

DATE ISSUED: May 29, 2003

REPORT NO. 03-110

ATTENTION: Rules Committee
Agenda of June 4, 2003

SUBJECT: Homeland Security Funding and Strategy

SUMMARY

Issue - Should the City Council adopt a formal position to the distribution of federal terrorism grant funds to the City and actively communicate their position to the federal Department of Homeland Security, the California Governor's Office and the federal and state legislative representatives from the San Diego region?

Manager's Recommendation - Direct staff to draft correspondence to both the Department of Homeland Security Director and California Governor expressing the following:

- Opposition to passing Homeland Security funds through intermediary levels of government.
- Eliminating or minimizing the percentage of funding withheld at the state or county level.
- Adding criteria that emphasizes population centers or potential high threat areas.
- Adding flexibility to the guidelines that allow funding to be used for personnel and overtime expenses associated with planning, training and exercising.

Other Recommendations – None.

Fiscal Impact – None

BACKGROUND

The method of providing federal funds for terrorism preparedness activities has changed over the last five years. As a result of the Nunn-Lugar-Dominici legislation, the Office of Justice Programs (OJP) in the Department of Justice provided funds directly to the nations 120 largest cities through the State and Local Domestic Preparedness Equipment Program during federal

Fiscal Years 1998 and 1999. The initial program was to provide equipment to the emergency medical, fire, Hazmat and law enforcement first responders.

With the creation of the federal Department of Homeland Security (DHS), program administration was transferred to DHS’ Office of Domestic Preparedness (ODP), which provides funds to the States versus directly to the municipalities. The program has expanded to include equipment, planning, training and exercising. States are mandated to pass 80% of the funds down to local government. In California, the Governor’s Office of Emergency Services (OES) is the administering agency and has determined that the funds be passed to the Operation Areas (Counties) of the State without a mandate to pass funds to the incorporated cities or special districts.

DISCUSSION

Distribution Formula and Process

The state has utilized a *base + population (per capita)* formula to determine the amount of funds awarded to each of the 58 counties. The formula has been used to determine the amount of funds awarded to San Diego County for federal Fiscal Years 2000, 2001, 2002 and 2003. CA-OES has chosen to vary the *base* amount in the formula each year, which has had a significant impact on the amount of funds received by San Diego Operational Area and City by reducing the amount of funds distributed via the *population* portion of the formula.

As of 2003, CA-OES was absorbed by the new California Office of Homeland Security (CA-OHS). Subsequently, the *base* amount of the distribution formula was reduced to it’s lowest point (\$5,000 per County) since the *base + population* formula was implemented by CA-OES. Additionally, CA-OHS mandated that each Operational Area (County) establish an “Approval Authority” panel for homeland security grants, which has five members (County Sheriff, County Public Health Officer, a Municipal Police Chief, a Municipal Fire Chief and the County Fire Chief or Association representative).

Historical Funding Levels

The following table depicts the funds received by the City via this program since 1998:

Federal Fiscal Year	Grant Program	CA Award	Base Amount to 58 Counties	SD County Base Amount	SD County Per Capita Amount	Base Amount to Cities	City of San Diego Total
1998		Direct to the City					500,000
1999		Direct to the City					300,000
2000		\$7,400,000	2,320,000	40,000	315,300	95,498	90,571
2001			2,320,000	40,000	315,357	96,415	90,000
2002		\$23,730,000	6,960,000	120,000	1,001,532	291,304	228,763
2003	SHSGP-I	\$45,000,000	290,000	5,000	2,817,925	95,000	680,491
2003	SHSGP-II	\$103,355,000	2,900,000	50,000	6,639,008	950,000	<i>1,661,702</i>
2003	Critical Infrastructure	\$16,000,000	<i>TBA</i>	<i>TBA</i>	<i>TBA</i>	<i>TBA</i>	<i>TBA</i>
2003	UASI-II	\$62,020,000	N/A	N/A	N/A	N/A	<i>11,360,000</i>

Note: The bold and italicized figures in the table above are estimates which may change based on distribution formula decisions made at the State and Operational Area (County) levels.

State Homeland Security Grant Program– Part I (SHSGP-I)

Part of the Omnibus Appropriation provides \$566 million for homeland security.

State Homeland Security Grant Program– Part II (SHSGP-II)

The War Time Supplemental Appropriation provides \$1.3 billion for homeland security.

Critical Infrastructure Grants

Part of the War Time Supplemental provides \$200 million to reimburse states and local jurisdictions for increased security measures to protect critical infrastructure taken during the war with Iraq (March 17, 2003 – April 16, 2003).

Urban Area Security Initiative (UASI) Part I and Part II

Part I of the Omnibus Appropriation provides \$100 million to large high threat urban areas for homeland security. Seven large cities across the country were recipients of over \$100 million of these funds earlier this year.

Part II of the War Time Supplemental provides an additional \$700 million to high threat urban areas. San Diego was announced a recipient of \$11.36 million on Wednesday, May 14, 2003. Actual distribution and expected date of receipt is being determined.

PENDING KEY DECISIONS AND PROPOSED ACTIONS

Urban Area Security Initiative – Part II

The Office of Domestic Preparedness (ODP) of the federal Department of Homeland Security (DHS) is currently preparing the UASI-Part II distribution guidance document for the States to pass on the funds to the thirty Cities. The decisions still to be made include:

- What percentage of the funds that the States may keep versus pass through to the Operational Areas (Counties) or Cities?
- Whether the States must pass the funds directly to the identified thirty Cities on the UASI-Part II list or can the States use the intermediary levels of government such as California’s Operational Areas (Counties) to manage the funds locally?
- If intermediary levels of government are to be used, will they be allowed to keep a percentage of the funds?
- Will the intermediary levels of government be mandated to pass on significant portion of the funds to the major City in their region?

Mayor and Council Actions

The Mayor and City Councilmembers are encouraged to:

- Emphasize to our federal delegation the need to eliminate the middle layers of government (pass funds directly to the City), which tend to strip off funds (20% for each the State and County) and add administrative restrictions.
- Continue to promote maximum flexibility in the grant parameters set at the federal and state levels to allow spending discretion at the local level.
- Communicate the City’s need for funds to subsidize staff for planning, training and exercising both first responders and other City staff to DHS Director, Governor, CA-OHS Director, our state and federal delegations and lobbyists.

- Articulate the negative impact on large Cities of distribution formulas that have a large base amount allocated to each Operational Area before applying the per capita portion of the formula. A possible solution is for the State to earmark some of the funds for the large metropolitan Cities.

Executive Team and Staff

The City's Executive Team and their staff shall:

- Support the City's Homeland Preparedness program and maintain an awareness of the ongoing initiatives.
- Communicate the City's needs and concerns to CA-OHS Director and state and federal legislators as opportunities arise.
- Work with other Operational Area municipalities to promote the needs of the region in concert with the City's specific needs.

Fiscal Year 2004 Homeland Security Funding

President Bush included another \$3.5 billion for homeland security funding in his FY 2004 Proposed Budget. Congressional committees have now begun work on the President's proposed budget and are required to finalize the document before the beginning of the fiscal year on October 1, 2003. The exact level of homeland security funding in Fiscal Year 2004 is currently under consideration.

Mayor and Council Actions

The Mayor and City Councilmembers are encouraged to communicate to our federal and state delegations the following:

- Emphasize the need for local discretion in the expenditure of grant funds.
- Direct federal terrorism funding to the largest U.S. cities.
- Include reimbursement for personnel expenses to plan, train and exercise as an eligible expense in the FY 2004 budget programs.
- Support Secretary Ridge's stated position to change the distribution formula for FY2004 (all the grants announced recently have been for 2003) to better target the funds to areas with higher threat levels, including San Diego.

Executive Team and Staff

The City's Executive Team and their staff shall:

- Continue to assess the City's needs and capabilities to insure funds are expended on citywide priorities.
- Seek opportunities to partner or collaborate with other departments, agencies and organizations to increase the City's and Region's level of readiness.
- Communicate the City's needs and concerns to CA-OHS Director and state and federal legislators as opportunities arise.

Respectfully Submitted,

D. P. Lee
Homeland Security Director

Rey Arellano
Deputy City Manager