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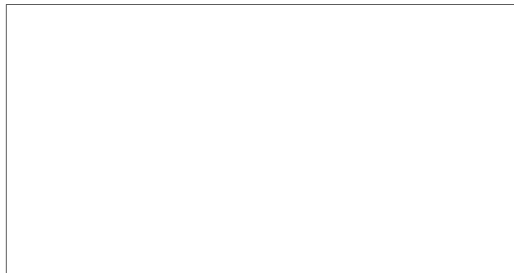
18 March 1983

SUBJECT: Delay in the Reclassification of State as a National Security Agency

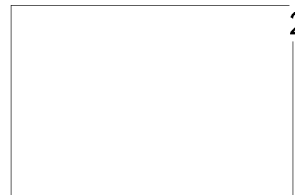
1. Hugh Montgomery (14 March), Dennis Kux (17 March) and [redacted] (18 March) all assert that OMB continues to fight acceptance of the reclassification of the Department of State as a national security agency. OMB is allegedly denying the need for the change, on the grounds that State supposedly already receives from the budgetary process all the resources it needs. (State--Montgomery and Kux--insists that it does not.) Therefore, so OMB's argument allegedly runs, the change would insult OMB Director David Stockman by wrongfully implying he has not been doing his job. [redacted] says he is having difficulty getting Judge Clark to focus on the issue. 25X1

2. It would be useful, after obtaining confirmation from Judge Clark that the above is still an accurate picture of the state of play, to re-emphasize to him the interest the Agency shares with State in OMB's early acceptance of the reclassification of State.

State Dept. review completed



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Treating State as a National Security Element

1. The Secretary's letter to the President addresses a more general point than that of our FY 1984 budget request.

2. OMB has considered State as a domestic agency and has always treated us as such in making its budget determinations. OMB's unwillingness to include the Foreign Service among those "specialized services" automatically exempted from the new retirement proposals is but the most recent example of our problem.

-- When President Reagan took office on January 20, 1981, he immediately froze government hiring, with the exception of DOD and CIA. State eventually was able to obtain certain limited exemptions, for health and security reasons, for example, but did not receive a blanket exemption.

-- When the above freeze was lifted, the President cut all agencies, except DOD and CIA. State appealed the cut, and Secretary Haig personally appealed to the President, which resulted in about half of the cut being restored.

-- State was treated similarly by the Carter Administration - in travel as well as employment cutbacks. Again, travel freezes were applied to State as they were to other domestic agencies. DOD and CIA were treated more favorably. Again, on appeal we received some relief, but not what we felt we needed. Insufficient operational travel funds have been a serious recurring problem for State.

-- The government-wide goal of reducing employment by 75,000 includes the State Department. It does not include DOD and CIA. (We must acknowledge, however, that despite this goal, State did receive increases for FY 1984.)

-- During the FY 1984 budget hearings, the OMB examiner specifically indicated that State would have to share along with other domestic agencies in the reductions imposed by the President to meet his economic recovery program goals.

3. We believe the field of foreign affairs, the current turbulent conditions of service abroad, and the predominant role of the United States in the world, all support the view that the Department should be considered a national security element, and should be given a priority for resources akin to

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that for Defense and CIA. The unpredictability of international events, the need for the United States to anticipate or to respond to them in a timely fashion, and the real dangers and hardships our people are subjected to demand this exempted treatment.

4. Our employment levels are about what they were in 1964 and our funding levels are approximately the same miniscule proportion of the federal budget that they were twenty years ago, while workloads and responsibilities have grown several-fold. These facts in themselves suggest we are trying to respond to the demands of a far more complex, dangerous and challenging international environment on the cheap. The Administration and the Congress wouldn't stand for this for our military forces. We believe they should not stand for it either regarding our diplomatic establishment. As a matter of fact our authorizing committees are constantly willing to support more resources for State than OMB allows us to ask for. We think it is high time to change this anomalous situation. 25X1

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7. We are prepared to continue to work with OMB to effect improved management techniques (FTE, A-76 contracting guidelines, workload measurement, financial management, property management, etc.). We are not by any means looking for a blank check. We are prepared to justify on merit every request for increased money and position resources. But we do not believe we should continue to share in across-the-board budget cutting applied to domestic agencies. We feel strongly that State deserves the same exemption rather consistently given to DOD and CIA in this regard.

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