

## Show Us the Homeland Security MONEY

SOME STATE AND LOCAL OFFICIALS SAY THEY HAVE YET TO RECEIVE ANY FEDERAL HOMELAND-SECURITY GRANTS. OTHER CRITICS OF THE CURRENT FUNDING SYSTEM CONTEND THAT THE MONEY IS SIMPLY BEING MISDIRECTED, MISSPENT OR MISUSED.

by John M. Doyle

In rural Douglas County, S.D., far from the Sept. 11 attacks in New York City and Washington, D.C., Sheriff Rod Miiller conducts emergency drills to get ready for the unthinkable—a mass-casualty event possibly caused by terrorism.

Tucked into southeastern South Dakota, Douglas County (Pop. 3,458) “isn’t the middle of nowhere, but you can see it from here,” joked Miiller. The nearest big town, 39 miles away, is Mitchell, home of the “World’s Only Corn Palace,” a 3,500-seat municipal auditorium decorated every year with colorful murals made from corn.

Douglas County has few likely targets for terrorists. Yet Miiller trains his two-man department—as well as the

county’s three volunteer fire departments, two ambulance associations and three municipal policemen—to be ready for chemical or biological events, whether the cause is a terrorist attack or a highway mishap.

“One of the big threats down here is agricultural terrorism. You have to realize that we are part of the breadbasket of the United States,” Miiller explained. Local farms and ranches raise corn, wheat, soybeans, hogs and cattle, but the sheriff believes danger is likely to arrive in his jurisdiction with the chemicals and other hazardous materials routinely carried by trucks on county highways.

Miiller has requested (but has yet to receive from the Justice Department)

\$71,565 in federal first-responder aid for chemical protection suits and self-contained breathing apparatus. “I applied for everything I could get my hands on,” said Miiller.

Douglas County isn’t the only locale off the beaten path trying to take advantage of the sudden rise in federal spending for police, firefighters and emergency medical personnel.

- Phillips County, Ark., is going to spend \$280,000 in federal grant money on equipment to handle chemical fires and spills.

- The North Custer Rural Fire District in Challis, Idaho, received a \$117,000 grant for a new fire truck.

- In Rowan County, N.C., the sheriff’s department, local police

department and fire fighters will spend a \$109,000 federal grant on gas-mask filters, global positioning systems, a device to check the seals on chemical masks and a heavy-duty truck and trailer for the regional hazmat team.

To Rep. Christopher Cox (R-Calif.), chairman of the House's Homeland Security Committee, "expending extravagant amounts to purchase items we don't need in places that don't need them is not homeland security." Cox wants to retool the federal funding formula to emphasize threat assessments based on intelligence reports.

But Bruce Aitken thinks small-town America shouldn't be overlooked. The president of the Homeland Security Industries Association fears that the next terrorist attack (and make no mistake, said Aitken, there is going to be one) will not be in a large city on either coast, but at a mall or sports arena in some small or mid-sized town.

And then "the mayors of small towns and the owners of small, medium and large businesses are going to take as much notice as [New York's] Mayor Bloomberg," Aitken declared.

### Big Money, Big Headaches

President Bush signed the first-ever Department of Homeland Security (DHS) appropriations bill on Oct. 1, giving the department \$29.4 billion for fiscal year 2004.

Since Sept. 11, 2001, the federal government has spent \$105.2 billion on homeland security, including \$73.3 billion for the agencies that form the DHS, according to Rep. Harold Rogers (R-Ky.), chairman of the House Homeland Security Appropriations Subcommittee.

The money has been used to hire nearly 50,000 airport security screeners, deploy thousands of federal air marshals on commercial passenger flights and finance emergency-responder preparedness drills such as the TOPOFF 2 (top officials 2) exercises in Chicago and Seattle.

Federal funding isn't just going to big cities. For fiscal 2003, South Dakota got more than \$26 million in homeland security grant money.

Firefighters, police and emergency medical personnel—the first-responders to a terrorist attack—received over \$18 billion from Congress. "Even for

Washington, this is an incredible amount of money," said Cox.

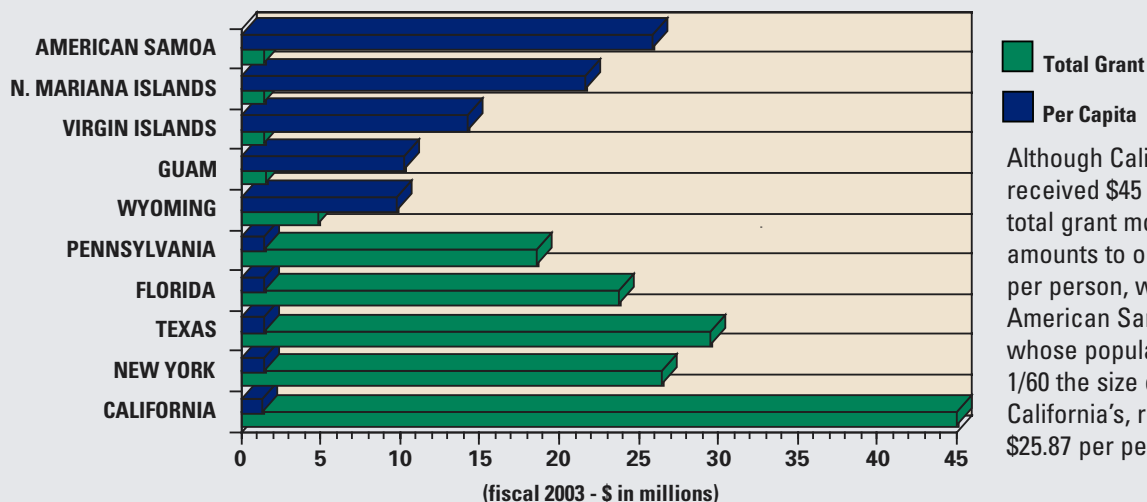
But first-responders repeatedly have told Congress that federal money has been slow to arrive at the local level and often comes with restrictions on how it can be spent.

"We could spend every penny we could beg, borrow or steal in the name of homeland security, and some would still say it's not enough," said Rogers, defending Washington's homeland-security spending. "I don't want to simply throw dollars at a problem, because nothing about that scenario necessarily means that you're better protected."

Meanwhile, many cities and states say they are going broke on safety personnel, equipment and overtime while trying to keep up with security alerts from Washington. Nearly all of the 50 states are in fiscal distress, and many have been forced to raise taxes and cut services and personnel.

Hundreds of public-safety positions have been eliminated in Massachusetts, either through layoffs or attrition, according to the Massachusetts Municipal Association, a non-profit, non-partisan advocacy group.

## How the DHS ODP Grant Dollars Break Out



Although California received \$45 million in total grant monies, that amounts to only \$1.33 per person, while American Samoa, whose population is 1/60 the size of California's, received \$25.87 per person.

**“The homeland security market is not a passing fad. It offers forward-looking companies the opportunity to pursue new business and contribute to our nation’s security.”**

**– O’Gara Company**

In Pittsburgh, which has spent nearly \$11 million on homeland security—for which it has yet to be reimbursed by the state or federal government—the city’s homeland security coordinator was among the hundreds of municipal employees laid off recently because of budget woes.

And in Ohio, county officials say they’re overwhelmed by the paperwork and the 12-step process required to obtain homeland security grants from Washington.

In September, a General Accounting Office (GAO) study, *Homeland Security: Reforming Federal Grants to Better Meet Outstanding Needs*, found that the “highly fragmented” federal grant system complicates coordination and planning for emergency services managers.

Some critics, however, say the money is simply being misdirected, mis-spent or misused (see chart). Sen. Dianne Feinstein (D-Calif.) noted that her state, the nation’s most populous, gets only \$1.33 per capita from the DHS state homeland-security grant program, while Wyoming receives \$9.78 per capita.

Cox complained that grants for first-responders are handed out by the federal government in much the same way that ones for paving roads are: “Political formulas based on parity and population, rather than intelligence on terrorists’ plans...determine where the billions go.”

More than a dozen bills have been introduced in Congress to reorganize the homeland security grant bureaucracy and streamline the process.

Glen Woodbury, director of the state of Washington’s Emergency Management Division and past president of the National Emergency Management Association, said, “It’s difficult to put a figure on how much is enough. But I can put a theme on this—the funding needs to be continued, and it should strive for flexibility and sustainability.”

According to the National Governors Association, “what the states want is continuing our funding at the same level,” said spokeswoman Christine LaPaille. “They [the governors] want continuity. They want to be able to plan. So what they’re looking for is a state-federal partnership that remains consistent over the years.”

The states also want federal officials to continue channeling homeland security money through state governments, which infuriates mayors like Baltimore’s Martin O’Malley, who heads a homeland security task force for the U.S. Conference of Mayors.

“Cities are on the frontline of homeland security but in the back of the line for funding,” asserted O’Malley.

But it’s hard to get a handle on just how much money is in the homeland security pot because not all of the DHS budget goes to meeting homeland security needs. For example, some money goes for the safety inspection, rescue and drug interdiction duties of the Coast Guard or the emergency relief work of the Federal Emergency Management Agency.

Conversely, not all homeland security responsibilities are confined to the DHS. There are the counter-terrorist

operations of the Justice Department (which still supplies grants to local agencies like the Douglas County Sheriff) and the anti-bioweapon activities of two other agencies—Agriculture and Health and Human Services (HHS).

HHS is spending \$3.5 billion on bio-terrorism preparedness, including \$1.4 billion for states and territories. The Agriculture Department has budgeted \$900 million for animal and plant inspection and food safety, and the Justice Department is spending more than \$1 billion on first-responder grants and another \$500 million on counter-terrorism programs.

Those agencies have separate appropriations bills overseen by other appropriations subcommittees. “It’s all over the place,” said William Hoagland, director of budget and appropriations in the office of Senate Majority Leader Bill Frist (R-Tenn.). “Some of it’s in Agriculture still. Some of it’s in VA-HUD-independent agencies.”

The real homeland-security budget for fiscal year 2004 is closer to \$39 billion in discretionary spending, claimed Hoagland, who added, “I’m expecting that to grow to about \$40 billion in 2005.”

## **Business Sector Cautious**

Phil Anderson—a former counter-terrorism expert at the Center for Strategic and International Studies in Washington, D.C., and currently vice president for government strategies and homeland security at Lucent Technologies—said that after Sept. 11 “a lot of folks in the private sector assumed there would be this huge mar-

ket [for security products and services] and ran out and started homeland security divisions. I think that was a mistake.” Anderson said both the private sector and government need to take a long view. “I think it’s [the market] still going to be there, but it’s down the road a piece.”

Businesses, venture capitalists and analysts are mildly optimistic about the future of homeland security as a growth industry.

Many, like E Team’s Lewis Stanton, see the sector not as a wave but as “a rising tide.” Stanton, CEO of the Canoga Park, Calif., crisis-management software developer, said, “Everyone has a homeland. This isn’t just a U.S. opportunity.”

Recently, analysts at Morgan Keegan, a Memphis securities firm, told their customers they were “encouraged” by the heightened interest homeland security received at the massive American Society of Industrial Security conference in New Orleans in late September. “Our overall outlook on the homeland security sector is positive,” said the analysts.

“The homeland security market is not a passing fad. It offers forward-looking companies the opportunity to pursue new business and contribute to our nation’s security,” according to a September report on corporate and investment strategies by the O’Gara Company, a Washington, D.C.-based investment advisory and services firm.

**Future Funding Trends**

The greatest threat to the homeland is not nuclear, biological, chemical or cyber weapons but “uncontrolled spending,” declared Randall Larsen, a terrorism consultant and former head of the ANSER Institute of Homeland Security. “America cannot afford to provide every first-responder with

every piece of equipment or every training program on their wish lists,” Larsen told a congressional hearing on Oct. 16.

James Jay Carafano, the senior research fellow for defense and homeland security at The Heritage Foundation, a conservative think tank in Washington, D.C., also worries about “spending too much money too fast.”

“My guess is there’ll be a bump in spending in 2005 just because it’s an election year,” said Carafano. “[But] no matter how much the administration

and higher regulatory standards—is an “extremely powerful” way to get industry to protect its property and personnel.

But the future funding of homeland security programs is “hard to predict because it depends on whether there are any further terrorist attacks,” Orzag added.

Five years after he was tapped to head a congressionally mandated commission on the threat of terrorist attacks, former Virginia Gov. James Gilmore III thinks America needs a



U.S. Coast Guard photo by PA3 Donnie Brzuska

Through simulations, the federal government and local communities are testing emergency responses to terrorist acts. This exercise was conducted at Mount Rushmore in September.

spends, other people will say we need to spend more.”

At other think tanks, experts worry about numerous studies showing that the private sector is not making the same investment in protecting its critical infrastructure that the federal government is.

Peter Orzag, a senior fellow in economic studies at the Brookings Institution—an independent, public-policy research organization in Washington, D.C.—said, “there’s no way the federal government alone” can protect the infrastructure.

He thinks a mix of incentives—tax breaks, lower insurance premiums

plan, a philosophy of what is realistically safe and what is not. The essential question, Gilmore said, is not “How much we’re spending?” but “What do you need to spend it on?”

The current national strategy’s goal “is to create as much security as possible,” said Gilmore. “That’s all we’re doing. But there is a need for a fundamental strategic plan. Only then can you decide what you want to buy, what you want to give grants for and what’s important.” ■

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