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**DEFENDING AMERICA
REDEFINING THE CONCEPTUAL BORDERS
OF HOMELAND DEFENSE**

**US GOVERNMENT EFFORTS TO CREATE A
HOMELAND DEFENSE CAPABILITY:**

**A PROGRAM AND BUDGET OVERVIEW OF
FEDERAL SPENDING ON COUNTERTERRORISM
AND WMD**

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Introduction

The following report is a rough initial draft section of a full report on Homeland Defense being prepared as part of the CSIS Homeland Defense project. It is based on studies by the Office of Management and the Budget and Ballistic Missile Defense Organization.

It reflects the views of the author and not of the CSIS team working on the project.

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The US has followed the same basic principles in dealing with terrorism since the 1970s: Make no concessions to terrorists, pressure state sponsors of terrorism, and apply the rule of law to terrorists as criminals. This U.S. policy on terrorism became formalized in 1986, when the Reagan administration's issued of National Security Decision Directive 207 (NSDD 207). This shift to a more formal policy came as the result of the findings of the 1985 Vice President's Task Force on Terrorism, which highlighted the need for improved, centralized interagency coordination of the significant federal assets to respond to terrorist incidents. NSDD 207 reaffirmed the lead agency responsibilities of past policy. The State Department was responsible for international terrorism policy, procedures, and programs, and the FBI was responsible for dealing with domestic terrorist acts while acting through the Department of Justice.,

The US response to the potential threats from covert attacks by state actors, their proxies, or independent extremists and terrorists has, however, changed significantly since the mid-1990s. The next major change in policy came in the National Defense Authorization Act for Fiscal Year 1994, Public Law No.103-160, Section 1703 (50 USC 1522). This law mandated the coordination and integration of all Department of Defense chemical and biological (CB) defense programs. As part of this coordination and integration, the Secretary of Defense was directed to submit an assessment and a description of plans to improve readiness to survive, fight and win in a nuclear, biological and chemical (NBC) contaminated environment. Since that time, 50 USC 1522 has provided the essential authority to ensure the elimination of unnecessarily redundant programs, focusing funds on DoD and program priorities, and enhancing readiness.

Key Presidential Decision Directives and Legislation Affecting the Federal Response

The bombing of the federal building in Oklahoma City led to the issuance of Presidential Decision Directive 39 (PDD-39) in June 1995. PDD-39 built on the previous directive and contained three key elements of a national strategy for combating terrorism: (1) reduce

vulnerabilities to terrorist attacks and prevent and deter terrorist acts before they occur; (2) respond to terrorist acts that do occur—crisis management—and apprehend and punish terrorists; and (3) manage the consequences of terrorist acts, including restoring capabilities to protect public health and safety and essential government services and providing emergency relief. This directive also further elaborates on agencies' roles and responsibilities and some specific measures to be taken regarding each element of the strategy.¹

These policies have since been further developed by two key Presidential Decision Directives, PDD-62 and PDD-63.

- PDD-62 reaffirmed the basic principles of PDD-39, but clarified and reinforced the specific missions of the US agencies charged with defeating and defending against terrorism, and created a new and more systematic federal approach to fighting the emerging threat posed by weapons of mass destruction (WMD). This includes programs to deter terrorist incidents involving chemical, biological, radiological, and nuclear weapons, and to manage the consequences if such incidents should occur.
- PDD-63 called for a national effort to assure the security of critical infrastructure. It covers both critical infrastructure protection and cyber crime, and the security of both government and private sector infrastructure to ensure national security, national economic security, and public health and safety.

As a result of PDD-39 and PDD-62, the federal response to domestic incidents is now divided into crisis management, led respectively by the FBI, and consequence management led by FEMA. The GAO reports that,²

Two Presidential Decisions Directives—number 39 issued in June 1995 and number 62 issued in May 1998—define U.S. policy to combat terrorism. These presidential directives and implementing guidance divide the federal response to terrorist attacks into two categories—crisis management and consequence management. Crisis management includes efforts to stop a terrorist attack, arrest terrorists, and gather evidence for criminal prosecution. Consequence management includes efforts to provide medical treatment and emergency services, evacuate people from dangerous areas, and restore government services. The presidential directives also organize federal efforts to combat terrorism along a lead agency concept. The Department of Justice, through the Federal Bureau of Investigation (FBI), is the lead federal agency for

crisis management of domestic terrorist incidents. For managing the consequences of domestic terrorist incidents, state and local authorities are primarily responsible. The Federal Emergency Management Agency (FEMA) is the lead federal agency for consequence management if state or local authorities request federal assistance.

New legislation has also shaped US policy. “The Defense Against Weapons of Mass Destruction Act,” contained in the National Defense Authorization Act for Fiscal Year 1997 (title XIV of P.L. 104-201, Sept. 23, 1996), established the Nunn-Lugar-Domenici Domestic Preparedness Program. This act made the Department of Defense the lead federal agency for implementing the program, and is to work in cooperation with the FBI, the Department of Energy, the Environmental Protection Agency, the Department of Health and Human Services, and the Federal Emergency Management Agency.³

The US is also giving significantly higher priority to the full range of threats posed by weapons of mass destruction. On June 8, 1998, the President forwarded to Congress a fiscal year 1999 budget amendment that included a proposal to (1) build for the first time civilian stockpile of antidotes and vaccines to respond to a large-scale biological or chemical attack, (2) improve the public health surveillance system to detect biological or chemical agents rapidly and analyze resulting disease outbreaks, (3) provide specialized equipment and training to states and localities for responding to a biological or chemical incident, and (4) expand the National Institutes of Health's research into vaccines and therapies.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act (P.L. 105-277) included \$51 million for the Centers for Disease Control and Prevention to begin developing a pharmaceutical and vaccine stockpile for civilian populations. The act also required that HHS submit an operating plan to the House and Senate Committees on Appropriations before obligating the funds. The fiscal year 2000 request for HHS' bioterrorism initiative is \$230 million, including \$52 million for the Centers for Disease Control and Prevention to continue procurement of a national stockpile.

Important legislation is also pending. On April 6, 2000, H.R. 4210 was introduced to the

House Committee on Transportation and Infrastructure, Subcommittee on Oversight, Investigations, and Emergency Management. The bill would create the Office of Terrorism Preparedness within the Executive Office of the President. Duties of the Office would include: establishing, overseeing, and coordinating federal policies and priorities for state and local preparedness; publishing a Domestic Terrorism Preparedness Plan and an annual strategy for achieving the plan; reviewing state and local preparedness and creating voluntary minimum standards.

It is unclear, however, that this legislation will be enacted. The GAO has stated that the Office would have overlapping duties with the DOJ's National Domestic Preparedness Office, which is administered by the FBI:⁴

As currently proposed in the bill, the Office may overlap with some functions to be performed by the existing National Domestic Preparedness Office. The Attorney General established this office within the Department of Justice to be responsible for interagency leadership and coordination of federal efforts to provide assistance for state and local governments to prepare for terrorist incidents involving weapons of mass destruction. As an example of potential duplication, the National Domestic Preparedness Office recently issued a "blueprint" for federal assistance, which is analogous to the new Office of Terrorism Preparedness function to prepare a national plan and strategy.

In addition, the bill would limit the scope of the new Office of Terrorism Preparedness to incidents involving weapons of mass destruction. According to intelligence and law enforcement officials, terrorists are least likely to use these types of weapons. The Subcommittee may want to consider authorizing the Office of Terrorism Preparedness to assist state and local governments to prepare for both weapons of mass destruction and the more likely threat of conventional explosives.

Changes in the Structure of the Federal Effort

The number of federal players involved in combating the threats posed by state actors, their proxies, or independent extremists and terrorists has increased substantially since PD-39 was issued in June 1995. The GAO reports that the number of players. Now involves more than 40 federal agencies, bureaus, and offices in combating terrorism. For example, Department of Agriculture representatives now attend counterterrorism crisis response exercise planning functions. The U.S. Army's Director of Military Support has created a new office to implement the Nunn-Lugar-Domenici Domestic Preparedness Program, which has a new mission of training U.S. cities' emergency response personnel to deal with terrorist incidents using chemical and

biological WMD. It and plans to create another office to integrate another new player-the National Guard and Reserve-into the terrorism consequence management area.

Similarly, the National Guard and Reserve has established 10 Rapid Assessment and Initial Detection (RAID), teams throughout the country. The U.S. Marine Corps has established the Chemical Biological Incident Response Force. Further, the Department of Energy has redesigned its long-standing Nuclear Emergency Search Team into various Joint Technical Operations Teams and other teams. At least one Department of Energy laboratory is offering consequence management services for chemical and biological as well as nuclear incidents. And the Public Health Service is in the process of establishing 25 Metropolitan Medical Strike Teams throughout the country in addition to 3 deployable "national asset" National Medical Response Teams and existing Disaster Medical Assistance Teams. There are many more examples of new players in the terrorism arena.

The Growth of the Federal Effort

These rapid changes in the way the Federal government deals with terrorism have been accompanied by an even more rapid growth in federal spending which has created major problems in tracking and assessing the Federal effort to deal with terrorism. The reporting on the key programs contributing to homeland defense is a currently definitional and statistical nightmare, and is filled with conflicting bureaucratic rivalries and priorities.

It is clear, however, that major increases are taking place. Office of Management and Budget (OMB) reporting to the Congress on enacted and requested terrorism-related funding for fiscal years 1998 and 1999, stated that that more than 17 agencies then had classified and unclassified programs. These agencies were authorized a total of \$6.5 billion for fiscal year 1998, and \$6.7 billion for fiscal year 1999. OMB's figures are lower than the GAO's were for fiscal year 1997, but different definitions and interpretations of how to attribute terrorism-related spending in broader accounts can cause a difference of billions of dollars.⁵ For example, the OMB) later reported that actual spending in 1998 totaled \$7.658 billion consisting of \$5.871

billion for combating terrorism, \$.645 billion for combating weapons of mass destruction and \$1.142 billion for critical infrastructure protection.⁶

The FY2000 Program

The White House issued a more detailed "guesstimate" as to the size federal spending in submitting its FY2000 budget request. President Clinton's FY 2000 requested budget for counterterrorism:⁷

In his FY00 budget request, President Clinton will propose \$10 billion to address "terrorism and terrorist-emerging tools" including nearly \$1.4 billion in defense against chemical and biological terrorism. A further \$1.46 billion will be requested for critical infrastructure protection, \$231 million for nonproliferation and transnational antiterrorism efforts, and \$230 million for bioterrorism programs at the Department of Health and Human Services.

The White House also provided the following breakdown of how the FY2000 program was allocated to different activities:⁸

- *Funding for Domestic Preparedness and Critical Infrastructure Protection:* The President's Fiscal Year 2000 budget includes requests for \$2.849 billion for critical infrastructure protection, computer security, and domestic preparedness against a weapons of mass destruction attack. The budget request also proposed \$7.162 billion for conventional counter-terrorism security programs.
- *Domestic Preparedness against Weapons of Mass Destruction:* In May 1999 the President proposed adding \$300 million for a new weapons of mass destruction domestic preparedness program. As a result, the 1999 enacted level was \$1.281 billion. The President's FY 2000 funding request for countering the threat of terrorist use of weapons of mass destruction continues and expands the program to \$1.385 billion. The FY 2000 request included increases of \$30 million above the previous level for research into new vaccines and medicines, an additional \$15 million to fund Public Health Surveillance to detect an attack, and an additional \$13 million to create new metropolitan medical response teams. Highlights of the FY 2000 budget included:
 - \$52 million to continue procurement of a national stockpile of specialized medicines to protect the civilian population.
 - \$611 million for training and equipping emergency personnel in U.S. cities, planning and exercising for weapons of mass destruction contingencies and strengthening public health infrastructure.
 - \$206 million to protect U.S. government facilities, \$381 million for research and development, including pathogen genome sequencing, vaccines, new therapies, detection and diagnosis, decontamination, and disposition of nuclear material.
- *Critical Infrastructure Protection and Computer Security:* The President's FY 2000 request included \$1.464 billion for protection of critical infrastructure and computer security. This represented a 40% increase in the two budget years since the President created the Critical Infrastructure Protection Commission. The highlights of this program included:

- Critical Infrastructure Applied Research Initiative (\$500 million).
- Intrusion and Detection Systems: In addition to ongoing Department of Defense funding, \$2 million will be spent to design and evaluate a similar system for other Federal agencies.
- Information Sharing and Analysis Centers (ISACs): As part of the public-private partnership, we will provide \$8 million to support the initial establishment of ISACs.
- *Cyber Corps*: This program addresses the shortage of highly skilled computer science expertise in the government and enable agencies to recruit a cadre of experts to respond to attacks on computer networks. It will use existing personnel flexibilities, scholarship and financial assistance programs, and \$3 million to examine new scholarship programs to retrain, retain and recruit computer science students.
- *Counter-terrorism Security*: In addition to the programs above, the President's FY 2000 budget request for all anti-terrorism and counter-terrorism programs was \$8.547 billion, a 12% increase over the FY 1999 enacted level and an 18% increase over FY1998.
- The President also requested a supplemental appropriation in FY 1999 of \$2.064 billion after the Africa bombings. This included \$1.4 billion to provide additional security measures to diplomatic and consular facilities and rebuild the two embassies destroyed in Dar es Salaam and Nairobi.

The FY2001 Program

An OMB estimate of FY2001 federal spending on counterterrorism indicates that spending will total \$9.3 billion for FY 2001, a 43% increase. Within these amounts, WMD preparedness spending has increased from \$645 million in FY1998 to \$1.55 billion in FY2001, a 141% increase.⁹ According to the GAO, however, the requested FY 2001 budget for terrorism as of April 6, 2000 was \$11.117 billion. \$7.538 billion was for combating terrorism, \$1.552 billion for combating WMD, and \$2.027 for critical infrastructure protection.¹⁰

In addition to reporting on the increase in the number of programs, we have testified twice on the rapid increase in federal funding to combat terrorism. The Office of Management and Budget (OMB) reported 1998 actual spending at \$7.658 billion consisting of \$5.871 billion for combating terrorism, \$.645 billion for combating weapons of mass destruction and \$1.142 billion for critical infrastructure protection. The President's budget request for fiscal year 2001 totals \$11.117 billion consisting of \$7.538 billion for combating terrorism, \$1.552 billion for combating weapons of mass destruction and \$2.027 billion for critical infrastructure protection. As proposed in the President's budget request, total funding would increase about 45 percent from 1998 to 2001, with component increases of about 28 percent for combating terrorism, about 140 percent for combating weapons of mass destruction, and about 77 percent for critical infrastructure protection. As noted in our earlier work, funding has increased dramatically at the Departments of Health and Human Services, Justice, and at the FBI.

Part of the problem in estimating federal expenditures is that they are subject to constant change. For example, the President requested an additional \$300 million for counterterrorism, on May 17, 2000,. The Department of Justice will receive an additional \$89 million, the

Department of Treasury \$87 million, and other agencies will receive \$159 million to fund extra personnel, equipment, joint operations, and infrastructure improvements.¹¹ The White House described these new program initiatives are follows:

President Clinton announced a plan today to invest an additional \$300 million in critical programs to strengthen the Nation's counterterrorism efforts.

The funding would enhance the Federal government's work to deter and detect terrorist activity, applying lessons learned from the counterterrorism effort undertaken during Millennium celebration events. The request proposes \$89 million for the Department of Justice and \$87 million for the Department of the Treasury to fund extra personnel, new equipment, and additional joint operations and infrastructure improvements. An additional \$159 million is proposed for other agencies to support these efforts.

Highlights of the initiative include:

- Increasing the number of Joint Terrorism Task Forces located throughout the United States. The Task Forces were established to integrate the resources and expertise of the law enforcement authorities of the Federal Bureau of Investigation (FBI), the Immigration and Naturalization Service (INS), the U.S. Customs Service, ATF, Secret Service and state and local law enforcement.
- Improving monitoring on the northern border with secure communications equipment and advanced monitoring equipment, including high resolution day and night camera technology.
- Expanding INS forensic capabilities at the government's federal crime lab dedicated to the forensic examination of potentially fraudulent travel documents.
- Supporting the establishment of a new interagency National Terrorist Asset Tracking Center to analyze the financing of terrorist organizations and expand the Office of Foreign Asset Control at the Department of the Treasury.
- Increasing the number of Department of Justice prosecutors and legal staff to support the prosecution of terrorists.
- Increasing the Department of the Treasury's Counterterrorism Fund that was established to cover costs associated with efforts to counter, investigate or prosecute domestic or international terrorism.

Today's request builds on activities already being undertaken. In FY 2000, reprogramming funds the majority of the package. A fully offset FY 2001 budget amendment will be submitted to Congress.

The Monterrey Institute Estimate

The rise in federal spending has led to something of a feeding frenzy within federal departments and agencies, and it has become the fashion to label programs as counterterrorism, weapons of mass destruction related, or as critical infrastructure protection. At the same time, few agencies provide any detailed figures on the trends in their budget that allow for independent analysis of where the money is really going, or which permit more detailed breakouts than those contained in the previous White House analysis of the FY2000 request.

It should be noted that this lack of transparency is scarcely unusual. Most federal agencies report a line item budget, and provide little detail on how money is allocated by program or function. Reporting is long on the reason for programs, but short or non-existent on actual expenditure levels, program goals, and program achievements. The use of the Internet has not helped in this regard. Federal web pages are largely an exercise in public relations or vanity that provides little substantive insight into what the federal government is actually doing and spending.

The Monterrey Institute did, however, issued a private estimate of both total federal spending and spending by agency in 1999. The patterns in total federal spending are shown in Table Twelve. These figures differ somewhat from those used by the NSC, but provide useful further background on the level of the federal effort. It shows a growth from \$6.7 billion in FY1997 to \$10.0 billion in FY2000, a growth of 50% in four years.

Table Twelve

Monterrey Institute Estimate of Total Federal Spending on Terrorism (As of 1999)

Government-wide				FY 1997 [±] (\$ million)	FY 1998 [±] (\$ million)	FY 1999 [±] (\$ million)	FY 2000 [±] (requested) (\$ million)
Federal	Government		(Total)	\$6,700	\$6,500	\$9,647	\$10,000
<i>Combat</i>	<i>WMD</i>	<i>missions</i>	<i>(total)</i>			\$1,227	\$1,385
<i>Law enforcement & investigative activities</i>					\$2,357	\$2,937	\$2,757
<i>WMD figure for the above function</i>						\$87	\$87
<i>Preparing for & responding to terrorist acts</i>					\$654	\$1,233	\$1,302
<i>WMD figure for the above function</i>						\$629	\$664
<i>Public health infrastructure/surveillance</i>						\$44	\$65
<i>Stockpile vaccines, antidotes, antibiotics</i>						\$51	\$53
<i>Planning/exercises</i>						\$24	\$22
<i>Training of first responders</i>						\$90	\$87
<i>Protective equipment for first responders</i>						\$101	\$95
<i>WMD detection equipment</i>						\$105	\$128
<i>State & local planning and assistance</i>						\$113	\$123
<i>Other</i>						\$101	\$91
<i>Physical security of govt. facilities/employees</i>					\$2,978	\$4,600	\$3,504
<i>WMD figure for the above function</i>						\$223	\$206
<i>Physical protection of natl. pop/infrastructure</i>					\$333	\$454	\$472
<i>WMD figure for the above function</i>						\$30	\$28
<i>Research and Development</i>					\$197	\$423	\$577
<i>WMD figure for the above function</i>						\$258	\$400
<i>Pathogen genome sequencing</i>						\$16	\$28
<i>Vaccines/Therapeutics</i>						\$9	\$50
<i>Detection/Diagnostics</i>						\$23	\$58
<i>Personal & environmental decontamination</i>						\$2	\$15
<i>Modeling, simulation, systems analyses</i>						\$4	\$8
<i>Other</i>						\$204	\$241

Source: <http://cns.miis.edu/research/cbw/terfund.htm>

The Details of the Federal Effort

The most accurate detailed estimate of the federal efforts is the work done by OMB in response to a requirement in Section 1051 of the Fiscal Year 1998 National Defense Authorization Act (P.L.105-85, which requires the Administration to provide information on Executive branch funding efforts to combat terrorism. Subsequent legislation (Section 1403 of P.L.105-261) requires an annex to this report that shows spending on domestic preparedness.

Table Thirteen and Charts Ten to Twelve show the patterns in total federal spending on the threats posed by state actors, their proxies, or independent extremists and terrorists. According to the data in this table, the total funding for all forms of federal action dealing with terrorism rose from \$8.3 billion in FY1998 to \$12.893 billion in FY2000. This is a rise of 55%. The total funding designed specifically to deal with the threat from WMD rose from \$645 million in FY1998 to \$1,554,96 million in FY2000, a rise of 240%. The rise in critical infrastructure protection was from \$1.142 million to \$2,027.25 million, a rise of 78%. These figures reveal an extremely rapid rate of growth in new program areas.

The Changing Patterns in Federal Spending

At same time, a review of Table Thirteen, and Thirteen and Charts Ten to Twelve, shows the following patterns in federal spending during FY1998-FY2001:

- The federal effort is broadly distributed among 23 major Federal departments and agencies. The largest efforts are carried out in the national security area, which includes the Department of Defense and intelligence agencies, and which received slightly over 51% of the total funding programmed for FY2001. The second largest recipient has been the State Department, largely because of the high cost of improving physical security at US embassies.
- The “civil” effort reflects a similar rise in spending on physical protection, which is a key reason for the rise in spending by agencies like the Department of Energy, GSA,

Transportation and Energy. There has, however, been an important increase in funding for law enforcement and the funding for the Department of Justice rose by nearly 50% during FY1998-FY2000.

- Most federal spending on terrorism is not directly related to either the threat posed by weapons of mass destruction (14%) or to critical infrastructure protection (18%). Spending on other activities totaled 68% in the FY2001 budget request.
- The main increases in the overall federal effort to combat terrorism took place in funding improved physical protection for government facilities and employees (\$2.9 billion to \$4.3 billion), in preparing for and responding to terrorist acts (\$418 million to \$947 million), and in research and development (\$403 million to \$813 million.)
- In contrast, law enforcement – the traditional focus of the federal effort – rose from \$2.7 million to \$3.0 billion. This latter rise was still quite significant, but law enforcement spending dropped from 41% of all spending in FY1998 to 32% in FY2001.
- The rise in spending to directly counter the threat of the use of WMD spending, in contrast, did not involve major increases in spending on physical protection for either government or the national populace. It did lead to a near doubling of law enforcement spending, and massive increases in spending on preparing for and responding to WMD terrorism (\$155 million to \$633 million), and on research and development (\$240 million to \$590 million.)
- The growth in the CIP effort was more broadly distributed by category, although the outreach each to the private sector trebled (\$103 million to \$328 million), and federal efforts in education and intrusion monitoring and response more than trebled.

It is important to note that these totals include all federal spending and not simply the threat posed to the US homeland. As a result, they give a somewhat misleading view of how the US is dealing with the threat posed by state actors, their proxies, or independent extremists and

terrorists. For example, CIP or critical infrastructure protection is often excluded from the analysis of US counter-terrorism efforts and includes different threats such as information warfare. It is also discussed separately, in depth, in a different section of this report.

At the same time, any effort to break out federal spending into neat categories can be equally misleading. While spending on efforts to directly deal with the threat of state actors, their proxies, or independent extremists and terrorists using weapons of mass destruction is only a relatively small portion of total federal spending, much of the spending in other areas improves the quality of law enforcement and offers some protection against the use of such weapons. There are also broad categories of federal spending, like spending on national health care, the offensive and deterrent capabilities of the Department of Defense, and the civil emergency capabilities of agencies like FEMA which have a major impact both in countering terrorism and in consequence management.

Planning and Programming the Overall Federal Effort

This latter point is particularly important because it reflects the serious real-world limits on how efficiently the federal government can hope to be in allocating resources. The Clinton Administration has stated that efforts are being made to develop an integrated federal approach to dealing with the threat posed by state actors, their proxies, or independent extremists and terrorists. As part of this effort Administration has developed more specific guidance for Federal Agencies in two documents: A “Five Year Interagency Counter-Terrorism Plan,” and a “National Plan for Infrastructure Systems Protection.”

The Administration also has tasked the National Security Council (NSC) with leading the interagency working groups involved with terrorism, the threat from weapons of mass destruction, and critical infrastructure protection, and with ensuring that the policies are properly prioritized and executed in Agency programs and budget. An annual review by the NSC is intended to ensure that agencies structure their activities efficiently and effectively and to develop a comprehensive and crosscutting national program.

While it is easy to talk about creating a coordinated federal plan, and efficiently programming resources accordingly, sheer scale of the current federal effort, its rapid recent growth, and agency efforts to compete for new resources make such efforts largely impossible. This becomes all too clear from the more detailed analyses of agency and departmental efforts that follows.

More importantly, however, the threat simply is not predictable enough to attempt more than a constantly evolving and extremely uncertain process of suboptimization. Put differently, departments and agencies must often do what they can to improve their capabilities at the margin, rather than seek to create building blocks in some kind of coherent homeland defense.

Furthermore, it is far from clear that the federal programs identified as being directly designed to deal with the threat state actors, their proxies, or independent extremists and terrorists pose to the American homeland will always prove to be the most effective programs in actually improving Homeland defense. This particularly true given the role of US military and intelligence activities overseas play in creating an effective deterrent to foreign attacks on the US.

Table ThirteenOMB Estimate of Total Federal Spending on Terrorism (As of 6/2000)

(Government Spending for Combating Terrorism, WMD and Critical Infrastructure Protection in Current \$US Billions)

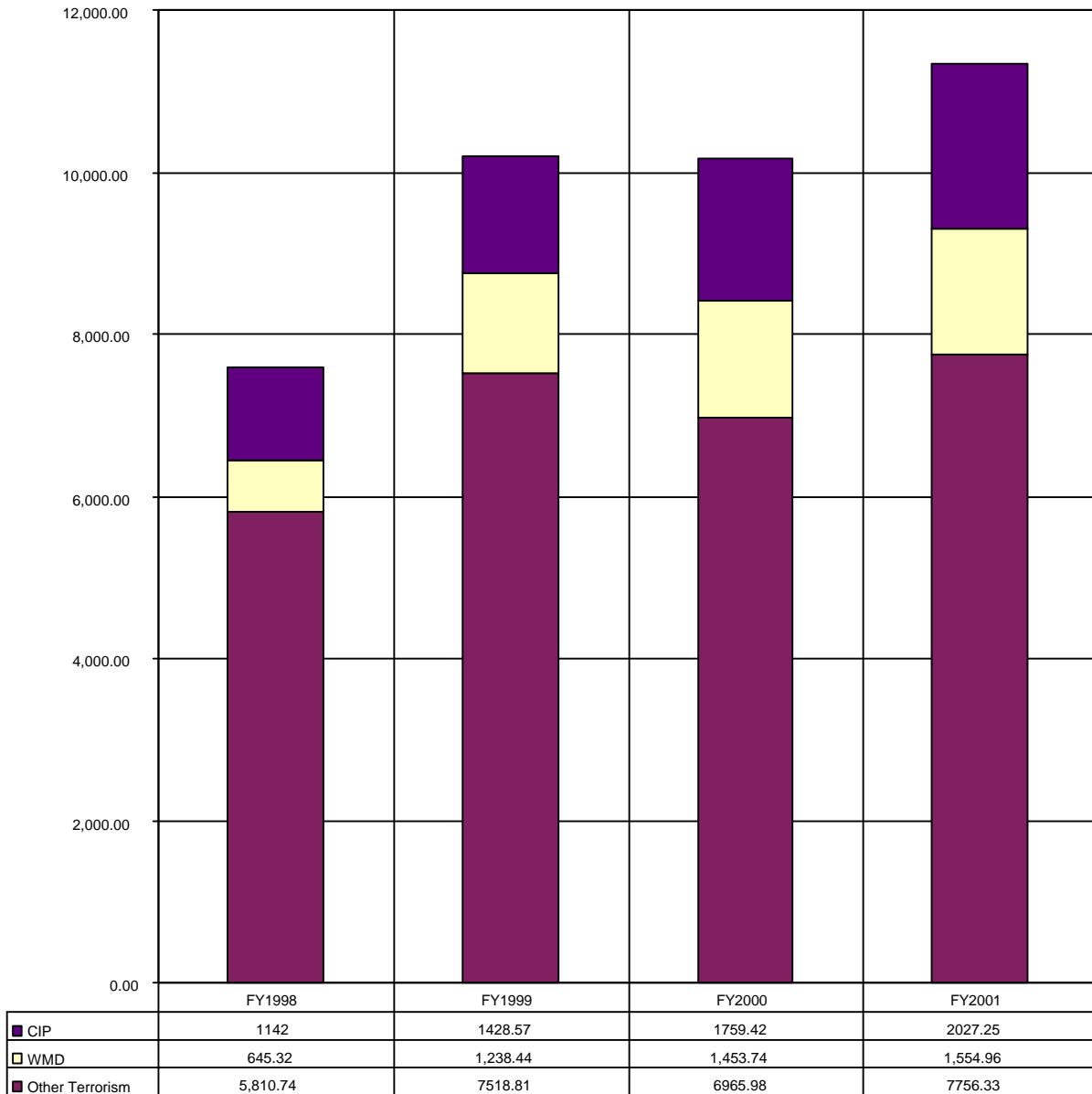
	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>
<i>Federal Government</i>	<i>8,303.40</i>	<i>11,424.26</i>	<i>11,632.88</i>	<i>12,893.50</i>
<i>Combat Terrorism</i>	<i>6,516.08</i>	<i>8,757.25</i>	<i>8,419.72</i>	<i>9,311.29</i>
Law Enforcement and Investigative Activities	2,654.72	2,686.77	2,820.04	3,025.51
Physical Security of Government Facilities and Employees	2,893.72	4,356.44	3,637.49	4,259.24
Physical Security of National Populace	146.66	256.83	249.86	266.76
Preparing for and Responding to Terrorist Acts	417.84	930.21	984.41	947.00
Research and Development	403.14	527.01	727.91	812.79
<i>WMD Preparedness</i>	<i>645.32</i>	<i>1,238.44</i>	<i>1,453.74</i>	<i>1,554.96</i>
Law Enforcement and Investigative Activities	71.82	102.30	93.77	142.53
Physical Security of Government	175.09	199.35	200.58	185.41
Physical Security of National Populace	3.39	3.83	3.61	3.62
Preparing for and Responding to WMD Terrorism	155.26	564.20	618.74	633.48
Research and Development	239.75	368.76	537.04	589.92
<i>Critical Infrastructure Protection</i>	<i>1,142.00</i>	<i>1,428.57</i>	<i>1,759.42</i>	<i>2,027.25</i>
<i>Federal Infrastructure Protection</i>	<i>1,038.79</i>	<i>1,278.91</i>	<i>1,584.26</i>	<i>1,699.03</i>
Education and Training	37.54	48.50	79.45	105.00
Intrusion Monitoring and Response	127.63	186.27	213.37	249.27
Legislative Initiatives and Legal Issues	0.12	0.20	0.20	0.23
Multiple Program Areas	242.45	282.72	397.21	369.05
Reconstitution	26.19	30.18	16.29	5.64
System Protection	533.32	631.13	710.23	740.69
Threat/Vulnerability/Risk Assessments	71.56	99.92	167.51	229.15
<i>CIP Assistance/Outreach to Private Sector</i>	<i>103.21</i>	<i>149.66</i>	<i>175.16</i>	<i>328.22</i>
Education and Training	1.14	1.60	1.60	2.50
Intrusion Monitoring and Response	3.75	5.20	4.70	6.62
Legislative Initiatives and Legal Issues	1.58	2.60	2.60	3.60
Multiple Program Areas	37.99	70.78	61.14	133.92
Public Awareness/Outreach	0.00	0.00	2.30	3.10
Reconstitution	0.00	0.00	0.00	2.13
System Protection	37.31	43.15	57.05	72.14
Threat/Vulnerability/Risk Assessments	21.44	26.33	45.78	104.14

Source: Adapted by Steve Chu and Preston Golson from Executive Office of the President, Office Management and Budget, "Annual Report to Congress on Combating Terrorism," May 2000

*denotes programs highlighted in OMB report. Figures part of 2001 budget

Chart Ten

Federal Spending on Terrorism, WMD, and CIP by Category: FY1998-FY2001
(Current \$US Millions)

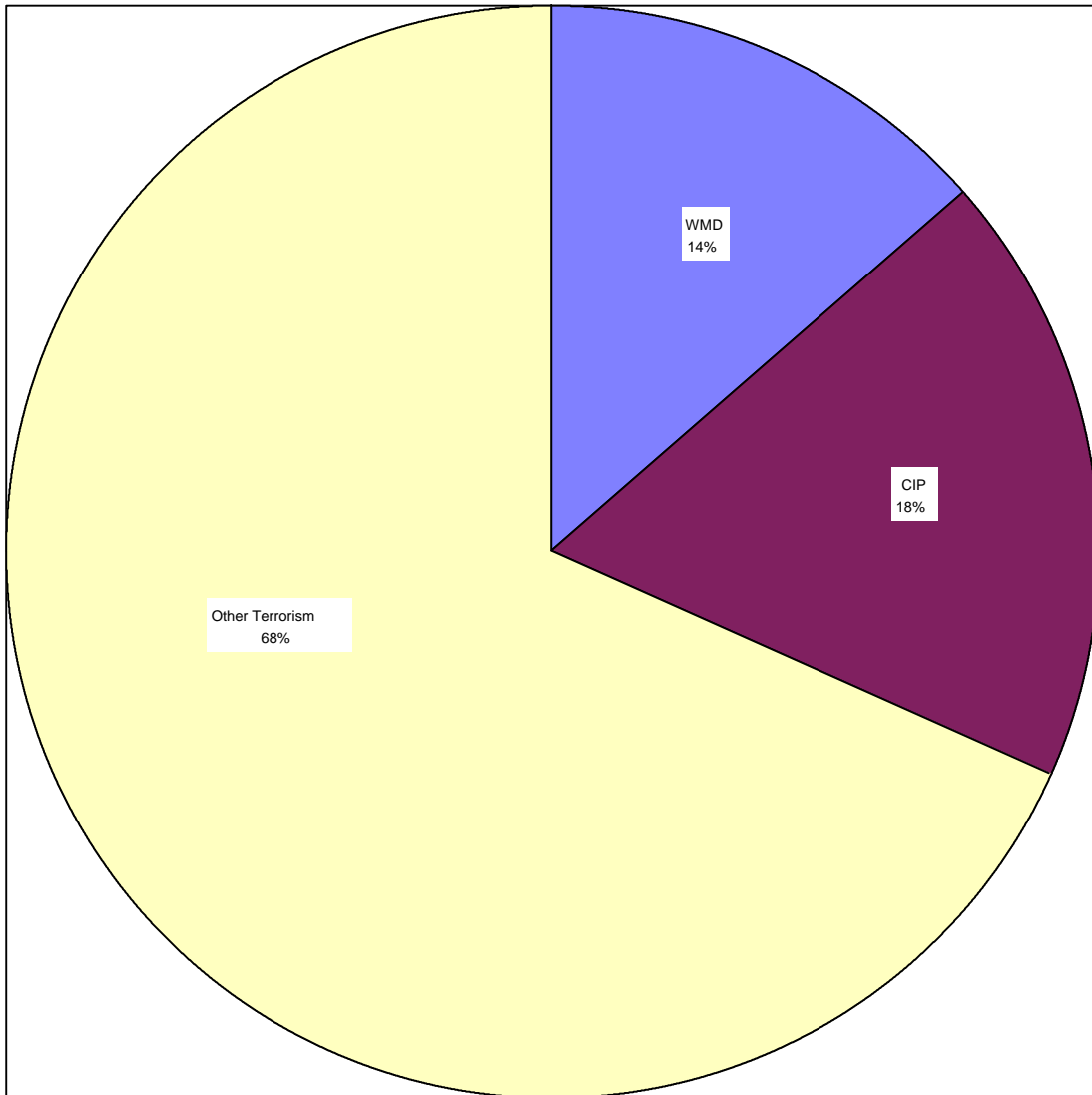


Source: Adapted by Anthony H. Cordesman from data provided by ACDA on April 1, 1999. Belarus and Kazakhstan report zero in every category.

Chart Eleven

Distribution of Federal Spending on Terrorism, WMD, and CIP by Category: FY2001

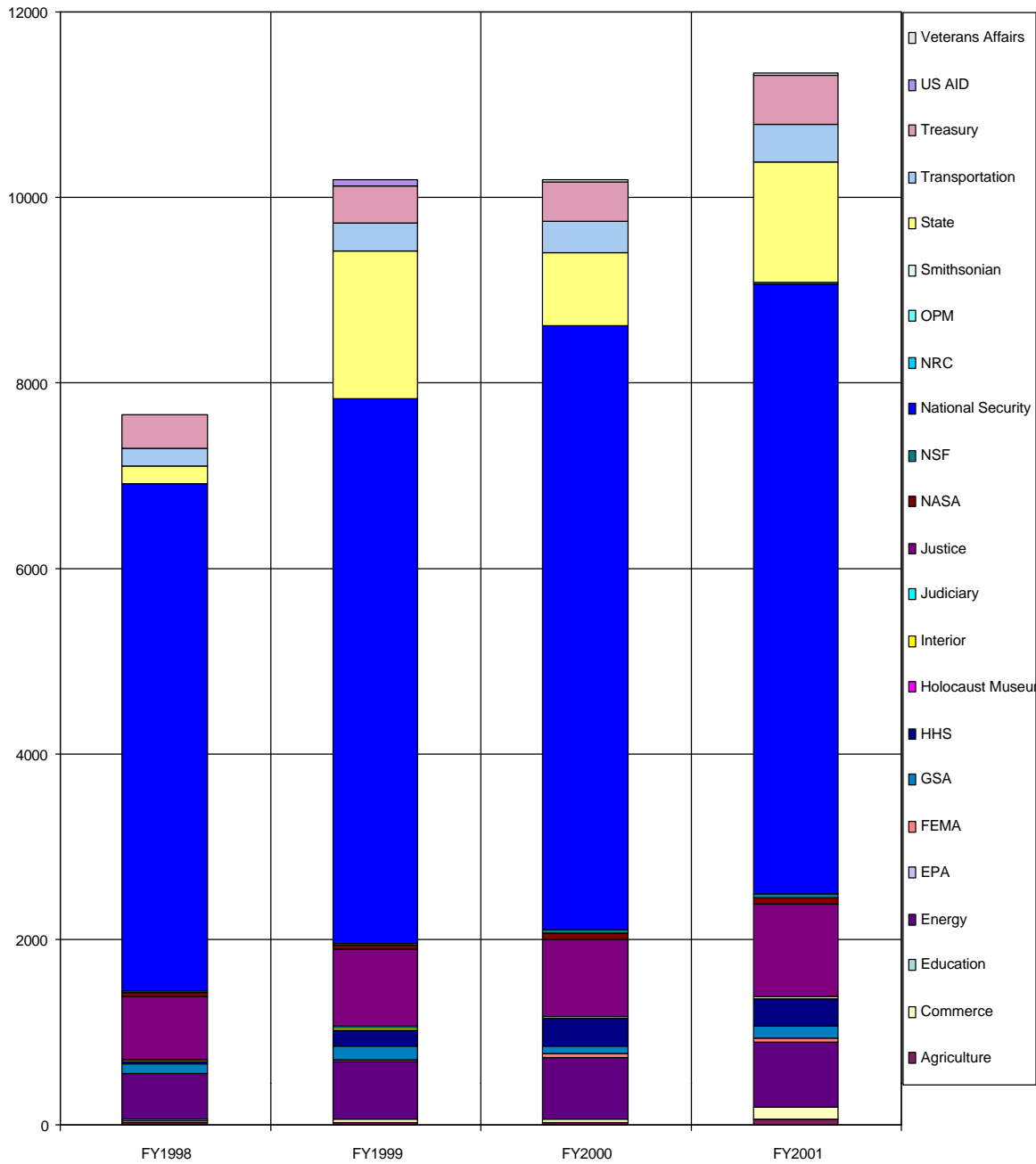
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman

Chart Twelve

Federal Spending on Terrorism, WMD, and CIP by Agency: FY1998-FY2001 – Part One
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman

Chart TwelveFederal Spending on Terrorism, WMD, and CIP by Agency: FY1998-FY2001 – Part Two
(Current \$US Millions)

<u>FY2001</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	
Agriculture	10.90	12.92	14.84	59.17
Commerce	38.89	53.66	40.15	125.70
Education	3.59	4.45	5.23	2.51
Energy	500.48	614.65	669.59	708.83
EPA	2.12	2.24	2.08	5.50
FEMA	5.92	17.61	31.57	35.99
GSA	89.6	136.5	92.8	132.36
HHS	37.75	187.51	299.67	292.97
Holocaust Museum	0.00	2.00	0.00	0.00
Interior	12.21	15.61	12.31	11.49
Judiciary	7.00	8.00	10.60	11.20
Justice	672.7	848.08	826.04	994.76
NASA	41.00	43.00	66.00	61.00
NSF	19.15	21.42	26.65	43.85
National Security	5470.68	5867.73	6520.11	6582.97
NRC	3.48	3.41	3.21	3.49
OPM	0.00	0.00	2.00	7.00
Smithsonian	0.00	0.00	0.00	0.05
State	186.00	1579.00	791.00	1312.00
Transportation	189.63	295.66	327.89	397.49
Treasury	364.27	416.90	424.21	527.24
US AID	5.68	54.89	5.83	5.01
Veterans Affairs	0.01	0.04	17.33	17.39

Total Spending on State and Independent Terrorism versus Homeland Defense

Nevertheless, the US must try to use those resources it does dedicate to countering terrorism as efficiently as possible. Chart Thirteen shows the patterns in these expenditures, less expenditures on CIP. These expenditures are broadly divided into anti-terrorism spending, which includes protection against terrorism and management of the consequences of an attack, and methods to counter terrorism that include efforts to preempt and prosecute terrorism.

There is an ongoing debate of what priority should be given to each group of activities, but the distinctions between such federal activities are often artificial and it is obvious from the budget presentations of different departments and agencies that the US is still seeking to find what balance is needed. Much of the spending in both categories, however, does not go to Homeland defense per se.

Antiterrorism

In the case of “antiterrorism,” the US has spent massive sums on force protection in recent years, and this includes embassy security and the protection of US troops overseas. According to an OMB estimate, spending in this area grew by 47% from FY1998-2001, largely because of need to improve the protection of embassies. The Clinton Administration requested \$4,295 million for such activities in FY2001, or roughly 55% of all of the money dedicated to anti-terrorism spending. The US National Security community accounts for 51% of the federal funding in “anti-terrorism,” largely because of force protection efforts.

Federal anti-terrorism efforts involve very little broadly based spending on the protection of the national populace and infrastructure. Funds to improve the physical security of the national populace and infrastructure facilities in the US have increased by 80% since FY1998, but accounted for only 3% of the FY2001 request for anti-terrorism funding. Most of this spending has gone to defend largely against conventional attacks, and does not enhance protection against the use of weapons of mass destruction in ways that would attack from beyond a relatively limited security perimeter of selected federal facilities. According to OMB, most of

this money has gone to one narrow area, aviation security and in the form of increased inspections and training assistance to security companies.

Law enforcement and investigation activities directed at anti-terrorism include criminal investigations and intelligence assessments by a wide range of agencies. The Bureau of Alcohol, Tobacco, and Firearms funds activities related to trafficking in illegal firearms, the recovery of explosives, and tracing projects. GSA investigates building security. Justice and Treasury concentrate on terrorism-related criminal investigations, and the FAA, GSA, Coast Guard, intelligence community, and NRC conduct defensive intelligence assessments in their areas of responsibility. The Clinton Administration has proposed a \$112 million rise in spending in FY2001 in this category, a 6% rise over FY2000.

Counterterrorism

Federal spending on “counterterrorism” is dominated by law enforcement and investigative activities, which use over 70 percent of total spending. The effort to preempt and prosecute terrorists seeks to meet the goals set forth in PDD-62 relating to the apprehension and prosecution of terrorists. The Clinton Administration has sought to increase this aspect of the FY2001 budget request by \$235 million, of which \$148 million would go to the Justice and Treasury Departments to detect and deter terrorist activity. An additional \$87 million would go to the national security agencies.

The effort to prepare and respond to terrorist acts is dominated by spending by the FBI and national security agencies, which are allocated nearly 80 percent of the FY2001 request. The FBI effort includes investigations and operations and training, forensics, and criminal justice activities. A substantial amount of this funding, however, goes to aid foreign countries or deal with terrorist attacks on Americans overseas. For example, the Administration is seeking to fund a crisis response or FEST aircraft to transport teams to terrorist incidents to assist host nations in managing or resolving a crisis. This area of federal funding also includes Treasury activities in planning and securing protective activities.

Research and development funding for counterterrorism accounts for 80% of all research and development funding, and is conducted by the national security agencies, FBI, and Department of Energy. Much of this funding goes for research to prevent or respond to the use of weapons of mass destruction, and most recent increases in this category have been dominated by funding for such research.

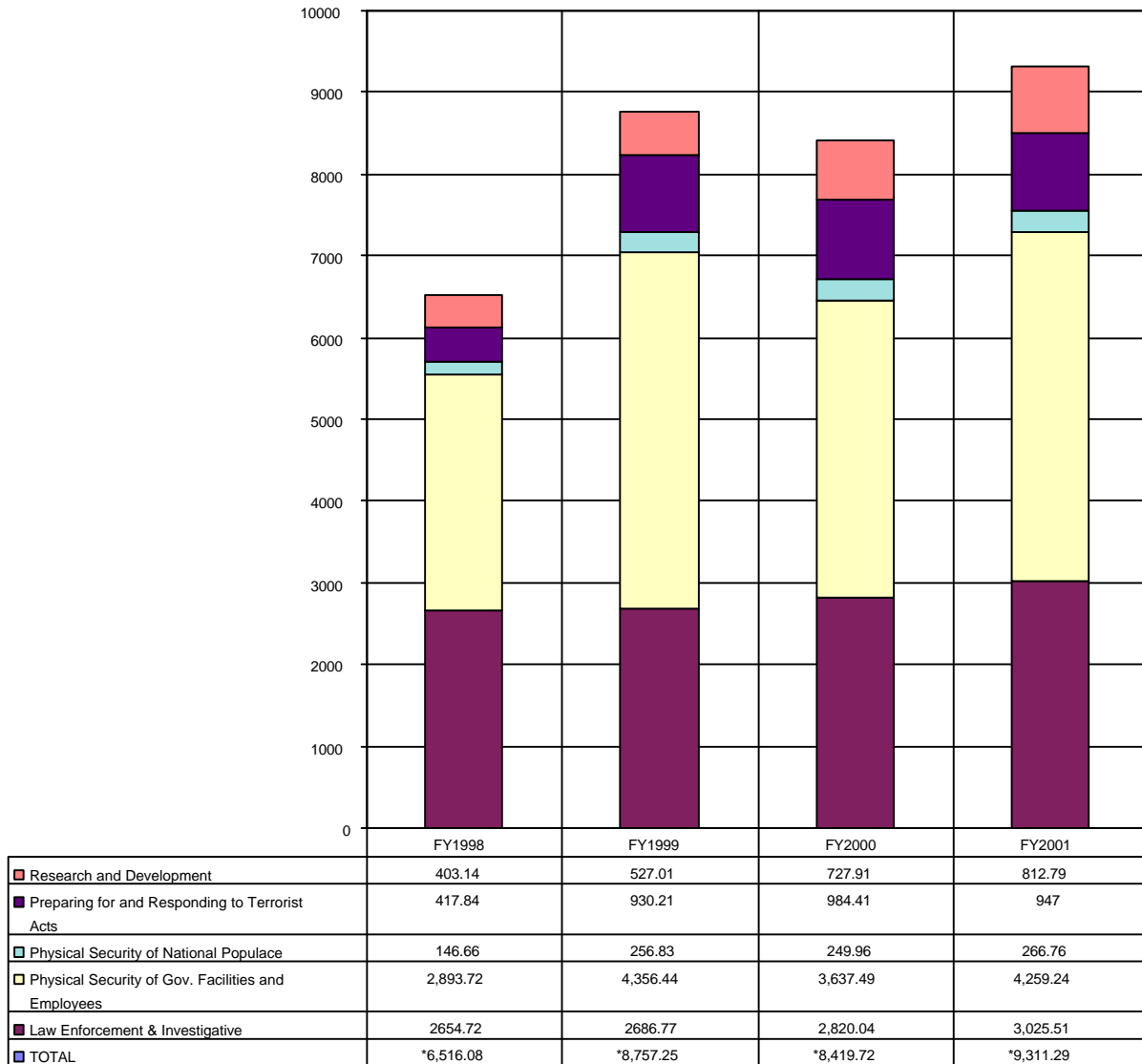
“Core Spending” on Terrorism

Much of the activity in both anti-terrorism and counter-terrorism affects world wide federal activities. Accordingly, Charts Fourteen and Fifteen provide a different breakout of the patterns in total federal spending on terrorism. They eliminate spending on activities like critical infrastructure protection and show only the core federal spending on threat state actors, their proxies, or independent extremists and terrorists. It must be stressed that such a categorization is highly artificial, but it seems to provide a somewhat more accurate picture of the trends in federal spending designed to directly deter, defend, and/or respond to direct attacks on the American Homeland..

The total expenditures in these charts are much lower than those shown in the previous tables and charts. The total for FY2001 is only 58 percent of the total for CIP, WMD, and other terrorism, and 70 of the total for WMD, and other terrorism. At the same time, they are still considerable. “Core spending” increased from \$4,267.68 million in FY1998 to \$6,607.02 million in FY2001, or by 55 percent. This involved a 77% increase in spending to deal with weapons of mass destruction, and a more than 100% increase in related research and development activity. They also involved a 14% increase in other law enforcement and investigation activities, a 126% increase in preparations and response to terrorist acts – almost all of which has gone to protection against attacks using weapons of mass destruction -- and a more than 80% increase in efforts to improve the physical security of the populace.

Chart Thirteen

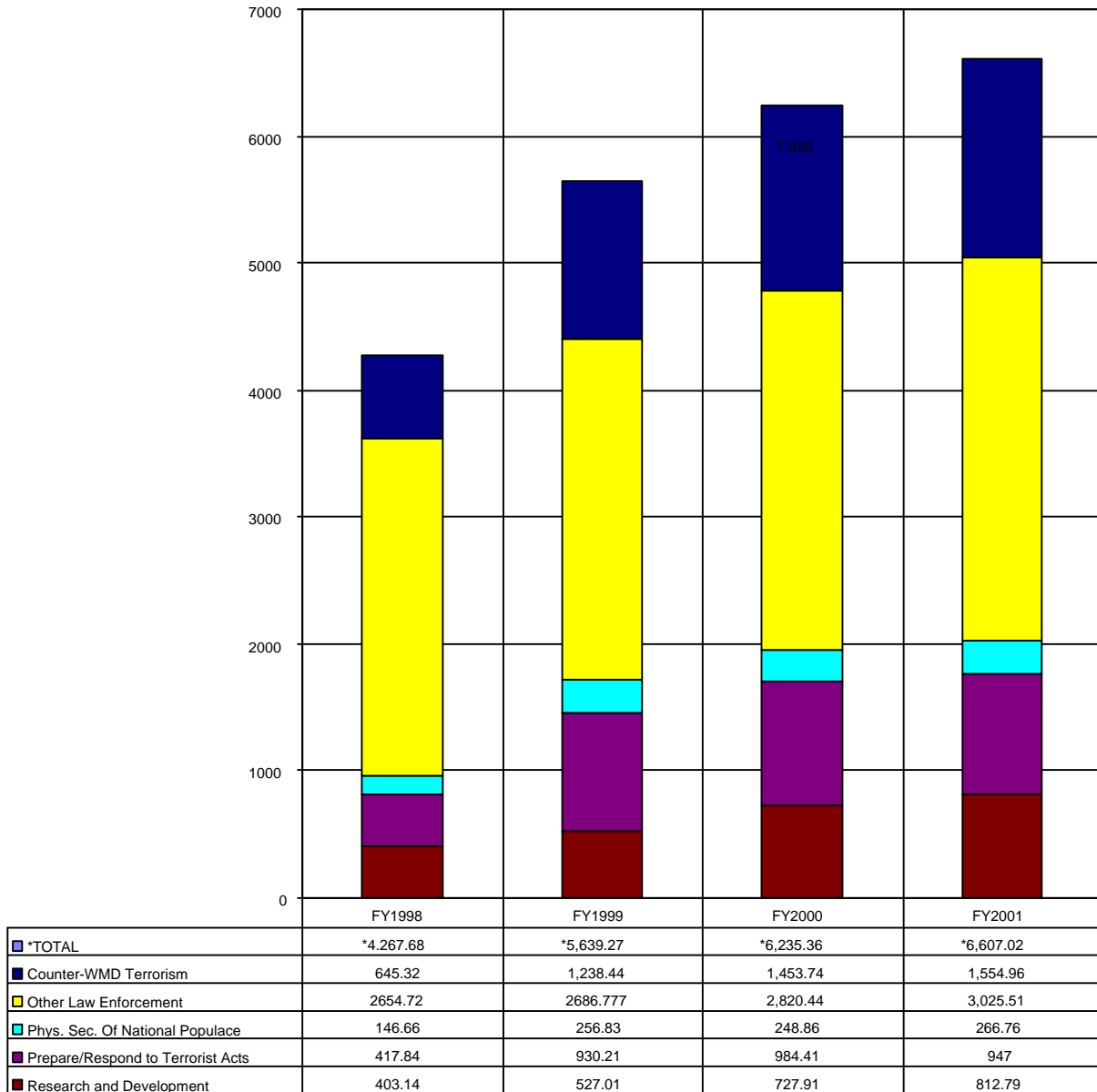
Federal Spending on Terrorism and WMD by Category: FY1998-FY2001
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman from data provided by ACDA on April 1, 1999. Belarus and Kazakhstan report zero in every category.

Chart Fourteen

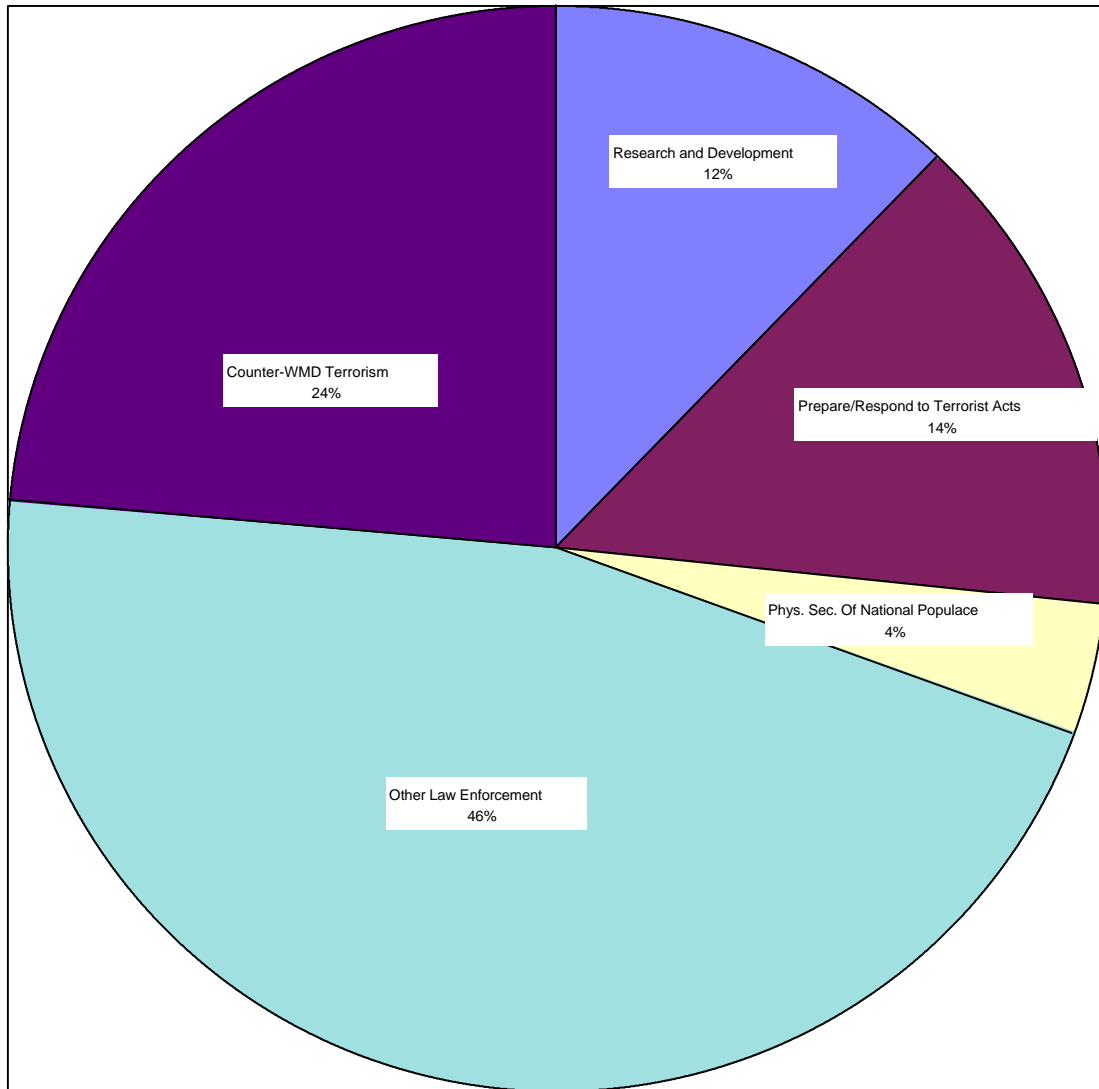
Core Federal Spending on Terrorism and WMD by Activity: FY1998-FY2001:
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman

Chart Fifteen

Distribution of Core Federal Spending on Terrorism, WMD, and CIP by Activity: FY2001
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman

Spending on Preparedness for Attacks Using Weapons of Mass Destruction

Only a relatively small number of federal programs are dedicated specifically to dealing with the threat that state actors, their proxies, or independent extremists and terrorists pose to the US Homeland, and these programs often apply at least indirectly to the protection of US forces overseas and America's friends and allies. The size and nature of these programs is shown in Charts Sixteen and Seventeen. Total Federal expenditures have grown from \$645.32 million in FY1998 to a request for \$1,554.96 in FY2001, or by a factor of 2.4. In the process, they have grown from eight percent of total federal terrorism and CIP spending in FY1998 to 14% percent in FY2001.

As Chart Seventeen shows, most of the money is allocated to the Department of Defense and intelligence community (National Security) and Department of Energy – both of which have special expertise in these areas. Their combined budgets have risen from a total of \$456 million in FY1998 to \$831 million in FY2001. HHS has seen a massive increase in such funding -- \$15.9 million in FY1998 to \$265.37 million in FY2001 -- because of the threat of biological warfare. The same is true for the Department of Agriculture, which has gone from \$5.2 million to \$39.8 million. State has seen its budget increase from \$23 million to \$72 million.

The budget of the Department of Justice has more than doubled from \$100.8 million in FY1998 to \$255 million in FY2001. Treasury has increased from \$18 million to \$26 million, FEMA from \$5.92 to \$35 million, and Commerce from \$11.9 to 20.2 million.

WMD programs seek to deter incidents involving the use of massive conventional bombs and chemical, biological, radiological, and nuclear weapons and manage the consequences if they are used. Most spending goes to anti-terrorism efforts, and roughly 90% is devoted to defensive efforts. This spending responds to PPD-62 and the need to enhance domestic preparedness. The FBI is the lead agency for crisis management where there is a credible threat of a WMD incident. FEMA is the lead agency for consequence management, when the incident or threat has subsided and the key priority is to restore order and deliver emergency assistance.

Other agencies contribute according to their mission. Energy deals with radiological issues, HHS with medical impacts, etc. The Department of Defense provides support and has established a joint task force for support to civil authorities and to coordinate federal, state, and local authorities as part of its new Joint Forces Command.

These expenditures also, however, cover foreign incidents. The State Department has responsibility for consequence management and for initial US coordination of such action through the Foreign Emergency Support Team (FEST). The Department of Defense plays a major role in both domestic and foreign related activities because of its long experience with WMD.

WMD Antiterrorism Activities

The main activity in WMD anti-terrorism is preparing for and responding to WMD terrorism. Spending increased from \$89 million in FY1998 to \$566 million in FY2000, after PDD created a new requirement for a concerted effort to improve domestic preparedness. It also assigned Justice, FEMA, HHS, and Defense responsibility as lead agencies for WMD crisis management, consequence management, medical response, and training for state and local authorities, and established a new interagency working group to deal with these issues. The are four major initiatives underway as part of this effort.:

- *Federal assistance to state and local authorities:* The federal government provides training, equipment, planning and technical expertise. Funding is planned to increase by 15% in FY2001 and shift emphasis from training to equipment grants as the first groups of the 120 largest cities in the UJS complete training and begin to procure specialized equipment.
- *Medical defense:* Activity includes public health surveillance of people and the nation's food supply, development of a stockpile of vaccines and therapeutics, and other planning for the medical aspects of an WMD incident. An 8% increase in funding is planned for public health infrastructure for FY2001, and includes a more active program for epidemiological capacity to improve detection and the reporting of outbreaks and for food supply protection.

The role of the Department of Agriculture is enhanced to strengthen its ability to identify and protect against terrorist attacks aimed at crops or livestock.

- *Federal special response:* A large-scale WMD incident would overwhelm the response capabilities of state and local authorities. Federal response units will be needed from a variety of agencies, each with a specific expertise and mission. The Department of Energy provides nuclear response teams. The EPA provides HAZMAT management teams. HHS provides medical response teams. The FBI provides forensic response teams, and DoD provides explosive ordnance disposal teams. Funding doubled between FY1998 and FY1999, but then dropped slightly in FY2000 after the start up cost of the DoD WMD Civil Support Teams were paid for.
- *Federal contingency planning and exercises:* These prepare federal agencies and departments to respond to terrorist incidents. There has only been modest program growth since FY1999.

The US also has three smaller mission areas: Physical security of government, physical security of the national populace, and law enforcement and investigation. The FY2001 request for all three programs is \$259 million. Much of this spending goes to protecting government facilities with WMD-relative materials.

WMD Counterterrorism

Most WMD counterterrorism resources go to the national security community and they fall into two main categories. The first is law enforcement and investigation. It totals \$73 million in FY2001, and spending has increased by 40% since FY1998. The second is preparing for and responding to terrorist acts, which totals \$67 million in FY2001. Some of this activity is classified, but it also includes Department of Commerce implementation activities for the Chemical Weapons Convention, accounts for most of the increase over FY2001. The other funding in this area is far participation in joint task forces and planning WMD counterterrorism activities.

R&D for Defense Against WMD

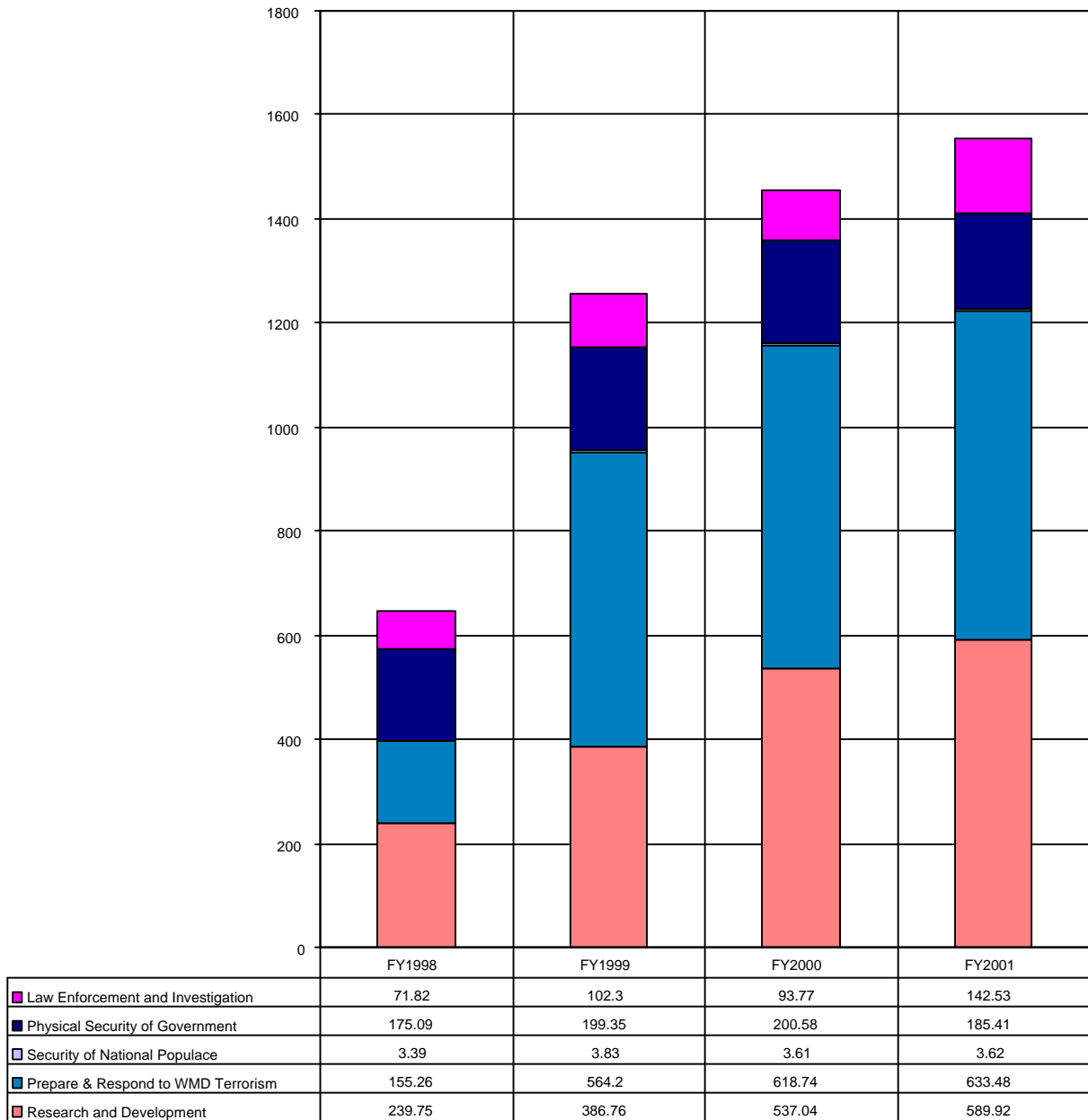
At this point in time, most federal spending on WMD concentrates on research and development. The Clinton Administration has determined that this is the highest priority area for spending. It proposed a 50% increase (\$129 million) in FY1999, and a 30% increase (\$111 million) in FY2001. This spending has strong congressional support, and is focused on dealing with three main scientific and technological challenges:

- Preventing or forestalling the release of a WMD payload.
- Detecting and responding to a threatened or actual release.
- Managing the health, environmental, and law enforcement consequences of such an incident.

These efforts require an exceptional degree of interagency coordination, which is the responsibility of the White House Office of Science and Technology Policy, and which chairs an interagency working group to determine vulnerabilities and shortfalls in the US effort to mitigate or respond to WMD, determines R&D objectives, coordinate agency R&D activities, and identify new requirements. The Clinton Administration has sought to enhance the links between researcher and customers for their R&D products, such as the agencies responsible for meeting first responder and technical needs.

Chart Sixteen

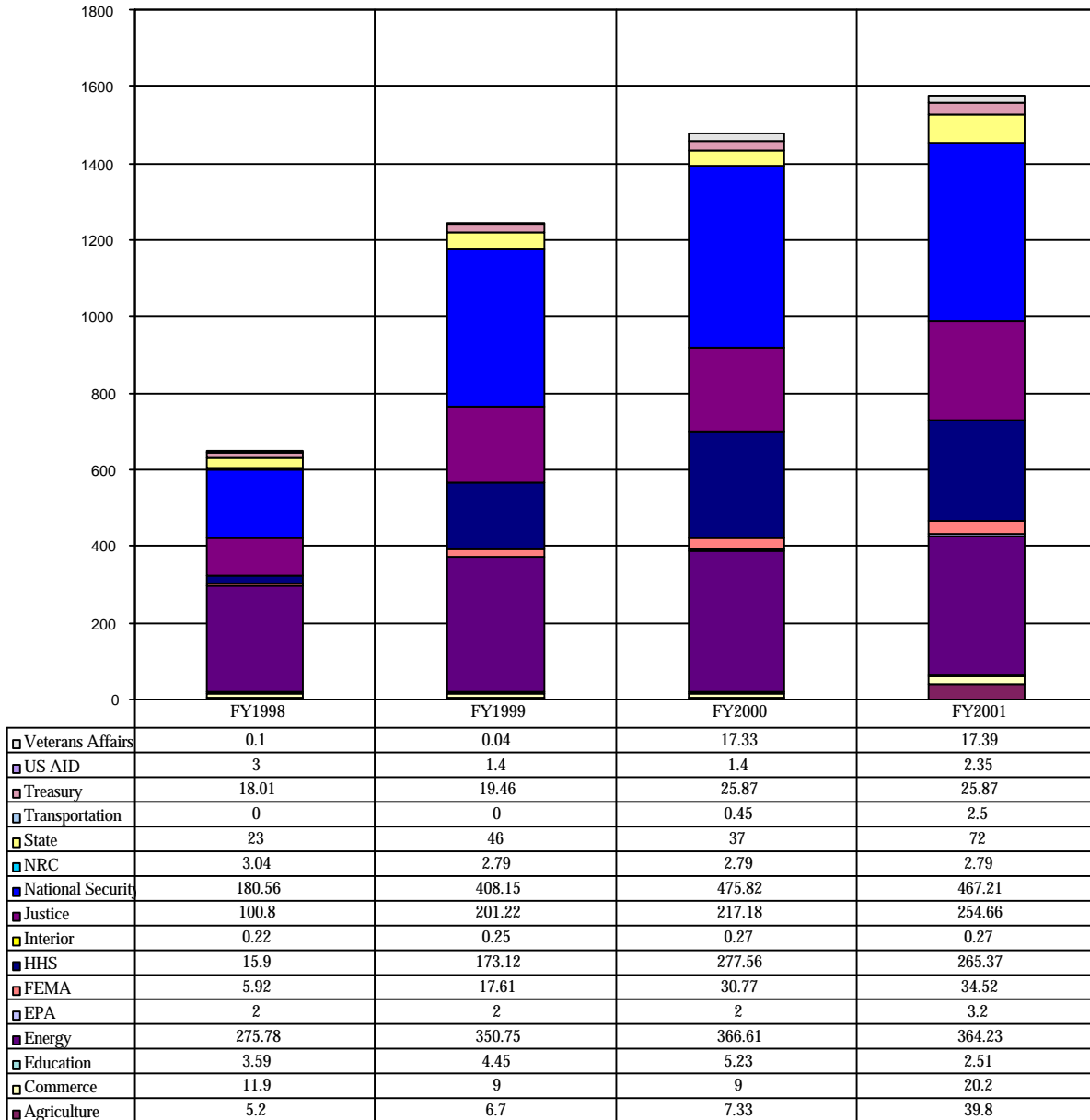
Federal Spending on WMD Preparedness by Activity: FY1998-FY2001
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman

Chart Seventeen

Federal Spending on WMD by Agency: FY1998-FY2001 – Part One
(Current \$US Millions)



Source: Adapted by Anthony H. Cordesman

Chart SeventeenFederal Spending on WMD by Agency: FY1998-FY2001 – Part Two

(Current \$US Millions)

	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>
Agriculture	5.20	6.70	7.33	39.80
Commerce	11.90	9.00	9.00	20.20
Education	3.59	4.45	5.23	2.51
Energy	275.78	350.75	366.61	364.23
EPA	2.00	2.00	2.00	3.20
FEMA	5.92	17.61	30.77	34.52
HHS	15.90	173.12	277.56	265.37
Interior	0.22	0.25	0.27	0.27
Justice	100.80	201.22	217.18	254.66
National Security	180.56	408.15	475.82	467.21
NRC	3.04	2.79	2.79	2.79
State	23.00	46.00	37.00	72.00
Transportation	0.00	0.00	0.45	2.50
Treasury	18.01	19.46	25.87	25.87
US AID	3.00	1.40	1.40	2.35
Veterans Affairs	0.10	0.04	17.33	17.39

Source: Adapted by Anthony H. Cordesman

¹ GAO/T-NSIAD-98-164, "Combating Terrorism," April 23, 1998, P. 3.

² United States General Accounting Office, "Combating Terrorism: Issues in Managing Counterterrorist Programs," GAO/T-NSIAD-00-145," April 6, 2000, <http://www.gao.gov/new.items/ns00145t.pdf>

³ GAO/T-NSIAD-98-164, "Combating Terrorism," April 23, 1998, P. 4.

⁴ United States General Accounting Office, "Combating Terrorism: Comments on Bill H.R. 4210 to Manage Selected Counterterrorist Programs," GAO/T-NSIAD-00-172, May 4, 2000, <http://www.gao.gov/new.items/ns00172t.pdf>

⁵ GAO/T-NSIAD-98-164, "Combating Terrorism," April 23, 1998, P. 6.

⁶ GAO/T-NSIAD-00-145, p. 5.

⁷ Center for Nonproliferation Studies, Monterey Institute of International Studies, "Agency Structures for Terrorism Response," 1999, <http://www.cns.miis.edu/research/cbw/response.htm>

⁸ White House, Office of the Press Secretary For Immediate Release, "Funding for Domestic Preparedness and Critical Infrastructure Protection," Fact Sheet, January 22, 1999.

⁹ Executive Office of the President, Office of Budget and Management, "Annual Report to Congress on Combating Terrorism," May 2000

¹⁰ United States General Accounting Office, "Combating Terrorism: Issues in Managing Counterterrorist Programs," GAO/T-NSIAD-00-145, April 6, 2000, <http://www.gao.gov/new.items/ns00145t.pdf>

¹¹ White House, Office of the Press Secretary, "Announcement on Counterterrorism Funding Request," May 17, 2000, http://www.state.gov/www/global/terrorism/000517_pres_funding.html