning infrastructure vulnerabilities (Bowman, 2003: 5). However, the DHS legislation does not grant DHS authority over DOD intelligence or its intelligence

assets. Nevertheless, the SECDEF is directed to "...enter into cooperative agreements with the new DHS to detail [to the DHS Intelligence Center] an appropriate number of individuals from the National Security Agency, National Imagery and Mapping Agency, and the Defense Intelligence Agency" (Bowman, 2003: 5). However, as Bowman points out in his report to Congress:

One area of concern involving intelligence which a new Secretary of Homeland Security will have to resolve is how to fulfill its information-sharing responsibilities to state and local law enforcement and first responders without compromising classified national security information or sources. Providing meaningful and actionable warnings to state and local officials has proven a challenge. Lack of specificity and recommended actions have been the primary criticisms (Bowman, 2003: 6).

The efficiency and effectiveness of information flow between the DHS Intelligence Center, DOD Undersecretary for Intelligence, and the subsequent filtered information to the Nation's first-responders will remain to be seen.

**B. EXTENT TO WHICH DOD ORGANIZATION PLANS AND FORCES ARE ADEQUATE FOR THE NEW DOMESTIC MILITARY MISSIONS AND THE CONSEQUENT SUSTAINABILITY OF THE CURRENT MISSION APPROACH.**

**1. Sustainability of the Current Mission Approach**

These are more difficult questions to answer and will require some tolerance for predictive analysis. According to GAO analysts some DOD forces are not well suited to perform domestic military missions and continued overseas deployments in support of domestic military missions may even erode combat effectiveness for some units. One reason for this lies in the fact that the return on investment from training for these types of missions is minimal at best. The Government Accounting Office noted in their July, 2003 report on Homeland Security that combat units are unable to maintain proficiency in combat skills when performing overseas domestic military missions or training for such missions. GAO reported that the skills required to perform domestic military missions are too fundamental and do not enhance the advanced skills required for normal combat missions. "During Operation Noble Eagle, DOD provided enhanced domestic installation security and combat air patrols, both of which generally require only basic

skills needed but offer little opportunity to practice the varied combat skills needed for wartime proficiency” (GAO, 2003: 14) What this means is that critical skills necessary in order to maintain combat proficiency are likely to atrophy. Combatant commanders base their training on mission essential task lists (METL), which are critical requirements individuals and units must meet in order to sustain combat readiness. GAO reviewed four Army and Air Force military police units and discovered they were unable to maintain proficiency for their required METLs due to lengthy Operation Noble Eagle deployments. GAO noted in their report:

For example, one unit could not practice for two of its mission essential tasks—to establish and sustain an internment and resettlement facility, and process and account for internees—that it performs in combat. In another example, two military police units could not practice their combat skills, which included providing battlefield control of roads and logistical pipelines. Instead, the four Army military police units from the active, reserve and National Guard we reviewed were generally guarding gates, checking identification, inspecting vehicles, and conducting security patrols of critical installation infrastructure, such as command and control centers, and housing, shopping, and recreation areas (GAO, 2003: 15).

Even still, many service members were found to be using skills unrelated to their normal missions. Given these findings units like this run the risk of losing their combat proficiency—something the Pentagon is determined to measure accurately.

Another illustrative example is the combat air patrol missions the Air Force was required to perform in support of Operation Noble Eagle. While stateside air force combat pilots fly a variety of profiles in dog fights using simulated air-to-air engagements that help them maintain their warfighting skills. When conducting domestic military missions pilots can gain some training benefit by performing activities such as aerial refueling and night landing; however, according to GAO reports, domestic combat air patrols do not provide realistic training for overseas combat missions in support of traditional homeland defense. “For example, one Air Force official said that combat air patrols involve little more than making left turns flying in a circle in contrast to the difficult, tactical, defensive, and offensive maneuvers performed while on a training sortie or possible on a combat mission” (GAO, 2003: 16).



*a. Personnel Tempo*

If one were to take the comments of the Chairman of the Joint Chiefs of Staff, General Richard Meyers, as gospel a likely conclusion would be that the U.S. Military is somewhat indefatigable. According to General Meyers' recent testimony before the Senate Armed Services Committee on February 13, 2004 the U.S. Military will be able to "swiftly defeat the efforts of two adversaries in an overlapping timeframe, while having the ability to win decisively in one theater" (Myers, 2003 ¶ 4). General Myers goes on to say that, "U.S. forces are also able to conduct a limited number of lesser contingencies, maintain a sufficient force generation capability and support a strategic reserve" (Myers, 2003 ¶ 4). If one couples these comments along with the Pentagon's resistance to increase the military's end-strength one has to wonder how long the military can sustain its current level of operational commitments, which now include traditional homeland defense missions, revised homeland security roles, and domestic military missions.

It is as though America has learned little from the early days of the Cold War when President Truman insisted on post-World War II cutbacks. Then, as now, we did not have the right military to execute the strategy. After the United States so handily "won" the war with Iraq, it appears that no one in the Administration is willing to acknowledge that it is going to take more troops than initially calculated in order to maintain the peace. Whether the Pentagon acknowledges it or not, the country is facing a shortage within its military ranks. As of July 2004 there are approximately 150,000 soldiers, sailors, Marines and airmen from the National Guard and the Reserves are on active duty. Reservists make up about 40 percent of U.S. troops in Iraq, which is not what reservists bargained for and the Pentagon is paying the price. For example, the *Wall Street Journal* recently reported that back to back deployments to Afghanistan and Iraq have taken their toll on units like the Army's 211<sup>th</sup> Military Police Company of the North Carolina National Guard (Jaffe, 2004: 1). When preparing for deployment in July, 2004 the commanding officer of the 211<sup>th</sup> was confronted with four soldiers Absent Without Leave, thirty soldiers had decided to discharge from the unit for good while another twenty-six had returned to regular active duty units. "After the second deployment, a lot

of soldiers said [forget] it”, said the unit’s commander, Captain James Payne (Jaffe, 2004: 1). Captain Payne went on to say “The overwhelming feeling is that [the soldiers] are tired [and] they have just had enough” (Jaffe, 2004: 1). This kind of prevailing attitude amongst the Reserve ranks points to a growing manpower challenge as the Administration continues to wage the war on terrorism on multiple fronts. Yet there seems to be little relief in sight for the U.S. military in the near future.

Post anti-terrorist operations in Iraq and Afghanistan have demonstrated the need to get more troops on the ground in order to seize terrain and win the hearts and minds of the local population (Royle, 2004 ¶5). As Michael Codner, director of military science at the Royal United Services Institute warned: “It would be a mistake to draw the lesson from this war that a lean and agile concept for ground combat operations will reduce the need for troops on the ground” (Royle, 2004 ¶ 6). The Pentagon’s hype regarding transformation in addition to increasing funding for modern technology while cutting personnel will continue to overstretch resources. A commander who served in Iraq in a British battle group put it into layman’s terms when he said: “The Iraqis are smiling assassins and have to be eyeballed—a machine cannot do that.”

The U.S. Military is engaged in more operational activity today than at any time in history since World War II. Current missions include: the ongoing war in Iraq, tracking down al-Qaeda operatives, maintaining No-Fly-Zones over Iraq, enforcing United Nations sanctions in the Persian Gulf, facilitating reconstruction in Afghanistan, conducting Balkan peacekeeping operations, supporting South American partners against drug traffickers and terrorists, preserving stability on the Korean peninsula and defending the continental United States (Myers, 2003 ¶12). In the wake of the September 11 attacks General Meyers stated to the Senate Armed Services Committee, “U.S. forces are now deployed to an unprecedented number of locations.” General Meyers stated in his Posture Statement to the Senate Armed Services Committee on February 6, 2003 that the United States possess the forces necessary to defend the United States homeland and deter forward in four critical regions. However, according to GAO reports, personnel tempo data indicates that current mission requirements are over stressing U.S. forces.

The National Defense Authorization Act for Fiscal Year 2000 requires that DOD formally track the number of days each member of the armed forces is deployed. There are two thresholds that were established with the aforementioned Act and published under P.L. 106-65: (1) servicemembers deployed more than 182 days or (2) 220 days away from home out of the preceding 365 days (as cited in GAO, 2003: 18). The National Defense Authorization Act for Fiscal Year 2001 established a third threshold, which requires that servicemembers who are deployed for 401 or more days out of the preceding 730-day period receive a \$100 high deployment per diem allowance (as cited in GAO, 2003: 18).

GAO reported data from DOD in its July 2003 report on Homeland Security that indicates tempo is high and increasing for active, reserve, and National Guard personnel.

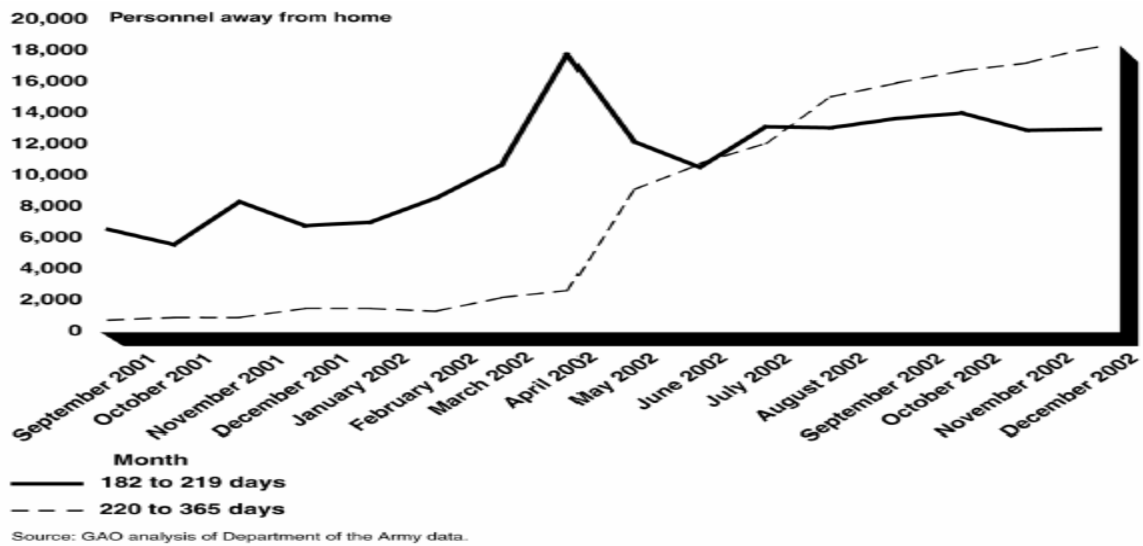
For example, in September 2001, over 6,600 Army personnel had exceeded the first threshold, spending 182 to 219 days away from home during the previous 365 days. By December 2002, that number had risen to over 13,000 (of which Army Reserve and National Guard personnel represented about 20 percent). During the same period, the number exceeding the second threshold and spending 220 to 365 days away had risen from about 800 to over 18,000 (which was comprised of about 75 percent Army Reserve and Army National Guard), as shown in Figure 3 (GAO, 2003: 18).

GAO reported that the number of Army personnel exceeding the third threshold of 401 or more days away from home in the preceding 730 days increased slightly, starting at about 650 in September 2002 and rising to about 990 (of which approximately 35 percent were Army Reserve and Army National Guard personnel) in December 2002.

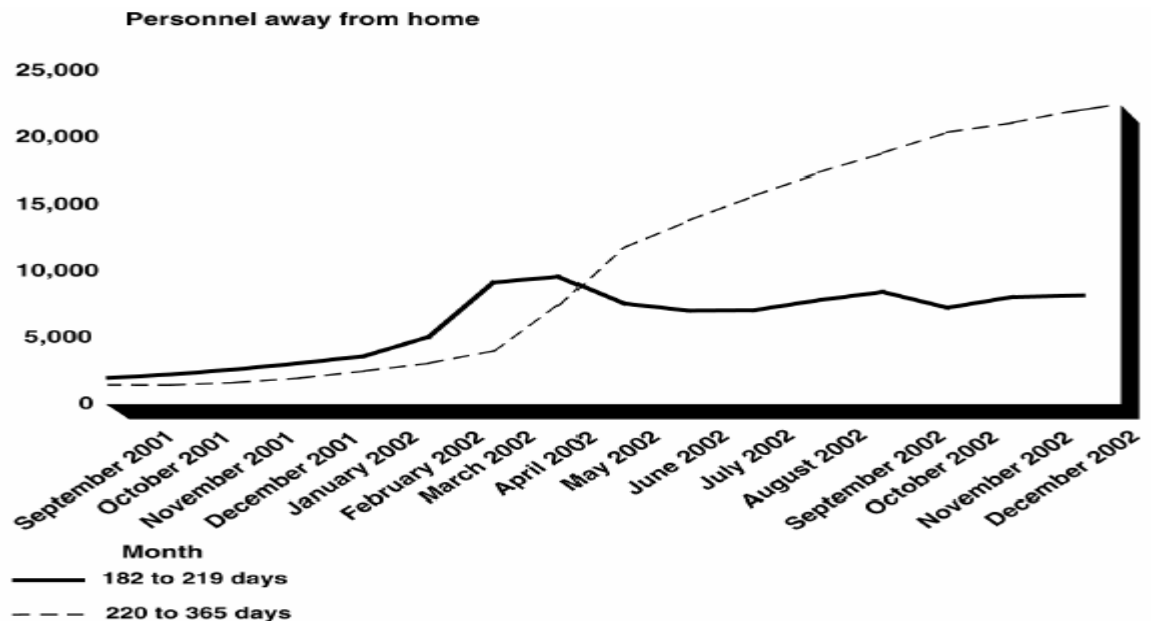
GAO found similar trends in Air Force personnel tempo reports:

In September 2001, about 2,100 Air Force service-members were away from home for 182 to 219 days, but that had risen to about 8,300 (which were comprised of about 75 percent Air Force Reserve and Air National Guard personnel) by December 2002. Also, as with the Army, Air Force servicemembers away 220 to 365 days had risen from about 1,600 to over 22,100 (of which Air Force Reserve and Air National Guard personnel represented about 70 percent), as shown in Figure 4 (GAO, 2003: 19).

GAO reported that the number of Air Force personnel exceeding the third personnel tempo threshold of 401 or more days away from home in the preceding 730-day period also increased during the latter period of 2002, starting at about 3,700 in September 2002 and rising to more than 8,100 (of which Air Force Reserve and Air National Guard personnel represented about 65 percent) in December 2002 (GAO, 2003: 19).



**Figure 3. Army Personnel Exceeding the Established Personnel Temp Thresholds**



**Figure 4. Air Force Personnel Exceeding the Established Personnel Tempo Thresholds**

Source: GAO Analysis of Defense Manpower Data Center data.

These statistics do not lend support to the position that DOD has a military force capable of sustaining the current level of operational commitments for very long. Furthermore, the issue of retention is bound to take hold as more and more servicemembers are required to spend increasing amounts of time away from home in an increasingly hostile environment. The pentagon has begun to acknowledge recruiting challenges that lay ahead. For example, Bill Carr, the acting Deputy Secretary of the Department of Defense in charge of military personnel policy, “projects fewer recruits than normal will sign up and head for boot camp this fall” (Zdechlik, 2004: 2). Military planners are predicting that the Army will fall short by 6,500 recruits this fall (Zdechlik, 2004:2). Carr concedes that the military is becoming a tougher sell in light of recent conflicts. Furthermore, the ‘rules’ of the military have changed with respect to the Pentagon enacting a draft-conscript under the guise of “stop-loss”. In some servicemembers’ eyes this represents an egregious example of how the trust between the Pentagon and those in uniform has become fractured. If the United States is to maintain

an effective military force and retain its valuable human capital a compromising solution at the highest levels must be achieved. Whether the answer is to increase end- strength or further adjust defense department missions and roles relative to the homeland security strategy in an effort to ease the burden of increasingly higher operational tempos is the key issue.

***b. Trade-offs in Training for and Conducting Domestic Military Operations***

The Department of Defense military and non-military missions differ in a variety of ways and degrees. Domestic military operations and traditional homeland defense operations are at competing locations along the training and executability continuum. Complicating the situation is the fact that some units are not well structured for their domestic military missions and cannot maintain the mission essential skills required to maintain combat proficiency while supporting their enhanced role in homeland defense (GAO, 2003: 14).

Domestic military missions are placing an unprecedented burden on U.S. Forces from a sustainability standpoint. While Pentagon structural and combatant command changes have occurred in response to the new homeland security strategy, DOD still has work to do in terms of its forces structure in support of domestic military missions. Personnel tempo figures provided by GAO reports indicate the current mission approach is stressing U.S. forces to what could be a point of diminishing marginal returns for homeland defense and homeland security.

The Department of Defense must achieve a balance between domestic military operations and overseas missions. Current manpower levels do not appear adequate for supporting new domestic military missions and the sustainability of DOD current mission commitment and operational tempo. If the defense department is going to place increased emphasis on homeland defense and homeland security, as required by the post September 11 National Security Strategy, without increasing end-strength, then trade-offs between training for and conducting domestic military operations and traditional homeland defense are going to have to be made.

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### **III. BUDGETARY IMPACT IN ESTABLISHING THE DEPARTMENT OF HOMELAND SECURITY**

#### **A. SPENDING TRENDS RELATED TO HOMELAND SECURITY**

Establishing the Department of Homeland Security in response to the war on terrorism has had an unprecedented impact on the structure of the federal government to include state and local government, its budget, and the federal budget deficit. Some of the changes in spending, however, are not what one might expect. The establishment of the Department of Homeland Security that consolidated the functions of twenty-two legacy agencies should streamline budgeting among the agencies comprising the homeland security department. Therefore, a more centralized command structure should reduce overspending and redundant funding for related departmental budgets. In addition, some agencies would expect to see a decrease in funding when their new function shifted responsibilities toward the Department of Homeland Security—this has not necessarily been the case. On the contrary many governmental agencies have climbed onto the homeland security bandwagon to secure increased funding commensurate with the increased emphasis placed on homeland security and defense throughout the federal government.

Chapter II explained some of the significant mission changes that occurred as a result of the creation of the Department of Homeland Security. The resulting mission shift affected no less than 23 agencies: the 22 agencies that were consolidated into the Department of Homeland Security and the Department of Defense. Many mission adjustments were drastic and the budgetary impact in response to these changes has been to increase the amount of homeland security funding for most departments. Interestingly, however, the FY 2004 budget provided only a modest increase in funding over FY 2003 levels for Homeland Security spending at \$41.3 billion. Perhaps this signaled a misalignment of priorities with the Administration or perhaps a miscalculation as to what would be adequate for homeland security spending. It should be noted, however, that the overall DOD budget increased by \$15.3 million over FY 2003 levels. The Administration's FY 2005 budget request includes \$40.2 billion for homeland security, representing a 10.0



percent increase in funding. The Department of Defense would receive \$8.0 billion in FY 2005 compared to \$6.7 billion in FY 2004 for its homeland security-related programs and activities.

Funding for homeland security is categorized in many ways and one way the current Administration categorizes funding for homeland security is by “National Strategic Mission Area” (see Table 2). Two thirds of the homeland security budget is accounted for by the Border and Transportation Security mission and the mission for Protecting Critical Infrastructures.

**Table 2. Homeland Security Funding by Mission (in millions of dollars)**

Mission	FY 2003*	FY 2004	FY 2005 Request	Share of FY 2005 Request
Border and Transportation Security	15,171	15,323	17,075	36%
Protecting Critical Infrastructure	12,893	12,571	14,060	30%
Emergency Preparedness and Response	3,873	7,133	8,802	19%
Domestic Counterterrorism	2,509	2,994	3,420	7%
Defending Against Catastrophic Threats	2,428	2,827	3,358	7%
Intelligence and Warning	125	269	474	1%
Other	118	191	197	0%**
<b>Total</b>	<b>37,118</b>	<b>41,307</b>	<b>47,386</b>	<b>100%</b>

\*This figure does not include \$5.3 billion in homeland security funding provided in the FY 2003 Emergency Supplemental Appropriations Act.

\*\* Rounds to less than one percent.

Source: OMB.

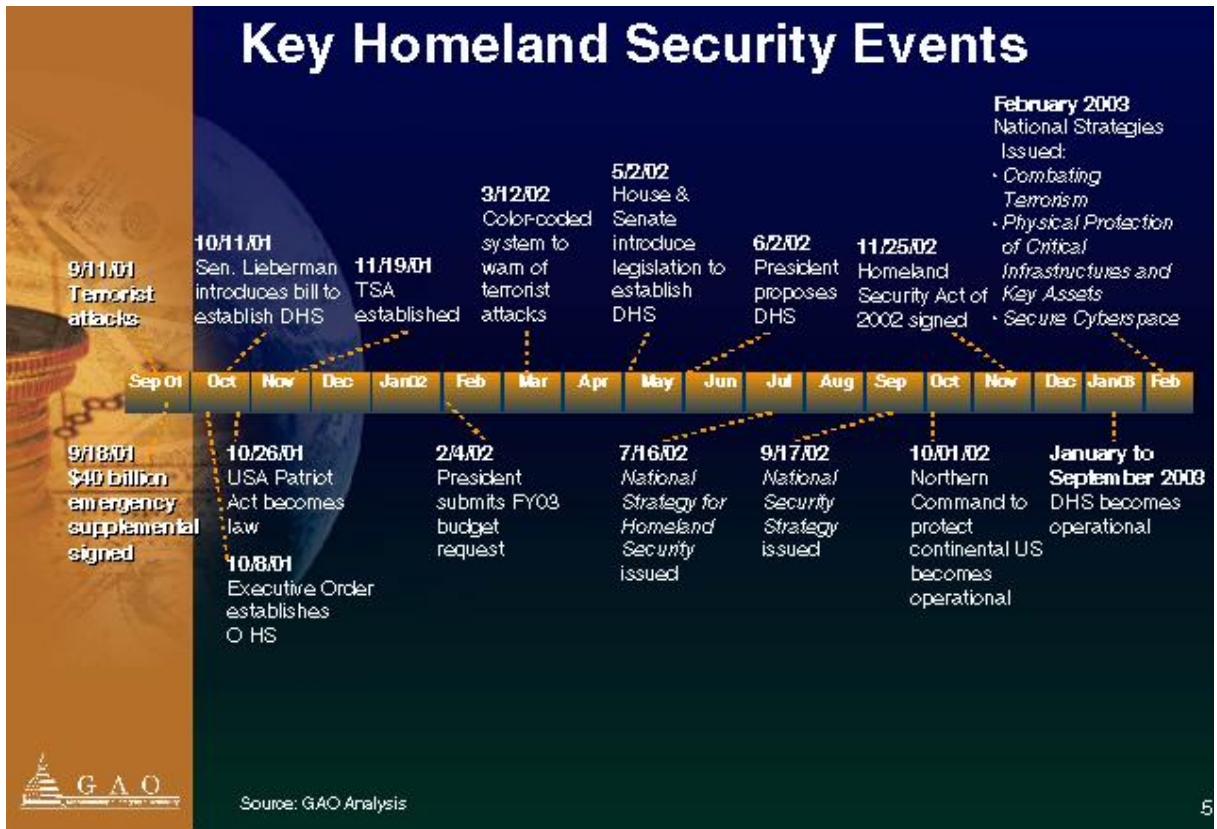
In terms of total dollars the largest increase for FY 2005 is for Border and Transportation Security. A troubling trend in homeland security funding is the fact that the FY 2004 budget for homeland security was only one tenth the size of the total budget for national defense while the FY 2005 budget represents only one ninth of the total budget for national defense. Moreover, growth in homeland security funding over the long term is projected to be very minimal (Kosiak, 2003: 5). Exactly how much funding is enough is a difficult question to answer, however as Steven Kosiak points out in his analysis of the Administration’s FY 2005 budget request, “...[the administration’s] plan may fall short of meeting U.S. security requirements if the kinds of challenges faced by the U.S. [and its] military change significantly over the coming years” (Kosiak, 2004: 3).

The goal in establishing the Department of Homeland Security was consolidation of homeland security and homeland defense functions for the United States. In reality, the responsibility for providing homeland security and homeland defense is still shared among many organizations. Despite the efforts of President Bush to consolidate the functions under one department, there are numerous separate agencies that contribute to maintaining the security of the homeland. This fact makes funding homeland security very difficult since lawmakers have a responsibility to ensure that resources are appropriately and adequately allocated to the various departments responsible for providing homeland security and homeland defense all the while ensuring effective and efficient use of federal funds.

### **1. Homeland Security Spending**

Money has been spent on homeland security throughout our nation's history. It is important to note that although the level of spending has increased since September 11, 2001, the requirement for homeland security did not originate as a result of the terrorist attacks that day. Between FY 1995 and FY 2001, the federal government increased homeland security spending in the regular annual appropriations bills from 9\$ billion to \$16 billion, representing an increase of 60 percent (Kosiak, 2003: 2). In contrast, however, spending on homeland security rapidly increased surrounding key events after the attacks on September 11 (see Figure 5). Congress approved \$64 billion in emergency funding, including \$20 billion for FY 2001 and \$44 billion in two separate supplemental appropriations in FY 2002. Much of the vast increase in homeland security spending was due to the exorbitant costs (\$38 billion) in establishing the Department of Homeland Security. Although actual spending in direct response to the attacks has been significant, it was only one part of the total bill for homeland security during FY 2001 and 2002.

Under the definition adopted by CBO, federal spending (expressed in terms of budget authority) for homeland security was \$17.2 billion in 2001 and about \$22.2 billion in 2002. Those totals include funds provided in the 13 enacted appropriation laws for fiscal years 2001 and 2002 and portions of the \$40 billion provided in the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (P.L. 107-38) and the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002 (P.L. 107-117) (GAO, 2003: July).



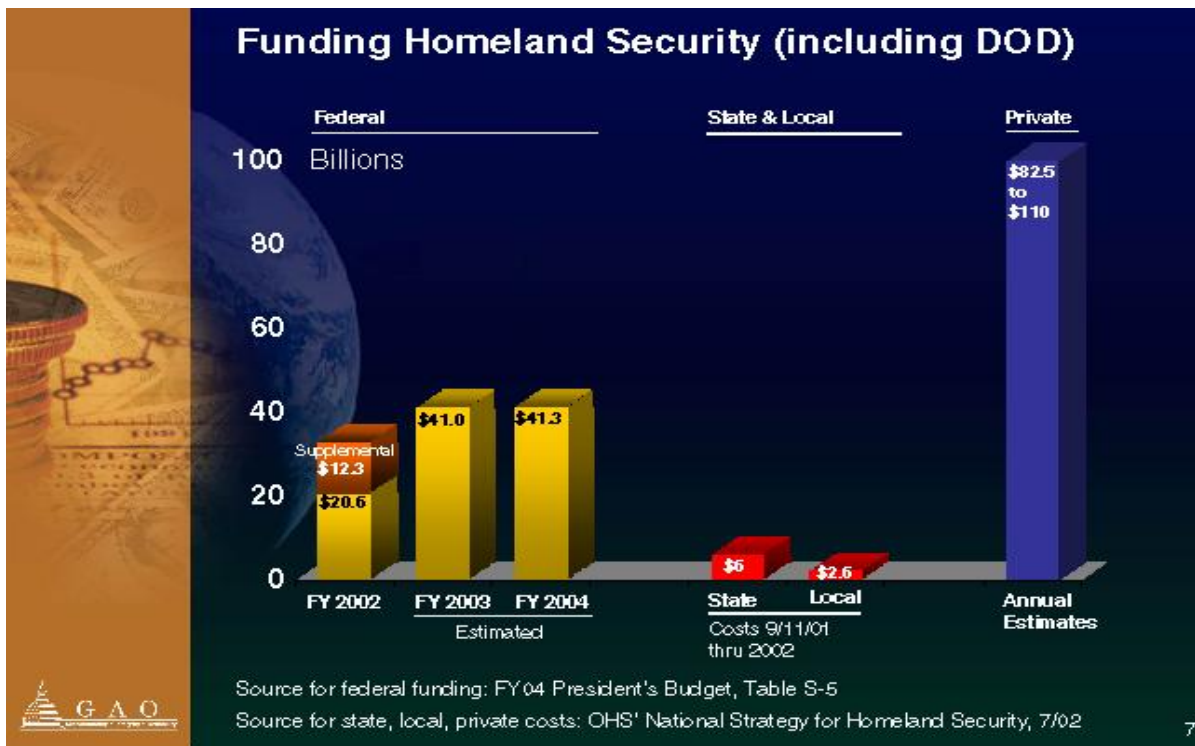
**Figure 5. Key Homeland Security Events**

During FY 2003 the Administration actually spent \$42 billion on homeland security—\$ 1 million more than the estimated \$41 billion in the FY 2003 budget (see Figure 6) (OMB, 2004: 370). All-in-all funding for homeland security was increased by 240 percent between FY 2001 and FY 2003 (Kosiak, 2003:1). For FY 2004 actual funding for homeland security was \$36.2 billion while the FY 2005 budget request provides \$40.2 billion. Clearly, homeland security represents a large portion of the overall federal spending. These billions of dollars are being spent by multiple agencies and departments throughout the government, which makes ensuring efficient use of funding very difficult to manage.

Analysis of spending for homeland security is particularly difficult because spending is so pervasive and is contained in several different budget functions. Although the majority (57.8%) of homeland security spending is attributed to the Department of

Homeland Security, the remaining 42.2% is distributed among the Department of Defense (16.2%), Department of Health and Human Services (9.1%), and Department of Justice (5.5%). In fact, nearly all of the budget functions contain some amount of funding designated for “homeland security” activities (CBO, 2003: March).

Some of the most dramatic outlays in terms of spending by the Homeland Security department have been on private contracts. “The Department of Homeland



**Figure 6. Homeland Security Funding Levels**

Security during its first, hectic year of operation paid private contractors at least 45 billion to make America safer from terrorist attack” (Hargrove, 2004:1). The homeland security department signed at least 18,505 contracts whose fees ranged from \$800 million to \$14.8 million on select goods and services (Hargrove, 2004:1). The majority of the Department of Homeland Security’s expenditures during its first year was \$792 million for chemical-detection and automated alarm systems in major public

buildings. The largest single outlay made by the homeland security department was to Boeing Service Co. for \$294 million as part of a \$2 billion commitment to install and maintain explosive detection systems (EDS) and chemical trace detectors in 443 airports (Hargrove, 2004: 1). Pearson Government Solutions of Arlington, Virginia received the second largest payment of the year totaling \$276 million as part of a \$700 million contract to staff the new Transportation Security Administration, whose 64,000 employees are responsible for screening baggage and checking passengers at major airports (Hargrove, 2004:2).

## **B. ALLOCATION OF HOMELAND SECURITY FUNDING**

According to the GAO December 2002 report on homeland security spending during fiscal years 2001 through 2003 was spread among 36 departments or agencies. (see Table 3) Although most are governmental agencies, several of the agencies listed in Table 1 are independent. The overall trend among each of these agencies is the same—spending is increasing at unprecedented rates. September 11 legislation ignited a firestorm of spending in the name of homeland security. Every agency listed in Table 3 has increased its spending for homeland security since 2001. It is important to note that several of the agencies listed did not spend any money on homeland security prior to 2002. These agencies include: the Corporation for National Community service, District of Columbia, Federal Communications Commission, Kennedy Center, National Archives, National Capital Planning Commission, National Gallery of Art, Smithsonian, United States Postal Service and the U.S. Army Corps of Engineers. The combined total for homeland security spending by each of these agencies subsequent to September 11 was approximately \$1.173 billion in FY 2002.

Moreover, nearly three years after September 11, the federal government is funneling vast amounts of money toward developing new technologies (see Table 4) designed to track down terrorists and identify individuals who try to drop out of sight within the U.S. once their visa has expired. This is all part of a move to create a high-tech “Security Nation”, the base of which will be a passport-and-visa system designed to correct many of America’s many vulnerabilities to terrorist attacks. The Bush Administration has booked a 10% increase in the Department of Homeland Security budget and while the majority of

previous funding went toward personnel expenses most of FY 2005 funding will flow to anti-terrorism tools under development by the nation's top technological wizards (Magnusson, et al, 2004:34).

**Table 3. Homeland Security Funding by Department or Agency, FY 2001 to 2003**

Dollars in millions			
Department/Independent agency	FY 2001 actual	FY 2002 estimated <sup>a</sup>	FY 2003 President's budget request
Department of Agriculture	\$339.87	\$776.56	\$573.38
Department of Commerce	97.65	124.35	158.68
National Security/Department of Defense <sup>b</sup>	4,021.00	6,665.00	7,844.00
Department of Education	0.04	0.04	0.04
Department of Energy	1,000.28	1,271.13	1,201.40
Department of Health and Human Services	401.36	3,084.12	4,408.39
Department of Housing and Urban Development	1.97	1.97	2.72
Department of the Interior	25.18	114.14	110.51
Department of Justice	4,625.71	7,446.19	7,112.16
Department of Labor	15.97	26.37	26.95
Department of State	476.37	610.26	749.50
Department of the Treasury	1,786.38	2,741.55	2,888.75
Department of Transportation	2,535.95	9,252.60	7,784.17
Department of Veterans Affairs	18.74	47.42	83.92
Agency for International Development	0.11	0.18	0.18
Corporation for National Community Service	0.00	29.00	118.00
District of Columbia	0.00	212.65	15.00
Environmental Protection Agency	5.59	185.91	133.48
Executive Office of the President	0.16	143.80	47.50
Federal Communications Commission	0.00	0.00	1.00
Federal Emergency Management Administration	31.45	329.03	3,554.53
General Services Administration	92.93	276.95	346.91
Kennedy Center	0.00	4.31	1.91
National Aeronautics and Space Administration	120.42	228.92	137.48
National Archives	0.00	2.00	7.00
National Capital Planning Commission	0.00	0.76	0.00
National Gallery of Art	0.00	2.15	2.17
National Science Foundation	212.15	236.29	236.33
Nuclear Regulatory Commission	5.85	41.13	34.41
Office of Personnel Management	2.04	1.93	1.25
Securities and Exchange Commission	1.86	0.75	0.17
Smithsonian	0.00	21.70	20.00
Social Security Administration	73.83	113.10	129.16
United States Postal Service	0.00	762.00	0.00
U.S. Army Corps of Engineers	0.00	138.60	65.00
Other small/independent agencies	1.54	2.60	1.97
<b>Total<sup>c</sup></b>	<b>\$15,894.40</b>	<b>\$34,895.44</b>	<b>\$37,798.01</b>

Source: OMB Memorandum M-02-14, "Additional Information Requirements for Overseas Combating Terrorism and Homeland Security for the FY 2004 Budget" (August 8, 2002) and GAO analysis.

Note: Numbers may not add to totals because of rounding.

<sup>a</sup>The FY 2002 estimated funds includes homeland security amounts from the FY 2002 enacted budget (\$19,582.46); the emergency supplemental enacted September 2001 (\$10,728.83), and the emergency supplemental enacted August, 2002 (\$4,584.15).

<sup>b</sup>The category "National Security" includes Department of Defense and intelligence community funding combined to keep figures unclassified.

<sup>c</sup>OMB does not report on homeland security funds for the judicial or legislative branch.

**Table 4. Homeland Security Money Flowing Toward Technology**

<b>Border and Port Security</b>	<b>\$13.7 billion (6% increase)</b>
New screening and monitoring devices will try to detect explosives, radioactive materials, and biological agents at the border. Tracking visitors is also key.	
<b>Aviation Security</b>	<b>\$5.2 billion (20% increase)</b>
Money is directed toward new-generation screening methods for explosives, passenger recognition, and cargo hazards. Stepped-up funding will also go to air-marshall training.	
<b>Immigration Enforcement</b>	<b>\$4 billion (8% increase)</b>
The number of enforcement agents conducting worksite searches for illegal aliens will double. Arrests and deportations of fugitive illegals will be stepped up, and agents would also crack down on visa counterfeiters.	
<b>Biodefense</b>	<b>\$2.5 billion (176% increase)</b>
Much will be spent on R&D for vaccines to counter anthrax, smallpox, and other bioweapons, as well as new systems that monitor air for germs in high-threat cities. Funds will go to labs and small tech companies.	
<b>Infrastructure Protection</b>	<b>\$865 million (4% increase)</b>
Studies will assess vulnerabilities in public utilities, buildings, and transportation facilities, as well as in cyberspace. Much of the funding will flow to consultants.	

Source: Adapted from Magnusson, et al.

The question thus becomes; are we more secure given the increased emphasis on technology spending and less for example on operations and maintenance within the defense department? To answer this question a review of the city of New York might prove very insightful. If there is anything unifying throughout the multitude of emergency responders in New York City it is the fact that each one feels that purchasing a new piece of technology would solve all of their problems; this however is where the synergy seems to stop. According to an article published in U.S. News & World Report, New York is horrendous in terms of a lack of willingness to interoperate (Roane, 2004: 37). The problem apparently lies not in the availability of technology but in getting the cultures within all the agencies to understand the importance of the ability to talk to each other.

Investigations into the emergency response after the 9/11 attacks found that the New York City's Office of Emergency Management, despite spending more than \$25 million on emergency preparations, had never conducted a drill involving the city's Fire Department and Police Department, as well as the Port Authority emergency Staff (Roane, 2004:37).

The Office of Emergency Management, in New York City, was developed after September 11 to manage all the players in an emergency response. Unfortunately this office is finding itself in little more than an advisory role with no real teeth with which to conduct its affairs. Thus, working together and crossing cultural boundaries with shared information

among all agencies comprising first responders does not seem like a problem that can be solved with improved technology alone.

There are five major federal departments that account for over 90 percent of the funding for homeland security: (1) Homeland Security, (2) Defense, (3) Health and Human Services, (4) Justice, and (5) Energy. A review of the funding for each department follows.

### **1. DHS Share of Homeland Security Funding**

The Department of Homeland Security is structured around four major organizations: border transportation and security; emergency preparedness and response; information analysis and infrastructure protection; and science and technology. In trying desperately to win the war on terrorism the Bush Administration FY 2004 budget provided \$453.7 billion in budget authority for national defense of which \$23.9 billion was earmarked for the department's homeland security-related missions. The 2004 DHS budget included \$500 million to assess and address vulnerabilities in critical infrastructure such as nuclear power plants, telecommunications networks, and transportation systems; \$373 million for the development of new technologies related to homeland security; \$373 million for border security; and \$3.5 billion to assist in training and equipping first responders (Kosiak, 2003: 4). The Department of Homeland Security would also receive \$12.2 billion for non-homeland security missions, such as maritime safety (Kosiak, 2003: ii). The administration's FY 2005 budget provides \$423.1 billion in budget authority for national defense. The Department of Homeland Security received an increase of 10.0 percent over FY 2004 funding levels to \$40.2 billion for FY 2005.

### **2. DOD Share of Homeland Security Funding**

During the 2000 presidential campaign, then-candidate Bush conceded that the United States military must be "transformed" to effectively counter the threats it will face in the 21<sup>st</sup> Century. Approximately \$6.7 billion of the \$41.3 billion requested for homeland security would be provided to the Department of Defense for its homeland security related activities (Kosiak, 2003: ii). The FY 2004 budget provided \$133.5 billion for Operations and Maintenance (O&M), which is quite high by historical standards. By contrast O&M funds for FY 2002 and 2003 were \$119.6 million and \$115.9 million respectively. Presumably this increase in O&M funding would provide the necessary



capital to sustain U.S. forces at a high state of readiness assuming the operational tempo for U.S. forces remains at normal peacetime levels (Kosiak, 2003: iii). However, indications are this is not going to be the case and this provides an important variable in the sustainability equation for the current operational tempo of the U.S. military services. The FY 2004 budget also included \$61.8 billion in funding for research and development (R&D). This represents an increase of \$4.1 billion from FY 2003 and an \$11.7 billion increase from FY 2002. This would be the highest R&D budget DOD has ever had and is probably necessary due to the investments necessary to transform the armed forces. The FY 2004 budget provided \$72.7 billion for weapons procurement, an increase from \$63.4 billion in FY 2002 and \$71.1 billion in FY 2003. Personnel spending for FY 2004 was \$98.9 billion from \$93.1 billion in FY 2002 and just \$96.7 billion in FY 2003. The FY 2005 budget provides \$8.0 billion for DOD homeland security-related missions representing a real increase of about 12 percent from FY 2004 levels (Kosiak, 2004: 5).

### **3 HHS Share of Homeland Security Funding**

The Department of Health and Human Services saw a 7 percent decline in FY 2004 from its FY 2003 funding levels. The Department of Health and Human Services \$3.6 billion budget goes primarily toward countering bioterrorism. Reasons for the reductions in funding are due to the transfer of various programs from Health and Human Services to the Homeland Security Department such as the National Disaster Medical System, the Metropolitan Medical Response System, the National Pharmaceutical Stockpile, and the Select Agent Registration Enforcement Program that tracks the transfer of pathogens for scientific and medical research (Kosiak, 2003: 5). The FY 2005 budget provides \$4.3 billion for HHS—a 2.3 percent or \$167 million increase over FY 2004 levels (Kosiak, 2004: 6).

### **4. Justice Department Share of Homeland Security Funding**

The Justice Department, with many other departments, has had a number of resources transferred to the new Homeland Security Department. For example, the enforcement function of the Immigration and Naturalization Service was absorbed by the Department of Homeland Security Border and Transportation Security Directorate. Interestingly, however, the Justice Department did not show a commensurate decline in

funding with the transfer of these functions in the FY 2004 budget. In fact the Department of Justice FY 2004 budget for homeland security activities was \$2.3 billion, which represents an increase of approximately 16 percent over FY 2003 (Kosiak, 2003: 5). FY 2005 homeland security funding levels for the department is \$2.6 billion, which is \$415 million more than FY 2004 levels. This increase is directed towards improving the FBI's domestic counterterrorism capabilities (Kosiak, 2004: 6).

#### **5. Department of Energy Share of Homeland Security Funding**

The FY 2004 budget included \$1.37 billion in homeland security-related spending for the Department of Energy represents a real increase of 15 percent from FY 2003 levels (Kosiak, 2003: 6). The vast increase in spending (\$173 million) is accounted for by increases in spending for safeguarding nuclear facilities, materials, and information. "Altogether, activities related to securing nuclear weapons facilities and protecting nuclear waste sites, laboratories, and other facilities account for 87 percent of the Department [of Energy] homeland security budget" (Kosiak, 2003: 6). The administration is providing the department \$128 million more than in FY 2005 for a total of \$1.5 billion for homeland security-related funding (Kosiak, 2004: 6). Table 3 provides a breakdown of outlays within the homeland security department.

As previously mentioned, determining how much to spend on homeland security an enormously difficult task and given the homeland security challenges facing the United States substantially more funding than the administration has provided may actually be needed (Kosiak, 2004: 6). For example, a 2003 report by a task force of the Council on Foreign Relations concluded that "U.S. funding for emergency responders (e.g. police, fire and rescue personnel) was roughly \$20 billion a year below the level needed to meet requirements" (Rudman 2003: 13).

#### **C. DEPARTMENT OF HOMELAND SECURITY BUDGET**

The Department of Homeland Security and the various other governmental agencies that have received money in order to support homeland security have capitalized on President Bush's objective that, "The United States government has no more important mission than protecting the homeland from future terrorist attacks." None of the agencies whose roles have changed due to the formation of DHS want to transfer money along with

missions. As seen previously in Table 3 many agencies, including DHS, have, in fact, received additional funding in support of homeland security.

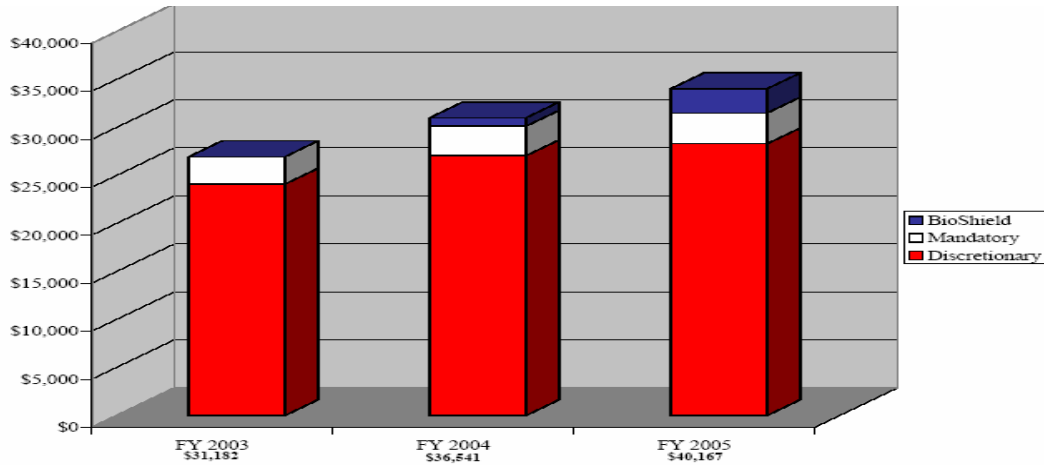
In the words of Secretary Tom Ridge, the creation of DHS and shift of functions from other agencies was “the largest reorganization of the federal government in more than half a century.” This reorganization has cost the United States government a considerable amount of money. The up-front costs of establishing the new department have been staggering. In the first year of existence, Department of Homeland Security spending was \$31.2 billion in total, not including the supplemental for the war in Iraq. Spending is projected to continue increasing through 2005 when expenditures will reach between \$33.8 billion and \$40.2 billion, an increase of 10 percent over 2004. See Figures 7 and 8 for a break-down of total budget authority for FY 2003 through FY 2005 and Figure 8 for a break-down of spending throughout the department.

The substantial increase in DHS funding is for expanding programs such as border and port security, transportation security, immigration enforcement and services, biodefense, incident preparedness and response, in addition to the implementation of a new human resource system that will reward outstanding performance (Ridge 2004:3). “[The new] budget will also continue the momentum toward integrating intelligence, operations and systems in a way that increases [the] nation’s security” (Ridge, 2004: 3).

Altogether, DHS accounts for 57 percent of the overall budget request for homeland security for FY 2005 (Kosiak, 2004:5).

Highlights of the DHS budget request include:

- An overall increase of 10% above comparable FY 2004 resource levels.
- Strengthening border and port security with \$411 million in new funding
- Enhancing biodefense by increasing funding for Project Bioshield by \$2.5 billion
- Providing an additional \$890 million (20 % increase over FY 2004) for improving aviation security



**Figure 7. DHS Total Budget Authority by Type, Fiscal Years 2003 to 2005 (in millions)**

- Increased funding by \$380 million for immigration security and enforcement
- Roughly \$490 million for the Coast Guard
- \$3.6 billion to support first-responder grants
- Over \$130 million to implement the new DHS human resources system

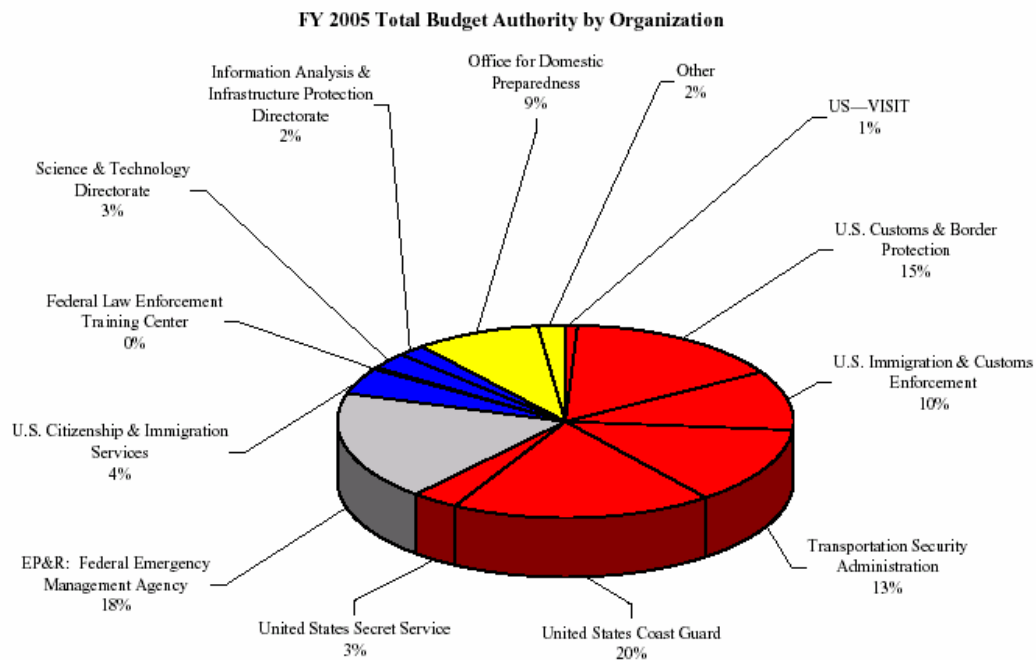
The justification provided by the Department of Homeland Security for the continued increase in spending is the dramatic growth of agencies that are part of DHS. As with all government spending, the DHS budget includes both mandatory and discretionary spending (see Table 5).

The climate in Congress at this point, due to the absence of spending caps on discretionary programs, pay-as-you-go restraints on mandatory accounts and a budget resolution, is one of spending any amount necessary in support of the mission but long-term support of this mission may be questionable, especially given the size of the federal budget deficit. Because a large part of the budget is considered mandatory, the overall spending level will likely continue to increase. Furthermore, the general trend in government budgeting is that spending labeled as mandatory is extremely difficult to decrease.

ORGANIZATION	FY 2003	FY 2004 <sup>2</sup>	FY 2005	(+/-) Change FY 2004 to FY 2005
<b>SECURITY, ENFORCEMENT, &amp; INVESTIGATIONS</b>	<b>21,566</b>	<b>22,606</b>	<b>24,691</b>	<b>2,085</b>
BTS Under Secretary	0	8	10	2
US VISIT	380	328	340	12
Bureau of Customs & Border Protection	5,887	5,942	6,199	257
Bureau of Immigration & Customs Enforcement	3,262	3,654	4,011	357
Transportation Security Administration	4,648	4,405	5,297	892
United States Coast Guard	6,196	6,935	7,471	536
United States Secret Service	1,193	1,334	1,363	29
<b>PREPAREDNESS &amp; RECOVERY</b>	<b>5,175</b>	<b>5,493</b>	<b>7,372</b>	<b>1,879</b>
<i>EP&amp;R Federal Emergency Management Agency (Less Biodefense) <sup>1</sup></i>	<i>5,175</i>	<i>4,608</i>	<i>4,844</i>	<i>236</i>
<i>Biodefense</i>	<i>0</i>	<i>885</i>	<i>2,528</i>	<i>1,643</i>
<b>RESEARCH, DEVELOPMENT, TRAINING, ASSESSMENTS &amp; SERVICES</b>	<b>2,330</b>	<b>3,591</b>	<b>3,810</b>	<b>219</b>
Bureau of Citizenship & Immigration Services	1,422	1,653	1,711	58
Federal Law Enforcement Training Center	170	191	196	5
Information Analysis & Infrastructure Protection Directorate	185	834	864	30
Science & Technology Directorate	553	913	1,039	126
<b>DEPARTMENTAL MANAGEMENT AND OPERATIONS</b>	<b>2,111</b>	<b>4,851</b>	<b>4,294</b>	<b>-557</b>
Departmental Management	2,040	4,771	4,212	-559
Departmental Operations	22	211	405	194
Technology Investments	47	184	226	42
Counter-Terrorism Fund	10	10	20	10
Office for Domestic Preparedness	1,961	4,366	3,561	-805
Inspector General	71	80	82	2
<b>TOTAL</b>	<b>31,182</b>	<b>36,541</b>	<b>40,167</b>	<b>3,626</b>

<sup>1</sup> FY 2003 includes supplemental funding for EP&R: FEMA (\$1,426 M); all other supplemental funding has been excluded

<sup>2</sup> FY 2004 total excludes war supplemental funding



**Figure 8. Total Budget Authority by Organization**

**Table 5. DHS Budget Overview, Fiscal Years 2003 to 2005**

	FY 2003	FY 2004 <sup>1</sup>	FY 2005	Change 2004 to 2005
<b>Total Resources</b>	\$31.2 billion	\$36.5 billion	\$40.2 billion	\$3.6 billion
<b>Mandatory and Fee-Funded Activity</b>	\$7.8 billion	\$8.6 billion	\$9.3 billion	\$700 million
<b>Biodefense Countermeasures</b>	0	\$885 million	\$2.5 billion	\$1.6 billion
<b>Net Discretionary Budget Request</b>	\$23.3 billion	\$27.1 billion	\$28.3 billion	\$1.2 billion

<sup>1</sup> Does not include Iraq Supplemental.

*Source: DHS Budget in Brief FY2005 report*

The 2005 budget request provides a \$3.63 billion increase for the Department over the 2004 enacted level. This funding level continues the dramatic growth for agencies that are now part of DHS and demonstrates the President’s commitment to Homeland Security even though specific DOD-related homeland security funding has not received the same priority. The 2005 budget request is \$9.0 billion or 29 percent greater than 2003 levels. For comparison, FY 2005 spending levels would be 103 percent greater than all spending levels combined for the incoming twenty-two components that were merged in 2001.

The Coast Guard consumes the largest portion of the DHS budget (see Figure 8). It is one of several organizations moved from elsewhere in the government to the newly founded homeland security department. As with many organizations that were moved to DHS, the Coast Guard’s budget has increased along with its mission. In contrast, the resulting change to the Department of Transportation budget is one of the few cases where the overall budget decreased after the restructuring to support the homeland security department.

Although not part of the Department of Defense, the United States Coast Guard is one of the nation’s five armed services. It is a military organization whose mission includes: Maritime Security, Maritime Safety, Protection of Natural Resources, Maritime Mobility and National Defense services. The Coast Guard was moved to the Department of Homeland Security in 2003 from the Department of Transportation. At \$6.9 billion, the

Coast Guard budget represents nearly 20% of the overall FY2004 DHS budget. In previous years while part of the Department of Transportation, the Coast Guard consumed 10% of the overall DOT budget.

The increase in aviation security spending is 20 percent more than FY 2004. The new funding will be used for improving integration and explosive detection equipment at individual airports to further increase security effectiveness. Border Security will benefit with the new Container Security Initiative developed to pre-screen cargo containers in high-risk areas. The Coast Guard's 9 percent increase will be used in upgrading its port security efforts and implementing the Maritime Transportation Security Act. Project Bioshield received the largest increase in funding at 177 percent above FY 2004 levels designed to encourage the development and purchase of medical countermeasures against weapons of mass destruction.

#### **D. DEPARTMENT OF TRANSPORTATION BUDGET**

The Department of Transportation (DOT) made significant changes subsequent to the establishment of DHS. Two of DOT main sub-functions, the U.S. Coast Guard and the Transportation Security Administration, were transferred to the Department of Homeland Security. The transportation budget also changed as a result of the shift. Unlike the Department of Defense, spending for DOT seems to have shifted to DHS along with the two subordinate organizations and their new missions. Perhaps this is because the mission shift is more clear-cut. Even after the change, however, DOT spends over \$7 billion on homeland security.

The Transportation Security Administration (TSA) was originally placed under the Department of Transportation and was later moved to the Department of Homeland Security. The money allocated to TSA in 2001 and 2002 represented new spending that was not transferred to TSA from another agency or department. Money for the Transportation Security Administration is allocated to four main areas: Aviation Security, Maritime and Land Security, Intelligence, and Research and Development.

In the first year, TSA did not have an actual budget. During its first year, FY2002, TSA spent only \$100 Million. Within one year of creation, TSA requested \$6.16 billion for

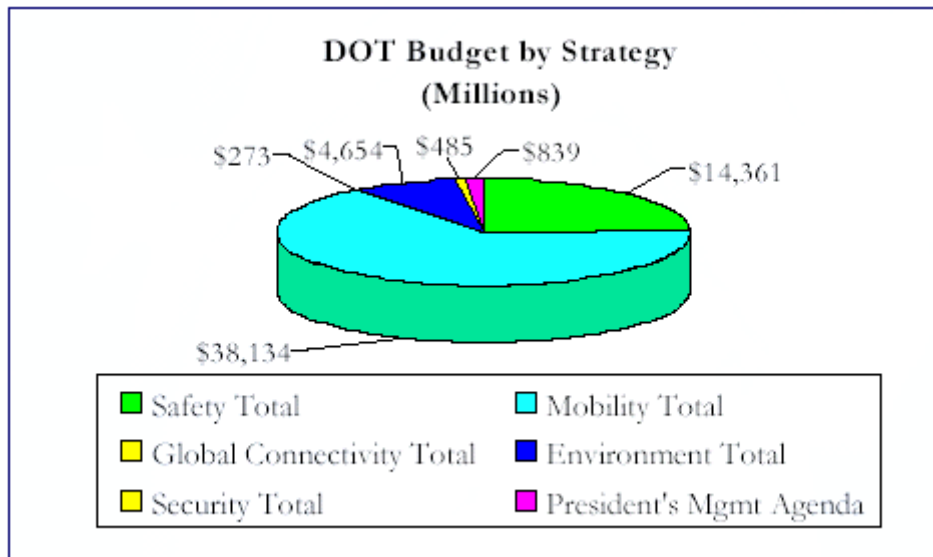
FY2003, which was subsequently reduced to \$4.82 billion for 2004. The three-year spending cycle of TSA should be used as a template for the other Department of Homeland Security agencies. While the initial spending was extremely high, TSA seems to have become more realistic about its needs and more meticulous with its allocations and has decreased its budget requests accordingly.

As with TSA, the budget of the Department of Transportation can be used as an example for other governmental agencies to follow in exercising fiscal restraint. The overall DOT budget was reduced in response to the creation of DHS. The Department of Transportation's FY 2004 budget totaled \$54.3 billion in mandatory and discretionary funding. When DOT lost two of its subordinate units, it also lost the funding associated with them. Unfortunately, this seems to be an isolated case in which the budget actually flowed to DHS along with the mission and away from the original parent department.

The President's FY 2005 budget request for the Department of Transportation totals \$58.37 billion in budget authority. This represents a decrease of \$153 million when compared to the FY 2004 enacted funding level. In a further example of fiscal responsibility, the Department of Transportation has implemented a straightforward strategy (as depicted in Figure 9) for allocating funds throughout the department.

A top priority of the Administration's 2005 plan is the Department of Transportation's commitment to pass the "Safe, Accountable, Flexible, and Efficient Transportation Equity Act," or "SAFETEA" (Mineta, 2004: 1). Last May, the President proposed the largest investment in history for surface transportation programs. The 2005 budget includes \$256 billion in Federal resources over the six-year life of the bill, an overall funding increase of \$8.6 billion over the original request for SAFETEA (Mineta, 2004: 1).





**Figure 9. DOT Budget Strategy**

**E U.S. NORTHERN COMMAND BUDGET**

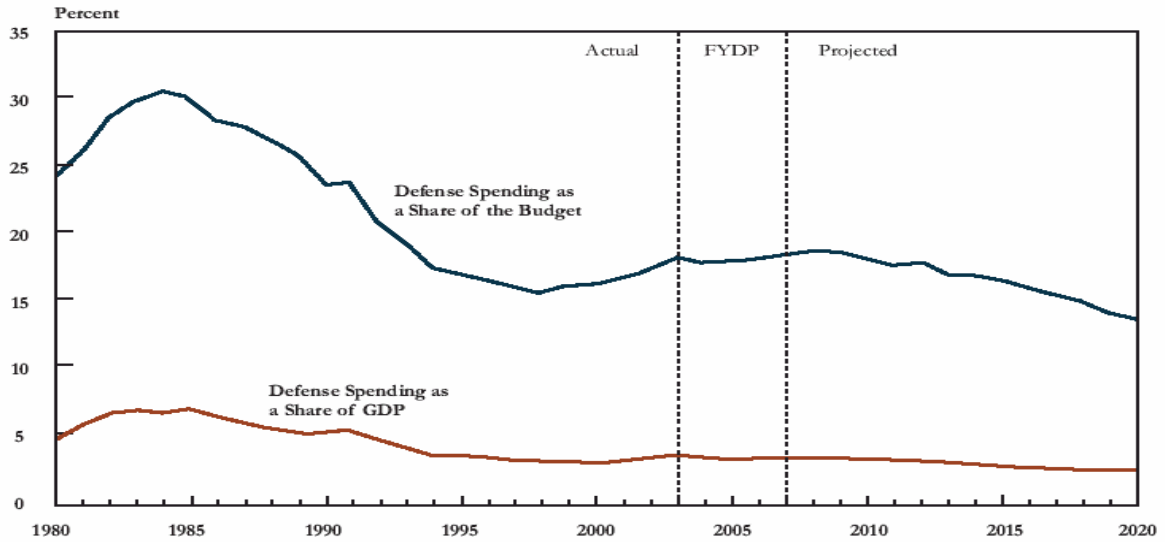
US Northern Command became operational on 1 October 2002. The annual budget for US NORTHCOM was estimated to be about \$70 million but the initial spending to establish the new command was much higher (Rutledge, 2003: August). For example, the President’s FY 2003 budget included \$81 million earmarked for the establishment of NORTHCOM. This amount included funding for operations and maintenance, military construction and procurement (CRS, 2003: 2). Supplemental funding in FY 2002 included \$10 million to support the JTF Civil Support (the Homeland Security Directorate (HLS) component within JFCOM) and the NORTHCOM transition team established to meet initial operational capability requirements (CRS, 2003: 2). In stark contrast to original budget estimates the actual budget for NORTHCOM in FY 2004 was \$156 million.

**F. DEPARTMENT OF DEFENSE BUDGET**

In examining the budgetary impact of the homeland security department the initial hypothesis before conducting any research was that defense spending would have decreased as a result of creating the Department of Homeland Security. Additionally, it was assumed that other government agencies would encroach upon the DOD budget in the name of homeland security and further reduce its funding. As this research has shown, spending on

homeland security is spread quite broadly among numerous agencies, both governmental and independent. In contrast to the original hypothesis, the DOD budget has not decreased since the creation of DHS although the relative increases in spending from year to year have decreased. Since FY 2002 outlays (in current dollars) for DOD have increased 29 percent from \$332.1 billion in FY 2002 to \$416.2 billion in FY 2005. Defense related homeland security funding is on the rise as well. The largest increase since FY 2002 is occurring in FY 2005 at \$3.25 billion, which represents a 53.6 percent increase from FY 2004 levels at \$2.12 billion. The FY 2005 defense budget also contains \$25 billion, as requested by the President, for war-related expenses in Iraq and Afghanistan as a fiscal year 2004 emergency requirement.

Furthermore, according to the Congressional Budget Office, discretionary outlays for defense have been increasing since 2001. In the five years prior to 2001 outlays for defense decreased in two of the years and increased less than 3 percent in two of the three years in which outlays increased. Since 2001, however, the amount of discretionary outlays for defense has increased more than 13 percent each year (CBO, 2001: January). As a percentage of Gross Domestic Product (GDP) defense spending has been decreasing since 1986 and was steady at 3 percent for the three years prior to 2002. As of 2004 defense spending was approximately 3.6 percent of GDP (see Figure 10).



Source: Congressional Budget Office using data from the Department of Defense.

Note: FYDP = Future Years Defense Program; GDP = gross domestic product.

**Figure 10. Defense Spending as a Percentage of GDP**

Budget Authority for the defense department was \$ 373.6 billion in FY 2004 while the FY 2005 budget provides 7.5 percent more at \$ 401.7 billion (see Table 6). For a more accurate portrayal of changes in DOD Budget Authority all figures in table 6 were adjusted for inflation and are displayed in Table 7. As can be seen in today’s dollars actual changes in budget authority have not been very extraordinary. Moreover, the Administration typically reports defense spending increases as a percentage above FY 2001 levels, which is skewed since these reports are not adjusted for inflation. However, when adjusted for inflation spending for defense has not increased as much as one might think. In fact FY 2004 outlays for defense were \$1.5 billion less than in FY 2003.

In contrast, the FY 2005 budget appears to better prepare the military in terms of dollars available in its effort to battle the war on terrorism in Iraq and Afghanistan. One has to wonder why funding, once adjusted for inflation, for FY 2004 was less when

**Table 6. Trends in DOD Budget Authority from 2001 to 2005**

<u>Year</u>	<u>(\$ billions) Defense Outlays</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
2001	310.6	17.3	5.9
2002	334.0	23.4	7.5
2003	364.6	13.8	3.9
2004	373.6	8.9	2.4
2005	401.7	28.1	7.5

**Table 7. Trends in DOD Budget Authority Adjusted for Inflation**

<u>Year</u>	<u>(\$ billions) Defense Outlays</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
2001	332.2	9.6	3.0
2002	351.6	19.4	5.8
2003	375.1	23.5	6.7
2004	373.6	(1.5)	-0.4

compared to previous years the last half decade. Perhaps hard lessons have been learned by the administration at the expense of the U.S. military in terms of trying to ‘do more with less’.

Compared to Department of Homeland Security funding the defense department has received paltry increases in budget authority. Consider, for example that in FY 2003 DHS received a 34.7 percent increase in funding compared to DOD who received an increase of 3.8 percent. And most recently in the FY 2005 budget increases in DOD spending were 7.0 percent greater than the previous year compared with DHS who received a 10.1 percent increase. Increases in DHS spending are certainly justified; however, the relative increases in DOD and perhaps signal an imbalance in priorities

**Table 8. Comparison between DOD and DHS Spending**

<u>Year</u>	<b>DHS Spending (in billions)</b>	<b>DOD Spending in billions)</b>	<b>DHS % increase</b>	<b>DOD % increase</b>
<b>2003</b>	31.2	364.6	34.7	3.8
<b>2004</b>	36.5	373.6	17.0	2.4
<b>2005</b>	40.2	401.7	10.1	7.0

considering the enormous task being placed upon DOD in combating terrorism and hence providing homeland defense *and* homeland security.

Highlights of DOD FY 2005 budget include:

- \$68.9 billion for R&D programs
- \$25.0 billion in emergency funds for Iraq
- \$1.0 billion for legislative authorities vital to fighting terrorism

Up to \$500 million will be used to train, equip and support the military and security forces in Iraq, Afghanistan and nearby regional nations in combating terrorism. An additional \$300 million will be available for the Commanders Emergency Response Program designed to allow military leaders in Iraq and Afghanistan to respond to urgent humanitarian relief.

While \$200 million will be provided to help the Afghan National Army under the Afghanistan Freedom Support Act. R&D programs include major initiatives designed to transform military capabilities. Notable programs include \$9.2 billion for the Missile Defense Agency, a \$1.5 billion increase above FY 2004, for defending the United States against ballistic missile attacks. The Cruise Missile Defense program will receive \$239 million. Shipbuilding will receive \$11.1 billion to support procurement of nine ships. The FY 2005 budget marks the beginning of a transformation period wherein DDG 51 class destroyers will be phased out to make room for the new DD(X) destroyer and the Littoral Combat Ship; \$775 million will be spent on transforming satellite communications systems in an effort to free users from current bandwidth restraints; \$600 million will be provided for the Joint Tactical Radio System that will be used to enhance information exchange between joint warfighting elements as well as national authorities for seamless networking. Lastly, of

significant dollar importance is the Joint Unmanned Air Systems program that will receive \$710 million in an effort to achieve the best capabilities for unmanned aerial vehicles.

The FY 2005 defense bill was placed on the “fast track” by Congress and the President in order to make the emergency funds for Iraq available immediately after being signed into law by the President. Recent operations in Iraq and Afghanistan have reemphasized the importance of new technologies and weapon systems. The highlights for FY 2005 seem to align with the President’s commitment to defense transformation and force modernization. However, whether or not they will actually diminish the demands on operational forces remains a lofty goal for the Administration and the Pentagon, which will be measured in the near future.

Whether the administration’s defense budget is adequate in terms of modernizing the US military and maintaining operation and support costs for operations being carried out in Iraq will remain to be seen. It is estimated that an additional \$30-50 billion will eventually be needed to cover the costs in Iraq, Afghanistan and elsewhere (Kosiak, 2004: 29). Even more astounding are studies completed by CBO and CSBA, which suggest that fully implementing DOD plans over the long term could require an additional \$70 billion a year (Kosiak, 2004: 29). There is little doubt this money will be provided through emergency supplementals, which will add to the federal debt. As such the long term picture of the federal budget deficit will dramatically worsen over the next several years.

### **1. Implications for Federal Deficit**

The cost trends associated with additional missions for DOD in a post September 11 world are alarming. The Congressional Budget Office (CBO) has determined two basic estimates for providing homeland security and homeland defense: a low-end estimate and a high-end estimate. CBO’s low-end estimate is based on DOD current cost estimates for programs and activities in executing its long-term plans. Based on the current cost estimates, DOD budget would require an increase from \$380 billion FY 2004 to about \$440 billion in FY 2009, and keeping funding at an average of about \$458 billion a year between FY 2010 and FY 2022 (CBO, 2003, July). CBO indicates that, over the coming decade, DOD would need a total of some \$4.27 trillion in funding to implement its plans (CBO, 2003: July). The high-end estimate makes the assumption

that the U.S. military will continue to take an active role overseas and ensuring the war on terrorism is fought, in the words of President Bush, “on their land and not ours”. In this scenario executing the current defense plan could cost an average of \$472 billion a year through 2009 and an average of \$533 billion a year between 2010 and 2022 (CBO, 2003: July). Based on this high-end cost estimate, the CBO report indicates that, over the coming decade, DOD would need to be provided a total of \$4.9 trillion in funding (CBO, 2003: July). The figures in the CBO reports were expressed in FY 2004 dollars.

In January of 2004 CBO forecasted a budget deficit of \$455 billion and then later adjusted its estimates in accordance with the President’s budget request to portray a less dim outlook for the nation’s deficit. Even still a more recent forecast by congressional auditors predicts the budget deficit may reach \$433 billion this year. While this is smaller than previously determined amounts earlier in the year it is still the largest inflation-adjusted shortfall since World War II (“Forecast Says,” 2004 ¶ 9). The CBO report also stated the deficit would shrink to \$348 billion in 2005. By FY 2009 the deficit is estimated to be \$258 billion. While the adjusted figures are more palatable the new estimates do not include the inevitable emergency supplementals to fund ongoing operations in Iraq and Afghanistan, which will undoubtedly cause a rise in the deficit. In fact for FY 2005 the defense department cannot yet determine the scope of operations in Iraq or Afghanistan nor their incremental costs (DOD, 2004:2). Therefore, these future costs are not budgeted for in 2005 and are thus not reflected in the FY 2005 budget.

Perhaps even more alarming than the short-term budget projections is the long-term deficit forecast over the next ten years ending in 2014. Congressional analysts now envision deficits totaling nearly \$2.3 trillion—almost \$300 billion worse than they projected in March (“Forecast Says,” 2004 ¶ 6). The long-term increase in the deficit is largely due to assumptions on extra spending for Iraq and Afghanistan over the next decade. “If the forecast proves accurate—and it likely will, since less than a month remains to the budget year, which ends Sept. 30—this year’s deficit would surpass last year’s \$375 billion shortfall, the current record. When adjusted to erase the effects of inflation, the 2004 projected deficit exceeds the value of every annual shortfall since World War II” (“Forecast Says,” 2004 ¶ 8).

The Administration has argued that fighting wars in Iraq and Afghanistan, battling terrorism and righting the economy are higher priorities than balancing the government's books. "They also argue that today's deficits are no reason for panic because, as a percentage of the overall economy, they are smaller than the largest shortfalls under President Ronald Reagan" (AP, 2004 ¶ 13). Many economists consider that ratio the most significant measure of the harm deficits can cause. Nevertheless, as public support for the war on terrorism wanes, the willingness to live with a deficit will likely fade as well. As a result it will be incumbent upon the homeland security department to secure funding in a budgetary environment that projects essentially flat levels of spending over the next five years.



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## IV. SUMMARY AND CONCLUSIONS

With the creation of the Department of Homeland Security and the overall increase in spending on homeland security the United States is stretching its resources for homeland defense and homeland security dangerously thin. It is unlikely that the Department of Defense will be able to sustain the current mission approach in support of the new national security strategy without increasing defense department homeland security-related initiatives such as implementing new technologies and increasing manpower levels. The defense department has a major role to play in developing an effective national security system in a post September 11 world. James Carafano of the *Heritage Institute* testified before the House Committee on Government Reform in April 2003 and stated the following initiatives need to be directed toward the Department of Defense: “Improving U.S. maritime defense, securing vital defense critical infrastructure, contributing new technologies, and preparing to respond to catastrophic terrorist attacks.”

The Department of Defense has restructured itself to the extent of creating a new command specifically developed for homeland security missions in the form of US Northern Command. Subordinate services within the Department of Defense have re-focused much of their training in response to domestic military missions and homeland security to the point of reducing their combat effectiveness and their overarching role in supporting homeland defense. The sustainability of current operations in terms of personnel tempo is suspect and may ultimately erode the overall effectiveness of the United States military. It is quite likely the challenges facing the military in the future are going to be significantly greater than those it faces today. Given this fact, larger increases in homeland security-related initiatives targeted for DOD will be necessary. Soon after the September 11 attacks there was broad support among the American public and policymakers for spending whatever it might take to protect the homeland. However, “the FY 2004 budget for homeland security represented, at best, a modest increase in real (inflation adjusted) terms from the level of funding provided for FY 2003” (Kosiak, 2003: 1). In contrast with FY 2004 the FY 2005 Department of Homeland Security budget was augmented by 10 percent

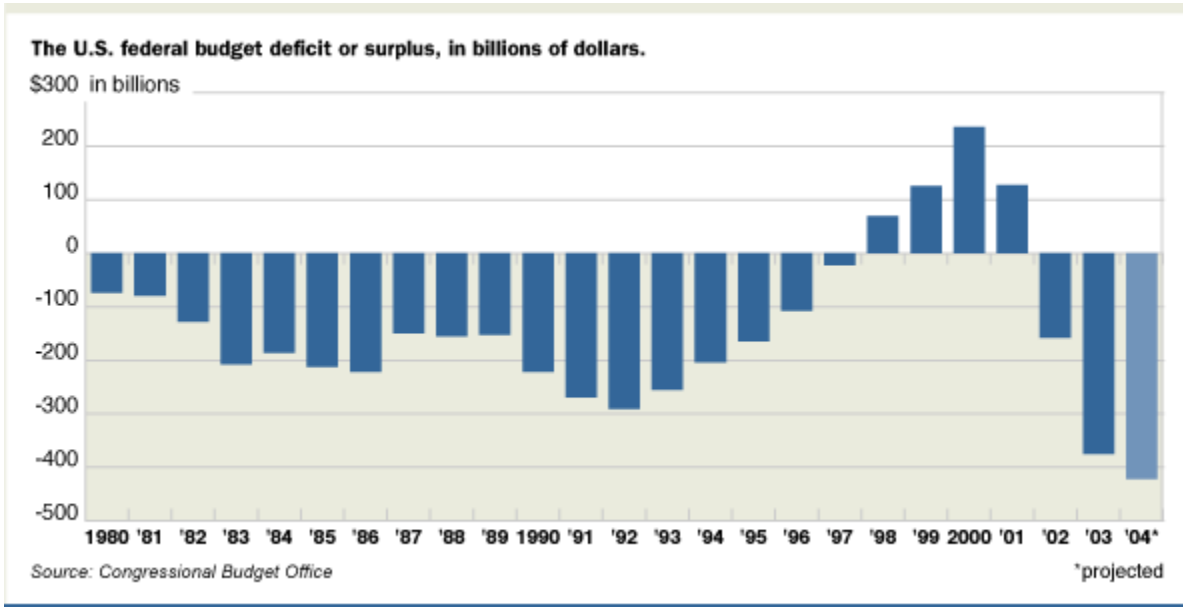
thus demonstrating a heightened priority placed on Homeland Security by the current Administration and perhaps signaling costly lessons learned in FY 2004.

Most every agency with major homeland security responsibilities would receive increased homeland security-related funding in FY 2005. For example, Project Bioshield will be increased by \$1.6 billion to 2.5 billion; the U.S. Coast Guard will see an 8 percent increase in funding; and aviation security will receive an additional \$890 million or 20 percent increase in FY 2005.

Much like the human capital expenditures described in this research, fiscal resources are being consumed at an alarming rate. The government has been overspending its receipts for the past three years and if such trends continue spending increases will persist and the deficit will continue to rise. However, recent CBO projections for FY 2005 and beyond do indicate a short-term decline in the deficit although long-term projections point toward a dismal \$2.3 trillion by 2014. Interestingly these projections do not include the inevitable emergency supplementals that will be required to fund operations in Afghanistan and Iraq. Nevertheless the federal government is in a difficult predicament in terms of winning the war on terrorism and reducing the federal deficit. After a four-year return to annual budget surpluses deficits have returned with a vengeance under the current Administration (see Figure 11). While it is true the United States historically has fought its wars while maintaining a deficit this type of war and this level of spending are unprecedented and history will perhaps not be a reliable indicator of the tolerance the American people will have for future deficit levels.

If there is any visible sign of fiscal responsibility within the current Administration it is the recent trend in only modest increases in homeland security spending in terms of real funding from FY 2003 to FY 2004 levels. “[Moreover], the limited information the administration has provided to date concerning long-term funding plans for homeland security would seem to suggest that—in contrast to its plans for defense—the administration expects funding for homeland security to be increased only relatively modestly, if at all, over the next five years” (Kosiak, 2003: ii). This brings into question a previously addressed concern as to whether the Administration’s budget priorities support its National Security Strategy. Clearly the budget provides short-term support for homeland security and some

military initiatives, but future projections do not indicate that extensive overseas presence and thus a robust homeland defense strategy is sustainable.



**Figure 11. Budget Imbalance**

In sum, the creation of the Department of Homeland Security has created friction points from a mission adjustment and an operational standpoint for the Department of Defense. Furthermore, the creation of the Department of Homeland Security in an effort to stream line efforts in the war on terrorism has resulted in a spending frenzy resulting in unprecedented deficit levels. Resource allocation—both human capital and monetary funding—throughout the Department of Defense and the Department of Homeland Security is an area of important concern regarding long-term sustainment in the war on terrorism. Human capital throughout the Department of Defense is being stretched to its limits and personnel tempo data indicate that current manpower levels are not enough to effectively sustain defense department homeland security-related missions and traditional homeland defense missions. Individual budgets have increased at unprecedented rates within most every agency in the name of homeland security. However, the “blank checks” that were being written early after the September 11 attacks have been restrained to some degree although more fiscal responsibility needs to be exercised without compromising national security. Further research in this area would be helpful in determining the efficient use of

homeland security funding and whether there is any duplication of effort among the pertinent agencies regarding how the government might best budget for homeland security and homeland defense. Having lawmakers make huge, arbitrary, cuts in funding from agencies within the Department of Homeland Security is not a viable option; however, simply throwing money at the problem while adding to the nation's deficit cannot be sustained at the current rate of spending. Perhaps the answer lies in policy initiatives outside the budgets of the homeland security and homeland defense departments.

**A. IMPLICATIONS FOR DOD HOMELAND DEFENSE MISSION AND RELATED ISSUES**

The current mission approach in support of the National Security Strategy, National Military Strategy, and Homeland Security Strategy relies on vast numbers of armed forces members to execute. Unfortunately the Administration and the Pentagon are determined to expand military capabilities through transformation by “divesting the military of lower-priority functions and by enabling it to perform its missions more efficiently...with fewer troops” (DOD, 2004: 3). In the long term this might work and determining the probability of success is virtually impossible. Nevertheless the near term will continue to see exceedingly high personnel tempo figures as a result of more deployments for units and an extension in the number of months comprising those deployments. Recent plans to restructure the U.S. military and withdraw 70,000 troops from Europe and Asia provide a somewhat comforting signal that the burden on U.S. troops will diminish. However, such massive troop movements will take years to materialize and provide no actual relief for those currently engaged in terrorism battles.

Relying on the Reserves for extensive periods of time is not feasible and does not yield itself to efficient productivity in the private sector when corporations are forced to sacrifice their employees for extended periods of time. Furthermore, recent conduct by the Reserve forces in Iraq has demonstrated that these forces are not effective in terms of being full-time warriors when compared to full-time active duty forces. In addition, the use of National Guard members to fill in the gaps only makes individual states less responsive to potential terrorist attacks and natural disasters. Furthermore, as Professor Jerry McCaffery noted in his analysis of the Department of Homeland Security, that “The relationship

between DHS and DOD is not necessarily complementary... [and that] Homeland Security can diminish DOD capabilities, v-a-v National Guard” (McCaffery, 2003: 89). The bottom line is that the U.S. military end-strength must be increased. Relying on superior technology with fewer personnel serving on active duty is naïve thinking. If the United States is intending to effectively and efficiently execute homeland defense and homeland security then greater numbers of troops must be recruited and fewer reduction-in-force policies must be implemented.

Perhaps in this post September 11 environment the nation is willing to write a blank check for homeland security. This certainly was the case immediately after 9/11 although recent spending trends may be indicating the tide is changing. The sizable increases in spending that came with the establishment of new agencies such as TSA and DHS have not resulted in an offset or a decrease in spending in other areas, which would help defray the overall costs in funding homeland security.

The U.S. Comptroller General, David Walker, provides valuable insight into the current state of federal fiscal health. Because it is likely we will be fighting terrorism indefinitely, it is also likely that spending will continue to increase indefinitely if left unchecked. Mr. Walker recommends taking a risk management approach to budget formulation—specifically homeland security budgets. His goal is for the nation as a whole is to allocate resources more efficiently (Walker, 2003: 3). Mr. Walker endorses the establishment of a comprehensive set of goals and measures in the homeland security area that will provide for better analysis of performance.

Adoption of these standards can help facilitate a shift from “business as usual” to a more strategic, long-term, and sustainable approach. Furthermore, such standards could encourage embedding or weaving homeland security goals into both business and government plans, policies, and programs in ways compatible with other important social and economic goals. They can also foster federal, regional, sector specific and proprietary solutions. As a result, we must exercise extra prudence to assure that we are doing the right things with the resources that we have and that we achieve positive and sustainable results with such resources (Walker, 2003: 4).

The exact amount of spending required for homeland security is difficult to determine, not only because it is spread among many agencies, but because it has such a significant secondary effect on the economy. The money our country spends on homeland security carries with it considerable opportunity costs. By spending on homeland security and defense, the various state and federal agencies have less money to spend on other areas that could stimulate economic growth. Implementation of Mr. Walker's plan could enable more complete analysis of spending on homeland security as well as the effects of the spending on the overall economy.

A recent RAND study suggests that DHS should address its funding issues from a variety of different angles. One approach is to build strategic alliances between DHS and the Executive Office of the President (EOP). With the President's full support as a prerequisite, OHS can leverage its position in the EOP by cultivating and managing its relationships with other homeland security institutions and their proponents. These relationships include:

- Other executive branch entities, particularly OMB and the NSC
- Congress, including, but not limited to, the appropriators
- State, local, and nongovernmental leadership
- The American press and public (Greenfield, 2002: 10).

The RAND study recommended that DHS focus on relationships within the federal government, addressing how they change over the course of the budget cycle, and consider others with nonfederal entities, including state, local, and nongovernmental leadership (Greenfield, 2002: 11). Not surprisingly, the relationship between DHS and OMB is especially important given that OMB coordinates the executive branch budget process. "However, this relationship may reach "natural" limits owing to differences in the offices' missions, which become most apparent when resources are scarce" (Greenfield, 2002: 11).

Once the President submits his budget to Congress the amount of appropriations for DHS rests, in large part, with appropriators. Given this fact it would be wise for DHS to construct strategic alliances with key subcommittees involved in the appropriations process. According to a RAND study those key subcommittees are: Defense; Commerce, Justice, State, and the Judiciary; Transportation; and Treasury, Postal and General Government (Greenfield, 2002: xiii). Reaching out to Congressional members and their staffs prior to the

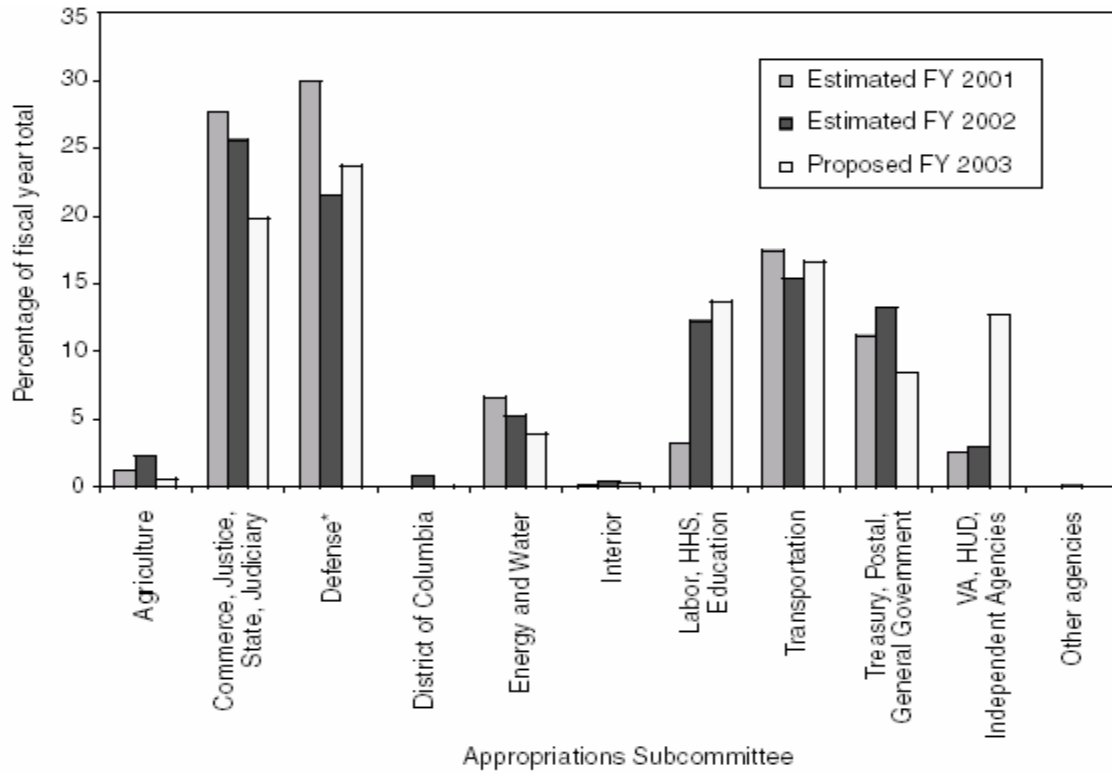
formal process is another tactic DHS can use in securing funding in what appears to be a more resource constrained environment than in the past. A brief review of Figure 12 might be used in determining which committees DHS needs to target in forming its alliances. According to the RAND study, the DHS core alliance should consist of two Senate committees: the Judiciary and Commerce, Science, and Transportation, and three House committees: Transportation and Infrastructure, the Judiciary, and Energy and Commerce (Greenfield, 2002: 12).

Ultimately, the budgetary effectiveness of OHS will depend on how it uses its EOP position and what it brings to the interagency table. OHS must understand the workings of the budget process and fill a role that the departments and agencies cannot satisfy independently, such as policy coordination, where their authorities overlap or gap. Speaking on behalf of the President, OHS is uniquely poised to bring strategy and funding decisions together across departments and agencies and provide a unified White House perspective on homeland security (Greenfield, 2002: 12).

Beyond the creation of new departments, budget increases and technological advancements perhaps the single most important parameter in winning the war on terrorism lies in the interoperability of every agency involved. A national strategy should be implemented that focuses on synergy and bridging cross-cultural boundaries in order to ensure maximum efficiency among all agencies involved in providing homeland security and homeland defense. Increased departmental funding and subsequent increasing national deficits cannot be the end-all solution. Money woes and technological concerns are only a portion of the problem.

Determining out how to bridge the cultures of each military branch, the FBI, the CIA, and first responders for example is the crux of the problem when it comes to winning the war on terrorism. Resources are limited and budget deficits are high, which should indicate that those involved with developing strategies for homeland security and homeland defense will have to determine how to allocate their resources more strategically in addition to doing more with less in the future.





Source: RAND Study

**Figure 12. Approximate Shares of Discretionary Homeland Security Funding by Appropriations Subcommittee**

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