Guide to the Study of Intelligence

Budget and Resource Management

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INTRODUCTION

Budgeting is one of the core functions of management. Moreover, no grand strategic vision or policy has any basis in reality without sufficient financial resources. The Intelligence Community is not exempt from the fierce competition for always limited discretionary funding. So a working knowledge of the complex rules and processes of this bureaucratic warfare is an essential "staff survival skill" for Intelligence Community managers, especially those at senior levels of responsibility. Budget battles are a reflection of the contest between alternative ways to meet requirements; the policy debate quantified in terms of dollars and personnel. It follows that some level of knowledge about budget and resource management is essential to a more complete understanding of how the Intelligence Community really works...or sometimes doesn't.

THE PROGRAMS[1]

US Intelligence is indeed a "Big Business." With about $75 billion dollars in appropriations to support both the National Intelligence Program and the complementary defense activities of the Military Intelligence Program, the Intelligence Community, if it were a corporation, would rank approximately 24th on the Fortune 500 in terms of annual revenue.

The National Intelligence Program (NIP), the only interdepartmental/interagency operating budget in the federal government, is governed by US Code Title 50 and Executive Order 12333. With an FY 2012 $55 billion budget request the Director of National Intelligence (DNI) directs fourteen distinct programs including:

- The Community Management Account (CMA) for the functions of the Office of the Director of National Intelligence (ODNI).
- Most CIA activities in the Central Intelligence Agency Program (CIAP).
- National reconnaissance satellites in the National Reconnaissance Program (NRP).
- The national signals collection effort in the Consolidated Cryptologic Program (CCP).
- The analysis of imagery and its amalgamation with geospatial data in the National Geospatial-Intelligence Program (NGP), and
- Department of Defense-wide and combatant command-level collection, analysis, counterintelligence and support activities in the General Defense Intelligence (GDIP) and the department's Foreign Counterintelligence (FCIP) Programs.

All of the above programs are embedded in the large defense budget for security purposes. The NIP also funds the national intelligence activities of the Federal Bureau of Investigation and Drug Enforcement Administration in the Department of Justice, as well as intelligence efforts in the departments of State, Energy, Treasury, and Homeland Security, including the Coast Guard.

Other defense intelligence, counterintelligence, and related programs, projects and activities that are not in the NIP are funded through the Military Intelligence Program (MIP). The MIP provides the "take it with you" intelligence organic to the deployable units in all services at all echelons of command, for example, the Navy's anti-submarine ships with the Surveillance Towed Array Sensor System (SURTASS), the Air Force's RC-135 Rivet Joint signals intelligence aircraft, the Army's and Marine Corps' tactical signals intelligence capabilities, and the Defense Intelligence Agency's analysts assigned to the theater joint intelligence operations centers.[2] Governed by US Code Title 10 and EO 12333, and at $19.2 billion (FY 2013 request) less than half the size of the NIP, the MIP is more accurately described as an internal departmental management tool than a distinct set of programs.

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1. For a more detailed description of the various intelligence programs see Dan Elkins (2010). *Managing Intelligence Resources.* DWE Press: Dewey, AZ, chapter 4.

2. The Military Intelligence Program specifically excludes the inherent intelligence gathering capabilities of a weapons system whose primary mission is not intelligence.

Senior managers assess the MIP programs within the budgets of Defense Department organizations to balance capabilities and ensure that those budgets adequately address defense-wide, operational and tactical intelligence requirements.

The sum of the NIP and MIP budgets does not reflect the total of U.S. intelligence spending. For example, US Coast Guard Intelligence and the Office Intelligence and Analysis aside, the NIP does not fund the domestic intelligence related activities of the various components of the Department of Homeland Security. Nor, except for liaison personnel, does NIP fund the intelligence-like activities of state, local and tribal governments in the 72 domestic intelligence fusions centers or analogous functions in the private sector. Furthermore, the MIP does not include the E-3 Airborne Warning and Control System (AWACS) or the MQ-9 Reaper unmanned aerial vehicle (UAV) missile platform, even though those systems collect data that feed tactical intelligence systems (see footnote 2).

THE PLAYERS[3]

Overseen by the National Security Council, the Director of National Intelligence (DNI) determines, develops, manages, oversees and directs implementation of the NIP, setting objectives and priorities, approving requirements, all reprogramming[4] and transfers of funds during the fiscal year, and evaluating its execution. The DNI directs the apportionment of NIP funds through the White House Office of Management and Budget (OMB).[5] The NIP budgets are executed through the departments and agencies that are members of the Intelligence Community.

The DNI enlists the Intelligence Community leadership through the Deputies Executive Committee (DEXCOM), which functions as the Intelligence Requirements Board (IRB) to advise on the entire budgetary process. The DNI, assisted by his Director of Defense Intelligence (DDI), also participates in the development of the Department of Defense's MIP. The Under Secretary of Defense for Intelligence (USD(I)) serves as the DNI's Director of Defense Intelligence. The NIP Program Managers (PMs) are functionally oriented and act across organizational boundaries as agents of the DNI for their specific program, allocating resources, consolidating requirements, developing program and budget submissions, compiling justification materials for the Congress, and overseeing spending. One example of a DNI Program Manager is the Director of the National Security Agency. He oversees the Consolidated Cryptologic Program that funds activities at NSA and the military services.

In contrast, the MIP, as an integral part of the larger defense budget, truly "belongs" to the Secretary of Defense. The Department of Defense (DoD) budget process is traditionally managed by the Deputy Secretary, assisted by the Director, Cost Assessment & Program Evaluation (CAPE), and the DoD Comptroller (USD(C)). The Secretary's principal staff assistant for all intelligence and related matters is the USD(I), who exercises authority, direction and control over defense intelligence and related agencies. As such, the USD(I), who, as mentioned, is also the DNI's Director of Defense Intelligence, coordinates the development and execution of both defense and national intelligence policy, plans and programs; leads all Department of Defense actions involving the MIP as its Program Executive, including issuing guidance, coordinating its development and execution, and chairing groups to address programmatic issues; and monitors the broader Battle Space Awareness Portfolio to achieve balance and synergies from its panoply of intelligence, surveillance and reconnaissance, command and control and complementary capabilities.

The Office of Management and Budget, often underappreciated as a player, is deeply involved throughout the budgetary process involving the Intelligence Community as well as all other departments and agencies of the federal government. OMB issues policy, fiscal guidance and working assumptions to initiate programming and budgeting; reviews and approves budget submissions to the President's Budget; clears Executive Branch proposed legislation and issues Statements of Administrative Policy (SAPs); and apportions appropriated budget authority, orchestrates reprogrammings and assesses performance during budget execution.

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3. See Elkins, chapter 3 for further details.

4. Reprogramming is the process of taking funds appropriated for one purpose and applying it to another, usually a new and higher priority effort.

5. Apportionment is the term used when OMB allocates congressionally appropriated funds to Executive Branch departments and agencies. Appropriated funds are apportioned periodically over the fiscal year, usually by fiscal year quarter. Some funds may be withheld to insure adequate monies are available late in the fiscal year for reprogramming to higher priority needs.

Both the NIP and the MIP (as an integral part of the defense budget) are managed through separate, though coordinated, processes: the Planning, Programming , Budgeting and Execution (PPBE) process for the MIP, and the Intelligence Planning, Programming, Budgeting and Evaluation (IPPBE) system for the NIP. Starting more than two years before the beginning of a fiscal year, both processes are used to plan, program, and budget updates to existing activities that project costs, manpower needs and required capabilities for five years into the future (a database known as the Future Year Defense Program [FYDP] in the Defense Department), and prepare portions of the annual president's budget.

PLANNING

The planning process determines the goals, objectives, and end-states that support the National Security and National Intelligence Strategies and derivative guidance. Within the Defense Department, the ongoing Joint Strategic Planning System (JSPS), managed by the Chairman, Joint Chiefs of Staff (CJCS), provides an analysis of long-term trends, challenges, gaps and shortfalls and identifies and prioritizes defense needs. A parallel NIP planning process is led by the DNI's assistant deputy DNI for Systems and Resource Analysis. A full year before IPPBE program, and budget submissions are due the IC components, National Intelligence managers, and Functional Managers participate in the strategic, needs, capabilities, and risk analyses to develop a Major Issues List (MIL) for further study and DNI priorities on guidance, milestones, metrics, etc. By mid-spring, based on further analysis and fiscal and policy guidance from OMB, the Secretary of Defense issues Defense Planning and Programming Guidance (DPPG) and Integrated Program and Budget Guidance. Similarly, the DNI's programming phase, again led by the assistant deputy DNI for Systems and Resource Analysis, incorporates the results of the MIL studies into enterprise wide assessments, studies and evaluations to identify capabilities, gaps, shortfalls, duplications and tradeoffs to facilitate the development of options, as well as independent cost estimates for major acquisitions. The resulting Overall Resource View informs DNI's

decisions that are documented in the DNI's draft (December) and final (spring) Consolidated Intelligence Guidance (CIG). Interestingly, the CIG also contains the USD(I)'s guidance for all defense department components for developing their MIP, which illustrates the growing integration of intelligence across organizational boundaries.

PROGRAMMING AND BUDGETING

Starting from a FYDP updated with the final data being used in the latest president's budget, and applying the latest programmatic, fiscal and procedural guidance, intelligence managers for the NIP and MIP propose changes or additions to their programs, which then compete as they percolate up the PPBE or IPPBE management chains. NIP activities that are hidden within the defense budget are assigned one or more Program Element (PE) designators as a "cover."[7] On or about July 30 each year MIP proposals are submitted to the staff of the Secretary of Defense as part of a military service's or defense agency's combined Program Objectives Memorandum (POM)/ Budget Estimates Submission (BES), justifying the cost and manpower for the entire FYDP. At approximately the same time, NIP program managers submit a five year Intelligence Program Budget Submission (IPBS). The first year of both constitutes the proposed input to the upcoming president's budget.

Between August and December an Integrated Program and Budget Review is conducted jointly by the staffs of the Secretary of Defense and DNI. Hearings are conducted, teams formed to research alternatives, with "crosswalks" between NIP components, or between NIP and MIP activities, to resolve redundancies or other issues. Results and recommendations are briefed to senior intelligence and defense advisory bodies. The OMB staff participates in these reviews and makes their own recommendations for the OMB Director's Review.[8] That review results in refined White House guidance and directs adjustments to dollar and manpower data (called "passbacks") that must be reflected in the submission for the president's budget. The president's budget is due to the Congress by the first Monday in February and is followed by

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6. See Elkins, chapters 5, 6, and 9, for details.

7. Within the defense budget every system, project, and activity is assigned a Program Element number, which are the building blocks for the Future Years Defense Program (FYDP).

8. The Director of OMB is the senior White House budget official who also oversees the management practices of the federal government.

volumes of detailed justification materials (called Congressional Budget Justification Books [CBJB] for the NIP and Congressional Justification Books [CJB] for the MIP).

BUDGET EXECUTION

After Congress passes and the President signs an Appropriation Act, that law provides Budget Authority (BA) to the departments and agencies of the Executive Branch. Once apportioned by OMB, managers can then buy goods and services.[9] By law, the DNI directs how the OMB Director apportions NIP funds, an authority unique in the executive.[10] NIP funds are executed by the comptrollers of the departments in which the NIP program resides through the financial system of that department. Departmental Comptrollers assist the DNI in ensuring compliance with guidance. This assumes that both MIP and NIP appropriated funds, IAW Section 504 of the National Security Act of 1947, as amended, were "specifically authorized by the Congress for use for such activities."

THE ROLE OF CONGRESS[11]

Congressional "power of the purse", the essential constitutional check on the executive, is exercised in three phases. The Congressional Budget Act of 1974 devised a comprehensive, independent and (supposedly) disciplined Congressional budget process. By mid-spring the Budget Committees of both houses, supported by the Congressional Budget Office (CBO), responds to the president's proposal with a Concurrent Budget Resolution, which sets limits on discretionary spending.[12] Meanwhile, the authorizing committees' staffs review the president's budget line by line to determine which proposed activities ought to be permitted. Congress' approval of intelligence programs is contained in the Intelligence Authorization Bill for the NIP and in the National Defense Authorization Bill for the MIP.[13] Authorization for MIP activities involves the House Permanent Select Committee on Intelligence (HPSCI), the House Armed Services Committee (HASC) and the Senate Armed Services Committee (SASC), with the advice of the Senate Select Committee on Intelligence (SSCI). For the NIP the Permanent Select Committee on Intelligence has exclusive jurisdiction in the House of Representatives while the Senate Select Committee on Intelligence shares jurisdiction over Department of Defense elements of the NIP with the Senate Armed Services Committee.[14] Finally, the staffs of the Senate and House Appropriations committees work on a series of Appropriation Bills that determine how many funds each authorized program should receive.[15]

A report card on the effectiveness of the congressional budget reforms of the 1970s would have mixed grades. Formal, routine, documented, Congressional oversight of the Intelligence Community has become institutionalized, notwithstanding recurring disagreements on access to information. However, none of the recommendations in the 9/11 Commission Report to enhance the authority and effectiveness of the Intelligence Committees have been adopted by Congress. To the contrary, the failure of those committees to produce timely intelligence authorization bills, and resultant problems resulting from Authorization/Appropriation mismatches, have further eroded their influence and relevance. More broadly, the breakdown of the Budget Resolution process, the weakening of constraints on spending, appropriating through omnibus continuing resolutions, the excessive reliance on urgent supplemental appropriations during the fiscal year, and the explosion of entitlements spending, suggest that the process is in need of serious reform.

9. For the Department of Defense total obligation authority (TOA) is the sum of this new BA plus the residual authority from previous years' appropriations.

10. This unique authority was contained in the *Intelligence Reform and Terrorism Prevention Act of 2004*.

11. See Elkins, chapters 7 and 8 for details.

12. Government spending is either mandatory or discretionary. Mandatory spending is that set by law. It includes Social Security, Medicare, interest on the national debt, and other automatic payments. Discretionary spending is that approved by the Congress each year and includes intelligence, defense, the space program, and foreign aid, for instance.

13. Congress failed to pass an Intelligence Authorization Bill from 2004 until 2010 due to political haggling. Intelligence activities and programs were "authorized" by including appropriate language in the annual Department of Defense Appropriations Act.

14. The foreign affairs, homeland security, and judiciary committees of the House and Senate can become involved in intelligence matters related to the departments of State, Homeland Security, FBI and DEA, respectively.

15. The Defense Subcommittee of the House and Senate Appropriations Committees handle appropriations for the Defense elements of the NIP and the CMA and CIA programs. Other Appropriations subcommittees become involved in other departments' appropriations.
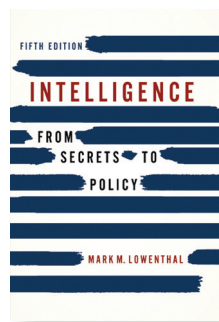
CONCLUSION

The challenges facing Intelligence Community resource managers may be analogous to those faced by their counterparts in industry, but government managers lack some key tools available to the private sector: e.g. a "hard" bottom line profit, or relevant and reliable performance metrics. Choosing among competing alternative programs is all the more challenging when issues of culture, secrecy and compartmentalization, and often problematic relationships with policy makers, are added to the mix.[16] Finally, an "inconvenient truth" of the Budget Game is that its rigorous analysis using sophisticated decision support tools employs "data" largely derived from ambiguous estimates and imperfect assumptions. Decisions based on a poorly understood fiscal future of tax receipts, inflation, interest rates and the maturity of technology, global challenges and unidentified adversaries, and a host of other "unknown unknowns" are inevitably flawed.[17] Along with the politics, and bureaucratic politics that are always in play, these uncertainties make the budgetary process as much art as science, with its effectiveness influenced to a great extent by the talents of the artists.

READINGS FOR INSTRUCTORS

The following are recommended readings for instructors on intelligence budgets and resource management:

Mark M. Lowenthal (2011). *Intelligence: from Secrets to Policy 5th ed.* Washington, DC: CQ Press. An excellent introduction and comprehensive overview to the study of intelligence and policy, particularly the sections on the Intelligence Budget Process and Oversight and Accountability, pp 52-55 and 224-227.

Dan Elkins (2010). *Managing Intelligence Resources.* 3rd ed. Dewey, AZ: DWE Press. For over twenty years this privately-published volume and its predecessors have been an essential text for "insider" study of the programs, participants, and the processes through which national and defense intelligence resources are acquired, managed, and overseen. *dwelkins2@cs.com.*

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16. See Elkins, chapters 1, 2, and 10.
17. See Charles. H Hitch and Roland N. McKean *The Economics of Defense in the Nuclear Age*, pp 182.

Alan Schick (2007). *The Federal Budget: Politics, Policy and Process. 3rd ed.* Washington, DC: The Brookings Institution. An examination of the federal budget processes and practices, an analysis of the underlying politics and the impact of the virtual collapse of Congressional discipline on the long term budgetary outlook.

Charles. H. Hitch and Roland N. McKean (March 1960). *The Economics of Defense in the Nuclear Age, R-346.* Santa Monica: Rand Corporation. The book that "started it all;" the original source for the program budgeting systems used by the intelligence community.

The Office of the Director of Intelligence Home Page <http://www.dni.gov/index.html> is an additional source of both current and historical information. It also has links to the entire Intelligence Community. Useful references include:
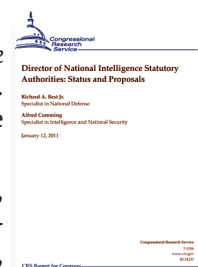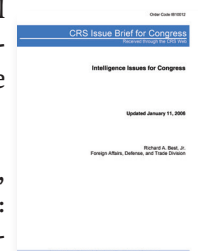
An Overview of the United Sates Intelligence Community for the 111th Congress 2009

US National Intelligence: An Overview 2011

The National Intelligence Strategy of the United States of America August 2009

ODNI/Office of General Counsel, Intelligence Community Legal Reference Book

Budgeting for Intelligence Programs: Intelligence Community Directive (ICD) 104, May 17, 2006

Intelligence Planning, Programming, Budgeting, and Evaluation System: Intelligence Community directive (ICD) 116, September 14, 2011

Intelligence Community Strategic Enterprise Management Intelligence Community Directive (ICD) 106, May 20, 2008.

Other useful sources of current information on issues related to the management of Intelligence resources are reports of the General Accountability Office and the Congressional Research Service. Some examples include:

GAO-11-465, June 03, 2011, Intelligence, Surveillance, and Reconnaissance: Actions Are Needed to Increase Integration and Efficiencies of DOD's ISR Enterprise

Richard A. Best Jr, *Intelligence Issues for Congress.* CRS RL33539, March 3, 2011. (This is a recurring publication of the Congressional Research Service)

Richard A. Best Jr. and Alfred Cumming, *Director of National Intelligence Statutory Authorities: Status and Proposal,*
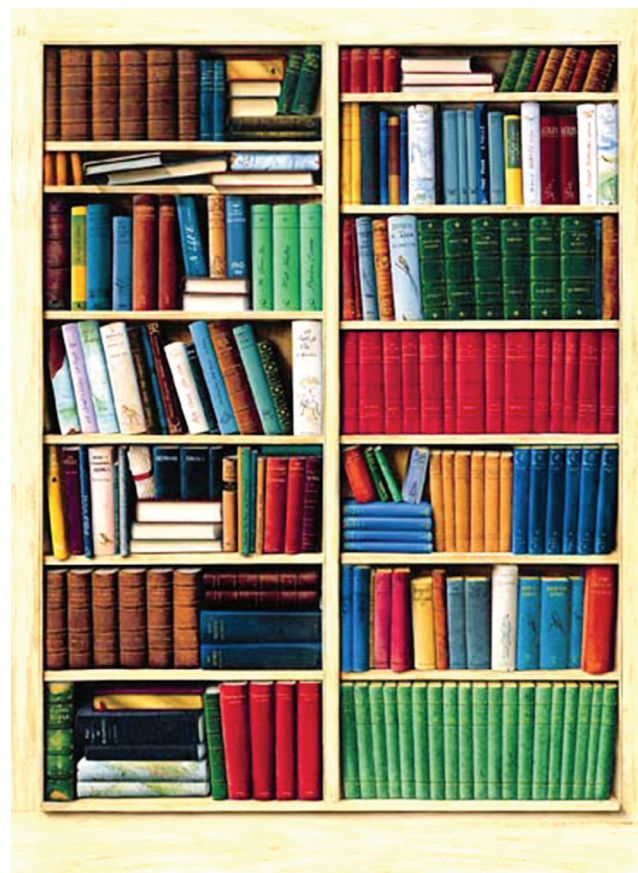
RL34231. (CRS: May 26, 2010)

Daggett, Stephen. *The Intelligence Budget: A Basic Overview*, RS21945. (CRS September 24, 2004).
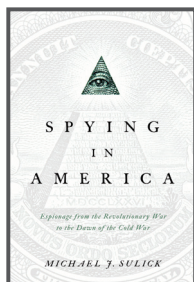
Colonel Robert A. Mirabello USAF (ret.) has forty years of experience in military and national intelligence training and education. Currently a senior faculty member of the Intelligence and Security Academy, he is also an adjunct at the National Intelligence University and University of Maryland University College. From 1990 to 2007 he served at the National Intelligence University, including as dean of the School of Intelligence Studies. Since retiring from federal service, he has managed or advised professional development programs for the Director of National Intelligence and at the Department of Homeland Security.