

**FOLLOWING THE MONEY:  
THE BUSH ADMINISTRATION FY03  
BUDGET REQUEST AND CURRENT FUNDING  
FOR SELECTED  
DEFENSE, STATE, AND ENERGY DEPARTMENT  
PROGRAMS**

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**A selective analysis of funding levels and spending trends for the:**

Office of Homeland Security  
Department of Defense  
Missile defense, nonproliferation, and cooperative threat reduction programs  
State Department funding for the United Nations and peacekeeping

*within the*

Fiscal Year 2003 Budget Request  
Fiscal Year 2001 Supplemental  
Fiscal Year 2002 Supplemental Requests

## INTRODUCTION

**T**he Bush Administration presented its fiscal year 2003 (FY03) budget to Congress in early February 2002, the first budget proposal entirely of its own design. With this roadmap, the Administration laid out its funding priorities in foreign and military affairs. Many proposals are straightforward, while others are striking in their shift from past budgets, demonstrating both the new direction of the Bush Administration and its priorities since September 11 and the war on terrorism.

**Congress will use the Administration's budget proposal as a basis for its work on the FY03 budget, which funds government activities beginning with the start of the U.S. fiscal year on October 1.** The Administration can alter its request with a budget amendment or ask for a budget supplemental from Congress to increase current funding, as the Bush Administration recently proposed for fiscal year 2002. Congress uses the Administration's budget proposal as a guide to the policies of the Administration, which shapes the debates over the course of the year.

To craft the annual budget, Congress aims (by April 15) to pass a budget resolution to establish the broad outlines of the budget levels for each annual appropriations bill. Meanwhile, authorizing committees – such as the Armed Services and Foreign Relations committees – review the budget request as part of their work on oversight and policy, holding hearings and crafting authorization legislation (not always annually, however). The Appropriations Committees, with their subcommittees in the lead, write annual appropriations bills detailing each line item of the proposed budget. Congress must pass these appropriations bills for the government to operate. All thirteen appropriations bills are supposed to be law by the beginning of the fiscal year on October 1. While this date is rarely met, the prospect of timely completion this year is enhanced by 2002 being an election year. Members of Congress will wish to return home to campaign as soon as possible in October.

## EXPLANATION OF THIS BUDGET OVERVIEW

**A**nalyses of budget areas here include defense, homeland security, missile defense, nuclear and nonproliferation programs, U.N. funding and peacekeeping. This is not a comprehensive overview of the Administration's FY03 budget proposal, but rather a snapshot of key programs for U.S. security and foreign affairs that correspond to areas of expertise at the Henry L. Stimson Center ([www.stimson.org](http://www.stimson.org)). The Center welcomes inquiries about these analyses and its broader programmatic work.

Each factsheet considers funding appropriated as part of the \$40 billion in FY01-02 emergency response funding after September 11 last year, but does not reflect the most recent FY02 supplemental request submitted by the Administration in March 2002.<sup>1</sup> A separate factsheet outlines that FY02 request. Further data on the Administration's budget proposals can be found at the Office of Management and Budget (OMB) website ([www.omb.gov](http://www.omb.gov)) or at the websites of each individual agency.

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<sup>1</sup> Whereas the Congressional Budget Office (CBO) scores funding based on when Congress makes funds available to the Executive branch, the Office of Management and Budget (OMB) normally scores based on when the Executive branch actually releases the funding. This has created some questions as to which year the \$40 billion in supplemental funding appropriated after September 11, 2001 is scored. See Stephen Daggett and Amy Belasco, "Defense Budget for FY2003: Data Summary," Congressional Research Service (March 29, 2002): pp. 2-3.

## LOOKING AT THE BUDGET

**T**his budget analysis looks at selected areas of the current FY03 budget request and considers their implications. The FY03 request is hard to categorize, but a few trends are clear, including:

- **Homeland Security.** Spending on homeland security is proposed to increase from \$19.5 billion in early fiscal year 2002 to \$37.7 billion for fiscal year 2003. Also:
  - The budget assumes that the Federal Emergency Management Agency will oversee all training and provision of equipment for domestic preparedness initiatives.
  - The Administration proposes increased information-sharing as a means of increasing U.S. border security.
  - The budget proposal reflects major increases in spending for numerous relevant initiatives in response to September 11 and terrorism threats.
  
- **Defense Spending.** If approved, the defense budget request (050) would be the largest single one-year increase in military spending since 1967. Also:
  - The request assumes a slower rate of spending for war-related operations than during the first seven months of the U.S. military campaign in Afghanistan.
  - Spending proposed for the Department of Energy budget reflects the priorities of the Nuclear Posture Review, including a move toward new weapons designs and increased readiness of the nuclear test site.
  - The proposed Department of Defense budget does not reflect any major departures from current force structure or shifts in large acquisition programs.
  - Spending on missile defense increases slightly, from \$8.2 to \$8.6 billion, but oversight of these programs may be reduced by grouping programs within the Missile Defense Agency and altering the role of the Office of Test and Evaluation.
  
- **State Department Funding for U.N. and Peacekeeping.** The FY03 International Affairs budget request of \$25.4 billion is basically flat in comparison to approved funding for FY02 (\$24 billion plus \$1.54 billion in supplemental funding). Overall, the Administration requests \$8 billion for the State Department and its operations and \$16 billion for international programs and foreign operations. Also:
  - The budget request presumes reductions in nearly all of the 15 current U.N. peacekeeping operations, no new operations during 2002-2003, and no additional costs for U.N. peacekeeping reforms.
  - Proposed funding for the United Nations and other international organizations remains constant.
  - Proposed funding support for peace operations through U.S. voluntary contributions is reduced.
  - The Administration urges speedy action on repeal of the 25 percent “cap” on U.S. payments for U.N. peacekeeping and support for the third payment of U.S. arrears to the United Nations with no new conditions.
  
- **The “Second Supplemental” (March 2002).** On March 21, the Administration sent Congress an emergency FY02 supplemental budget request for \$27.1 billion to augment the current FY02 budget (including the funds approved in late 2001.) Funding is primarily for the war on terrorism, continued operations in Afghanistan, additional homeland security efforts, and economic recovery. Also:

- The Administration's request focuses on increasing Defense Department resources and offices supporting homeland security.
- The request for \$27.1 billion as "emergency funding" waives the requirement for offsets. For funding requested with offsets (\$240 million total), the Administration proposes cuts in either international assistance programs or domestic agencies.
- The request provides new funding to the Department of Defense for foreign assistance programs usually funded through the State Department.
- The Administration proposes dropping or modifying existing Congressional provisions for oversight or restrictions on U.S. foreign assistance programs.
- Funding for training the military of Afghanistan, covering U.S. military costs in Afghanistan, providing bilateral aid to Turkey for the security force (ISAF), and supporting the international efforts in the regions are included. The request does not focus on providing funding for reconstruction, relief or humanitarian efforts.

### SUMMARY

**O**verall, the Administration's defense budget proposal matches campaign promises and expectations in only two categories – missile defense and increased levels of defense spending. The "Rumsfeld Revolution" in the Pentagon appears to have produced nothing more than a hiccup in the Defense Department's status quo proclivities. While the "new" strategic framework was supposed to incorporate decreased reliance on offensive (nuclear weapons) capabilities and increased emphasis on defensive means (missile defense), the FY03 budget proposes investments in both new offensive means and continued increases in research and development programs to deploy defenses. The Administration proposes \$8.6 billion to defend against missile threats, while requesting only \$1.8 billion for U.S. efforts to prevent weapons of mass destruction proliferation. The impact of September 11 is seen most dramatically in the proposed \$48.1 billion increase for the Defense Department that includes \$19.4 billion in continued operations broadly related to Afghanistan and the war on terrorism. Also, September 11 gave rise to a \$37.7 billion request for Homeland Security initiatives, a 29 percent increase in FY03 investments over the amounts appropriated for FY02 as of April 2002.

**In contrast to resources for the Department of Defense, the Administration's funding request for the State Department and international affairs spending runs counter to its rhetoric of increased resources for international affairs.** While arguing that the FY03 International Affairs budget request is an increase, the Administration's proposal is only a marginal increase from the original FY02 budget. The FY03 proposal is *less than* the current FY02 funding levels, prior to consideration of the FY02 supplemental sent to Congress in March 2002. Within the budget, the Administration's reduced FY03 request for U.N. and international peace operations may prove insufficient for on-going and new operations, as well as for key reform measures now underway. The foreign assistance budget does not fund major increases in international programs or for Afghanistan. The March FY02 supplemental request does address international assistance for Afghanistan, but has little funding for reconstruction efforts there. Overall, only \$1.7 billion (six percent) of the \$27 billion FY02 supplemental goes to the State Department and its international programs.

The following factsheets provide more detail about these trends in the Administration's priorities and highlight potential gaps in specific areas important to U.S. security and international engagement.

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## U.S. HOMELAND SECURITY: A LOOK AT THE FY03 HOMELAND SECURITY BUDGET REQUEST

The release of the Bush Administration's Homeland Security request to Congress for fiscal year 2003 (FY03) demonstrates the complexity and costliness of the tasks at hand. The requested \$37.7 billion is an increase of \$8.4 billion (almost 30%) over the FY02 appropriations for similar initiatives (\$29.3 billion). This budget request was a product of close cooperation between the Office of Homeland Security (OHS), the Office of Management and Budget (OMB), and the federal agencies involved in these myriad efforts. This factsheet offers a brief analysis of the initiatives being undertaken by the federal government to meet the demands of U.S. homeland security in the post-September 11 environment.

### Key Funding Areas

- \$3.5 billion for training and equipping first responders
- \$5.9 billion to protect against and respond to biological terrorism
- \$10.6 billion total request among several agencies to protect U.S. borders
- \$4.8 billion for implementation of aviation safety measures mandated in the Transportation and Safety Act
- \$5.3 billion among several agencies to bolster technological solutions, especially information technologies, to U.S. anti-terrorism efforts
- \$6.8 billion for the Defense Department's efforts in homeland security initiatives

### Related Policy Areas

- Administration's requested budget for "homeland security" has no precedent and only expert opinion to guide evaluation of priorities.
- Administration's proposed budget assumes the Federal Emergency Management Agency (FEMA) will oversee all initiatives related to domestic preparedness.
- Administration's budget request foresees increased information-sharing as a central solution to securing U.S. borders from hostile persons and dangerous materials without hindering economic growth.
- Administration increases in funding reflect a direct response to September 11 and conviction that technological solutions can address security needs.

## OFFICE OF HOMELAND SECURITY: ITS MANDATE AND MEANS

Via an Executive Order on October 8, 2001, President Bush established the Office of Homeland Security and selected former Pennsylvania State Governor Tom Ridge to head this cabinet-level office. **"The mission of the Office [of Homeland Security] shall be to develop and coordinate the implementation of a comprehensive national strategy to secure the United States from terrorist threats or attacks."**<sup>2</sup> Director Ridge of the Office of Homeland Security is now responsible for developing this comprehensive national strategy, or blueprint, for homeland security, a challenge of monumental scale and potentially unending expense.

This comprehensive national strategy will be long-term; require the participation of state and local governments, the private sector, and U.S. citizens; encompass all appropriate policy

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<sup>2</sup> President George W. Bush, Executive Order 13228, Section 2, October 8, 2001.

options to achieve greater security; and will “direct the expenditure of the taxpayers’ money only after proper analysis has been done to ensure that their money will be well spent.” Further, the “strategy will be supported by a multi-year, cross-cutting Federal budget plan. **The budget for 2003 is a down payment on a larger set of homeland security initiatives that will be described in the national strategy and reflected in the 2004 and later budgets.**”<sup>3</sup> While it is the OHS that is responsible for the formulation of this national strategy, it is notable that the FY03 budget request includes only “Physical and Information Technology Security” funding for OHS itself.

Two additional aspects of this OHS mandate include “new organizational models for governing that are appropriate for the new century” and “leadership and technical assistance to our international partners who seek greater security in their own homelands.”<sup>4</sup> This latter objective is represented in epidemiological efforts for enhanced early warning of biological threats and the border security initiatives.

## **AN OVERVIEW OF THE PLAYERS AND INITIATIVES IN THE FY03 BUDGET REQUEST**

The spreadsheet below outlines funding allocated in FY02 and the FY01 supplemental appropriations as compared to the FY03 budget request by specific initiative area. This year’s budget request largely focuses on those initiatives deemed urgent enough to require immediate attention, including:

- Supporting First Responders
- Defense Against Bioterrorism
- Securing America’s Borders
- Technology to Secure the Homeland
- Aviation Security
- Non-DoD Homeland Security
- DoD Homeland Security

The most dramatic increase is found in the funding requested to support the efforts of first responders, with FY02 funding of \$942 million skyrocketing to \$3.5 billion in the FY03 request. The only decrease in the FY03 request is in the “Other Non-Department of Defense Homeland Security.” Each of these seven initiative areas is discussed in greater detail below.

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<sup>3</sup> “Securing the Homeland Strengthening the Nation,” President George W. Bush, [www.whitehouse.gov/homeland/homeland\\_security\\_book.html](http://www.whitehouse.gov/homeland/homeland_security_book.html), pp. 7-8.

<sup>4</sup> *Ibid*, p. 4.

**HOMELAND SECURITY FUNDING BY INITIATIVE AREA**  
**(\$ in millions)**

	<b>FY02</b>	<b>FY02</b>	<b>FY03</b>	<b>% Change in FY03</b>
	<b>Request</b>	<b>Supplemental</b>	<b>Proposed</b>	<b>From total FY02</b>
Supporting First Responders	291	651	<b>3,500</b>	<b>272%</b>
Biological Terrorism	1,408	3,730	<b>5,898</b>	<b>15%</b>
Securing U.S. Borders	8,752	1,194	<b>10,615</b>	<b>7%</b>
Technology for Homeland Defense	155	75	<b>722</b>	<b>214%</b>
Aviation Security	1,543	1,035	<b>4,800</b>	<b>86%</b>
Other Non-DoD Homeland Security	3,186	2,384	<b>5,352</b>	<b>- 4%</b>
DoD Homeland Security	4,201	689	<b>6,815</b>	<b>39%</b>
<b>TOTAL</b>	<b>\$19,536</b>	<b>\$9,758</b>	<b>\$37,702</b>	<b>29%</b>

**1. First Responders: \$3.5 Billion**

First responders include, among others, the one million firefighters, 436,000 police department personnel, and the 155,000 emergency medical technicians across the nation. As in the instance of the World Trade Center attack, first responders are the local officials first to arrive at the scene in a terrorist incident. The Administration's budget proposes a huge increase to the Federal Emergency Management Agency (FEMA) budget for support to the first responder community. FEMA is charged with implementing a streamlined and simple procedure to disperse these resources to states and localities for: planning (\$35 million), equipment (\$770 million), training (\$665 million) and exercises (\$105 million). Federal technical assistance (\$350 million) to state and local agencies will also be made available.<sup>5</sup> Whereas both the Justice Department and FEMA funding are included in the FY02 amounts incorporated in the spreadsheet above, all funds for FY03 are requested for FEMA. This shift in the funding allocation follows a transition undertaken by the Administration last year to transfer responsibilities for terrorist response capabilities – "Domestic Preparedness" – to FEMA.

**2. Biological Terrorism: \$5.9 Billion**

The Administration's budget for 2003 proposes \$5.9 billion to defend against the threat of biological terrorism, an increase of \$4.5 billion (319%) from the original FY02 request level. This funding will support the following initiatives:

- A total of \$1.6 billion to improve state and local public health care systems through adequate isolation facilities, enhanced information systems between emergency care physicians and public health officials, promotion of regional mutual aid compacts, and training for health care providers.

<sup>5</sup> See "Securing the Homeland Strengthening the Nation," President George W. Bush, [www.whitehouse.gov/homeland/homeland\\_security\\_book.html](http://www.whitehouse.gov/homeland/homeland_security_book.html), p. 31, for a spreadsheet detailing the full \$3.5 billion request for first responder needs.



- An investment of \$1.8 billion will bolster federal resources, such as a National Pharmaceutical Stockpile and research and development of new vaccines; U.S. epidemiologists working with foreign counterparts to increase early warning capabilities; and enhancement of the Epidemiological Intelligence Service at the Centers for Disease Control in Atlanta.
- A \$2.4 billion investment in research and development efforts of the National Institutes of Health (in partnership with industry) to develop solutions to specific operational problems in bioterrorism response; fund the Department of Defense efforts to provide detection, identification, collection, and monitoring capabilities; and refine the Environmental Protection Agency's methods for decontamination of buildings where agents have been released.

### **3. Securing U.S. Borders: \$10.6 Billion**

The Administration requests \$10.6 billion in FY03 to maximize protective measures against potentially dangerous flows of people and goods across U.S. borders, while simultaneously ensuring the efficiencies required to sustain the economic objectives of legitimate trade and travel. Border security funding requests fall into the following categories: \$4.96 billion for the Immigration and Naturalization Service's enforcement functions (border patrol, detention and deportation, and inspections); \$2.33 billion for the U.S. Customs Service's inspections and security functions; and \$2.9 billion for U.S. Coast Guard enforcement, including port and coastal security and interdiction activities.<sup>6</sup> Emphasis in the federal efforts will focus on seamless information-sharing systems across the agencies involved in regulating commerce and those responsible for border security. A "Smart Border Declaration" with a 30-point action plan to facilitate efficiency and security was signed between the U.S. and Canada late last year. A similar effort with Mexico is currently underway.

### **4. Technology for Homeland Defense: Information Sharing: \$722 Million**

While a total of \$50 billion is included in the FY03 request for information technology investments across the federal government, the Administration requests \$722 million to catalyze efforts for more effective information and intelligence-sharing, both horizontally (among federal agencies and departments) and vertically (among the federal, state and local governments). The additional \$722 million will serve four key objectives:

- Establishment of an Information Integration Office within the Commerce Department (\$20 million) to tear down information "stovepipes" within the federal government and implement an interagency information architecture in a manner consistent with "civil liberties, economic prosperity, and privacy."<sup>7</sup>
- Establish a uniform national threat advisory system by development and implementation of secure information systems for dissemination of critical homeland security information among federal, state, local government and private sector entities (\$17 million).<sup>8</sup>

<sup>6</sup> *Ibid*, p. 33.

<sup>7</sup> *Ibid*, p. 21.

<sup>8</sup> *Ibid*, p. 22. See also budget tables on pages 33 and 34.

- Implement cyber security efforts, including: \$125 million for the National Infrastructure Protection Center (an increase of more than \$50 million); \$30 million for the Cyberspace Warning Intelligence Network; \$60 million for wireless priority access for first responder communications; \$20 million for the National Infrastructure Simulation and Analysis Center (NISAC) at the Department of Energy; \$5 million for a secure “GovNet” Feasibility Study; and \$11 million for Cybercorps Scholarships (managed by the National Science Foundation and OMB) for college students to become computer security professionals within government.
- Enhance border security efforts and information-sharing objectives among federal agencies via an Entry-Exit Visa System at the Immigration and Naturalization Service (\$380 million).<sup>9</sup>

## 5. **Aviation Security: \$4.8 Billion**

The Administration’s request of \$4.8 billion will fulfill part of the mandate set forth in the Aviation and Transportation Security Act (TSA), signed into law in October 2001. The Act imposed tight deadlines and stringent aviation security requirements. An estimated \$2.2 billion of the FY03 costs of implementation of TSA will be raised through aviation passenger and air carrier fees. The FY03 budget will provide funding for the purchase and maintenance of explosive detection technology in order to screen all checked baggage at U.S. airports. Funding will also support efforts to improve security at airport screening locations and speed the flow of passengers at these checkpoints. During the coming year, TSA also requires hiring of well over 30,000 federal airport security personnel, including screeners, armed guards, and supervisors for every screening checkpoint.<sup>10</sup>

## 6. **Other Non-DoD Homeland Security: \$5.4 Billion**

This \$5.4 billion represents the “kitchen sink” portion of the Administration’s homeland security request. The largest amount (\$1.64 billion) is for “Law Enforcement and Other Activities” of the Department of Justice; under the same heading, the Administration requests \$521 million for the Treasury Department. An additional \$884 million is for energy, information technology, and non-bioterrorism research and development at the Department of Energy.<sup>11</sup> A request of \$814 million for international agencies will support domestic physical security and visa programs. Other activities under Non-DoD Homeland Security focus on hardening or protection of physical assets under the authority of numerous federal entities (Department of Interior, Department of Energy, Corps of Engineers, Nuclear Regulatory Commission) or enhanced cyber or critical infrastructure security (National Science Foundation, Social Security Administration). The only mention of funding for the Office of Homeland Security itself is \$48 million for the “Executive Office of the President: Physical and IT Security and the Office of Homeland Security” in this portion of the request.

<sup>9</sup> This Entry-Exit Visa System is also listed in the Border Security spreadsheet, but it is not counted in the total. As it falls under the rubric of information-sharing, it is counted as part of the “Technology for Homeland Defense” budget.

<sup>10</sup> See the Department of Transportation’s website ([www.dot.gov/bib/overview.html](http://www.dot.gov/bib/overview.html)) for more information on TSA and the FY03 budget request specific to transportation security efforts.

<sup>11</sup> From documents available on the White House and DOE websites it is not possible to determine exactly how this amount was calculated. For more information, See the Department of Energy budget: [www.mbe.doe.gov/budget/03budget/index.htm#Summary](http://www.mbe.doe.gov/budget/03budget/index.htm#Summary).

## 7. DoD Homeland Security: \$6.8 Billion

The Administration's request includes \$6.8 billion for homeland security-related activities of DoD and the intelligence community. This figure includes \$4.6 billion for physical security of DoD facilities and \$1.3 billion for combat air patrols within U.S. airspace. The Administration's request for FY03 also includes significant funding for research and development related to combating terrorism, as well as for several specialized response teams such as the National Guard's Weapons of Mass Destruction Civil Support Teams.<sup>12</sup>

## CONCLUSION

**The 272 percent increase for equipping and training first responders should be lauded as recognition of one of the most immediate needs in U.S. anti-terrorism efforts.**

While domestic preparedness efforts have been underway since 1997, problems with obtaining equipment and providing sufficient training have stymied attainment of adequate preparedness and response capabilities. In order for these investments to reap potential security benefits, however, FEMA must ensure that the bulk of this funding meets the needs of those on the front line. The anthrax debacle of 2001 increased awareness of our exceeding vulnerability and lack of preparedness in meeting the bio-terrorist threat. Investments to mitigate the potential consequences of a biological attack are also sound investments in the public health infrastructure. These requests appear to parallel the recommendations of many experts on how to bolster U.S. preparedness in the face of biological threats, whether human-induced or naturally occurring.

The request to increase border security would seem a worthwhile investment, especially in terms of enhancing the coordination of information among U.S. federal agencies responsible for border security, as well as increased cooperation with Canada and Mexico. At the same time, given the current inefficacy of INS' enforcement, the number of federal agencies involved, and the complexity of the tasks at hand, achievement of the desired economic and security objectives in a timely fashion presents a formidable task.

Other major funding areas within the Homeland Security budget are too diffuse to precisely characterize their real impact on domestic security. Substantial investments are being made in technologies, especially information technologies, to bolster security. **Information technology can achieve much in facilitating U.S. prevention and response efforts, but one must always be cognizant of the new vulnerabilities created through increased reliance on telecom and cyber capabilities.** Further, an essential prerequisite to information technology solutions is the ability and willingness of officials to effectively implement and leverage these technologies.

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<sup>12</sup> The Department of Defense briefing slides presented to Congress on February 4, 2002, suggest that \$10.6 billion in FY03 funding is to "Fight and Win the War on Terrorism." This estimate includes: \$9.3 billion for "antiterrorism" efforts (vulnerability reduction, protection of in-transit forces, and security at foreign ports); \$0.7 billion for "counterterrorism" initiatives (prevent, deter and respond to terrorism); and \$0.6 billion for consequence management and intelligence (alleviate damage and decrease loss of life in response to terrorist acts, and collection, analysis and dissemination of intelligence on terrorism). The only overlap between the Homeland Security budget request and the items listed by the Pentagon as part of these efforts is the \$1.3 billion for combat air patrols to secure U.S. airspace, Operation Noble Eagle. In the early months after September 11, nearly as many Air Force members defended American skies in Operation Noble Eagle as were deployed for Operation Enduring Freedom in Afghanistan. More than 11,000 airmen from the Air National Guard, Air Force Reserve and active Air Force flew more than 13,400 fighter, tanker and airborne early warning sorties as part of this operation. See [www.af.mil/news/noble/background.html](http://www.af.mil/news/noble/background.html) for more information.

**The Administration request reflects the desire to invest substantially in key areas to address immediate domestic security threats.** What is unclear at present, however, is whether coordination among agencies is sufficient to address the many cross-cutting challenges that defy the means or jurisdiction of any one federal agency, as well as effective collaboration among federal, state and local agencies. Such cooperation and coordination would also lend itself to more effective prioritization of near-term investments vis-à-vis rigorous assessments of real domestic vulnerabilities. The responsibility for ensuring that appropriate investments are being made and obtaining sufficient coordination among federal, state and local entities resides with the Office of Homeland Security. **While Director Ridge has the mandate, his office may lack the means to achieve success.**

## **U.S. DEFENSE FUNDING: A LOOK AT THE FY03 DEFENSE (050) BUDGET REQUEST AND SELECTED PROGRAMS IN ARMS CONTROL AND NONPROLIFERATION**

The release of the Bush Administration's defense budget (050) request to Congress for fiscal year 2003 (FY03) would usher in the largest one-year increase in military budget authority since 1967. **The requested \$396 billion is an increase of \$48.1 billion over the FY02 baseline for the Defense Department and, according to Five Year Defense Plan (FYDP), the National Defense budget is slated to increase to \$469.6 billion by fiscal year 2007.**<sup>13</sup>

This factsheet outlines the general profile of the FY03 defense request and identifies major trends in the defense budget for the Pentagon and Department of Energy defense programs, as well as offering a brief analysis of slated investments in missile defense and Cooperative Threat Reduction/nonproliferation programs at all relevant agencies.

### **Key Funding Areas**

- \$396.3 billion for the total defense request, including:
  - \$379.3 billion for the Defense Department (051)
  - \$15.6 billion for Department of Energy defense programs (053)
  - \$1.2 billion for "Other" agencies' defense needs (054)<sup>14</sup>
- \$48.1 billion increase for the Defense Department over the FY02 defense budget (including FY02 supplemental funding as of April 2002)
- \$8.6 billion for missile defense programs, \$5.8 billion for DOE Weapons Activities, and a total of \$1.8 billion for arms control and nonproliferation programs at the Defense, Energy and State Departments

### **Related Policy Areas**

- Administration's proposed FY03 budget assumes a slower rate of spending in FY03 (\$19.4 billion) on military operations related to the war on terrorism than the average spending rates for first seven months of the campaign.
- Administration budget request incorporates no departure from the current force structure and no major shifts in large acquisition programs underway.
- Administration proposes incremental increases in missile defense funding, while transparency and testing is being marginalized.
- Administration request for DOE Weapons Activities reflects the Nuclear Posture Review's emphasis on readiness of the infrastructure (including the test site) and potential new weapon designs.
- Administration proposes increases from the original FY02 request amounts for DOE nonproliferation programs, but the requests reflect decreased investments from the actual total FY02 appropriations.

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<sup>13</sup> The figures included in this overview on the DoD budget are taken from Pentagon briefing slides and, therefore, reflect Pentagon scoring. These figures sometimes diverge from those offered by OMB. See Daggett and Belasco, pp. 1-3.

<sup>14</sup> The 054 account includes funding for Coast Guard, Selective Service, FBI overseas activities, and U.S. General Services Administration, among others.

## TOTAL NATIONAL DEFENSE REQUEST FOR FISCAL YEAR 2003: \$396.1 BILLION

### Future-year Budget Requests in Support of DoD's Five-Year Defense Plan

FY02	FY03	FY04	FY05	FY06	FY07
\$350.8 billion	<b>\$396.1 billion</b>	\$405.0 billion	\$426.2 billion	\$447.5 billion	\$469.6 billion

#### I. DEFENSE DEPARTMENT REQUEST

The following outlines the Defense Department's \$379.3 billion request in discretionary spending<sup>15</sup> according to major functions (in billions):

<b>Personnel</b>	<b>\$94.24</b>	(FY02 \$81.97)
<b>Operation &amp; Maintenance</b>	<b>\$140.23</b>	(FY02 \$126.15)
<b>Procurement</b>	<b>\$68.71</b>	(FY02 \$61.12)
<b>Research, Development, Test &amp; Evaluation</b>	<b>\$53.86</b>	(FY02 \$48.55)
<b>Military Construction &amp; Family Housing</b>	<b>\$8.99</b>	(FY02 \$10.54)
<b>War on Terrorism Contingency Fund</b>	<b>\$10.0</b>	(FY02 \$13.17)

The large increase in the budget is justified by the Administration as necessary for winning the war on terrorism, and approximately 40 percent of the FY03 proposed increase (\$19.4 billion) is proposed for war-related costs. However, in contrast to expectations for radical changes under the new Administration, the DoD budget largely maintains and perpetuates a downsized version of the Cold War force structure.<sup>16</sup> The trends identified in this budget would suggest that the Administration is not going to "skip a generation of technology" as indicated by President Bush early in his presidential campaign.<sup>17</sup> Rather, the budget appears to largely conform to the conclusions found in the Quadrennial Defense Review of September 30, 2001 – no radical shift in force structure, procurement of most major weapons systems in the pipeline, and an attempt to cover the new or emerging threats with the remaining funds.<sup>18</sup>

The current political atmosphere indicates that Congress will approve the total FY03 budget request for defense spending. However, one can anticipate wrangling over the specific allocations for major functions – a muted "guns versus guns" debate, especially over the

<sup>15</sup> Discretionary spending, as opposed to direct or "mandatory" spending, "is a category of budget authority that comprises budgetary resources...provided in appropriations acts." Whereas, "(d)irect spending is a category of outlays from budget authority provided in law other than appropriations acts, entitlement authority, and the budget authority for the food stamp program." See *Budget of the United States Government, Analytical Perspectives; Fiscal Year 1998* (February 1997): p. 350.

<sup>16</sup> Force structure/levels include: 10 active and eight Guard divisions (down from 18 and 10 in 1990); three active and one reserve Marine Corps divisions (no reductions); 12 active aircraft carriers (down from 15 in 1990); 53 attack submarines (down from 93 in 1990); 308 battle force ships (down from 546 in 1990); 10 active and one reserve Navy carrier air wings (down from 13 and two in 1990); 12+ active and seven+ reserve Air Force fighter wings (down from 24 and 12 in 1990). See Daggett and Belasco, p. 17.

<sup>17</sup> Candidate George W. Bush committed to spend at least 20 percent of the procurement budget on next generation technology in his speech at The Citadel, September 23, 1999.

<sup>18</sup> For example, the much-touted "transformation" systems utilized in the campaign in Afghanistan – such as precision-guided bombs and unmanned aerial vehicles (UAVs) – receive \$1.1 billion and \$1.3 billion respectively. The cost for refurbishing four Trident submarines for conventional cruise missiles is \$1 billion. At the same time, the three new tactical aircraft programs (F-22, F/A-E/F and Joint Strike Fighter) consume \$12 billion in FY03. See News Release entitled "Details of the Fiscal 2003 Department of Defense Budget Request" from February 4, 2002, at [www.dtic.mil](http://www.dtic.mil) for more information on moneys allocated for transformation.

procurement account. If past is prelude, money will be shifted from other accounts to make room for additional procurement money, most probably for Navy shipbuilding. Further, although Congress eventually approved the Administration's request for one additional round of base closures (moving the start date from 2002 to 2005), there will be substantial political pressure to increase the FY03 request in military construction funding in order for Members of Congress to fund new facilities at military installations in an attempt to preempt any possible closures in their districts/states.<sup>19</sup>

**The \$48.1 billion increase over the FY02 baseline (\$331.2 billion) includes:**

- \$19.4 billion request for the "Cost of War" including a \$10 billion "contingency fund" request and \$9.4 billion in counterterrorism, force protection, and homeland security, continued air patrols in the United States, as well as munitions, communications and other "critical needs";
- \$20.8 billion to adjust for inflation and cover "must pay" bills (health care accruals and pay raises);
- \$7.4 billion in additional requests for "realistic costing" (weapons, readiness, depot maintenance);
- Increases in those program areas to support status quo defense programs and continue to wage the war on terrorism total \$47.6 billion (with program cuts resulting in a savings of \$9.3 billion, this figure is reduced to \$38.3 billion); and
- \$9.8 billion remaining to meet all other requirements.

**Calculating the FY03 Request: FY02 plus Must Pay Bills and War on Terrorism**

**\$331.2 billion (FY02 baseline)**  
**+ \$47.6 billion (status quo + war on terrorism)**

**= \$378.8 billion**

**\$378.8 billion**  
**- \$9.3 billion (cost savings)**  
**+ \$9.8 billion (new requirements)**

**= \$379.3 billion (FY03 baseline)<sup>20</sup>**

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<sup>19</sup> A recent General Accounting Office (GAO) study on base closures estimates an accrued savings of \$16.7 billion through fiscal year 2001 and approximately \$6.6 billion in annual recurring savings from previous closures. See "Military Base Closures: Progress in Completing Actions from Prior Realignment and Closures," General Accounting Office (April 2000): p. 2.

<sup>20</sup> In a Senate Budget Committee hearing on defense on February 28, 2002, Brookings Institution expert Dr. Michael O'Hanlon argued that the \$19.4 billion for the war on terrorism, a current "contingency" in Pentagon expenditures, should be handled as a supplemental rather than part of the FY03 regular budget request. Including this additional \$20 billion as a normal portion of the necessary baseline for the defense budget has the consequence of inflating the "baseline" for FY03, thereby creating a different baseline for the entire Five Year Defense Plan.

## FY02 SUPPLEMENTAL: \$14 Billion

At a cost to the U.S. of approximately \$1.8 billion per month for the current war on terrorism,<sup>21</sup> the pool of \$17.5 billion for Pentagon operations (of the original \$40 billion passed last year in emergency funding) will run dry in April of this year. The Administration has sent an FY02 supplemental request for an additional \$14 billion in military spending to Congress to cover the more than \$30 billion in costs for war-related operations anticipated by the end of this fiscal year.<sup>22</sup>

## II. MISSILE DEFENSE BUDGET REQUEST: \$8.6 Billion

Last year, the Administration consolidated several programs previously managed by military departments or the Ballistic Missile Defense Organization (BMDO) into the new Missile Defense Agency (MDA). These individual programs were then grouped within MDA according to the “segment” in the trajectory of a target at which intercept should occur: boost-phase segment, midcourse segment, and terminal defense. Depending on the status of each research and development program, funding requests are found within the Defense-Wide Research, Development, Test and Evaluation (RDT&E) under the MDA or the military department’s RDT&E budget. As programs mature in their acquisition cycle, they will be transferred to the respective military department. Major systems include: Ground-Based Midcourse (formerly National Missile Defense), Air-Based Boost (formerly Airborne Laser and Space-Based Laser), Sea-Based Midcourse (formerly Navy Theater Wide), Theater High Altitude Defense (THAAD), PATRIOT PAC-3, Space-Based Infra-Red System-Low (SBIRS-Low) and Space-Based Infra-Red System-High (SBIRS-High).<sup>23</sup>

**The total request for missile defense spending in FY03 is \$8.6 billion.** This figure includes the Space-Based Infrared System-High (\$814.9 million) in addition to the frequently quoted figure of \$7.76 billion for missile defense.<sup>24</sup> The chart below demonstrates the prior budget amount allocated for specific Services’ programs in FY01 (first and third brackets on the right), and the subsequent groupings in MDA for FY02 and the FY03 budget request (second bracket, in bold italics). Other budget line items include basic research and development (R&D) programs necessary to support the core large missile defense demonstration projects.

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<sup>21</sup> This monthly cost calculation includes both the operations related to Operation Enduring Freedom (Afghanistan-related) and Operation Noble Eagle. Operation Noble Eagle was initiated on September 11, 2001, to secure the airspace over the 50 states of the United States.

<sup>22</sup> James Dao and Richard W. Stevenson, “Bush Seeks \$27 Billion Emergency Fund,” *The New York Times* (22 March 2002): p. A23. Also Dana Milbank, “Bush Seeks \$27.1 Billion More for Military, Security, Relief Efforts,” *Washington Post* (22 March 2002): p. A7.

<sup>23</sup> For more details on which programs fall under what category, see the information under each heading at <http://www.acq.osd.mil/bmdo/>.

<sup>24</sup> SBIRS-High is not normally listed as part of the missile defense budget. However, as its mission is “to enhance detection and improve reporting of strategic and tactical ballistic missile launches” as well as being part of the “system of systems” that includes a “High and Low space segment” for missile detection and tracking, it is clearly a substantial part of research and development efforts related to missile defense. The MDA website discusses both SBIRS-High and SBIRS-Low as a necessary part of its “sensors” program, but missile defense funding charts exclude SBIRS-High from the missile defense funding totals. See <http://www.acq.osd.mil/bmdo/bmdolink/pdf/sensors.pdf>.



<b>MISSILE DEFENSE REQUEST</b>			
<b>(in millions)</b>			
	<b><u>FY01 Actual</u></b>	<b><u>FY02 Estimate</u></b>	<b><u>FY03 Request</u></b>
<b>RDT&amp;E (MDA)</b>			
National Missile Defense	1857.5	#	#
THAAD	541.0	866.5	934.7
Support Technologies	260.2	0.0	#
Navy Area	269.6	99.3	#
Navy Theater Wide	456.4	0.0	#
Patriot PAC-3	79.9	128.2	#
MEADS	52.6	#	#
Family of Systems	225.9	#	#
BMD Technical Operations	308.4	#	#
International Coop. Programs	129.7	#	#
<b><i>Technology</i></b>	#	139.3	<b>121.7</b>
<b><i>BMD System</i></b>	#	808.0	<b>1066.0</b>
<b><i>Terminal Defense Segment</i></b>	#	200.1	<b>170.0</b>
<b><i>Midcourse Defense Segment</i></b>	#	3762.3	<b>3192.6</b>
<b><i>Boost Defense Segment</i></b>	#	599.8	<b>796.9</b>
<b><i>Sensors Segment</i></b>	#	335.4	<b>373.4</b>
<b><i>Other Programs</i></b>	<u>27.2</u>	<u>30.5</u>	<u>35.4</u>
<b>Subtotal</b>	<b>\$4,208.4</b>	<b>\$6,969.4</b>	<b>\$6,690.7</b>
<b>RDT&amp;E (Air Force)</b>			
Airborne Laser	386.1	#	#
Space Based Laser	67.5	#	#
SBIRS-Low	233.5	#	#
SBIRS-High	<u>550.1</u>	<u>438.7</u>	<u>814.9</u>
<b>Subtotal</b>	<b>\$1,237.2</b>	<b>\$438.7</b>	<b>\$814.9</b>
<b>RDT&amp;E (Army)</b>			
Patriot PAC3 + Improvements	12.4	13.8	194.5
MEADS	#	#	<u>117.7</u>
<b>Subtotal</b>	<b>\$12.4</b>	<b>\$13.8</b>	<b>\$312.2</b>
<b>Joint Theater Air &amp; Missile Defense Org.</b>	<u>21.2</u>	<u>26.9</u>	<u>73.1</u>
<b>Subtotal</b>	<b>\$21.2</b>	<b>\$26.9</b>	<b>\$73.1</b>
<b>Military Construction (MDA)</b>	<u>103.3</u>	<u>8.2</u>	<u>23.4</u>
<b>Subtotal</b>	<b>\$103.3</b>	<b>\$8.2</b>	<b>\$23.4</b>
<b>Procurement</b>			
Patriot PAC-3	362.1	731.5	471.7
Patriot Mods	22.9	25.2	192
TMD BMC3	3.9	#	#
<b>Subtotal</b>	<b>\$388.9</b>	<b>\$756.7</b>	<b>\$663.7</b>
<b>TOTAL MISSILE DEFENSE</b>	<b>\$5,971.4</b>	<b>\$8,213.7</b>	<b>\$8,578.0</b>

A dramatic increase in investments devoted to missile defense was achieved in the first year of the Bush Administration with a 37 percent increase from FY01 to FY02. There was a great deal of skepticism in Congress regarding the need for and efficacy of such profound increases after the delayed submission of the FY02 budget request to Congress in June last year. Scrutiny and inquiry, however, took a back seat to the need for bipartisan cooperation after September 11.

While missile defense spending remains a lightning rod for controversy regarding priorities, the FY03 request represents only a modest incremental increase over the prior year's boost in investments. At the same time, however, the grouping of different programs into "segments" hinders transparency in assessing what investments are being made toward precisely what programs, thereby encumbering Congressional oversight and public inquiry. Further, the Administration's use of a "spiral development" strategy in its missile defense efforts will marginalize the Pentagon's independent Office of Test and Evaluation and squarely contradicts the "fly before you buy" standards previously applied to all large DoD acquisition programs.<sup>25</sup>

### **III. DEPARTMENT OF ENERGY, DEFENSE PROGRAMS REQUEST: \$15.6 Billion**

The \$15.6 billion for DOE defense programs in the 050 account fall into two distinct categories: Atomic Energy Defense Activities (\$8.04 billion) and Environmental and Other Defense Activities (\$7.4 billion).<sup>26</sup> The following discussion will focus on the nuclear weapons and nonproliferation activities of the National Nuclear Security Agency (NNSA) at DOE rather than the environmental management portion of the budget.

#### **NATIONAL NUCLEAR SECURITY AGENCY**

The chart below tracks the major functions of the NNSA budget and offers a more detailed assessment of the nuclear weapons program accounts. The proposed DOE nonproliferation budget for FY03 is incorporated in the chart "Cooperative Threat Reduction and Nonproliferation" which includes Defense and State Department programs for a more comprehensive assessment of the Administration's proposed nonproliferation investments.

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<sup>25</sup> See MDA Director, Lt. Gen. Ronald T. Kadish, Testimony before the Senate Appropriations Committee, Defense Subcommittee, on April 17, 2002, pp. 6-8. Also, Theresa Hitchens, "The Unknown Spiral: Oversight Scheme Threatens Acquisition," at [www.cdi.org/missile-defense/hitchens031102.org](http://www.cdi.org/missile-defense/hitchens031102.org), and Phil Coyle, "Who Will Run Missile Defense?" at [www.cdi.org/missile-defense/coyle-121401.cfm](http://www.cdi.org/missile-defense/coyle-121401.cfm).

<sup>26</sup> Whereas Pentagon documents list the DOE/NNSA activities at a level of \$15.6 billion in FY03, the corresponding budgetary information for DOE/NNSA consistently offers a total of \$15.4 billion for "Atomic Energy Defense Activities." This \$200 million discrepancy cannot be explained through budget documents available to the public.

<b>NNSA WEAPONS ACTIVITIES BUDGET REQUEST<sup>27</sup></b>					
(in thousands)					
	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>Change From</b>	<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Estimate</u></b>	<b><u>Request</u></b>	<b><u>FY02</u></b>	<b><u>from FY02</u></b>
Directed Stockpile Work	934,393	1,044,230	1,234,467	190,237	<b>18%</b>
Campaigns	2,018,644	2,100,118	2,067,834	-32,284	<b>-2%</b>
Readiness in technical base and facilities	1,494,559	1,534,880	1,688,229	153,349	<b>10%</b>
Facilities and infrastructure recapitalization program	8,700	196,800	242,512	45,712	<b>23%</b>
Secure transportation asset	126,507	161,518	155,368	-6,150	<b>-4%</b>
Safeguards and security	411,418	554,881	509,954	-44,927	<b>-8%</b>
<b>Subtotal, Weapons Activities</b>	<b>\$4,994,221</b>	<b>\$5,592,427</b>	<b>\$5,898,364</b>	<b>\$305,937</b>	<b>5%</b>
Use of Prior Year balances & other adjustments	-42,570	-28,985	-28,985	#	#
<b>Total, Weapons Activities</b>	<b>\$4,951,651</b>	<b>\$5,563,442</b>	<b>\$5,869,379</b>	<b>\$305,937</b>	<b>5%</b>

The NNSA weapons budget is most notable for the manner in which the Nuclear Posture Review (NPR) translated into investments in the FY03 budget request. “Overall, the New Triad (of the NPR) depends on a healthy program for stockpile stewardship and peer-review-based certification, as well as robust infrastructure for nuclear weapons production.”<sup>28</sup> There is a clear shift in emphasis toward nuclear weapons production capabilities, as seen in the substantial increases for Directed Stockpile Work (18%), Readiness (10%), and Facilities (23%), while the other three accounts decreased from FY02 levels. The most controversial aspects of these funding increases include:

- a study on the Robust Nuclear Earth Penetrator as part of a \$110 million increase under “Stockpile Research and Development;”
- an increase of \$15.8 million for “Program Readiness” which includes “enhanced test readiness posture at the Nevada Test Site;” and
- a 23 percent increase (\$45.7 million) to support recapitalization, facility disposition and infrastructure planning of the nuclear weapons complex consistent with the Administration’s 10-Year Comprehensive Site Plans.

In short, this DOE budget request appears to emphasize those elements that increase “warm standby” readiness of the production infrastructure, support development of new weapons designs, and bolster warhead refurbishment and replacement of aging parts. The “campaigns” portion of the budget, which includes several important elements of the science underpinning the stockpile stewardship regime, is reduced by two percent.<sup>29</sup> Within the proposed campaigns

<sup>27</sup> Adapted from OMB document “Department of Energy FY2003 Congressional Budget Request” at <http://www.mbe.doe.gov/budget/03budget/content/highlite/highlite.pdf>, p. 18.

<sup>28</sup> *Ibid*, p. 7.

<sup>29</sup> The stockpile stewardship program at NNSA is a complex web of interrelated and highly challenging scientific, engineering and manufacturing programs to maintain safety and readiness of the nuclear weapons arsenal without

budget, allocations for specific programs reflect *increases* to all readiness accounts, while the scientific programs within this portion of the budget (certification of primaries without testing, advanced radiography to support certification, high energy density physics) are reduced.<sup>30</sup> Increased infrastructure readiness at the expense of investments in the science required to certify the safety, reliability and performance of existing nuclear weapons could well lead to a situation requiring a return to nuclear testing.<sup>31</sup> While the proposed reductions from FY02 to FY03 for the “secure transportation” and “safeguards and security” accounts are justified by the \$131 million in emergency supplemental appropriations provided for these activities after September 11, recent revelations regarding the March FY02 supplemental request indicate that increased security at our nuclear weapons facilities is not a high priority for this Administration.

#### **FY02 SUPPLEMENTAL: \$26.4 Billion**

While the DOE recommended funding of \$379.7 million to improve security at its nuclear facilities, the Administration chose only to ask Congress for a total of \$26.4 million for these initiatives as part of its \$27.1 billion FY02 “second supplemental” request to Congress. This \$26.4 million will be used for response to incidents involving nuclear weapons (\$19.4 million) and analysis of the security of the U.S. energy infrastructure (\$7.0 million). A total of \$239.1 million for security of nuclear weapons and materials storage (\$138.3 million) and nuclear weapons cleanup sites (\$100.8 million), as well as \$114.2 million in miscellaneous activities related to security and anti-terrorism efforts, were not included in the Administration’s request.<sup>32</sup>

#### **IV. COOPERATIVE THREAT REDUCTION & NONPROLIFERATION: \$1.8 Billion**

The federal government’s efforts in threat reduction are scattered across several agencies. In 1991, the Cooperative Threat Reduction (CTR) program, so-called “Nunn-Lugar,” at the Department of Defense began the daunting task of denuclearizing Kazakhstan, Belarus, and Ukraine, ensuring the safe storage and transportation of nuclear weapons within the former Soviet Union, and assisting the Russian Federation in achieving its commitments under the Strategic Arms Reduction Treaty (START I). In the past decade of U.S.-Russia CTR efforts, new programs to meet other nonproliferation objectives (safeguard fissile materials, provide employment for former weapons scientists, eliminate production of weapons-grade materials, etc.) cropped up at other agencies. Currently, the Nuclear Nonproliferation programs at the Department of Energy and the Nonproliferation, Antiterrorism, Demining and Related programs

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testing. Within the stockpile stewardship program, “Campaigns are multifunctional efforts across the NNSA Defense Programs laboratories, the production plants, and the Nevada Test Site that, in aggregate, constitute an integrated weapons science and technology program for developing critical capabilities for weapons qualification and certification.” For further description of campaigns, see testimony by C. Paul Robinson, Director of Sandia National Laboratories, before the Armed Services Committee, Strategic Subcommittee, at [www.senate.gov/~armed\\_services/statemnt/2002/April/Robinson.pdf](http://www.senate.gov/~armed_services/statemnt/2002/April/Robinson.pdf), pp. 12-14.

<sup>30</sup> See “Department of Energy FY2003 Congressional Budget Request,”

<http://www.mbe.doe.gov/budget/03budget/content/highlite/highlite.pdf>, pp. 20-25.

<sup>31</sup> In a recent interview with Leonard S. Spector, Ambassador Robert G. Joseph, Senior Director for Proliferation Strategies, Counterproliferation, and Homeland Defense of the National Security Council, stated that he had not heard “anyone in the administration advocating the testing of new nuclear weapons, or of any nuclear tests... The President has said that he supports the moratorium on testing.” See *The Nonproliferation Review*, Vol. 8, No. 3 (Fall-Winter 2001): p. 5. Increased readiness of the test site, funding for new weapons designs and cutting the scientific programs within stockpile stewardship raise some questions regarding the seriousness of the Administration’s commitment to the moratorium on testing.

<sup>32</sup> See Matthew L. Wald, “White House Cut 93% of Funds Sought to Guard Atomic Arms,” *New York Times* (23 April 2002): p. A8.

(NADR) at the State Department provide additional support in achieving U.S. arms control and nonproliferation objectives.

During its first several months in office, the Bush Administration performed a sweeping review of U.S. nonproliferation efforts. The belated conclusions of that review underscored that while some initiatives could be better managed or needed realignment, these programs are a sound investment in U.S. national security. As the chart below suggests, the FY03 budget request translates the review's conclusions into increased support in several areas of U.S. nonproliferation efforts, especially those under the Department of Energy. Prior to even preliminary completion of this review, however, the Administration's FY02 budget request for DOE nonproliferation programs was \$100 million less than the FY01 levels. Congress managed to restore most of these accounts to at least the FY01 baseline in the normal appropriations process, and an additional \$226 million for DOE nonproliferation efforts was carved out of the second \$20 billion in emergency supplemental funding after September 11. The Bush Administration's announcement of 37 percent increases for DOE nonproliferation programs earlier this year must have relied on the FY02 budget request, not the actual appropriated levels, as the baseline from which percentage increases were calculated. **However, an 8 percent overall increase from the total amounts appropriated in FY02 for DOE nonproliferation activities does indicate a major shift in support for these efforts.**

Decreases in the State Department's NADR accounts for nonproliferation activities are partially a result of supplemental money (total of \$72.2 million) put toward these efforts late last year.<sup>33</sup> Without including the supplemental funding, the Export Control and Related Border Security Assistance request went from \$17 million in FY02 to \$36 million in FY03.<sup>34</sup> This increase represents a consolidation into NADR of about \$20.5 million in export control activities that were formerly funded out of the FREEDOM Support Act. As such, the total investment in these combined efforts declined by \$1.5 million. Similarly, the increase from an FY02 request of \$37 million to \$52 million for FY03 for Science Centers/Bio Redirect represents an additional consolidation of FREEDOM Support Act activities in biological weapons proliferation prevention into the NADR account. Overall, the total requests for anti-terrorism assistance programs within NADR increased from the FY02 request level. However, consolidation of FREEDOM Support Act programs under NADR translates into an actual decrease in the total investments from prior year FY02 request levels for these efforts. Moreover, the FY03 request for NADR activities represents an 18 percent decrease from actual amounts appropriated to date for FY02.

**An increase of only three percent across the board for U.S. nonproliferation programs does not indicate the same degree of overwhelming urgency that was prevalent in the wake of September 11.** While any one program in these areas is contingent on Russia's (or other U.S. counterparts in these programs) willingness to expedite efforts, there can be little doubt that political will and substantial investments can greatly facilitate cooperation and, thereby, allow more expeditious achievement of U.S. objectives. **The bottom line remains: in the past decade of cooperative threat reduction efforts, U.S. investments have yet to be commensurate with the proliferation threat to U.S. security interests.**<sup>35</sup>

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<sup>33</sup> Supplemental amounts from the Emergency Response Fund included: \$42.2 million for Export Control and Border Security Assistance and \$30 million for Science Centers/Bio Redirection.

<sup>34</sup> See tables provided for FREEDOM Support Act and NADR under the "FY 2003 International Affairs (Function 150) Budget Request" at [www.state.gov/m/rm/rls/iab/2003/7808.htm](http://www.state.gov/m/rm/rls/iab/2003/7808.htm).

<sup>35</sup> For discussion of this theme, see *Avoiding Nuclear Anarchy: Containing the Threat of Loose Russian Nuclear Weapons and Fissile Material*, Graham Allison, Owen R. Cote, Jr., Richard A. Falkenrath and Steve E. Miller (Cambridge, MA: MIT Press, 1996). Also Howard Baker and Lloyd Cutler, Russia Task Force, *A Report Card on the Department of Energy's Nonproliferation Programs with Russia* (10 January 2001): pp. 1-2.

U.S. FISCAL YEAR 2003 NONPROLIFERATION BUDGET <sup>36</sup> REQUEST						
		FY01 Actual	FY02 <sup>37</sup> Estimate	FY03 Request	Change from FY02	% Change from FY02
<b>Nonproliferation Funding (in millions)</b>						
<b>Department of Energy</b>						
<b>Defense Nuclear Nonproliferation</b>						
	Nonproliferation & verification R&D	238	322	283	-39	-12%
	Nonproliferation and int'l security	149	76	93	17	22%
	Nonprolif. programs with Russia	476	686	802	116	17%
	Program direction Adjustments	51	3	#	-3	-100%
	Use of prior year balances (NN)	-1	-58	-64	#	
	<b>Total, Defense Nuclear Nonproliferation</b>	<b>\$914</b>	<b>\$1,030</b>	<b>\$1,114</b>	<b>\$84</b>	<b>8%</b>
<b>Department of State</b>						
<b>Nonproliferation Programs (NADR)</b>						
	Nonproliferation and Disarmament Fund	15	14	15	1	7%
	Export Control and Border Security	19	59	36	-23	-39%
	Science Centers/Bioweapons Redirection	35	67	52	-15	-22%
	IAEA Voluntary Contribution	50	50	50	0	0%
	CTBT Int'l Monitoring System	18	20	18	-2	-10%
	KEDO	75	91	75	-16	-17%
	<b>Total, Nonproliferation Programs</b>	<b>\$212</b>	<b>\$301</b>	<b>\$246</b>	<b>-\$55</b>	<b>-18%</b>
<b>Department of Defense</b>						
	<b>Cooperative Threat Reduction</b>	<b>\$442</b>	<b>\$403</b>	<b>\$417</b>	<b>\$14</b>	<b>3%</b>
	<b>Total Nonproliferation in Defense, State, &amp; Energy</b>	<b>\$1,568</b>	<b>\$1,734</b>	<b>\$1,777</b>	<b>\$43</b>	<b>3%</b>
	<b>Composition (% of total) for FY03</b>	<b>Energy</b>	<b>63%</b>			
		<b>State</b>	<b>14%</b>			
		<b>Defense</b>	<b>23%</b>			

<sup>36</sup> All figures are rounded. Calculations based on real values may not offer same result as those taken from the rounded figures in the table.

<sup>37</sup> These amounts include the \$226 million in emergency supplemental funding made available to DOE nonproliferation efforts after September 11.

## CONCLUSION

**The FY03 budget request reflects the conclusions of the Quadrennial Defense Review and the Nuclear Posture Review. Further, the findings of the National Security Council's comprehensive review of nonproliferation programs translated into a shift in the Administration's position on the efficacy of U.S. nonproliferation programs.**

If the costs associated with the war on terrorism, including the \$10 billion "contingency" funding, were excluded from the FY03 submission, then the proposed growth in the FY03 defense budget would be only slightly higher than the percentage increases of the 1999 and 2001 defense budgets.<sup>38</sup> Without making difficult choices regarding force structure or large acquisition programs, the proposed FY03 budget increase will be insufficient to *sustain* the current U.S. force structure, replace aging assets and adequately house, equip and train U.S. forces.<sup>39</sup>

**Thus, the issue is one of changed circumstances, inflated expectations, and, as in the past, competing priorities.** The Administration will propose and the Congress will support any funding required to win the war on terrorism. However, the rhetoric of more mobile, efficient and effective fighting forces leveraging the newest technologies available is not matched by the priorities set forth in this budget request. Further, inclusion of \$19.4 billion into the normal FY03 budget request baseline will inflate the defense budgets from FY04 and beyond. The positive shift in the Administration's support for nonproliferation programs is notable; at the same time, these incremental increases in funding do not match the overwhelming threat of proliferation. **Substantial investments in missile defense and readiness of the U.S. nuclear weapons infrastructure emphasize a "peace through strength" posture out of alignment with some very real risks to U.S. security.**

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<sup>38</sup> If the \$19.4 billion for war-related costs is excluded, the budget request represents a 5.5% real increase from estimated FY02 defense budget amounts. The defense budget increased by 5.2% in 1999, 1.7% in 2000 and 4.6% in 2001. These prior year figures include funding for contingency operations.

<sup>39</sup> Depending on assumptions, different defense budget analysts have concluded that anywhere between \$38 billion and \$100 billion is required to sustain the current force structure or to meet force structure requirements set forth in the 1996 Quadrennial Defense Review. See Daniel Goure and Jeffrey M. Ranney, *Averting the Defense Train Wreck in the New Millennium*. Also, *Maintaining Today's Fighting Forces*, Congressional Budget Office, September 2000, at [www.cbo.gov/showdoc.cfm?index=2398&sequence=0&from=1](http://www.cbo.gov/showdoc.cfm?index=2398&sequence=0&from=1). In the area of procurement, the military cannot afford all the weapon systems currently planned. Whereas the Administration sees less than a 10% real increase in the defense budget through 2007, procurement of weaponry must increase by almost 30%. See Andrew Krepinevich, "Rummy's Pentagon War," *Wall Street Journal* (24 April 2002): p. A22.

## **U.S. FUNDING FOR PEACE OPERATIONS: A LOOK AT THE FY03 BUDGET REQUEST AND SELECTED STATE DEPARTMENT PROGRAMS**

With release of the Administration's budget request to Congress for fiscal year 2003 (FY03), the Administration presented its foreign affairs funding priorities. **In comparison to FY02 levels (including the FY02 supplemental of \$1.54 billion approved last fall), the FY03 request is basically flat.** Overall, the Administration requests \$25.4 billion for the International Affairs budget, referred to as the 150 account, which funds the State Department, Agency for International Development, and all foreign assistance programs (including food aid through the Department of Agriculture). Of the FY03 request, \$8 billion is for the State Department and its operations; \$16 billion is for international programs and foreign operations.<sup>40</sup>

**This factsheet considers funding areas administered by the State Department that directly affect U.S. support of peace operations, with a focus on peacekeeping, the United Nations and support to non-U.N. peace operations.** Additional foreign assistance and military training efforts can also enhance peace operations, but are not considered here in full. The Bush Administration proposes less funding for U.N. peacekeeping, constant budgets for the U.N. and international organizations, and a lower level of support for the voluntary peacekeeping account. Key policy issues remain in play, including the cap on U.S. assessments for U.N. peacekeeping, funding for U.N. peacekeeping reforms, and payment of arrears.

### **Key Funding Areas**

- \$725 million for U.N. peacekeeping operations
- \$618 million for the United Nations and other international organizations
- \$108 million for other international peace operations and programs that enhance peacekeeping capabilities

### **Related Policy Areas**

- Administration budget presumes reductions in most current U.N. peacekeeping operations, no new operations during 2002-2003, and no additional costs for U.N. peacekeeping reforms.
- Administration urges speedy action on repeal of 25 percent "cap" on U.S. payments for U.N. peacekeeping.
- Administration requests support for third payment of U.S. arrears to the United Nations and no new conditions.
- Administration supports inclusion of "lethal training" for the African peacekeeping training program.

## **1. U.S. FUNDING FOR U.N. PEACEKEEPING OPERATIONS: \$725 Million**

**FY03 Budget Request.** The Administration requests \$725 million for the Contributions to International Peacekeeping Activities (CIPA) account, which funds U.S. assessments for U.N.-run peacekeeping operations. [See *attached chart, page 30.*] This funding is provided through the

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<sup>40</sup> The International Affairs budget also includes \$1.2 billion for food programs through the Department of Agriculture and \$16 million for other programs including the U.S. Institute of Peace.



State Department and administered by the Bureau of International Organization Affairs (IO). In Congress, the Commerce, Justice, State and Judiciary Appropriations Subcommittees appropriate the budget. The FY03 budget funds assessments for U.N. peacekeeping operations between October 2002 and September 2003. The FY02 budget is \$844 million.

It is difficult to estimate the size and scale of U.N. peacekeeping operations nearly a year in advance, and specifically to predict costs associated with U.N. Security Council decisions for operations between October 2002 and September 2003. **Nevertheless, the Administration's request is notable for its optimistic assumptions about the scale of U.N. peacekeeping operations. The proposed FY03 budget assumes that nearly all of the current 15 U.N. peacekeeping operations are reduced in funding from their FY02 levels – and that no new operations are launched.** In comparison to the FY02 budget, the funding levels for the largest operations stand out:

- **Bosnia-Herzegovina.** Assumes U.N. missions in Bosnia (UNMIBH, UNMOP) conclude by end of 2002, with no costs incurred during FY03;
- **Kosovo.** Assumes costs of U.N. mission in Kosovo (UNMIK) are reduced by one-fifth;
- **Sierra Leone.** Assumes costs of U.N. mission in Sierra Leone (UNAMSIL) are reduced by roughly one-half;
- **East Timor.** Assumes costs of U.N. mission in East Timor (UNTAET) are reduced by over one-half;
- **Lebanon.** Assumes costs of U.N. mission in Lebanon (UNIFIL) increase by one-third;
- **Ethiopia/Eritrea.** Assumes costs of U.N. mission in Ethiopia/Eritrea (UNMEE) decrease slightly; and
- **Congo.** Assumes costs of U.N. operation in the Congo (MONUC) grow dramatically.<sup>41</sup>

Even with the anticipated end of the U.N. mandate for operations in Bosnia-Herzegovina (UNMIBH, UNMOP) and the likely reductions in force for East Timor and Sierra Leone during 2002, the Administration's FY03 budget assumptions are constrictive, making no allowances for unanticipated costs. A wider U.N. role in Afghanistan is plausible, for example, as is the possibility of several current operations continuing at or above their current FY02 levels. **Finally, this budget fails to provide any room for funding that enables implementation of additional reforms which are likely to be adopted by the United Nations this year and which are funded by assessments for peace operations.**<sup>42</sup>

If U.S. funding is not available to meet U.N. assessments, then the Administration faces the awkward choice of asking Congress for supplemental funding,<sup>43</sup> using the U.S. seat on the Security Council to oppose on-going or new U.N. peacekeeping operations, or deferring U.S. payments to the United Nations and accruing additional arrears for operations supported by the United States.

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<sup>41</sup> Since the original FY02 appropriation reportedly underfunds the requirements for MONUC by more than half, the increase in the FY03 request is not as large as a direct comparison would suggest.

<sup>42</sup> Funding for improvements to equipment for the U.N. strategic reserve in Brindisi, Italy will be decided this year, a proposal stemming from the August 2000 *Brahimi Report*. Original cost estimates suggested that roughly \$40-60 million would be needed in 2002-2003 as the U.S. contribution. Even if that figure proves high, the current FY02 budget has no wiggle room for this funding, nor does the FY03 budget proposal.

<sup>43</sup> The Administration's March 2002 request for FY02 supplemental funding includes \$43 million for the CIPA account to meet anticipated costs during FY02 for peacekeeping in the Congo.

**U.S. Peacekeeping Funding “Cap.”** U.N. peacekeeping operations<sup>44</sup> are funded by assessed contributions from Member States. The United States is assessed at a rate of roughly 27 percent for the U.N. peacekeeping budget, but pays no more than 25 percent due to a self-imposed cap.<sup>45</sup> President Clinton signed this limitation, legislated by the Foreign Relations Act of 1994-1995. As a result, the United States has recalculated its peacekeeping bills from the United Nations and withheld payments beyond 25 percent since implementation of the Act on October 1, 1996. Until this cap is lifted, the United States will continue to accrue new arrears for operations it supports. For 2001, the Administration estimated that the U.S. accrued an additional \$78 million in arrears to the United Nations. Those arrears may double by the end of 2002. The State Department opposes the cap, and continues to urge Congress to lift it.<sup>46</sup>

**Administration Views.** In his testimony to the Senate Foreign Relations Committee on February 5, 2002, Secretary of State Colin Powell urged swift action on the FY02/03 State Department Authorization bill and “that it lift the cap on U.N. Peacekeeping dues.” On peacekeeping funding, he urged that the Committee:

“continue to try to meet our obligations to international peacekeeping activities. The budget request includes \$726 million to pay our projected United Nations peacekeeping assessments—all the more important as we seek to avoid increasing even further our U.N. arrearages. U.N. peacekeeping activities allow us to leverage our political, military, and financial assets through the authority of the United Nations Security Council and the participation of other countries in providing funds and peacekeepers for conflicts worldwide. As we have seen in Afghanistan, it is often best to use American GIs for the heavy lifting of combat and leave the peacekeeping to others.”

## **2. U.S. FUNDING FOR THE U.N. REGULAR BUDGET: \$279 Million**

**FY03 Budget Request.** For FY03, the Administration requests \$891 million for the overall account for U.S. participation in international organizations. Of this amount, \$618 million funds the United Nations regular budget (\$279 million) and its affiliated agencies.<sup>47</sup> Funding for the U.N. and other international organizations is provided through the State Department’s Contributions to International Organizations (CIO) account, administered by the International Organizations Bureau. In Congress, the Commerce, Justice, State and Judiciary Appropriations Subcommittees appropriate the budget. The FY03 request provides for the U.N. budget running from January through December 2002. The United States is assessed at a rate of 22 percent for the U.N. regular budget. The U.S. usually pays these annual dues in full—but late—often nine months to a year after the budget is assessed to nations.

**The U.N. regular budget, provided by assessments from Member States, also has an impact on the conduct of U.N. peacekeeping.** First, the administrative capabilities and personnel who run the United Nations, including the U.N. Secretariat, are funded through the

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<sup>44</sup> U.N. peacekeeping operations are those authorized, run, and paid for by the United Nations. These missions are separate from operations *authorized* by a U.N. Security Council resolution but *run by* an international organization or lead nation, such as the current NATO-led force in Kosovo or the International Security Assistance Force (ISAF) in Afghanistan.

<sup>45</sup> In late 2000, the United Nations adopted a new scale for the assessment rates, and the U.S. assessment rate for peacekeeping was reduced to approximately 28 percent, which will fall closer to 26 percent by 2004. Prior to the negotiation of new rates in late 2000, the U.N. assessed the U.S. at a rate of about 30.3 percent for peacekeeping operations.

<sup>46</sup> Legislation repealing the cap is stalled.

<sup>47</sup> Affiliated agencies include the U.N. specialized agencies, such as the World Health Organization, and the war crimes tribunals.

regular budget. The U.N. regular budget also funds about ten percent of the staff that work on peacekeeping operations.<sup>48</sup> Second, when countries withhold their funding or pay their assessments for the regular budget late, the United Nations has no additional sources of funding. To keep afloat, the U.N. often postpones reimbursing nations who contribute troops to U.N. peace operations. This, in turn, affects nations that provide peacekeepers and shortchanges funding available for peacekeeping operations.

**Arrears.** The third “tranche” of U.S. payments (\$244 million) for arrears to the U.N. and its specialized agencies, agreed to under the “Helms-Biden” deal, is expected to be released this year. This payment, the last installment of the \$926 million deal approved by Congress in late 1999 to pay much of the U.S. arrears to the U.N. and its affiliates, depends on meeting a series of conditions. New, additional conditions, however, have been threatened by Members of Congress, approval of which could further slow payment of the \$244 million. The Administration opposes any new conditions on release of the arrears payments.

**Administration Views.** In his February 5<sup>th</sup> testimony, Secretary of State Colin Powell urged the Senate Foreign Relations Committee to “continue to meet our obligations to international organizations—also important as we pursue the war on terrorism to its end. The budget request includes \$891.4 million to fund U.S. assessments to 43 international organizations, active membership of which furthers U.S. economic, political, security, social, and cultural interests.” Further, he urged Congress to “allow us to pay the third tranche of U.N. arrears with no additional strings attached.”<sup>49</sup>

### **3. U.S. FUNDING FOR VOLUNTARY CONTRIBUTIONS TO PEACEKEEPING: \$108 Million**

**FY03 Budget Request.** The Administration requests \$108 million for the Peacekeeping Operations (PKO) account which funds U.S. voluntary contributions for multinational peacekeeping activities (outside of U.N.- run operations). Funding is provided through the State Department’s Military Assistance account (Title III) and administered primarily by the Political-Military Bureau. In Congress, funding is appropriated by the Foreign Operations Appropriations Subcommittees. The FY02 budget is \$135 million.

The PKO account is described by State as “designed to advance international support for voluntary multinational efforts in conflict resolution, including support for international missions in response to emerging crises. These funds promote involvement of regional organizations and help leverage support for multinational efforts where no formal cost-sharing mechanisms exist.” Funding is voluntary, and therefore not provided to meet assessments. For FY03, the PKO account funds:

- **Africa Regional Peacekeeping Operations: \$30 million.** For FY03, the Administration request is \$30 million. The FY02 budget is \$41 million (\$10 million less than requested for FY02.) According to the State Department, the program focuses on helping African countries develop better peacekeeping capabilities, primarily:
  - Assisting the Economic Community of West African States (ECOWAS) and other African countries committed to providing peacekeeping troops.

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<sup>48</sup> The majority of U.N. staff in the Department of Peacekeeping Operations is funded through the peacekeeping budget, not the U.N. regular budget.

<sup>49</sup> Congress is considering requiring the U.S. to regain a seat on the U.N. Commission on Human Rights.

- Assisting the Joint Military Commission (JMC) to maintain peace in the Democratic Republic of Congo (formerly Zaire), including disarmament, demobilization and reintegration of combatants; and
  - Supporting efforts by the Organization of African Unity (OAU)<sup>50</sup> to support military observers in Ethiopia and Eritrea.
- **Successor to African Crisis Response Initiative (ACRI) Program: \$10 million.** For FY03, the Administration request is \$10 million. Funding in FY02 for ACRI is \$15 million (versus the request of \$20 million). According to the State Department, the program is to “initiate a comprehensive U.S. crisis response training program in Africa. Building on the achievements of ACRI, this successor program will enhance African peacekeeping and humanitarian relief capacity although at a reduced level of funding.” The Administration states that this program will increase the number of countries that receive common training and equipment for peacekeeping operations, and will also “provide the basis for lethal peace enforcement training.” Funding will also include an “annual sustainment event” that “exercises recipient countries’ peacekeeping skills.” Potential recipients in FY03 include Ghana, Kenya, Senegal, Tanzania and Botswana.
  - **Organization for Security and Cooperation in Europe (OSCE): \$47 million.** For FY03, the Administration request is \$47 million. This funding supports peacekeeping activities in the Balkans and OSCE preventive diplomacy missions elsewhere in Europe and countries in the Caucasus and Central Asia. The budget for FY02 is \$54.6 million.
  - **Multinational Force and Observers (MFO) in the Sinai: \$16.4 million.** For FY03, the Administration request is \$16.4 million. This funding continues support for this non-U.N. peace operation that grew out of the 1978 Camp David Accords.<sup>51</sup> The budget for FY02 is \$16.4 million.
  - **U.S. Civilian Police for East Timor: \$5 million.** For FY03, the Administration request is \$5 million. This funding supports U.S. civilian police (CIVPOL) participation in the U.N.-run peacekeeping operation in East Timor, UNTAET. The budget for FY02 is \$8 million.

**Additional Areas of Funding.** Additional U.S. funding and programs administered by the State Department affect participation in and conduct of peacekeeping operations, but it is beyond the scope of this factsheet to analyze the full range of foreign assistance programs, including the International Military Education and Training (IMET)<sup>52</sup> and Foreign Military Financing (FMF)<sup>53</sup>

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<sup>50</sup> The OAU has been renamed the “African Union.”

<sup>51</sup> The U.S. element provides a range of support, including logistical assistance and peacekeepers. The Army provides military observers, as well as logistical, aviation, medical and mine support.

<sup>52</sup> The FY03 request for IMET is \$80 million. Includes funding for Africa, \$1 million to “boost programs in Rwanda, Togo, and Zambia, among others. It will also support a new multilateral program request for the Economic Community of West African States (ECOWAS).”

<sup>53</sup> FY03 request for FMF is \$4.1 billion (of which \$3.6 billion is for the Near East), which includes funding for:

- Africa, “\$4.5 million for African regional stability, which includes funding for Botswana, a stable country which plays a role in advancing US interests in Southern Africa, and Kenya, where US interest in Sudan are advanced; \$6 million to continue engagement with the Nigerian military on reform, modernization and democratization; and \$6 million to continue engagement with the South African military.”
- East Asia and the Pacific, \$2 million to continue support for the East Timor Defense Force.
- Western Hemisphere, including \$5 million for WHA Conflict Prevention Response “to increase the capabilities of key countries such as Chile, Argentina, Bolivia, and Uruguay that participate in worldwide peacekeeping operations and humanitarian and disaster assistance operations.”

programs, as well as the International Narcotics and Law Enforcement (INL) Bureau and its civilian police (CIVPOL) and justice programs.

Of note within FMF programs, however, is the **Enhanced International Peacekeeping Capabilities (EIPC)** program, which is designed to directly support training for other nations' participation in peace operations. The FY03 request is \$4 million. According to the State Department, this program "provides assistance to key countries to improve their peacekeeping capabilities, creating a bigger pool of potential peacekeepers and reducing dependence on U.S. forces."

**U.S. FISCAL YEAR 2003 BUDGET REQUEST**

**150 International Affairs**

**Selected Programs from 150 Budget (\$ in millions)  
(State Department Funding)**

	FY01 Actual	FY02 Estimate <sup>54</sup>	FY03 Request	Increase/ Decrease from FY02	Percent Change, from FY02 <sup>55</sup>
<b>INTERNATIONAL AFFAIRS</b>	22,835	24,013	<b>25,428</b>	1,415	+6%
<b>Commerce, Justice, State Appropriations</b>	7,003	7,795	<b>8,090</b>	295	+4%
<b>Contributions to International Peacekeeping Activities (CIPA)</b>	844	844	<b>726</b>	<b>-118</b>	<b>-14%</b>
Golan Heights (UNDOF)	8	10	<b>8</b>	<b>-2</b>	<b>-20%</b>
Lebanon (UNIFIL)	60	25	<b>33</b>	8	+32%
Iraq/Kuwait (UNIKOM)	4.8	5.3	<b>4.4</b>	<b>-1</b>	<b>-19%</b>
Western Sahara (MINURSO)	11.5	13.4	<b>11.7</b>	<b>-2</b>	<b>-15%</b>
Bosnia-Herzegovina (UNMIBH)	48	29	<b>0</b>	<b>-29</b>	<b>-100%</b>
Kosovo (UNMIK)	144	122	<b>96</b>	<b>-26</b>	<b>-21%</b>
Cyprus (UNFICYP)	5.6	6.7	<b>5.2</b>	<b>-2</b>	<b>-30%</b>
Georgia (UNOMIG)	6.3	8.2	<b>6.5</b>	<b>-2</b>	<b>-24%</b>
War Crimes Tribunal - Yugoslavia	12	17	<b>14</b>	<b>-3</b>	<b>-18%</b>
War Crimes Tribunal - Rwanda	11	16	<b>12</b>	<b>-4</b>	<b>-25%</b>
Sierra Leone (UNAMSIL)	96	318	<b>145</b>	<b>-173</b>	<b>-54%</b>
East Timor (UNTAET)	151	130	<b>58</b>	<b>-72</b>	<b>-55%</b>
Democratic Republic of Congo (MONUC)	74	83	<b>273</b>	190	+229%
Ethiopia/Eritrea (UNMEE)	71	57	<b>55</b>	<b>-2</b>	<b>-4%</b>
<b>Contributions for International Organizations (CIO)</b>	869	850	<b>891</b>	<b>41</b>	<b>+5%</b>
United Nations & Affiliated Agencies	641	610	<b>618</b>	8	+1%
<b>Foreign Operations Appropriations</b>	14,982	15,353	<b>16,137</b>	<b>784</b>	<b>+5%</b>
<b>Peacekeeping Operations (PKO)</b>	127	135	<b>108</b>	<b>-27</b>	<b>-20%</b>
Africa Regional	31	41	<b>30</b>	<b>-11</b>	<b>-27%</b>
African Crisis Response Initiative	15	15	<b>10</b>	<b>-5</b>	<b>-33%</b>
Macedonia	4	-	<b>0</b>	-	-
Multinational Force and Observers	16	16.4	<b>16.4</b>	0	+0%
Organization for Security & Cooperation in Europe (OSCE)	48	55	<b>47</b>	<b>-8</b>	<b>-15%</b>
Ukraine KFOR	1.2	-	<b>-</b>	-	-
Bulgaria / SEEBRIG	2.5	-	<b>-</b>	-	-
East Timor (UNTAET)	8.5	8	<b>5</b>	<b>-3</b>	<b>-38%</b>
<b>Foreign Military Financing (FMF)</b>	3,568	3,650	<b>4,107</b>	<b>457</b>	<b>+13%</b>
Enhanced International Peacekeeping Capabilities (EIPC)	6	4	<b>4</b>	0	+0%

<sup>54</sup> The FY02 budget estimate does not include either the \$1.45 billion FY02 supplemental funding approved by Congress in Fall 2001 or the Administration's FY02 supplemental request submitted in March 2002.

<sup>55</sup> Note that this figure reflects the percentage change between the original FY02 budget and the current FY03 request, and does not include the \$1.45 billion added to the FY02 international affairs budget in late 2001.

## **THE “SECOND SUPPLEMENTAL”:** **THE ADMINISTRATION’S MARCH FY02 SUPPLEMENTAL BUDGET REQUEST**

**On March 21, 2002, the Bush Administration submitted to Congress an emergency supplemental budget request for fiscal year 2002 (FY02) totaling \$27.1 billion.** This supplemental augments the current FY02 budget, including supplemental funds approved in the fall of 2001. An additional \$240 million in non-emergency funding is sought with the request, the costs of which are to be offset by funding reductions in other areas of government.<sup>56</sup>

The Administration requests this FY02 funding primarily for the war on terrorism, continued operations in Afghanistan, additional homeland security efforts, and economic recovery. [See *table on funding related to Afghanistan, page 35.*] Over half of the request (\$14 billion) is slated for the Defense Department and intelligence community, while roughly six percent (\$1.7 billion) is provided for the State Department and international assistance to Afghanistan and other nations. Of that assistance, \$40 million is slated for AID reconstruction in Afghanistan.

### **Key Funding Areas**

- \$14 billion for War on Terror operations by the Department of Defense and intelligence community (52% of total request)
- \$5.2 billion for Homeland Security (19%)
- \$1.7 billion for State Department and International Assistance (6.3%)
- \$750 million for Economic Recovery and Assistance to Dislocated Workers (2.7%)
- \$5.5 billion in continued assistance to New York (20%)

### **Related Policy Areas**

- Administration’s supplemental request focuses on increasing Defense Department resources and offices supporting homeland security.
- The request for \$27.1 billion as “emergency funding” waives the requirement for offsets. For funding requested with offsets (\$240 million total), the Administration proposes cuts in either international assistance programs or domestic agencies. No funding offsets by the DoD are proposed.
- The request provides new funding to the Department of Defense for foreign assistance programs usually funded through the State Department.
- The Administration proposes dropping or modifying existing Congressional provisions for oversight and current restrictions on U.S. foreign assistance programs.
- Funding for training the military of Afghanistan, covering U.S. military costs in Afghanistan, providing bilateral aid to Turkey for the security force (ISAF), and supporting the international efforts in the regions are included. The request does not focus on providing funding for relief or humanitarian efforts.

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<sup>56</sup> This portion of the request includes money for Veterans’ health care (\$142 million), the Women, Infants and Children (WIC) nutrition program (\$75 million), Securities and Exchange Commission Enforcement (\$20 million), and the U.S. Trade Representative (\$3 million). Reductions are recommended from international assistance programs (\$157 million), Health and Human Services (\$50 million), Housing and Urban Development (\$20 million), Interior (\$10 million), Agriculture (\$9 million), and Veterans Affairs (\$5 million).

**DEFENSE DEPARTMENT AND INTELLIGENCE COMMUNITY: \$14 Billion** (52% of request)

- \$6.7 billion for continuing military operations;
- \$4.1 billion to pay for Guard and reserve personnel called to full-time active duty;
- \$1.4 billion to support command, control, communications, and intelligence (C3I) support to military operations and classified programs including the National Foreign Intelligence Program;
- \$0.5 billion to purchase precision munitions, unmanned aerial vehicles, and other special operations weapons;
- \$0.4 billion for coalition support, including payments to “key cooperating nations;” and
- \$0.9 billion for a variety of programs related to the war effort.<sup>57</sup>

**HOMELAND SECURITY: \$5.2 Billion** (19% of request)

- \$4.7 billion for the **Department of Transportation**, including:
  - \$2.4 billion to implement and operate the Transportation Security Administration, with an additional \$1.9 billion made available upon the President’s submission that the full amount is required this fiscal year;
  - \$255 million for U.S. Coast Guard activities;
  - \$19.3 million for activities related to Border Enforcement within the Federal Motor Carrier Safety Administration; and
  - \$3.5 million to upgrade the Crisis Management Center into the new Transportation Information Operations Center.
- \$327 million for the **Federal Emergency Management Agency** to provide equipment and training grants to states and localities for chemical-biological response capabilities;
- \$87 million for **U.S. Postal Service** efforts to protect employees and customers from bio-hazardous material;
- \$55 million for the **General Services Administration** to increase security services at federal buildings nationwide (\$51.8 million) and to protect against potential disruptions to the information technology infrastructure (\$2.5 million);
- \$26 million for the **Department of Energy** to improve emergency response assets and for energy security and assurance (see discussion on page 20);
- \$19.3 million for Cybercorps/Scholarships for Service programs through the **National Science Foundation**;
- \$13 million for the **Department of Commerce** to develop standards for chemical, biological, nuclear, and radioactive threat detection equipment;
- \$12.5 million for expenses incurred by the **Environmental Protection Agency** for anthrax investigations and cleanup activities at the Capitol and Congressional buildings;
- \$7.5 million for the **Legislative Branch** for the Copyright Office of the Library of Congress;

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<sup>57</sup> This funding will support, for example, activities at Guantanamo Bay, information operations, and Special Operations Command requirements.



- \$20 million for the **Securities and Exchange Commission**;
- \$5 million for the Office of Administration within the **Executive Office of the President**; and
- \$51 million for the **Department of Justice**, including:
  - \$35 million to enable the Immigration and Naturalization Service to fully implement enhanced air and seaport security measures;
  - \$10 million for the Federal Bureau of Investigation to support a multi-agency terrorist tracking force; and
  - \$5.8 million for deployment of the Automated Biometrics Identification System/Fingerprint Identification System at 30 additional ports of entry.

**STATE DEPARTMENT AND INTERNATIONAL ASSISTANCE: \$1.7 Billion** (6.3% of request)

- **\$436 million for emergency expenses at the State Department** in efforts to respond to, deter, or prevent acts of international terrorism, including:
  - \$51 million for **Diplomatic and Consular programs**;<sup>58</sup>
  - \$3 million for **Capital Investment Fund**;
  - \$10 million for **Educational and Cultural Exchange Programs**;<sup>59</sup>
  - \$201 million for **Embassy security, construction and maintenance**;<sup>60</sup>
  - \$8 million for **Emergencies in the Diplomatic and Consular Service**;
  - \$7 million for **Contributions to International Organizations (CIO)**;<sup>61</sup>
  - \$43 million for the **Contributions to International Peacekeeping Activities (CIPA) account**;<sup>62</sup>
  - \$114 million to support **counter-narcotics and law enforcement**, including:
    - \$60 million for Afghanistan counter-narcotics assistance, police training, administration of justice;
    - \$20 million for Pakistan law enforcement support, border control, judicial and legal reform;
    - \$25 million for U.S.-Mexico border;
    - \$5 million for Western Hemisphere Regional; and
    - \$4 million for Colombia police support.
- **\$1.2 billion for U.S. International Assistance programs**, including:
  - \$373 million for **Foreign Military Financing**, to provide resources (including equipment and training) to Afghanistan (\$50 million), Pakistan (\$75 million), Nepal (\$20 million), Jordan (\$25 million), Bahrain (\$28.5 million), Oman (\$25 million), Yemen (\$20 million), Uzbekistan (\$11 million), the Krygyz Republic (\$9 million), Tajikistan (\$3 million), Kazakhstan (\$2 million), Turkey (\$28 million), Georgia (\$20 million), the Philippines (\$25 million), Ethiopia (\$3 million), Kenya

<sup>58</sup> Funding includes \$20.3 million to support and reestablish missions in Kabul, Afghanistan and Dushanbe, Tajikistan.

<sup>59</sup> Funding provides for the launching of the U.S.-Afghan Women's Council.

<sup>60</sup> Funding provides for construction and renovation costs of the U.S. missions in Kabul and Dushanbe, including \$20 million to reopen these missions.

<sup>61</sup> Funding provides for the U.S. share of the U.N. Special Representative's mission in Afghanistan.

<sup>62</sup> This request is not intended to fund U.N. operations in Afghanistan; it is expected to meet greater costs for the current U.N. peacekeeping operation in the Congo (MONUC).

- (\$15 million), Djibouti (\$2 million), Colombia (\$6 million) and Ecuador (\$3 million).<sup>63</sup>
- \$525 million for **Economic Support Funds**, including:
    - \$80 million for Afghanistan to help the Afghan Interim Administration;
    - \$200 million for Turkey, to support their taking the lead of the International Security Assistance Force (ISAF) in Afghanistan;
    - \$40 million for Pakistan infrastructure and employment projects;
    - \$25 million for Jordan;
    - \$5 million for Yemen;
    - \$50 million for the Middle East Economic Initiative;
    - \$15 million for Philippines;
    - \$35 million for African countries supporting the U.S. war on terrorism; and
    - *\$75 million in unspecified accounts.*
  - \$28 million for voluntary **Peacekeeping Operations** funding:
    - \$20 million for Afghan military salaries in support of Operation Enduring Freedom; and
    - \$8 million for training of civilian and military personnel in support of humanitarian and peacekeeping activities in Indonesia.
  - \$83 million for **non-proliferation, anti-terrorism, demining and related programs**;
  - \$110 million for **assistance to former Soviet states** (Agency for International Development);
  - \$40 million for **international disaster assistance** (Agency for International Development); and
  - \$7 million for **U.S. AID operating expenses**.

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<sup>63</sup> Testimony from U.S. Deputy Secretary of State Richard L. Armitage, House Foreign Operations Appropriations Subcommittee, 18 April 2002.

**AREAS OF AFGHANISTAN-RELATED FUNDING IN INTERNATIONAL AFFAIRS ACCOUNTS  
IN THE MARCH FY02 SUPPLEMENTAL REQUEST<sup>64</sup>**

**Economic Support Funds: \$280 million** (of \$525 million total request)

- **\$80 million**, of which:
  - **\$45 million** for operational support for the Afghan Interim Administration.
  - **\$5 million** for support of the political process (Loya Jirga).
  - **\$30 million** for demobilization and reintegration of ex-combatants.
- **\$200 million**. For Turkey, to help take the lead of the International Security Assistance Force (ISAF) in Afghanistan.

**Foreign Military Financing: \$78 million** (of \$373 million total request)

- **\$50 million**. To maintain stability, train and equip armed forces.
- **\$28 million**. For Turkey in support of their involvement in ISAF.

**Voluntary Peacekeeping Operations: \$20 million** (of \$28 million total request)

- **\$20 million**. To help fund the salaries of Afghan military forces in support of Operation Enduring Freedom.

**USAID: \$47 million** (of \$47 million total request)

- **\$40 million**.<sup>65</sup> To help begin the process of reconstruction through projects with immediate impact.
- **\$7 million**. To establish an AID presence in Afghanistan and to help pay for operations and security improvements.

**State Department: \$136 million** (of \$436 million of total request<sup>66</sup>)

- **\$15 million**. To help reopen the Kabul Embassy.
- **\$121 million**. For increased security, construction and maintenance at Kabul Embassy.

**International Organizations and Conferences: \$7 million** (of \$7 million of total request)

- **\$7 million**. To meet requirements for the U.S. share of the costs of the United Nations Special Representative's operation in Afghanistan (Lakhdar Brahimi).

**International Counter-Narcotics and Law Enforcement: \$60 million** (of \$114 million total)

- **\$60 million**. To aid with counter-narcotics assistance, police training, administration of justice and project development.

**TOTAL: \$620 million** of total \$1.7 billion requested for International Affairs

<sup>64</sup> Funding requested for the Department of Defense is not included in this table.

<sup>65</sup> AID reportedly asked for \$150 million in FY02 funding for reconstruction and humanitarian work in Afghanistan in the FY02 supplemental; the Administration submitted a request to Congress for \$40 million.

<sup>66</sup> Figure does not include funding for the launching of the U.S.-Afghan Women's Council.

## AFTERWORD

**T**he authors would like to thank their colleagues at the Henry L. Stimson Center for their support of this project. For further information on this report and Stimson Center activities, contact Moira Shanahan at 202.223.5956. For specific questions about areas of the budget and programs, contact the authors at:

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