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Secret Budgets Become a Public Issue

By PHILIP TAUBMAN

WASHINGTON — The budget for American intelligence agencies does not usually receive great public attention. Normally watched closely only by a small group of experts, it is reviewed in secret by intelligence committees in the Senate and House, while other lawmakers are permitted to examine the figures in a specially secured room in the Capitol.

Last week, the circle of interested parties widened dramatically when President Reagan implied in a reply to a question from a student at a political rally that "the near destruction of our intelligence capability" before he took office was partly to blame for the car-bombing of the United States Embassy in Beirut 10 days ago.

Democratic leaders accused Mr. Reagan of misrepresenting reductions in intelligence operations during the 1970's and oversimplifying the reasons for the embassy's vulnerability. Asserting that the President's comment was "personally insulting and too gross in its implications to ignore," former President Jimmy Carter demanded an apology from Mr. Reagan and got at least an explanation. The President telephoned Mr. Carter to say that he had not meant to suggest that "you or your Administration was responsible for the decline in intelligence-gathering capability" or for the Beirut bombing.

White House spokesman Larry Speakes said Mr. Reagan had been quoted out of context and had been talking about "a decade-long trend and climate in Congress." And Mr. Reagan complained to reporters about "the way you distorted my remarks."

Senator Daniel Patrick Moynihan, the New York Democrat who is vice chairman of the Senate Select Committee on Intelligence, said that the President's statement "undermines — I am prepared to say betrays — almost a decade of sustained bipartisan efforts in Congress to reconstruct an intelligence community whose budgets had run down steadily through the first half of the 1970's and began to rise sharply in the second."

The sharp exchange came as Congress was poised to approve a $9 billion intelligence budget for 1985, a 25 percent increase over this year's and twice the amount appropriated only five years ago.

Unlike Mr. Reagan's military buildup, the rapid growth of intelligence spending has provoked little debate. The only part of the intelligence budget that has been widely discussed is Central Intelligence Agency support for Nicaraguan rebels, which has consumed about $150 million since 1981, intelligence officials said. Last week, the Senate, which favors aiding the rebels, and the House, which does not, seemed headed for a fight over the issue as they dealt with the omnibus spending bill.

How the C.I.A. interprets its information was also at issue. Intelligence officials said the agency's top Latin America analyst resigned in May after William J. Casey, the Director of Intelligence, insisted on revising a report on Mexico so it would support Administration policy. The former analyst, John R. Horton, said, "There is pressure from Casey on subjects that are politically sensitive to jigger estimates."

Budgetary Ups and Downs

Mr. Horton was the second Latin America analyst to break publicly with the agency this year while contending that intelligence information had been slanted on orders from Mr. Casey. A C.I.A. spokesman declined to comment on the Horton case but said there are often disagreements about "the weight given to various judgments and that's the way it should be."

There has been wide agreement that the intelligence agencies needed strengthening after the cutbacks in the 1970's. During those years, according to Mr. Casey, the agencies' work force and budgets were cut by 40 percent. With recent budget increases, the employee total has been brought back to about 100,000.

One reason the expansion has received little notice is that, with a few exceptions, such as the construction of new buildings at the C.I.A. complex in northern Virginia and at the National Security Agency headquarters at Fort Meade, Md., the money has been spent in secret.

The largest intelligence agency, with $4 billion to spend and more than 60,000 employees, is the National Security Agency. It is responsible for monitoring worldwide communications, in particular those emanating from the Soviet bloc, and cracking enemy codes.

The agency has hired hundreds of additional translators in recent years and acquired a new generation of sophisticated computers to sort through millions of intercepted microwave and radio messages.

Next largest is the National Reconnaissance Office, an agency in the Pentagon whose existence is not publicly discussed, which is responsible for developing and deploying spy satellites. It spends more than $2.5 billion a year. The agency has a history of huge cost overruns, intelligence officials said. It has been the beneficiary of more than one-fourth the overall increase in the intelligence budget since 1981, primarily for satellites.

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