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DRAFT as of July 18, 2007

The Project on National Security Reform Resources Working Group

Annotated Bibliography

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Summary:

The net assessment from literature surveyed is that our current budget system is outdated. Having in large part been designed during the Cold War, the system allows for each national security agency to oversee its own strategies, capabilities and budgets. Reform is needed to make the budget and allocation processes more effective in a globalized—and thus more interconnected—world, filled with asymmetric threats and new enemies. Sources suggest such reform must begin at the interagency level, which is extremely fragile and in desperate need of strengthening. Currently, for example, there is a large amount of redundancy in the budget and resource allocation procedures of individual agencies that must be eliminated to make the process as effective (both in terms of cost and time) as possible.

The budget and allocation processes of the interagency system are not guided by effective, integrated strategic planning. The result is the waste of valuable funds, program overlap and repetition. The lack of an integrated strategic plan also makes it difficult to supervise the proper execution of programs and policy implementation. As such, there is little oversight to ensure that resources are directed toward the achievement of executive branch's goals and expectations. The key to converting the administration's national security priorities into resources and programs lies with dismantling the stovepipes that insulate the budgets of individual agencies from each other and to encourage interagency cooperation.

Finally, the current budget process is inefficient. Bureau and program managers are required to submit their budgets nearly three years in advance, making it next to impossible for them to predict upcoming priorities and costs. This inefficiency is perpetuated by layers of red tape that have created a plethora of strict stipulations over-regulating the allocation and use of resources.

Sources regarding national security resources and related interagency challenges, in particular, are difficult to locate. The majority of sources spoke to the inefficiencies of the resource process with respect to an individual agency, most commonly the Department of Defense ("DoD"). Some authors also highlight the resource differences

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between DoD and the Department of State and the impact this imbalance has had following the Cold War. All material that addressed this later subject demonstrated particular concern for the lack of funds directed toward U.S. diplomatic efforts over the past 20 years, which continues to threaten the United States' ability to maintain its global leadership position.

Problems:

The literature suggests the existence of several problems relating to national security resources. These include:

- The absence of a rational process for mapping resources to national security policy priorities and vice versa.
- An overall disconnect between the establishment of strategic-level national security policy development, execution and resource allocation. Neither the National Security Council (“NSC”), the Office of Management and Budget (“OMB”), nor any other organ of the Executive branch has the responsibility to marry ends, ways and means.
- National security policy development and execution typically occur within an interagency system, but budget priorities are developed agency by agency, without any way to systematically consider tradeoffs between agencies.
- Civilian foreign affairs agencies and capabilities continue to be “second class citizens” with DoD absorbing ever-increasing funds for functions that were once—and may be best—performed by the civilian agencies.
- The current process of resource allocation has little regard for timeliness, especially at the extremes. Competition between short-term and long-term priorities is not surprising but, again, no systematic means of making tradeoffs exists. The steady resource flows necessary to meet long-term priorities are often raided for immediate needs without regard to consequence. A related problem at both ends of this spectrum is an inability to modulate the level of oversight to meet the unique needs of the fastest and slowest of programs. These issues severely constrain performance in single agencies, which make interagency allocations across varying time horizons exponentially more challenging.
- The ability to allocate resources to address contingencies, risk and uncertainty is limited at best.
- The current resource allocation process has largely failed to address the need for operational flexibility in the use and shifting of funds. Congressional reluctance to cede power of the purse in even the most limited fashion at the operational

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level (for all but the most urgent military needs) undercuts the effectiveness and credibility of those who implement national security policy at every level. This can be especially problematic when adversaries are not bound by such limitations.

- If high-level policy development is tied to resource allocation, it becomes necessary to determine where “top-down” priorities meet and mesh with “bottom-up” demands, and how tradeoffs will be made along this dimension. Currently, there is no mechanism in place to resolve this matter.
- Rapidly advancing technology continues to lower the bar for organizing and executing political violence. The small, limber and lethal security threats that emerged in recent years are models of flexibility, technology adoption and adaptation. The creation, management, adoption and adaptation of technology in the United States must keep pace. Related to the above observation, the fastest and slowest paced programs demonstrate a lack of needed flexibility in their resourcing and oversight with regard to technology.
- The mass of resources ultimately at the command of the United States is an asymmetric instrument of unmatched power that, if deployed judiciously with patience and persistence, is able to help influence and even shape the security environment of the United States on a global basis. Current national security resourcing does not permit such a deployment.

Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era: *Phase One Report*, Washington, DC: Center for Strategic and International Studies, March 2004.

This report focuses primarily on DoD and the changes it must initiate and carry out to acclimate in the post-Cold War, post-9/11 world in which we now live. The Beyond Goldwater-Nichols (“BG-N”) study team devised a set of six principles to frame its recommendations and address those areas in greatest need of defense reform. These principles emphasize the preservation of each Military Service’s “institutional vitality,” while simultaneously stressing the importance of jointness, which needs to be strengthened and expanded to achieve “superior military, interagency and coalition operations,” (“Executive Summary,” p. 6). According to the authors, Goldwater-Nichols was very comprehensive, but reform is still necessary to address unanticipated issues that have arisen since 1986. The War on Terror, for example, is one such issue that has highlighted the fragility of the interagency process and the outdated organizational structures that preserve redundant bureaucracy including, but not limited to, the Pentagon’s inefficient resource allocation process, (“Introduction,” p. 18-19).

One of the working group’s principles recognizes that while DoD must work to improve its ability to conduct interagency and coalition operations, defense resources should

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continue to be Service-centric (rather than a joint approach). The Military services “remain the single best source for coherent and integrated budgets within their respective domains,” (Chapter 3, “The CSIS Approach to Defense Reform,” p. 24). BG-N determined that it was therefore best to leave DoD’s basic allocation of resources untouched, while continuing efforts to coordinate the management of those resources to compensate for inter-Service problems, (p. 24). One of Goldwater-Nichol’s eight explicit objectives was to increase the efficiency of defense resources with respect to their use. The legislation failed, however, to provide the essential incentives for this reform, resulting in the continued emphasis on limited Service interests over joint perspectives regarding budgetary priorities, (“Introduction,” p. 16).

The BG-N working group identified a number of problems in DoD’s resource allocation process, which, it argues, must become more effective. The current process complicates defense leaders’ ability to make important trade-off decisions across mission areas. Strategic planning is only loosely connected to program decisions and budgeting, rendering DoD more than capable of allocating resources to programs, but unable to devote the attention necessary to ensure the proper execution of the program and policy implementation. At the same time, the working group recognized improvements to the resource allocation process made under Secretary Donald Rumsfeld, including building its strategic direction and the creation of joint capabilities, (“Executive Summary,” p. 8).

According to the report, more action is needed to see through the successful completion of those reforms implemented under Secretary Rumsfeld in 2003. To meet this task, BG-N poses three recommendations to enhance the effectiveness of resource allocation: (1) provide the tools and structure necessary for the Combatant Commands to have a stronger role in the resource allocation process, (2) found a robust Office of Program Analysis and Evaluation (“PA&E”) to provide the Secretary with independent analysis on the strategic choices facing DoD, and (3) the Secretary of Defense should establish an independent and continuous review of both policy implementation and execution under a new office within the OSD, (“Executive Summary,” p. 8-9).

Chapter Five in the report entitled “Toward a More Effective Resource Allocation Process,” is most relevant. The resource allocation process is extremely daunting and difficult. The authors reiterate that resources should be organized and managed along Service lines, which will require an intricate structure to guarantee that the Services follow the Secretary’s policies and create a collective, balanced defense program. In reality, however, this process is riddled with complications. As seen in the 2001 Quadrennial Defense Review (“QDR”), Defense Secretaries experience great difficulty when trying to make trade-off decisions. Furthermore, budgeting decisions are affected by factors other than strategy and planning, including a lack of order that plagues the resource allocation process causing continuous instability. The cost of DoD programs, for example, is at least 25% greater than the amount of funds available, (Chapter 5, p. 37).

The very organizational structure of the allocation process ensures that it is Service-centric. Services draw-up the first budgetary documents—Program Objective

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Memorandums (“POMs”), which are then submitted to the OSD. Budgets prepared by each service obviously reflect their individual priorities, detracting away from a joint approach. The chapter goes on to identify changes made to the process by Rumsfeld in 2003, including the creation of a two-year budget that would enable the Comptroller and the PA&E to conduct their respective program and budget reviews concurrently to provide the time necessary to evaluate whether DoD achieved its performance goals, (Chapter 5, p. 37-38). Another reform included the creation of the Joint Capabilities Integration and Development System, approved June 24, 2003, designed to “identify, assess and prioritize joint military capability needs,” establishing new institutions and documents necessary to carry out its function, (Chapter 5, p. 39).

Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era: *Phase Two Report*, Washington, DC: Center for Strategic and International Studies, July 2005.

The second phase of this report stresses the need for interagency cooperation extending beyond the Goldwater-Nichols’ sole focus on the Department of Defense and related BG-N Phase 1 recommendations. The report emphasizes that developments have occurred since the Goldwater-Nichols defense reforms and even the first phase BG-N report, which necessitate a wider view of the entire U.S. national security structure. Recommendations focus on strengthening interagency operations and making the government more agile and responsive to sudden, unpredictable challenges that are becoming the norm, (“Executive Summary,” p. 6).

Budgetary pressures and the emergence of new, lower-tech adversaries have created a decline in the number of major procurements. As a result, the difficulties of today’s acquisition system no longer involve managing an abundance of programs, but rather the effective oversight of those that remain, (“Executive Summary,” p. 10). Similar to the first phase of the report, Phase Two of BG-N promotes reestablishing strategic direction to acquisition. One of the report’s underlying interagency design principles states that “policy development must be connected to resource allocation and execution,” (Chapter 1, p. 21). Policy development alone is ineffective unless it leads to the creation of programs, the latter of which cannot successfully thrive without adequate resources. The study group therefore recommends that more robust oversight of policy from its initiation to completion be instated to ensure that resources are allocated along lines of priority and that programs are implemented as planned, (p. 21). In addition, under DoD design principles the group’s recommendations echo those of the Phase One report, that “resources should be organized, managed and budgeted largely along Service lines, but in those instances where joint capability needs are not being met with Service-centric processes, the Secretary must turn to joint process and entities for their realization,” (p. 22).

Chapter 2, “Creating a More Integrated and Effective National Security Apparatus,” directly addresses resource-related problems. The national security policies of the Cold War in large part are those still used today, each agency with its own strategies,

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capabilities, budgets, etc. (the budget process is still performed at the Cabinet agency level). The study found that it is critical to thus strengthen the links between policy, resource allocation, and execution among agencies. With respect to resource allocation, the challenge is to transform the administration's national security priorities into programs and budgets. This is difficult, however, because the budgets of agencies in large part still remain stovepiped. Furthermore, budgets are organized based on fiscal guidance from OMB and individual agency priorities, and rarely to common strategic priorities, (Chapter 2).

The national security priorities of today are almost always multi-agency in their policy development and execution. The process of examining budget priorities, however, still lacks a systematic method to analyze cross-agency trade-offs. "At its core, the problem has been insufficient coordination between defense and non-defense budgets, and across non-defense budgets, during their development within the executive branch," (Chapter 2). Still further, no one among the NSC or National Economic Council staffs has the responsibility of coordinating interagency resource allocation. Even OMB, the force behind the budget process, lacks the tools to develop, evaluate, and support "resource-intensive policy options," as it is primarily oriented toward dealing with the fiscal dimension of the overall budget. Currently, the budget cycle regulated by OMB is fixed, but its adaptation into a responsive process is necessary to be effective in today's dynamic security environment, (Chapter 2).

Chapter 7, "Reforming Defense Acquisition for the 21st Century," further details the principles outlined in the first chapter. It identifies the major problem of acquisition reform as the uneven rate at which it occurs, resulting in an acquisition process that is far too slow, expensive, and complex, in addition to a general lack of response to joint needs. Goldwater-Nichols reform focused on the mechanics of acquisition (how to more efficiently purchase acquisition systems). Today's environment, however, is vastly different than that of just two decades ago, marked by fast-changing and globalized technology. The strategic direction of acquisition must shift accordingly, toward solving how to leverage technology to meet future capabilities rather than constantly searching to purchase new systems. The BG-N study group believes it is critical to redesign the acquisition process that is currently putting immense strain on the budget, (Chapter 7, p. 88). Highly centralized oversight and conflicting guidance hinder acquisition efficiency. In order to exercise more flexibility to better confront the rising number and range of security threats, the acquisition process must be considerably less cumbersome, faster, and more agile in order to keep pace with technological change and asymmetric threats, (p. 91-93).

In order to restore strategic focus to acquisition, expedite the process, and increase accountability, the BG-N study group proposed three recommendations: (1) Elevate the Director of Defense Research and Engineering ("DDR&E") function to primacy in the office of the Undersecretary for Acquisition, Technology and Logistics to create the Undersecretary for Technology, Logistics and Acquisition Policy, with the DDR&E as Principal Deputy, (2) Restore the authority of the Service Chiefs over the execution of acquisition programs, and (3) Expand and rationalize the rapid acquisition processes, (p.

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95-97). These recommendations will enable DoD to focus on conflicts in the near-future and build capabilities against all potential adversaries while delivering the best technology to combatants with the greatest efficiency. (p. 98).

National Partnership for Reinventing Government (formerly the National Performance Review), 1993.

The National Performance Review, directed under Vice President Gore, was initiated by President Clinton on March 3, 1993. The six-month study produced a final report entitled “Creating a Government that Works Better and Costs Less.” The report contained over 300 major recommendations directed toward the more efficient function (a long-term process) of federal agencies and government systems including the budget process, (partially informed by: Vice President Al Gore, “Letter to the President,” 7 September 1993).

The report focuses on changes that must be made to the government so that it will be able to provide the maximum level of service to its consumers (American citizens) via a bottom up approach. The study calculated that the implementation of the report’s recommendations would produce a savings of \$108 billion over five years while simultaneously improving government performance by cutting away unnecessary red tape, (“Preface”). The report continues by saying that large, top-down, centralized bureaucracies are not suited to the information age, which have resulted in budget and performance deficits, lowering public confidence in the government. To reconcile these problems the study group identified four principles associated with government success: 1. “cutting red tape,” 2. “putting customers first,” 3. “empowering employees to get results,” and 4. “cutting back to basics: producing better government for less.” Of most interest to this working group are those recommendations for streamlining the budget that fall under the category of “cutting red tape,” (“Introduction”).

The main method identified to streamline the budget is to cut unnecessary spending by way of developing budgets based on outcomes, (“Introduction”). Layers of rules, regulations and oversight have constricted the government. OMB, for example, demonstrates how the government’s intention to support agencies has developed into full control; with more than 50 compliance, clearance, and review processes, the majority of which are repetitive and unnecessary, (Chapter One: “Cutting Red Tape”). The report concludes that six steps are required to cut back bureaucracy. The first, streamlining the budget process is meant “to remove the manifold restrictions that consume managers’ time and literally force them to waste money,” (Chapter One: “Cutting Red Tape”).

Resource allocation is an important process for all organizations as it determines the goals pursued, the amount of money available, as well as any stipulations regarding its use. The current budget process is inefficient and wasteful, requiring bureau and program managers to submit their budgets nearly three years in advance, thus making it difficult to predict priorities and exact costs. The budget system also fails to take

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advantage of useful and relevant information to plan or deliver actual programs by solely focusing on the monetary-side of the picture, (Chapter One: “Cutting Red Tape”).

To rationalize the budget system the report makes the following recommendations:

- The president should begin the budget process with an executive budget resolution, setting broad policy priorities and allocating funds by function for each agency.

This recommendation highlights the report’s failure to fully address interagency solutions by way of its separating the budget processes of each agency.

- Institute biennial budgets and appropriations.

The study group determined that annual budgets did require an enormous amount of time management that could better be spent on program evaluation and the development of longer-term plans.

The report makes reference to Congress’s request for DoD to submit a biennial budget for the fiscal year 1988 and 1989, a system that has continued.

“The 1990 Budget Enforcement Act and the 1993 Omnibus Budget Reconciliation Act set 5-year spending limits for discretionary spending and pay-as-you-go requirements for mandatory programs.” These acts provide good reason for a two-year budget system as a way to eliminate the need for the President or Congress to decide the total amount of discretionary spending each year.

- OMB, departments, and agencies will minimize budget restrictions such as appointments and allotments.

This recommendation would allow for managers to have spending flexibility, which is needed most right now. Unfortunately, very few of the report’s recommendations, including biennial budgets, were actually implemented.

This recommendation, however, is crucial for future reform. It should also permit interagency sharing of resources to optimize the government’s ability to readily adapt in the quickly changing world in which we live.

- OMB and agencies will stop the use of full-time equivalent (“FTE”) ceilings and rather control spending by managing and budgeting with operational costs ceilings.

- Minimize congressional restrictions such as line items, earmarks, and eliminate FTE floors.

- Allow agencies to roll over 50% of what they do not spend on internal operations during a fiscal year.

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This recommendation would reduce the end of the year rush to spend money, the majority of which is spent wastefully and without careful thought in order to prevent budget cut-backs the following fiscal year.

(Chapter One, Step One: “Streamlining the Budget Process”)

National Defense Panel. 1997. Transforming Defense: National Security in the 21st Century. Universal Resource Link located at:
<http://www.dtic.mil/ndp/FullDoc2.pdf>.

The panel’s report begins with the premise that the United States (as of 1997) is an unchallenged superpower that cannot afford to ignore potential future adversaries. As such, the panel recommends that the U.S. immediately undertake a transformation strategy that will prepare it to meet the security challenges that lay ahead (specifically 2010 to 2020). The report makes little reference to resources with respect to this transition, but those included are worth mentioning.

- Given increases in transnational threats, asymmetric adversaries, and the likelihood of an attack on the homeland, DoD will play a key role in the transformation. At the time the report was published, the majority of DoD’s resources supported the “unlikely” contingency that two major wars would occur at the same time, (p. ii). The panel sees this approach as siphoning too many resources toward a low-probability scenario that could be better put to use if redirected to reduce the level of risk in our long-term security, (“the panel believes priority must go to the future,” p. ii).
- With respect to force capabilities, the panel strongly urges reexamining the utility of current procurement systems designed to address future conflicts and peacetime military operations, while failing to support projected future developments, (p. iii).
- Reforming DoD’s support infrastructure is critical to executing an effective transformation strategy for 2010-2020—drastically cutting costs to invest in the future by making the infrastructure less bureaucratic and costly. To meet this goal and reform the support infrastructure, DoD must create a more effective, “business-like” approach to resource management. Specifically, the panel recommends that DoD continue its reform of the acquisition process as well as think of possible ways to revise the Planning, Programming, and Budgeting System (“PPBS”) to make it less cumbersome and more capable of change, (p. v, vi).
- DoD must continue to encourage innovation for the U.S. to maintain its place at the forefront of qualitative technology. To meet this goal, the military acquisition process must be proactive, rather than reactive. Furthermore, DoD must work with Congress to recover cost and profit by creating new rules emphasizing the development of technology rather than its large-scale production, (p. vi).

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- The panel estimates a cost of \$5 to \$10 billion annually to complete the transformation. If this defense funding is not available, the panel suggests the implementation of infrastructure and acquisition reform to provide the additional funding. A last resort would include reducing the Operations Tempo, terminating acquisition programs, and reducing force structure and strength, (p. vii).
- Finally, the panel stresses the importance of the interagency process to make the national security apparatus more effective and forward-looking. One of its recommendations toward the creation of a broad national security approach is to “streamline the transfer of funds within and among agencies,” (p. 67).

U.S. Commission on National Security/21st Century, *The Phase III Report: Road Map for National Security: Imperative for Change*, 15 February 2001.

The commission was chartered to review the processes of the U.S. national security apparatus (the most thorough review of its kind conducted since 1947), which were proving increasingly outdated following the Cold War, the onset of major developments in scientific and technological areas, the information revolution, and globalization. The final report of the three-phase commission found that significant changes needed to be made to U.S. national security structures and processes. The commission offered recommendations for change in five key areas, one of which in particular—“redesigning key institutions of the Executive Branch,” included a number of proposals with respect to resources, (“Executive Summary”).

First, however, the commission looked at ways to recapitalize strengths in science and education in the U.S. According to the report, unless the U.S. makes a conscious commitment, it will soon be surpassed in these two areas. The U.S. government continues to underfund basic scientific research and the education system, making it imperative that top officials acknowledge these two deficiencies for what they really are—threats to national security, (“Executive Summary,” p. ix).

With respect to institutional redesign, the commission recognizes that no major changes have been made in the Executive Branch since the end of the Cold War, creating “serious deficiencies,” (p. x). The Department of State (“State”), for example, desperately needs increased funding from Congress to better perform, but Congress is hesitant to authorize the allocation of more resources because of State’s inadequate performance—a self-perpetuating cycle, (p. x).

The intelligence community is also in need of a restructuring to reduce the strength of the military’s influence over the collection and analysis of intelligence, (p. x).

Finally, DoD has grown to an unwieldy size in terms of staff and staff activities, which has created an inefficient system bound by confusion and delay. Still further, DoD fails to outsource activities, resulting in the continuing loss of enormous sums of money. Money is also wasted on the programming and budgeting processes not being guided by

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strategic planning, as well as the weapon acquisition process, which is so entangled by bureaucratic oversight and regulations to the point innovation is stifled, (p. x).

9-11 Public Discourse Project, *Final Report on 9/11 Commission Recommendations*, 5 December 2005.

The 9/11 Commission recommended as part of its effort to bolster emergency preparedness and response, the allocation of homeland security funds based on risk. By December 2005, however, the Commission gave Congress an “F” with the possibility of achieving an “A” pending the House’s decision to pass the provision. Until then, homeland security funds would continue to be allocated without taking into consideration factors such as risk and vulnerability, (Part I: Homeland Security, Emergency Preparedness and Response).

The second related push by the 9/11 Commission as part of its effort to strengthen congressional and administrative reform was to declassify the overall intelligence budget. Congress also received a failing grade with respect to this recommendation. Without declassifying the intelligence budget, Congress is unable to conduct proper oversight of related programs included within the larger defense budget, as well as how intelligence funds are spent, (Part II: Reforming the Institutions of Government).

***Combating Terrorism: Interagency Framework and Agency Programs to Address the Overseas Threat*. Washington, DC: U.S. General Accountability Office, 2003.**

This report details the new national strategies created to enhance federal efforts to combat terrorism overseas. Previously, the NSC was the sole body responsible for managing the interagency framework needed to fight terrorism abroad. The new strategies have assigned critical roles and responsibilities to multiple federal agencies, increasing the number of mechanisms too coordinate both across agencies and overseas. The interagency framework guides counterterrorism efforts to: “1) detect and prevent terrorism, 2) disrupt and destroy terrorist organizations, and 3) respond to terrorist incidents,” (“results in brief,” p. 5).

The report describes the federal government’s role and resources for combating terrorism overseas, which are spread across multiple agencies and departments. One of these resources is the provision of necessary funding. Funding to combat terrorism, by its very nature, is difficult to identify. Since 1998, OMB has been required by law to report on these specific funds. Since 9/11, the funding of federal programs to fight terrorism abroad have increased, having grown from \$4.9 billion in fiscal year 2001 to \$11.4 billion requested for 2004 (an increase of 133%). DoD has spent an additional \$30 billion in 2002 on military operations to fight terrorism, (p. 30).

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An OMB report released in June 2002 was the first to differentiate between funds to combat terrorism domestically (homeland security) from those overseas. For the fiscal year 2004, 22% of the total \$52.74 billion budget was assigned to combat terrorism abroad (\$11.4 billion), and the remaining 78% (\$41.35 billion) for homeland security, (p. 31). (See Table 1: Fiscal Year 2004 President’s Request for Funding to Combat Terrorism Domestically and Overseas, p. 32). Funding for intelligence activities, even prior to 9/11, has also increased, reportedly having tripled between the fiscal years of 1990 and 1999, (p. 34).

Homeland Security: Challenges and Strategies in Addressing Short-and Long-Term National Needs. Washington, DC: U.S. General Accountability Office, 2001.

Following 9/11 the U.S. continues to confront the rapidly changing nature of post-Cold War security threats and the increasing danger and uncertainty they pose. The GAO writes that an effective framework to face these challenges will require strong leadership with the ability to coordinate a homeland security strategy and gather and direct the resources necessary to achieve this task, (p. 1-2). Furthermore, the GAO stresses the need to follow a risk management approach to best direct limited resources to the areas of greatest need. In the past, the U.S. has assumed large deficits when our security or economy has been at risk. In 2001 when this report was published, the U.S. was lucky to have some budgetary flexibility following the attacks on 9/11. Nonetheless, as long-term pressures on the budget continue to grow “the ultimate task of addressing today’s urgent needs without unduly exacerbating our long-range fiscal challenges has become much more difficult,” (p. 2). One of the three steps necessary to improve homeland security—prioritizing the application of resources—is crucial to managing the risks of terrorism, (p. 4). (See Figure 4: Composition of Federal Spending, p. 14).

Managing for Results: Barriers to Interagency Coordination. Washington, DC: U.S. General Accountability Office, 2000.

Nearly every task undertaken by the federal government requires the efforts of at least two or more agencies. In the past, GAO research has shown significant mission fragmentation and program overlap among these crosscutting program efforts, (p. 1). To improve coordination, the GAO identified and analyzed mission fragmentation and program overlap for 1998 and 1999, proposing that the Government Performance and Results Act of 1993 (“GPRA”) provide OMB, agencies, and Congress with a structured framework to better access and manage crosscutting programs, (p. 3). “The GPRA offers a structured and governmentwide framework for addressing crosscutting programs... that could be used by OMB, agencies, and Congress to better ensure that the programs are being effectively coordinated,” (p. 14). The information provided to Congress could help

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to improve performance levels and lower costs associated with crosscutting programs, (p. 15).

Preparing for the 21st Century: An Appraisal of U.S. Intelligence. Washington, DC: GPO, 1996.

The commission, chartered by Congress in October 1994, began operations on March 1, 1995 to conduct a comprehensive review of U.S. intelligence. The commission found that the U.S. needs to preserve a strong intelligence capability, but that there were still areas in which its performance could be improved. With respect to resources, the commission found that the process of resource allocation was significantly flawed, which called for an increased use of modern management practices, (“Executive Summary”).

The report continued, detailing the intelligence community’s need for a more effective budget structure and process. The Director of Central Intelligence (“DCI”), for example, was responsible for approving the national intelligence budget when 96% of these funds were a part of DoD’s overall budget. The commission also identified the great potential for waste and duplication. Programs within the DCI’s intelligence budget lacked a uniform organizing principle, which allowed for the rise of similar activities under different programs, further complicated by still more similar intelligence activities outside the DCI’s budget. The DCI simply did not have the staff support, procedures, and tools necessary to effectively exercise his budgetary responsibilities effectively. As such, the commission recommended the national intelligence budget be realigned through the creation of “discipline” managers. Each discipline manager would preside over a program grouping similar kinds of intelligence activities and report to the DCI. The discipline managers would also allocate funding within their respective disciplines to better coordinate intelligence spending as well as assess tradeoffs between programs or program elements, (Chapter 7).

Finally, the commission recommended actions aimed to reduce the cost of intelligence. First, the Intelligence Community (“IC”) must undergo the reforms to its budget structure and process outlined in the preceding paragraph before it can successfully recognize potential cost reductions. It is also possible that the IC has needs not funded in the projected program, particularly those related to research and development and exploring new technology. These needs will go without funding until the DCI and IC agency heads make a concerted effort to reduce operational costs to preserve the overall vitality of the IC, (Chapter 13).

IC21: The Intelligence Community in the 21st Century, (Staff Study) Permanent Select Committee on Intelligence, House of Representatives, One Hundred Fourth Congress. Washington, DC: GPO, April 1996.

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The House Permanent Select Committee on Intelligence (104th Congress, January 1995-1997) conducted a major review of the role, function, and structure of the IC. The committee found that the IC was in large part influenced by the Cold War, which resulted in the creation of products, practices, etc., some of which are still useful, but many that are outdated and no longer meet U.S. national security requirements. To resolve this tension, the committee proposed an overarching concept of “Corporateness.” In other words, make the IC more flexible and reduce overlap by promoting the close and integrated function of its agencies and employees to enhance the production of a final, shared product (the delivery of timely intelligence).

To facilitate the growth of a cooperate identity, the committee presented a legislative proposal to improve the IC’s organization and management. The IC budget is divided into three parts: the National Foreign Intelligence Program (“NFIP”) (now known as the National Intelligence Program), the Joint Military Intelligence Program, and the Tactical Intelligence and Related Activities. As a result, IC management has been unable to analyze activities, budgets, and programs across its community. “This organization may make the overall IC budget more manageable, but it also has the effect of atomizing it into areas that are treated as distinct and separate entities, rather than as parts of a larger whole, (Overview and Summary, Part V: “Findings and Recommendations”). Only the NFIP comes directly under the DCI’s authority, but even this does not function as a coherent whole (“corporate entity”), with individual program managers yielding a significant amount of power. Furthermore, as many NFIP organizations are part of DoD, the majority of its budget is included within that of DoD. The DCI can only exercise increased control of the NFIP with the cooperation of the Secretary of Defense. To enable the DCI to manage the IC as a corporate enterprise, the committee proposed to change Section 104(d) of the National Security Act of 1947 (the “1947 Act”) to give him the power to transfer limited sums of money between NFIP programs without the approval of the program managers (Overview and Summary, Part V).

BOOKS

Adams, Gordon, “National Security Resources,” in Carlucci, Frank, Robert E. Hunter and Zalmay Khalilzad, Taking Charge: A Bipartisan Report to the President-Elect on Foreign Policy and National Security (Santa Monica, CA: RAND, 2000).

The book arose from a series of panel discussions held to discuss the 2001 presidential transition and its critical timing with respect to America’s international role. Specifically, the panel examined the wide-range of challenges that would confront the U.S. abroad in the years following President George W. Bush’s inauguration and recommend actions the president could execute in the beginning of his term to help alleviate any rising problems, (“Preface”).

Gordon Adams crafted an appendix detailing the resource and budgetary options for international affairs and defense as they pertained to national security planning at the

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beginning of President Bush's first-term in 2001. Adams first makes three policy-level assumptions upon which resources priorities are formulated. These are: 1) the first Bush Administration will be forced to confront the challenges of global leadership, 2) it is critical the national security strategy emphasize synergy and coordination, and 3) resource planning should be informed by this synergy (with a focus on international affairs resources as well as on those for defense and intelligence), (p. 203).

Adams's primary concern is the lack of resources directed toward U.S. diplomatic efforts over the past 20 or so years, which has impeded the country's ability to act as a global leader—a position that can only be preserved with increased funding for international affairs. According to Adams, resources for international affairs have also been plagued by imbalance and poor management, both of which are in dire need of reversing, (p. 203).

According to Adams, foreign assistance and economic support funding are the two areas most noticeably affected by the decline in resources allocated to international affairs. Foreign relations programs are funded by resources in an ad hoc manner, by way of responding to a situation rather than proactively working under an established strategy to help prevent crises, (p. 205-206). "A first priority for the new administration will be to create a strategic vision that incorporates foreign affairs programs and budgets into national security purposes," (p. 206). The strategic vision designed would need to give priority to several key issues, the first of which involves directing additional resources toward embassies for security, construction, communications, training, and travel. These resources are urgently needed as diplomats and embassies overseas will increasingly become the targets of transnational threats directed against the U.S., (p. 206). The strategy should also take into account the effects of globalization as well as the long overdue restructuring of international programs related to health, environmental protection, technology, and peacekeeping to name a few, all of which require addition funding, (Adams provides cost estimates for all of these initiatives), (p. 207-208).

Although Adams is highly critical of the long-term neglect suffered by U.S. international relations, he does not propose decreasing the amount of resources for defense. Adams acknowledges that the U.S. military is strong and globally dominant, but he also recognizes that it faces a number of difficult resource issues. First, the funding needed to maintain a force at its current size, guarantee that it can act with a high degree of readiness, as well as modernize equipment, will cost far more than predicted defense budgets. For the fiscal years 2002 through 2010, for example, Adams estimates that spending will exceed budget projections anywhere from \$150 to \$340 billion, (p. 209-210). (Adams's estimate was devised prior to the war in Iraq, which dramatically increased defense spending). Second, while funds to ensure the quality of life for military professionals and their families have improved many areas including education and childcare, additional money will be needed. Even more importantly, healthcare spending, while significant, is failing to meet the needs of military families and is desperate for more resources, (p. 213-214). Adams suggests producing savings by consolidating DoD and service infrastructure to help off-set enormous impending defense costs, (p. 214).

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Best, Richard A., Jr. *Intelligence Issues for Congress*. Washington, DC: Congressional Research Service, 2005.

Best details the IC's need to adapt to the 21st century in addition to following key recommendations of the 9/11 Commission, particularly the authority given to the new Director of National Intelligence. A primary concern shared by both leaders within the IC and congressional committees is the disproportionate allocation of resources toward collection and analysis efforts. The amount of money invested in the collection of intelligence produces enormous quantities of data, in turn overwhelming the IC's analytical capabilities, ("Summary").

Best, Richard A., Jr. *Intelligence Community Reorganization: Potential Effects on DoD Intelligence Agencies*. Washington, DC: Congressional Research Service, 2004.

Prior to the signing of the Intelligence Reform and Terrorism Prevention Act of 2004, the DCI had the authority to set the priorities for collection and analysis for all national intelligence agencies, but had no control over their budgets with the exception of the CIA. Instead, all of the other intelligence agencies fell under DoD and the budgetary control of the Secretary of Defense. This provided the Secretary of Defense with the power to manage the majority of total intelligence resources, demonstrating the inefficiency of resource allocation within the IC (Best, p. 1-2).

Caraley, Demetrios. *The Politics of Military Unification*. New York: Columbia University Press, 1966.

The road to the final passage of the 1947 Act was a four year struggle plagued by a number of fits and starts. The Senate Armed Services Committee passed amendments to limit the Secretary of National Defense to the role envisioned by the Navy while protecting both naval aviation (keeping it separate from the Air Force), and the Marine Corps. With respect to resources, specifically, the Senate amendments sought to partially achieve these objectives by granting the service secretaries access to the Budget Bureau (in addition to their already-statutory right of access to the President). The Senate Armed Services Committee also preserved the Secretary of National Defense's authority over the military budget, but not without further stipulations making it mandatory that the annual budget submission to Congress include details on the amounts originally requested by each armed service as well as alternations made by the Secretary of National Defense. These conditions were designed to supplement the information Congress would receive

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about the final budget recommendations of the President and the Budget Bureau, (Caraley, 167-168).

The House Expenditure's version of the bill, H.R. 4214, nearly mirrored that of the Senate with a few important exceptions including the removal of the provision giving the Secretary of National Defense the authority to "formulate and finally determine the budget estimates for submittal to the Budget Bureau." Instead, the House sought to reduce his control over the budget by giving him the more-limited power needed to "take appropriate steps to eliminate unnecessary duplication or overlapping in the fields of procurement, supply, transportation, storage, health, and research." (Caraley, 178). On July 21, 1947, the Senate denied the House amendment to S.758, and requested a conference, (Caraley, 181). On July 24 the conference committee announced a new version of S.758 passed by the Senate, followed by the House on the next day. The new bill strongly reflected the House amendments to that of the original Senate bill with the exception of restoring the earlier provision passed by the Senate giving the Secretary of Defense the right to establish the military budget (Caraley, 181).

□ There were a number of factors including personal policy preferences (by those congressmen who identified with the armed services, for example) that influenced the creation of voting majorities during the conflict over unification. Among these preferences was a strong desire to exert congressional control of executive branch agencies to the maximum extent possible, (which resulted in many congressmen favoring the Navy Department's posture toward unification). The two primary ways through which this was possible was via the appropriations process or by way of statutory determination of the executive agencies' organizational structure. With respect to appropriations, Congress can make cuts in the President's budget as well as either adding programs or appropriating more money for them. These decisions, however, require information to be effective, including original budget estimates of the executive branch departments, which are usually withheld from Congress, (Caraley, 185, 189-190). This was the motivation behind the Senate's drive for a triple-column military budget that would show the amounts originally requested by the military departments, the Secretary of National Defense, and those recommended to Congress by the Budget Bureau and the President, to increase congressional control of the military services by providing the additional knowledge needed to propose alternative lines of appropriations action," (Caraley, 190-191).

□ Unlike the Senate, the House opposed the triple-column military budget. During the debate on H.R. 4214, the chairman of the Appropriations Committee voiced his strong disapproval for the Senate Armed Services Committee's budget provision, arguing that it was an unnecessary procedure when each military service would continue to have the ability to present programs and items immediately needed before the Appropriations Committee for consideration. The chairman also saw the provision as detrimental by way of encouraging the services "to make the maximum budgetary requests, since they would no longer fear Budget Bureau excision," (Caraley, 201-202). Both the ranking and minority members of the Expenditure Committee agreed that the Appropriations Committee had the most knowledge on the subject and decided not to oppose the

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amendment to remove the Senate’s “triple-column” from their version of the bill, (Caraley, 202).

Commission on the Organization of the Government for the Conduct of Foreign Policy, *Report*, Washington, DC: Government Printing Office, 1975.

The Commission on the Organization of the Government for the Conduct of Foreign Policy was authorized to “submit findings and recommendations to provide a more effective system for the formulation and implementation of the Nation’s foreign policy,” (p. ix). Chapter 11 specifically refers to budgeting as it pertains to foreign affairs. The commission recognized that the treatment and coordination of foreign policy resources has continued to pose a problem and identified those factors contributing to the decreasing effectiveness of its budget process. Most often, for example, the impact of the budget is considerably less visible compared to the importance of policy actions. Furthermore, the benefits of foreign affairs can be difficult to measure and policy to a large extent is determined by external developments, adding to the complexity of the annual budget process.

According to the commission, creating a unified, comprehensive budgetary approach will not, however, alleviate the difficulties associated with any of these factors. Instead, it recommends that the President appoint a foreign policy advisor (preferably the Deputy Secretary of State) to become more involved in the review of budget activities of foreign affairs and domestic agencies to oversee that programs reflect the President’s foreign policy objectives to the greatest degree possible. This would involve fostering closer relations between OMB and the NSC, the former becoming more involved in the foreign policymaking process and the latter in that of the budget. High-level staff at State would also regularly work with OMB and other agencies involved in the review of international programs, OMB in turn ensuring that State is more involved in budgetary decisions.

Finally, the commission urged that the Congressional appropriation and authorization processes be improved by way of simplification. The large number of Congressional Committees involved in these two processes can either strengthen or weaken the programming and analysis capabilities of the executive branch based on how they assess and deal with problems in their resource reviews. The commission recommends that the two foreign relations committees have the power to review and comment on the views and estimates of the Appropriations Committees to determine potential foreign policy implications. Ideally, the foreign relations committees should also have representation on both Budget Committees. Another consideration brought forth by the commission was the possibility of collapsing authorizations and appropriations into a single process under the purview of a set of House-Senate “Program” Committees, (Chapter 11, p. 151-159).

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Destler, I. M. *Presidents, Bureaucrats and Foreign Policy: The Politics of Organization*. Princeton, NJ: Princeton University Press, 1972.

The book explores the problem of organizing the government for foreign policy. Specifically, it examines the reality that the vision of the president and other top-level officials is not always carried out by the bureaucrats working for them. There is little information on resources with the exception of a recommendation made in chapter seven, “Formal Approaches to Coherent Foreign Policy,” which looks at different approaches to increase the influence government leaders have over lower-level decisions.

Destler considers the development of a comprehensive programming system to bolster top-level foreign policy. In theory, programming would link the allocation of budgetary and personnel resources “to a sophisticated system of analysis which relates overseas programs to specific foreign policy objectives,” (Destler, p.202-203). This process assumes that there are always some decisions in foreign affairs that must be made in advance in order for them to proceed successfully (allocating funds, recruiting and training personnel, etc.). The question Destler seeks to answer is how well and under whose authority this planning would occur.

Destler notes that the idea of foreign affairs programming originated with McNamara’s PPBS for defense. By the early 1970s, U.S. activities with respect to specific countries had become a principle focus for the purpose of altering the allocation of resources among foreign U.S.-sponsored programs to optimize their effectiveness. The State Department’s Comprehensive Country Programming System, implemented by Deputy Under Secretary William Crockett (1961-1962), was the most concerted and prolonged attempt toward this approach, which was viewed with skepticism by others at State. All of Crockett’s progress, however, was overcome during the fall of 1965 when the Budget Bureau established a government-wide PPB system (compared to McNamara’s, which was limited to defense), eliminating the need for an independent program at State by way of requiring individual agency programming efforts to be fed directly to the BoB.

Programming is not an automatic solution to the lack of coherence in foreign affairs, but it can be “looked on as a means to bring greater coherence to a large area of foreign affairs government activities of considerable importance and impact—aid, information, military assistance...,” (Destler, p. 204). Each stage of programming is marred by difficulties—resource allocation, for example, inevitably becomes a political process ultimately beyond the control of programming. However, programming is not completely futile, in fact far from it. The better the analysis of the effects of resource uses, the more influence it will yield.

Programming has a lot of potential to guide key foreign policy decisions back into the hands of the president. However, OMB conducts the major review of the foreign affairs budgets as opposed to the leaders in the upper echelon of State. “This suggests that the critical question is not the means, programming, but the end, stronger influence on resource allocation be central foreign policy officials,” (Destler, p. 206). If a State-

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centered programming system is to operate effectively, State's policy officials must exercise a major role in executive branch budgeting pertaining to overseas programs. More important, a programming system could lend legitimacy to the budgetary decisions of top officials by making them seem less subject to personal and political bias and more informed by analysis and evaluation, (Destler, p. 202-207).

**Falk, Stanley L., and Theodore W. Bauer. *The National Security Structure*.
Washington, DC: Industrial College of the Armed Forces, 1972.**

The book examines the challenge of maintaining national security without sacrificing individual freedom and institutions, the success of which depends upon continuing a system of political checks and balances, (Falk, p. iii).

Looking specifically at the president and the presidency, the author draws upon an analogy of two concentric circles. In the inner circle lays the White House Office, in the outer all other Executive agencies. Where two rings overlap represents the close association a particular executive agency takes on with the President, a role usually assumed by the White House Office. OMB is one agency that shares such a relationship with the President, with the potential to exercise significant influence on Presidential policy and decisionmaking, (Falk, p. 21-22).

Under Nixon, OMB was established on July 1, 1970, which gave even more power to the already powerful Bureau of the Budget. The President's annual budget is shaped by his national policy priorities and "provides an effective means of discipline in the national security process," (Falk, p. 22). OMB also acts as the President's primary management tool and as such carries an "important role in overseeing and improving the administration of national security matters," (Falk, 23).

With respect to Congress, Falk emphasizes its role in national security affairs—that is its responsibility to either confirm or reject funding requested in the name of securing the Nation by way of authorizing expenditures and then appropriating the funds. The "power of the purse" is common in all democracies as the means through which to exercise legislative control of the administration. "But the American Congress, by virtue of its extensive budgetary review process, provides the outstanding example of legislative use of financial authority to limit executive policies, programs, and operations," (Falk, p. 84). However, few defense programs require a yearly authorization and with Congress's tendency to focus more on personnel policy and stateside military matters, its reductions in the defense budget up until the early 1970s (the book was published in 1972) have been few and rarely significant. In fact, until opposition to the Vietnam War began to rise, Congressional appropriations for defense typically exceeded the administrations' requests (a trend seen in every administration since World War II), (Falk, p. 85). Congress has no authority to force the executive to spend these extra funds, but it can persuade an unwilling President to spend the money by bringing basic national security

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problems to the attention of the American public, (Falk, p. 87). The author proceeded to describe the multiple ways through which legislative control of expenditures can be obtained.

Finally, during the 1960s into the 1970s, the amount of financial and material resources allocated toward national intelligence increased rapidly. With new technological developments, for example, the collection of data reached unprecedented heights. Critics in Congress and the public quickly raised concern about the escalating costs—if they were justified, whether they produced reliable and useful information, etc., after earlier intelligence failures such as the Bay of Pigs. Security restrictions on paperwork, operations, and transactions presented the primary obstacle for determining the intelligence community’s effective use of the resources, (Falk, p. 130-132, 135).

Flournoy, Michele A. and Shawn W. Brimley, “Strategic Planning for U.S. National Security: A Project Solarium for the 21st Century,” The Princeton Project Papers, final report released 27 September 2006.

The authors note the absence of an effective strategic planning process for national security that has forced the U.S. to assume a reactive posture, and argue that the creation of such a process will entail three essential elements:

- “1. A quadrennial national security review that would identify U.S. national security objectives and priorities and develop a national security strategy and implementing guidance for achieving them;
2. An interagency process that would regularly assess the threats, challenges, and opportunities posed by the international security environment and inform the decisions of senior leaders;
3. A resource allocation process that would ensure agency budgets reflect not only the president’s fiscal guidance, but also his or her national security priorities.”

With respect to the third element:

Currently, there is no incentive for the U.S. government to engage in strategic, long-range national security planning, nor is it capable of so doing. The budgeting processes of today are too inadequate to guarantee that agencies allocate resources along national security policy priorities. Rather, agencies prepare their own budgets in stovepipes (a relic of the Cold War), which are then aligned under the guidance of OMB and the priorities of each individual agency. Without a uniform budget process it is next to impossible to evaluate the degree to which the priorities of individual agencies are in line with the president’s top objectives. Furthermore, there is no position within the executive branch with the role of coordinating resources across national security agencies—no member of the NSC has the power to work with OMB and direct the budget toward the achievement of national security priorities.

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According to the authors, it is essential that the budget review process be strengthened for high-priority mission areas that entail resource allocation across multiple agencies. Together the NSC and OMB could implement methodical reviews to minimize the gaps, overlap, and misalignment of resources. The NSC would act under the president's policy guidance and OMB his fiscal guidance, to more effectively allocate resources that reflect presidential priorities.

Lewis, Leslie, Roger Allen Brown, and John Y. Schrader. *Top to Bottom and End to End: Improving the National Security Agency's Strategic Decision Processes*. Santa Monica, CA: Rand Corporation, 2005.

The National Security Agency (“NSA”) is a DoD agency, with additional responsibilities to the IC that necessitate it report to both DoD and the DCI with respect to resources and mission performance. Consequently, the NSA must submit its plans and resource allocation decisions through both POMs and the IC Intelligence Program Objective Memorandum (“IPOM”).

In 2002, the Director of the NSA (“DIRNSA”) decided that the NSA was in need of an end-to-end corporate strategic decision-making process to provide both DoD and the IC with information on the agency's short, mid, and long-term missions with regard to planning and resources. The strategic decision-making process had to be “top-down,” to the extent it be informed by national security goals and the external guidance of the Secretary of Defense and the DCI, modified to specific NSA objectives. It also needed to be “bottom-up,” to ensure that decision-making was additionally informed by internal mission organizations and related support activities, (Lewis, “Summary”).

In response, the Corporate Review Group (“CRG”) was established in 2002 as the base of the NSA's strategic decision process. Led by the DIRNSA, the CRG convenes senior managers to review and discuss those issues identified as having the most affect on the agency's mission and transformation. In sum, the CRG is an advisory board that provides sufficient information to enable the DIRNSA and his deputy to make educated decisions. As the sole oversight board of the agency, its mission is: “to better integrate, synchronize, and prioritize strategic and business planning, requirements, programming, acquisition, and fiscal operations at the corporate level of the Agency while providing our [NSA's] external stakeholders, users, partners, and customers visibility in the process,” (Lewis, p.7-8). The CRG is supported by a set of five integrated processes—strategy and planning, capability needs, programming and budgeting, execution, and performance—all of which act to provide the group with quality information. This set of processes was created to be both reactive to those working in DoD and the IC as well as customized to reflect the NSA's activities and culture. The strategic decision-making processes of the NSA, for example, are both hierarchical and interactive with information sharing across a set of working groups to inform every phase of the process. Each working group performs functions both specific to its area and interconnected , ensuring that the process is top-down and bottom-up to guarantee performance assessment and the raising of issues

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for discussion to reveal options developed at each phase of the process, (Lewis, “Summary”).

The Office of Chief of Planning, Capabilities, and Performance (“DC4”), established by the DIRNSA to manage the corporate processes and the CRG, acts as the supporting office of the latter by providing objective analysis and developing options for review and decision by the senior leadership all the while maintaining an audit trail. The DC4 was also directed to implement a corporate capabilities (formerly referred to as “requirements”) process, in response to congressional concerns. The corporate capability generation process is intended to recognize critical capability gaps within the NSA that could affect its ability to perform its mission, (Lewis, “Summary”).

These activities followed a period between 1999 and 2002 during which the NSA unsuccessfully attempted to develop and implement multiple strategic and business plans. In order to contour the process to the NSA’s structure, DC4 used the existing strategic and business plans to create a process for FYs 2003 and 2004 to inform the development of the FYs 2006-2011 POM and the IPOM. In sum, since 2002, the NSA has made many improvements and changes to develop and put into operation a strong and responsive corporate strategic decision processes, (Lewis, “Summary”). Key to furthering this process was the creation of the CRG and DC4, improving oversight by adapting existing organizations and structures while limiting disruption to current NSA structures, (Lewis, p.1).

□ Critical to the development and implementation of the end-to-end management architecture and its supporting corporate decision process, the leadership of the NSA must have the ability to trace the direct and indirect costs of all the agency’s activities. Accordingly, the DIRNSA and his deputy argued for a single budget structure. The project group tasked to research a consistent budget structure concluded that a common five-level budget structure, approved by the DIRNSA in August 2003, was best to connect enterprise strategy to capabilities and resources, (Lewis, “Summary”).

□ One of the five processes supporting the CRG is that of corporate programming and budgeting. “The NSA’s programming and budgeting process was designed to use both the corporate planning process and the Corporate Capabilities Generation Process (“CCGP”) to build a set of programs based on strategic priorities and validated requirements that would ultimately become the NSA budget and its justification. The intent of the new process was to ensure that resources were allocated to executable programs in a balanced way to maximize the capabilities of the NSA for current operations while making the necessary investments to provide transformational future capabilities. The resources involved are both dollars and people,” (Lewis, p.86). Previously, budgets submitted were adapted into programs meeting the requirements of the Pentagon and the Intelligence Community, resulting in the POM and IPOM. The programming activities may have been “by the book,” but they failed to be a part of an integrated process of corporate planning, programming, and budgeting, (Lewis, p.86).

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□ Time and breadth are the two most important features of the NSA's corporate programming process, the program developed for each year six years into the future, in addition to being treated as part of the larger integrated set of activities, opposed to individual stovepipes. "In the past, anticipated resources were allocated to business units...and each unit would develop programs using allocated funds and would argue with the NSA leadership for additional funds to meet shortfalls and to provide additional capabilities. This resulted in piecemeal decisions to take resources from one unit and reallocate them to another in a process that appeared arbitrary. A new, truly corporate process would need to bring together the affected parties to review their program plan in front of other claimants in a structured and repeatable process. Major decisions would be referred to the senior leadership in the CRG for resolution after supporting analysis had been conducted in the programming process," (Lewis, p.87).

□ One important new feature of the corporate programming process was the creation of the DIRNSA's "withhold of resources," to be applied to programs either needing extra attention to solve long-standing problems or to finance new initiatives supporting corporate priorities. "Each expenditure center was allocated a funding total for its entire program based on the previous programming and budget cycle. However, the amount anticipated was reduced by 2 percent for two reasons. First, it caused a more critical initial review and prioritization because the total allocation would not cover all planned activities. Second, this equally applied 'tax' provided a mechanism for the DIRNSA and the senior leadership to immediately address the highest corporate priority shortfalls. In the past, anticipated resources were allocated to the business unit for their own prioritization and, in the endgame, the DIRNSA could review their allocations but had no resources to apply to solve problems without 'taxing' individuals units. Clearly, this old process resulted in severe underfunding of institutional requirements (infrastructure, security, personnel development)," (Lewis, p.90). "Throughout the process, the PWG maintained a continuously updated list of prioritized unfunded capabilities. Because of the frequent interactions between the PWG and the CRG, early action could be taken to apply additional funds in the most critical areas," (Lewis, p.90).

□ The need for a corporate financial management system was also realized, each business unit currently stovepiped with its own financing methods and data. "In particular, the SID and IAD processes needed to be integrated with a goal of reducing the total workload while ensuring corporate visibility for major trade-offs. Both SID and IAD already generated much of the information needed to support the PWG, and ultimately the CRG, but barriers to sharing information needed to be broken down," (Lewis, p.91).

Light, Paul C. *The Tides of Reform: Making Government Work, 1945-1995*. New Haven, CT: Yale University Press, 1997.

Light's thesis is that there is too much management reform in government. Years and years of legislation most prominently associated with four "tides" (philosophies) of

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reform have created a large, centralized bureaucracy. These tides are: 1) scientific management (tight hierarchy, clear chains of command), 2) war on waste (increased use of inspectors, auditors, etc.), 3) watchful eye (a trend toward openness), and 4) liberation management (a move to let managers manage), (Light, p. 1). The goals of each of these four philosophies are efficiency, economy, fairness, and performance, respectively, (Light, p. 2). From 1945 to 1995, the author observes that these tides have come and gone in accordance with political and budgetary change, the position of Congress, and that of the president. More recently, he notes, a decrease in public confidence in the government has led more toward liberation management, (Light, p. 88). Highly concentrated periods of reform, or “hurricanes” (there have been seven according to the author during the 50-year period examined), represent surges in legislative activity, (Light, p. 90).

With respect to resources, the author makes reference to some key pieces of budgetary legislation. Since the Taft Commission on Economy and Efficiency in 1910, the author argues that economy, not efficiency, has always been the primary goal of federal management reform—that is to minimize and or prevent fraud and waste or implement budget cuts (part of the war on waste philosophy, (Light, p. 26).

- The *Budget and Accounting Act* of 1921 was a significant piece of legislation in line with the scientific reform philosophy, proclaiming “that a budget system would lower the costs of government or at least keep them from rising as quickly; it would thus keep taxes down, prevent deficits, and lower public debt,” (Light, p. 27).

- The war on waste philosophy focuses primarily on compliance with accounting regulations used by government auditors and investigators to detect monetary fraud, waste, and abuse. Ironically, Light states, the rise of the war on waste as its own separate tide of reform was born from the *Budget and Accounting Procedures Act* (PL 81-784) of 1950 (the “Act”), a critical piece of scientific management legislation. With the passage of the Act, the increasingly liberal Congress gave up its role of auditing the daily activities of the executive branch. In so doing, Congress could use the 12,000 employees at the General Accounting Office, once responsible for the audits, for other purposes. Also inline with the recommendations of the Hoover Commission, the Act supported “performance budgeting” (not like that of today), which made it the president’s responsibility to track the expenditure process from appropriations to the final audit, (Light, p. 27). By passing the Act, Congress put a stop to its receipt of detailed information it once used to track the executive branch. With this the war on waste came to fruition, as Congress passed a flurry of statutes reconfirming Congress’s need to know, (Light, p. 28). The Act was amended in 1956, *Government Budget and Accounting Procedure* (PL84-863), (Light, p. 244).

- The 1974 *Congressional Budget and Impoundment Act* (PL 93-3344) (the “1974 Act”) put in place a new budget process and founded the Congressional Budget Office, drawing power toward Congress and away from the presidency. It had little to no impact, however, on the cost and role of government, nor the access by interest groups and the public, (Light, p. 13). The 1974 Act was passed in partial response of the creation of

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OMB in 1970, replacing the BoB. Congress was worried by the degree to which OMB would increase the politicization of the budget process and further centralize power, (Light, p. 99). President Nixon entered his second term determined to continue the consolidation until the Watergate investigation put a quick halt to his plans. What followed was a particularly active year of legislation, thirteen management initiatives passed in 1974 alone, including the *Congressional Budget and Impoundment Act*, (Light, p. 101).

- Of the 141 federal reform statutes passed between 1945 and 1994, only three reduced government morale. The second was the 1981 *Omnibus Budget Reconciliation Act* (PL 97-255) (the “1981 Act”), “which involved some of the most hostile rhetoric toward government and its employees” in the 50 year period examined in the book, the 1981 Act cut and eliminated a wide array of federal government programs, (Light, p. 191, 249).
- Of the 141 federal reform statutes examined, 107 facilitated a shift in power from one institution (Congress or the presidency) to another. Looking specifically at budget/financial management targets of reform, 75% shifted power toward the presidency, 25% toward Congress, (Light, p. 209).

Miller, Paul David, “The Interagency Process: Engaging America’s Full National Security Capabilities,” Institute for Foreign Policy Analysis, National Security Paper No. 11, 1993.

Miller assesses the contributions the military can make in our current multi-agency structure to help confront new and increasingly numerous security challenges. The weakest points are those between agencies, “the threat to effectual policy and, especially, effective execution, lies at the boundaries between agencies, where cohesion is least and bureaucratic conflict greatest,” (Miller, p.v). Furthermore, there is a great need for the interagency process to develop methods to identify and engage “the full range of core competencies available from organizations perhaps not traditionally viewed as participants [in the interagency process]—including both the private sector and the armed forces” in order to effectively deal with today’s problems, (Miller, p.5).

□ “Current and projected downsizing of executive departments foreshadows more frequent (and more complex) multi-agency efforts. Achieving national goals both abroad and at home will increasingly depend on putting together the necessary critical mass of resources and capabilities from throughout the government. The requirement we face, therefore, is to select the capabilities and training levels needed to implement policy successfully and efficiently,” (Miller, 6).

□ With regards to the armed services in particular (but also applicable to the larger national security framework), multi-agency cooperation will support an improved use of available resources across the government while maximizing economies of scale. Based on past experiences of success and failure, the national security community should be

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able to execute interagency cooperation for those issues that transcend across departments or agencies as critical challenges begin to arise in order to save time, money and effort, (Miller, p.7).

□ The national counter-drug program is one of the largest multi-agency efforts in the U.S. government. Currently, however, an overarching structure does not exist with much of the counter-drug effort working in spite of the organizational structure rather than because of it. More effectively combining resources and personnel would have many benefits that “could reduce duplication and facilitate greater cooperation in providing the tactical intelligence required to accomplish the counterdrug mission,” (Miller, 24).

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Adams, Gordon, “The Politics of National Security Budgets,” Policy Analysis Brief (Washington, DC: The Stanley Foundation, February 2007).

Adams explores the 45-year imbalance between the military and civilian instruments of statecraft and its negative effects on U.S. national security interests. The importance of the military tool in the national security toolkit cannot be denied, but it is best used when in coordination with other tools including diplomacy and economics. With the onset of the Cold War, State slowly fell from its position of prominence as the U.S. developed a permanent military establishment in DoD, (p. 1). With time, DoD rose to become the most powerful agency in national security policy, replacing State. As military forces continued to grow, the defense budget increased and decision making within DoD became evermore centralized during which “strategic long-term planning became a standard part of DoD operations,” (p. 2). Simultaneously, funding for State and the U.S. foreign policy institutions declined as DoD continued to pursue traditional State functions. Yet the U.S. struggles to execute global leadership in the ever-expanding area of national security, its reputation questioned overseas for what is perceived as a preference for unilaterally using the military tool. “Clearly, US military forces should not be the lead instrument for grappling with the major challenges the nation faces or for winning back that good will. While military force and operations can play an important role, diplomacy and economic tools need to be in the forefront of the effort to ensure US security, global stability, and good will. Yet these tools remain both underfunded and, as a result, inadequate to the mission,” (p. 2).

According to Adams, DoD has seven advantages over the civilian foreign policy apparatus. These advantages reflect the imbalance within the national security toolkit seen in the allocation of resources favoring DoD, (p. 2).

- **Advantage One: Institutional and Structural Coherence**

Post-WWII a number of organizations and programs were created to carry out specific diplomatic missions. To this day there is no coordination, planning or coherent budgeting across these programs, which have also muddied the once clear lines of responsibilities of State and the foreign assistance community, (p. 3-

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- 4). DoD, however, is more uniformly represented in national security policy, a shift that occurred under Secretary of Defense Robert McNamara with the creation of PPBS, which gave DoD a single voice with which to speak, (4-5).
- **Advantage Two: The “Micro-Politics” of National Security**
DoD, the military services, and their related institutions have a local-level presence unknown to foreign affairs agencies, which provides the latter with an automatic constituency in favor of defense spending, (p. 5).
 - **Advantage Three: Measuring Outputs and Outcomes**
Unlike DoD, foreign affairs agencies cannot document the effectiveness of their work. Even that which is tangible, such as treaties, often take years to negotiate. “Whether it is in terms of outputs or outcomes, foreign affairs agencies face difficulties in demonstrating the link between budgetary investments and results,” (p. 8-9).
 - **Advantage Four: Organizational Culture, Training, and Focus**
In general, the defense culture is more hierarchical and disciplined than that of foreign affairs. “...the military culture of discipline, hierarchy, and responsiveness to orders serves the defense community well in the competition for budgetary resources,” (p. 9). Unlike the defense culture, that of State and related agencies places very little emphasis on the policy and political processes of the U.S. “The result is that State is not a strong agency in terms of strategic and budgetary planning, interagency operations, program management, or congressional relations, all of which are strong suits in the Defense Department,” (p. 10).
 - **Advantage Five: Planning Culture and Processes**
The strategic and budgetary planning structures of the defense and foreign affairs communities are markedly different. “The structured PPBES process has been essential to the Defense Department’s ability to persuade Congress to amply underwrite its budgets,” compared to “the absence of a long-term strategic planning process in the foreign affairs world [which] has undermined any effort to boost resources for diplomacy and foreign assistance,” (p. 10).
 - **Advantage Six: White House Treatment of the Defense and Foreign Affairs Budgets**
The White House treats defense and foreign affairs budgets differently to the disadvantage of the latter. Defense budgets are more integrated than those for foreign affairs in addition to receiving an earlier and more intense examination through OMB. In contrast, there is no vehicle to integrate foreign affairs-related budget requests and OMB’s treatment of this process is far less intrusive than it is for defense, (p. 12).
 - **Advantage Seven: Congressional Treatment of Defense and Foreign Affairs Budgets**
Congress treats the defense and foreign affairs budgets differently. After the budget requests pass through the House and Senate Budget Committees, the

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authorizing committees differ in their management of the two parts of the national security budget. The dominant Armed Services Committees give more attention to defense budget requests compared to those committees responsible for authorizing the foreign affairs budget. Next at the appropriations level, the defense budget is typically approved by a “unified set of strong committees, while foreign affairs jurisdiction remains divided,” (p. 13).

Adams concludes: “With the relatively modest resources the United States has committed to diplomacy and foreign assistance, and the major expansion of its military capabilities, the United States has a deficient and poorly integrated toolkit,” (p. 14). The result has left the military responsible for diplomatic and various foreign assistance activities for which it is often ill-suited.

Adams suggests steps that should be taken to support the interagency process and fund all tools appropriately. They are as follows:

- “Giving the set of tools a common framework of an integrated national security strategy and a program and budget guidance devised with integration in mind,” (p. 14).
- “Integrating more closely the practitioners of the different arts of national security,” (p. 15).
- “Greater coherence and integration within diplomatic and foreign assistance strategy and budget planning, increased focus on the long term, and detailed evaluation of the outcomes of these activities and programs,” (p. 15).
- “Stronger emphasis on program planning, budgeting, and management in the organizational culture of the Foreign Service,” (p. 15).
- “Reform of congressional structures and processes for dealing with national security resource allocation,” (p. 15).

TESTIMONIES

Adams, Gordon, Congressional Testimony before the Senate Budget Committee, 6 February 2007 (in *Congressional Quarterly*).

Adams speaks of the increasing costs of the military operations in Iraq and Afghanistan as well the Global War on Terror (“GWOT”). Spending for the GWOT, for example, constitutes a quickly growing portion of defense spending and the budget overall. The administration’s budget proposal for FY 2008 (including emergency funding for GWOT) would bring the year’s defense budget to an unprecedented level of \$623 billion. Adams breaks his testimony down into two parts. The first addresses the emergency supplemental funds’ impact on the integrity of the defense budget process, and the second the ever-decreasing international affairs budget and the extent to which DoD programs are taking over in areas historically under the purview of State.

For the past eight budgets, DoD has requested emergency supplemental funding outside the regular defense budget for the GWOT. This funding has risen to become

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approximately a quarter of all resources provided to DoD so that, in essence, DoD has been executing two budget processes (one for the regular defense budget, the other for the GWOT). This prolonged practice has had a negative impact on the integrity of DoD's defense planning and budget process. Unlike normal DoD budget planning, emergency and supplemental requests for funding are not processed through PPBES, meaning that they are not held subject to the same level of scrutiny. As such, "there has been a tendency in the Department to seek, through emergency supplemental funding, programs that do not meet the reasonable test for a war-related emergency." Congress must therefore be more alert and analyze DoD's justification for emergency funding with great attention to detail in order to separate items included within GWOT requests that are not directly related to the war effort.

Adams also observes that Congress has recently focused more on the defense part of the national security budget than that of international affairs, dedicating more attention to defense spending in Iraq than funding for foreign and security assistance. Adams believes "that we typically tend to translate national security issues into 'defense' issues, and tend to rely on the military tool of statecraft rather more than we do on our diplomatic and foreign assistance tools." The U.S. military undoubtedly has an important role in Iraq with respect to near-term security, but that of the long-run will depend on U.S. diplomacy, security training for Iraqis, and reconstruction. The vast number of resources devoted to Iraqi stabilization and reconstruction both by the U.S. and the international community (by the winter of 2007 already twice U.S. projected costs) has produced disappointing results. Further complicating this issue is DoD's increasing provision of U.S. foreign and security assistance, historically dealt with through State. The risks of this trend include what Adams terms the "snowball effect"—that as the government asks more of DoD, the latter becomes increasingly responsible for U.S. relationships abroad, reducing the credibility of State and USAID. Second, the more the military is expected to carry out non-military missions, the more they are distracted from their primary job of warfighting. Lastly, the military's growing role in international engagement could create a backlash against U.S. policies and presence abroad, possibly decreasing U.S. security.