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Emerald Publishing Limited

Brook, Douglas A. "Budgeting for national security: a whole of government perspective." *Journal of Public Budgeting, Accounting & Financial Management* 24, no. 1 (2012): 32-57.

<http://hdl.handle.net/10945/57698>

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BUDGETING FOR NATIONAL SECURITY: A WHOLE OF GOVERNMENT PERSPECTIVE

Douglas A. Brook*

ABSTRACT. There is a current argument that “national security” and “national defense” are no longer synonymous terms—that there is a new and broader definition for the activities that contribute to “the common defense.” A whole of government approach is suggested as a means for integrating and coordinating national security policies and programs. To support this approach, recommendations have been made for an integrated national security budget. Focusing on the executive budget process, three approaches to an integrated national security budget are examined: organization-based, program-based and function-based. Though there are questions about the importance of budget structure and the effectiveness of program budgeting, a whole of government integrated unified national security budget could facilitate the fiscal trade-offs required between alternative means of pursuing national security objectives in the executive budget.

INTRODUCTION¹

Article 1, Section 8 of the Constitution says, in part:

The Congress shall have Power To [...] provide for the common Defense and general Welfare of the United States; [...]. To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years; To provide and maintain a Navy; To make Rules for the Government and Regulation of the land and naval Forces [...].

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But the Constitution provides no guidance for how much the United States should spend for the common defense. In fact, the Constitution says nothing about budgeting at all nor does it provide any further definition for what constitutes the “common defense.” Over the years, it has become easy to think of the common defense as consisting of the activities of the Department of Defense (DoD) and to equate spending for the common defense with the budget for DoD. However, there is a current argument that “national security” and “national defense” are no longer synonymous terms—that there is a new and broader definition for the activities that contribute to “the common defense.” If so, a change is required in thinking about what constitutes national security activity and in determining what the US investment in national security is and should be.

National Defense versus National Security

This issue of national defense vs. national security arises because DoD-centric national defense may not adequately describe the broad security needs of current circumstances. National defense tends to ignore those non-military national security activities involved in confronting the non-state/non-traditional threats that exist today. Air Force General Kevin P. Chilton (2003), Commander US Strategic Command, described this complex new global security environment as characterized by the following:

- Population changes, competition for increasingly scarce natural resources, economic struggles, and bids for regional and global power,
- Technology where a few well-placed computer keystrokes today can potentially match the impact of earlier generations’ armed forces—for good or ill.

The acting Comptroller General seems to agree.

The new threats are diffuse and ambiguous and include terrorist threats from extremist groups, cyber attacks, drug trafficking, infectious diseases, and energy threats. They arise from multiple sources and are interrelated, which makes it difficult, if not impossible for any single agency to effectively address them alone (Dodaro, 2010, p. 19).

The idea of incorporating non-military activities into the US government's operational definition of national security predates 9/11. For example, in 1993 President Clinton expanded the scope of the National Security Council (NSC) to include a range of non-military security issues such as terrorism, narcotics trafficking, environmental degradation, rapid population growth and refugee flows (The White House, 2010 September). In 2004, the Bush Administration attempted to address the non-military post-conflict aspects of the wars in Iraq and Afghanistan with the creation of the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) within the State Department. S/CRS was intended to promote better consensus and collaboration across government agencies, and to draw expertise and resources from multiple agencies (Office of the Coordinator for Reconstruction and Stabilization, 2004).

Non-military roles in national security might be more the mission of agencies like the U.S. Agency for International Development (USAID), the State Department, Treasury or even the Department of Commerce. Defense Secretary Robert Gates has said that lessons learned in recent operations stress the critical need to develop more deployable civilian expertise for conducting stabilization, reconstruction, and counterinsurgency operations (Department of Defense, 2008). DoD's newest *Quadrennial Roles and Missions Review Report* recognizes the need to explore whole-of-government strategies to national security and argues for better coordination of resources, strategy and mission between civilian and military agencies: "The Department strongly supports initiatives to increase unity of effort across the government for addressing our common national security problems" (DoD, 2009, p. 31).

The Project on National Security Reform (PNSR), commissioned in the 2008 National Defense Authorization Act, argued that the pre-9/11 and Cold War-era concept of national defense is outdated and does not ensure national security: "[O]ur national security challenges require effective whole-of-government integration, but we remain dominated by outmoded, inward-looking, vertically oriented, competitive, stove-piped bureaucracies" (Locher, 2009). PNSR's report recommended the US focus on integrating efforts across the many departments and agencies that contribute to national security.

Finally, President Obama's FY 2011 budget listed nine national security objectives other than military-related. The FY '11 budget

then identified \$719 billion in total security spending including parts or all of DoD, Department of Energy, Department of Homeland Security, Department of Veterans Affairs, Department of State and other international programs (US Office of Management and Budget, 2010).

Whole of Government

Pollitt (Christensen & Laegreid, 2008) defined whole of government to “denote the aspiration to achieve horizontal and vertical coordination in order to eliminate situations in which different policies undermine each other, so as to make better use of scarce resources, to create synergies by bringing together different stakeholders in a particular policy area, and to offer citizens seamless rather than fragmented access to services” (p.98). Whole of government can refer to cooperation between agencies within a single government or cooperation among levels of government. Whole of government reforms are generally seen as “conscious organizational design or reorganization” that call for political leaders to force cooperation between bureaucracies (Christensen & Lægheid, 2006, p. 9). The whole of government redesign attempts to shift existing bureaucratic structures in a way that forces collaboration and cooperation between agencies.

Australia, Canada and the United Kingdom have each adopted whole of government approaches. The Australian government determined that in focusing on defense, its national security strategies and policies were too narrowly drawn toward conventional military threats—a focus that did not protect against emerging non-traditional threats (see Swinsburg, 2001; Warner, 2004). The government redefined defense to national security, recognizing non-military vulnerabilities such as economic prosperity, diplomacy, national welfare, climate change, energy, infrastructure, industry and the general nature of Australian society. A white paper from the Australia Ministry of Defence (2004) concluded “we should rethink what we mean by security, develop different relationships with regional states, reassess the weapons systems required to satisfy our security interests, and increase aid to our Asia-Pacific neighbors” (p.1).

Accordingly, in the late 1990s and early 2000s, Australia restructured its national security governance to accommodate the

whole of government approach. The Australian National Security Committee of Cabinet (NSCC) became the government's highest decision-making body on national security. The NSCC is chaired by the Prime Minister, and consists of the Deputy Prime Minister, Foreign Minister, Defense Minister, Treasurer, Minister for Immigration and Multicultural and Indigenous Affairs and the Attorney-General.

Canada's model of whole of government was introduced in *Canada's Performance 2002* (Treasury Board of Canada Secretariat, 2007). It maps the contributions of departments, agencies and Crown corporations that receive appropriations to a set of high-level Government of Canada outcome areas. The whole of government framework is designed to improve reporting to Parliament on overall spending, performance, and planning information for high-level priorities on which multiple departments are working towards related outcomes. Each department or agency involved in a major government program must account for how it will align its activities with the Government program and must gain approval by the Treasury Board. Funds are allocated to agencies based on their contributions to specific government-wide programs.

In the UK, a 1999 white paper, *Modernising Government*, "called for the public sector to work in partnership across organisational boundaries, to provide more integrated and seamless service delivery. This has resulted in reviews of spending across governmental organizations, creation of cross-cutting governmental units, and an acceptance of horizontal approaches to government programs" (State Government of Victoria State Services Authority, 2007, p. 10).

The 2010 U.S. National Security Strategy called for a whole of government approach to "strengthening national capacity" in the following areas: defense, diplomacy, economic, development, homeland security, intelligence, strategic communications, and the American people and the private sector (The White House, 2010, May, pp. 14–16).

A Whole of Government Approach to US National Security Policy

Three themes can be discerned in the arguments for a whole of government approach to US national security. The first theme is that

the existing system is out-of-date. The US now faces a number of non-traditional threats against which the existing system is challenged to defend. “Stove piped” bureaucracies are unable to collaborate adequately against these modern threats. A whole of government national security system, it is argued, would foster collaboration and a better defense against modern threats. General Chilton (2009) p. 3 argued, “effective, modern deterrence requires a complex global understanding and the elegant execution of coordinated, whole of government options to meet today’s broad security challenges” (p. 3).

The second theme is that the State Department and other civilian security-related agencies are underfunded. O’Hanlon (2009) argued that a whole of government system for national security should incorporate DoD, the Department of Homeland Security (DHS), the State Department and foreign operations in other departments. He argued for increases in State and DHS budgets to account for decades of underfunding and contended that these non-Defense agency/department budgets have not changed to reflect current security threats (p. 5). Secretary Gates (DoD October 16, 2009) has said that “the reality is the Department of State and the Agency for International Development were starved for resources for decades” (p. 3). Gates (2007) has also argued, “What is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development” (p. 4).

The third theme is that current organizational designs sub-optimize coordination for national security. The separation of the National Security Council and the Homeland Security Council created an organizational divide between national security and homeland defense. In addition, there needs to be a unified security council in which other relevant civilian agencies are represented. National Security Advisor General James Jones (2009) said, “The whole concept of what constitutes the membership of the national security community—which, historically has been [...] the Defense Department, the NSC itself and a little bit of the State Department, to the exclusion perhaps of the Energy Department, Commerce Department and Treasury, all the law enforcement agencies, the Drug Enforcement Administration [...]—has got to embrace a broader membership” (deYoung, 2009, p. 1). Similarly, the acting Comptroller General

asserts, “Beyond the traditional agencies of the Departments of Defense and State, and the U.S Agency for International Development, the Departments of Homeland Security, Energy, Justice, the Treasury, Agriculture, Commerce, and Health and Human Services are now a bigger part of the equation” (Dodaro, 2010, p. 19).

Budgeting for National Security

GAO’s Dodaro (2010) observed “what has not yet evolved are the mechanisms that agencies use to coordinate national security activities [...]. In the absence of effective mechanisms, collaboration suffers and in some cases can be a hindrance to achieving national security objectives” (p. 19). How can the question of building a whole of government national security model be addressed? One choice might be to address organizational and structural issues. It has been suggested that the National Security Council (NSC) and Homeland Security Council (HSC) could be merged (Project on National Security Reform, 2008). The Project on National Security Reform (PNSR) (2008, pp. (pp. xi–xiv) made a number of structural and procedural recommendations, including:

- Establish a President’s Security Council to replace the National Security Council and Homeland Security Council.
- Create a Director for National Security in the Executive Office of the President.
- Build an interagency personnel system, including a National Security Professional Corps.
- Form Select Committees on National Security in the Senate and House of Representatives.

In fact, the Obama administration has taken steps in this direction by integrating the staffs supporting national security and homeland security into a new “National Security Staff” under the president’s national security advisor (The White House, Office of the Press Secretary, 2009). In addition, DoD (2009) “supports the development of a whole of government strategic planning document that outlines national objectives, priorities and specific actions for improving interagency coordination and operational planning” (p. 31).

A second or supporting step would be to build a national security budget. The PNSR (2008, p. 49) made a recommendation in this area as well: “Develop the capability to produce an integrated national security budget.”

The Center for American Progress made three budget-related recommendations:

- Create a unified national security budget for fiscal year 2011 and mandate its development every fiscal year.
- Submit a defense appropriation bill and foreign operations bill concurrently to Congress.
- Create a “Unified Security Funding Analysis” in the Office of Management and Budget’s analytical perspectives document (Korb, Duggan, & Conley, 2009, p. 38).

The Center argued for a reorientation of the national security budget to drive resources to non-military security agencies and activities and they called for a unified national security budget.

Critical to this effort is the need to create a unified national security budget that would enable policymakers to more readily recognize and evaluate the difficult trade-offs between the offensive (military forces), defensive (homeland security), and preventative (non-military international engagement, including diplomacy, nonproliferation, foreign aid, peacekeeping intelligence, and contributions to international organizations) aspects of American national power (Korb et al., p. 37).

DoD seemed also to see the need for a coordinated funding mechanism. “Funding and authorities dedicated solely to individual agencies may not be sufficient to ensure that the activities of multiple agencies are fully integrated [...]. The Department recognizes the need for authorities and approaches to funding for whole of government operations” (DoD, 2009, pp. 35–36).

METHODS

Calls for a more holistic approach to national security and a supporting national security budget structure invite a review of relevant theories of public budgeting and an examination of the

practices of federal executive budgeting to explore how calls for a new approach to national security policymaking and budgeting might be accomplished. In this paper, we identify applicable theories and frameworks for public budgeting as they relate to policymaking, resultant resource allocation decisions, and program management and oversight. Secondly, we examine the practice of executive budgeting in the U.S, federal government focusing on program budgeting and the use of budget functions. Finally, we construct various alternative national security budgets using data from the fiscal 2008 president's budget and the annual performance reports of the major government agencies and departments.

Budget Structure, Program Budgets and Budget Reform

Why would budgets be an appropriate lens through which to view the national defense versus national security question? Certainly, budget theorists have identified a number of relevant roles of public budgets, including setting goals and priorities, making choices among alternatives, linking goals to actions, translating resources into activities, aligning stakeholders, setting expectations, creating expectations, and setting work plans. Budgets are seen as tools for coordination and control and as a basis for administration in departments and agencies. (See Khan & Hildreth, 2002; Nice, 2002; Rubin, 1988; Wildavsky, 1988; Wildavsky & Caiden, 2004.)

In addition to these general characteristics of public budgeting, advocates of national security budgets seem to be making two arguments: first, that budget structure matters somehow; and second, that budgeting based on national security programs will facilitate better decision making. The focus is on the executive budget, consistent with Schick's observation, "In the modern genesis of budgeting, efforts to improve planning, management and control made common cause under the popular banner of the executive budget concept. In the goals and lexicon of first reformers, budgeting meant executive budgeting" (Schick, 1966, p. 246). Arguments for a reformed national security budget are essentially arguments for a sort of program budgeting, confident that budget structure and format can affect budget outcomes.

The literature on budget structure and program budgeting offers a mixed view of the effects on budgetary outcomes. Budget structure consequences for decision making was perhaps most strongly made

in connection with program budgeting, specifically regarding the planning programming budget system (PPB). “The case for PPB rests on the assumption that the form in which information is classified and used governs the actions of budgetmakers, and conversely, that alterations in form will produce desired changes in behavior” (Schick, 1966, p. 244). Grizzle (1986) examined the effects of budget formats, envisioning a two-step process where budget format affects the nature of budget review discourse, which in turn affects the nature of legislative appropriations. Grizzle (1986) found “that format is [...] an important factor influencing the nature of budgetary deliberations” (p. 61) concluding that format was not determinative of legislative outcomes but did “influence ‘what the conversation was about’ during the legislatures’ review of proposed state budgets” (pp. 67–68).

Arguments that national security budgets will make for better resource allocation decision making are essentially arguments for program budgeting. “[Program budgeting] undertakes to use the budget process for analyzing objectives and the future consequences of alternative programs available for achieving them. It is, in essence, a decision-making process to determine, first, objectives, then programs, to be used in achieving the objectives, and, finally, the amounts of available resources to be allocated among the various programs” (Novick, 1973, p. vii). An essential element of the national security program budget would be to aggregate national security spending across the government and make decisions between alternative means of achieving national security goals. “One of the strengths of program budgeting is that it cuts across organizational boundaries. [...] Contradictions are more likely to be recognized and a context is supplied for consideration of changes made possible only by cutting across existing agency lines” (Novick, 1973, p. 6). If so, trade-offs ought to be possible and program cost and performance should become visible. “The program budget [...] provide[s] a framework for more clearly defining the alternatives among which choices must be made and create[s] an information system that will assist in measuring costs in relation to accomplishments” (Anshen, 1969, p. 18). Similarly, overlap and redundancies should become apparent; “One of the characteristics of better decisions will be identification and possible removal of overlapping and redundant activities. Another will be exposure of ineffective or inefficient employment of resources. A third will be brighter illumination of the

long-range cost implications” (McKean & Anshelm, 1965, p. 236). Choices among alternatives are, however, highly dependent upon getting the new budget structure right. “An important criterion for a program structure is that it should permit comparison of alternative methods of pursuing an imperfectly determined policy objective. Even though objectives may be clearly defined, there usually are alternative ways of accomplishing them” (Smithies, 1969, p. 42).

Program budgeting does not require government reorganization. “The program budget system is not a reorganization plan nor does it seek or require changes in organization to fit the structure” (Novick, 1973, p. 13). While the Office of Management and Budget (OMB) might deal with different arrays of budget data, “the same budget design [...] serves both the decision and implementation objectives. [...] Thus a revision of the budget submittal and decision structure would not require an accompanying reorganization of the executive departments” (Anshen, 1969, p. 3).

Notwithstanding these arguments, the history of budget reform suggests achieving the desired outcomes has been difficult.

After 150 years of budget reforms, we probably should face up to the prospect that budget reforms are unlikely to produce major changes in budget outcomes. [...] Bear in mind that not all budget reformers are trying to change budgetary outcomes in general. Reformers may be trying to improve the quality of budgetary decisions [...] direct greater attention to budgetary matters such as evidence of program impact [...] or provide officials with better information. These reformers may be less likely to be disappointed in the results of their efforts [...] (Nice, 2002, p. 190–191).

Budget reforms encounter operational problems including the need to develop a translation grid to distribute budget data across government agencies and departments and consistently projecting cost data into the future. Also, “Strong bureaucratic overtones can be anticipated in the need to bring meaning and reason to the aggregation of program components presently implemented in different organizational units” (Anshen, 1969, pp. 21–22). Historically, “governmentwide PPB [...] proved much more difficult to ‘crossover’ between departments than to reconcile organizational problems within the same agency” (Schick, 1973, p. 152).

A final consideration is the role of Congress in this process. Observing the demise of PPB across the government, Schick found “Congress generally preferred to continue its accustomed ways, and the appropriations committee took little note of efforts to change the budget process” (Schick, 1973, p. 154). However, in practice, the President’s budget largely defines congressional decision making on budgets and appropriations. “While Congress does have the final authority, the executive branch can and does exert powerful pressures on the Congress. The sheer magnitude and complexity of the executive budget itself limits congressional power over it. Despite the wide publicity frequently given changes made by the Congress in the budget presented by the President, important alterations are usually few and minor” (Steiner, 1965, p. 13).

Budget structure has the potential for reflecting policy decision in decisions about resource allocation. Similarly, program budgeting is designed to assemble budget data for decisions based on program purposes, operations and performance. Neither, however, represents certainty in the implementation of policy changes. Past practices often prevail despite process or structural change and successful implementation of program budgeting has met with significant obstacles. Notwithstanding this mixed review of budget reform, influential individuals and groups are arguing for a coordinated, consolidated transparent whole of government national security budget to support a new national security portfolio. An understanding of budgeting potential and limitations informs the debate, as would an exploration of how such a budget reform could be operationalized.

Building a National Security Budget

What constitutes national security and what elements of federal departments and agencies might rightly be included in an integrated national security budget? The PNSR 2008 report observed, “There is no agreement on which parts of an agency budget should be included in an integrated national security budget; a process for even making this determination does not exist” (Project on National Security Reform, 2008, p. 47). PNSR suggested three categories of organizations in national security: (1) core national security institutions that spend the preponderance of their time on national security activities; (2) organizations that do not spend the preponderance of their time on national security but which have

some mission-specific national security roles; and (3) organizations that do not have standing national security roles but which might be required to do contingency planning and develop capabilities for exceptional cases. (Project on National Security Reform, 2008, pp. 395–396). To examine the recommendations for a national security budget in greater detail, we looked at the question of how such a budget could be built based on organizational, programmatic and functional approaches. We then attempted to construct such notional national security budgets.

Organization-based Budgets

Tables 1 and 2, in an organizational approach, display the budgets of different combinations of departments, agencies and activities that could constitute whole of government national security.² First, the total discretionary budgets of the statutory departmental members of the NSC and HSC are aggregated. The results of this are shown in Table 1. It aligns with recommendations to merge the NSC and HSC for national security activities. However, it leaves out other agencies that engage in national security activities. Moreover, reporting the total budgets of these agencies overstates a national security budget because these departmental and agency budgets may include significant amounts of spending for non-security programs. Nevertheless, identifying them for more integrated national security budgeting is a first step.

TABLE 1
National Security Budget by NSC/HSC Department and Agency: FY 2008 (In \$ Millions)

Agencies	Budget
Department of Defense	515,540
Department of Homeland Security	37,611
Department of State	39,213
Department of the Treasury	12,461
Department of Justice	23,426
Department of Health and Human Services	68,487
Department of Transportation	69,921
Total	766,659

TABLE 2
National Security Budget by Department and Agency Involved in National Security: FY 2008 (In \$ millions)

Agencies	Budgets
Department of Defense	515,540
Department of Homeland Security	34,900
Department of State	32,900
Department of the Treasury	12,461
Department of Justice/FBI	22,700
Department of Health and Human Services	71,900
Department of Transportation	15,500
Intelligence Community	NA*
U.S. Agency for International Development	630
Department of Agriculture	21,800
Department of Commerce	6,900
Department of Energy	23,900
Environmental Protection Agency	7,500
Board of Governors of the Federal Reserve	3,900
Export-Import Bank	1
NASA	17,200
Nuclear Regulatory Commission	1,020
Peace Corps	343
Overseas Private Investment Corporation	165
Federal Communications Commission	437
Executive Office of the President	
Office of the Vice President	4
Office of Management and Budget	78
U.S. Trade Representative	46
Council of Economic Advisors	4
Office of Science and Technology Policy	5
Foreign Intelligence Advisory Board	NA*
National Security Council	9
Total	789,845

Notes: * Classified.

To attempt a more comprehensive array of national security budgeting, the budgets of the twenty-seven departments and agencies identified in the 2008 PNSR report, as referenced in the 2006 National Security Strategy (Project on National Security Reform, 2008, p. 393), are aggregated. This array is displayed in Table 2. This

budget array better displays the scope and breadth of national security activities throughout the federal government. The number of departments, agencies and offices clearly goes well beyond those traditionally considered in national security. But simply aggregating their total budgets overstates the U.S. national security budget even more than in Table 1 because these budgets also involve non-security spending. While helpful in broadening understanding of the scope of national security activity, this approach is somewhat unwieldy and using those combined budgets as a national security budget distorts fiscal reality.

Program-based Budget

If organizational-based budgeting for national security is not satisfying, could a program-based budget be more useful? The FY 2008 budgets and annual performance reports of the major cabinet departments and agencies were examined to identify specific programs and activities self-identified as related to national security or which otherwise appeared to relate to national security. From this data a more detailed integrated whole of government US national security budget for FY 2008 was constructed (Table 3). The results indicate the difficulty of this approach. Marginal decisions about which individual programs to include in national security are difficult;

TABLE 3
National Security Budget by Selected Programs: FY 2008 (In \$ Millions)

Departments	Sub-Departments	Budget
Department of Defense*		480,000
Department of State*	State and USAID Bilateral Economic Assistance	20,266
	State International Organizations	2,461
	State Administration of Foreign Affairs	7,194
Department of Justice	National Security Division	78
	FBI National Security	40
	FBI National Security Analytic Capabilities	11
	FBI Weapons of Mass Destruction Directorate	18
	FBI Computer Analysis Response Teams	22
	FBI Render Safe Mission	11
	FBI Data Intercept and Access Program	37

TABLE 3 (Continued)

Departments	Sub-Departments	Budget
	FBI National Virtual Translation Center	3
Department of Interior	Energy Security for the Nation	481
Department of Agriculture	Foreign Agricultural Service	4,573
	Food and Agriculture Defense Initiative	341
	Avian influenza	57
	Iraq Provincial Reconstruction	12
	Renewable Energy	405
Department of Commerce	International Trade Administration	417
	National Weather Service	799
	Oceanic and Atmospheric Research	336
	National Environmental Satellite, Data and Information Service	152
Department of Labor	Office of Inspector General (Work Permits)	468
	Foreign Labor Certification Processing	65
Department of Health and Human Services	Agency for Toxic Substances and Disease Control	75
	Centers for Disease Control and Prevention	10,124
	Food and Drug Administration	2,100
Department of Transportation	Federal Aviation Administration	14,077
	Pipeline and Hazardous Material Safety Administration	119
	Maritime Administration	295
Department of Energy	Uranium Enrichment D&D Fund	573
	Uranium Sales and Remediation Science	4
	Nuclear Waste Disposal	202
	National Nuclear Security Administration	9,386
	Atomic Energy Defense Activities	15,806
Department of Homeland Security		46,400
Other	Independent Department and Agencies Bilateral Assistance	4,373
	International Financial Institutions	1,498
	International Organizations and Programs	289
	International Organizations Related Appropriations	101
Total		623,683

Notes: * Not including supplemental appropriations

perhaps also political and subjective. Moreover, extracting individual programs from their organizational context presents practical difficulties and might be subject to budgetary gamesmanship. Nevertheless, Table 3 closely represents a whole of government approach to national security budgeting.

Function-based Budget

To address the shortcomings of organizational and programmatic budgets for national security, another budget was created utilizing the existing OMB budget function structure. OMB arrays the federal budget using functional categories that group together items which are functionally related, regardless of the agency that is responsible. “Budget function classifications are intended to provide a means of arraying budget data according to the major functions served” (General Accounting Office, 1998, p. 2). Function classifications describe national needs. “These functions include all spending for a given topic, regardless of the federal agency that oversees the individual federal program” (US House of Representatives, Committee on the Budget, 2010). Sub-function classifications represent resources devoted to agency missions. “Subfunctions are the building blocks of functions [...] with each intended to describe discrete but related groupings of programs and activities” (General Accounting Office (GAO), 1998, p. 3). Today, OMB utilizes twenty-one budget functions and numerous budget sub-functions under each to develop the President’s budget. The Congressional budget committees use them in developing the concurrent budget resolution. “Modern budget function classifications have evolved from a structure first used in 1948. [...] This period saw significant change in the use of budget functions from a purely retrospective summary of federal spending, to a supplemental but subsidiary presentation summarizing the President’s budget submission, to the basic prospective framework for the modern congressional budget resolution” (GAO, 1998, p. 1). The twenty-one budget functions are listed in Table 4.

O’Hanlon examined changes to national security spending accomplished by shifts among budget functions, identifying changes in FY 2010 national security spending by the Obama administration: a reduction of \$9.2 billion in the national defense (050) budget function and increases of \$2.7 billion for homeland security

TABLE 4
Federal Budget Functions

050 National Defense	550 Health
150 International Affairs	570 Medicare
250 General Science, Space, Technology	600 Income Security
270 Energy	650 Social Security
300 Natural Resources, Environment	700 Veterans Benefits and Services
350 Agriculture	750 Administration of Justice
370 Commerce, Housing Credit	800 General Government
400 Transportation	900 Net Interest
450 Community and Regional Development	920 Allowances
500 Education, Training, Employment and Social Services	950 Undistributed Offsetting Receipts
970 Overseas Deployments and Other Activities	

accounts and \$7.3 billion for budget function 150 (State department and foreign assistance agencies) (O’Hanlon, 2009, pp. 8–9). He goes on to propose more shifting between budget functions that is “more or less budget neutral, adding roughly as much to 150 and homeland security as it takes from 050” (O’Hanlon, 2009, p. 145).

As an alternative to shifting resources between budget functions the approach here involves changing the title of the 050 budget function from national defense to national security and reassembling national security-related budget sub-functions across the government from their existing functional categories into the revised 050 budget function category.

Refining budget functions by altering subfunctions is not uncommon. Both OMB and GAO have reassembled budget functions for analytical purposes. OMB developed six composites of functional totals called “superfunctions,” (one of which is “national defense”) and GAO constructed seven federal “mission areas” based on subfunctions (one of which is “national security and international affairs”) (GAO, 1998, pp. 11–12). Though budget functions have remained very stable over the years, this stability “masks more frequent changes that have occurred within subfunctions. Since

1979 OMB has tried to use subfunctions to more discretely portray the missions of the federal government” (GAO, 1998, p. 9).

Utilizing budget functions would appear to satisfy the Center for American Progress recommendation for a unified national security budget that could support concurrent appropriations bills and a unified security funding analysis. It is also consistent with the PNSR recommendation for an executive budget review process to “identify the resources needed to achieve the national security strategy objectives and the tradeoffs necessary to provide those resources within overall federal budget constraints” (Project on National Security Reform, 2008, p. 404). No organizational changes are required, but OMB would now have visibility over a more integrated national security budget function. Like O’Hanlon’s security budget, this approach is budget neutral, taking as much from other budget functions as it is adding to 050 (O’Hanlon, 2009). The resulting array of a national security budget function is shown in Table 5.

TABLE 5
National Security Budget by Budget Function and Sub-Function: FY
2008 (In \$ millions)

Function	Sub-Function	Budget
050 National Defense	DoD Military	581,022
	DoE Atomic Energy Defense Activities	16,655
	DoJ (FBI)	3,476
	Other	2,535
150 International Affairs	International Development and Humanitarian Assistance	15,837
	International Security Assistance	9,277
250 General Science, Space and Technology	DHS Science and Technology Programs	830
400 Transportation	Surface Transportation Security	40
	Air Transportation Security	2,949
550 Health	DHS Public Health Preparedness	5
	DHS Biodefense Countermeasures Acquisition	500
700 Veterans Benefits and Services	DVA Hospital and Medicare Care for Veterans	37,810
	DVA Veterans Education, Training and Rehabilitation	2,883

TABLE 5 (Continued)

Function	Sub-Function	Budget
750 Administration of Justice	Border and Transportation Security	15,190
970 Overseas Deployments and Other Activities		145,200
Total		820,209

Note: Figures may not add due to rounding.

ANALYSIS AND IMPLICATIONS

Arguments for a whole of government approach to national security include recommendations for a coordinated and integrated approach to budgeting for national security. Budget theory suggests that an integrated budget may facilitate tradeoffs in the budget development process and assist in identifying and evaluating national security programs. Budget research suggests that neither budget structure nor program budgeting provides the complete answer to policy decisions. The budgetary question is addressed here because it is central to the recommendations made by PNSR and the Center for American Progress. At the outset, these recommendations seem focused primarily on creating an organization-based national security budget. An examination of two organization-based budgets indicates that this is not as useful as it appears. Organizational-based budgets overstate the national security budget by including non-security activities. Nevertheless, they offer a good starting point. To further refine a national security budget a program-based budget was attempted. Properly identifying programs to include in a national security budget proved challenging. Lastly, a budget based on re-ordering OMB budget functions and sub-functions was attempted. This approach utilizes existing budget formats and processes to facilitate a whole of government approach to national security. Though the focus here is on the executive budget, OMB's budget functions also align with the process used by Congress to assemble its annual budget resolution.

OBSERVATIONS

Some more general observations can be made from this discussion of national security budgeting. First, depending on what agencies or programs are included, it appears that total U.S. national security spending could be as much as 20–50 percent higher than national defense spending alone. The DoD has the largest share and, given the constraints on the overall budget's top line, it does not necessarily follow that national security budgets will increase as a result. Instead, it seems likely that increases in non-DoD security spending might well come from the DoD budget. If DoD and Secretary Gates are serious in arguing for non-DoD agencies to be more fully resourced for national security activities, they likely will need to be prepared to pay the bill.

Second, determining what departments, agencies and programs should be included in the integrated national security policy domain is an inexact science. The budgets above display agencies and activities that more or less clearly carry a national security label. But some may argue persuasively that other issues (trade, immigration, environment, the economy) are also national security concerns and should also receive priority attention. Even among programs identified as related to national security, some may not be perceived as such (developmental programs, cultural exchanges, humanitarian aid, etc.) while others might argue that they are inherently part of the strategic communications portfolio of national security strategy. There are also activities which are not easily subject to budget transparency—some intelligence activities, for instance.

Third, creating a national security budget may have implications for the budget processes used by agencies involved in national security. DoD's long and complex budget process utilizes a much-revised version of the planning-programming-budget-execution system (PPBES). To the extent that other agencies will need to engage in longer-range planning and align program decisions with national security strategies, some form of program budgeting may be required of them as well.

Finally, creating a national security budget can give greater clarity to U.S. policy and spending priorities. The share of the total budgetary pie for national security would be larger than is currently displayed for national defense alone, and the relative share for non-security

discretionary programs is smaller than more conventional portrayals of defense/non-defense budget splits. This could result in even greater budgetary stress for non-security domestic discretionary programs but it is not necessarily a predicate for larger security budgets. And, of course, the large amount of funding in an expanded O50 budget function could make it a target as a source of funds for deficit reduction or to fund non-defense discretionary programs.

CONCLUSION

The issue of budgeting for national security has been examined to determine if spending could be arrayed in ways that would portray a more holistic fiscal picture of national security than is possible using current budget presentations. This inquiry is in response to proposals from analysts, practitioners and policy makers for a broader and more integrated approach to national security policy. Making and implementing national security policy requires making resource allocation decisions. Korb, Duggan and Conley (2009) assert, “currently no single official document links strategy and resources for national security, which makes it difficult to establish priorities, identify redundancies and inefficiencies, and make trade-offs among the various tools in the nation’s national security portfolio” (p. 37). A whole of government integrated unified national security budget could facilitate the fiscal trade-offs required between alternative means of pursuing national security objectives and provide for both budgetary transparency and program accountability.

ACKNOWLEDGEMENTS

The author gratefully acknowledges the research assistance provided by Nicholas M. Schroeder; and the support from the Harry A. and Margaret D. Towsley Foundation and the Gerald R. Ford School of Public Policy at the University of Michigan.

NOTES

1. An earlier version of this paper was presented as the Towsley Foundation Policymaker-in-Residence Lecture, Gerald R. Ford School of Public Policy, University of Michigan, Ann Arbor, November 2, 2009.

2. FY 2008 data from the FY 2009 President's Budget is used because the data is complete and the budgetary distortions caused by the economic recovery programs of FY 2009 are not present.

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