MASSACHUSETTS INSTITUTE OF TECHNOLOGY

MIT CENTER FOR INTERNATIONAL STUDIES

Audit of the Conventional Wisdom

May 2007
07-08

Paying for Homeland Security: Show Me the Money

Cindy Williams
MIT Center for International Studies

In January 2003, the Bush administration drew 22 disparate agencies and some 170,000 employees into a new Department of Homeland Security (DHS). Proponents of the reorganization hoped a single department under a single cabinet secretary would foster unity of effort across a substantial portion of the federal activities related to domestic security.

A key tool would be the department's budget. With all the agencies beholden to him for their money, the secretary could promote and reward much-needed integration across the department. He could wield the budget tool to expand high priority activities, eliminate or defer the less important or redundant ones, and reallocate the workforce to fill gaps in high-risk areas.

A look at budgets since the department was established reflects little in the way of realignment, however. Department funding rose by more than 40 percent between 2003 and 2007, but there has been only minimal reallocation of budgets from areas of lower risk or priority to functions the department says are more important. With the exception of added spending to support the Secure Border Initiative announced by President Bush in November 2005, the department's main operating components each enjoy about the same share of the DHS budget today as they did when the department was created.[1] The result is that—despite the heavy cost in both dollars and institutional disruption—the United States is not getting what it should out of the reorganization.

This article looks at annual DHS budgets for evidence of altered priorities or reallocation of resources. Finding little in the way of change, it considers several

Center for International Studies
Massachusetts Institute of Technology
Building E38-200
292 Main Street
Cambridge, MA 02139

T: 617.253.8093
F: 617.253.9330
cis-info@mit.edu

web.mit.edu/cis/
web.mit.edu/cis/acw.html

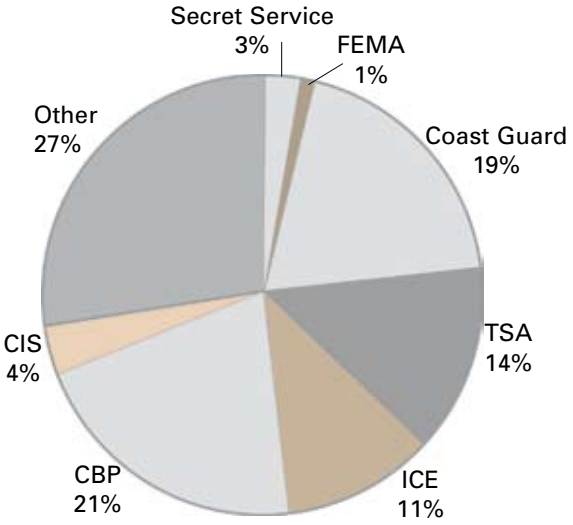
explanations for the persistent pattern and ends with recommendations for improving budgetary processes and outcomes in DHS.

The Money Trail: DHS Budgets Since 2003

DHS has seven main operating components: the Transportation Security Administration (TSA), Customs and Border Protection (CBP), Citizenship and Immigration Services (CIS), Immigration and Customs Enforcement (ICE), the Secret Service, the Federal Emergency Management Agency (FEMA), and the Coast Guard. These components together command a bit less than three-quarters of the DHS budget (see figure 1).[2]

FIGURE 1

DHS Total Budget Authority by Component, FY 2007



Source: Author's calculations based on DHS Budget in Brief, FY 2008. Notes: FEMA figure reflects Operations, Planning, and Support (largely excludes grants and disaster relief.) Figures include emergency supplemental funds for Global War on Terrorism.

Cindy Williams s a principal research scientist in the Security Studies program of MIT's Center for International Studies.

citation
Cindy Williams. "Paying for Homeland Security: Show Me the Money," MIT Center for International Studies Audit of the Conventional Wisdom, 07-08 (May 2007).

Remarkably, the share of the department's budget devoted to each of these components has varied little from the year the department opened until today (see table 1).[3] From 2003 to 2007, no more than one percent of the DHS budget migrated into or out of the Secret Service, FEMA's internal operating accounts, the Coast Guard, or Citizenship and Immigration Services.[4] Of the seven units, only TSA, Immigration and Customs Enforcement, and Customs and Border Protection acquired or lost more than one percent.

Much of the shift in budget shares between 2006 and 2007 is due to the administration's Secure Border Initiative. For example, the FY 2007 budget for CBP includes about $1.2 billion for SBInet, a program to develop and field technologies for border control. The FY 2007 budget for ICE includes funding provided under the initiative to expand detention capacity for illegal immigrants, intensify fugitive operations, and increase enforcement actions at workplaces around the country.

TABLE 1

Operating Component Shares of DHS Total Budget, Fiscal Years 2003 - 2008[a]

Percent

	2003	2004	2005	2006	2007 ESTIMATE	2008 REQUEST
Secret Service	4	4	4	3	3	3
FEMA Operations, Planning, and Support[b]	N.A.	1	1	1	1	1
Coast Guard	20	19	19	19	19	19
TSA (including Federal Air Marshals)[c]	17	15	16	15	14	14
ICE (net of Federal Air Marshals)[c]	9	9	9	10	11	11
CBP	19	17	17	19	21	22
CIS	5	5	5	5	4	6
Seven Components' Share of Total DHS	**73**	**69**	**70**	**72**	**73**	**76**

Source: Author's calculations based on DHS Budget-In-Brief, FY 2004 to 2008.

N.A.: not available.

Totals may not add due to rounding.

Notes:

a) Figures based on total budgets, including discretionary, mandatory, and fee-funded activities. Figures exclude funding for Bio-Shield and emergency supplemental appropriations for disaster relief; they include supplementals for Global War on Terrorism.

b) Figure is for core operations of FEMA; excludes most grants to state and local governments as well as disaster relief.

c) Federal Air Marshals transferred from ICE to TSA in January 2006. For comparability, this table includes budgets for Federal Air Marshals in the TSA figures, rather than in the ICE row, for all six years.

What Went Wrong?

The allocation of homeland security budgets based on nearly constant shares stands in stark contrast to early rhetoric. The *National Strategy for Homeland Security*, prepared in 2002 by the White House Office of Homeland Security, called for prioritizing activities most in need of additional resources and shifting resources to their most productive use. The authors of the strategy clearly envisioned that new money made available through steadily rising budgets for homeland security would go to mitigate risks that pose the greatest danger.[5] Moreover, Tom Ridge, then the director of the Transition Planning Office for the department and later its first secretary, argued in 2002 that the new cabinet secretary would need great latitude in re-deploying resources. He believed eliminating redundant activities would offset the added costs of central administration and other core departmental functions.[6]

"In fact, however, very little money was shifted, and budget increases were allocated with an even hand across components. Moreover, widely recognized redundancies were never addressed."

In fact, however, very little money was shifted, and budget increases were allocated with an even hand across components. Moreover, widely recognized redundancies were never addressed. For example, CBP, ICE, and the Coast Guard each continues to run its own, independent air force with hundreds of pilots and aircraft.

In organizing the new department, policy makers understood that the legacy agencies being drawn under the DHS umbrella—including the Immigration and Naturalization Service from the Justice Department, the Customs Service and Secret Service from the Treasury Department, the Coast Guard and TSA from the Department of Transportation, and FEMA—would fight fiercely for budgetary control and guard jealously what they considered their fair shares. The path of least bureaucratic resistance would be to allocate funds across the components consistent with past shares of collective budgets.

To help the secretary establish control, leaders put in place processes similar to those in the Department of Defense. One of those processes is the development of a Future Years Homeland Security Program (FYHSP), similar in structure and level of detail to the Defense Department's Future Years Defense Program (FYDP). Preparing a multi-year budget plan can compel a department to think more strategically about its overall direction, and to recognize the longer-term costs of current decisions, such as new program starts.

In addition, DHS leaders moved early to establish a Planning, Programming, Budgeting, and Execution System (PPBES) as the basis of the FYHSP. A PPBES is a phased, disciplined process designed to help central leaders identify gaps and overlaps, align programs and budgets with strategic goals (which often differ from the institutional interests of components), and make informed choices among competing alternatives. Key to the success of a PPBES are studies of the costs and utility of tradeoffs, conducted by a cadre of analysts who report not to the operating components but to the central leaders.

The Defense Department's early experience with its own PPBES demonstrated that such a process can work. In the early 1960s, Secretary of Defense Robert McNamara introduced the Planning, Programming, and Budgeting System (PPBS). Secretary McNamara believed that since its creation in 1947, Defense had never realized the full potential of a consolidated department; the individual services developed their own budgets with too little oversight by the secretary. Secretary McNamara wanted a systematic way to illuminate potential tradeoffs that would inform his resource allocation decisions. During the 1960s, the PPBS informed crucial decisions about conventional forces and put in motion important shifts across the services' nuclear forces.[7]

It stands to reason that a disciplined process, coupled with rising total budgets, should have allowed DHS leaders to break from the path of least resistance. With plenty of new money each year, substantial extra funds could be put toward high-priority activities, and the other components would not even suffer a loss in dollar terms. As the Defense Department did in the 1960s, the DHS could allocate funds based upon the importance and needs of those missions as related to strategy, independent of "fair share" considerations across powerful internal stakeholders.

Several theories might explain why the distribution of budgets across DHS has not changed more. One is that budget shares were about right to begin with. Given the haste with which the department was assembled and Secretary Ridge's own 2002 forecast of significant reallocations, however, that hardly seems likely. Glaring examples of persistent overlaps, such as DHS's three air forces, also require another explanation.

A second possibility is that the department is still in its shakedown phase; leaders and processes simply have not had enough time to work. That may be true, but the best time for getting central control of budgets was during the first year or two, when the environment was still fluid and components were unsure of how the new department would function.

Three other reasons seem more likely. One is that the White

House never wanted the new secretary to take central control of the budget, and made that known through early budget iterations. Another is that Secretary Ridge and Secretary Chertoff did not engage early enough or forcefully enough in the annual PPBES to bring the components to heel. A third is that the secretaries were simply no match for the component fiefdoms, which still have their own powerful allies in the White House and Congress.[8] From the outside, it is hard to know which of these explanations is the most potent, but there is likely some truth in all three.

Conclusion and Recommendations

The DHS was created to bring coherence to the disparate activities of numerous agencies involved in domestic security. Building the new department cost money. The initial reorganization and several transfers of responsibility across, into, and out of the department during the intervening years have created turbulence for institutions and individuals.[9] Yet four years down the road, the nation is not reaping the advantages that should accrue from the consolidation.

One reason is that the department's main operating units can generally count on capturing the same share of the budget from one year to the next. As a result, they have little incentive to align their activities to departmental priorities, change the way they do business, seek internal efficiencies, or give up activities that are redundant with those of other components.

The department has adopted processes that could help the secretary exert greater central control over the plans, programs, and budgets of the components. For one reason or another, however—with the exception of the president's Secure Border Initiative—constant-shares budgeting prevails across the main operating components.

To improve the prospects for aligning budgets with national and departmental goals, DHS and national leaders should consider the following three recommendations: examine support activities of all operating components for redundancy, and realign such activities throughout the department to reduce overlap; make the early and vigorous involvement of the secretary and deputy secretary in the PPBES a priority; and strengthen the department's internal capacity to conduct tradeoff studies that cut across the components and to develop independent estimates of the costs of programs and activities.

article footnotes

1 I am grateful to Maj. General Bruce M. Lawlor (U.S. Army retired) for pointing out that the shares of DHS budgets devoted to the main components have remained nearly constant.

2 This article treats the total budget of the Department of Homeland Security. Many activities of DHS, for example, search and rescue efforts in the Coast Guard and response to natural disasters in FEMA, are not related to homeland security. In FY 2007, some 38 percent of the total DHS budget goes toward non-homeland security activities; DHS accounts for about 49 percent of total federal homeland security funding.

3 The same is generally true for other DHS offices as well.

4 The planned rise for CIS between FY2007 and FY2008 assumes a substantial increase in immigration fees.

5 The White House, *National Strategy for Homeland Security* (Washington, D.C., July 2002), pp. 3, 64.

6 The Honorable Tom Ridge, Testimony before the United States Senate Committee on the Judiciary, "Protecting the Homeland: The Preisdent's Proposal for Reorganizing our Homeland Defense Infrastructure," June 26, 2002.

7 See Alain C. Enthoven and K. Wayne Smith, *How Much Is Enough? Shaping the Defense Program 1961-1969* (Copyright 1971 by Enthoven and Smith, reprinted by RAND in 2005). As practiced today in the Department of Defense, however, the PPBS (recently renamed PPBES) seems a weak cousin of the early process.

8 Both chambers of Congress now have authorizing committees and appropriations subcommittees that align with DHS. Numerous other committees and subcommittees appear to retain strong interests in how the department's operating components fare, as evidenced by dozens of requests for the Secretary to appear at committee and subcommittee hearings.

9 See for example GAO-07-139, "FEMA Needs Adequate Data, Plans, and Systems to Effectively Manage Resources for Day-to-Day Operations" (Washington, D.C.: Government Accountability Office, January 2007).

The Audit of Conventional Wisdom

In this series of essays, MIT's Center for International Studies tours the horizon of conventional wisdoms that define U.S. foreign policy, and put them to the test of data and history. By subjecting particularly well-accepted ideas to close scrutiny, our aim is to re-engage policy and opinion leaders on topics that are too easily passing such scrutiny. We hope that this will lead to further debate and inquiries, with a result we can all agree on: better foreign policies that lead to a more peaceful and prosperous world. Authors in this series are available to the press and policy community. Contact: Michelle Nhuch (NHUCH@mit.edu, 617.253.1965)

Center for International Studies
Massachusetts Institute of Technology
Building E38-200
292 Main Street
Cambridge, MA 02139

T: 617.253.8093
F: 617.253.9330
cis-info@mit.edu

web.mit.edu/cis/
web.mit.edu/cis/acw.html

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

MIT CENTER FOR INTERNATIONAL STUDIES

Audit of the Conventional Wisdom

May 2007

Paying for Homeland Security: Show Me the Money

Cindy Williams

MIT Center for International Studies

PSB 07-04-0334

MIT CENTER FOR INTERNATIONAL STUDIES

Massachusetts Institute of Technology
Building E38-200
292 Main Street
Cambridge, MA 02139

MASSACHUSETTS INSTITUTE OF TECHNOLOGY