

HSPI Commentary Series

THE FY 2014 BUDGET REQUEST FOR THE DEPARTMENT OF HOMELAND SECURITY: AN INITIAL ASSESSMENT

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On April 10, 2013, the White House released its annual budget request for Fiscal Year 2014 (FY 2014). This paper provides initial commentary on the budget requested for the Department of Homeland Security (DHS) for FY 2014, as described in the DHS Budget-in-Brief report and the detailed Congressional Justifications (CJ's) for all of the offices and components within the Department.¹

The President requested \$44.672 billion in net discretionary funding for the Department for FY 2014, down from \$46.561 billion in FY 2013 and \$46.381 billion in FY 2012. This cut of \$1.889 billion would represent a 4% decline in net discretionary funding for the Department from current levels, and reflects in part an effort to address the caps imposed as a result of sequestration under the Budget Control Act.

Within this overall decline in funding there are significant shifts in funding between and within the operational components of the Department. For example, the budget proposes a very significant cut (in comparison with FY 2012 levels) to the budget for Immigration and Customs Enforcement (ICE) of 11%, but a notable increase of 9% in the budget for Customs and Border Protection (CBP). Three other major operational components – the Transportation Security Administration, the U.S. Coast Guard and the U.S. Secret Service – each would receive cuts of 6% to their budgets.²

These proposed budget cuts across the Department follow a period of time over the last three years when the DHS budget has already been flat or declining. The components and offices within the

¹ FY 2014 DHS budget documents are available online at <http://www.dhs.gov/dhs-budget>

² Comparisons are made to FY 2012 funding levels instead of FY 2013 levels in DHS budget documents (and thus in this report in many places) due to uncertainty about the final FY 2013 DHS budget at the time the budget documents were prepared.

Department have thus far dealt with this budget austerity by finding efficiencies and reducing wasteful or unnecessary spending, in part through the Secretary's Efficiency Review process. But at this point, after four years of efforts to identify such efficiencies and savings, nearly all of the easy and pain-free cuts to the Department's budget have already been made. **There is a substantial risk that further cuts as mandated by sequestration and as projected in this budget request will diminish the effectiveness of the Department's performance across all of its key operational missions.**

The remainder of this paper will examine six areas that are likely to be affected significantly as a result of this budget request: cyber security, homeland security grants, biosecurity, DHS intelligence activities, cuts to the Federal Air Marshal Service, and the investment in capital assets across the Department. Additional areas not covered in this paper but also worthwhile of further attention include: (a) the proposed cuts to the US Secret Service workforce, (b) the status of the US-VISIT move into CBP, (c) the renewed proposal to move three offices out of the DHS Office of Policy, in spite of its clear rejection by the Appropriations committees in 2012, and (d) the proposal to shift responsibility for many land ports of entry from GSA to CBP.

1. Cybersecurity Funding and Analytic Capabilities

One of areas of the budget where funding remains relatively steady is cyber security. The President requests \$810 million for cybersecurity-related programs within the National Protection & Programs Directorate (NPPD) as well as \$70.5 million for cybersecurity-related R&D within the Science and Technology Directorate. Funding for cybersecurity in these offices increased significantly from FY 2012 to FY 2013, and the FY 2014 request maintains these higher levels of funding, and directs it toward a range of existing and new cybersecurity programs.

One noteworthy new initiative described in detail in the congressional justifications for NPPD is the proposal to establish a new Office of Cyber and Infrastructure Analysis within NPPD, pursuant to requirements in Presidential Policy Directive 21 (PPD-21) to establish an "integration and analysis function" for critical infrastructure. This office is proposed for funding of \$27.3 million in its first year. This proposal needs to be carefully scrutinized by Congress, particularly with respect to how it relates to existing analytic activities elsewhere in NPPD, at the DHS Office of Intelligence and Analysis, and in other intelligence agencies.

2. Homeland Security Grant Funding and Legislative Proposals

The FY 2014 request maintains the reduced levels of funding for homeland security grants that have been in effect for the last three budget cycles. It includes \$1.043 billion for the proposed National Preparedness Grant Program (NPGP), a legislative proposal that would replace and merge existing grant programs such as the State Homeland Security Grant Program, the Urban Area Security

Initiative, the Port Security Grant Program, and the Transit Security Grant Program into a new single grant program. The FY 2014 request also includes \$1.08 billion in funding for the Emergency Management Performance Grant and Fire Grant programs.

The NPGP proposal was made in the FY 2013 DHS budget request but was not supported by the relevant authorizing committees in Congress in 2012. With new leadership in the authorizing committees this year, it is possible that there will be greater receptivity to this proposal now, although passing such a proposal will likely require substantial effort due to the concerns of existing stakeholders and jurisdictional fragmentation in relation to many of the legacy grant programs.

3. Funding for the National Bio and Agro-Defense Facility (NBAF)

The budget request provides \$743.25 million in funding for construction of the National Bio and Agro-Defense Facility (NBAF) in Kansas, following the delay and deferral of this funding for the last several years due to budget constraints and ongoing concerns about the location of the NBAF. This represents a significant and worthwhile commitment by the Department with respect to its role in biosecurity and agrosecurity. This funding is located within the budget for the Science and Technology Directorate (S&T) of DHS, increasing the S&T Directorate budget by 127% from FY 2012 levels. However, this funding for the NBAF is primarily one-time spending, so S&T's budget will revert to lower levels in future requests.

It remains to be seen whether Congress will ultimately decide to fully or partially fund this request. While there is likely to be solid support for this request in principle, it will compete for funding with other parts of DHS that have been proposed for cuts or that require fee increases to ensure their proposed funding levels (notably within CBP and TSA). If sequestration continues to remain in effect and/or other mission areas (such as border security) become more prominent in coming months, funding for NBAF could potentially be lower than what was requested for FY 2014.

4. Cuts to DHS Intelligence Activities

The budget request proposes an 8% cut to the budget for the Analysis and Operations (A&O) account of the DHS budget, from \$338 million in FY 2012 to \$309 million in FY 2014. The A&O account includes the funding for both the DHS Office of Intelligence and Analysis and the Office of Operations Coordination.

Most of the details about this funding are classified, but the unclassified budget request notes that the decreases include \$10.5 million of programmatic cuts and \$16.4 million in efficiencies, primarily due to reductions in advisory and assistance contracts. Without knowing the details of such cuts, it is uncertain what the mission impact will be. To the extent possible, Congress should seek to minimize

the impact that such cuts will have on I&A's support for its state and local partners, for example, through its deployment of intelligence officers to state and local fusion centers.

5. Proposed Cuts to Federal Air Marshals – the Challenge of Risk Management

The FY 2014 request proposes \$715 million in funding for the Federal Air Marshal Service (FAMS), down from \$842 million in FY 2012 and significantly below the \$991 million that DHS requested for FAMS for FY 2012 in February 2011. Around \$77 million of the reduction is due to a transfer of support costs from the FAMS budget to TSA's other budget accounts, but over \$51 million of this reduction is due to programmatic cuts to FAMS personnel and related support costs. The Congressional Justification for FAMS explains this decision by noting that it is informed by a risk-based process within TSA, and in TSA's judgment it would "not adversely impact aviation security".

This proposal is a rare example of a cut to frontline personnel in DHS. Such frontline personnel have largely been sheltered from cuts in recent budget cycles, with decreases instead largely falling on grant programs, capital investments, research and development, and headquarters-related offices. Now that these areas have already been significantly cut, decisions to make cuts to frontline personnel will become increasingly necessary if budgets for DHS remain flat or decline further.

In this particular case, cuts to FAMS are likely warranted from a risk-based standpoint, given the high cost of deploying FAMS personnel and the impact of investments that have been made in other layers of the aviation security system in the past decade, particularly with respect to pre-screening of travelers. These other security improvements allow Federal Air Marshals to be deployed on a much more strategic basis than in the first few years after 9/11, focused on providing security for high threat routes and specific flights of concern. Coverage of such high-risk routes and flights is still valuable from a security standpoint, but can be accomplished at a lower cost than what the current budget allows.

This proposal will provide an interesting test case of the willingness of Congress to accept DHS's judgment on risk-based budget prioritization. It will be politically risky to cut funding for Federal Air Marshals. If a successful terrorist attack were to take place targeting the US aviation system in the years ahead, any such cuts to the Federal Air Marshals would likely appear reckless in hindsight, and could become the basis for political attacks.

Nevertheless, if Congress is committed to a lower budget for DHS in the years ahead, it is going to need to make many such difficult choices, ideally informed by rigorous risk-based analysis. Such decisions will need to be explained candidly with the media and the general public, in order to manage their expectations about what DHS and other security agencies can do given the resources provided to them – mindful of the fact that there is no free lunch in homeland security. And to the

extent that reductions to FAMS personnel are necessary, they should be carried out if possible via natural attrition or transfers to other parts of DHS.

6. Deferred Capital Investment in Operational Components

One of the most significant items in the DHS budget every year is its investment in capital assets, including ships and planes for the Coast Guard and CBP, screening equipment at TSA, key information technology systems, and physical infrastructure at the US-Mexico border. In the past few years DHS has had to make difficult trade-off decisions between preserving workforce levels and making previously planned investments in capital assets.

This trend continues in the FY 2014 request. The Coast Guard's acquisition budget would be cut from \$1.462 billion in FY 2012 to \$951 million in FY 2014. TSA's investments in the acquisitions and maintenance of screening and checkpoint technology would be cut by a total of \$187.3 million from FY 2012 levels. The procurement budget for Air & Marine Operations within CBP would be cut nearly in half, from \$139 million to \$74 million.

Such reductions in funding are often appropriate, especially after periods of significant investment. For example, TSA received significant funding for screening equipment in the 2009 Recovery Act and later pursuant to the 2009 Christmas Day terrorist attack on Northwest Flight 253, so such near-term decreases may be appropriate.

In other cases, these reductions in capital investment create significant mission risks. A case in point is the U.S. Coast Guard's maritime assets, which remain very old and are not being replaced with newer vessels at the rate that was projected several years ago. This has a significant impact on the Coast Guard's mission performance, given the limited range and capabilities of many of its older vessels and the fact that these older vessels typically require more frequent periods of time ashore for maintenance and repair.

In the long run, if DHS continues to defer and delay needed capital investment across the Department, it is going to have a growing maintenance and acquisition backlog and will face increasing episodes of equipment failure along the lines of the CBP network outage at Los Angeles International Airport on August 11, 2007 that significantly disrupted the flow of international travelers at LAX on that day. Ultimately these investments will need to be made if DHS's operational components are going to continue to carry out their key missions, and the overall cost of such reinvestment in the out years will continue to grow as investments are deferred today.

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