

NRO HEADQUARTERS PROJECT

HEARING
BEFORE THE
SELECT COMMITTEE ON INTELLIGENCE
OF THE
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

NRO HEADQUARTERS PROJECT

WEDNESDAY, AUGUST 10, 1994

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HEARING ON NRO HEADQUARTERS PROJECT

WEDNESDAY, AUGUST 10, 1994

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The Select Committee met, pursuant to notice, at 12:50 p.m., in room SD-106, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman of the committee) presiding.

Present: Senators DeConcini, Metzenbaum, Kerrey of Nebraska, Bryan, Graham of Florida, Baucus, Warner, and D'Amato.

Also present: Norman Bradley, Staff Director; Judy Ansley, Minority Staff Director; Britt Snider, Chief Counsel; Kathleen McGhee, Chief Clerk; and Tim Carlsgaard, Grayson Winterling, Charlie Battaglia, Cliff Blaskowsky, Al Cumming, Pete Dorn, Melvin Dubea, Art Grant, Pat Hanback, Mike Hathaway, Judy Hodgson, Sarah Holmes, Edward Levine, Karen Lydon, Chris Mellon, Don Mitchell, Joan Piermarini, Vera Redding, Gary Reese, Randy Schieber, Chris Straub, Mary Sturtevant, Tawanda Sullivan, Tracey Summers, Eric Thoemmes, Jim Van Cook, Chip Walgren, Fred Ward, Jim Wolfe, Sheryl Wood and Jonathan Zittrain, Staff Members.

Chairman DECONCINI. The Senate Select Committee on Intelligence will come to order.

I thank our witnesses for waiting, Director Woolsey and Secretary Deutch. I'm sorry, we had eight consecutive votes, and it was a little bit over my rank to ask them to put them off.

The Senate Intelligence Committee meets in open session today to discuss the process utilized by the National Reconnaissance Office, known as the NRO, to secure funding and approval from this Committee to build a million square feet—a million square foot headquarter facility in northern Virginia. The price tag of this headquarter complex is about \$350 million. And the minimal—and I emphasize minimal—notification to this Committee by the NRO has outraged this Member.

Some will argue that this facility should have remained classified, and some did advocate that it be contained—remain classified for 18 months, and that it only be discussed in a closed session. I strongly disagree. I have advocated more openness by this Committee and by the Intelligence Community—and we have been able to do that. A special thanks goes to the Vice Chairman, Senator Warner, for his support in this effort. This Committee has held more open hearings in the past 18 months than the total number held in the previous 16 years. The American taxpayer deserves to know why one relatively small federal agency requires a \$350 million

headquarters building. Also, we would not be in open session today if it were not for the unprecedented manner in which President Clinton personally had this facility declassified. When I brought this to the President's attention more than a week ago, he said he would order a full accounting of this, and that he would look at the declassification himself. I commend the President for his efforts in expediting the declassification.

I want to make the point right up front today that the issue raised by this Committee in regards to the NRO facility relate only to what this Committee received or did not receive from the NRO. It was our audit team, at the direction of the Chairman and the Vice Chairman, that investigated this program. We are not speaking for any other Committee that has oversight or funding responsibility for the NRO. I do not know what those Committees were told by the NRO, or what documentation they were provided.

Last year, the Vice Chairman and I told our staff that we wanted to do a complete survey of Intelligence Community facilities. Frankly, I had no idea of the magnitude or the complexity of the Community's infrastructure. From an oversight perspective, I felt it was imperative that the Committee have a total inventory in this area of facilities and infrastructure. Because of other audit responsibilities, the staff was not able to begin its work until early November. After completing a very useful audit of all Community facilities and training, the staff was able to focus its total attention on the NRO headquarters complex starting in late April.

As most of you are aware, the very existence of the NRO was classified as secret until 1992. The agency is in the satellite business, and they are the best in the world at what they do—hands down. No one can contradict it, and I applaud them for that expertise. No one can argue the point of how well this agency performs its official mission.

In regard to the extent of the NRO's notification of this Committee about the headquarters facility, I want to start with what Committee Members were told by the former director of the NRO, Marty Faga. Mr. Faga was the NRO Director between 1989 and 1993. A staff search of every hearing transcript in which Mr. Faga appeared before Committee Members revealed that Mr. Faga said absolutely nothing of this \$350 million complex. These were closed hearing sessions. He never even raised the issue. Now Mr. Faga is claiming, in the media, that this issue was discussed in detail with our Committee. I'm sure the new NRO director will do a much better job of keeping the Committee informed.

The Committee does not deny that it was notified by the NRO of its intent to consolidate and build a new facility in northern Virginia. In fact, this Committee fully supported the NRO consolidation. What the Committee takes issue with is the manner and degree in which we were notified, or given an opportunity to review and approve the total scope, including projected costs of the total project—consistent with what any Oversight Committee would expect for a project of this size and cost.

Our audit team found several instances where the NRO provided the Committee with pieces of information on the project; however, most of these were inconsistent or incomplete. These submissions include at least one question for the record which we had submit-

ted to the NRO, and on which they came back with an answer. One might notify a Committee in question, for the record about a decision to buy a car or maybe a helicopter, but certainly not information about providing funding for a multi-million dollar building—one would not announce such an activity when answering a question for the record.

For example, in November, 1992, the NRO was asked to brief our staff on a proposed \$22 million relocation of funds—reallocation of funds to the new facility. Our staff was, for the first time, provided details about the four-tower, one million square foot facility. Now, that was in November of 1992. In the baseline, the staff was given a chart that said the cost of the project was \$175 per square foot. The NRO told our staff that this cost covered everything except taxes, utilities, furniture and office supplies. The NRO did not provide a total cost for the building to the staff at that briefing. However, when you multiply the \$175 per square foot by the 1.06 million square feet of the facility, as our staff has done, you come up with a total of \$186 million.

Let me provide another example. This is one that taxpayers should enjoy, and which I hope can be duplicated elsewhere in the government. The NRO provided our audit team, in May or June, with different charts about this project. One of these charts clearly show the total budget of the NRO complex at \$347 million. This was supplied to us by the NRO at the request of our audit staff. As of last week, we had not been told this price tag had changed. Nevertheless, on Monday, when the facility was declassified, the project price tag was now \$310 million, a savings of \$37 million. I look forward to hearing how the NRO came up with the savings, and whether they might be able to find another \$50 million or so in additional savings.

Where do we go from here? I look forward to the testimony today of the distinguished Deputy Secretary of Defense John Deutch. The Committee greatly appreciates Secretary Deutch's time and effort on this issue. The Secretary has been asked by President Clinton to review the NRO facility and report back to Congress on what steps can be taken to better utilize this facility and, if possible, to save on additional construction costs. Also testifying is the Director, James Woolsey, of the Central Intelligence Agency, who oversees the NRO. Mr. Woolsey is working with the Secretary Deutch on this review.

We also plan to hear from several senior officials of the NRO who have been directly involved in this project.

Finally, the oversight relationship between the Congress and the Executive branch is not a one-way street. For it to be successful, it requires complete cooperation and coordination between the two. This Committee came up short on its oversight responsibility in regard to the NRO headquarters. It is clear we should have asked more questions. No excuses. We will do a better job in the future. I expect that the Intelligence Community will do the same, as well.

I now yield to the Vice Chairman.

Vice Chairman WARNER. Thank you, Mr. Chairman. You and I have worked together on this problem as we have many others during our tenure here as the Chairman and Vice Chairman respectively. But in this instance, I draw on a long, personal experience

with respect to the Intelligence Community. I draw on that experience to determine where our Committee is today, and what remains to be done by this Committee and the Congress.

Twenty-five years ago, as Under Secretary of the Navy, I first started my public service responsibilities of overseeing intelligence functions. Throughout my five years plus in the Department of the Navy, I was specifically tasked to operate the Department of the Navy's programs which are now part of the NRO. NRO, let it be no mistake, NRO is essential to our national security. To the extent the United States is a superpower today, that is largely made possible by NRO. But the question before the Congress, among others, and the question before the Executive branch, is whether the plans for consolidation and expansion of NRO, specifically in this facility, as conceived in the Cold War era, were properly reviewed in the aftermath of that era of the demise of the Soviet Union and the Warsaw Pact.

Given that the DOD budget, which contains the overall intelligence budget, has gone down roughly between 15 and 25 percent in various areas over the past five years, to what extent was the NRO scaled back. Or conversely, given that intelligence is viewed as a force multiplier of our defense forces, is there justification for what appears to be level funding, or indeed some increased measure of funding. We have a public responsibility to answer those questions.

Now, how did this controversy that we're gathered here today start? On July 26th, I went in to the Intelligence Committee hearing room where, at that time, I was the sole Senator, and initiated a staff briefing available to all Members. And after about 30 minutes or so my recollection, Mr. Chairman, is that you joined. But in the 30 minutes before you arrived, I quickly saw the magnitude of the problem, as I envisioned it against my own background, and directed the staff to prepare a draft letter to be submitted to the Chairman for his revision and then to send it out. And Chairman DeConcini agreed with me that we should promptly send out that letter, and it was dated July 29th. Later, on August 4th, we decided to have a formal hearing and seek declassification of as much material as we could. And the Chairman and I joined in a letter to that effect and sent it to you.

Next, the Chairman and I made a field trip to the NRO construction site. And later that day, somewhat to my surprise, the Chairman informed that it was necessary that we participate in a press conference as the White House, DOD and others had made a decision, and I now learned really for the first time that the President may have been a part of that decision, that public disclosure would be made Monday afternoon. And accordingly press releases were issued by—a joint one by the two witnesses before us today. And then thereafter we had our press conference.

Frankly, Mr. Chairman, as I think I've said to you, it had been my intention, and perhaps other Committee Members shared it, at least we would have had an opportunity as a Committee to gain a better understanding of the Executive branch perspective to our inquiry of July 29th before public disclosure. And had that taken place, in my judgment, we would have lessened, to some extent, a

measure of confusion that now exists, regrettably in the public domain. But anyway, that's behind us.

Now, the NRO facility, which we toured Monday morning is truly a massive installation. It's a series of four modern towers comprising roughly a million square feet. I called the Pentagon Monday afternoon before our press conference and got a quick estimate of the what is known as five million square feet that is presently utilized by DOD in the Pentagon. And it was against my own background, the knowledge of NRO many years ago, that I made the statement which I stand by, you've got to see it to believe it. And I saw it and I still can't believe it. Recalling what I remember about the NRO naval facilities, and I worked with Secretary McLucas many years ago who was then in charge of the Air Force part of it, and had some idea of the magnitude. And indeed, I participated in the decision making to bring this thing here to Washington, to consolidate it, and candidly, had a hand in getting it to Virginia, because other states were quite competitive to get this facility. And I think the right decisions were made on consolidation, and certainly the right decision was made on location.

Now, I'm concerned the facility, which was conceived again during the Cold War, could now be disproportionate to the needs of the NRO. And I've been unable to find any information which indicates that what I call a scrub, in Pentagon terminology, a real hard scrub was made on this in the aftermath of the series of events with the Soviet Union, the Warsaw Pact, et al. To the contrary, at every step along the way, Mr. Chairman, you and I have found that expansion was done to this project. For example, in the summer of 1992, long after the dissolution of the Soviet Union and the collapse of the Warsaw Pact, the NRO decided to expand this project from three to four towers.

I am also concerned about the basic issue of fairness to other government employees. I'm privileged to represent as many as any other person in the United States Senate. And I'm talking not only about those that are engaged in defense and intelligence work, but all others throughout this system. And through the careful guardianship of the MILCON procedures, or the GSA procedures, we try and reach some equitable distribution of space and amenities among the very large number of employees in this area.

Now, I am concerned about the single occupancy design, which I candidly learned of for the first time here in the last few days, for much of this facility. And why should that be the case in NRO when it's not the case in many instances in the Department of Defense. There persons are frankly cramped and lived in very—or operate and work in aged facilities. And here in our own U.S. Senate and indeed the House, similar cramped facilities for persons performing the review of NRO projects. So we should look at whether or not there should be any distinction. Why should these people be treated differently within the government sector. And these are some of the issues we've got to explore in greater detail.

Now, Mr. Chairman, I would like to have this opportunity to correct what I believe is a misperception, certainly as far as—I'm speaking for myself. It has been reported that the Congress knew nothing about the construction project—that's some reports—that the CIA built the facility without informing the Congress. In fair-

ness, that's simply not true. We knew that the NRO building was being built, and I certainly knew and I think others, that it was in Northern Virginia. But our complaint, I say to our two witnesses, is that we, certainly speaking for the Senate Intelligence Committee, we were not adequately informed about the scope or the cost of the facility.

I took care yesterday to go back down into our spaces and review the budget submissions for '90, '91, '92, '93, '94 and of course this year. Now in fairness to the Executive branch, this raises the legitimate question of whether our Committee, and perhaps other Committees, were not as forceful as we should be in seeking from primarily NRO, and secondarily the CIA and the Department of Defense, the details we felt that were necessary. We as the Congress had the ultimate leverage to cut off your funding if our institutional needs had not been met. And that option was, I suppose, available to us in each of those fiscal years. So we have a measure, Mr. Chairman, of self examination to perform ourselves. I add that as a question.

Let us look at a specific example. The fiscal year '91 Intelligence Authorization Act Conference Report stated that NRO's "land and facility acquisition will remain subject to the prior approval of the appropriate Congressional Committees." This did not happen with regard to this facility. The NRO did not seek specific, underline, specific prior Congressional approval for the Westfields project. Instead, the funding for the facility was buried in the, quote, "base," end quote, portion of the budget, an unspecified aggregate of various O&M costs. This base funding for the Westfield's project continued despite specific Congressional direction at the staff level to the NRO in the FY94 Intelligence Authorization Act Conference Report which stated, quote, "the conferees also explicitly stipulate that each individual program must provide complete details for the entire request, not simply any changes from the base level provided in the prior fiscal year," end quote. Now that we wrote in and indeed that was the language in the Senate report, and therefore reflects the action, not just by staff, but by Members of the Senate.

And despite this requirement, the '95 budget request for the new NRO facility was once again buried in the base budget. And following this, and our staff acted quite properly and I commend them, to initiate our audit and then subsequently to initiate bringing it to the attention of the membership of this Committee. And we had those briefings available throughout last week.

The NRO decided to bypass both GSA regulations and military construction procedures for the construction of their headquarters facility, opting instead to operate under the DCI's, quote, "special authorities," end quote. I raise a question: did we, as a Committee, sanction this approach? If so, were there conditions for this sanction? And what were those conditions and were they followed?

So, Mr. Chairman, does the Congress share a measure of the responsibility for this problem? That remains to be seen. Could we have been more diligent in following up on our demands for more detailed and complete information at an earlier stage? Perhaps, but we should not have to be categorized as investigators. You gentlemen both oversee staff many, many, many times the size of what we have in here in the Senate. We often have to do spot checks.

We simply do not have, nor should we have, the institutional infrastructure in the Congress to go over every single item in the detail that is necessary. That detail must be forthcoming from the Executive branch. It is incumbent upon the Executive branch to be forthcoming in providing those budget details. We do not have, as I said, the resources to conduct in-depth investigations on every item in the budget.

Fortunately, this project, however, is at a stage where decisions can now be made to invoke savings, achieve greater efficiency, and maximize utilization of the prime space by additional defense or intelligence related activities. And if you're not prepared today, I hope at a subsequent time you are prepared to make such recommendations to this Committee and the Congress as a whole.

Thank you, Mr. Chairman.

Chairman DECONCINI. Thank you.

I'm going to yield to the Senator from Nebraska. He has taken a leadership role in this issue. However, he also has to go and preside. I want to thank Senator Kerrey for putting in the time with the audit staff and the rest of the staff in bringing this to some conclusion and pressing for its declassification.

Senator Kerrey, thank you very much, and I yield to you for your opening statement.

Senator KERREY of Nebraska. Thank you, Mr. Chairman.

First of all, I want to say that I appreciate very much, Mr. Woolsey, your courage and forthrightness in this, and that of Dr. Deutch, on behalf of the Administration, as well. We're holding this hearing in the open as a consequence of your decision. We knew at the time and you knew at the time, there was going to be risk in making that decision, that it could have been delayed, it could have been put off, but you didn't delay and put it off. You did it in an expeditious fashion. I'm quite certain there'll at least be some who want to pillory you for doing the right thing. My hope is that will not distract us from the important work of trying to decide not only what to do with this project, but also how it is that we ought to classify things for the purpose of protecting the security interests of the United States. I'm pleased we're able to have a public discussion of this project, and we're doing that thanks to declassification of the project by the Administration and our witnesses. We asked them to do it, Mr. Chairman, but they didn't have to. The Administration could have kept this classified for years more, and we would be having this discussion in secret, and the public would be none the wiser about how their money is being spent.

The headquarters complex is probably too grandiose to be concealed very long from our enemies, but the American people could have been kept in the dark. This declassification was a courageous and wise decision, and I applaud it. We all understand this country has precious secrets that must be protected in the interests of national security. Americans should know those secrets are safer today because our witnesses were bold enough to declassify this particular rather embarrassing secret. The public gets cynical about classification and may think a lot of classified material is stamped secret not because of true security concerns, but because it would cause controversy here at home.

The Administration's prompt action in this case provides evidence to the contrary. We do not hide our problems and our mistakes behind classifications. We tell the truth. No question, Mr. Chairman, mistakes were made. Let me stress that the key decisions on this project were made long before our lead witnesses came to their current positions, but I expect that if they could relive the history of this project, they would make it smaller and cheaper and they would tell Congress about it more plainly. Just as true, if we Senators could repeat our oversight of the project, we would probe more deeply, demand more data, and withhold funds until we got it. Neither of us is perfect, but one thing should be clear: We will tell the public the truth about this project.

Now the question ought to be, where do we go from here? I look forward to hearing how the remaining work on the complex will be done more cheaply and what other ways can be found for the taxpayers to get maximum benefit for their investment in this complex. But most importantly to me, Mr. Chairman, I hope this discussion leads into the very important and extremely relevant question about how we're going to do all of our classification effort in this new world.

Again, I appreciate, Mr. Woolsey, you and Dr. Deutch and President Clinton's decision to take this action. It has uncovered a project that produces embarrassment, but, as I said in my statement, I believe the security interests of the United States of America are safer as a consequence of this decision and I appreciate your making it.

Chairman DECONCINI. Thank you, Senator Kerrey.

I now yield to Senator Metzenbaum, the Senator from Ohio. Senator Metzenbaum was one of the Members who, quite frankly, I think, had a lot to do with the declassification. He can speak for himself, but I know he contacted the National Security Adviser, the Vice President and others in the Administration, and pushed for declassification. I thank him for that effort.

Senator Metzenbaum.

Senator METZENBAUM. Well, Mr. Chairman, I appreciate your leadership and the leadership of Senator Warner, Senator Kerrey. I think all of us were pressing for declassification with respect to this issue, and I certainly am grateful to the President for taking bold steps to declassify the information concerning this matter.

Now, I don't disagree with my friend Bob Kerrey too often, but when he says that—to the Director of the CIA—that he appreciates your courage and forthrightness, yes, that's great, in the last few days, but I have to say, where were you, Mr. Woolsey, for the last 18 months? We should have and could have been told about what was going on at this facility and the numbers of dollars that were being spent, but I—you and I discussed on previous occasions, you have some strong feelings that anything having to do with intelligence can't be shared with the American people, and you personally have lobbied very hard and worked very hard, to keep the American people from knowing the total amount of dollars that we spent on intelligence. You and I have been at odds on that subject, and we're at odds on this point. I think you have not been as forthcoming as you could have been and you should have been.

Now, two days ago, we held a press conference at which I said this project is a good example of what happens when a government does business in the dark. I think we need to understand how the culture of secrecy eats away at people's common sense and warps even the most sensible efforts.

This case is not something out of the Church Committee hearings. It involves no covert actions, no drug experience—experiments, no black-bag jobs. We're talking about what should have been a simple project to build a new headquarters for a perfectly respectable office with the support of Congress.

But the National Reconnaissance Office, or NRO, was a secret agency back then. We in this Committee were not allowed to say the NRO's name or even the initials, even though the press knew about it and wrote about it. We play the most stupid games in the intelligence area of probably any governmental agency around. We can't talk about the amount of money spent. Newspapers and TV can talk about it. Nobody argues whether they're accurate or inaccurate. But we can't talk about it. We can't say anything publicly about it.

Not only was the NRO secret, so were the activities in which it engaged. And, as The Washington Post reported this morning, there's no question the NRO has a record of wonderful achievements. Nobody's taking issue with the achievements of that agency. From spy planes to spy satellites, the United States has led the world for nearly half a century.

Part of that leadership has been based on flexibility in contracting that allowed the NRO to give companies a good profit on expensive programs that would produce only a few items, instead of the high-volume contracts that the military could offer. And part of that leadership was based on secrecy, which enabled us to keep other countries from easily counting our technical intelligence systems.

But these benefits did not come without significant costs. One cost was a cozy relationship between the NRO and a small group of major contractors. At times, the relationship has been abused. Some programs have had truly horrendous cost overruns and have taken far too many years. And my guess is that many of the cost overruns and many of the expenditures are totally unknown to any Member of this Congress. Even that was a secret from the Members of the Congress, and certainly from the American people.

Another cost has been the culture of secrecy, a belief that the best way the NRO could serve the country was to minimize all outside interference. That belief was rooted in the NRO's successes, but it also reflects an arrogance and a close-mindedness that is, frankly, detrimental to the national security. What kind of games were played at the NRO that built it under a different name, have tremendously high fences? Who decided that, and why was it decided?

The NRO continues to build wonderful satellites, but it's also had a record of resistance to truly innovative ideas. It will study them to death while putting the money into marginal improvements to existing systems. It buys more satellites than it needs, partly to save on unit costs and partly to keep the contractors in business,

with an unintended result that new systems cannot be brought on line until the old ones in storage or on contract are finally used.

We cannot discuss in this open hearing the classified systems that the NRO builds, but a plain vanilla office building, even if it has an eight-foot-high fence around it, need not be kept secret. And I'm delighted, as I previously stated, that President Clinton supported our request to declassify the project.

Now, what exactly happened on this project? This was something that was undertaken in response to Congressional prodding. We wanted NRO consolidation for the sake of greater effectiveness, efficiency, and cost savings. We knew that this would mean putting up a new building. We even approved the purchase of the land and knew about the basic design, with the option to build up to six office towers.

But the NRO treated its new headquarters project the same way it treats many a technical program. It took a father-knows-best attitude and gave Committees of Congress only the simplest information, and, in some instance, no information. If we really wanted more information, it was up to us to ask the right questions.

The NRO determined that they would build a headquarters without a big budget increase. Their budget is so large already that they could scrimp here and there and come up with the \$300 million. So they never made the headquarters a separate project in their budget submission.

As a result, we were never invited, through the intelligence budget process, to consider the overall price and size of this construction project. That does not mean we were prevented from doing so, but the NRO certainly did not go out of its way to make sure—make such consideration easy.

Indeed, I'm told that the NRO itself never budgeted separately for their headquarters. So this year, when our audit team asked them for the cost profile for the project, the NRO had a hard time even putting that figure together. They had never even told themselves how much they were spending.

Now, I have no doubt that we would have approved the NRO headquarters as a separate project in the budget, but I'm also sure that we would never have approved it in the form that we see today.

We would never have let the NRO build a facility to house hundreds more people than they employ, in addition to a thousand contractors. By the time they began construction, the Cold War was ending, intelligence and defense personnel levels were both going down, not up.

And by the time construction began, we knew that the rampant defense build-up of the 1980s was close to bankrupting the country. We knew that we could not afford, and the American people would not tolerate a lavish, corporate-style headquarters, where nearly everybody has a private office.

But we were not given all the facts, certainly not in a form that would readily permit us to judge the wisdom of the NRO's decision. So now the NRO is building a headquarters that far exceeds the needs in a style that is far too lavish on a site that is zoned to permit enough office space to house two NROs and big enough for a few more. It's silly, it's wasteful, and it need not have happened.

One lesson is that we on the Intelligence Committee must make such that future construction projects are presented to us for formal decision, with full information. I am sure that we will do that, and I'm sure the Executive branch will go along with that. It is a shame and a scandal that we still have to ask the right questions in order to get the right answers or the full answers, but that's the way it is.

But we should also find out how much money NRO's contractors will save as a result of being able to house hundreds of their people in this government building. As far as I can tell, those contractors won't be paying rent to the NRO, but they must be renting now or they must have built space now that they will no longer need. And these expenses get added to the bill that the government pays. That money that they're charging the government now on those contracts, is U.S. taxpayers' money, and the U.S. government should take steps to recover it. We shouldn't be expected to pay twice for housing the independent contractors.

Our staff asked the right question years ago, but we never got a good answer. The NRO just said, we don't know how much they'll save or how to get it back. This time we should demand a better answer.

We also need to make sure that the American people who are paying for this building get full value for their money. I think that another agency or a paying contractor could use one of the NRO's four office towers and save the government money. And I think that another agency or a paying contractor should build on some of the unused land on that site, saving the government still more money.

Finally, we need to root out the obsession with secrecy that treats legitimate overseers within the government as enemies rather than partners. No agency has a monopoly on good ideas, and neither does any particular official.

We need to ask ourselves whether the NRO headquarters problem was just a little problem that can be fixed with a few new rules, or whether it is symptomatic of an unwillingness to break with Cold War habits. I think it is the latter, and I worry over the fact that no officials of this Administration or previous Administrations came to us to correct the problem. Rather, we had to go to them.

And how surprised should we be by the NRO baring information about a building when the DCI won't even agree to tell the American people the full cost of U.S. intelligence programs? I know that Director Woolsey is working to declassify some NRO imagery and to lower the classification of more of it. But he also resists true reform of the Executive Order on classification. He talks about the need to break with the past, but he sends mixed signals to those beneath him. Why haven't we been told the facts about the NRO in the almost two years that the Director has been in office? The Director has been zealous in his political efforts to keep the people from learning how much is being spent on intelligence activities in this country. I only wish that he had been as zealous in sharing with this Committee the information concerning the expenditures at the NRO. I think we need clear signals. And if we can't get them from Director Woolsey, I'm sure that we will from his successor.

You, Mr. Deutch, I want to express my appreciation. I've worked with you previously. I'm looking forward to your joint leadership of this inquiry that's about to be undertaken and I look forward to working with you.

Chairman DECONCINI. Thank you, Senator Metzenbaum. Senator Bryan, thank you for your participation in this. I know you're working on a possible amendment to the Defense Authorization Bill. I yield to you for your statement.

Senator BRYAN. Thank you very much, Mr. Chairman. Let me preface my comment by acknowledging that this agency does an extraordinarily effective job in terms of its national defense mission. So my comments are not directed to its effectiveness in performing its national defense role. When I read about this in the paper earlier this week, I was shocked—310 million to 350 million. I don't think it can be underestimated the extent or magnitude of the damage done to the Intelligence Community in terms of its credibility with the Congress and the American people. This episode has reverberations that are far broader than just this particular building and this particular project.

As you all know, I'm a new Member to this Committee, and so the first thing I did yesterday was to call for a briefing from staff. And after reviewing all of the record that we have on this issue, I reached the same conclusion as our distinguished Ranking Member. At no point can I find that this project was presented as a separate, discreet item seeking the prior authorization and approval of this Committee.

Rather, what the record reflects, as I reviewed it, is that individual information was piecemeal, oftentimes after the fact, and in one particular instance, a response to a question that had been asked by someone, but not as part of the Committee hearing itself.

Neither the GSA nor the military construction procedures were followed. I must say that it was almost an inescapable conclusion on my own part that the way in which this information was provided was as if the covert art was being practiced on this Committee.

There are several conclusions that I reached. Let me just share a couple of them very briefly. One is that clearly the budget process has failed. No baseline budgeting concept should be permitted where a project of this magnitude is included in the baseline. By no definition of any accounting practice that is acceptable or tolerable in the world should that be allowed to occur. This Committee, long before I arrived here, should have received notice that there was a specific project that was needed because, as I gathered from the record, the committee did express support for the concept of collocating facilities that the NRO had around the country.

Secondly, I would hope that all financial data, as it relates to this project, can be declassified. As of the briefing that I had yesterday afternoon, I do not know how much I can say at a public hearing. I was briefed, and I am of the opinion that it is still possible to save literally tens of millions of dollars which have not yet been contractually obligated. Working with the Chairman of this Committee, I'm attempting to craft an amendment that may be added that will prevent or freeze the expenditure of that money—I am taking about monies that have not been contractually

allocoated—until this Committee can have an opportunity to review those expenditures to see if, indeed, we concur.

And finally, let me just say, Mr. Chairman and Senator Warner, this has been, I think, an unhappy experience for all of us. It clearly indicates that we need to have better communication in terms of these kinds of projects if we are to be working partners with the Intelligence Community in protecting the national defense.

I thank the Chair and I yield.

Chairman DECONCINI. Thank you very much. Thank you, witnesses. If you'd please rise and raise your right hand.

Do you swear the testimony you're about to give the Committee is the truth, the whole truth, and nothing but the truth, so help you God?

Deputy Secretary DEUTCH. I do.

Director WOOLSEY. I do.

Chairman DECONCINI. Mr. Deutch, you may begin; then we'll follow with Mr. Woolsey.

SWORN TESTIMONY OF JOHN M. DEUTCH, DEPUTY SECRETARY OF DEFENSE

Deputy Secretary DEUTCH. Mr. Chairman, thank you very much. We have one joint—

Chairman DECONCINI. Okay.

Deputy Secretary DEUTCH [continuing]. Piece of testimony that Jim Woolsey, with your permission, sir, will address. Perhaps I might just make a few comments to begin, if that's satisfactory with you.

Chairman DECONCINI. That's fine. Please Proceed.

Deputy Secretary DEUTCH. The first comment is that we have to recall, all of us, that the origins of this project go back to 1989. Clearly there's a long history there that began before Jim Woolsey, myself or the current Director of the NRO was in office. Indeed, many Members of this Committee were not present as well. And I, therefore, Mr. Chairman, think that this Committee is absolutely right, absolutely right, to want to understand what happened here in a clear and direct fashion.

The second point I want to make is that President Clinton, as has been noted here, has been clear that he wants to have the Executive branch undertake its own review. And he has asked Director Woolsey and myself to put together that review for the consideration of the Executive branch and, of course, for this and the other involved Congressional Committees. Jim Woolsey and I have agreed that I will be responsible for undertaking that review. I have asked Assistant Secretary of the Navy Nora Slatkin, and the Deputy General Counsel of CIA, John Byerly, to be the leaders of that inquiry. They will be asked to put together from the Executive branch perspective, a full inquiry of the facts and make some concrete recommendations for the future.

The third point that I want to make, Mr. Chairman, is that Bill Perry, Jim Woolsey and I are as dedicated as everyone on this Committee clearly is to the efficient management of taxpayer resources to pursue the intelligence needs this nation requires. Therefore, I want to pledge to you, Senator DeConcini, to you, Senator Warner, and other Members of this Committee, that the re-

view we will be undertaking will be forthright and it will be constructive. It will involve addressing many of the issues that you have specifically raised. Why wasn't there a specific project authorization with specific project cost? Secondly, why was this project funded incrementally within the base rather than by other financial procedures? It will also inquire about the use of CIA contracting authority rather than more conventional GSA and MILCON procedures that we are familiar with for dealing with military projects.

My point is that our inquiry will address, as I know this Committee is interested in, specific attention to the details of what happened in this case and to assure that we can go forward with assurance that we have our joint interest in efficient management of the Intelligence Community and taxpayer resources fully in the front of our minds. And we will be back to you as soon as we can.

Thank you very much, Mr. Chairman.

Chairman DECONCINI. Thank you, Mr. Secretary.

Director Woolsey?

SWORN TESTIMONY OF R. JAMES WOOLSEY, DIRECTOR OF CENTRAL INTELLIGENCE

Director WOOLSEY. Thank you, Mr. Chairman.

Mr. Deutch covered most of the points that are in our prepared statement, so I will simply submit that for the record with the Committee's permission. And he and I stand ready for your questions.

Chairman DECONCINI. Very good. Thank You.

[The prepared joint testimony of Mr. Deutch and Mr. Woolsey follows:]

THE NRO HEADQUARTERS BUILDING—R. JAMES WOOLSEY AND JOHN M. DEUTCH

Mr. Chairman and Members of the Committee, we are pleased to appear here today to discuss the new National Reconnaissance Office (NRO) building. This Committee is absolutely right to want to understand this, both as to the specifics of the project and as to its implications for procedures in the future. That's why the President has declassified this project.

This project is funded as part of the National Foreign Intelligence Program (NFIP). Both the Intelligence Community and the Defense Department have the strongest interest in ensuring that every NFIP project meets an important intelligence need in a cost-effective manner. We also want to ensure that the Intelligence Oversight Committees of the Congress understand fully the purpose and content of NFIP projects and have given the projects their approval. Only in this way, can we move forward together to ensure that the country has the intelligence it needs.

We want to be sure that this mutual understanding exists for the NRO headquarters building under discussion here today. This Committee in its letter of August 4, 1994 to us, indicates its intent "to review the process utilized by the NRO to notify Congress, secure the necessary funding, and initiate construction of its new complex in Chantilly, Virginia." We wish to cooperate, in every way possible, with this Congressional review.

We would like to summarize briefly the actions that have been taken to date to ensure this project deserves the confidence of this Committee.

First, the Committee suggested, we have declassified the essential facts about this project; its location, size, cost and purpose.

Second, to make sure we have all the facts, we have formed a group to review (1) the history of this project, (2) how Congress was notified about the project scope and the required funding during the course of the funding, and (3) to provide recommendations on how the project can be completed in as cost effective a manner as possible, including use of excess space for related military space activities.

We have asked Assistant Secretary of the Navy, Nora Slatkin, and Principal Deputy CIA General Counsel, John Byerly, jointly to lead this effort. We expect this review to be completed within a few weeks. The results will be reported to the relevant Congressional Committees.

The declassification of this project shows this Administration—including both of us and Jeff Harris, the new Director of the NRO—has no interest in avoiding discussion of this project. At the same time, we do not wish to pre-judge the results of this Committee's review and our independent review. We wish to examine fully the history of this project and put into place, if required, procedures to ensure better communication with Congress and sound project execution.

The Committee letter requests that we address "the issue of whether or not the Intelligence Community should retain the special [contracting] authority which is being utilized to construct this facility." We can speak unequivocally on this point. The reason for CIA to have special contracting authority is to permit the Intelligence Community to undertake needed intelligence projects as rapidly as possible while maintaining necessary security. The special contracting authority should *not* interfere with full disclosure of the Congressional Intelligence Oversight Committees. The record shows that the special CIA contracting authority has permitted the NRO and the Intelligence Community to pursue many vital intelligence projects in a timely, cost-effective, and secure manner.

At a time when resources are at a premium, it is essential for the Intelligence Community and DoD to manage every acquisition project as economically as possible. We are committed to the goal and we shall see that the NRO headquarters building project meets this standard.

Chairman DECONCINI. Mr. Deutch, again, I want to thank you for waiting. I know you have other things to do, and we'll try not to take too long.

Mr. Deutch, typically government construction projects are done by using the General Services Administration or military construction support. There is some precedence for this, I understand, in the CIA, at least for the recent addition to the present building. This ensures that the project is held to certain standards, not the least of which is cost containment. Construction of the Westfield project, the NRO project before us today, however, was authorized by Congress in 1991 for direct contracting, using neither military construction nor the General Services Administration. Justification for avoiding such support was to protect the NRO's identity, I believe, or I guess, which was still classified at the time.

Now that the NRO has joined the other intelligence related agencies as a publicly acknowledged organization, do you see any circumstances in which a construction project of this size or any continuation of such project of this size should again be done without using the GSA or the military construction Committees?

Deputy Secretary DEUTCH. Mr. Chairman, you are asking me a bit to anticipate the conclusions of our inquiry. But I would say to you that in this instance, for the construction of the headquarters building of an organization whose public character is acknowledged, which was not the case when this project began, that the use of the specific project funding using military construction or GSA would be the preferred way to go. There might be circumstances, depending upon the content of the intelligence program, that would lead one to choose another—the CIA contracting mechanism, but I would agree that for a building of this type, GSA or MILCON would be the way to go.

Chairman DECONCINI. Are you familiar at all with the contractors that are supposed to be housed in this building? Do you know yet what the arrangements are for the contractors?

Deputy Secretary DEUTCH. I'm familiar with the names of the contracting companies. I am not familiar with the specifics of their housing in the building, sir.

Chairman DECONCINI. You don't know whether or not they pay rent?

Deputy Secretary DEUTCH. I'm sure that whatever—I will get back for an answer to the record, but I'm sure that whatever costs that are borne by the government in providing them with their office space will be offset against their costs elsewhere, sir.

Chairman DECONCINI. Are you aware that there seems to be a tradition when presenting the intelligence budgets to Congress to have much of it be simply expressed as a base? That appears to be how this project was presented, as part of a larger aggregate that is implied to be made up of, quote, "nothing unusual," within the necessary operations accounts. Do you think that the process of placing much of the budget into a single base amount should be replaced by more specific line-by-line accounting?

Deputy Secretary DEUTCH. Whenever there's an identifiable project, Mr. Chairman, I think it should be separately identified in a budget account and defended in front of this and other Committees straightforwardly. Regardless of its intelligence character, I think it should be separately identified and—

Chairman DECONCINI. Certainly that would be applicable with this kind of project.

Deputy Secretary DEUTCH. Yes, sir.

Chairman DECONCINI. Thank you.

Mr. Woolsey, Section 104 of the National Security Act charges the Director of Central Intelligence with responsibility to provide guidance to elements of the Intelligence Community for the preparation of their annual budgets and to approve such budgets before their incorporation in the National Foreign Intelligence Program.

What guidance have you provided to the Intelligence Community regarding preparation of their budgets?

Director WOOLSEY. Well, the Deputy Secretary of Defense and I, both last year and this year, signed off on programmatic guidance following last year a series of a substantial number of meetings between Dr. Perry and me. Dr. Deutch and I have used subordinates for part of that this year. But in mid-year, before this time in the fiscal year, we sign off on rather detailed programmatic guidance, but with respect to such things as the budget format that is used in the budget justification books, whether a project goes into the category of a new initiative, or an ongoing initiative, or baseline, which are the three main categories, we leave that responsibility up to the director of the individual agency.

You mentioned in your question, Mr. Chairman, that the addition to the CIA headquarters back in the 1980s was done as an individually, separately identified project, although it was in the classified budget. That's entirely correct. And the same has been true of new construction out at the National Security Agency at Fort Meade. And Mr. Deutch was quite correct in saying that the NRO has been treated differently, particularly during the time that its existence was classified.

And, like Mr. Deutch, I think, with the declassification of the NRO, these types of projects, and a major construction project

should most likely be handled differently with respect to the budget displays in the future.

Chairman DECONCINI. Mr. Woolsey, is there a policy regarding what should constitute base, what is to be explicitly spelled out line by line?

Director WOOLSEY. I think that I and my predecessors have left that up to the—

Chairman DECONCINI. Director of the agency.

Director WOOLSEY [continuing]. Individual agency, as it works with the Committee staffs in question. There are four staffs involved. And they were—

Chairman DECONCINI. Do you think you may look at that again, as to the necessity to have explicitly spelled out, line by line, items in the base?

Director WOOLSEY. Well, certainly, with respect to major projects of this type. Following Ms. Slatkin's and Mr. Byerly's review, we'll take a hard look at that. And I don't want to prejudge it, but like Mr. Deutch, I think the acknowledgement of the NRO's existence, which occurred in late 1992, will and should change some aspects of the way they present their budget.

Chairman DECONCINI. I'm told that the office space at the CIA headquarters, where you are housed, amounts to about 90 to 100 square foot per person, similar to our congressional staff offices, and more than adequate to provide reasonable space for workers. Fifty percent of the offices in this facility at Westfield are planned for single occupancy, at an average of 165 square feet. Do you know why the space in the Westfield project, at it's lowest estimate, over 130 feet per person, is not ample?

Director WOOLSEY. Mr. Chairman, I know that the average as, at least, calculated by the NRO for square feet per person is 133 square feet at the new facility, until other individuals and organizations are added. And that is one thing that Mr. Deutch and I will, of course, be reviewing, following the Slatkin-Byerly review, to see whether this building can usefully have added individuals.

Chairman DECONCINI. Well, our audit—

Director WOOLSEY. And let me just, if I could?

Chairman DECONCINI. Yes.

Director WOOLSEY. Just one point.

Chairman DECONCINI. Please finish.

Director WOOLSEY. The GSA standard, as I understand it, is 125 square feet per person. So, with the addition of another couple of hundred people to the Westfields facility, that should bring it down to GSA standards. Now, with respect to occupancy going down into the 100 square foot per person range, we can certainly take a look at that. And that is, I'm sure, one thing that Mr. Byerly and Ms. Slatkin will look at carefully.

Chairman DECONCINI. Mr. Woolsey, my question really is, that our audit staff indicates that 50 percent of the offices in this facility are for single occupancy at an average of 165 square feet. Do you think that's excessive, if that's true? That's what our audit shows.

Director WOOLSEY. It may well be, if that's true. The NRO has a relatively high share of more senior military officers and civilians. And often, in the Pentagon and the CIA and other organiza-

tions, people up at the Colonel level, GS-15 level, and so forth, tend to be the—get the ones—be the ones that get individual offices. We'll take a look at all of that and see whether it's appropriately done.

Chairman DECONCINI. Let me ask you this. Let me just ask you this. If, in fact, our audit is correct—and it may not be, but I believe it to be—that 50 percent of the offices in this facility are for single occupancy at the average of 165 square feet, would you agree that that appears to be excessive?

Director WOOLSEY. Fifty percent at 165 square feet sounds a bit high to me, Mr. Chairman.

Chairman DECONCINI. Thank you.

When were you made aware of the Westfield project, Mr. Woolsey.

Director WOOLSEY. Well, I knew from relatively early in my tenure that—

Chairman DECONCINI. When was that? Do you remember?

Director WOOLSEY. I began in this job February—early February of 1993. Sometime during the preparation of the budget, I was aware, because I had been aware, the previous summer—when I had done the review of the National Reconnaissance satellite programs for Mr. Gates—that work was continuing on consolidation, and that offices had been moved from California and elsewhere. But with respect to the details of the project, I had left that management up to the National Reconnaissance Office itself.

Chairman DECONCINI. Did it strike you, at any time here, as sort of an item that you ought to be aware of and briefed many times, given your position as the CEO of the intelligence community and statutory head of the budget process?

Director WOOLSEY. Well, I am, if you want to use the analogy, Mr. Chairman, I am sort of the Chairman of the Board of the Intelligence Community, and the CEO of the CIA. And with respect to the management of the National Security Agency and the Defense Intelligence Agency and the National Reconnaissance Office, many of the details of their budget presentations and the rest are left to the heads of those agencies. I was aware that consolidation was going on and there was a building project going on. And I was aware that there were entries in the budget books generally related to this issue.

Vice Chairman WARNER. Would you yield for one inquiry? Did you personally ever go out, as a matter of curiosity and see this site?

Director WOOLSEY. Only very recently, Senator Warner.

Vice Chairman WARNER. What's recently?

Director WOOLSEY. Within the last few days when—

Vice Chairman WARNER. After we began to discuss it?

Director WOOLSEY. Yes.

Vice Chairman WARNER. And that was your first visitation?

Director WOOLSEY. That's right.

Vice Chairman WARNER. And, Secretary Deutch, likewise?

Deputy Secretary DEUTCH. I have not been there, sir.

Chairman DECONCINI. Mr. Woolsey, now that this has come out, would you agree that more attention ought to be given to this by the DCI, and the fact that these agencies—first of all, we have a

very small staff, as you are aware of. Our auditors had a very difficult time getting this information in the base. They usually do. Would you agree that it would be helpful if the DCI and its office provided the Committee with more detailed information on the base budgets of different agencies, outside the CIA as well as the CIA?

Director WOOLSEY. Well, I think the way to do this, Mr. Chairman, is for me to review what is in the base and what is in the new initiatives and the ongoing initiatives, and to issue rather broader and more general instructions to the other members of the community, particularly when a Committee so desires with—even if it's only this one of the four Committees whom we report to who wants this material displayed as for a building project such as this in one part of the budget book rather than another—it seems to me, we ought to be able to work that out.

Chairman DECONCINI. You were—but you were not aware of the cost that we're talking about here of \$350 or \$347 million, as we finally just got, a couple of months ago or so?

Director WOOLSEY. Of the detailed cost, no. Mr. Chairman, my understanding is that the 347 million is what has been budgeted, and that the project now looks as if it will come in in the range of the 310 million—

Chairman DECONCINI. Yes, that's—

Director WOOLSEY [continuing]. Counting the computers and furniture—

Chairman DECONCINI. I understand.

Director WOOLSEY [continuing]. And everything—

Chairman DECONCINI. I understand.

Director WOOLSEY [continuing]. That goes in the building.

Chairman DECONCINI. But you were not aware that it was \$310 or \$347 million until recently?

Director WOOLSEY. That's correct. Not until very recently.

Chairman DECONCINI. Would you agree with me that, on such major expenditures, the DCI ought to be apprised of that information, and do you plan to take steps to see that you are told of any agency is spending that kind of money?

Director WOOLSEY. Well, yes, certainly, Mr. Chairman, the degree of detail, I think, of informing me or my immediate staff depends upon whether—it's an early warning system, in a sense—it's whether the project is going well or poorly. And I am charged, I believe, appropriately, with understanding, overall, the budgets of all of the intelligence agencies. With respect to individual programs and projects, one tends often to somewhat manage by exception, and look at the places where there are difficulties.

Chairman DECONCINI. You didn't answer my question, Mr. Woolsey. What I'm trying to get at is, now that we have this example, would you agree with me that, in the future, you're not going to wait for them to bring it to your attention, but you're going to want to know what these expenditures are in the base, such as this kind of an initiative?

Director WOOLSEY. Well, for major construction projects, those that are underway, yes, I think that's a perfectly fine idea.

Chairman DECONCINI. Or planned?

Director WOOLSEY. Yes, certainly.

Chairman DECONCINI. Yes, sir.

Your own testimony, when you were before the Committee on confirmation as DCI, seemed to appreciate the importance of keeping infrastructure costs down. And I was very impressed with that when you made that statement at your confirmation hearing. You singled out consolidation of Intelligence Community's infrastructure as a way to save money. And I would hope that that's what you either have or will implement in these base supports.

I have further questions, but I'll yield to my Ranking Member, because I have exceeded my time, and I'll come back in a few minutes.

Senator Warner.

Vice Chairman WARNER. Thank you, Mr. Chairman. That's a very thorough series of questions there, but I would have some followup.

As I indicated in my opening statement, gentlemen, I was concerned that given the Department of Defense has taken an overall cut between 15 and 25 percent in their five year plan—is that not right, Mr. Deutch?

Deputy Secretary DEUTCH. Yes, sir.

Vice Chairman WARNER. Why similar scrubs were not put on NRO?

Deputy Secretary DEUTCH. Well—

Vice Chairman WARNER. That would have been your responsibility, would it not, Mr. Woolsey?

Director WOOLSEY. Senator Warner, we can go into this in more detail in executive session. But the plan which I was asked by Director Gates to develop as a private citizen, when I chaired a panel in the summer of 1992, developed a rather substantial—I'd say, quite substantial—consolidation for the National Reconnaissance Office, of both number of satellite systems, numbers of satellites, and ground stations. I've testified before the Committee in some detail about that plan, which we're in the process of implementing. It will involve a major reduction in the infrastructure of the NRO, many parts of which are directly involved in individual programs, and vary more with policy changes than does, frankly, the size of a headquarters building.

Vice Chairman WARNER. But you're using the future tense—it will. You've been in office 18 months—

Director WOOLSEY. Yes.

Vice Chairman WARNER [continuing]. And I recall when we were down in that private session that we, this Committee had with you and your principal deputies, covering a wide range of subjects, I specifically asked you about how you imposed budget restrictions on the several entities over which you reign as chairman, and you said basically, across the board cuts, enumerated DIA, NSA, so forth.

Did you invoke any cut on NRO?

Director WOOLSEY. With respect to the NRO, Senator Warner, the consolidation involves several years of investment, very much the way base closures involve up front investment for the Department of Defense. It is necessary to make some short term expenditures in order to save more money in the long run. Some of these satellites last a substantial amount of time, as you well know. And

so we are, I would say, in the midst of the early stages of being able to make some savings later.

Vice Chairman WARNER. Well, then the answer to the question is, no, you did not put a budget reduction on this particular agency under your cognisance—

Director WOOLSEY. Budget reduction—

Vice Chairman WARNER [continuing]. As you did on DIA, NSA.

Director WOOLSEY. Budget reductions compared to the previous program, yes, substantially. The NRO has shared in some of the budget reductions of President planned of \$7 billion over a five-year period for the national and tactical intelligence communities, and we're headed, as you know, toward reducing \$14 billion below what the previous plan was.

In any given year, last year Dr. Perry and I and this year, Dr. Deutch and I worked on allocating how those changes from previous programs will be set out, and sometimes it's more for one agency than others.

Vice Chairman WARNER. But simply put, in short, brief English language, DoD's been cut 15 to 25 percent. Has NRO, during this comparative period, been cut in a comparative way or disproportionate way, or not cut at all?

Director WOOLSEY. Over a—the last four years, it has been definitely reduced. There are, and again, I have to go into this in executive session, there are some up front costs involved in a long-term reduction that need to be made during the current several years.

Vice Chairman WARNER. Then let me try to recast it. Given the change in the face of the world, mainly the demise of the Soviet Union, the Warsaw Pact and the like, that seemed to underlie the decision by really two Presidents, Bush and Clinton, to reduce defense spending. Clinton, however, to do it more than I and others think should be done; nevertheless, it's on a downsizing. Has there been any comparative judgments rendered on NRO? Or, you might say, as I said in my opening statement, it's a force multiplier, it is essential to our security, and we've decided to leave it at level funding.

Director WOOLSEY. The NRO is on a track of very substantial reductions, in numbers of satellites, numbers of ground stations, and in real terms, in its budget. But in the short term, some of those reductions require investment. So from one year to the next—

Vice Chairman WARNER. Given that it is on a tract of these reductions, did that reflect on this massive new headquarters?

Director WOOLSEY. The headquarters building, Senator Warner, as I understand it, went through several phases, as it was presented from the Congress—to the Congress from 1989 up until recently. And in 1992, it was decided that it would be a building which would fully collocate all NRO facilities, rather than only partially relocate. So its growth from two buildings to three buildings to four buildings over that period of time from 1989 to 1992, when the four-building complex was notified to the Congress, had to do with how many of the facilities in other parts of the country and other parts of the Washington area would be relocated into one.

Vice Chairman WARNER. So, specifically, you don't know of any scrub that took place as a consequence of the demise of the Soviet Union.

Director WOOLSEY. Scrubbing the size of the headquarters facility related—

Vice Chairman WARNER. Yes.

Director WOOLSEY [continuing]. To the demise of the Soviet Union, no, I do not.

Vice Chairman WARNER. You do not know whether it was or was not done, and shortly, we'll have the head of NRO, and presumably he can give us some details.

Director WOOLSEY. Yes.

Vice Chairman WARNER. Now, this particular agency reports up under you as the CEO of the whole level of intelligence agencies. Exactly how does DoD fit into the overall supervision of NRO? Do you just do it on a tasking basis? Do you have any comparable budget responsibility, analytically? Clarify that.

Deputy Secretary DEUTCH. Senator Warner, I believe that the National Foreign Intelligence Program is part of the Department of Defense budget overall. We—

Vice Chairman WARNER. Well, that's because it comes through the other committee on which I'm on, and I understand that. But I mean—

Deputy Secretary DEUTCH. We share, as Jim Woolsey has said, traditionally the Deputy Secretary of Defense and the Director of Central Intelligence have jointly reviewed the program in terms of composition in magnitude of dollars. So the—

Vice Chairman WARNER. Then do you know of any scrub that took place in this program as a consequence of the commensurate down—

Deputy Secretary DEUTCH. To my knowledge, there has been no scrub of the headquarters building or the consolidation plan, although there has been significant and very serious review of the entire National Foreign Intelligence Program, but not of the specific building. sir.

Vice Chairman WARNER. All right.

Do you know of any downsizing in the budget of NRO that was instigated by either the present Secretary or the previous Secretary of Defense.

Deputy Secretary DEUTCH. I would like to get back, with an answer to the record, my impression is that for the fiscal years '93, '94, '95, there has not been a significant reduction of the dollars for the NRO.

Vice Chairman WARNER. Let me turn to one last question, and then I'm anxious to get other members involved. But as I said, the Chairman and I work as full partners on this Committee; we share everything. And we had anticipated eventually getting as much as we could into the public domain. Indeed, our letter of August 4th and that of July 29th was a joint effort by the two of us to move towards getting this out into the public domain.

But I do raise the question how the urgency of Monday occurred, vice another day or two during which time—for instance, just yesterday did we get the letter of response from the Director of the NRO to take into consideration we didn't have the chance to, in my judgment, fully evaluate that or other bits of information that have come to us. I shouldn't say bits—pieces—substantial pieces.

What was the urgency? What drove this decision by the Executive branch on Monday afternoon, late, to go public?

Deputy Secretary DEUTCH. Senator, let me take responsibility for a major fraction of that decision. I think it was really motivated by two different aspects. The first is that Senators on this Committee had expressed, as they mentioned here this morning, their interest in seeing the program made public. After discussions with Mr. Harris and Mr. Woolsey, it became quite clear that quite shortly, this project, as it referred, not to the contents of that building or the activities of that building, but the project to build that building, were indeed, going to be made public. And that it seemed to be to show a greater cooperation with this Committee, it seemed to be to make sense to come forward sooner rather than later. That is, with the declassification existence of the organization, the NRO, is not going to be plausible to not be more forthcoming in the public about the character of its headquarters. So the sooner the better is what it seems to be certainly to me, and I advocated to Director Woolsey, and I believe it was a quite response to several opinions that I received from this Committee, from Members of this Committee, sir.

Vice Chairman WARNER. Well, I was fully behind getting it out, but I'm just concerned when we deal with the matter of such sensitivity and importance to our national security as NRO, perhaps a more prudent course would have been—course of action—a day or two within which to get your responses, evaluate them, and see if we couldn't narrow the differences before we thrust all this out into the public domain to absorb, because in my judgment as we get down to the final analysis of this—and quite candidly, I do believe the shortcoming is on the Executive branch side, some perhaps on Congress, but certainly on the Executive branch—for not being more forthcoming in details.

I mean we put it in Committee reports, our staff repeatedly asked questions. And maybe if we asked them particular specific questions, the answer came, but not the broader picture to enable the relatively small staffs in the Congress, compared to those in Executive branch, to analyze in sufficient manner and perform our responsibility to the satisfaction to the Members of this Committee, and indeed the Senate as a whole. Therein is the problem, and in my judgment, we possibly could have minimized this, because I don't want the American taxpayers to think this is some gigantic boondoggle and it's another example of frightful waste in fraud and abuse. I don't think fraud is present here. I think well intentioned people at levels far below yourself, and indeed Committee staff and others, frankly weren't receiving the proper direction from upstairs, but nevertheless they were just not communicating in a manner in which the Executive and Legislative branches must communicate. And regrettably it's dealing with one of the most sensitive agencies in our nation, and one that is absolutely vital to our security.

So lessons learned.

Chairman DECONCINI. Thank you, Senator Warner.

Senator Bryan.

Senator BRYAN. Chairman, thank you very much.

Gentlemen, I am not going to ask you any trick questions, but in the interest of time, and I sense some frustration on the part

of the distinguished senior Senator from Virginia, if you can give me a yes or no answer and then you can explain your answer. I would like to approach it that way.

My first question, is there any reason why the financial detail, not the function of the particular section of the building, is there any reason why the financial details should not be fully declassified?

Deputy Secretary DEUTCH. No.

Senator BRYAN. And Mr. Woolsey, you share the same view?

Director WOOLSEY. Certainly.

Senator BRYAN. So basically when we are talking now about the financial things, we can talk publicly about that. And I appreciate that and I thank you for a direct response.

My second question is this. Are you prepared, Mr. Woolsey, to issue a directive that with respect to those monies that have not previously been obligated, so that there would be no contractual penalties that might be invoked for a breach of contract or a failure to follow the provisions of some escape clause in that contract, to issue an immediate freeze until you can report back to this Committee as to the nature of those expenditures?

Director WOOLSEY. I would prefer, Senator Bryan, for you to ask that question to the Director of the NRO in executive session because there may well be contractual issues and completion dates and so forth which would be substantially complicated by a response of that sort.

Senator BRYAN. And I understand that answer and I think that's not unreasonable. I want to make it clear where I am coming from. I have been briefed that there may be as much as \$50 million that would be allocated for such items as furniture, for example, in which there is no reason at this point for that money to be expended until such time as we can review it. And in light of what I consider an extra-ordinarily lavish building, we ought to have an opportunity to review that. There may be others as well, but that's the type of expenditure which I—

Director WOOLSEY. You certainly should have an opportunity to review it, Senator Bryan. The \$50 million total I've heard about is for the—included in the \$310 million—is pretty much everything that goes inside the building in the sense of computers, copying machines, furniture and the like. It's not a \$50 million bill for furniture.

It is one of those amounts of money that may well inflate the total of this building, compared to dollar figures that you and others are used to seeing, for the construction of a building. Most times when you ask how much a building costs you don't count the cost of the computers that go in it, the copying machines, and the rest. So we will get those details to you; that is the purpose of a review by Ms. Slatkin and Mr. Byerly.

Senator BRYAN. It is my intention, and I place you on notice, that I intend to try to offer something on the Floor that will at least freeze those monies. I am not talking about an indefinite freeze, but in light of what I consider a very irresponsible approach to this—much of this has a genesis before either of the two of you were there—but I mean to get some kind of handle as to how the remaining monies are to be spent. And I am not suggesting that

some monies may not be necessary for the very things that you describe. But I must tell you I don't have a confidence level that a lot of folks over there have gotten the message that we're operating in a different world than we were prior to 1989, and I want to make sure that those requests are in line with what I view to be the new reality in terms of global relationships.

Director WOOLSEY. I think you should and need to be satisfied of that. I would urge you to go over the wording and the details of any amendment of that sort, however, with the NRO Director and his contracting people to make certain that you accomplish what you want to accomplish, and that there aren't complications that you don't intend.

Vice Chairman WARNER. Well, you mean by complications possibly dollar losses to the American taxpayer.

Director WOOLSEY. Yes.

Vice Chairman WARNER. And Senator, I think that's a good initiative. It's one that the Chairman had and he has consulted with me on, and I think if we can do it in such a manner as not to cause any dollar loss to the taxpayer, because we've got to make a quick ascertainment of what did or did not go wrong with this project. I think it's important if you would just yield to me.

Senator BRYAN. I am pleased to do so.

Vice Chairman WARNER. And we will explore with you the fact that this project is where it is today, nobody's going to tear any buildings down, and we'll need from you such assurances that if it is the judgment jointly between the Congress and the Executive Branch, that all the space is not needed by the NRO or its associated contractors, that it can be utilized by other defense and intelligence agencies in an efficient and cost effective manner. Can you give us that assurance?

Director WOOLSEY. Absolutely, Senator Warner, it's an excellent notion. I think Mr. Harris, the new Director of the NRO, is already working on such a plan and that could be one aspect of what the review by Mr. Byerly and Ms. Slatkin assess as well.

Vice Chairman WARNER. I thank the Senator.

Senator BRYAN. And I thank the Senator for his comment.

A follow on to Senator Warner's comment, that depending upon this contractor analysis that you've indicated you are going to make available to us, because I think the premise here—correct me if I'm wrong—is that the agency itself does not require anywhere near the million square feet that are in these four towers, and that it's contemplated that some of that space be made available to contractors. Am I correct essentially in the premise?

Director WOOLSEY. That's correct, Senator Bryan, but with respect to the National Reconnaissance Office, one thing you need to be aware of is part of the history of its success has been the close working relationship and the collocation of contractor personnel and agency personnel. And I think you will find, when you go through this with Mr. Harris in executive session, that adjustments are made, as Dr. Deutch suggested, to contractor's recovery on other parts of the contract in order to compensate for the fact that the government is providing some of their personnel office space. It's a detailed and complex issue, it's an important one to understand, and I really invite you to go over it with Mr. Harris.

Senator BRYAN. And I understand what you are saying, Mr. Woolsey, so that you'll know where I am coming from. Basically in the private sector, if you are building an oversized building, you may very well wait in terms of doing the individual building outfitting, that is, other than the duct system in the bare walls, until you've made a determination of what kind of tenants you are going to have in there. I think this Committee will want to be satisfied that indeed the contractor relationships that you've described are fully justified, and indeed they may be. I don't want to make a pre-judgment and I don't want to impose upon my committee members time much longer.

But one additional question. I am very troubled by this base line budgeting and what slips into the—I believe Dr. Deutch used the term “incremental” approach. What is the rationale for including any new items other than ongoing operation and maintenance, the replacement of items, what is the rationale for ever including that kind of information into a base line budget presentation? Some of us have had a little experience at the state level and I have to tell you that this just doesn't occur. There may be a rationale, share it with me if there is one.

Director WOOLSEY. Again, I think this is something that involves rather specifically some aspects of managing the satellites and I think it's something that you ought to hear particularly from Mr. Harris and Mr. Hill, the latter who has been the Deputy at the NRO for many years, and has a presentation on exactly this subject, I believe, to make to the Committee in executive session.

Senator BRYAN. And that may be appropriate, Mr. Woolsey, and I'll conclude on this note, but we're going to need your leadership and direction. I was impressed with—I think we have a two member audit team—I mean frankly, it was difficult to know on whose side the group was that we were trying to get the information from. If you don't frame the question with absolute precision, there seems to be kind of a game going on. We can answer that, not completely what they intend, but maybe respond to the question somewhat narrowly.

It's extremely difficult for our Committee staff to get answers that we're entitled to under the category of being forthright. And my concern is that we not get left with this Cold War bureaucracy over there that has some fantasized notion as to why we can't have a base line budget that includes indeed just what the expenditures are to keep the place going and replacement items that obviously are part of every ongoing function. If there is a rationale, I'm willing to consider that. But I must tell you I think we're going to need some energy at the top to direct that that be accomplished.

And on that soliloquy, Mr. Chairman, I'll yield back my time and I thank the witness.

Chairman DECONCINI. Thank you, Senator Bryan. The senator from Montana, Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Chairman DECONCINI. For an opening statement? You weren't here for opening statements, if you'd care, or any questions.

Senator BAUCUS: A short statement and a few questions.

In Xanadu did Kubla Khan
A stately pleasure dome decree

Where Alph the sacred river ran,
 Through caverns measureless to man
 Down to a sunlit sea.
 So twice five miles of brittle ground
 With walls and towers were girdled round.

The poet Coleridge made most of that up, but if you substitute Northern Virginia for Xanadu, the Intelligence Community for Kubla Khan, and the Potomac for Alph, you've got a reasonable approximation of the National Reconnaissance Office. A million square feet of office space. A gigantic, walled-off expense of fertile ground. Even a fountain and a sauna. Quite an achievement.

Mr. Chairman, Mr. Vice Chairman, I commend both of you for your diligence in uncovering this remarkable building. You've accomplished some important things. What are they?

First, the Intelligence Community has decided that the new headquarters complex need not be classified. In this era of overclassification, that is a breath of fresh air.

And second, the Committee is holding an open hearing on Congressional notification and oversight of government buildings and property. You made this issue a top priority. It is because of your diligence that we're here today, and I commend you.

I believe the Committee's audit staff has established a clear record on the National Reconnaissance Office project that lays out these facts.

The National Reconnaissance Office knew that it needed to build one million square feet of office space to meet its consolidation goals. The National Reconnaissance Office must have prepared a budget to construct one million square feet. The office kept both those facts secret.

In the beginning, it did not tell the Committee that it wanted a million square feet. And until the Committee's audit, nobody in the Intelligence Community fully informed Congress about the project's total size or total cost.

Finally, even if you ignore the sheer size of the NRO headquarters, the taxpayers got a bad deal. The NRO paid \$175.16 per square foot. By comparison, the Lee Metcalf Federal Building in Helena, Montana, went up in 1987. In today's dollars, the Metcalf Building cost \$67.55 a square foot, a very unreasonable difference, even taking into consideration the different location and the national security needs of the NRO.

After careful review, it seems to me that this investigation has raised two important issues.

One is extensive secrecy. We, of course, must protect classified information when it is critical to our national security. We need to protect sources and methods. But there's a limit. Too much secrecy is both foolish and harmful. In this case, foolish because it could never work. As the Chairman says, hiding a million square feet of office space in the middle of a commercial complex in Northern Virginia is like trying to hide an elephant on a football field. And harmful because it has apparently wasted huge amounts of taxpayers' money.

And the other is a question of priorities. In an era of big deficits and defense cutbacks—the Vice Chairman was just addressing this point—we need to answer some serious questions. We need to cut spending. At the same time, we need to make sure our armed serv-

ices remain the world's best. It is not an easy task to do both, and gold-plated pleasure domes like the National Reconnaissance Office headquarters, do not help us a bit. From now on, let us leave them in the world of poetic fantasy. I am pleased to hear that the NRO has made at least a start by cutting out the fountain and cutting out the sauna.

So, Mr. Chairman and Mr. Vice Chairman, I commend you and the Committee staff for bringing this issue to the attention of the American people. And I want to continue to participate in these hearings.

A few questions, if I might, Mr. Woolsey.

First, both during the audit staff's exit briefing to the Director and Deputy Director of the NRO and during the project manager's recent briefings to the Committee Chairman, it has been stated consistently that from the beginning of this project, the NRO planned on constructing office space of approximately one million square feet.

Is that true?

Director WOOLSEY. The plan, as announced in a letter from the Director of the NRO to Senator Boren, then Chairman of the Senate Committee, on September 17 of 1990, Senator Baucus, which you'll find at Tab 6 of the materials which I've distributed, announced that the master plan provided for the development, actually, of 1.3 million square feet in three phases.

Senator BAUCUS. What was the date of that?

Director WOOLSEY. That was 1990. September 17, of 1990, when this Committee was informed of this long-term plan.

And it set out there were three phases. Phase one, for 500,000 square feet; phase two for 400,000 square feet; and phase three, for an additional 400,000 square feet.

It was planned this way, as I understand it, so that adjustments could be made depending upon the degree of collocation of the NRO's facilities. And over the years, as the Committee was further informed, particularly in response to its questions for the record in 1992, which I think you'll find at Tabs 11, 12, and 13 of the book that I distributed, these costs continued to be refined.

It really was in 1992 that the decisions was made to move to a four-building configuration.

Senator BAUCUS. But the answer to my question is yes. The statement I made is true. That is, from the beginning the Headquarters was contemplated to be one million square feet. Is that a true statement?

Director WOOLSEY. Not exactly.

Senator BAUCUS. Is that a true statement?

Director WOOLSEY. Not necessarily. From 1990, it was planned in three phases, and the decision was to be made along the line, as decisions were made by the Congress and the NRO together, on how much to collocate in Washington. Looking back—

Senator BAUCUS. Let me ask a second question—

Director WOOLSEY [continuing]. Through the history, it appears to me as if the decisions really were made in 1992 and the Committee informed in '92, early '93.

Senator BAUCUS. Second question: When did the NRO develop a budget to acquire the land and construct one million square feet of office space

Director WOOLSEY. I think for the precise answer to that question, I ought to refer you to the Director of the NRO and his budget staff, who will be meeting with you in executive session.

Senator BAUCUS. The third question is, how much was the budget when it was put together?

Director WOOLSEY. The totals—

Senator BAUCUS. That is, the budget to acquire the land and construct one million square feet?

Director WOOLSEY. Well, the land was acquired first, and I think if you'll look through around Tabs seven and eight of the material I disseminated, is where the land acquisition is dealt with.

In 1992, in the spring of '92, in response to a Committee questions, if you'll look at Tabs 11 and 12, you'll see that the total budget set out for the four building facility was a little over \$450 million. And what happened during 1992 and '93, as the cost were refined, was that other costs were provided.

Senator BAUCUS. Right.

Director WOOLSEY. Some of them, I believe, not in a fashion that was readily available to the Committee to get at the detail, which is part of what we're talking about here.

Senator BAUCUS. Next question: When did the NRO inform this Committee that it was constructing one million square feet of office space for the project? When?

Director WOOLSEY. The decision to move to a four-building configuration, rather than a three-building—

Vice Chairman WARNER. Look at the 93 submission, Mr. Director, I think you'll find it in '93.

Director WOOLSEY [continuing]. Would have probably been in November of '92, I'm told by the staff, Senator Baucus.

Senator BAUCUS. All right.

Next question: When did the NRO inform this Committee of the amount of money that it specifically budgeted for this project?

Director WOOLSEY. The—

Senator BAUCUS. Specifically for this project.

Director WOOLSEY. Well, the estimate that was submitted in response to the two questions in 1992, in the spring of '92, was, as I said, above 450 million. I think this is the gravamen of the issue about whether or not the information was provided properly to the Committee during '92, particularly, and perhaps thereafter. One had to ask the question and then have the material set forth by the NRO, because it—the budget was lumped together with other items in the baseline, and I think that is the thrust of the problem.

Senator BAUCUS. The answer is it has not yet ever informed this Committee of the amount of money specifically budgeted for the project.

Director WOOLSEY. Well, I don't think that's correct, Senator Baucus.

Senator BAUCUS. Well then—

Director WOOLSEY. Let, me, if I could just check on.

Senator BAUCUS. If you could just tell me when you have specifically informed this Committee, that would be helpful.

Director WOOLSEY. Well, certainly in the audit report in late 1992, when the notification was made, I think it's fair to say that in order to pick out the amount that went precisely for construction, including support of construction, and exclude the computers and so forth, as I was describing earlier, would have required a specific Committee question. That's the thrust of what the issue is about.

Senator BAUCUS. So the answer is that has not specifically—

Director WOOLSEY. During the audit report last spring, certainly—

Senator BAUCUS. It has not informed the Committee.

Director WOOLSEY. During the audit report last spring would have been when the material would have been provided.

Senator BAUCUS. I know you know this already, Mr. Director, but I want to follow up on the point that both the Chairman and the Vice Chairman have made. You know, it's a paradox of human nature. The more you inform this Committee in advance, probably the more support you're going to get. The less you inform this Committee in advance, the more contentious, the more difficult, and the more suspicious this Committee's going to be. And I'd just urge you to remember that aspect of human nature, that you can generally do better by going the extra mile and taking the first step in informing this Committee too much—you know, too much in advance, too far in advance, too specifically, you'd probably do a lot better.

Chairman DECONCINI. It's a point well made, Senator Baucus.

Senator BAUCUS. Thank you.

Chairman DECONCINI. Thank you, Senator Baucus. The Senator from New York, Senator D'Amato.

Senator D'AMATO. Thank you very much let me say to you, Mr. Chairman. Mr. Chairman, first let me say to you and to the Vice Chairman, you've dealt with this matter in a forthright and very up front, courageous way, and we have to pay a compliment, I join my colleague in paying a compliment to our staff, our staff of two auditors, who unearthed this, and I'm sure it wasn't made easy for them. I'm sure people didn't show them and say, here, we want to tell you this.

Now, I come from a point of view, and I'm going to ask, Mr. Chairman, that my full statement be placed in the record as if read in its entirety.

Chairman DECONCINI. Without objection it will appear.

[The prepared statement of Senator D'Amato follows:]

OPENING STATEMENT OF SENATOR ALFONSE D'AMATO

Mr. Chairman, I want to thank you for scheduling this public hearing to explore how the National Reconnaissance Office, the NRO, could spend about a third of a billion dollars of the taxpayers' money without meaningfully disclosing to Congress what it was purchasing. While the NRO has done much good for this nation, it is clear that it has become too used to operating without scrutiny or strict oversight. That must end. Today's hearing is a first step in making that critically important change.

I read in yesterday's New York Times article on the NRO Headquarters Complex comments by Marty Faga, the former head of the NRO, alleging that this Committee had been fully and repeatedly briefed on the project, and implying that the only reasonable basis for our criticism of the project is that it was "complex" and difficult for us to understand. I hope that view is not shared by either of the witnesses before us here today.

The fact of the matter is that this Committee was never—and I mean absolutely never—told the full cost and scope of this project in any single presentation. This information was not in any single budget justification document the NRO provided us annually or presented in our budget hearing process where the NRO has an opportunity to explain and justify its programs or in briefings to Committee staff.

The public explanations offered so far for this extended disclosure process show an abiding disregard for NRO's responsibilities to be forthcoming with Congress and a dismissive attitude toward the oversight process. What could have possessed NRO's leaders to think that they could build a massive new headquarters with the taxpayers' money and not tell Congress what they were doing?

I expect our witnesses today to explain in detail why they did not force the NRO, an agency they supervise, to account fully and properly to Congress for this headquarters project. What did our witnesses know about this project, when did they know it, and what did they think their responsibilities were to us and to the American people in this regard?

Even if the leaders of the NRO were inclined to dribble out a stream of constantly changing and fragmented information, the Director of Central Intelligence and the Secretary of Defense should have hauled them up short and told them to meet their responsibilities. Why didn't this happen?

Now, this Committee and the other committees with some oversight responsibility over the NRO and its budget and appropriations bear some responsibility for missing this problem. This is one of the risks that comes from conducting business in secret.

However, the Congressional oversight process is one that depends to a certain degree on trust and candor—more so where secret matters are concerned than in other areas that are open to general public scrutiny. I am amazed that the NRO so disregarded its responsibilities to the American people and so lacked candor in its explanations and presentations on the project. I am left to wonder what else they haven't told us?

Mr. Chairman, I think the NRO has just lost any "benefit of the doubt" that this Committee—and perhaps the Congress as a whole—has been inclined to give it because of its past services to this country and its past substantial accomplishments. That is the greatest casualty of this affair.

I strongly urge the Committee and the staff to take a very close and skeptical look at anything and everything the NRO presents, proposes, or requests. If the protections afforded to the NRO by secrecy based on national security considerations are misused or abused, maybe there need to be some adjustments.

Thank you, Mr. Chairman.

Senator D'AMATO. Now, this is something that's not new. I have people saying, Oh, Alfonse, it must be very exciting. You know, you're there on the Intelligence Committee. And I tell them, you learn more from the New York Times than I do, or the Washington Post or your daily paper. I've been at meetings where we've asked questions—and I'm not suggesting this is your fault personally, Mr. Woolsey, because this predates you—and we're told no answers. And then the next day I'll see a detailed explanation in the newspaper and it didn't leak out from any source other than the Agency. It almost seems like we're treated like the enemy. That's my observation. And it's a shame. And I say that in plain language. I'm accused of, you know, not recognizing the sensibilities around here.

It just seems to me that the Agency doesn't recognize our sensibilities. I don't feel that there's a two-way street here. And I have to tell you something. I believe the greatest casualty as it relates to this incident is the credibility of the NRO. It has been the greatest casualty—our confidence in its truthfulness, its credibility, its candor. I think also that there are those members of this Committee who have been less critical—and I do not take them on personally, but I didn't share the same view.

But I'm beginning to become somewhat more sympathetic about opening up and giving us a better look—what else don't we know? Do we have to conduct a line-by-line review and swear you in

under oath? And I don't mean you personally, again, but I'm talking about the NRO as it relates to their credibility—what else is going on in this budget?

Now, just one casual observation that I make. Somebody determined not to tell us the full story, and it just wasn't good judgment. I read Mr. Faga's statement, you know, where he says, oh, we told congress. That's bunk. That's distortion; we were told the least possible. It certainly lacked candor. Even his statement as reported in the media would have you think they came up here and said, this is the cost, this is what we're doing, et cetera, et cetera. This was a sneak, a little scam; a little sneak here, a little bite there. It leads me to say I just believe that we're going to have to look at this agency in far greater detail. We cannot take at face value those statements that are put forth to this Committee. I think that's a shame, because I think a lot of good work has gone on. A lot of good people have invested time and energy; a lot of faithful employees, faithful workers. It just seems to me that the trust and the confidence that the NRO built up as a result of its good work and its accomplishments has been abused.

As my staff has written in my little briefing book, NRO's credibility is the greatest casualty of this affair. And that is a shame.

I thank the Chairman and I thank the Ranking Member.

Chairman DECONCINI. I thank the Senator.

As pointed out before the Senator arrived, Mr. Faga's statement, I agree, was quite inaccurate, because we checked the record for the period of time that he was director of the NRO. Of all the periods and presentations he made before this Committee, never was this building raised in any specifics or any amounts.

Mr. Woolsey, let me just end with a couple of quick questions here. The cost of this project was pegged at \$347 million during our audit, and also during the period afterwards in which the Executive branch was invited to respond to the audit findings and correct any misconceptions. We now hear that the facility will cost around \$310 million. Do you know where this cost-saving materialized, came from?

Director WOOLSEY. I think you should get that from the NRO Director and his staff in executive session, Mr. Chairman.

Chairman DECONCINI. Well, I'll pursue that with the Director of NRO. I don't know why it has to be in executive session. But if you don't know the answer, I'll get it from him.

Director WOOLSEY. It's my understanding—

Chairman DECONCINI. There's nothing secret about the \$350 or \$347 or \$310 million figure or the savings, is there?

Director WOOLSEY. My understanding is that 310, right now, is their best estimate of what the project will come in at as distinct from what was budgeted some several months ago of 347. And I would again add that at least approximately \$50 million of that 310 is computers, copying machines and internal equipment of the sort that normally one does not think of as being part of building costs.

Chairman DECONCINI. So do you suggest we ask him regarding what was dropped from the project and how did they come to that—

Director WOOLSEY. Yes.

Chairman DECONCINI [continuing]. \$37 million? Fair enough.

A memorandum, Mr. Woolsey, from the CIA Comptroller which was sent to us July 28th—and I can share you a copy of it—1994, reaffirms the importance of keeping Congress informed. And I'll read just part of it.

It says, "All planned construction projects, regardless of dollar threshold, are to be reported in the land and structure schedule in the CBJ. In addition, a narrative description of the projects is to be included in the CEC narrative and the resource funds displayed. We treat activities related to land and structures as being of special Congressional interest."

Now, Mr. Woolsey, you may have put that into effect based on your statements of your hearing because I don't have the date of it. I think it has happened since you took over as Director. And I'm glad that it has. And what I want to know is have you attempted to make this policy consistent throughout the Intelligence Community?

Director WOOLSEY. I believe that was—you said that was a letter from the CIA Comptroller, is that right, Mr. Chairman?

Chairman DECONCINI. Yes, it is a—yes. It is a memorandum. But the date of it—we got it on July 28th, '94, the date I sent it down to you. Let's take a look at it. It's very positive. My question is, have you attempted to make this policy consistent throughout all intelligence agencies?

[Aside.] Will you take this to Mr. Woolsey?

Director WOOLSEY. No, Mr. Chairman. And let me say, although I'd be delighted to take credit for this, I believe this has been the policy of the CIA and the NSA for some years with respect to construction projects. They are presented in the Budget Justification Books as new matters. I looked, just before I came here, at the way the CIA building addition back in the mid-'80s had been presented to the Congress in the Budget Justification Book, and it's all broken out separately. There's a picture of the building. There's a budget for the building and the like. I believe that the new construction out at the National Security Agency in the late '80s and early '90s was handled the same way.

The National Reconnaissance Office on this matter has been dealt with differently by past NRO Directors. And I have not yet implemented this for the NRO, but I believe that the review that Mr. Harris will be undertaking certainly on his own, and particularly that Ms. Slatkin and Mr. Byerly will be working with the Deputy Secretary of Defense on, will, of course, come up with a way, after talking with you here on the Committee, of presenting any NRO construction in the future in a way that's acceptable to the Committee.

Chairman DECONCINI. Well, Mr. Woolsey, let me ask you. Do you intend to implement this policy that's before you so that the NRO will follow it in the future? Is that your present intention?

Director WOOLSEY. Well, I see no reason not to implement it, Mr. Chairman, but it seems to me—

Chairman DECONCINI. I don't either.

Director WOOLSEY [continuing]. I would rather not preempt what we're all embarked on here together, which are these reviews. It seems to be perfectly rational to do it this way.

Chairman DECONCINI. Well, let me ask you, were you aware of this policy then, when you came in to office?

Director WOOLSEY. I was aware that—

Chairman DECONCINI. Just yes or no; were you aware of this policy?

Director WOOLSEY. Of this policy, when I first came into office, for the CIA and NSA and DIA? Not initially. I'm sure over the course of the last 18 months I've come to be aware that their buildings have been treated in the way I've described.

Chairman DECONCINI. When do you think you became aware of this policy?

Director WOOLSEY. Mr. Chairman, I couldn't say precisely. It is the way the rest of the Intelligence Community, I believe, has dealt with construction projects for some time.

Chairman DECONCINI. Now, do you know why this was not applicable to the NRO?

Director WOOLSEY. No, I do not.

Chairman DECONCINI. Was that a decision you made?

Director WOOLSEY. I did not. And in part it may have had to do with the inception of this NRO building project during a time in which commercial cover was being used because even the existence of the NRO was not acknowledged. But I should leave, I believe, the discussion of that to you and to the NRO director and his staff, who are familiar with the details.

Chairman DECONCINI. Yeah, that's fine, Mr. Woolsey.

What I'm trying to get at is this seems to me to be a very good policy if followed by the NRO, if followed by the other intelligence agencies. And if you, as the Director, enforced and saw that it was followed, we can't have another one of these during your tenure. And what I'm trying to get at is what are you going to do to ensure that this is being followed? Do you know if this is being followed by the NSA? Have you checked on it?

Director WOOLSEY. It's my understanding that NSA—and I'll ask staff to correct me if I'm wrong—it's my understanding that NSA, DIA and CIA follow, for construction projects, a policy very much like this. I don't know if it's worded precisely this way.

Chairman DECONCINI. And the NRO does not?

Director WOOLSEY. But NRO does not.

Chairman DECONCINI. And did you make a determination that the NRO should not, or did you just never address it?

Director WOOLSEY. No, I never made a determination one way or the other with respect to it, Mr. Chairman. I left it to the NRO.

Chairman DECONCINI. Is there any reason for that?

Director, WOOLSEY. I think in the present circumstance, this should be the subject of the review. I have no reason to believe that after the review is completed in a few weeks, that we should do anything other than implement this. But the review maybe should be taken.

Chairman DECONCINI. But my question is, did you ever give any thought about implementing this towards the NRO?

Director WOOLSEY. This policy for the NRO? No. I left it to the NRO to work out the way it displayed its budget book with the Congress.

Chairman DECONCINI. Thank you.

Senator Warner.

Vice Chairman WARNER. Thank you, Mr. Chairman. Just several questions in summary.

One of the problems of this immediate situation is that this thing is out in the public as a story. I think it's somewhat overblown, overstressed. I hope my judgment is confirmed when the hard facts are assessed. But nevertheless, some have said that contractors are moving in, collocating with government employees, not paying rent. And I think we have an obligation for both of you men to clarify just what is the practice, and specifically what was contemplated here, to try and give a measure of assurance to the nation's public.

Now, you and I know, Mr. Woolsey—indeed, you do, too, Mr. Deutch—from our own experience in the Pentagon, take, for instance, when a submariner goes to sea on a brand new submarine, there's quite a complement of contractors, civilians, on that submarine. And they remain with that submarine until usually the shakedown is finished and a lot of things are corrected. And oftentimes when our own active duty ships are at sea and we have problems, we fly out quickly contractors to collocate and work on those ships. And that's done throughout the high-tech industry in America, government and private sector, and particularly in military intelligence fields.

Let's clarify for the general public, what was contemplated here? Why were we building spaces for contractors? And what was the justification?

You all decide who wants to lead and follow.

Director WOOLSEY. I'll say a word, and then let the Deputy Secretary. Historically, Senator Warner, the NRO has been an organization in which contractors have worked very closely with the military and civilian staff. They have been collocated in offices in other parts of the country since the beginning. It has been one of the features of this organization. And to the best of my understanding, the way in which the government is compensated for such matters as office space provided to contractors is that the contractors' overhead rate is adjusted. Now, exactly how that happens and exactly what the numbers are is something that you really should explore with Mr. Harris and his staff. And perhaps the Deputy Secretary has some—

Vice Chairman WARNER. Well, let me quickly follow up with you.

Let's take the CIA. You do work just as sensitive, comparable in some respects, certainly the analytical respects. Do you have contractors collocated?

Director WOOLSEY. We have some contractor personnel resident in the CIA buildings.

Vice Chairman WARNER. So it's a common practice.

Director WOOLSEY. Yes.

Vice Chairman WARNER. Not to the extent, however, that the NRO envisioned the necessity. Is that correct?

Director WOOLSEY. Not a third of the personnel out at Langley, but there are a number of—

Vice Chairman WARNER. Is that the ratio, one-third private sector, two-thirds government, in the proposed NRO?

Director WOOLSEY. Approximately.

Vice Chairman WARNER. And it is quite higher than Langley.

Director WOOLSEY. That's higher than Langley and it's probably higher than most government facilities, but it's not a unique phenomenon for the NRO.

Vice Chairman WARNER. The principle is not unique, but the level, in my analysis, is extremely high compared to other sensitive, highly classified operations—CIA, DIA, NSA or the like.

Director WOOLSEY. I think that's probably correct.

Vice Chairman WARNER. But it is essential, in the judgment of those who've operated our government for generations, that this be done. Am I not correct?

Director WOOLSEY. I believe that's correct.

Vice Chairman WARNER. And you will then examine that level of two-thirds versus one-third as a part of your survey here?

Director WOOLSEY. I will certainly see to it that Mr. Harris does. Yes.

Vice Chairman WARNER. Well, we'd also like to have your views, Mr. Woolsey.

Director WOOLSEY. Absolutely.

Vice Chairman WARNER. You know, you and I are fortunate to have served in the Department of the Navy. The captain is responsible for the ship.

Director WOOLSEY. Fair enough, Senator Warner.

Vice Chairman WARNER. You're the captain.

Director WOOLSEY. I'll look at it myself.

Vice Chairman WARNER. Secretary Deutch, the subject of collocation of contractors, the necessity, government policy, goes way back?

Deputy Secretary DEUTCH. Common practice, especially common practice when there is a large technical content in the work that has to be done.

Vice Chairman WARNER. Correct.

Deputy Secretary DEUTCH. About the specific ratio of one to three. I'm not—I can't address that, but I think it is a common practice.

Vice Chairman WARNER. But it also serves as a cost saving device for the Federal government; namely, not to high that same infrastructure that would be necessary, and be duplicate of the private sector. Isn't that correct?

Deputy Secretary DEUTCH. Certainly should. That's its motivation.

Vice Chairman WARNER. Good.

Now, Director Woolsey, you and I have known each other 20-plus years, and I have tried as best I can in my discharge of my duties as Vice Chairman to keep out of personalities, not to personalize anything. But I'm going to personalize a bit here because I think I know you very well, and I've worked with you these 20 years in a variety of responsibilities. You have much the same experience as I do on the Armed Services Committee, although you were the chief of staff. I've been a Senator 16 years. You have seen many, many MILCON projects, right?

Director WOOLSEY. Correct.

Vice Chairman WARNER. You have worked here now 18 months as the Director over there. Any you've said today that the first time that you saw this project is a few days ago, contemporaneous when

I saw it. And I've openly said what crossed my mind, and I'm asking you—just in a few words—what crossed your mind as you walked onto that site? Again, drawing on your experience. We both had the job as Under Secretary of the Navy and direct supervision of the Navy elements of NRO. You remember the size, personnel, the numbers we dealt with? I had a general idea of where NRO had grown to today, but I frankly expressed the astonishment when I walked on the site.

A simple few words for the American public, what went through your mind when you walked on that site, drawing on your experience, parallel with mine on the Armed Services Committee, and that is former Under Secretaries of the Navy?

Director WOOLSEY. It's a big facility, Senator Warner. It does not strike me as being a lavish one. It strikes me as being a relatively straightforward commercial construction type set of office buildings, frankly.

Vice Chairman WARNER. And that's all that really crossed your mind?

Director WOOLSEY. That's correct.

Vice Chairman WARNER. All right. Next question.

A lot has been hurled at you today, one way or another. Can you, in just simple layman—not lawyer's language—summarize for us what you think happened and who bears a measure of responsibility for what we are gathered here today in this hearing?

Director WOOLSEY. Yes.

I think what happened is that this project began, in part, at the instigation of the Congress, back in the late 1980s as an effort to improve the management of the National Reconnaissance Office. The NRO previously was a somewhat decentralized organization, and the various parts of it, from time to time, fell into competition with one another. And that involved, sometimes, competing programs—satellite programs. And Congress, I think quite properly, working together with a previous Intelligence Community and Defense Department executives, pursued the idea of collocation of facilities as part and parcel of an idea of pulling the management of the National Reconnaissance Office into a more coherent structure.

They did not know how much collocation they were going to be able to do. So, when Mr. Faga notified Senator Boren, back in 1990 in letter that I described, I believe that they were uncertain whether they were going to be able to have a partial collocation and end up with perhaps two buildings, or a full collocation with more. There was some delay in the early '90s, as the Congress and the Committees discussed various aspects and the advantages and disadvantages of this. I believe by mid-1992, the decision was made to move forward with full collocation.

Now, until late 1992, the National Reconnaissance Office was a classified organization. I still remember, when I was a lieutenant in the Pentagon in 1968, working on analysis of National Reconnaissance Office satellites, mentioning the initials, NRO, to a colleague, who was cleared and was working on it with me, as I walked down the halls of the Pentagon, and being frightened that I had committed a security violation by mentioning those initials. Those initials were classified.

Over the years, a lot has changed. And one thing that has changed in the fall of 1992 is that the existence of the NRO came to be unclassified. This building project was well underway by that time. I think that, if this project were begun today, with Congress' interest and exhortation or by working together with the Executive branch, there's no question it would be done the way the additional building at the CIA was done in late, mid-'80s, in the way the additional building out at the National Security Agency was done. It would be done either under GSA or under military construction procedures. And it would have also followed that it would have been displayed, I think, better in the budget submissions.

I think what happened is that the budget submissions because, in part, of the history of the classification of the existence of the agency, the budget submissions did include all of the costs, as those estimates changed—and they've come down over time—but they included those costs embedded in a line of support, which also included other things—such as, leases for other buildings and the like.

Vice Chairman WARNER. This we all know.

Director WOOLSEY. Yes.

Vice Chairman WARNER. I just asked you—

Director WOOLSEY. I think that's what happened. And I think that it is certainly time now—and I would say in deference to Senator DeConcini, may well have been time a year ago—to have moved to a different type of display in the budget books for a facility of this type, and to make it displayed in the same way it is for the CIA and DIA and NSA.

But I believe, and we've been pleased at the acknowledgement by the staff—in their draft audit report—to the effect that the NRO had never failed or refused to answer when asked questions about the Westfields facility.

Vice Chairman WARNER. All right. Let me stop at that point. Unfortunately, we fully have not declassified that report. But as I studied it very carefully, that particular sentence modifies a previous section which said, when our staff of the Senate asked a specific narrow question, we got back a specific narrow answer, but we were never given the broad confines of the picture—

Director WOOLSEY. I think that's correct, and it shouldn't be that way.

Vice Chairman WARNER [continuing]. Director Woolsey, about, you know—

Director WOOLSEY. I think you're correct, and it should not be that way.

Vice Chairman WARNER. We were never given a million square feet. We were never given \$347 million until just weeks ago. But I guess you and I kind of got off the wavelength here. I really think this goes back, in a very short sentence, to a cultural problem that still persists in the Executive branches, as it relates to intelligence, and the Congress. We're still viewed as perhaps being too damned nosy, and we're told what certain people at various levels think we should know and not much more. And we're funding that all the way from the Ames case, regrettably, through and including this instance. And I tell you, as long as the Chairman and I are here,

we're going to do what we can to correct that. Is that correct, Mr. Chairman?

Chairman DECONCINI. You got it. You got it, Mr. Vice Chairman. Thank you.

Gentlemen, let me just point out for the record, these are the questions that you have itemized in your briefing booklet there. As you can see, it is some two inches or so of material. And the best I can find in here, there are only two different areas where there is any mention of the cost of these buildings. It's only on two pages, and only after the question posed by Committee to the NRO did it come back with these vague estimates.

Just in closing, Mr. Woolsey, would you agree that that is very inadequate and pretty shoddy work on the part of the NRO in proceeding with this construction job?

Director WOOLSEY. Not to quibble, Mr. Chairman, I would agree that it's inadequate in these days and times. I believe that we need to do it in a different manner. And I think the review that we are conducting will come out that way.

Chairman DECONCINI. So, you think in these days and times, it's inadequate, but in 1990 or '91, it was okay?

Director WOOLSEY. Well, as I was saying, I think, perhaps, before you stepped back in, in response to Senator Warner, I think part of the question and problem with the way the budget book was designed for the NRO may have derived in part from the classification of the existence of the organization up until the fall of '92.

Chairman DECONCINI. But, Mr. Woolsey, the Committee is not—the Committee is cleared for classification for all that information. Isn't there—

Director WOOLSEY. But the—

Chairman DECONCINI. Isn't there—doesn't the bell ring, what Senator Baucus said?

Director WOOLSEY. Well—

Chairman DECONCINI. I mean, if—and you have tried, I must say, better than past Directors—although, Gates tried, too—to keep this committee informed. You didn't inform us on this because you didn't know. You didn't go and find out. I don't blame you necessarily for that. But it seems like in 1991, it wasn't on your watch, but the NRO was flagrant in not advising this Committee. The CIA director, if he knew, was flagrant. If he didn't know, he wasn't. And I don't know why you want to defend him, because maybe—

Director WOOLSEY. Well, I'm—

Chairman DECONCINI [continuing]. Maybe you think that's proper in 1990 and '91.

Director WOOLSEY. No, I'm—

Chairman DECONCINI. I think it's awful.

Director WOOLSEY. I'm not defending, Mr. Chairman. I'm simply suggesting that, in those times, the way they were handling the budget book is what they did. We're not going to handle it that way in the future. We want to work with you on improving it.

Chairman DECONCINI. Good. Thank you.

Mr. Secretary, thank you. Mr. Director, thank you very much.

Deputy Secretary DEUTCH. Thank you very much.

Director WOOLSEY. Thank you, Mr. Chairman.

[The witnesses were excused].

Chairman DECONCINI. We'll now go to the panel in open session. Mr. Jeffrey Hill, Director, National Reconnaissance Office; Mr. Jimmy—excuse me, Mr. Jeffrey Harris, Director of the National Reconnaissance Office; Mr. Jimmy Hill; Deputy Director; and Mr. Roger Marsh, Director of NRO Management Services.

Gentlemen, would you please come up and be seated?

Director WOOLSEY. Mr. Chairman, would you pardon me?

Chairman DECONCINI. Yes.

Director WOOLSEY. I had been led to believe prior to this that the testimony of these NRO officials would be in executive session. Is that erroneous?

Chairman DECONCINI. I don't know of any reason why we have to do it in executive session. If they—when we ask the questions, all the questions are based on the material that has been in the paper. If we ask questions on classified areas, we expect them to certainly indicate that and we may have to do an executive session.

Director WOOLSEY. Okay, thank you very much.

Chairman DECONCINI. You're welcome.

Thank you, Mr. Woolsey.

[Pause.]

Chairman DECONCINI. Gentlemen, would you please stand and raise your right hand.

Do you swear the testimony you are about to give the Committee is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HILL. I do.

Mr. HARRIS. I do.

Mr. MARSH. I do.

Chairman DECONCINI. Very good, thank you.

And, Mr. Harris, would you like to lead off?

Mr. HARRIS. I will make a brief statement and then submit the remainder of the statement for the record, with this Committee's concurrence.

Chairman DECONCINI. Very good; thank you.

[The prepared statement of Mr. Harris follows:]

STATEMENT OF JEFFREY K. HARRIS, DIRECTOR, NATIONAL RECONNAISSANCE OFFICE

Good morning, Mr. Chairman and members of the Committee.

Let me begin by saying that I regret any confusion or misunderstanding about the Westfields project. I believe we can work together to sort through this issue; but, we need to start from a common baseline and a common understanding of what has transpired up to this point.

(U) As I indicated in my correspondence earlier this week, I have directed my staff to review this issue and I believe the NRO report card on this matter is mixed. While I fully acknowledge that we could and should have done a better job in displaying the budget information associated with this facility, I do not believe that the NRO ever intentionally hid or obfuscated data about Westfields. One can argue about the NRO interpretation of the budget requirements for reporting new starts versus accommodating normal infrastructure needs; but one cannot quibble with the fact that over the past four years considerable correspondence has been traded back and forth between the NRO and the Congress on the NRO collocation. Westfields is a part of that collocation effort. And, in hindsight, the budget for Westfields should have been called out specifically and in its totality.

As the new director of the NRO, I will ensure that this does not happen again. And, I can assure you that I will personally and fully support the work of the independent review effort commissioned by the DCI and the Secretary of Defense.

Now, I would like to review for the record the important milestones in our communications between the Administration and the with the Committees on the Westfield project.

In August 1989, the Senate Select Committee on Intelligence directs a reorganization according to the plan outlined in the November 1988 DNRO letter.

From the spring to the fall of 1990, feasibility studies were conducted on the Westfields site. In September 1990, a letter from the DNRO was sent to the Congress providing notification of the NRO intent to purchase the Westfields parcel of land in support of the permanent facility collocation activities. This letter reviewed the earlier studies, reiterated the phased approach to collocation, and defined the contractual arrangements for the permanent site land acquisition and subsequent building construction. These contractual arrangements included the size of the parcel, price per square foot, floor area ratio allocable to the site, seller and purchaser responsibilities, assignment, repurchase option, feasibility date, arbitration, and coordination of advertising and marketing. The fact that our facility support contractor would nationally hold title in order to support our security requirements was outlined. In addition, a phase development master plan was explained with the acknowledgement that we were proceeding only with partial collocation construction at that time. The FY 1991 Authorization and Appropriations Conferences agreed to authorize the NRO to continue to contract directly for its facility activities and suggested that the permanent facility site should provide for expansion capability to accommodate additional collocation activities. The Westfields site was purchased in November 1990.

The FY 1991 Congressional Budget Justification Book (CBJB) was the first budget submission containing funds for the NRO collocation. This book and the subsequent FY 1992-1993 CBJB requested funding for less than full collocation. The NRO collocation plans were still evolving as we reassessed our requirements. The FY 1993 CBJB indicated that, based on these evolving requirements, we would build three towers for a total of 800,000 square feet.

A number of questions for the record were received on the FY 1993 CBJB. In particular, the Senate Select Committee on Intelligence asked several questions on the Westfields facility. One question requested that we establish the budget for a three tower, partial collocation. A second question requested the costs to accelerate the project for full collocation. We believe these answers, when aggregated, show that we estimated the cost of the full collocation to be \$402.9 million for FY 1993-1995.

In September 1992 the "fact of" the NRO was released by the DCI and the Secretary of Defense.

The FY 1993 Appropriations Conference conferees agreed that the NRO may proceed with the collocation of the NRO program offices in the National Capitol Region.

I believe the above chronology illustrates that we have, in good faith, kept our Congressional Committees informed about this project. I was pleased to read in the draft SSCI audit report that the NRO had never failed or refused to answer when asked questions about the Westfields facility. And, I wholeheartedly concur with the audit report's observation that communication is a dual sided issued and both parties have an inherent responsibility to the other. However, I acknowledge that the material in the budget submission made it difficult to separate out this particular building and we will revise future budget breakouts of this type in our CJBs.

The Committee has raised other concerns about the size and expense of Westfields; in particular, how Westfields compares with other similar building projects in the government. We believe that we are within the scope of other construction projects in both these areas. With regard to the size, the Westfields complex will provide 133 square feet per person based on our current estimate of personnel occupancy. This is only slightly higher—6%—than the General Services Administration (GSA) guideline of 125 square feet per person, and with the possible addition of 200 people we would be at our below the GSA guidelines. Because of our management controls on this project, we have always believed that our costs have been comparable with similar construction projects. We were reassured when the draft SSCI audit report concluded that the Westfields project costs per square foot, in constant FY 1996 dollars, will cost about the same as other comparable Intelligence Community construction projects which have been completed over the past decade.

In addition to our activities related to the physical collocation of NRO personnel, we are now developing a plan for the next phase of declassification and I have received the concurrence of the DCI and SECDEF that they will delegate to me the necessary authorities to implement this plan. During this time, we will resolve key issues associated with further declassification of the NRO and keep the Congress fully informed.

We fully support the DCI and DepSecDef review team and will fully cooperate with them.

Thank you for your time and the opportunity to address the Committee.

SWORN TESTIMONY OF JEFFREY HARRIS, DIRECTOR, NATIONAL RECONNAISSANCE OFFICE; ACCOMPANIED BY JIMMIE D. HILL, DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE AND ROGER MARSH, DIRECTOR, NRO MANAGEMENT SERVICES & OPERATIONS PROJECT MANAGER, WESTFIELDS PROJECT

Mr. HARRIS. Let me begin by saying that I regret any confusion or misunderstanding about the Westfields Project. I believe we can work together to sort out this issue, but we need to start from a common baseline and a common understanding of what has transpired up to this point. I believe the discussion that has taken place so far today has been helpful to establish the record.

As I indicated in my correspondence to you earlier this week, I have directed my staff to review this issue and I believe the NRO report card on the matter is mixed. While I fully acknowledge that we could and should have done a better job in displaying the budget information associated with this facility, I do not believe that the NRO ever intentionally hid or obfuscated data about Westfields.

One can argue about the NRO interpretation of the budget requirements for reporting new starts versus the fact that over the past four years considerable evidence has been traded back and forth. Westfields is part of an overall collocation effort, and in hindsight, the budget for Westfields should have been culled out specifically in its totality.

As the new Director of the National Reconnaissance Office, I will ensure you that this does not happen again, and I can assure you that I will personally and fully support the work of the independent review effort commissioned by the DCI and Secretary of Defense.

I regret that there appears to be a misunderstanding of this magnitude on our communication with this Committee. I am convinced that the management efficiencies supported by the NRO collocation have allowed us to build a consolidated and streamlined program that has resulted in a multibillion dollar reduction to the overall NRO program. The long term improvement in support to our users, combined with lower operating costs for our systems, clearly offsets costs associated with the efficiencies gained by reorganization and collocation.

Thank you for your time, we are prepared to take questions.

Chairman DECONCINI. Do you have any other statements you care to make, Mr. Hill?

Mr. HILL. No, sir.

Chairman DECONCINI. Mr. Marsh, do you have any statement?

Mr. MARSH [nods in the negative].

Chairman DECONCINI. Well, let me proceed here.

Mr. Harris, in 1989 NRO officials anticipated the ultimate decision would be a total collocation of the NRO and proceeded with a permanent facility planned for one million square feet of space, which according to NRO officials, would accommodate 3000 to 3500 people. The project was funded incrementally in the NRO base budget, as approval was obtained from NRO leadership.

Do you agree that the base budget ought to have such new initiatives spelled out?

Mr. HARRIS. Yes, sir.

Chairman DECONCINI. What are you going to do to correct that, Mr. Harris?

Mr. HARRIS. I agree with the documentation that you read from the CIA comptroller that projects of this magnitude should be displayed separately, and we intend to do that in the future.

Chairman DECONCINI. Will you implement that policy, Mr. Harris?

Mr. HARRIS. Yes, sir.

Chairman DECONCINI. In accordance with this?

Mr. HARRIS. Yes, Sir.

Chairman DECONCINI. Thank you.

How did you or the NRO develop the 1989-90 requirement for one million square feet? If you care to have Mr. Hill or somebody answer, that's fine, because I know you weren't there then—at least, I don't believe you were.

Mr. HARRIS. I am familiar with the collocation of the NRO requirements in phases, where we took all of our disparate elements and under this Committee's direction, tried to pull them together to get a more efficient operation. That required, quite frankly, a lot of give and taker across the different organizations, as we tried to define and grow out of the strengths of the heterogeneous organizations that have contributed to the success of the NRO, a new homogeneous organization. That process continued over some period of time, with lots of people working. My predecessor, Mr. Faga, tried very hard to understand the implications of partial collocation, and as a result, I think the baseline moved from full collocation in 1988 through partial collocation in the early 90's, again to full collocation with a reprogramming action in 1992.

Chairman DECONCINI. Maybe that helps answer this question. If the NRO knew that it needed a million square feet from the start, and it knew that there were height restrictions at the Westfield location, it appears to me that the NRO would have known or should have known in the spring of '91, that it would take four towers to achieve the one million square feet.

When was the Committee—when was the Committee advised that the ultimate objective of total collocation would mean the construction of one million square feet among four towers? Do you know?

Mr. HARRIS. Yes. Sir.

To the best of my knowledge, the Committees with—working with the NRO, asked that as the NRO selected a permanent site, it select a site that had expansion capability for moving from partial to full collocation. The project began with a two building proposal on the Westfields site, which the NRO increased to a three building site, and in November of 1992, presented to the Committee the plan—this was a briefing to Committee staff—a plan to increase it to four buildings and a million square feet.

Chairman DECONCINI. So are you telling me, Mr. Harris, that when NRO knew that it needed a million square feet, the decision was made not to collocate everything and that's why you were only going to build two towers?

Mr. HARRIS. The permanent facility—

Chairman DECONCINI. And later you decided to collocate everything—

Mr. HARRIS. Yes, Sir.

Chairman DECONCINI [continuing]. And thereby needed tower three and four?

Mr. HARRIS. Partial collocation began with two towers and became full collocation with four towers with the approval of a reprogramming action in the fall of '92.

Chairman DECONCINI. Mr. Harris, the Committee is concerned about procedures by which the Westfield facility was procured. Other than Westfield, what are the total number of NRO facilities in the United States?

Mr. HARRIS. I do not have that answer off the top of my head. I would suggest that several of our operational facilities are classified, and I would like—

Chairman DECONCINI. Yes. I am not asking you for the location of them, I am just asking you just for the number.

Mr. HARRIS. What I would like not to do is create a hunt and peck situation associated with classified facilities. The NRO has increased its number of facilities over the last couple of years as we, in the full collocation plan, brought folks together in buildings in the national capital region, in order to anticipate the move to full collocation at Westfields in early 1996. So we have established a number of leased facilities that are in this area, that those leases will be dropped when we achieve full collocation. If you want to know the specifics, I would have to defer to my two colleagues.

Chairman DECONCINI. Well, let me ask you this. Is the number of NRO facilities in the United States—just the number, not the location—is that classified?

Mr. HARRIS. No sir, I believe the number itself is not classified.

Chairman DECONCINI. Does Mr. Hill know how many there are, or Mr. Marsh, or anybody?

Mr. MARSH. Sir, I do not. I believe that number is contained in the—

Vice Chairman WARNER. Let's use the microphone here, please.

Mr. MARSH. I do not know off the top of my head, but we did include all that data in the survey that your audit staff mentioned earlier in the year.

Chairman DECONCINI. Do you know how many there are in the Washington area, the number? Is that classified, how many there would be in the Washington area?

[Pause.]

Mr. HARRIS. My hesitation, sir, as the new director is we do not—we have disclosed the Westfields project, but we have not to date disclosed the location of our other buildings.

Chairman DECONCINI. I am not asking for the location, Mr. Harris. I just want to know the number.

Mr. HARRIS. My concern, sir, is that I would like, as Senator Warner suggests, that we take a deliberative approach to further declassification. I have worked with the Deputy Secretary of Defense and the DCI to continue this declassification, which is what I believe the Committee would like to do, and I have in place folks that are looking at additional organizational declassification. I

would like for us to move deliberately on that, and so I would like to ask you indulgence, because it is hard, if I misspeak—

Chairman DECONCINI. Well, I will certainly not demand that you tell me something you don't want tell me, but if you tell me that the number of facilities the NRO has in the United States is not classified, and that you don't know the number but you'll get it for me for the public record, and then that you can't tell me the number of facilities in the Washington area because you don't know whether that is classified, it doesn't make much sense, Mr. Harris, but I'll go on to another question. I hope you can appreciate my problem. I want to get as much on the public record as possible so the public will be satisfied that this is not a boondoggle or a fraud and that there are justifications and reasons for all this. But when you can't answer a question like that on the record, when you say that the number in the US is not classified, but that you can't tell me the number in Washington because it might be classified and that you're working on it, it doesn't make a lot of sense. I hope you can appreciate my dilemma.

Mr. HARRIS. Senator, if you would allow me, I would be happy to provide to you a detailed breakout of the NRO holdings in this country and in the Washington area. And in discussions with your staff, we will then decide if—how quickly we can declassify that information.

Chairman DECONCINI. Of course, I would like to have that for our closed hearing which I guess we're going to have to go to, but I would like to have a number, if I can, for the Washington area, and for the United States, which you already agreed to give for the record—I think that would be helpful.

Do you know, is the annual NRO cost for these facilities classified? The O&M, is that classified?

Mr. HARRIS. Yes, sir.

Chairman DECONCINI. And the utilities cost and the maintenance costs are all classified?

Mr. HARRIS. Yes, sir.

Chairman DECONCINI. Will any of these facilities in the Washington area, other than for possible storage, be retained after the Westfield complex is complete?

Mr. HARRIS. No.

Chairman DECONCINI. Do you or can you state for the record—

Mr. MARSH. Sir, could I just add to that, if I could?

Chairman DECONCINI. Yes, sir, Mr. Marsh?

Mr. MARSH. When we say no to that, that means relative to the current baseline program as we believe is approved by all of the appropriate Committees of Congress. The answer is no, sir, we will not maintain any other those buildings. If that baseline were to change, then that would reopen that question.

Chairman DECONCINI. All right, now, wait a minute. You're saying that if we authorize additional space, then there may be some space other than what will be located at Westfields—facilities other than what would be located at Westfields.

Mr. MARSH. I was thinking more where we would have a current plan to terminate a building as we migrate to Westfield—

Chairman DECONCINI. Yes.

Mr. MARSH [continuing]. That if there was an agreed to now requirement which would suggest that that facility need to stay in place; then that would change the answer of no, there would be no other additional facility.

Chairman DECONCINI. Will the NRO—do you know and is it classified, Mr. Harris, what are the cost savings as a result of the closing of some or all of the facilities in the United States, number one, and of course, including therein, the Washington area, when the Westfield complex is complete? Is that classified?

Mr. HARRIS. By today's standards and the guidelines that I am—the policy guidelines that I am supposed to operate under, sir, that information would be classified.

Chairman DECONCINI. Well, Mr. Harris, I appreciate that, I can't ask you to give anything that is classified at this time, but I hope you can understand that this is information that is going to be beneficial, assuming there are some cost savings, and the public impression of what is going on over there and why this was done in the manner it was done, and why it is being completed. So I urge you to help us get some of these details unclassified so the public will know.

Mr. HARRIS. Yes, sir.

Chairman DECONCINI. If there happens to be no cost savings, we'll find out in the closed session. But I assume there are some projected cost savings by this consolidation.

Many of the facilities of the NRO, I am advised, have been procured using the DCI's special authority, as was the case with the Westfield facility procurement, rather than using the established government contracting procedures, such as military construction or the General Services Administration process. Do you know why that was done or why it could not have been done through the military construction process or the GSA process?

Mr. HARRIS. It is my understanding that the NRO has used both special contracting authorities and more normal government procurement over the history of the NRO. I believe since the organization became declassified in 1992, and it is our intent to do further declassification of the organization, in the future, projects like this can easily be done within the scope of normal government building procurement.

Chairman DECONCINI. Well, can you assure us, as Director, that under your tenure there are not going to be any other requests that would require the special authority of the DCI to be used to do anything at the NRO?

Mr. Hill?

Mr. HILL. Senator, I would like to say that I believe that except for a few, very few cases, where it was necessary for security reasons, to maintain the covert nature of the facility, all of the NRP facilities have been constructed with MCP funds. Now, when—in most cases, we locate these facilities on military installations, and in those cases we do use MCP funds. There have been a few cases, isolated cases, very few—less than a handful—where facilities have been built that—on non-military installations, where it was necessary to maintain the covert nature of the facility, and the special authority was used, only in those cases.

Chairman DECONCINI. Well, thank you, Mr. Hill.

Let me ask you, Mr. Hill, were you part of the judgment process of the NRO in deciding to ask the DCI to use the special authority on this Westfield complex?

Mr. HILL. Yes.

Chairman DECONCINI. Can you tell me why in the world, in 1989, 90, 91, or any time, you would think you would build a project of this nature under the covert special authority of the DCI, and not do it through GSA or military construction procedures?

Mr. HILL. To my knowledge, at the time and now, you really can't use military construction or GSA, and deliver a covert facility, one that is not acknowledged as a government facility.

Now, at the time—right or wrong, at the time, the organization was not acknowledged to exist, and therefore had to operate in a covert facility.

Chairman DECONCINI. Did you pursue any way of using the GSA or military construction process?

Mr. HILL. We examined that, yes, sir.

Chairman DECONCINI. And you concluded that you were prohibited from using the GSA or military construction—

Mr. HILL. Both from the security—

Chairman DECONCINI [continuing]. Under the Section 8 authority that the DCI used here?

Mr. HILL. Yes. Both the—the committee that we had looking at that as well as our own determination.

Chairman DECONCINI. Can you supply us with the legal analysis and committee report that came to the conclusion that—

Mr. HILL. Committee report, I believe yeah—

Chairman DECONCINI [continuing]. Whatever there is that is in the headquarters that would lead you to a conclusion that you could not do this through the GSA or military construction process?

Mr. HILL. Both from a security and a schedule standpoint, I believe one of the reports you already have.

Chairman DECONCINI. Will you supply that to us, please?

Mr. HILL. Yes, sir, I think you have it, but we'll give you—

Chairman DECONCINI. Thank you.

Well, I have spent some time. I will yield to the Senator and I'll come back for further questions.

Senator Warner.

Vice Chairman WARNER. Thank you, Mr. Chairman.

Mr. Chairman, first, I think, for the record, we should identify—you identified Secretary Harris, Assistant Secretary of the Air Force.

Chairman DECONCINI. I did when I introduced them.

Vice Chairman WARNER. And Mr. Hill, your specific functions are the deputy?

Mr. HILL. Deputy Director of the National Reconnaissance Office.

Vice Chairman WARNER. With full range of responsibility across NRO?

Mr. HILL. Yes, sir.

Vice Chairman WARNER. And—

Mr. MARSH. And sir, I am responsible for all of the management infrastructure type of support activities associated with the local Washington headquarters operation. I am the program manager for the Westfields program.

Vice Chairman WARNER. Now, Mr. Harris, I was looking over your biography, and just basically to summarize your background, it is that of a graduate engineer in terms of space and a lot of very complicated, high tech, somewhat esoteric programs, and you have managed them well. You have written on a lot of subjects throughout your career very well, well accepted. But I don't see anything in here which, number one, indicates you have ever had any experience in building buildings. Am I correct?

Mr. HARRIS. Yes, sir, I am a satellite program manager by trade. Vice Chairman WARNER. Yes.

Mr. HARRIS. And in that responsibility it is necessary for me to hire civil engineers and people that are experienced in the building trades to—

Vice Chairman WARNER. All right, I stand corrected. You have had extensive experience in then building buildings to meet these technical requirements, is that—

Mr. HARRIS. Yes, sir.

Vice Chairman WARNER. And how often did you go out to inspect this site?

Mr. HARRIS. Buildings that were under my regular supervision—

Vice Chairman WARNER. Well, I am just talking about this Westfields site, now.

Mr. HARRIS. This Westfields site I visited for the first time recently—

Vice Chairman WARNER. When was that?

Mr. HARRIS. I visited it two weeks ago. I have received—

Vice Chairman WARNER. The first time you visited this three hundred plus million dollars was last week or a week ago?

Mr. HARRIS. Yes, sir. I believe I have received over six hours of briefings with photographs of this in anticipation of my confirmation hearing in May, and sat down and reviewed the project and its management with my program manager, Roger Marsh.

Vice Chairman WARNER. Well, how many projects of this magnitude do you have under your jurisdiction now elsewhere going up?

Mr. HARRIS. Sir, this is our—

Vice Chairman WARNER. This is it, isn't it?

Mr. HARRIS. This our major construction project.

Vice Chairman WARNER. Right. You don't have anything anywhere approaching this size elsewhere in the country, do you?

Mr. HARRIS. That is true, Senator.

Vice Chairman WARNER. I beg your pardon?

Mr. HARRIS. That is true.

We have planning under way for some of our classified operational facilities, and I have just recently visited those.

Vice Chairman WARNER. Okay, so you went out—what's the specific date was the first time you visited this site?

Mr. HARRIS. Umm—

Vice Chairman WARNER. Well then, give us a day or two either side.

Mr. HARRIS. I believe it was the middle of last week, sir.

Vice Chairman WARNER. Middle of last week? Well, given—

Mr. HARRIS. I had delayed previous tours—

Vice Chairman WARNER. I beg your pardon?

Mr. HARRIS. Previous tours—

Mr. MARSH. Sir, if I could address that—

Vice Chairman WARNER. Well, he's the witness. He can speak for himself, can't he? My simple question was, how often has he visited? Answer: only once. When. Answer: few days ago.

Mr. MARSH. And I was only helping—

Vice Chairman WARNER. Well, go ahead and help then, if you need help.

Mr. MARSH [continuing]. Only hoping to help in that recollection, Senator.

Mr. Harris has been there once. I believe I am correct that the first time he called me into his office was about three days after he had taken over leadership of the organization and one of the—

Vice Chairman WARNER. Let's give us the date/time group of when you took it over.

Mr. HARRIS. The 19th of May, sir.

Vice Chairman WARNER. Of this year?

Mr. HARRIS. Yes, sir.

Vice Chairman WARNER. All right, that helps clarify it.

Mr. MARSH. But he did not go, Senator. The point being—

Vice Chairman WARNER. I beg your pardon?

Mr. MARSH. He did not go on that date. I am saying the first two days on the job when I went up for my marching orders of how I was to fit into his leadership model and role and how he wanted to interact with his managers, he made it clear to me on the first day that that was a high item on his agenda to get to the facility—

Vice Chairman WARNER. All right, I think that is a very helpful amplification.

Mr. MARSH [continuing]. And we have had to reschedule that visit several times, and he only got to get out there last week, as he said.

Vice Chairman WARNER. I thank you. That's very helpful amplification.

Mr. HARRIS. And just let me correct the record, Senator. I have been there twice.

Vice Chairman WARNER. You have been twice.

Mr. HARRIS. But both have been in the last week.

Vice Chairman WARNER. Both in the last week.

What was the frequency with which your predecessor visited, and we'll have to rely on—can you get your name out from under wherever it may have been, if it was ever there? All right.

Mr. MARSH. I don't think they gave me a name, Senator.

Chairman DECONCINI. Mr. Marsh.

Vice Chairman WARNER. Mr. Marsh. We met the other day, Mr. Marsh, and Mr. Hill. Perhaps you can fill in on the frequency that your predecessor visited?

Mr. MARSH. I don't believe that Mr. Faga went but one time, sir.

Vice Chairman WARNER. One time.

Mr. MARSH. Right.

Vice Chairman WARNER. And Mr. Hill, do you corroborate that knowledge?

Mr. HILL. I think that's probably about right.

Vice Chairman WARNER. How often did you go out, Mr. Hill?

Mr. HILL. I think I have been there twice.

Vice Chairman WARNER. You've been there twice?

Mr. HILL. Yes.

Vice Chairman WARNER. And this is over a period of four years?

Mr. HILL. Three times.

Vice Chairman WARNER. I beg your pardon.

Mr. HILL. Three times.

Vice Chairman WARNER. Well, gentlemen, we have to speak into the mikes and we have to be precise. The question to you, Mr. Hill, is in the period of the four years, how many times have you visited?

Mr. HILL. Mr. Marsh says three times.

Vice Chairman WARNER. Mr. Marsh tells you you visited three times.

Mr. HILL. And I had two or three times from my recollection. He says three.

Vice Chairman WARNER. Okay.

We're not projecting, at least in this Senator's image, a really hands on type of management. That is what I chatted with the Deputy Under Secretary of Defense as he walked out. He's got some—I failed in one question, Mr. Chairman, to ask him to address the same one that I asked Mr. Woosley. He gave me a short, two sentence answer. But that, unfortunately, is not in the record.

Mr. HARRIS. Senator?

Vice Chairman WARNER. Yes?

Mr. HARRIS. If you would just allow me—

Vice Chairman WARNER. I will allow you as much opportunity as you wish.

Mr. HARRIS. I am trying very hard—

Vice Chairman WARNER. Because we've got two problems here. One, we've got a problem to solve between the Executive branch and the Legislative branch, and a second one is trying to explain to the American people what happened.

Mr. HARRIS. Yes, sir. I am going—

Vice Chairman WARNER. And the latter is probably more important than the former, at this moment anyway.

Mr. HARRIS. I am going to do my best—

Vice Chairman WARNER. I beg your pardon?

Mr. HARRIS. I am going to do my best to manage the NRO in a competent manner. I said in my opening statement that I intend to fully inform this Committee on projects like this, and to improve the way we describe the NRO's budget to this Committee. I believe—I am a manager of a large enterprise that has a large number, and in that capacity I have to delegate responsibility.

Vice Chairman WARNER. We accept those representations.

Mr. HARRIS. I have gone through the record on this. I understand the numbers, and I have tried to answer many of the questions here this afternoon, because I am taking responsibility for something I inherited recently.

The suggestion that I am not interested in this project because I did not take the time, because, as you know, from—

Vice Chairman WARNER. My reference, I think, was to the colleagues on your left and your right. I mean, in a four year project

of three hundred plus million dollars, I don't know, when I occupied comparable positions of management in the Executive branch, I somehow felt I did a more hands on job in visiting. But let the record speak for itself. If I am in error, I am in error.

Let's go back——

Mr. MARSH. Senator Warner, if I could, please, sir?

Vice Chairman WARNER. Yes.

Mr. MARSH. When you just said the gentlemen on your left and right, you haven't asked me, sir, how——

Vice Chairman WARNER. Well, I thought you said you had been a couple of times.

Mr. MARSH. No, sir. You asked me how long his predecessor had been there.

Vice Chairman WARNER. All right. Why don't you put in the record how often you have been out.

Mr. MARSH. I have probably been to Westfields a hundred times over the last three years, Senator.

Vice Chairman WARNER. All right. Now—but the predecessor to Mr. Harris was there how many times?

Mr. MARSH. I think the answer to that is one time, sir.

Vice Chairman WARNER. You can't—let's go back.

Mr. MARSH. One time, sir.

Vice Chairman WARNER. One time.

Now, my major concern in this thing is whether or not someone took a look at the NRO budget in the light of the declining budgets, across the board in CIA—at least that's what the Director represented to this Committee in previous hearings—he's taken cuts, DIA, NSA, and the like. Was there any cut, to your knowledge, commensurate to these percentage of cuts, 15 to 25%, that Secretary Deutch mentioned, overall Defense, in the NRO programs that you in the brief time that you've been there have discovered was taken by your predecessor? Presumably you haven't had the opportunity really to do a scrub yet. Would that be correct or——

Mr. HARRIS. We are in the process of my first budget build——

Vice Chairman WARNER. All right.

Mr. HARRIS [continuing]. This summer. I have reviewed historical data and we are going through a major consolidation time, and as a result, several billion dollars over what would have been spent had we not begun this consolidation, have been taken out of the National Reconnaissance Program.

So yes, sir, I believe that we are postured to be responsive to the taxpayer and come out with a program that, against a previously projected budget, it is smaller, sir.

Vice Chairman WARNER. All right.

But that is the work that you are doing. Can anyone address what your predecessor may have done in terms of scrubbing and downsizing NRO's budget as a consequence of comparable downsizing in defense and the CIA conglomerate? Or the U.S. intelligence conglomerate?

Mr. HILL. Let me—I believe that the whole restructure was largely brought about by the changing world situation. The idea of consolidating programs, consolidating program offices, decreasing the size of the industrial base, decreasing the number of satellites

we were going to have on orbit—I think all of this restructure to a large extent was driven by the changing world situation.

Since 1990, we have taken about 25 to 30% out of the program that was planned to be spent at that time. I believe that if you go back and look at the record, that—that the majority of the cuts that have been taken in the Intelligence Community, have in fact come out of the National Reconnaissance Program, over the last 3 years.

Vice Chairman WARNER. Well then how do you reconcile that with the steady growth of the size of this project? Over the same period of time?

Mr. HILL. The growth in the project goes back to every independent study on the reorganization of the NRO done within the Administration as well as within Congress—this Committee in particular—has concluded that as an objective, the NRO needed to consolidate into a single entity. The NRO itself had recommended that be the case. The Administration, either within the CIA or within DOD decided not to go for full collocation for any number of valid reasons, not the least of which was the impact on moving a substantial number of people out of Los Angeles. So the decision was made not to go for full collocation. This Committee asked the Administration to reexamine that.

There was a reexamination done by a committee formed by the DCI under Dr. Furman. He again concluded in '92 that full collocation should—

Vice Chairman WARNER. Dr. who? Could you again repeat the name of who was on the committee to decide to go from partial collocation back to full?

Mr. HILL. It was a Dr. Furman, who was the previous CEO of Lockheed, now retired at the time he did the study, or lead the study. He again concluded that full collocation was necessary to achieve the efficiencies that everyone wanted to achieve. And that was in the number of '92.

At that time, the Administration agreed with that and come forward to the Committee with the reprogramming request to go for collocation. So the growth in the program was going from a partial headquarters-only facility, which would have been two buildings—two to three—to the full collocation of bring everybody together into one facility, which is where the four facilities came from, and that was in the fall of '92.

Vice Chairman WARNER. All right, so if I understand you, it is sort of swing. It started full, dipped down to partial collocation, swung back up to full during this period of time?

Mr. HILL. Yes. And even at the time when the Committee agreed that we could go forward with a partial, this Committee directed us to maintain the flexibility in the site selection and in sizing to eventually go to full collocation.

Vice Chairman WARNER. Now, that's very helpful testimony. And do we have documentation that presumably we can declassify at some point in time—

Mr. HILL. It has been declassified for you last night.

Vice Chairman WARNER. All right. And we can show documentation that this Committee then directed you, or at least endorsed the full collocation policy?

Mr. HILL. Yes, sir.

Vice Chairman WARNER. Would you say then that this 15 to 25% reduction in overall DOD expenditures can be reflected in NRO in that if you look at where the infrastructure is now in terms of its size compared with what the envisioned collocation will be, if you netted the both of them, it'll show that 25% of the existing will have been reduced, say, and collocation will have effected that savings? It won't work out that way?

Mr. HILL. In terms of the total program, that percentage is true. How that will turn out by the time we phase out the programs that are being phased out, I am not prepared to say that that exact percentage will apply to the government infrastructure itself.

Moving to collocation, moving to more independence, has some penalties as well, and how that is going to balance out, I am not clear.

Vice Chairman WARNER. Let's talk about the working relationship, Dr. Harris, or Secretary Harris, you have with Director Woolsey. How often do you meet with him?

Mr. HARRIS. I would guess on average, since I assumed this position, I see him in one form or another at least once every two weeks, perhaps twice every two weeks.

Vice Chairman WARNER. Have you in this brief period that you've been on board here, discussed with him this project?

Mr. HARRIS: Yes sir, at length.

Vice Chairman WARNER. Was it after the Committee expressed an interest in it or—sort of give us the sequence of when you began to discuss the project with him.

Mr. HARRIS. I believe I had several discussions with him about the benefits of collocation and consolidation. What I don't recall explicitly is details associated with the building. Clearly it would have included the fact that we're doing a collocation in a facility out at Westfields. I don't believe, until discussions over the last two weeks, did we take the time to fully bring him up to speed, and Dr. Deutch, on the facility and the specificity we are discussing today.

Vice Chairman WARNER. It is clear to this Senator, and I think others, that the problem area in this case is the inability of the Executive branch, namely your staff and perhaps others, to communicate with their counterparts doing work on the Hill. Now, time will tell exactly who and to what degree they were at fault.

But any time did you talk with your budget staff about the means with which they prepare the budget and communicated to the Hill? Did you give them any directions? Any restrictions?

Mr. HARRIS. We have yet to submit my first formal budget to the Hill. As we build it, I believe I have made it clear to my budget staff that we are going to shift gears here and provide more information.

Vice Chairman WARNER. Now, Mr. Hill, what work have you done in this area?

Mr. HILL. Well I have spent—

Vice Chairman WARNER. A lot of time.

Mr. HILL [continuing]. All my years, 25 years. We have had an objective all along to—the confidence in the Committees in what we do has been the paramount thing that we have been concerned

about since I have been in this business. I think trust between the Committees and between our organization has always been exceptionally good. And I am very disheartened at this turn of events.

We have tried to respond every time the Committee has asked a question in the fullest. If the Committee has asked for additional displays, we have tried to provide that, to my knowledge. Clearly in this case, there was a lack of communications. We viewed the major issue here collocation, full or partial; the consolidation of the programs and the savings that would derive from that. To be perfectly honest, the building itself was never the major issue. It was are you going to fully collocate or partially collocate, the programs, the consolidation of the programs. I think one of the reasons that the—well I am on a tendency to get into classified information, which I had better not—let me stop there.

Vice Chairman WARNER. Well, if you can just address what I perceive as a cultural problem. If you want to disagree, you are a man of strength and courage—disagree with me! But as I go back very carefully with our loyal dedicated staff persons, and look at the documents themselves that were sent over in this four year period, by your agency, it is very clear to me that what our staff points out is that you were not fully—that is not you personally, but subordinates—were not fully and forthcoming in either the manner of accounting—in other words, pushing it all in the base account and then there was another piece over here. Or in giving such detail that our small staff could grab it very quickly and make an independent assessment which we as senators need. Now have you looked at these documents as I have yesterday?

Mr. HILL. Yes, sir.

Vice Chairman WARNER. And did you read them through?

Mr. HILL. Yes, sir, I did.

Vice Chairman WARNER. And you are an experienced civil servant, how many years have you been in your work?

Mr. HILL. 43 years.

Vice Chairman WARNER. 43. All right. What happened? Give us your assessment.

Mr. HILL. I don't like the CBJB displays, I never have. They are a method of describing the base, as we refer to it, is decided by others—not me. That that is to represent—

Vice Chairman WARNER. Well who decided it, if it wasn't you?

Mr. HILL. It was decided by a working group made up of Congressional staff people as well as IC, Intelligence Community Staff people a number of years ago.

Vice Chairman WARNER. Well give us sort of a date/time group when that took place.

Mr. HILL. I'll have to get that for the record. I don't recall.

Vice Chairman WARNER. All right.

Mr. HILL. The idea is and was, that the base represents the intelligence capability of the country today. If you don't add any more money or any new programs, you continue at that base intelligence capability.

Ongoing initiatives are things that have previously been approved that will enhance that current intelligence capability and new initiatives are new things that would further enhance that.

Now that makes more sense in some elements of the Intelligence Community, particularly the analytic side of the community, than it does in our case. But nevertheless, that is the format that has been described and that we have been asked to fit our programs into. Now in that sense, a facility does not increase the intelligence capability of the country. So it would normally go into the base.

Vice Chairman WARNER. Well, let me read to you a document which is now unclassified. The element of the mission support expenditure center includes the facilities and support infrastructure, such as personnel costs, other than security, supplies, travel, training, contract maintenance, equipment purchases, staff, and specialized vehicle, representational funds, logistics support, and day-to-day general operating costs.

Now within that language, my understanding, is buried this building. Am I correct?

Mr. HILL. That is correct.

Vice Chairman WARNER. Now, how was the reader to determine that a building was encased in that language?

Mr. HILL. Well, when you read the narrative description below, it speaks specifically to the building.

Vice Chairman WARNER. Well, let me read it on. As the NRO has transitioned into a separate organizational entity, many of the costs associated with support functions that were borne by other organizations will now be funded by the NRO. Many of these costs will be similar to those operational costs that are required to support a normal base operations or other DOD agency, including costs to operate and maintain facilities.

I still don't see a building in there for, you know, a million square feet. Yes.

Mr. MARSH. Could I try to help, Senator Warner, please?

I am not sure exactly which year or document, but I think you may be reading the more general section of mission support line items—

Vice Chairman WARNER. That's correct.

Mr. MARSH [continuing]. And you need to get down to the sub-line item under there called miscellaneous, where you'll find probably a paragraph or two, depending upon which year you are looking at describing—

Vice Chairman WARNER. Okay, all right. Well, I think it would be helpful Mr. Chairman if we could isolate this, because I am told this is all we—

Mr. MARSH. Well, maybe I could help you, Senator, if you would just tell me which year you are looking at.

Vice Chairman WARNER. Well, let's take—

Mr. MARSH. How about if we took 94/95?

I'll just read you what my copy of 1993 says if that's okay.

Vice Chairman WARNER. All right.

Mr. MARSH. It says the restructure plan approved by the Secretary of Defense and the DCI collocates most of the NRO to a single location as soon as possible. Full collocation—

Vice Chairman WARNER. Wait a minute, we got to locate where you are reading from.

Mr. MARSH. I am reading in—

Vice Chairman WARNER. I hope people understand that we have gone through one of the most rapid declassification scenarios I have ever visited in 20 some years. So we are having a bit of trouble with documents.

Mr. MARSH. Yes, sir, I appreciate that. If you will look at our hand-out that we left with you senator, it is Tab 18, which is the—if we would use the word redacted version of the classified submission for 1994, I believe. The FY 94–95 Congressional budget submission.

[Pause.]

Mr. MARSH. Do you have Tab 18 in our book, Senator.

Vice Chairman WARNER. Yes, we do.

Mr. MARSH. And the format of that book—

Vice Chairman WARNER. And I am looking at it. Where in there is the cost information?

Mr. MARSH. I thought your first question, Senator, was whether it described what we were doing.

Vice Chairman WARNER. Well, all right, there is a description, but where is the associated cost information?

Mr. MARSH. But make sure we are on the right page. This is the page that says it is a million square feet there and it is four buildings, and it is on 70 acres—

Vice Chairman WARNER. That's correct.

Mr. MARSH. That is the same paragraph we are reading, Senator.

Vice Chairman WARNER. Yes. And now that came to us—that's—

Mr. MARSH. I would also like to subscribe to my boss—

Vice Chairman WARNER. I beg your pardon?

Mr. MARSH [continuing]. My two bosses, that we have been negligent, clearly have been negligent given the current discussion over this topic of not specifically showing the budget breakout for this project. I would also just hope to get the Senators to recognize that we have been fairly good, I believe, in describing the narrative aspect both in the CJBs and in the various documents that we both recognize that have gone back and forth between us. But we clearly have missed the mark for your expectations on how we break the specific project budget out.

Vice Chairman WARNER. That's very fair. And that's what the American public expect from their public servants, is which you and I are. An admission that we could have done things better. And there just simply are not the cost figures associated with this narrative that our budget staff required.

Mr. MARSH. Right.

Vice Chairman WARNER. Now, we asked for those in a report in a 1991 report? Are you aware of the fact that we asked for it in our report language?

Mr. MARSH. I am sorry, I am not, Senator.

Vice Chairman WARNER. Alright, let me just take a minute—all right give me the document and let me read it.

[Pause.]

Vice Chairman WARNER. All right, I am going to read from a—

Mr. MARSH. Are you talking about the reference where it says land will be—

Vice Chairman WARNER. No, this is the report that we issue—you are familiar with the bill and report language that we issue annually, each year?

Mr. MARSH. Yeah.

Vice Chairman WARNER. And the quotation I read is as follows, quote—and this is coming from that report, and let's take a minute for your staff to perhaps give it to you.

Mr. MARSH. Is it report number 102-166?

Vice Chairman WARNER. All right, this is the 95—right here, CBJ, that's Congressional Budget Justification—

Mr. MARSH. It could not be 95, we are not there yet.

Vice Chairman WARNER. Well, you're correct. It's in submission, we refer back to 94 language. And I read it. Conferees direct that the NFIP budget materials submitted in conjunction with the FY95 request clearly display all programs, define all requirements, and justify all source inputs. The conferees also explicitly stipulate that each individual program must provide complete details for the entire request, not simply any changes from the, quote, "base," end quote, level provided in a prior fiscal year.

Are you familiar with that language?

Mr. MARSH. No, sir, I don't think I have ever seen that.

Mr. HILL. I am familiar with it, yes, sir.

Vice Chairman WARNER. Could you help us, Mr. Hill?

Mr. HILL. Well, it is not a very good answer.

We have never, in our terms of programs, we refer to the flying programs—the space programs—

Vice Chairman WARNER. Could you pull that mike up a little tighter? I can hear but some of the words are being lost.

Mr. HILL. In the discussion of base with respect to the NRO, we have taken the term programs to mean the programs, the flying programs, the space programs. And that the direction was to provide a more—a broader explanation of the base for those flying programs. We have not treated the facility, per se, as a program, as a cost center program. And that—if that is a lack of communication between us and the staff, I apologize. We have not treated it that way. We had not been asked to break it out as a separate program, and we certainly will from now on.

Vice Chairman WARNER. Well—and I appreciate that.

Would you say that your last few words, although somewhat different, were parallel in meaning to what Mr. Marsh just said?

Mr. HILL. I think so.

Vice Chairman WARNER. All right, well, that is fair enough, gentlemen.

Let's go back, Mr. Harris, to your predecessor, and indeed, you probably can't answer these questions, but—to what degree did—does anyone have knowledge as to your predecessor getting down into the budgetary details and the day to day operations in terms of directing Mr. Hill, this budget staff, in their work with the Congress? Any special instructions that he might have given?

Mr. HILL. The only instructions that I am aware of is that we attempt to provide anything the staff or the Committees want. Our objective has been to maintain the trust between the Committees and our organization.

The only restriction that I am aware of is one that says that when we contract at a given level—and let me just take for example, well, hypothetically a space craft, and we contract for that spacecraft as an entity, if a Congressional staff wants a breakout of a part of that system, be it the payload or an attitude control system or a booster system or whatever, if we contract for it as a total, we would be willing to provide that information for information purposes, for example, in the form of a question for the record. We would not want to break it out as a budget line item in the budget justification book, because we don't have the ability to control to that level and therefore we would not want the funds to be appropriated to that level. If I make myself clear.

Vice Chairman WARNER. I understand.

Mr. HARRIS. There is a level at which we contract and we can't be—we can't interface or track with Congress at a level below that which we contract. Except for that, which is a very low level of detail when you get down to it, to my knowledge there is no restriction that we have said to our staff that you shouldn't put in the CMJB or in any response to Congress.

Vice Chairman WARNER. Well—and I will conclude now, Mr. Chairman, I may return following your additional questions.

In my opening statement, I acknowledged based on some limited experience I have had with the Navy programs and the overall NRO in my past, it's done vital work and continues to do vital work for this country.

Mr. HILL. I worked with you in the early 70s on that.

Vice Chairman WARNER. Did we work together? My hair has changed a little bit; you remain unchanged. I failed to recognize you.

Mr. HILL. Not after this.

[General laughter.]

Vice Chairman WARNER. If I've been a little bit rough, it didn't mean to be personalized. This has been a tough couple of days for me personally, because again I think NRO is so essential and I don't want the employees now scattered somewhat across America reading these stories, to think that they're any less needed or respected and I hope we can instill that.

But I do have a feeling, Mr. Hill, that you have readily acknowledged, as has Mr. Marsh, that errors have been made. Perhaps we could have been a little tougher and forthcoming on our side, so it works both ways in some measure.

Mr. HILL. Senator, I have to emphasize, there has never been any attempt to deliberately hide anything from the Committee. We have tried to respond in a way that we felt was responsive to the issue on the table. And it may have been an error, but in our case—in this case—the issue since '88 has been to what degree do we consolidate the programs, and to what degree do we consolidate the management of those programs. We were talking about several billions of dollars. We were talking about tens of thousands of contractor people who will be either put at work or not put at work, based on the decisions that are made.

I realize that this facility is a big building and it is an expensive building. It has never been the major thrust of any dialog we have had with the Committee. It has—we have addressed it in terms of,

at least in our view of getting authority to proceed, but it has never been the big issue. The big issue has been to what degree do we consolidate the programs and the management of those programs.

Vice Chairman WARNER. And judging from the scrubbing you are now doing in budgets and looking at your overall future, you are probably going to have to determine what percentage of this building you will utilize in the future. Have you got any approximate evaluation of how much you may utilize in the future and how much may be excess so that other defense or intelligence agencies can backfill that space?

Mr. HILL. Well, excess is a relative term. But yes, sir, we believe right now there is probably on the order of space for 2020 additional people. One of the options we have—

Vice Chairman WARNER. Beyond the immediate needs that you foresee in this scrub down you're conducting?

Mr. HILL. From what we have currently identified, yes sir.

If—we always have the option—and I'll address a question that you had earlier—of directing some of our support contractors to use that space. We have traditionally provided space, when we could, to contractors.

Vice Chairman WARNER. And that is for good sound reasons.

Mr. HILL. Absolutely. The question of do we get credit for that: yes, in a number of ways.

Vice Chairman WARNER. And they don't get it for free, do they? As has been inferred.

Mr. HILL. Free in terms of in many cases the cost of the manpower to us, if we provide the space for him to work, is anywhere from 10 to 30% cheaper than if we don't provide him the space.

Vice Chairman WARNER. So indirectly rent is paid, would you say?

Mr. HILL. Yes.

Vice Chairman WARNER. In other words, the American public is watching this and they understand rent, but some of this indirect reimbursement is a little difficult.

Mr. HILL. Now, the other way of looking at that is if we require a contractor, if we hire a contractor and in responding—let me just say as a system integrator, to provide technical advice on a given program, and that contractor will come into either Washington or Los Angeles and he will lease the facility for that activity to take place in—this is quite common—that facility is charged to us as a direct charge. So he goes out, he leases a building, that's charged as a direct charge to our contract. In addition to the direct charge for that, we pay him a G and A and fee on top of that. So there is an additional mark-up on top of that.

If we provide the space, then obviously he doesn't lease the building, or he doesn't lease as big a building.

The other thing that plays into that is that much of our work requires a special work place—compartmented workplace, secure work space. To the degree that we can provide contractors secure work space, it allows us to contract with small contractors who do not have secure facilities and therefore they can provide the people, we give them the space to work in much as we do your staff or GAO or others who come in to do compartmented audits. We provide

them workspace in that secure area for them to do that work. We do the same thing with contractors.

So we have the option of filling up any additional space that we have from a government standpoint with the support contractors that we use to support the various programs.

In addition to that, there will still be contractors who lease considerable amount of floor space in that area.

Vice Chairman WARNER. Do you feel that in 43 years of government experience, you have inhabited a lot of government buildings in your time?

Mr. HILL. Yes sire.

Vice Chairman WARNER. Do you feel that your agency can defend this building, its amenities and its space allocation to your employees against that being received today by other employees elsewhere in the government?

Mr. HILL. I think by the time we move into it, the answer to that will be yes.

In planning for a facility, five or six years in advance, when you don't know exactly what you are going to put there, we made some fairly liberal estimates and many of those have come true. For example, at the time we started the planning, this organization was still a covert organization. We knew that it was moving toward declassification, we knew that declassification and public acknowledgement was going to bring with it, additional work load for things like Freedom of Information, public affairs, things of that nature, so there will be additional work load that comes along with that.

Right now I believe that the facility, certainly four towers is larger than we absolutely need. We knew that at the time. Three towers we also know is absolutely too small. So the question is, how do you do that. It has been our experience in all the years that I've been in government, I don't believe I have ever seen a government building built that the day it was occupied, it wasn't too small. And you generally had an expansion that starts.

When you are dealing with classified facilities, modifying those facilities or trying to expand them once they have been occupied is terribly expensive. And so we tended to error on the high side. Maybe that was a mistake.

But we felt it was a cost effective and the right thing to do at the time, given that there was always a way to cost effectively use that space when it was delivered.

Vice Chairman WARNER. Thank you Mr. Hill.

I now yield to our Chairman.

Mr. MARSH. Could I possibly add to that, Senator?

Vice Chairman WARNER. Sure.

Mr. MARSH. As we have spoken before earlier this week or last week—it seems like a month now—and I'd like to tie this into one of the questions that was asked to Mr. Woolsey that I am not sure—

Vice Chairman WARNER. We spoke on Monday morning of this week.

Mr. MARSH. That's right.

Vice Chairman WARNER. When the Chairman and I visited the site.

Mr. MARSH. Yes sir. And one of the earlier questions was what happened to the \$50 million to get us from 347 to 302 and as we were discussing there, there is a big difference between the risk of a construction project and the risk of a satellite program. The satellite programs have their risks up front to get those technical designs completed and operational, being ready to deploy in a system, where the problem with a construction project is that it comes in the end when guys want to get in trouble and get into schedule delays and have lots of claims. And therefore, we know that the margin that you need for a construction program comes at the end of the program.

So the difference between the 347 we carry in our budget, and the number identified to the audit team expected cost of the project as we carried it in May was 302. What we have done is we have not deleted anything from the program, Senator, to go from 347 to 310. We have given that margin back early, as an indication both to you and the public as we are here trying to speak to today, that we are absolutely confident of what we are doing. We have some very senior, talented, experienced, people running this program that work for me and they are telling you and the American public that we are giving the margin back early on the program, okay. And we are going to deliver on time, on schedule, and it is going to be a very good value for the project if we all just take time and look at the real data and don't get the trash cans mixed up that's in that support cost item that we have debated about with the audit team, with what the real construction cost of this project is.

I think we are going to—after you finish your audit that the Navy folks are doing, we welcome that review of the project. I think you will be very happy with what the final product is that you're getting a good deal.

And if I can just give you 2 or 3 examples that we have attempted to be very much the shepherd of the dollar as we have gone through both the design and the implementation of this program, and I will only offer you a couple of examples. I don't know if we mentioned it on the tour, but in this process, when you build a secure building like this, there is lots of communications and computers of all different types in that thing. I don't know that we are the first, but I can tell you that one of the things we are very proud of is we have single distribution system in this building that runs both secure and non-secure communication systems. The standard that I have been aware of for the last 30 years is dual redundant systems, and we have saved the taxpayers half of the cost of that normal system right off the bat—

Chairman DECONCINI. How much is that in savings, Mr. Marsh?

Mr. MARSH. It's approximately, sir, my estimate, is somewhere in the order of \$14 million that that one item alone has saved. That one design item and what we have done in looking back—this is not something we did last week either, Senator, that's been in the plan since 1990 when we laid out the plan for that one.

The other is both the physical, the technical and the access control systems that we have put into this building from a normal security standpoint compared to other things that you would see in a normal high tech high security thing. I won't talk in great detail about that given the security aspect of it itself, but off the side, I

will be glad to talk to you in detail to show you what we have is a very simplistic system, a very efficient system, and a very computer automated systems where we don't have to rely on lots of the mechanical and the labor saving devices—labor intensive devices that we have for last 20 plus years.

The energy management and control system as I told you earlier in the week, there is nothing unique in this design; there is nothing special in this design; it's all commercial off-the-shelf, readily available to any construction contractor, energy management system. Yes, it was expensive. It is a computer, and it runs the lights, and it runs all that stuff, and it's going to save you money in the O&M phase, and we have told you in those letters earlier that the approach we took on this program is the least total cost—not necessarily the least earlier cost in the program. So we're spending a little money up front—gonna save you lots of money in the rear end of this thing.

Chairman DECONCINI. Mr. Marsh.

Mr. MARSH. Sir.

Chairman DECONCINI. Go ahead.

Mr. MARSH. We have a computerized maintenance management system where we won't run around trying to figure out when all the bearings need to be greased and have to pay for replacements. It will automatically pop out routine maintenance that when every mechanical device in this building has to be done and people will do it a lot more efficiently than it has been done in 20-plus years.

Chairman DECONCINI. What did that cost?

Mr. MARSH. The whole system—again, I will stand corrected and send you a written answer if I am wrong—I believe that was about \$178,952.

Chairman DECONCINI. To put that system in?

Mr. MARSH. It is part of a contract that was competitively awarded about two years ago now, Senator, where we brought in probably eight to ten different, again, vendors doing this all across the country, of offering these systems and it was a competitive acquisition.

Chairman DECONCINI. Mr. Marsh. I wonder, and I don't know the answer to this, but I wonder if you were building this building for a developer at Tysons Corner, whether you would put in that system. Is it true that this average square foot cost is in excess of \$175 per square foot?

Mr. MARSH. Depending upon what you put into the equation.

Chairman DECONCINI. Just tell me, is \$175 an average in any equation?

Mr. MARSH. The 175 I think you're referring to, Senator, is from last November of '92's briefing?

Chairman DECONCINI. That's correct.

Mr. MARSH. That's correct. And that \$175 included cost of the land—

Chairman DECONCINI. Yep.

Mr. MARSH. Rough grading of the site—

Chairman DECONCINI. Yep.

Mr. MARSH. Site development to bring utilities, roadways, installation of the parking structures, and the foundations of the buildings. It includes the core and shell costs, taken up and around

them, and it also included the fit-up costs. And today, Sir, the answer is it is cheaper on a dollar per square foot today than we told you it was going to be in 1992.

Chairman DECONCINI. Very good. But is that cheaper than the cost of buildings in the vicinity? Do they cost \$175—anywhere near that—and all that infrastructure including the land?

Mr. MARSH. A spec—what I believe is the correct term—a spec building may not cost you that much, Senator.

Chairman DECONCINI. No, it may not. It would be under \$100 I'm told.

Mr. MARSH. But you would not necessarily get all of the features that I hope you would agree that are necessary to put into a facility like we're doing.

Chairman DECONCINI. I'm not sure they're necessary, you know. Certainly the security is.

Mr. MARSH. Right.

Chairman DECONCINI. But do you have to have this computer system that checks on the ball bearings. It's nice if you can afford it.

Mr. MARSH. We believe—

Chairman DECONCINI. And obviously you think you can afford it.

Mr. MARSH. We believe it is a cost saving measure, Senator. If you look at the cost of that system—

Chairman DECONCINI. What.

Mr. MARSH [continuing]. Applied over the life of it for the reduction of the O&M.

Chairman DECONCINI. I submit that may be because you're spending somebody else's money.

Let me ask you this. In June, Mr. Marsh, you gave this to our Committee—\$147 million was the budget. We got that from you. Well and good. We accepted that, that's just a budget.

Mr. MARSH. The 347, Senator?

Chairman DECONCINI. 347.

Mr. MARSH. Right.

Chairman DECONCINI. That's the budget that we got in June, that our audit committee received. Now, we're told that it's \$310 million. So where did the \$37 million come from all of a sudden?

Mr. MARSH. If you look at that total chart—

Chairman DECONCINI. Yep.

Mr. MARSH. Working right to left.

Chairman DECONCINI. Yep.

Mr. MARSH. The right hand column says budget, the second from the right says total cost, the total cost on that chart, and the chart that we gave your audit team was dated 27 May of 1994. The total cost on that chart was and still is—

Chairman DECONCINI. 301.7.

Mr. MARSH. 301.7, and that represents what we in our world call our best guess estimate at completion of the project.

Chairman DECONCINI. Where did the savings come from the 347 down to the 301? Where did you save the money from your budget?

Mr. MARSH. I'm not suggesting that there was a savings, Senator. There was a reduction in the 347 budget.

Chairman DECONCINI. How did you get the 347 budget, Mr. Marsh? You must have had some figures to justify getting that estimate. Right?

Mr. MARSH. Getting the estimate—

Chairman DECONCINI. Putting together a budget of 347, you had to have some data.

Mr. MARSH. Absolutely.

Chairman DECONCINI. What it's going to cost. Right?

Mr. MARSH. Absolutely.

Chairman DECONCINI. So what happened to bring that cost down to 301.7?

Mr. MARSH. Sir, we're not communicating.

The way we budget for the stuff is you budget based on what you've spent, what you estimate to complete to get that total cost line. That's what you think, if you do everything perfect—and we're not perfect, Senator—that's what your budget would be. You take your requirements, you add them up, and then you put a little bit on top of it, and that's what your budget is.

Chairman DECONCINI. Okay. And you had to estimate on what it's going to cost—the communications system, the brick and mortar, the air conditioning, the security, the land and everything.

Mr. MARSH. Yes, sir.

Chairman DECONCINI. You had to estimate and came up at some point with the budget at 347.

Mr. MARSH. Yes, Sir.

Chairman DECONCINI. Now, when you get down to May of this year, you're down to the estimated total cost of 301 and congratulations, that's good.

Mr. MARSH. Yes, Sir.

Chairman DECONCINI. But what I want to know is what came down within your budget. What were the items—

Mr. MARSH. Oh, I'm sorry; I misunderstood.

Chairman DECONCINI. What were the items that brought that down?

Mr. MARSH. Oh, I misunderstood the question, Senator.

Chairman DECONCINI. Thank you.

Mr. MARSH. There have been several things.

Again, one of the things that is not necessarily a coming down, but we have been talking internally between myself and the comptroller about we have two major contracts that were going to be awarded this summer on this job, and that that is an unknown until we know that, and we were carrying a higher estimated cost for those two things than actually turned out to be the case when we awarded both of those contracts. So there is part of the money right off the—

Chairman DECONCINI. How much is that?

Mr. MARSH. I don't remember off the top of my head, Senator.

Chairman DECONCINI. Okay.

Let me ask you this. Is there—our audit staff indicates, and you correct me, Mr. Marsh, that fifty percent or a large percent of the offices in this facility are for single occupancy at an average of 165 square feet. Is that correct? And if so, why?

Mr. MARSH. I don't believe that's precisely the data that was provided to you audit staff. I think what was precisely provided to

them was that the majority, the most of the offices that are laid out in Westfields are of the 165 foot size.

Chairman DECONCINI. Okay. That's fine enough.

Mr. MARSH. That doesn't mean the most. But there is a big difference, Senator, between the average and the most.

Chairman DECONCINI. Okay. All right. Most of the offices. I can accept that. Why would most of the offices have to be 165 square feet?

Mr. MARSH. Well, in lots of cases, and I don't have those numbers with me either, but we have provided them to the team, and I'm sure I have a copy back at home, a number of those are for two persons.

Chairman DECONCINI. These are two person offices?

Mr. MARSH. They are for a wide distribution of both one person or two persons.

Chairman DECONCINI. We're told—our audit staff says they're told that 50 percent are for single office staffs of an average of 165 square feet. Is that wrong?

Mr. MARSH. I believe that does not match what I thought we gave the audit team.

Chairman DECONCINI. Okay. I'd sure like a clarification.

Mr. Hill—

Mr. HILL. Sir, let me just ask a question and it may clarify.

Chairman DECONCINI. Yes, sir.

Mr. HILL. To say that the average office for all of the buildings is 165 feet—

Chairman DECONCINI. No, I'm not saying that. I'm saying—

Mr. HILL. Some of those are single and some of them are double. I think that's what the 165 is, though.

Chairman DECONCINI. No. No. Our staff—our audit team says that they were told, and maybe inaccurately, that the majority or 50 percent of the offices in this facility are for single occupancy and that average space of those 50 percent of those offices is 165 square feet, average. That means that for fifty percent of them—one of them we know, I think, is 500 square feet, The Director's office.

Mr. HILL. Right; yes, sir.

Chairman DECONCINI. Some of them may be 125.

Mr. HILL. Right.

Chairman DECONCINI. But the average, or fifty percent, are single office spaces at 165 square feet.

Mr. MARSH. I think what we're doing is mixing up two pieces there, Senator. And I believe the audit team is coming back to finish their report, and we'll absolutely clarify it with them there.

Chairman DECONCINI. Okay. Because I think—

Mr. MARSH. Because what we're seeing is—what we've said is two pieces in that statement that you made. I believe it is an absolutely true statement that the majority of the offices in this project are sized at 165 square feet. It is a separate issue and a separate question as to how many of those are single person offices.

Chairman DECONCINI. I'd like to know how many are single, and if, in fact, there is a substantial number of single occupancy offices at 165 square feet or more, I would hope that you would take a look at that.

Mr. MARSH. We have already provided—

Chairman DECONCINI. Because to me that is very excessive.

Mr. HILL. Okay.

Chairman DECONCINI. Mr. Hill, Mr. Faga, who we could not reach to come today, has been quoted in a number of articles including the New York Times saying that this Committee knew all about this. One quote in the Times of yesterday is, "I don't think there is any doubt the Committee knew the facility was being built. We briefed them in 1990, '91, and '92."

Do you think that Mr. Faga and the NRO adequately briefed this Committee in 1990, '91, and '92 on this project and the cost of it?

Mr. HILL. Well, I believe that at that time we felt we were adequately briefing. I mean, obviously—

Chairman DECONCINI. At that time.

Mr. HILL. We would have given a bigger briefing or a longer briefing or a more detailed briefing if we thought it was inadequate.

Chairman DECONCINI. Well, in '91—

Mr. HILL. I believe your staff in '91, if they felt it was inadequate, would have told us they felt it was inadequate, and we would have expanded it then.

Chairman DECONCINI. That's fair enough.

Mr. HILL. In retrospect, was it adequate? Obviously not.

Chairman DECONCINI. Well, in 1992, for instance, this is a classified document, so I can't read from it, but in 1992 the only reference to this whole project at any hearings before our Committee in a classified briefing was one small paragraph mentioning it by Mr. Gates.

In '91 I can't find any—any testimony given to us. There are some questions that were answered that we initiated.

In 1992, Mr. Hill, excuse me—in 1993, you testified again before this Committee in a closed, classified session, and there are two lines that talk about this project and the task force. And that's all. Now we have no other specifics. Is it your suggestion that the fault lies here with this Committee, that we should have asked for things like how much is this going to cost this year? How many square feet are we going to get? what's the average cost per square foot? Is that what you think we should be doing as part of our job?

You know, you can criticize us. We're certainly criticizing you.

Mr. HILL. No, Sir, I'm not trying to say that you should have to ask that question. I'm saying that in a limited briefing, where we have a short amount of time to summarize a statement before we answer your questions, we tend to concentrate on those things that appear to be issues at the time. This has never been an issue before. And, therefore, it was never a subject that we selected to highlight in our briefings to you. Over the last two or three years, I think you will agree, in our program, as we've gone through this massive restructuring, there have been no lack of high interest items—

Chairman DECONCINI. That's true.

Mr. HILL [continuing]. For us to discuss. So we have not concentrated on things that did not appear to be an issue. And I think that's really what Mr. Faga is saying.

Now, I remember specifically him briefing Senator Cohen and the Chairman.

Chairman DECONCINI. Senator Boren.

Mr. HILL. Senator Boren.

Chairman DECONCINI. About this?

Mr. HILL. Yes. Senator Boren left partway through. Now Mr. Faga has offered to come in and talk to you if you would care to listen.

Chairman DECONCINI. Well, I talked to Senator Boren today. He said he recollects no briefing whatsoever—

Mr. HILL. That does not surprise me whatsoever.

Chairman DECONCINI [continuing]. About this at all.

Mr. HILL. And the reason it doesn't surprise me is it has never been an issue until now. The collocation, the integration, the re-alignment of the programs has been an issue, but the facility has never been an issue.

Chairman DECONCINI. Mr. Hill, maybe you can help me here. Are there plans for additional buildings to be leased or purchased in the foreseeable future or have there been any such leases or purchases made this year?

Mr. HILL. I don't believe so, this year.

Mr. MARSH. To the best of my knowledge we have no current plans, and yes, there was one transaction, I'm sure of one, and yes, one transaction.

Chairman DECONCINI. This year.

Mr. MARSH. Yes, Sir.

Chairman DECONCINI. Why would you buy a building, Mr. Marsh, if you're going to move into this new complex?

Mr. MARSH. I don't believe that that—again, Senator, that's not been declassified right now.

Chairman DECONCINI. So, good enough.

Now, Mr. Hill, we talked about the base, and I appreciate your candidness and your approach to the base of distinguishing in your mind and your thought process in the NRO that your attention is paid to these programs that your real mission—if you want to call it that—thereby excluding the office headquarters. Has that always been, as far as you know, the period of time you've been the Deputy Director, has that always been the case, that infrastructure is really not something that you ought to get immersed in, and since you have to do to deal with these larger programs, and you made a good explanation of why you don't set out the lines so that we don't micromanage you to the point that you can't award a contract because we give you only so much for a certain project, but is that what goes on in the agency?

Mr. HILL. Sir, we've never had a headquarters facility before so, you know, with respect to this program—

Chairman DECONCINI. Well, what about just infrastructure. You know, you buy a facility, you build a facility, is that just kind of, "Gosh, this is just not really our big deal, our big mission."

Mr. HILL. Facilities that we've had in the past have been an integral part of the programs and those we managed very carefully. We've never had a headquarters-type facility before. We operated out of the Pentagon. We operated out of Agency facilities and out of Air Force facilities. So I can't—

Chairman DECONCINI. Okay.

Let me ask you about the contractors that are out there. How do you justify giving a contractor moving in to space that cost \$175 per square foot to construct—granted, with all these very important projects—and yet refrain from asking that contractor to rent the space and charge you? Have you done any analysis on this?

Mr. HILL. Sir, if we rented the space—

Chairman DECONCINI. No, if they rented it.

Mr. HILL. If he rented the space from us, he would turn around and charge it as a direct charge to our contract, and then we would proceed to pay him a 25 percent markup on that.

Chairman DECONCINI. So if he goes out to a private party and rents space—

Mr. HILL. He charges it directly to our contract.

Chairman DECONCINI [continuing]. And pays \$100 a square foot for it, or whatever it costs to do it—I'm just being hypothetical, say \$100 a square foot, which is high office space rent in that area so I'm told by realtors—then he charges you \$100 a square foot plus 25 percent, his costs?

Mr. HILL. Well, plus a G and A and fee. Whatever that amounts to.

Chairman DECONCINI. What is it normally?

Mr. HILL. It's normally 20–25 percent.

Chairman DECONCINI. Twenty-five percent. So it costs \$125 if you use my hypothetical. And you think that's cost effective to build in excess so you can have these contractors in there for the availability of your operations?

Mr. HILL. I think in some cases it's essential that we have them integrated with us in the technical areas. Yes, Sir.

Chairman DECONCINI. And have you done any cost analysis of what the difference is in not building tower four for whatever million of dollars that it would cost versus paying the cost of subcontractor's small or medium or large by having to pay the rent plus 25 percent?

Mr. HILL. Not specifically. No, Sir.

Chairman DECONCINI. Okay. Is that an unattainable cost?

Mr. HILL. It's probably attainable. The—on the fourth tower, as I said earlier, clearly when we move to full collocation, three towers were clearly inadequate, four towers was clearly more than we needed. And the decision was made to go ahead recognizing there would be some excess space there.

Chairman DECONCINI. It just seems—do you have any idea now how many contract employees you have in your various locations, that are actually physically in your buildings? Is it more than a thousand people?

Mr. HILL. You mean total in the whole organization? Oh, yes, Sir.

Chairman DECONCINI. It is more than a thousand that are physically in your buildings now?

Mr. HILL. Yes, Sir.

Chairman DECONCINI. That are not paying rent? Under this arrangement that we're talking about.

Mr. HILL. If you include the ground stations, yes, Sir. A lot more than that.

Chairman DECONCINI. No, I'm just talking about the office—the

Mr. HILL. The program offices?

Chairman DECONCINI. The program offices.

Mr. HILL. No, Sir, it's probably not a thousand. I don't know what the number is.

Chairman DECONCINI. So you're making the room for a thousand out here?

Mr. MARSH. Senator, if I could interrupt again. I apologize for doing that.

Chairman DECONCINI. Okay.

Mr. MARSH. There's several different types of contractors that are in that number of a thousand that are going there, and I'm not sure we can discuss them all here today. But if you remember me talking about that guy who's going to keep your bearings greased—

Chairman DECONCINI. Yes.

Mr. MARSH [continuing]. He is in that thousand number. Now, it doesn't make a whole lot of sense for me that the guy who's going to grease the bearings on the chiller should maintain office space either off-site or me charge him rent on site to do that. But that class of folks, and it's a fairly large number of that type of folks are in that thousand number.

Chairman DECONCINI. My experience is only in the commercial real estate end.

Mr. MARSH. I appreciate that, Sir.

Chairman DECONCINI. And when we have coolers that need to have bearings, we don't have anybody and it's only small offices so it's not really a comparison, but, you know, the idea that you need to house these people is foreign to me—

Mr. MARSH. I understand, Sir.

Chairman DECONCINI [continuing]. Mr. Marsh, even in a bid complex like that, as far as greasing bearings, you couldn't find somebody to come in on a contract basis to do that and maybe save money?

Mr. MARSH. Another example are the FFRDCs, and again—

Chairman DECONCINI. What are the FFRDCs?

Mr. MARSH. Federally Funded Research Development type of support contractors.

Chairman DECONCINI. Oh, yes, sir.

Mr. MARSH. They're non-profit so whether they pay rent, rent inside, we pay the building and don't get them, I don't see a big swinger in that one, Senator. A big chunk of that thousand are those types of folks. Others are what I'll call a generic support type of people: computer support services and that ilk of thing that really need to be on site to do the service that we've contracted for them to do. I'm just not sure that we've given you a complete and accurate understanding of what the types of functions that these thousand people do.

Chairman DECONCINI. I thank you for the answers, and I thank you for the briefing out at the station. There you told us about the need to buy additional acres there because of security reasons.

Mr. MARSH. Yes, sir.

Chairman DECONCINI. And that property would have supported a high rise building. How high was that building?

Mr. MARSH. I don't remember at this point, Senator.

Chairman DECONCINI. Would it have been higher than your building?

Mr. MARSH. I'm sure it would have met the same height restrictions that we have to meet.

Chairman DECONCINI. Five stories or whatever.

Mr. MARSH. Seventy-five feet average on site, Sir.

Chairman DECONCINI. How could you come to a conclusion that you couldn't protect those buildings with a neighbor building there of five stories? Do you have big expenses in your other facilities of protecting when you're near another building?

Mr. MARSH. We don't have a lot of other facilities like this, Senator. Like Mr. Hill said, this is the only one we got.

Chairman DECONCINI. Well, you have other facilities where many of these people are located now before the collocation right?

Mr. MARSH. And I don't pretend to be a security expert, Sir, but I believe there are a number of countermeasures that are taken in the technical security world to protect against cases like that.

Chairman DECONCINI. I thought about your answer—or your explanation of buying this additional four or five acres out there, and I must say, Mr. Marsh, I find it a very curious response. We don't want a motel there because they might look down inside us. So instead of trying to find out what it would cost to keep them from looking in one side of our building, we'll just buy another four acres at \$8.50 a square foot. Is that prudent in your judgment?

Mr. MARSH. Yes, Sir, it was.

Chairman DECONCINI. Okay.

Mr. MARSH. And if I could just add to that, I can remember we have had a number of difficulties providing accurate or complete or understandable data of interactions, but one of the staffers I've seen sitting behind you today, I don't remember the date, but I can remember a fairly detailed briefing where he took us to task very specifically as to whether we had provided specifically sufficient technical countermeasures for technical threats that would come from a structure like we talked about before.

Chairman DECONCINI. You mean—

Mr. MARSH. One of your staffers, Senator.

Chairman DECONCINI. Yes, I understand. And I'm not going to defend him because I don't know the circumstances there, and I might not defend him even if I did. But you're saying that one of our staff took you to task—

Mr. MARSH. Because we had not done enough.

Chairman DECONCINI. If there was a high rise built there—

Mr. MARSH. No, that we had not done enough whether the high rise was there or not, whether we had not done enough security protection to provide. He wanted us to spend more money, Senator.

Chairman DECONCINI. He wanted you to spend more money. And is that part of your justification for going out and buying the four acres?

Mr. MARSH. Absolutely not. Senator.

Chairman DECONCINI. No. What was the justification?

Mr. MARSH. As I told you earlier in the week.

Chairman DECONCINI. It was security then?

Mr. MARSH. Yes, Sir. But not that specific discussion that your staffer was trying to get us to worry about.

Chairman DECONCINI. What did our staffer get on your case about?

Mr. MARSH. I'm not sure that would be appropriate in open session, Sir.

Chairman DECONCINI. Okay. Very good.

Vice Chairman WARNER. Could you yield just for a question on staff because I think it's very important. Mr. Hill, the comptroller's staff, the budgeting, is under your jurisdiction, reporting up to Mr. Harris?

Mr. HILL. Well, it's all under Mr. Harris.

Vice Chairman WARNER. I understand. But, you're the intermediate supervisor?

Mr. HILL. Yes, Sir.

Vice Chairman WARNER. Could you give us roughly how many people are working on compiling the budget at NRO?

Mr. HILL. We have about six.

Vice Chairman WARNER. Six persons?

Mr. HILL. In the budget shop. Yes, Sir.

Vice Chairman WARNER. I beg you pardon.

Mr. HILL. In the budget shop. Yes, Sir.

Vice Chairman WARNER. In the budget shop.

Mr. HILL. Now, of course, each program—

Vice Chairman WARNER. Let's expand it to each program.

Mr. HILL. Each program has probably two or three.

Vice Chairman WARNER. And this would in the aggregate be how many?

Mr. HILL. Probably close to 25-30.

Vice Chairman WARNER. Twenty-five or 30. So probably 25 or 30 persons are responsible for the area of questions that we've covered throughout this hearing on budgeting.

Mr. HILL. Well, and all of the programs.

Vice Chairman WARNER. On all of the programs.

Mr. HILL. Yes, Sir.

Vice Chairman WARNER. And I just would like to point out that we have one—Art, would you stand up—this is Art Grant, one of the finest Senate staffers.

[Mr. Grant stands.]

Mr. HILL. I'm very familiar with Art Grant.

Vice Chairman WARNER. And he's top flight, is he not.

Mr. HILL. Yes, Sir.

Vice Chairman WARNER. But you can appreciate Art Grant's problem in having to deal—and he's got other responsibilities for the Senate Committee—in dealing with 25 different individuals who presumably full time can work in their areas. And you see the disparity and the difficulty of this Committee trying to gain the knowledge that 25 individuals possess. Do you have an appreciation for that?

Mr. HILL. Yes, Sir.

Vice Chairman WARNER. Good. Thank you very much.

Mr. MARSH. Senator, I wonder if I could just comment on Art Grant. I would subscribe to everything you've said about him, and

I know he's busy because we've tried to schedule his visit to Westfields I think about eight times over the last two years and he's been so busy he had to cancel every time—eight times we tried to get him to come, Senator.

Chairman DECONCINI. Well, if its any solace, I think Art Grant passes there twice a day to and from work so he's had a good chance to look at it for the outside.

Mr. MARSH. Right.

Chairman DECONCINI. Is that correct?

Mr. GRANT. Yes.

Chairman DECONCINI. Let me just finish up here. I want to clarify, Mr. Hill—back in 1991 when NRO submitted its budget request—excuse me, when you submitted the request including some cost data on collocation, and you were going to purchase some land for its final facilities, and were planning on a permanent facility, how many square feet at that time were you estimating that you needed for collocation of NRO?

Mr. HILL. Sir, I have to get it for the record to be sure, but it was on the order of one to 1.3 million.

Chairman DECONCINI. One point two. A million or so.

Mr. HILL. Yes, Sir.

Chairman DECONCINI. Now you were putting that—was what you wanted—that was your objective if you collocated everything?

Mr. HILL. If we fully collocated everything.

Chairman DECONCINI. So, now, in 1991, in April of '91, you begin the facilities designed on tower one and two.

Mr. HILL. Yes, Sir.

Chairman DECONCINI. Now, at that time you were not planning a million square feet with tower one and two?

Mr. HILL. Yes, sir. The Administration had made a decision not to fully collocate.

Chairman DECONCINI. I see. And so you were going to collocate as much as you could.

Mr. HILL. The headquarters only.

Chairman DECONCINI. With design one and two which was the headquarters only.

Mr. HILL. The headquarters only.

Chairman DECONCINI. Now in July of '91, the NRO begins to issue contracts to develop the Westfields site one and two.

Mr. HILL. Right.

Chairman DECONCINI. You also had design plans including four towers, only two of which were approved at the time.

Mr. HILL. Right.

Chairman DECONCINI. So were you then thinking that you're going to get approval for three and four?

Mr. HILL. We were trying to be responsive to this Committee and really our desires which was to protect the option of going to full collocation so we tried—

Chairman DECONCINI. Excuse me, I'm sorry.

Mr. HILL. We tried to ensure that when the design was laid out for the two towers, that it would be compatible with the four towered design. So we took—

Chairman DECONCINI. Okay. So shortly after July '91, you decided to add tower three?

Mr. HILL. About that time frame, yes, sir.

Chairman DECONCINI. And the design contract was modified.

Mr. HILL. Yes, sir.

Chairman DECONCINI. What made you—who told you you could now all of a sudden go ahead and collocate more than what before? Who made that decision? When you say the Administration, is that OMB? Or is that National Security Adviser to the President? Who does that? The DCI or what?

Mr. HILL. No, it wasn't until the subsequent—the next year that we decided to go—that they approved going to full collocation. The going from two towers to three towers was what we could accommodate for the partial collocation.

Chairman DECONCINI. Well, in '91—mid '91—you decide to add tower three.

Mr. HILL. Yes, sir.

Chairman DECONCINI. And so you were going to collocate more than just a headquarters with that?

Mr. HILL. It was—

Chairman DECONCINI. Who made that decision?

Mr. HILL. Well, there was more than just the headquarters. We were going to bring selected management people.

Chairman DECONCINI. That was the decision that drove you to go ahead with tower three? Right?

Mr. HILL. Let me ask—

Mr. MARSH. Sir, may—

Chairman DECONCINI. Yeah, Mr. Marsh, Who made that decision?

Mr. MARSH. Well, let's get if we can, to the degree we can discuss it, what was going on with the first two towers. As Mr. Hill said, that was the basic headquarters collocation function—

Chairman DECONCINI. Yes, sir.

Mr. MARSH [continuing]. With, quote, "selected program offices."

Chairman DECONCINI. Okay.

Mr. MARSH. There had been no agreement anywhere in the Administration to move towards the full collocation part.

Chairman DECONCINI. Who decided to do tower one and two for headquarters and select only—

Mr. MARSH. Towers one and two—

Chairman DECONCINI. Who decided that?

Mr. MARSH [continuing]. Was I—

Chairman DECONCINI. Mr. Faga?

Mr. MARSH. I believe—yeah, I mean—

Chairman DECONCINI. Mr. Faga.

Mr. MARSH. I mean, he approved, with, and at that point you know, we have your guys concurrence and approvals and the monies and the reprogrammings and the 30 million that you sent us in 1990 and subsequent money there.

Chairman DECONCINI. So you—

Mr. MARSH. Now, on tower three—

Chairman DECONCINI. Now tower three, when—

Mr. MARSH [continuing]. In tower three—

Chairman DECONCINI. That came in mid-'91, you agree?

Mr. MARSH. Yes, sir, I believe it was then—

Chairman DECONCINI. Who decided to now expand this to tower three?

Mr. MARSH. I took a proposal forward to Mr. Faga in the spring, summer of 1991, based on the data base of requirements that we maintained then and we still do today as to the number of people currently projected to come to the site had grown sufficiently from the number we were planning to have in two towers, to we felt it was prudent to expand to the third tower base. I don't think it is appropriate to discuss what requirements, but some of the things, some of the new organizations that were—that had been approved were expanding—

Chairman DECONCINI. Mr. Faga approved that then?

Mr. MARSH. Yes, sir.

Chairman DECONCINI. In mid-'91

Then in '92 you submitted your '93 budget submission, which included no cost data, but which said that you had purchased roughly 68 or 70 acres on which you planned to build three buildings with about 800,000 square feet.

Mr. MARSH. Yes, sir.

Chairman DECONCINI. And now that was still not total collocating?

Mr. MARSH. No, sir.

Chairman DECONCINI. Was Mr. Faga ever offered what it was going to cost to do the full locating before that—full collocating?

Mr. MARSH. I—if we go back to those early days, we probably had some estimates back in the 89–90 time frame that would have given, but if you're saying in the summer of 91—

Chairman DECONCINI. Yeah, You didn't?

Mr. MARSH. We were not, at that point in time, had any near term expectations of having to build tower four. It was only when the then-current DCI Gates formed the Furman Panel to look at the, quote, "future" as their charter called out, the future of the NRO, and their subsequent report that came out in 1992, that approved by the SECDEF, DCI, and ultimately up through the rest of the Administration—

Chairman DECONCINI. That recommended full collocating.

Mr. MARSH. Recommended full collocation, yes, sir.

Chairman DECONCINI. Now you get—this gets me to what Senator Warner has talked about so much, and about which I am not sure we'll ever get an answer. By '93 it was pretty clear the Cold War was substantially ended, and now you have a recommendation to collocate. Is there any information that this Furman panel had or that you had, Mr. Marsh or Mr. Harris or Mr. Hill, or anybody, that indicates that in that conclusion and recommendation to fully collocate, that there was discussion of reduced requirements for the NRO because of the changing world events?

Mr. MARSH. Senator, I can, having come up through what used to be the old B part of the program, that part of the organization did, is, and is currently continued scheduled to take their share of the downsizing in the people—personnel world. It is a number that is consistent with the other numbers that you had shown earlier. I can tell you that when we added tower four, we picked up and changed their requirement, which was at that point in time a year old for the number of people we had coming from them, and up-

dated it and reduced it, and I don't have that chart with me but I think we had reduced their requirement by about 60 to 70 people based on downsizing of that piece of the organization as we noted that point, projected into be what it was going to be in 1996 when we moved in.

Chairman DECONCINI. So in the—you're telling me that the—
Mr. MARSH. To the degree—to the degree—

Chairman DECONCINI [continuing]. In the process of the Furman panel recommendation,—you were cognizant of the world changing and the need—

Mr. MARSH. Absolutely.

Chairman DECONCINI [continuing]. To reorient and reduce—

Mr. MARSH. Right.

Chairman DECONCINI [continuing]. And you reduced the NRO necessary space—

Mr. MARSH. The three—

Chairman DECONCINI [continuing]. At this new center by 64 people.

Mr. MARSH. No, sir, that is not what I said.

Chairman DECONCINI. I'm sorry. What did you say?

Mr. MARSH. What I said was that, you know, the NRO is composed of three parent organizations. The NRO does not control the people or the positions of those organizations. The parents do. And the parents is what we went and talked to and had data from as to what degree did they anticipate that the NRO piece of their organization would have to be downsized and factored that decision into the number of what we would characterize as tenants or personnel that had to be accommodated. So we reduced the number of tenants, which drives us to how many feet we would build in that building.

Chairman DECONCINI. Well, did you say 64 people?

Mr. MARSH. It's in that ballpark, Senator.

Chairman DECONCINI. Say a hundred or less people.

Mr. MARSH. Say a hundred, yes.

Chairman DECONCINI. How many came out of the NRO itself? Not these parent companies, these—

Mr. MARSH. Well, sir—but you do—but that's—when I say they come out of the parent, that is the NRO. It is the parent details them to this NRO structure to do the work—

Chairman DECONCINI. But you don't control how many people they have.

Mr. MARSH. That's correct, sir. And it makes it very difficult on certain days.

Chairman DECONCINI. Sure does. Sure does. You can't—what do you do, just take whatever they say?

Mr. MARSH. We don't—

Mr. HILL. It's a negotiated process, sir.

Chairman DECONCINI. Negotiated process.

Mr. HILL. In the broader question, though, sir, clearly the Furman panel, when they looked at this, it was in the context of the changing world situation. And I maintained that their main argument for full collocation was to enable the efficiencies that would come about by consolidating the programs. So I think that is exactly what they were looking at.

Chairman DECONCINI. Because it seems to me like it is a very minimal reduction, and though—

Mr. MARSH. Again, Senator, I am saying that, you know, of the three, that one organization had a plan, had—I think the buzzword is glideslope or downslope or—they are on that, okay. The other two were not required to take those at that point in time.

Chairman DECONCINI. And where are—what are the other two?

Mr. MARSH. A and C.

Chairman DECONCINI. A and—what?

Mr. MARSH. Old—the old A and C.

Mr. HILL. Air Force and Navy.

Chairman DECONCINI. Oh, the Air Force and Navy were not required to take it?

Mr. MARSH. At that point in time.

Chairman DECONCINI. I see. So that Furman recommendation, those two did not recommend any reduction because of world changes, but—

Mr. MARSH. The Furman panel made no recommendations with respect to reductions of personnel within the NRO or its parent organizations. I am discussing the internal process of the parent Air Force, CIA and Navy, and how they handled their personnel downsizings.

Chairman DECONCINI. Air Force and Navy made no recommendations of reducing, so you didn't take any into consideration—

Mr. MARSH. The CIA did.

Chairman DECONCINI [continuing]. And you had 64 from someplace else?

Mr. MARSH. The CIA.

Chairman DECONCINI. The CIA?

Mr. MARSH. Yes, sir.

Chairman DECONCINI. So that is what became your maximum for co-relocating.

Mr. MARSH. I think I may have confused you, Senator. We expected a number that the lady right behind you, I believe, has, of the additional people considering this downzoning that we expected to accommodate, of an additional 1,200 people would be moving to Westfields as a result of the total collocation decision. It is 1,200 additional people that the proposal I again took forward to Mr. Faga to add tower four to the program, based on the Furman recommendation.

Chairman DECONCINI. And that is roughly 64 less than it would have been had the Cold War not ended?

Mr. MARSH. Yes, sir. No, the Cold War's got nothing to do with that, Senator, It really doesn't.

Chairman DECONCINI. Well, you know what I mean. The change in—change in—

Mr. MARSH. Let's call it downsizing and then we'll be okay.

Chairman DECONCINI. Yeah, Well, the—I don't know if the Cold War had nothing to do with it. The fact remains that there seemed to be from a national policy, less demand or less need to maintain or to increase the NRO, as we were doing in the 80's.

Mr. MARSH. Yes, sir.

Chairman DECONCINI. Okay. I have no further questions.

Vice Chairman WARNER. Thank you, Mr. Chairman. I would simply ask, we've had several hours of intensive hearings. Is there anything further you wish to add, Mr. Harris?

Mr. HARRIS. No thank you, Senator.

Vice Chairman WARNER. Mr. Hill? Your long career, you've been through your series of Congressional inquiries. What's your view? Anything further?

Mr. HILL. Well, I regret the confusion. I think the, as I said earlier, I think the confidence and trust between your Committee and our organization is paramount and we had no intention of damaging that, and certainly will do anything we can to restore your confidence in us.

Vice Chairman WARNER. Well, we thank you, Mr. Hill, and we hope that henceforth, because the work of this organization, Secretary Harris and colleagues, is absolutely essential to our overall security, and certainly those technical people performing their work daily, I hope that they do not feel that in any way their contribution to our security has been affected.

We thank you.

Mr. Marsh?

Mr. MARSH. If I could just one more minute, sir.

Chairman DECONCINI. Yes, sir.

Mr. MARSH. In the spirit of this more open and crisp communication we're going to have in the future.

There was several comments I heard from the Members that could be interpreted that we gave your audit team a hard time or possibly made it hard for them to get the data, or didn't necessarily answer questions closely enough. If that is the case, Senator, we would like to hear that directly. I think we developed a very close and personal professional working relationship with your team. I enjoyed having them in our building for two and a half months. I had provided them a stack of documentation that is probably approaching something on the order of 200 pounds. We gave them full sets of the drawings, full sets of the contracts, every document we had on the table, nothing was hidden from those Senators, and if we have left the impression that we have held back, didn't respond, I would like to personally know that before I leave this meeting today so we can take action when we get home.

Chairman DECONCINI. Well, with the concurrence of the Vice Chairman, I would like to take that problem as well as the number of locations and the cost savings here, Mr. Harris, that you're going to attempt to resolve on declassifying, and I will attempt to present to you, Mr. Marsh—I am going to ask the staff here to do it at this open meeting—

Mr. MARSH. I appreciate that, sir.

Chairman DECONCINI [continuing]. But to present to you what complaints, if any we had, in the spirit of the good will that you mention here and that you mention, Mr. Hill and Mr. Harris, that you want a better relationship. So do we. But it is no secret to any body that I think the relationship is pretty lousy, and in fact not as to the audit team, because I can't speak to that, but there was not full disclosure on this project, and maybe for justifiable, cultural reasons, and maybe some that are justified for us, a failure to ask questions. But I serve on a lot of Committees here that do

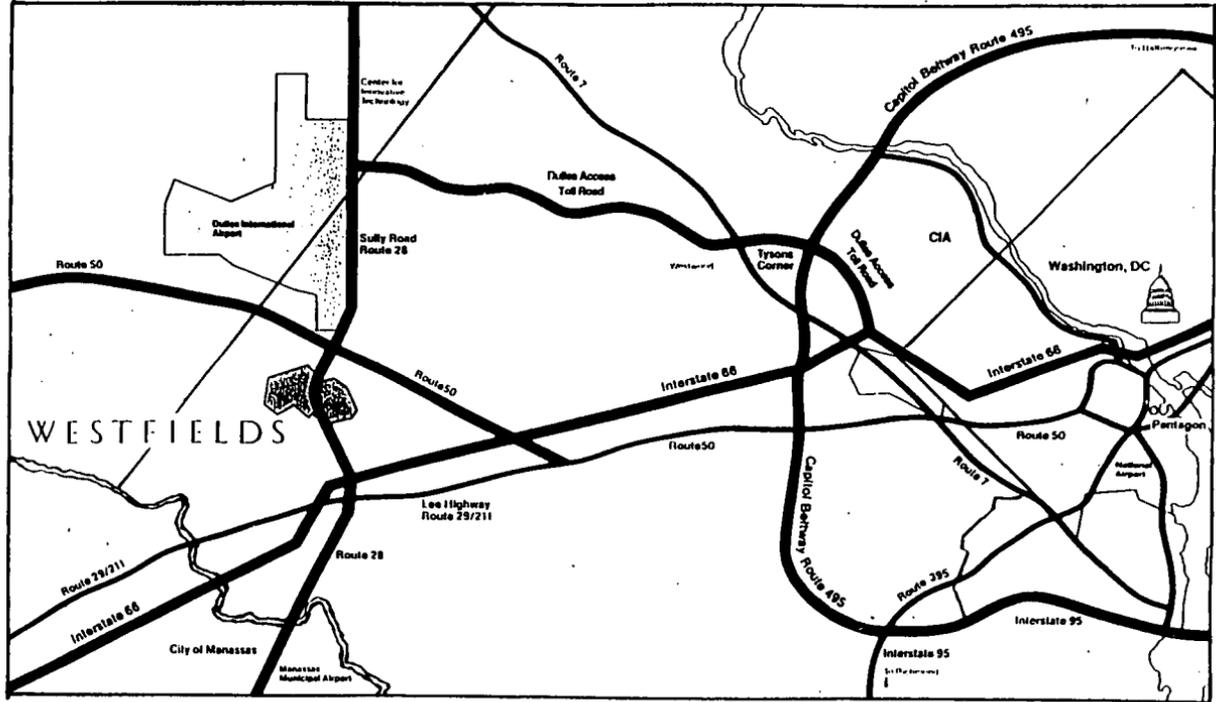
oversight and the Committees, as Mr. Baucus pointed out, that come forward and volunteer what their problems are, like Alcohol, Tobacco and firearms, or Secret Service, or the Customs Service, they don't have these kinds of problems. They have other problems, they don't have these kinds of problems. As a matter of fact, they find Committees which are so willing to try to assist them in reprogrammings and assist them in additional fundings, even when there is downsizing, as we talk about. I am not here to lecture you. You all have a lot more experience in government than I do, but to me there has been a real failure here of understanding. Those of us in the Congress, whether you like us or not, know that it is our job to monitor expenditures. We don't do a very good job lots of times, and we may be unfair in our criticism, but we are well intended in attempting to resolve and make public what our government does, and to justify the expenditures. I have real problems with the expenditures on this project. No question about it. That's nothing personal to you, Mr. Marsh. I thank you for your candor—you were candid, you were very open with our staff out there. But I just have real problems with the cost of this project and the way it was done, without full consideration and notification of this Committee.

Mr. MARSH. Thank you, Senator.

Chairman DECONCINI. Thank you. We will work, with the concurrence of the Vice Chairman, on what we need to present to you and whether or not we need to have a closed session to get this additional information.

Thank you.

[Thereupon, at 4:38 o'clock p.m., the Committee was recessed, subject to the call of the Chair.]



Westfields Corporate Center
Location Map

Westfields Review Conclusions

- **Facility Excessive in Size and Appearance.**
- **Communication with Oversight Committees Inadequate, Particularly in Relaying Project Costs.**
- **Some Project Financial Controls Need to be Strengthened.**

Westfields Current Baseline

- **4 Six Story Office Buildings**
- **Conference Center**
- **Cafeteria**
- **Emergency Generator Building**
- **2 Guard Houses**
- **Approximately 1 Million Sq Ft**

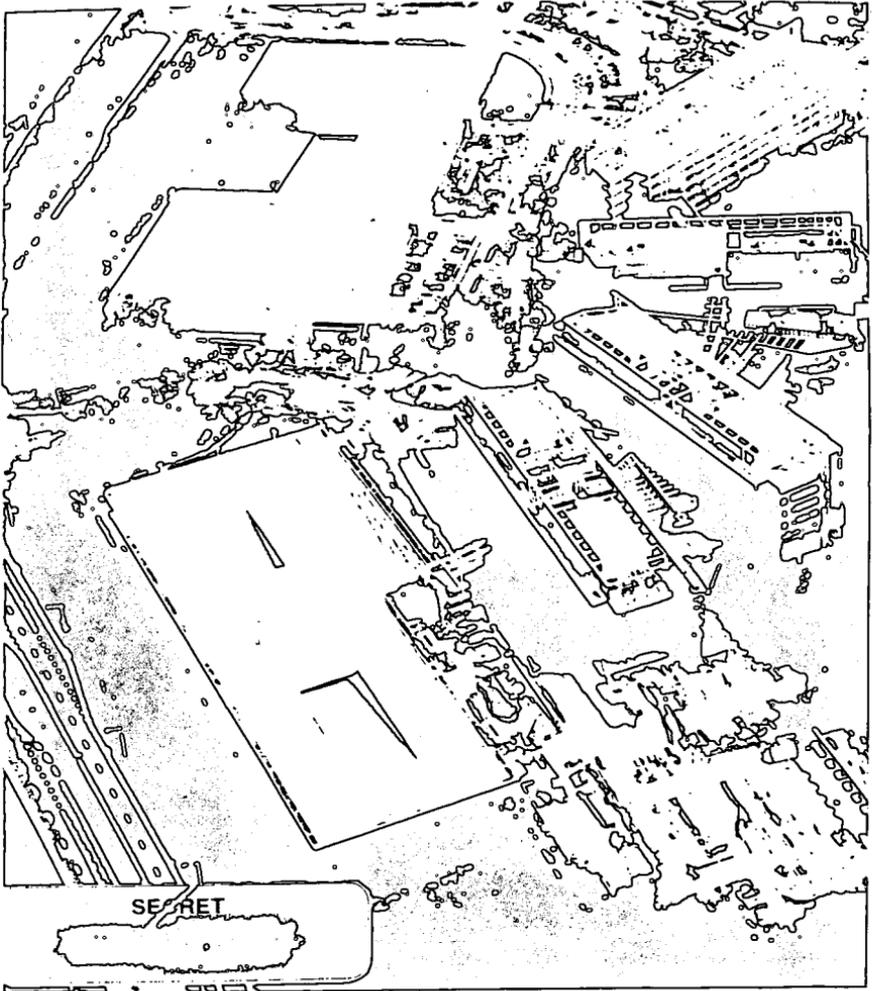
W:stfields Project Current Costs

	<u>Actual Cost to Date</u>	<u>Estimated Cost to Complete</u>	<u>Estimated Total Cost</u>	<u>% of Total Estimated Cost</u>	<u>Budget</u>
Land	24.0	0.0	24.0	8%	24.0
Construction	89.8	63.2	153.0	51%	170.7
Support	28.6	96.1	124.7	41%	152.3
Total	142.4	159.3	301.7	100%	347.0

Westfields Cost Cost Per Sq Ft (1,063,000 Ft)

• Core & Shell (C&S)	\$ 82.50
• C&S and Site Development	\$ 103.57
• + Rough Grading	\$ 104.49
• + Land	\$ 127.09
• + Fit Up	\$ 175.16

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NRO PERMANENT FACILITY



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NRO PERMANENT FACILITY UNCLASSIFIED



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National Reconnaissance Office

Total Facility Budget

<u>93</u>	<u>94</u>	<u>95</u>	<u>96</u>	<u>97</u>
\$114.3*	\$187.0	\$138.3	\$108.3	\$100.3

*Includes \$22.0M Reallocation

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National Reconnaissance Office

Westfields Facility Budget

- **INTERIM** [REDACTED] Rent and Support
- **INTERIM** [REDACTED] Rent and Support
- **Westfields - Design/Construction and Support**
- **Warehouse and Support**
- **New Temporary Space and Support**

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National Reconnaissance Office

**Westfields Cost
Cost Per Sq Ft (1,063,000 Ft)**

◦ Core & Shell (C&S)	\$ 82.50
◦ C&S and Site Development	\$ 103.57
◦ + Rough Grading	\$ 104.49
◦ + Land	\$ 127.09
◦ + Fit Up	\$ 175.16

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SSCI QUESTIONS FOR THE RECORD

FISCAL YEAR 1993 CBJB

GENERAL

QUESTION 3. Please provide a budget breakout for NRO facilities construction for each year FY 93 - FY 95. Please indicate the number of people who will occupy the new facility in FY 95, and the savings that will be achieved as NRO elements vacate other facilities.

ANSWER: The FY 1993 CBJB contains the following for the permanent facility development activities:

FY93: \$ 80.8 - *Facilities - 80.8 and 80.8 million*

FY94: 80.9

FY95: 65.7

Total: \$227.4



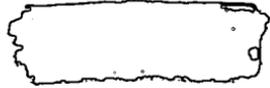
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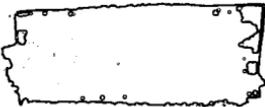


This FY 1993 budget provides for construction, outfitting, operations and maintenance of three permanent buildings. It also provides for general site development of the NRO Facilities compound, site security, structured parking, and an emergency generator building, warehouse, conference center and cafeteria.

The current three-building plan is designed to accommodate approximately 1700 people. This consists of all personnel currently housed in the temporary and interim facilities and selected program offices.

long current project 22 million

Savings to be achieved with the occupancy of the permanent building include termination of the temporary and interim facility leases and the consolidation of their associated support expenditures. These reductions are factored into our current budget submission. As part of the most recent NRO restructure study, the Administration has approved full collocation of the NRO to the permanent facility. This will necessitate the addition of building four at the permanent facility and the acquisition of additional temporary space to allow the transition to begin prior to the completion of the permanent facility. We are preparing a FY 1992 reprogramming request for your approval so that we may proceed in an expeditious fashion.



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QUESTION 4. What are the costs in FY 93 and FY 93-97 to accelerate construction plans sufficient to provide for full collocation of Program A and Program B at the western Fairfax facility?

ANSWER: The additional cost for full collocation of the NRO into the western Fairfax facility in accordance with the approved site plan is as follows:

FY93:	\$ 59.5
FY94:	74.9
FY95:	41.1
FY96:	27.2
FY97:	<u>25.3</u>
Total:	\$228.0

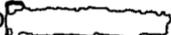
These costs provide for the additional design, site work, utilities, parking, construction, security,

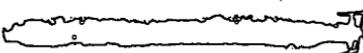
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commo. operations, and maintenance associated with the addition of the fourth building at our permanent facility. This will allow us to achieve full collocation of the NRO 

 consistent with the Administrations most recent approval of the NRO restructure plan. By FY 1996 all program offices will be located at our permanent facility. In addition to the permanent facility costs noted above, we need to acquire additional temporary facilities to allow us to begin the transition prior to the completion of the permanent facility. We are preparing a FY 1992 reprogramming request for your approval so that we may proceed in an expeditious fashion.

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UNCLASSIFIEDNATIONAL RECONNAISSANCE OFFICE
WASHINGTON DC

OFFICE OF THE DIRECTOR

The Honorable Dennis DeConcini, Chairman
Senate Select Committee on Intelligence
United States Senate
Washington, DC 20510-6475

Dear Mr. Chairman:

On behalf of the Director of Central Intelligence and the Secretary of Defense, I am responding to your letter of July 29, 1994, regarding the NRO construction project. Attached are responses to the specific questions contained in your letter.

I share your concerns that have arisen about keeping the Committee informed on our progress on this important project. I welcome the recommendations of your audit team, and believe we have had a useful exchange of information on this activity. In particular, I am committed to strengthening communications with the Committee to ensure an open and ongoing dialogue on this as well as other NRO programs and activities.

In responding to the questions contained in your letter, I tasked my staff with researching the history of the NRO restructure effort to provide context and timing for the various milestones associated with collocation. In my view, our report card is mixed with regard to the information conveyed to the Committee on this effort. However, at no time do I believe it was the NRO's intent to obfuscate the costs or any other data associated with this project. In keeping with the Committee's recommendations, in the future I will ensure that data about this project is reported in a more detailed manner.

Finally, with specific regard to this project remaining classified, I have reviewed the circumstances at the time the project began and as they stand today. Public acknowledgement of the existence of the NRO coupled with our commitment to greater openness has led me to conclude that the NRO facility can be declassified. I look forward to any other questions you may have on NRO collocation at the upcoming hearing.

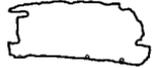
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An original of this letter is being provided to the Chairman/Vice Chairman of the Senate Select Committee on Intelligence.

Sincerely,

JEFFREY K. HARRIS

cc: The Honorable Bob Kerrey

Attachment (Q&As)

This letter is unclassified upon removal of the attachment and security markings.



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Senate Select Committee on Intelligence
Westfields Questions

Question 1: An explanation of why the Committee was not fully informed of the scope and cost of this project, consistent with facility construction requirements for other intelligence organizations such as CIA and NSA.

ANSWER:

The SSCI audit of the Westfields facility raises concerns that the specific budget for Westfields has not been clearly identifiable. At no time was it our intent to hide costs associated with this or any other NRO project.

As you may recall, in 1989, the SSCI concluded that the NRO should be reorganized with essential elements collocated in the Washington D.C. area. The Committees recommended that this reorganization proceed expeditiously. Congress, working with the NRO, approved initial funding for the project in the FY 1990 Authorization and Appropriation bills and asked for a full reorganization plan.

In keeping with the approval to begin the project, several studies were conducted resulting in, among other things, a joint DCI-SecDef recommendation to adopt a phased approach to the NRO reorganization. This included leasing of temporary and interim facilities, along with construction of a permanent facility. Information and documentation on the collocation facilities -- including construction costs for Westfields -- has been provided to the Congress in a number of forms: CBJB submissions, testimony, and other types of correspondence. Because, in most cases, the NRO treated collocation in the aggregate, specific information about the Westfields complex in the budget submissions to the Congress is difficult to identify.

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It has always been our intent to keep the Congress fully informed of the scope and cost of NRO collocation. We recognize the Committees concerns that the NRO reporting on this project was not consistent with the procedures followed by other Agencies. In the future we will report this data in a more detailed manner consistent with the direction of the Congress.

Question 2: Reasons why the NRO failed to use either Military Construction or General Services Administration support of the Westfields construction project.

ANSWER:

The decision to proceed with the Westfields project was made after completion of an extensive market survey of available government and commercial properties. Cost, security, sole occupancy, and ability to satisfy schedule are examples of the screening criteria used during the market survey. Using these criteria none of the available properties were found to be suitable. We did not use MILCON or GSA support, as is typical for most government facilities, in order to protect the NRO identity which was classified at the beginning of the program, and to hasten the construction process. We sincerely believed that it was the intent of the Congress that the NRO should collocate as expeditiously as possible. The land and subsequent building construction were contracted for in the name of our facility support contractor, Rockwell International; this adds no burden or fee to the construction contract. The FY 1991 Authorization Conference Report agreed that the NRO should contract directly for its facility activities, which included land and building acquisition.

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Question 3: Reasons why the NRO included this activity in the base budget rather than presenting it as a new initiative, as the CIA had done for its new headquarters project at Langley.

ANSWER:

The NRO, working with the Congress, out of phase with the FY 1990 normal budget process continued planning for collocation at a permanent facility. The FY 1990 language provided resources for NRO reorganization to continue.

In FY 1991, we did not include the project as a new or ongoing initiative because this facility is part of the infrastructure necessary to continue the operation of the organization, which historically has been reported in the base. In the future we will provide more complete details of this project in keeping with existing budget guidelines.

Question 4: Steps which can be taken immediately to reduce the costs of this project, consistent with the NRO reorganization and Intelligence Community's overall budget reduction initiatives.

ANSWER:

During the course of this project we have implemented a number of items which we believe are cost effective such as a cable distribution system that integrates both secure and non secure communications cables in a single conduit system, a progressive security design that minimizes exotic physical and technical security requirements, an energy management control system that will reduce the long term operations and maintenance

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cost and a back up generator design that will allow for a reduced electrical service rate schedule with the local power company.

We are very confident that the final cost of the project will be significantly less than the \$350M referenced in your letter. We currently maintain this amount in the budget to protect against requirement changes and the potential of construction contractors claims. As noted in the draft SSCI audit team report, other than scope changes such as the addition of tower four, the changes for error and omissions have been 2.7% of current contract values.

We have approximately three months left until the completion of the core and shell contract and we do not believe that it would be prudent to attempt to make any changes to that contract. We signed the competitively awarded fit up contract in July 1994. We will continue to aggressively manage the construction contracts to minimize the overall cost.

Question 5: Ways to officiently utilize the excess space and unused land which will be available upon completion of the Westfields complex, so as to realize cost savings for the US Government.

ANSWER:

Within the current space allocation plan for Westfields there is approximately 40,000 square feet of unused space out of approximate 1,000,000 square feet, or about 4%. We believe we could accommodate approximately 200 additional personnel within this space without a major redesign. There are several activities that may be able to benefit from this space, for example,

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[REDACTED] ongoing discussions within the Department of Defense are reviewing new organizational constructs for Space activities across the Department.

The parcel of land at Westfields can support additional construction by site zoning. The current master plan, approved by the Fairfax zoning officials, reflects that two additional buildings could be developed. This space, if developed, would be available to anyone in the Intelligence Community.

Question 6: Reasons why the new NRO headquarters project remains a covert procurement operation, and your plans to manage inadvertent or directed disclosure of the NRO's ownership of this facility.

ANSWER:

At the time the Westfields construction project began, the existence of the NRO was classified. Since then the existence of the NRO has been publicly acknowledged. Consistent with the effort to make more information publicly available, the D/NRO, with the approval of the DCI and the Secretary of Defense, has determined that the existence of Westfields as an NRO facility can now be declassified.

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Report: 102-156

101st Congress
1st Session

HOUSE OF REPRESENTATIVES

INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1991

Mr. McCurdy, from the committee of conference,
submitted the following

Classified Annex
to the Joint Explanatory Statement of the Committee of Conference

[To accompany H. 1455]

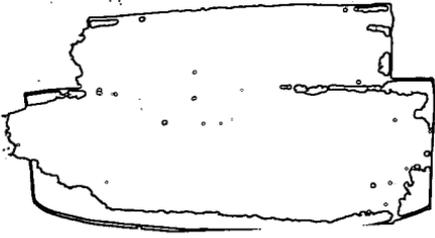
The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. 1455) to authorize appropriations for fiscal year 1991 for the intelligence and intelligence-related activities of the United States Government, for the Intelligence Community Staff, for the Central Intelligence Agency Retirement and Disability System, and for other purposes, submit the following classified annex to the Joint Explanatory Statement of the Committee of Conference to the House and Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted in the joint explanatory statement or in this classified annex, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.



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Special Provisions

UNCLASSIFIEDAccommodation of NRO Personnel

To support the additional personnel requirements associated with the NRO reorganization mandated by the Congress last year, the conferees agreed to authorize the continuing use of [REDACTED] up to 125 combined civilian and/or military personnel to be paid with funds available in the NRP (civilian only). Furthermore, to support the permanent restructuring of the NRO, the conferees agreed to authorize the NRO to continue to contract directly for its facility activities including planning, contract support, facility lease, modification, land and building acquisition, and equipment. Land and facility acquisition will remain subject to the prior approval of the appropriate Congressional committees. The permanent facility site should provide for expansion capability to accommodate additional collocated activities as required.

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26 February 1990

The Honorable David L. Boren, Chairman
Select Committee on Intelligence
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The attached report from the Director of the National Reconnaissance Office (DNRO) is forwarded as our response to your request for a jointly approved plan for the reorganization of the National Reconnaissance Office (NRO). We have reviewed, and fully support, the on-going and proposed NRO restructure initiatives described in the report.

In our July 3, 1989 letter regarding the NRO restructure we stated our intent to:

a. Form a Joint Senior Advisory Board (now referred to as the National Reconnaissance Review Board) of senior Intelligence Community managers to advise us and the DNRO regarding NRO issues;

b. Establish a strong Planning, Analysis, and Evaluation capability within the NRO to support the architectural development and programmatic decision processes;

c. Designate the CIA's Director of Development and Engineering as the Director of Program B to provide a full-time manager for Program B; and

d. Establish, within the NRO, a Deputy Director for Command Support position (now referred to as the Deputy Director for Military Support) to improve NRO support to the military.

The first and third initiatives have been completed and the other two are well underway, as documented in the report.

In addition to the restructure initiatives above, we concur with the DNRO's recommendations to:

a. Implement a NRO headquarters collocation that will include the DNRO, his deputies, their staff support, management elements from the three Program Offices, and appropriate centralized support functions in order to facilitate a more integrated organizational approach to the accomplishment of the NRO mission, built upon the unique abilities of the individual Program Offices;

no notification of significant UNCLASSIFIED

Contractor supports

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b. Realign the NRO and Defense Support Project Office (DSPO) staffs to improve management effectiveness and facilitate a more integrated and effective organizational response to military requirements. The DSPO will continue as a distinct organizational entity providing the principal focus for the DSPO/NRO interface with the military. However, common support functions, such as budget administration and planning and analysis support, will be combined into single organizational entities that will provide support to both the NRO and DSPO;

c. Establish, within the NRO, [redacted] Security [redacted] that will be responsible for ensuring that consistent and adequate implementation standards are being applied across government and contractor organizations in order to minimize wasteful resource expenditures and maximize the effectiveness of the security protection afforded by the [redacted] and

d. Continue the use of a small, centralized, Inspection and Audit (IG) function, supported by the IG activities of the NRO Program Offices' parent organizations, to accomplish the necessary NRO IG functions. With the recent agreement between the NRO and CIA, the final issue preventing successful implementation of this concept has been removed and all NRO Program Offices and their parent organizations support the charter of the NRO IG.

We endorse the DNRO's decision not to pursue further collocation at this time. We share his belief that the combination of restructure initiatives being implemented has the potential to achieve the same benefit as a total collocation without the downside risk of disrupting the NRO's program execution ability and support infrastructure. However, we do believe, as he does, that it is important that we continue to protect the option to implement additional collocation initiatives if required. The DNRO's facility acquisition strategy will support this objective.

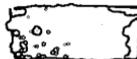
Additionally, we reaffirm our previous conviction, supported by the DNRO's current reassessment, that a business-line structure, that would attempt to give each Program Office the responsibility for a unique mission area, is neither a viable or effective restructure alternative. We want to preserve a beneficial degree of competition between the Program Offices and the ability to apply the resources of all three Program Offices, as appropriate, to a problem. Competition is also vital to sustaining the motivation of the Program Offices and our ability to develop creative solutions to intelligence requirements.

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We share the DNRO's concern regarding the House Appropriations Committee guidance to shift program management responsibility for the Defense Reconnaissance Support Program (DRSP) and Airborne Reconnaissance Support Program (ARSP) from the DNRO to the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD (C3I)). No matter what external lines of authority exist, or are established, to the NRO, the fundamental principle must remain that NRO Program Offices must work for one program manager, the DNRO, regardless of the source of the funding for the programs they are executing.

Since the preparation of the report on January 8, the ASD (C3I) and the DNRO have developed a recommendation which maintains this principle while providing for appropriate direction from the ASD (C3I). The NRO's Deputy Director for Military Support will also serve as the Director of the DSPO under the day-to-day operational control of the DNRO. In this capacity, he will receive programmatic oversight, requirements, guidance, and funding through the ASD (C3I). The DSPO will be a DoD staff element (not a NRO Program Office) with budgeting, coordination, and architectural responsibilities. Specific relationships among the ASD (C3I), DSPO, DNRO, and the DCI will be formulated and provided to the Committee at a later date.

We support the iterative and evolutionary approach that the DNRO is using for implementing the restructure and we have asked him to provide us with regular reports on the progress of the restructure.

Your Committee's continuing support for the restructuring of the NRO is necessary and greatly appreciated.

This letter is also being sent to the House Permanent Select Committee on Intelligence, the Defense Subcommittee of the House Committee on Appropriations, and the Defense Subcommittee of the Senate Committee on Appropriations.

Sincerely,

William H. Hobotor
Director of Central Intelligence

Richard B. Cheney
Secretary of Defense

cc: The Honorable William S. Cohen
Vice Chairman

Attachment
Restructure Report



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**REPORT TO THE
SECRETARY OF DEFENSE
AND
DIRECTOR OF CENTRAL INTELLIGENCE**

REGARDING

NRO RESTRUCTURE

JANUARY 8, 1990

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X. LEGISLATIVE SUPPORT REQUIRED

I am very appreciative of the support Congress has already given to the restructure efforts. In order for the restructure activities to continue, we require authorization and funding to support the acquisition of the permanent facility described above. To that end, I recommend the inclusion of the following authorization and appropriation language in FY 1991:

"To support the restructure of the NRO, the Committee authorizes the NRO to proceed with the acquisition of the facilities necessary to provide a permanent solution for the restructure facility requirements. This facility shall accommodate the functions housed in the temporary and interim facilities and be capable of expanding, in the future, to accommodate additional allocated activities as required. The Committee recommends the appropriation of \$31.9 million in FY 1991 for this purpose."

As mentioned in the personnel section, the restructure activities require additional personnel to support the centralized security function and the new facilities. As discussed above, I plan to work with the Administration and the Congress to identify a permanent solution for those requirements by FY 1992. For FY 1991 we will again require authorization from Congress to use [redacted] to meet our additional personnel requirements. I recommend the inclusion of the following in the FY 1991 Congressional language:

"To support the additional personnel requirements associated with the new facilities and the centralized security function, [redacted] by up to 111 to be paid for with funds available to the NRP."

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INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1994

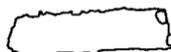
CLASSIFIED ANNEX

TO THE JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

[TO ACCOMPANY H.R. 2330]

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NFIP Budget Submissions

The Intelligence Committees who review NFIP budget submissions are dissatisfied with the current method of depicting base expenditures. It is difficult to conduct budget oversight because the documentation on base activities of most NFIP programs fails to provide sufficient detail. Since the vast majority of the program costs are incurred in the base, this situation is unacceptable.

The conferees expect the intelligence community to display project-related costs in the base. Maintenance contracts, equipment replacement costs, and other costs directly associated with a particular system or project should be reported coherently. The conferees are aware that this will increase both the length and the complexity of the submissions, but believe it is absolutely essential adequate budget oversight. Meetings will be scheduled with the CMS and individual program managers and their staffs to discuss appropriate reporting categories and project types in further detail.

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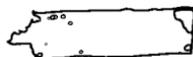
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The conferees understand that DoD/ASD/C3I and the DCI/CMS are working together on a common budget framework to increase standardization among TIARA and NFIP budget submissions and better allow for cross-program analysis. The conferees support this effort, but note that any method of budget submission that does not break down the base into the same level of detail for the base as that provided for ongoing and new initiatives will not be favorably received.

The conferees direct that the NFIP budget material submitted in conjunction with the fiscal year 1995 request clearly display all programs, define all requirements, and justify all resource requests. The conferees also explicitly stipulate that each individual program must provide complete details for the entire request -- not simply any changes from the "base" level provided in the prior fiscal year.

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[REDACTED]
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NFIP Budget Submissions (U)

Authorization Conference Report on the FY 1994 Intelligence Authorization Act, Classified Annex, pp.17-18. (U)

Conferees direct that NFIP budget material submitted in conjunction with FY 1995 request clearly display all programs, define all requirements, and justify all resource inputs. The conferees also explicitly stipulate that each individual program must provide complete details for the entire request—not simply any changes from the "base" level provided in the prior fiscal year.

We are complying with this directive. (U)

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[REDACTED]

Miscellaneous Support and Operations

This element of the Mission Support expenditure center includes the facilities required in the NRO reorganization, airlift support, personnel costs, [REDACTED] security operations, NRO communications and non-program-specific logistics and support. [REDACTED]

The NRO is using a phased strategy for the facility restructure process. The facilities include a temporary, an interim, and a final facility. The leased temporary facility allowed the collocation of the NRO Headquarters and selected support functions. [REDACTED] The interim facility will be occupied in mid 1991. In FY 1991, the NRO acquired the land for the final facility, which will accommodate all the functions at the interim facility, as well as collocation of some program offices although the parcel of land is sized to protect the option of a total collocation, if required. This budget submission only includes funding for a less than full collocation approach. [REDACTED]

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[REDACTED]

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[REDACTED]

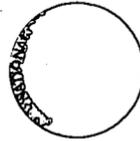
The FY 1992 increase in Miscellaneous Support and Operations is primarily due to the continuation of funding for the reorganization, the [REDACTED] security operations [REDACTED] and a functional transfer from the Air Force for the operational costs of the NRO communications. The funding change in FY 1993 reflects the decrease cost of reorganization.
[REDACTED]

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[REDACTED]

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[REDACTED]

MISSION SUPPORT

Expenditure Center Overview

The Mission Support expenditure center includes activities that support more than one NRP expenditure center. The FY 1993 Mission Support budget includes the

[REDACTED]

Administrative support

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[REDACTED]

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[REDACTED]

parcel of land sufficient to protect for the option of full collocation. The final NRO facility headquarters will be located in western Fairfax, Virginia on approximately 70 acres. The facility master plan allows for a six building complex, structured parking, emergency generator building, warehouse, conference facility, and cafeteria. The current construction plan and budget provide for three buildings to accommodate all functions currently located at the temporary and interim facility, as well as collocation of some program office elements; general site development; site security; and the basic infrastructure support for additional buildings. The site development phase, begun in FY 1991, included clearing and grading, roads, site utility installation, parking structures and building foundation. The building core and shell construction is scheduled to begin in summer 1992. Building fit-up will commence in summer 1993 with building activation, equipment installation and testing scheduled for early 1995 leading to occupancy in late 1995. The total construction is approximately 800,000 gross square feet. [REDACTED]

Miscellaneous Support

This element of the Mission Support expenditure center includes the facilities required in the NRO reorganization, personnel costs, the [REDACTED] security [REDACTED], and non-program-specific logistics and support. [REDACTED]

The NRO is using a phased strategy for the facility restructure program. The facilities include a temporary, an interim, and a final facility. The leased temporary facility allowed for the collocation of the NRO Headquarters and selected support functions. In mid CY 1991, those personnel and activities moved to the interim facility, which allowed the temporary facility to house the [REDACTED] Security [REDACTED] until the completion of the permanent facility. In FY 1991, the NRO acquired a [REDACTED]

As part of the continuing baseline review of NRO support functions, it was determined that the support functions needed to be consolidated and expanded in the NRO. Consequently, a Management Services and Operations (MSO) organization was established in FY 1992. MSO is providing consolidated support in the areas of communications, human resources management, administrative services, facility acquisition, logistics support, and facility security. Additionally, the [REDACTED] Security [REDACTED] has expanded its original support function in the areas of [REDACTED] training, and personnel security. Manpower and funding are presented below:

[REDACTED]

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[REDACTED]

With the changes occurring in the defense and intelligence communities, a strategic plan for human resources requirements is being developed. The strategic plan will take into account the impacts of downsizing and reorganization of the agencies and Services. In the future, we may need to increase our position ceiling to accommodate the circumstances that result from the opportunity to [REDACTED] and the possible withdrawal of infrastructure and operational support currently received from the defense and intelligence communities. [REDACTED]

The FY 1993 increase in Miscellaneous Support is due primarily to the funding for the construction of the permanent facility and for the increased manpower requirements. The expenditures are based on the current implementation plan to 1) establish a strong support infrastructure needed to evolve toward collocation in 1995 and, 2) add building number three at the permanent facility in support of anticipated collocation activities. [REDACTED]

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Expenditure Center Overview

The Mission Support expenditure center includes activities that support more than one NRP expenditure center. The FY 1994-1995 Mission Support budget includes the [REDACTED] Miscellaneous Support. [REDACTED]

[REDACTED]

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The Restructure Plan approved by the SecDef and the DCI collocates most of the NRO to a single location as soon as possible. Full collocation will be supported with the occupancy of the NRO Westfields facility in 1996. To support an earlier collocation of selected activities, the NRO is acquiring interim leased facilities. These facilities will permit collocation of the NRO Headquarters and selected major program office elements by the end of 1993. The final NRO facility headquarters will be located in western Fairfax, Virginia on approximately 70 acres. The facility master plan calls for a six building complex, structured parking, emergency generator building, warehouse, conference facility, and cafeteria. The current construction plan and budget provide for four buildings to accommodate all functions currently located at the interim facilities, general site development, site security, and the basic infrastructure support for additional buildings. The site development phase, begun in FY 1991, included clearing and grading, roads, site utility installation, parking structures and building foundation. The building core and shell construction commenced in the summer of 1992. Building fit-up commenced in FY 1993 with building activation and

Miscellaneous Support

This element of the Mission Support expenditure center includes the facilities to support the NRO reorganization, personnel costs, the NRO Security and non program specific logistics and support.

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equipment installation—testing is scheduled for early FY 1995, leading to initial occupancy in late 1995. The total construction is approximately 1,000,000 gross square feet. [REDACTED]

As a result of the restructure actions, the NRO became responsible for new or increased infrastructure and administrative support which it had previously received from other organizations. These functions necessitated an increase in NRO personnel. In addition to the personnel requirements to support the NRO restructure initiated in 1990, the recent organizational changes and the declassification of the existence of the NRO increased the requirement for additional personnel to support FOIA, facility activities and an expanded NRO Inspector General function. [REDACTED]

The FY 1994 increase in Miscellaneous Support is due primarily to the funding for the construction of the permanent facility, additional leased space to accommodate the consolidation of the NRO on the East coast, increased manpower requirements, and the increased responsibilities of the NRO Security [REDACTED]

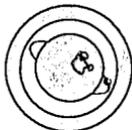
With the changes occurring in the Defense and Intelligence Communities, a strategic plan for human resource requirements is being developed. The strategic plan will account for the impacts of downsizing and the reorganizations of the agencies and Services. In the future, the position ceiling may be adjusted to accommodate the nonreimbursable detailees from the community and the possible further withdrawal of infrastructure and operational support currently received from the Defense and Intelligence Communities. The personnel positions and funding reflected below are for only those authorizations requested in the NRP Budget. [REDACTED]

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Miscellaneous Support

This element of the Mission Support expenditure center includes the facilities and support infrastructure such as personnel costs (other than Security), supplies, travel, training, contract maintenance, equipment purchases, staff and specialized vehicles, representational funds, logistic support, and day to day general operating costs. As the NRO has transitioned into a separate organizational entity, many of the cost associated with support functions that were borne by other organizations will now be funded by the NRO. Many of these costs will be similar to those operational costs that are required to support a normal base operations of other DoD agency, including costs to operate and maintain facilities.

The Restructure Plan approved by the SecDef and the DCI collocated most of the NRO to the East Coast as soon as possible. Full collocation will be supported with the occupancy of the NRO Westfields facility in 1996. To support an earlier collocation of selected activities, the NRO leased, equipped and is operating additional interim facilities.

These facilities permitted collocation of the NRO Headquarters and selected major program office elements by the end of 1993. The final NRO facility headquarters will be located in western Fairfax County, Virginia on approximately 70 acres. The facility master plan allows for a six building complex, structured parking, emergency generator building, warehouses, conference facility, and cafeteria. The current construction plan and budget provide for four buildings to accommodate all functions currently located at the interim facilities, general site development, site security, and the basic infrastructure support for additional buildings. The site development phase, begun in FY 1991, included clearing and grading, roads, site utility installation, parking structures and building foundation. The building core and shell construction commenced in the summer of 1992. Building fit up design commenced in FY 1993. Fit up construction

will begin in 1994. Building activation, equipment installation and testing begins in 1995 with occupancy scheduled in 1996.

The FY 1995 overall decrease in Miscellaneous Support is due primarily to the progress in the construction schedule for the permanent facility, as we transition from the completion of core and shell construction to fit up, and activation (S/B)

Significant progress has been made in our efforts to reorganize into an integrated functional organization. The NRO has collocated most elements to the Washington, DC area, and is establishing the infrastructure and support that will enhance responsiveness to the user community. With the downsizing and organizational changes occurring in the agencies and services that have supported the NRO in the past, we are continuing to migrate towards internally providing for the basic administrative infrastructure and operational needs of the organization. The increase in the position ceiling for FY 1995 is based on the continued projection for manpower needs and will permit us to adjust for the loss of positions currently provided by parent organizations and to continue to restructure as planned.

The NRO relies on rotational detail assignments from parent organizations for most of its manpower requirements. The personnel positions and funding shown below are only for those authorizations in the NRP budget.

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