

3 February 1965

MEMORANDUM FOR: The Director of Central Intelligence

SUBJECT: Action Memorandum A-436, dated 23 January 1965,
Subject: FY 1966 Budget Developments

1. The referent memorandum contains implications which, taken together with a series of other action memoranda and proposed Regulations, give us in the Clandestine Services reason for concern. The CS Division Chiefs in a forum which I did not attend have volunteered an identical opinion. It may well be that I am reading more into this latest memorandum than it is intended to convey, but I believe that it is in the best interests of the Agency and the Clandestine Services for us to make sure that we have a clear understanding of the direction in which the controls already imposed, and those hinted at in the referent memorandum, are forcing us.

2. The accumulative effect of these measures would appear to signal the advent of bureaucratic controls which are inconsistent with and inimical to the nature and mission of the Clandestine Services. There is no evidence in the referent memorandum, nor has any other information come to my attention, that an effective effort has been made by the Agency to convince the Bureau of the Budget of this fact. On the other hand, the Bureau is cited time and again as the

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authority. I do not question the need for controls, but I do question the nature of restraints which constitute barriers to performance and which result in a centralization running counter to our rationale of management, given the diversity of ends and means of our Agency components. Surely the Bureau of the Budget, and if necessary the President, can be convinced that it is undesirable to impose controls which thwart the very purpose of our existence.

3. At one time, the Financial Policy and Budget Committee functioned as a useful device for achieving communication and understanding both of the Agency's problems as these were imposed from without by such agencies as the Bureau of the Budget, and of the problems of the Agency's components in their efforts to adjust to controls and requirements. It has ceased to be useful in this sense. It has become largely a one-way channel for communicating decisions and directives to the component services of the Agency. At its most recent meeting on 25 January 1965, for example, announcement was made that referent Action Memorandum, content of which had not been discussed with me nor with any of my colleagues previously, had been signed and was on its way to the various components. Following this announcement, there was a recitation in general form of the content of the memorandum. Copies were not distributed at the meeting, hence it was not feasible for my representative to raise questions concerning it.

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4. Although I do not wish unduly to stress the failure to achieve joint resolution of the problems facing us, I believe it lies at the heart of an increasingly difficult personnel situation for the Clandestine Services. As you may be aware, through a conscientious effort on the part of all components of the Clandestine Services, and with no significant outside assistance, we are achieving successfully the reduced ceiling for this fiscal year. Through a parallel effort, we have identified a number of personnel whom we consider marginal and whom we would like to separate from the Clandestine Services. Courses of action proposed in previous action memoranda have proved totally inadequate for our requirements in this respect. Our recommendations for alternative courses of action have been disapproved.

5. Control procedures now include a threatened reduction in the numbers of our supergrade positions, the reduction in hiring (largely to a reduced level, of clerical replacements and JOTs), the slow-down of promotions through new review procedures at Agency level for their "essential" nature, the inability of the Clandestine Services to transfer their personnel to the other career services while other career services recruit from the outside, and the imposition of "average grade" and "average salary" requirements. Regardless of the individual merits of these measures, they do in fact

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place us on the threshold of a situation which will result in an absence of flexibility on my part to administer the personnel of the Clandestine Services. As you well know, people are our principal true asset, and their effective management and employment are my prime concern.

6. We are confronted with the important question of establishing effective machinery in our Agency structure to permit the Deputy Directors to deal effectively with the determination and administration of control measures relating to their budget, manpower, and programming.



Richard Helms
Deputy Director for Plans

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Attachment - A-436

cc: DDCI
Ex.Dir.

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)			
FROM: DD/P 3-C-34	EXTENSION	NO. DATE 2/3/65	
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS
	RECEIVED	FORWARDED	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
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OFFICE OF THE DIRECTOR

Action Memorandum No. A-436

Date 23 JAN 1965

TO : Deputy Director (Plans)
Deputy Director (Intelligence)
Deputy Director (Science and Technology)
Deputy Director (Support)
Inspector General
General Counsel

SUBJECT : FY 1966 Budget Developments

REFERENCE:

1. The Fiscal Year 1966 budget proposal of the Agency has been reviewed by the Bureau of the Budget and, after adjustments, the President has now approved the Agency's request for presentation to the Congress. In addition to the usual limitations on total dollar level for new obligational authority and on total number of positions, the Bureau has this year applied two new restrictions:

a. A "maximum allowable" number of positions GS-14 through GS-18 and a specific limitation on the overall total of supergrade and scientific pay schedule employees authorized.

b. A set level, which cannot be exceeded, for the average salary paid on an Agency-wide basis.

2. Both of these new limitations have been established for all agencies of the Government. The first one, restricting the number of grades 14 through 18 and setting the ceiling on supergrades, has been given wide publicity in the press, is easily understood, and poses no great problem for CIA. The second new control factor, the average salary stipulation, is more complex and requires both elaboration and action ... the purpose of this memorandum.

3. Obviously, the change in ground rules reflects the Presidential determination to stop escalation in the size and in the dollar costs of Government agencies. These measures have been taken against a backdrop

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of two recent pay raises for Federal employees and the abundantly clear policies of this Administration with respect to increased productivity and economy in Government operations. Each agency is charged with keeping within the limits established and with taking steps now to assure that controls are developed to meet these objectives.

4. The Bureau of the Budget contends that, even after allowances have been made for pay raises and the usual periodic step increases, the Agency average salary over the past year has shown a sharp rise. The Bureau feels that our promotion rate may be unduly high, that there has been too great a margin between position grade and the actual grade of the incumbent, and that grade structure within organizational components may be richer than actual responsibilities justify. The Bureau has also suggested that Agency retirement rates, under both the new legislation and existing Civil Service arrangements, should start to accelerate, with a concomitant lowering of average salary needs.

5. Based on the foregoing considerations the Bureau of the Budget has assigned an Agency average salary for FY 1966 which is exceedingly austere. A careful examination of Agency experience in this area is being made in preparation for further negotiations with the Bureau, but even if some relief is obtained from the assigned figure, the problem of adhering to a set average salary is a substantial task for Agency management.

6. There are mitigating factors, believed to be unique to CIA, which have contributed to the trend toward higher average salaries. First is the legitimate and anticipated result of the Agency's deliberate policy of recruiting below the grade of the position and then promoting to the grade. In other words, people brought aboard in the lower grades are now growing into their full responsibilities and this is being recognized by promotion. This policy of EODing substantially below grade differs from the practice elsewhere in Government. Second, the Agency skills mix has also changed materially over the past year with many lower grade personnel dropped from Tables of Organization and their numbers reduced through attrition (one of the manifestations of an organization coming down in over-all personnel strength). Finally, new positions at higher grade levels have been created to accommodate an increasing requirement in the scientific and technical fields.

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7. The Bureau has taken note of these factors and recognizes that they play a role in the upward trend of average salary. Accordingly, when FY 1966 funds are apportioned next July, the issue can be opened again. In the interim, the Agency's Congressional budget request complies with the assigned level and will be defended on that basis.

8. Admittedly, "average salary" in itself can be a very fluid control device, responding to the mix of personnel at any given time and susceptible to artificial rigging. Despite these possible shortcomings, Agency management must propose to meet this new requirement. This task involves the full scope of personnel management from job creation and position grading through recruitment, pay, promotion and separation.

9. The Office of Budget, Program Analysis and Manpower and the Office of Personnel are currently developing proposals which will assure appropriate monetary and personnel controls while maintaining the integrity of the Agency Career Service concept. The results of these efforts will be discussed at a forthcoming meeting of the Financial Policy and Budget Committee.

10. Three steps are immediately obvious. First, as a temporary measure, there will be no upgrading of positions until an appropriate monetary and grade control system has been approved. Second, promotion actions must be held to those which you feel are absolutely essential. Third, all Directorates must institute an aggressive program to initiate retirement of those personnel who qualify under the law at this time. This is vital to provide essential headroom and flexibility for personnel management throughout the Agency. The Office of Personnel will provide each Directorate with the names of personnel under their jurisdiction who qualify for retirement over the next 18 months. Each Directorate will report to me by March 1, 1965 the actions taken to effect retirement of these personnel.



Lyman B. Kirkpatrick
Executive Director-Comptroller

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