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SENATE

REPORT }  
No. 95-214 }

**AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1978 FOR INTELLIGENCE ACTIVITIES OF THE UNITED STATES GOVERNMENT, THE INTELLIGENCE COMMUNITY STAFF, THE CIA RETIREMENT AND DISABILITY SYSTEM (CIARDS), AND FOR OTHER PURPOSES**

MAY 16, 1977.—Ordered to be printed

Mr. HATHAWAY (for Mr. INOUE), from the Select Committee on Intelligence, submitted the following

## REPORT

[To accompany S. 1539.]

The Select Committee on Intelligence bill to authorize appropriations during fiscal year 1978 for U.S. intelligence activities, the Intelligence Community Staff, the CIA Retirement and Disability System, and for other purposes, reports favorably thereon and recommends that the bill do pass.

### PURPOSE OF THE BILL

This bill would for fiscal year 1978:

(1) Authorize appropriations for (a) intelligence activities of the United States, (b) the Intelligence Community Staff, and (c) the CIA Retirement and Disability System;

(2) Authorize the personnel and end strengths for (a) the Central Intelligence Agency, and (b) the Intelligence Community Staff.

### OVERALL SUMMARY OF COMMITTEE ACTION

(In millions)

	Fiscal year 1977	Budget request	Committee recommends	Committee recommended change
Intelligence activities				
Intelligence community staff	\$8.5	\$10.5	\$9.0	-\$1.5
CIARDS	28.3	35.1	35.1	
Total				

## OVERALL PERSPECTIVE ON THE INTELLIGENCE BUDGET

*Committee Intent*

Pursuant to S. Res. 400, the committee is prohibited from disclosing budgetary information on U.S. intelligence activities publicly at this time. This issue is under active review and appropriate recommendations will be made to the full Senate in the near future. The committee has, however, prepared a classified report which describes in detail the full scope and intent of the committee's actions and the specific amounts authorized for each of the major U.S. intelligence activities included in this bill.

Moreover, it is the intent of the committee that the classified report, although not available to the public, will nonetheless have the force of a Senate authorization bill; further that the Intelligence Community shall comply fully with the guidelines and limitations contained therein.

*Scope of Committee Review*

Enactment of S. Res. 400 represented a turning point for the U.S. Senate with respect to oversight of the U.S. intelligence effort. It provided, for the first time, comprehensive legislative authority in a single committee charged with oversight of all U.S. intelligence activities. Among other things, it provided the Select Committee with legislative authority for annual authorization of appropriations for intelligence. The legislative history of S. Res. 400 makes it clear that budget authorization was viewed as a key aspect in exercising effective Congressional oversight of the Intelligence Community.

Consistent with this mandate, the committee, through its Budget Authorization Subcommittee, undertook a detailed review of all major intelligence programs and activities to gain an in-depth understanding of the substantive nature, capabilities and inter-relationships of these activities. Several Members and staff also conducted a number of field inspection trips, both in the United States and abroad, to acquire first-hand knowledge of selected intelligence operations.

Beginning in late February, the Budget Authorization Subcommittee conducted a series of budget hearings which continued through early April. These hearings involved some 50 hours of testimony from the Director of Central Intelligence and each of the principal intelligence program managers, and resulted in written responses for the record to over 500 questions.

## OVERALL COMMITTEE FINDINGS AND RECOMMENDATIONS

The committee found that understanding the purpose and scope of U.S. intelligence activities and making judgments on its resource needs is an extremely complex task, for several reasons:

The intelligence budget, although relatively small by comparison to other government programs, is extremely complex. Similar to any normal corporate entity in structure, its activities cover a broad spectrum, ranging from normal administrative and house-keeping functions, to activities requiring the application of highly sophisticated technology which in many instances involves advancing the state-of-the-art;

Intelligence by its very nature requires a certain amount of built-in redundancy and duplication; and

It is difficult to evaluate the relative value of the contribution of any given activity to the national policymaking process.

On the whole, the Committee was persuaded that the intelligence community is well managed, although a number of areas were identified, such as the quality of analysis and long-term planning for automatic data processing activities, that require improvement and increased management attention. Additionally, the committee believes that, in general, the intelligence community is highly responsive to the priority needs of policymakers in the formulation of national foreign and military policy.

The committee recommendation on the fiscal year 1978 budget reverses the trend of the past several years, which has seen the impact of inflation substantially reduce the purchasing power of appropriations for intelligence, as it has in other areas. It also provides for limited real growth to modernize existing capabilities and to begin certain new initiatives which will be required to keep pace with the intelligence environment of the 1980's.

The committee was not convinced, however, that the total amount requested in fiscal year 1978 was fully warranted. Therefore, the committee has recommended deferral of certain proposals and elimination of others. In the committee's view, the intelligence appropriations recommended in this bill represent a reasonable balance between needed intelligence capabilities and prudent cost.

#### TITLE I--INTELLIGENCE ACTIVITIES

##### *Committee Recommendations*

Details of the committee's recommendations with respect to amounts to be appropriated for intelligence activities covered under this title for fiscal year 1978 are contained in a classified report.

#### TITLE II--INTELLIGENCE COMMUNITY STAFF (ICS)

	<i>In millions</i>
ICS request.....	\$10.5
Select committee recommended change.....	-1.5
Select committee recommendation.....	9.0

##### *Authorization Request*

The Intelligence Community Staff requested \$10.5 million and 196 personnel in fiscal year 1978 to support the Director of Central Intelligence in fulfilling his responsibilities for overall management and direction of the intelligence community. This includes: (1) developing national intelligence requirements and priorities, (2) assessing the performance and quality of national intelligence collection and production activities, (3) improving the community's long-range planning process, and (4) monitoring the allocation and management of community resources.

In addition to supporting the DCI in fulfilling his community responsibilities, E.O. 11905 charged the Intelligence Community Staff with supporting the Policy Review Committee (formerly the Com-

mittee on Foreign Intelligence) of the National Security Council, which is responsible for: (1) controlling the preparation and review of the National Foreign Intelligence Budget, (2) establishing policy priorities for the collection and production of national intelligence, (3) providing guidance on the relationship between national and tactical intelligence activities, and (4) providing guidance to the intelligence community to insure compliance with policy directives of the NSC.

*Committee Recommendation*

The committee recommends an appropriation in the amount of \$8,950,000 for the Intelligence Community Staff in fiscal year 1978. This is a net reduction of \$1,550,000 or 14.8 percent from the budget request, but permits an increase of \$437,000 or 5.1 percent over the amended fiscal year 1977 budget.

For the fiscal year beginning October 1, 1977 the committee recommends a personnel ceiling of 170 full-time employees. Such personnel may be permanent employees or employees on detail from other organizations within the intelligence community, provided that; the Intelligence Community Staff should be guided by the provisions contained in the fiscal year 1977 Supplemental Appropriations Conference Report regarding the appropriate mix of such employees. This recommendation results in a net reduction of 26 from the manpower level requested in the budget.

*Committee Recommended Changes*

Personal services----- \$765,000

The Intelligence Community Staff requested a manpower ceiling of 196 full-time employees. While the Committee supports a strong national intelligence leadership and management role for the Director of Central Intelligence, we were not convinced that, at the present time, a staff this large is necessary to support him in this role. Based on our review, a staff of 170 should be sufficient to fulfill the responsibilities currently assigned. Moreover, the administration is currently undergoing a complete review of the organization and management of U.S. intelligence activities, the results of which could impact the mission, composition, and size of the Intelligence Community Staff.

Other services----- \$785,000

The Intelligence Community Staff requested \$3.5 million in fiscal year 1978 for external research and analysis and other contractual services. This represents a sizeable growth in funding for these purposes, and while a number of these activities appear necessary, the committee was not persuaded that the total requested was fully warranted. Therefore, a reduction of \$785,000 is recommended, which allows some expansion in ongoing activities, as well as funds to begin certain new initiatives.

TITLE III—CENTRAL INTELLIGENCE AGENCY RETIREMENT AND  
DISABILITY SYSTEM (CIARDS)

	<i>In millions</i>
CIA request-----	\$35.1
Select Committee recommended change-----	-----
Select Committee recommendation-----	35.1

### *Authorization Request*

The Central Intelligence Agency requested \$35.1 million in fiscal year 1978 for the CIA Retirement and Disability Fund to finance the cost of: (1) interest on the unfunded liability, (2) annuities attributable to credit allowed for military service, (3) benefits not met by employee/employer contributions, and (4) the increase in unfunded liability resulting from liberalized benefits and the October 1976 Federal pay raise.

The Central Intelligence Agency Retirement Act of 1964 for Certain Employees (Public Law 88-643, October 13, 1964) authorized the establishment of a Central Intelligence Agency Retirement and Disability System for a limited number of Agency employees, and authorized the establishment and maintenance of a fund from which benefits would be paid to qualified beneficiaries.

The benefits structure of CIARDS is essentially the same as for the Civil Service Retirement System with only minor exceptions. These exceptions are: (a) annuities are based upon a straight two percent of high-three average salary for each year of service, not exceeding 35; (b) under stipulated conditions a participant may, with the consent of the Director, retire or at his direction be retired at age 50 with 20 years of service, or a participant with 25 years of service may be retired by the Director regardless of age; and (c) retirement is mandatory at age 65 for personnel in grade GS-18 or above and at age 60 for personnel in grades GS-17 and below, except that the Director may in the public interest extend service up to 5 years.

In order to provide for the continuing solvency of the CIARDS Fund, financing legislation comparable to that previously enacted (or proposed) for the Foreign Service Retirement and Disability Fund was proposed by the Agency in early 1976 and was enacted as Public Law 94-522 (October 17, 1976).

### *Committee Recommendation*

The Committee recommends appropriation of the full amount requested for the CIA Retirement and Disability Fund for fiscal year 1978.

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