Keeping Score: The Frailties of the Federal Drug Budget

Patrick Murphy

Total federal government expenditures for antidrug activities have become a centerpiece in the national debate on drug policy. The rapid growth in that total was a major indicator of the extent of federal government commitment to dealing with what was perceived to be the most prominent social problem in the late 1980s. Even more importantly, the allocation of that budget—between supply-control programs on the one hand and treatment and prevention on the other—is perhaps the most widely cited piece of evidence that the United States is committed primarily to law enforcement as the principal element of its drug policy. Given the prominent role that federal budget figures have come to play in the policy debate, it is noteworthy that few have paid any attention to their origins.

This issue paper explores the history of the federal drug-control budget as well as the methodology used to produce the numbers in it. It argues that what is commonly referred to as the “federal drug control budget” is not a budget in the textbook sense: that is, it is limited in its capacity to either ensure accountability or establish policy priorities. At best, the federal drug budget provides a descriptive level of effort. And even as a historical description, the numbers may misrepresent the total level of expenditures as well as their distribution across programs to control both supply and demand.

This paper begins with a brief review of the federal drug-control expenditures and the history of the drug budget. It then examines the differing methods used to calculate agency drug-control budget estimates and the consequences of the differences. Such “scorekeeping” varies from agency to agency and produces a distinctly ad hoc collection of estimated drug-control expenditures. Finally, the paper argues that the federal drug budget better serves as an advocacy tool than as a mechanism to drive policy changes.

History of the Drug-Control Budget

Drug control includes a broad spectrum of programs at the federal level. Supply-reduction (or law enforcement) programs range from international efforts in drug-producing countries, to efforts to interdict smuggled drugs as they cross U.S. borders, to the support of local law enforcement efforts. Demand-reduction expenditures primarily consist of drug treatment and prevention grants to state and local jurisdictions as well as the provision of treatment services to veterans. At least seven cabinet agencies have significant drug-control programs (Defense, Education, Health and Human Services, Justice, State, Transportation, and Treasury).

The practice of calculating estimates of total federal drug-control expenditures dates back to the late 1970s. According to a former Office of Management and Budget (OMB) official, a member of the then Office of Drug Abuse Policy (within the Executive Office of the President) would canvass the agencies and request estimates of their antidrug expenditures. The White House then would cite these figures in supporting documents released with proposed policy initiatives. This collection of estimates, however, served little if any control function; i.e., it was not used to monitor agency performance or to set the next-year budget figures.

By the middle of the 1980s the abuse of illicit drugs had risen high on the domestic policy agenda. In response to increasing public attention to the drug issue and a growing number of requests for estimates on drug-control expenditures, OMB took on the task of tabulating the drug budget. OMB sought to introduce a more systematic method of collecting and updating figures on federal programs. In 1985, OMB asked each of the agencies it thought to have a role in the so-called war on drugs to estimate its annual drug-control expenditures dating back to FY 1981 (the last budget year of the Carter administration). The changes in 1985 marked the beginning of a continuing effort to refine the estimates that represented antidrug programs. The Office of Management

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2 The Office of Drug Abuse Policy did send the figures to the OMB for “verification.” Individual OMB examiners typically would sign off on the figures as a matter of course, having had little incentive to make further inquiry.
and Budget (eventually joined by the Office of National Drug Control Policy (ONDCP)) would make alterations to the tables in an attempt to produce a consistent set of numbers—over time and across categories.

The Kalder Tables (named after the examiner who maintained them) served a very useful function for a small group of Washington policymakers and their staff. The tables provided a single source for figures on the drug-control budget that would be extremely difficult for an individual to compile. Figures from the tables were used to give answers to various inquiries, and portions also appeared in press releases and periodic reports. OMB also informally distributed updated versions of the tables to a collection of approximately 50 interested executive agencies, policy-coordinating groups, and congressional staff members. While OMB was producing the document, however, the tables continued to serve as a reference document, and they had only a limited effect on programming and budget decisions; certainly the allocation across program areas did not play a significant role in debate.

The creation of the position of Drug Czar—the director of ONDCP—marked a new phase in the federal drug budget’s history. The 1988 act that created the ONDCP also required the new office to compile a federal drug-control budget request and to certify agency requests as part of developing a national strategy (PL 100-690, section 1003). OMB’s Kalder Tables became the basis for ONDCP’s budget tracking and reporting system, but the political stakes surrounding drug-control expenditures had been raised. Members of Congress expected ONDCP’s budgetary responsibility to play a critical role in coordinating federal programs.

With this rise in political intensity, budget analysts in the executive branch began to pay more attention to which agencies were included in the tables and how the estimates were calculated. The Health Care Financing Administration (HCFA), which administers Medicare and Medicaid, was added, for example. Other agencies, such as the Secret Service, saw an association with the war on drugs to be politically expedient and sought inclusion. Still other departments and bureaus revised their methodology for calculating their estimates in an attempt to provide what they considered a more accurate reflection of their level of effort.

The type of tabulation that the drug budget represents has a long history in federal budgeting. The publication of the federal drug budget by the ONDCP represents only a recent example of special analyses that the Executive Office of the President has produced for over four decades. In the jargon of the budget analyst, these tables often are “cross-cuts”—a collection of expenditure estimates that span several departments and agencies. The Office of Economic Opportunity collected similar estimates in conjunction with the war on poverty. The OMB currently assembles budget estimates for other cross-cutting efforts such as AIDS programs and research and development expenditures. Unlike other cross-cuts, however, the numbers that comprise the federal drug budget have become much more salient relative to policy discussions.

The role played by the drug budget in the policy debate has revolved around two questions. First, the public focused on the question, “Is the federal government doing enough in response to the threat posed by illicit drugs?”

Elected officials highlighted the growth in resources devoted to antidrug programs as evidence of their action. Citing the growing budget was particularly popular in the mid-1980s, as estimates of the total number of drug users continued to climb. Based on official estimates, the budgetary increases were significant. Antidrug expenditures quadrupled in real terms from FY 1981 to FY 1992 (Table 1), with annual growth averaging about 15 percent.

### Table 1


(Millions of constant 1987 dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY 1981</th>
<th>FY 1992</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law enforcement</td>
<td>1,102 (59%)</td>
<td>6,722 (69%)</td>
<td>+510</td>
</tr>
<tr>
<td>Treatment</td>
<td>624 (33%)</td>
<td>1,712 (17%)</td>
<td>+174</td>
</tr>
<tr>
<td>Prevention</td>
<td>149 (8%)</td>
<td>1,406 (14%)</td>
<td>+844</td>
</tr>
<tr>
<td>Total</td>
<td>1,875</td>
<td>9,840</td>
<td>+425</td>
</tr>
</tbody>
</table>

*Constant 1987 dollars are calculated using the implicit OMB deflator.

Source: ONDCP.

In the early 1990s, however, a second question emerged, enabling the drug budget to maintain a prominent role in the policy discussion. The debate shifted from “Is the federal government doing enough?” to “Is the federal government doing the right things?” In short, the issue was whether the program emphasis should be placed on drug law enforcement (i.e., supply-side programs) or on prevention and treatment efforts (i.e., the demand side).

The distribution of resources as measured in the federal drug budget—the supply/demand split—became the metric for the debate. In contrast to the dramatic growth in the total level of resources, the composition of the federal drug-control budget exhibited a more gradual change. The proportion of resources devoted to supply-side efforts rose from 59 percent in FY 1981 to a peak of 71 percent in FY 1986. Since then, the share of resources devoted to law enforcement activities has remained fairly constant, representing just over two-thirds of the total.

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3 Estimates of drug-control expenditures from the 1970s did include figures for Medicaid and Medicare. Such figures did not appear in the tables prepared during the Reagan administration, however.

4 The pattern of growth has been far from smooth, however. Annual changes in real drug expenditures have fluctuated from a high of 64 percent (FY 1986/87) to a low of –5 percent (FY 1987/88).

5 The stability in the distribution of resources is particularly interesting given that in 1986 the Congress passed a resolution that any additional resources for the war on drugs be divided equally between supply and demand programs.
Advocates of increased funding for treatment and prevention programs argue that this distribution illustrates the federal government’s overemphasis on the supply-side activities. They contend that a 50/50 split would be more appropriate. Defenders of the current composition of funds point to the federal government’s unique responsibility to protect the borders and wage the war on drugs overseas. Both camps often use the federal drug budget as the scorecard to count up victories or defeats.

What began as an ad hoc collection of numbers for inclusion in press releases took on a life of its own. The drug budget shifted from a peripheral supporting role to the center of policy deliberations. Implied was the notion that these tables should be used as the mechanism to drive policy changes. Yet the drug budget in many cases remained a compilation of “best guesses.” An examination of the methodology used to arrive at those numbers raises serious questions as to whether the drug budget can bear the weight that the public debate has placed upon it.

Scorekeeping

The methods used to calculate the “drug portion” of an agency’s budget vary considerably, but they generally fall into one of three types. Type 1 is the most straightforward; in it, all agency funds are considered to be drug-related. These agencies present total budget accounts whose levels are specifically stated in appropriation bills and can be tracked by the various executive and legislative accounting systems. For example, the budgets for the Drug Enforcement Administration (DEA), the Organized Crime Drug Enforcement Task Forces (OCDETF), and the Bureau of International Narcotics Matters (INM) in the Department of State are “scored” as 100 percent drug-related (ONDCP, 1992, pp. 90, 116, 146). DEA, OCDETF, and INM prove to be the exception, however. These Type 1 agencies account for only 16 percent of the FY 1992 total.

For the majority of agencies, however, it is not possible to use account totals to estimate the level of drug expenditures. For example, in law enforcement agencies with multiple missions, drug-control efforts may represent only a portion of their total activities. In these cases, Type 2 or a “flat percentage” scorekeeping is used. The agency calculates its drug-control budget as the product of its total operating budget and an estimated percentage of its time spent on drug-control activities. ONDCP explains that the Coast Guard’s drug-control budget represents “estimates of time spent by Coast Guard operational facilities (boats, cutters, and aircraft) in the performance of drug-related missions” (ONDCP, 1992, p. 157). This estimate is reported to be 19 percent of the Coast Guard’s total operating time. Type 2 agencies account for about one-quarter of the total drug budget.

Although the Type 2 methodology is relatively transparent, it is not without problems. For example, the 19 percent figure from the Coast Guard example above was determined in the late 1980s and has remained approximately the same since. But the Coast Guard appears to have changed its priorities, at least according to its rhetoric. The emphasis has shifted from the agency’s role in stopping drug smugglers and toward a concern for environmental protection and illegal immigration. The 19 percent figure remained until the FY 1994 budget, however, as there was little incentive to change it.

The final scorekeeping category, Type 3, is a catchall for all the remaining methodologies, often combining features of Types 1 and 2. Type 3 agencies account for almost 60 percent of the total federal drug budget. For a few agencies, the drug budget calculation produces methodologies that some may describe as algorithms, others as alchemy. The Department of Veterans Affairs (DVA) is one such example. ONDCP’s explanation of how DVA estimates its drug budget is as follows:

The drug percentage represents the drug treatment costs for all primary and secondary drug diagnoses in all hospital bed sections, including costs of specialized drug dependence treatment units which account for approximately one-third of total treatment costs. The drug portion of medical care costs is broken down into four general components: 100 percent of the medical costs of patients participating in drug treatment programs; 100 percent of the medical costs of patients with a primary diagnosis of drug abuse but who are not participating in drug treatment programs; 50 percent of the costs of patients with a secondary diagnosis of drug abuse; 25 percent of the costs of patients with a secondary diagnosis of substance abuse. Costs for drug treatment programs are counted at 100 percent. The percentage of costs attributable to the treatment of patients with drug use disorders in other specialized treatment programs was calculated to be 33.5 percent (ONDCP, 1992, p. 194).

The DVA example reveals that how much of an agency’s budget is attributed to the antidrug effort is the product of a number of subjective decisions. This is not an attempt to argue that the methods used here are right or wrong, only to point out that a number of judgments are made in the scorekeeping of funds in Type 3 agencies.

The opaque nature of the Type 3 methodologies proves somewhat problematic to those seeking to use the drug budget to direct policy changes. The problem is further complicated when the methodologies change over time. The Department of Defense, supposedly spending over $1 billion for drug control, has shown considerable opportunism in its allocation; for example, in FY 1991 it attempted to move the costs of its Over-the-Horizon Backscatter radar, originally designed to detect incoming Soviet bombers, to its drug-control budget, a bit of budgetary legerdemain involving $214 million. Congress objected to this, but there remains considerable question as to whether the DoD drug expenditure figure is not highly inflated.

The Department of Defense was not the only agency to seize a political opportunity in the process of estimating its contribution to the antidrug effort. The Secret Service also attempted to inflate its estimate when it revised its methodology in 1991. In its submission to ONDCP, the agency claimed that approximately one-quarter of its total $400 million budget represented drug-control expenditures, whereas prior-year claims had been less than $5 million.
Some of its claimed contributions were clearly tangential at best. For example, the agency included in its original estimate the cost of protecting former First Lady Betty Ford when she traveled to give drug prevention lectures. Analysts at both OMB and ONDCP objected to the inclusion of such costs, and the three finally agreed that about 10 percent of the Secret Service’s total budget was drug-related.

Evidence of other methodological shifts appears in Table 2. This table, given for the three consecutive years of publication, the estimated drug-control expenditures of selected departments for the same year, FY 1991. Each column represents a different annual publication by the ONDCP.

### Table 2

**ONDCP-Reported FY 1991 Drug Budgets for Selected Departments**  
(Millions of dollars)

<table>
<thead>
<tr>
<th>Department</th>
<th>1991</th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice</td>
<td>3,825</td>
<td>3,821</td>
<td>3,842</td>
</tr>
<tr>
<td>Defense</td>
<td>1,208</td>
<td>1,105</td>
<td>1,043</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>1,672</td>
<td>1,697</td>
<td>1,925</td>
</tr>
<tr>
<td>Veterans Affairs</td>
<td>368</td>
<td>473</td>
<td>611</td>
</tr>
</tbody>
</table>

Source: ONDCP.

One example of how changes in the scorekeeping methodology can produce significant changes in drug budget estimates emerges from the FY 1993 budget request for the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA). ADAMHA administers the block grant that provides funds to the states for the purpose of treating and preventing substance abuse—which includes both alcohol and illicit drugs. In the FY 1992 budget, the “drug portion” of these grants represented approximately 40 percent of the total (ONDCP, 1991, p. 154). In the FY 1993 budget, however, that percentage was raised to 55 to include a portion of the resources devoted to clients with a primary diagnosis of alcohol abuse but a secondary diagnosis of abuse of illicit drugs and for the treatment of alcohol abusers under the age of 21 since they are prohibited from consuming alcohol up to that age (ONDCP, 1992, p. 46). The result is a demand reduction total that is approximately $200 million higher than it might otherwise have been.

The timing of this change, occurring when the Bush administration was under increasing pressure to increase treatment and prevention funding, can give rise to some skepticism. In fact, the methodological changes for the departments listed in Table 2 had a significant effect on the distribution of resources between supply and demand efforts. These scorekeeping changes resulted in an increase for the two treatment and prevention agencies (HHS and Veterans) of $458 million (+24 percent), while the two predominantly law enforcement departments (Justice and Defense) had a net decrease of $41 million (−1 percent).

It is important to note that in both the Defense and HHS cases the administration disclosed the changes in the supporting documents that accompanied the release of the budget proposals. In neither case was there any obvious effort to hide the methodological shifts, nor were they highlighted. Although one may find fault in the rationale used to justify a change, such arguments can rarely proceed beyond the stage of reasonable individuals agreeing to differ.

As noted earlier, the potential to manipulate these estimates is problematic for those who frame the drug policy debate in terms of the distribution of resources between the supply and demand reduction programs. The estimates prove quite sensitive to changes in the underlying assumptions. For example, it is possible to raise the percentage of expenditures devoted to law enforcement activities, currently at 68 percent, to 75 percent under a new set of assumptions. In a second scenario, this figure drops to 55 percent. Neither case would involve changes in the actual appropriation of funds.

In times of constrained resources, the incentive to manipulate can become particularly strong. The murkiness of these calculations enables elected officials to claim credit for increased antidrug funding without adding to the deficit. The political benefit is twofold. The demand reduction percentage goes up, but such an “increase” does not involve the spending of new money, thus having no effect on the deficit. Nor is any money subtracted from another program account with political salience.

### Other Limitations

The potential for manipulation of the estimates making up the federal drug budget is not the only condition that limits its utility as a mechanism to drive policy changes. One constraint is the decentralized nature of the budget process. During the early stages of putting together the President’s budget request, the ONDCP collects individual submissions from over 50 agencies. At this point in the process it is important to note what the ONDCP cannot do. The office does not have discretion over a set amount of money to

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6Table 2 also suggests that the DVA underwent a similar methodology shift. It is unclear what the rationale was for this change.

7In the FY 1994 set of drug budget estimates published by the OMB, however, the methodologies were not disclosed. As a result, it is not possible to determine what changes were made to the Department of Veterans Affairs estimate.

8The changed assumptions necessary to produce these kinds of shifts in the supply/demand split prove to be quite modest. For example, ONDCP (1992, p. 53) reports that the Health Care Financing Administration will spend approximately $200 million in FY 1992. This figure represents 0.1 percent of HCFA’s total expenditures of over $190 billion. If a rationale could be developed to raise the estimate to 0.2 percent, the administration could claim an additional $200 million for treatment programs—an 11 percent increase over the FY 1992 level for the federal treatment budget total.
distribute to the various agencies. Instead, the ONDCP’s review of each agency’s drug-control efforts takes place in the context of the larger budget process. Agencies must weigh increased funding for antidrug efforts that may come at the expense of additional resources for other programs. As a result, ONDCP can become an advocate for funding increases that the potential recipient opposes.

During the last three years of the Bush administration, for example, ONDCP sought increased drug treatment funding over the objections of HHS. That department opposed the additional funds on the grounds that it had other priorities it would prefer to fund first. In other words, HHS would have preferred to have the marginal dollar spent on child immunization or Head Start before additional funds were devoted to drug treatment. The budget process within the executive branch, then, is more a negotiation than a central authority issuing directives.

The fragmented nature of the budget process continues on Capitol Hill, where the drug budget falls under the jurisdiction of nine different appropriations bills. Most funding decisions are made at the subcommittee level. Funding for the Drug Enforcement Administration, for example, falls under the jurisdiction of one committee, whereas a different group of appropriators makes decisions on the Education Department’s drug prevention grants. Given the lack of centralization, the image of reordering the federal government’s drug-control priorities by taking dollars from law enforcement and giving them to demand reduction programs becomes something of a polite fiction.

A final limitation of using the federal drug budget to direct U.S. drug policy is that the federal government represents only a minority share of the resources devoted to drug-control efforts. If what is being sought is a representation of the nation’s drug-control efforts, one has to look beyond the federal level. Table 3 provides estimates for FY 1990 of drug-control funding for all levels of government.

Based on some admittedly rough calculations, the federal government probably accounts for about one-third of over $30 billion of public funds devoted to antidrug programs. And the distribution between supply and demand reduction programs is even more skewed at the state and local level. For each dollar they spend on treatment and prevention, state and local governments devote about five dollars to law enforcement.

Conclusions

What can be concluded about the federal drug budget is that there are limits to the functions it can serve. As an advocacy tool, it serves the interests of both proponents and opponents of the current level and mix of federal programs. But as a mechanism to change policy, the drug budget proves to be a fragile construction. The algorithms used to calculate many agency expenditures are opaque constructions and vulnerable to manipulation. Consequently, the official figures may overstate the federal government’s expenditures on antidrug activities, and the distribution between supply and demand resources is better thought of as a fairly broad range rather than a precise point. Using the federal drug budget to direct national policy is further limited by structural constraints. The fragmented nature of the budget process and the significant role played by state and local governments limit the drug budget’s utility for policymaking.

The debate over policy priorities may continue to focus on the distribution of resources between federal supply and demand reduction programs. If the discussion continues to be framed in these terms, however, little progress can be expected. Moreover, the drug problem as an issue appears to be moving lower on the national domestic policy agenda. Such a movement is unfortunate from the standpoint that the problems associated with illicit drug use have far from disappeared. But a lessening of national political interest in drug issues could prove advantageous if questions about the federal drug budget move during this period toward the periphery of the larger policy debate. Perhaps the debate over the relative distribution of an artificial set of numbers can be displaced by a new focus on identifying specific programs that address the harms associated with illicit drug use.

References


About the author: Patrick Murphy was a RAND staff member before joining the Office of Management and Budget as budget examiner for ONDCP, a position he held from 1989 to 1991. He is now a doctoral student in political science at the University of Wisconsin at Madison.
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