

July 11, 2002

The Honorable Joseph I. Lieberman
Chairman
Senate Governmental Affairs Committee
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Lieberman:

We are writing in response to your request for our views regarding the homeland security proposals put forth by your committee and by the administration.

Both proposals contemplate a major reorganization of the federal government. The administration has indicated that its proposal is cost neutral. However, creating a new department and equipping it to carry out its mission has the potential to add significantly to future spending. We believe that careful planning and evaluation will be necessary to keep costs under control. As such, we encourage you to work with us, the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) to develop a realistic estimate of and a plan to contain the necessary future costs of a proposal to create a new department.

In its FY 2003 budget submission, the administration provided limited detail for proposed homeland security spending, making it impossible to fully analyze the request. The administration's current homeland security proposal includes many, but not all, of the programs that were designated as homeland security in its FY 2003 budget submission. The evolving definition of what is homeland security makes it difficult to track spending or compare proposals. The Congress should require that the administration work with it to develop a common definition of homeland security. Otherwise, Congress will not be able to fully evaluate the funding and oversee the implementation of homeland security activities.

We recommend that you also include in your legislation a requirement that the administration submit as part of its budget a special analysis on homeland security. Such an analysis would be helpful because not all of the new department's spending would be for homeland security. In addition, both CBO and the General Accounting Office indicate that about a third of homeland security spending as proposed in the President's FY 2003 budget would fall outside of the new department. Consequently, it is important that the administration submit as part of its budget a detailed numeric presentation of its total homeland security budget request.

In addition, we advise you to take steps to ensure that funds provided to the new department are spent responsibly. The ambitious timetable for the establishment of this new department means that many significant spending decisions will be made in a very short time frame. As part of its proposal, the administration would provide the new secretary with an ability to transfer up to five percent of appropriated funds among accounts. However, recent press reports indicate that the administrator of the new Transportation Security Administration spent \$410,000 to renovate his office suite. We want to ensure that any additional authorities provided to the administration do not lead to similar examples of excessive or wasteful spending.

The broad nature of the administration's proposal to amend Title V of the US Code to allow for the provision of an alternate human resources management system at the new department also raises several concerns about the employment status of its 170,000 government workers. We would request that the administration explicitly articulate how this new management system would operate, including the rights to which its employees would be entitled (for example, collective bargaining or whistle blower protections) and whether its employees could continue to participate in the FERS/CSRS.

Finally, in its proposal, the administration would provide the new department with the authority to dispose of or sublease property to other agencies. Under current law, the General Services Administration performs these duties. In addition, the proposal would allow these agencies to retain and spend receipts from these activities rather than deposit the receipts into the Treasury. We understand the administration's desire for flexibility in setting up the new department. Even so, with no sunset date or limitations, this proposal would allow the new department to raise and spend funds without the consent or oversight of the Congress. You should also know that CBO has estimated that similar proposals have significant costs to the federal government. We believe that the current proposal is too broad and would undermine our efforts to maintain fiscal discipline.

Thank you for the opportunity to express our views regarding the creation of a new department of homeland security. We look forward to working with you.

Sincerely,

Kent Conrad
Chairman

Pete V. Domenici
Ranking Member