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March , 2005

MEMORANDUM FOR: Michael Chertoff
FROM: Michael D. Brown
SUBJECT: Component Head Meeting

Overview of Component:

Mission:

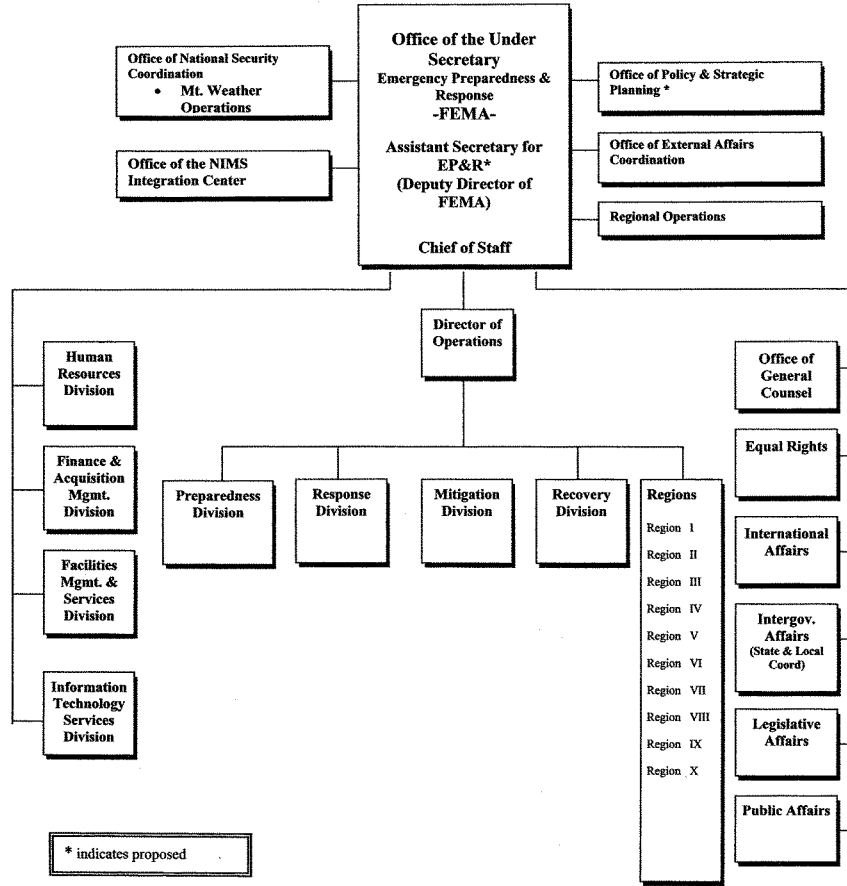
To lead the Nation to prepare for, to mitigate the effects of, to respond to, and to recover from major domestic disasters, both natural and manmade, including incidents of terrorism.

Key Staff:

Chief of Staff,	Patrick Rhode
Deputy Chief of Staff,	Scott Morris
Acting Chief Operating Officer,	Ken Burris
Policy Director,	Brooks Altshuler
National Security Division Director,	Reynold Hoover
Acting Director NIMS Integration Center	Gil Jamieson
Acting Preparedness Division Director,	David Garratt
United States Fire Administrator,	David Paulison
Acting Response Division Director,	Ed Buikema
Recovery Division Director,	Dan Craig
Mitigation Division Director,	David Maurstad

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U.S. Department of Homeland Security
Emergency Preparedness & Response
Directorate
Federal Emergency Management Agency



Summary Budget Information

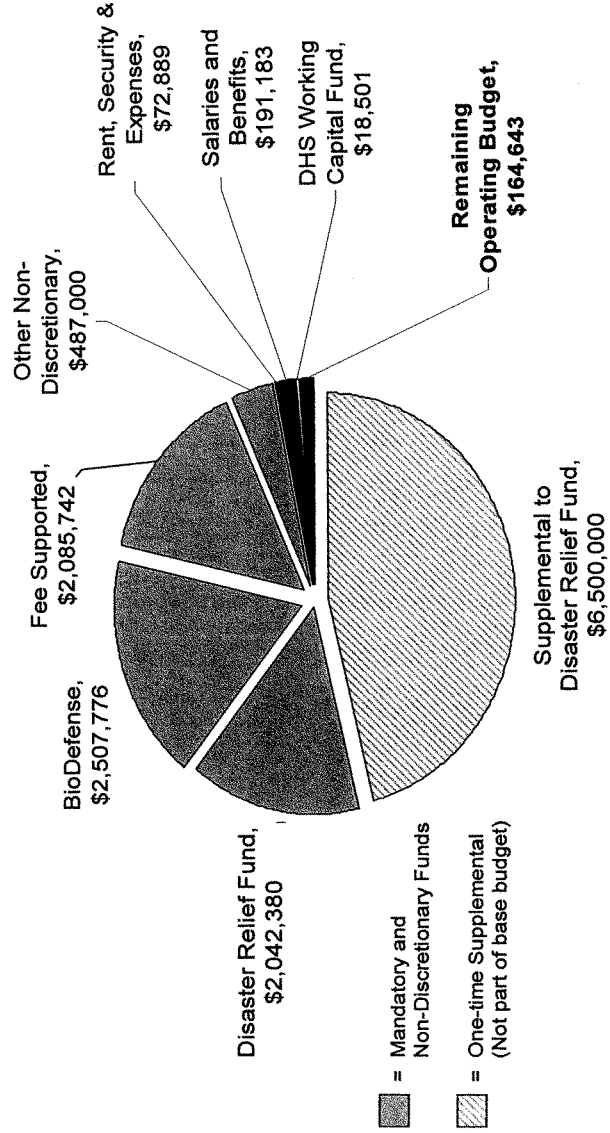


FEMA

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FEMA Operating Budget

Fiscal Year 2005 (Dollars in Thousands)



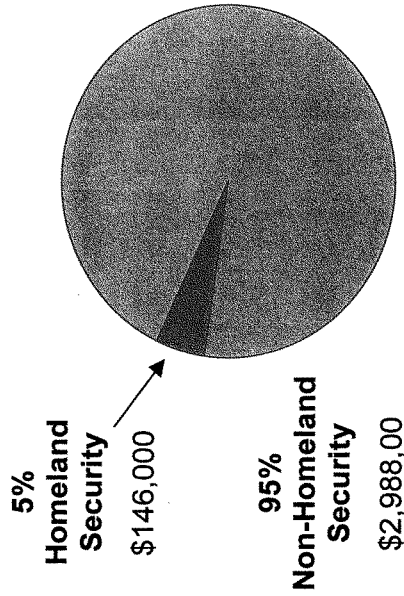
Total FEMA FY 2005 Budget: \$ 14,070,114 (Dollars in Thousands)

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FEMA Budget Homeland Security (HS) vs. Non-HS

Fiscal Year 2006 President's Budget

(Dollars in Thousands)



FEMA Activities Designated as "Homeland Security" by OMB:

- National Incident Management System (NIMS) Integration
- Catastrophic Planning
- Medical Surge
- Continuity of Operations (COOP)
- Continuity of Governments (COG)
- National Disaster Medical System (NDMS) and NDMS Support
- Noble Training Center Support
- Reimbursement to DOE for Nuclear Incident Response Team Exercises



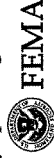
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Reductions to FEMA Base, FY 2003-2005

Dollars in Thousands

FY 2003	
30,600	* Transfers to DHS from FY 2002 un-obligated balances
12,000	* Transfers to DHS from FY 2003 Annual Accounts
10,598	* Transfer to BTS (ODP) from FY 2003 Annual Accounts
21,437	Transfer to IG for audits and investigations
5,500	Transfer to TSA from Liberty Shield Fund
\$80,135	Total FY 2003 Reductions
FY 2004	
22,000	Transfer to IG for audits and investigations
6,779	Charges for DHS Working Capital Fund
28,000	National Preparedness Transfer to BTS-Office of Domestic Preparedness
21,000	Reduction to Base – Disaster Relief Fund
13,000	* Reduction to Base – Operating Expenses
\$90,779	Total FY 2004 Reductions
FY 2005	
11,697	* DHS Mandated Efficiencies
18,501	Charges for Working Capital Fund
\$30,198	Total Estimated FY 2005 Reductions

* A total of \$77.9 million has been permanently lost from the base. These permanent reductions represent a 14.8 overall decrease in FEMA's already limited discretionary spending account since joining DHS.



FEMA

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Pre-Decisional Over-Target Requests

FY 2007-11

Dollars in Millions

	FY07	FY08	FY09	FY10	FY11
1. Rebuild of Base Operating Budget	45.0	45.0	45.0	45.0	45.0
2. Federal Regional Centers - Improvements	5.0	5.0	5.0	-	-
3. NETC/Noble Training Center	7.8	5.9	5.8	5.5	5.5
4. National Response Plan (NRP) Maintenance	6.6	6.7	6.9	7.1	7.3
5. Catastrophic Planning	10.0	10.0	10.0	11.0	11.0
6. Convert National Security Terms to FTE	2.4	2.5	2.6	2.8	2.9
7. Facility Relocations	1.5	* 20.7	* 44.2	0.2	0.2
8. National Security Special Events	3.3	9.8	4.8	4.5	6.8
9. National Exercise Support	3.5	3.7	3.8	4.0	4.3
TOTAL:	85.1	109.3	128.1	80.1	83.0

* Spike in Facility Relocations in FY 2008 and 2009 is due to expected FEMA Headquarters relocation.

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Management of FEMA Base Budget FY 2005

- September 2004 - FEMA froze hiring for over 500 positions to assure availability of funding for all on-board staff.
- January 2005 - FEMA issued a staffing baseline with 3,771 full-time positions, including 565 vacancies.
- January 2005 - Guidelines issued requiring case-by-case approval to fill vacancies in *Preparedness, Mitigation, Response and Recovery* and *Administration and Regional Operations* appropriations.
- FEMA is now unable to fill 189 vacancies.

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Identification of Top Near-Term Management Issues

Most Important Goals

1. Operational Construct

Create and begin implementation of a revised FEMA operational construct that ensures the best utilization of the Nation's resources when responding to disasters and emergencies. The intent is to examine our conceptual approach to disaster management and develop new approaches that improve effectiveness through re-designed processes. Examples include re-design of our disaster work force, including operational readiness of full-time FEMA staff; tracking and visibility of operational assets; and examination of the proper balance of operational roles between headquarters and regional offices.

2. Logistics Capability and Asset Visibility

Develop and begin implementation of a supportable logistical strategy that effectively and efficiently supports the DHS and FEMA disaster response and recovery requirements, to include: acquisition, deployment, tracking, warehousing, and operation and maintenance of all assets.

3. Catastrophic Planning

Develop and begin implementation of a comprehensive and integrated multi-year catastrophic planning strategy that meets the requirements of FEMA and its partners, and supports implementation of the National Response Plan.

4. National Incident Management System Integration Center (NIC)

Establish a NIC to provide strategic direction for and oversight of the NIMS to ensure a consistent, nationwide approach to prepare for, respond to, and recover from domestic incidents regardless of cause, size or complexity.

5. Disaster Work Force

Establish and begin implementation of a plan to recruit, train, credential, deploy and retain a disaster workforce with the appropriate skill mix and management structure to support the operational requirements of all disaster related functions.

6. Position Management

Establish and maintain a baseline of all positions in the Agency, and hold managers accountable for developing long-range workforce plans to assure appropriate numbers, skills, and grades of employees to support current and long-term mission needs.

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Most Serious Challenges:

1. Preparedness

The preparedness mission is scattered across the Emergency Preparedness & Response Directorate (EP&R), Office of Domestic Preparedness (ODP), the Office of State and Local Government Coordination and Preparedness (OSLGCP), Public Affairs, and the Headquarters Integration Staff (I-Staff).

The President recommended moving ODP into EP&R in his legislative proposal for the Department. However, the Congress enacted legislation placing ODP within the BTS Directorate.

Recently, the Department missed an opportunity to consolidate the preparedness mission when DHS chose to use its own authorities to move ODP to the newly created OSLGCP. This reorganization has failed to produce tangible results due to the lack of a clearly defined chain of command. The absence of effective leadership in the preparedness mission has further spawned a complete lack of accountability for results. For example, in HSPD-8, the President called for the submission of the National Preparedness Goal with the DHS Fiscal Year 2006 budget submission. The deadline passed and OSLGCP did not submit the preparedness goal.

These recent organizational changes have divided what was intended to be one, all-hazards preparedness mission into two artificially separate preparedness categories of terrorism and natural disasters. DHS has institutionalized the split by dividing the primary responsibilities for each category between the separate organizations of FEMA and ODP. Having two organizations and several other ancillary organizations working on preparedness has bred internal and external confusion.

The DHS Preparedness mission should be centralized in the Emergency Preparedness and Response Directorate. This recommendation is consistent with The President's original intent and is consistent with the Act's direction that the first responsibility of the EP&R Under Secretary is "helping to ensure the effectiveness of emergency response providers to terrorist attacks, major disasters, and other emergencies".

Moving OSLGCP/ODP to EP&R will create the full integration of all preparedness functions within one directorate. ODP will enhance the terrorism delta on FEMA's solid all-hazards foundation. Most importantly, the move would reconnect the severed link between preparedness and response within the Department. The link ensures that capabilities and procedures trained will be identical to the capabilities and procedures actually applied during a real event.

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2. National Response Plan and other operational planning initiatives

Ambiguity regarding the organizational placement of the National Response Plan (NRP) and other operational planning initiatives needs to be resolved. The Homeland Security Act of 2002 assigned EP&R in Section 502 with,

- (3) *Providing the Federal Government's response to terrorist attacks and major disasters, including-*
- (A) *managing such response;*
 - (B) *directing the Domestic Emergency Support Team, the Strategic National Stockpile, the National Disaster Medical System, and...the Nuclear Incident Response Team;*
 - (C) *overseeing the Metropolitan Medical Response System;*
 - (D) *coordinating other Federal response resources in the event of a terrorist attack or major disaster;*
- (4) *Aiding the recovery from terrorist attacks and major disasters;*
- (5) *building a comprehensive national incident management system with Federal, State, and local government personnel, agencies, and authorities, to respond to such attacks and disasters; and*
- (6) *Consolidating existing Federal Government emergency response plans into a single, coordinated national response plan;*

Instead of assigning many of these responsibilities to EP&R, as described in the Act, the former Secretary made the decision to assign these responsibilities to varying departmental entities. For example, the development of the National Response Plan and the National Incident Management System was initially assigned to TSA for development. Then after several months, the Secretary again shifted responsibility for NRP/NIMS development to the newly created I-Staff within the immediate office of the Secretary. This decision was consistent with past and subsequent decisions that removed key areas of operational responsibility from line directorates.

Since the completion of the NRP and NIMS, another operational planning function has been created and assigned, outside of EP&R, to the I-Staff. The Operational Planning Integrated Process Team (OPIPT) has been tasked with developing an operational planning approach to maximize DHS preparedness and response capabilities. This effort will center on the development of plans for 16 scenarios developed in conjunction with the HSC. It is still unclear how these plans will be reconciled with the existing Incident Annexes to the NRP, ongoing catastrophic planning at FEMA, and similar planning efforts at DOD and the NCTC. On its face, the assignment and implementation of these efforts outside of the NRP construct appears to contradict the Act's original intent when it assigned EP&R with "*Consolidating existing Federal Government emergency response plans into a single, coordinated national response plan.*"

In addition to the OPIPT's federal planning responsibilities, there is a proposal to also make OPIPT responsible for planning initiatives at the State and local level. These proposals ignore FEMA's decades long expertise, relationships, and understanding of the

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emergency management system and potentially ignore basic concepts of authority. The effect of these assignments has been a confused operational framework, and an implementation strategy that is vexing to staff as well as congressional authorizers and appropriators.

Since the inception of the Department, responsibilities that the Act delegated and that FEMA's mission encompasses, have been assigned to other areas of the Department. The result has led to confusion and the duplication of mission areas within the Department. Fundamentally, the continual redelegation of EP&R/ FEMA's responsibilities for preparedness, response, and emergency/incident management has called into question EP&R's future role and existence within the Department.

Proposals for long-term cross-cutting effectiveness**1. Organization**

The management trend since the inception of the department has been to ignore the statutory roles of the Under Secretaries who are appointed by the President to serve as the Department's senior leadership team. The department has failed to enable a leadership team that works across the department. Instead, DHS created a top-heavy organization that is led by its staff rather than its leadership.

The department has focused on building org charts: the vertical and horizontal boundaries of the department; the assembling of tasks into jobs and jobs into departments, and divisions. However, the department has failed at an equally important element of organization by excluding any attention to the personal networks that link people throughout the department and across the department's boundaries. These networks are just as important, if not more important, for the execution of the department's mission.

The lack of these networks, coupled with a skewed allocation of missions and authorities, have encouraged unfocused empire building in duplicative mission areas rather than facilitating the development of cohesive strategies to fill the homeland security vacuum that DHS was created to address. To create personal networks, the leadership of the department must be part of an environment that facilitates integration. This can be done by having permanent office space available to the Under Secretaries and their staffs at the NAC. This will better enable the Under Secretaries to collaborate with the Secretary, Deputy Secretary, all other Under Secretaries, and their respective staffs. The availability of collocated space will help create integration through the development of personal networks at the leadership level. These networks will, in turn, be driven throughout the respective organizations resulting in increased horizontal integration.

2. Decision Authority

The allocation of decision authority within the department- i.e. what decisions are made by which people at what levels, with what oversight or review, is dysfunctional. The formal delegations of authority by the Act have been ignored. Decision making authority

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often resides within positions that are outside the span of control of the Under Secretaries who are statutorily responsible for particular missions.

The expectation of Under Secretaries being responsible for the management of their statutory responsibilities has eroded to an operating construct that places much of these responsibilities within newly created and expanded staff organizations such as the I-Staff and the OSLGCP. The executive office staff's involvement in operational and management areas that are clearly within an Under Secretary's purview has created conflicts. These conflicts are compounded by the executive office's track record of continually bringing additional operational responsibilities into the Secretary's Office rather than pushing them down to the directorates.

The current rationale given for expanding staff organizations is to create integration within DHS. However, these moves create the opposite affect. In an attempt to 'integrate', the executive office has merely pulled representatives out of their existing directorates, cut all ties from their home organization's chain of command, and created yet another layer of bureaucracy. These staff functions are uncoordinated with the directorates and perform duplicative functions that create confusion and organizational tension.