United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 1:00 p.m.,
Thursday, August 22, 2002

HOMELAND SECURITY

Effective Intergovernmental Coordination Is Key to Success

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GAO-02-1012T

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here to discuss issues critical to successful federal leadership of, assistance to, and partnership with state and local governments to enhance homeland security. As you are aware, the challenges posed by homeland security exceed the capacity and authority of any one level of government. Protecting the nation against these unique threats calls for a truly integrated approach, bringing together the resources of all levels of government. The President's recently released national strategy for homeland security emphasizes security as a shared national responsibility involving close cooperation among all levels of government.[1] In addition, as you know, Mr. Chairman, the House has passed (H.R. 5005), and the Senate will take under consideration, after the August recess, legislation (S. 2452) to create a Department of Homeland Security. Although the bills are different, they share the goal of establishing a statutory Department of Homeland Security.

In my testimony today, I will focus on the challenges facing the federal government in (1) establishing a leadership structure for homeland security, (2) defining the roles of different levels of government, (3) developing performance goals and measures, and (4) deploying appropriate tools to best achieve and sustain national goals. My comments are based on a body of GAO's work on terrorism and emergency preparedness and policy options for the design of federal assistance,[2] our review of many other studies,[3] and the Comptroller General's recent testimonies on the proposed Department of Homeland Security (DHS).[4] In

[1]*National Strategy for Homeland Security.* The White House. Office of Homeland Security, July 16, 2002. In addition, the Office of Homeland Security issued a companion publication titled *State and Local Actions for Homeland Security* identifying measures state and local governments are taking to improve homeland security.

[2]See attached list of related GAO products.

[3]These studies include the Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, *Third Annual Report* (Arlington, Va: Dec. 15, 2001); and the United States Commission on National Security/21st Century, *Road Map for Security: Imperative for Change* (February 15, 2001).

[4] *Homeland Security: Critical Design and Implementation Issues.* GAO-02-957T (Washington, D.C.: July 17, 2002) and *Homeland Security: Proposal for Cabinet Agency Has Merit, But Implementation Will Be Pivotal to Success.* GAO-02-886T (Washington, D.C.: June 25, 2002).

addition, I will draw on GAO's ongoing work for this Subcommittee, including an examination of the diverse ongoing and proposed federal preparedness programs, as well as a series of case studies we are conducting that examine preparedness issues facing state and local governments. To date, we have conducted interviews of officials in five geographically diverse cities: Baltimore, Maryland; Denver, Colorado; Los Angeles, California; New Orleans, Louisiana; and Seattle, Washington. We have also interviewed state emergency management officials in these states.

In summary:

- The proposed Department of Homeland Security will clearly have a central role in the success of efforts to enhance homeland security. Many aspects of a consolidation of homeland security programs have the potential to reduce fragmentation, improve coordination, and clarify roles and responsibilities. Realistically, however, in the short term, the magnitude of the challenges facing the new department will clearly require substantial time and effort and will take additional resources to make it effective. The recently released national strategy is intended to guide implementation of the complex mission of the proposed department and the efforts of other federal and non-federal entities responsible for homeland security initiatives.

- Appropriate roles and responsibilities within and between the levels of government and with the private sector are evolving and need to be clarified. New threats are prompting a reassessment and shifting of longstanding roles and responsibilities. Until now these shifts have been occurring on a piecemeal and ad hoc basis without benefit of an overarching framework and criteria to guide the process. The administration's national strategy recognizes the challenge posed by a complex structure of overlapping federal, state, and local governments—our country has more than 87,000 jurisdictions. There are also challenges in defining the appropriate roles and responsibilities of the private sector.

- The national strategy's initiatives often do not provide a baseline set of performance goals and measures upon which to assess and improve preparedness. Therefore, the nation does not yet have a comprehensive set of performance goals and measures upon which to assess and improve prevention efforts, vulnerability reduction, and responsiveness to damage and recovery needs at all levels of government. Given the need for a highly integrated approach to the homeland security challenge, national performance goals and measures for strategy initiatives that involve both

federal and non-federal actors may best be developed in a collaborative way involving all levels of government and the private sector. Standards are one tool the national strategy emphasizes in areas such as training, equipment, and communications.

- A careful choice of the most appropriate assistance tools is critical to achieve and sustain national goals. The choice and design of policy tools, such as grants, regulations, and tax incentives, can enhance the capacity of all levels of government to target areas of highest risk and greatest need, promote shared responsibilities by all parties, and track and assess progress toward achieving national preparedness goals. The national strategy notes that until recently, federal support for domestic preparedness efforts has been relatively small and disorganized, with various departments and agencies providing money in a "tangled web" of grant programs. It notes the shared responsibility of providing homeland security between federal, state, and local governments, and the private sector and recognizes the importance of using appropriate tools of government to improve preparedness.

Background

Homeland security is a complex mission that involves a broad range of functions performed throughout government, including law enforcement, transportation, food safety and public health, information technology, and emergency management, to mention only a few. Federal, state, and local governments have a shared responsibility in preparing for catastrophic terrorist attacks as well as other disasters. The initial responsibility for planning, preparing, and response falls upon local governments and their organizations—such as police, fire departments, emergency medical personnel, and public health agencies—which will almost invariably be the first responders to such an occurrence. For its part, the federal government has principally provided leadership, training, and funding assistance.

The federal government's role in responding to major disasters has historically been defined by the Stafford Act,[5] which makes most federal assistance contingent on a finding that the disaster is so severe as to be beyond the capacity of state and local governments to respond effectively. Once a disaster is declared, the federal government—through the Federal

[5]Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 121 et seq.) establishes the process for states to request a presidential disaster declaration.

Emergency Management Agency (FEMA)—may reimburse state and local governments for between 75 and 100 percent of eligible costs, including response and recovery activities.

In addition to post disaster assistance, there has been an increasing emphasis over the past decade on federal support of state and local governments to enhance national preparedness for terrorist attacks. After the nerve gas attack in the Tokyo subway system on March 20, 1995, and the Oklahoma City bombing on April 19, 1995, the United States initiated a new effort to combat terrorism. In June 1995, Presidential Decision Directive 39 was issued, enumerating responsibilities for federal agencies in combating terrorism, including domestic terrorism. Recognizing the vulnerability of the United States to various forms of terrorism, the Congress passed the Defense Against Weapons of Mass Destruction Act of 1996 (also known as the Nunn-Lugar-Domenici program) to train and equip state and local emergency services personnel who would likely be the first responders to a domestic terrorist event. Other federal agencies, including those in FEMA; the departments of Justice, Health and Human Services, and Energy; and the Environmental Protection Agency, have also developed programs to assist state and local governments in preparing for terrorist events.

As emphasis on terrorism prevention and response grew, however, so did concerns over coordination and fragmentation of federal efforts. More than 40 federal entities have a role in combating and responding to terrorism, and more than 20 in bioterrorism alone. Our past work, conducted prior to the establishment of an Office of Homeland Security and the current proposals to create a new Department of Homeland Security, has shown coordination and fragmentation problems stemming largely from a lack of accountability within the federal government for terrorism-related programs and activities. Further, our work found there was an absence of a central focal point that caused a lack of a cohesive effort and the development of similar and potentially duplicative programs. Also, as the Gilmore Commission report notes, state and local officials have voiced frustration about their attempts to obtain federal funds from different programs administered by different agencies and have argued that the application process is burdensome and inconsistent among federal agencies.

President Bush has taken a number of important steps in the aftermath of the terrorist attacks of September 11th to address the concerns of fragmentation and to enhance the country's homeland security efforts, including creating of the Office of Homeland Security in October 2001,

proposing the Department of Homeland Security in June 2002, and issuing a national strategy in July 2002. Both the House and Senate have worked diligently on these issues and are deliberating on a variety of homeland security proposals. The House has passed (H.R. 5005), and the Senate will take under consideration, after the August recess, legislation (S. 2452) to create a Department of Homeland Security. While these proposals would both transfer the functions, responsibilities, personnel, and other assets of existing agencies into the departmental structure, each bill has unique provisions not found in the other. For example, while both bills establish an office for State and Local Government Coordination and a first responder council to advise the department, the Senate bill also establishes a Chief Homeland Security Liaison Officer appointed by the Secretary and puts federal liaisons in each state to provide coordination between the department and the state and local first responders.

Proposed Department and National Strategy Will Guide Homeland Security

The proposal to create a statutorily based Department of Homeland Security holds promise to better establish the leadership necessary in the homeland security area. It can more effectively capture homeland security as a long-term commitment grounded in the institutional framework of the nation's governmental structure. As we have previously noted, the homeland security area must span the terms of various administrations and individuals. Establishing homeland security leadership by statute will ensure legitimacy, authority, sustainability, and the appropriate accountability to the Congress and the American people.[6]

The proposals call for the creation of a Cabinet department that would be responsible for coordination with other executive branch agencies involved in homeland security, including the Federal Bureau of Investigation and the Central Intelligence Agency. Additionally, the proposals call for coordination with nonfederal entities and direct the new Secretary to reach out to state and local governments and the private sector in order to: ensure adequate and integrated planning, training, and exercises occur, and that first responders have the necessary equipment; attaining interoperability of the federal government's homeland security communications systems with state and local governments' systems; oversee federal grant programs for state and local homeland security

[6]U.S. General Accounting Office, *Homeland Security: Responsibility And Accountability for Achieving National Goals.* GAO-02-627T (Washington, D.C.: Apr. 11, 2002).

efforts; and coordinate warnings and information to state and local government entities and the public.

Many aspects of the proposed consolidation of homeland security programs are in line with previous recommendations and show promise towards reducing fragmentation and improving coordination. For example, the new department would consolidate federal programs for state and local planning and preparedness from several agencies and place them under a single organizational umbrella. Based on our prior work, we believe that the consolidation of some homeland security functions makes sense and will, if properly organized and implemented, over time lead to more efficient, effective, and coordinated programs, better intelligence sharing, and a more robust protection of our people, borders, and critical infrastructure.

However, as the Comptroller General has recently testified,[7] implementation of the new department will be an extremely complex task, and in the short term, the magnitude of the challenges that the new department faces will clearly require substantial time and effort, and will take additional resources to make it effective. Further, some aspects of the new department, as proposed, may result in yet other concerns. For example, as we reported on June 25, 2002,[8] the new department could include public health assistance programs that have both basic public health and homeland security functions. These dual-purpose programs have important synergies that should be maintained and could potentially be disrupted by such a change.

The recently issued national strategy for homeland security states it is intended to answer four basic questions: what is "homeland security" and what missions does it entail; what does the nation seek to accomplish, and what are the most important goals of homeland security; what is the federal executive branch doing now to accomplish these goals and what should it do in the future; and what should non-federal governments, the

[7]U.S. General Accounting Office, *Homeland Security: Proposal for Cabinet Agency Has Merit, but Implementation Will Be Pivotal to Success*, GAO-02-886T (Washington, D.C.: June 25, 2002).

[8]U.S. General Accounting Office, *Homeland Security: New Department Could Improve Coordination but May Complicate Public Health Priority Setting*, GAO-02-883T (Washington, D.C.: June 25, 2002).

private sector, and citizens do to help secure the homeland. Within the federal executive branch, the key organization for homeland security will be the proposed Department of Homeland Security. The Department of Defense will contribute to homeland security, as well other departments such as the Departments of Justice, Agriculture, and Health and Human Services. The national strategy also makes reference to using tools of government such as grants and regulations to improve national preparedness.

The national strategy defines homeland security as a concerted national effort to 1) prevent terrorist attacks within the United States, 2) reduce America's vulnerability to terrorism, 3) minimize the damage, and 4) recover from attacks that do occur. This definition should help the government more effectively administer, fund, and coordinate activities both inside and outside the proposed new department and ensure all parties are focused on the same goals and objectives. The three parts of the definition form the national strategy's three objectives.

The strategy identifies six critical mission areas, and outlines initiatives in each of the six mission areas. It further describes four foundations that cut across these mission areas and all levels of government. These foundations— law; science and technology; information sharing and systems; and international cooperation— are intended to provide a basis for evaluating homeland security investments across the federal government. Table 1 summarizes key intergovernmental roles in each of the six mission areas as presented in the strategy.

Table 1: National Strategy: Six Critical Mission Areas and Key Intergovernmental Roles

Mission Area	Key Intergovernmental Roles
Intelligence and Warning	• Work with state and local law enforcement to leverage critical intelligence information, and provide real-time actionable information in the form of protective actions that should be taken in light of terrorist threats, trends, capabilities, and vulnerabilities. • Provide announcements of threat advisories and alerts to notify law enforcement and state and local government officials of threats through the Homeland Security Advisory System.
Border and Transportation Security	• Implementation of the Aviation and Transportation Security Act of 2001 requires partnerships among federal, state, and local government officials to assess and protect critical transportation infrastructures and reduce vulnerabilities.
Domestic Counterterrorism	• Expand data included in federal databases such as the FBI National Crime Information Center (NCIC) database and ensure that they are fully accessible to state and local law enforcement officials. • Expand the Joint Terrorism Task Forces, representing numerous federal agencies and state and local law enforcement, to all 56 FBI field offices.
Protecting Critical Infrastructures and Key Assets	• Work with state and local governments to implement a comprehensive national infrastructure protection plan to ensure protection for critical assets, systems, and functions, and for sharing protection responsibility with state and local government. • Provide state and local agencies one primary federal contact for coordinating protection activities with the federal government (e.g. vulnerability assessments, strategic planning efforts, and exercises).
Defending Against Catastrophic Threats	• In cooperation with state and local governments, develop additional inspection procedures and detection systems throughout the national transportation structure to detect the movement of nuclear materials within the U.S. • Expand and modernize the Centers for Disease Control Epidemic Intelligence Service to better train local and state officials in recognizing biological attacks, and state and local jurisdictions with a population of 500,000 or more will be provided with resources to hire skilled epidemiologists.
Emergency Preparedness and Response	• Working with state and local public safety organizations, build a comprehensive national incident management system to respond to terrorist incidents and natural disasters, and encourage first responder organizations to adopt the already widespread Incident Management System by making it a requirement for federal grants. • Provide grants in support of state and local preparedness efforts in areas such as: mutual aid agreements; terrorism-related communications equipment; training and equipping of state and local health care personnel to deal with chemical, biological, radiological, and nuclear terrorism; planning for the receipt and distribution of medicines from the National Pharmaceutical Stockpile; equipping, training, and exercising first responders to meet certification standards. • Proposed grant requirements include: compliance with a national emergency communication plan, progress in achieving communications interoperability with other emergency response bodies, and annual certification of first responder preparedness to handle and decontaminate any hazard. • Consolidate all grant programs that distribute federal funds to state and local first responders. The First Responder Initiative proposes to increase federal funding levels more than tenfold to $3.5 billion in fiscal year 2003.

With regard to the costs of Homeland Security, the national strategy emphasizes government should fund only those homeland security activities that are not supplied, or are inadequately supplied, in the market, and cost sharing between different governmental levels should reflect federalism principles and different tools of government. In terms of the

financial contributions made by state and local government to homeland security, the strategy acknowledges that state and local governments are incurring unexpected costs defending or protecting their respective communities. These costs include protecting critical infrastructure, improving technologies for information sharing and communications, and building emergency response capacity. At this time, the National Governors' Association estimates that additional homeland security-related costs, incurred since September 11th and through the end of 2002, will reach approximately $6 billion. Similarly, the U.S. Conference of Mayors has estimated the costs incurred by cities during this time period to be $2.6 billion.

Challenges Remain in Defining Appropriate Intergovernmental Roles

The proposed department will be a key player in the daunting challenge of defining the roles of the various actors within the intergovernmental system responsible for homeland security. In areas ranging from fire protection to drinking water to port security, the new threats are prompting a reassessment and shift of longstanding roles and responsibilities. However, until this time, proposed shifts in roles and responsibilities have been considered on a piecemeal and ad hoc basis without benefit of an overarching framework and criteria to guide this process. The national strategy recognizes that the process is challenging because of the structure of overlapping federal, state, and local governments given that our country has more than 87,000 jurisdictions. The national strategy further notes that the challenge is to develop interconnected and complementary systems that are reinforcing rather than duplicative.

The proposals for a Department of Homeland Security call for the department to reach out to state and local governments and the private sector to coordinate and integrate planning, communications, information, and recovery efforts addressing homeland security. This is important recognition of the critical role played by nonfederal entities in protecting the nation from terrorist attacks. State and local governments play primary roles in performing functions that will be essential to effectively address our new challenges. Much attention has already been paid to their role as first responders in all disasters, whether caused by terrorist attacks or natural hazards.

The national strategy emphasizes the critical role state and local governments play in homeland security and the need for coordination between all levels of government. The national strategy emphasizes that

homeland security is a shared responsibility. In addition, the national strategy has several initiatives designed to improve partnerships and coordination. Table 1 provides several examples of areas with key intergovernmental roles and coordination. For example, there are initiatives to improve intergovernmental law enforcement coordination and enabling effective partnerships with state and local governments and the private sector in critical infrastructure protection. States are asked to take several legal initiatives, such as coordinating suggested minimum standards for state driver's licenses and reviewing quarantine authorities. Many initiatives are intended to develop or enhance first responder capabilities, such as initiatives to improve the technical capabilities of first responders or enable seamless communication among all responders. In many cases, these initiatives will rely on federal, state, and local cooperation, some standardization, and the sharing of costs.

National and Regional Partnerships

Achieving national preparedness and response goals hinges on the federal government's ability to form effective partnerships with nonfederal entities. Therefore, federal initiatives should be conceived as national, not federal in nature. Decision makers have to balance the national interest of prevention and preparedness with the unique needs and interests of local communities. A "one-size-fits-all" federal approach will not serve to leverage the assets and capabilities that reside within state and local governments and the private sector. By working collectively with state and local governments, the federal government gains the resources and expertise of the people closest to the challenge. For example, protecting infrastructure such as water and transit systems lays first and most often with nonfederal levels of government.

Just as partnerships offer opportunities, they also pose risks based upon the different interests reflected by each partner. From the federal perspective, there is the concern that state and local governments may not share the same priorities for use of federal funds. This divergence of priorities can result in state and local governments simply replacing ("supplanting") their own previous levels of commitment in these areas with the new federal resources. From the state and local perspective, engagement in federal programs opens them up to potential federal preemption and mandates. From the public's perspective, partnerships if not clearly defined, risk blurring responsibility for the outcome of public programs.

Our fieldwork at federal agencies and at local governments suggests a shift is potentially underway in the definition of roles and responsibilities

between federal, state, and local governments with far reaching consequences for homeland security and accountability to the public. The challenges posed by the new threats are prompting officials at all levels of government to rethink long-standing divisions of responsibilities for such areas as fire services, local infrastructure protection, and airport security. Current homeland security proposals recognize that the unique scale and complexity of these threats call for a response that taps the resources and capacities of all levels of government as well as the private sector.

In many areas, these proposals would impose a stronger federal presence in the form of new national standards or assistance. For instance, the Congress is considering proposals to mandate new vulnerability assessments and protective measures on local communities for drinking water facilities. Similarly, new federal rules have mandated local airport authorities to provide new levels of protection for security around airport perimeters. The block grant proposal for first responders would mark a dramatic upturn in the magnitude and role of the federal government in providing assistance and standards for fire service training and equipment.

Additionally, the national strategy suggests initiatives for an expanded state role in several areas. For example, there are no national or agreed upon state standards for driver's license content, format, or acquisition procedures. The strategy states that the federal government should support state-led efforts to develop suggested minimum standards for drivers' licenses. In another example, in order to suppress money laundering, the strategy recommends that states assess the current status of their regulation regarding providers of financial services and work to adopt uniform laws as necessary.

Governments at the local level are also moving to rethink roles and responsibilities to address the unique scale and scope of the contemporary threats from terrorism. Numerous local general-purpose governments and special districts co-exist within metropolitan regions and rural areas alike. Many regions are starting to assess how to restructure relationships among contiguous local entities to take advantage of economies of scale, promote resource sharing, and improve coordination of preparedness and response on a regional basis. In our case studies of five metropolitan areas, we have identified several common forms of regional cooperation and coordination including special task forces or working groups, improved collaboration among public health entities, increased countywide planning, mutual aid agreements, and communications. These partnerships are at varying stages of development and are continuing to evolve. Table 2 summarizes these initiatives.

Table 2: Case Study Examples of Metropolitan Cooperation and Coordination

- **Task Forces and Working Groups:** To facilitate emergency planning and coordination among cities in a metropolitan area, officials have joined together to create task forces, such as terrorism working groups, advisory committees, and Mayors' caucuses. For example, the Metropolitan Safety, Security, and Anti-terrorism Task Force in New Orleans includes officials from the city and four surrounding parishes.
- **Collaboration with Public Health Entities:** Public health departments, emergency medical services, and hospitals are participating in planning efforts to coordinate use of limited resources such as emergency room capacity, hospital beds, and medical supplies. For example, in Denver, the Front Range Emergency Medical Service and Trauma Advisory Council involves all hospitals and rescue squads in a six-county metropolitan area.
- **Countywide Planning:** In some states, counties serve as the primary coordinating agent and work with cities within their jurisdiction, other counties, and the state to ensure that they develop and update emergency and disaster plans, provide training, conduct assessments and exercises, and have adequate emergency resources. For example, King County, Washington has coordinated development of a Regional Disaster Plan, which includes Seattle and 15 other cities within the county as well as 15 fire districts, 15 hospitals, 21 water and sewer districts, 12 school districts, and the private sector.
- **Mutual Aid Agreements:** Cities and counties have used mutual aid agreements to share emergency resources in their metropolitan areas. These agreements may include fire, police, emergency medical services, and hospitals and may be formal or informal. For example, Los Angeles has mutual aid agreements between police and fire departments in surrounding jurisdictions and a range of private sector entities. The state has a Mutual Aid Regional Advisory Commission that facilitates agreements, and the Standardized Emergency Management System (SEMS) law requires mutual aid agreements for state reimbursement.
- **Communications:** Cities and counties currently use a variety of methods for communicating among first responders, such as command centers, using radio, cell phones, and pagers; amateur radio operators; and community alert systems. Some are considering 800 MHz radio systems to permit interoperability and mobile incident command centers to direct communications among first responders. King County, Washington has a countywide 800 MHz system and uses amateur radio operators to provide a redundant emergency communications system.

Although promising greater levels of protection than before, these shifts in roles and responsibilities have been developed on an ad hoc piecemeal basis without the benefit of common criteria. An ad hoc process may not capture the real potential each actor in our system offers. Moreover, a piecemeal redefinition of roles risks the further fragmentation of the responsibility for homeland security within local communities, blurring lines of responsibility and accountability for results. While federal, state, and local governments all have roles to play, care must be taken to clarify who is responsible for what so that the public knows whom to contact to address their problems and concerns. Current homeland security initiatives provide an opportunity to more systematically identify the unique resources and capacities of each level of government and better match these capabilities to the particular tasks at hand. If implemented in a partnerial fashion, the national strategy can also promote the

participation, input, and buy in of state and local partners whose cooperation is essential for success.

Performance Goals and Measures Needed in Homeland Security Programs

The proposed department, in fulfilling its broad mandate, has the challenge of developing a national performance focus. The national strategy is a good start in defining strategic objectives and related mission areas, plus foundations that cut across the mission areas. The national strategy's initiatives to implement the objectives under the related mission and foundation areas extend from building capabilities to achieving specific outcomes.

According to the national strategy, each department and agency is to be held accountable for its performance on homeland security efforts. However, the initiatives often do not provide a baseline set of goals and measures upon which to assess and improve many of its initiatives to prevent attacks, reduce the nation's vulnerability to attacks, or minimize the damage and recovering from attacks that do occur. For example, the initiative of creating "smart borders" requires a clear specification of what is expected of a smart border, including consideration of security and economic aspects of moving people and goods.

Specific performance goals and measures for many initiatives will occur at a later date. The strategy states that each department or agency will create benchmarks and other performance measures to evaluate progress and allocate future resources. Performance measures will be used to evaluate the effectiveness of each homeland security program, allowing agencies to measure their progress, make resource allocation decisions, and adjust priorities. As the national strategy and related implementation plans evolve, we would expect clearer performance expectations to emerge. Given the need for a highly integrated approach to the homeland security challenge, national performance goals and measures may best be developed in a collaborative way involving all levels of government and the private sector.

Assessing the capability of state and local governments to respond to catastrophic terrorist attacks is an important feature of the national strategy and the responsibilities of the proposed new department. The President's fiscal year 2003 budget proposal acknowledged that our capabilities for responding to a terrorist attack vary widely across the country. The national strategy recognizes the importance of standards and performance measures in areas such as training, equipment, and communications. For example, the national strategy proposes the

establishment of national standards for emergency response training and preparedness. These standards would require certain coursework for individuals to receive and maintain certification as first responders and for state and local governments to receive federal grants. Under the strategy, the proposed department would establish a national exercise program designed to educate and evaluate civilian response personnel at all levels of government. It would require individuals and government bodies to complete successfully at least one exercise every year. The department would use these exercises to measure performance and allocate future resources.

Standards are being developed in other areas associated with homeland security, yet formidable challenges remain. For example, national standards that would apply to all ports and all public and private facilities are well under way. In preparing to assess security conditions at 55 U.S. ports, the Coast Guard's contractor has been developing a set of standards since May 2002. These standards cover such things as preventing unauthorized persons from accessing sensitive areas, detecting and intercepting intrusions, and checking backgrounds of those whose jobs require access to port facilities. However, challenges remain in finalizing a complete set of standards for the level of security needed in the nation's ports, resolving issues between key stakeholders that have conflicting or competing interests, and establishing mechanisms for enforcement. Moreover, because security at ports is a concern shared among federal, state, and local governments, as well as among private commercial interests, the issue of who should pay to finance antiterrorism activities may be difficult to resolve.

Communications is an example of an area for which standards have not yet been developed, but various emergency managers and other first responders have continuously highlighted that standards are needed. State and local governments often report that there are deficiencies in their communications capabilities, including the lack of interoperable systems. The national strategy recognizes that it is crucial for response personnel to have and use equipment, systems, and procedures that allow them to communicate. Therefore, the strategy calls for the proposed Department of Homeland Security to develop a national communication plan to establish protocols (who needs to talk to whom), processes, and national standards for technology acquisition. According to the national strategy, this is a priority for fiscal year 2003 funding which ties all federal grant programs that support state and local purchase of terrorism-related communications equipment to this communication plan.

The establishment of specific national goals and measures for homeland security initiatives, including preparedness, will not only go a long way towards assisting state and local entities in determining successes and areas where improvement is needed, but could also be used as goals and performance measures as a basis for assessing the effectiveness of federal programs. The Administration should take advantage of the Government Performance and Results Act (GPRA) and its performance tools of strategic plans, annual performance plans and measures, and accountability reports for homeland security implementation planning. At the department and agency level, until the new department is operational, GPRA can be a useful tool in developing homeland security implementation plans within and across federal agencies. Given the recent and proposed increases in homeland security funding, as well as the need for real and meaningful improvements in preparedness, establishing clear goals and performance measures is critical to ensuring both a successful and fiscally responsible effort.

Appropriate Tools Need to Be Selected for Providing Assistance

The choice and design of the policy tools the federal government uses to engage and involve other levels of government and the private sector in enhancing homeland security will have important consequences for performance and accountability. Governments have a variety of policy tools including grants, regulations, tax incentives, and information-sharing mechanisms to motivate or mandate other levels of government or the private sector to address security concerns. The choice of policy tools will affect sustainability of efforts, accountability and flexibility, and targeting of resources. The design of federal policy will play a vital role in determining success and ensuring that scarce federal dollars are used to achieve critical national goals. The national strategy acknowledges the shared responsibility of providing homeland security between federal, state, and local governments, and the private sector and recognizes the importance of using tools of government such as grants, regulations, and information sharing to improve national preparedness.

Grants

The federal government often uses grants to state and local governments as a means of delivering federal assistance. Categorical grants typically permit funds to be used only for specific, narrowly defined purposes. Block grants typically can be used by state and local governments to support a range of activities aimed at achieving a broad, national purpose and to provide a great deal of discretion to state and local officials. In designing grants, it is important to (1) target the funds to states and localities with the greatest need based on highest risk and lowest capacity to meet these needs from their own resource bases, (2) discourage the

replacement of state and local funds with federal funds, commonly referred to as supplantation, with a maintenance-of-effort requirement that recipients maintain their level of previous funding, and (3) strike a balance between accountability and flexibility. At their best, grants can stimulate state and local governments to enhance their preparedness to address the unique threats posed by terrorism. Ideally, grants should stimulate higher levels of preparedness and avoid simply subsidizing local functions that are traditionally state or local responsibilities. One approach used in other areas is the "seed money" model in which federal grants stimulate initial state and local activity with the intent of transferring responsibility for sustaining support over time to state and local governments.

Recent funding proposals, such as the $3.5 billion block grant for first responders contained in the president's fiscal year 2003 budget, have included some of these provisions. This grant would be used by state and local governments to purchase equipment; train personnel; and exercise, develop, or enhance response plans. Once the details of the grant have been finalized, it will be useful to examine the design to assess how well the grant will target funds, discourage supplantation, and provide the appropriate balance between accountability and flexibility, and whether it provides temporary "seed money" or represents a long-term funding commitment.

Regulations

Other federal policy tools can also be designed and targeted to elicit a prompt, adequate, and sustainable response. In the area of regulatory authority, the federal, state, and local governments share authority for setting standards through regulations in several areas, including infrastructure and programs vital to preparedness (for example, transportation systems, water systems, and public health). In designing regulations, key considerations include how to provide federal protections, guarantees, or benefits while preserving an appropriate balance between federal and state and local authorities and between the public and private sectors. Regulations have recently been enacted in the area of infrastructure. For example, a new federal mandate requires that local drinking water systems in cities above a certain size provide a vulnerability assessment and a plan to remedy vulnerabilities as part of ongoing EPA reviews, while the Transportation and Aviation Security Act grants the Department of Transportation authority to order deployment of local law enforcement personnel in order to provide perimeter access security at the nation's airports.

In designing a regulatory approach, the challenges include determining who will set the standards and who will implement or enforce them.

Several models of shared regulatory authority offer a range of approaches that could be used in designing standards for preparedness. Examples of these models range from preemption through fixed federal standards to state and local adoption of voluntary standards formulated by quasi-official or nongovernmental entities.[9]

Tax Incentives

As the administration noted, protecting America's infrastructure is a shared responsibility of federal, state, and local government, in active partnership with the private sector, which owns approximately 85 percent of our nation's critical infrastructure. To the extent that private entities will be called upon to improve security over dangerous materials or to protect critical infrastructure, the federal government can use tax incentives to encourage or enforce their activities. Tax incentives are the result of special exclusions, exemptions, deductions, credits, deferrals, or tax rates in the federal tax laws. Unlike grants, tax incentives do not generally permit the same degree of federal oversight and targeting, and they are generally available by formula to all potential beneficiaries who satisfy congressionally established criteria.

Information Sharing

Since the events of September 11th, a task force of mayors and police chiefs has called for a new protocol governing how local law enforcement agencies can assist federal agencies, particularly the FBI. As the U.S. Conference of Mayors noted, a close working partnership of federal and local law enforcement agencies, which includes the sharing of information, will expand and strengthen the nation's overall ability to prevent and respond to domestic terrorism. The USA Patriot Act provides for greater sharing of information among federal agencies. An expansion of this act has been proposed (S1615; H.R. 3285) that would provide for information sharing among federal, state, and local law enforcement agencies. In addition, the Intergovernmental Law Enforcement Information Sharing Act of 2001 (H.R. 3483), which you sponsored, Mr. Chairman, addresses a number of information-sharing needs. For instance, the proposed legislation provides that the Attorney General expeditiously grant security clearances to Governors who apply for them and to state and local officials who participate in federal counterterrorism working groups or regional task forces.

[9]For more information on these models, see U.S. General Accounting Office, *Regulatory Programs: Balancing Federal and State Responsibilities for Standard Setting and Implementation.* GAO-02-495 (Washington, D.C.: March 20, 2002).

The national strategy also includes several information-sharing and systems initiatives to facilitate dissemination of information from the federal government to state and local officials. For example, the strategy supports building and sharing law enforcement databases, secure computer networks, secure video teleconferencing capabilities, and more accessible websites. It also states that the federal government will make an effort to remove classified information from some documents to facilitate distribution to more state and local authorities.

Conclusion

The recent publication of the national strategy is an important initial step in defining homeland security, setting forth key strategic objectives, and specifying initiatives to implement them. The proposals for the Department of Homeland Security represent recognition by the administration and the Congress that much still needs to be done to improve and enhance the security of the American people and our country's assets. The proposed department will clearly have a central role in the success of efforts to strengthen homeland security, and has primary responsibility for many of the initiatives in the national homeland security strategy.

Moreover, given the unpredictable characteristics of terrorist threats, it is essential that the strategy be implemented at a national rather than federal level with specific attention given to the important and distinct roles of state and local governments. Accordingly, decision makers will have to balance the federal approach to promoting homeland security with the unique needs, capabilities, and interests of state and local governments. Such an approach offers the best promise for sustaining the level of commitment needed to address the serious threats posed by terrorism.

This completes my prepared statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

Contacts and Acknowledgments

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