



# SS464: Homeland Security

Department of Social Sciences, United States Military Academy



Lesson 14



## Costs of Homeland Security



Major Chris Hornbarger

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Major Chris Hornbarger  
Department of Social Sciences, United States Military Academy  
607 Cullum Road, West Point, NY 10996  
(845) 938-3411, Christopher.Hornbarger@usma.edu

# Key Questions

- ▶ How much is enough?
- ▶ Who pays?
- ▶ How to prioritize?

**... with all budget numbers, ask yourself “as compared to what?”**

# How Much is Enough?

- ▶ First responder grants; aviation & border security
- ▶ All have staggering needs:
  - 429 commercial airports with 600 million passengers annually
  - 500 million people and 130 motor vehicles cross border annually
  - 6 million inbound sea containers
  - 170,000 public water systems
  - 66,000 chemical plants
  - 2 million miles of pipeline
  - 80,000 dams
- ▶ If nothing happens; too much?
- ▶ If attack occurs; not enough?
- ▶ However, if we consider some attacks inevitable, then an attack occurring may not mean that we should have spent more, IF the cost of the additional spending would crowd out investment in more critical targets, or hinder other national priorities (e.g. the economy).

# Who Pays?

- ▶ Federal
- ▶ State
- ▶ Local
- ▶ Private sector
- ▶ Citizens directly (e.g. fees)

# At Expense of What Other Priorities?

- ▶ Analytical deficiency to compare widely disparate issues:
  - Border security, vs...
  - Agriculture (avian flu, mad cow), vs...
  - First responder grants, vs...
  - Upgrading information systems (e.g. FBI, CIA, DHS, etc); vs...
  - This type of critical infrastructure (cyber) vs. that type (chemical)
  
- ▶ Compare across all security requirements:
  - F-22 fighter squadron, vs...
  - Counter-proliferation, vs...
  - Border security
  
- ▶ Against other national priorities – e.g: economy

# FY 2007 President's Budget Proposal Overview

**Table S-1. Budget Totals**  
(Dollar amounts in billions)

	2005	2006	2007	2008	2009	2010	2011
<b>Budget Totals:</b>							
Receipts	2,374	2,416	2,416	2,500	2,714	2,870	2,925
Outlays	2,712	2,770	2,770	2,723	2,922	3,053	3,130
<b>Deficit</b>	<b>-338</b>	<b>-354</b>	<b>-354</b>	<b>-223</b>	<b>-208</b>	<b>-183</b>	<b>-205</b>
Gross Domestic Product (GDP)	12,290	13,030	13,761	14,714	15,714	16,714	17,714
<b>Budget Totals as a Percent of GDP:</b>							
Receipts	17.5%	17.5%	17.6%	17.8%	17.7%	17.9%	17.9%
Outlays	20.1%	20.8%	20.1%	19.4%	19.1%	19.0%	19.1%
<b>Deficit</b>	<b>-2.6%</b>	<b>-3.2%</b>	<b>-2.6%</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>-1.1%</b>	<b>-1.2%</b>

Total revenue = \$2.4 trillion →

← Total spending = \$2.77 trillion

← Total output of US economy  
\$13.7 trillion

Discretionary + Mandatory + Interest = Spending  
 Revenue – Spending = Deficit (or Surplus)

Table S–11. Budget Summary by Category  
 (In billions of dollars)

	2005	2006	2007	2008	2009	2010	2011
<b>Outlays:</b>							
<b>Discretionary:</b>							
DOD military.....	473	510	503	471	471	484	499
Homeland security.....	30	32	34	35	36	38	40
Other.....	465	490	492	473	468	461	455
<b>What we have discretion to spend →</b>			1,029	980	975	983	994
<b>Mandatory:</b>							
<b>Social Security:</b>							
Current program.....	519	550	581	612	645	683	722
Personal accounts.....	—	—	—	—	—	24	57
Medicare.....	294	338	387	399	421	447	489
Medicaid and SCHIP.....	187	198	205	218	233	250	270
Other.....	220	270	320	332	355	367	386
<b>Total, + What we must spend →</b>			1,494	1,562	1,655	1,771	1,924
Net Interest.....	184	220	247	← -	<b>Interest on federal debt</b>		
<b>Total Outlays = Total spending →</b>			2,770	2,814	2,922	3,061	3,240
Revenues.....	2,154	2,280	2,416	←	<b>Total revenue</b>		
<b>Deficit = Deficit →</b>			-354	-223	-208	-183	-205

# Prior Debt + Deficit = Total Debt

Table 16-1. TRENDS IN FEDERAL DEBT HELD BY THE PUBLIC

(Dollar amounts in billions)

Fiscal Year	Debt held by the public:		Debt held by the public as a percent of:		Interest on the debt held by the public as a percent of: <sup>3</sup>	
	Current Dollars	FY 2000 dollars <sup>1</sup>	GDP	Credit market debt <sup>2</sup>	Total outlays	GDP
1946 .....	241.9	1,821.3				
1950 .....	219.0	1,339.9				
1955 .....	226.6	1,217.3	57.4	43.2	7.6	1.3
1960 .....	236.8	1,128.0	45.7	33.8	8.5	1.5
1965 .....	260.8	1,161.4				
1970 .....	283.2	1,047.8				
1975 .....	394.7	1,074.6				
1980 .....	711.9	1,340.7	26.1	18.5	10.6	2.3
1985 .....	1,507.3	2,164.6	36.4	22.3	16.2	3.7
1990 .....	2,411.6	2,968.1	42.0	22.6	16.1	3.5
1991 .....	2,689.0	3,190.0	45.3	24.1	16.2	3.6
1992 .....	2,999.7	3,471.2	48.1	25.7	15.5	3.4
1993 .....	3,248.4	3,675.4	49.4	26.6	14.9	3.2
1994 .....	3,433.1	3,802.6	49.3	26.8	14.4	3.0
1995 .....	3,604.4	3,910.1	49.2	26.7	15.8	3.3
1996 .....	3,734.1	3,974.6	48.5	26.3	15.8	3.2
1997 .....	3,772.3	3,946.3				
1998 .....	3,721.1	3,846.1				
1999 .....	3,632.4	3,705.9				
2000 .....	3,409.8	3,409.8				
2001 .....	3,319.6	3,243.1				
2002 .....	3,540.4	3,393.9				
2003 .....	3,913.4	3,678.7	36.2	18.0	7.5	1.5
2004 .....	4,295.5	3,943.5	37.2	18.3	7.3	1.5
2005 .....	4,592.2	4,102.8	37.4	17.9	7.7	1.6
2006 estimate .....	5,018.9	4,373.6				
2007 estimate .....	5,391.5	4,597.6				
2008 estimate .....	5,633.4	4,701.8				
2009 estimate .....	5,859.4	4,789.6				
2010 estimate .....	6,060.8	4,852.5	37.6	N/A	10.6	2.0
2011 estimate .....	6,285.9	4,927.6	37.1	N/A	10.6	2.0

← Have had debt every since WWII

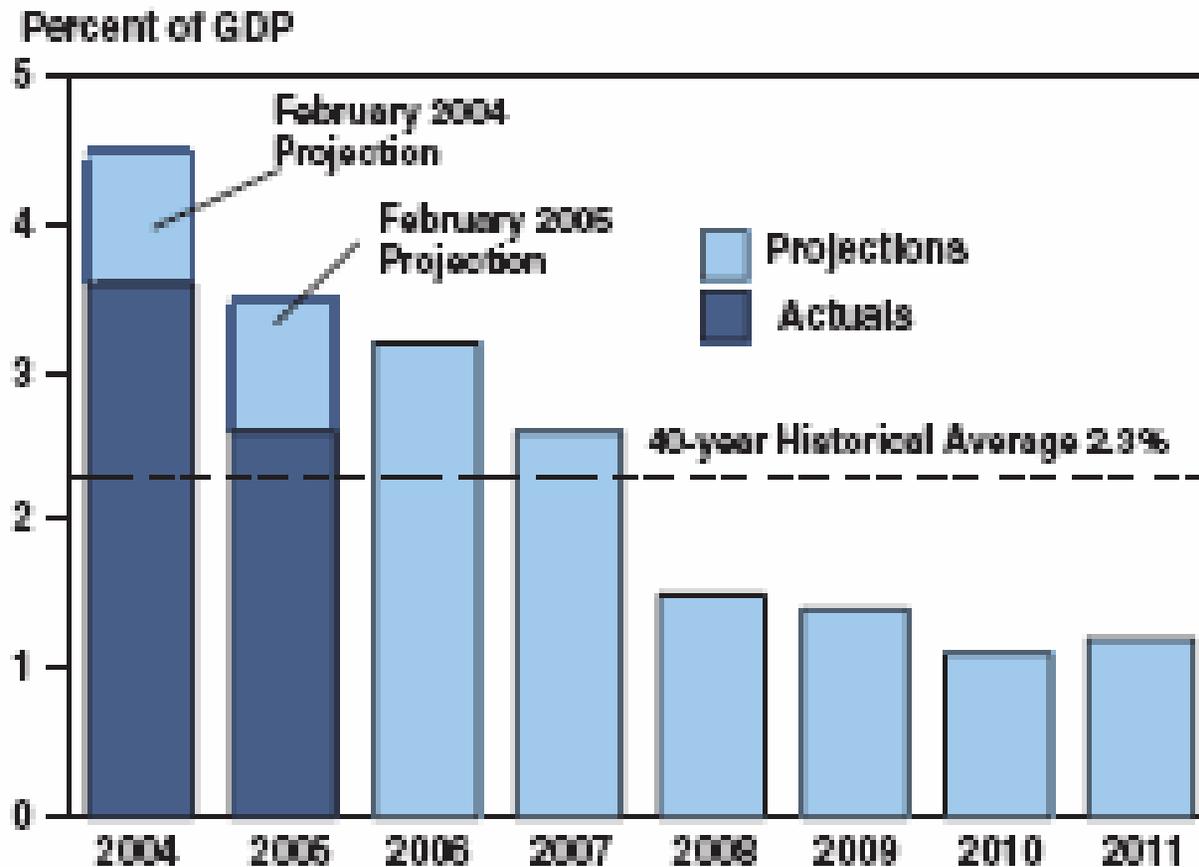
← Lowest post-WWII federal debt (2000 \$)

← Clinton Administration  
Post Cold-War Drawdown in Defense Spending  
Surpluses – Debt goes down 6 yrs in a row

← President's Projection for fiscal year 2007  
Largest deficit on record

# President's Deficit Projection

## Cutting the Deficit in Half



Deficit goes down but debt still increases

Doesn't include costs of Iraq or Afghanistan

All projections rely on economic assumptions

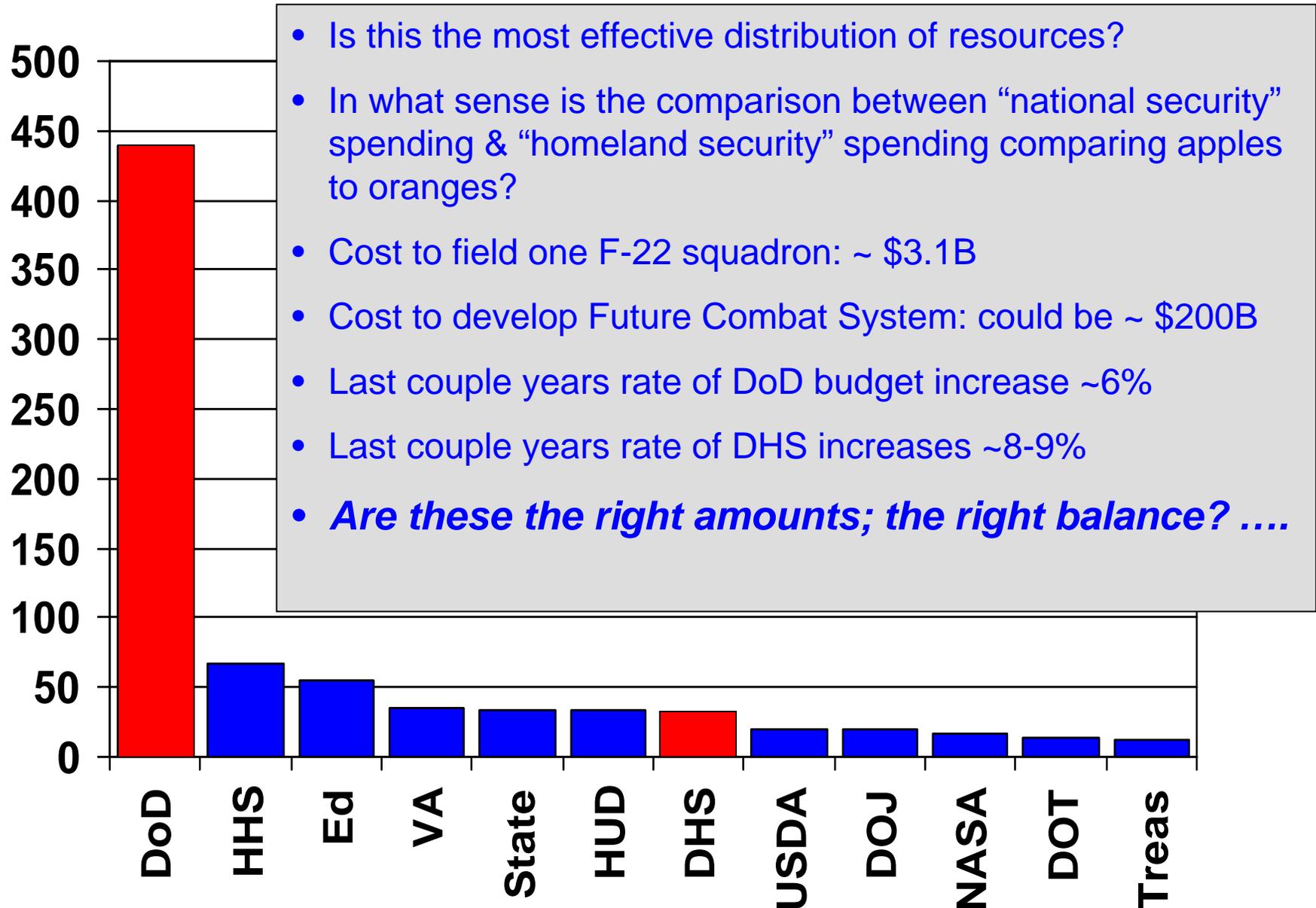
# Discretionary Spending by Agency

Table S-3. Growth in Discretionary Budget Authority by Major Agency  
(Net budget authority; dollar amounts in billions)

Agency	2001 Actual	2006 Enacted	2007 Request	Growth:			
				2006-2007		Average 2001-2007	Cumulative 2001-2007
				Dollar	Percent		
Agriculture.....	19.2	21.1	19.7	-1.4	-6.5%	0.4%	2.5%
Commerce.....	5.1	6.4	6.1	-0.2	-3.7%	3.1%	20.4%
<b>1</b> Defense.....	<b>302.5</b>	<b>410.8</b>	<b>439.3</b>	<b>28.5</b>	<b>6.9%</b>	<b>6.4%</b>	<b>45.2%</b>
<b>3</b> Education.....	<b>40.1</b>	<b>56.5</b>	<b>54.4</b>	<b>-2.1</b>	<b>-3.8%</b>	<b>5.2%</b>	<b>35.7%</b>
Energy.....	20.0	23.5	23.6	0.0	0.1%	2.7%	17.6%
<b>2</b> Health and Human Services.....	<b>54.0</b>	<b>69.2</b>	<b>67.6</b>	<b>-1.6</b>	<b>-2.3%</b>	<b>3.8%</b>	<b>25.2%</b>
<b>7</b> Homeland Security.....	<b>14.0</b>	<b>30.5</b>	<b>30.9</b>	<b>0.4</b>	<b>1.3%</b>	<b>14.1%</b>	<b>121.0%</b>
<b>6</b> Housing and Urban Development.....	<b>28.4</b>	<b>34.3</b>	<b>33.6</b>	<b>-0.6</b>	<b>-1.8%</b>	<b>2.9%</b>	<b>18.7%</b>
Interior.....	10.3	10.8	10.1	-0.6	-5.9%	-0.2%	-1.2%
Justice.....	18.4	21.0	19.5	-1.5	-7.2%	1.0%	6.0%
Labor.....	11.9	11.3	10.9	-0.4	-3.9%	-1.5%	-8.7%
<b>5</b> State and Other International Programs.....	<b>21.7</b>	<b>30.2</b>	<b>33.9</b>	<b>3.7</b>	<b>12.2%</b>	<b>7.7%</b>	<b>55.8%</b>
Transportation.....	14.6	14.6	13.2	-1.4	-9.4%	-1.6%	-9.3%
Treasury.....	10.3	11.5	11.6	0.1	0.5%	1.9%	12.3%
<b>4</b> Veterans Affairs.....	<b>22.4</b>	<b>33.1</b>	<b>35.7</b>	<b>2.6</b>	<b>8.0%</b>	<b>8.1%</b>	<b>59.5%</b>
Corps of Engineers.....	4.7	5.3	4.7	-0.6	-11.2%	0.2%	1.0%
Environmental Protection Agency.....	7.8	7.6	7.3	-0.3	-4.0%	-1.1%	-6.6%
Executive Office of the President.....	0.2	0.2	0.2	-0.0	-0.6%	1.0%	26.4%

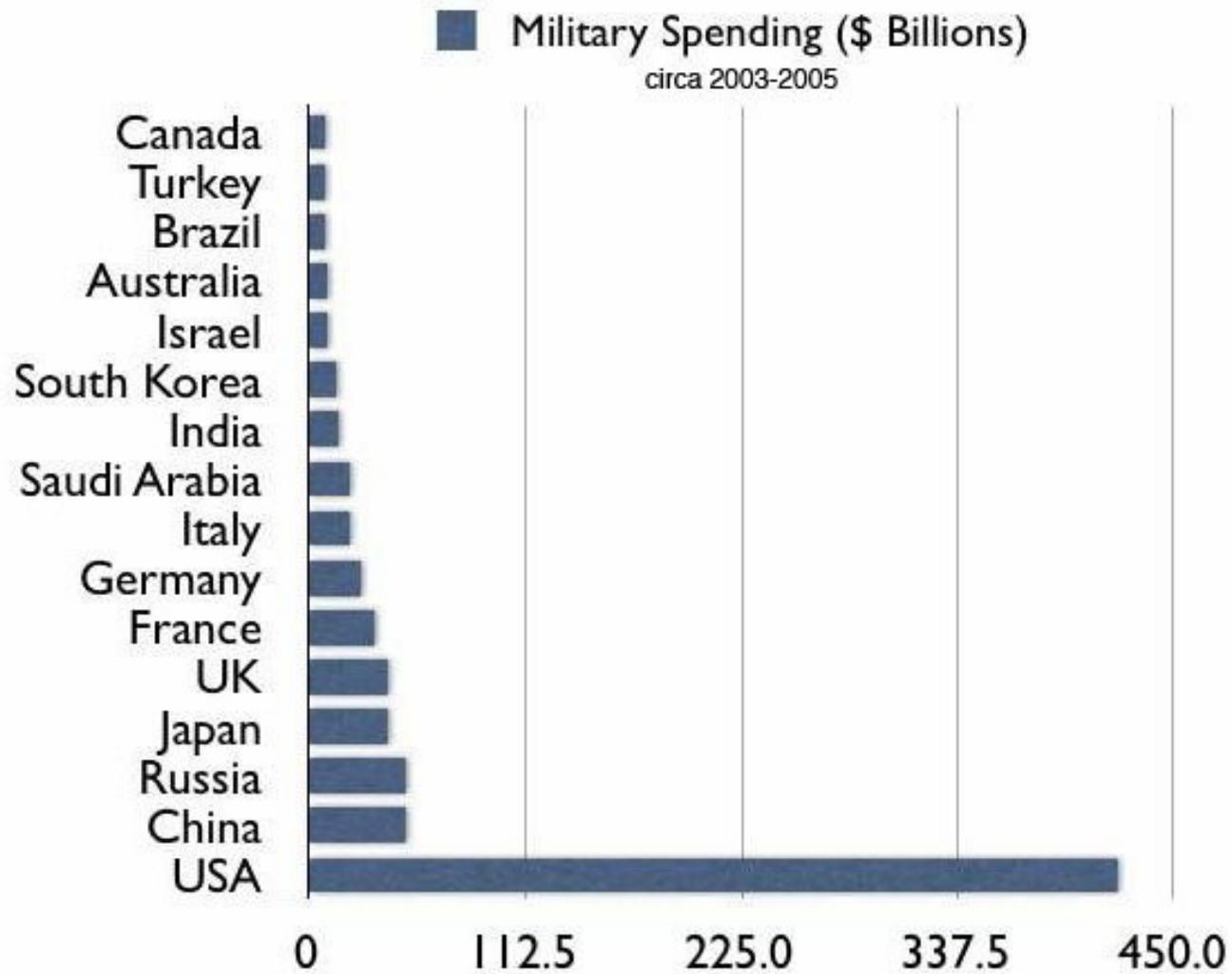
- Agencies must be able to spend funds effectively. More money doesn't necessarily mean more value.
- Agencies must have capacity to spend.
- Security discretionary spending going up.
- Other discretionary spending (domestic programs) going down.

# US Security Spending



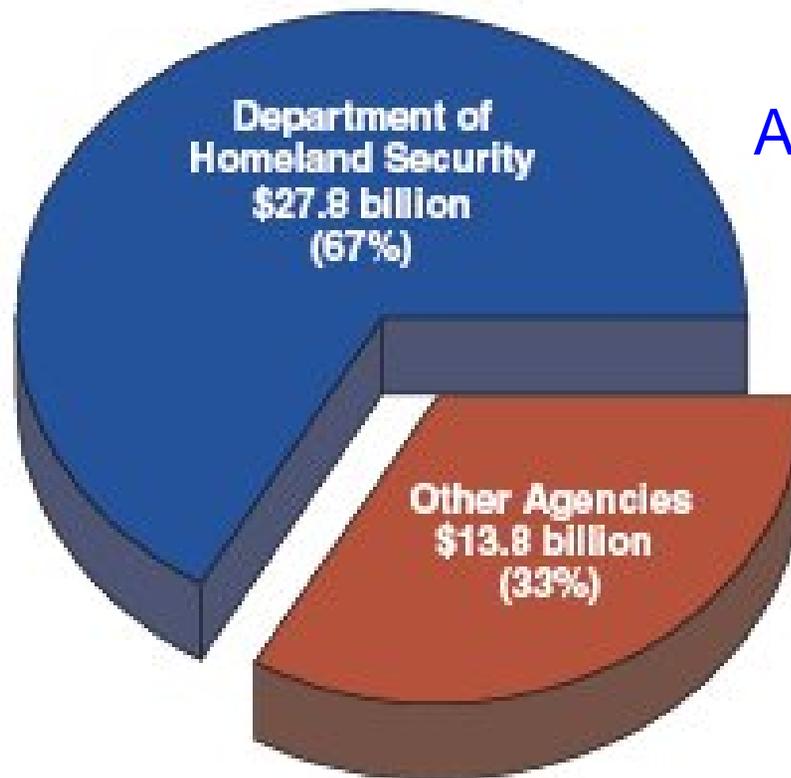
- Is this the most effective distribution of resources?
- In what sense is the comparison between “national security” spending & “homeland security” spending comparing apples to oranges?
- Cost to field one F-22 squadron: ~ \$3.1B
- Cost to develop Future Combat System: could be ~ \$200B
- Last couple years rate of DoD budget increase ~6%
- Last couple years rate of DHS increases ~8-9%
- ***Are these the right amounts; the right balance? ....***

... as compared to what?



# Not all Homeland Security Spending is in DHS

## Government-Wide Non-Defense Homeland Security Spending (\$41.6 Billion)



About 2/3 in DHS

# Homeland Security Spending by Agency

Budget Authority	2005 Enacted	Supplemental	2006 Enacted	Supplemental	2007 Request
Department of Agriculture .....	595.9		593.0		650.3
Department of Commerce .....	166.7		181.1		217.8
Department of Defense .....	16,697.8		16,697.8		16,697.8
Department of Education .....					
Department of Energy .....		650.3			
Department of Health and Human Services .....		217.8			
Department of Homeland Security .....				193.1	21,111.0
Department of Housing and Urban Development .....					1.9
Department of the Interior .....					55.4
Department of Justice .....					
Department of Labor .....	16,697.8				
Department of State .....					
Department of Transportation .....					
Department of the Treasury .....	25.8				
Department of Veterans Affairs .....					
Corps of Engineers .....					
Environmental Protection Agency .....	1,699.6				
Executive Office of the President .....					
General Services Administration .....	4,563.3				
National Aeronautics and Space Administration .....					
National Science Foundation .....					
Office of Personnel Management .....					2.8
Social Security Administration .....	27,777.0				183.8
District of Columbia .....					9.0
		1.9			5.4
		55.4			55.0
		3,279.8			18.1
		58.7			70.3
					5.0
Total Homeland Security Budget Authority .....				193.1	58,282.9
Less Department of Defense .....					
Non-Def. Homeland Security Budget Authority excluding BioShield .....					1,212.5
Less Fee-Funded Homeland Security Programs .....					
Less Mandatory Homeland Security Programs .....					-2,454.1
Net Non-Defense Discretionary, Homeland Security Budget Authority excluding BioShield .....					208.0
Plus BioShield .....				193.1	33,109.0
Net Non-Defense Discretionary, Homeland Security Budget Authority including BioShield .....	2,508.0				
Obligations Limitations					
Department of Transportation Obligations Limitation .....	33,419.8	645.6	32,050.6	193.1	33,109.0
	79.2		191.0		00.7

Lots of homeland security spending in other agencies, including DoD

← USDA (bio, agro)

← DoD (mostly domestic FP; CBRNE)

← DOE (nuke, rad)

← HHS (bio)

← DHS

← DOJ (FBI)

← State

\* Mostly force protection of US bases

# Not all DHS Spending is Homeland Security

- ▶ Total DHS FY 2007 = ~ \$35.6 billion
- ▶ Up \$2.3 billion (7%) over FY 2006
- ▶ DHS homeland security spending = ~ \$27.8 billion
- ▶ Roughly \$8 billion on other missions:
  - Coast Guard
    - drugs
    - aids to navigation
    - search & rescue
    - fishery enforcement
  - Immigration services (not just enforcement)
  - Customs and Border Protection
    - trade facilitation
    - all types of customs enforcement: child porn, drugs, financial crimes investigations, etc.
  - Secret Service – fraud and financial crimes law enforcement
  - Etc.

# Homeland Security Spending by Mission Area

**Table 3-2. HOMELAND SECURITY FUNDING BY NATIONAL STRATEGY**

(Budget authority, in millions of dollars)

Agency	2005 Enacted	2005 Supplemental	2006 Enacted	2006 Supplemental	2006 Requested
Intelligence and Warning .....	349.8	.....	428.2	.....	604.4
Border and Transportation Security .....	16,652.3	386.2	18,348.6	159.6	20,177.1
Domestic Counterterrorism .....	3,974.5	257.3	4,548.0	17.6	4,661.6
Protecting Critical Infrastructure and Key Assets ..	17,835.9	849.4	17,851.7	.....	18,350.6
Defending Against Catastrophic Threats .....	8,146.4	142.8	8,639.8	0.5	8,882.1
Emergency Preparedness and Response .....	5,654.5	90.1	4,924.3	15.4	5,474.9
Other .....	.....	.....	.....	.....	132.2
<b>Total, Homeland Security</b>					<b>58,282.9</b>
Plus BioShield .....					.....
<b>Total, Homeland Security including BioShield</b>				<b>193.1</b>	<b>58,282.9</b>

I&W doesn't include classified spending

- Total = ~ \$58.3 billion
- This is best number in budget to look at total homeland security spending. Differing numbers reflect some complicated accounting peculiarities.

How can you meaningfully compare intel & warning to border security to CIP?

# Federal Grants

**Table 8-1. FEDERAL GRANT OUTLAYS BY AGENCY**  
(In billions of dollars)

Agency	2005 Actual	Estimate	
		2008	2007
Department of Agriculture .....	24.7	26.6	26.5
Department of Commerce .....	0.6	0.6	0.5
Department of Education .....	39.5	41.8	41.0
Department of Energy .....	0.3	0.3	0.3
Department of Health and Human Services .....	245.0	258.5	264.3
Department of Homeland Security .....	14.0	14.3	13.9
Department of Housing and Urban Development .....	35.4	38.5	38.5
Department of the Interior .....	4.0	4.7	4.7
Department of Justice .....	4.2	3.2	4.3
Department of Labor .....	7.6	7.3	7.0
Department of Transportation .....	43.4	46.7	51.5
Department of the Treasury .....	0.5	0.5	0.5
Department of Veterans Affairs .....	0.1	0.1	0.1
Environmental Protection Agency .....	3.7	3.7	3.7
Other agencies .....	3.1	2.4	2.2
<b>Total .....</b>	<b>426.2</b>	<b>449.3</b>	<b>459.0</b>

# Grants ... Tough Issues

- ▶ State & locals feel strain of increased spending
  - “Health, safety, welfare” traditionally a state issue
  - How much police overtime is “homeland security?”
  - How much should federal government pay?
  - Little political payoff to divert attention and dollars from daily issues
- ▶ Do states have a good plan to spend it?
  - Are the plans coordinated within the state (not all counties need their own HAZMAT decon capability)
  - Are the plans coordinated with neighboring states (Mississippi, Louisiana, Texas, Florida re. Katrina)
- ▶ What to buy (requirements determination)?
  - Do they have the training to use what they buy?
  - Can they maintain what they buy? (filters for masks)
  - Is there standardization and interoperability (radios)
- ▶ Are dollars apportioned according to threat?

# Wasteful and Irrational Spending

- ▶ Some criticisms of “waste” are spurious:
  - DHS has other issues besides homeland security
  - Customs has big role in fighting child porn ... big overseas nexus
- ▶ Examples (an informed expert can make a reasonable case for all but the last two, and the explanations for the last two are not surprising):
  - \$200k for school-based drug prevention
  - \$7.1m for National Center for Missing and Exploited Children
  - \$100k for Child Pornography Tipline
  - \$10m to Intercity Bus Security; \$22m to trucking industry for security awareness
  - \$50m for exercise program to meet Oil Pollution Act of 1990
  - \$20m to renovate DHS headquarters
  - \$98k for Tecumseh, MI fire department training ... no one attended
  - \$22k for Mason County, Washington to buy six radios incompatible with county radios
- ▶ But, there is substantial waste and irrationality

# Wasteful and Irrational Spending

- ▶ Very difficult to ascertain threat risk to different localities
- ▶ “Risk shifting”
- ▶ Meaningless (or deceiving) comparisons abound:
  - Highest risk locations vs. per capita spending
  - NY highest risk; Virgin Islands highest spending per capita (someone explain why this might be)
  - San Francisco vs. Wyoming 4<sup>th</sup> most spending per capita (someone explain why this might be)
- ▶ “Economies of scale” ... it costs more per capita to make initial investments in lower population environments ... comparisons in the short-term don't demonstrate much
- ▶ Domestic Congressional politics

# Measuring Performance

- ▶ Little track record (how many attacks in Boston in last ten years?)
- ▶ Little experience (so exercises can be off-target)
- ▶ Very little data:
  - Attacks are very rare
  - Data hasn't been collected in right way
  - (Katrina provides an opportunity to capture important data ... i.e. pre-Katrina estimates of costs of government hurricane bailout were wildly off ... see HSC planning scenario #10).
- ▶ Agencies have been measuring performance in other ways:
  - Customs – tons of drugs seized
  - Immigration – illegal aliens interdicted
  - FBI – number of successful prosecutions

Questions?