FY 2007 Homeland Security Grant Program

Background on the Allocation Process

July 2007

Homeland Security

Background

The approximately $1.7 billion in Department of Homeland Security (DHS) Homeland Security Grant Program (HSGP) funds allocated to states, territories, and urban areas this year will help strengthen capabilities, enhance preparedness planning, and ultimately reduce the impact of major events. Fiscal Year (FY) 2007 HSGP funds are allocated to help reduce national risk by targeting funding at high risk areas, while at the same time encouraging and recognizing those solutions that will effectively build a preparedness baseline across the Nation. FY 2007 HSGP funds are allocated based on two factors:

- an analysis of relative risk
- the anticipated effectiveness of an applicant's plan to address its capability needs and support the National Preparedness Guidelines, and thereby reduce overall risk

These factors are used to determine allocation amounts for the State Homeland Security Program (SHSP), the Urban Areas Security Initiative (UASI), and the Law Enforcement Terrorism Prevention Program (LETPP) under HSGP.

Enhancements to the HSGP process in FY 2007 were enacted based on direct feedback from the state and local community. These recommendations were solicited through a range of engagement opportunities, including the FY 2006 HSGP after-action conference and stakeholder meetings on grant guidance and the peer review process.

Risk Analysis

The risk model used to determine HSGP allocations for SHSP, UASI and LETPP considers the potential risk of terrorism to people, critical infrastructure, and the economy to estimate the relative risk of terrorism faced by a given area. Risk is defined as the product of three principal variables:

- Threat – the likelihood of an attack occurring
- Vulnerability and Consequence – the relative exposure and expected impact of an attack

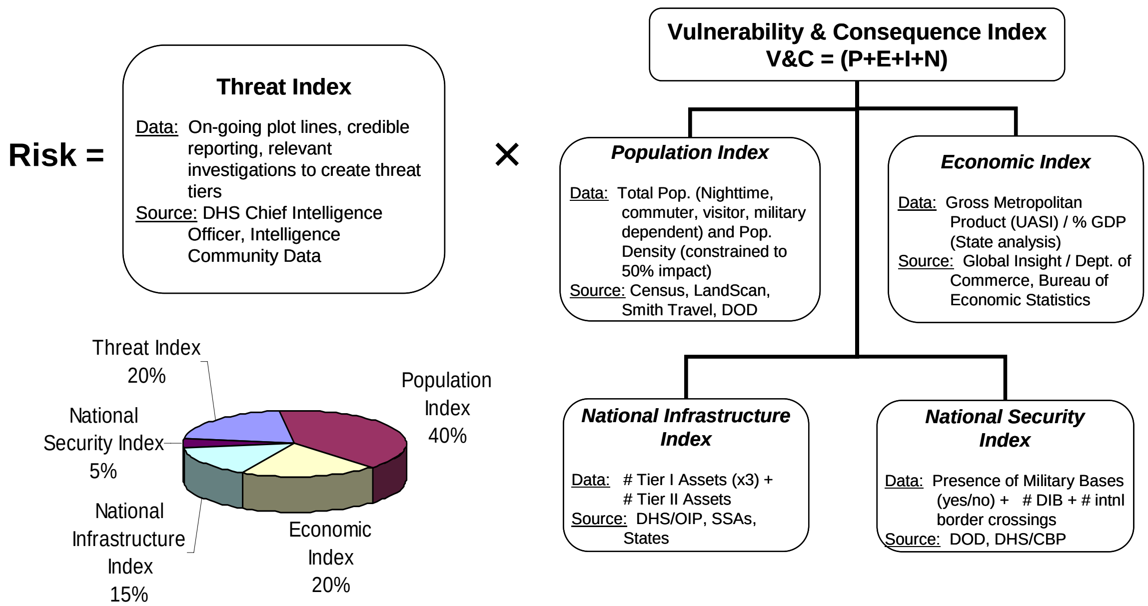
In evaluating risk, DHS considers the populations in a particular area that could be at risk, the concentration of people in the area, and specific characteristics of their location that might contribute to risk, such as Intelligence Community assessments of threat, the economic impact of an attack, and proximity to nationally critical infrastructure. The risk formula for HSGP is based on a 100 point scale comprised of threat (20 points) and vulnerability/consequence (80 points).

The DHS risk analysis methodology considers characteristics that might contribute to state and urban area risk, such as: the Intelligence Community's best assessment of areas of the country and potential targets most likely to be attacked; potentially affected populations; the economic impact of an attack; the presence of infrastructure that considered critical from a national standpoint; and key national security considerations.

The relative weighting of variables reflects the Department's overall risk assessment and FY 2007 program priorities.

The figure below provides an overview of the factors that are included in the risk formula and their relative weights.

Figure 1: Overview of the Risk Formula



A description of each index and their relative weightings are outlined below:

- Threat Index (20%): this variable reflects the Intelligence Community's best assessment of areas of the country and potential targets most likely to be attacked.
- Population Index (40%): this variable included nighttime population and military dependent populations for states and urban areas, based upon U.S. Census Bureau and Department of Defense inputs. In addition, for urban areas, population density, commuters, and visitors were also factored into this variable, using data from private entities.
- Economic Index (20%): this variable considers the economic value of the goods and services produced in either a state or an urban area. For states, this index was calculated using U.S. Department of Commerce data on their percentage contribution to Gross Domestic Product. For urban areas, a parallel calculation of Gross Metropolitan Product was incorporated based on data from Global Insight.
- National Infrastructure Index (15%): this variable focuses on approximately 2,100 Tier I and Tier II critical infrastructure/key resource (CI/KR) assets that were identified by the DHS Office of Infrastructure Protection. Tier I assets or systems are those that if attacked could trigger major national or regional impacts similar

to those experienced during Hurricane Katrina or 9/11. Tier II assets are other highly consequential assets with potential national or regional impacts if attacked.
- National Security Index (5%): this variable considers the presence of three key national security factors: whether military bases are present in the state or urban area; how many critical defense industrial base facilities are located in the state or urban area; and the total number of people traversing international borders. Information on these inputs comes from the Department of Defense and DHS.

The risk methodology for HSGP is consistent with the approach used to determine eligibility and finalize allocations for the Infrastructure Protection Program.

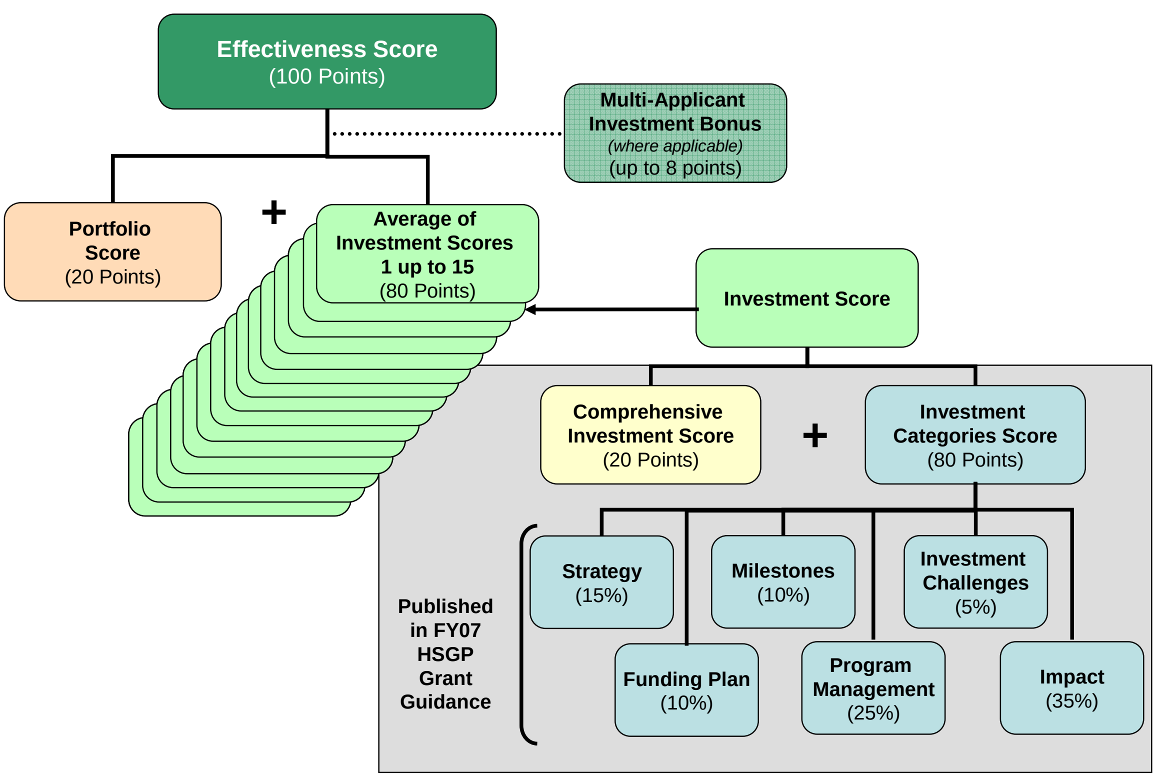
Evaluating Proposed Investments

All applications were formally reviewed and scored through a peer review process. The peer review process evaluated Investment Justifications according to specific criteria, evaluating an applicant's plan to address its needs, the HSGP guidance, and the National Preparedness Guidelines, and thereby reduce overall risk.

Approximately 150 peer reviewers participated in the FY 2007 review process, consisting entirely of experienced state and local homeland security officials. Example reviewers included state and local emergency managers, doctors, fire and law enforcement chiefs and officers, and public health officials. The reviewers were arranged into 22 review panels and distributed to ensure diversity of backgrounds, expertise, and location. The peer review process included an independent scoring period that lasted just over three weeks, followed by review panels convening at the National Emergency Training Center in Emmitsburg, MD, to discuss and finalize scores and provide feedback to the applicants.

The figure below provides an overview of how the final effectiveness score was derived for each state and urban area.

Figure 2: Overview of the Effectiveness Formula



The Investment Categories Score represents the cumulative scores of the six categories in the applications, or Investment Justifications, that were submitted by states and urban areas (blue boxes). The weighting for the six categories and the overall objectives for each section are outlined below:

- Strategy (15%): To explain how the Investment supports the State/Urban Area Homeland Security Strategy, the Statewide Program and Capability Enhancement Plan and demonstrate linkage to the National Priorities in the National Preparedness Goal and target capabilities
- Funding Plan (5%): To account for requested resources across established allowable cost categories and outline planned expenditures and how they support the Investment's overall objectives
- Milestones (10%): To understand the Investment's critical path for success and ensure that sufficient plans are in place for implementing the Investment
- Program Management (25%): To demonstrate that appropriate management team and skill sets are in place to successfully implement and oversee the execution of the Investment
- Investment Challenges (5%): To verify that project-related implementation and execution challenges have been identified and appropriate mitigation strategies are considered
- Impact (35%): To evaluate the overall effect that the Investment will have on the applicant's homeland security program and capability levels

Each individual investment received an Investment Score, which is a combination of the Comprehensive Investment Score (yellow box) and the Investment Categories Score (blue box). The Comprehensive Investment Score, which was worth up to 20 points, assesses how well the individual responses from the different categories collectively demonstrate the applicant's vision for and ability to execute the proposed Investment. The Investment Categories Score, which was worth up to 80 points, was determined by aggregating the scores from the six categories outlined above.

The overall Effectiveness Score (dark green box) is worth up to 100 points and is a combination of the overall Portfolio Score (orange box) and the average of all Investment Scores (light green boxes). The Portfolio Score, which was worth up to 20 points, was based upon a single question that evaluated strategic alignment, investment overlap/integration, and linkage to overall risk context for the application as a whole. This evaluation of the overall state or urban area submission was combined with the average of the Investment Scores, worth up to 80 points, to determine the final effectiveness score.

DHS created incentives in FY 2007 to promote regional collaboration among applicants in order to support the achievement of outcomes that could not be accomplished if a state or urban area tried to address them independently. For the first time, states and urban areas could choose to submit multi-state or multi-urban area Investments for

UASI, SHSP, and LETPP funds, which outlined shared Investments between two or more states or between two or more urban areas. Applicants submitting one multi-state or multi-urban area Investment were eligible for up to a 5 point bonus on their final effectiveness score from the peer review process. Applicants submitting more than one multi-state or multi-urban area Investment were eligible for up to an 8 point effectiveness bonus. All multi-state/multi-urban area Investments were reviewed by one of two panels established specifically to consider multi-applicant proposals. These panels reviewed the proposals using specific criteria, and awarded bonus points based on the degree to which multi-applicant Investments showed collaboration with partners and demonstrated value or outcomes from the joint proposal that could not be realized by a single state or urban area.

Integrating Risk and Effectiveness Scores to Maximize Impact on Preparedness
In keeping with DHS' commitment to risk-based funding, the allocation of HSGP funds was primarily based on this year's analysis of the areas of our Nation at greatest risk, while recognizing the effectiveness of proposed solutions included in state and urban area Investment Justifications. Funding was allocated by determining the amount of funds a jurisdiction would have received based on risk alone; then, each jurisdiction's allocation was adjusted up or down based on its effectiveness score. The degree to which allocations were adjusted reflects how much a jurisdiction's effectiveness score was above or below average relative to its peers. A jurisdiction's allocation could have been adjusted upwards by as much as 8 percent, or downwards by as much as 30 percent.

This year, SHSP and LETPP provide a minimum allocation, which ensures that no state or territory's allocation falls below the minimum levels established by the USA PATRIOT Act formula, regardless of their risk and effectiveness scores. This approach is different from previous years when a base level of funding was established and the remainder of funds was allocated either by risk and effectiveness, as in FY06, or by population, as in years prior to FY06. This change to minimum allocations from a base approach resulted in some states and territories receiving an allocation equal to the minimum in FY 2007.

The approximately $1.7 billion in HSGP funds allocated to states, territories, and urban areas this year will help strengthen capabilities, enhance preparedness planning, and ultimately reduce the impact of major events on lives, property and the economy.

Commitment to Ongoing Partnership
The Department remains committed to engaging in continued dialogue with state and local partners on opportunities to strengthen HSGP and the analysis that supports the allocation process. To that end, DHS is convening an FY 2007 HSGP after-action conference in Minneapolis, Minnesota in early August to solicit stakeholder feedback on critical program components. DHS also plans to host three regional conferences in the fall of 2007 to foster collaboration among regional partners and seek additional feedback on HSGP as well as other related programs.