

# CHAPTER 6

## *PROGRAM AND BUDGET*

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This chapter describes the interaction that has taken place between the CIA and Congress with respect to the Agency's program and budget during the period covered by this study.

The Agency continues to regard the amount of its prior-year appropriations (and related amounts), as well as the number of its employees at any point in time, as classified information. While figures purporting to represent these amounts or numbers have been published elsewhere, in the interest of maintaining this study at an unclassified level, figures are not used or even cited here. Rather, congressional actions on the Agency's budget and personnel are described in relative terms (as providing either more or less than they had before). The intent is not to describe all such fluctuations over the period but rather to highlight significant change and explain why it occurred.

The purpose of the chapter is to give the reader a sense of how Congress and the Agency have interacted with each other over the years with respect to the program and budget of the Agency, an area Congress, no matter what oversight arrangements were in place, had to act upon in order to provide funding for the Agency's ongoing operations.

### **The Transition from CIG to CIA: 1946–47**

After being created by presidential directive in 1946, the CIG found itself (as an agency expected to last more than a year) obligated by law to seek its own appropriation from Congress. While the Truman administration had agreed to include provisions establishing it as the "Central Intelligence Agency" in drafts of what became the National Security Act of 1947, the CIG could not know for certain that such legislation would be adopted. Thus, to cover itself, in the spring of 1947 CIG sought and obtained its own appropriation from the Congress. Although its funding, per the Truman directive, was to come from the Departments of State, War, and the Navy, CIG had to identify the amounts involved in each departmental budget to the congressional appropriations committees.

According to CIA records, DCI Vandenberg worried at the time that the newly elected 80th Congress, now under the control of a Republican Party touting fiscal restraint, might choose to cut the CIG budget. To prevent this and to reduce the number of members given access to CIG budget information, he approached the chairmen of both appropriations committees—Representative John Tabor (R-NY) and Senator Styles Bridges (R-NH)—and requested they set up small, ad hoc subcommittees to handle the CIG’s budget. Both did so. In the HAC, at least one member complained about the CIG’s funds being spread over three agencies, believing they should be “in one lump sum in one place in the budget,” but nothing appears to have come of this complaint. In the SAC, the eight-member subcommittee created to hear the CIG’s request posed no questions concerning its funding and, according to a CIG memorandum for the record, registered its “general approval of the activities of the Group.”<sup>1</sup>

What was then appropriated for the CIG in 1947 (for FY 1948) became the first appropriation for the newly created CIA. Section 102(f) (2) of the National Security Act of 1947 provided that “any unexpended balances of appropriations [for the CIG] . . . shall be available and shall be authorized to be made available in like manner for expenditure by the [Central Intelligence] Agency.”

Section 307 of the 1947 Act also provided a continuing authorization for the appropriation of “such sums as may be necessary and appropriate to carry out the provisions and purposes of the Act.” This was interpreted as obviating the need for an annual authorization for the CIA, requiring it to get from Congress each year only an appropriation.<sup>2</sup>

The process that was instituted to secure that appropriation began each year with a classified letter from the Bureau of the Budget (predecessor of the Office of Management and Budget) to the two appropriations committees, with a copy going to the CIA, setting forth the administration’s appropriations request for the Agency for the year. The letter would state that so much money for the Agency had been set aside within particular accounts within the budget requests of the department or agency where the Agency’s funding was “hidden.” At the end of the appropriations process, the appropriations committees would send a letter back to the Bureau of the Budget setting forth how much had actually been appropriated for the CIA in the budgetary accounts of other agencies. From time to time, the letter might also include restrictions on the use of such funds. “That letter [from the appropriations committees to the

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<sup>1</sup> CIA draft study, Vol. I, 7.

<sup>2</sup> Cary interview, 30 September 1983, 10.

Bureau of the Budget], in essence, was the appropriations act as far as the CIA was concerned,” according to a one-time legislative counsel.<sup>3</sup> This procedure lasted until creation of the two select committees in the mid-1970s.

### **Covert Action: Funding a New Mission for the Agency**

Less than a year after the National Security Act of 1947 was enacted, the Truman administration, confronted with the threat of communists coming to power in the Italian elections, decided to use the CIA to channel support to the noncommunist parties opposing them. The CIA general counsel at the time, Lawrence Houston, had opined several months earlier that the appropriations committees had not had this kind of activity in mind when they approved the Agency’s appropriation and thus would need to be informed of and approve the expenditure of appropriated funds for such purposes.<sup>4</sup> There was also realization within the administration that Congress would have to be approached with respect to this new kind of activity.<sup>5</sup>

Although personally unenthusiastic about this new mission on the grounds it would detract from the Agency’s other functions, DCI Hillenkoetter appeared in April 1948 before the HASC subcommittee to describe what would be necessary to support “any possible action in connection with the Italian election.”<sup>6</sup> In all likelihood, he made the same presentation to the leaders of the SASC, HAC and SAC.

Several weeks later, in mid-June 1948, Truman signed National Security Council Directive 10/2, authorizing a program of “covert operations” by the US government. It provided that such operations would be carried out so that if they were uncovered

*the US government can plausibly disclaim any responsibility for them. Specifically, such operations shall include any covert activities related to propaganda; preventive direct action, including sabotage, anti-sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberation groups, and support of indigenous anti-communist elements in threatened countries of the free world.*<sup>7</sup>

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<sup>3</sup> Warner interview, 27 September 1996, 30.

<sup>4</sup> Barrett, *CIA and Congress*, 29; see also Braden, “The Birth of the CIA.”

<sup>5</sup> Barrett, *CIA and Congress*, 28–29.

<sup>6</sup> *Ibid.*, 30.

<sup>7</sup> *Ibid.*, 32.

The directive created an Office of Policy Coordination (OPC) that would have primary responsibility for carrying out these operations and assigned it to the CIA for administrative purposes. OPC would report, however, to the Secretaries of State and Defense, as well as to the DCI. The directive also provided that a supplemental appropriation would be “immediately requested” from the Congress to fund the activities of OPC.<sup>8</sup>

There are no records indicating what happened in response to this direction from the president as far as the Congress was concerned, but it can be presumed that at least the leaders of the HAC and SAC were made aware of NSC 10/2 and that they provided the wherewithal for OPC to begin operations, either by providing a supplemental appropriation or by approving the use of already appropriated funds for this purpose. As described by Professor Barrett, there was, in fact, increasing and widespread support in Congress at the time to do something to counter what was perceived as growing Soviet influence around the world.<sup>9</sup> NSC 10/2 authorized precisely this kind of response by the United States. The fact that this kind of activity had not been envisioned a year earlier when CIA was created seems not to have mattered to the Congress. The new mission fit with the Agency’s other operational responsibilities. The State Department was the only other department or agency that conceivably might have offered a platform for such activities, but they were seen at odds with its diplomatic responsibilities.

### **Interaction in the Early Years: 1948–52**

According to Barrett, the Agency received a 25-percent increase for FY 1949—its second year of operation and its first appropriation as the CIA.<sup>10</sup> This trend was to continue for its first four years of operation. Indeed, the Agency experienced exponential growth during this period. Barrett notes that the budget requested for the Agency in 1952 (for FY 1953) was 14 times the size of its budget for FY 1948. To a large extent, these increases were the result of the war in the Korea. Covert action, both in support of the war effort and in other places, was also burgeoning during this period (see chapter 9). According to Barrett, 74 percent of the Agency’s budget for FY 1953 was devoted to operational activities, and the lion’s share of that (75 percent) went to covert action.<sup>11</sup>

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<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*, 30–32.

<sup>10</sup> *Ibid.*, 120.

<sup>11</sup> *Ibid.*, 92, 102.

Knowledge of the Agency's budget within Congress was extremely limited during this early period. Only the HAC chairman knew what the CIA's budget actually was and where it was located in the budgets of other agencies. Moreover, only three staffers, one in the House and one each on the SASC and SAC, were privy to this information.<sup>12</sup> These staffers ensured that the funding requested each year for the Agency was included in nondescript line-items within the appropriations of the Defense and State Departments.

Agency records do reflect that in 1950 it faced the possibility of a cut to its budget as part of government-wide cutbacks. In fact, its legislative counsel, Walter L. Pforzheimer, made sure the HAC knew where CIA funding was hidden in the State and Defense Departments budgets so the committee would not inadvertently cut it when it took action on those budgets. While the Agency did experience a token cut that year, notwithstanding Pforzheimer's efforts, it managed to have the funds restored as part of a supplemental appropriation to fund the Korean War effort.<sup>13</sup>

Having its funds hidden within the appropriations of other agencies, in particular the appropriation of the State Department, was not without its complications. In 1951, for example, CIA received a request to testify before the SAC subcommittee that handled State Department appropriations to defend the amount being requested for Agency activities. Concerned that the Agency might have to open its operations to a wider audience (than its SAC subcommittee), Pforzheimer managed to convince the subcommittee chairman to withdraw his request in return for a briefing from DCI Smith.<sup>14</sup> What happened instead was that Smith met with two senators on the SAC, who, in turn, convinced the SAC chairman that hearings on the CIA's budget request were undesirable because of the security risks. Indeed, CIA records reflect the full committee ultimately approved the State Department appropriation (with CIA's appropriation buried within) without pressing for a formal hearing with the DCI.<sup>15</sup>

Afterwards, a senator on the SAC suggested to Pforzheimer that having part of the Agency's funding in the State Department appropriation might not be such a good idea inasmuch as the State appropriation was more susceptible to being cut (in response to Senator McCarthy's tirades and for other reasons) than the defense budget. He suggested that CIA ought to look at locating all of its funding within the Defense Department budget to guard against the possibility that its own budget might be inadvertently cut, requiring it to come back

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<sup>12</sup> *Ibid.*, 27, 119.

<sup>13</sup> CIA draft study, Vol. I, 71–72.

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

to the State appropriations subcommittee again for relief. Pforzheimer took the advice to heart and began working with the Bureau of the Budget to put all of the Agency's budget within the DoD budget. This new practice was instituted, in fact, the following year.<sup>16</sup>

Also in 1951, as part of their action on the Agency's FY 1952 budget request, the appropriations committees for the first time created as part of the Agency's annual appropriation an "unvouchered Contingency Reserve Fund," intended to allow the DCI to address "unforeseen emergencies" around the world. While this fund was intended principally to fund covert action, allowing the Agency to take advantage of opportunities to thwart communism around the world without the necessity of coming back to Congress for a new appropriation, it was also available to fund unforeseen opportunities on the collection side. Initial funding for the development of the U-2 reconnaissance aircraft, for example, came from the reserve fund.<sup>17</sup> The appropriations committees would establish each year the amount to be appropriated for the reserve. Approval was required from the Bureau of the Budget in order to withdraw money from it, and the committees expected the DCI to advise them when large amounts were withdrawn. If the money allocated to the reserve was not spent, it would be carried over to the next year's budget. Within a very short time, the reserve fund became a significant part of the Agency's annual appropriation. Indeed, according to Barrett, DCI Smith requested an increase in the reserve fund for FY 1953 that he said would be three times what the Agency was spending for its intelligence-gathering activities.<sup>18</sup>

Also, late in the summer of 1951, wholly apart from what the CIA subcommittees were doing, Congress adopted an amendment to the Mutual Security Act, which authorized up to \$100 million appropriated by the Act to be used for what was essentially covert action. The amendment was offered by a Republican congressman from Milwaukee, Charles Kersten, who was on neither the HAC nor the HASC but was concerned that the United States was not doing enough to subvert the Soviet Union and its East European allies.<sup>19</sup> The Act itself authorized \$7.5 billion in foreign economic and military aid. Kersten's amendment allowed up to \$100 million of this to be allocated to "underground liberation groups in communist countries." The adoption of the amendment by Congress immediately brought on protests in the United Nations from the Soviet foreign minister and other communist bloc officials.<sup>20</sup>

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<sup>16</sup> Barrett, *CIA and Congress*, 120.

<sup>17</sup> CIA draft study, Vol. II, 18.

<sup>18</sup> Barrett, *CIA and Congress*, 121.

<sup>19</sup> *Ibid.*, 103–12.

<sup>20</sup> *Ibid.*

The matter did not end there, however. In March 1952, then-DDCI Dulles was summoned before the HFAC to explain how much, if any, of the \$100 million had been spent. He told the committee that none had been spent and, moreover, that CIA itself did not need any of it. Instead, he proposed that \$4.3 million of the \$100 million be given to the State Department to construct “reception facilities” to take care of defectors from the Soviet Union and Eastern Europe, which he said would serve the Agency’s interests in important ways, whatever use might be ultimately made of these people. Kersten himself agreed with Dulles’s suggestion, believing such facilities could be used to build “an army of liberation.” These comments, which the Soviets saw as an attempt to create military forces to invade and overthrow communist countries, brought on renewed criticism from the Soviet bloc as well as from some in Congress. The committee ultimately approved use of the \$4.3 million for “refugee handling,” but it is unclear whether such funds were ever expended for this purpose.<sup>21</sup>

### **Interaction during the Eisenhower Years: 1953–60**

The Eisenhower administration came to office in 1953, demanding fiscal discipline from federal agencies. CIA was not exempt from this policy; indeed, when Eisenhower took control of the White House he personally emphasized to DCI Dulles his determination on this point.<sup>22</sup>

Republicans also took control of the Congress in 1953, and CIA came under the first serious budget oversight from any of its subcommittees up to that point. The HAC subcommittee—now made up of the five most senior members of the full committee and chaired by John Tabor of New York—held five meetings with CIA officials in early 1953 and 10 in first half of 1954. Tabor also expanded his staff to include five professionals, which for the first time gave the subcommittee an ability to do its own independent review of the Agency’s budget.<sup>23</sup> They demanded not only that the Agency provide a detailed justification for the budget but also that they be allowed to keep it until they were done with it.<sup>24</sup> At other times HAC staff members were allowed to review budget books at the Agency itself.<sup>25</sup>

Tabor’s counterpart on the SAC subcommittee, Styles Bridges, also took a hard line on government spending. His committee imposed an across-the-

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<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*, 149.

<sup>23</sup> *Ibid.*, 150–51.

<sup>24</sup> *Ibid.*, 152.

<sup>25</sup> Warner interview, 2 November 1997, 71.

board cut of 27 percent for FY 1954 on all government agencies, including the CIA. It was only after extensive lobbying by DCI Smith after the SAC had acted, that the HAC agreed to hold the Agency's cut to 15 percent. (The SAC went along in conference.)<sup>26</sup>

The cuts taken by the appropriators and their increased level of budget oversight worried the SASC subcommittee. Its members expressed "grave concern" to the SAC in 1954 over the amount of detail the HAC was demanding from the CIA and urged the SAC to designate "as small a group as possible" to review the CIA's budget request for FY 1955.<sup>27</sup> As it happened, the SAC subcommittee was already composed of just five members, two of whom (Russell and Saltonstall) were also members of the SASC subcommittee, so it was hardly necessary to suggest that the number be kept small. More likely, the SASC members were concerned about SAC Chairman Bridges, who had not shown himself to be particularly accommodating to the Agency's interests.

Apparently, their intervention had an impact. When the SAC subcommittee met on the Agency's FY 1955 budget request, according to a CIA memorandum of the meeting, it was approved with very little discussion. Dulles had brought detailed budget data with him, the memo noted, but never had to refer to it: "Most of the session was devoted to questions and answers on matters that appeared to be of particular interest to the senators, many of which had no particular relation to the CIA budget."<sup>28</sup>

The Tabor subcommittee, however, continued to take a tough line where the Agency was concerned. For the first time, the HAC imposed a personnel ceiling on CIA, holding it to the number of employees it had on 30 June 1954. Moreover, it refused to go along with the "plus up" agreed to by the SAC, to make up for the 15-percent cut taken the year before. According to notes of the legislators involved, the budget at that point was allocated as follows:

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| intelligence                        | 29 percent              |
| Cold War activities (covert action) | 40 percent              |
| Contingency Reserve                 | 26 percent              |
| administration                      | 6 percent <sup>29</sup> |

In 1955, Democrats regained control of both houses of Congress, which they would retain for the remainder of the Eisenhower presidency. While the new chairmen of the SAC and HAC—Carl Hayden and Clarence Cannon,

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<sup>26</sup> CIA draft study, Vol. I, 72–73.

<sup>27</sup> *Ibid.*, 73.

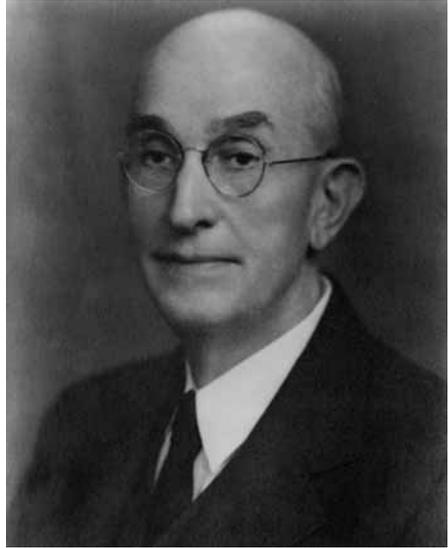
<sup>28</sup> *Ibid.*

<sup>29</sup> Barrett, *CIA and Congress*, 154–55.

respectively—were far less interested in holding down the Agency’s spending than their predecessors, the Agency often found it exasperatingly difficult to engage with them.

Although its FY 1956 appropriation remained relatively flat, for the first time it had 20 percent of the Agency’s funding going to “science,” reflecting the new responsibilities the administration had given it, among them the development and construction of the U-2 reconnaissance aircraft, as well as the growth of its in-house technical capabilities (see chapter 8).<sup>30</sup> Although few members of Congress were aware of the Agency’s new responsibilities in this area, the leaders of the CIA subcommittees and their respective staffs, made certain the money was appropriated for them. The Agency’s FY 1957 budget grew overall by 20 percent, albeit with a significant decline in “Cold War activities.”

In 1957, SAC Chairman Hayden told the Agency he was too busy to hear its FY 1958 budget request, leaving it to his staff instead. According to an Agency memo of the staff briefing, “there were no questions raised of any substance.”<sup>31</sup> After the committee had reported the bill that contained the Agency’s funding, Dulles again sought to have Hayden hold a hearing before the floor vote, but Hayden told him he was “not at all enthusiastic about a meeting, [and] inasmuch as we had our money, there wasn’t any need to get together.”<sup>32</sup> Dulles fared no better in the House. The HAC also held no hearings before it acted. Dulles gave George Mahon (chairman of the defense appropriations subcommittee) information to use in case he got a question about CIA’s funding on the floor, but he got none. After the House vote, Dulles did manage to get Mahon to hold an “after-the-fact” hearing, but



Senator Carl Hayden, chairman of the Senate Appropriations Committee.

(US Senate Historical Collection)

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<sup>30</sup> Ibid, 219–20.

<sup>31</sup> CIA draft study, Vol. I, 74.

<sup>32</sup> Ibid.

according to a CIA memorandum of the hearing, the session was “devoted mainly to . . . our substantive operations around the world. . . . There was little detailed discussion of the items in our budget.”<sup>33</sup>

In 1958, Dulles was accorded an early hearing with the HAC subcommittee, but according to his memo of the meeting, the only question he received regarding the budget was an inquiry from the chairman whether he had enough money.<sup>34</sup> CIA Legislative Counsel John Warner’s account was considerably more descriptive:

*I was called by [HAC chairman] Clarence Cannon’s staffer and advised that Cannon wanted to have a budget hearing with the DCI on a Sunday afternoon in a special room in the Longworth Building. . . . It was a crowded room, and Clarence Cannon greets Dulles, “Oh, it’s good to see you, Mr. Secretary.” He thinks it’s [Secretary of State John] Foster Dulles . . . or else mistakes his name..*

*They swap stores for two hours, and in the end, [Cannon asks] “Well, Mr. Secretary, have you got enough money in your budget for . . . the coming year?”*

*“Well, I think we’ll be all right, Mr. Chairman. Thank you very much.”*

*That was the budget hearing. [The other congressmen present] were visibly disturbed by this. . . . So I pulled the three of them aside and I said, “Gentlemen, would you like me to arrange a briefing . . . for you on our budget?” They all thanked me. And we did it, obviously without telling the Chairman.<sup>35</sup>*

Cannon was also fond of calling his subcommittee together on the spur of the moment. Former Executive Director “Red” White recalled one such meeting:

*Dulles called me on Sunday morning and said he just got a call from Clarence Cannon, “He wants to have a budget hearing at 2:00 this afternoon. Can we do that?”*

*And I said, “Mr. Dulles, if that’s what Mr. Cannon wants, we can do it.”*

*That was his [Cannon’s] idea. . . . He’d call the rest of the committee members and say, “Come off the golf course.” . . . And they’d be there.*

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<sup>33</sup> Ibid.

<sup>34</sup> Ibid, 75.

<sup>35</sup> Warner interview, 27 September 1996, 22.

*He'd say [to Dulles], "I don't want you taking up my time with a lot of stuff I'm going to read in the newspaper tomorrow, but I don't want you holding out anything on me, either."*

*We'd tell him anything he wanted to know. He wouldn't give us a rough time, but he didn't give us carte blanche [either]. . . . Year after year [though] we got just about what we asked for.<sup>36</sup>*

Notwithstanding Cannon's support for the Agency's annual budget request, when Dulles broached with him in late 1958 the idea of building a residence for the DCI along the banks of the Potomac, Cannon reacted negatively, causing Dulles to give up the idea.<sup>37</sup> Cannon's staff also told the Agency's liaison later in the year that Cannon thought at times that the Agency was "hiding behind a cloak of secrecy and [he] was getting tired of it." When Dulles followed up with Cannon personally, Cannon raised the possibility of putting a member of the HAC staff inside CIA, having CIA provide weekly written briefings, and having it regularly brief the full committee. Dulles was reluctant to agree to any of these ideas but told Cannon that he was prepared to brief the CIA subcommittee whenever Cannon wanted it and later made the same offer to the HASC, SASC, and SAC subcommittee chairmen.<sup>38</sup>

The Agency had a similar experience in the Senate that year. There was but one meeting of its subcommittees, a joint meeting of the SAC and SASC subcommittees that occurred in Russell's office in August. According to a CIA memorandum, the meeting was "completely off the record. No transcript . . . covered the world situation in considerable detail. . . . The Senators appeared to be impressed with the informa-



Representative Clarence Cannon, chairman of the House Appropriations Committee.

(Portrait by Charles J. Fox, Collection of the US House of Representatives.)

<sup>36</sup> White interview, 7 January 1998, 37.

<sup>37</sup> Barrett, *CIA and Congress*, 317.

<sup>38</sup> CIA draft study, Vol. I, 68–69.

tion given them.” There were no questions about CIA operations, tactics, or finances.<sup>39</sup>

Despite the senators’ seeming lack of interest in probing Agency operations, word filtered down from Senate staff that there was discontent among its members. In September 1958, an aide to Senator Bridges, now a member of the SAC subcommittee, reported there was considerable criticism of the CIA within Congress that was fueling “a serious move” to cut its appropriations in the next session. Alarmed by this report, Dulles appealed to the leaders of the SASC (Russell) and SAC (Hayden) when Congress reconvened in January 1959 to hold an early joint hearing on the Agency’s FY 1960 budget request. Hayden bluntly refused, explaining that he was too occupied with other business. He also pointed out to Dulles that he had met with him about it the year before.<sup>40</sup> Dulles then turned to the ranking member of the SAC, Senator Saltonstall, appealing for “just five minutes before the budget bill [containing the funding for CIA] was marked up,” but Saltonstall was unwilling to broach the issue with Hayden.<sup>41</sup> In September, Dulles tried again, this time with SASC Chairman Russell, to schedule a joint meeting on the Agency’s budget, but Russell told him that he was “so tied up with other matters” that it would be impossible to schedule during the balance of the year. When CIA Legislative Counsel Warner later lamented to Senator Stennis how much difficulty the Agency was having in scheduling a hearing on its budget, Stennis expressed surprise that the SASC even had a subcommittee on the CIA.<sup>42</sup>

Ultimately that year, despite the lack of substantive consideration on either side, the subcommittees put through an appropriation for FY 1960 that called for limited personnel cuts, consistent with what the parent committees did generally that year vis-à-vis federal agencies.

### **The Agency Headquarters Building: 1951–56**

Four years after its creation, the Agency’s headquarters was located in several antiquated buildings at 2430 E Street in Washington DC and its employees scattered among a dozen or more other buildings in the area. This situation concerned DCI Smith, who in 1951 won administration approval to request \$38 million from Congress for a new headquarters building. Smith, however, failed to advise the chairman of the HAC’s defense subcommittee, George Mahon, in advance of the request, and Mahon demonstrated his displeasure by failing to

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<sup>39</sup> *Ibid.*, 63.

<sup>40</sup> *Ibid.*, 76.

<sup>41</sup> *Ibid.* 77.

<sup>42</sup> *Ibid.*, 69.

act on it. While the SAC approved the proposal, without HAC concurrence, it did not go through. Smith tried again the following year, this time requesting \$42 million, but Mahon persuaded him not to pursue it on the grounds that the political climate in Congress was not ripe for its consideration.<sup>43</sup>

When the Democrats (who were seen as less concerned with fiscal restraint) regained control of the Congress in 1955, the time appeared ripe to Dulles to raise the issue once again. By this point, Agency employees were scattered among 34 separate locations in the Washington area. The fact that the request was large (now \$50 million) as well as extraordinary, however, dictated its being handled by the military construction subcommittees of the Armed Services and Appropriations Committees rather than the CIA subcommittees, and this brought many more members of both houses into the picture. In a 17 June hearing before the full SASC, several senators who were not on the CIA subcommittee expressed shock at how large the Agency had grown. "The number is fantastic," Senator Margaret Chase Smith commented. "I believe those fellows must be getting in each other's way."<sup>44</sup>

At the comparable hearing before the HASC, Chairman Carl Vinson began by announcing his support for the building but did not quite seem to understand the scale of the project. Addressing Dulles, he said, "Doctor, you are here to ask for a new building, and I think you ought to have a new building. . . . You probably are going to ask us for about \$25 million." Dulles replied that, no, he was going to ask for \$50 million, prompting Vinson to respond, "My, my, that is going to be a nice building."<sup>45</sup>

Ultimately, Dulles managed to get the HASC and SASC to authorize \$46 million for the building, but the appropriators would approve only \$5.5 million for planning purposes. Thus, Dulles had to go back again the following year. This time, he requested an additional \$56 million to complete the project, which would include not only the purchase of land and the construction of a headquarters building but also the extension of the George Washington Memorial Parkway to reach the entrance to the property. The HAC ultimately went along with \$50 million and the SAC, with \$46 million, albeit with a limitation that all CIA employees had to be housed there. In conference, the committees appropriated \$46 million, and CIA pledged to make "a good faith effort" to house as many of its employees there as possible.<sup>46</sup>

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<sup>43</sup> Barrett, *CIA and Congress*, 122.

<sup>44</sup> *Ibid.*, 217.

<sup>45</sup> *Ibid.*, 216.

<sup>46</sup> *Ibid.*, 217–19.

Work on the project began in October 1957 and was not entirely completed until November 1963, although Agency employees had begun to occupy parts of the building as early as September 1961.<sup>47</sup>

### Developments in the 1960s and Early 1970s

The CIA subcommittees remained generally friendly to the Agency during the 1960s and early 1970s, often supporting its annual budget requests without change, but their review of the budget, especially on the House side, became increasingly thorough and more contentious.

In early 1960, the HAC subcommittee, chaired by Clarence Cannon, in particular, began subjecting the Agency to a far more rigorous budget examination than it had experienced to that point. When Cannon summoned DCI Dulles to appear before the subcommittee to discuss the budget, he told him not to bother with “fancy briefing charts,” but to come prepared to “get down to discussing sensitive facts and matters,” warning him that he would “catch hell” if he tried to withhold pertinent information. Dulles, in fact, appeared before the HAC subcommittee for seven hours on 28 March 1960; he provided details on the Agency’s budget, discussed how the Agency’s expenditures were justified by its operations around the world, and fielded probing questions about the Agency’s personnel strengths. According to CIA records, it was the most thorough exploration of the Agency’s budget request that one of its subcommittees had ever conducted.<sup>48</sup> CIA General Counsel Lawrence Houston later described the briefing:

*Our appropriations were gone over as thoroughly as any appropriation. Cannon established that we would bring to him any detail and he would question or have the committee question us. They knew our appropriations, line by line. Sure, they were hidden in the defense budget, but to get in there they had to pass the committee.<sup>49</sup>*

Dulles, in his 1963 book on intelligence, also commented on Cannon’s tenacity, writing that “a more careful watchdog of the public treasury can hardly be found.” Calling the public perception that Congress exercised no control of the Agency “quite mistaken,” Dulles said Congress’s power of the purse effectively gave it “control over [Agency] operations—how many people CIA can employ, how much it can do and to some extent what it can do.”<sup>50</sup>

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<sup>47</sup> Knapp, *The First Thirty Years*, 133–45.

<sup>48</sup> CIA draft study, Vol. I, 111.

<sup>49</sup> Ranelagh, *The Agency*, 282–83.

<sup>50</sup> Dulles, *The Craft of Intelligence*, 261.

However tenacious Cannon may have been as a budget overseer, he was still a strong defender of the Agency in public. Speaking several weeks later on the House floor, after the shoot-down of the U-2 over the Soviet Union on 1 May 1960, Cannon defended not only the Agency's operation, but his subcommittee's role in funding it:

*The [U-2] was on an espionage mission authorized and supported by money provided under an appropriation recommended by the House Committee on Appropriations and passed by the Congress. Although the members of the House have not generally been informed on the subject, the mission was one of a series and part of an established program with which the subcommittee in charge of the appropriation was familiar, and of which it has been fully apprised during this and previous sessions. . . . The question immediately arises as to the authority of the subcommittee to recommend an appropriation for such purposes, and especially the failure of the subcommittee to divulge to the House and the country, the justifications warranting the expenditure . . . at the time it was under consideration on the floor. The answer of the subcommittee [to that question] is: absolute and unavoidable military necessity, fundamental national defense.<sup>51</sup>*

At the end of Cannon's speech, members on both sides of the aisle rose to their feet to give him a standing ovation. It was the first time that a chair of one of the House subcommittees had ever defended the funding arrangements for the CIA's activities on the House floor.

The following year the HAC subcommittee conducted another rigorous review of Agency's FY 1962 budget request, but in the end, as it had done the year before, the subcommittee approved what the Agency had requested, even asking DCI Dulles (as it was wont to do) if the amount being requested was enough. It also authorized the Agency, at Dulles's request, to carry over unused amounts in the Contingency Reserve to the next fiscal year without securing congressional approval.<sup>52</sup>

It is clear, though, that even though the HAC ended up supporting its budget requests, the Agency did not take Cannon's support for granted. When John McCone became DCI in 1962, Legislative Counsel Warner wrote him on the need to deal with Cannon:

*There would be serious disadvantages if the DCI were not to appear before him and the subcommittee in connection with our*

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<sup>51</sup> Barrett, *CIA and Congress*, 395.

<sup>52</sup> CIA draft study, Vol. I, 112.

*budget presentation. . . . Mr. Cannon has been heard to say in effect, "If an agency head is not sufficiently interested in his appropriation to appear personally to defend it, maybe he does not need an appropriation."*<sup>53</sup>

McCone obliged, and the Cannon subcommittee once again supported the administration's request without change.

While budget oversight was less rigorous on the Senate side, there were joint hearings in 1961 and 1962 before the SAC and SASC subcommittees during which the members, according to CIA records, asked probing questions. At this juncture, however, Senator Russell chaired both subcommittees, and the total number of senators on both committees was only six. Moreover, two of them—Carl Hayden (D-AZ) and Harry F. Byrd (D-VA)—rarely attended. Like the HAC, the two subcommittees supported the budget requests during these years without change.<sup>54</sup>

In 1963, a funding issue arose with the Defense Department. The Pentagon wanted the Agency to assume responsibility for funding a program in Southeast Asia that DoD had been funding at a cost of \$75 million. To accomplish this, CIA requested, with administration approval, that \$75 million be added to its budget for FY 1964, in effect having it transferred out of the DoD budget. The Pentagon, however, asked that Congress provide an additional \$75 million to its budget to make up for the amount transferred to the CIA. While the conferees on the defense appropriations bill added \$13.3 million to the defense budget to help absorb the loss, Congress adjourned without actually appropriating the additional \$75 million to the Agency.<sup>55</sup>

In January 1964, DCI McCone appealed to a joint meeting of the SAC and SASC subcommittees to resolve the issue. The fiscal year was half over, he noted, and the Agency still did not know how much money it had to spend. According to CIA records, Senator Russell replied that since it had gotten by for that long, perhaps the Agency could handle some type of budget cut. Bothered that the Agency had "hypnotized" HAC Chairman Cannon into always giving it "everything it wanted," Russell opined that perhaps it was time for the Agency to take a budget cut "just to let you know that Congress is around."<sup>56</sup> Although the Agency later tried to get Cannon to object, he refused to do battle with the Senate. A cut of \$25 million subsequently was imposed (albeit a cut in what had been added the year before).<sup>57</sup>

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<sup>53</sup> Ibid.

<sup>54</sup> Ibid., 105.

<sup>55</sup> Ibid., 114–15.

<sup>56</sup> Ibid., 115.

<sup>57</sup> Ibid.

In part to recoup from this setback, the budget request for FY 1965 was \$35 million higher than in the previous year. Cannon's subcommittee readily approved it, but Russell would not go along. After turning down McCone's request for a hearing, Russell got the SAC subcommittee to approve a \$20 million cut in the budget request (still increasing it by \$10 million over the previous year). Although the DCI bitterly protested this action and attempted to have the new HAC Chairman George Mahon (Cannon died on 12 May 1964) resist it in conference, Mahon, too, was unwilling to take on Russell.<sup>58</sup>

In 1965, SAC Chairman Hayden requested that the Agency advise the CIA subcommittees within 48 hours of getting approval from the Bureau of the Budget to withdraw funds from the Contingency Reserve. Although this went beyond existing practice of giving "timely" notice of significant withdrawals, DCI Raborn agreed to the request since the Senate was not asking for prior approval for such releases. As the Contingency Reserve was frequently used to fund covert actions that had not been anticipated when the budget was prepared, however, it gave the subcommittees a clearer, more timely indication of CIA ventures in this area than they had had before.<sup>59</sup> The same year, members of the SASC who were not on its CIA subcommittee insisted on knowing where the Agency's money was hidden in the overall defense budget. While CIA subcommittee took note of their discontent, it did nothing about it.<sup>60</sup>

On the HAC subcommittee, other complaints were heard that year. One congressman told the CIA's liaison he was "uncomfortable about the paucity of congressional knowledge regarding Agency programs." Another said it was time to "get into the nuts and bolts of the Agency's budget."<sup>61</sup> This led to increased involvement by the HAC subcommittee staff members, who began demanding greater detail on the budget and more documentation to justify the funds being requested. Moreover, the complaining congressmen themselves took the occasion to study the budget request in detail, something that had never happened heretofore. One of the complaining congressmen told the Agency's liaison "that the CIA budget has been examined by the [HAC] subcommittee more thoroughly than the DoD budget or any other budget." In the end, however, this increased scrutiny did not lead the subcommittee to make cuts to the budget request; in fact, it approved a budget that was almost 4 percent higher than the year before.<sup>62</sup> While this increase was reduced somewhat in conference with the Senate, the Agency had nonetheless made a convincing

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<sup>58</sup> *Ibid.*, 117.

<sup>59</sup> *Ibid.*, Vol. II, 19.

<sup>60</sup> *Ibid.*, Vol. I, 118.

<sup>61</sup> *Ibid.*

<sup>62</sup> *Ibid.*, 119.

case when one of its oversight subcommittees decided to plumb the intricacies of its budget.

In 1966, however, when the Agency went back to the HAC and SAC for a supplemental appropriation to fund its operations in South Vietnam and the Dominican Republic, both subcommittees reacted negatively and approved only half the amount requested. Nevertheless, the Agency was pleased with the result. The CIA subcommittees are “better informed today on the Agency and its budget needs than ever before,” wrote CIA Legislative Counsel Warner. Not only did Warner believe this would help stem congressional criticism of the Agency but would also promote support for its future budget requests.<sup>63</sup>

In early 1967, Warner’s confidence was essentially borne out by the subcommittees’ reaction to the *Ramparts* episode (see chapter 9). While some in Congress were critical of the Agency’s activities, Russell and HASC subcommittee chairman Mendel Rivers (D-SC) publicly defended the Agency. Moreover, when the Agency later found itself struggling to comply with President Johnson’s direction to federal agencies to terminate all covert funding of US educational or private voluntary organizations operating overseas, DCI Helms sought help from the subcommittees to find a new source of funding for Radio Free Europe and Radio Liberty, which he argued were “valuable instruments and extremely effective.” Both the SAC and HAC proved receptive.<sup>64</sup>

In 1969, CIA heard Stuart Symington (D-MO), a staunch supporter of the Agency for many years, muse at a hearing of his SASC subcommittee that it might be time to make the CIA budget public. Contending that the public had a seriously exaggerated concept of the Agency’s budget as well as the relative amount of its appropriation compared with that of other elements of the Intelligence Community, Symington thought the image of the Agency would be improved if the truth were known. With Senator Russell still firmly in command (and firmly opposed to the idea of disclosing the budget figure), however, Symington did not pursue the idea.<sup>65</sup>

The Agency did hear in late 1969 that Russell had problems with the CIA subcommittees merely being “informed” of withdrawals from the Contingency Reserve. He thought there should be an opportunity for the committees to object. Recognizing that they had acquiesced in this practice for several years, however, Russell did not challenge the existing procedures.<sup>66</sup>

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<sup>63</sup> *Ibid.*, 121.

<sup>64</sup> *Ibid.*, Vol. II, 29–31.

<sup>65</sup> *Ibid.*, 41.

<sup>66</sup> *Ibid.*

Two years later, Senator George McGovern (D-ND) offered a bill requiring that CIA's budget be publicly appropriated as a single line item. With the "old guard" who controlled the SASC subcommittee still firmly opposed, however, the bill did not receive serious consideration.<sup>67</sup>

Nevertheless, when William Colby returned to the Agency in 1971 after 10 years in the field, he found a "dramatic change" had taken place in the way Congress handled the Agency's budget.

*It was no longer quite the loose and friendly process it once had been. Now we were required to present a detailed breakdown of our funds and personnel, showing the totals of each by organizational component, by activities conducted, and by the targets sought. . . . Congressional staff experts reviewed all these in detail and came up with sharp questions about, and exceptions to, the Agency's proposals. . . . It was plain to anyone. . . . that our budget received every bit as detailed a review as that given any other department or agency by a congressional committee.*

As Colby saw it, the "new toughness" on the part of Congress had begun after the Bay of Pigs and grown during the Vietnam era as the "credibility gap" between the Congress and Johnson/Nixon administrations had grown. And CIA was especially vulnerable to this growing sense of congressional mistrust because of the secrecy that surrounded its activities.<sup>68</sup>

### **Consideration of the Budget Process by the Church and Pike Committees**

The Church and Pike Committees, created by the Senate and House, respectively, in 1975, were investigative committees. Neither was charged with responsibility for authorizing or appropriating funds, either for the CIA or the Intelligence Community as a whole. These functions remained for the time being with the existing CIA subcommittee structure. Both committees, however, did extensive reviews of the budget process, focusing in particular on what Congress was being provided each year in the way of explanation and justification for the funds being requested.

The Church Committee prepared two detailed staff studies: one dealt exclusively with the CIA budget and the other with spending for intelligence generally. Because of classification concerns, neither was published as part of the committee's final report. The staff study of CIA's budget submissions, however, was critical. While noting that progress had been made to strengthen the

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<sup>67</sup> Ibid., 41–42.

<sup>68</sup> Colby, *Honorable Men*, 308–9.

process, it faulted the Agency for omitting information with respect to the choices that had been made in course of the budget process within the executive branch; for failing to provide Congress with program performance data, especially with respect to covert action programs; and for failing to have an independent audit capability that could provide greater assurance to management and Congress on how appropriated funds were actually spent. The study found that Congress did not obtain sufficient information to make accurate or timely judgments concerning CIA funding.<sup>69</sup>

The staff study also examined the issue of whether the CIA budget total should be disclosed but recommended against it on the grounds it would be more misleading to the public than informative. Nevertheless, the Church Committee later proposed publishing the total budget figure for the Intelligence Community for FY 1976 as part of its final report. After pleas from then-DCI George Bush, however, the committee voted to defer the matter to the full Senate. The number was never published.<sup>70</sup>

The Pike Committee actually made the intelligence budget the initial focus of its activities, not merely at the staff level but at hearings before the committee. On 5 August 1975, in executive session, DCI Colby argued that disclosing the CIA's budget total would do substantial harm to the US intelligence effort. Moreover, without more detail, he said, it would be impossible for the public to make judgments or reach conclusions about CIA's activities. Colby also defended the existing budget process, arguing that the four CIA subcommittees were fully informed on the missions, programs, and projects being funded within the Agency's budget and could obtain whatever information they desired about the budget.<sup>71</sup>

Although the final report of the Pike Committee never achieved formal status as a House report, it was leaked to the press and contained a number of criticisms of the budget process, most of which dealt with intelligence funding generally rather than the CIA's budget. Describing congressional and executive branch scrutiny of the intelligence budget as ranging between "cursory and nonexistent," the report said that because intelligence funding was hidden throughout the federal budget, Congress had no idea as to what was actually being appropriated, which the report estimated to be three to four times what Congress was being told. The report also criticized the lack of an independent audit capability where intelligence expenditures were concerned.<sup>72</sup>

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<sup>69</sup> CIA draft study, Vol. II, 90–91.

<sup>70</sup> *Ibid.*, 98–99.

<sup>71</sup> *Ibid.*, 127.

<sup>72</sup> *Ibid.*, 128.

Among other things, the Pike Committee recommended that Congress prohibit significant reprogrammings of funds, or withdrawals from the Contingency Reserve, unless Congress specifically approved them. With respect to the issue of budget disclosure, the committee recommended that all intelligence-related items be identified in the president's budget and that there be disclosure each year of a single sum being spent on intelligence by any agency involved in such activities.<sup>73</sup>

While the Church and Pike Committees had no authority over the Agency's budget, they created an adverse climate insofar as congressional consideration of its budget was concerned during this period. Indeed, the HAC and SAC imposed cuts that carried over to the Carter administration's initial actions on the intelligence budget once it assumed office in 1977.<sup>74</sup>

### **Budget Oversight by the Select Committees on Intelligence: 1977–81**

When the Senate, and later the House, created new select oversight committees in 1976 and 1977, respectively, each committee was given authority to authorize appropriations for the agencies under its purview. Until this time, no separate authorization had been required for the Agency's appropriation; rather the National Security Act of 1947 itself was seen as providing ongoing authorization. From here on, however, there would be two bills, rather than one, for the Agency to see through Congress each year before its funding could be finalized. While new for the Agency, this was no different than what most other federal agencies had to do. Oversight responsibility usually rested with authorizing committees, where most of the substantive expertise resided, with the cognizant appropriations subcommittee handling the appropriation itself. In theory, an authorizing committee would act first, deciding how large the appropriation should be for the forthcoming fiscal year, and the appropriators would act later, able to decrease, but not exceed, the level established by the authorizing committee.

With the establishment of the two select committees, the CIA subcommittees of the two armed services committees were eliminated. On the appropriations committees, the defense appropriations subcommittees subsumed the budget responsibilities of the CIA subcommittees; in practice, they created small staffs within the larger subcommittee staff to handle the appropriations of the CIA and DoD elements of the Intelligence Community. From time to time, even after the select committees were created, appropriations staffs

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<sup>73</sup> *Ibid.*, 130.

<sup>74</sup> CIA draft study, Vol. III, 11.

would play dominant roles. One of these HAC defense subcommittee staffers, Chuck Snodgrass, by force of his personality and capacity for work, came to exert inordinate influence over the intelligence budget from 1975 to 1979 even after the HPSCI was created.<sup>75</sup>

Established 13 months before its House counterpart, the SSCI rapidly moved to effect its budget responsibilities. In the fall of 1976, it created a subcommittee on budget authorization, with a small dedicated staff, to do oversight of the intelligence budget and develop the committee's annual authorization bill. In early 1977, the subcommittee held 40 hours of hearings on the budget, including testimony from DCI Turner; examined 11 volumes of budget justification materials submitted by the Agency (including a project-by-project review of covert action operations); and conducted staff interviews with numerous Agency officials. Its new chairman, Daniel Inouye (D-HI) proclaimed to his colleagues that the CIA budget was now getting "the same degree of scrutiny as other Government programs."<sup>76</sup>

The first authorization bill the SSCI produced as a result of this process (for FY 1978) had to grapple with how to address the amounts being authorized—which were classified. To accomplish this, the committee adopted a novel approach that would become the pattern for how subsequent authorization and appropriations bills dealt with the same issue: the authorization bill would give the effect of law to a classified annex to its report, and subsequently to the conference report, on the bill. If senators wanted to know what was in the annex before voting on the bill, they could come to the committee and read it. Under the old system, members had had no way of knowing what they were voting on in terms of intelligence funding. In fact, the only place this was officially set forth had been a classified letter sent by the appropriations committees to the Agency at the end of the process, telling it what its appropriation was for the next fiscal year. Now, this would be set out in a classified annex to the conference report on the authorization bill that would be available to members generally (few actually availed themselves of the opportunity) prior to their being asked to vote on the bill.

The first authorization bill was reported to the full Senate in 1977 but was never considered there, largely because it had no place to be referred in the House, which at that point had not created a counterpart committee. Nevertheless, both House and Senate Appropriations Committees considered the bill in their action on the CIA appropriation. Overall, in its first action on the CIA's budget, the SSCI took a modest cut, but it happened to eliminate the funds for two small covert action programs, both of which the president had approved

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<sup>75</sup> Smist, *Congress Oversees*, 242–46.

<sup>76</sup> *Ibid.*, 116–19; CIA draft study, Vol. II, 195.

and duly reported to Congress under the Hughes-Ryan Amendment. According to Agency records, the committee's action shocked Agency officials, who complained not only to the committee leadership but to the White House as well. Later the Agency worked with the staff of the appropriations committees to restore the funds for the two programs that had been cut, but the appropriators reduced the amount appropriated for the Contingency Reserve by the same amount.<sup>77</sup>

Acting over the objection of DCI Turner and the Carter White House, the SSCI also recommended as part of the FY 1978 authorization bill that the amount of funds appropriated for national foreign intelligence activities be publicly disclosed. The full Senate, however, never acted on the bill, and the committee chose not pursue it in succeeding sessions.<sup>78</sup>

The HPSCI, created in July 1977, also moved swiftly to implement its budgetary responsibilities, creating a subcommittee on program and budget authorization in November of that year. Like its Senate counterpart, the subcommittee immediately began getting detailed budget justifications from the Agency and meeting with Agency officials.

The first intelligence authorization bill produced by both committees that became law was the authorization for FY 1979. Each committee made small cuts in the Agency's budget, albeit in different areas, but added resources as part of the DCI's requested realignment of the Intelligence Community Staff. More significantly from the DCI's standpoint, both committees weighed in to prevent the HAC from taking serious cuts in the overhead reconnaissance program.<sup>79</sup> When the HPSCI brought its authorization bill to the floor for the first time, some members complained that they did not know what they were voting on. Chairman Boland explained that the bill contained a classified annex that members of the House could come to the committee and read if they wanted to do so. The bill passed, 323-43.<sup>80</sup>

Having an intelligence authorization bill for the first time also complicated the congressional mechanics for handling of the Agency's budget. In prior years, as previously noted, the Agency's appropriation had been hidden in a nondescript line item in the defense appropriation bill. The appropriators would work with the staffs of the two armed services committees to ensure that a corresponding authorization of the appropriation appeared in the defense authorization bill. The actual classified amount would only appear in

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<sup>77</sup> *Ibid.*, 197-98.

<sup>78</sup> *Ibid.*, 203.

<sup>79</sup> *Ibid.*, 199-200, 240.

<sup>80</sup> *Ibid.*, 240-41.

a letter from the appropriators to the Bureau of the Budget (later the Office of Management and Budget).

Now the intelligence committees would produce a separate intelligence authorization bill that would constitute the annual authorization of appropriations for the Agency, but the amount being authorized was classified and could not be set forth in the bill itself. To provide an authorization that corresponded to the line item in the public defense appropriation bill that contained the Agency's money, the number the intelligence committees authorized would now have to be plugged into the corresponding line item in the defense authorization bill the armed services committees produced.

The last years of the Carter administration saw a series of profoundly troubling events unfold around the world: the fall of the Shah of Iran, the taking of US hostages in Iran, and the Soviet invasion of Afghanistan. In the midst of such turmoil, neither committee posed serious challenges to the administration's budget requests for the Agency.<sup>81</sup>

### **Interaction During the Reagan Administration: 1981–89**

Ronald Reagan's campaign pledge in 1980 to revive and rebuild the Intelligence Community included significant increases to the budgets of intelligence agencies, including the CIA. His choice for DCI, William Casey, immediately pushed for a 20-percent across-the-board increase in intelligence spending that he argued was necessary to reverse the decline of the 1970s and meet the growing challenge of the Soviet Union.<sup>82</sup>

The leaders of both intelligence committees expressed their support, and, indeed, for the first three years of the Reagan administration, the Agency's funding increased by an average of more than 22 percent a year, and personnel by an average of almost 8 percent a year.<sup>83</sup> To support these increases, however, the committees demanded ever more detailed and comprehensive budget justifications. These were provided in the form of Congressional Budget Justification Books, or CJBs, that often ran several hundred pages in length. Still more documentation was provided on request. While both committees proved to be supportive during this period, their respective staffs were by this point delving deeply (and, for some, intrusively) into the details of the Agency's operations. One Agency officer described the situation this way:

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<sup>81</sup> *Ibid.*, 204, 242.

<sup>82</sup> CIA draft study, Vol. III, 11–12.

<sup>83</sup> *Ibid.*, 16.

*They tell us where to put people and that sort of thing. They are intruding into the DCI's prerogatives. This is micromanaging at its worst.*<sup>84</sup>

In 1982, as the Agency under Casey was turning increasingly to covert action to thwart the spread of communism around the world (see chapter 6), some HPSCI members became concerned about use of the Contingency Reserve Fund to finance these operations without the committee's approval and proposed cuts to, as well as limitations upon, the reserve. In the end, however, they settled for a commitment from Casey that he would give the committees prior notice before making withdrawals from the fund. The committees also continued to allow the Agency to carry over the unused funds in the reserve for use in the next fiscal year.<sup>85</sup>

In 1983, the Agency began providing CJBs to the appropriations subcommittees as well as the intelligence committees. At the same time, as the appropriators began to appreciate the extent of the intelligence committees' budget oversight, they decided they could get by with doing less themselves. As one senior member of the HAC defense subcommittee explained:

*Our subcommittee has backed off and done less as the [HPSCI] has become more important. My own view, if you've got a committee dealing day in and day out with intelligence, that's the way it should be.*<sup>86</sup>

During the latter part of Casey's tenure, government-wide reductions pursuant to the Gramm-Rudman-Hollings deficit reduction legislation threatened a serious decline in the Agency's budget, causing DDCI Robert Gates to suggest that the National Foreign Intelligence Program budget, which contained the Agency's funding, be moved out of the Defense budget (where it was apt to be cut) to a "fenced" account controlled by the Office of Management and Budget, where it could not be touched. The administration, however, did not support the idea. Casey then appealed to the leaders of the intelligence committees for help to stave off the potential cuts. SSCI Chairman David Durenberger (R-MN) agreed that the Agency should be protected from arbitrary, across-the-board cuts, but his HPSCI counterpart, Lee Hamilton (D-IN), wondered why CIA should not undergo reductions comparable to those imposed on the Defense Department (8–12 percent). Casey responded that any reduction beyond 2 or 3 percent would do serious damage to the Agency and, with the backing of the SSCI, actually succeeded in getting the committees to sup-

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<sup>84</sup> Quoted in Smist, *Congress Oversees*, 246.

<sup>85</sup> CIA draft study, Vol. III, 17–18.

<sup>86</sup> *Ibid.*, 13; Smist, *Congress Oversees*, 244–45.

port a small increase for the year. Indeed, the Agency experienced small increases in its funding and personnel for the last three years of Casey's tenure (FY 1985–87).<sup>87</sup>

Apart from their action on the Agency's budget in 1986, the committees took significant steps to tighten their control of intelligence funding (see chapter 1 for more details). Agencies could now spend appropriated funds only if Congress had "specifically authorized" them. The law also provided standards and criteria for "reprogramming" of appropriated funds for purposes different from what Congress had been told. While the amendments the committees put through did not depart significantly from existing practice, for the first time they were made a matter of law.

In each of the remaining years of the Reagan administration, the Agency's funding and personnel levels continued to grow modestly, save for a slight decline in funding in 1987, the year of the Iran-contra investigations.<sup>88</sup> And although it did not always receive the increases requested in its budget submission, in all, at the end of the Reagan years, the Agency's budget was more than twice as large as it had been when Reagan took office; its personnel level, larger by a third.<sup>89</sup>

### **The End of the Cold War and Its Effect on the Budget: 1989–95**

In 1989, the Berlin Wall fell, as did communist regimes in a number of East European countries. While the fate of the Soviet Union was not altogether clear at that point, dramatic change was obviously taking place and the oversight committees were quick to recognize that the Agency (and Intelligence Community as a whole) would likely change their focus in the years to come.

The HPSCI, under its new chairman, Anthony Beilenson (D-CA), responded by instituting "zero-based" budget reviews in 1989 and 1990 of each agency within the Intelligence Community.<sup>90</sup> These were intended to assess the continued value of everything that was currently being done.

In 1992, after the Soviet Union had formally ceased to exist, the pressures grew even stronger in Congress for reducing intelligence expenditures, including those of the Agency. In one especially telling episode, when the SSCI brought its authorization bill to the floor in September, Senator Dale Bumpers (D-AK), who was not a member of the committee, offered an amendment to

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<sup>87</sup> CIA draft study, Vol. III, 83–86.

<sup>88</sup> *Ibid.*, 205.

<sup>89</sup> *Ibid.*, 16, 205.

<sup>90</sup> Smist, *Congress Oversees*, 262.

cut \$1 billion from the intelligence budget. Where the cut would be taken was not specified. The chairman of the SSCI at the time, Senator Boren, noted in response to the amendment that the SSCI had already cut a billion dollars from the overall budget request for FY 1993. He warned against deeper, precipitate cuts, arguing they should be done carefully and gradually.<sup>91</sup>

On the HPSCI, the new chairman, Dave McCurdy (D-OK), instituted a budget review process based upon function rather than agency. He believed it would provide a clearer picture how the Intelligence Community was responding to the realities of the post-Cold War world. At the end of this process, the committee concluded that the funding requests of the agencies were not being prioritized to reflect the new geopolitical and fiscal realities that the United States now confronted. The HPSCI, too, supported cuts.

When the two committees conferenced on the FY 1993 bill, they emerged with the largest cuts in intelligence spending that Congress had made in 40 years. Overall, Intelligence Community funding was reduced by 6 percent over the previous year's total. Perhaps more significant for the long run, the committees also directed that agencies within the Intelligence Community reduce their personnel levels by 17.5 percent over the next five years.<sup>92</sup>

More cuts were taken the following year. President Clinton had promised during his presidential campaign to cut \$7.5 billion from intelligence spending over a five-year period, but the budget submitted to Congress for FY 1994 actually called for a small increase in intelligence spending. The new chairmen of the oversight committees, Senator Dennis DeConcini (D-AZ) and Congressman Dan Glickman (D-KS), initially sought to keep the intelligence budget at the previous year's level, but in the end—under pressure from their respective caucuses—both agreed to cuts (\$1.3 billion and \$1.1 billion, respectively) over and above those taken the previous year. Even this did not satisfy some members. When the HPSCI took its bill to the floor, for example, it was forced to defeat an amendment calling for an overall 10-percent reduction in intelligence spending and another calling for a \$500 million reduction beyond what the committee was itself proposing.<sup>93</sup>

As far as the Agency itself was concerned, the cuts taken in the overall intelligence budget translated into a reduction of roughly 5 percent spread over a three-year period (FY 1993–95). Of greater consequence to operations, however, was the 17.5-percent reduction in the Agency's authorized personnel level, most of which was taken in the first two years following the congress-

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<sup>91</sup> *Ibid.*, 287.

<sup>92</sup> *Ibid.*, 293.

<sup>93</sup> *Ibid.*, 311.

sionally-imposed mandate and remained in effect (albeit with small fluctuations) for the rest of the decade.<sup>94</sup>

### **Return to Relative Stability and Modest Increases: 1995–2000**

The last half of the 1990s saw a return to relative stability in terms of fluctuations in the Agency's funding. In every year but one, Congress appropriated more money for the Agency than the administration had requested, coming either as a result of its action on the annual intelligence authorization bill or as part of a supplemental appropriations bill enacted during the year.

At the same time, the increases being proposed by the administration and approved by Congress during this period remained small. "The fact is," DCI Tenet later wrote, "by the mid-to-late 1990s, American intelligence was in Chapter 11 [i.e. bankruptcy] and neither Congress nor the Executive branch did much about it. . . . They provided neither the sustained funding required to deal with terrorism nor the resources needed to enable the recovery of U.S. intelligence with the speed required."<sup>95</sup>

The most substantial increase during the period came in a supplemental appropriations bill for FY 1999 that was pushed through by House Speaker Newt Gingrich, working informally with Tenet. The DCI later admitted:

*My "off-the-books" alliance with [Gingrich] alienated some members of President Clinton's team [but] resources simply were not forthcoming [out of the administration]. My only regret is that much of the money in the 1999 supplemental was for one year only, and was not continued in the years immediately following.*<sup>96</sup>

A more consequential problem for the Agency was the impact of congressional restrictions on its ability to hire new employees. While funding for the Agency increased by modest amounts, the authorized personnel levels established by the Congress remained low for the balance of the decade. Again Tenet described the situation in his memoir:

*Our workforce was slashed by almost 25% [during the mid-1990s]. There is no good way to cut an organization's staff by that amount. But there is one incredibly bad way to do it—and that was precisely the method the intelligence community used. They simply stopped recruiting new people. As a result there was half a decade or so*

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<sup>94</sup> Based upon the author's review of pertinent Agency records.

<sup>95</sup> Tenet, *At the Center of the Storm*, 108.

<sup>96</sup> *Ibid.*, 21.

*where hardly any new talent was coming in and many, many experienced hands were going out the door.<sup>97</sup>*

### **The Impact of the 9/11 Attacks: 2001–2004**

The 9/11 attacks prompted a flurry of activity by the US government designed to go after al-Qa'ida and deal with the terrorist threat to the United States. To fund these activities, Congress passed a series of supplemental appropriations bills in the fall of 2001, five of which provided funding for the Agency over and above what had been appropriated in the annual intelligence bill. In all, they represented a 35-percent increase in the Agency's appropriation for the year.

2002 saw further increases in the Agency's appropriation as the country not only continued the war on terrorism, but seemed to be moving steadily towards possible military action in Iraq. Two supplemental appropriations bills were enacted that year, providing a 15-percent increase over and above what had been appropriated for the Agency as part of the intelligence authorization.

After this, funding for the Agency began to level off, albeit at a significantly higher level than before the 9/11 attacks. While Congress did not appropriate all that the Bush administration had requested for FY 2003 and FY 2004, it did provide substantial increases each year over the previous year's appropriation.<sup>98</sup>

## **AUTHOR'S COMMENTARY**

### **Exercising Power of the Purse**

As far as agencies of the executive branch are concerned, there is no more important power conferred upon the Congress than the power of the purse. The Constitution forbids agencies from spending money that has not been appropriated by the legislative branch. This simple requirement provides the foundation for nearly all the interaction that occurs between the two branches. Intelligence agencies, moreover, despite the inherent secrecy of their activities, are not exempt from this requirement. They need congressional approval each year—formal approval from both the House and the Senate—if they are to exist and operate.

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<sup>97</sup> Ibid, 14.

<sup>98</sup> Ibid.

At the same time, Congress cannot exercise the power of the purse with respect to intelligence agencies like the CIA in exactly the same way as it does with other departments and agencies. Since the appropriation for the CIA is classified, it cannot be the subject of public hearings or public mark-ups nor can it be openly debated on the floor of either House like the appropriations of other government agencies. In theory any member could ask for a closed session to discuss the appropriation for CIA, but none has ever done so, nor is it likely that the leadership of either chamber would allow it. Indeed, in the history of the Agency, never once has the full House or Senate debated its appropriation. There have been debates on amendments offered on intelligence spending generally or on specific Agency programs, but not one has focused on the CIA's overall budget specifically. Prior to the creation of the select intelligence committees in the mid-1970s, in fact, there was no opportunity for members not on the CIA subcommittees to learn what the appropriation was for the Agency before they were asked to vote on it. Even after this option later became available (by allowing members to review the classified annex to the annual intelligence authorization in secure spaces), few of them chose to do so.

Rather, members relied upon their committees to sort things out. What these committees have come up with over the years in order to address CIA's needs has constituted, in effect, the action of Congress as a whole. It is here, with the committees charged with fiscal responsibility for the CIA, that the power of the purse has effectively rested, not with the parent bodies themselves.

Every DCI has recognized this and made satisfying committee leaders involved in the Agency's funding a priority insofar as relations with Congress were concerned. Throughout its history, the Agency has been willing (if not eager) to provide whatever information these members required to ensure that the Agency's needs were ultimately satisfied. While some of its overseers have had neither the time nor the interest to delve into the Agency's programs and budget, neither have they wanted to be ignored, deceived, or surprised. Any DCI who allows this to happen, risks the fall of the budget ax, for the congressional power of the purse is, for all practical purposes, theirs to wield.

### **Hiding within the Defense Budget**

The CIA appropriation was originally hidden in the budgets of the State and Defense Departments, and later Defense alone, for security reasons. But this funding "contrivance" has had, over the long term, vastly more important consequences for the Agency than merely preventing the disclosure of its funding level. It is doubtful, for example, that the exponential growth that the Agency experienced in the first four years of its existence (and at other times) could have happened if its funding had not been part of the much larger defense bud-

get. There simply would not have been the latitude in the budgets of smaller departments and agencies to accommodate such significant increases.

The Defense budget over the years has also been subject to fewer cuts than the budgets of most departments and agencies. Indeed, the long-term trend of the defense budget has been one of gradual rise, allowing CIA, for the most part, to rise along with it. There are also practical advantages to being in the DoD bills. These are bills that Congress will put through every year, and they are handled by the most powerful members of Congress and, thus, are less often challenged by the congressional rank and file.

While some at CIA would undoubtedly prefer, as a matter of institutional pride, having an independent appropriation (as opposed to having the Agency's money appropriated to the secretary of defense), it is doubtful that the Agency would have fared so well so often from a fiscal standpoint if it had had to face the vagaries of the congressional appropriations process from its own isolated perch.

### **The Quality of Budget Oversight**

From the creation of the Agency in 1947 until the select committees were created in the mid-1970s, budget oversight by the Congress was cursory at best. While there were periods when the CIA subcommittee of the HAC instituted a more rigorous budget process, such oversight did not approach the level of detail and intrusiveness that came to the process after the select committees were created.

In large part, the quality of budget oversight was poor during the early period because the leaders of the CIA subcommittees were too busy taking care of their principal responsibility—the Department of Defense. Similarly, their professional staffs were used, for the most part, to sort out DoD issues. Tending to the relatively small CIA budget was not a priority for them. A former CIA legislative counsel described the situation in the 1950s:

*[A] national intelligence service in those days was more or less part and parcel of our overall defense establishment. Therefore, as our defense budget went sailing through Congress . . . the relatively modest CIA budget in effect got a free ride. . . . When Directors appeared before Congress, which they did only rarely, the main concern of Members was often to make sure that we [the CIA] had what we needed to do our job.”<sup>99</sup>*

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<sup>99</sup> Karalekas, *History*, 52.

When the responsibility for oversight of the CIA budget was split off from those with responsibility for DoD in the mid-1970s, the quality of such oversight immediately improved. And not surprisingly, the committees with the most staff resources to devote to budget analysis—the select committees—gradually gained dominance in this area.

In-depth budget oversight has always been hampered, though, simply by the mundane nature of much of it. Although the Agency had been given exotic, intriguing missions, compared to other federal agencies, its budgetary needs every year come down mostly to personnel costs and operating expenses. Only covert action expenditures have raised much controversy, and, at least during the early period, the CIA subcommittees were not formally briefed on these kinds of operations. They knew the sorts of things the Agency was doing in general terms and did not seek to know more. For example, getting the chairman of the CIA subcommittee of the SAC, who was also chairman of the full committee, to sit still for a discussion of people and numbers often proved impossible.

Even after the select committees were created and far more documentation began to be provided in support of the annual budget request, it was often still difficult to get members themselves to focus on the Agency's budget needs. The committee staffs would prepare analyses of the issues each year, but only budgets for the Agency's covert action programs continued to draw much attention from the members themselves. They might inquire whether the Agency was getting more or less than the year before, but rarely would they go beyond this. As a result, oversight of the Agency's budget since the mid-1970s has been left largely in the hands of the committees' professional staffs. They are guided by the direction they receive from the leaders and staff directors of the committees but have considerable latitude, nonetheless.

Whatever the personal involvement of members in the budget process, the leaders of the responsible committees in Congress nonetheless faithfully put the Agency's funding through the legislative mill each year, becoming staunch defenders for it once their respective committees settled on a number.

### **The Impact of Budget Oversight**

In the first 57 years of the Agency's existence, there were only a few years, most of them after the end of the Cold War, when Congress did not provide more money for the Agency than had been appropriated the year before. In most years, Congress either accepted the administration's budget request for the Agency or reduced it by a modest amount, still leaving an increase over the previous year's appropriation. Occasionally, particularly in times of crisis

or national emergency, money would be added over and above what the administration had requested.

Even in the years when Congress cut the Agency's budget, the cuts usually did not have a significant impact on CIA operations. Cuts taken in one budget cycle—as a result of a government-wide reduction, for example—were made up for in the next. The place where most cuts occurred—covert action programs—usually did not result in personnel cuts or reduce the Agency operating budget. Only at the end of the Cold War, when Congress believed that the nation's principal adversary was no longer a threat, did it mandate consequential reductions in the personnel and operating expenses of the Intelligence Community, including the CIA, forcing it to reduce its workforce and shut down certain operational capabilities. Unfortunately, these cutbacks also came at a time when the revolution in information technology was burgeoning, making it difficult for the Agency's hiring and procurements to keep pace with the technological developments taking place in the private sector.

It did not take long, however, for the intelligence committees to appreciate the problem and begin taking action to rectify it. For five years in a row, during the last half of the 1990s, the appropriation for the Agency was larger than it had been the year before, and after the attacks of 9/11, there was exponential growth. So, Congress has, for virtually all of the Agency's history, been a steady and reliable partner in terms of providing the wherewithal for its activities.

It would be a mistake, however, to look at the impact of the Congress on CIA's budget solely in terms of its action on the "bottom line." Indeed, the fact that Congress had fully funded the Agency's budget request in a particular year would provide little comfort to an Agency manager whose program the committees had "zeroed out" in the process. As the committees' oversight of the budget became more detailed over time, its ability (and penchant) for effecting minor change (some might call it micromanagement") has also grown.

Still, for all of the criticism heard from Congress over the years, for all the consternation and anxiety generated each year by the need to secure funding, in the end, Congress has done well by the Agency. Walter L. Pforzheimer, the Agency's first legislative liaison, attributed this to the fact that most in Congress supported its mission. While this undoubtedly continues to be true, it is also true that the congressional committees that have overseen the Agency have understood that stability is key to the accomplishment of its mission. Operational capabilities as well as analytical capabilities take years to develop. Resources and personnel cannot be ratcheted up one year and ratched down the next without doing harm. Congress, over the years, has understood this and kept the Agency, by and large, on an even keel.