

63-4636

5 JUN 1963

MEMORANDUM FOR: Deputy Director of Central Intelligence

SUBJECT : Bureau of the Budget Reaction to CIA FY 1965 Fiscal Projection

1. Bob Amory advised me yesterday that he considered the CIA projected fiscal requirements for FY 1965 (and the four succeeding years) excessive. He said that in his opinion we had failed to comply with the President's directive to make a genuine effort to effect economies and that he had seriously considered rejecting the Agency's submission. He has, however, agreed to forward it to the Director, Bureau of the Budget.

2. To recapitulate our position:

a. The Bureau of the Budget initially suggested a target figure of [redacted] for the Reserve for FY 1965). This figure was qualified by the requirement that we "specifically identify the actions that would be required to reach a restrictive budget for FY 1965 with [redacted] in new obligational authority" (exclusive of [redacted] for the Reserve or total new obligational authority of [redacted]).

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b. Requirements as originally submitted by components aggregated [redacted] (inclusive of approximately [redacted] for the Reserve).

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c. After a preliminary review, the Comptroller recommended a figure of [redacted] (including approximately [redacted] for the Reserve) as adequate to meet Agency requirements and this figure was submitted to the Bureau of the Budget by the DDCL. Approximately [redacted] was the estimated amount required in FY 1965 to meet the cost

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of expansion of the Communications Program [redacted] 25X1
and PM requirements of the [redacted] 25X1
[redacted]. The Bureau of the Budget has agreed that these
requirements should be excluded from our ceiling (although they
have not agreed, of course, that this figure of [redacted] is 25X1
an accurate estimate of the cost of these programs).

[redacted] 25X1

3. In suggesting that CIA's request for [redacted] in FY 1965 25X1
was so excessive as to constitute a disregard of the Presidential directive
concerning economy, Bob did not apparently mean to imply that the President
had ever focused specifically on the cost of intelligence or had indicated
that economies should be effected if necessary at the expense of the intelli-
gence effort. Bob also appeared willing to concede that no very substantial
economies could be effected by purely administrative efforts to cut down.
Although he appeared to feel that some reduction in expenditures could be 25X1
effected by administrative economies, he stated that the kind of reduction
which he had in mind inevitably involved the elimination of programs.

[redacted]

4. As Bob's attitude undoubtedly reflects the general position of
the Bureau of the Budget and probably the atmosphere of the White House,
we can undoubtedly expect to meet very serious resistance during the course
of our hearings and negotiations with the Bureau of the Budget next summer
and fall. In anticipation of these negotiations, it would be very helpful to
establish at this time certain general guidelines within which the formal
FY 1965 figures should be developed and presented. (The FY 1965 figures
used in the five-year projection are, of course, regarded as tentative and
preliminary). In general outline, the approach which I would recommend
is based on the following considerations:

a. Review and Elimination of Programs

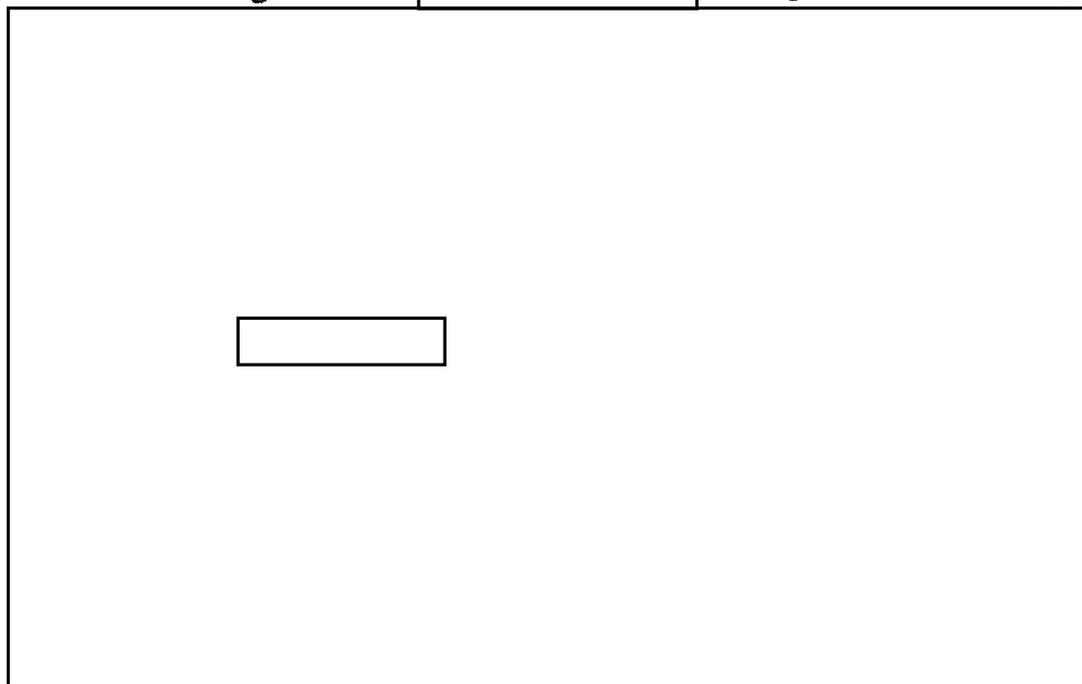
(1) During the course of the past year, the
Financial Policy and Budget Committee has identified

pretty much all of the activities in which the Agency is engaged and has subjected these activities to at least preliminary review and assessment. In some cases, no searching effort was made to evaluate programs. Any effort at a re-evaluation of activities such as the [redacted] appeared superfluous in view of the fact that independent investigations at a policy level conducted outside of the Agency had resulted in a decision to continue and indeed expand these programs. Rather similar considerations obtained as regards the [redacted] and operations

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improved. Outside of the DD/P, we have looked at the various offices of DD/I and identified NIS and the registries of OCR as the only areas where further intensive review seemed likely to result in economies under existing policies. In the DD/S, we have found that the expense of service activities is largely determined by the substantive programs which they support. Under an austerity regime, some reduction in cost might be effected but we have identified no activities or programs in the support field which could actually be eliminated. The size and the cost of Communications, NPIC and Research, of course, are increasing under approved directives.

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(2) At Gen. Carter's request, we have undertaken a new attempt at an inventory of all the Agency's activities which should make it possible once again to review possibilities for the elimination of programs. This inventory will, apart from identifying all of our programs and activities, and the source of the authority under which the program or activity is undertaken, attempt to establish:

(a) those activities which we are conducting essentially for somebody else (i.e., communications support;

(b) those programs which may be peripheral to our charter [] is traditionally used as an example of this category); and

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(c) those activities which we are conducting which are also carried on by other Agencies or Departments of the Government.

(3) As indicated in paragraph 4.a.(1) above, I am not optimistic that this inventory will reveal any very obvious opportunity for the elimination of programs. From the point of view of the Government as a whole, a more likely basis for retrenchment in the intelligence field appears to lie outside of CIA. I am fully aware of the futility of attempting to accomplish economies by persuading other Agencies or the Military Services to retrench or cut back. On the other hand, it occurs to me that it might be possible to review our various activities with the Bureau of the Budget and establish that these, in fact, represent the hard core of the American intelligence effort. To the extent that these activities are duplicated elsewhere, the burden could be placed upon the Bureau or the duplicating Agency to justify whatever expenditures are involved.

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b. Retrenchment by Adopting a Policy of "Holding the Line" or by Over-all General Economies

(1) Assuming that no programs can be selected for elimination, the question remains as to the degree to which the Agency wishes to support and justify requests for increases in FY 1965 over FY 1964. To some degree these increases reflect built-in inflationary factors such as increased wage costs, etc. To some extent, they are inevitable consequences of past commitments (Communications, NPIC, Research). To some extent, they reflect the need for renovation or modernization of equipment which has been seriously depreciated over the years and under previous "hold the line" policies (Commo, [redacted]). Finally, requests for increases result from office anxiety to meet increasing requirements for research and analysis as well as collection activity (ORR, OSI, OSA, PM programs).

(2) The degree to which we should support these requirements for additional funds is a matter of policy. The Bureau of the Budget has indicated extreme concern on the part of the President to keep the budget as low as possible in an election year. Every pressure on Heads of Departments and Agencies to cut expenditures to the minimum is therefore predictable. Against this must be balanced the very legitimate needs of the Agency for additional funds. Just how much austerity the Agency should voluntarily be prepared to accept appears to me a matter which must be established (within reasonable parameters) as a matter of policy.

c. Problem of Personnel

(1) Obviously, one of the targets of the Bureau of the Budget will be personnel costs which represent something over [redacted] of the FY 1965 budget (exclusive of the Reserve). The DeBardleben Task Force on Manpower Employment was satisfied that while some reduction in manpower levels was possible, no very substantial reduction in the size of the Agency could be effected in the absence

5. With the foregoing thoughts generally in mind, I recommend:

a. that the inventory of CIA activities currently being prepared for the DDCI's consideration be discussed with the Bureau of the Budget, at an appropriate level, with a view to establishing the practicability or impracticability of elimination of programs or activities presently conducted by the Agency and with a particular view to identifying areas where other Agencies may be duplicating these programs;

"ok"
(p/msc)

b. that the policy of the Agency on the general subject of economy or austerity be established in general terms;

ok
(p/msc)

c. that the DDCI direct the Financial Policy and Budget Committee to subject requirements for personnel increases in FY 1965 to a very searching and critical review.

ok
(p/msc)
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JOHN A. BROSS
Comptroller

JUN 10 1963

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Approved - 8 June 1963
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